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Social Factors that Influence Loan Accessibility by Youth Entrepreneurs in Kenya: A Case of Youth Enterprise Development Fund in Gatundu South Constituency

Stephen Ngige Ng'ang'a
Gatundu- Kenya
Email: vostihosti@gmail.com

Dr. Maurice M. Sakwa
Jomo Kenyatta University of Agriculture and Technology
Nairobi
Email: msakwa@jkuat.ac.ke, msakwa@gmail.com

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ABSTRACT

The objective for this study was to assess the social factors that influence loan accessibility by youth entrepreneurs in Kenya. Data for analysis was received from 112 youth entrepreneurs from Gatundu south constituency collected using questionnaires while using statistical analysis tool of SPSS to analyze data. Social factors such as background characteristics of youth entrepreneurs' i.e. personal interest to entrepreneurship, entrepreneurship education and supportive family and friends were attributable in influencing youth entrepreneurs to access loan facilities. 93.9% of respondents indicated that they accessed youth fund because they had personal interest to be entrepreneurs, 64% were influenced by their family and friends who provided information on sources of finance, business ideas and moral support. Individual lending model was preferred by 52% of respondents to group lending model which was rated 86% as being ineffective. Group lending model on the other hand work effectively where therise cohesion and proper leadership. The study recommended review of policies on access to loans by youth entrepreneurs by government, policy makers and financial institutions with regards to social factors.

Key words: Social factors, Loan accessibility, Entrepreneurship, Economic development, Personal interest, Personal Environment, Group dynamics.

1.0. Background of the study

Financial services play a critical role in development by facilitating economic growth, enterprise creation; reduce income inequality and poverty levels, and employment creation. Inclusive financial systems allow poor people and disadvantaged groups such as youth, persons with disabilities and women to save, borrow and enable them to build their assets, invest in education, venture into entrepreneurial activities and improve their livelihoods (World Bank, 2012).

(Kauffmann, 2005) argued that Africa's MSEs where majority of youth entrepreneurs fall have little access to finance which hampers their emergence and eventual growth. Their main sources of finance are personal savings, retained earnings, informal savings and loan associations which are unpredictable, not very secure and have little scope for risk sharing because of their regional or sectoral focus. In his argument he noted that access to formal finance is poor because of the high risk of default among MSEs and due to inadequate financial facilities (Warigia, 2011).

Youth entrepreneurs operate small size entreprises that are sole owned and suffers from unlimited liability which make them less attractive to funding by Financial Institutions due to high risks involved. Therefore, limited access to credit by small entreprises is almost universally key problem. In some cases even where credit is available, the entreprenuer may lack freedom of choice because the lending conditions may force them to purchase heavy and immovable equipment than can serve as collateral for the loan (Maina, 2011).

One of the pain areas for MSEs is finding appropriate sources of funding. Inadequate information on various lenders policies, products and services, interest rates, terms and conditions limit options for credit especially in rural areas. Failure to access crucial information especially on Government Supported Schemes make applications and disbursement process long and tideous which discourage youth entreprenuers from applying. Programs such as the youth fund and Women fund have come into existence over the past three years to provide the much needed credit. However, few youth, especially in rural areas, know about these programs, in regard to where to go, what to do and how to do it with regard to loan application processes and support services. Financiers on the other hand have inadequate credit history of the youth, thus cannot be able to assess their credit worthiness as the youth do not furnish credit bureaus with this information as they are unaware of such credit bureaus (Educational Development Centre[EDC], 2009).

The youth possess little resources and assets that are inadequate and in some cases unacceptable as collateral for loans by Financial Institutions. One of the key concerns when lending to young entrepreneurs is inadequate business experience and business skills because of their tender age. Young people are unlikely to have the type of business experience, track record or business skills that banks or other financial institutions would look for in assessing creditworthiness. Often young people will have to show that their business have already been trading in some form for the past 6 months (Alila, 1991).

The high cost of credit in terms of high interest rates, loan processing fees, transaction costs , legal fees and insurance charges. combined make loans expensive for less established young entreprenuers. Institutional policies and government regulatory framework that inhibit economic freedom dampen people's alertness to opportunities through their negative effect on personal agency beliefs that is internal locus of control and personal efficacy (Harper, 2003).

Personal environment such as parents, relatives and friends have a crucial influence on young people's opinions about entrepreneurship, playing a strong role in imparting positive or negative views. Family background, in particular, plays an important role in the formation of a mindset open to self-employment and entrepreneurship (Postigo et al., 2003). Family and friends continue to remain a major source of finance and moral support to young entrepreneurs across the globe by constituting 22.8% percent compared to 9% percent and 3.4% percent from financial institutions and private lenders respectively (World Bank, 2012).

To enhance loan accessibility to youth entrepreneurs Youth Enterprise Development Fund was conceived in June 2006 by the Kenyan Government to offer affordable loans to youth entrepreneurs (Government Of Kenya [GOK], 2008). But, several reports by government reveal low uptake of the fund for instance FinAccess report of 2009 on youth fund disbursement showed only 12.3% of youth had received loans through banks and 19.9% through Microfinance institutions and SACCOs working with Government. To date the fund has financed in excess of 200000 youth enterprises (EDC,2009).
The youth fund adopted the Grameen lending methodology widely practised by leading MFIs in Kenya which required youth to form groups of membership between15-30, be registered with relevant ministry as self help groups, meet and save regularly for a period of 3-6 months before applying for youth fund (Hossain, 1988). Group lending methodology was meant to create social collateral and group guarantee for loans but the model has been ineffective in availing affordable loans to youth due to challenges such as lack of cohesiveness in the groups and in effective group leadership (Government Of Kenya[GOK], 2011).

1.2 Statement of the problem
Access to loans remains a major challenge to youth entrepreneurship in Kenya as up to 59.7 % of youth lack access to financial services (World Bank, 2012). The government of Kenya established youth enterprise development fund in 2006 to provide affordable loan facilities to youth entrepreneurs who could not access loans from financial institutions due to inadequate collaterals, credit history, in adequate information and irregular income (Government Of Kenya[GOK], 2011).

The group lending model adopted by youth fund has been successful in lending to women by Microfinance institutions in Kenya due to its emphasis on the social aspect of group members such as their welfare and common challenges that bind them together (Brandt, 1996). Replication of this model to youth fund was based on similar assumptions that youth have common needs and challenges i.e. unemployment and desire to be entrepreneurs to earn a living. What they required was just affordable loan and could be easily organized in groups to co guarantee each other (United Nations University[UNU], 2013).

Youth fund is a state project that seeks to empower the youth economically in Kenya. But, its uptake remains low among the youth entrepreneurs across the country, with 12.3% of youth having received the fund through banks and 19.9% through MFIs and SACCOs working with the fund. The low uptake of youth fund was attributable to many factors. The state adopted the gramenian lending model to address the operational, logistical and administrative challenges youth entrepreneurs faced when accessing loans from financial institutions. Some of this challenges are social hence the study on social factors that influence loan accessibility by youth entrepreneurs in Kenya (Financial Sector Deepening[FSD], 2009).

1.3. General Objective

The general objective of this study was to assess the social factors that influence access to youth enterprise development fund by youth entrepreneurs in Kenya.

2. Literature review

2.1. Background Characteristics of youth entrepreneurs and loan accessibility

According to the youth at risk assessment report (2009), the motivation to engage in business and the decision to become an entrepreneur is closely linked to the level of awareness about knowledge of and familiarity with the concept of entrepreneurship as being a viable career path. Among other social institutions, education has probably the most important impact on raising awareness and attractiveness to the characteristics and attributes of entrepreneurship. Entrepreneurial education helps to arm young people with an understanding of and skills necessary in starting and managing a business, embracing a saving culture and seeking additional funding through writing business plans and proposals. Unfortunately most systems of education in Africa and in Kenya in particular have less emphasis on entrepreneurship education.

Evaluation of the Berger entrepreneurship programme in the US, comparing business school graduates who completed the programme to other graduates. They found out that Entrepreneurship education contributed significantly to risk taking, formation of new ventures, promoted technology-based firms, products and the propensity to be self-employed. Such graduates would easily convince their families, friends and FIs to fund their ideas as they are perceived to possess the necessary technical skills in entrepreneurship (Charney& Libecap, 2000).

In 2001, Sergeant and Crawford conducted a national youth entrepreneurship attitude survey in Australia with 784 Australians aged 15-24 years. According to the survey, around two thirds (68.2%) of respondents indicated that they would like to start their own business at some stage in the future. Furthermore, in 2004, Kalafaltelis and McMillen conducted a quantitative benchmark survey on youth attitudes towards entrepreneurship in New Zealand. The survey revealed that over three-quarters of young people (79%) would like to 'start up' or own their own business.

According to Chigunta et al. (2005) attitudes of young people in Africa towards self-employment vary from country to country, mainly depending on economic, social, political and historical factors. Fieldwork experiences in countries like South Africa and Zambia differ. Whereas many young people in South Africa see self-employment as a “stop-gap” measure as they look for formal employment while Zambian youth 51.5% per cent in the sample wanted to start their own business in the informal sector. The above studies clearly showed that not all the youth appreciate entrepreneurship as a career; some see it as a part time job to formal employment. The decision to be or not to be an entrepreneur clearly lies in one’s personal interest and sacrifices (Chigunta et al., 2005).

A national survey of young adults in the US found that there was a strong relationship between having a role model in the form of a parent, family member or friend and expecting to own a business in the future (Development Associates [DA], 1993). Personal environment such as family, parents, relatives and friends have a crucial influence on young people’s opinions about entrepreneurship, playing a strong role in imparting positive or negative views of business. Family background, in particular, plays an important role in the formation of a mindset open to self-employment and entrepreneurship. Some studies suggest that overall family background seems to play a more important role in the entrepreneurial attitude of students than general cultural variables associated with the country (Postigo et al., 2003).

The Euro barometer survey results (2004) confirmed this observation. Interviewees with self-employed parents were more entrepreneurial minded (52%) compared to those whose parents were formal employment (42%). A quantitative benchmark survey conducted in 2004 on entrepreneurship culture among young people in New Zealand also provided a strong evidence of parents as a key influencer with over three quarters of all interviewees (85%) claimed that their parents had influenced their opinions about business, and in most cases they claimed they had been influenced positively (75%). Noted also was approximately one-third of young people (35%) reported their parent/caregiver owned a business (White & Kenyon, 2001).

Family and friends remain a major source of influence to youth entrepreneurs to engage in entrepreneurship by providing business ideas, information, financial and moral support to young entrepreneurs. However, for some societies, entrepreneurship remains undervalued compared to white collar jobs in reputable organizations. Such families hold the view that their sacrifices to educate their children are not repaid if they become self-employed. Often entrepreneurship may be seen as an inappropriate career choice whose risk and instability may have social consequences (Street& Sykes, 2003).

2.2. Group dynamics and loan accessibility

The term group dynamics refers to the interactions between people in a group setting. The social process by which people interact and behave in a group environment is called group dynamics. Group dynamics involves the influence of personality, power and behaviour on the group process. There are two types of groups: 1) formal groups who are structured to pursue a specific task and 2) informal groups who emerge naturally in response to organizational or member interests. These interests may include anything from a research group charged with the responsibility to develop a new product to a group of workers who spontaneously come together to improve social or member activities (Gary, 1996).

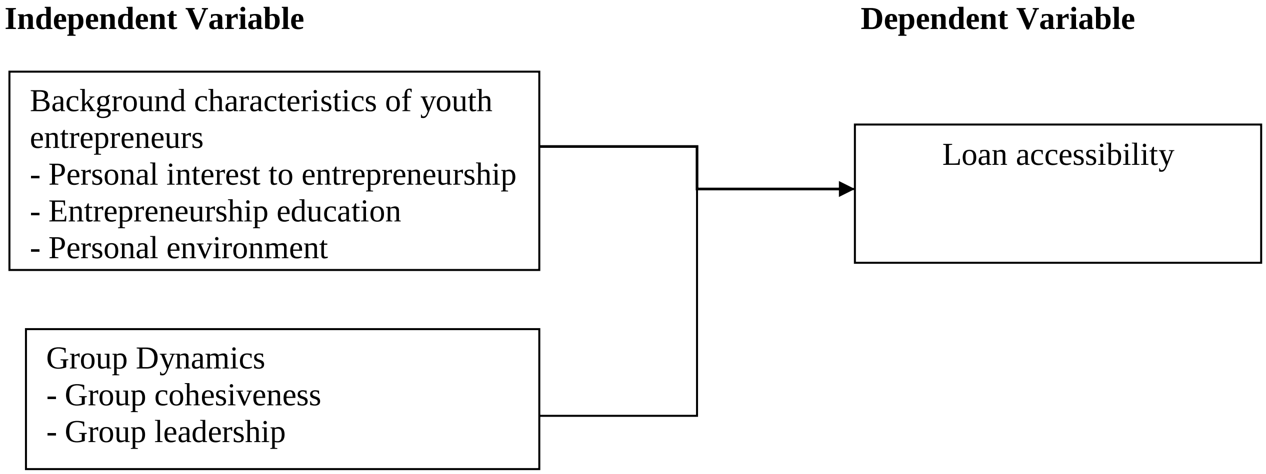
According to Strazzabosco (2002), effective group performance depends to a large extent, on the size and composition of the group. A group may consist of as few as two people or as many as three or four hundred. In order to be effective, group size should be kept to a minimum without jeopardizing workload and goal achievement. Larger groups increase the possibility of conflict due to the variety of viewpoints, few opportunities for the development of social relationships, a decrease in participation levels, and lack of opportunity for individual recognition.

One of the primary factors in group performance involves group cohesion. The ultimate role of groups is to come together as a unit and perform with professionalism and dedication. A group that can work as a unit, share tasks and recognize the contributions of its members will meet with more success than a group mired in conflict, role ambiguity, and lack of motivation. Group cohesion makes it attractive for members to belong, attracts high performers, and provides opportunities for individual recognition within a group setting (Strazzabosco, 2002).

Cohesion may result from internal successes, high social-emotional support, or external threats. Group size can also affect cohesion. A group that is too large may find that members cannot get the recognition they are looking for. This can lead to the formation of subgroups or cliques which further causes members to withdraw or withhold input. This self-interest approach distracts from group performance and cohesion (Gary, 1996).

Group lending model adopted by youth fund has been successful in lending to Women by grameenian bank in Bangladesh and has been replicated in Many Countries across the Globe (Laura Brandt, 1996). However, the model has not been effective as expected in creating social collateral and joint responsibility for loans taken by individuals in the youth groups (EDC,2009) due to challenges such as group dynamics, conflicts, competing interest, power struggles and lack of capacity to manage these challenges by group leaders (Mars Group, 2009).

2.3. Conceptual framework



3.0 Methodology

This study used survey research design, which is an attempt to collect data from members of a population in order to determine the current status of the population with respect to one or more variables (Mugenda, 1999). A survey research seeks to obtain information that describes existing phenomena by asking individuals about their perceptions, attitudes, behavior or values. The goal of the survey is to derive comparable data across subsets of the chosen sample so that similarities and differences can be found. When combined with statistical probability sampling for selecting participants, survey findings and conclusions are projectable to large and diverse populations (Schindler, 2011).

3.1. Sample and sampling technique

A total of 113 questionnaires were issued using both stratified and systematic random sampling techniques and were later analyzed. They were issued to youth entrepreneurs that are beneficiaries of youth fund within Gatundu south constituency. The youth entrepreneurs were sampled from 94 youth groups that have benefited from youth fund with a total population of 1128.

4.0 Discussion of findings and Results

In order to identify and assess the social factors that influence loan accessibility by youth entrepreneurs, data was analyzed and the findings interpreted for presentation. This was done using table of frequency of occurrences, pie charts and graphs.

4.1. Background characteristics of youth entrepreneurs and loan accessibility

Table 1: Personal interest to entrepreneurship

Did you apply for youth fund because you had personal interest to be an entrepreneur?		
Response	**Frequency**	**Percent**
Yes	77	93.9
No	5	6.1
Total	**82**	**100**

From the table 1, 93.9% of respondents indicated that personal interest to entrepreneurship influenced them to apply for youth fund while 6.1% of respondents were of the contrary opinion. Majority of the respondents agreed that personal interest to engage in business so as to implement ones' business idea and make money influenced them to access youth fund in Gatundu south constituency. This is in line with findings by chinguta, 2003 that youth entrepreneurs' engagement in business is based on personal interest and sacrifices (Chigunta, 2003). Youth at risk assessment report in Kenya (2009), noted that the motivation to engage in business and the decision to become an entrepreneur is closely linked to the level of awareness about knowledge of and familiarity with the concept of entrepreneurship as being a viable career path (EDC, 2009).

4.1.1. Relationship between making money and loan accessibility

Table 2: Making money in business

In relation to borrowing to make money, how would you rate your agreement with the following statements?	**SA (%)**	**A (%)**	**D (%)**
Youth fund was affordable	92	4	4
Business idea was profitable	88	8	4
Need for additional capital	73	22	5
Personal savings was inadequate	82	7	11
Youth fund was convenient	85	5	10
Willing to take the risk of borrowing	96	4	0

SA- Strongly Agree, A- Agree, D- Disagree

Table 2, indicates level of agreement by respondents in regard to having business ideas and accessing youth fund. All statements had rating above 70% which indicate that youth entrepreneurship apply for loans; first, if they have personal interest towards entrepreneurship and secondly, if they have business ideas as indicated by 96% of respondents. Business ideas must be viable to pursue as indicated by 92% of respondents. These findings are in line with chingunta (2005), who noted that for one to pursue a viable business opportunity the element of viability and sacrifices to finance them must be present. Viable business ventures generate high profits to entrepreneurs especially if they are unique and only few entrepreneurs are involved. Entrepreneurs will seek additional funds for expansion to meet high demand for goods and services therefore; convenient sources of capital like the youth fund will be preferred.

4.1.2. Entrepreneurship education and loan accessibility

Table 3: Importance of entrepreneurship education to loan accessibility

Do you think entrepreneurship education is important to an entrepreneur?			
Gender	**Yes**	**No**	**Total (%)**
Male (%)	64	5	69
Female (%)	28	3	31
Total (%)	**92**	**8**	**100**

Findings from table 3 indicate 92% of respondents were in favour of the statement while only 8% of respondents were of the contrary opinion. Among other social institutions, education has probably the most important impact on raising awareness and attractiveness to the characteristics and attributes of entrepreneurship. Entrepreneurial education helps to arm young people with an understanding of and skills necessary in starting and managing a business, embracing a saving culture and seeking additional funding through writing business plans and proposals. Unfortunately most systems of education in Africa and in Kenya in particular have less emphasis on entrepreneurship education (EDC, 2009).

Table 4: Usefulness of entrepreneurship education to loan accessibility

Statement	**Very Useful (%)**	**Not Useful (%)**	**Less Useful (%)**
When making business plan	90	4	0
When applying for youth fund	76	4	21
When marketing business ideas to youth fund	91	2	6
When managing business cash flows	96	4	0

Table 4 results shows, an average of 75% of respondents appreciated role of entrepreneurship education in equipping the learners with knowledge and skills in identifying business opportunity and arranging for the necessary resources to pursue them. Entrepreneurship course lays a firm foundation in areas of business planning which involves finance, marketing and management aspects of businesses. In regard to finances learners are taught various sources of finance, their requirements, management of cash flows, making sound business decisions for example where to borrow and marketing business ideas to potential financiers among other issues affecting businesses. This results shows that entrepreneurship education is important in equipping entrepreneurs with basic knowledge and skills necessary in regard to all aspects of businesses which is in line with findings by Charney and Libecap (2000), that entrepreneurship education contribute significantly to risk taking, formation of new ventures, equips the learner with necessary knowledge and skills to pursue business opportunities.

4.1.3. Role of family and friends to loan accessibility.

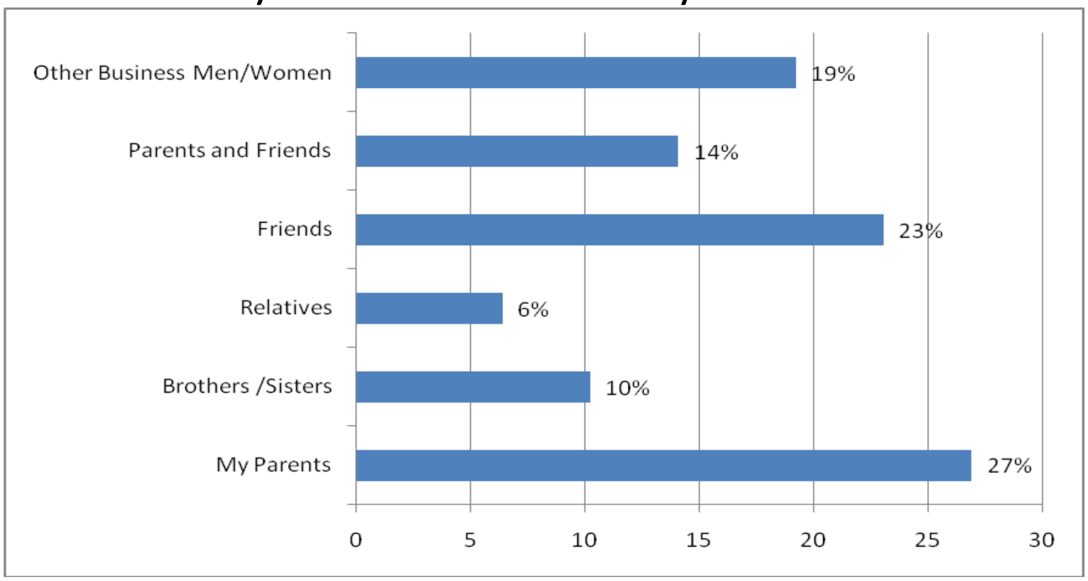


Figure 1: Source of assistance during business start up

Research findings in figure 1 indicate parents and friends as the major source of support for upcoming youth entrepreneurs as indicated by 64% of respondents. Successful entrepreneurial parent's offers supportive environment in terms of start-up capital, moral support, partnership in business, providing information on various issues affecting businesses and acting as mentors in business. Postigo et al., (2003) noted that personal environment such as family; parents, relatives and friends have a crucial influence on young people's opinions about entrepreneurship, playing a strong role in imparting positive or negative views of business. Similar views were expressed by development associates (1993), that there is a strong relationship between having a role model in the form of a parent, family member or friend and expecting to own a business in the future (Development Associates [DA], 1993).

4.1.3.1. Assistance offered to youth entrepreneurs by parents and friends

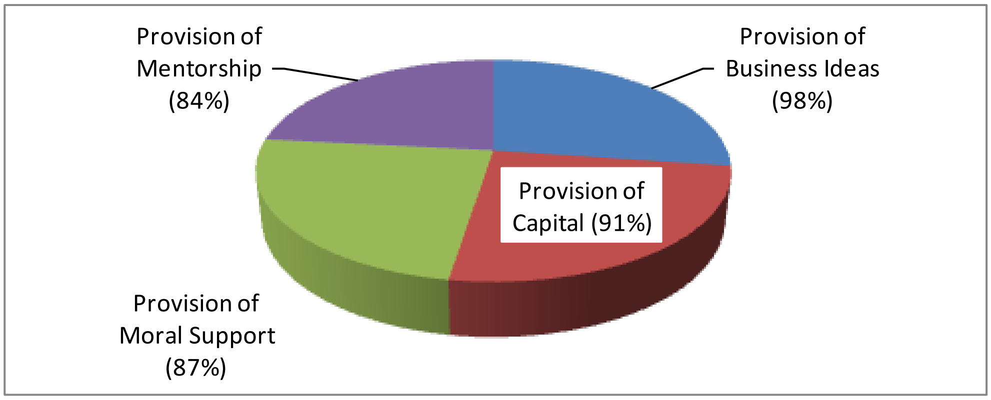


Figure 2: Assistance offered by parents and friends

Findings in figure 2 indicate that personal environment is important in terms of providing youth entrepreneurs with the necessary support to engage in entrepreneurship. This support includes assisting them with business ideas as indicated by 98% and start up capital 91%. By business ideas the youth entrepreneurs meant identification of business ventures, evaluating business opportunities, finding source of finances and risk assessment before setting up businesses. Start up capital is a major challenge for prospective youth entrepreneurs because, they have inadequate personal savings or have no savings, lack collateral and experience financiers look for before advancing loans to them hence, they are excluded from financial services they require to engage in economic activities. Therefore, parents and friends come in to support them with the seed capital as indicated by 91% of respondents and in this regard parents and friends become business partners, offers moral support and mentorship. Kalafaltelis and McMillen, 2004, noted that personal environment such as parents act as care givers, opinion shapers, role models and providing financial support to youth entrepreneurs (Kalafaltelis &McMillen, 2004).

4.2. Group dynamics and Loan accessibility.

Table 5: Reasons for joining/forming youth group

Reasons for forming youth group	SA (%)	A (%)	D (%)
To benefit from youth fund	90	4	6
Was a requirement to access youth fund	96	4	0
Undertake group project for members' benefit	58	22	20
Pool financial resources together towards group project	18	20	62
To borrow as an individual in the group in future	85	5	10
Group members were from my area	15	47	20

SA- Strongly Agree, A- Agree, D- Disagree

The results in table 5, shows that the primary reason why youth groups were formed in Gatundu south constituency was to be able to access youth fund as indicated by 96% of the respondents. The youth had no other major reasons for coming together for instance promotion of member's welfare through pooling of resources together as indicated by 62% of the respondents, establishing merry go round or having advocacy activities to promote members welfare. Pooling of resources for the members benefits is an important aspect in group lending and the reason behind the success of self help groups/chamas and cooperative movement in Kenya.

Access to youth fund was meant to encourage youth to establish enterprises by organising youth into groups. Group lending concept require formation of youth group with membership of 15-30, be registered with relevant ministry, operate a bank account, meet and save regularly for a period of 3-6 months before applying for the fund (Government Of Kenya[GOK], 2011). Group lending model is replicated from Gramenian model used to disburse loans via women groups in Bangladesh. Group lending allows group members to co-guarantee each other. Collateral and co-signers are generally not used rather peer pressure and collective responsibilities generated by the group take their place. Bank staff functions in lending process are delegated to the borrower group i.e. peers screen borrowers, determining who to accept into their group, carry out loan analysis and peer assessments of each other's businesses (Waterfield, 1996). But, group lending structures for youth fund created various structural challenges such as long and tedious group formation procedures, registration, funds application procedures, strict requirements, a lot of documentations and delayed disbursements (EDC, 2009).

4.2.1. Cohesiveness, Leadership and loan accessibility

Table 6: Leadership and cohesiveness

Cohesiveness and leadership in youth groups	SA (%)	A (%)	N (%)	D (%)
Formation of youth group was easy	3	24	21	52
Group members easily agreed on meetings' agendas	4	9	15	72
Youth groups easily qualified for youth fund	0	0	13	87
Group requirements for youth fund were easily met	0	6	28	66
Member's ideas were appreciated by group members	5	67	8	20
Group finances were well accounted for	14	25	10	51
Membership increased after receiving youth fund	0	15	20	65
Conflict in the groups were effectively managed	7	13	31	49

SA- Strongly Agree, A- Agree, N- Neutral, D-Disagree

Findings in table 6, shows that 52% of respondents disagreed that group formation was easy. A group that can work as a unit, share tasks and recognize the contributions of its members will be more successful than a group mired in conflict, role ambiguity, and lack of motivation. 72% of respondents revealed that working together was not easy because agendas for meetings were not easily agreeable, group leaders were unable to manage conflicts effectively and could not account for funds as indicated by 49% and 51% of respondents respectively. Youth groups formed to access youth fund were hurriedly registered with no clear goals and structures as indicated by 87% of respondents, hence lacked code of conduct to manage members.

Results in table 6, shows that access to youth fund by group members was further hindered by individual competing interests and conflicts not well managed especially when undertaking group projects. This was captured by mars group (2009), that group dynamics, conflicts, competing interest, power struggles and lack of capacity to manage these challenges by youth leaders make group structures very volatile and risky in advancing and recovering loans by youth fund management (Mars Group, 2009). Group lending reveal shortcoming that limit youth entrepreneurs from accessing youth fund which range from leadership challenges, internal conflicts, competing interests and integrity issues on the part of group leaders. This views were expressed by Strazzabosco (2000), who suggested conflict management and cohesiveness in group management to increase its productivity and people to easily work together towards group objectives (Strazzabosco, 2002).

4.2.2. Preferred lending model and loan accessibility

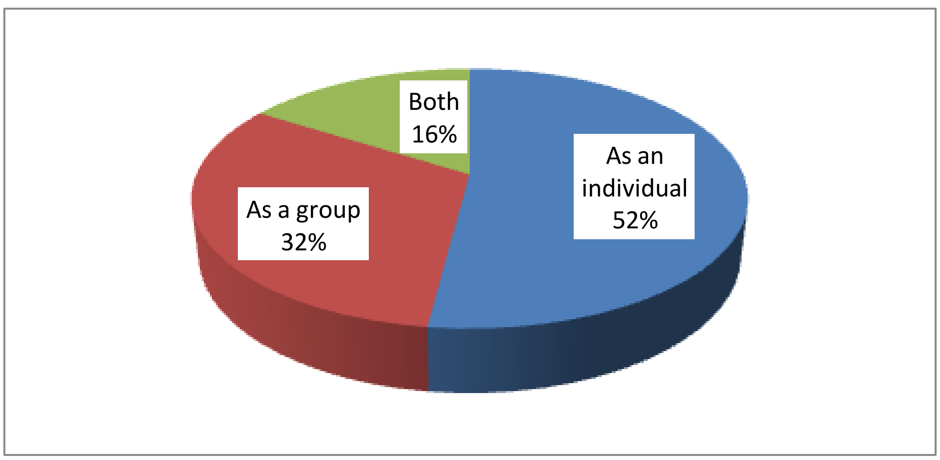


Figure 3: Preferred mode of borrowing

Figure 3, shows 52% of respondents indicated they preferred individual borrowing, 32% preferred group model while 16% preferred both models. The results in figure 3, shows that majority of the youth entrepreneurs preferred to a large extent individual lending models because they save time wasted in group formation i.e. legal and structural constraints when registering youth group as self help groups, writing constitution and opening of bank accounts. This process makes accessing funds in a group tiresome and costly compared to individual lending models (Brandt, 1996).

According to Brandt (1996), Individual and group methodologies require different structures of operational and financial organization and it is important for the most appropriate structure to be selected based on organizational goals, profitability objectives, risk tolerance and taking into consideration the needs of the borrowers. Individual lending and group lending have different cost structures. Individual lending requires careful analysis on behalf of the lending institution prior to fund disbursement. Evaluating the loan proposal and defining the terms for each particular client, which may take several weeks and is costly to the lending body but, more convenient to the borrower as it guarantees flexibility and confidentiality when borrowing. In contrast, group lending is less time consuming, and hence less costly, prior to fund disbursement. However, managing groups requires additional and greater costs after closing (Brandt,1996).

4.2.3. Reasons for the preferred lending model

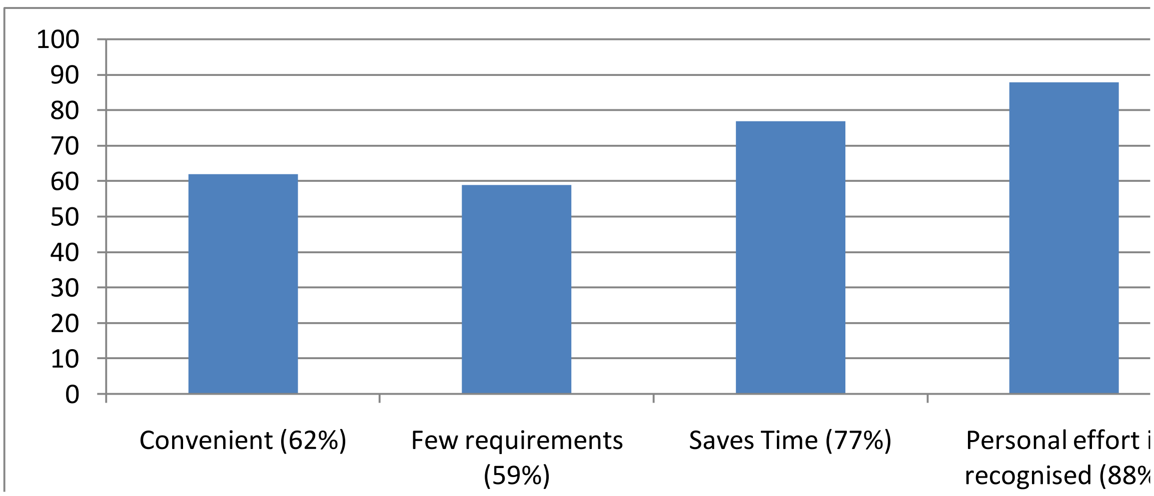


Figure 4: Reasons for individual lending model

Research findings in figure 4, shows individual lending was preferred because personal input is appreciated as indicated by 88% of the respondents. Individual lending is very flexible in terms of few requirements, time, convenience and individuals will move at their own pace as compared to group setup where individual ideas may be neglected.

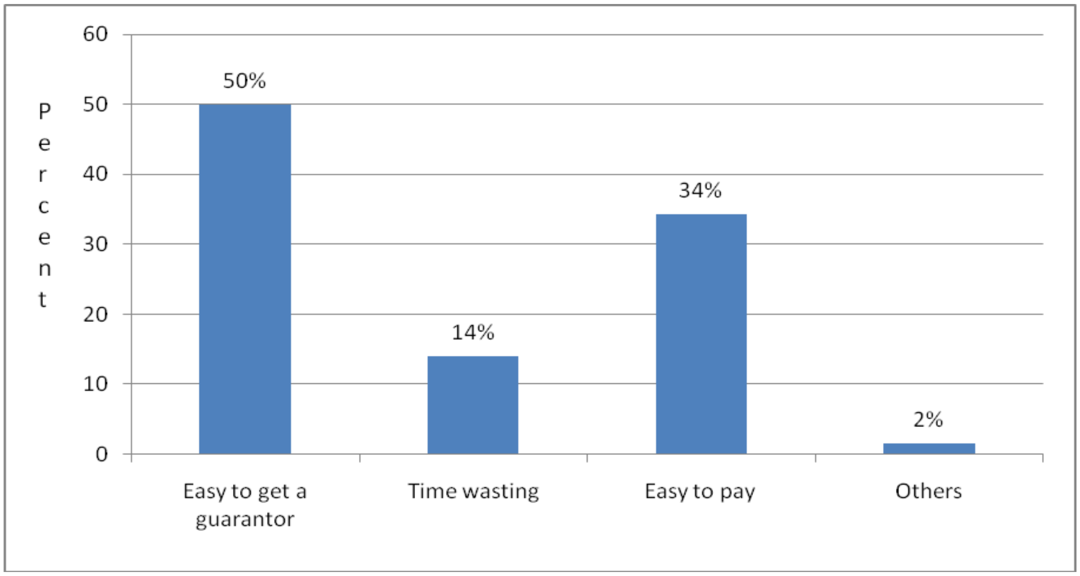


Figure 5: Reasons for group lending model

Figure 5, shows 50% of respondents preferred group lending model as it was easy to get guarantors among the group members. 34% of the respondents indicated that it was easy for them to repay their loans due to pressure from group guarantors, 14% of respondents indicated in a youth group members get assistance while filling loan application forms hence minimal time wastage while 2% of respondents indicated other reasons such as members developing a culture of saving and accessing information on youth empowerment from other members. Group lending model however has not been effective as expected in creating social collateral and joint responsibility for loans taken by individuals in regard to youth groups (EDC,2009).

4.2.4. Effectiveness of group lending model and loan accessibility

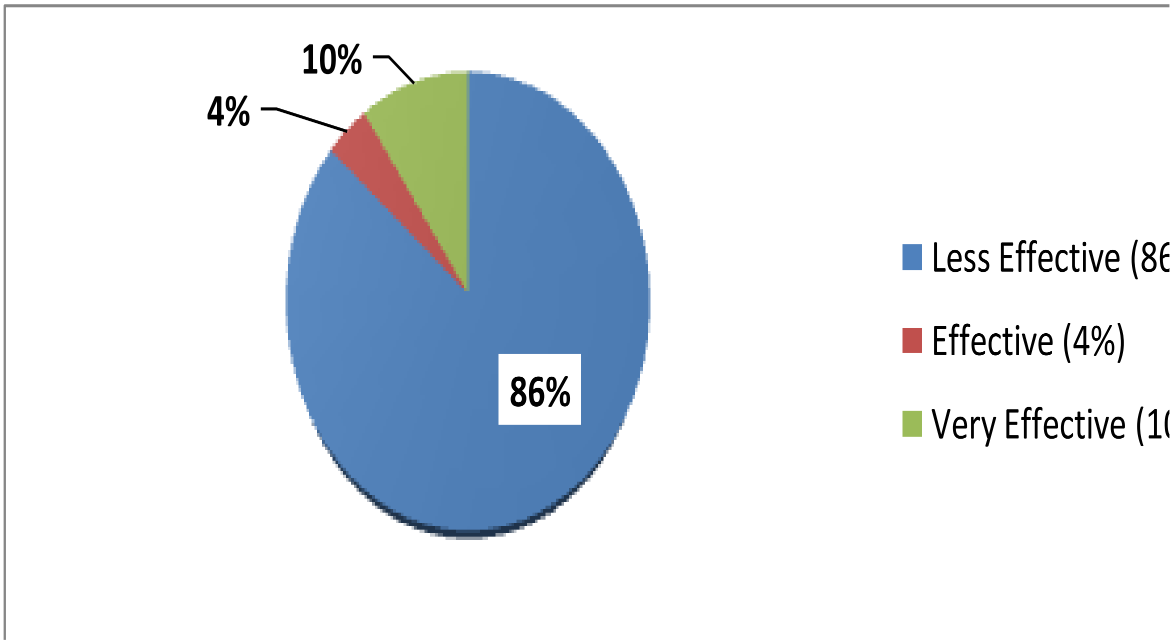


Figure 6: Effectiveness of group lending model in disbursing youth fund

Findings in figure 6, shows that 86% of respondents indicated that group lending model was less effective, 10% very effective while 4% of respondents indicated that group model was effective. Waterfield (1996), noted that operational costs in group lending tend to be higher than in individual lending, largely due to additional time required to manage groups. In addition, financiers hold no collateral hence group lending is considered riskier than individual lending. High operational costs combined with relatively high risk require higher revenues if the lending institutions are to be sustainable. As a result, group loans are usually more expensive and have higher rates of interest than individual loans. In addition group lending has lower closing costs but higher maintenance costs and higher overall costs than individual lending.

5.0 Summary of major findings

The study revealed that social factors i.e. background characteristics of youth entrepreneurs influence them to apply for YEDF in the following ways. First, personal interest to be an entrepreneur is a major reason why youth entrepreneurs access youth fund as indicated by 93.9% of the respondents. Engagement in entrepreneurship activities so as to make money was a major contributor for the youth to venture into entrepreneurship as indicated by 92% of the respondents. These findings are in line with findings of Walstad and Kourilsky (1999) that youth entrepreneurs want to control their own destinies by becoming entrepreneurs. Chigunta (2003) noted that decision to be or not to be an entrepreneur clearly lies in one's personal interest and sacrifices towards entrepreneurship but only differs from one country to another mainly depending on economic, social, political and historical factors.

Secondly, personal environment such as family, parents, relatives and friends have a crucial influence on youth entrepreneurs' opinions about entrepreneurship, playing a strong role in imparting positive or negative views of business. Family background, in particular, plays an important role in the formation of a mindset open to self-employment and entrepreneurship have significant influence to loan accessibility by the youth entrepreneurs. In this study parents and friends were rated at 64% in providing assistance to youth entrepreneurs as follows: provision of business ideas 98%, capital 91%, moral support 87% and mentorship 84%. Postigo et al., 2003, Euro barometer survey results (2004), and Kalafaltelis and McMillen (2004), found that youth entrepreneurs with self-employed parents were more entrepreneurial minded and a key influencer to entrepreneurship due to financial and moral support they receive.

Finally, Majority of the respondents 84 % had attended business related course or an entrepreneurship course. Entrepreneurship course was rated on average 75%as very useful when accessing loans from youth fund. Entrepreneurship education is important in business planning processes which include generation of business ideas, choice of business opportunities, seeking sources of finances, business management and marketing among other important aspects of entrepreneurship. This conclusions, agrees with finding by Charney and Libecap (2000) that entrepreneurship education contribute significantly to risk taking, formation of new ventures, promote technology-based firms, products and the propensity to be self-employed. Moreover, entrepreneurship education helps equip learners with knowledge and skills in business planning which involves finance, marketing and management aspects of businesses.

5.1. Conclusion

It is clear that access to loan facility by youth entrepreneurs is influenced by social factors. Social factors such as personal interest to entrepreneurs influence ones decision to take the risk of starting a business venture whose returns are not guaranteed and to do this they seek funding from financial institutions. The study has shown that availability of affordable loans meant for the youth is a minor factor that can influence them to access the fund. Youth with parents who are entrepreneurial oriented or self employment have a mindset open to entrepreneurship compared to their counterpart with career parents who sees entrepreneurship as a part-time venture to supplement ones income rather than undertaking a business venture on full time basis.

Training on entrepreneurship is also a major factor that influences many youth entrepreneurs to access youth fund. Business plans are compulsory requirements by most financial institutions including youth fund when seeking loan facilities from them. As indicated by the respondents in this study those who have undergone entrepreneurship or business related training found the course more applicable and useful during preparation of business plans compared to those with no training in entrepreneurship. The respondents also noted the importance of the course in other areas such as how to manage a business venture, identifying business opportunities, risk management, marketing and customer relations.

5.2. Recommendations

There is need by the Government and Youth Fund Board to re-evaluate accessibility of loans to youth entrepreneurs in relation to social factors. This is because despite the government numerous efforts to provide affordable credit to the youth social factors such as personal interest to entrepreneurship, personal environment and entrepreneurship education by individual youth matters.

The society and parents/guardian need to change their attitude and value placed on an education system that values white collar jobs than self employment. Parents wish for their children to be employed after school burdens them to be job seekers rather than pursue self employment as an alternative to youth unemployment.

The Government needs to employ active participatory approach to youth empowerment so as to address the actual needs of the youth. The youth fund for instance has not captured the actual financial needs of the youth in terms of accessibility. Mere allocation of funds to youth fund or any other fund meant to empower the youth does not imply in any way funds are now accessible to the youth entrepreneurs.

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DR. MAURICE SAKWA (PHD) (Author's supervisor)
JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY
P.O BOX 62000-00200 NAIROBI-KENYA
Email address: msakwa@jkuat.ac.ke, msakwa@gmail.com

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