

**LOW BORROWING RATE OF YOUTH ENTERPRISE DEVELOPMENT FUND LOAN
BY YOUTH IN RARIEDA DISTRICT**

BY

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ABSTRACT

Youth unemployment is a global challenge. According to Kenya National Human Development (KNHD) report of 2009, unemployment in Kenya stood at 23%. The youth form two - thirds of the total labour force in the country yet the majority (61%) is unemployed. The youth in Rarieda district number approximately 41,443 while the rate of unemployment is about 17% above the national rate. The Youth Enterprise Development Fund (YEDF) is one of the interventions that the government has put in place to help the youth be self employed. Rarieda district has about 721 registered youth groups with the main reason for registration being to access loans. However, these groups have not been enthusiastic to come up and take the loans so as to exhaust the funds allocated to the constituency and be able to receive more. Out of all these registered youth groups, only about 20 apply for the loans on a quarterly basis. The government has cumulatively allocated Ksh. 3.8 billion to the fund which it lends to youth entrepreneurs through various channels. This study therefore, sought to examine the factors that contribute to the low borrowing rate of the YEDF loan in Rarieda district. Specifically, the study sought to find out the factors that contribute to the low borrowing rate of YEDF by the youth, establish the knowledge and attitude of the youth towards the fund and find out ways of bringing up the borrowing rate of the fund in Rarieda district. The study was guided by rational choice theory by George Homans formulated in 1961. The theory stated that people were often motivated by money and the possibility of making profit, calculating the likely costs and benefits of any actions before deciding what to do. The study population comprised the youth from 159 registered youth groups in Rarieda district arrived at using Glen Israel's formula $n = N/1 + N(e)^2$. The study employed simple random sampling to select the study sample. The study used descriptive research design involving both quantitative and qualitative research methods. The quantitative data was collected by the use of semi structured questionnaires. Quantitative data was coded and analyzed using the Statistical Package for the Social Sciences (SPSS) version 12 and presented in frequencies, tables and percentages. The qualitative data was collected using key informant interview with 6 youth group leaders and 2 district youth enterprise development fund officers. Qualitative was analyzed using content analysis. That involved going through the whole data collected, sentence by sentence, word by word, identifying recurring themes and coding them. The knowledge generated from this study may supplement the efforts of the fund in trying to bring up the number of youth groups applying for the money. The research findings were that most youth had low levels of education; some were ignorant about the importance of the fund and therefore had a negative attitude towards it. Minimal capacity building before and after the disbursement of the fund was also cited as a contributing factor. The study therefore recommended that other than employing more and facilitating the youth enterprise development fund officers, entrepreneurial training and capacity building should also be prioritized to help the youth change their perception about the fund

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Almost every United Nations Agency has a youth programme. The issue of the youth requires a combination of sectoral and intersectional approaches as well as special programmes (Tibaijuka, 2000). The Youth Enterprise Fund (YEDF) focuses on development as a key strategy that will increase economic opportunities amongst the youth (Chingunta, 2002). Since the year 2000, youths worldwide have received US dollar 50.6 million to support education, employability and civic engagement programmes (Chingunta, 2002). International youth fund has also assisted 68 countries worldwide (International Labour Organization, 2008). Among the countries across the world that have benefited from such funds are Ghana, Togo, Zimbabwe, South Africa, Ethiopia, Uganda, Tanzania and Kenya (all in Africa). In Asia; Sri Lanka, India, Saudi Arabia, Singapore and Malaysia among others have benefited from such youth funds. In Southern America, countries like Argentina, Brazil and Paraguay just to name a few have received NYED funds. In North America; United States of America and Canada among others have also benefited from NYED funds. New Zealand and Australia have also been given NYED funds by IYF (Chingunta, 2002; Tibaijuka, 2000).

Kenya Integrated Household and Budget Survey indicate that the youth in Kenya number about 9.1 million and account for 36% of the population. Of these, 51.7% are female and 48.3% are male. The youth form two thirds (2/3) of the total labour force in the country yet majority (61%) is unemployed. Of this, the majority have formal education but no training. Primary and secondary school graduates account for 82% of the unemployed youth while university graduates account for 1.4%. About 92% of the employed youth have no jobs training other than formal schooling. This may indicate the relationship between the likelihood of employment and possession of skills.

While young people are faced by many challenges as highlighted by the National Youth Policy, undoubtedly, the most acute is the inability to access employment and the lack of opportunities to earn a decent and honest living. It has been established that lack of employment may drive young people into crime, drugs and into a general state of hopelessness and despair. An unemployed person loses self respect, pride, self confidence and influence among colleagues hence the introduction of the Youth Enterprise Development

Fund loan to help the youth rise up and realize their worth through the establishment of different enterprises. High levels of unemployment may lead to serious socio-economic and political repercussion (Chingunta, 2002).

The economic growth rate in the country has not been sufficient to create enough employment opportunities to absorb the increasing labour force. As a result only about 25% are absorbed, leaving 75% unemployed. It is for this reason that the YEDF was formed and charged with the disbursement of funds to young entrepreneurs to facilitate self employment through enterprise development and structured labour export as well as developing market linkages. The youth eligible to apply for and access the credit facilities under the fund are men and women of the ages between 18 to 35 years. The Youth Enterprise Development Fund was established in 2006 with the objective of reducing unemployment among the youth who constitute 61% of the unemployed population. It was implemented by the Ministry of Youth Affairs and Sports in line with the National Youth Policy (Patrick & Ngonze, 2008).

The on-lending component of the Fund mainly works through financial intermediaries such as banks, Non Governmental Organizations (NGOs), Savings and Credit Cooperatives (SACCOs), and Micro Finance Institutions (MFIs), from which the youth access funds to start or expand viable businesses. The financial intermediaries manage funds allocated to the district from which the youth will access funds directly either as individuals or as organized entities. The Fund has so far entered into partnership arrangements with 33 financial intermediaries. A second component is the Constituency Youth Enterprise Scheme (C-YES) that is meant for funding enterprises of youth groups in all constituencies. The Divisional Youth Enterprise Development Fund Committee (Divisional YEDFC) has been formed to effectively identify, and recommend viable youth group enterprises for loans. The C-YES, which has an allocation of Kenya shillings two million per constituency, only targeted viable enterprises of youth groups within the constituency. Maximum loan amount per group is Kshs. 50,000.00. The loan attracts no interest but has an administration fee of 5% deductible upfront from the approved loan (YEDF Report, 2009)

Through this disbursement channel, the fund has been able to reach young people in all areas of the country including those with poor financial infrastructure. Further disbursement to the constituency is dependent on repayment performance once the allocation is fully taken up.

Constituencies which have not exhausted their allocation will receive funding upon submission of applications for the outstanding balance (Patrick & Ngonze, 2008).

The state of the youth not coming up in large numbers to access the fund is not only noted in Rarieda district, the same has also been noted in western province as highlighted by West FM. The radio station notes that the Youth Enterprise Fund and the Women Enterprise Fund are state fundings which are advancing credit at low and concessionary rates and as it were this is where the Government of Kenya is dishing out the National Cake to its youth, yet Western Province youths (young men and women) are watching in fear and may be out of ignorance as other youths from other Provinces in Kenya snap up and take off in diverse enterprises using those subsidized funds. West fm states that in ten years since 2006 when the Youth Enterprise Fund was established, those youth who have taken advantage of the finances made available to them through the Youth Fund and Women Fund will have come of age as big entrepreneurs. Western Province will then be thinly represented, if at all, among that breed of entrepreneurs that will have been nurtured by the two Funds. Let Western Province then in 2016, start grumbling that they have been marginalized, discriminated against or find other excuses to malign the youth, big entrepreneurs of those other Provinces who will have come of age courtesy of the Youth Fund and Women Fund (<http://westfm.co.ke/index> - page).

The key focus of the Fund is on enterprise development as a key strategy in increasing economic opportunities for the participation of Kenyan youth in development. It aims at increasing access to capital by young entrepreneurs, arising from the realization that young people lack access to productive resources that are requisite to survival. Equally, the Fund provides business development services, facilitate linkages in supply chains, and create market opportunities locally and internationally for youth products and services, in addition to facilitating creation of commercial infrastructure to support growth of business for youth (Patrick & Ngonze, 2008).

According to the Rarieda District Development Plan 2008 – 2012, the youthful population is estimated to be 41,443 representing 26% of the total population. The youth play a very important role in the present and future development of the district as they are viewed as the future leaders. However, this will only be possible if jobs are created for them and there is proper utilization of the existing youth enterprise funds to alleviate poverty. Poor attitude to

informal employment, drug abuse, retrogressive culture and lack of strong leadership structures have been cited as some of the weaknesses the youth in the district have.

The level of unemployment in the district is about 17% higher than the national levels. However, the efforts of the fund to try and ease these levels have not been fruitful since the youths have not come out in large numbers to access funds that they can use to establish their own enterprises and be self employed.

1.2. Statement of the Problem

The level of unemployment in Kenya is very high. The most affected by high unemployment rates are the youth who after graduating from Universities and other institutions of learning, find themselves unable to secure formal employment opportunities, thereby failing to gainfully contribute to economic development of this country despite their enthusiasm, energy and drive. According to the International Labour Organization, the increase in the number of youths in secondary and tertiary education is a positive development; however, labour markets in many countries are presently unable to accommodate the expanding pool of the skilled young graduates.

YEDF is coined as the financial service rendered to the deprived groups of people and small entrepreneurs to help them in developing self-employment opportunities and various income generating activities. The small size of the loan, regular savings, small-scale entrepreneurs, diversified utilization, and simple and flexible terms and conditions are the determining characteristics of its definition. With the benefits that have come with the fund among them being increased youth employment, the fund still experiences challenges which require a comprehensive scientific investigation. Factors that influence low uptake of YEDF by youths in Rarieda district are not known thus, this call for an investigation.

The rate of youth unemployment stands at 61%. The fund would have been a very good strategy for the youth to become self employed hence bring down the levels of unemployment. Attitude of the youth, group dynamics, lack of collateral/security and the fact that the loans take too long to process have been identified as some of the factors that demoralize the youth making them not to go for the funds.

At its inception the fund received a lot of political goodwill and support from the youth, and some of its disappointments currently are aligned to the high expectations on the funds as an elixir to financial disabilities of the youth. At the same time and possibly linked to the loans poor performance at business and repayment levels, public perceptions and attitude were that

the fund was a government strategy to influence voting patterns in its favor. The launch period coincided with the 2007 general elections, and drawing from past political experience, many borrowers considered it to be a grant in disguise.

Previous studies have focused more on the reasons why the youth are not repaying back the loan ignoring the fact that a very small percentage of the youth actually go for these funds hence this calls for an investigation.

1.3. Objectives of the Study

The general objective was to examine the borrowing rate of the youth enterprise development fund loan by the youth in Rarieda district.

Specifically, the study intended to:

- i. Examine the factors that contribute to the low borrowing rate of YEDF by the youth in Rarieda district.
- ii. Establish the knowledge and attitude of the youth in Rarieda district towards YEDF.
- iii. Find out the ways of bringing up the borrowing rate of YEDF in Rarieda district.

1.4. Research Questions

The study was guided by the following research questions.

- i. What are the factors that contribute to low borrowing rate of YEDF in Rarieda district?
- ii. What is the knowledge and attitude of the youth in Rarieda district towards YEDF?
- iii. What can be done to bring up the borrowing rate of YEDF by the youth in Rarieda district?

1.5. Significance of the Study

The study sought to avail in-depth information on the challenges the youth are undergoing that hinder them from accessing funds and what else can be done to address these issues other than what the fund has done. The information gathered may be used by the Youth Enterprise Development Fund Board to boost the fund uptake and deal with related issues. It may enable the government to re-formulate the loaning conditions and repayment policy to suit the income and capital needs of the market.

The study may enable the government appreciate the achievements and challenges of the youth in managing the YEDF, address challenges in order to guarantee success and growth of Youth investment programs.

Other youth serving organizations involved in disbursement of loans to the youth may also benefit from the data. In addition, the findings are likely to be used to influence the implementation of the Kenya Vision 2030 whose goal is to increase opportunities all round among women, youth and disadvantaged groups by increasing their participation in economic, social, and political decision making processes (Republic of Kenya, 2008). Goal 8 of the Millennium Development Goals calls for a global partnership between developed countries and developing countries in implementing strategies for decent and productive work for the youth.

1.6. Scope of the Study

The study was conducted in Rarieda District, Siaya County, Kenya. The study population was youth from youth groups that had either benefited from the fund or had never benefitted from it at all. The study was delimited to the factors contributing to the low borrowing rate of YEDF loan by the youth in Rarieda District where it is expected that 150 sample youth entrepreneurs from 50 registered groups were interviewed on their YEDF investments over a period of 5 years, since 2007.

The study was set to find out the level at which the youth have knowledge about the existence of the youth enterprise funds.

One major weakness of this study is that it was conducted among the youth from registered youth groups in Rarieda district only hence the findings from this study cannot be used for generalization.

1.7. Theoretical Framework

The study adopted rational choice theory by George Hormans in 1961. The theory is an approach used by social scientists to understand human behavior. The fact that people act rationally has, of course, been recognized by many sociologists, but they have seen rational actions alongside other forms of action, seeing human action as involving both rational and non-rational elements. Such views of action recognize traditional or habitual action, emotional or effectual action, and various forms of value-oriented action alongside the purely rational types of action (Hormans, 1961).

Basic to all forms of rational choice theory is the assumption that complex social phenomena can be explained in terms of the elementary individual actions of which they are composed. This standpoint, called methodological individualism, holds that: 'The elementary unit of

social life is the individual human action. To explain social institutions and social change is to show how they arise as the result of the action and interaction of individuals' (Elster, 1989).

In rational choice theory, individuals are seen as motivated by the wants or goals that express their 'preferences'. They act within specific, given constraints and on the basis of the information that they have about the conditions under which they are acting. At its simplest, the relationship between preferences and constraints can be seen in the purely technical terms of the relationship of a means to an end. As it is not possible for individuals to achieve all of the various things that they want, they must also make choices in relation to both their goals and the means for attaining these goals. Rational choice theory holds that individuals must anticipate the outcomes of alternative courses of action and calculate that which will be best for them. Rational individuals choose the alternative that is likely to give them the greatest satisfaction (Heath, 1976; Carling, 1992; Coleman, 1973).

The methodological individualism of rational choice theorists lead them to start out from the actions of individuals and to see all other social phenomena as reducible to these individual actions. For Hormans (1961), however, it was also necessary to see individual actions as reducible to these conditioned psychological responses. This position was justified on the grounds that the principles of rational choice and social exchange were simply expressions of the basic principles of behavioral psychology.

Those features of social life that are conventionally called 'social structures' are, for rational choice theorists, simply chains of interconnected individual actions. They are the 'patterns' that result from individual actions. Rational choice theory adopts a methodological individualist position and attempts to explain all social phenomena in terms of the rational calculations made by self-interested individuals.

The concepts used in this theory are very useful in explaining the factors that lead to the low borrowing rate of YEDF in Rarieda district. Despite the fact that most human decisions are based on maximizing a person's own benefit(s), while minimizing that which can hurt the individual thus it can help predict and explain future YEDF borrowing and spending decisions by the youths in Rarieda. The youth in Rarieda district may not have got enough knowledge about the fund to convince them of the benefits that they can get from it while minimizing the

penalties that they risk should they default or if their enterprises do not pick up in time so that they are not able to repay the loan.

The methodological individualist position mentioned in the theory explains that the decisions made by the individual youth within a group could determine the group decision.

Individuals are seen as motivated by the wants or goals that express their 'preferences'. Most are seen to have a preference to white collar jobs as opposed to self employment. They may therefore prefer to wait for the formal employment regardless of when it will come than take the loan and engage in the informal sector.

The study was guided by the theory to find explanation for the low borrowing rate of the fund in Rarieda district.

CHAPTER TWO

LITERATURE REVIEW

The literature reviewed by the researcher was centered on finding information that would assist in addressing the objectives of the study as indicated in this chapter:

2.1. Factors that Contributes to the Low Borrowing Rate of YEDF by the Youth

Youth participation as a development strategy in community development requires sustained engagement of youth. Increase in young unemployment is a key challenge faced by governments throughout the world. Many of these young unemployed have entrepreneurial mind set and have the intention of owning a small enterprise but might face some obstacles such as government regulations, inadequate skills and knowledge, and lack of recognition by the organizations (Chingunta, 2002).

Borrowing of YEDF is facing several challenges including insufficient policy and legislative framework to support growth of youth enterprises. For instance, there is no legal framework guiding the operation of youth labour migration. Another challenge is inadequate disbursement and repayment (Hipskind and poremski, 2005).

The NYED fund is working on new product for youth entrepreneurs (World Bank, 2007). Youth face several constraints to accessing formal finance; because they lack credit history, this has hindered them to obtain financial support to learn their enterprises. Many financial institutions avoid lending youths because most of them lack business experience. In most cases they consider them to be riskier clients. Another challenge that face most youths is financial literacy. They do not have the capacity to sufficiently understand financial markets product. Lack of financial literacy has led to poor management and decision making. The problem of youth unemployment is partly attributed to social cultural factors, for example choice of the type of Job men or women are supposed to do. Some communities still believe strongly on practicing nomadism and therefore reluctant to venture into agriculture or any other type of enterprise. Religious believes, use of drugs and engagement in criminal activities are some of the factors among others that affect the youths in many countries in the world and this also leads to low uptake of youth entrepreneurial funds (Tibaijuka, 2000).

Moreover, (Gemechis, 2007; Hisrich, 2005; ILO, 2009) added: social and cultural attitude towards youth entrepreneurship; entrepreneurship education; administrative and regulatory framework; business assistance and support; and barriers to access technology as crucial

factors that affect entrepreneurial success hence these further leads to low borrowing rates of YEDF by the youths.

2.2 .The Knowledge and Attitude of the Youth towards YEDF

Attitude can be defined as a predisposition or a tendency to respond positively or negatively towards a certain idea, object, person, or situation. Attitude influences an individual's choice of action and responses to challenges, incentives, and rewards (together called stimuli) (<http://www.businessdictionary.com/definition>).

A qualitative research addressing youth unemployment in Egypt revealed that, the perceived barriers to entrepreneurship in Egypt contribute to the fact that many youth do not see starting a business as a viable means for starting a career. Rather, they see entrepreneurship as either a supplemental activity to having a regular job or as a later-life employment option once they have established themselves financially or professionally (Assaad, 2008). Youth were found to make a strong distinction between entrepreneurship, or starting a "project," and regular wage employment, and do not necessarily see these as alternatives to one another.

Entrepreneurship has been promoted by many development programs as a way to help youth bypass what is often a long and difficult search for wage employment. Entrepreneurship could thus combat youth unemployment while encouraging economic growth. However, many youth do not appear to see starting a business as a viable means of achieving a secure position in the labor market (Sayed, 2009). According to prevailing youth perspectives, entrepreneurship cannot be a solution for unemployment because experience and stability as a wage employee is a prerequisite for successfully starting a business.

2.3. Ways of Bringing up the Borrowing Rate of the YEDF

Youth unemployment is a significant problem in Kenya. Kenya's economy is currently dependent on agriculture, but youth are moving to urban areas in large numbers. Therefore most new entrants to the labour force must choose between working in small scale enterprises and being self employed. These factors have led to high levels of youth unemployment (Sayed,2009).

An effective way of addressing the challenge of unemployed youth is to help them develop their skills in entrepreneurship and small business development. Business literacy helps young people to envision ways of getting out of poverty; do something to help themselves and their communities; and eventually ensure sustainable economic self-reliance.

Governments can play significant role by implementing strategies to assist the young entrepreneurs. Entrepreneurship strategies can enhance employment for young people and it can serve as a means of economic liberty for young people. Youth entrepreneurship can be an innovative move by the governments to assimilate youth into today's global and dynamic economy (Patrick & Ngonze, 2008).

Governments at national and local levels need to encourage a broad and dynamic concept of entrepreneurship to stimulate both personal initiative and initiative in a broad variety of organizations which include but reach beyond, the private sector: small and large enterprises, social entrepreneurs, cooperatives, the public sector, the trade union movement and youth organizations (UN Secretary-General Kofi Annan).

Encouraging youth entrepreneurship is the imperative facet in any economy because it contributes to the economic growth by facilitating innovation, creation, competitiveness, productivity, research and development and formation of new industry (Askarzai and Prasad, 2008). The recent world summit on entrepreneurship and innovation recommended that the governments and organizations should foster young entrepreneurship and innovation because innovation is the passport for outstanding young entrepreneurs to access business opportunities.

Governments should also exercise caution in fostering youth entrepreneurship. Ryan (2003) suggests that however, caution should be exercised so that youth entrepreneurship is not seen as the wide-ranging solution against youth unemployment. Governments need to consider lack of appropriate economic condition, lack of market opportunities and very little education. As Kuratko and Hodgetts (2001) put it "In certain situations and conditions youth enterprise should not be promoted, especially when it is only concerned with keeping young people busy".

Researchers now recognize the importance of teams in the creation of new firms after decades of emphasis on entrepreneurs as individuals (Forbes et al., 2006). This perhaps explains why the youth and women fund target groups for funding. Ventures founded by entrepreneurial teams tend to be more innovative than those with only one founder (Ruef, 2002) and larger

teams are associated with higher levels of venture growth (Lee and Tsang, 2001). Representative studies show that truly solo entrepreneurs are not predominant. Martinez and Aldrich (2011) argue that strategic theories stress that entrepreneurs should balance instrumental and expressive goals in the selection of teams. On the rational instrumental side, theorists urge entrepreneurs to consider the complexity of entrepreneurial endeavors and include a variety of work experiences and complementary skills. For instance, high technology firms tend to be founded by teams who recruit members they have met in previous jobs.

Depending on the country, financial institutions may face policy or regulatory road blocks that prevent them from serving young people. One common barrier is that young people under the age of consent, generally 18, are refused independent access to a savings account. This means that a young person must open a joint account with a parent or guardian and requires parental consent for each transaction. In addition to the inconvenience, this also denies a young person the ability to develop the skills to independently manage their own money and, in some cases, may give rise to parental mismanagement of a young person's savings (Haftendor&Salzano, 2003). The Child Finance Movement is working to examine existing government policies that promote children's independent access to financial products and services. Policy issues include defining minimum age requirements to open accounts and protecting against unauthorized use of youth savings by parents or guardians.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Study Design

The study used descriptive research design. Descriptive research design is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way (Shuttleworth, 2008). It incorporated both quantitative and qualitative research techniques.

3.2. Study Area

The study area was Rarieda district which is in Siaya County, Kenya. According to the Rarieda District development Plan 2008 – 2012, the district covers 644 sq. km of which 399.6 sq. km is land surface and 244.4 sq. km is covered by Lake Victoria. The total population of the district was estimated to be 132,212 with a youth population of approximately 41,443. The main economic activity in the study area is fishing. Apart from fishing, the inhabitants also practiced subsistence farming with male youths sometimes engaging in touting, bicycle and motorcycle taxi locally known as *bodaboda*.

3.3. The Study Population

The study population was youth groups in Rarieda district who had or had never benefited from YEDF. There were 721 registered youth groups in the district. However, the YEDF agent indicated that only a small percentage of these groups apply for the loans despite the fact that the government budget slots in youth enterprise development funds. The study population also included YEDF officer who will be targeted for key informant interview.

3.4. Sample Size and Sampling Procedures

Rarieda district consists of 721 registered youth groups out of which 159 youth groups were selected for the study. The following formula by Glenn (1992) was used to arrive at the youth groups sample size since it facilitated the sampling of a large population and maintains a low precision level.

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

Where n =sample, N =population, e = 0.07 level of precision and a confidence level of 95% is assumed.

$$\text{Youth groups} = \frac{721}{1+721(0.07)^2} = 159$$

The study used simple random sampling to select the study sample. Simple random sampling is the basic probability sampling design and it is incorporated into all the more elaborate probability sampling designs (Nachmias and Nachmias, 1996). In this technique, all possible subsets of a population (more accurately, of a sampling frame) are given an equal probability of being selected (Bhattacharjee, 2012). From the 159 youth groups, six youth group leaders were purposively selected for key informant interviews. Other key informants included two district youth enterprise funds officers.

3.5. Methods and Instruments of Data Collection

The researcher used semi-structured questionnaires and key informant interviews in data collection while analysis was by content analysis as discussed below:

3.5.1. Semi-Structured Questionnaires

The researcher used a formal standardized questionnaire which included both closed and open ended questions which were administered to youths from various 159 youth groups. This provided both qualitative and quantitative data on the factors that contribute to the low borrowing rate of the youth enterprise development fund loan by the youths in Rarieda district. Often they are the only feasible way to reach a number of respondents large enough to allow for statistical analysis of the results.

3.5.2. Key Informant Interviews

Key informant interview was used to collect data from youth group leaders and district youth enterprise funds officers. A key informant is defined as someone who is likely to have knowledge or experience that is relevant in relation to topic under investigation (Bernard, 1995). Interviews with the 6 youth group leaders provided a deeper understanding of the knowledge and attitude of the youth in Rarieda district towards YEDF and some of the factors that lead to low borrowing rates of YEDF. Moreover, interviews with two district youth enterprise funds officers provided an additional information on factors that lead to low

borrowing rates of YEDF and further gave suggestions on what can be done to increase or bring up the borrowing rate by the youth in Rarieda district.

3.6. Data Analysis

Qualitative data from semi-structured questionnaires and key informant interviews were analyzed using content analysis, which involved identifying recurring themes. The process involved going through the whole data collected, sentence by sentence, word by word, identifying recurring themes and coding them (Ritchie and Lewis, 2003). The quantitative data will be analyzed using descriptive statistics, through the aid of SPSS. Results will be presented in frequencies, tables and percentages.

3.7. Ethical Considerations

Permission to proceed with the study and to guarantee respect for human subject was obtained from Maseno University. Research participants were informed of the nature of the study and that participation in the study was completely voluntary. Informed consent was obtained from all participants and the respondents were assured of confidentiality. Respect for human privacy and dignity was maintained throughout the data collection and analysis process. Qualitative data was collected in this study where individual's response was reported qualitatively, no identifying name tags were used.

CHAPTER FOUR

STUDY FINDINGS AND DISCUSSIONS

4.1. Introduction

This study examined the factors that contribute to the low borrowing rate of the youth enterprise development fund loan in Rarieda district. This chapter presents the findings of the study under thematic sub-section in line with study objectives. Before handling the three objectives of the study, gender of the respondent, level of education of the respondents and religious affiliations was tackled for it added fertility to the subject matter of the study.

4.2. Socio-Demographic Characteristics of Respondents

Demographic information was collected on gender of the respondents, level of education of the respondents and religious affiliations. The purpose of demographic information was to portray the nature and characteristics of the respondents and to enable the readers make informed decisions when applying the findings of this study.

4.2.1. Gender of Respondents

The respondents were asked their gender and the responses summarized in Table 4.2.1 below:

Table 4.2.1: Distribution of Respondents by gender. *Source: Field Data (2013)*

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	116	73.0	73.0	
	Female	43	27.0	27.0	73.0
	Total	159	100.0	100.0	100.0

Findings from table 4.1 above shows that majority of the respondents were male, that is, 116 out of 159 which was approximated to be 73.0% of the study population, while minority were female which was about 43 out of 159, this was about 27.0% of the study population. This could mean that most youth groups in the study area were majorly dominated by men.

4.2.2. Level of Education

Table 4.2.2: Distribution of Respondents by level of education. *Source: Field Data (2013)*

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Primary	10	6.3	6.3	6.3
	Secondary	84	52.8	52.8	59.1
	College	39	24.5	24.5	83.6
	University	26	16.4	16.4	100.0
	Total	159	100.0	100.0	

The respondents were asked about their level of education and the findings summarized in table 4.2.2 above. The findings indicated that majority of the respondents had acquired secondary education; this was about 52.8% of the study population. About 39 out of 159 respondents had acquired college education, a proportion that was approximately 24.5% of the study population. Out of 159 respondents only about 26 and 10 had acquired university and primary school education respectively, this was approximated to be 16.4% and 6.3% of the respondents respectively. This showed that most of the youth groups in Rarieda district had members who could get the information on youth enterprise funds and if trained on importance of borrowing the funds, they can readily understand the subject matter. Approximately 149 out of 159 respondents were Christians, this was about 93.7% of the respondents while only about 10 out of 159 respondents were Muslims, and this was approximated to be 6.3% of the sampled study population. The findings are as summarized in table 4.2.3 above.

4.2.4. Marital Status of Respondents

Table 4.2.4: Distribution of Respondents by marital status. *Source: Field Data (2013)*

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	102	64.2	64.2	64.2
	Single	31	19.5	19.5	83.6
	Divorced	4	2.5	2.5	86.2
	Widowed	22	13.8	13.8	100.0
	Total	159	100.0	100.0	

Results in table 4.2.4 above shows that an estimate of 102 out of 159 respondents were married, this was estimated to be 64.2% of the study population. An approximate of 19.5% of the respondents were single while about 13.0% widowed and an estimate of 2.5% divorced.

4.3. Social Factors Contributing to Low Borrowing of YEDF

Table 4.2.5: Social factors leading to low borrowing of YEDF. *Source: Field Data (2013)*

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Lack of business.	1	.6	.6	.6
	Lack of literacy.	24	15.1	15.1	15.7
	Low level of education.	110	69.2	69.2	84.9
	Economic activity in the area.	24	15.1	15.1	100.0
	Total	159	100.0	100.0	

Results in table 4.3 above presents various social factors that might have contributed to low borrowing of YEDF. An estimate of 110 out of 159 respondents stated that most youths do not uptake youth enterprise development funds due to low level of education on the importance of such funds; this was about 69.2% of the respondents. The key informant interviews with the district youth enterprise funds officers and the selected youth group leaders seconded the fact that most youths have low level of education as far as YEDF is concerned. An approximate of 15.1% of the respondents for this study said that there was low borrowing of YEDF due to the nature of the economic activities in Rarieda district. When probed further, the respondents argued that most youths are involved in fishing while majority are in bicycle and motorcycle taxi locally known as *bodaboda* hence do not bother to take the YEDF loans. Moreover, an estimate of 15.1% of the respondents stated that lack of literacy in relation to the importance of YEDF was another social factor that could have led to the low borrowing rate of YEDF by the youths. When probed further, the respondents argued that most youths fail to uptake YEDF because they do not know the benefits of the fund, the procedure of getting the fund and ignorance. In addition, about 0.6% respondents stated that lack of business ideas also acted as a social factor that contributed to low borrowing rate of YEDF. This low percentage could be due to the fact that most of the youths in Rarieda district were involved in a number of economic activities that enabled them earn their livelihood, for instance fishing hence lack of business ideas could contribute to the low borrowing of YEDF at a lower percentage.

According to Chingunta(2002) youth participation as a development strategy in the community requires sustained engagement of the youth. Increase in youth unemployment is a key challenge faced by governments throughout the world. Many of these young people have entrepreneurial mindset and have the intention of owning a small enterprise but might face some obstacles such as government regulations, inadequate skills and knowledge, and lack of recognition by the organizations.

Another challenge faced by most youths was financial literacy. They did not have the capacity to sufficiently understand the financial market products. Lack of financial literacy led to poor management and decision making. The problem of youth unemployment could partly be attributed to socio-cultural factors, for example choice of the type of job men or women are supposed to do. Luo community engage in majorly in fishing and a bit of subsistence farming therefore they are reluctant to venture into any other type of enterprise thus they view YEDF as funds for those who want to build houses, start big businesses and other large investments. For instance, a youth stated that:

'How can I take that loan when I do not want to build a storeybuilding. Further, I do not have adequate knowledge on financial management so I do not see the need to take the fund.'

Thus, ignorance and inadequate knowledge on the importance of the fund have contributed to low borrowing rate of the fund by the youth in Rarieda district. During key informant interview with the district YEDF officer, they mentioned ignorance and cultural beliefs as major barriers to the uptake of YEDF by the youth in Rarieda district. Most youths do not have adequate knowledge on funds management and the process of acquiring YEDF. Culturally, most youths believe that a youth should be able to work hard to develop themselves other than depending on borrowed funds which to them show a sign of laziness.

4.4. Institutional Factors Contributing to Low Borrowing of YEDF

Table 4.2.6: Institutional factors contributing to low borrowing of YEDF. *Source: Field Data (2013)*

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	142	89.3	89.3	89.3
No	17	10.7	10.7	100.0
Total	159	100.0	100.0	

The results in table 4.2.6 above shows the respondents responses whether there existed institutional factors that led to low borrowing of YEDF by youths in Rarieda district. An estimate of 142 out of 159 respondents which was about 89.3% of the respondents sampled for this study agreed that there existed institutional factors that contributed to low borrowing rate of YEDF. When probed further, they argued that there was little capacity building prior to application for funds from the concerned department. Further, they argued that the terms and conditions of borrowing of YEDF also acted as institutional barrier. Approximately 10.7% of the respondents said that there existed no institutional barriers towards borrowing of YEDF but most youths did not uptake the funds due to ignorance and perception that the funds are for the poor youths. Further, limited business experience was also noted as an institutional factor contributing to the low borrowing rate of YEDF. Young people perceive the prevailing business environment as unfriendly mainly due to cumbersome administrative procedures as well as the lack of transparency and accountability in doing business. Youth people consider the lack of reliable information on business procedures and opportunities troublesome. As one of the young entrepreneurs pointed out:

'Business information is difficult to obtain, particularly for the non-traditional sectors. Reliable statistical information is limited and often data on sector specific performance or projections are not even available.'

4.4.1. Perception of the youth towards YEDF

Table 4.2.7: Perception of the youths toward YEDF. *Source: Field Data (2013)*

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not useful	138	86.8	86.8	86.8
	Useful	21	13.2	13.2	100.0
	Total	159	100.0	100.0	

Results in table 4.2.7 above shows the youths' responses when they were asked about how they perceived YEDF when it was introduced by the government. An estimate of 138 out of 159 respondents which was about 86.8% stated that YEDF was not useful while only about 21 out of 159 which were approximately 13.2% of the respondents said that the funds were useful. The findings in table 4.2.7 above clearly show that the low uptake of YEDF in Rarieda district could have been as a result of negative perception about the fund itself by the youths in Rarieda district. From the study findings, approximately 86.8% youths in this study stated

that YEDF was not useful while only about 13.2% of the respondents said that the fund was useful as shown in table 4.2.7. The youths may view YEDF as less important because they were involved in other economic activities that enabled them get their livelihood. When probed further, most youths said that they had other sources of income which sustained them and further made them open up small scale businesses such as *kiosk* and they were not answerable to any authority. Further, most youth groups depended on members contributions to boost the groups' activities. These findings were seconded by responses from key informant interviews with the district youth enterprise funds officers and the selected youth group leaders who stated that most youths have negative attitude towards YEDF due to the fact that they majorly relied on members' contribution to boost the groups' activities hence earn income to the group.

Many youth do not see starting a business as a viable means of starting a career. Rather they see entrepreneurship as either a supplemental activity to having a regular job or as a later life employment option once they have established themselves financially or professionally (Assaad, 2008). Youth were found to make a strong distinction between entrepreneurship or starting a 'project', and regular wage employment, and do not necessarily see these as alternatives to one another.

4.5. Dealing with Challenges Youth face in Borrowing YEDF

Table 4.8: Suggested ways of alleviating challenges faced by youth groups in borrowing YEDF. *Source: Field Data (2013)*

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Training by the government	114	71.7	71.7	71.7
	Team formation	3	1.9	1.9	73.6
	Youth-friendly policy and regulation	42	26.4	26.4	100.0
	Total	159	100.0	100.0	

Results in Table 4.5 above presents responses of various youth in Rarieda district who were asked what they think can be done to address challenges faced by youth groups in borrowing YEDF. An estimate of 114 out of 159 youths which was about 71.1% of the study population, suggested that there should be training by the government on importance and benefits of YEDF and procedures involved in getting these funds. Approximately 26.4% of the youths argued that there should be youth friendly policies that will encourage most youths to go for YEDF to boost their groups' activities. An estimate of 3 out of 159 youths argued that there should be team formation before borrowing; this was about 1.9% of the youths interviewed. Responses from the key informant interviews with the district youth enterprise funds officers and the selected youth group leaders also seconded the results above where by the informants argued that there should always be a pre-borrowing and post-borrowing training of youths on issues surrounding YEDF. Such training can improve the rate of borrowing of YEDF by the youths in Rarieda district.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS.

This chapter presents a summary of discussions, conclusion and recommendations from the study.

5.1. Summary

Youth participation as a development strategy in community development requires sustained engagement of youth. Increase in youth unemployment is a key challenge faced by governments throughout the world. Many of these young unemployed have entrepreneurial mindset and have the intention of owning a small enterprise but might face some obstacles such as government regulations, inadequate skills and knowledge, and lack of recognition by the organizations.

Another challenge that faced most youths was financial literacy. They did not have the capacity to sufficiently understand financial markets product. Lack of financial literacy led to poor management and decision making. The problem of youth unemployment could be partly attributed to socio-cultural factors, for example choice of the type of job men or women are supposed to do. Luo community majorly engage in fishing and a bit of subsistence farming therefore reluctant to venture into any other type of enterprise, thus view youth enterprise development fund as funds for those who want to build houses, start big businesses and other large investments.

Thus, ignorance and inadequate knowledge on the importance of the fund have contributed to low borrowing rate of YEDF by the youths in Rarieda district. During key informant interviews with the district YEDF officers in Rarieda, they mentioned ignorance and cultural beliefs as major barriers to the uptake of YEDF by youths in Rarieda district. Most youths do not have adequate knowledge on funds management and the process of acquiring YEDF. Culturally, most youths believe that an individual youth should be able to work hard to develop themselves other than depending on borrowed funds which to them show a signs of laziness.

Youth unemployment is a significant problem in Kenya. Kenya's economy is currently dependent on agriculture, but youth are moving to urban areas in large numbers. Therefore most new entrants to the labour force must choose between working in small scale enterprises and being self employed. These factors have led to high levels of youth unemployment. Thus,

the following could be done to boost the uptake YEDF in Rarieda district. Approximately 71.1% youth respondents argued that they should be trained on pre and post-borrowing funds management. Responses from the key informant interviews with the district youth enterprise funds officers and the selected youth group leaders also seconded training by the government whereby the informants argued that there should always be a pre-borrowing and post-borrowing training of youths on issues surrounding YEDF. Such training can improve the rate of borrowing of YEDF by the youths in Rarieda district.

5.2. Conclusion

The study indicates clearly that the low borrowing rate of YEDF in Rarieda district has been brought about by the low level of education, lack of literacy related to the importance of the fund, lack of business ideas and very little capacity building before and after the disbursement of the fund. The youth in Rarieda district also have a very negative attitude towards the fund. Though they know about the existence of the fund, they are ignorant of how they can benefit from it and have a perception that the fund is only meant for the poor youth and not for those of them who can engage in other economic activities without necessarily having to take a loan.

5.3. Recommendation

An effective way of addressing the challenge of youth unemployed is to help them develop their skills in entrepreneurship and small business development. Business literacy helps young people to envision ways of getting out of poverty; do something to help themselves and their communities; and eventually ensure sustainable economic self-reliance. Governments can play significant role by implementing strategies to assist the young entrepreneurs. Entrepreneurship strategies can enhance employment for young people and it can serve as a means of economic liberty for young people. Youth entrepreneurship can be an innovative move by the governments to assimilate youth into today's global and dynamic economy.

The researcher recommends that capacity building and entrepreneurial trainings for the youth be enhanced. Such trainings will help the youth come up with viable business proposals to put up sustainable enterprises. Other than the employment of more Youth Enterprise Development Fund officers in the district, the officers should also be facilitated to be able to reach out to the youth in the entire district with information about the fund. This will enhance the knowledge of the youth and help them change their attitude and perception about the fund.

of the study, the researcher realized that most of the youth groups lost their members as a result of them moving to far areas in search of employment or due to marriage. This has led, at times, to the change of leadership and loss of technical youth who can push forward the vision of the group.

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