



Youth Entrepreneurship Training and Beneficiaries' Loan Repayment Behaviour in Tharaka Noth Sub-County, Tharaka County, Kenya

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Abstract: *The study examines the influence of youth entrepreneurship training on the loan repayment behavior of beneficiaries of the Youth Enterprise Development Fund (YEDF) in Tharaka North Sub-County, Tharaka County, Kenya. Descriptive research design was adopted. Youth groups were selected through multistage and randomization. The YEDF officials were purposively identified. Observation and interviews were used in data collection. Structured questionnaire, Focus Group Discuss and Key Informants' Guides were used during key informant discussions. Group Lending and Social Traits Theories were applied. Statistical Package for Social Sciences, v. 24 was used to analyze quantitative data, while thematic review was ideal for qualitatively assessing emerging themes from descriptive information data sets. The study found that besides being trained, 46% of youth groups slowly declined loan repayments which eventually affected future sustainability of the overall fund stability. The study concludes that Youth groups ought to be tracked to remit repayments consistently each month, instead of just perceiving financial management training as an end to itself. It concludes that while YEDF is a great boost to the youth enterprise growth, strict measures should be applied to ensure all the borrowed funds are timely repaid, for other potential beneficiaries to be awarded, since the fund operates on a revolving stream structure.*

Keywords: Youth, Entrepreneurship, Training, Development, Fund, Repayment

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1. Introduction

In recent years, a growing number of developing countries including Kenya have embarked on deregulating and reforming financial systems, transforming their institutions into effective intermediaries and extending viable financial services on a sustainable basis to all segments of the population. By gradually increasing the outreach of their institutions

some developing countries have substantially alleviated poverty through lending, financial system approaches and institutional capacity support. In the process, a new world of funding the marginalized and less privileged groups including women and youth have emerged (Ferali, 2019). The formal sector has been unwilling to provide credit to the Medium and Small Enterprises (MSE's) because the clients from this sector are largely poor, they lack securities that can be used as collateral

in conventional lending (Amenya, 2011).

Commercial banks have therefore, for a longtime perceived such business as highly risky since they may turn in to bad loans once they can't consistently repay the loans. The loan value required by the client in this sector is low hence proportionately low revenues generated from loans, (Awoke, 2021). This has made commercial banks shy away from lending these groups of people. This has made the government come up with projects that aim at supporting these groups, and the Youth Enterprise Development Fund is one of these projects (Mburu, 2010). However, after the youth are given these loans, repayment of the Youth Enterprise Development Fund Loans has been low since the fund was established in the year 2006. The major objective of the fund was to provide loans for onward lending to the youth groups to be able to grow enterprises. Access to credit is a major problem that affects businesses world over. It is assumed that when businesses are able to access financial resources, this can be translated to opportunities for growth and this informed the Government decision of setting aside some funds from the National budget to facilitate youth enterprises. Statistics from the International Growth Centre, (2014) shows that more than 75 % of the Kenyan youth are below 30 years of age. Studies have also shown that most of these youths are well educated, at above Form 4 level and hence can be positively involved in revenue generation and GDP growth.

The development of enterprise is important in any country as it results in social and economic growth. A culture of business and entrepreneurship can lead to a reduction in joblessness in the country which will have a trickle-down effect in the country as a whole. Enterprise Development (ED) which relates to a culture of creating profitable businesses serve in reducing unemployment among the youth (Berhanu & Fufa, 2019).

1.1 Statement of the Problem

Financial resources are necessary for businesses to be able to run and operate profitably. The Youth Enterprise Development Fund was formed to ensure that resources are availed to youth groups in the form of loans in form of revolving facility. The main mandate through which YEDF was to ensure realization of this mission is provision of credit facilities to the youth and other programmes which would go a long way in creating a conducive environment for the youth to do business in Kenya and create opportunities for more youth to be self-employed. YEDF has been the most elaborate and deliberate effort by the Kenya Government in trying to address challenges

facing the youth enterprises through provision of easily accessible loans. However, there has been growing evidence of none remittance leading to default in repayment while initially youth groups start with zeal in repaying their loan facilities. Its this emergence of delayed or none repayment that triggered the need for this study to examine what might have led to this behaviour.

2. Literature Review

2.1 Influence of Training on Small Business Development

Entrepreneurship training and provision of appropriate Business Development Services are key to the youth funds achievement of its mandate. Business information awareness gained from training in entrepreneurial activities, employment and access to credit. Besides ensuring that youth have adequate skills, it is also supposed to assist them in identifying and tapping into business opportunities, while embracing modern Business Management techniques (McQuaid, 2002).

Aamer, Ali and Habtoor (2018), defined entrepreneurship training as a formal structured instruction that conveys entrepreneurial knowledge and develops focused awareness relating to opportunity, recognition and the creation of new ventures. Entrepreneurship training should be mainly focused on starting a business and subsequent sustainability of such business.

According to a study by Kithae (2013), entrepreneurship training was found to have had a substantial impact on performance of entrepreneurs. Further, constant monitoring was found necessary to make the skills learnt be translated into more practical work. Entrepreneurs trained were mostly in the trade sector, aged with no formal education and were sole proprietors and all employees agreed that the training program is beneficial to their business function.

The results of the study done by Wangeci and Gathungu (2013) revealed that the entrepreneurs were able to do simple daily book keeping of business transactions but were not able to do complex financial statements. Even though the entrepreneur may be reporting an increase in sales and profits, and may seem to be registering growth, lack of training on financial, strategic management and marketing will mean that the SME will not grow beyond the first stage of enterprise development to other stages and will hence eventually fail within its first five years of existence. Further, he found that entrepreneurs in Kenya did not have proper skills and experience in such

areas like business planning, financial management, strategic planning etc. they want to increase their performance and improve the business also.

According to Yahya (2012), the empirical information resulting from analyzing the data obtained from the SMEs, suggests that manager's, enterprises and external characteristics affect the demand for training, and training has a positive impact on SMEs performance including profit, revenue and size. Findings revealed that there was a significant and positive relationship between training, and manager's characteristics, enterprise's characteristics and external characteristics.

Kessy and Temu (2010) did research in microfinance institutions. According to, the results show that microcredit client enterprises owned by recipients of business training have higher levels of assets and sales revenue compared with enterprises owned by non-recipients of training. In other words, individuals who get training show higher growth than others who never get training. Further, results showed that training is very important in the growth of an enterprise. And he mentioned, owners of enterprises expect to change their behavior through training and development. Results found by Ladzani and Vuuren (2019) emphasized the importance of a comprehensive entrepreneurship-training program for successful small business enterprises. Further, review of the training materials found that the emphasis seems to be more on business skills training (that is, skills such as general management, financial management, marketing management, production management, pricing calculations, costing and legal skills) than on the other categories of skills.

2.3 Theoretical Framework

2.3.1 Group Lending Theory

The YEDF focuses on lending to groups and makes the assumption that it is simpler to make payments as a group than as an individual. In the case of group lending, it is assumed that there is joint liability and pressure from the group to make the payments. To address the problem of moral hazard and adverse lending selection, Karlan and Morduch (2019) proposed this theory. These issues are resolved by thorough borrower screening, ongoing oversight, and strict adherence to the lending laws. This theory presupposes that when a group member is unable to repay the loans given to them, the other group members are responsible for the debt on the member's behalf. Peer pressure is additionally perceived as a tool to encourage group members to pay back their loans in order to maintain harmony and positive relationships within the group. This puts additional pressure on making sure that money is invested wisely and that the

ventures are successful in order to secure funding to cover the repayments. When default rates are reduced, borrowing costs can be compressed, which improves the welfare of the affected households.

Under joint liability, small groups of borrowers are responsible for the repayment of each other's loans and all group members are treated as being in default when at least one of them does not repay and all members are denied subsequent loans. Because co-borrowers act as guarantors they screen and monitor each other and in so doing, reduce agency problems between the YDEF and its borrowers. A potential downside to joint-liability lending is that it often involves time-consuming weekly repayment meetings and exerts strong social pressure, making it potentially onerous for borrowers. This is one of the main reasons why YDEFs have started to move from joint to individual lending Townsend (2017).

This theory, therefore establishes that the youth involved in group activities and projects arrive at unanimous decisions which concern the entire group when settling upon possible courses of action. Rather than going for objective situations in decision making, youths engaged in YEDF funded groups make decisions based on unanimity which enables them to stay united in their achievement of targeted goals and meeting the laid down objectives of their economic endeavors. Furthermore, unanimity in the group plays a vital role in ensuring the satisfaction, dedication and motivation of each individual group member. This theory therefore informs the study since each group member's contribution to the group is a vital component to ensuring that the group's entrepreneurial endeavors, with the capital obtained from the youth enterprise development fund, and upon meeting the prerequisites of obtaining the loan, achieves growth and sustainability.

2.3.2 Social Traits theory

According to Corcoran and Woody (2008), the 'great person' approach was the initial development of trait theory, which was conceptualized from studying political and military leaders and ended up bearing a leadership-based view. Wood (2006) argued that individuals who drove change in the economic aspect as well as created wealth possess innate characteristics that were lacking by the majority of the populace, thus entrepreneurial spirit. However, while 'great person' theory precedes trait studies, it is acknowledged that entrepreneurial traits cannot be delinked from variables such as motivation, socio-demographics, culture and cognition (Rojas, 2021).

The internal control factor of the theory notes that the individual believes that outcomes as a result of their actions on the environment bears an association with the

nature of entrepreneurs who have a sense of pursuing and controlling their tasks and events towards establishing successful business enterprises (Baniassadi, 2015) argues that individuals with the control trait show a reliance of will, an ability to devise strategies for task management and take autonomous action, are self-efficient and therefore have a high inclination towards entrepreneurial initiatives. Compared with individuals with high self-efficacy, individuals with low self-efficacy are keen on costs and risks rather than opportunities, and are therefore less inclined to engage in entrepreneurial activities since they lack the entrepreneurial locus of control trait. This means that entrepreneurs believe in their capability to commence and complete tasks and events through their own action (YEDF, 2012). In other words, people who feel that they can exercise control in accomplishing tasks and events are likely to create successful enterprises. Group Traits theory is pegged upon the capacity of the group process.

3. Methodology

The study took place in Tharaka North Sub County, situated within Tharaka Nithi County. This location was selected due to recent findings from the Kenya Institute for Public Policy Research and Analysis (KIPPRA, 2016) which highlighted a notable underperformance of Youth Enterprise development Fund (YEDF) making it a pivotal area for investigating the challenges surrounding youth

enterprise none loan repayment. Secondly, a comprehensive literature review has revealed a significant gap in research focused specifically on the obstacles faced in this area regarding youth enterprise progress. Most businesses here die before they enjoy their third birthday or the youth contemplated change of investment. This study adopted a descriptive research design, since it allows collection of qualitative and quantitative data sets.

A sample of a 100 respondents were randomly selected, with youth groups being identifies and selected by use of multistage approach. Focus group participants and key informants were selected purposively. Data was collected through interviewing and observation. Quantitative statistics were analyzed by use of Statistical Package for Social Sciences version 24, while qualitative data sets were analyzed qualitatively by critically assessing the emerging themes from availed data from the field. Data collection instruments included a restructured questionnaire for the youth, an observation guide, Focus Group Discussion Guides (FGDGs), and Key Informants Guide for YEDF officials and ministry of youth staff. The study found that most of the youth groups who defaulted repayment had not be initially trained. It was also noted that 46% of the youth groups declined repaying their loan facilities which directly affected the sustainability of the fund.

4. Results and Discussion

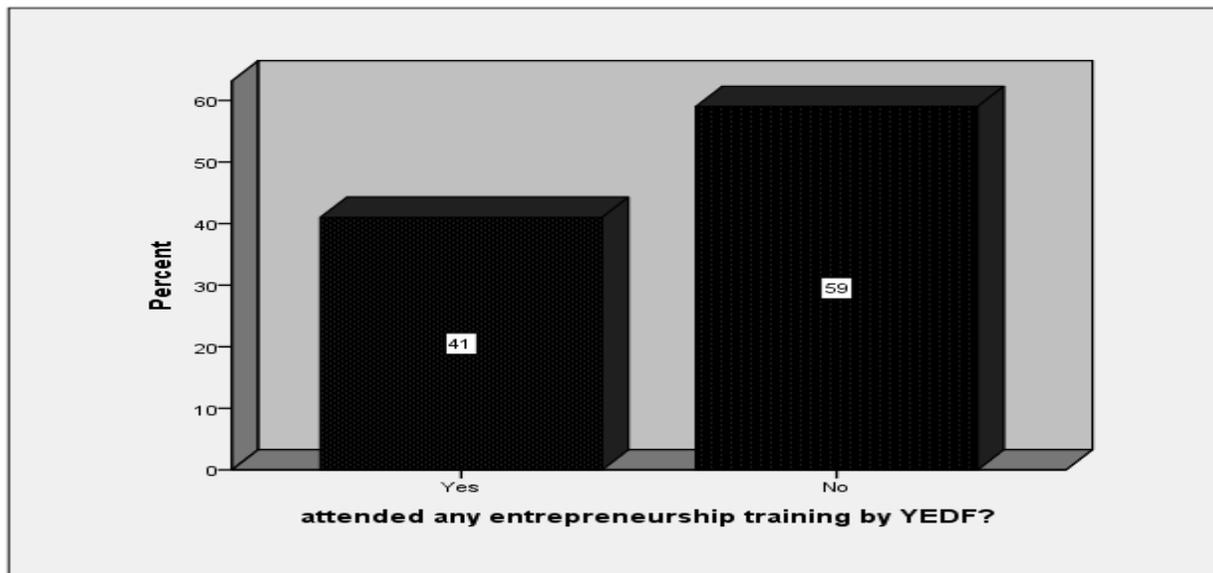


Figure1. Groups Funded by Youth enterprise development Fund (YEDF)

Source: Research Findings

Figure 1, above graph represents respondents’ participation in the YEDF training opportunities.

This illustrates that 41% of youth groups had been trained against 59% who had not had the opportunity. Although

earlier research Kanyari & Namusong'e (2013) highlights the role of training in promoting entrepreneurship growth and progress, low participation is found to be a constrain in entrepreneurial repayment. These findings suggest that increased provision of training is needed, but may not be sufficient to address some forms of occupation segregation. Addressing problems like semi-illiteracy found by other research might also help to improve the efficacy of training programs and the creditworthiness of the youth groups and members.

4.2 Frequency respondents have received similar training

Regarding the frequency of training conducted by YEDF, the figure 4.2 represented the findings; it was reported that training sessions occurred at various intervals. Majority 28% pointed that training is conducted annually, monthly and semi-quarterly intertwined at 26% with those who reported quarterly being the least with 20% representatives. This indicated that training was either conducted yearly, semi quarterly or monthly. Again, it implied lack of information from the respondents on exact time training were being conducted, which meant that this affected the youth groups repayment rate as well.

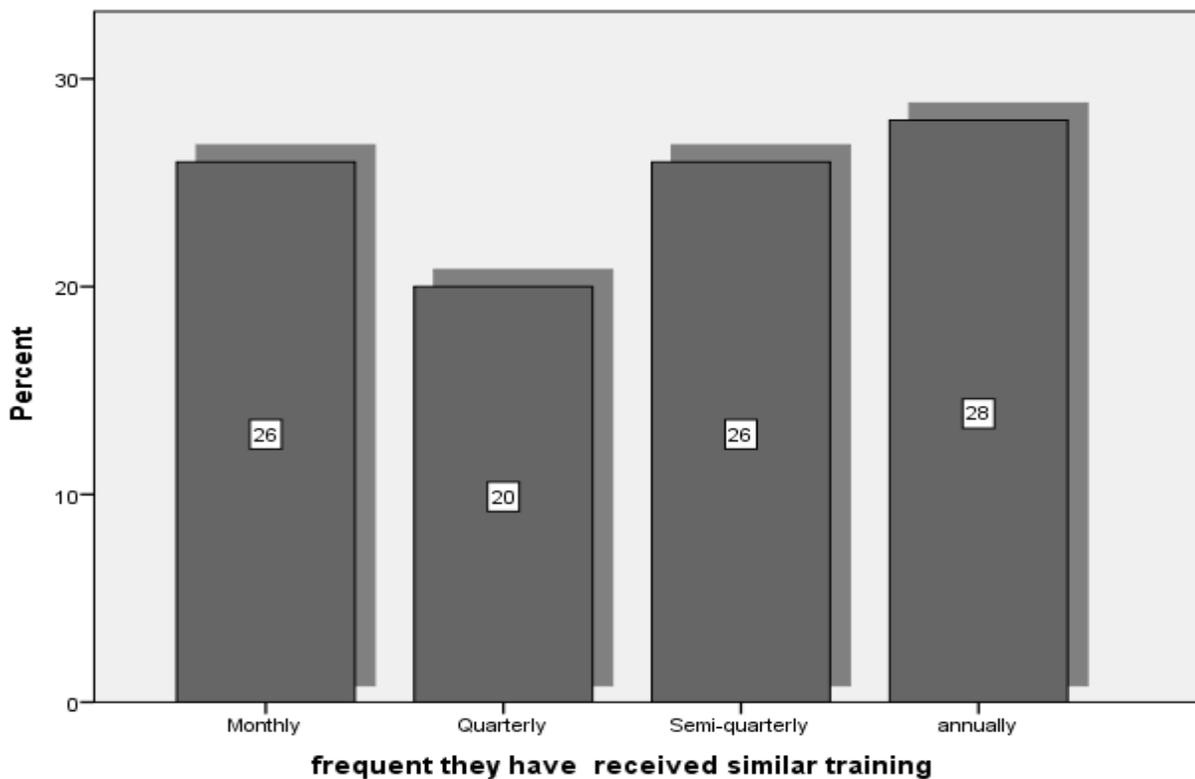


Figure 2. Frequency of training implementations
Source: Study Findings

4.3 Effects of Entrepreneurship Training on Loan Repayment Rates

Table 1, below provides a summary of the effects of entrepreneurship training using descriptive statistics. From the table, all mean below 3.0 indicated a slight lean towards disagreement with the standard deviations while those between 3.0-3.99 indicated a neutral ground. On the other hand, SD between (0.9-1.03 showed a moderate variability while those greater than 1.4> showed diverse range of opinion). From the findings, majority of the respondents reported improvement in their financial literacy but this did

not increase their loan repayment trend (mean of 2.72, SD 1.3), started business as a result of the training (mean=2.65, SD=1.34), business expanded after training (mean=272, SD=1.5), improved their marketing skills (mean =3.38, SD=1.38) with many also acknowledging the availability of coaching (mean =3.12, SD=1.31). However, fewer respondents identified business opportunities as a result of training (mean=3.38, SD=1.38) High quality mentorship highly rated (mean = 2.42, SD =1.37) and those with improved income (MEAN =271, SD, 1.27). The data showed a dispersion of opinions, with a noticeable tilt towards disagreement or neutrality, suggesting that

respondents held a variety of viewpoints. There is no evidence that improvement in gains, influenced repayment rate which means a more targeted train was necessary to

motivate the youth groups to consistently repay their loan facilities.

Table 1. Entrepreneurship training

Descriptive Statistics					
Item	N	Min	Max	Mean	SD
1 Entrepreneurship training has increased my skills on financial literacy	100	1	5	2.72	1.264
2 I have started my own business after undergoing Entrepreneurship training	100	1	5	2.65	1.344
3 Business has expanded after training on Entrepreneurship	100	1	5	2.72	1.531
4 Entrepreneurship training has assisted in improving my marketing skills	100	1	5	3.29	1.297
5 There is availability and effectiveness of coaching programs	100	1	5	3.12	1.313
6 High quality mentorship has help youth in their business skills	100	1	5	3.38	1.384
7 Entrepreneurship training has helped me in identifying business opportunities within my environment	100	1	5	2.42	1.372
8 Group income level has increased as a result of the entrepreneurship training	100	1	5	2.71	1.266
Valid N (listwise)	100				

Scale: Rate where 1=strongly disagree, 2 = disagree, 3=Neutral, 4 = agree, 5 =strongly agree.

Source: Research Findings

5. Conclusion and Recommendations

In summary, this study is in agreement with the work done by Gachugia, Mutuku & Wanga, (2014) in a study done in Naivasha on the significance of enterprise loan funds for the youth by different financial institutions using the chi-square test indicated that there was a significant increase in the number of youths employed in youth enterprises as a result of YEDF. It also indicated that group owned enterprises had employed more youth compared to the individually owned enterprises. Further, the study findings borrow from the work of Kimando (2012) and Odhiambo (2013) in which their findings established that the Youth Enterprise Development Fund has a noble call strategy of increasing economic opportunities for youth as a way of enabling them to participate in nation building. The study by Odhiambo found that YEDF had not had a significant effect on youth enterprises and recommended an increase in the number of financial intermediaries (FIs) in partnership with the fund and an active involvement of all the stakeholders in mobilization of the youth on group formation and YEDF activities. Lastly, the work of Maisiba and George (2014) looked at the role of YEDF in job creation emphasized on training and coaching as necessary skills for youth which will further enhance accessibility to capital so that they could expand their own business enterprises and change from being job seekers to job creators and that the fund did not have adequate structures. However, unless the youth develop the urge and commitment to repay the loans, then the fund capital would not grow to reach the ever growing young population.

Hence repayment remain a grey area to date.

5.1 Conclusion

The study findings reveal that entrepreneurship training is core in motivating the youth to progressively enhance investment skills that significantly impact business performance. The researcher's observed that before issuing funds, it was paramount to ensure youth received adequate training which really align with the goals of YEDF which was to empower young people to become self-reliant and created their own jobs is embraced, however it has not improved repayment rates. We conclude that while YEDF is a great boost to the youth entrepreneurial growth, strict measures should be applied to ensure all the borrowed funds are timely repaid, for other potential beneficiaries to be awarded, since the fund operates on a revolving stream structure.

5.2 Recommendations

Since the study concluded that the majority of youth were not provided with entrepreneurship training before receiving YEDF loans, which might have influenced their default in repayment, It recommends that all potential youth should be trained on entrepreneurial management before any loan is advanced, and continual refresher training initiated alongside their trade activities. This could be done through Training of Trainers (ToTs) among the youth themselves to make them actively involved in the YEDF action plans.

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