

**IMPACT OF YOUTH ENTERPRISE DEVELOPMENT FUND ON  
RURAL DEVELOPMENT A CASE STUDY OF KIKUYU  
CONSTITUENCY**

**BY**

**DAVID MUNYITHYA KITHEKA**

**D63/64161/2013**

**A RESEARCH PROJECT PRESENTED IN PARTIAL FULFILMENT  
OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF  
SCIENCE IN FINANCE DEGREE IN THE SCHOOL OF BUSINESS,  
UNIVERSITY OF NAIROBI**

**SEPTEMBER 2015**

**DECLARATION**

I declare that, this proposal is my own original work and has not been presented for award of any degree in any University.

**STUDENT**

DAVID MUNYITHYA KITHEKA

D63/64161/2013

Signature: \_\_\_\_\_ Date \_\_\_\_\_

**SUPERVISOR**

PROF. JOSIAH ADUDA, DEAN SCHOOL OF BUSINESS

Signature: \_\_\_\_\_ Date \_\_\_\_\_

## **DEDICATION**

I would like to dedicate this project to my family; Mr. & Mrs. Benjamin Kitheka, Joshua, Grace, Mercy, Faith and Joy who have imparted in me the value of education early in life and to my Grand Mother (Agnes Mule) who has been a complete source of wisdom and blessing to my entire career.

May God bless you all for your encouragement & constant motivation.

## ACKNOWLEDGEMENT

First, I would like to thank my supervisors, Professor Josiah Aduda and Mr. HerickOndigo for their unwavering support during the proposal development, data collection and throughout the collective process of the development of this study.

I would like to appreciate the School of Business for their role in mentoring me in the field ofInternational Finance& Risk, especially, Dr. Elly&Mr.Karanja. Their efforts have not gone unnoticed.

I equally place on record my appreciation to all the classmates and the entire School of Business for challenging me in many occasions and their valuable contribution that enabled me sail through the course.

I also appreciate all the respondents who willingly participated in the study to achieve strategies for the countries development.

Finally, the greatest acknowledgment goes to the Almighty God for keeping me in good health,provision of resources, a sound mind and everything else that enabled me go through the course and I will be forever grateful.

## TABLE OF CONTENTS

<b>DECLARATION</b> .....	<b>ii</b>
<b>DEDICATION</b> .....	<b>iii</b>
<b>ACKNOWLEDGEMENT</b> .....	<b>iv</b>
<b>TABLE OF CONTENT</b> .....	<b>v</b>
<b>List of Figures</b> .....	<b>viii</b>
<b>List of Tables</b> .....	<b>ix</b>
<b>List of Abbreviations</b> .....	<b>x</b>
<b>ABSTRACT</b> .....	<b>xi</b>
<b>CHAPTER ONE</b> .....	<b>1</b>
<b>INTRODUCTION</b> .....	<b>1</b>
1.1 Background of the study .....	1
1.1.1 Youth Enterprise Development fund. ....	2
1.1.2 Rural Development.....	3
1.1.3 Effects of YEDF on Rural Development .....	3
1.1.4 Kikuyu constituency .....	4
1.2 Research problem.....	4
1.3 Objectives of the study .....	6
1.3.1 General Objectives.....	6
1.3.2 Specific Objectives .....	6
1.4 Value of the study .....	7
1.4.1 To Kikuyu constituency Residents .....	7
1.4.2. To the Government .....	7
<b>CHAPTER TWO</b> .....	<b>8</b>
<b>LITERATURE REVIEW</b> .....	<b>8</b>
<b>2.1 Introduction</b> .....	<b>8</b>
2.2 Theoretical Review .....	9
2.2.1 Youth Empowerment .....	9
2.2.1.1 The Empowerment Education Model .....	9
2.2.1.2 The Solid Learning Theory.....	10
2.2.2 Self Employment.....	11
2.2.2.1 Concept of Self Efficacy.....	11

2.3 Determinants of rural development .....	12
2.4 Empirical Evidence of Youth Empowerment& Rural development.....	13
2.5 Youth Enterprise Development Fund.....	15
2.5.1 YEDF Loan Disbursement .....	16
2.7 Conclusion.....	17
<b>CHAPTER THREE .....</b>	<b>18</b>
<b>RESEARCH METHODOLOGY .....</b>	<b>18</b>
3.0 Introduction .....	18
3.1 Research Design.....	18
3.2 Target Population .....	18
3.3 Sample .....	19
3.4 Data collection instruments and procedures.....	19
3.5 Reliability & validity of the Questionnaire .....	19
3.6 Data analysis and presentation. ....	20
3.7:Operationalization of Variables .....	21
<b>CHAPTER FOUR.....</b>	<b>22</b>
<b>DATA ANALYSIS, PRESENTATION &amp; INTERPRETATION.....</b>	<b>22</b>
4.1 Introduction .....	22
4.2 Questionnaire return rate .....	22
4.3 Demographic information of respondents.....	22
4.3.1Distribution of respondents by gender.....	22
4.3.2 Distribution of respondents by age .....	23
4.3.3 Respondents by Level of education .....	23
4.3.4 Respondents by Marital Status .....	24
4.3.5 Distribution of respondents by employment status .....	24
4.4 Loan Disbursements .....	25
4.4.1 Loan Disbursements from YEDF. ....	25
4.4.2 Distribution of respondents by business operations .....	26
4.4.2 Respondents' economic empowerment .....	27
4.4.3 Monthly profits made by the group. ....	27
4.5 Capacity building .....	28
4.5.1 Access to training manuals .....	29

4.5.2 Training before business .....	29
4.5.3 Enterprise Development initiatives .....	30
4.6 Timeliness of Disbursement of YEDF loans .....	31
4.7 Project Identification .....	33
4.8 Summary & Interpretation of findings. ....	34
<b>CHAPTER FIVE .....</b>	<b>38</b>
<b>SUMMARY, CONCLUSIONS &amp; RECOMMENDATIONS .....</b>	<b>38</b>
5.1 Summary .....	38
5.2 Conclusion.....	38
5.3 Recommendations to policy & Practice .....	39
5.4. Limitations of the study.....	40
5.5 Suggestions for Further Research .....	41
<b>APPENDICES .....</b>	<b>45</b>
Appendix 1: .....	45
Introduction Letter.....	45
Appendix 2: Questionnaire.....	46

## List of Figures

Figure 1: Loan Disbursement from YEDF .....	27
Figure 2: Annual Profits Made .....	29
Figure 3: YEDF initiatives .....	29
Figure 4: Duration before Loan approval .....	33

## List of Tables

Table 3.1: Operationalization of Variables .....	22
Table 4.1: Distribution of respondents by gender.....	23
Table 4.2: Distribution of respondents by age .....	24
Table 4.3: Respondents by Level of education.....	24
Table 4.4: Respondents by Marital Status .....	25
Table 4.5 Distribution of respondents by employment status.....	26
Table 4.6: Loan Distribution by YEDF .....	26
Table 4.7 Distribution of respondents by business operations .....	27
Table 4.8: Respondents' economic empowerment. ....	28
Table 4.9 Annual profits made by the group .....	29
Table 4.10 Access to training manuals .....	30
Table 4.11: Training before business .....	30
Table 4.12 Enterprise Development initiatives.....	31
Table 4.13 Duration before loan approval .....	32
Table 4.14 Project Identification.....	32

## **List of Abbreviations**

ACWICT	Information and Communications Technology
AYF	African Youth Foundation
CSR	Corporate social responsibility
C-YES	Constituency Youth Enterprise Scheme
GOK	Government of Kenya
ILO	International Labor Organization
IYF	International Youth Fund
KLGRP	Kenya Local Government Reform Program
KNBS	Kenya National Bureau of Statistics
LATF	Local Authority Transfer Fund
MFI	Microfinance Institution
MSE	Micro and Small Enterprises
NYDA	National Youth Development Agency
SPSS	Statistical Package for Social Sciences
TVET	Technical and Vocational Education and Training
UN	United Nations
UNDP	United Nations Development Program
US	United States
YEDF	Youth Enterprise Development Funds
YEP	Youth Empowerment Program
YRE	Youth Run Enterprises

## **ABSTRACT**

This study sought to examine the influence of Youth Enterprise Development Fund on Rural development in Kikuyu Constituency, Kiambu County, Kenya. The objectives of the study addressed the issues of loan disbursement, capacity building, timeliness of disbursements, and project identification as influencers of youth empowerment in Kikuyu Constituency, Kiambu County. Research methodology adopted by this study was a survey method and the study targeted the youth groups within Kikuyu Constituency who borrowed from the Youth Enterprise Development Fund From 2013- 2015. The total target population comprised 300 members and sample size consisted of 150 respondents. Both open-ended and close-ended questionnaires were used, as well as an interview guide for the key informants. In this research, descriptive statistics were used. The questionnaires were edited first for accuracy, and completeness. The study used frequency distribution and percentages, and computer software-Statistical Package for Social Scientists (SPSS) as a tool of analyzing data, and to establish relationships between variables. The analyzed data was tabulated for presentation. The findings on loan disbursement indicated that the respondents were aware of the requirements needed before loan applications were made. In addition, the respondents expressed appreciation of the interest-free loans, but decried the loan amounts as inadequate. The respondents also pointed out that although they received advance training before they started new businesses, they felt that more training was needed in order to enhance their skills in their businesses. They also felt that the duration it took to release the funds after application was too long, and it hampered their ability to plan for business capital. In terms of project identification, the respondents felt the need for greater involvement of the government in market linkage for their products and services. Further, the study found that the youth have benefited economically from the various YEDF funded projects, there has been a reduction in unemployment as well as growth in development of Kikuyu Constituency. The study recommends that there be a reduction in the time it takes to process the loans, so that the youth can take advantage of the special Government tenders that are reserved for them. The loan amounts can be increased at the discretion of the Government so that the youth have sufficient funds to set up and expand their businesses. Flexibility in giving subsequent loans should also be considered especially where the youth are carrying out a special project.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the study.**

Rural development is a key indicator of national and economic development and especially with the new system of devolved government system. Self-employment as a key determinant to development is very vital and especially amongst the youth in any developing nation.

According to World Bank (2005), while many young people in Kenya may choose to go into entrepreneurship as an option, most are poorly prepared and have limited access to financial capital. Lack of gainful employment has led the youth to engage in crime, unsafe sex, violence and substance abuse. According to United Nations (2004), over 50% of all convicted criminals in Kenya are young males aged between 16 and 25 years. In addition, most crimes committed by young people in Kenya are financially motivated. Information from the department of Youth Affairs in the Ministry of devolution, reports that, youth aged between 15-30 years number about 14 million and accounts for more than 36% of the Kenyan population. The youth population is projected to increase to 18 million and 24 million by the 2015 and 2017. The single biggest challenge facing Kenyan youth today is unemployment, For a developing country like Kenya, lack of adequate opportunities among the youth is a grave wastage of national resources due to high opportunity cost which impacts negatively on socio-economic development, in addition it creates dependency syndrome, vicious cycle of poverty, social upheavals such-as insecurity and risky behaviors', economic and political malpractices and lack of dignity and self-esteem among the youth (YEDF Status report, 2011)

### **1.1.1 Youth Enterprise Development fund.**

With the high level of youth unemployment in mind, the government decided to form the YEDF through the Act of parliament in 2006 with the main purpose of reducing unemployment among the youth who account for 61% of the unemployed in the country. The target of the fund is young people within the age bracket of 18 to 35 years whose population is over 15 million. The Fund's strategic focus is on enterprise development as a key strategy that will increase economic opportunities for, and participation by Kenyan youth in nation building. The Fund was established in order to; Provide loans for on-lending to youth enterprises, attract and facilitate investment in micro, small and medium enterprises oriented commercial infrastructure that will be beneficial to youth enterprises, Support youth oriented micro, small and medium enterprises to develop linkages with large enterprises, Facilitate marketing of products and services of youth enterprises both in the domestic and the international markets and Provide business development services to youth enterprises Facilitate employment of youth in the international labor market (YEDF Status report, 2011)

Despite lack of skills to manage enterprises successfully, young people who chose to go into self-employment have to face the problem of access to capital (World Bank, 2005). Most financial institutions were unwilling to provide loans to the youth because of their lack of collateral. While a number of NGOs and youth organizations make loans available to young people interested in starting their own businesses, the qualification for those loans are stringent. NGOs require that the youth already be in business, have some savings and join a group savings and credit scheme among other requirements (World Bank, 2005)

### **1.1.2 Rural Development**

Rural development is the process of improving the quality of life and economic well-being of people living in relatively isolated and sparsely populated areas. Rural development is a strategy to enable a specific group of people, poor rural women, youth and men, to gain for themselves, and their children more of what they want and need. It involves helping the poorest among those who seek a livelihood in the rural areas to demand and control more of the benefits of rural development. Greenwood (1996)

Rural development is achieved through; Education, entrepreneurship, physical infrastructure, and societal development. According to Greenwood (1996), rural development is also characterized by its emphasis on locally produced economic development strategies. Reduction in the rates of unemployment, growth & profitability of the enterprises are signs of rural empowerment

In order to measure the profitability of the various projects in the constituency, Profitability index (PI) was applied in order to identify the relationship between the costs and benefits of the various YEDF projects. The average monthly incomes of the projects were discounted over the loan duration then compared with the loan amount to evaluate if the projects undertaken are profitable thus worth being undertaken. The discount rate was the interest rates of the loan advanced.

### **1.1.3 Effects of YEDF on Rural Development**

YEDF was established by the government as one of the strategies of addressing youth unemployment. The Fund's purpose is to create employment for the youth of Kenya and provide youth entrepreneurs with capital for business startup and growth. With a sizable majority of Kenyan youth being in the rural settings the effects of youth empowerment

through YEDF funding has led to rural development by promoting employment especially in the informal sector. Momanyi (2013) noted that YEDF has helped promote entrepreneurship in among the youth in the rural Kisii and thus reduce unemployment and enhance the well-being of its residents.

Therefore, success of YEDF Leads to growth of businesses and hence self-employment, improvement of living standards, reduction of poverty levels, reduction of crimes and this eventually translated to rural development.

#### **1.1.4 Kikuyu constituency**

Kikuyu Constituency lies in the southern part of Kiambu in the Central part of Kenya with a population size of close to 130,000 residents. The constituency's population is dominated by young people who need to be supported by those in the workforce. Almost three quarters of the population is under 35 years old. The constituency's economic performance is above that of the national average development though, unemployment especially among the youth is a major challenge in the constituency. The majority of the population is employed in agricultural activities, with limited opportunities in commercial ventures and public service. The Fund has disbursed Kshs. 70 million to about 300 youth owned enterprises in Kikuyu Constituency the funds have gone a long way in creating employment and overall development in the largely rural population whose sole target is its youthful population (YEDF Status report, 2014).

#### **1.2 Research problem**

Looking at the relationship between rural development and unemployment of the youth then there is a big challenge posed to rural development due to the opportunity cost lost

during idle hours. From this we can derive that “The higher the employment opportunities, the lesser the opportunity cost and hence improvement in rural development”. In Kenya, poverty and unemployment are a major challenge to social and economic development. Youth in Kenya face serious challenges including high rate of unemployment and underemployment. The overall unemployment rate for the youth is double the adult average at 21%. Statistics on joblessness suggest that the magnitude of unemployment problem is larger for youth with 38% of youth neither in school nor work. In order to promote rural development, it is important to come up with measures that will empower the youth to create employment.

Youth empowerment is one of the key ways of eliminating poverty and developing the economy through financial & technical support. The Youth Enterprise Development Fund (YEDF) is one of the Government of Kenya’s innovations in combating the challenge of poverty and youth employment. The Government’s interest in promoting entrepreneurship has various motivations.

Youth unemployment has become the biggest developmental challenge in almost every country in the world in the 21st century. According to International Labor Organization (ILO) estimates, 60 million young people are searching for work but cannot find any. Around the world, youth are nearly three times as likely to be unemployed as adults. Eighty percent of the young jobless are in the developing countries and economies in transition. In all developing countries across the world, youth unemployment is growing annually at more than 15 percent. Many countries are still struggling to boost their economic growth in order to provide jobs for all the youths entering the job market each year (ILO, 2008).

According to Nwigwe (2010), The Nigerian government put in programmes that promote entrepreneurship thus improving the quality of life among its youthful population and in effect address the unemployment among the youth and mitigate the negative effects of joblessness.

Being equipped with skills and having access to capital, the youth can start or expand their own business enterprise and creating their own source of livelihood and create jobs for others. Thus economically empowering themselves as well as others consequently development of the rural economy. Kemunto (2014) pointed out that Youth unemployment has been a great challenge leading to introduction of initiatives like YEDF in Kenya and policy re-alignments among other dynamic changes. There is also a reported increase in default loan default rates and this would be a key indicator that most businesses funded end up not succeeding. With this initiative, does the YEDF have a significant influence on improvement of youth enterprises through its market linkages and access to credit there by creating employment & eliminating poverty?

### **1.3 Objectives of the study**

#### **1.3.1 General Objectives**

This research sought to investigate the impact of YEDF among the youth and hence rural development in Kikuyu Constituency given the context of high informality in which such a fund is being operated.

#### **1.3.2 Specific Objectives**

The specific aim of the study was to achieve the following objectives;

- i. To assess if the YEDF equips the youth with business skills and also offer market linkages to the youth in Kikuyu Constituency.

- ii. To determine how YEDF performs in provision of funds to youth in Kikuyu Constituency and the impact of the funding on entrepreneurship.

#### **1.4 Value of the study**

##### **1.4.1 To Kikuyu constituency Residents**

The findings in this research paper will help the Residents of Kikuyu Constituency to know the impact of YEDF funding to the growth of business and establish which skills are necessary to the youth to help them grow their business and also give information on the importance of the funding.

##### **1.4.2. To the Government**

The study will also help the government in measuring the success of the YEDF in reducing the unemployment rates among the youth in the country. It will also help in identification of new areas of weaknesses in the operations of the fund and seek ways of revamping the operations and will guide policy developers at national and constituency levels to come up with comprehensive policies for youth-based projects. Other beneficiaries will include the YEDF, Uwezo Fund, (NGOs) non-governmental organizations and private sector players who wish to adopt better implementation strategies.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

The Youth Enterprise Development Fund (YEDF) is one of the Government of Kenya's innovations in combating the challenge of poverty and youth employment. The Government's interest in promoting entrepreneurship has various motivations. While seen as a means of combating unemployment and poverty, the promotion of entrepreneurship is perceived to yield additional benefits such as raising the degree of competition in a given market, fuelling the drive for new economic opportunities and helping to meet the challenges of rapid change in a globalizing economy. A reliance on private initiative as a source of employment creation is also clearly attractive in a context both of restricted public expenditures and a preference among many policymakers for supply-side solutions to unemployment. Promoting entrepreneurship is thus viewed as part of a formula that will reconcile economic success with social cohesion (Foley, 1999; and Kathleen, 2008). Enterprise development is also emphasized in Kenya Vision 2030 development blueprint for 2008 to 2030 which aims at making Kenya a newly industrializing, "middle income country providing high quality life for all its citizens by the year 2030" (NESC, 2007). It has the twin objective of accelerating growth and reducing poverty through income generation. The plan is to be implemented in successive five-year terms with the first plan covering 2008-2012 and the second plan up to 2017.

## **2.2 Theoretical Review**

### **2.2.1 Youth Empowerment**

In South Africa, the National Youth Development Agency (NYDA), 2011, outlines its mandate which include; advancing youth development through guidance and support to initiatives across sectors of society and spheres of government, embarking on initiatives that seek to advance the economic development of young people and developing and coordinating the implementation of the Integrated Youth Development Plan and Strategy for the country (Government of South Africa, 2012). The NYDA activities have propelled young people to reach their personal goals and develop their full capacity. Numerous young people have been assisted since the NYDA's establishment including: Disbursing loans to microfinance enterprises, disbursing Small and Medium Enterprise loans, disbursing Business Consultancy Services Vouchers and engaging youth under the National Youth Service Program.

#### **2.2.1.1 The Empowerment Education Model**

The Prince's Trust (2012) the Prince's Trust Enterprise Program is for people who have a business idea they want help to explore, are aged 18-30, unemployed or working less than 16 hours per week. Services provided include; Advice on employment options, business skills training, business planning support, start-up loan funding, ongoing support from a volunteer business mentor, access to specialist support, including free legal services and, if one wants to start a business, access to a wide range of free and discounted products and services.

In Europe there are efforts to empower the youth by involving them in decision-making, especially on policies that affect the youth directly. Several countries has come together to

form the Youth Empowerment Partnership Program, an international Program focused on disadvantaged areas in eight European countries. It aims to empower young people and the communities in which they live by making them central to new decision-making processes involving partnerships between public, private and independent sectors (Evans & Krueger, 2011). There are also Programs such as Empowering Youth in a European Society (EYES) that is initiated by the youth themselves. It focuses on youth empowerment, collective social action and solidarity among the youth of member nations; because young people are the best resource available and they must be empowered to make the most of it (EYES, 2013).

### **2.2.1.2 The Solid Learning Theory**

Entrepreneurial education based on solid learning theory can develop entrepreneurs by increasing business knowledge, and promoting characteristics associated with entrepreneurs (Krueger & Brazeal, 1994; Kourilsky & Walstad, 1998; Walstad & Kourilsky, 1999). Learning styles that include active experimentation, balanced with concrete experience and abstract conceptualization, enhance entrepreneurial propensity (Gorman et al., 1997). Stumpf, Dunbar, and Mullen (1991) also argued for the benefits of behavioral simulations in teaching entrepreneurship. McMullan and Long (1987) proposed that entrepreneurship education should include skill-building components such as negotiation, leadership and creative thinking, exposure to technological innovation and new product development. Entrepreneurship program should also teach skills in detecting and exploiting business opportunities, as well as incorporate detailed and long-term business planning (Vesper & McMullan, 1988).

### **2.2.2 Self Employment**

The concept of self-employment is quite wide and there seem to be various working definitions of self-employment which overlap. Among them is the multi-disciplinary definition which according to Dale (1991) in Fudge et al. (2002) three disciplines can be of use in conceptualizing self-employment and differentiate it from other forms of employment. These include the sociological, legal and statistical disciplines. The sociological point of view draws from the works done by early sociologists Marx and Weber and emphasize ownership of means of own production and autonomy. The legal definition is essentially made on the basis of the underlying issues of employment protection under various laws, commercial regulation, income tax liability and social benefits.

#### **2.2.2.1 Concept of Self Efficacy**

The statistical point of view self-employment is defined by the mode of remuneration, those who are paid, earning a wage or salary and those who pay themselves through profits. As Elias (2000) cited by Fudge et al. (2002) states, this mode of distinguishing self-employed from other employment categories underpins the international classification of status in employment. As such Ann T (1999) the ILO and UN categorizes employment into employee, unpaid family helpers, employer and own account workers. An employer is a person who operates his/her own economic enterprise or engages independently in a profession trade and hires one or more employees. An own account worker is a person who operates his/her own economic enterprise or engages independently in a profession/trade and hires no employees. The employer and own account worker groups can be aggregated to give the total number of self-employed. This is the definition that this paper will adopt.

Further this paper appreciates the fact that self-employed and entrepreneur categories are treated as synonyms Startiene et al (2010). This is a factor reflected in most self-employment policies that seem to base their strategies on entrepreneurship notion of self-employment.

### **2.3 Determinants of rural development**

The pace and level of rural development is determined by a number of factors that could be social, economic, institutional, cultural, technological, natural, or technological. These factors often interact and could operate to exhibit multi-level effects on rural development. Some of the factors that influence rural development are;

1. Availability and efficient utilization of natural resources: Where a community is endowed with mineral and other natural resources in commercial quantities, there is a tendency for that community to experience rapid development. However, the sheer availability of natural resources without proper management of the proceeds would not bring about commensurate development. Indeed there are numerous examples of naturally endowed nations that remain under-developed, while less-endowed ones have moved higher in the development ladder as a result of efficient resource utilization.
2. Production and employment capacities: The higher the employment and production capacities of an area, the higher the income and growth it attracts. Increases in output and number of people employed enhance household welfare and drive the rural economy. Production must continue to increase, not only to satisfy increasing demand, but also because of the necessity to maintain capital stock of the rural economy's productive base.

3. Manpower and technology: Improvement in the means of production of goods and services, *ceteris paribus*, leads to higher and more efficient production. Use of modern and efficient means of farming for instance has demonstrated great potential in the achievement of food security. Societies that have adopted modern technological production modes have witnessed more rapid pace and higher levels of rural development than those that have not.

4. Good and responsible leadership: Competent and patriotic administration and management of national and rural resources have led to rapid transformation of many rural communities in the western world. Development would most certainly remain a pipedream as long as national and rural resources are mismanaged by wrong hands. Rural inhabitants need to not only to participate in the leadership process but must also ensure accountability and competency in leadership.

#### **2.4 Empirical Evidence of Youth Empowerment & Rural development**

Youth empowerment as an attitudinal, structural, and cultural process whereby young people gain the ability, authority, and agency to make decisions and implement change in their own lives and the lives of other people, including youth and adults. The young people are empowered when they acknowledge that they have or can create choices in life, are aware of the implications of those choices, make an informed decision freely, take action based on that decision and accept responsibility for the consequences of those actions (Semboja, 2005). Empowering young people means creating and supporting the enabling conditions under which young people can act on their own behalf, and on their own terms, rather than at the direction of others. The process of involving the youth in planning, implementation, and evaluation, brings about a strong sense of belonging and ownership that essentially leading to sustainability and immense benefits of the Programs. Over the

last decade, the concept of empowerment has emerged as the main paradigm of development throughout different governmental sectors (Blanchard, 1996). The process of youth empowerment enables individuals to fully access personal or collective power, authority and influence, and to employ that strength when engaging with other people, institutions or society. In other words, “Empowerment is not giving people power; people already have plenty of power, in the wealth of their knowledge and motivation, to do their jobs magnificently (Njonjo, 2009). Chinguta (1996) argued that youth empowerment is letting this power out and encouraging young people to gain the skills and knowledge that will allow them to overcome obstacles in life or work environment and ultimately, help them develop within themselves or in the society. Economic empowerment Programs that empower the youth to have an entrepreneurial culture and foster enterprise creation are key to increasing youth employment and alleviating the vicious cycle of poverty and social exclusion. Some examples of empowerment Programs include equipping youth with skills, giving access to capital so that they can start or expand their own business enterprises and ensuring collaborations with institutions and youth groups. Governments need to encourage a broad and dynamic concept of entrepreneurship to stimulate both individual initiative and broader initiatives in a wide range of organizations which include, but go beyond, the private sector: small and large enterprises, cooperatives, and the public sector, workers’ and youth organizations. Small and medium size Enterprises (SME’s), Micro and micro credit can provide opportunities for income generation in the absence of a formal economic structure (ILO, 2010).

The government of Kenya has realized that in order combat the poverty, it needed to come up with a raft of measures to promote rural development by creating an enabling

environment for that would kick start the economies in the rural areas. Njoka (2013) Pointed out that rural development has a critical role to play in achieving poverty reduction, reducing risk and vulnerability, promoting widely shared growth and reversing natural resource degradation and thus 'promote economic growth. Further he noted that rural development will also result from expanded non-agricultural sectors and activities that have not received sufficient attention to date, such as environment, tourism, science and technology.

In the past 12 years there are some of the measures the Kenyan government has come up with in order to address rural development which include; Establishment of Constituency development fund (CDF), YEDF, and Uwezo fund among others. Auya&Oino (2013) noted that CDF has been instrumental in promoting the growth in the rural areas of Kenya as well as poverty alleviation.

Promoting entrepreneurship among the youth of Kenya both in the rural & urban areas is viewed as part of a formula that will promote economic success with social cohesion (Langat et al 2012).

### **2.5 Youth Enterprise Development Fund**

The Youth Enterprise Development Fund (YEDF) was established in 2006 with the purpose of reducing unemployment among the youth who account for over 61% of the unemployed in the country. The target of the fund is young people within the age bracket of 18 to 35 years .As of 2013, the Fund had financed over 157,000 youth enterprises to the tune of Kshs. 5.9 billion, and helped thousands of youth build their enterprises through market support and entrepreneurship training. The Fund has also trained over 200,000 young

entrepreneurs and supported thousands of youth to take up jobs overseas through the Youth Employment Scheme Abroad (YESA) Program. In addition, the Fund provided other services such as training and mentoring, business incubation, holding a business plan competition, and developing partnership with private and public institutions (YEDF, 2013). The YEDF is also working on new strategies that are more responsive to the needs of the youth, such as direct funding, sector-specific financing, credit guarantee schemes, franchise financing as well as help in accessing markets for their products and services (YEDF, 2013). As outlined in the Kenya Vision 2030, all this is aimed at empowering the Kenyan youth, and building a strong base for the economy to grow and achieve the Millennium Development Goals (Kenya Vision 2030).

### **2.5.1 YEDF Loan Disbursement**

The Government of Kenya has taken steps to ensure that the youth groups reap maximum benefit from the loans they take. One way they have done this is by declaring that the YEDF loans will be interest-free. This means that the youth groups just pay the principal sum only. This is in contrast to commercial lenders that always charge interest on loans and advances. The advantage to the youth is that they do not have to factor in hefty interest when they compute their revenue and profit therefore translating to bigger profits. The Government also recognizes that businesses do not always start generating income immediately after inception. As such the youth groups are normally given a grace period within which to start repaying the loan. It ranges from two to three months. This gives the businesses a chance to establish and market themselves, without the undue pressure of having to repay the loan (YEDF Guide, 2009). The following are the different group loans and their requirements;

## **2.7 Conclusion**

This chapter has looked at the impact of youth empowerment through the YEDF translating to rural development. The youth have an opportunity to empower themselves by taking advantage of the funds available for them. Funding is available from the government through the Youth Enterprise Development Fund, the newly launched Uwezo fund as well as from the Private sector through their Corporate Social Responsibility Programs. The chapter has also addressed the issue of loan disbursements and timeliness of these disbursements and their influence on youth empowerment. Capacity building through training and proper project identification also determines how well an enterprise will function. The theoretical framework addresses some theories that are relevant to the study.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter covers the research design that was used in the study. It also addresses the target population, sample size determination and sampling procedure. The chapter also covers the methods of data collection, validity and reliability of research instruments, data analysis and ethical issues in the research.

#### **3.1 Research Design**

The research used descriptive survey research design, covering Kikuyu Constituency. A survey is “an attempt to collect data from members of a population in order to determine the current status of that population with respect to one or more variables” (Mugenda & Mugenda, 2003). The main focus of this study was to investigate the role YEDF plays in the rural development in Kikuyu Constituency. This method enabled the researcher to obtain information including the respondents’ perceptions, attitudes, behavior, and values.

#### **3.2 Target Population**

According to Saunders (2003) the population is the full set of cases from which a sample is taken. The target population for this research was 300 youth groups within Kikuyu Constituency that applied for and received loans from the Youth Enterprise Development Fund. Records were obtained from the Youth officer in Kikuyu Constituency.

### **3.3 Sample**

In this section the study outlines how the sample size was determined, and the sampling procedure used. According to Singleton, (1998) sampling refers to the part of research that indicates how cases are to be selected from the observation. From the population of 300 youth groups funded by YEDF between 2013 and 2014 the study will take 50%. The sample will be based on:

- i. Location of the Youth Enterprise
- ii. Its economic activity i.e. agricultural or business
- iii. Entrepreneur characteristics i.e. gender, disability, age
- iv. Year of funding

### **3.4 Data collection instruments and procedures.**

Primary data was collected. Owing to the nature of the study, that is an in depth inquiry, data was collected using a questionnaire with the youth groups who benefited from the fund. Information such as the loan amount, revenue & profitability of the venture will be obtained through questionnaires

### **3.5 Reliability & validity of the Questionnaire**

Harper (2002) argues that for a questionnaire to produce useful results, it must have validity and reliability. If the questionnaire can actually test what it is intended for, it refers to validity, whereas, reliability measures the relevance. The questionnaire was pilot tested with five respondents in the target population so as to establish whether the questionnaire measures the relationship between YEDF and Rural Development.

### 3.6 Data analysis and presentation.

The data collected was edited, coded and put into the Statistical Package for Social Sciences (SPSS) software. The data collected was coded, quantified and analyzed quantitatively and qualitatively. Quantitative data was analyzed with the use of Statistical Package for social sciences (SPSS version 17.0 Quantitative data collected was analyzed using the general regression model as shown below:

$$Y = \beta_0 X_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where

Y= Rural development/job creation

$X_i$  =Impact of YEDF on local businesses.

$i = 1,2,3,4$   $\beta_1$  =Rate of change (the gradient)

$\beta_0$  =constant value (intercept)

#### **Profitability Index**

In order to measure the profitability of the various projects in the constituency, Profitability index (PI) will be applied in order to identify the relationship between the costs and benefits of the various YEDF projects. The average monthly incomes of the projects will be discounted over the loan duration then compared with the loan amount to evaluate if the projects undertaken are profitable thus worth being undertaken. The discount rate will be the interest rates of the loan advanced. If a project will have a PI of one or more then it will be deemed as viable .The ratio will be calculated as:

$$= \frac{\text{PV of Future Cash Flows}}{\text{Initial Investment}}$$

### 3.7:Operationalization of Variables

**Table 3.1: Operationalization of Variables**

<b>Research Objectives</b>	<b>Variable</b>	<b>Indicators</b>	<b>Measurements</b>	<b>Measurement Scale</b>	<b>Type of analysis</b>
YEDF loan disbursements and its influence on youth empowerment in Kikuyu Constituency.	Independent Loan disbursement	Number of applications processed  Disbursement regulations	Loans amounts disbursed  Documents needed before loans are released.	Ordinal  Ordinal	Descriptive statistics
YEDF capacity building and its influence on youth empowerment in Kikuyu Constituency.	Independent Capacity Building	Trainings attended by youths.  Entrepreneurial skills gained	Number of youths awarded certificates  Ability to maintain accounts for the business.	Ordinal  Ordinal	Descriptive statistics
Time liness of YEDF loan disbursements and its influence on youth empowerment in Kikuyu Constituency.	<u>Independent</u> Timeliness of disbursements	Duration of release of funds	Period elapsing between application and receipt of funds	Ordinal	Descriptive statistics
YEDF project identification and its influence on youth empowerment in Kikuyu Constituency	<b><u>Independent</u></b> Project identification	Enterprise development  Market linkage	How many groups have benefited from Business Incubation and Development Programs  Availability of market for their	Ordinal  Ordinal	Descriptive statistics

## CHAPTER FOUR

### DATA ANALYSIS, PRESENTATION & INTERPRETATION

#### 4.1 Introduction

This chapter presents the analysis and findings of the study based on the stated objectives of loan disbursement, capacity building, impact of YEDF on youth empowerment & rural development.

#### 4.2 Questionnaire return rate

From the study population of 150 respondents, 126 respondents filled and returned their questionnaires, constituting 84% response rate. According to Mugenda and Mugenda (2003), a return rate of 50% is considered acceptable, therefore the return rate for this study is deemed adequate.

#### 4.3 Demographic information of respondents

The study sought to determine the demographic information of the respondents by seeking information on gender, age, education, marital status and employment status, with a view to seeing how these factors are manifested and their influence on the findings.

##### 4.3.1 Distribution of respondents by gender

The study asked respondents to indicate their gender since this information will be vital in the analysis of the findings. The findings are in Table 4.1

**Table 4.1: Distribution of respondents by gender**

<b>Gender</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Male	73	58
Female	53	42

**Total**

**126**

**100**

Based on table 4.1, a return rate of 73 male and 53 female was realized, indicating that there were more male respondents than female. This was expected because most groups were male dominated.

#### **4.3.2 Distribution of respondents by age**

The study asked respondents to indicate their age since this will enable the research to be if there is any influence on the findings and this is indicated in table 4.2.

**Table 4.2: Distribution of respondents by age**

<b>Age Bracket</b>	<b>Frequency</b>	<b>Percentage (%)</b>
18-23	36	29
24-29	60	48
30-35	30	24
<b>Total</b>	<b>126</b>	<b>100</b>

From the findings, 36 respondents were between 18-23 years representing 29%, 60 were between 24 – 29 years at 48% and 30(24%) were aged between 30 and 35 years. The majority were between ages 24 – 29 years, the age where they are expected to have gone through secondary school and tertiary institutions. Most of those between 18-23 years are still in educational institutions. Those between 30 – 35 years are less because most of them have left groups and expanded individual enterprises.

#### **4.3.3 Respondents by Level of education**

The study sought to know the level of education of the respondents since this information will assist in the analysis of the findings. The results are in table 4.3

**Table 4.3: Respondents by Level of education**

<b>Level of education</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Primary	21	17
Secondary	42	33

Tertiary/college	28	22
University	23	18
N/a	2	2
<b>Total</b>	<b>126</b>	<b>100</b>

Based on table 4.3, 21 respondents had attained primary education, 42 had secondary; 28 had college education while 23 had attained degrees. Only 2 respondents considered themselves illiterate. It is therefore evident that most group members were adequately educated and could be trained in business management skills.

#### 4.3.4 Respondents by Marital Status

The study sought the marital status of the respondents as a social indicator. The findings are as tabulated on 4.4

**Table 4.4: Respondents by Marital Status**

<b>Marital Status</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Married	47	41
Single	79	59
Separated	0	0
Divorced	0	0
Widowed	0	0
<b>Total</b>	<b>166</b>	<b>100</b>

According to the return rate, 47 of the respondents were married, and 79 were single. The high number of single people was expected given the ages of the respondents. However, a significant number of them were married. According to Maslow (1970) a person seeks to meet his most basic needs first and thereafter moves to the next tier, meaning that a certain level of empowerment had been achieved by many.

#### 4.3.5 Distribution of respondents by employment status

The respondents were asked to state their employment status and the findings are recorded on table 4.5.

**Table 4.5 Distribution of respondents by employment status**

<b>Employment status</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Self-employed	67	53
Temporary employment	43	34
Permanent employment	16	13
<b>Total</b>	<b>166</b>	<b>100</b>

The findings on table 4.5 indicate that 67 of them were self – employed, 43 were in temporary employment whereas 16 were in permanent employment. According to World Bank (2005) most youth are opting for their own enterprises. This is in response to lack of formal employment with 61% of the unemployed persons in Kenya being the youth (Kenya National Bureau of Statistics, 2012).

#### **4.4 Loan Disbursements**

The study sought to find out how loan disbursement affected the empowerment of the respondents. Among the indicators the research wanted to find out how the respondents operated their business and adequacy of loan amount and whether there was any economic empowerment.

##### **4.4.1 Loan Disbursements from YEDF.**

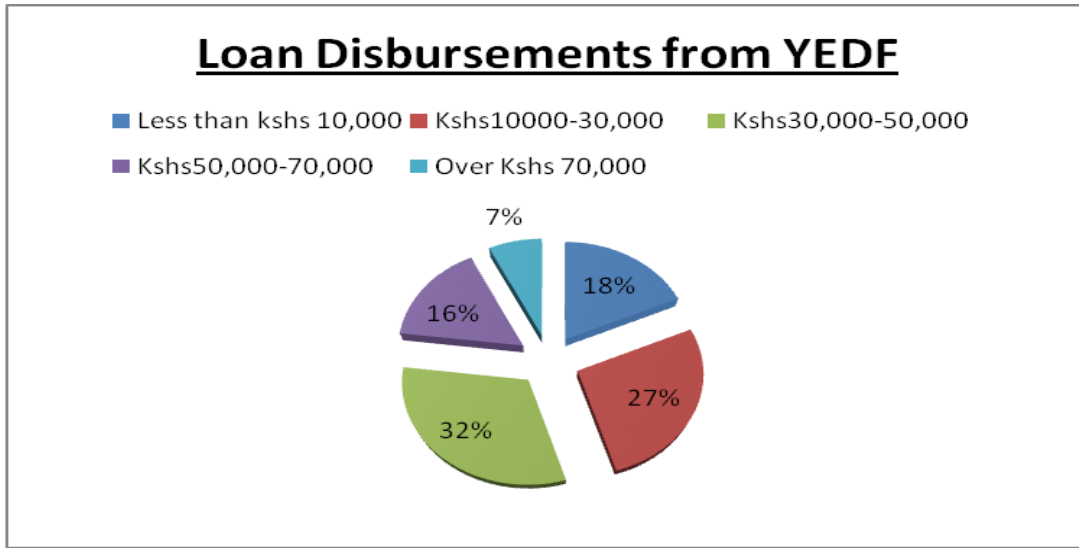
The study aimed at finding out how much money the respondents received from the YEDF as seed capital loan in order to start their businesses. The findings are as tabulated on 4.6

**Table 4.6: Loan distribution by YEDF**

<b>Loan Amount</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Less than kshs 10,000	23	18
Kshs10000-30,000	34	27
Kshs30,000-50,000	40	32
Kshs50,000-70,000	20	16

Over Kshs 70,000	9	7
<b>Total</b>	<b>126</b>	<b>100</b>

**Figure 1 Showing Loan Disbursements from YEDF**



The findings on table 4.6 indicate that 23(18%) respondents received less than Kshs 10,000 while 34 (27%)respondents received between Kshs 10,000-30,000 , 40(32%) of the respondents received Kshs 30,000-50,000 , 20(16%) of the respondents received between 50,000-70,000 and 9 (7%) respondents received over Kshs70,000. This Information is relevant in determining if a business has been profitability index meetsthe required criteria.

#### **4.4.2 Distribution of respondents by business operations**

The study aimed at finding out how the respondents were operating their businesses. The findings are in table 4.7.

**Table 4.7: Distribution of respondents by business operations**

<b>Mode of operating business</b>	<b>Frequency</b>	<b>Percentages (%)</b>
Sole proprietor	80	63
Family-owned	16	13
Jointly	30	24

Other	0	0
<b>Total</b>	<b>126</b>	<b>100</b>

The study found out that 80 respondents (63%) operated individual businesses; making up for over half of the respondents. 30 respondents (24%) operated joint business while only 16 respondents (13%) operated family owned businesses. The funding is consistent with other studies that indicate that young people are venturing into individual enterprises.

#### 4.4.2 Respondents' economic empowerment

In line with the above observations respondents were asked to indicate whether they felt economically empowered by the funds they received from the YEDF. Their responses are in table 4.8.

**Table 4.8 Respondents' economic empowerment**

<b>Economic empowerment</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Become self employed	90	71
Support family	17	13
Afford to pay own rent	17	10
Other	8	5
<b>Total</b>	<b>166</b>	<b>100</b>

From the findings 71% of the respondents gauged economic empowerment as having become self-employed, with 13% now able to support their families and 10% able to afford paying their rent. The findings are an indicator of confidence of the young people in business venture and a willingness to take entrepreneurial risks.

#### 4.4.3 Monthly profits made by the group.

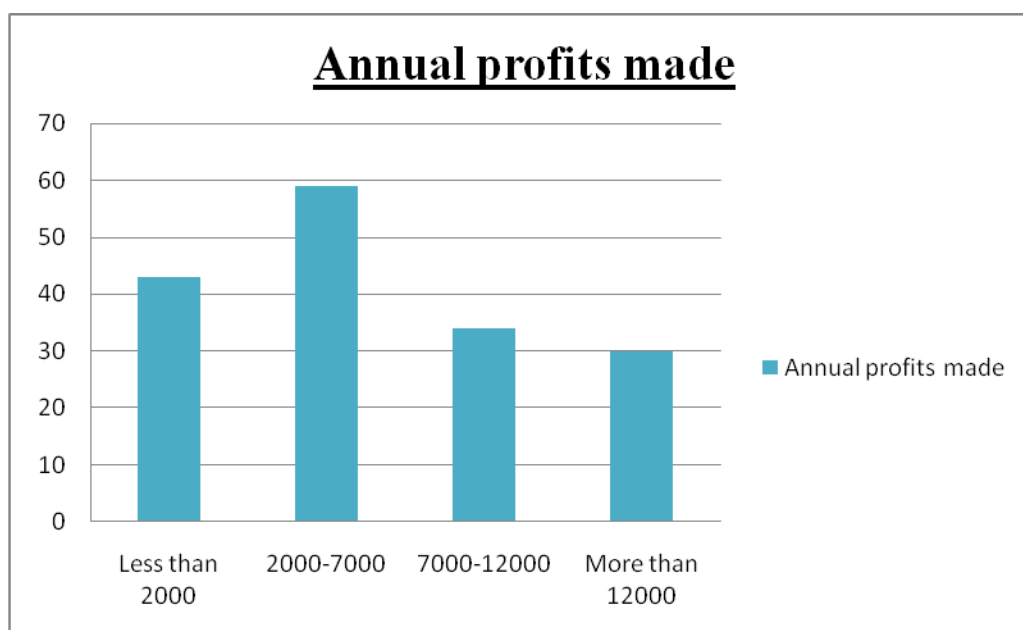
The study sought to find out how much profits were made by groups per month. The findings are tabulated on table 4.9.

**Table 4.9: Annual profits made by the group.**

<b>Profits (Kshs)</b>	<b>Frequency</b>	<b>Percentage (%)</b>
-----------------------	------------------	-----------------------

Less than 2000	33	26
2000-7000	45	36
7000-12000	25	20
More than 12000	23	18
<b>Total</b>	<b>166</b>	<b>100</b>

**Figure 2 Annual profits made**



Majority of the groups made Kshs. 2,000-7,000 per year at 36%. 20% of them made Kshs. 7,000-12,000 per Year. This is because groups mostly used Table Banking and in-house lending as a source of profit. On the other hand, the study wanted to know how much each individual entrepreneur made at the end of each month. Half of them reported to earning between Kshs. 3,000 and over 7,000, indicating that individual ventures were making more business than group ventures. This is because those who borrowed from the group invested in their businesses to boost them and make higher profits.

#### **4.5 Capacity building**

In order for a business to succeed the person running it must have some form of training to enable them to be successful. Those who have skills are likely to do better in their businesses.

#### 4.5.1 Access to training manuals

The study sought to establish whether capacity building was being carried out by the YEDF so that the youth groups would be in a better position to carry out their businesses. Findings are tabulated below.

**Table 4.10 Access to training manuals**

<b>Access to training manuals</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Yes	25	20
No	101	80
<b>Total</b>	<b>126</b>	<b>100</b>

From the findings on table 4.9, it is evident that 80% of the respondents are unable to get the training manuals published by YEDF. This is because most of the manuals can only be accessed digitally and few youth have the easy access to the internet that would enable them in obtaining these manuals. Others are too busy to visit cyber cafés, the popular mode of internet access for young people. However, 75% of them indicated that the youth fund staff are always willing to share any information regarding the youth fund, as well as share any incentives on offer. Two of the three key informants felt that more Sensitization and awareness campaigns should be carried out and more officers sent to the constituencies' levels, so as to ensure more efficient service to the youth.

#### 4.5.2 Training before business

When it comes to business start – ups, some form of training is required in advanced. The research sought to know whether advance training was given. The responses are given in table 4.11.

**Table 4.11 Training before business**

<b>Training Before business</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Yes	122	97

No	4	3
<b>Total</b>	<b>126</b>	<b>100</b>

According to the findings, an overwhelming majority of 97% indicated that they received training before they began their new businesses. The findings are consistent with the three key informants who indicated that they normally train a new group six times before they give them the funds to start their businesses. This indicates some forms of skills are imparted during the training. The study also found out that this YEDF strategy of training before new businesses were started was considered as a helpful strategy by 78% of the respondents. Of the 22% who responded in the negative, most already had running business.

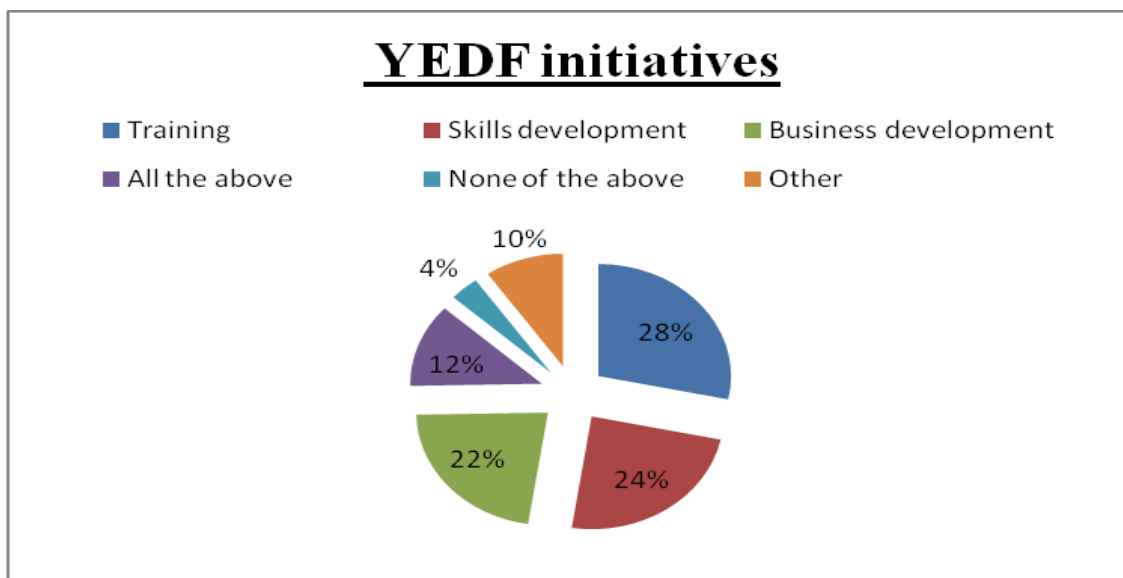
#### 4.5.3 Enterprise Development initiatives.

The respondents were asked what initiatives they have noted from the Youth Enterprises Development Fund (YEDF) apart from the funds to develop their businesses. Their responses are captured in table 4.12

**Table 4.12: Enterprise Development initiatives**

<b>Enterprise Development initiatives</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Training	35	28
Skills development	30	24
Business development	28	22
All the above	15	12
None of the above	5	4
Other	13	10
<b>Total</b>	<b>126</b>	<b>100</b>

**Figure 3 Showing YEDF initiatives**



From the findings the respondents appreciated training at 28%, skills development at 24% and business development at 22%. This indicates that capacity building is necessary for business to succeed, and the youth recognizes it. In relation to this 78% of the respondents felt that their quality of life had improved as a result of the loans and the skills they obtained from YEDF.

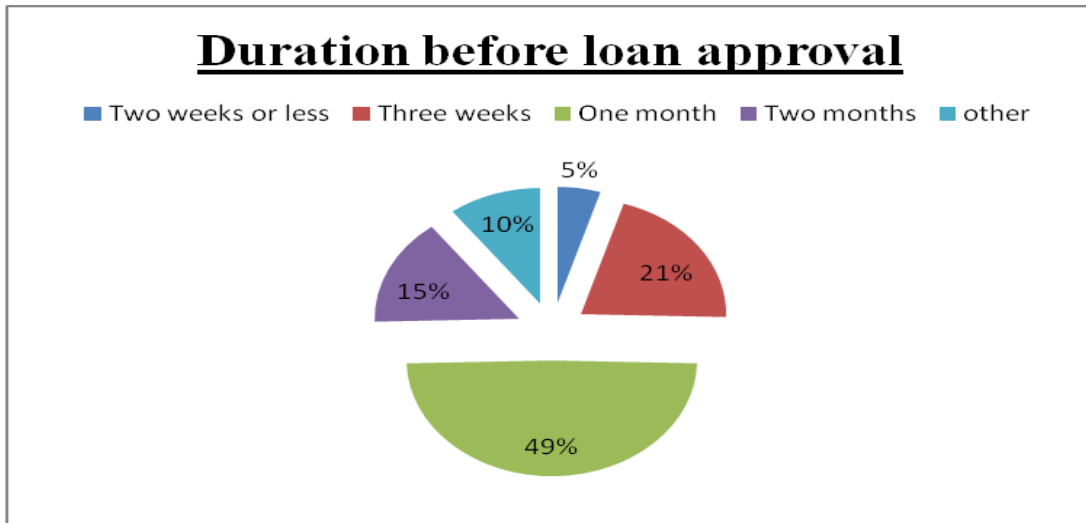
#### **4.6 Timeliness of Disbursement of YEDF loans**

The study wanted to establish if the time it took to receive the loans had any influence on the respondents' business and therefore their empowerment. The findings are captured in table 4.13.

**Table 4.13 Duration before loan approval**

<b>Duration before approval</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Two weeks or less	6	5
Three weeks	26	21
One month	62	49
Two months	19	15
Other	13	10
<b>Total</b>	<b>126</b>	<b>100</b>

**Figure 4 Showing time taken before loan approval.**



Majority of the youth groups had to wait for one month or more to get their loans at 74%. The approval and disbursement duration has greatly affected both the businesses and the group dynamics. The approval time has made business slower due to inadequate capital to boost the businesses. At the same time, some members wait too long to the point of losing faith in getting the funds, and some quit the group altogether. The findings are in tandem with the opinions of the three key informants. They unanimously agreed that delays in loan disbursements were major obstacles to effective youth empowerment. Two of the key informants were of the opinion that the process of vetting and approval should be devolved to regions and constituencies where the officers know these groups better. Proper staffing at regional levels would lead to more efficiency in the whole process thereby reducing delays and giving timely feedback to the youth.

However, for those who are finally able to obtain the funds, 94% of them responded that they are always able to pay their loans instalments on time. The three key informants said that most groups meet their goals and objectives, including paying the loan on time. Information obtained indicates that some groups have already cleared the first loan and have successfully obtained the second loan.

## 4.7 Project Identification

**Table 4.14: The extent to which respondents agreed with these statements regarding Project identification of youth-run businesses.**

Statement	Strongly Agree	Agree	neutral	disagree	Strongly disagree
The Youth Fund assists the youth groups to come up with the most suitable business ventures.	41(32%)	66 (52%)	13 (10%)	3(3%)	3(3%)
The projects from the YEDF funding has helped improve my Economic status	56(44%)	53 (42%)	13 (10%)	4 (3%)	0(0%)
There has been significant growth In rural Development in Kikuyu Constituency since the YEDF funding Started	60(48%)	30 (24%)	23 (18%)	8 (6%)	5(4%)
There is always adequate follow-up by an officer after the loans have been disbursed.	27(21%)	54 (43%)	25 (20%)	14 (11%)	6(5%)
The government links youth groups to markets where they can sell the ir products and services.	9 (7%)	40 (32%)	45 (36%)	24 (19%)	8(6%)
The has been a reduction in youth Unemployment in Kikuyu Constituency.	44(35%)	36 (29%)	29 (23%)	13 (10%)	4(3%)
We have been encouraged to have a platform for marketing and networking Nationally and internationally.	24(19%)	53 (42%)	15 (12%)	21 (17%)	13 (10%)

#### **4.8 Summary & Interpretation of findings.**

The findings on loans disbursements by YEDF table 4.6 indicate that 23(18%) respondents received less than Kshs 10,000 while 34 (27%) respondents received between Kshs 10,000-30,000, 40(32%) of the respondents received Kshs 30,000-50,000 , 20(16%) of the respondents received between 50,000-70,000 and 9 (7%) respondents received over Kshs70,000.

From the findings on YEDF training initiatives, majority of respondents appreciated training, skills development and business development. This indicates that capacity building is necessary for business to succeed, and the youth recognizes it. In relation to this 78% of the respondents felt that their quality of life had improved as a result of the loans and the skills they obtained from YEDF.

On timeliness of loan disbursement, 74% of the youth groups had to wait for one month or more to get their loans. The approval and disbursement duration has greatly affected both the businesses and the group dynamics. The approval time has made business slower due to inadequate capital to boost the businesses. At the same time, some members wait too long to the point of losing faith in getting the funds, and some quit the group altogether. The findings are in tandem with the opinions of the three key informants. They unanimously agreed that delays in loan disbursements were major obstacles to effective youth empowerment. Two of the key informants were of the opinion that the process of vetting and approval should be devolved to regions and constituencies where the officers know these groups better. Proper staffing at regional levels would lead to more efficiency in the whole process thereby reducing delays and giving timely feedback to the youth.

However, for those who are finally able to obtain the funds, 94% of them responded that

they are always able to pay their loans instalments on time. The three key informants said that most groups meet their goals and objectives, including paying the loan on time. Information obtained indicates that some groups have already cleared the first loan and have successfully obtained the second loan.

From the analysis the study established that there is not much disparity in terms of the gender of respondents in the youth groups since 58 % were male and 42% were female. None of the groups were exclusive to any gender. The response rate was at 84% with 126 out of the 150 respondents filling out the questionnaire. The majority of the respondents were between the ages of 24-29 years at 48%, and 50% of the respondents are self-employed, meaning that the young people are embracing self-employment as opposed to waiting strictly for formal employment. Findings on levels of education indicated that at least 98% of them had primary school education, and 22% & 18% had attained collage & university education respectively. From the findings of loan disbursements, the respondents felt that although the loans were interest free and had a grace period, the amounts were inadequate due to the harsh economic conditions and wanted the initial amounts increased. They also felt that capacity building was not adequately done and did not have the expected outcome. They need better access to the training manuals and vital information dispensed through mass media. On timelessness of the disbursements, the findings indicated that the loans took too long to be disbursed and this disrupted their plans in terms of stock addition or taking advantage of new business opportunities. Findings on project identification point out that although the government is trying to help the youth come up with suitable businesses through mentorship programmes, the effort has not been sustained and it has not brought tangible results.

Most of them said that the loans helped to empower them economically, with most of them able to start their own businesses and even support their families. Group profits were not as high as individual banking because most groups used the loans obtained to operate Table Banking, lending to individual members within the group. However, since most individuals had sole businesses, they realized greater profit at the end of each month. From the literature review, Curtis (2008) argues that one of the four empowerment assets involves providing the opportunities and means for the youth to empower themselves. This means that capital must be availed to the youth. In order to start income-generating enterprises, and transform their lives economically and socially, the youth must be given some form of capital (World Bank, 2002). The African Union Commission talks of empowerment as having enabling conditions that help the youth. Such conditions include adequate resource allocation for the youth (African Union Commission, 2010).

In terms of capacity building, the findings indicate that although staff members are willing to share information, a great number of the youth are unable to access training manuals, because most of these manuals are on the digital platforms. Almost all the respondents received some training before they obtained the loans and they concur that the training helped them in their businesses, especially in book-keeping skills. However there is need for more training to be carried out in areas of both business and skills development. The findings are consistent with the literature review that points to a lack of post-education skills and knowledge (Ashraf, 2008). In addition to this, there is the mismatch of skills required in the labor market, leading to poor performance in job (ILO, 2013). The youth must be equipped with the requisite skills and taught vital business skills such as book – keeping (Zimmerer&Yasin, 1998).

There was a general feeling among the respondents that the loan disbursement period took too long, and those who needed to re-stock their businesses or take advantage of a business opportunity such as urgent tenders were disenfranchised. Other group members became impatient, leading to some members giving up and pulling out of their groups. Overall, a vast majority of groups were able to pay their loan instalments on time and most respondents gave the Youth Fund a fair rating in terms of its capacity to empower them. In order to empower the youth, then timely loan disbursements must be made. This will help in smooth flow of business. For a project to be successful, the scope must be diligently observed (PMBOK, 1996). A delay affects all the processes and the outcome is likely to be less than expected. Timeliness of project implementation and execution is a key factor in the achievement of youth empowerment, as outlined in the Millennium Development Goals (Kenya Vision 2030).

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS&RECOMMENDATIONS**

#### **5.1 Summary**

This research sought to find assess the capacity building initiatives and performance of youth enterprise development fund and its impact to rural development. From this study, it is clear that the YEDF has helped the Youth in Kikuyu Constituency to establish viable & sustainable business ventures which has helped in economic empowerment and poverty alleviation among youth the in constituency. Although there are various improvements based on the recommendations to further improve the efficiency of the government funds and channel them towards economic and social development.

#### **5.2 Conclusion**

From the findings, the study concludes that the youth in Kikuyu Constituency have been able to obtain loans from the Youth enterprise Development Fund and embarked on starting their own business. From their responses, they have been empowered economically by being able to sustain and expand business. In effect, the youth have been economically empowered , their business have grown and have been profitable , there has been a growth in rural development and a reduction in unemployment which is a good indicator of growth. This paper shows that apart from YEDF showing a positive and significant influence on improvement of youth enterprises through its indicators the effect is lesser considering the needs of the youth. By addressing youth Unemployment issues in Kikuyu Constituency, there has been a conducive environment for development and the elimination of poverty. Lack of information and knowledge in varied and diverse fields has limited the growth and

sustainability of youth owned enterprises which would otherwise have enabled them effectively plan, manage and make sound decisions as regards to their operations.

Overall, the findings indicate that the Youth Enterprise Development Fund has helped to empower the youth in Kikuyu Constituency, by making them empowered economically as well as socially. Consequently, there has been rural growth and development in Kikuyu constituency.

### **5.3 Recommendationsto policy & Practice**

From the findings and conclusion, the study recommends the following;

The loan amounts need be increased at the discretion of the Government so that the youth have sufficient funds to set up and expand their businesses. Flexibility in giving subsequent loans should also be considered especially where the youth are carrying out a special project

The duration of release of funds should be shortened so that the youth can take advantage of the special Government Tenders that are reserved for them. Though it is not always possible to reduce cost of doing business due to market, the youth can be encouraged and assisted in creating value addition to their businesses, thereby getting better profits.

The education stakeholders like polytechnics, technical institutes and universities need to tailor appropriate business skills training for the youth. There is need to have a business skills syllabus tailored to suit local reality on the ground and exploit the youth talents and abilities. The business trainings should not only be given to the youth who have been funded but all youth who aspired to be in business. This is supported by the fact that most of the respondents felt that the business skills trainings they receive were relevant to their needs and helped them in running their businesses.

Government should create policy framework that recognizes the importance of marketing of goods and services produced by the youth run business. Linking of youth producers to consumers should be done in two; through improved marketing extensions and improving the physical infrastructures. Youth in business should also form cooperatives so that they can be able to market their products and avoid exploitation by middlemen.

The government should create public awareness on the youth initiatives and increase platforms for funds e.g. the Uwezo fund and others. This is because many youth in Kenya are not aware of these initiatives.

#### **5.4.Limitations of the study.**

Some of the major challenges the researcher encountered in the process of the study include:-

From the study population of 150 respondents, 126 respondents filled and returned their questionnaires, constituting 84% response rate. This means that the sample size is not hundred percent represented.

There was fear of giving false information by respondents due to suspicion on the real motive of the researcher and this brought limitations of time since the researcher had to explain the purposes of research. Other questions were not answered and the researcher had to go back and clarify the information given and this was a huge task.

Lack of enough resources to add another county and make comparisons. Data collection calls for printing more questionnaires, hiring assistance to spend more time in assessing a respondent's response validity and also making focus group discussions.

Language barriers came in due to Inability to read the questionnaires by the uneducated youth entrepreneurs, I had to interpret and read the questions in Kiswahili to be able to get the required information. This took more time and added up on the limitations due to sacrifice of breadth of research for depth.

### **5.5 Suggestions for Further Research**

Youth polytechnics role in creating skilled based enterprises. This study can focus on the impact of youth polytechnics in impacting the entrepreneurship skills on the youth and also assess if the polytechnics aid in acquisition of youth finances e.g. guarantee youth loans and creating a culture of entrepreneurship in the economy.

Carry out further research on those groups that have borrowed from YEDF to gauge the sustainability of these groups and the long term impact of the Fund. This will focus on visiting the respondents on several intervals. E.g. After every two years to assess the progress and the impact on rural development and the economy at large.

Make comparisons between various counties so as to ascertain the National policy of Rural Development, its implementation and its impact to the 42 counties in the country. Different counties have different ways of administering youth funds and also the differences in economic activities will lead to differences in reception and administration of the youth funds towards entrepreneurship.

A comparative study between group funding and individual funding method of financing youth run businesses by YEDF. Group funding could be more productive and with a more effective utilization of funds due to the effective control system that comes along with the funding. On the other hand individual funding may be limited and yet effective due to owners commitment to success and repayment of the funds.

## REFERENCES

- Amenya CO (2011) The Challenges Facing Youth Enterprise Development Fund in NyaribariChache Constituency. *Dissertation. Kisii, Nyanza, Kenya.*
- Balcha E. (2010), youth and young people in Africa. 2010-11-04, *Issue 503 accessed the 8th November 2010* <http://pambazuka.org/en/category/features/68416>
- Bannock G, Albach H (1991) Small Business Policy in Europe. *Anglo German Foundation.*
- Dawson, C., A. Henley and P. Latreille (2009) why do individuals choose self-employment. The Institute for the Study of Labour (IZA), Bonn. *IZA Discussion Paper No. 3974 January 2009*
- Diugwu IA (2011) Building Competitive advantage of small and medium sized enterprises through knowledge acquisition and sharing. *KCA J. Business Management, 3(3).*
- Government of Kenya (2011) Youth Enterprise Development Fund Status Report. Nairobi: *Government printer.*
- Government of South Africa (2012) NYDA Alleviating Poverty and Unemployment through New Micro -enterprise Program. *Retrieved Available online at www.managementjournal.info March 01, 2012, from National Youth Development Agency: http://www.nyda.gov.za.*
- Greenwood .P (1996) *Rural development research: A foundation for policy*
- Gumbo T (2010) Microfinance institutions: challenges and prospects for sustainable poverty alleviation. *J. Business and Administrative Studies, 2(1).*
- Kemunto, R. (2014) *Impact of the Youth Enterprise Development Fund in the Performance of Youth Owned Enterprises in Kenya: The Case of Ruaraka constituency, Nairobi County*
- KNBS (2012) Kenya facts and Figures: 2012. KNBS, Nairobi.

- Langat C. Chepkwony J. Kotut S (2012) Youth Enterprise Development Fund (Yedf) and Growth of Enterprise at Constituency Level in Kenya
- Mbatia, J., Jenkins, R., Singleton, N. & White, B. (2009) Prevalence of alcohol consumption and hazardous drinking, tobacco and drug use in urban Tanzania, and their associated risk factors. *International Journal of Environmental Research and Public Health* 6:1991-2006.
- Mburu FN (2010) The Viability of YEDF as an Empowerment Strategy for Youth Entrepreneurs in Ruiru Division. *MBA Research Paper. Nairobi, Thika District, Kenya.*
- Momanyi F. & Gongera E (2013) The Role of Youth Enterprise Development Fund (YEDF) in Job Creation: *A Case of Dagoretti Constituency, Nairobi Constituency, Kenya*
- Mugenda, O. M. and Mugenda, A. G. (2003). *Research Methods; Qualitative and Quantitative Approaches.* Nairobi.
- Muthee MW (2010) Tackling Youth Unemployment in Kenya. *OSI New Simon African Voices Scholar, Woodrow Wilson Center.*
- Njoka E.M (2013) *Agricultural and Rural Development*
- Nwigwe, C. J (2010) *Promoting Youth Entrepreneurship in Lagos, Nigeria*
- Ouma R, Osano P, Mullumba F (2002) The Status of Youth and Children in Kenya: A Review of the implementation of Agenda 21 in Kenya. *Kenya NGO Earth Summit 2002 Forum, Nairobi.*
- Patton, M. (1990). *Qualitative evaluation and research methods* (pp. 169-186). Beverly Hills, CA: Sage.

Samuel Auya & Oino P (2013) The Role of Constituency Development Fund in Rural Development: Experiences from North Mugirango Constituency, Kenya

Saunders M, Lewis P, & Thornhill A. (2003) Research methods for business students

The Prince's Trust (2012) Helping Change Young Lives. Retrieved March 12, 2012, from Prince's Trust: <http://www.pricetrust.org.uk>

Singleton, N., Meltzer, H. & Gatward, R. (1998) *Psychiatric morbidity among prisoners in England and Wales*. London: Office for National Statistics.

United Nations Development Program, (2010) Youth and Human Development: Tapping the Untapped resource. *The Kenya National Human Development Report*. Nairobi Government of Kenya.

William J. Clinton. BrainyQuote.com. Retrieved February 14, 2014, from rainyQuote.com

World Bank. (2006). World Development Report: Development and the Next Generation.

World Bank. (2005). Youth in Numbers Series, Sub-Saharan Africa. Washington D.C.

YEDF (2009). C-YES Status Report. March 2009.

YEDF Guide (2009) Retrieved from <http://www.youthfund.go.ke/>

Youth and the United Nations (n.d.) Employment accessed on 2nd November 2010.

<http://www.un.org/esa/socdev/unyin/wpayemployment.htm>

## APPENDICES

### Appendix 1:

#### Introduction Letter

David Kitheka.

The University of Nairobi,

P.O. Box 235,

Nairobi, Kenya.

The Youth Enterprise Development fund,

Kikuyu Constituency,

P.O. BOX 45,

Kikuyu, Kenya.

Dear Sir/ Madam,

#### **RE: INTRODUCTION LETTER**

I am an MSC student at The University of Nairobi. I intend to carry out a research on impact of youth enterprise development fund on rural development: a case of Kikuyu Constituency. Your Constituency has been identified as a rich source of information. I therefore request you to allow me to collect data required for the study from your area of jurisdiction .The information provided will be confidential and will only be used for academic purpose.

Thanks in advance.

Yours faithfully

**David Kitheka**

## Appendix 2: Questionnaire

### Section A: Personal Profile

1. Gender? Male  Female
2. What is age range? 18-23  24-39  30-35  over 45
3. Education level? Primary  Secondary  Collage/University  None
4. Marital status? Single  Married  Separated/divorced  Widowed
5. Employment status  
Self-employed ( ) Casual/temporary ( ) Permanent employment. ( ) Others (Please specify) ( )
- .....

### Section B: Loan disbursement

6. How much money did you obtain from YEDF as your initial investment in the business?

Less than 10,000 Kshs ( ) 10,000-30,000 Kshs ( )  
30,000-50,000 Kshs ( ) 50,000-70,000 Kshs ( )  
Over 70,000 Kshs ( ) Other.....

7. How have you used the loans obtained through YEDF? (Tick one)

i) Expand the business ( )  
ii) Change of business ( )  
iii) Others (Specify) ( )

8. How have the loans helped to empower you economically? (Tick one)

i) Have become self-employed ( )  
ii) Can afford decent meals ( )  
iii) Can afford to support my family ( )  
iv) Can now afford to pay my own rent ( )  
v) Other (specify)

9. How much money did you obtain from the YEDF to start or advance your project?
- .....

10. On average, how much does an individual take home at the end of the month?

Less than 1,000 Kshs ( ) 1,000-3,000 Kshs ( )  
3,000-5,000 Kshs ( ) 5,000-7,000 Kshs ( )  
Over 7,000 Kshs ( ) Other.....

11. On average, how much did you take home at the end of the month before funding?

Less than 1,000 Kshs ( ) 1,000-3,000 Kshs ( )

- 3,000-5,000 Kshs            ()    5,000-7,000 Kshs        ()  
 Over 7,000 Kshs            ()    Other.....()

**Section C: Capacity Building**

11. Have you been able to access the training manuals that are published by YEDF? Yes ()  
 No () If yes, do you find them relevant to your situation or business-----  
 -----

12. Are YEDF staff willing to share information with regards to the successful youth groups as an incentive? Yes () No ()

13. Were you given any training in starting a business before you started your business? Yes () No () if yes, how did it help you -----  
 -----

14. Are the strategies in place by the YEDF helping improve the youth's entrepreneurial skills? Yes() No () If yes, how? -----  
 -----

15. Apart from loans, what other initiatives have you noted from YEDF?

- Training                    () Skills development () Business development        ()  
 All the above            () None of the above        ()  
 Others (specify)        () .....

**Section D: Timeliness of disbursements of YEDF loans**

16. How long does it take for the Application process to the time its approval?

- Two weeks or less        ()    Three weeks                ()  
 One month                ()    Two months                ()  
 Other (specify)            ().....

17. How does the approval duration affect the business you are carrying out? -----  
 -----

18. What is your opinion of YEDF in empowering youth?

- Excellent ()    Good ()    Fair ()    Poor ()

19. Are you always able to pay your loan installments' on time? Yes () No ()

20. What do you recommend as a way of addressing the challenges facing the Kenyan youth -----  
 -----

**SECTION E: PROJECT IDENTIFICATION**

To what extent do you agree with the following statements regarding project identification of youth-run businesses?

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
The Youth Fund assists the youth groups to come up with the most suitable business ventures.					
The projects from the YEDF funding has helped improve my Economic status					
There has been a significant growth in Rural development in Kikuyu constituency since the YEDF funding started.					
There is always adequate follow-up by an officer after the loans have been disbursed.					
The government links youth groups to markets where they can sell their products and services.					
We always know where to obtain information about similar products being made by other youth groups					
We have been encouraged to have a platform for marketing and networking nationally and internationally.					

**Thank you very much for your co-operation!**