



The influence of credit on the growth of YEDF- funded group-based enterprises in Nairobi County, Kenya

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ABSTRACT

The study aimed at assessing the influence of Access to credit as provided by Youth Enterprises Development Fund (YEDF) on the growth of entrepreneurial youth group-based enterprises and moderating effect of group dynamics on the relationship between access to credit and the growth of entrepreneurial youth group-based enterprises. A cross-sectional survey research design was adopted and it used both quantitative and qualitative data. The accessible population comprised group leaders and Youth development Officers. This study employed stratified random sampling on a population of 255 subjects and a sample size was 156 group leaders out of which 121(77%) questionnaires were returned. The statistical package for social sciences (SPSS) version 21 was used to analyze data. YEDF is a government fund initiative with a nationwide presence in Kenya with Nairobi County as the smallest, most populous, has the highest uptake of the YEDF loans amounting to 2.3 billion, and has the highest loan repayment rate of 48%. The analysis of data revealed that access to credit was significant in explaining the growth of entrepreneurial youth group-based enterprises in Nairobi County. Access to credit had an R of 0.222 and contributed only 4.9% to the growth of entrepreneurial youth group-based enterprise. The study established that when group dynamics was introduced the model remained significant and R improved from 0.222 to 0.390. The study concludes that Access to credit significantly influences the growth of Entrepreneurial youth group-based enterprises in Nairobi county while group dynamics have a predictive effect but has no moderating effect.

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Introduction

Credit is the capacity to borrow advanced by an institution, or a person to another organization or individual, It takes the form of cash or trade. Lack of credit has been associated with poor growth of youth group-based enterprises. Studies have shown that youth enterprises' growth to be a function of the individual's entrepreneurial desire and environmental conduciveness to youth entrepreneurship activities (Mwasalwiba & Wakkee, 2012). This therefore implies Youth enterprises growth largely depends on youth's ability to carry out the necessary entrepreneurial functions and tasks such as funding. In line with this, scholars have compared youth enterprises' growth and environmental relationship with that of a seed-soil relationship, with the seed being the youth enterprises growth and the soil being the environment in which the seed is bred. This implies emergence and growth of youth enterprises' is dependent on the appropriateness of the breeding environment especially the economic environment (Mwasalwiba, Dahles & Wakkee, 2012; Bwisa (2011); UNCTAD (2012); Rengiah, (2016).

In the appreciation of the above Kenya government of Kenya conceived Youth Enterprise Development Fund in 2006 as an intervention measure to facilitate and catalyze the youth participation in enterprise creation and growth (Wahito,2016). Since majority of the youth do not have security for their credit the government of Kenya introduced the group lending model. The youth groups

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provide business proposals which are appraised and approved by committees at both divisional and district levels. They are first given Kshs.100,000 gradually graduating to Kshs.750,000 with a possibility of getting to a maximum of Ksh two million. The credit component aims at increasing access to capital to start or grow their businesses. This is achieved in three ways: exploration of risk-mitigated options with selected financial institutions, on-lending through financial intermediaries, disbursement through the Constituency Enterprise Scheme. YEDF has established partnerships with institutions that issue bid bonds, performance bonds or any financial aspect that can ease or increase access to capital by the youth. On-lending function disburses funds in form of loans to the appointed financial intermediaries using a given criteria developed by the YEDF. These loans earn an interest of 8% per annum and are up to maximum of up to Kshs. 2 million. For a person to borrow funds as an individual, he/she is required to belong to a group that has already repaid its loan while for a group to get a second loan it must have repaid the previous loan in total. In addition, YEDF has come up with a new product where youth with unique business ideas are loaned directly from the YEDF who may or may not belong to a group. This type of a loan only attracts an interest of 5-8% as management and processing fee. This type of loan has a 3 months grace period and is repaid in equal installments for a period of one year. (YEDF Status Report 2007-2012)

Since its inception in 2006 the government through YEDF has disbursed Kshs 11,118,441,551. to entrepreneurial youth groups based Small and medium enterprises Nationwide with Nairobi county accounting for a bigger share of Kshs 2,382,731,802 (YEDF Status Report, 2016). According to 2009/ 2010 Youth enterprise Development Fund initial report by some of the financial institutions there is a negative picture on YEDF success rate. This is because loan repayment as registered by Financial Institutions that work with youths were below the rate considered accepted by the Association of Micro Finance Institutions in Kenya (AMFI). According to AMFI any repayment below 95% by Youth group enterprises is considered poor which can only be associated with poor growth of group owned youth enterprises (Oyare, 2012).

Unfortunately, default on the loans disbursed to the youth-based SMEs nationally stands at 54% with Nairobi Youth based SMEs leading with a default of 48% (YEDF Status Report, 2016). The implication of foregoing is that most of youth group-based SMEs did not register significant performance even after accessing the loans from YEDF. Whereas the plan of government through YEDF –credit access to youth based SMEs was to enhance financial growth in form of increased profits in the enterprises the failure of the enterprises to repay the loans suggested otherwise. The foregoing raised the need to determine why the YEDF credit did not have the pre-conceived influence on the youth-based enterprises.

Though several studies have been conducted on the influence of YEDF on the growth youth group-based enterprises (Kanyari & Namusonge, 2013; Okoth *et al*, 2013; Khaoya & Moronge, 2016; Gachugia *et al*, 2014; Irungu & Kamau, 2015; Makini, 2015; Mbaya, 2013) none of the studies comes out clearly to quantify the influence of YEDF credit on growth of entrepreneurial youth group-based SMEs in Kenya. There is no study showing how and the extent to which YEDF credit influence capital, stock, customers and business assets of entrepreneurial youth group-based SMEs in Kenya. Moreover, none of the stated studies provide information on the role of group dynamics on the relationship between YEDF and the growth of youth-based SMEs. This study seeks to fill this knowledge gap.

The general objective of the study was to determine the influence of Youth Enterprises Development Fund credit on the growth of entrepreneurial youth group-based enterprises in Nairobi County, Kenya.

This study also aims (i) to assess the influence of YEDF credit on the growth of entrepreneurial youth group-based enterprises in Nairobi County, Kenya; (ii) to assess the moderating effect of group dynamics on the relationship between access to credit and the growth of entrepreneurial youth group-based enterprises. The main hypotheses in this study includes (i) *H₀₁*: Access to credit has no significant influence on the growth of entrepreneurial Youth group-based enterprises in Nairobi County, Kenya; (ii) *H₀₂*: Group dynamics has no significant moderating effect on the relationship between access to credit as provided by YEDF and the growth of entrepreneurial Youth group-based enterprises in Nairobi County.

This study organizes as follows: Following the literature review, this paper discusses the research findings and concludes with key points, limitation of study and future research direction.

Literature Review

Theoretical Background and conceptual framework

Resource Based Theory (RBT)

Several scholars are associated with the Resource Based Theory among them Penrose (1959) who provided initial insights of the resource perspective of the firm with, Wenerfelt (1984) putting forward the Resource-Based View of the firm (RBV) and later Barney's (1991) popularizing RBT in his work. Resource-based theory has its focus on entrepreneurs'/ firm's ability to access and leverage different types of resources in order to get entrepreneurial efforts off the ground. Among the resources thought important according to this theory include capital which improves the probability of a new venture getting off the ground and growing, however owners of MSEs often start ventures with little or no capital. The other resource is social networks through which MSEs are able to get raw materials and markets for their products. In addition to these there is information which may enable MSEs to acquire raw materials, markets, finances and other enterprise needs. Right skills, knowledge and attitude for human resources are all equally

important resources for enterprise's growth. In some cases, the intangible leadership ability the entrepreneur has, adds to the enterprise growth mix.

The Resource Based view puts emphasis on the importance of resources and their implications on enterprise growth. Sraha (2016) opines RBT offers a theoretical basis for the importance of various types of resources to an enterprise's overall competitiveness, performance and growth. It considers resources and capabilities as critical in understanding the sources of sustained competitive advantage for enterprises. Resources and capabilities have been defined as bundles of tangible and intangible assets such as enterprises' management knowledge skills and competencies, enterprises' organizational processes and routines, and the information and knowledge an enterprise controls, resources that are valuable, rare, not imitable and non-substitutable (Barney et al, 2011). Tangible resources include financial resources (funds available). According to Mahmood et al (2013) the RBT perspective emphasizes that resources such as group leader experience in business, skills, capital, commitment, attitude, knowledge, entrepreneurial orientation may play a role in creating a sustainable competitive advantage and hence growth of enterprises. The theory was used to test for the influence of resource availability in terms of credit and group dynamics (Group leader and group characteristics in terms of business experience, education, entrepreneurial orientation) on growth of youth enterprises.

The RBT was adopted for this study as a theoretical foundation as it is widely applied in studies examining internal and external resources to enhance enterprise growth in different dimensions (Ruzo et al., 2011; Sousa & Bradley, 2008). It was used as the basis of examining the influences of availability of resources (capital,) as a tangible resource and group dynamics as an intangible resource on the growth of entrepreneurial youth group-based enterprises.

Positive Youth Development (PYD) Model

This model is associated with psychologist and Biologist Gottliab (1997) and Novikoff (1945) respectively in their studies of development processes. This model considers involvement of the youth in organization, decision making and program design as important and that group membership is an asset to the youth as it brings about relationships, opportunities, sharing and passing on of personal qualities (skills, competencies) and sharing of behaviors that young people need to keep away from. According to Kirby and Bryson (2002) engaging the youth make them feel as valued partners and improves self-worth and their entrepreneurial abilities. In deed as youth group members interact actively in decision making, they acquire transferable skills from such experiences which they use in running their enterprises, (Kirby & Bryson, 2002; Roth &Brooks-Gunn, 2003). The model is applicable to the study in that it provides insights on how belonging to a group enhances access to resources and brings about a positive and supportive environment. By belonging to a group individual are said to benefit from group support system, opportunity to access credit and sharing of business experience, training and participation in funded groups. In addition, group members become assets to individuals as they act as collateral for individual members to get more credit. The study used this model to explain the influence of group dynamics in youth enterprise growth. This model has been used by other scholars among them Mbae(2018) in the study "Determinant of Individual Member's Socio-Economic Empowerment of Funded Youth Groups in Embu County, Kenya"

Conceptual framework

Conceptual framework according to Serakan (2005) is an analytical tool used to make conceptual distinctions that organize ideas. It is a set of broad ideas and principles gotten from fields of inquiry which are relevant to the study and then structured to fit the study. It shows the graphical relationship among the variables (Mugenda & Mugenda,2003), it is about association between and among the variables of the study. The study comprises independent variable Access to credit and moderating variable group dynamics that have a relationship with entrepreneurial youth group-based enterprises growth which is the independent variable as demonstrated in the conceptual framework below

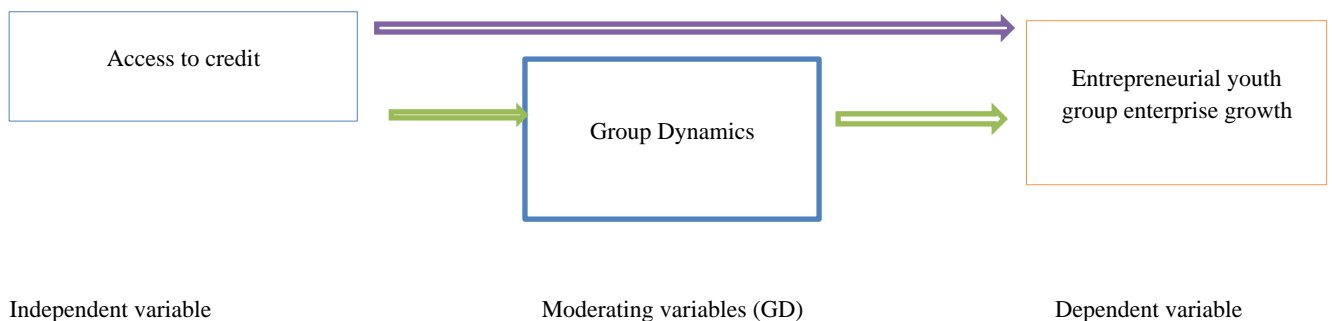


Figure 1: Conceptual model

Empirical studies and hypothesis development

Determinants of Youth Group-based Enterprises growth may vary from one setting to another however many entrepreneurship scholars among them Bird, (1989) argues that the environment in which an enterprise develops determines its growth especially,

availability of credit which is what the Youth Enterprises Development Fund hoped to achieve. The use of credit in this study is cash loans. The potential for youth enterprise growth can be enhanced through provision of cheap credit as lack of credit has been said to be acute in developing countries in which Kenya belongs (Chigunta, 2016). Kirunja (2013). Somoye (2013) Study ranks lack of access to credit as the second most limiting while. Bowen, Moraa and Mureithi (2009) ranks it as the fourth most important growth limiting factor for YGBE growth. Access to cheap credit provides opportunities for growth for small and micro enterprises reducing the youth overreliance on personal and family funds to start and grow their businesses as these sources rarely provide sufficient funds for growth (Makini, 2015; Rotich, 2016). The youth enterprises are particularly disadvantaged because they lack collaterals, credit history, self-sustaining resources and are therefore, perceived as risky investments (Schoof, 2006; Goh, 2011). Access to credit up scales entrepreneurial intensity levels, enhances services and product development, develop their own competencies and competitiveness, prevents death and stagnation, helps in overcoming the financing gap prevalent in many MSEs. leading to growth. (Audretsch *et al*, 2010; Wole, 2009; Rotich 2015)

According to Schumpeter (1934) entrepreneurs are not by necessity the owners of the capital that they use to carry out new combinations since they should be able to use capital as supplied by creditors, capitalists or bankers. Schumpeter pointed out that there is a very close connection between credit and innovation, which makes it possible to develop new firms which have new combinations. Following Schumpeter's line of argument the entrepreneur need not save in order to carry out new combinations or in order to obtain the means to enable him to carry out the new combinations consequently he does not need to accumulate goods prior to the onset of producing (Schumpeter, 2008). YEDF is one platform from which the youth entrepreneur can get capital in form of credit to innovate and grow their business.

Group activities in Kenya are synonymously referred as Harambee activities which denotes coming together as a local initiative for development and growth where resources are pulled together to achieve what many as individuals cannot do on their own. Groups are mainly founded on the principle of mutual aid between or among people with common interests. Groups businesses arise after borrowers coming together for a common cause of doing business either as individuals or as groups. individuals organize themselves in groups where they have weekly or monthly meetings at members' houses or a local community center (Robinson, 2001). Groups are said to generate a variety of human development outcomes such as increased self-esteem, increased participation and leadership skills, acts as a platform for decision making, to transfer skills and good practices, opportunity to share experiences and network, share challenges and to learn from their successes and their mistakes. Though relationships established in groups members get a natural opportunity to promote their businesses through referrals and formation of mutually beneficial partnerships members to get out of their comfort zone as it inspires individuals to try new ideas such as social media, marketing, and other techniques of growing an enterprise (Florin & Wadersman, 1984; Zimmerman & Rappaport, 1988; Senge, 1990; Roth-Brooks-Gunn-2003; Wilson et al, 2001) These benefits are sometimes compromised when members are not keen or well guided when choosing group members (Malhorta, 2002).

All youth groups are required to choose leaders amongst themselves. Notably the success of a group enterprise may be greatly influenced by Youth group leader Personal characteristics such as age, gender, business experience, level of education, religion, lifecycle stage, prior experience, role models and social networks, education, family background (Ndubisi et al, 2003; Rengiah 2013; Namusonge. 1998). Age has been linked to entrepreneurship success (Reynolds et al, 2000). The rationale of positive impact of age on entrepreneurship is based on the view that the quantity of financial and human capital skills that one possesses and that are necessary for starting and conducting a business successfully increases with age (parker, 2009;); Parker, 2009; Farmer, Yao, & Kung-Mcintyre, 2011) it is thus expected that the older the person the greater the prior entrepreneurial experience and the higher the likelihood of an entrepreneurs successfully translating their intentions into entrepreneurial activity (Hsu et al., 2017). In this regard therefore, it can be expected that age of a group leader can explain growth and perhaps moderate the relationship access to credit and the growth of entrepreneurial youth group-based enterprise.

Number of years and the various roles an entrepreneur has played in running and managing their former ventures the position held notwithstanding has been found to be an important factor in the growth of enterprises (Sarasvathy and Menon, 2013) others have argued that entrepreneur's business experience influence on growth can either be negative or positive or, can become a stumbling block in enterprises that require drastic changes.

Other Studies have shown that success and failure of MSEs is determined to some extent by the entrepreneur's level of education no wonder studies have noted that investments in education enhances the growth of SMES. Education has been cited as a major factor that impacts positively on the enterprise growth (Reed et al., 2000; Baseline Survey 1999; Ngwiri 2015) entrepreneur's high level of education enhances performance of enterprises as it determines the quality of service given to customers by an enterprise, profit increase, customers increase, employees' efficiency employee's rate of satisfaction. Those with minimal education find it difficult to access credit as they are unable to process loans and to understand lending procedures, keep business records and to engage in various other enterprise managerial tasks. General education as measured in years of schooling on entrepreneur performance has been found positive by scholars (Van & Versloot 2007)

Other scholars have argued that gender is an explanatory variable for success in entrepreneurship; saying that men are more likely to have earlier entrepreneurial experience, better financial management practices and application of modern technologies in running their businesses and are more likely to have a risk-taking propensity. Gender has also been found to be a factor in risk taking, females

were found to score lower on traits related to risk taking and higher on traits related to autonomy Thurik 2005; Verheul and Van stel (2007; Ochieng and Mugambi, 2013; Bowman-Upton ,1990). The argument that men and women engagement in economic activities are differently defined in most African societies and this has implications on the demand, uptake and utilization of credit has been explored (Carter & Rosa, 1998). These differences are compounded further by the differential power relations between men and women where women have little or no control of assets such as land and buildings that are often used as collateral the possible consequence is that demand for financial services may be different between men and women (Mpunga, 2004)

Growth is the second most important goal after survival with aversion to growth being the main reason as to why most MSEs stagnate or decline and later die (Bunyasi *et al.*, 2014). The growth and survival of MSEs has been pessimistic globally (World Bank, 2009; Kipsiele ,2015: Sessional Paper No 2 GOK, 2005).In deed MSEs rarely graduate to be SMEs and hardly do MSEs grow to become large enterprises. It is because of the MSEs dismal survival and growth that interventions such as the YEDF were conceived. Growth of MSEs has been perceived as increase in turnover, incomes and profits, which leads to an increase in the number of employees size, longevity , enterprise size increase., and capital investment overall improving the worth of the enterprise. (GOK, 1999; Mungai, 2013) Growth be carried out using several parameters among them are sales growth, assets, increase in market share, increase in assets, profits, increase in number of products/ services offered, output and increase in employees numbers and quality and increase in capital. Growth is either vertical or horizontal with vertical growth causing enterprises to graduate and get transformed into more modern small and medium enterprises and horizontal growth on the other hand bringing about formation of more enterprises at the same level (Mungai, 2013; Simiyu and Namusonge 2016: Bunyasi, Bwisa and Namusonge 2014; Gichana, *et al* 2014; Omar (2017). The current study measured the growth of YGBE using in change in variety of products and services, change in number of customers, change in market share, change in assets, change in business returns and change on capital.

Research and Methodology

The study used a positivist research philosophy whose objective is collection and analysis of the research data accurately resulting to factual knowledge that is acquired only through senses by observing and by use of trustworthy measurement. The study employed survey cross sectional research design where both quantitative and qualitative information was collected to test the influence of access to credit on growth and the influence of group dynamics on the relationship between access to credit and growth of entrepreneurial youth group-based enterprises in Nairobi County.

The population of the study comprised of all entrepreneurial youth group-based enterprises in Nairobi County who were funded by YEDF 2007- 2017. There were 255 youth group-based enterprises that benefited from YEDF programs in terms of access to credit (YEDF status report ,2018). A sample of 156 group leaders was arrived at using Sloviaan formula $\{255 / (1+255 *0.05^2)\}$. A margin of error of 0.05 was selected. The study adopted two stage sampling first ,it purposeful sampling the study comprised only youth group-based enterprises in Nairobi and only those with more than one loan then stratified sampling was on strata in accordance with Nairobi County constituencies as provided for by YEDF.

For the purpose of measuring access to credit, the study used the amount in Kenya shillings that the group receive, the interest charged, the grace period given and the number of loans accessed while characteristics the group such as demographic, entrepreneurial, and geographical and Group leader personal characteristics such as age, business experience, level of education and gender of the group leaders were used as measures of group dynamics. To measure growth the researcher used, change in variety of products and services, change in number of customers, change in market share, change in assets, change in business returns. In measuring the dependent variable, a range in percentage growth was be used as recommended by Arasa *et al* (2012).

Hypothesis Testing

Table 1: Objective and Hypothesis

SN	Objective	Hypothesis	Type of analysis	Interpretation
1	To determine the influence access to credits on the growth Entrepreneurial Youth group-based enterprises in Nairobi, Kenya County	Access to credit has no significant influence growth of Entrepreneurial Youth group based enterprises in Nairobi County, Kenya	Pearson correlation Linear regression	If p-value is <0.05 reject the null hypothesis
2	To Assess the moderating influence of Group dynamics on the relationship between Access to credit and the growth Entrepreneurial Youth group-based enterprises in Nairobi, Kenya County.	Group dynamics has no significant moderating influence on the relationship between access credit and the growth of Youth group-based enterprises in Nairobi County, Kenya.	Pearson correlation multiple regression	If p-value is <0.05 reject the null hypothesis

Linear regression and multiple regressions models were done on the variables.

Model 1 was on the influence of the X_i on the Y

$$Y = \beta_0 + \beta_i X_i + e \quad (i=1, \dots)$$

Model 2 was moderating influence of M on the relationship between X_i on the Y

$$Y = \beta_0 + \beta_i X_i + \beta_m X_m + \beta_{im} X_i X_m + e$$

Y= Entrepreneurial Youth group-based enterprises growth

X_1 = Access to credit

M= Group dynamics

Results and discussion

The study had more male respondents than female 66.9% and, 33.1% respectively clearly indicating gender biasness against female gender in the choice of the group leaders and probably access of credit. College level of education with a 39.7% was found to be the highest education level of entrepreneurial youth group-based enterprise group leaders while the second highest levels were secondary school and university level education at 26.4 % each while the least was primary level of education at 7.4%. Age wise majority of the respondents were 30-35 years at 52.9% while those between 25-29 were at 25.4%, 19-24 were at 11.6 % while the least was the bracket of those aged below 18 years at 9 %.

It was found out that between 8.26% accessed credit between the years 2007-2010 while 26.45% accessed the loan between years 2011-2014 while those who accessed after year 2014 were 65.29%. This indicates majority accessed loan after 2014. Majority got between Ksh50,000 and 250,000 which stood at 68.6% , those who received 250,001 to 450,000 were 8.26%, those who received 450,001 and 650,000 were 4.96% while those who received between 650,001 and 850,000 were 6.61% and those receiving above 850,000 were 11.57% of the respondents The study found out that 66.94% of the loans were given at 0-2.5% interest while 14.05 % accessed the loan at 2.5-5% and those who got at between 5.1- 7.5 % were 12.4% while those who got at above 7.5% were 6.61%. This is a proof that these loans were given at a small interest since majority were given at 0-2.5%.

The groups with 5-10 members were 45.5% those with 11-15 members were 23.14% while those groups with 16-20 members were 19.01% and only 12.4% of the groups had members who were above 20 in number. Groups aged between 1-5 years were 53.3% while those between 6-10 years are 33.88 % and those over 10years old were 10.74 % . It is clear that majority of the groups were 1-10 years old since their formation. 19.83% of the groups had weekly meetings 5.79% met fortnightly, 58.68% met once per month and 15.7% met as the need to meet arose.

Correlation Analysis for the Linear Relationship between the Study Variables

Pearson Product Moment Correlation coefficient was run whereby in the correlation analysis, the (r) was used to show if there exists a linear relationship between the study variables, and the (r^2) which indicates the coefficient of determination is used to show the goodness - of - fit. Access to credit showed the moderately weak positive correlation with growth of entrepreneurial youth group-based enterprises, ($r = 0.222$, p -value <0.015). With the introduction of group dynamics as predictor, the r improved to 0.387 and when the interaction term was introduced the r improved further to 0.390

Regression Analysis of the Independent Variables and Dependent Variable

Multiple regression analysis was applied in order to determine the presence or absence of linear statistical relationship between the independent and dependent variables. The two-null hypothesis of the study were tested using linear regression models. To do this this F- test was used to test the validity of the model, and the (r^2) was used to measure the goodness of fit of the outcome model. In order to be able to describe the results of the analysis as well as to vividly show the direction and depth of the relationships between and among the variables of the study regression coefficient was used.

Hypothesis one: Regression Results for the relationship between Access to credit and growth of entrepreneurial youth group-based enterprises

The regression model of X_1 (Access to credit) on Y (Growth of entrepreneurial youth group-based enterprises) was significant at the significance level of 0.05 ($F(1,119) = 6.154$, $p = 0.015$). Access to Credit explains 4.9% of the variability in growth ($R^2 = 0.049$). The study null hypothesis that H_{01} : There is no significant relationship between Access to Credit and growth of the entrepreneurial youth group-based enterprises in Kenya was rejected ($\beta_1 = .256$, $t = 2.481$, $p = 0.015$). The study concludes that Access to Credit is statistically significant in explaining growth of the entrepreneurial youth group-based enterprises in Nairobi County. To test the relationship the Regression Model fitted was

$$Y = \beta_0 + \beta_1 X_1 + e$$

The fitted model is

$$Y = 2.083 + 0.222X_1$$

A unit increase in Access to Credit will lead to a 0.256 increase in growth of entrepreneurial youth group-based enterprises.

Table 2: The relationship between Access to credit and Growth of entrepreneurial youth group-based enterprises Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Change	Square Change	F Change	Sig. Change	
1	.222 ^a	.049	.041	.87490	.049	6.154	1	119	.015

a. Predictors: (Constant), Access to credit b. Dependent Variable: Growth

Coefficients						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.083	.361		5.778	.000
	credit	.256	.103	.222	2.481	.015

a. Dependent Variable: Growth

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.711	1	4.711	6.154	.015 ^b
	Residual	91.088	119	.765		
	Total	95.799	120			

a. Dependent Variable: growth

b. Predictors: (Constant), Access to credit

X₁= Access to credit; Y= Growth of entrepreneurial youth group-based enterprises

Discussion of the findings on the Relationship between Access to credit and Growth of entrepreneurial youth group-based enterprises

Using The Pearson’s Correlation Coefficient for Access to credit and growth of entrepreneurial youth group-based enterprises (r=0.222, p=0.015), was significant at 0.05 level of significance. The Regression analysis results showed that Access to credit had a moderate influence on growth of entrepreneurial youth group-based enterprises in Kenya. For every unit increase in the extent to which there was access to credit the corresponding increase in growth of entrepreneurial youth group-based enterprises by 0.256. The YEDF Credit influences the Growth of entrepreneurial youth group-based enterprises among The YEDF- funded group enterprises in Kenya. These findings have been supported by Ratemo (2014) study that established that access to credit is significant factor in explaining growth as the study found out that additional credit, increases enterprise turn over by 0.849 Kenya shillings when other factors are held constant. Additionally, in Ghana Ahiawodzi and Adade, (2012) study findings suggest that access to credit causes significant and positive influence on growth of SMEs while Kuntchev, et al (2012) study found out that, enterprises with credit constraints often have lower returns. It is also in agreement with other empirical scholars conclusions that credit has positive influence of growth of enterprises (Irungu and Kamau 2015; Bunyasi et al. 2014; Somoye,2013; Mungai,2013;Waliula 2012).This conclusion is in support of the Resource based view that suggests that the more an organization/ business is resourced the more it is likely to grow.

Hypothesis 2 Group dynamics has no moderating effect on the relationship between access to credit and the growth of entrepreneurial youth group-based enterprises

To test the hypothesis, the following models were fitted:

Model 1: $Y = \beta_0 + \beta_1 X_1 + e$

Model 2: $Y = \beta_0 + \beta_1 X_1 + \beta_M M + e$

Model 3: $Y = \beta_0 + \beta_1 X_1 + \beta_M M + \beta_{1M} X_1 M + e$

Of the three models only two were found to be significant (p-value= 015 p-value=005, p-value=0.567 in all the three cases), Table 4.2 refers. The Coefficient of Determination (R²) for the first model was.049, see Table 4.1 meaning that access to credit, on its own, contributed 4.9% to the change in the growth of entrepreneurial youth group-based enterprises. The relationship between access to credit and growth of entrepreneurial youth group-based enterprises improved significantly when group dynamics a predictor was introduced. Table 4.2 shows that the, R² before the introduction of group dynamics was 4.9%. With the introduction of group dynamics as predictor, the R² significantly improved from .049 (4.9%) to .150 (15%) which is an increase of 11.1%. This indicates that Access to credit with group dynamics can, explain up to 15% of the growth of entrepreneurial youth group-based enterprises. When the interaction term (X₁*M), was added to the model there was further but marginal improvement of R² to .152 which is an increase of 0.02 however the model became negative but remained significant (p-value=.000) though the F- change was insignificant (F- change 0.567). Upon evaluating the moderating effect of M on the relationship between access to credit and growth of entrepreneurial youth group-based enterprises, the study found that the three models were significant (p-value, =0.015, p-value <0.001; and p-value<0.001 respectively). The F Change for X₁ was significant (F Change=6.154, p –value, =0.015), implying that, access to credit significantly influences growth of entrepreneurial youth group-based enterprises as mentioned elsewhere in this study.

After M (group dynamics) was added as a predictor to the model containing access to credit, the F Change increased greatly and remained significant (F Change=13.973, p-value < 0.001). When the interaction term (X₁M) was introduced to the model, the model deteriorated and became insignificant, showing (F Change .330 p-value=. 567) From these findings it is clear that M (group dynamics) has some predictive value though it has no moderating effect on the relationship between access to credit (X₁) and growth of entrepreneurial youth group-based enterprises (Y).

Model 1: $Y = 2.083 + 0.256X_1$

Model 2: $Y = 2.074 + 0.180 + 0.578M$

Model 3: $Y = 1.885 + 0.238 X_1 + 0.580M - 0.115X_1M$

Table 3: Model Summary

Model Summary										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					
					R Square Change	F Change	df1	df2	Sig. Change	F
1	.222 ^a	.049	.041	.87490	.049	6.154	1	119	.015	
2	.387 ^b	.150	.136	.83075	.101	13.93	1	118	.000	
3	.390 ^c	.152	.131	.83312	.002	.330	1	117	.567	

a. Predictors: (Constant), X₁

b. Predictors: (Constant), X₁, M

c. Predictors: (Constant), X₁, M, X₁M

Table 4: Anova Results and Coefficients

ANOVA ^d						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.711	1	4.711	6.154	.015 ^a
	Residual	91.088	119	.765		
	Total	95.799	120			
2	Regression	14.361	2	7.181	10.405	.000 ^b
	Residual	81.438	118	.690		
	Total	95.799	120			
3	Regression	14.591	3	4.864	7.007	.000 ^c
	Residual	81.208	117	.694		
	Total	95.799	120			

Coefficients^a

Model	Unstandardized Coefficients	Standardized Coefficients	t	Beta	Collinearity Statistics				
						B	Std. Error	Sig.	Tolerance
1	(Constant)	2.083	.361		5.778	.000			
	Access to Credit	.256	.103	.222	2.481	.015	1.000	1.000	
2	(Constant)	2.074	.342		6.058	.000			
	Access to Credit	.180	.100	.156	1.800	.074	.959	1.043	
	Group Dynamics	.578	.155	.324	3.739	.000	.959	1.043	
3	(Constant)	1.885	.476		3.961	.000			
	Access to Credit	.238	.142	.206	1.673	.097	.477	2.098	
	Group Dynamics	.580	.155	.325	3.736	.000	.959	1.043	
	Groups*Credit	-.115	.201	-.070	-.575	.567	.485	2.062	

a.

Discussions on the Moderating Effects of group dynamics on the Relationship between Access to credit and growth of entrepreneurial youth group-based enterprises.

The study found out that Access to credit in Model 1 beta was 0.256 (β=0.256, t=.103, p-value=0.015), that is access to credit alone contributed, 25.6% to the growth of entrepreneurial youth group-based enterprises. When group dynamics was combined with Access

to credit and growth of entrepreneurial youth group-based enterprises in Kenya, the study found out beta deteriorated from ($\beta=0.256$, $t=.103$, $p\text{-value}=0.015$), to ($\beta=0.180$, $t\text{-value}=0.100$, $p\text{-value}=0.074$) and became statistically insignificant. Group dynamics beta was ($\beta=.578$, $t=0.155$, $p\text{-value}<0.001$) leading to the conclusion that group dynamics was a significant predictor, in the model. In Model 3, the interaction term was introduced ($X1*M$) the beta for access to credit deteriorated to ($\beta=0.238$, $t=0.142$, $p\text{-value}=0.097$) from $\beta=0.256$, $t=.103$, $p\text{-value}=0.015$) This was found to be positive and but insignificant. With the introduction of the moderating variable, the study findings showed that, growth of entrepreneurial youth group-based enterprises got enhanced and showed positive and significant results ($\beta=0.580$, $t=0.155$, $p\text{-value}<0.001$). But, when the interaction term ($X1*M$) was introduced in the relationship became negative and insignificant ($\beta=-.115$, $t=.070$, $p\text{-value}=0.567$). These findings clarified that group dynamics has no moderating effect on the relationship between access to credit and growth of the entrepreneurial youth group-based enterprises. In deed it has negative effect. These findings somewhat differ with Rahim and Shah (2019) study which confirmed that the group dynamics moderates the relationship between microfinance and growth of enterprises but somehow agrees that group dynamics has predicative effect on the growth of enterprise as when influence of group dynamics was examined the study found out its addition to credit improved the beta from 0.222 to 0.387 and with the interaction term the relationship improved marginally to 0.390 which translate into 4.9% , 14.9% to 15.2% respectfully. Rahim and Shah (2019) study results revealed that the moderation effect of group dynamics on microfinance and enterprise growth as 10.8 % while the direct impact of group dynamics on growth of enterprises was 46.2 % while the direct impact of microfinance on growth of enterprises was found to be 24.5 % respectively. In their study they argued that group dynamics has a significant influence on relationship between credit and enterprises growth in that it mitigates the respondents against poor business decisions. Perhaps these differences may be attributed to the cultural differences between Kenya and Pakistan. Their study therefore recommended that group dynamics be a consideration in the loan distribution especially among the youth group owned enterprises.

The findings of this study also somewhat agreed with Yunus (2016) study that concluded microfinances are able to transform customer's businesses through provision of cheaper capital similar to the mandate of the YEDF towards entrepreneurial youth group-based enterprises. Past studies on how group dynamics influence the relationship between credit and growth of enterprises confirm that credit have not only expanded youth owned enterprises but have also made it possible for the poor to establish new enterprises (Banerjee et al., 2015). The findings of the current study partly agree with Crepon et al (2015) that group dynamics has positive influence on inventories but differ in having positive influence on employment. Besley and Coate (1995) adds that social cohesion among the group members and belonging to the same neighborhood, cause growth among the group enterprises.

Conclusion

The study concluded that credit as provided by YEDF significantly influences growth and group dynamics can only predict growth but not moderate the relationship between credit as provided by YEDF and the growth of entrepreneurial youth group-based enterprises. The study recommends with respect to access to credit, the need to increase the amount loaned to the group as it was found out that majority of the groups got between 50,000 and 250,000 ksh which the members of the groups felt was too little to cause any significant growth. The study also recommends that the grace period should be increased from the current one month in order to give the group time to have started benefiting from the loan given. Currently they sometimes have to start repaying the loan monthly installment with the money given as loan even before using the money in their group enterprises. The collateral demanded by the YEDF for large amounts of the loan were found to be beyond the reach of most youth groups. There is need to give credit based on the nature of enterprise that youth group is engaged in, for there are some youth enterprises that may be capital intensive in addition to the fact that the amount given should be based on the ability of the entrepreneurial youth group-based enterprises to repay. The waiting time needs to be reduced since there was a general feeling that sometimes the loan processing waiting period is long to the extent that the window of opportunity for which the credit was being sourced for is closed before the credit is accessed.

Further research could be done using different theories and models on credit as provided by other funds apart and growth of entrepreneurial youth group-based enterprises, for better understanding of the relationship between credit and growth.

The study was carried out when there was a debate on whether or not to merge with YEDF and other government sponsored funds or not which may have influenced the respondents thus there is a need to have it carried out at a more neutral time

The study concentrated on the moderating effect of group dynamics only yet there are other factors that can moderate the relationship between YEDF and growth of entrepreneurial youth group-based enterprises.

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