

**DETERMINANTS INFLUENCING LOAN REPAYMENT OF GOVERNMENT  
FUNDING ON PERFORMANCE OF YOUTH GROUPS, A CASE OF YOUTH FUND  
COUNTY GOVERNMENT OF KWALE, KENYA**

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ADMINISTRATION OF TO THE SCHOOL OF BUSINESS AND ECONOMICS  
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## **DECLARATION AND APPROVAL**

I certify that this proposal represents my original research and has never before been submitted to a school for consideration of an academic honor. I also acknowledge that this work fully acknowledges opinions, ideas, and contributions from the work of others.

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**18<sup>th</sup> June 2024**

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## **DEDICATION**

This research project report is dedicated to my parents, Beatrice Kerubo and Jared Omwenga for their unwavering love and moral support.



## ACKNOWLEDGMENT

Firstly, I want to give thanks and appreciation to God Almighty for his blessings that enabled me successfully complete my research.

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## ABSTRACT

The County Government of Kwale established the Youth Fund with the aim of empowering its young population. Nevertheless, achieving this goal has been hindered by the occurrence of a significant default rate, leading corporations to incur losses by reducing the value of these debts from their revolving funds. The purpose of this study was to evaluate the impact of loan amount on the repayment of government funds provided to youth organizations in Kwale County Fund Kenya, objectives were to assess the impact of existing legislation on the repayment of government funds by youth organizations in the Kwale County Government. Examine how the borrowing process affects the repayment of government funding by youth organizations in the Kwale County Youth Fund. To determine the influence of group leadership on the repayment of government funding by youth organizations in the Kwale County Youth Fund. The study was grounded in empowerment theory, group funding theory, and joint liability theory. The study employed a descriptive survey methodology and focused on 860 young individuals from 60 distinct groups in several sub-counties under Kwale's county administration. A sample of 270 participants was chosen using stratified and simple random selection methods. The sole instrument for collecting primary data in this study was questionnaire. Data analysis was conducted using the Statistical Package for Social Sciences version 2.0. The data was presented using the measures of central tendency, specifically the mean, and the measure of dispersion, specifically the standard deviation. The data was displayed using frequency tables, histograms, pie charts, graphs, and percentages. Additionally, a univariate analysis was performed. Regression analysis was employed to utilize. Based on the findings the study concluded that the study indicates that was a moderate positive and statistically significant correlation between amount borrowed and performance of youth fund in Kwale county, Kenya ( $r = 0.531$ ;  $p < 0.05$ ). The study indicates that there was a moderate positive and statistically significant correlation between Kwale County Government Act and performance of youth fund ( $r = 0.591$ ;  $p < 0.05$ ). The study indicates that there was a moderate positive and statistically significant correlation between borrowing procedure and performance of youth fund ( $r = 0.589$ ;  $p < 0.05$ ). The study indicates that there was a moderate positive and statistically significant correlation between group leadership and performance of youth fund ( $r = 0.690$ ;  $p < 0.05$ ). Based on the findings of the study, the researcher recommended that amount borrowed by youth groups should be should be equal to Loan granted, grace period provided ought to be extended and loan interest should be determined by a borrower's or a group's capacity. The loan laws should be accommodative and borrowing procedure should be clear, motivating and efficient. The group leaders should possess leadership abilities and should be aware of the repercussions of loan default to enhance loan repayment and performance of youth fund in Kwale County, Kenya. This study suggests that future studies should be done to establish challenges facing accessibility of youth funds in Kwale county government in Kenya.

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## LIST OF ABBREVIATIONS AND ACRONYMS

KIPPRA:	Kenya Institute for Public Policy Research and Analysis
KNBS:	Kenya National Bureau of Statistics
MFIs:	Microfinance Institutions
OLS	Ordinary Least Square
SACCO:	Savings and Credit Cooperative Organization
SPSS:	Statistical Package for Social Sciences
UNDP:	United Nations Development Program
UNOPS:	United Nations Office for Project Services
WBG:	World Bank Group

## **CHAPTER ONE: INTRODUCTION**

### **1.1. Background of the Study**

In order to support small and medium-sized businesses and promote economic growth, governments have remained committed to enhancing the access of vulnerable populations to credit. It is crucial to adopt simple, alternative forms of funding and financial services that are more suited for small business growth in disadvantaged regions. As a result, Kenya has developed novel, creative, and pro-poor methods for funding the potential businesses of young people, women, and individuals with disabilities (Youker, 2017). Further notes that the economic development plans made Kenya to create pro-poor and novel plans of funding for the youth, women and persons living with disabilities. Through such efforts the government addressed gender equality and women empowerment by 53 percent. Such efforts were promoted by Kenya's progressive constitution, Article 27 of the Bill of Rights that majored on women economic empowerment.

The article resonates on promoting equality and reducing discrimination as it states that every person is equal and has the right for equivalent protection before the law. In the statute, women and men are termed as equal with the entitlement of equal opportunities in political, social-economic, and cultural opportunities and structures. Kenya's Constitution is pro-public as it discourages direct and indirect discrimination on any person on grounds of race, gender, marital status, ethnic or social origin, health status, age, language or birth disability, religion, conscience, belief, culture, and choice of dress. To attain a 100 percent equality realization under the Bill of Rights, Article 27 of the constitution states that, the state with undertake legislative measures or other counteractive measures including affirmative action policies to address any form of discrimination or inequality (Constitution of Kenya, 2010, Article 27). Such legislations have resulted into the Kenyan government to establish affirmative action funds that aim at empowering marginalized societies like women, persons living with disabilities and the youth.

Youth Fund was gazetted on 8<sup>th</sup> December 2006 as a legal framework to provide operations and govern the usage of the funds. To fast-track the initiative, in the financial year 2006/07 budget, the government had set aside Kshs. 1 billion. However, as noted by Makokha, (2011), in the past there were financial initiatives by the Kenyan government but their equality clauses were uncertain. The objective of the funds was; to provide credit to existing micro-finance institutions and the registered non-governmental institutions that are involved in

micro-lending, also the savings and credit co-operative organizations (SACCOs) for on-lending to youth enterprises. The funds also aimed at attracting and facilitating investment in micro, medium and small enterprises (MSMEs) run by youths and improve the state of commercial enterprise like industrial parks, markets and business hub (incubators) that are instrumental for business prowess. Concurrently, the funds aimed at supporting youth-oriented linkages between youths MSMEs and large enterprise. The market bond was on enhancing marketing of products and services from youth businesses in international markets and facilitate job creation through employment of youths in the domestic and international labor markets (Ministry of Youth Affairs and Sports, 2010).

The bulk of formal financial sectors, including banks, were hesitant to provide credit to start-ups, medium sized businesses, and small businesses worldwide because there was insufficient security on collateral to support such loans. This leads to low levels of education, high transaction costs, and high monitoring fees. Owing to their low revenue or probability of failing in their first year of business, these start-up enterprises were often classified as high risk, making financial institutions hesitant to extend loans to them. Microfinance programs provided small-scale financial services to low-income individuals. Loans were meant to help people in emerging economies gain long-term economic empowerment and capacity building so they could increase their profits and productivity and enhance their financial performance.

However, unreported and careless businesses' uncontrolled lending practices have recently drawn criticism for microfinance and microcredit initiatives. One of the most significant obstacles facing small-scale entrepreneurs is getting access to microcredit. Over time, governments have implemented measures to enhance the financial accessibility of low-income earners, leading to the expansion of programs for previously neglected populations (Kourilsky, 2018). Repayment of loans was a prerequisite for the microfinance program's continuation. Numerous researchers have discovered that there are a variety of factors that influence loan repayment (Chiawa, 1997; Oni, 1999; Oke, 2009). Therefore, greater attention needed to be paid to these institutions in order to improve their efficacy in offering young people credit, savings accounts, and other financial services. Nevertheless, no suitable legislative, regulatory or policy framework had been created to support the development of a workable and long-lasting youth entrepreneurship fund system.

Due to a lack of security or collateral to back such loans, the majority of formal financial

sectors, including banks, have been reluctant to offer credit to start-ups, medium-sized firms, and small businesses globally. Low levels of education, high expenses for transactions, and high monitoring costs are the results of this. Due to their low income or likelihood of failing during the first year of operation, such start-up companies are frequently labeled as high risk, and as a result, financial institutions are reluctant to lend to them. Low-income people accessed microfinance programs for small-scale financial services. Loans were intended to support long-term economic empowerment and capacity building for people in emerging markets in order to boost their productivity and earnings, leading to improved financial performance.

However, in recent times, unregulated lending practices by unreported and negligent firms have brought criticism against microfinance and microcredit programs. For the sector of small-scale entrepreneurs, access to microcredit poses a difficult barrier. Governments have taken steps throughout the years to improve low-income earners' access to funding and, as a result, have expanded programs for previously marginalized groups (Kourilsky, 2018).

According to a 2017 report by the Kenya National Bureau of Statistics, out of the 60% of young people, 75% were either unemployed or working in the informal economy. These statistics did include women or people with disabilities who are over 35 and were regarded as vulnerable groups.

The Uwezo Fund was established as a result of the government realizing the need for a revolving fund focused at empowering both young people and established organizations. The Uwezo Fund, a flagship program for the initiative, was established in order to support local firms and accelerate economic growth in the direction of achieving both Vision 2030 and MDGs 1 (promote gender equality and empower women) and 3 (eradicate extreme poverty and hunger) (Cherry 2016).

Published in February 2014, the Public Finance Management Act, 2014 and first implemented in September 2013, contained a Legal Notice No. 21 that established this Fund (Mnkandla, & Marnewick 2017). The Fund strived to broaden financial access and support enterprises owned and operated by women, young people, and people with disabilities. Additionally, it provided mentorship opportunities through its capacity building program to assist the recipients in taking advantage of the 30% government procurement preference. It acted as a means of fostering innovation, developing industry, generating jobs, and expanding the economy, alongside initiatives like the Youth Enterprise Fund and Women Enterprise Fund (Wanjohi, 2018).

As of 2013, According to a 2015 World Bank report, the Kenyan government had a Ksh 5.2 billion account; Ksh 545.3 million of this amount went to 12,407 group projects across the nation, and Ksh 54.2 million went to 2111 individual young entrepreneurs at the constituency level made note of the fact that the fund offered more business development services, assisted young entrepreneurs in marketing their products and services on domestic and international markets, and facilitated young people's access to a job on the global labor market (Friedman, 2015).

Access to financial services was commonly perceived as a hurdle impeding small holders' ability to fully utilize credit facilities. Most of the time, the institutions' lending policies—which included things like minimum loan amounts, credit limits, terms of payment, security collateral requirements, and the availability of additional services—were not made with the needs of potential borrowers in the target demographic in mind. Members of the group thus either did not apply for credit at all or declined to apply when it was available (Schmidt and Krop, 1987). Moneylenders continued to operate and charged outrageous interest rates that were higher than those of governmental organizations. The interest rate was 10% for short-term loans and between 50% and 100% for long-term loans, depending on the length of the loan (Hoff & Stiglitz 1990).

The principal and interest for short-term loans were normally due at the end of each month, and the loans were typically disbursed on a monthly basis. The loan was renewed at the end of the month, but the interest rate changed. Long-term loans typically had durations ranging from several months to a year. Principal and interest were combined and paid in monthly installments over a duration agreed upon by both parties.

However, it was more difficult for the recipients of these funds to pay back their loans. Both the municipal and the federal governments had made attempts to reduce the default rate, but to little avail. Since these were public funds that had to be protected, alarmingly high default rates were observed among those who had benefited from government revolving funds were the young people, female, and people with disability. If bad debtors were not addressed, the objective of such programs was negatively impacted (Cherry, 2018).

Under the name county government of Kwale Youth Enterprise Development Fund, also known as the youth fund, the county government of Kwale established a comparable revolving fund in 2013 and set aside Ksh 300 million in the fiscal year 2014-2015 with an additional allocation of Ksh 100 million every year (RoK, 2016). The loan was given with a very low interest rate and had to be fully repaid in monthly installments not later than five years. However, the default rate was more than 60%, and the government had set aside only a third of the total amount which affected the fund's county-level objective (Charles, 2017)

As a result, the county government was reluctant to lend to emerging companies that did not already have a history of making loan repayments. Because there would be less money available to small and medium-sized firms, there would be a vacuum if the government chose not to contribute to a revolving fund. Less opportunities for self-employment as well as a poorer economy over the long run result from the continued unemployment of people who were of working age. As a result, it was necessary to examine the variables that affected the payback of government loans to venerable organizations, using the youth fund in Kwale County, Kenya, as a case study (Greenwood, 2017)

### **1.2. Statement of the Problem**

The youth Fund Office reported that 68% of loans are currently defaulted. According to this figure, Kwale has a higher default rate than the 60% national average. In their 2017 report, KNBS and SID identified a number of causes for the high default rate, included lack of business empowerment training programs, a large number of organizations looking for funding which led to reduced funding and shoddy project planning, lack of project management expertise, poor legislation and loan recovery procedures, and corruption in support of particular political leadership interests. Investigating the factors that influenced the payback or non-payment of public monies was crucial. Previous studies had shown that a variety of factors play a role in loan repayment (Hennessy,2015). To improve their effectiveness in providing revolving funds to vulnerable groups, government financing organizations must receive more

attention. The legal and regulatory foundations required to create effective and long-lasting revolving funds have not yet been established. The factors influencing the loan repayment of public finance to venerable organizations who receive the Kwale County Youth Fund are also poorly understood from an empirical perspective. This study examined the variables affecting loan repayment of government financing to venerable organizations receiving youth Fund in Kwale County Government in an effort to reduce this gap.

### **1.3. Purpose of the Study**

The purpose of the study was the determinants influencing loan repayment of government funding on performance of youth groups, a case of youth fund in county government of Kwale, Kenya.

### **1.4. Specific Objectives the Study**

- i. Assessed the influence of the amount borrowed on loan repayment of government fund to youth organizations in Kwale County Fund Kenya.
- ii. Evaluated the influence legislation in place on loan repayment of government funds to youth organizations in Kwale County Government.
- iii. Identified the influence of borrowing process on loan repayment of government funding to youth organizations in Kwale County Youth Fund.
- iv. Determined the influence of group leadership on loan repayment of government funding to youth organizations in Kwale County Youth Fund.

### **1.5. Research questions**

- i. Does the borrowed amount influence loan repayment of government fund to youth organizations in Kwale County Fund Kenya?
- ii. How does legislation in place influence the loan repayment of government funds to youth organizations in Kwale County Government.?
- iii. How does the borrowing process influence loan repayment of government funding to youth organizations in Kwale County Youth Fund?
- iv. Does group leadership influence loan repayment of government funding to youth organizations in Kwale County Youth Fund?

### **1.6. Significance of the Study**

This study intended to help governments recover money through loan repayment that

had been lent out to vulnerable groups in order to build enterprises. This was a result of the high prevalence of youth unemployment and the government's assistance in helping these vulnerable groups launch firms that were financed at a reasonable interest rate in order to offer employment prospects. However, when it came to repaying loans backed by the government, the majority of these categories had the highest default rates. Due to its proximity to Mombasa city and its status as a peri-urban county that offers an incubation hub with both agricultural land non-agricultural business potential as compared to other counties, Kwale county government had been chosen as the subject of the study.

This study intended to add to the richness of knowledge on the factors that influenced loans made to youth organizations by the government through the Kwale County Youth Organizations benefited from establishing the determinants of loan repayment thus it established the factors that influence their ability to repay loans. The government was also able to formulate policies on loan repayment youth organizations. The research helped decision-makers who oversee other government funding to streamline the loan repayment procedure. This study added on to the existing knowledge on loan repayment and youth organizations.

### **1.7. Scope of Study**

This study examined the determinants influencing loan repayment for government financed projects given to youth organizations in Kwale County, Kenya. It is a county in the former coast province with an estimated population of 649,931 according to 2019 census. Youth who had access to the youth fund were the area of concentration. The quantity of credit borrowed laws, the borrowing process and group Leadership was among the variables to be considered. The study was carried between February 2024 to April 2024

### **1.8. Limitations of the Study**

Due to the mistrust around the researcher's true motivation, uncooperative respondents were met. The majority of the suspect respondents came from groups who had not paid back their loans in full. This was lessened by the researcher's close collaboration with the group leaders, who were persuaded and informed that the study's main objective was academic.

### **1.9. Delimitations of the Study**

This study focused only on determinants influencing loan repayment of government funding on performance of youth groups, a case of youth fund in county government of Kwale. It focused on amount borrowed, on loan repayment, legislation in place, borrowing process and group leadership on loan repayment of government funding to youth organizations in Kwale County Youth Fund.

### **1.10. Assumptions of the Study**

The study was based on the assumption that:

The sampled youth enterprises provided true reflection on the status of loan repayment. Credit repayment was assumed to be one of the major determinants determining the government funding and the data collected was accurately recorded and analyzed.

### **1.11. Definition of operational key terms**

Youth Fund:	Refers to the county government of Kwale Youth Enterprise Development Fund.
Entrepreneur:	a small business founder or owner with an eye on innovation or investment.
Loan Utilization:	This describes the manner in which recipients invest their Youth Fund earnings.
Micro Finance Institutions:	Micro companies are small-scale or Unorganized businesses that employ one to ten people, require little financial investment, use basic technologies and resources from the local area, and require little experience.
Loan Repayment:	act of returning money granted as a loan with interest as it becomes due
Youth:	individuals between the ages of 18 and 35, as to the 2010 Kenyan Constitution

Borrowing process:

This is how loans are applied for, validated, issued and how the payment modes are determined



## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

This captured the study theories, conceptual framework, empirical studies, reviewed literature summary, and research gaps in this chapter.

#### 2.2 Theoretical Review

The basic theory supporting Empowerment Theory, Group Funding in Theory, as well as Joint Liability Theory, as described below, served as the study's framework.

##### 2.2.1. Empowerment Theory

Empowerment theory by Zimmerman (2018) was the main theory used to guide this investigation. The theory worked best because it showed how important it is to give people in society more power. Zimmerman and Warschausky (2018) concentrated on the level of the individual where financial empowerment took place. The theoretical shift was from financial to psychological, which included behavioral and intrapersonal mechanisms. The term "intrapersonal component" described how people view themselves. This included perceived competence, self-efficacy, and domain-supposed control. The interpersonal component consisted of critical awareness, knowledge of the resources needed to achieve a goal, skills for obtaining those resources, knowledge of how to manage the resources after they had been acquired, decision-making, problem-solving, and leadership skills.

By providing the society with designated funding, we ensured that they had the knowledge and abilities necessary to prepare for the job market and that new enterprises were developed, which in turn empowered more people. It encompassed knowledge of social justice, human rights, and one's own awareness (Zimmerman, 2018). Knowledge and skills are important in helping young people find jobs so they can become financially independent. Empowerment, according to Friedman (2015), has three aspects, including procedures, values, and results that vary depending on the level of study. They argue that an empowerment strategy should always reinforce good ideals and help people gain as much independence as they can. Youth can become independent through the government's financial assistance

program, as well as through education and skill-building programs.

In order for the youth, women, and disabled population to start their own businesses and become self-employed, funding is crucial. Entrepreneurial abilities, for example, might help 17's success in business management (Mnkandla & Marnewick,2017). On the otherhand, education would help the kids land a job in the official sector. They were to become financially independent once this unique group of citizens engaged in constructive economic activity. This idea was pertinent to this study because it demonstrated the need of empowering people and groups to become independent and independent of outside influence.

Young men and women, and those with disabilities were less prone to being forced or persuaded by political elites to do acts that were likely to disturb peace if they felt financially independent since they were able to exercise personal control (Zimmerman, 2018). Then, a person who felt empowered exhibited a feeling of self-control, critical thinking skills, and a desire to work with others to achieve a certain objective. In addition to displaying self-awareness and exercising discipline through education for self-awareness, empowered youth, women, and people with disabilities were also able to contribute to the development of their country by engaging in constructive economic activities and making decisions on matters that directly impacted them.

### **2.2.2. Group Lending in Theory**

Solidarity group theory, which Ludwig von Bertalanfy proposed in 1968 and was also referred to as group lending, was most frequently addressed as a potential remedy for knowledge asymmetries in developing nations. According to this hypothesis, put forth by Kourilsky (2018), moral hazards and adverse selection were dealt with by effectively shifting the lender's responsibility for compliance, monitoring, and screening to young people, women, and people with impairments. The peer group, which was typically made up of several people who bond together as a group, took out a loan in unison. Members chose one another based on reputation and interpersonal connections. Group liability mandated that the other members of the group were liable for the payment of any defaulting group member (Hennessy,2015).

Then, under group liability funds, groups for young men and women, plus people with disabilities has an incentive to screen other interested groups so that only reliable people were admitted to the program.

This theory was crucial to this study because it suggested that group lending helped reduce moral hazard by incentivizing groups of young people, women, and people with disabilities to use peer pressure to make sure that money was invested wisely and effort put forth until the loans are fully repaid. The estimated total cost of borrowing for borrowers was reduced by lowering default, which improved welfare, particularly for households without collateral.

### **2.2.3. Joint Liability Theory**

In order to reduce the chances of default and delinquency by the borrowers, this theory was used to government lending organizations, SACCOs, and MFIs (Microfinance) that engaged in group lending (Biashara Fund, 2018). According to Greenwood and Suddaby (2017), joint responsibility had allowed financial institutions to reach a wide range of people, including the bankable and the impoverished who lack collateral to receive loans.

According to Kourilsky (2018), joint liability lending institutions invited borrowers to form groups in which everyone was jointly liable to one another. This theory supported this typical practice. Additionally, these lenders closely watched the borrowers and mainly relied on previous clients to make sure of compliance.

According to Mnkandla and Marnewick (2014), borrowers had to be encouraged to form groups so that the paying members could put pressure on the non-paying or those who were about to default to honor their contractual obligations if lending institutions were to see high loan repayment rates from borrowers. The strongest link of allegiance was between the borrowers, and the default was viewed as a break from the group's established standards and ideals. By doing this, the lending company could keep track of its customers and make certain their loan repayment behavior was continuously monitored (Hennessy, 2015). This made sure both the lending organization and the borrowers shared costs.

### 2.3 Conceptual Framework

According to the conceptual framework depicted in figure 1, the independent variables primarily acted as a barrier to government financing loan repayment. In other words, when these components were in low percentages, the loan repayment of the revolved funds, such as the youth Fund, were enhanced and improved. Government funding loan repayment accelerated with a positive index on the variables. The effectiveness of loan payback by youth groups was influenced by how well the following aspects were improved: credit borrowed, loan legislation, borrowing method, and group leadership. Government funded loan repayment efficiency were evaluated based on the percentage of timely repayments, the number of late (delinquent) repayments, and the default rate.

#### Independent variables

#### Dependent Variable

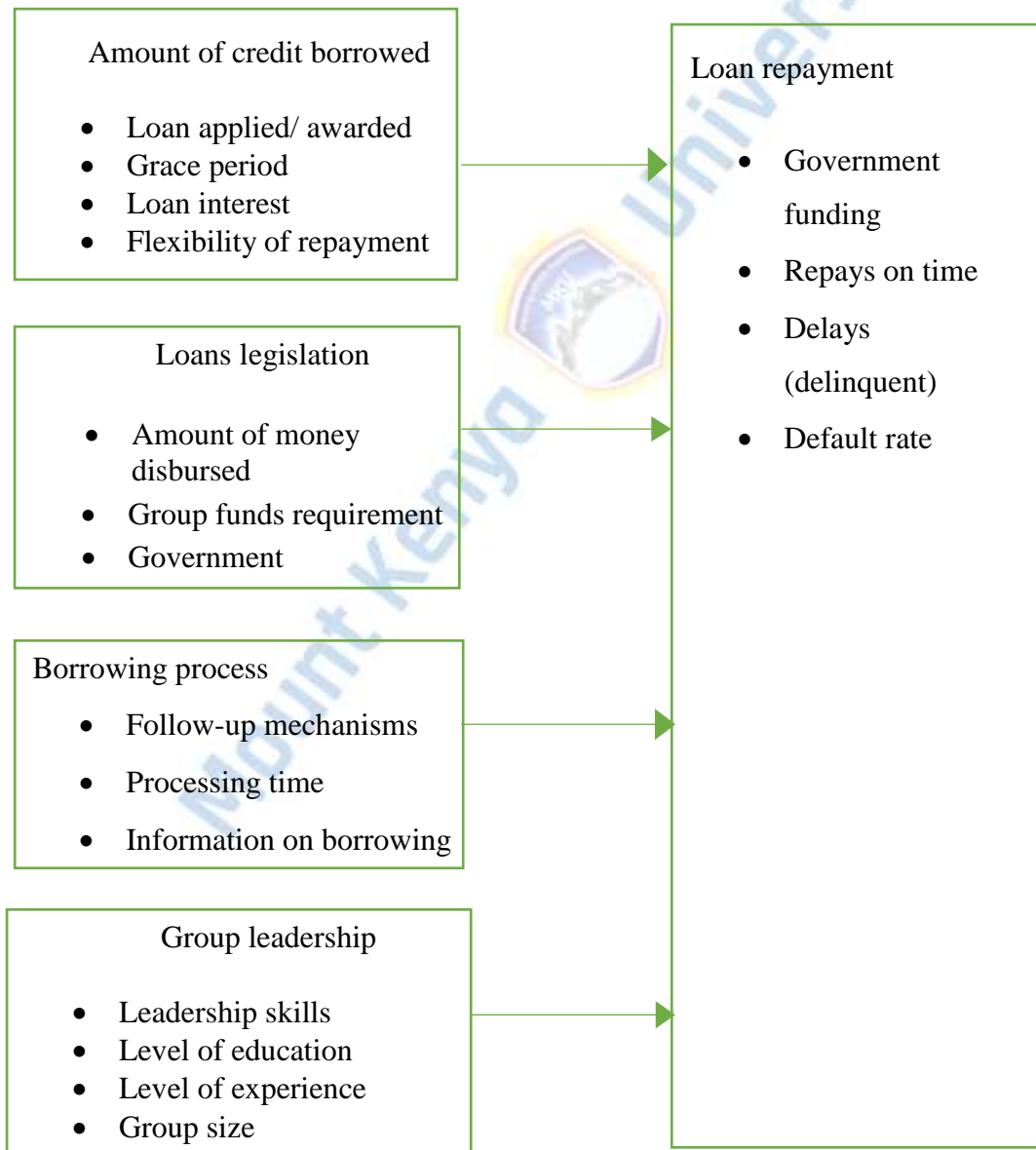


Figure 2.1: Conceptual framework Source: Researcher (2023)

The independent variables according to the conceptual framework as shown in figure1 tend to stand in the way in loan repayment of government funding. In other words, the loan repayment of the revolved funds like Youth Fund was enhanced and improved when these factors were in low percentages. A positive index on the variables escalated loan repayment of government funding. The more effective the following factors were enhanced which were credit borrowed, loans legislation, borrowing process and group leadership the more loan repayment was effective by the youth, women and persons with disabilities groups. The effectiveness of loan repayment of government funding was measured in terms of number of repays on time, delays (delinquent) and default rate.

## **2.4 Empirical Literature Review**

### **2.4.1. Amount of Credit Borrowed and Loan Repayment**

Inconsistency in fiscal distribution from the government prevented youth funds and other related monies from being able to adequately pay the expanding number of venerable organizations on the enterprise development mission, according to research conducted in Yugoslavia in 2017. Providing young entrepreneurs with business development services, such as mentoring and business coaching, came at a significant expense due to the number of beneficiaries involved and the growing demand, to name a few of the issues that had been noted. The key reason for high default rates is the volume of credit beneficiaries borrow, Youker (2017).

According to Kourilsky, (2018), borrowers who requested larger loan amounts and longer loan payback terms experienced difficulties paying back their loans as opposed to those who receive smaller amounts and were given better incentives to do so. Failure to repay their loan was broken down into two distinct problems: not repaying the loan at all and late repayment.

According to Kourilsky (2018), the principal determinants of loan repayment were the loan interest rate and the loan amount. It was extremely difficult for financial institutions to identify borrowers with a high likelihood of repaying their loans using

the interest rate that an individual or group is prepared to pay. Given that high risk takers are the worst rate payers; this was disastrous.

According to Mnkandla and Marnewick, (2014), borrowers' lack of monitoring affected how quickly they returned their loans. According to Cherry (2018), the general issue of a member's lack of monitoring affected the use of loans and caused the members to skip group meetings. Once more, if the loan was not frequently overseen, it encouraged misuse of the loan, members were unable to pay their installments, confidence in one another was lost, and the group's discipline was compromised.

In their study on the loan payback of loan recipients by the ministry of youth in Southeast States of Nigeria, Youker, (2017) selected a total of 144 loan beneficiaries who were randomly interviewed. They did this using a multistage sampling technique. To identify and investigate the factors influencing loans, a multiple regression analysis using ordinary least squares (OLS) was performed. The study's conclusions showed that the relationship between loan size and loan payback rate was significant at the 5% level of significance. This suggested that the risk of default decreased as loan size increased. This was accurate up to a point, though, as there was a maximum loan amount (or amount of money) needed for projects to break even.

Additionally, it was argued that greater loans enabled larger investments with potential for higher returns. This opinion was supported by the fact that about 75% of loan recipients said their loans were too little. Zimmerman and Waschausky (2018) conducted research on the economic evaluation of the ability of venerable organizations serving the disabled in Zimbabwe to repay loans. The findings showed the significant and strong positive link between loan size and repayment ability. Inferentially, if a large sum was permitted as a loan, beneficiaries would use the money to buy the essential tools, equipment, and advanced technology to improve their operational and marketing efficiency and make a profit because they did not have a tendency to divert.

Beneficiaries had easier access to project management options and basic inputs with greater loan amounts, which boosted production, brought down the cost per unit, and boosted income. They were able to repay the borrowed funds within the predetermined time frame since the investment was able to pay for itself.

Numerous studies found a similar positive effect of loan size on loan repayment performance (Wanjohi, 2018).

#### **2.4.2. Legislation and Loan Repayment**

According to Charles (2017), laws passed by organizations that fund young people, women, and persons with disabilities were major barrier to their capacity to repay loans. The study, carried out in Pakistan, suggested that laws be supported by a combination of skills training (often non-formal education), mentored and advised as well as assisted in gaining access to money for recipients. Beneficiaries of skills training programs were to have the chance to learn fundamental reading and numeracy abilities as well as occupational and life skills. The primary goal of funding for this group of recipients was knowledge and experience acquisition rather than loan payback.

According to Wabwire (2018), supportive policies were crucial for policymakers because they helped them 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 disabled required to be carefully thought out, well-structured, and widely spread initiatives. Without a long-term, comprehensive strategy, it appeared that the administration was only making superficial changes. For young people, women, and people with disabilities to have access to employment possibilities as well as market-driven education, training, and life skills, economic growth was to be accelerated.

According to a 2016 study in Bosnia by O'Sullivan and Abila, the loan's design aspects were the key elements that affected how well the loan was repaid. The design aspects were divided into three groups, including access ways, screening methods, and motivation to repay. Zimmerman (2018) stated that the following characteristics of youth funds legislation and other related funds products were to be present: small loans and savings amount, brief loan terms, payment schedules with frequent 10-installment payments, easy access to the intermediary, clear and easy-to-complete application forms, and availability of repeat loans in higher amounts for customers who paid on time.

According to Friedman (2015), lenders could consider a borrower's financial outlook and prior performance to evaluate whether they could expect a repayment. Before making loans to borrowers, lenders could take into account their credit worthiness, collateral needs, ability to repay, and market conditions. According to Greenwood and Suddaby. (2017), the factors influencing MFIs' loan repayment performance were broken down into four categories: individual/borrower factors, firm factors, loan factors, and institutional/lender factors.

Financial institutions were not keen on their loan payback conditions because most borrowers took advantage of the loophole and ultimately were hesitant to repay, according to Hennessy (2015). This was one of the major causes of loan defaults among borrowers. Additionally, they drew attention to the fact that employees of financial institutions were not answerable to shareholders and that loans were granted without a thorough evaluation of the borrower's business. The infrastructure and loan repayment systems in place in some regions of the country, particularly in rural areas, offered significant barriers to loan disbursement, and the youth in those areas suffered as a result since they did not have access to loan repayment choices and financial intermediaries (Greenwood and Suddaby (2017).

Youker (2017) argued that people taking part in governance in empowerment program management forums could comprehend the fact that each team member was aware of how their particular contribution to the project fit into the overall scheme. Better decisions were made, more ideas were developed, team morale was typically greater, there was less rework, and both individual and team performance was utilized. Participation also enhanced commitment and accountability by fostering ownership. Participatory approaches, according to Kourilsky (2018), produced superior program outcomes for youth, women, and disability empowerment. According to Charles (2017), project planning entailed deciding which activities could be done to reach the goal of the youth, women, and handicapped empowerment program. Planning also enabled the manager of the youth, women, and disabled empowerment program to visualize the empowerment plan. Cherry (2018) conducted a study in Ethiopia to examine and pinpoint the key elements that affected how well young people, women, and people with disabilities repaid their loans, as well as to pinpoint the main issues facing MFIs in the Wolaitaand Dawuro region. Repayment

duration was discovered to be a key factor in determining how well borrowers repaid their loans. The likelihood of loan payback was shown to be greatly increased when the loan repayment duration was suitable for the borrower. Therefore, the institution had to allow customers adequate time to manage the loans they had accessed and plan the period for loan collection that could be convenient for them to market their products.

Greenwood and Suddaby (2017) examined the effects of screening, peer monitoring, group pressure, and social links on borrowing groups behavior using data from a self- designed survey of 160 borrowing groups of the Micro Fund for Women in Jordan. Clients could probably be more ready to risk bad behavior if the refusal of future loans was the major consequence for default or delinquency.

According to a study by Cherry (2018), the Government of Tanzania had developed a number of policy documents, including the Poverty Reduction Strategy Paper, which elaborated on youth, women, and disabled strategies for empowerment that were legally mandated through training on entrepreneurship, vocational training, and the development of career guidance services. As a result, the loan payback had increased to 12% from 43% in prior years.

#### **2.4.3. Borrowing Process and Loan Repayment**

According to Kourilsky (2018) study on the factors affecting young people and people with disabilities' loan repayment performance in Ghana, low levels of education, a lack of alternative sources of income, and difficult loan processing procedures were the main causes of a high loan default rate. In this investigation, multiple regression was employed. Additionally, acknowledged as important indications of loan payback were the quantity of funds invested and project income.

A study by Mnkandla and Marnewick (2014) in Norway demonstrated that revolving fund legislation should be simple and effective to promote quality growth, increase the number of revolving fund institutions qualified to reduce and manage deposits, and increase the funding base.

According to a study Cherry (2016) conducted in Norway, revolving funds should be

properly regulated to ensure quality growth, expand the funding base of institutions eligible to minimize and manage deposits, increase credit facilities, and start the process of integrating the institutions into formal financial institutions. By regulating government revolving funds, the government was able to set rules for its operations, the entry and exit of businesses and groups, and eventually developed an atmosphere that fostered efficiency and fair competition in the market. According to the report, sufficient liquidity should be guaranteed so that depositors and borrowers could access money without jeopardizing the institutions' ability to remain solvent and achieve appropriate rates of return.

Friedman (2015) conducted study on the variables affecting youth and women fund loan repayment in China. The study used a descriptive survey approach and focused on 50 group leaders, collecting information from 50 youth organizations financed by the development fund. The research showed that when borrowing procedures became bureaucratic and consumers were faced with a variety of unanticipated difficulties, the money ended up being used for personal expenses rather than the intended projects. According to Wanjohi (2018), the majority of defaults resulted from the delayed delivery of loaned funds as a result of subpar management practices, loan diversion, and reluctance to make loan payments. Lenders could therefore create a variety of institutional instruments targeted at decreasing loan diversion.

Youker (2017) list a number of variables that discouraged company ideas, including an insufficient and drawn-out borrowing process, understanding of information technology, and suitable education. Other obstacles to the implementation of business ideas into reality include cultural taboos, legal frameworks that fail to safeguard innovations and competitive business operations, tiny, unreliable marketplaces, and overbearing regulations. The results demonstrated that beneficiaries encountered numerous obstacles when trying to get money to invest in their businesses as startup, seed capital, or to finance business growth.

This was due to a variety of reasons that reduced the financing appeal of their enterprises. Young individuals were sometimes viewed as particularly dangerous investments and therefore had difficulty obtaining money since they lacked self- sustaining resources, a significant credit history, adequate collateral, or guarantees to acquire loans or lines of credit. Many financial institutions had operations that were designed to grant credit to

legally recognized enterprises that met requirements like upkeep of books of accounts and a verifiable asset base.

Mnkandla and Marnewick, (2014) singled out the borrowing procedure as one of two elements that mattered and had a favorable correlation with loan payback in Imo State. This opinion was shared by Zimmerman, (2018) in his study on the effects of the borrowing process. Another angle on this variable was the loan process. Whether taking out a loan or repaying it, the higher the cost of the borrower postponing payment. If a loan is allowed to grow, it became more challenging to return, especially when there were penalties and compounding interest. This viewpoint put pressure on the borrower to decrease major default and late payments. The recorded incremental penalty rate of interest for payment delay in the sample was quite low.

Contrary to formal lending, informal lenders frequently placed more emphasis on loan screening than on credit usage monitoring, according to Wabwire (2018). Lenders typically evaluated potential borrowers during the screening process through non-credit transactions across an array of seasons, requesting references from potential money lenders or personal recommendations from group members. Members were required to execute the tasks of vetting loan applications, keeping an eye on borrowers, and enforcing loan repayment in this lending program because they were collectively liable for the loans issued and motivated to do so by the combined fear of losing access to future loans and the joint obligation.

According to a 2018 study by Kourilsky in South Africa, young people, women, and people with disabilities frequently struggled to achieve tight credit scoring requirements since revolving funds frequently imposed terms and restrictions arbitrary. Lack of legally binding regulations and unambiguous general phrases ensured that rating processes and credit scoring systems for young people, women, and people with disabilities were transparent. The documentation procedures and information that many credit lenders required could easily turn them off. Particularly extensive documentation processes were frequently required for funds that needed fewer or no collateral yet charged very high interest rates and fees. The under privileged groups frequently were not aware of all the financial options, funding forms, and unique support initiatives. They frequently lacked an understanding of the idea, the advantages, the potentials, and the disadvantages of the various forms of debt

and equity financing.

### **2.4.3. Group Leadership and Loan Repayment**

The process of directing or influencing another person's behavior toward the achievement of a goal is referred to as leadership. Zimmerman (2018) argued that young people could be regarded as authorities who were acutely aware of what happened among their peers in their communities. Serving the community could help young people grow beyond of their idealistic perspectives and develop empathy for other people's problems. There was a sense of urgency to embrace the idea of leadership as a result. While many youth programs deserved praise for the assistance they offered, some had trouble maximizing the inherent leadership skills that group leaders possessed.

Instead, then offered participants the chance to evaluate how much their leadership qualities had improved over time, there was frequently a focus on developing skills. Those who were in charge of creating programs for young people, women, and people with disabilities could take into account their perspective on what young people needed. Accordingly, Youker, (2017) assert that the majority of the young participants were given chances to own those talents while boosting their confidence and developing more solid peer relationships.

Zimmerman and Waschusky (2018) contended that lenders had to create a system and method to keep track on borrowers' behavior if they were to make sure that borrowers do not default on the loans, they had provided to them. This involved utilizing innovative techniques like regularly scheduled repayments, which tangentially enhanced the way lenders receive accurate information and reduced moral hazard.

Mnkandla and Marnewick (2015) examined the factors affecting the effectiveness of group lending in Tunisia at loan payback. The results revealed the group's internal standards of conduct, how business was managed, who knew who in the group before it was created, peer pressure within the group, self-selection, gender, and educational level of group members. They also revealed how the organization operated. However, two significant criteria that had a negative effect on loan repayment were homogeneity and marital status. The performance of Tanzanian microcredit institutions' (MFIs') loan repayment was examined by Greenwood

and Suddaby (2017). Due to experience, training, and internal sanctions, the rate of loan repayment default among group clients of MFIs was low; nonetheless, transaction costs and the size of the group had a considerably negative impact on the rate of loan repayment performance.

However, Hennessy, (2015) found that the length of time using credit had a significant positive impact on loan payback. In a study that looked at the social- economic factors that influence loan repayments in microcredit programs that used group lending in the US, Mnkandla and Marnewick (2014) found that repayment increased with education level. However, the study found that none of these factors—household income, business type, or borrower experience were reliable indicators of loan repayment. When compared to individual lending, group lending by financial institutions had improved borrower loan payback performance, according to Charles (2017).

He continued by saying that due of the support and guidance they received from the group, each member had a strong incentive to do well because of their reputation within the group. Additionally, loans could be repaid on time as this could affect the credibility and accountability within the community at large because organizations were often founded by people of the same village or town and shared a similar goal and objective. Even though this social effect could improve outcomes for microfinance companies, other academics believed it might lead to social discontent in society at large. Utilizing social capital and local knowledge inside the group effectively lowered the likelihood of defaulting Wanjohi (2018).

Wabwire (2015) investigated the variables affecting Bungoma County group borrowers' loan repayment performance. They discovered that group meetings with MFIs prior to loan disbursement improved order and discipline among the participants. Since MFIs had other venues, including electronic money transfer and mobile services, to reduce travel issues among the group, proximity of lenders to borrowers was not important. They also discovered that before loan release, MFIs plan sessions with the groups to provide introductory financial training. They also noted that group dynamics presented a significant default risk Hennessy (2015) on his study of the factors influencing loan payments in the context of group lending. Instead of focusing on the components of group lending, they focused on the borrower's

socioeconomic variables because of their potential influence on repayment behavior. The findings demonstrated that a greater level of education greatly lowered the likelihood of loan default, but female borrowers, income levels, business types, and borrower experience had no discernible effects on loan payback.

## **2.5. Recap of the literature review**

Most of the previous studies were carried out in different economic sectors like the agricultural sector, micro credit and microfinance sectors, cooperative societies and student loan repayment programs. Most of the studies reviewed there was different factors that influenced loan repayment some of which were significantly based on the context of study while other were insignificant on a different perspective. The previous reviewed studies established that loan default was common in most sectors in the economy whether agricultural, government funded programs and in the small-scale sector but obtained varied results. In addition, most of the studies had concentrated on different sectors other than the SME sector and thus their results could be generalized to the SME context. This opened up a gap in literature, which was worthy filling by investigating the determinants of loan prepayment among youth government-funded projects in Kwale county Kenya.

## **2.6. Research Gaps**

The county governments that already had or planned to start a revolving fund for kids. They benefited from this study since it was disseminated information on the variables influencing county-level government financing loan repayment. This analysis was particularly helpful to the County government of Kwale- Youth Fund Office in terms of scaling loans in later loan cycles. The ability of the beneficiaries to repay bigger debts in the future was determined whether or not the fund could continue to operate sustainably. As the study described risk considerations to take into account for start-ups and people, lenders and financial institutions for small and micro enterprises. As beneficiaries were a targeted category for government-based funds, this study had been carried out. Researchers and academicians interested in entrepreneurship and startup financing were able to comprehend the problems raised for further study.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Introduction**

The approach the researcher used to conduct the study was described in this chapter. The chapter covered the research design that was utilized, the population, the size of the sample, the method for sampling, the research instrument, the validity and reliability of the research instrument, the processes involved in data collection, and the techniques used in data analysis. The chapter discussed several aspects of the research, including the sample size, sampling procedures, target population, research design, data collection protocols, and data analysis methodologies. The study aimed to identify the factors that influenced the repayment of government funding loans and their impact on the performance of young individuals in the county government of Kwale county, Kenya.

#### **3.2. Research Design**

This study used a descriptive survey. Given the exploratory and descriptive nature of this study, this approach was the most suitable. (Kothari, 2018) explained that it assisted in gathering information on behavior, attitude, values, and qualities. In order to learn more about the factors influencing loan repayment of government funding to youth groups accessing youth Fund in Kwale County Government, Kenya, the study design focused on gathering the most recent, pertinent, and in-depth information.

#### **3.3. Target Population**

According to Kothari, (2018), the term "population" referred to the entire set of individuals or things that the researcher wanted to investigate. The study concentrated on 453 youths from the four sub-counties of Kwale's county administration. From 2017 through 2021, the youth fund advanced loans to the target category, as stated in table 1.

Table 1: Target Population

Sub county	Youths
Matuga	107
Lungalunga	142
Kinango	83
Msambweni	121
	453

Source: Biashara Fund database (2021)

### 3.4. Sampling Procedures and Sample Size

In order to learn more about the complete population from which it was drawn, Kothari (2018) defined sampling as the process of choosing a relatively small sample of people, things, or occurrences. As a result, an ideal sample was one that satisfies the criteria for effectiveness, representativeness, and reliability. To obtain an ideal sample, Kothari (2018) formula was used. A 95% confidence interval and a P value of 0.05 was determined due to the study's flexibility being a social science investigation.

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

Where n = Sample size N = Population e = Level of significance

$$453 / 1 + 453 (0.05)^2 = 213$$

To select the 213 individuals, the researcher employed stratified and simple random selection. Due to the fact that each item in the population had an equal chance of getting chosen, this sampling strategy was the preferable option.

Table 2: Sample Size

<b>Sub county</b>	<b>Youth</b>
<b>Matuga</b>	<b>50</b>
<b>Lungalunga</b>	<b>67</b>
<b>Kinango</b>	<b>39</b>
<b>Msambweni</b>	<b>57</b>
	<b>213</b>
<b>Totals</b>	

*Source: Biashara Fund data base (2020)*

### **3.5. Research Instrument**

The only primary data gathering tool for the study was a questionnaire. Both open-ended and closed-ended questions were included in the questionnaire. Open-ended questions allowed respondents to provide in-depth qualitative comments, whereas closed-ended questions only permitted specified types of responses, such as the five Likert scale questions (Kothari (2018). In an effort to save time and make analysis easier, structured questions were used because they were available right away. The use of open-ended questions allowed respondents to provide thoughtful, subjective responses without feeling constrained in disclosing any information.

### **3.6. Pilot testing**

The tool was tested in Lamu County to guarantee that the study met its goal. Ten subjects who were chosen at random were subjected to the pilot study twice, two weeks apart. The pilot team members were not included in the sample for the primary study.

### **3.7. Validity**

Before heading out into the field, the researcher discussed the questionnaire's content with the supervisor in order to maintain content validity. Before the study was actually conducted, these made sure that ambiguous and obscure questions were removed or fixed.

### **3.8. Reliability**

The degree to which the test items drew comparable and related responses from the samples in the pilot testing exercise was used to determine the consistency of the test items using Cronbach's Alpha Coefficient. According to Cronbach, a liability of at least 0.70 at 0.05 level of significance was considered acceptable.

### **3.9. Data Collection Procedures**

The drop and choose letter approach were used to administer the questionnaire to the self. To do this, the researcher kept a register of all questionnaires distributed and those that had been received. The researcher took care and controlled to guarantee that all questionnaires issued were received.

### **3.10. Data Analysis and Presentation**

The Statistical Package for Social Sciences (SPSS version 22) was used to examine the data. To make data input easier, all of the submitted surveys were referred to and their contents were all coded. Descriptive statistics and frequencies were obtained for all variables and information displayed in the form of frequency tables and graphs after data cleaning, which entailed checking for entry errors. We used both descriptive and inferential statistics. The study objectives guided the questions that were used to gather qualitative data. According to the study's objectives, the replies were compiled into groups with the highest frequency. In talks, these qualitative insights were combined with the quantitative findings.

To create indices for several variables, variable aggregation was used. To obtain the standard deviation means frequency tables histogram pie chart graphs, and percentages, a univariate analysis was conducted. According to Kothari (2018), inferential statistics presented the fundamental characteristics of data collected on the variable and served as the catalyst for additional data analysis. The model below was used for regression analysis;

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

Where: Y = Loan repayment

X1= Amount of credit borrowed

X2= Loans legislation

X3= Borrowing process

X4= Group leadership  $\beta_0 =$

the constant

$\epsilon =$  term

### **3.11. Ethical considerations**

This was accomplished by having respondents sign an introductory and consent letter to indicate their readiness to participate. Before distributing the questionnaires, we had gotten both written and verbal agreement from each responder. They were made aware of the study's nature and objectives. By making sure they did not disclose their names, contacts, or any other private information that could identify their identity confidentiality was guaranteed. The researcher applied for a permit from the National Council for Science Technology, and Innovation (NACOSTI) to conduct the research after obtaining an introduction letter from Mount Kenya University's postgraduate program. Prior to administering the equipment, the researcher gathered their authorization letters.

## CHAPTER FOUR

### RESEARCH FINDINGS AND DISCUSSION

#### 4.1 Introduction

The chapter focuses on data analysis, results presentation and discussion of the findings. The main purpose of the study was to evaluate determinants influencing loan repayment of government funding on performance of youth groups, a case of youth fund in county government of Kwale, Kenya

#### 4.2 Pilot Test Results

A pilot study was conducted in Lamu County to ensure to a sample of 21 randomly selected individuals in order to determine the precision and reliability of the research tool. This represented 10% of the sample size. Statistical Package for Social Sciences (SPSS) software was used to analyze the data. Reliability of the instruments was determined using Cronbach Alpha. The findings were as indicated in Table 3

**Table 3: Reliability Test Results**

Variable	N	Cronbach's Alpha Value
Amount borrowed money	21	.765
Kwale County Government Act	21	.703
Borrowing procedure	21	.718
group leadership	21	.720
performance of repaying loans	21	.744

*(Source field data, 2024)*

The questionnaires were coded and Cronbach's Alpha Test was then conducted. All the 5 variables gave Cronbach's Alpha threshold values greater than 0.7 as shown in Table 3 From the pilot study the Cronbach Alpha values were 0.765, 0.703, 0.718, 0.720 and 0.744. For amount borrowed money, Kwale County Government Act, borrowing procedure, group

leadership and performance of youth organizations in repaying loans that are sponsored by the government. All the variables had Cronbach values which were greater than 0.7. This implies that the instruments were reliable.

### 4.3 Response Rate

Response rate equals the number of people with whom structured questionnaires were properly completed divided by the total number of people in the entire sample (Fowler, 2014). The study administered 213 questionnaires for data collection. However, 171 questionnaires were properly filled and returned. This represented 80 % overall successful response rates. Respondents were also assured of confidentiality of the information provided. Trex (2018) suggested that a response rate of 50% is adequate 60% is good and 70% and above very good for analysis. This implies that 80 percent response rate was very appropriate for data analysis.

**Table 4: Response Rate**

Sampled respondents	No. of Questionnaires Returned	Response Rate (%)
213	171	80

*(Source field data, 2024)*

### 4.4 Demographic Information

#### 4.4.1 Gender of the Respondents

The researcher sought to find out the gender of the respondents involved in the study. The findings are as indicated in table 5

**Table 5: Gender of the Respondents**

Gender	Frequency	Percentage (%)
Male	95	56
Female	76	44
<b>Total</b>	<b>171</b>	<b>100</b>

*(Source field data, 2024)*

According to the findings, 95(56%) of the respondents were male whereas 76 (44%) were female. This implies that majority of respondents were males. This showed that most borrowers were males.

#### 4.4.2 Age of the Respondents

The researcher sought to find out the age of the respondents involved in the study. The findings are as indicated in table 6.

**Table 6: Age of the Respondents**

Age	Frequency	Percentage (%)
18-25 Years	38	22
26-32 Years	23	13
33-39 Years	66	39
40- 46years	44	26
<b>Total</b>	<b>171</b>	<b>100.0</b>

*(Source field data, 2024)*

From the findings 38(22%) of the respondents were in the age bracket of 18-25 years, 23(13%) were in age bracket of 26-32 years, 66(39%) were in age bracket of 33-39 years, 44(26%) were in age bracket between 40-46 years. This implies that majority of the respondents who participated in the study on performance of youth organizations in repaying loans that are sponsored by the government were aged between 33-39 years.

#### 4.4.3 Level of education

The researcher sought to find out the academic qualification of the respondents in youth fund organization. The findings are as indicated in table 7.

**Table 7: Education level**

Education level	Frequency	Percentage (%)
KCPE level	17	10
KCSE level	31	18
Certificate level	43	25
Diploma	34	20
Bachelor	33	19
Post graduate	13	8
<b>Total</b>	<b>171</b>	<b>100.0</b>

(Source field data, 2024)

The study findings showed that 17(10%) of the respondents had attained KCPE (Kenya certificate of primary Education) level. Those who had KCSE (Kenya Certificate of Secondary Education) level qualification comprised 31(18%) while those who were certificate holders comprised 43(25%). Those who had attained diploma were 34(20%) and those with bachelor degree comprised of 33(19%). Those who had attained post graduate degree comprised the minority of 13(8 %). These results implied that majority of the respondents were well educated thus understanding and filling the questionnaire was done adequately.

#### 4.4.4 Length of service in the youth fund organization

The researcher sought to find out the length service in the youth fund organization the findings are as indicated in table 8.

**Table 8: Length of service in the youth fund organization**

<b>Length in years</b>	<b>Frequency</b>	<b>Percentage (%)</b>
0-2 Years	27	16
3-5 Years	58	34
6-8 Years	49	29
Above 8 Years	37	21
<b>Total</b>	<b>171</b>	<b>100.0</b>

(Source field data, 2024)

From the findings 27(16%) of the respondents had worked in the youth fund for a period of 0-2 years, 58(34%) had worked in the youth fund organization for a period of 3-5 years, 49(29 %) had had worked in the youth fund organization for a period of 6-8 years and 37 (21%) had worked in the youth fund organization for a period above 8 years. This implies that majority of the respondents who participated in the study on performance of youth fund had worked in the youth fund organization for a period between 3-5 years. These revealed that majority of this respondent therefore had a wide knowledge and experience on performance of youth groups youth fund in county government of Kwale, Kenya.

#### 4.4.5 Issuance of youth fund

The respondents were requested to state on the issuance of youth fund. The results are presented in table 9

**Table 9: Issuance of youth fund**

Issuance	Frequency(n)	%
Individual	94	55
Group	77	45
<b>Total</b>	<b>171</b>	<b>100</b>

(Source field data, 2024)

The results showed that majority of the respondents received the youth fund through youth groups comprising of 94(55%) while the minority comprising of 77(45%). This implied that most of the youth fund is issued through individuals on performance of youth groups youth fund in county government of Kwale, Kenya.

#### 4.4.6 Position in the youth group

The respondents were requested to indicate the position in the youth group in county government in Kwale County, Kenya. The results are presented in table 10 and figure 2.

**Table 10: Position in the youth group**

Position	frequency(n)	Percentage %
Member	57	34
Chairperson	31	18
Vice chairman	38	22
Treasurer	45	27
<b>Total</b>	<b>171</b>	<b>100</b>

(Source field data, 2024)

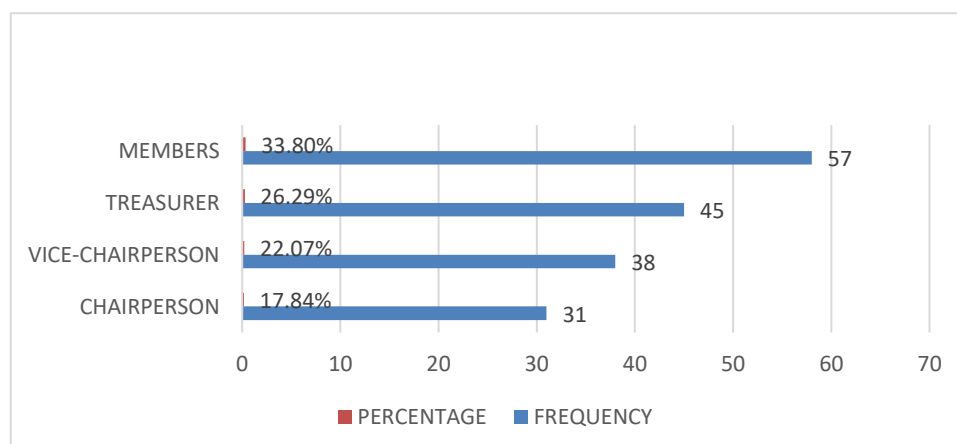


Figure 2 Distribution of respondents position in the youth group

The research findings on positions held by the respondents in the youth groups showed that the members 57(34%), chairpersons comprised of n= 31 (18 %) . The vice chairman comprised of 38(22%) and the treasurer positions were 45(27%). The results indicated that the youth groups had various positions held concerned with the management of the youth groups on performance of youth groups youth fund in county government of Kwale, Kenya.

#### 4.4.7 Members in the youth group

The respondents were requested to indicate the number of members youth group in county government in Kwale county, Kenya. The results are presented in table 11.

**Table 11 members in the youth group**

<b>Members</b>	<b>frequency(n)</b>	<b>Percentage %</b>
1- 50 members	72	42
51-100 members	41	24
101-150memebrs	38	22
Above 150 members	20	12
<b>Total</b>	<b>171</b>	<b>100</b>

*(Source field data, 2024)*

The research findings on membership of the youth groups showed that majority of the youth groups had members between 1-50 comprising of 72(42%) This was followed by those whose membership were between 51-100 members comprising of 41(24%). Those who had membership between 101 and 150 members comprised of 38(22%) while the minority comprising of 150 members and above comprised of 20(12%). These results revealed that most youth groups in Kwale County, Kenya had membership between 1-50 members on performance of youth groups youth fund in county government of Kwale, Kenya.

#### 4.4.8 Amount lastly borrowed form Biashara Fund by the youth group

The respondents were requested to indicate the amount the youth group lastly borrowed from the Biashara fund in county government in Kwale county, Kenya. The results are presented in table 12.

**Table 12: Amount lastly borrowed form Biashara Fund by the youth group**

Amount in ksh	frequency(n)	Percentage %
0- 100000	23	13
100001- 200000	51	30
200001-300000	44	26
300001-400000	32	19
Above 400001	21	12
<b>Total</b>	<b>171</b>	<b>100</b>

*(Source field data, 2024)*

The research findings on the amount lastly borrowed from Biashara fund indicated that showed that majority of the youth groups had borrowed between Ksh 100001-200000 comprising of 51(30%). This was followed by those who had borrowed between Ksh 200001-300000 comprised of 44(26%). Those who had membership between Ksh 300001-400000 comprised of 32(19%) while the minority had borrowed above Ksh 400001 comprised of 21( 12%). These results revealed that most youth groups in Kwale county, Kenya had borrowed between 100000-100001 on performance of youth groups youth fund in county government of Kwale, Kenya.

#### 4.5 Descriptive statistics

The respondents were to rate the extent the borrowed amount affect the Youth Fund's loan payback influence performance of youth groups youth fund in county government of Kwale, Kenya. The interpretation of the findings was made based on the mean and standard deviation.

##### 4.5.1 Extent the borrowed amount affects the Youth Fund's loan payback influence performance of youth groups

The respondents were asked to rate extent the borrowed amount affect the Youth Fund's loan payback influence performance of youth groups the value of the mean indicated the level of

agreement ranging as scale of 1 to 5, with 1 denoting no impact, 2 low, 3 moderate, 4 great, and 5 very great. The findings are as indicated in Table 13

**Table 16: Extent the borrowed amount affects the Youth Fund's loan payback influence performance of youth groups**

Statements	5 %	4 %	3 %	2 %	1 %	Mean	Std
High loan amounts are difficult to repay, which causes default.	30	39	19	10	2	4.46	0.81
Loan requested should be equal to Loan granted, and vice versa	34	48	13	4	1	3.57	0.64
The grace period provided ought to be extended	31	38	17	12	2	4.17	0.88
Loan interest should be determined by borrower's or a group's capacity.	35	36	16	9	4	4.38	0.81
The loan payback schedule should be more flexible.	30	34	23	7	6	3.34	1.48

*(Source field data 2024)*

The research findings revealed that majority of the respondents (30%) to a very great extent 39 % agreed to a great extent while those who moderately agreed were at 19 %. Those who agreed to a low extent at 10% while those at no extent were at 2 % with a mean of 4.46 and the standard deviation of 0.81 that high loan amounts are difficult to repay, which causes default. The research findings revealed that majority of the respondents (34%) to a very great extent 48 % agreed to a great extent while those who moderately agreed were at 13 %. Those who agreed to a low extent at 4 % while those at no extent were at 1 % with a mean of 3.57 and the standard deviation of 0.64 that loan requested should be equal to Loan granted, and vice versa.

The research findings revealed that majority of the respondents (31%) to a very great extent 38 % agreed to a great extent while those who moderately agreed were at 17 %. Those who agreed to a low extent at 12 % while those at no extent were at 2 % with a mean of 4.17 and the standard deviation of 0.88 that the grace period provided ought to be extended. The research findings revealed that majority of the respondents (35%) to a very great extent 36 % agreed to a great

extent while those who moderately agreed were at 16 %. Those who agreed to a low extent at 9 % while those at no extent were at 4 % with a mean of 4.38 and the standard deviation of 0.81 that loan interest should be determined by a borrower's or a group's capacity.

The research findings revealed that majority of the respondents (30%) to a very great extent 34 % agreed to a great extent while those who moderately agreed were at 23 %. Those who agreed to a low extent at 7 % while those at no extent were at 6 % with a mean of 3.34 and the standard deviation of 1.48 that the loan payback schedule should be more flexible. The overall results revealed that the borrowed amount affect the Youth Fund's loan payback influence performance of youth groups.

#### **4.5.2 Youth loan regulations awareness on performance of youth fund**

The respondents were to indicate rate whether the youth groups were aware of the youth loan regulations. The findings are as indicated in Table 17

**Table 17: Youth loan regulations awareness on performance of youth fund**

<b>Awareness</b>	<b>Frequency(n)</b>	<b>%</b>
Yes	136	80
No	35	20
<b>Total</b>	<b>171</b>	<b>100</b>

*(Source field data, 2024)*

The results indicated that majority of the respondents were aware of youth loan regulations on youth fund with 136(80%) while those who were not aware comprised of 35(20%). This implied that the youth groups were aware of the youth loan regulations on performance of youth fund in Kwale County, Kenya.

#### **4.5.3 Level of agreement on Youth loan regulations awareness on performance of youth fund**

The respondents were to indicate the level of agreement on the youth group's awareness of the youth loan regulations. The findings are as indicated in Table 18

**Table 18: level of agreement on youth groups loan regulations awareness on performance of youth fund**

<b>Level of awareness</b>	<b>Frequency(n)</b>	<b>%</b>
High degree	30	22
Moderate	91	67
Low	15	11
<b>Total</b>	<b>136</b>	<b>100</b>

*(Source field data, 2024)*

The results indicated that majority of the respondents agreed at a moderate degree that they were aware of youth loan regulations on youth fund at 91(67%), those who agreed at a high degree at 30(22%) while those who agreed at low degree comprised of 15(11%). This implied that the most youth groups agreed that they were aware of the youth loan regulations on performance of youth fund in Kwale county, Kenya.

#### **4.5.4 Course of action on Youth loan regulations awareness on performance of youth fund**

The respondents were to indicate the course of action on the youth groups awareness of the youth loan regulations. The findings are as indicated in Table 19

**Table 19: Course of action on youth groups loan regulations awareness on performance of youth fund**

<b>Course of action</b>	<b>Frequency(n)</b>	<b>%</b>
Officials from the Youth Fund often visit	17	48
Collaborate with bank experts and participate in organized activities monitored by the Youth Fund's officials	15	43
organized and overseen by representatives of the Youth Fund	3	9
<b>Total</b>	<b>35</b>	<b>100</b>

*(Source field data,2024)*

The results on officials from the youth fund often visiting indicated that majority of the respondents agreed at 17(48%), 15(43) indicated that collaborating with bank experts and

participate in organized activities monitored by the youth fund's officials . The minority indicated at 3(9%) that organized and overseen by representatives of the Youth Fund on performance of youth fund in Kwale county, Kenya.

#### 4.5.5 Extent the loan laws influence performance of youth groups

The respondents were to indicate the extent the loan laws influence performance of youth groups. The value of the mean indicated the level of agreement ranging as scale of 1 to 5, with 1 denoting no impact, 2 low, 3 moderate, 4 great, and 5 very great. The findings are as indicated in Table 20

**Table 20: Extent the loan laws influence performance of youth groups**

Statements	5	4	3	2	1	Mean	Std
	%	%	%	%	%		
Amount of the payment	33	36	20	8	3	2.66	1.24
Groups' financial needs	31	44	17	6	2	2.91	1.35
Governmental spending plan	38	34	19	7	2	3.00	1.24

(Source field data 2024)

The research findings on the extent amount of the payment influence performance of youth groups revealed that majority of the respondents (33%) to a very great extent 36 % agreed to a great extent while those who moderately agreed were at 20 %. Those who agreed to a low extent at 8 % while those at no extent were at 3 % with a mean of 2.66 and the standard deviation of 1.24. The research findings also revealed that majority of the respondents (31%) to a very great extent 44 % agreed to a great extent while those who moderately agreed were at 17 %. Those who agreed to a low extent at 6 % while those at no extent were at 2 % with a mean of 2.91 and the standard deviation of 1.35 that groups' financial needs indicate the extent the loan laws influence performance of youth groups.

The research on governmental spending plan findings revealed that majority of the respondents (38%) to a very great extent 34 % agreed to a great extent while those who moderately agreed were at 19 %. Those who agreed to a low extent at 7 % while those at no extent were at 2 %

with a mean of 3.00 and the standard deviation of 1.24. The overall results revealed that the loan laws influence performance of youth groups influence performance of youth groups.

#### 4.5.6 Youth Fund's loan acquisition process

The respondents were to indicate the how they acquired the loan.. The findings are as indicated in Table 21

**Table 21: Loan acquiring process**

Process of acquiring loans	Frequency(n)	%
website, www.kwale.go.ke,	77	45
Group meeting with bank	94	55
<b>Total</b>	<b>171</b>	<b>100</b>

*(Source field data, 2024)*

The results on loan acquiring process indicated that majority of the respondents acquired the loan through group meeting with the bank at 94(55%) while 77(45%) indicated that they acquired the loan through Kwale county website www.kwale.go.ke, 77(45%). These results showed that banks played a key role in accessing loans by youth groups on performance of youth fund in Kwale County, Kenya.

#### 4.5.7 Evaluation of Youth Fund's borrowing process

The respondents were to evaluate the youth fund borrowing process. The findings are as indicated in Table 22.

**Table 22: Evaluation of Youth fund borrowing process**

Evaluation of loans acquiring process	Frequency(n)	%
Highly efficient and motivating	11	6
Efficient and equitable	20	12
Sluggish	60	35
Excessively bureaucratic and vexatious	80	47
<b>Total</b>	<b>171</b>	<b>100</b>

*(Source field data, 2024)*

The results on evaluation of youth fund borrowing process indicated that majority at 80(47%)

showed there was excessively bureaucratic and vexatious at 94(55%). This was followed by those who indicated that it was sluggish, 20(12%) indicated that it was efficient and equitable While the minority 11(6%) indicated that it was highly efficient and motivating. These results showed that there was excessive bureaucratic and vexatious and sluggish process to acquire youth fund influencing performance of youth fund in Kwale County, Kenya.

#### 4.5.8 Impact of borrowing process influence on performance of youth groups

The respondents were to indicate the impact of borrowing process on performance of youth groups. The value of agreement ranging on a scale of 1 to 5, where 1 indicates no impact, 2 indicates low impact, 3 indicates moderate impact, 4 indicates significant impact, and 5 indicates highly significant impact. The findings are as indicated in Table 23

**Table 23: Impact of borrowing process influence on performance of youth groups**

	5	4	3	2	1	Mean	Std
Statements	%	%	%	%	%		
Follow-up procedures	35	43	14	6	2	3.46	0.61
Process duration	44	38	8	7	3	3.37	0.74
information about lending practices	41	40	13	5	1	3.34	0.59

(Source field data 2024)

The research findings on the impact of follow-up procedures showed that majority of the respondents (43%) indicated significant impact, 35 % agree at high significant while those who indicated moderate significant were at 14 %. Those who indicated low impact were at 6% while those who indicated no impact were at 2 % with a mean of 3.46 and the standard deviation of 0.61. The results on the impact of process duration showed that majority of the respondents (44%) indicated high significant impact, 38 % indicated significant while those who indicated moderate significant were at 8 %. Those who indicated low impact were at 7% while those who indicated no impact were at 3 % with a mean of 3.37 and the standard deviation of 0.74.

The results on the impact of information about lending practices showed that majority of the respondents (41%) indicated high significant impact, 40 % indicated significant while those who indicated moderate significant were at 12 % . Those who indicated low impact were at 5% while those who indicated no impact were at 1 % with a mean of 3.34 and the standard deviation

of 0.59. The results showed that the impact of borrowing process has an influence on performance of youth fund in Kwale County, Kenya.

#### 4.5.9 Youth group leadership and performance of youth fund

The respondents were to rate the impact of group leadership on performance of youth fund on a scale of 1 to 5, 1 -no impact, 2 -low, 3 moderate, 4- great, and 5- extremely great. The findings are as indicated in Table 24

**Table 24: Impact of youth group leadership on performance of youth fund**

Statements	5	4	3	2	1	Mean	Std
	%	%	%	%	%		
They actively advocate for the Youth Fund.	39	31	18	8	4	4.49	0.97
They are aware of where to invest the loan from the Youth Fund.	38	44	13	4	1	3.57	0.64
They are completely aware of the repercussions of default.	31	38	17	10	4	4.72	0.88
As a final resort, we turn to loans.	36	35	15	9	5	4.38	0.81
They are afraid of loans; therefore, we keep as far away from them as we can	31	34	23	8	5	3.34	1.48
Our leaders are to thank for the advancement we have accomplished.	32	34	25	6	3	4.37	0.92
Possessing leadership abilities	32	39	18	9	2	4.76	0.71
Education level of the leaders	44	31	16	5	4	4.45	0.65
Degree of leadership	39	37	15	6	3	4.56	0.77
group size management	34	32	22	7	5	4.65	0.93

(Source field data 2024)

The research findings on the impact of group leaders actively advocating for the youth fund

indicated majority of the respondents (39%) agreed the impact was at a very great extent (31 %) agreed to a great extent while those who moderately agreed were at 18 %. Those who agreed to a low extent at 8% while those at no extent were at 4 % with a mean of 4.49 and the standard deviation of 0.97. The research findings on the impact that the youth leaders are aware of where to invest the loan from the youth fund indicated majority of the respondents (38%) agreed the impact was at a very great extent (44 %) agreed to a great extent while those who moderately agreed were at 13 %. Those who agreed to a low extent at 4% while those at no extent were at 1 % with a mean of 3.57 and the standard deviation of 0.64.

The research findings on the impact that the youth leaders are completely aware of the repercussions of default indicated majority of the respondents (31%) agreed the impact was at a very great extent (38 %) agreed to a great extent while those who moderately agreed were at 17 %. Those who agreed to a low extent at 10% while those at no extent were at 4 % with a mean of 4.72 and the standard deviation of 0.88. The research findings on the impact that the youth leaders as final resort turn to loans indicated majority of the respondents (36%) agreed the impact was at a very great extent (35 %) agreed to a great extent while those who moderately agreed were at 15 %. Those who agreed to a low extent at 9% while those at no extent were at 5 % with a mean of 4.38 and the standard deviation of 0.81.

The research findings on the impact that the youth leaders are afraid of loans; therefore keep as far away from them as they can indicated majority of the respondents (31%) agreed the impact was at a very great extent (34 %) agreed to a great extent while those who moderately agreed were at 23 % . Those who agreed to a low extent at 8% while those at no extent were at 5 % with a mean of 3.34 and the standard deviation of 1.48. The research findings on the impact that the youth leaders are thankful for the advancement they have accomplished indicated majority of the respondents (32%) agreed the impact was at a very great extent (34 %) agreed to a great extent while those who moderately agreed were at 25 % . Those who agreed to a low extent at 6% while those at no extent were at 3 % with a mean of 4.37 and the standard deviation of 0.92

The research findings on the impact that the youth leaders possess leadership abilities

Indicated majority of the respondents (32%) agreed the impact was at a very great extent

(39 %) agreed to a great extent while those who moderately agreed were at 18 %. Those who agreed to a low extent at 9% while those at no extent were at 2 % with a mean of 4.76 and the standard deviation of 0.71. The research findings on the impact that the youth leader’s education level of the leaders indicated majority of the respondents (44 %) agreed the impact was at a very great extent (31 %) agreed to a great extent while those who moderately agreed were at 16 %. Those who agreed to a low extent at 5% while those at no extent were at 4 % with a mean of 4.45 and the standard deviation of 0.65

The research findings on the impact that the youth leaders having degree of leadership indicated majority of the respondents (39 %) agreed the impact was at a very great extent (37 %) agreed to a great extent while those who moderately agreed were at 15 %. Those who agreed to a low extent at 5% while those at no extent were at 3 % with a mean of 4.56 and the standard deviation of 0.77. The research findings on the impact that the youth leaders on group size management indicated majority of the respondents (34 %) agreed the impact was at a very great extent (32 %) agreed to a great extent while those who moderately agreed were at 22 %. Those who agreed to a low extent at 7% while those at no extent were at 5 % with a mean of 4.65 and the standard deviation of 0.95. The overall results showed that impact of group leadership has an influence on performance of youth fund in Kwale county, Kenya.

#### 4.5.10 Loan Repayment Rate on performance of youth groups

The respondents were to indicate the impact of impact the feasibility of repaying youth fund loan on performance of youth groups. The value of agreement ranging on a scale of 1 to 5, where 1 indicates no impact, 2 indicates low impact, 3 indicates moderate impact, 4 indicates significant impact, and 5 indicates highly significant impact. The findings are as indicated in Table 25

**Table 25: Impact of loan repayment rate on performance of youth groups**

	5	4	3	2	1	Mean	Std
Statements	%	%	%	%	%		
Loan payback period	53	25	13	5	4	3.61	0.88
Quantity circulating	40	38	11	8	4	3.73	0.79

Failure rate	40	43	12	5	2	3.30	0.55
Laws affecting the acceptance of loans	43	36	9	7	5	3.41	0.67

(Source field data 2024)

The research findings on the impact of loan payback period showed that majority of the respondents (53%) indicated significant impact, 25 % agree at high significant while those who indicated moderate significant were at 13 %. Those who indicated low impact were at 5% while those who indicated no impact were at 4 % with a mean of 3.61 and the standard deviation of 0.88. The results on the impact of quantity circulating showed that majority of the respondents (40%) indicated high significant impact, 38 % indicated significant while those who indicated moderate significant were at 11 %. Those who indicated low impact were at 8% while those who indicated no impact were at 4 % with a mean of 3.73 and the standard deviation of 0.79. The results on the impact of failure rate showed that majority of the respondents (40%) indicated high significant impact, 43 % indicated significant while those who indicated moderate significant were at 12 %. Those who indicated low impact were at 5% while those who indicated no impact were at 2 % with a mean of 3.30 and the standard deviation of 0.55.

The results on the impact of laws affecting the acceptance of loans showed that majority of the respondents (43%) indicated high significant impact, 36 % indicated significant while those who indicated moderate significant were at 9 %. Those who indicated low impact were at 7% while those who indicated no impact were at 5 % with a mean of 3.41 and the standard deviation of 0.67. The overall results showed that impact of loan repayment rate has an influence on performance of youth fund youth fund in Kwale county, Kenya.

## 4.6 Diagnostic Test

### 4.6.1 Autocorrelation Assumption Test

The results of the test of autocorrelation assumption are presented in Table 26

**Table 26: Autocorrelation Assumption Test Results**

Variable	Durbin-Watson
----------	---------------

Amount borrowed	1.632
Kwale County Government Act	2.435
Borrowing procedure	2.448
group leadership	1.390
Performance of Youth groups fund	1.811

(Source, field 2024)

The results as indicated in Table 26 revealed that the Durbin- Watson statistic value of Amount borrowed was 1.632. In addition, the Durbin-Watson statistic value for Kwale County Government Act was 2.435. Further, the results indicated that the Durbin-Watson statistic value for borrowing procedure was 2.448 and for group leadership was 1.390, while performance of Youth groups fund was 1811 in Kwale county, Kenya. This implies that the study variables had the independence of errors because it meets the threshold of Durbin-Watson between 0-4. The Durbin-Watson test reports a test statistic, with a value from 0 to 4, where: 0-2.5 denotes no autocorrelation. In conclusion, the data collection instruments were found to be valid and reliable and therefore can be used for data collection in the main study.

#### 4.6.2 Normality Assumptions Test

The study conducted a normality test to determine whether the data is normally distributed. The result of the normality test is indicated in Table 27

**Table 27: Normality Assumption Test Results**

Variable	Kolmogorov- Smirnov	Sig
Amount borrowed	.362	.523
Kwale County Government Act	.370	.741
Borrowing procedure	.245	.860
group leadership	.252	.609
Performance of Youth groups fund	.305	.707

(Source, field 2024)

Normality assumption test results in Table 27 established that the data was normally distributed since the significance values for Kolmogorov-Smirnov were greater than 0.05. The study findings indicated that Amount borrowed had a Kolmogorov-Smirnov significance value of  $p=.523 > 0.05$ , Kwale County Government Act had a Kolmogorov-Smirnov significance value of  $p=.741 > 0.05$ . Borrowing procedure had a Kolmogorov-Smirnov significance value of

$p=.860 > 0.05$ . Group leadership and evaluation had a Kolmogorov-Smirnov significance value of  $p=.609 > 0.05$ . Performance of Youth groups fund in Kwale county had a Kolmogorov-Smirnov significance value of  $p=.707 > 0.05$ . Since the p-values were greater than the significance level (0.05), this implies that the data were normally distributed.

#### 4.6.3 Multicollinearity Test

Multicollinearity occurs when two or more independent variables are highly correlated with each other. When multicollinearity is present in a regression model, it can be difficult to determine the unique contribution of each independent variable to the outcomes. The study result is presented in Table 28

**Table 28: Multicollinearity Assumption Test Results**

Variables	Tolerance	VIF
Amount borrowed	.528	1.722
Kwale County Government Act	.511	1.774
Borrowing procedure	.613	1.535
Group leadership	.764	1.402
Performance of Youth groups fund	.551	1.533

*Source, field 2024)*

From the finding the tolerance and variance inflation factor value for amount borrowed (tolerance=0.528 and VIF=1.722), (Kwale County Government Act =0.511 and VIF=1.774), Borrowing procedure (tolerance=0.608 and VIF=1.595). Group leadership (tolerance=0.764 and VIF=1.402) and for performance of Youth groups fund (tolerance=0.551 and VIF=1.533). The study results imply that all tolerance values for the five variables under study were all above 0.10 and VIF values all less than 10, this implies that the data used had no Multicollinearity.

#### 4.6.4 Homoscedasticity test results

Homoscedasticity describes the homogeneity of disturbance between independent and dependent variables across the values of the independent variables. It expresses constant residual terms across observations. Conversely, unequal errors lead to heteroscedasticity problem. Heteroscedasticity contribute to inefficient parameter estimates and incorrect confidence

intervals. When the value of the dependent variable changes, the error term ought not to vary much. For homoscedastic data, p-value is greater than 0.05. Homoscedasticity test results are shown in Table 29.

**Table 29: Homoscedasticity Test Results**

Model	Unstandardized		Standardized	t	Sig.
	Coefficients				
	B	Std. Error	Beta		
(Constant)	.036	.209		.153	.819
Amount borrowed	.020	.054	.048	-.169	.857
Kwale County Government Act	.056	.059	.272	1.013	.350
Borrowing procedure	.039	.034	.073	.220	.853
Group leadership	.030	.045	.097	-.370	.744

a. Dependent Variable: Performance of Youth groups fund

The results in Table 29 shows that, amount borrowed, Kwale County Government Act, , and borrowing procedure and group leadership had p-values 0.857 0.350, 0.853 and 0.744 respectively. All these values are greater than 0.05, implying that the data was homoscedastic and there was no heteroscedasticity problem. The results helped the researcher to validate the appropriateness of the linear regression analysis.

#### 4.7 Inferential Statistics

##### 4.7.1 Correlation Analysis

###### 4.7.1.1 Amount borrowed and Performance of Youth groups fund

The study sought to establish the correlation between amount borrowed and performance of youth fund in Kwale County, Kenya. The findings of the study are as shown in Table 30.

**Table 30: Amount borrowed and performance of youth fund in Kwale county, Kenya**

		Performance of youth fund
Amount borrowed	Pearson Correlation	.531**

Sig. (2-tailed)	.000
N	171

\*\* . Correlation is significant at the 0.05 level (2-tailed).

As indicated in Table 30, the study indicates that there was a moderate positive and statistically significant correlation between amount borrowed and performance of youth fund in Kwale county, Kenya ( $r = 0.531$ ;  $p < 0.05$ ). This implies that amount borrowed had an influence on performance of youth fund in Kwale county, Kenya.

#### **4.7.1.2 Kwale County Government Act performance of youth fund in Kwale county, Kenya**

The study sought to establish the correlation between Kwale County Government Act and performance of youth fund in Kwale county, Kenya. The findings of the study are as shown in Table 31.

**Table 31: Kwale County Government Act performance of youth fund in Kwale county, Kenya**

		Performance of youth fund
Kwale County Government Act	Pearson Correlation	.591**
	Sig. (2-tailed)	.000
	N	171

\*\* . Correlation is significant at the 0.05 level (2-tailed).

As indicated in Table 31, the study indicates that there was a moderate positive and statistically significant correlation between Kwale County Government Act and performance of youth fund in Kwale county, Kenya ( $r = 0.591$ ;  $p < 0.05$ ). This implies Kwale County Government Act has an influence on performance of youth fund in Kwale county, Kenya.

#### **4.7.1.3 Borrowing procedure and performance of youth fund in Kwale county, Kenya**

The study sought to establish the correlation between borrowing procedure and performance of youth fund in Kwale county, Kenya. The findings of the study are as shown in Table 32. The findings of the study are as shown in Table 32.

**Table 32: Borrowing procedure and performance of youth fund in Kwale County, Kenya.**

		Performance of youth fund
Borrowing procedure	Pearson Correlation	.589**
	Sig. (2-tailed)	.000
	N	171

\*\* . Correlation is significant at the 0.05 level (2-tailed).

As indicated in Table 32, the study indicates that there was a moderate positive and statistically significant correlation between borrowing procedure and performance of youth fund in Kwale county, Kenya ( $r = 0.589$ ;  $p < 0.05$ ). This implies that borrowing procedure have an influence performance of youth fund in Kwale county, Kenya

#### **4.7.1.4 Group leadership and performance of youth fund in Kwale county, Kenya**

The study sought to establish the correlation between group leadership and performance of youth fund in Kwale county, Kenya. The findings of the study are as shown in Table 32. The findings of the study are as shown in Table 33.

**Table 33: Group leadership and performance of youth fund in Kwale county, Kenya**

		Performance of youth fund
Group leadership	Pearson Correlation	.690**
	Sig. (2-tailed)	.000
	N	171

\*\* . Correlation is significant at the 0.05 level (2-tailed).

As indicated in Table 33, the study indicates that there was a moderate positive and statistically significant correlation between group leadership and performance of youth fund in Kwale county, Kenya ( $r = 0.690$ ;  $p < 0.05$ ). This implies that group leadership has an influence on performance of youth fund in Kwale County, Kenya

#### **4.7.2 Regression Analysis**

The study carried out a regression analysis to evaluate the combined influence of amount

borrowed, Kwale County Government Act, borrowing procedure and group leadership on performance of performance of youth fund in Kwale County, Kenya was established. The model summary was shown in table 34

**Table 34: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig. F Change
1	.867 <sup>a</sup>	.752	.759	.3561	.000

The R-Squared is the proportion of variance in the dependent variable which can be explained by the independent variables. The R-squared in this study was 0.752, which shows that the four independent variables amount borrowed, Kwale County Government Act, and borrowing procedure and group leadership can explain 75.2 % of performance youth fund in Kwale county, Kenya while other factors explain 24.8%.

**Table 35: ANOVA**

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.54	4	6.193	100.308	.000 <sup>b</sup>
	Residual	8.444	173	.1002		
	Total	36.498	171			

a. Dependent Variable: performance of Youth fund in Kwale county

b. Predictors: (Constant), amount borrowed, Kwale County Government Act, and borrowing procedure and group leadership

The analysis of variance in this study was used to determine whether the model is a good fit for the data. From the findings, the p-value was 0.000 which is less than 0.05 and hence the model is good in predicting how the four independent variables (amount borrowed, Kwale County Government Act, borrowing procedure and group leadership) influence performance of youth fund in Kwale county, Kenya. Further, the F-value was (100.308) which shows that the model

was fit in predicting the influence of the independent variables on the dependent variable.

**Table 36: Regression Coefficients**

Model	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	.071	.103		.280	.717
Amount borrowed	.363	.165	.656	5.540	.018
Kwale County Government Act	.206	.121	.249	2.823	.021
Borrowing procedure	.379	.152	.186	2.216	.076
Group leadership	.298	.161	.234	3.027	.019

Table 36 shows the overall significant test results for the hypothesized research model. The interpretations of the findings indicated follow the following regression model.

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

Therefore,

$$Y = 0.071 + 0.363X_1 + 0.206 X_2 + 0.379X_3 + 0.298 X_4$$

According to the intercept ( $\beta_0$ ), when the four independent variables are held constant, the performance of youth fund in Kwale County, Kenya 0.071. In addition, holding all the other independent variables constant, a unit increase in amount borrowed would lead to a 0.363 improvement in performance of youth fund in Kwale county, Kenya. Further, holding on the other independent variables constant, a unit increase in Kwale County Government Act would lead to a 0.206 improvement in performance of youth fund in Kwale county, Kenya.

In addition, holding all the other variables constant, a unit increase in borrowing procedure would lead to a 0.379 improvement in performance of improvement in performance of youth fund in Kwale county, Kenya. Finally holding all the other variables constant, a unit increase in group leadership would lead to a 0.298 improvement in performance of youth fund in Kwale county, Kenya. From these findings it can be inferred that borrowing procedure had the most influence on performance of youth fund in Kwale county, Kenya, followed by g and project monitoring and evaluation in that order.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter provides a detailed summary of the major findings of the actual study; it then draws conclusions and discusses implications emanating from these findings. Finally, it makes some recommendations and suggestions on areas of further study. The purpose of the study was to evaluate determinants influencing loan repayment of government funding on performance of youth groups, a case of youth fund in county government of Kwale, Kenya

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

The study sought to determine the summary of key major findings of the study. The summary was categorized in form of specific objectives.

##### **5.2.1 Amount borrowed and performance of youth group fund**

From the analysis the study findings revealed that high loan amounts are difficult to repay, which causes default. The research findings revealed that loan requested should be equal to Loan granted, and vice versa. The research findings revealed that the grace period provided ought to be extended. The research findings revealed that loan interest should be determined by a borrower's or a group's capacity. The research findings revealed that the loan payback schedule should be more flexible. The overall results revealed that the borrowed amount affect the Youth Fund's loan payback influence performance of youth groups in Kwale County, Kenya.

##### **5.2.2 Kwale County Government Act and performance of youth group fund**

The study findings revealed that collaborating with bank experts and participate in organized activities monitored by the youth fund's officials and organized and overseen by representatives of the Youth Fund influence performance of youth fund in Kwale County, Kenya. The research findings showed that the loan laws influence performance of youth groups. This was dependent on the extent amount of the payment and groups' financial needs

As well as governmental spending plan. The overall results revealed that the loan laws influence performance of youth group's funds.

##### **5.2.3 Borrowing procedure and performance of youth group fund**

Based on the analysis, the findings on borrowing procedure indicated that majority of the

respondents acquired the loan through group meeting with the bank and through Kwale county website [www.kwale.go.ke](http://www.kwale.go.ke). These results showed that banks played a key role in accessing loans by youth groups on performance of youth fund in Kwale county, Kenya. The results on evaluation of youth fund borrowing process indicated that there was excessively bureaucratic and vexatious. There process was also sluggish and less efficient. The borrowing process was equitable and was not very efficient and motivating. These results showed that there was excessive bureaucratic and vexatious and sluggish process to acquire youth fund influencing performance of youth fund in Kwale County, Kenya. The research findings on the impact of follow-up procedures and process duration showed that it was significant. The results on the impact of information about lending practices showed that it was significant. The results showed that the impact of borrowing process has an influence on performance of youth fund in Kwale County, Kenya.

#### **5.2.4 Group leadership and performance of youth group fund**

The research findings indicated that there was an impact of group leaders actively advocating for the youth fund. The research findings showed that there was an impact on the youth leader's awareness of where to invest the loan from the youth fund on performance of youth fund. The research findings showed that there was an impact on the youth leaders being completely aware of the repercussions of default on performance of youth fund. The research findings showed that the youth leaders as final resort turn to loans and the youth leaders are afraid of loans; therefore, keep as far away from them. The research findings showed that the youth leaders are thankful for the advancement they have accomplished and the youth leaders possess leadership abilities. The research findings showed the impact of the youth leader's education level and the impact of youth leaders having degree of leadership on performance of youth group funds. The research findings indicated that the youth leaders on group size management has an influence on performance of youth fund in Kwale county, Kenya.

#### **5.2.5 Loan repayment rate and performance of youth group fund**

The research findings showed that loan payback period and quantity circulating has an influence of performance of youth group fund. The results on the impact of failure rate and laws affecting

the acceptance of loans that it has an impact of loan repayment rate thus influencing performance of youth fund youth fund in Kwale county, Kenya.

### **5.3 Conclusions**

Based on the findings the study concluded that the study indicates that was a moderate positive and statistically significant correlation between amount borrowed and performance of youth fund in Kwale county, Kenya ( $r = 0.531$ ;  $p < 0.05$ ). This implies that amount borrowed had an influence on performance of youth fund in Kwale County, Kenya. The study indicates that there was a moderate positive and statistically significant correlation between Kwale County Government Act and performance of youth fund in Kwale county, Kenya ( $r = 0.591$ ;  $p < 0.05$ ). This implies that Kwale County Government Act has an influence an influence on performance of youth fund in Kwale county, Kenya.

The study indicates that there was a moderate positive and statistically significant correlation between borrowing procedure and performance of youth fund in Kwale county, Kenya ( $r = 0.589$ ;  $p < 0.05$ ). This implies that borrowing procedure have an influence performance of youth fund in Kwale county, Kenya. The study indicates that there was a moderate positive and statistically significant correlation between group leadership and performance of youth fund in Kwale county, Kenya ( $r = 0.690$ ;  $p < 0.05$ ). This implies that group leadership has an influence on performance of youth fund in Kwale county, Kenya.

### **5.4 Recommendations**

Based on the findings of the study, the researcher recommended that amount borrowed by youth groups should be should be equal to Loan granted. The grace period provided ought to be extended and loan interest should be determined by a borrower's or a group's capacity. The loan payback schedule should also be more flexible.

The study also recommends that loan laws should be accommodative to influence performance of youth group's funds. Borrowing procedure through group meeting with the bank and through website should be emphasized where information about lending practices should be clear, motivating and efficient. The study recommends that the group leaders possess leadership abilities and should be aware of the repercussions of loan default to enhance loan repayment and

performance of youth fund in Kwale county, Kenya.

### **5.5 Suggestion for further Studies**

This study suggests that future studies should be done to establish challenges facing accessibility of youth funds in Kwale county government in Kenya.



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## APPENDICES

### 4.1. APPENDIX: INFORMED CONSENT LETTER

Dear Madam/Sir,

**RE: REQUEST FOR YOUR CONSENT TO PARTICIPATE IN A RESEARCH PROJECT**

I'm writing to ask that you kindly take part in a study. The study's heading is:

**DETERMINANTS INFLUENCING LOAN REPAYMENT OF GOVERNMENT FUNDING ON PERFORMANCE OF YOUTH GROUPS, A CASE OF YOUTH FUND IN COUNTY GOVERNMENT OF KWALE, KENYA**


The study poses minimal risk and inconvenience. This is because your involvement will be restricted to the questionnaire. Prior to completing the questionnaire, all respondents will be reminded and instructed to uphold the confidentiality of the material provided. Participating in this study will not yield any personal benefits for you. I kindly request that you allocate a portion of your time to engage in a conversation regarding your own experiences. We will not pay any compensation for the information you provide or the time you spend with us.

All information you provide will be securely stored and treated as confidential.

The data will be exclusively utilized for the purposes of this study and will be erased upon the publication of the results.

FULL AND VOLUNTARY PARTICIPATION IS MANDATORY FOR THIS STUDY. IF YOU LIKE, YOU HAVE THE OPTION TO DECLINE TO COMPLETE THE QUESTIONNAIRE AND WITHDRAW AT ANY POINT.

Please affix your signature below if you agree to take part in the study:

Signature of participant: 

Date: 14/07/2023

If you have any inquiries, kindly get in touch with the following:

Mobile phone: 0713615875

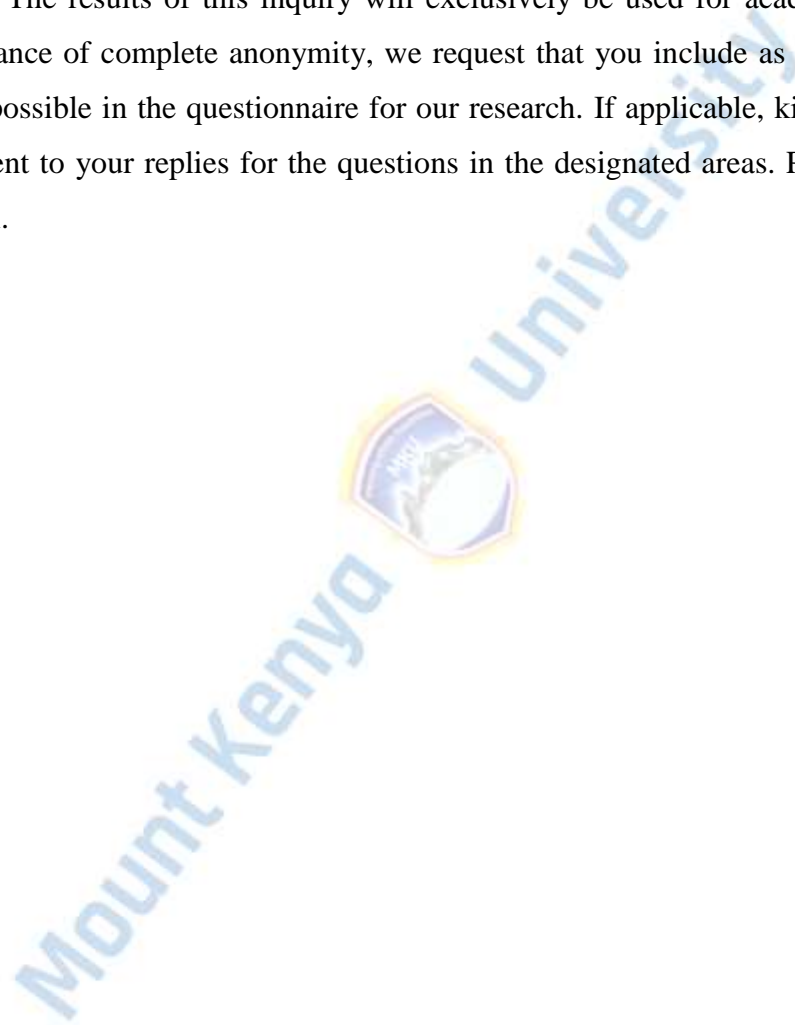
email: omwengav280@gmail.com

Sincerely, Valentine Nyanchama Omwenga

## **APPENDIX 11: INTRODUCTION LETTER**

Hello, Sir/Madam,

I am VALENTINE NYANCHAMA OMWENGA, am now a student at Mount Kenya University. My research focuses on identifying the elements that influence the repayment of government financing to vulnerable organizations that receive the youth fund in Kwale County, Kenya. The results of this inquiry will exclusively be used for academic reasons. Given the assurance of complete anonymity, we request that you include as much relevant information as possible in the questionnaire for our research. If applicable, kindly mark the checkbox adjacent to your replies for the questions in the designated areas. Providing your name is optional.



## APPENDIX 111: QUESTIONNAIRE

Please enter the necessary information by checking the box next to the appropriate response or filling in the blanks where space is provided.

Section A:

### RESPONDENT BACKGROUND INFORMATION

1. Gender  Male  Female

2. What is your age?

18-25 Years

26-32 Years

33-39 Years

Above 40 years

3. level of education

KCPE level

KCSE level

Certificate level

Diploma

Bachelor

Post graduate

4. Length of service in the youth fund organization

0-2 Years ( )

3-5 Years ( )

6-8 years ( )

Above 8 years ( )



over five years

5. How do you go about getting the Youth Fund?

Individual capacity

A group

6. Which position do you occupy if you are in a group?

Chairperson

Vice- chairperson

Treasurer

7. How many people are in your group?

NB: SECTION E- belongs to group only

#### Section B: AMOUNT OF CREDIT BORROWED

8. What was the last amount from the Youth Fund that you (or your organization) accessed?..... (Ksh)

9. How much does the borrowed amount affect the Youth Fund's loan payback rate in the illustrative statements?

Use a scale of 1 to 5, with 1 denoting no impact, 2 low, 3 moderate, 4 great, and 5 very great.

1   2   3   4   5

High loan amounts are difficult to repay, which causes default.

Loan requested should be equal to Loan granted, and vice

versa.					
The grace period provided ought to be extended					
Loan interest should be determined by a borrower's or a group's capacity.					
The loan payback schedule should be more flexible.					

**Section C: LOANS LEGISLATION**

10. Do you know the Youth loan regulations?

Yes  No

11. If yes, how much? a very large degree  moderate degree  Low degree

12. If not, what course of action would you recommend? officials from the Youth Fund often visit  to collaborate with bank experts and participate in organised activities monitored by the Youth Fund's officials. Others provide specific details or information.

13. Use a numerical scale ranging from 1 to 5, where 1 represents no impact, 2 represents low impact, 3 represents moderate impact, 4 represents significant impact, and 5 represents a highly significant influence.

	1	2	3	4	5
Amount of the payment					
Groups' financial needs					
governmental spending plan					

**4.2. Section D: BORROWING PROCESS**

14. Would you kindly describe the Youth Fund's loan acquisition

process.....?



15. How would you evaluate the Youth Fund's borrowing process?

Highly efficient and motivating [ ] Efficient and equitable Sluggish [ ]  
Excessively bureaucratic and vexatious.

16. Rate the impact on a scale of 1 to 5, where 1 indicates no impact, 2 indicates low impact, 3 indicates moderate impact, 4 indicates significant impact, and 5 indicates highly significant impact.

	1	2	3	4	5
Follow-up procedures					
Process duration					
information about lending practices					

4.3. Section E: GROUP LEADERSHIP

17. Rate the impact on a scale of 1 to 5, with 1 meaning there was no impact, 2 low, 3 moderate, 4 great, and 5 extremely great.

	1	2	3	4	5
They actively advocate for the Youth Fund.					
They are aware of where to invest the loan from the Youth Fund.					
They are completely aware of the repercussions of default.					
As a final resort, we turn to loans.					
They are afraid of loans; therefore, we keep as far away from them as we can.					

Our leaders are to thank for the advancement we have accomplished.					
--	--	--	--	--	--

18. Rate the impact on a scale of 1 to 5, with 1 meaning there has been no impact, 2 low, 3 moderate, 4 great, and 5 extremely great.

	1	2	3	4	5
Possessing leadership abilities					
Education level of the leaders					
Degree of leadership					
group size management					

Section F: Loan Repayment Rate To what extent do the stated variables impact the feasibility of repaying a loan from the Youth Fund? Determine the level of impact on a numerical scale ranging from 1 to 5, where 1 indicates no impact, 2 signifies low impact, 3 denotes moderate impact, 4 represents significant impact, and 5 indicates an exceptionally significant impact.

	1	2	3	4	5
Loan payback period					
Quantity circulating					
Failure rate					
Laws affecting the acceptance of loans					

**I APPRECIATE YOU TAKING THE TIME TO PARTICIPATE.**

**APPENDIX IV: NACOSTI Permit**

 <b>REPUBLIC OF KENYA</b>	 <b>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY &amp; INNOVATION</b>
Ref No: 295988	Date of Issue: 26/February/2024
<b>RESEARCH LICENSE</b>	
	
<p>This is to Certify that Miss.. Valentine Nyanchama Omwenga of Mount Kenya University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Kwale on the topic: <b>DETERMINANTS INFLUENCING LOAN REPAYMENT OF GOVERNMENT FUNDING ON PERFORMANCE OF YOUTH GROUPS, A CASE OF YOUTH FUND IN COUNTY GOVERNMENT OF KWALE, KENYA</b> for the period ending: 26/February/2025.</p>	
License No: NACOSTI/P/24/33431	
Applicant Identification Number 295988	 Director General <b>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY &amp; INNOVATION</b>
	Verification QR Code 
<p><b>NOTE:</b> This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.</p>	
See overleaf for conditions	

APPENDIX V: ERC CLEARANCE LETTER



REF: MKU/ISERC/3345

Date: 24 November 2023

TO: VALENTINE NYANCHAMA OMWENGA

REG: MBA/2021/81053

Dear Sir/Madam,

**RE: DETERMINANTS INFLUENCING LOAN REPAYMENT OF GOVERNMENT FUNDING ON PERFORMANCE OF YOUTH GROUPS, A CASE OF YOUTH FUND IN COUNTY GOVERNMENT OF KWALE, KENYA**

This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **2389**. The approval period is **24/11/2023 - 23/11/2024**.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including informed consents, study instruments, MTA will be used
- ii. All changes including amendments, deviations and violations are submitted for review and approval by **Mount Kenya University**
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **Mount Kenya University** within 72 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to **Mount Kenya University** within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal
- vii. Submission of an executive summary report within 90 days upon completion of the study to **Mount Kenya University**

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke> and also obtain other clearances needed.

Yours sincerely,  **The Chairman**  
**Mount Kenya University**  
**Ethics Review Committee**  
**P.O. Box 342 - 01000 Thika**

**Dr. Alfred Owino, PhD**  
**Chairman, Mount Kenya University ISERC**

APPENDIX VI: INTRODUCTORY LETTER



**DIRECTORATE OF GRADUATE STUDIES**

MBA/2021/81053

24<sup>th</sup> November, 2023

*National Commission for Science Technology & Innovation (NACOSTI)  
Off Waiyaki Way, Upper Kabete,  
P.O Box 30623- 00100  
NAIROBI, KENYA*

Dear Sir/Madam,


**RE: VALENTINE NYANCHAMA OMWENGA - REGISTRATION NO.  
MBA/2021/81053**

The purpose of this letter is to introduce the above named student who is pursuing **Master of Business Administration** in the department of **Accounting and Finance** in the school of **Business and Economics**

The title of the research is **"Determinants Influencing Loan Repayment of Government Funding on Performance of Youth Groups. A Case of Youth Fund in County Government of Kwale Kenya."** It has been cleared by the University's Ethics Review Committee (Certificate attached) and now has to proceed to the field to collect data between **November, 2023 and January, 2024.**

Any assistance accorded to the student will be highly appreciated.

Thank you.

  
**Dr. Samuel M. Karenga, Ph.D**  
**Director, Graduate Studies**  
Enc.



**APPENDIX VII: SIMILARITY INDEX**

