Micro-finance and enterprise development amongst the youth: A review of the Kurera-Ukondla Youth Fund in Harare, Zimbabwe

Thesis · April 2014

1 author:

Kudzai Mubaiwa
Stellenbosch University

Micro-finance and enterprise development amongst the youth: A review of the Kurera-Ukondla Youth Fund in Harare, Zimbabwe

Kudzai M. Mubaiwa

kudzi@investorsaint.co.zw/ +263 772 526 543

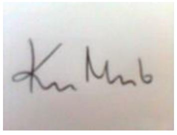
Research report presented in partial fulfilment of the requirements for the degree of Master of Development Finance at the University of Stellenbosch

Supervisor: Professor Charles Adjasi

Degree of confidentiality: B **January 2014**

Declaration

By submitting this research report electronically, I, Kudzai Margaret Mubaiwa, declare that the entirety of the work contained herein is my own, original work, that I am the owner of the copyright thereof (unless to the extent explicitly otherwise stated) and that I have not previously in its entirety or in part submitted it for obtaining any qualification.



K.M. Mubaiwa January 2014

Acknowledgements

I would first like to acknowledge the support of my supervisor, Professor Charles Adjasi, and the USB MDEV staff, my lecturers and classmates, with whom I created unforgettable networks and experiences.

Much appreciation goes to all the young people, youth workers and youth development practitioners / advisors who contributed to the material in this research.

To my family who encouraged me to press on: special mention to my mother Mrs Margaret Maraire, who completed her Masters just to inspire us to do more; my son Christopher who probably gave up the most so that I could channel time towards this endeavour; and last but not least my husband Alexio for spiritual, moral and financial support.

To my friends who in different ways made this experience easier, especially Lamuel and Precious Mudzamiri, for tirelessly assisting with logistics for my schooling, Zano Mataruka who first planted the seed for the need for a higher education, and Lynn Mukonoweshuro for making the critical decision that facilitated my first year. May God bless you all!

Above all, I thank the Lord Jesus Christ in whom I live and have my being. All glory belongs to You.

Abstract

The scourge of unemployment has been identified as one of the greatest challenges facing young people around the world, with growing sentiment inclining towards micro-enterprises as a solution, however access to capital is a significant impediment facing youth in the creation and growth of small businesses. This research paper investigates how the Kurera-Ukondla micro-finance youth development fund has helped youth micro-enterprise owners in Harare, Zimbabwe, to develop their small businesses. Access to credit is shown to be important when it comes to creating new enterprises. This study enhances the discussion on micro-finance for micro-enterprises because it considers the impact from a youth economic development perspective instead of the typically general view. It also highlights the feedback from the micro-finance fund staff and participants by following participatory programme evaluation methods.

The researcher targeted 228 micro-finance beneficiary youths in Harare Province who had obtained finance from the Kurera-Ukondla Youth Fund. A random sampling approach was used to pick respondents from the cluster. Primary data were obtained using a self-administered pretested structured and semi-structured interview questionnaire. Secondary data were obtained from published books, journal articles and various reports by the fund managers – CABS Building Society and the Ministry of Youth Development, Indigenisation and Empowerment. Analysis was undertaken using descriptive statistics.

The study showed that the micro-finance project had a minimal effect on the number of youth enterprises; although uptake of the Fund was high, this did not translate to depth. However a positive effect of the micro-finance project on youth micro-enterprise productivity in the short term was noted. The study recommends that more enterprise development services be availed in a holistic manner alongside micro-finance for youth businesses, namely business and technical skills training, mentoring, and market linkages. It also urges future researchers to explore the optimal methods and structures for youth funding.

Key words

Micro-finance, Entrepreneurship, Youth, Enterprise Development, Small Business, Financial Inclusion

Table of contents

List of tables

List of figures

List of acronyms and abbreviations

AU	African Union
AYC	African Youth Charter
CABS	Central Africa Building Society
CBZ	Commercial Bank of Zimbabwe
CGCZ	Credit Guarantee Company Zimbabwe
CYCI	Commonwealth Youth Credit Initiative
CZI	Confederation of Zimbabwe Industries
ESAP	Economic Structural Adjustment Program
ILO	International Labor Organization
MFI	Micro Finance Institutions
MLI	Money Lending Institutions
MSME	Ministry of Small to Medium Enterprises
MYDIE	Ministry of Youth Development, Indigenization and Economic Empowerment
OECD	Organization for Economic Co-operation and Development
RBZ	Reserve Bank of Zimbabwe
SEDCO	Small Enterprise Development Corporation
SMEs	Small to Medium Enterprises
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
USB	University of Stellenbosch Business School
VCCZ	Venture Capital Company of Zimbabwe
YDF	Youth Development Fund
YEN	Youth Employment Network
ZAMFI	Zimbabwe Association of Micro-finance Institutions
ZIMSTATS	Zimbabwe Statistics
ZYC	Zimbabwe Youth Council

CHAPTER 1
ORIENTATION

1.1 INTRODUCTION

Several arguments exist on the significance of micro-finance's contribution to the origination and growth of micro-enterprises. The UNDP (2001) identified micro-finance as a major tool in alleviating poverty and empowering the financially disadvantaged, however critics argue that the small enterprises supported by micro-credit programmes have limited potential to grow and so have no sustained impact on the beneficiaries; they contend that micro-finance programmes make the poor economically dependent on the programme itself (Bouman and Hospes, 1994). Therefore even if the programmes are able to reach the poor, they may not be cost effective and hence worth supporting as a resource transfer mechanism. According to Zeller and Meyer (2002), the excitement about the use of micro-finance to empower low income people is not backed up with sound facts. Most micro-finance providers are unwilling to evaluate the appropriateness and effectiveness of such schemes because the requisite process is perceived to be rigorous and expensive.

In Zimbabwe, unemployment is one of the most pervasive challenges faced by youths due to the socio-economic and political collapse that characterised the past one and a half decades. Unconfirmed reports indicate that the overall unemployment rate in Zimbabwe is over 95%, with youth unemployed pegged at over 70% (ILO, 2006). To their credit, many young people have responded to the unavailability of jobs by starting up enterprises in various sectors, especially the major ones that underpin the economy, namely tourism, agriculture, mining, and manufacturing, as well as other sectors such as information technology, cultural industries and services. Yet there is a need to augment these efforts with access to funding, markets, enhanced skills and technology.

Youth entrepreneurial capacity has increasingly been on the political agenda in several countries (Greene, 2002; Schoof and Haftendorn, 2004). In a recent speech, the outgoing Zimbabwean Minister of Youth Development, Indigenisation and Economic Empowerment, Hon. Saviour Kasukuwere, held that the Government of Zimbabwe is aware of the huge task it faces to support young people, who form the majority of the nation. Across Africa, business leaders and development stakeholders, including the youth themselves, are increasing calls for governments to use youth as the key driver for industrial development and economic growth in their respective countries. The youth empowerment agenda has been a priority for the Government of Zimbabwe since attaining independence in 1980. This has been in recognition of the vast number of youth with little or no education and skills to enable them to support their livelihoods or to become active in the mainstream economy of their country.

The problem is exacerbated by the alarmingly high number of children and youth who drop out of school without the minimal skills for productive employment (Kasukuwere, 2013). Over the past decade Zimbabwe has, along with other African countries, made several commitments to promote youth economic empowerment. These are summarised in various policy level perspectives.

Following the ratification of the African Youth Charter by the AU (2006), in 2009 the Assembly of Heads of State and Government of the African Union declared 2009-2018 to be the Decade of Youth Development in Africa. Member states (including Zimbabwe) committed to collectively focus on and implement priority areas in this period, including youth participation, sustainable livelihoods, education, skills development and economic empowerment, among others. At the third ordinary session of the Conference of the African Union Ministers in Charge of Youth (COMY 111) at Victoria Falls, Zimbabwe (April 2010), ministers adopted the Plan of Action for the African Decade for Youth Development and Empowerment 2009-2018, which emphasised the socio-economic and political empowerment of youth and strengthening of funding mechanisms.

At the Africa Region Pre-Conference for the Mexico 2010 World Youth Conference (June 2010), ministers reaffirmed the urgent need for financial and other resources in order to enhance quality and competitive technical education and skills, especially for youth with special needs. The Mexico 2010 World Youth Conference: 23-27 August 2010 culminated in a declaration (the Guanajuato Declaration), which was to be submitted to the 65th session of the UN General Assembly. The Conference Declaration identified 14 priority areas for youth development, namely Public Policies and Investment, Poverty and Hunger, Education, Health, Employment, Gender Equality, Technology and Innovation, Culture, Access to Justice and Security, Participation, Sustainable Development, International Migration and International Cooperation.

Furthermore, the meeting pledged to take the necessary measures and work in partnership with civil society, international organisations and international cooperation agencies to implement the priorities identified in this Declaration, with the full and effective participation of youth. At the joint meeting of SADC ministers responsible for Youth and Vulnerable Children in Windhoek, Namibia from 31 May to 3 June 2011, the ministers recommended the establishment of programmes to identify and develop innovation among youth into economic development and employment creation opportunities. At the African Union Heads of States Summit on the theme ‘Accelerating Youth Empowerment for Sustainable Development’, held in Malabo, Equatorial Guinea, from 23 June - 2 July 2011, young people drew the strong attention of the AU leaders to the threats posed by youth unemployment, low levels of education and inaccessible labour markets. Additionally, the Summit committed to accelerating efforts to reduce youth unemployment (by at least 2% annually over the next five years) and under-employment to attain all the MDGs by 2015.

In addition, at the UN High Level meeting on Youth held from 25 - 26 July 2011 in New York on the theme ‘Youth: Dialogue and Mutual Understanding’, the assembled Heads of State reaffirmed their determination to give priority attention to the promotion of youth and to address the challenges that hinder youth development. This would be achieved through poverty eradication, the promotion of sustained economic growth, and full and productive employment and decent work for all. They also called for the increased participation of youth in the formulation of national development strategies and policies. They in particular committed themselves and their governments to addressing the high rates of youth unemployment, underemployment, and informal employment by developing and implementing targeted and integrated youth employment policies for inclusive job creation, improved employability, skills development and vocational training. The intention was to meet specific labour market needs and encourage increased entrepreneurship among the youth.

With Zimbabwe being a participant in all these conventions, it is clear that strategic intent for youth economic empowerment was and is present at the highest level. Identifiable strategies for employment creation and economic empowerment were put in place, adopted from the principles of the Youth Employment Network (YEN), in May 2006.

Thereafter, the Ministry of Youth Development and Employment Creation developed a localised framework called the Zimbabwe Youth Employment Network (ZIYEN). The ZIYEN framework aims to provide essential packaged interventions to address the challenge of youth unemployment in Zimbabwe. The programme calls for a participatory and collaborative approach which involves Government, the private sector, civic society and other cooperating partners, the youth and communities in formulating policies, strategies and programmes to promote employment creation for youth.

Some essential features of ZIYEN include initiatives to integrate national policies towards youth employment, the development of an action plan towards the same, skills training, infusion of entrepreneurial training at all levels of the education system through curriculum reform, and informal education programmes. More importantly, ZIYEN proposes the establishment of a Youth Development Fund and an Employment Creation Fund through a Loan Guarantee Scheme to promote access to credit and finance for youth. Efforts to make general funds available to capitalise new and current business ventures by youth are informed by the thinking that enabling access to capital, through micro-finance, can encourage and strengthen youth run enterprises, thereby creating employment (UN Bluebook, 2006). Such initiatives are not unique to Zimbabwe, and several other African countries have also made strides in supporting youth entrepreneurship with access to finance, premised on the possibility of the size of youth demography driving economic growth if strategically and properly engaged. This position is further strengthened by the fact that the youth themselves are concerned about declining incomes and lack of access to opportunities, social services, infrastructure and jobs (FinX, 2013). The issue at stake in this study is whether providing micro-finance has a significant impact on the creation and sustainability of micro-enterprises for wealth creation as an alternative to jobs, and the extent of contribution of such enterprises to their livelihoods and then to the mainstream economy.

This is a key discussion because African nations typically have serious employment issues, with not many large firms and a growing youth demographic (World Bank, 2008). In addition, young people typically all raise the same issue – a lack of capital to start and grow businesses. The realisation of the need for dedicated capital for such enterprises necessitated the creation of the various Youth Development and/or Empowerment Funds (YDFs) - micro-finance projects supporting enterprise development by youth. Due to the on-going indigenisation transactions housed under the Ministry of Youth Development, Indigenisation and Economic Empowerment, it was recognised that there was an opportunity to utilise part of the funds/shares raised from the transactions to finance youth funds, and thus under the same roof achieve the objectives of the three ministry divisions.

The Kurera-Ukondla Youth Fund was the pioneer of such funds, arising from the indigenisation of Old Mutual in Zimbabwe. The project made a total of US$10 million dollars available as micro-financing capital of $500 - $5,000 for Zimbabwean youths as revolving funds for enterprise development. Launched in November 2011, the fund to date (May 2013) has approved loans totalling approximately US$5 million. While the action is noble and appreciated, it is necessary to review the extent to which this particular fund has so far met its objective of supporting youth enterprises and the level of its impact nationally.

The link between micro-finance and micro-enterprise development is important. Studies on the industrial development of different countries have shown that small- and micro-enterprises constitute an integral part of the overall industrial sector and play an active and significant role in the growth and development of these countries. These enterprises contribute significantly to employment generation and output growth of different countries, and Zimbabwe is not an exception, with micro-enterprises and SMEs accounting for the gainful employment of at least 46% of adult Zimbabweans. (Finscope MSME Zimbabwe Survey, 2013).

Although informal credit institutions have proved relatively successful in meeting the credit needs of small- and micro-enterprises in some countries, their limited resources constrain the extent to which they can effectively and sustainably satisfy the credit needs of these entrepreneurs and micro-enterprise owners (Nappon and Huddlestone, 1993). This is because as micro-enterprises expand in size, the characteristics of loans they require become increasingly difficult for the informal credit sources to satisfy, yet they remain too small for formal lenders (Aryeetey, 1996). Micro-finance institutions and credit lines tend to bridge that gap. For small and micro-enterprises, reliable access to short-term credit and small amounts of credit is valuable (Adams and Von Pischke, 1992). In the MSME survey, MSMEs are defined by the number of employees (according to the Small Enterprises Development Corporation Amendment of 2011), including individual entrepreneurs (0 employees), micro (1-5), and small and medium size businesses (6-75). This research is therefore critical in testing the Kurera-Ukondla Youth Fund's micro-credit scheme appropriateness for Zimbabwean youth, and also how effective it has been to date.

1.2 PROBLEM STATEMENT

This research will seek to verify if micro-finance does indeed help to create employment for youth and strengthen enterprise development, with particular focus on the Kurera-Ukondla Youth Fund accomplishments in Harare Province, Zimbabwe. Worldwide, the ratio of youth–to-adult unemployment rate equals three (ILO, 2006), clearly highlighting the substantial difficulties youth face in entering the mainstream labour market.

> *Entrepreneurship and business creation are … a growing alternative for young people whose age group often faces a labour market with double digit unemployment rates (as is the case of Zimbabwe – unofficial reports place unemployment at over 90%). Traditional career paths and opportunities are disappearing rapidly. A growing number of young people are taking up the challenge of starting their own business and much is being learned about how the odds for success can be improved through various types of assistance and through the creation of a supportive environment (Juan Somavia, ILO, 1999).*

Starting up enterprises is widely touted as a viable alternative and/or response to youth unemployment and this was the philosophy guiding the establishment of the Kurera-Ukondla Youth Fund.

Uzo (2009) claimed that a number of studies have been carried out on the impact of micro-finance on entrepreneurial development, evidenced by the fact that some academic journals have devoted special issues to research establishing this linkage. Further, both research and practice have seen an increasing focus on the impact of micro-finance. In spite of this emphasis, current research has not provided sufficient justification for the link between micro-finance and entrepreneurial development in developing countries; the empirical evidence emerging from various studies about the effect of micro-finance on entrepreneurial development have so far yielded inconclusive and contradictory results. Thus the question of whether micro-finance improves or worsens entrepreneurial development is still worthy of further research, such as that undertaken in this study. In addition, the impact of micro-finance on entrepreneurial development has not received adequate research attention in Zimbabwe; most of the studies on the impact of micro-finance on micro-enterprises are on developed nations rather than on African countries, and particularly not on Zimbabwe.

The goal of micro-finance institutions as development organisations is to service the financial needs of unserved and underserved markets as a means of meeting development objectives. These development objectives generally include reducing poverty, empowering women or other disadvantaged population groups (such as youth), creating employment, helping existing businesses grow or diversify their activities, and encouraging the development of new business.

1.3 RESEARCH OBJECTIVES

This study sought to fulfil the following objectives:

1. To determine the level and depth of uptake of the Kurera-Ukondla Youth Fund micro-finance project by youth enterprises;
2. To investigate the contribution of the Kurera-Ukondla Youth Fund micro-finance project to an increase in youth enterprises; and
3. To determine if the Kurera-Ukondla Youth Fund micro-finance project has resulted in increased productivity in the enterprises run by youth beneficiaries.

The objectives of the research are thus enshrined in the following questions:

a. What is the level and depth of uptake of the Kurera-Ukondla Youth Fund micro-finance project by youth enterprises?
b. Has the Kurera-Ukondla Youth Fund micro-finance project resulted in an increase in youth enterprises?
c. Can one determine if the Kurera-Ukondla Youth Fund micro-finance project has resulted in an increase in productivity of beneficiary youth enterprises?

1.4 CLARIFICATION OF KEY CONCEPTS

1.4.1 Youth

The African Youth Charter's (AYC, 2006) definition of youth as young men and women aged between 18 and 35 years was used in this research. Zimbabwe subscribes to this Charter. This age group has become the focus of global interest following the upheavals in North Africa in 2011, in which young people were major participants due to their discontent over socio-economic issues. The potency and potential of this demography cannot be ignored, yet they are often the victims of marginalisation in critical areas such as the labour market as they typically lack the skills, work experience, job search abilities, and financial resources necessary to find employment (UN, 2003; ILO, 2006). Governments are rightly concerned about the rising levels of youth unemployment; not only because of the direct economic costs, but also the social impact of joblessness as manifested by increased crime, mental health problems, violence, drug taking and social exclusion. Moreover, spells of unemployment, particularly for long-term durations, can lead to scarring effects in terms of a higher likelihood of being unemployed later in life and wage penalties (Bell and Blanchflower, 2009).

1.4.2 Micro-finance

Lack of access to affordable financing is perceived as being one of the biggest impediments for younger people to start their own business (Greene, 2005; Blanchflower and Oswald, 1999; Llisterri, 2006; Blokker and Dallago, 2008; Owualah, 1999). Micro-finance refers to the financial services designed to meet the needs of the poor and low income individuals, particularly in developing countries, with a view to fighting poverty and financial exclusion (Robinson, 2001, p. 9). Lenton and Mosley (2011) described financial exclusion as the inability of low income people to access mainstream financial services. Micro-finance is unique as an economic process that can flourish successfully in particularly difficult economic conditions, including lack of infrastructure, deficient macroeconomic policies, and low levels of national growth (Bernal-Garcia, 2008). All these statements speak to the Zimbabwean situation, where micro-finance is hugely popular with low-income people under the present economic conditions. Youths make up the bulk of these low-income earners and most are unable to access financial services as the majority live in rural areas. In this study, the term micro-finance was narrowed down to imply micro-credit, which by definition aims to help poor and low-income people to raise their income by running a revenue generating activity. This service is therefore usually limited to business purposes only (Toindepi, 2012).

1.4.3 Entrepreneurship and Enterprise Development

An entrepreneur is a person who creates a new business in the face of risk and uncertainty, for the purpose of achieving profit and growth by identifying opportunities and assembling the necessary resources to capitalise on them (Scarborough and Zimmerer, 2000:4).

The study of entrepreneurship and indigenous private enterprise is a significant component of research on economic development in Africa, although most research focuses on entrepreneurs who operate micro- and small-scale enterprises in the traditional informal and formal sectors. All over the world entrepreneurship is linked to employment generation, innovation and economic growth, but entrepreneurship has been downplayed in Africa over the past 30 years (Marsden, 1992). Fundamental to Africa's problems is high youth (15 – 35 year olds) unemployment; integrating more youths into the small business sector can contribute to alleviating the myriad of issues associated with unemployment, underemployment and poverty. So far, specific research into the field of youth entrepreneurship in the African context is limited or non-existent (Chigunta, 2002; Chigunta et al., 2005; Schoof, 2006). While entrepreneurship may not be the total solution to youth unemployment, it is an innovative strategy that can personally and professionally develop vibrant individuals and raise the entrepreneurial potential of young people (Farley, 2000; 235). Micro-enterprise development is deemed to be a holistic approach to poverty alleviation, curbing unemployment and economic development. Typically micro-enterprises are sole proprietors or partnerships with at most five employees.

1.5 IMPORTANCE / BENEFITS OF THE STUDY

Overall, research in the field of micro-finance and entrepreneurship in Zimbabwe has been on the generic trends and behaviours of all participants, without particular emphasis on the demographic group called youth. Furthermore, there have been material changes in the Zimbabwean micro-finance playing field as large youth-specific funds have arisen from on-going indigenisation transactions and there is a glaring need to assess how beneficiaries of these have performed and if the products designed are optimal for youths. This particular study will also provide stakeholders in youth economic development with insights into the unique challenges faced by their clients in starting and growing small businesses, and the extent or impact of micro-finance in solving them. The results will assist in identifying areas of focus for additional support to youth-run enterprises, alongside traditional micro-finance, in order to improve the chances of business success and sustainability. The study will highlight innovations required to provide effective micro-finance products for youth entrepreneurs.

1.6 RESEARCH DESIGN AND METHODOLOGY

Both primary and secondary data were used in this study. The approach taken to answer the research questions utilised both qualitative and quantitative methods for the primary research. This was within the context of a preceding literature review for secondary research in order to develop an informed hypothesis. Although the results were largely qualitative, triangulation research design combining both qualitative and quantitative research methods was used. According to Cooper and Schindler (2006), qualitative and quantitative studies can be conducted simultaneously, which is referred to as triangulation. Data collection took place mainly through survey research, which Wheather and Cook (2000) stated encompassed measurement procedures that involve asking questions to respondents. The type of survey used was semi-structured (in-depth) interviews, due to their flexibility. This type of interview lies between structured interviews with a set of predetermined questions and unstructured interviews, which are essentially “guided conversations”. In this context, the questions were on the personal details of the participants, their location and their sector enterprises. Interviews are an effective method for collecting data because predetermined questions ensure that the information gained is relevant, yet the flexibility to deviate from the set questions allows additional insights. The questions sought to establish specific information, namely whether or not the project achieved its objectives of poverty alleviation, employment creation and small business support through access to start-up and/or expansion capital. Other questions included when the recipients started their businesses, how long it took recipients to access information on the fund, the length of application cycle through to disbursement, and the amount received for the particular project sector.

Particular attention was paid to what difference the micro-finance projects made to the productivity of youth run enterprises through indicators such as capacity utilisation, employment created, turnover and profitability, as well as increase in stock levels. The interview also solicited input from participants on what they and their community benefited from the projects and what could be done differently in the future (Paloma Foundation and Wellesley Institute, 2010, 70-71). Perceptual responses were captured in a five-point Likert scale. Two-stage cluster sampling alongside a simple random technique was used for the selection of 145 interviewees in various sectors across the province, from the total of 228 recipients of the fund in Northern Central Harare District as at 14 June 2013. Additional essential data was obtained from the fund managers from both the disbursing bank and the Government of Zimbabwe to ascertain the extent of uptake disaggregated by provinces, sectors, and gender in the quantitative research, as well as defaults, and this data was analysed using descriptive statistics. Further statistical techniques such as frequencies, percentages and cross-tabulation were used to present the data, demonstrating the above stated objectives.

1.7 CHAPTER OUTLINE

The research report will be presented in six chapters.

Chapter 1 considers the purpose and relevance of the research problem, while providing the background and context for the research on youth economic empowerment and the perceived contribution of micro-finance. Chapter 2 provides a literature review defining micro-finance in the broad context and discussing youth entrepreneurship as well as micro-enterprises. Chapter 3 summarises the development of micro-finance in Zimbabwe. Chapter 4 outlines the specific methodology employed in the study including research design and participants, and procedures for data gathering, measurement instruments, and data analysis. Chapter 5 provides a discussion of the findings in relation to previous research. Chapter 6 discusses a summary of the findings, and includes a conclusion as well as the limitations of this study. It also offers recommendations for actions to respond to the research problem and for future research.

CHAPTER 2
LITERATURE REVIEW

2.1 INTRODUCTION

Although the literature covers a wide variety of propositions, this review zeroes in on micro-credit products and their contribution to youth entrepreneurship. There is not much literature relating to youth entrepreneurship and even less material on youth funds globally. This chapter examines some concepts from the available literature on micro-finance as it relates to youth entrepreneurship and micro-enterprises. Given the immense challenges the youth face getting a job, youth employment has received growing attention on development agendas after having been largely neglected in national development strategies in the past. The International Labor Organization (ILO) defines the unemployed as numbers of the economically active population who are without work but are available for and seeking work, including people who have lost their jobs and those who have voluntarily left work (World Bank, 1998).

According to Fajana (2000), unemployment refers to a situation where people who are willing and capable of working are unable to find suitable paid employment. It is one of the macro-economic problems which every responsible government is expected to monitor and regulate. A way to reduce underemployment is to encourage entrepreneurship; a driving force for initiating business ideas, mobilising human, financial and physical resources, and establishing and expanding enterprises. Evans and Leighton (1990) found that unemployment is positively associated with a greater inclination to start a new business. Fostering entrepreneurship is widely perceived to be a critical policy agenda to expand employment and earning opportunities and to reduce poverty, as creating opportunities for steady employment at reasonable wages is the best way to take people out of poverty.

Evidence shows that when jobs are scarce, it is young people who are generally more likely to be unemployed. There is a growing recognition among governments and international bi- and multi-lateral organisations that as jobs become scarce, youth entrepreneurship becomes an important strategy for integrating youth into labour markets, thereby addressing unemployment challenges. Many other studies have established that high unemployment serves as a catalyst for start-up activity (Reynolds, Miller and Makai, 1995; Reynolds, Storey and Westhead, 1994). Most projects youths start-up begin as micro-enterprises, many of which are funded through micro-finance. The following review of literature demonstrates the theoretical links between micro-finance and micro-enterprises.

2.2 MICRO-FINANCE LINK TO MICRO-ENTERPRISE DEVELOPMENT

The UNDP (2001) has identified micro-finance as an effective tool in alleviating poverty as it empowers financially disadvantaged people. According to Morduch et al. (2003) and Alegiemo and Attah (2005), micro-finance is the financial empowerment of the economically active poor through the provision of micro-credit as well as other productive assets, which enhance the latent capacity of the poor for entrepreneurship, enabling them to engage in economic activities, be self-reliant and also enhance their household income as well as create wealth. While some authors see the concepts of micro-finance and micro-credit as the same in terms of definition, others believe that micro-finance is an extension of micro-credit. Osuji (2005) posited that micro-finance is an extension of micro-credit services, which include savings services to the low-income but economically active poor. In lieu of this definition, the Canadian International Development Agency's (2005) description of the concept as the provision of small loans for micro-enterprise, agriculture, education and consumption purposes seems incomplete.

A review of micro-finance literature has shown disparity in the perceptions of scholars on the subject of the contribution of micro-finance to enterprise development. While some describe micro-finance as an instrument that empowers the poor others negate this opinion, saying that micro-finance is a social liability. Conservatives view micro-finance as consuming scarce resources without significantly effecting long-term outcomes. Critics argue that the small enterprises supported by micro-credit programmes have limited potential to grow and so have no sustained impact on the poor. They contend that these "micro-finance programs rather make the poor economically dependent on the program itself" (Bouman and Hospes, 1994). Hence, even if the programmes are able to reach the poor, they may not be cost-effective and worth supporting as a resource transfer mechanism. According to Zeller and Meyer (2002), the excitement about the use of micro-finance to empower low income people is not backed up with sound facts. Most micro-finance providers are unwilling to evaluate the appropriateness and effectiveness of schemes because this is perceived to be rigorous and expensive. Where micro-finance thrives, the masses are empowered financially to utilise their human resource capacity, therefore the requirement of this study was to validate the proposition that micro-finance is an effective mechanism for strengthening the economically active low income youth. According to Rutherford (2000), access to savings and credit facilities is very important as it enables the poor to create, own and accumulate assets and smooth consumption expenditure. Also in line with this, the United Nations Capital Development Fund suggested that one of the principles needed for poverty reduction efforts to have a long lasting impact is to develop a financial system which includes micro-finance so that poor and low-income people can have access to sustainable financial services. This implies that micro-finance involves the provision of credit and savings as well as other financial services to low income groups and poor households, to create or expand their economic activities and improve their standard of living.

At the World Summit at the United Nations in September 2005, Heads of State and Government recognised the need for access to financial services, in particular for the poor, including through micro-finance and micro-credit. The Monterrey Consensus that Heads of State and Government adopted at the International Conference on Financing for Development in 2002 explicitly recognised that micro-finance and credit for micro-small and medium enterprises, as well as national savings schemes, are important for enhancing the social and economic impact of the financial sector. They further recommended that development banks, commercial banks and other financial institutions, whether independently or in cooperation, can be effective instruments for facilitating access to finance, including equity financing, for such enterprises. An important feature of these loans is the fact that they usually depend on trust and require no collateral security, no credit history, no regular income, no business experience and not even a bank account. Typically, micro-finance clients are often self-employed, household-based entrepreneurs operating in a wide range of micro-enterprises including small retail shops, street vending, informal manufacturing, and service provision. In rural areas, activities often include food processing, trade and agriculture related activities (Imran et al., 2002, p. 8).

This outlines the notion that micro-finance has a significant impact on poverty reduction. Micro-credit helps micro-enterprises enhance human development by providing the initial investment that micro-enterprises require (Hulme and Mosley, 1996; 34), enabling them to supply more secure livelihoods and facilitate participation in a community's economic activities. In some countries where a programme has been implemented, micro-finance has successfully opened economic opportunities, improving the socio-economic conditions of the poor. Examples of such countries with success stories include Bangladesh, Pakistan, Philippines, India and Uganda.

Analysing the impact of micro-finance can be approached through the assessment of socio-economic indicators relevant to the prime target – micro-enterprises. The large number of these enterprises suggests that they are central to economic growth and poverty alleviation. It is generally believed that micro-finance programmes will raise incomes and broaden financial markets by principally providing credit, among other services, to small scale entrepreneurs (Aghion and Morduch, 2000, p. 402), and they provide job opportunities to a large number of people. The provision of micro-finance services enhances the use of an appropriate mode of production for goods and services. As such, a financing arrangement which is responsive to the funding of such a vital sub-sector in the economy is crucial to sustainable development. This is evident in some economies where micro-finance has been successfully developed. Over the years, micro-finance institutions have delivered huge amounts of money through an array of responsive micro-finance products and enterprise development services.

2.3 MICRO-FINANCE CONTRIBUTION TO MICRO-ENTERPRISE PRODUCTIVITY

Different studies have produced mixed results on the contribution and effectiveness of micro-finance in micro-enterprise productivity. Field data analysed from research in Bangladesh by Alam and Molla (2012) revealed that micro-credit operates through a stereotyped delivery system, meant to promote and serve survival and subsistent economic activities. As a result, it suffers from methodological limitations in promoting and serving the potential micro-enterprises, which are beyond subsistence-level activities. Their findings are that credit packages, i.e. loan size, loan disbursement, and repayment schedules, are homogeneous and inflexible, hence negatively impacting micro-enterprise success.

They hypothesised that because of its success and international respect there is a growing expectation and a rising social demand for micro-credit to be used for promoting and serving micro-enterprises that are growth-generating small businesses and industrial operations (Alam and Molla, 2012). However, micro-enterprises require a tailor-made package of financial and credit services different from those for subsistent economic operations and without existing stereotype delivery in order to ensure productivity.

Studies of micro-loan impacts on clients' businesses by Vogelgesang (2001) in Bolivia analysing contribution to productivity and growth, found positive impact of prior loans on productivity which increased with business size. His examination of the growth perspective showed that contrary to the goal of scaling up the micro-enterprises, initial loans taken by small businesses were often used for consumption rather than investment. In this event, neither assets nor income increased.

Second round loans, however, seemed to yield better growth of assets. Further studies on the impact of micro-loans in Bolivia and Zambia by Mosley (2001) and Copestake, Bhalotra and Johnson (2001) respectively, found a positive impact of loans on clients' economic situations, with Mosley finding evidence for poor clients benefiting less due to their preference for low risk and low return investments.

Most studies suggest that micro-credit is beneficial but only to a limited extent. They suggest that the problem lies not with micro-credit, but rather with micro-enterprises. With few skills, little capital and no scale economies, these businesses have low productivity and lead to meagre earnings that cannot lift their owners out of poverty (Karnani, 2007). Littlefield, Morduch and Hashemi (CGAP, 2003, p. 1) argued that micro-finance, and the impact it has, goes beyond just business loans. The poor use financial services not only for business investment in their micro-enterprises but also to invest in health and education, to manage household emergencies and to meet a wide variety of other cash needs that they might encounter. Furthermore, since many micro-finance programmes have targeted women (who are the poorest of the poor) as clients, they have not only helped empower women who appear more responsible and show a better repayment performance, but also show that women are more likely to invest increased income in the household and family well being (Littlefield, Morduch and Hashemi, 2003).

Micro-finance therefore acts not only as an economic stimulator for small enterprises but also has far reaching social impacts. Micro-credit is not without its critics, however. One downside is when some clients pretend to be interested in running income generating projects just to get a loan so they can finance a wide range of household cash management needs, including stabilising consumption and spreading out large, cash needs such as education fees, medical expenses, or lifecycle events such as weddings and funerals (Hulme, 2000). As micro-credit schemes have progressed, it has become evident that much micro-credit is actually used to smooth consumption rather than to invest in a micro-enterprise (Hulme and Arun, 2011; Dichter, 2007).

The demand for micro-finance services in Zimbabwe is closely connected to high levels of unemployment, poverty and vulnerability; the surge in informal sector activities; and the increasing significance of micro and small enterprise (MSE) income in households (Pearson & Hungwe, 1997; Klinkhamer, 2009). However, credit alone cannot serve the youth and take them out of poverty. As Parker and Pearce (2001) have noted, it is only one of many elements on a menu of possible interventions to generate income and possibly alleviate poverty. In the case of Africa in particular, Kiiru (2007) asserted that there are more important constraints that face the clients of micro-finance, such as individual product prices, land tenure, technology, and market access. Rogaly (1996) stated that the idea of attempting to reduce poverty in developing countries through the provision of loans by specialised financial institutions to micro-enterprises, urban and rural, has in recent years generated enthusiasm bordering on hysteria. Financial services are envisaged to alleviate poverty by the provision of income-generating loans. According to Dr. Yunus, the founder of the Grameen Bank, a virtuous circle can be established: low income, credit, investment, more income, more credit, more investment, more income ....and so on. The fascination with the new approach derives from the assumption that micro-enterprise finance is a solution that can meet the goal of poverty reduction and pass the test of sustainability at the same time.

Some have even alleged that this “new world of micro-enterprise finance” has the “potential to do in finance what the green revolution has done in agriculture - provide access on a massive basis” (Otero and Rhyne, 1994: 1). Many other evaluation studies show that access to small loans by micro-enterprise owners measurably improves their household incomes. It also shows that the loans have assisted them to survive and stabilise their businesses. Access to loan finance is a critical factor in enabling business growth. In most cases, business growth is modest and reaches a plateau after two or three loans. Micro-finance is suitable for business stabilisation and for small scale growth but less suitable for serious business growth. This partly depends on the flexibility of the lender, but there are some cases where rapid expansion has been achieved using small MFI loans.

Different types of support for micro-enterprise development are required (Bango et al., 1999). Minimalist micro-finance may be sufficient for a base level of assistance for very small informal businesses, where it is clear that it has a certain level of impact on a group who are in general neither the poorest people nor the most dynamic small businesses. Growth-oriented businesses require access to a wider range of support measures including training, information, lobbying, technological assistance, specialist consultancy, innovative finance, marketing support, networking etc. MFIs are probably not the right organisations to provide non-financial services to their borrowers as this will confuse their role and stretch their capacity too far in the wrong direction.

2.4 CONCLUSION

In summary, the available literature clearly reflects that micro-finance is a possible solution to the issue of lack of capital, but it does not eradicate all the other challenges micro-enterprises and indeed youth-run enterprises may face, therefore it can work well alongside other support initiatives. Other institutions, although working in tandem with the MFIs to ensure biggest impact, best offer these. Young people themselves cite other challenges above access to finance, so any micro-credit product offering for them must take account of those challenges if their micro-enterprises are to thrive. In addition, the literature is inconclusive on the impact of micro-finance on micro-enterprise productivity, with indicators such as turnover, staffing and profit improving in some but not all instances, especially for the first tranche of advances. These indicators tend to improve after prior loans hence the belief that this has much to do with the experience of the enterprise owner, as well as the sturdier state of the business. As there is limited material on the impact of micro-finance on micro-enterprises, this study will add to the body of knowledge with particular reference to Zimbabwe.

CHAPTER 3

AN OVERVIEW OF THE MICRO-FINANCE AND MICRO-ENTERPRISE SECTOR IN ZMBABWE

3.1 INTRODUCTION - ZIMBABWE'S MICRO-FINANCE MARKET

According to the Zimbabwe Association of Micro-Finance Institutions (ZAMFI), micro-finance is a relatively new industry in Zimbabwe. It began to emerge in the early 1990s but started to grow exponentially in the early 2000s, with the advent of factors that led to the rapid informalisation of the economy. With unemployment officially acknowledged at levels exceeding 80%, the informal sector has taken root in Zimbabwe. Regrettably, informal operators are unable to access funding from traditional capital providers because they lack collateral and they find the modus operandi of traditional banks too demanding and intimidating. Recent studies indicated that demand for micro-finance is too large and growing rapidly in tandem with the growth of informal operators countrywide. It must be noted that this sector has become the main source of survival for the majority of the population and is largely responsible for the absence of the usual strife that characterises other nations, yet to date there has been no direct fiscal allocation to this key sector. The recently passed Micro-finance Act may prompt greater investment into the sector (Chitambo, 2013), especially in view of the fact that SMEs in Zimbabwe employ the majority of the working population and have the potential to transform the economy (Robertson, 2013).

In Zimbabwe the definition of micro-finance was compelled to recognise the reality posed by a dichotomous approach to the granting of micro-loans in relation to the purpose of the loans vis-a-vis production and consumption. A large contingent of money lending institutions (MLIs) grew substantially in response to the high and growing demand for consumer loans during the early 2000s by employed persons, who were finding it difficult to survive on their basic salaries and wages. This was in an environment where micro-finance - as proffered by micro-finance institutions (MFIs), was generally more accepted as funding for micro projects/ businesses. Most development partners and NGOs were strongly opposed to this development, as they believed that consumption loans encouraged non-essential spending and actually created perpetual debt traps for unsuspecting borrowers. The truth of the matter, however, was that both MFIs and moneylenders were offering loans for production and consumption. Unfortunately there has been no attempt to commission a study aimed at ascertaining the end use of all borrowed funds by both MFIs and MLIs. Ernst and Young, in their National Survey on Micro-finance and Proposed Legal and Regulatory Framework (2005), recommended that Zimbabwe's definition of micro-finance recognise the above unique situation. Zimbabwe's National Micro-Finance Policy, announced in April 2008, was developed through collaborative work by a National Task Force on micro-finance, whose membership comprised Government Ministries, apex organisations of MFI and MLI, academia, MFIs' development partners and the Central Bank.

The policy defines micro-finance as the provision of a range of financial services, including savings, small loans, insurance and money transfer services to marginalised members of the population and SMEs that do not have access to finance from formal financial institutions. Ledgerwood (1998), in her hand book for micro-finance, stated that micro-finance has evolved as an economic development approach intended to benefit low income women and men. The term micro-finance might also refer to the provision of financial services to low income clients, including the self-employed. Such financial services generally include savings and credit, however some micro-finance organisations also provide insurance and payment services. In addition to financial services, many MFIs also provide social intermediation services such as group formation, development of self-confidence and training in (basic) financial literacy and management capabilities among members of a group. Thus the definition of micro-finance includes both financial and social intermediation.

Micro-finance in Zimbabwe has undergone significant transformation during the current decade. The rapid deterioration of the Zimbabwean economy since 1999 led to the unprecedented growth of the informal sector and sector activities as already alluded to in the foregoing paragraph. Areas that were assigned for informal sector operations in many urban areas, peri urban areas, growth points, and business and service centres grew multi-fold in order to accommodate the ever-growing number of entrants into the sector. Activities at growth points and service centres in rural areas became varied in response to the need by unemployed economically active persons to eke out a living. In response to the inability by traditional financial service providers to enable the informal sector to access capital, micro-finance emerged strongly as the most effective vehicle to provide access to capital for members of the informal sector. Demand for micro-loans kept growing in leaps and bounds during the decade, yet there was no corresponding increase in the availability of funding.

By the end of 2003 the Zimbabwean economy had taken a real battering, with inflation in three digits and several banks having compulsorily closed down. The Reserve Bank of Zimbabwe (RBZ) took over the licensing of MFIs with the intention of fostering normalcy in the financial services sector in December 2003. After drawing up a fifteen-point dossier of requirements for the registration of both MFIs and MLIs, which included competent board members and at least two key board committees, viz audit and credit committees, the number of licensed operators plummeted from over 1,600 to just 200 by the beginning of 2004. Since then numbers of licensed and operating MFIs and MLIs have continued to decline as shown by the figure below.

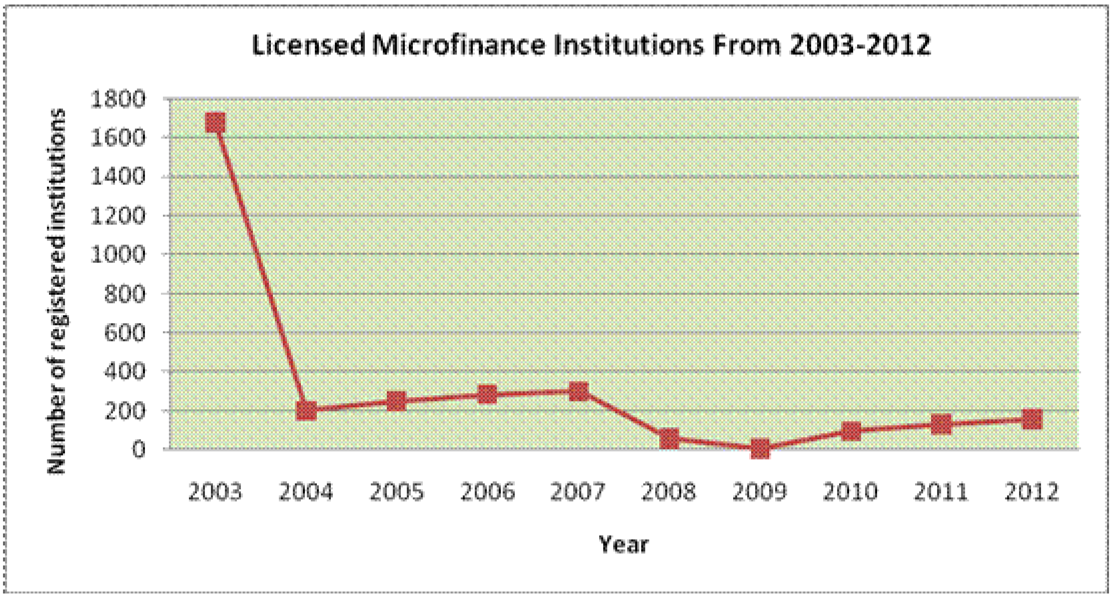


Figure 1: Licensed Micro-finance Institutions 2003-2012

Source: ZAMFI http://zamfi.org/mfizim.html

From 2004 onwards the number of operators has not exceeded 200. The Reserve Bank of Zimbabwe has issued licences to about 150 micro-finance institutions (MFIs), and has presently reduced turnaround time for these to just a week, provided all documentation is available. These are capitalised to the extent of US$5,000 and have been popular because of the lower start-up costs as well the lucrative opportunity to lend in Zimbabwe, where liquidity is a problem even for commercial banks and lending rates are high. Typical clients are individuals and more importantly small, medium and micro-enterprises, which often cannot qualify for an account, let alone a loan in mainstream banking.

The landscape of micro-finance in Zimbabwe within the context of the entire banking sector is reflected in the diagram below. It demonstrates the larger number of micro-finance institutions than other financial institutions in the country, all of which are credit institutions.

Table 1: Architecture of Zimbabwe's Banking Sector

Type of Institution	Number
Commercial Banks	16
Building Societies	3
Merchant Banks	2
Savings Banks	1
Total Banking Institutions	**22**
Assets Management Companies	16
Microfinance Institutions	150

Source: Reserve Bank of Zimbabwe Monetary Policy at January 2013

According to the Finscope (2011) report on Zimbabwe, micro-finance institutions are organisations that provide micro-finance services to low-income clients or solidarity lending groups, including consumers and the self-employed, who traditionally lack access to banking and related services. MFIs range from small non-profit organisations to departments of large commercial banks. The micro-finance sector in Zimbabwe has seen many challenges, which include a reduction in the number of donors and a generally unfavourable macroeconomic environment. Zimbabwe is home to a population of approximately 12,9 million, of which the majority (65%) live in rural areas (Zimstats, 2013). The country witnessed an increase in activity by micro-finance players as a reaction to the steady decline in the country's economic fortunes since 1997. This is because micro-finance tends to thrive in developing countries where there is an increase in unemployment and poverty.

As people seek to engage in informal sector activities to survive, there is a growing demand for small loans for business, education, low-income housing, agricultural inputs, micro-leasing and micro-insurance. Despite this high demand and the initial surge in micro-finance service providers, the supply has been drying up since 2004 and more so since 2007, with the closure of many providers and the complete halting of operations of most others. The economic meltdown hit Zimbabwe hard, and at the end of 2008 only a handful of financial institutions were lending. Moreover, financial institutions in Zimbabwe, particularly the ones operating in lower-income markets, faced a situation where their loan books were completely wiped out and, with limited other current assets and a small fixed asset base, balance sheets had to be built up from scratch.

As finance is the engine of growth and micro-finance is an integral part of the development process at the grassroots level, one can see how critical access to finance is, especially for young entrepreneurs. The unprecedented economic decline in Zimbabwe from 2000 onwards witnessed the emergence and growth of the informal sector in leaps and bounds, to the extent that it now controls a sizeable chunk of the national economy, yet most of it does not channel proceeds through the banks. A significant portion of that small to medium enterprise space is occupied by the youth, who constitute more than half of the nation's population and have been pushed to entrepreneurship by necessity due to high unemployment rates.

The most commonly known financial service for low-income households in Zimbabwe is micro-credit, which refers to small loans that are accessible to people who have traditionally been excluded from formal financial services. Micro-credit does not refer to a specific methodology, but rather the provision of credit services to low-income people. This may range from group and individual business loans to consumption loans for low income employed populations. Micro-credit clients typically have limited collateral, thus its techniques depend on alternative guarantees such as social collateral or movable assets. The National Micro-Finance Survey and Proposed Legal and Regulatory Framework commissioned by the Reserve Bank of Zimbabwe (RBZ) in 2005 found high demand for business, education, food and shelter loans. It did not cover demand for inputs, although that is another type of credit that is in high demand.

3.2 MICRO-ENTERPRISE DEVELOPMENT AND YOUTH FUNDS BACKGROUND

During the first 10 years following independence in 1980 the policy environment confronting the SME sector in Zimbabwe was highly restrictive. Although the government attempted to address some of the institutional concerns through the establishment of the Small Enterprise Development Corporation (SEDCO), the Venture Capital Company of Zimbabwe (VCCZ) and the Credit Guarantee Company of Zimbabwe (CGCZ), most of these efforts did not address the basic constraints facing the sector. With the advent of the structural adjustment programme in 1991, there was a significant change in the government's attitude towards the private sector. Government began to promote SMEs for at least three reasons:

1. As a means to create more employment and income earning opportunities for the poor and thereby help contribute to a redistribution of income;
2. In order to achieve economic independence by engaging local entrepreneurs in industrialisation; and
3. In order to promote the economic and industrial development of rural areas and small towns.

Matshalaga (1998) argued that when government launched the Economic Structural Adjustment Programme (ESAP) in 1991 it introduced policies that were meant to increase investment in the country. It nevertheless placed more emphasis on the promotion of the SME sector. Government's support for the SME sector has been seen in various policy documents, i.e. the Second Five Year National Development Plan (1991 - 1995) and the Framework for Economic Reform (1991 - 1995). The major policy statement of ESAP was to improve the status of SMEs, as it clearly stated that "the informal and the small to medium scale formal business sectors of the economy together have the potential to make a major contribution to wealth and to employment creation" (Government of Zimbabwe, 1991-1995) . The Economic Reform policy document explicitly recognised SMEs and the removal of barriers to development as a lay product and stimulus to improve economic efficiency. ESAP, like most Structural Adjustment Programmes (SAPs), had four main packages:

(i) Economic deregulation;
(ii) Trade liberalisation;
(iii) Macro-economic policies, and
(iv) Social dimensions.

The first three policies affected the development of SMEs positively and negatively; although the above measures were supposed to benefit the SME sector, it was realised that some actually worked against SME development. These measures reduced domestic demand as most people were retrenched from the government. Domestic income was eroded by the retrenchments and this imposed a demand side constraint on the development of SMEs.

The fall in real incomes decreased the demand for SME products. The government established many institutions to help with financial and institutional support for SMEs, i.e. the Zimbabwe Development Bank (ZDB), VCCZ, CGCZ and SEDCO, to offer financial services to SMEs (Matshalaga, 1998). In the 1992/3 fiscal year, as part of the social dimension of ESAP, government provided an extra Z$100m to the SDF which is disbursed through commercial banks, SEDCO and finance houses (Masuko, 1998). Masuko argued that various SMEs' institutional support and co-ordination arrangements emerged in the late 1980s and early 1990s as part of the indigenisation lobby. By 1989 a group of black entrepreneurs and business pressure groups had evolved. The pressure groups formalised themselves to form the Indigenous Business Development Centre (IBDC), the Indigenous Business Women's Organisation (IBWO), Women in Business (WIB), the Rural Traders Association (RTA) and the Zimbabwe Women Finance Trust (ZWFT). Older business lobbying organisations such as the Confederation of Zimbabwe Industries (CZI) and the Employment Confederation of Zimbabwe (EMCOZ) established special SME programmes after 1990. The CZI launched the Small Enterprise Promotion Unit (SEPU) to help SMEs realise their dream. The Zimbabwe National Chamber of Commerce (ZNCC) also launched their Small Business Support Unit (SBSU) to give financial and institutional support to SMEs. Although a number of institutions have been set up to assist SMEs, the criteria used for the selection of beneficiaries, such as collateral security, left out many deserving cases (ILO, 1985). The beneficiaries were also supposed to draft project proposals which excluded illiterate entrepreneurs. The mere location of the financial institutions in the major cities, with no branches in small urban centres, shows that the institutions could not serve the interests of all SMEs (Matshalaga, 1998). This brought the challenge of access to finance to the fore.

SMEs in Zimbabwe are highly diverse, operate in various market conditions, and vary in scale and operations. Bango (1990) argued that SMEs employ varied means of production, ranging from quasi-cottage systems to automated assembly line systems. SMEs also engage in different manufacturing activities, including carpentry, textiles, tinsmithing, basketry, shoemaking, panel beating, and brick moulding (Ministry of Industry and Trade, 1999; Ministry of Industry and Trade, 1998; Bango, 1990; Chiwera, 1990). The range includes growing profit-making enterprises as well as poorly managed establishments lacking financial and managerial resources (Tevera, 1998). McPherson (1991) estimated that 70% of SMEs in Zimbabwe are in manufacturing, 23% in trading and 7% in service sectors. Sunita and Mead (2002) showed that SME manufacturing is growing in Zimbabwe, and that 700 000 school leavers enter the labour market each year competing for at most 40 000 formal jobs. Those who are not employed in the formal sector eventually join the informal sector. Approximately four million people are in informal employment which shows the importance of SMEs in the Zimbabwean economy (Sunita and Mead, 2002).

Many studies have been conducted on small-scale enterprises in the country (Matshalaga, 1998; Tevera, 1994; 1998; Helmsing, 1986; 1987; Rasmussen, 1985). According to Rasmussen (1992), SMEs in Zimbabwe are handicapped because they compete against established large-scale enterprises that enjoy all the benefits of a protected sector. The studies on SMEs have produced interesting results, but they have been confined to large and intermediate urban centres; they have not been able to capture the situation in the small urban centres and rural areas (Matshalaga, 1998). The SME sector in Zimbabwe, unlike in other African economies, is dominated by manufacturing. In most African economies it has been noted that the retail sector dominates. In studies carried out in Nigeria, Ghana and Tanzania (Helmsing et al., 1993; Osei et al., 1993), SMEs tend to dominate the retail and services sectors. The importance of the SMEs has unfortunately not been backed by requisite resourcing, namely credit for both capital expenditure and working capital. In his 2007 paper, Rusakaniko observed that in Zimbabwe, micro, small and medium scale enterprises were increasingly playing strategic roles in national development. Most commercial banks responded to that observation as well as the moral suasion to participate in inclusive banking by opening SME departments as well as dedicated divisions for micro-finance.

The observation that many Zimbabweans have little access to credit and finance was one of the contributing factors to the Government of Zimbabwe's drive to enable such access, especially for young people. Financial institutions cannot ignore a large market like the youth for they are the future clients, and competition became more fierce after dollarisation in Zimbabwe. A United Nations report (2006) on inclusive financial services lends credence to this, referring to youth being on the other side of the spectrum… "Who have little experience in business and no credit record. Such young people are effectively blocked from borrowing. Youth are not seen as good prospects for classic group guarantee lending methodologies. Their most likely guarantor is a family member who already participates in a group credit arrangement. Youth may also be effectively prevented from opening savings accounts in financial institutions because of legal age limitations or limited income to save. Another factor is low financial literacy, from which comes low interest in such services. Many financial institutions with a social mandate, credit unions, and private commercial banks that have far-sighted view of their customer base, consider this a problem they should address." This gave rise to three of the presently available youth funds tabled and described below.

Table 2: Summary of Dedicated Funding Available for Youth in Zimbabwe

FUND	AMOUNT	SOURCE	DISBURSING BANK(S)	LOAN AMOUNTS	INTEREST	TENURE
Youth Development Fund	$2,000,000	Fiscus Allocation	CBZ IDBZ ZABG	Up to$2,000	10% p.a. Unsecured	6 Months – 2 months grace
Kurera-Ukondla Fund	$10,000,000	Old Mutual Indigenization Transaction	CABS	$500-$5,000	10% p.a. Unsecured	Up to 36 months, 3 months grace
Wealth Creation Fund	$20,000,000	Stanbic Bank Indigenization Transaction	STANBIC	$5,000-$20,000	14% p.a. Secured	Up to 36 months, 3 months grace

Source: Author (2013)

3.2.1 Youth Development Fund

With the realisation that funds are critical to create opportunities and reduce poverty among the youth, the Government of Zimbabwe, through the Ministry of Youth Development, Indigenisation and Economic Empowerment, in 2009 led in setting up the Youth Development Fund. It was administered through Youth Empowerment Facilities managed by CBZ Bank and the Infrastructure Development Bank of Zimbabwe. The fund has had a total capital injection of US$2,1 million to date from the fiscus, which is inadequate when measured against the current demand for project financing applied for by the youth. The funds are distributed in batches of a minimum of US$1,000 up to a maximum of US$5,000, depending on the size and type of project. The Youth Empowerment Facility provides funds in the form of capital expenditure loans, project finance, and working capital finance, including short-term loans, debt factoring, order finance, invoice discounting and guarantees. The funds are essentially bank loans at an interest rate of 10% per annum unsecured, and are repaid as per a loan disbursement agreement. Although projects from any sector can benefit from the fund, the priority is on projects that focus on value addition.

3.2.2 Wealth Creation Fund

Stanbic Bank set up a revolving fund to the tune of USD$20 million under the Stanbic Wealth Creation Fund. The facility is meant to capacitate and sustain the development of income generating enterprises initiated by Zimbabwean youths, who already run or are at an advanced stage of setting up their own full time businesses. The objectives of the facility are:

- to improve access to finance by SMEs,
- to facilitate the creation of employment for the youth,
- to increase income generation among the youth,
- to promote skills utilisation, and
- to assist the economy's growth through capacitating targeted sectors of the economy.

Funds are disbursed at a minimum of $5,000 up to $20,000 with an interest of 14% per annum, and are secured by immovable assets.

3.2.3 Kurera-Ukondla Youth Fund

The Kurera–Ukondla (KU) Youth Fund was established on 16 November 2011 as part of Old Mutual's indigenisation agreement with the Government of Zimbabwe. An amount of 2.5% of the transaction, worth US$10 million, was allocated to the Youth of Zimbabwe to be disbursed through CABS in an effort to improve levels of unemployment among young people and act as a stimulus to economic growth in the country. In addition to the US$10 million allocation, a further investment of $1 million was made available for capacity building and skills development by the Old Mutual Foundation in Zimbabwe. The KU Youth Fund is meant to achieve the following:

- Fund youth businesses and income-generating projects.
- Enable youths to participate in the mainstream economy and contribute to economic growth and development.
- Create employment for the young people of Zimbabwe.
- Assist social and economic development in communities through reducing idleness and promoting productivity and a sense of worth among youth.

Young people may apply for loans at 10% per annum interest with no security required. The loan amounts may range from $500 through to $5,000. This fund is the focus of this research study. The salient statistics for the fund to date indicate that at the time of writing about half the Kurera-Ukondla Youth Fund – approximately $5,000,000 - had been approved for young people in all ten provinces undertaking a range of projects in agriculture, mining, manufacturing, services and services. As the first round of capacity building catering for under the $1,000,000 budget had been completed, it was thus deemed an opportune time to review the fund's performance and possibly derive learning points for utilisation of other tranches of money in the same fund, as well as similar youth funds which will be established in the future. The next chapter outlines the research methodology utilised in evaluation of the Kurera-Ukondla Youth Fund as per the set objectives.

3.3 CONCLUSION

This chapter has articulated the development and context of micro-finance and micro-enterprise in Zimbabwe. It has also reflected the convergence of the two, as much micro-finance demand is by micro-enterprise owners. In this research, these are the youth tapping into the Kurera-Ukondla Micro-Finance Project.

CHAPTER 4
RESEARCH METHODOLOGY

4.1 INTRODUCTION

This chapter will describe the methodology used to achieve the objectives stated in Chapter 1.3. The prior literature review gave context to the phenomenon of micro-finance as an enabler of micro-enterprises and the specific participation of youth entrepreneurs in micro-enterprises. The most recent chapter offered an overview of the micro-finance and micro-enterprise sectors in Zimbabwe and how developments in both coincided to give rise to greater investment in micro-finance for micro-enterprise. This chapter therefore intends to narrow down to the Kurera-Ukondla Youth Fund micro-finance project, ascertaining the level and depth of uptake by youth enterprises to date. It will describe the process utilised to determine if the Kurera-Ukondla Youth Fund micro-finance project has resulted in an increase in youth enterprises, and if it has resulted in an increase in productivity of beneficiary youth enterprises. This section thus outlines the techniques that were employed to obtain relevant data for each objective. The chapter will commence by considering the suitability of the selected province as an indicative case study in achieving the research objectives. It will also discuss the data collection process, with particular attention given to the population in question, the sample, the structure of the research and the data collected. Additionally, the chapter will outline the data analysis tools utilised and conclude with a validation of their suitability and reliability.

4.2 SUITABILITY OF HARARE PROVINCE

Harare Province was selected as the case study as the province has the largest population of business owners by distribution at 23% (Finscope MSME Survey Zimbabwe, 2012). Furthermore, initial observations demonstrate that the third largest disbursement of the Kurera-Ukondla Youth Fund at 14 June 2013 was to that province ($734,350), which also houses the capital city of Zimbabwe. More importantly, it was appropriate as the province has the greatest variety/sectoral representation of projects. Due to rural-urban migration, many young Zimbabwean people are present in the capital, seeking economic opportunities ranging from salaried jobs to any other income generating activities. Finally, it was economical for the researcher to investigate Harare Province due to ease of reach.

4.3 DATA COLLECTION

4.3.1 The population

For the purposes of this study, the youth entrepreneurs who were funded in Harare Province in Zimbabwe under the Kurera-Ukondla Youth Fund were considered to be the major population. Zikmund (2003) defined a population as a complete group of entities sharing common characteristics. The total population therefore comprised of 228 units of analysis, being the individually owned micro-enterprises that were funded up to mid-June of 2013 (CABS, 2013). In addition, the other population group comprised the two fund managers of the Kurera-Ukondla Fund from the disbursing bank (CABS) and the relevant government ministry (MYIDE – Empowerment) department. These supplied the data which formed the basis of the quantitative nature of the study, through reports and other printed material.

4.3.2 The sample

The sample size for the youth participants was determined as follows:

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

Where n is the sample size, N is the population and e is the level of precision (Yamane, 1967). At 5% level of precision and N of 228, the resultant sample size was 145, representing 63.6% of the population.

4.3.3 Research Design

The study was by nature an evaluation; an assessment of the outcome and value addition of an intervention (Babbie, 2010) - in this case the availing of micro-credit to micro-enterprises run by youths. It was both summative – judging the effects of youth funding in the province of Harare, Zimbabwe to date, and formative – set up to inform the process of development in micro-finance for youth-run micro-enterprises.

4.3.4 Data Collection and Instruments

The instruments used for data collection were face-to-face and in-depth telephonic interviews conducted using an interview guide (see Appendix 1) developed by this researcher. The researcher personally conducted face-to-face interviews with the CABS and MYDIE fund managers and extracted detailed statistics on the demographics, sector and fund size disaggregation. 145 beneficiaries were selected using the simple random sampling method from the database of youth fund recipients supplied by the disbursing bank. These stood as proxy for Harare Province.

A team of five university student interns in the Zimbabwe Youth Council Economic Development Department were deployed in mid-August 2013 to initially contact the interviewees to schedule an interview appointment and thereafter conduct the telephone interviews, calling an average of 29 people each over the space of one week. Responses were recorded on the same guide (Appendix 1) by way of ticking boxes, populating scales and interview notes for open-ended responses. All 145 responses were collected and the data collated.

4.4 DATA ANALYSIS

Both the primary and secondary data collected fit the qualitative research paradigm to a greater extent and the quantitative research paradigm to a lesser extent, and were therefore triangulated. Data collected in this context were the personal details of the participants, their location and their sector enterprises. The questions sought to establish specific information, namely whether or not the project achieved its objectives of poverty alleviation, employment creation and small business support through access to start-up and/or expansion capital. Other questions included when the recipients started their businesses, how long it took them to access information on the fund, the length of application cycle through to disbursement, the amount received for the particular project sector, and the narratives used to record and arrange results to enable identification of trends. This information, as well as the productivity of the enterprises through indicators such as capacity utilisation, employment created, turnover and profitability, were tabulated and analysed using descriptive statistics. Further statistical techniques such as frequencies, simple graphs, percentage tables and cross tabulations were used to present the data.

4.5 CONCLUSION

This chapter summarised the methods employed to address the research objectives. It underscored the suitability of the selected province then described the data collection and analysis process. The next chapter outlines the actual research findings with a detailed analysis.

CHAPTER 5

DATA ANALYSIS OF THE RESEARCH FINDINGS

5.1 INTRODUCTION

The aim of this chapter is to analyse the results of the interviews carried out with the Kurera-Ukondla Youth Fund managers and the Harare Province Youth Fund beneficiaries. The intent is to outline the findings in-line with the objectives of ascertaining the level and depth of uptake of the Kurera-Ukondla Youth Fund Micro-Finance Project by youth enterprises, as evidenced by data obtained from the fund managers. In addition, the findings will demonstrate if the project resulted in an increase in youth enterprises and an increase in productivity of beneficiary youth enterprises in Harare Province. This chapter also aims to compare the responses obtained from the youth and the fund managers.

Face-to-face interviews were conducted by this researcher with the two fund managers, namely the disbursing bank fund manager and the Ministry of Youth Development, Indigenisation and Economic Empowerment internal fund manager. They furnished details regarding the fund's salient statistics shown below. Telephonic interviews were conducted amongst 145 randomly selected youth in the database of those funded in Harare Province. Of the over 200 numbers available, each of the five researchers called as many as 40 different people and recorded the responses of 29 of them. Some numbers were totally unavailable while others refused to speak about the fund at all. The average response rate was 73%. The sample interview guide is attached as Appendix 1.

The chapter will be structured as follows: a comparison of the fund's vital statistics from inception of reporting in March 2012 to a period of review in March 2013, 12 months later. This will give a reflective picture of the level and depth of uptake over the one year period in question. Next will be a description of the youth beneficiaries' personal details and enterprise backgrounds using percentages and bar charts. The next section will look at the responses obtained on issues concerning the initial start-up capital, loan sizes, and growth of enterprises following capital injection – indicated by sales, profitability and overall enterprise performance. There will also be responses to questions on the youth fund operations. The analysis will end with views and input from the youth fund beneficiaries on how the fund can be improved.

5.2 KURERA-UKONDLA YOUTH FUND STATISTICS (MARCH 2012 TO MARCH 2013)

Below are the Youth Fund statistics complied by CABS, the disbursing bank, from 30 March 2012 (initial statistics) to March 2013.

Table 3: Comparison Overview of Kurera Ukondla Youth Fund at 30 March 2012 / 2013

	2012	2013
Total number of applications declined	**1,680**	**5,134**
Capacity building	**216**	**2,739**
Being processed*	**4,009**	**4,241**
Total number approved	**258**	**3,020**
Total applications received to date	**6,163**	**15,134**
Total amounts approved (USD)	**685,670**	**4,367,070**
Total disbursed (USD)	**262,722**	**2,471,265**
Average loan size (USD)	**2,658**	**1,446**
Loan book balances#	-	**2,596,585**
YTD interest earned#	-	**41,457**
YTD instalments due#	-	**265,244**
YTD instalments received#	-	**55,474**
Total arrears (loan balances)#	-	**607 783**
Non-performing loans#	-	**1,240,160**
Non-performing loans (%)#	-	**47.76%**

Source: Author (2013)

The above table shows the first salient figures that were computed by CABS Building Society, the disbursing bank, after a full quarter of processing loans from the November 2011 launch through to actual pay-outs from January 2012. Over 6,000 applications were handled, with only 258 (a little over 4% of the total applicants) being approved and a further 216 being put into a database list for business and technical skills training called ‘capacity building’. The first average loan size was approximately US$2,600. Next in the table are the set of salient figures that were computed by CABS Building Society a full year from the first formal analysis. Applications handled went up by 45% to 15, 134 as news and media coverage of the fund spread, and as capacity building events in each province were held. The average loan size went down notably to just above US$1,400. Fund managers indicated that this was due to the increased number of Greenfield projects requiring start-up rather than scale-up capital. To some extent this figure could have been managed down as a measure to reduce exposure in the face of an alarming rate of non-performing loans at almost 50%.

Table 4: Comparison of Approvals by Gender

Gender	2012 Count of Loans	2012 Total Loans	2012 Percentage*	2013 Count of Loans	2013 Total Loans	2013 Percentage*
Female	62	155,660	24%	980	1,290,550	32%
Male	182	490,510	71%	1,987	2,967,620	66%
Male and Female	14	39,500	5%	53	108,900	2%
Grand Total	**258**	**685,670**	**100%**	**3,020**	**4,367,070**	**100%**

Source: Author (2013)

Table 5: Comparison of Approvals by Sector

Sector	**2012 Count of Loans**	**2012 Total Loan Amounts (USD)**	**2012 Percentage***	**2013 Count of Loans**	**2013 Total Loan Amounts (USD)**	**2013 Percentage***
Agriculture	64	181,000	25%	1,380	2,262,920	46%
Distribution	71	182,660	28%	725	881,600	24%
Manufacturing	81	212,510	31%	604	766,100	20%
Service	42	109,500	16%	277	384,450	9%
Mining	0	0	0%	34	72,000	1%
Grand Total	**258**	**685,670**	**100%**	**3,020**	**4,367,070**	**100%**

Source: Author (2013)

Tables 4 and 5 above show how from the onset gender was skewed heavily towards male applicants. In sector disaggregation, agriculture and manufacturing - projects which were favoured due to their productive and value adding nature - had combined 56% support from the fund. This was followed by distribution at 28%, a key activity of the youth in Zimbabwe, and lastly the least popular services at 16%. Fund managers claimed services were difficult to fund as their models and benefits for profit were difficult to envisage. After a year gender failed to balance, with only a small improvement for female uptake from 24% to 32%. Sector disaggregation saw agriculture taking the lead at 46%, propped up by preference for productive projects and partnerships with companies like Pedstock, which offered approved and youth friendly agricultural products. The youth themselves demonstrated great interest in poultry, piggery and horticulture in a bid to meet growing demand for local products. This colossal increase in agriculture loans also aligned with the fact that Zimbabwe's economy has historically been agri-based, and more young people have access to land - owned or leased - following the land reform programme from the early 2000s. Mining projects at 1% received the least funding as the nature of the sector is capital intensive, way above this fund's maximum amount of $5,000.

Table 6: Comparison of Approvals by Amount

	2012			2013		
Amount	**Count of Loans**	**Total Loan Amounts (USD)**	**Percentage***	**Count of Loans**	**Total Loan Amounts (USD)**	**Percentage***
1000 to 1499	7	7,000	3%	1,929	1,595,450	64%
1500 to 2499	77	147,700	30%	499	888,500	17%
2500 to 3499	142	397,500	54%	444	1,255,400	15%
3500 to 4999	22	83,470	9%	134	557,720	4%
5000	10	50,000	4%	14	70,000	0%
Grand Total	**258**	**685,670**	**100%**	**3,020**	**4,367,070**	**100%**

Source: Author (2013)

Table 7: Comparison of Approvals by Province

	2012			2013		
Province	**Count of Loans**	**Total Loan Amounts (USD)**	**Percentage***	**Count of Loans**	**Total Loan Amounts (USD)**	**Percentage***
Harare	116	331,000	45%	190	252,600	6%
Bulawayo	14	30,500	5%	385	667,350	13%
Masvingo	2	5,000	1%	420	715,900	14%
Matebeleland North	0	-	0%	401	566,560	13%
Matebeleland South	4	10,000	2%	413	638,400	13%
Mashonaland Central	26	64,300	10%	290	579,310	10%
Midlands	15	35,660	6%	183	188,100	6%
Mashonaland West	28	67,710	11%	269	300,000	9%
Manicaland	23	63,500	9%	179	176,800	6%
Mashonaland East	30	78,000	12%	290	282,050	10%
Grand Total	**258**	**685,670**	**100%**	**3020**	**4,367,070**	**100%**

*Percentages based on loan count. Source: Author (2013)

In terms of distribution by amount and location, as shown in Tables 6 and 7 above, loan amounts were initially concentrated on the mid-range with 142 loans (55%) in the $2,500 - $3,499 range, and influencing an average loan size of just over $2,600. Finally, in the first reporting period uptake by geographical location centred on the nation's capital, Harare, accounting for 45% of the fund. Not surprisingly, the next highest provinces were those immediately surrounding it – the three 'Mashonalands'.

This is consistent with the findings of financial inclusion being informed by proximity to major centres of information and transaction. A total of $658, 670 was approved by the first quarter, representing 6.6% of the total fund. Should the approvals have followed the same trajectory, after a year the fund would be anticipated to have approved approximately $3,2 million, however the actual numbers as at 31 March 2013 showed approvals in excess of $4 million. It is notable that over the 12 months only an additional four projects nationwide received the loan maximum of $5,000. Loan amounts skewed to the lower end, with the $1 to $2,499 range being responsible for 81% of the fund. Finally, a year after the first formal analysis the geographical spread evened out, as Mashonaland East and Manicaland - the typical farming provinces - received some 14% of the funds apiece. On the lower uptake end were provinces in the South where there is little agricultural production. Fund managers revealed that affirmative action had been undertaken to ensure greater participation in some of the affected provinces. A case in point was Matebeleland South, the province bordering South Africa; in a bid to obtain economic opportunities many young people were heading there.

Summary Input By Fund Managers

Below are the responses by the Fund Managers to the question:

- **What should the Fund stop doing/ start doing do more of?**

Table 8: Summary Input by Fund Managers

DO MORE OF?	DO LESS OF?	START?
• Utilising core competencies of fund partners for common good • Engagement of partners on issues requiring urgent attention • Internal and external communication • Speedy processing of applications/turnaround time • Increasing loan amounts (offer special dispensation to some projects) • Target interest groups (disabled, urban/rural) • Profile success stories/testimonials to transform/change perceptions • Capacity building (technical skills to the beneficiaries, market linkages) • Value chain approach/complementarities of projects • Stringent assessment of loans (make sure that beneficiaries can repay so as to sustain the fund)	• Multiple entry points in terms of projects (lists coming from different angles - MYDIE, ZYC, Banks) • Slow disbursement of funds • Stop disowning the Kurera-Ukondla brand	• Set a turnaround time for applications • May need to come up with a fund credit committee represented by all stakeholders in the long run • Fund may need to have its own secretariat in the long run • Engaging other youth funds • Encouraging youth accountability • Focus on monitoring and evaluation • Consider the incubator approach (grooming of talent, and capacitate the beneficiaries before rolling out) • Loan recovery (collaborative effort, name and shame, perceptions (free money), look at the loan sizes • Fund must package information in accessible formats (use of audio CDs)

Source: Author (2013)

5.3 BACKGROUND OF YOUTH FUND BENEFICIARIES

The sample of 145 youth enterprise owners interviewed comprised 74 women and 71 men. Assuming true representativeness of the whole population of loan recipients in Harare Province, 51% of youth enterprise owners are women. This is in keeping with recent Zimstats figures in the 2012 census, which showed that women make up 51,94% of the population. In addition, this was probably influenced by the almost equal access to information on the youth fund by both male and female youth in Harare Province. Youth in this province are more adept at using technology to receive and transmit information, especially with the proliferation of social networks. Further demographic details of the youth enterprise owners are illustrated below in the summary of survey descriptive data:

5.3.1 Summary Descriptive Data – Demographic Details

Table 9: Age Breakdown of Respondents

Age Cohorts	Frequency	Percent
18-25 Years	22	15%
26-30 Years	36	25%
31-35 Years	87	60%
Total	**145**	**100%**

Source: Author (2013)

The majority of the respondents (60%) were in the 31-35 year age group, followed by the 26-30 year age group (25%). 18-25 year olds had the least frequency at 22%.

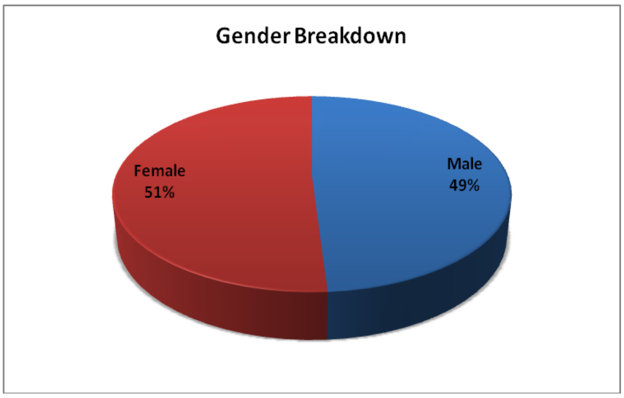


Figure 2: Gender Disaggregation of Respondents

Source: Author (2013)

Although women (who were more willing to share their experiences as fund recipients) accounted for the greater percentage of respondents (51%) in this survey, this gender trend is not consistent with the general trend of fund uptake (35% female). Females in Harare Province thus seemed to have better access to fund information than females in all the provinces put together.

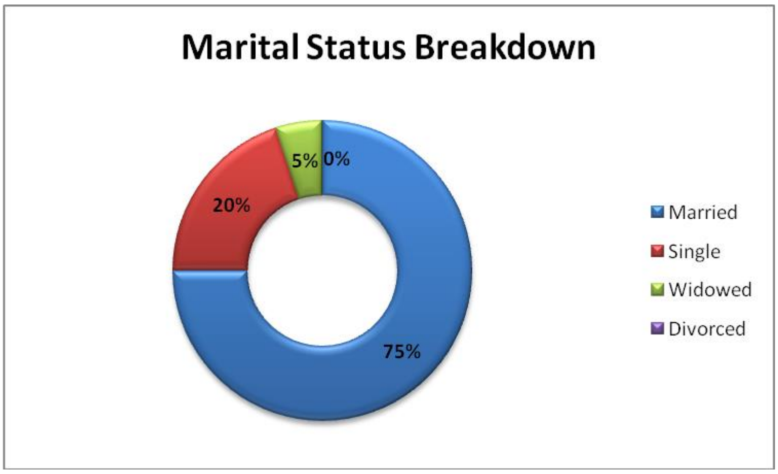


Figure 3: Marital Status of Respondents

Source: Author (2013)

The majority of the respondents were married (75%), followed by single (20%), widowed (5%) and divorced (0%). This corresponds with the age cohorts, which implied that most of the respondents were more mature youth in terms of age.

To gain a better background knowledge of the youths' educational and financial literacy backgrounds, the following questions were asked:

- What is your highest level of education?
- Have you undergone any business training and if so, where?

Most of the youth fund recipients demonstrated high literacy levels, evidenced by the bulk of them having attained (secondary level) Ordinary Levels and the balance having received tertiary qualifications. These statistics are indicated in Figure 4 below.

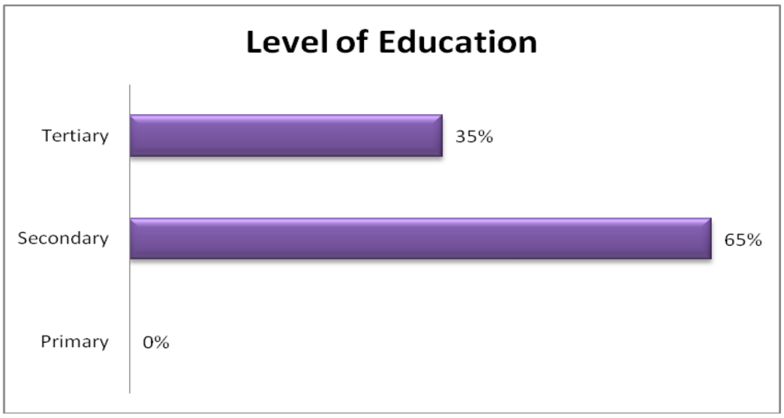


Figure 4: Responses to the question: "What is your highest level of education?"

Source: Author (2013)

Of the same group, exactly 50% had attended some kind of business training through NGOs in communities, business workshops or as a core course at school. This probably contributed to their success in drafting sound business proposals that were funded by the bank.

5.4 ENTERPRISE BACKGROUND AND LOAN IMPACT

All 145 respondents were asked questions in relation to how they funded the inception of their specific business and the immediate quantifiable impact of the youth fund capital – both as start-up capital and/or expansion capital. Indicators for growth used included increases (or lack thereof) in staff, turnover and profits, and the overall perception of the owners regarding their projects' performance. Of the young people interviewed, below are the statistics of the business sectors their businesses were in:

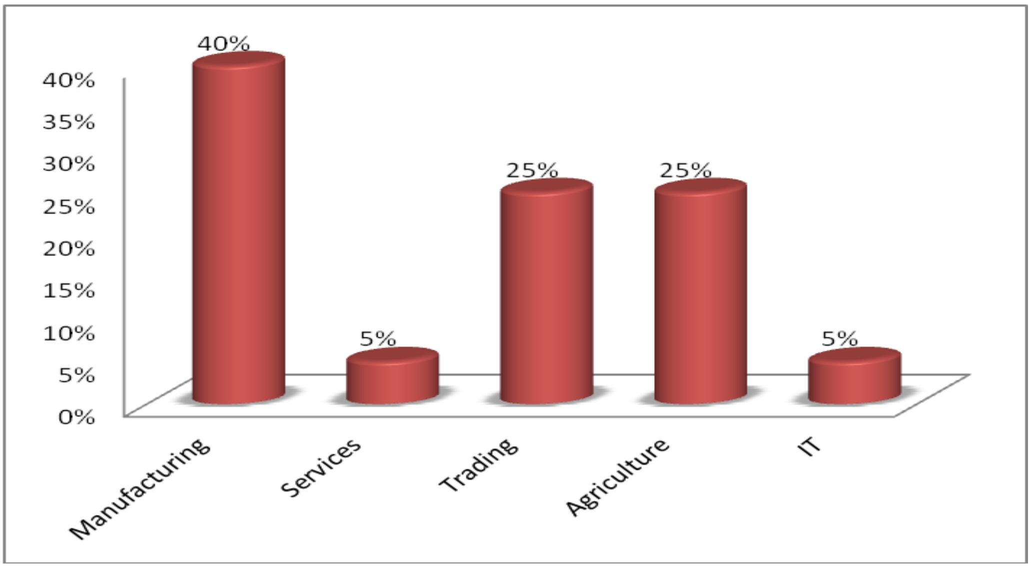


Figure 5: Sectors of Operation by Youth Enterprise Owners

Source: Author (2013)

Manufacturing is the lead sector youth entrepreneurs are involved in, accounting for 40% of the transactions. This position strengthens the suggestion by the literature that most SME activity in Zimbabwe is in the manufacturing space. However it is noteworthy that this position is at variance with the actual overall loan distribution by sector, which favoured agriculture over manufacturing. This may be due to the fact that the respondents in the sample were very likely early beneficiaries of the fund, which in its first year advanced significantly towards manufacturing. Over time (the one year in question) the sector suffered a reduction in capacity utilisation, resulting in the closure of major manufacturing enterprises. In addition it was observed that projects in that sector suffered from the stiff competition proffered by cheap imports with a lower landed cost than locally manufactured goods. The general trend and forecasts by economic analysts also indicated that this position was unlikely to improve in the short to medium term, as the supply of utilities like power and water remained erratic in the country. Agriculture and trading followed with a tie at 25%. This was explained by the returning interest in the mainstay of the economy, agriculture, while trade was almost inevitable due to Harare being the capital city, where by its very nature trade has low barriers to entry. With the influx of cheap imports from countries such as China, Dubai and Malaysia, much trade is ongoing in Zimbabwe. Service and Information Technology opportunities at 5% apiece reflect the nascent nature of enterprise owners in those sectors, yet also demonstrate the minimal funding of non productive sectors over the evidently productive ones.

The youth fund beneficiaries were asked about the ages of the micro-enterprises they were managing and the results were:

Table 10: Age of Micro Enterprises

Duration of Enterprise Operation	Frequency	Percentage
10+ years	7	5%
5-10 years	29	20%
3-5 years	22	15%
1-3 years	40	28%
Less than 1 year	47	32%
TOTAL	**145**	**100%**

Source: Author (2013)

Thirty-two per cent of the enterprises (32%) were less than a year old, followed by the 1 - 3 year group at 28%. The majority (60%) of the enterprises fell within this group, reflecting the fact that most of the youth fund services start-up enterprises. Twenty-nine (29) firms were in the 5 - 10 year age range, and 22 were in the 3 - 5 year age range (15%). Only 5% of the firms exceeded 10 years, and these were family businesses that were now in the second generation.

This led to the next question on starting-up, which was:

- How did you source your initial start-up capital?

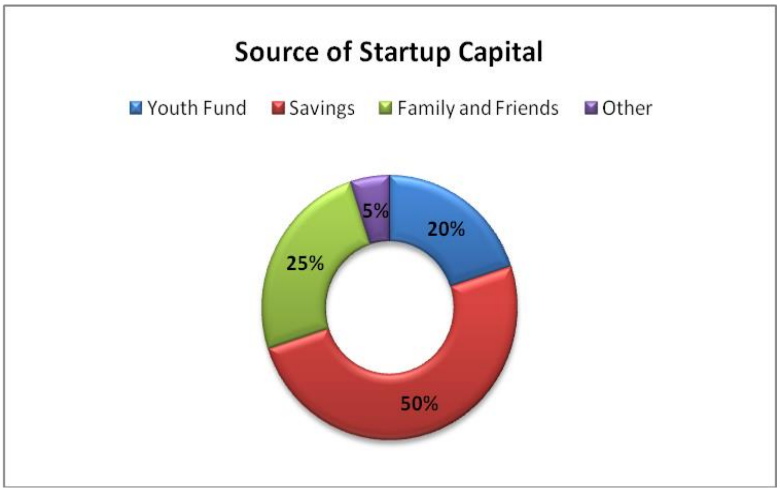


Figure 6: Source of Start-Up Capital

Source: Author (2013)

Personal savings were the capital used to start up most of the enterprises (50%), then soft loans from family and friends at 25%. The youth fund contributed to the start-up capital of 20% of the enterprises and the balance of 5% used other capital such as consignment basis to start up. In effect, most of the loans from the fund were meant for expansion rather than inception. The respondents were asked about the specific loan sizes received and responses were as shown below:

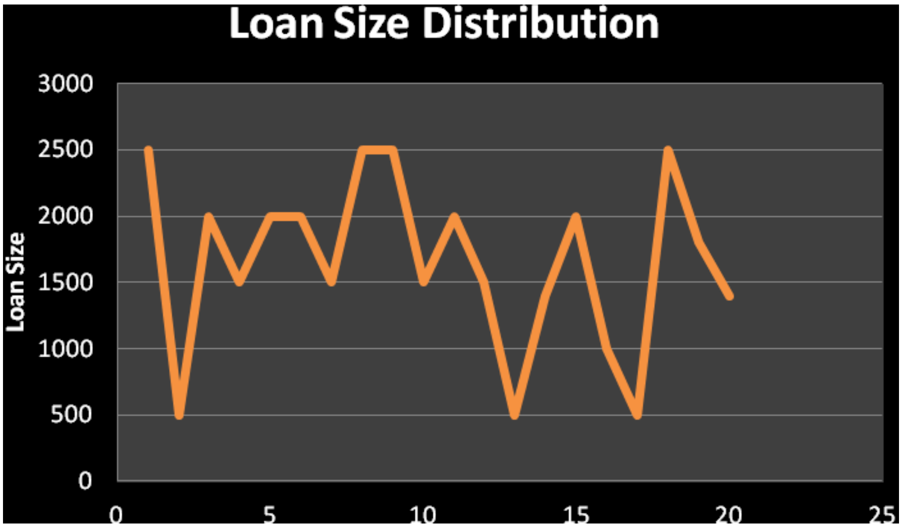


Figure 7: Loan Size Distribution

Source: Author (2013)

The diagram above shows the distribution and range of the loans from $500 to $2,500. The salient statistics are the loan mean of $1,655, the mode of $2,000 and a range of $2,000.

Perceived Impact of Injection of Loan

The micro-enterprise owners were asked the following questions around the impact of the loan:

- Has there been an increase in staff since you accessed the Youth Fund loan?
- Have sales been growing from the time you accessed the Youth Fund loan?
- Have profits increased since injecting the funds?

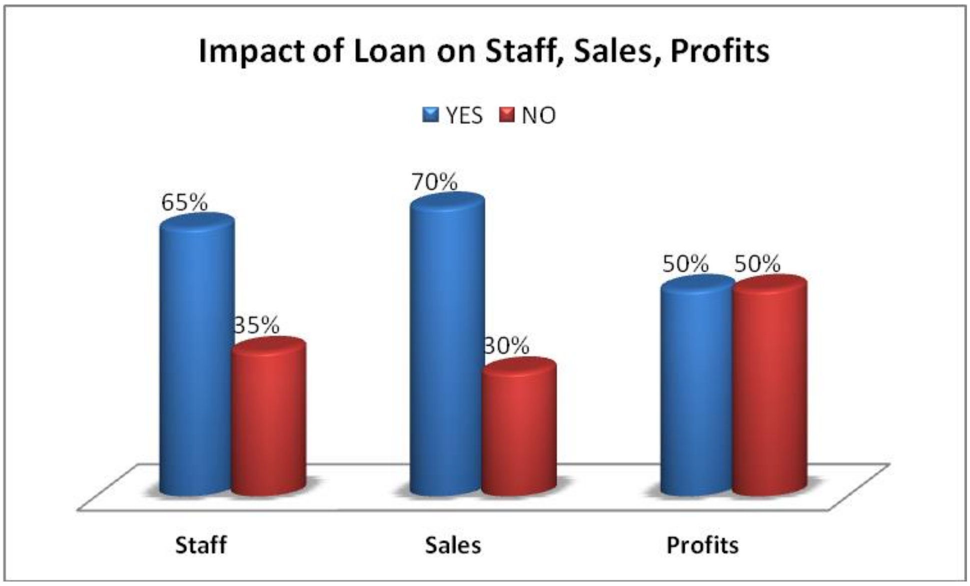


Figure 8: Impact of Loan on Micro-enterprise Staff, Sales and Profits
Source: Author (2013)

As per the graphical representation above, 65% of the respondents were able to increase the staffing levels of their enterprises once they received the loan, although 35% did not. Most of the enterprises increased turnover/sales on injection of the new funds (70%) as they were able to purchase more stock. The balance (30%) did not increase sales as the loan amounts were too small to meaningfully boost turnover. Finally, in the case of profits, half the youth-run enterprises recorded increased profitability while the remaining half did not.

The youth were asked to self-assess their enterprises overall and validate the responses. The question posed was:

- In your opinion, has your micro-enterprise been performing well?

50% said they felt their enterprises where “somewhat” doing well, while 30% said “not at all” and the balance of 20% deemed their performance “satisfactory”. Those responding “somewhat” validated this by saying their businesses were only just breaking even or were on a plateau. The “not at all” group attributed their performance to the difficulty of doing business and factors outside funding such as markets and outstanding payments. Those with “satisfactory” performances credited them to decent business volumes and included the more established businesses.

5.5 YOUTH FUND OPERATIONS

This section sought to obtain information on what the youths’ experiences with the Kurera-Ukondla Youth Fund operations and structure were like. The perspectives under scrutiny included rate of interest, processes and procedures, sufficiency of the loan amount granted and assistance. A Likert scale for the level of satisfaction and/or agreement was used. From the responses there was unanimous agreement that the rate of interest on the loans, at 10% per annum, was reasonable. Old Mutual deliberately gave a developmental rate so that the loan burden would be reduced for viable projects. The overall rating was “Strongly Agree” in response to the statement: The rate of interest on the loan is reasonable.

However there were mixed responses regarding the procedure of accessing the loans. Almost all the participants reported a lengthy and tedious experience, with some waiting up to a year to be funded. While it was agreed that the cycle was simple – generate a proposal, attach requisitions for the items to be purchased, submit documentation – the in-house processes were unnecessarily lengthy. Interviews with the CABS fund manager revealed that the benchmark processing period was one month, namely for the desktop assessment, physical due diligence, generation of field report, approval of credit line, issuance of offer letters and disbursement. Furthermore, the youths raised issues with some of the bank’s branches being uninformed about the workings of the fund and the centralisation of the processing at CABS Head Office causing unnecessary bureaucracy. In response to the enquiry of whether the procedure of accessing loans is simple, the overall rating was “Strongly Disagree”.

Feedback regarding the loan amounts inclined towards general dissatisfaction. In a number of instances the approved amount was less than the requested amount, which the youth resignedly received – half a loaf being better than none - but this negatively impacted profitability as most of the businesses were in manufacturing and were thus driven by volumes. The statement to be rated was: The loan amount approved is sufficient for my micro-enterprise. Overall the rating was “Disagree”. The fund managers input on this score was that the youth were mostly applying for the maximum loan amount of $5,000; even in cases where evidently the project did not require that much capital. They would thus rationalise the amount premised on the realistic indicative cash flow of the business. However in some cases where they did not have clear understanding of a process flow this would disadvantage the business owners, yet some of them were too timid or intimidated to negotiate the offer letter terms.

Lastly the youth were asked to comment on the statement: The bank gave me additional assistance in running my business. The unanimous rating here was “Strongly Disagree”, as all the participants intimated that the relationship with the bank was merely transactional; none of them had received any other form of support, be it training, advisory services or otherwise. This position was consistent with the literature which stated that confusion is generated when financial institutions also take a capacity building role. NGOs are the institutions that usually use such an approach, as well as some standalone micro-finance institutions. Generally they did not anticipate any other support, and all of the funded youths did not pass through the fund’s capacity building initiative which was being run concurrently, offering business and technical skills. Furthermore, fund employees were in the main typical credit analysts whose core business was scoring and analysis, and had no capacity to offer services beyond banking transactions.

5.6 YOUTH FUND IMPROVEMENTS

Last but not least, participants were asked to give feedback on their opinions of the fund's successes, challenges in accessing the fund, and areas of improvement. The responses are tabulated below:

Table 11: Summary of Youth Fund Improvements

SUCCESSES:	CHALLENGES:	IMPROVE ON:
• Direct payment to supplier minimises risk of diverting funds. • Allocation of funds to all provinces ensuring reach across the nation. • Availing grace period allows time for the projects to take off and derive value from additional capital.	• Loan sizes were inappropriate for some projects. • Centralisation of processing to Head Office had effect on efficiency of fund. • Perception of funds as "free money" impacted repayments hence a very high non-performance rate.	• Information dissemination by using all possible channels. • Processing time • Increase grace period • Flexible repayment • Offer order finance • Further reduce interest to 5% p.a. • Refinancing • Staffing

Source: Author (2013)

5.7 CONCLUSION

The responses obtained from the youth fund beneficiaries and fund managers show that the project is assisting youth-run micro-enterprises to start and improve their businesses. The loans availed have some positive impact, but the disbursement process and other fund mechanics require fixing – issues the fund managers themselves concede – and the level of non-performance is a clear indicator of that. It was found that youth entrepreneurs were not entirely satisfied with the format of the fund, though the general feeling is that it is a good and needed idea. The next and final chapter summarises the study and makes recommendations based on the findings.

CHAPTER 6
SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1 INTRODUCTION

This final chapter presents conclusions and makes recommendations based on the findings of this study. In the next section a summary of the main findings is provided, followed by recommendations for achieving the greatest impact in youth micro-finance for micro-enterprises. The chapter concludes with a brief discussion of the study's limitations and recommendations for future research.

6.2 SUMMARY OF FINDINGS

This section summarises the findings of the interviews conducted in evaluating the impact of the Kurera-Ukondla Youth Fund Micro-Finance Project on the micro-enterprises of youth in Harare Province. The objectives of the research were to ascertain the level and depth of uptake of the project by youth enterprises, to determine whether the project resulted in an increase in youth enterprises, and to investigate if the project has resulted in an increase in productivity of beneficiary youth enterprises. The survey also aimed to evaluate the impact of the Kurera-Ukondla Youth Fund and establish areas of improvement going forward.

This study revealed that most recipient businesses in Harare were start-ups, as evidenced by the length of the life of their businesses (less than three years) and the loan size received. The interviews revealed that few of the youth reacted to the fund from a demand side, while the bulk were supply side respondents. Many of the fund beneficiaries had started their businesses before the fund appeared, i.e. the fund was largely sought as a means to strengthen and scale up existing businesses and in few cases for starting brand new businesses. This meant there was no real increase in enterprise as such. Interest and uptake were high, as shown by the phenomenal increase in applications inside a year. Depth, however, was not achieved as the outcome indicators showed that most of the businesses were not thriving. The fund increased productivity as indicated by increased staffing (new jobs for other youth) and turnover. Profitability was limited though, as most young people advised that they did not receive the full amount required to raise the levels, and many of them faced challenges such as collection of payments, which influenced cash-flow and resulted in loan repayment defaults.

This corresponds with the findings of Coleman (1999) who analysed a micro-finance programme in Thailand, and after correction for bias concluded that the impact of the programme on the businesses and thus household wealth was minimal or negative. The negatives were attributed to loan sizes being so small that they were most likely used for consumption, and when the loan was due repayments would be made from household income, if at all. This may be the cause of the high non-performance loan rate.

Another finding was that the majority of fund beneficiaries were male. The fund managers intimated that some efforts had been made to improve the participation of women, but studies have revealed that if women are targeted exclusively they can sometimes act as a ‘front’ or surrogates for other beneficiaries who want to gain access to credit. Sometimes women’s loans are actually controlled by male relatives. In many contexts it is important to question whether the borrower is also the primary beneficiary (Haddad, 1999), as Zimbabwe is still largely a patriarchal society where women are still emerging in enterprise.

The study showed that the majority of youth business owners had not received business and technical skills training prior to starting their businesses, but had learnt on the job. Studies in urban Sri Lanka to measure the impact of the most commonly used business-training course in developing countries, the Start-and-Improve Your Business (SIYB) programme, showed that training only changes business practices but has no impact on business profits, sales or capital stock. The grant plus training combination increases business profitability in the first eight months, but this impact dissipates in the second year. Among potential start-ups, business training hastens entry – without changing longer-term ownership rates – and increases profitability. It concluded, therefore, that training might be more effective for new owners (De Mel, McKenzie and Woodruff, 2008). A study in Peru also found little or no evidence of changes in key outcomes such as business revenue, profits, or employment from training.

An important finding is that the operations of the Kurera-Ukondla Youth Fund require great improvements – both fund managers and the recipients are dissatisfied with the pace of the process. Fund managers feel that applicants are not serious enough as some submit poor quality proposals, insufficient documentation, and are lackadaisical about repayments. On the other hand youths feel that the process is too slow, inconsistent, loan amounts are too low and the bank is insensitive to the unique challenges of youth entrepreneurs. This was inevitable as the disbursing bank has mortgages as its core business and is learning to deal with youth clients. Other countries in the African region have realised this and set up youth specific funding vehicles, with a unique product offering for youths.

6.3 RECOMMENDED BEST PRACTICES FOR YOUTH MICRO-ENTERPRISE FUNDS

The Commonwealth Youth Credit Initiative (CYCI) is cited as a model for best practice in youth micro-finance for micro-enterprises. Its main objective is the creation of employment opportunities for unemployed young people through training and credit support, therefore there is increased access to and opportunities for micro-credit for disadvantaged youth. Disadvantaged young women and men are trained in financial and enterprise management and are approved for credit to establish successful businesses, thus there are increasing numbers of young people in gainful employment. The programme also increases the knowledge of young people and youth-related organisations in the operation and management of credit programmes. The specific objectives are as follows:

- Identify potential young people, assess their credit needs and develop their credit management and entrepreneurial capabilities.
- Implement and evolve an effective credit delivery and monitoring system to support young people through credit.
- Achieve self-sustainability in terms of generating adequate funds for continuing the programme and also in terms of borrower's self-sustainability to lead them towards financial independence.
- Ultimately help these young borrowers to increase their creditworthiness and demonstrate business success to graduate from targeted small credit receivers to borrowers from formal financial institutions like banks.

The CYCI completed a three-year pilot cycle in Ahmedabad in Gujarat, India, in 1999 as mandated by the Commonwealth Youth Ministers Meeting of 1995. The pilot project was conducted in collaboration with the International Centre for Entrepreneurship and Career Development (ICECD). It became self-sustaining after three years with operational self-sufficiency of 98%. Over 2,500 young people in India were trained and provided with small loans.

The important areas for learning points from that model include:

- The first step in the funding process must be assessment of the entrepreneurs. Profiling is important, and preferably, selection must be made based on the business potential of the candidates. Capacity building for entrepreneurship can then be provided through training.

- Sufficient loan amounts must be given to young people. These can first be small amounts to allow a pilot for Greenfield projects, and if for Brownfield projects, the promoter must not receive less than what will make the project viable.
- Consistent monitoring and evaluation is required. This can be achieved by using dedicated staff for a personal banking approach that includes on-going advisory services throughout the lifecycle of the business. This implies that the structure of the fund is such that personnel are skilled in dealing with youth and micro-enterprises, which is a role over and above just disbursing funds. In addition strong business support may be required, such as investment in mentoring and linking youth to markets. This necessitates creating and leveraging on an ecosystem comprising training and technical institutions, trade and commercial organisations.
- The end game must be to graduate youth fund recipients into mainstream banking. Top performers should then naturally be introduced into the SME departments of mainstream banks where they can access bigger loans.

6.4 LIMITATIONS AND AREAS FOR FURTHER STUDY

As with all data collected using the survey method, there is a potential limitation that responses may not be completely accurate. An attempt was made to contrast and triangulate the responses between the beneficiaries as well as the fund managers to identify inconsistencies, and some differences were found.

A major limitation of the research is that the Kurera-Ukondla Youth Fund Project has only been operating for two full years and its operations and systems are still developing. There is still room for improvement in all these areas, which can be achieved over time. Further evaluation studies can be done annually in subsequent years to see whether the fund’s systems are more efficient and effective. It would also be interesting to research how the fund evolves and the patterns of loan repayments over time as interventions are applied. The project is an intervention by a private sector organization in a space (microfinance) that has been the mainstay of development institutions such as NGOs and will inevitably evolve as they gather experience both from continuing with the project and from gathering best practices from already present players in microfinance. Future studies on youth funds in Zimbabwe could entail investigating whether youth micro-finance works better when there is collateral required from youth for loans they access, as is the case with some other microfinance funds for youth. There is also need to investigate if youth funding works better by mainstreaming youth in normal banking institutions (making them a focus group with specialised products) rather than having standalone funds such as the Kurera-Ukondla youth fund. It may also be advisable to research the probable impact of a dedicated youth bank, with autonomous provincial branches.

REFERENCES

Acs, Z. J., & Varga, A. (2005). Entrepreneurship, agglomeration and technological change. *Small Business Economics*, *24*(3), 323-334.

Adams, D. W., & Von Pischke, J. D. (1992). Micro-enterprise credit programs: Déjà vu. *World development*, *20*(10), 1463-1470.

Alam, M., & Molla, I. R. (2012). The limitations of microcredit for promoting micro-enterprises in Bangladesh. *Economic Annals, 57*(192), 41-53.

Armendáriz de Aghion, B., & Morduch, J. (2000). Micro-finance beyond group lending. *Economics of transition*, *8*(2), 401-420.

Awojobi, Omotola & Bein, Murad (2010): Microfinancing for Poverty Reduction and Economic Development; a Case for Nigeria. Published in: *International Research Journal of Finance and Economics ,* Vol. 1, No. 72 (11. August 2011): pp. 159-168.

Bell, D N.F. & Blanchflower, D. G., What Should Be Done About Rising Unemployment in the OECD?. IZA Discussion Paper No. 4455. Available at SSRN: http://ssrn.com/abstract=1489278 Accessed 30/11/2013

Building Inclusive Financial Sectors for Development, 2006. Available from http://www.madamicro-finance.mg/bluebook/summury_doc_bluebook.pdf Accessed 30/11/2013

Blanchflower, D. G., & Oswald, A. J. (2004). Well-being over time in Britain and the USA. *Journal of public economics*, *88*(7), 1359-1386.

Bouman, Frits J (1995): Rotating and accumulating savings and credit associations: A development perspective. *World Development,* 23(3), 371-384.

Brooksbank, D. J., Jones-Evans, D., Kwong, C., Thompson, P., & Wiliams, R. (2007). *Young People – The Torch Bearers of Future UK Entrepreneurship*. In Conference proceedings Babson College Entrepreneurship Research Conference: Summaries (p. 30).

United Nations. (2006). *Building Inclusive Financial Sectors for Development.* [Online] Available: http://www.bluebook.uncdf.org Accessed 30/11/2013

Chigunta, F. (2001). *Youth Livelihoods and Enterprise Activities in Zambia*. Report to IDRC, Canada.

Chigunta, F. (2002). *Youth Entrepreneurship: Meeting the Key Policy Challenges* [Online]. Available: http://www.bg.entrep.ta (04 June 2009).

Coleman, B. E. (1999). The impact of group lending in Northeast Thailand. *Journal of Development Economics, 60*(1), 105-141.

Cooper, D. R., & Schindler, P. S. (2006). Business Research Methods (9th edition.) New York: McGraw-Hill.

De Mel, S., McKenzie, D., & Woodruff, C. (2008). Returns to capital in micro-enterprises: evidence from a field experiment. *The Quarterly Journal of Economics*, *123*(4), 1329-1372.

Drucker, P. (1970). Entrepreneurship in business enterprise. *Journal of Business Policy*, *1*(1), 3-12.

Evans, D. S., & Leighton, L. S. (1990). Small business formation by unemployed and employed workers. *Small business economics*, *2*(4), 319-330.

Finscope Consumer Study ,2011 Available from : http://www.zimstat.co.zw/dmdocuments/Finance/Finscope2011.pdf Accessed 30/11/2013

Finscope MSME Survey Zimbabwe, 2013. Available from: http://www.finmark.org.za/publication/finscope-msme-survey-zimbabwe-2013/ Accessed 30/ 11/ 2013

Fox, L. M., & Gaal, M. S. (2008). *Working out of Poverty: Job creation and the quality of growth in Africa*. World Bank-free PDF.

Haddad, L., Ruel, M. T., & Garrett, J. L. (1999). Are urban poverty and undernutrition growing? Some newly assembled evidence. *World Development*, *27*(11), 1891-1904.

Hulme, D., & Mosley, P. (1996). *Finance against poverty: Volume 1*. London: Routledge.

Kapila, S., & Mead, D. C. (Eds.). (2002). *Building businesses with small producers: successful business development services in Africa, Asia, and Latin America*.London. IDRC.

Ledgerwood, J. (1998). *Microfinance handbook: an institutional and financial perspective*. World Bank-free PDF.

Lenton, P., & Mosley, P. (2011). Incentivising trust. *Journal of Economic Psychology*, *32*(5), 890-897.

Littlefield, E., Morduch, J., & Hashemi, S. (2003). Is micro-finance an effective strategy to reach the Millennium Development Goals? *Focus Note*, *24*(2003), 1-11.

Llisterri, J., Kantis, H., Angelelli P. and Tejerina, L. (2006). *Is youth entrepreneurship a necessity or an opportunity? A first exploration of household and new enterprise surveys in Latin America,* Washington, D.C.: Inter-American Development Bank. Technical Papers Series.

Madeleine Klinkhamer, Ayani (2009) Microfinance Sector Recovery Study Zimbabwe. Available: http://www.snvworld.org/sites/www.snvworld.org/files/publications/micro-finance_sector_recover_study_-_zimbabwe.pdf Accessed 30/11/ 2013

Making Cents International (2010). *State Of The Field In Youth Enterprise, Employment and Livelihoods Development: A Guide For Programming, Policymaking And Partnership Building,* Global Youth Enterprise and Livelihoods Development Conference 2010.

Making Cents International (2009). *Global Youth Enterprise & Livelihoods Development Conference Paper. Programming and Policymaking in Youth Enterprise, Employment, and Livelihoods Development; and Youth-Inclusive Financial Services.* [Online] Available: http://www.youthenterpriseconference.org/2009GYMC.asp. Accessed 03/11/2011.

McPherson, M. A. (1996). Growth of micro and small enterprises in Southern Africa. *Journal of development economics*, *48*(2), 253-277.

Mead, D. C., & Liedholm, C. (1998). The dynamics of micro and small enterprises in developing countries. *World Development*, *26*(1), 61-74.

Microfinance is a relatively new industry in Zimbabwe, 2012. Available : http://zamfi.org/ Accessed 13 / 11/ 2013

Nappon, D., & Huddlestone, B. (1993). Rural infrastructure priorities for food security and sustainable development: the case of central Africa. *Regional Food Security and Rural Infrastructure*, .

OECD. (2001). *Putting the Young in Business: Policy Challenges for Youth Entrepreneurship*, The LEED Programme, Territorial Development Division, Paris.

Otero, M., & Rhyne, E. (1994). *The new world of micro-enterprise finance: building healthy financial institutions for the poor*. London. Intermediate Technology Publications Ltd (ITP).

Pearson, R., & Hungwe, P. (1997). UNDP Micro-finance Assessment Report for Zimbabwe. Available: http://www.microfinancegateway.org/p/site/m/template.rc/1.9.28494/ Accessed 30/11/2013

Reserve Bank of Zimbabwe Monetary Policy Statement January 2011. [Online] Available: http://www.rbz.co.zw/pdfs/2009%20Mps/MPSJan2011.pdf. Accessed 30/10/2013

Rusakaniko, C. (2007). *Micro-finance Monitor* Issue No. 6 (2007). A national perspective on micro-finance in Zimbabwe - *Zimbabwe Association of Micro-finance Institutions (ZAMFI).* [Online] Available: http://www.kubatana.net/html/archive/opin/071231cr.asp?sector=econ&year=2007&range_start=1

Sarr, M. (2000), *Youth employment in Africa: the Senegalese experience*, Background Paper No.3, UNO-ILO-World Bank Meeting on Youth Employment, New York, 25th August 2000.

Schoof, U. 2006. *Stimulating Youth Entrepreneurship: Barriers and Incentives to Enterprise Start-Ups by Young People,* SEED Working Paper International Labour Office, 76.

Sebstad, J., & Chen, G. (1996). *An overview of the studies on the impact of micro-enterprise credit. The impact of micro-credit on poverty: evidence from Bangladesh*. Progress in Development Studies October 2005 5: 298-309

Shah, Mohammed, Saraf, & Nigam. *Micro-finance Services for Youth in the Sub-Saharan African Region.* Warwick Social Enterprise and Micro-finance Society (SEAMS) at University Of Warwick www.smdi.org.uk

Tackey, N. D., & Perryman, S. (1999). *Graduates Mean Business: A Study of Graduate Self-Employment and Business Start-Ups*. Report 357, Institute for Employment Studies, July 1999

Vogelgesang, U. (2001). *The Impact of Micro-finance Loans on the Clients' Enterprises: Evidence from Caja Los Andes, Bolivia* (No. 2001-03). Gk working paper series.

White, S. & Kenyon, P. (2000). *Enterprise-Based Youth Employment Policies, Strategies and Programmes*. Draft Report to ILO, Geneva.

Zeller, M. & Meyer, R.L. (2002) *The triangle of micro-finance: financial sustainability, outreach, and impact.* Maryland: Johns Hopkins University Press

APPENDIX 1 – INTERVIEW GUIDE

DEMOGRAPHIC INFO

1. What is your age range?

18 to 25 years	26 to 30 years	31 to 35 years

4. What is your gender?

Male	Female

5. Marital status?

Married	Single

4. Number of dependants/ children

…………………………………………………………………….

5. What is your highest level of education?

Primary	Secondary	Tertiary

6. Have you undergone any business training, and if so, where?

BUSINESS INFO

7. The sector in which you operate?

Manufacturing	Services	Trading	Agriculture	Mining	Other (Specify) ----------------

8. Age of the ME at present?

10+ years	5-10 years	3-5 years	1-3 years	Less than 1 year

9. Where did you source initial capital?

Youth Fund	Savings	Family and Friends	Other (Specify) …………………

10. What was the size of the loan? ……………………………………………..

11. Has there been an increase in staff since you accessed the Youth Fund?

☐ **YES** ☐ **NO**

12. Have sales been growing from the time you accessed the Youth Fund?

☐ **YES** ☐ **NO**

13. Have profits increase since injecting the funds?

☐ **YES** ☐ **NO**

14. In your opinion has your ME been performing well?

No idea	Not at all	Somewhat	Satisfactory	Very satisfied
☐ 1	☐ 2	☐ 3	☐ 4	☐ 5

15. Provide reasons for your opinion above:

YOUTH FUND OPERATIONS

16. Kindly rate the youth fund operations and structure using the scales below where 1 is the lowest level of satisfaction or high disagreement and 5 represents highest level of satisfaction and agreement:

The rate of interest on the loans is reasonable	Strongly disagree ⟷ Strongly agree 1 2 3 4 5
The procedure of accessing loans is simple	Strongly disagree ⟷ Strongly agree 1 2 3 4 5
The loan amount approved is sufficient for my micro-enterprise (ME)	Strongly disagree ⟷ Strongly agree 1 2 3 4 5
The bank gave me additional assistance on running my business	Strongly disagree ⟷ Strongly agree 1 2 3 4 5

16. In your opinion, what are the success points of the Youth Fund?

17. What challenges did you face with the Youth Fund in terms of access?

18. In your opinion what can be done to improve the Youth Fund?

………………………………………………………………………………………………