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HAROLD PUPKEWITZ GRADUATE SCHOOL OF BUSINESS

**Evaluating the effectiveness of youth microfinance programmes in
Namibia**

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Master in Leadership and Change Management in the Harold Pupkewitz
Graduate School of business at the Polytechnic of Namibia

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DECLARATION OF ORIGINAL WORK

I, Calista Schwartz, declare that this Thesis is my own unaided work. Any assistance that I have received has been duly acknowledged in the thesis.

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DEDICATION

This study is dedicated to my wonderful, beloved husband and daughters for their sacrifices and patience with me. It is further dedicated to my mother who is special to me, my sisters, brothers and the entire Schwartz, Gowaseb and Karitjanga family.

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ABSTRACT

The 2012 Labour Force Survey (LFS) in Namibia reveals that unemployment among the youth stands at a staggering 42.8% compared to the overall unemployment rate of 27% which remains a challenge in itself in this country. Attempts to alleviate youth poverty worldwide caused by unemployment have been done through micro finance programmes that can help the youth to accumulate their own capital and invest in employment-generating activities. While there is sufficient evidence to prove the existence of several microfinance programmes, there is a lack of evidence of their effectiveness in improving youth's livelihoods. Therefore the researcher seeks to evaluate the effectiveness of the Credit for Youth in Business (CYB) Programme and the Namibia Youth Credit Scheme (NYCS), finance programmes that have been set out to target youth between the ages of 18-35 years in Namibia. The researcher obtained primary information from 100 beneficiaries of CYB and NYCS through a questionnaire and from interviews conducted with programme stakeholders. The secondary information was further obtained through programme documents and literature review. Although there is significant impact on the livelihoods of youth as revealed by the study, micro financing programmes should look beyond micro-loans, training and extend their service delivery to areas such as market linkages, investments and insurance. They also ought to assist youth with feasibility studies, markets and business premises. Provision of these services will ensure that youth move from informal (micro enterprises) to formal enterprises. Considering the

prevailing unemployment rate it is recommended to assess challenges, opportunities and possibilities for building synergies for transformation of the Credit for Youth in Business Programme and Namibia Youth Credit Scheme into one fund in order to provide a range of financial solutions and services that can support the full spectrum of youth owned enterprises.

Keywords: Youth, Impact, Effectiveness, Microfinance, Micro Finance Institutions, Assessment, Livelihood, Variables

CHAPTER 1: BACKGROUND TO THE RESEARCH

The focus of this paper is on youth micro finance programmes aimed at alleviating poverty among Namibians. The main purpose of this study is to measure the effectiveness of youth microfinance programmes on the short- to medium- term and on the long-term impact on youth poverty reduction, livelihood and employment.

1.1 Introduction

The 2012 Labour Force Survey (LFS) shows that the unemployment rate in Namibia stands at 27% but that of the youth remains at a staggering 42.8%. Unemployment remains a serious concern in Namibia, especially among youth and women. Namibia has a youth population of 610,437 young people between ages of 15-29 of which 328,496 form part of the labour force. The unemployment rate according to the age group 15-19 stands at 56.3%, age 20-24 at 48.5 and 25-29 at 33.6%. According to the National Youth Council Act. No. 3 (2009), youth are defined as young people within the age of 15-35 years.

Youth unemployment is the most urgent socio-economic problem and has the potential to cause social discontent (Eita, 2010). Furthermore, according to Steytler (2013) higher unemployment rates mean that there might be a macro-economic instability in the country (Windhoek Observer, Friday 26 April 2013). It is commonly known that high unemployment rates among youth leads to unlawful activities as young people often get involved in criminal activities in order to feed themselves. A case study by Lundberg (2013) states that a lack of skills and credit is one of the key determinants of

major social problems such as youth unemployment, poverty and crime as well as key limitation to growth in developing countries. Nathan et al (2004) similarly cites a lack of access to formal sector credit as a key constraint that hinders youth from taking advantage of economic opportunities to increase their level of output hence move out of poverty.

Attempts to alleviate youth poverty were carried out worldwide through micro finance programmes that are aimed at helping the youth to accumulate their own capital and invest in employment-generating activities. Simeyo et al (2011) further describes microfinance as small loans, savings mobilisation and training offered to the poor to enable them to create self-employment by starting own business and thus generating income. Equally, Webster and Fidler (1996) argue that basic business skill training should accompany the provision of micro loans to improve the capacity of the poor to use funds.

In response to the high unemployment rate among the youth, a number of enterprise development initiatives were started by the National Youth Council (NYC) and the Namibia Government. Many have targeted micro enterprises and start-ups by providing basic management skills training and microfinance. This has helped a number of youth to start small enterprises and become self-employed. These initiatives, among others, are the Credit for Youth in Business (CYB) Programme and the Namibia Youth Credit Scheme (NYCS).

1.2 Credit for Youth in Business Programme

The Micro-finance Programme under the auspices of the National Youth Council is known as the Credit for Youth in Business (CYB) Programme. NYC initiated the programme in July 2008, following the realisation that access to finance (capital) and training is one of the most important factors that plays a role in business operations among youth.

The central objective of the programme is to support rural youth to access credit from commercial banks. NYC issues the guarantee fund to the bank for it to sanction loans to the youth who are in business at an affordable interest rate (prime +1). The programme is thus designed to back loan applications of young entrepreneurs, who lack collateral. NYC recognizes the weakness of programmes that provide credit as stand-alone support packages and is thus committed to facilitate provision of other complementary SME support services such as business management training, mentoring, grants (best achiever awards) and business exposure. CYB uses an individual lending model with a partner bank. The youth can access loans through the bank without collateral ranging from N\$3,000.00 to N\$14,000.00. Once the loan is approved they are required to open a savings account before the loan is disbursed. The amount required is 10% of the total loan amount.

The model was designed to be implemented through a commercial bank because the objective is to introduce youth to the banking systems. By implementing the programme in partnership with a bank, for instance Bank Windhoek in this case, young people are given an opportunity to establish a relationship with a bank that provides credit.

1.3 Namibia Youth Credit Scheme

Namibia Youth Credit Scheme (NYCS) formally known as the Commonwealth Youth Credit Initiative (CYCI) was established in 2005 by the Ministry of Youth, National Sport and Culture (MYNSSC) in collaboration with the Commonwealth Secretariat. The main objective was to help Namibian youth to access capital and participate significantly in the socio economic development of the country (NYCS Annual report 2009 – 2010).

The initiative was borrowed from the Commonwealth and is a microcredit enterprise initiative designed to create employment and alleviate poverty among youth in Commonwealth countries. Consequently, the MYNSSC signed an agreement with the Commonwealth Youth Programme (CYP) to initiate the CYCI in Namibia to help reduce youth unemployment and poverty.

After successful implementation of the pilot phase in 2007 along with good performance of the programme in four regions, Cabinet approved the implementation of the programme in all 13 regions of the country and funded it. Government provided policy formulation and an enabling environment for private sector microfinance delivery to the poor in a sustainable way. The Ministry channelled funds to the poor through eight MFIs to advance loans ranging from N\$400.00 to N\$20,000.00. NYCS uses a group lending model with groups consisting of five members. Once the youth form a group they can access the loan through a Savings and Credit Association. No collateral is necessary although members are required to open individual savings account with the SCAs.

Table 1: NYCS/CYB Programme Components

COMPONENTS	ACTIVITIES	
	NYCS	CYB
Training	Training on business plan development and business management skills, use as prerequisite for obtaining loan	Training on business management skills
Mentoring	Business coaching and mentoring services to beneficiaries	Business coaching and mentoring services to beneficiaries
Microcredit	Organising credit groups and providing access to credit	Provide collateral to access credit from commercial bank
Exposure	Provide opportunities to youth to exhibit at National Expos and International exposure	Provide opportunities to beneficiaries to promote businesses at Annual Youth Enterprise Expos
Grants	None	Best Achievers Awards

1.4 Problem Statement

A number of factors impeded the full realization of the transition of youth-owned enterprises to mainstream economy. According to Mushendami, et al (2004) limited access to credit has been identified, in a number of studies, as one of the major constraints that hinder the process of empowering the poor to break out of the poverty circle. Commercial banks are reluctant to service youth run SMEs, particularly entrepreneurs from rural areas for a number of reasons such as:

- Youth are high-risk borrowers due to insufficient assets and low capitalization, vulnerability to market fluctuations and high mortality rates.
- Lack of accounting records, inadequate financial statements or business plans makes it difficult for creditors and investors to assess the creditworthiness of potential SME proposals

- High administrative/transaction costs of lending or investing small amounts do not make SME financing a profitable business.

Therefore, commercial banks mostly deal with large corporate borrowers who provide better business plans, have credit ratings, more reliable financial information, better chances of success and provide higher profitability to the banks.

1.5 Research Objectives

1.5.1 Overall Objective:

The purpose of this study is to evaluate the effectiveness of youth microfinance programmes in Namibia and how they contribute to the livelihood of its beneficiaries, with specific reference to the performance of Credit for Youth in Business (CYB) Programme and Namibia Youth Credit Scheme (NYCS) during the period of January 2009 to January 2013.

1.5.2 Specific Objectives

- Assess the impact of microfinance on youth micro enterprises with specific references to target market penetration, usage of loans, growth in savings, growth in income and impact of loans in improving the livelihoods of the youth.
- Assess whether the current micro finance models of implementation are effective in improving the living standards of youth with specific reference to the loan size, interest rates, timelines in loan processing, repayment period and grace period.
- Assess the efficiency and provision of service levels of Microfinance institutions with specific reference to backup support interventions to

beneficiaries, market penetration (outreach), performance management systems, growth of the loan book and loan product performance.

1.6 Research Question

How effective are Namibian Youth Microfinance Programmes in contributing towards the livelihood of its beneficiaries?

1.6.1 Research Sub-questions

- a) What models of micro financing currently exists?
- b) What types of micro financing are targeted at youth?
- c) What are the specific characteristics of Microfinance Programmes?
- d) What kind of benefits are expected from Microfinance?
- e) How do the various microfinance institutions measure effectiveness?

1.7. Research Methodology

1.7.1 Description of study sites

1.7.1.1 National Youth Council of Namibia

The National Youth Council (NYC) was established and constituted in 1994 by a Cabinet resolution as an autonomous umbrella youth body representing the needs, demands and aspirations of the youth in Namibia. It was further transformed into a parastatal organisation following an act of Parliament, the National Youth Council Act, and Act No. 3 of 2009. This made NYC a fully functional State Owned Enterprise (SEO) accountable for its operations and reporting to the Board of Council on its day-to-day operations. It is an umbrella body for affiliate youth organisations and regional youth forums in Namibia. The role of NYC as a networking body is confined to the execution of the following key responsibilities:

- Liaison with the Ministry responsible for youth affairs on youth development issues and advising the ministry on issues pertaining to youth, so as to attend to their needs and concerns.
- Coordination of youth activities by affording youth organizations an opportunity to empower their individual members.
- Unification of Namibian youth by fostering a sense of unity, tolerance and self-respect among them.
- Preservation of national identity and cultivation of an in-depth awareness of social, economic, political, educational and cultural prospects.

- Initiation of youth development projects and activities and encouragement of youth active participation in the process of nation building. Mobilization of funds for the cause of youth development.
- Creation of a bridge between the Namibian youth bodies and their counterparts both at national and international levels.

The Council has a staff component of 15 permanent employees, 16 part-time employees with 13 regional structures and 107 constituency structures. It has four main departments: Employment Promotion and Environmental Awareness, Networking, Exchange and International Relations, Youth Health, Gender Welfare and Administration.

The Council operates in all 13 political regions of the country, however the microfinance programme was only implemented in eight regions, namely, Kavango Caprivi, Oshana, Ohangwena, Otjozondjupa, Omaheke, Karas and Hardap at the time of the study.

1.7.1.2 Ministry of Youth, National Service, Sport and Culture

The Directorate of Youth within the Ministry of Youth, National Service, Sports and Culture is responsible for youth development activities. Its objectives are to:

- Recognise and develop a sense of self-esteem, potential and aspirations in all young women and men in Namibia
- Mobilise the youth for the urgent task of national reconciliation and development
- Provide special services and support to youth who are disadvantaged because of family situations, gender and disability

- Provide opportunities to youth to develop relevant life and work skills, which will help them become responsible and self-reliant members of the community

The role of the Ministry is to ensure that youth concerns, needs and aspirations are fully integrated in mainstream Government policies and actions (Youth Directorate brochure). NYCS under the auspices of the Ministry is implemented in all 13 political regions of the country.

1.7.2 Data Collection

1.7.2.1 Qualitative and Quantitative Research methods

In order to provide a complete picture of the research problem, both qualitative and quantitative approaches were adopted. Qualitative approaches took the form of interviews with the Executive Chairman of the National Youth Council, the Director of the Youth Directorate in the MYNSSC and Programme Officers. The quantitative approach was in the form of data collection by means of questionnaires distributed to 100 beneficiaries of both programmes.

The researcher used a combination of qualitative and quantitative instruments and tools to gather data from the following sources:

- Primary sources: questionnaire; open, semi-structured and structured interviews.
- Secondary sources: work plans, activity reports, loan records, programme documents.

1.7.3 Data analysis

Data was collected in relation to the problem statement through questionnaires, which was structured on Likert Scale. Data analysis was done by using Statistical Package of Social Science (SPSS).

CHAPTER 2: LITERATURE REVIEW AND THEORITICAL FRAMEWORK

This chapter reviews the existing literature on microfinance with an holistic approach on both positive and negative effects of microfinance services. It further looks at different existing microfinance models and mechanisms used on how to measure effectiveness. Finally it presents the conceptual framework which gives the relationship between dependent and independent variables in the study and impact analytical levels selected for the purpose of the study.

2.1 Background of Microfinance

According to Khan and Rahaman (2007) Microfinance is not a new development. Its origin can be traced back to 1976, when Muhammad Yunus set up the Grameen Bank as experiment on the outskirts of Chittagong University campus in the village of Jobra, Bangladesh. The aim was to provide collateral free loans to poor people, especially in rural areas, at full-cost interest rates that are repayable in frequent instalments. The inspiration of Grameen Bank came to Yunus' mind when he lent the equivalent of between U\$26 to U\$46 to exploited women who were working as bamboo furniture makers. He saw that the women were enthusiastic about it and paid back their loans on time.

According to Sarkar (2001), Professor Muhammad Yunus observed that conventional banking practices had in-built constraints and were aimed only at those who were already well off. In this context, Professor Yunus contemplated an alternative institutional framework that could be used to raise the wellbeing of impoverished sections of society. The project went on to test

the hypothesis that, if financial resources were made available to the poor at reasonable terms and conditions, the poor could generate productive employment without external assistance. Grameen according to Sarkar, (2001) means “village” or “rural” in Bengali. According to Yunus 1994a; Hossain 1988 (as cited in Sarkar, 2001) the pilot experiment was successful and the project was extended to other areas. In 1983, a government ordinance transformed the project into the Grameen Bank, a specialised financial institution for the rural poor. The Grameen Bank is now a very distinct poverty-alleviation organisation, exclusively for the poor. By definition, it is purely a bank and provides banking services to the poor. Although it is a poverty alleviating organisation, it is designed to run on commercially viable terms. It extends credit to the poor to invest in productive areas such as processing and manufacturing, agriculture and forestry, livestock and fisheries, services and trade. Although its primary responsibility is to provide credit, it has involved itself in different social development activities as well. Sarkar further states that as of December 1999, 1,149 Grameen Bank branches were operating in 39,706 villages with 67,691 centres. There were 2,357,083 members, of which 2,234,181 were female and 122,902 male (Grameen Bank 1999). The Grameen Bank’s main objectives according to Sarkar, (2001) are to:

- extend banking facilities to poor men and women
- eliminate the exploitation by moneylenders
- create opportunities for self-employment among Bangladesh’s vast and underutilised manpower resources.

- bring disadvantaged people within the folds of an organisational format that they can understand and operate, helping them find socio-political and economic strength through mutual support
- reverse the vicious circle of low income, low savings, low investment, low income, changing it into an expanding system of low income, credit, investment, more income, more credit, more investment, more income.

A good definition of microfinance as provided by Robinson (2001) is that, microfinance refers to small-scale financial services for both credits and deposits that are provided to people who farm or fish or herd; operate small or microenterprises where goods are produced, recycled, repaired, or traded; provide services; work for wages or commissions; gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and local groups in developing countries, in both rural and urban.

Similarly Adongo and Stork (2005), state that microfinance is the provision of financial intermediation services being savings, credit, funds transfer, insurance, pension remittance, etc offered to low-income households and enterprises in both urban and rural areas, including employees in the public and private sectors and the self-employed. According to Similarly Orrick et al (2012), microfinance is a broad term that describes banking and financial services provided by poverty-focused financial institutions (often referred to as microfinance institutions or MFIs) to poor populations that are not being served by mainstream financial organisations. Orrick et al (2012) further states that MFIs take many forms and includes savings and loan

cooperatives, local or international NGOs, village banks and programmes set-up by international institutions. Similarly, Mushendami et al (2004) defines Microfinance Institutions (MFIs) as institutions that provide financial services to people and small and micro enterprises who do not have access to commercial bank loans. A microfinance institution can either be a credit union, savings and credit co-operative (SACCOs), non-governmental organisation (NGO), self-help organisation or specialised bank.

Weinberg (2002) cited that microfinance refers to loans given to clients who are unable to access to conventional commercial bank loans. Micro finance also refers to the savings transactions of the poorer portion of the population. He further states that is important to consider both savings and credit as this provides a far more comprehensive picture of the financial market within which poor people operate.

According to Von (as cited in Ondoro & Omena, 2012, p.22,) microfinance services mainly refer to small loans, savings mobilization and training in micro enterprise investment services extended to the poor people to enable them undertake self-employment projects that generate income. Micro finance came into being from the appreciation that micro entrepreneurs and some poorer clients can be bankable, that is they can repay both the principal and interest on time, and also make savings, provided financial services are tailored to suit their needs.

Micro-credit on the other hand is generally defined as making small loans available directly to small-scale entrepreneurs to enable them either to establish or expand their micro-enterprises and small businesses (Commonwealth, 2001).

2.1.1 Principles of Microfinance

According to Orrick et al (2012) the Consultative Group to Assist the Poor, a consortium of 31 public and private development agencies, private foundations and international financial institutions whose goal is to expand access to financial services for the poor, developed the following set of key principles of microfinance, which were endorsed by the Group of Eight leaders at the G8 Summit on 10 June 2004.

- Poor people need a variety of financial services, not just loans. Like everyone else, the poor need a range of financial services that are convenient, flexible, and affordable. Depending on circumstances, they want not only loans, but also savings, insurance, and cash transfer services.
- Microfinance is a powerful tool to fight poverty. When poor people have access to financial services, they can earn more, build their assets, and cushion themselves against external shocks. Poor households use microfinance to move from everyday survival to planning for the future: they invest in better nutrition, housing, health, and education.
- Microfinance means building financial systems that serve the poor. In most developing countries, poor people are the majority of the population, yet they are the least likely to be served by banks. Microfinance is often seen as a marginal sector—a “development” activity that donors, governments, or social investors might care about, but not as part of the country’s mainstream financial system. However, microfinance will reach the maximum number of poor clients only when it is integrated into the financial sector.

- Microfinance can pay for itself, and must do so if it is to reach very large numbers of poor people. Most poor people cannot get good financial services that meet their needs because there are not enough strong institutions that provide such services. Strong institutions need to charge enough to cover their costs. Cost recovery is not an end in itself. Rather, it is the only way to reach scale and impact beyond the limited levels that donors can fund. A financially sustainable institution can continue and expand its services over the long term. Achieving sustainability means lowering transaction costs, offering services that are more useful to the clients, and finding new ways to reach more of the unbanked poor.
- Microfinance is about building permanent local financial institutions. Finance for the poor requires sound domestic financial institutions that provide services on a permanent basis. These institutions need to attract domestic savings, recycle those savings into loans, and provide other services. As local institutions and capital markets mature, there will be less dependence on funding from donors and governments, including government development banks.
- Microcredit is not always the answer. Microcredit is not the best tool for everyone or every situation. Destitute and hungry people with no income or means of repayment need other kinds of support before they can make good use of loans. In many cases, other tools will alleviate poverty better, for instance, small grants, employment and training programmes, or infrastructure improvements. Where possible, such services should be coupled with building savings.

- Interest rate ceilings hurt poor people by making it harder for them to get credit. It costs much more to make many small loans than a few large loans. Unless micro lenders can charge interest rates that are well above average bank loan rates, they cannot cover their costs. Their growth will be limited by the scarce and uncertain supply of soft money from donors or governments. When governments regulate interest rates, they usually set them at levels so low that microcredits cannot cover its costs, so such regulation should be avoided. At the same time, a micro lender should not use high interest rates to make borrowers cover the cost of its own inefficiency.
- The role of government is to enable financial services, not to provide them directly. National governments should set policies that stimulate financial services for poor people at the same time as protecting deposits. Governments need to maintain macroeconomic stability, avoid interest rate caps, and refrain from distorting markets with subsidized, high-default loan programmes that cannot be sustained. They should also clamp down on corruption and improve the environment for micro-businesses, including access to markets and infrastructure. In special cases where other funds are unavailable, government funding may be warranted for sound and independent microfinance institutions.
- Donor funds should complement private capital, not compete with it. Donors provide grants, loans, and equity for microfinance. Such support should be temporary. It should be used to build the capacity of microfinance providers; to develop supporting infrastructure like rating

agencies, credit bureaus, and audit capacity; and to support experimentation. In some cases, serving sparse or difficult-to-reach populations can require longer-term donor support. Donors should try to integrate microfinance with the rest of the financial system. They should use experts with a track record of success when designing and implementing projects. They should set clear performance targets that must be met before funding is continued. Every project should have a realistic plan for reaching a point where the donor's support is no longer needed.

- The key bottleneck is the shortage of strong institutions and managers. Microfinance is a specialised field that combines banking with social goals. Skills and systems need to be built at all levels: managers and information systems of microfinance institutions, central banks that regulate microfinance, other government agencies, and donors. Public and private investments in microfinance should focus on building this capacity, not just moving money.
- Microfinance works best when it measures and discloses its performance. Accurate, standardized performance information is imperative, both financial information (e.g., interest rates, loan repayment, and cost recovery) and social information (e.g., number of clients reached and their poverty level). Donors, investors, banking supervisors, and customers need this information to judge their cost, risk, and return.

2.1.2 Characteristics of microfinance products

Microfinance services are aimed at the poor clients, who do not have access to formal financial sources. According to the Rwanda (2004) study, the following are the characteristics of microfinance products:

- Small amounts of loans and savings
- Short loan terms (less than a year)
- Payment schedules featuring frequent instalments/deposits
- High rates on credit (higher than commercial bank rates)
- Easy access to the MFI
- Simple application forms which are easy to complete
- Short processing periods (between completion of application and disbursement of the loan)
- Availability of repeat loans in higher amounts for clients who pay on time
- Tapered interest rates (decreasing interest rates over several loan cycles) as an incentive to repay on time
- No collateral required, alternative methods such as individual or group
- Guarantees (solidarity groups).

Similarly ADRA, (2006) highlights the following as characteristics of MFIs.

- Mostly it is collateral free
- MFIs go to clients rather than clients going to MFIs
- Simplified savings and loan procedures
- Loan size increases in the repeated loans or subsequent cycles
- Small size of loans and savings

- Repeat loans
- Interest rate is usually in between money lenders and formal banks
- Free use of loans (no restrictions on specified purpose)
- Repayment considers incomes from business as well as other sources
- Loan and savings products within manageable numbers

2.1.3 Evaluation of the Lending Criteria for Microfinance Loans

Though every microfinance institution has a unique way of formulating the eligibility criteria, there are a couple of general requirements to be fulfilled.

These include:

- Permanent residence in the city in which they have applied for a loan
- Engagement in micro and small enterprise activities
- Unemployed youth and women with strong commitment and potential for self-employment
- Willingness to be organised into a credit group and acquire loan through group collateral, usually in sizes of 5-10 people
- Potential clients need to be between 18 to 35 years of age and economically active
- Potential clients must be in the category of the poorest of the poor
- Credit worthiness, with a good reputation among the community that can be confirmed by the local credit and savings committee
- Possession of a business plan that also confirms the availability of a market for the product/service loan is requested for
- Willingness to save part of his/her business income at the microfinance institution through which they have accessed the loan

- Willingness to deposit 10% of the loan requested towards the loan insurance fund over a period of five weeks before the loan is disbursed
- Agreeing to pay interest and other fees within the grace period

2.2 Benefits of Microfinance Programmes

2.2.1 The Relationship between Microfinance and Poverty

Microfinance and poverty are closely linked according to Chirwa (2002) as microfinance has become an important instrument for poverty alleviation in developing countries. Similarly, Microfinance according to Nelson and Nelson (2010) is a viable strategy for overcoming inadequacies of the formal lending system and guaranteeing access to credits for the rural poor through a financial intermediation option that is responsive to livelihoods conditions of the poor. The argument is that formal credit markets tend to fail the poor due to the collateral requirements that the poor cannot meet and due to the belief that repayment incentives for the poor are limited given the high monitoring costs of micro individual borrowers. Adongo and Stork (2005) and Hossain and Knight (2008) agree that lack of collateral is among key reasons why the poor cannot access loans through the formal sector. According to Adongo and Stork (2005), financial institutions require security when providing credit. However the poor typically lack marketable assets suitable for use as collateral to access credit from formal financial institutions. According to Hossain and Knight (2008) very poor individuals are often described as high risk due to their lack of collateral and unstable sources of income and hence timely repayment of loans is often not anticipated.

Nelson and Nelson (2010) further argues that the poor often rely on informal financial markets such as moneylenders and rotating savings and

credit associations that have simpler terms of credit. This informal sector is known to charge high costs for credit resulting in the poor not being able to positively invest in productive income-increasing activities. A study by Chipeta and Mkandawire (1991) observed that interest rates in the informal markets in Malawi ranged from 300 to 1200 percent per annum which is much higher than interest rates in the formal financial sector. Chirwa (2002) further argues that microfinance institutions provide a bridge between formal and informal financial markets in developing economies by implanting innovative strategies of delivering financial services to the poor. Such strategies include simpler delivery mechanisms and simple forms of collateral if it is required at all as well as ongoing and increasing access to credit for those who repay in time. According to Chirwa (2002) most microfinance institutions offer credit at highly subsidised interest rates. However, Mukankusi et al. (2009) in their Rwandan study of youth found that formal micro finance institutions in Rwanda often charge exorbitant interest rates that surpass the capacity of very poor households to manage.

Zeller and Sharma (2000) as well as Khandker et al. (1998) state that the purpose of micro-credit programmes is to reduce credit barriers of households or to provide them with capital to invest in an activity that will increase their income and consumption. Orrick et al (2012) says microfinance providers seek to serve poor populations that have traditionally been unable to obtain access to credit by enabling them to secure loans in other financial services. Orrick further states that the primary goal of micro finance is to reduce poverty in developing countries by providing poor people with basic

financial services. Access to finance will in turn enable them to earn more, accumulate assets and protect themselves from unexpected setbacks.

Ojo (2009) argues that financial institutions need to put more effort in financing SMEs. Their role needs to be felt by SMEs in terms of growth and development. The financial institution whose role needs to be visible in promoting SMEs growth and development is microfinance. SMEs themselves should be more receptive to new ideas and be prepared to make financial commitments to ensure growth. This study recommends that microfinance institutions develop flexible finance guidelines to accommodate SMEs.

Matovu (2006) states that the majority of the poor in Uganda especially women lack access to the basic financial services which are essential for them to manage their lives. The poor are excluded from opportunities of financial services than the informal alternatives that are considered unsuitable. Microfinance is therefore considered as a vital tool to break the vicious circle of poverty which is characterised by low incomes, low savings and low investment. According to Hulme et al (1998) most institutions regard low-income households as “too poor to save”. In order to generate higher incomes, savings and more investment, there is need to inject capital in the form of microfinance.

Otero (1988) says benefits derived from micro-enterprise assistance programmes can be classified in three distinct levels: the direct beneficiaries; the implementing institutions; and the local context or policy climate.

The Beneficiaries: These are the direct participants or clients of a programme, and constitute the first and most important group for whom benefits derived are most tangible and quantifiable. Two areas of benefits are

considered: the generation of additional income for the micro-producer and his family; and the creation or the maintenance of productive employment. The former according to Otero (1988), changes in income, involves a close study of the microenterprise itself, its performance as measured by changes in production, sales and net profit. The infusion of working capital and technical assistance should help a micro-producer to either improve the overall efficiency of his operation by lowering his costs, or to increase production. These, changes in firm activity will probably then lead to changes in family income. The second key area according to Otero (1988) is employment since all developing countries face job creation needs of enormous proportions.

The Institution: Otero (1988) says that institutions benefit in at least three ways as a result of implementing microenterprise assistance programmes. Firstly, if a microenterprise assistance programme is to move beyond the pilot phase, then the institution must review and upgrade its internal structure and management mechanism. These improvements lead to a stronger and more efficient institution. Secondly, the institution must pay very close attention to its financial status and management. The proper implementation of a microenterprise assistance programme should strengthen both its financial analysis capacity and its monitoring and reporting techniques. Furthermore, since the programme generates income through interest earned, the institution as an entity becomes more solvent, and less dependent on outside sources of funding. Finally, the institution over the course of programme implementation develops staff capable of conducting microenterprise assistance programmes.

The Local context: According to Otero (1988), a third level of benefit analysis involves a study of how microenterprise assistance programmes are contributing to the evolution of a national political and policy climate favourable to addressing the needs of the informal sector. Governments and interested entities have always turned first to existing programmes and used their experience to formulate solutions. Otero further states that the demonstration effects of effective microenterprise assistance programmes have been invaluable, and will continue to guide emerging public and private sector responses.

2.2.2 Youth and Poverty

The situation of orphans and vulnerable children (OVC) has become an important issue facing the world. In 25 years, the human immunodeficiency virus (HIV) has infected almost 70 million people and illnesses related to the acquired immunodeficiency syndrome (AIDS) have killed more than 25 million people Mukankusi et al. (2009). Mukankusi et al. (2009) also states that HIV continues to strike adults during their reproductive years, and AIDS-related illnesses have resulted in the orphaning of millions of children. The economic opportunities for these children as they become adolescents and young adults continue to decrease. Evans and Day (2011) suggest that the HIV and AIDS epidemic has led to a fracturing of the intergenerational contract in severely affected communities in Tanzania and Uganda, as some young people are taking on caring responsibilities and gaining access to land and property at younger age than usual. Experiences from young orphans revealed that the most poignant losses were the death of a parent, lost educational

opportunities and increased financial responsibilities as well the requirement to care for siblings Harms et al. (2010).

According to Balkenhof (1998) self-employment for the unemployed is not uncontroversial as it leads to self-exploitation and creates unsustainable businesses. Balkenhof (1998) points out that while some people see it as an instrument of welfare reform, to help reduce public sector expenditure and the burden on social security systems, others say it only increases the pool of working poor, whose wages are too low to make a decent living and who end up taking on other income-generating activities. The ambivalence surrounding the notion of self-employment reflects the multiplicity of policy objectives which this type of measure is supposed to help achieve. Originally, a measure of active labour market policy, it has taken on a load of other policy objectives, such as regional or local economic development, private sector promotion, competition policy, etc. Critics of self-employment programmes for the unemployed also attack the performance of intermediaries which finance, train and advise the unemployed. They are considered to carry excessive overheads, reach too few beneficiaries and lack professionalism. Even the overall social justification of self-employment programmes has been criticized because of alleged market distortions, high costs, and unclear objectives.

Curtain (2001) states that generating employment opportunities for young people is a major challenge facing most countries whether rich or poor difficulties faced by young people in finding work are compounded by the large numbers seeking limited employment opportunities.

A study conducted on unemployment and the youth in Namibia by the Partnership for Local Democracy and Social Innovation (2011) states that

unemployment has a huge impact in Namibia as it causes poverty, homelessness, lack of family cohesion and it also affects the human dignity of the unemployed. According to the study about 75% of youth between the age group 15-24 years are unemployed.

2.2.3 Microfinance and the Youth

According to a case study by Mukankusi et al (2009) on empowering youth through savings-led microfinance in Rwanda, youth have little or no access to formal credit to start or expand micro-businesses. This is often due to their young age and lack of physical assets, collateral and/or social connections.

A study by Navajas et al. (2002), states that the professed goal of microcredit is to improve the welfare of poor households through better access to small loans. Zeller (2000), states that improved access to financial services can have two principle effects on households. First it can raise the expected value of income and therefore of consumption and future investment and asset accumulation. This is the traditional and often sole argument for provision of services by Micro Finance Institutions. Second it can decrease the downward risk of too low an income to satisfy basic consumption needs. Zeller and Sharma (1998) reveal that Credit and Savings facilities can help poor rural households manage and often augment their otherwise meagre resources and acquire adequate food and other basic necessities for their families. Credit facilities enable them to tap financial resources beyond their own and take advantage of potentially profitable investment opportunities.

Similarly, Barr (2005) argues that microfinance institutions have demonstrated that it is possible to serve poor clients, operate in a financially

sound manner, and reach scale. Simeyo et al. (2011) argues that provision of microfinance to the vulnerable has been considered an innovative and sustainable approach where the youth can engage in micro enterprise activities to generate income so as to improve their livelihoods and contribute to economic growth. Hossain (2008) also argues that microcredit has gained enormous success in reducing poverty on a global scale. According to Hossain, microcredit as an efficient financial mechanism enables various governmental and nongovernmental actors to realise the millennium development goals (MDGs).

According to Armandariz et al many regions of Africa, Latin America, and Eastern Europe are in contrast sparsely populated and that poses a set of challenges. The additional innovations helped by not relying on group membership – and the microfinance world is increasingly moving toward traditional bilateral contracts between microlenders and individual clients. The first additional innovation is “progressive lending”. The idea is simple: each borrower is granted a small loan of about £50 in the first period, which is typically repayable over one year in weekly instalments. Then, year after year the loan size increases as the borrower demonstrates her reliability and trustworthiness. The scheme has various advantages, one of which is that it enables micro lenders to “test” borrowers with small loans at the start in order to screen out the worst prospects before taking additional risks by expanding loan scale. Also, it increases the opportunity cost of non-repayment in that borrowers become increasingly fearful about being denied access to credit in the future since non-payment will trigger cut-off from a growing stream of future loans. According to Barr (2008), economic theory suggests that

financial development can contribute to economic growth, and growth can contribute to poverty alleviation, although there is wide disagreement about whether and under what circumstances this occurs. It has long been observed that financial development accompanies economic growth, but the proposition that financial development promotes economic growth has been debated in the theoretical literature and has been questioned on empirical grounds. Barr (2008) further argues that banks are key to economic development because they channel society's savings to entrepreneurs who innovate. Financial intermediaries have economies of scale in information gathering, assessment, and monitoring; in mobilizing savings for investment; and in spreading and managing risk. Financial development can thus in theory improve a society's allocation of resources. External finance complements internal corporate funding and permits firms to grow in size larger firms, in turn, contribute to financial development, as their assets become collateral for loans, and their stocks and bonds become instruments for investment. While not uncontested, empirical evidence linking economic growth with the development of strong financial architecture is promising. An assessment of the last few decades of comparative research shows that "higher levels of financial development are significantly and robustly correlated with faster current and future rates of economic growth.

2.3 What Models of Microfinancing Currently Exists

The microfinance website, (<http://www.gdrc.org/icm/model/model-fulldoc.html>) discusses 14 different models of micro financing. These models include associations, bank guarantees, community banking, cooperatives,

credit unions, grameen, group, individual, intermediaries, NGOs, peer pressure, ROSCAs, small business, and village banking models.

In reality, the models are loosely related with each other, and most good and sustainable microfinance institutions have features of two or more models in their activities.

The models were developed through extensive field work/observations and interviews carried out in India, Thailand, Philippines, Indonesia and Sri Lanka, and includes information from literature as well.

- **Associations Model**

This is where the target community forms an 'association' through which various microfinance and other activities are initiated. Such activities may include savings associations or groups of youth, women, formed around political, religious and cultural issues. Support structures for microenterprises and other work-based issues are then created.

In some countries, an 'association' can be a legal body that has certain advantages such as collection of fees, insurance, tax breaks and other protective measures. Distinction is made between associations, community groups, people's organisations, etc.

- **Bank Guarantees Model**

As the name suggests, a bank guarantee is used to obtain a loan from a commercial bank. This guarantee may be arranged externally (through a donor/donation, government agency etc.) or internally (using member savings). Loans obtained may be given directly to an individual, or they may be given to a self-formed group.

Bank Guarantee is a form of capital guarantee scheme. Guaranteed funds may be used for various purposes, including loan recovery and insurance claims. Several international and UN organisations have been creating international guarantee funds that banks and NGOs can subscribe to, to on-lend or start microcredit programmes.

- **Community Banking Model**

A community banking model essentially treats the whole community as one unit, and establishes semi-formal or formal institutions through which microfinance is dispensed. Such institutions are usually formed with extensive help from NGOs and other organisations, who also train the community members in various financial activities of the community bank.

These institutions may have savings components and other income-generating projects included in their structure. In many cases, community banks are also part of larger community development programmes which use finance as an inducement for action.

- **Cooperatives Model**

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. Some cooperatives include member-financing and savings activities in their mandate.

- **Credit Unions Model**

A credit union is a unique member-driven, self-help financial institution. It is organised by and comprises members of a particular group or

organisation, who agree to save their money together and to make loans to each other at reasonable rates of interest.

The members are people of some common bond: working for the same employer; belonging to the same church, labour union, social fraternity, etc.; or living/working in the same community. A credit union's membership is open to all who belong to the group, regardless of race, religion, colour or creed.

- **Grameen Model**

The Grameen model emerged from the poor-focused grassroots institution, Grameen Bank, started by Prof. Mohammed Yunus in Bangladesh. It essentially adopts the following methodology:

A bank unit is set up with a Field Manager and a number of bank workers, covering an area of about 15 to 22 villages. The manager and workers start by visiting villages to familiarise themselves with the local milieu in which they will be operating and identify prospective clientele, as well as explain the purpose, functions, and mode of operation of the bank to the local population.

Groups of five prospective borrowers are formed; in the first stage, only two of them are eligible for, and receive, a loan. The group is observed for a month to see if the members are conforming to rules of the bank. Only if the first two borrowers repay the principal plus interest over a period of fifty weeks do other members of the group become eligible themselves for a loan. Because of these restrictions, there is substantial group pressure to keep individual records clear. In this sense, collective responsibility of the group serves as collateral on the loan.

- **Group Model**

The Group Model's basic philosophy lies in the fact that shortcomings and weaknesses at the individual level are overcome by the collective responsibility and security afforded by the formation of a group of such individuals. The collective coming together of individual members is used for a number of purposes: educating and awareness building, collective bargaining power and peer pressure. The Group model is closely related to, and has inspired, many other lending models. These include Grameen, community banking, village banking, self-help, solidarity, and peer pressure.

- **Individual Model**

This is a straight forward credit lending model where micro loans are given directly to the borrower. It does not include the formation of groups, or generating peer pressures to ensure repayment. The individual model is, in many cases, a part of a larger 'credit plus' programme, where other socio-economic services such as skill development, education, and other outreach services are provided.

- **Intermediaries Model**

The intermediary model of credit lending positions a 'go-between' the lenders and borrowers. The intermediary plays a critical role of generating credit awareness and education among the borrowers (including, in some cases, starting savings programmes. These activities are geared towards raising the 'credit worthiness' of the borrowers to a level sufficient enough to make them attractive to the lenders. The links developed by the intermediaries could cover funding, programme links, training and education, and research. Such activities can take place at various levels from

international and national to regional, local and individual levels. Intermediaries could be individual lenders, NGOs, microenterprise/microcredit programmes, and commercial banks (for government financed programmes). Lenders could be government agencies, commercial banks and international donors.

- **NGO Model**

NGOs have emerged as a key player in the field of microcredit. They have played the role of intermediary in various dimensions. NGOs have been active in starting and participating in microcredit programmes. This includes creating awareness of the importance of microcredit within the community, as well as various national and international donor agencies.

They have developed resources and tools for communities and microcredit organisations to monitor progress and identify good practices. They have also created opportunities to learn about the principles and practice of microcredit. This includes publications, workshops and seminars, and training programmes.

- **Peer Pressure Model**

Peer pressure uses moral and other linkages between borrowers and project participants to ensure participation and repayment in microcredit programmes. Peers could be other members in a borrowers group (where, unless the initial borrowers in a group repay, the other members do not receive loans. Hence pressure is put on the initial members to repay); community leaders (usually identified, nurtured and trained by external NGOs); NGOs themselves and their field officers; banks etc.

The 'pressure' applied can be in the form of frequent visits to the defaulter, community meetings where they are identified and requested to comply etc.

- **ROSCA Model**

Rotating Savings and Credit Associations or ROSCAs, are essentially a group of individuals who come together and make regular cyclical contributions to a common fund, which is then given as a lump sum to one member in each cycle.

For example, a group of 12 persons may contribute Rs. 100 (US\$33) per month for 12 months. The Rs. 1,200 collected each month is given to one member. Thus, a member will 'lend' money to other members through regular monthly contributions.

After having received the lump sum amount when it is his turn (i.e. 'borrow' from the group), he then pays back the amount in regular/further monthly contributions. Deciding who receives the lump sum is done by consensus, by lottery, by bidding or other agreed methods.

- **Small Business Model**

The prevailing vision of the 'informal sector' is one of survival, low productivity and very little value added. But this has been changing, as more and more importance is placed on small and medium enterprises (SMEs) - for generating employment, for increasing income and providing services which are lacking.

Policies have generally focused on direct interventions in the form of supporting systems such as training, technical advice, management principles etc.; and indirect interventions in the form of an enabling policy and market environment.

A key component that is always incorporated as a sort of common denominator has been finance, specifically microcredit - in different forms and for different uses. Microcredit has been provided to SMEs directly, or as a part of a larger enterprise development programme, along with other inputs.

- **Village Banking Model**

Village banks are community-based credit and savings associations. They typically consist of 25 to 50 low-income individuals who are seeking to improve their lives through self-employment activities. Initial loan capital for the village bank may come from an external source, but the members themselves run the bank: they choose their members, elect their own officers, establish their own by-laws, distribute loans to individuals and collect payments and savings. Their loans are backed, not by goods or property, but by moral collateral: the promise that the group stands behind each individual loan. The Village Banking model is closely related to the Community Banking and Group models.

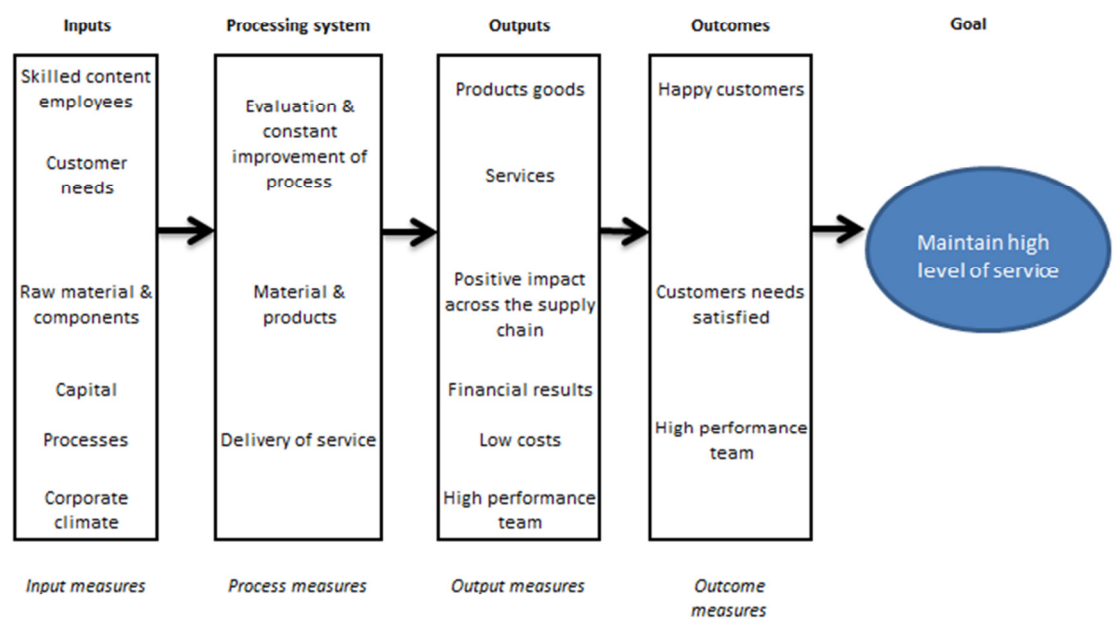
2.4 How do various Microfinance Institutions Measure Effectiveness?

2.4.1 Performance Measurement Characteristics

Mustafa and Saat (2013) study on performance measurement characteristics for MFIs states that microfinance has acquired importance as a tool for fulfilling the millennium goal of alleviating poverty and hunger. The study further states that MFIs experience unparalleled challenges of dual objectives being sustainability (covering costs) and outreach (financing the poor). Mustafa and Saat 2013 therefore argue that an adequate Performance Measurement Framework (PMF) is imperative to judge whether microfinance is worthwhile or worthless. The authors highlight the input-process-output-

outcome framework as a potential measurement model. This measurement links the five stages of input, processing system, outputs, outcomes and goal as areas of focus utilizing the concepts of cause and effect as key variables. The model according to Mustafa and Saat is able to differentiate between classes of measure namely output and outcome.

Figure1: Programme Logic Model



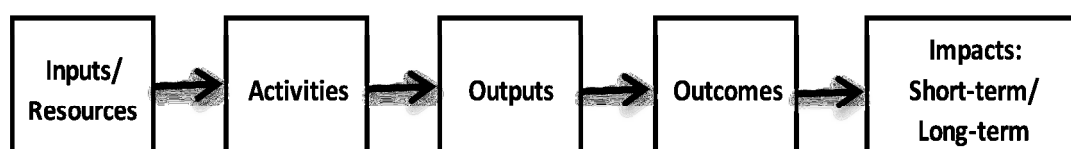
Source: Mustafa & Saat (2013)

Epstein and Buhovac (2009) describe this framework as pictures designed to illustrate how organisations do their work. According to the authors this is the Programme Logic Model that links impacts (short-term and long-term) with programme activities/processes and theoretical assumptions underlying a programme. As such, it shows the cause-and-effect relationships underlying the programme of a not-for-profit organisation. This is of great importance when trying to develop useful measures for evaluating the programme's performance. Any sound programme design should be based

on a set of assumptions regarding the services the programme provides, the clients it serves or the cases it treats, its intended results, and the logic behind how the use of resources in particular programme activities is expected to produce these results.

Figure 2 below shows a generic programme logic model that can help clarify these assumptions for any given not-for-profit programme according to Epstein and Buhovac (2009) inputs or certain resources are needed to operate the programme of a not-for-profit organisation. The principal resources used by most not-for-profit programmes include personnel, physical facilities, equipment, contract services, and others. They are used to accomplish the planned activities. Programme activities involve the provision of services, the enforcement of laws or regulations, or both. If the programme accomplishes the planned activities, it is assumed that the organisation will deliver or has delivered the amount of products and/or services planned. As a consequence, the participants should benefit in certain ways (outcomes). If the participants receive the benefits, then certain changes in the communities or society as a whole might be expected to occur (impacts).

Figure 2: Generic Programme Logic Model



Source: Epstein & Buhovac (2009)

Epstein and Buhovac (2009) further argue that programme logic models provide an exemplary template of how a not-for-profit organisation can select the building blocks underlying its specific programmes to achieve its

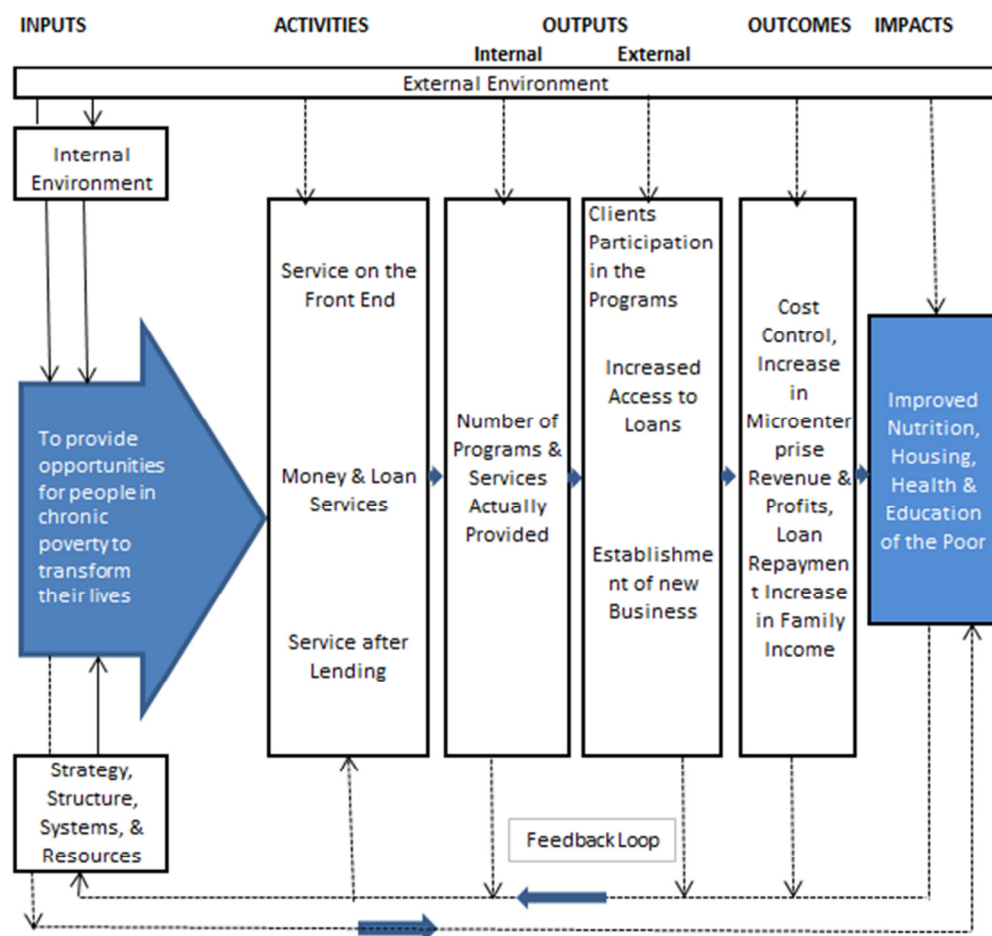
mission and vision. The visual representation of specific elements in the logic model helps organise and systematize programme planning, implementation, measurement and evaluation. The authors further state that having the intention of more specifically articulating other relevant inputs to the programme logic model, not just resources, the *Input-Impact Model* puts the mission and vision statements at the core, and also places strategy, organisational structure, systems (as well as the internal environment) among the inputs. It also further specifies other elements from the programme logic models, such as internal and external outputs.

Figure 3 below provides a practical application of the Input-Impact Model in the microfinance sector according to Epstein and Buhovac (2009). The authors argue that the example can be applied to a variety of other not-for-profit organisations besides MFIs, whose missions entail alleviation of poverty. According to the authors, the ultimate goal of MIFs is often to alleviate poverty, although many such organisations do not explicitly state this goal. Epstein and Buhovac (2009) however state that MFIs instead claim that their goals are to give poor people access to credit.

Figure 3 shows that increased access to loans should actually be viewed as the external output rather than a social impact. An appropriate sequential specification of the critical elements in the model starts with the mission and vision statements, supported by the strategy, structure, and other inputs that enable the provision of (typically) three types of services: (a) the services at the front end (such as analysis of client economics), (b) money and loan services, and (c) services after the loan (such as training and support). The resulting internal outputs include the number of programmes

and services actually provided to the beneficiaries. On the other hand, external outputs include clients' successful participation in the programmes, an increase in access to loans, and establishment of new micro-enterprises. As a consequence, the following outcomes may be expected: improved cost control in microenterprises, an increase in micro-enterprises' revenues and profits, an increase in the micro-finance institution's loan repayment rate, and an increase in clients' family incomes. Finally, social impacts include improved nutrition, housing conditions, health, and education of the clients' family members.

Figure 3: Input-Impact Model



Source: Epstein & Buhovac (2009)

2.4.2 Monitoring and Evaluation of Microfinance Programmes

Monitoring and evaluation is critical for micro financing institutions. Indicators are used to measure the implementing agency's performance in implementing the programme and its impact on target beneficiaries and their communities. The main instruments for reporting monitoring and evaluation are:

- Monthly reports
- Quarterly reports
- Annual reports
- Logical framework

According to Hempel and Fiala as cited in (Savedoff, Levine, & Birdsall 2006) monitoring provides internal and external information on a continuous basis to inform programme managers about planned and actual developments. Monitoring involves collecting and analysing data to verify that resources are used as intended, that activities are implemented according to plan, which the expected products and services are delivered and the intended beneficiaries are reached. Effective monitoring needs to be part of any project, regardless whether the project will be evaluated. Monitoring provides a foundation for evaluating an intervention.

2.5 Analysis of Major Criticisms

Nelson and Nelson (2010) note that most micro credit programmes in the developing world are hampered by constraints, including limited loan portfolio, administrative problems, lack of proper coordination of activities and problems associated with loans and interest repayments. This study further

reveals that constraints, problems with repayment of credit and interest are the most prominent as the rate of repayment has been very slow. Hossain (2008) also states high interest rates are necessary for generation of profitability, in order to ensure reduced reliance of microfinance institutions on external funding. Hossain (2008) further highlights several causes of default in microcredit which can be divided into four main categories. These are organisational, household/financial, group dynamics and other factors such as geographical location and environmental degradation.

According to Coleman (1999), village bank credit did not have any significant impact on physical asset accumulation; production and expenditure on education. The women ended up in the vicious cycle of debt as they used the money from the village bank for consumption and were forced to borrow from money lenders at high interest rates to repay the village bank loans so as to qualify for more loans. The main conclusion from the study was that the poor are poor because of other factors (such as lack of access to markets, price shocks, inequitable land distribution) but not access to credit.

Mosley and Hulme (1998) in their study of 13 MFIs in seven developing countries concluded that household income tended to increase at a decreasing rate, as the debtors income and asset position improved.

According to Armandariz and Morduch (2004), there are two reasons why micro lenders can not entirely rely on progressive lending. Firstly, when there is a multiplicity of micro lenders, threats to not refinance borrowers lose their teeth because borrowers who default on a loan can always turn to another microlender (assuming that the other micro lender has poor information on credit histories, a common situation in the absence of credit

bureaux). The other tension is that as the loan size increase, defaults become increasingly attractive, especially if the relationship between the micro lender and the borrower has a clear final date.

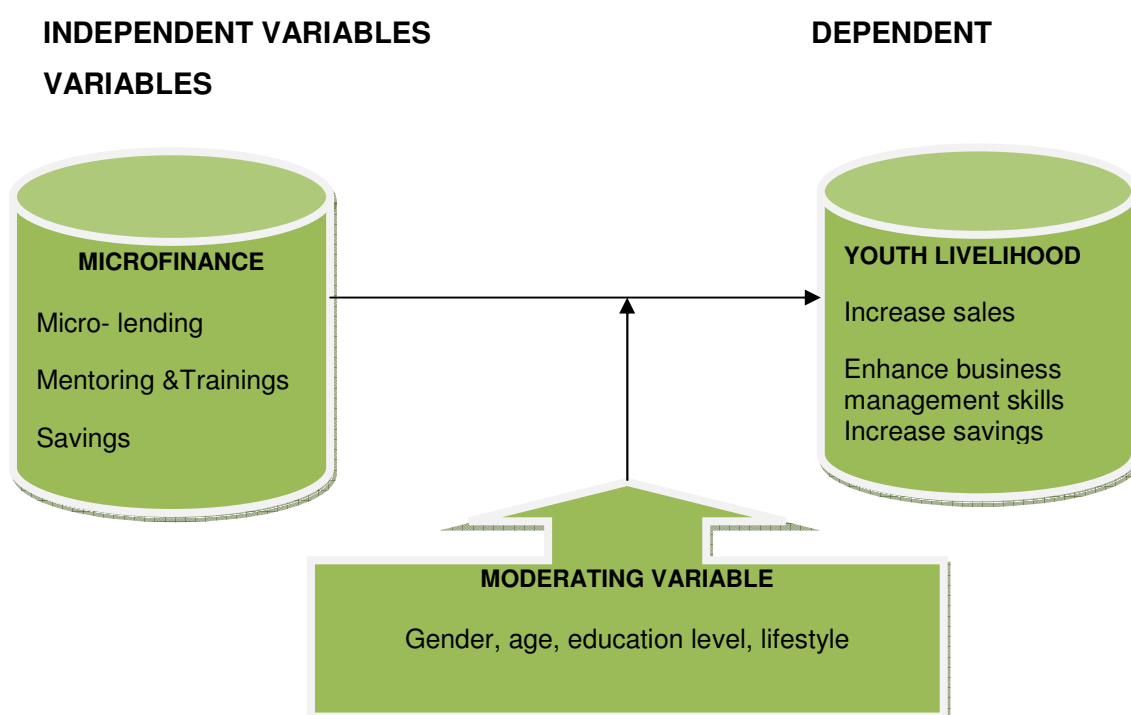
According to the Rwanda study many credit and saving programmes do not in fact reach the poorest, although they can benefit slightly less poor. For MFIs seeking to sustain their business, the poor do not represent attractive clients. Meanwhile self-selected solidarity groups exclude the most vulnerable, as members are selected on the basis of who is believed to be able to repay and can offer their small collateral within the group.

Disadvantage of direct provision of microfinance by NGOs is that they will always have higher costs for the amounts they lend relative to the microfinance institution. As they become increasingly involved in microfinance the high costs of non-financial services will result in their lending more to larger clients with less risk, which goes against their stated objectives to reach the poorest of the poor. It can also come about as they do not have the necessary skills to assess, disburse and monitor a loan portfolio (Andongo & Stork, 2005).

2.5 Conceptual Framework

2.5.1 Variables

The following conceptual framework shows the correlation of variables between microfinance services and livelihood of youth through changes in increase sales, savings, employment creation and business management skills.

Figure 4: Conceptual framework

2.5.2 Impact Levels

According to Schafer (2001) impact domains vary for each assessment according to the perceptions of the target groups, the objectives, the local settings, the macro conditions and the study design. For the purpose of these studies, four analytical levels have been identified:

Household: access to microfinance services should contribute to sustained net increases in family income that reduce poverty. Clients should

acquire assets and must be able to satisfy the basic needs, such as health, education and improve their economic security.

Enterprise: at enterprise level impact should be represented by change in increased sales, income, assets, employment creation, growth and business management strategies.

Individual: individuals gain self-esteem, increase their control over resources, improve their well-being and status within the family and community. Change is measured by a client's capacity to make decisions and investments that improve business performance and personal income.

Communities: communities develop economically through enterprise activity that provides good and services and creates job.

2.6 Summary

The literature revealed 14 different models of microfinancing developed through extensive studies in developing countries such as India, Thailand and Sri Lanka. Microfinance programmes in Namibia have adopted the Bank Guarantee Model under the CYB programme and the Group Model under the NYCS programme.

CHAPTER 3: RESEARCH METHODOLOGY

This chapter presents the framework through which relevant data was collected and analysed and the procedures that guided the data collection process. It specifically discusses the nature and sources of data, sampling methods, methods of data collection, analysis and presentation.

3.1 Research Approach

According to Khan and Rahaman (2007), there are mainly two kinds of research methods, quantitative method and qualitative methods. These two methods differ in terms of the numeric (numbers) or non-numeric (words) data. The quantitative method is predominantly used as a synonym for any data collection technique (such as a questionnaire) or data analysis procedure, such as: graphs or statistics that generates or uses numerical data.

On the other hand, qualitative method is predominantly used as a synonym for any data collection technique (such as an interview) or data analysis procedure (such as categorising data) that generates or uses non-numerical data. Therefore, the other difference between qualitative and quantitative data is that, the qualitative data refers to words, such as pictures and video-clips, rather than numerical results. This study considered both qualitative and quantitative methods as interviews were held with key informants whilst a questionnaire was developed for youth benefitting from Microfinance.

In order to provide a complete picture of the research problem, both qualitative and quantitative approaches were adopted. Qualitative approaches took the form of interviews with the Executive Chairman of the National Youth

Council, the Director of the Youth Directorate under the Ministry of Youth, National Youth Service, Sport and Culture and Programme Officers. The quantitative approach was in the form of data collection by means of questionnaires distributed to 100 beneficiaries of both programmes. Respondents were selected from five regions with specific focus on one constituency in the region.

The researcher used a combination of qualitative and quantitative instruments and tools to gather data from the following sources:

- Primary sources: a questionnaire was used with open ended questions and structured and semi-structured approaches.
- Secondary sources: for the purposes of collecting secondary data, activity reports, loan records and programme documents were analysed.

3.2 Research Design

The design of this study is descriptive in nature. According to Welman et al (2005) descriptive research aims at explaining the way things are or are conducted to understand the way things are. The study therefore describes the impact the microfinance programmes have on youth.

This design was found appropriate for exploring the effect of micro-finance services on the youth financial and social empowerment. Simeyo et al (2011) argues that survey is the best tool in an attempt to collect data from members of a population in order to determine the current status of that population with respect to one or more variables. Surveys can be used for explaining or exploring the existing status of two or more variables at a given point in time. The authors further state that this research strategy allows

collection of data through questionnaires administered to a sample and that the data collected by this design can be used to suggest possible reasons for particular relationships between variables and produce models for these relationships.

The choice of survey research was further motivated by the fact that survey research provides for a suitable instrument for collecting a large amount of data. While it also provides a practical framework for collecting a large sample of composing groups and thirdly, survey studies have strong data reliability.

3.3 Target Population

According to Welman et al (2005), the target population is the population to which the researcher ideally would like to generalise the results. The Target Population of this study were youth between the ages of 18-35 years who benefited from the micro financing initiatives offered by the CYB and NYCS programmes. Furthermore, senior officials overseeing these two programmes were also interviewed in an attempt to obtain specific information on specific issues and to capture high level perspectives.

3.4 Sample

A sample is the selection taken from a larger group (the "population") so that one can examine it to find out something about the larger group. The sample in this study consisted of 100 youth that benefitted from Microfinance programmes offered by the CYB and NYCS. In addition, other stakeholders responsible for the implementation of these programmes were also interviewed.

3.5 Sampling Procedures

The random sampling method was used in this study. Random sampling is the most attractive type of probability sampling. This technique allows each member of the population the same chance of being included in the sample and each sample of a particular size has the same probability of being chosen, Welman et al (2005). Simple random sampling in this context was done by means of randomly selecting 100 beneficiaries from a database obtained from the programmes.

3.6 Research Instrument

Mustafa et al (2008) argues that research works mainly as a result of empirical data, hence the instruments used for selection of data collection is an important. Since the study relies on a combination of qualitative and quantitative data, the following sources were considered:

- **Primary sources: Questionnaire**

The questionnaire was designed to elicit responses relating to the participants background such as gender, age and education. Furthermore, subject specific questions relating to micro finance services such as loan requirements, provision of loans, savings mobilization and micro enterprise investment, training were considered. It was also aimed at gathering data concerning the performance in terms of growth in income, loan repayment and growth in savings from micro enterprise activities. Structured questions including dichotomous questions were asked to collect information from respondents.

- **Structured and Semi-structured interviews:**

Mustafa et al (2008) states that interviews are a famous data collection method used by researchers on any stage of research work as it offers flexibility while conducting the interview and information gathering since the researcher can conduct the interview at any time and get huge amounts of information. During Structured interviews the researcher considered questions from a collection of previously compiled questionnaires Welman et al (2005).

Structured interviews were mainly considered as microfinance beneficiaries are often illiterate and are not able to complete the questionnaire accurately. Semi-structured interviews were conducted where additional questions were required to explore research questions based on the nature of events within the enterprise.

Secondary sources: Secondary sources were used to formulate research questions, develop theoretical framework and literature review. Various journals, work plans, activity reports, loan records, programme documents, agreements, memorandum of understandings, relevant policy papers, research articles, websites, reports on poverty and youth, newspapers and books were consulted.

3.7 Data Collection Procedures

The data collection process started with an interview held with the Executive Chairperson of the National Youth Council and the Director in the Youth Directorate within the Ministry of Youth, National Service, Sport and Culture, programme officers and MFI officials. The objective of having these initial interviews was to get the overall views relating to coverage, challenges,

opportunities and assumptions about youth and the mechanics of providing microfinance to youth.

The quantitative approach was done by means of distribution of 100 questionnaires to youth benefiting from both the Credit for Youth in Business Programme and the Namibia Youth Credit Scheme. Each participant was first informed why and how the study is conducted and also received a letter explaining the importance of the survey. Respondents in remote areas were given two weeks to complete the questionnaire which was returned in prepaid courier envelopes. Those respondents based in Karas, Khomas and Otjozondjupa regions were approached through face to face interviews, with interviews scheduled at their convenience to ensure each respondent had sufficient time. The questionnaire was piloted on five beneficiaries currently on the NYCS programme who live in Windhoek. The purpose was to pre-test the research tools to ensure that they would produce the type of information that was sought and to adjust them accordingly.

3.8 Data Analysis

In this study, the collected data was analysed and synthesized using descriptive quantitative methods. The data is presented in tables and figures which have been built from related questions in the sections of the questionnaire. Data has been analysed instantaneously after each table, graph and figure. Data was collected in relation to the problem statement through questionnaires, which was structured on Likert Scale. Data analysis was done by using Statistical Package of Social Science (SPSS).

3.9 Ethical Considerations

Privacy and confidentiality of respondents was the main concern with regard to ethical considerations. Obtaining valid information entailed asking profound questions which are themselves an infringement on the privacy and confidentiality of the respondents. To address this concern, respondents were informed prior to their participation that they had the freedom not to disclose information they regarded as confidential.

3.10 Limitations of the Study

The major limitation of the study was lack of research done on the same subject matter in Namibia. In addition, conducting research requires time, money and other resources. There were some imbalances between these requirements and the actual means available to the researcher.

3.11 Operationalization of Variables

The table below summarizes the operational structure that was adopted by the researcher. It highlights the objectives of the study, independent and dependent variables and procedures followed to collect the data. Operationalization is the process of strictly defining variables into measurable factors. The process shows the flow from setting objectives, variables, measurements, data collections instruments and data analysis followed during the study.

Table 2: Operationalization structure grid

Objective	Variable	Indicator(s)	Measurements	Scales	Data collection methods	Data Analysis

To assess the impact of microfinance on youth enterprises.	IV: Micro-lending DV: Youth Livelihood	Improvement on individual, enterprise, household levels Gender of youth accessing loans	Loan portfolio reports at NYCS & CYB offices	Ordinal scale Nominal scale	Interviews, questionnaires, reports analysis	Descriptive analysis.
To investigate whether the current micro finance implementation models are effective in improving the living standard of youth.	IV: Mentoring & Training DV: Youth Livelihood	No of youth trained No of youth mentored No of youth obtained loan	Narrative reports at NYCS & CYB offices	Ordinal scale	Document analysis Interviews, questionnaires	Descriptive analysis
To determine the efficiency and provision of service levels of Microfinance institutions to the youth	IV: Microfinance services DV: Youth Livelihood	Loan size Interest rates Repayment periods Backup support Follow-up Management Information Systems		Ordinal scale	Questionnaire Interview Document analysis	Descriptive

3.12 Summary

Chapter 3 has presented the research methodology and design used in the study. It highlights how data was collected and presented.

4. CHAPTER FOUR: FINDINGS AND DISCUSSIONS

This chapter provides the empirical findings obtained from the collected data along with discussions explaining the findings of the study. The primary information was collected from 100 beneficiaries of CYB and NYCS through a questionnaire and from interviews conducted with programme stakeholders. The secondary information was further obtained through programme documents. It further provides demographic information of the respondents and the statistical analysis of the information collected from them.

4.1 Demographic Data of Respondents

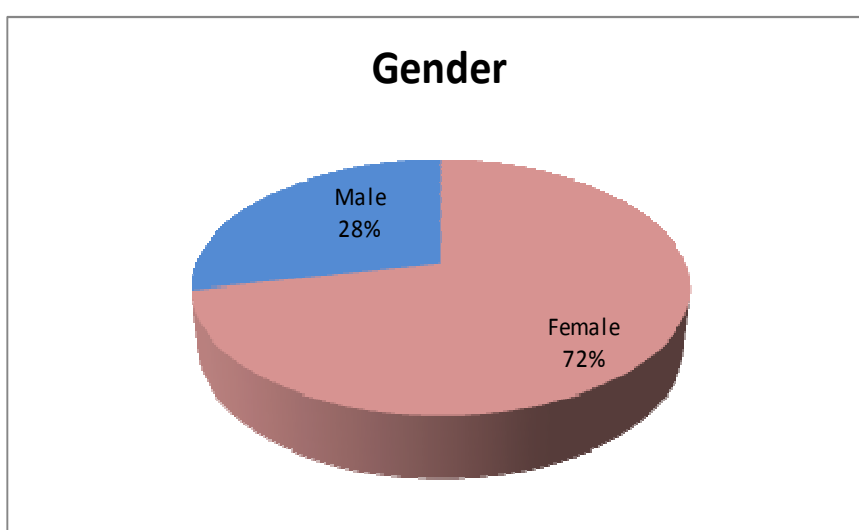
The study specifically targeted beneficiaries of NYCS and CYB who received micro credit and other business development services such as training and mentoring between January 2009 and 2013. The primary information was collected from 100 beneficiaries of CYB and NYCS through a questionnaire and from interviews conducted with programme stakeholders. Respondents were selected from five regions, namely Otjozondjupa, Karas, Khomas, Omusati and Oshana with specific focus on one constituency in each region. In order to allow for a proper mix of sampling the research selected regions with varying cultures and varying economic context. Group contact sessions were held in Otjozondjupa, Khomas and Karas regions whereas respondents from Omusati and Oshana regions were approached and selected through Youth Officers and Youth Regional Coordinators. Youth Officers and Youth Regional Coordinators are responsible for the successful

implementation of the CYB and NYCS programmes in their respective constituencies.

4.1.1 Gender

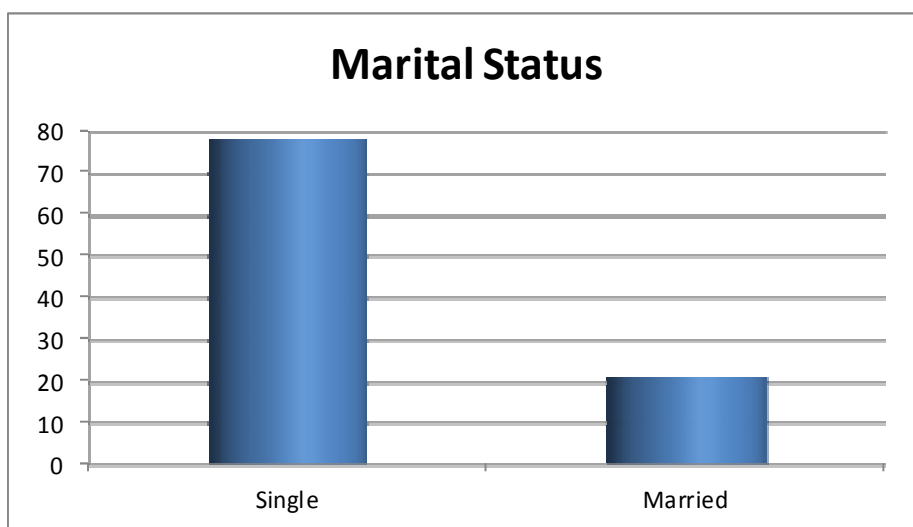
Figure 5 illustrates gender distribution of the respondents. The sample was representative of female and male participants. It shows that of the respondents were 71.7% female and 28.3% male. This is testimony to the fact that most beneficiaries from microfinance programmes targeting youth are women as they tend to be more active in starting small businesses in order to improve their wellbeing and that of their families.

Figure 5: Gender



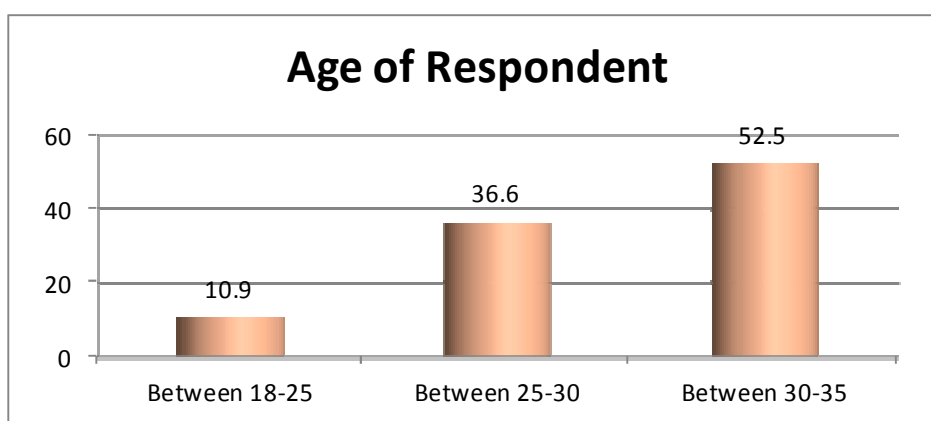
4.1.2 Marital Status

Figure 6 presents the marital status of the respondents. As expected, the majority of the respondents, 78.4% are single whereas 21.6% are married. This could be linked to the fact that more young women seek microfinance loans to improve their livelihoods in the absence of a supporting spouse.

Figure 6: Marital Status

4.1.3 Age

In terms of age, 52.5% of respondents were in the age group 30 to 35 years, 36.6% indicated being between 25 to 30 years and 10.9% in the age group 18 to 25 years. This could mean that older respondents were perhaps able to manage their finances much better due to experience and responsibility.

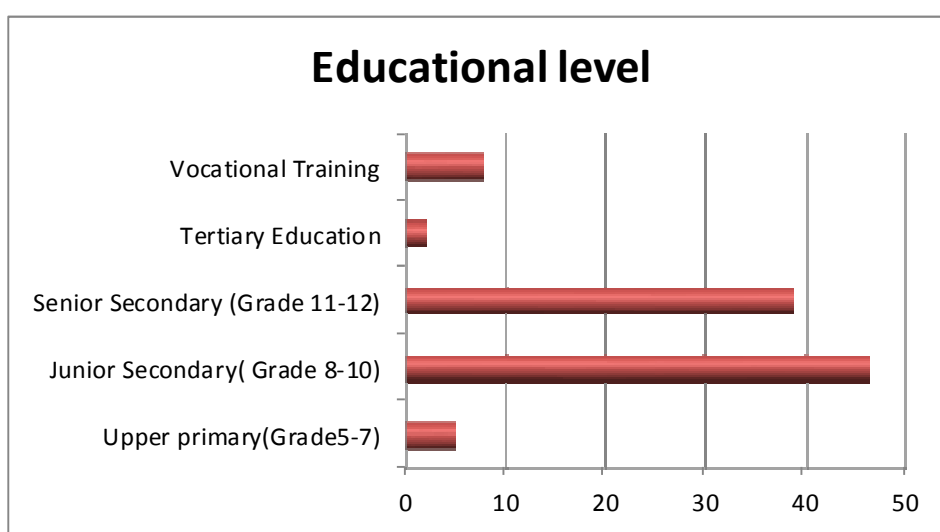
Figure 7: Age

4.1.4 Education

Respondents were also classified in terms of education levels as this could influence how they manage their income and households. The

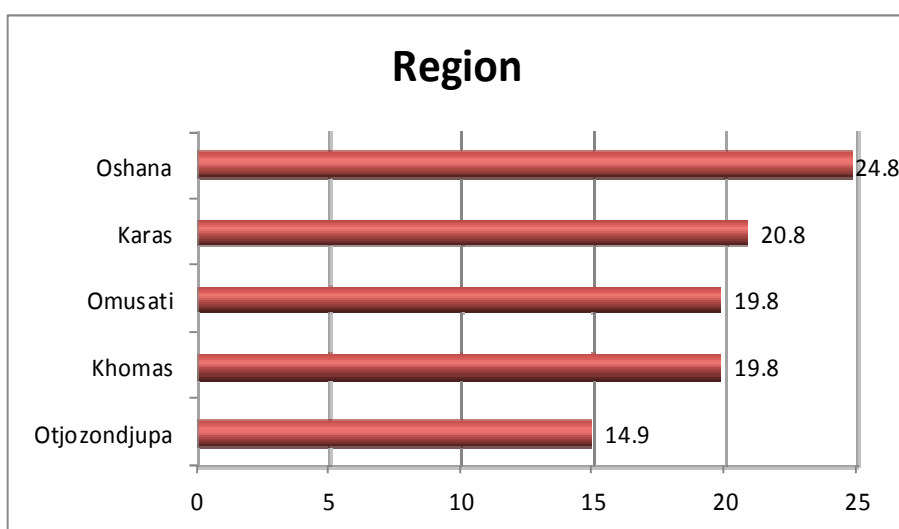
argument is that respondents with higher education levels would be more knowledgeable about savings and income. According to Figure 8 4, 7.9% of respondents have vocational training while 2% indicated having tertiary education, whereas 38.6% completed senior secondary or grades 11 to 12. The majority, 46.5% attended junior secondary and 5% upper primary grades 5 to 7.

Figure 8: Education



4.1.5 Region and Constituencies

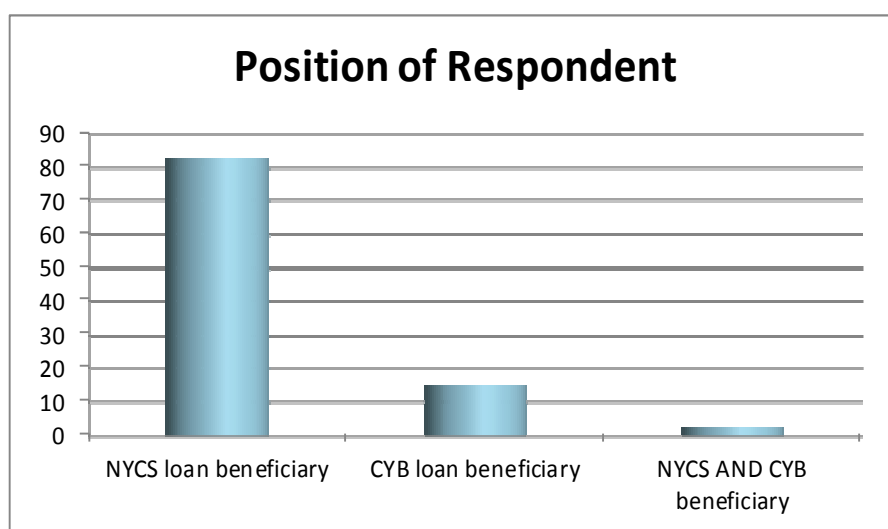
Respondents were asked to indicate in which region and town they are based for correlation purposes on population size, poverty levels and access to employment in these regions. From Figure 9 and Table 1, it can be realised that 24.8% of the respondents were from Oshana, 20.8% from Karas, 19.8% from Omusati and Khomas whereas 14.9% were from Otjozondjupa region. Similarly, Oshakati had 24.8% respondents while 20.8 were from Keetmanshoop, 19.8% from Outapi and Windhoek, and 14.9% were from Grootfontein. The realization is that most respondents were from more rural areas such as the Oshana region where unemployment is relatively high.

Figure 9: Region**Table 3: Constituencies**

	%
Grootfontein	14.9
Windhoek	19.8
Outapi	19.8
Keetmanshoop	20.8
Oshakati	24.8
Total	100

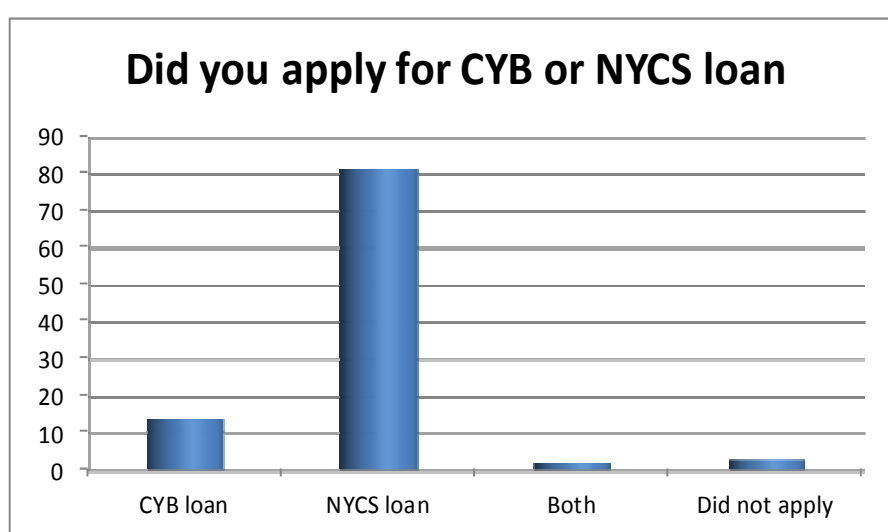
4.1.6 Position of respondent

Figure 10 below illustrates the position of the respondents to determine from which microfinance programme the respondent has been benefitting. This gave an indication on whether the size and coverage of the programme has had an impact on the number of loan recipients. The majority, 82.4% indicated they were beneficiaries of the NYCS programme. Of this figure 15.4% said they benefited from the CYB and 2.2% from both programmes. This is a fair result considering the fact that the NYCS programme is much larger and widespread than the CYB programme which is region specific.

Figure 10: Position of respondent

4.1.7 Programme joined

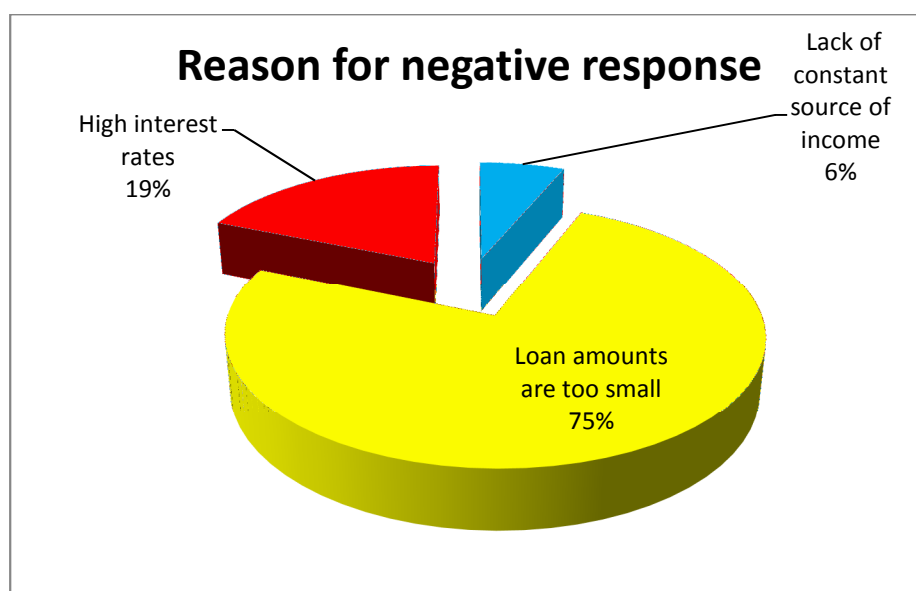
Respondents were also asked for which programme they applied. Figure 11 below shows that 81.2% of the respondents indicated they applied for the NYCS programme, whereas 13.9% indicated CYB and 2% applied for both. The fact that over 80% of respondents applied for the NYCS programme is a reflection of its national coverage.

Figure 11: Programme joined

4.1.8 Reasons for not joining the programme

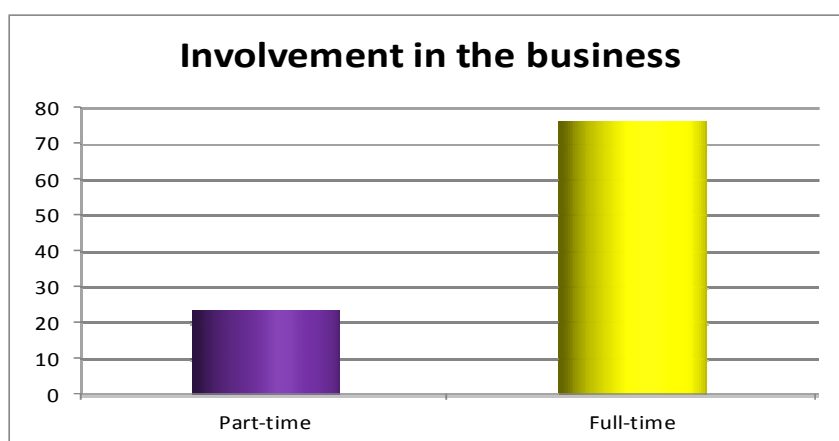
The remaining 3% indicated they did not apply. Out of those that were not members of any microfinance programme, 75% indicated they did not join because of small loan amounts, followed by 19% who mentioned high interest rates and 6% who indicated they did not join because of lack of a constant source of income. This is an indication that more youth can benefit from the programme provided that loan amounts and interest rates are revised.

Figure 12: Reason for not Joining MFI



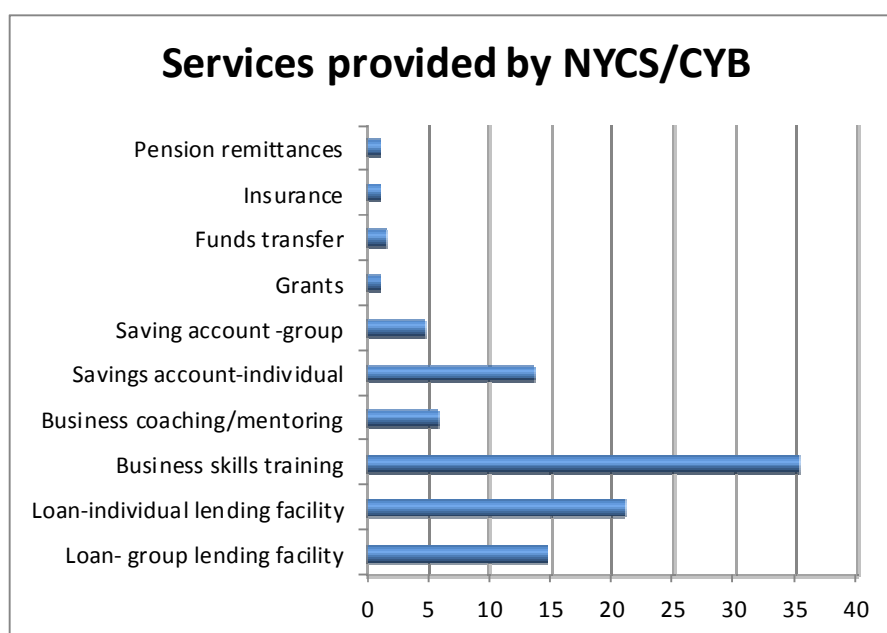
4.1.9 Level of involvement in enterprise

From the respondents who indicated being members of an MFI, 76.2% affirmed that they are full time in their businesses whereas 23.8% are in the business as part-time business owners according to Figure 13. This implies that these businesses are the only source of income for respondents. Therefore, greater results will be obtained with increased loan amounts, revised interest rates and improved services.

Figure 13: Level of involvement in enterprise

4.1.10 Services offered by NYCS/CYB

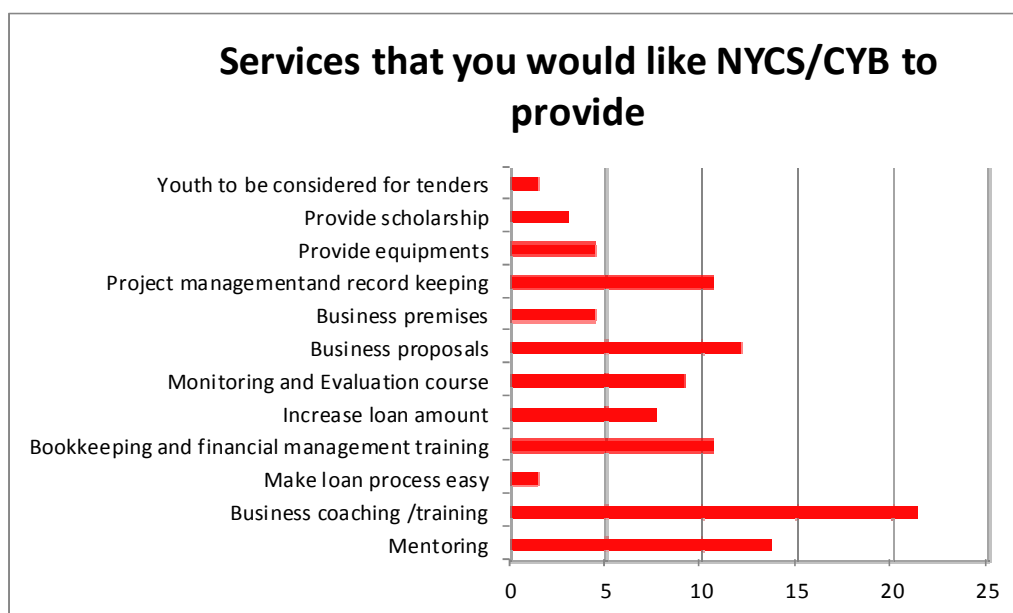
When asked which services are offered by their MFIs, the respondents said their MFIs offered numerous services. A total of 35.3% of the respondents indicated business skills training followed by 21.1% who indicating loan-individual lending facilities while 14.7% indicating loan-group lending among services offered as illustrated in Figure 14.

Figure 14: Services Provided by NYCS/CYB

4.1.11 Other services required by youth

The study was further aimed at establishing if the youth would like their MFIs to offer other services currently not provided. Business coaching and training came out to be a service most frequently listed by 21.2% according to Figure 14, followed by mentoring listed 13.6% and business proposal drafting 12.1%. Other services are listed in Figure 15. The study revealed there is a need for more services besides the conventional services offered by microfinance programmes. Beneficiaries are interested in more support follow-up services after loans have been awarded.

Figure 15: Services Required



4.1.12 Quality of services offered by MFIs and programme staff

From Table 3 below, it is evident that the majority of respondents were satisfied with the service they received from NYCS/CYB officials as 39.6% indicated they strongly agreed that the service received from officials was good whereas 23.8% agreed, 16.8% remained neutral and 9.9% disagreed and strongly disagreed. When rating the service offered by MFI officials which would include banks and other service providers besides CYB and NYCS,

25.8% strongly agreed, 38.2% agreed whilst 21.3% were neutral with 9% disagreeing and 5.6% strongly disagreed. With regard to the timely responses and feedback 18.9% of respondents strongly agreed, whereas 37.9% agreed whilst 4.2% disagreed and 18.9% strongly disagreed. In terms of frequency of visits by NYCS and or CYB, 30.3% of respondents strongly agreed, 22.2% agreed, 10.1% were neutral, 16.2 disagreed whereas 21.2% strongly disagreed. When asked to rate the overall service received, 41.2% of respondents strongly agreed that the service they received was very good, 21.6% agreed, 18.6% remained neutral, 11.3% disagreed whereas 11.3% strongly disagreed. Respondents were generally satisfied with services offered by NYCS/CYB although more can be done to improve services offered by officials, for example, the frequency of visits and the timely provision of feedback.

Table 3: MFI services and programme staff performance

		N	%
Service received from NYCS\CYB officials are good	Strongly disagree	10	9.9
	Disagree	10	9.9
	Neutral	17	16.8
	Agree	24	23.8
	Strongly agree	40	39.6
Total		101	100
Service received from MFI officials are good	Strongly disagree	5	5.6
	Disagree	8	9
	Neutral	19	21.3
	Agree	34	38.2
	Strongly agree	23	25.8
Total		89	100
Responses and feedback is conducted on time	Strongly disagree	18	18.9
	Disagree	4	4.2
	Neutral	19	20
	Agree	36	37.9
	Strongly agree	18	18.9
Total		95	100
I received regular visits from NYCS\CYB	Strongly disagree	21	21.2
	Disagree	16	16.2
	Neutral	10	10.1
	Agree	22	22.2
	Strongly agree	30	30.3
Total		99	100
Overall, the services I received were very good	Strongly disagree	7	7.2
	Disagree	11	11.3
	Neutral	18	18.6
	Agree	21	21.6
	Strongly agree	40	41.2
Total		97	100

4.1.13 Characteristics of CYB/NYCS Programmes

According to Table 4, most of respondents found the interest rates of the CYB and NYCS programmes reasonable as 24.7% strongly agreed and 23.7% agreed whereas 22.7% remained neutral whilst 16.5% disagreed with 12.4% indicating they strongly disagreed. This is contrary to what respondents that did not join any of the two microfinance programmes indicated. This shows that upon joining a microfinance programme, youth realise the benefit of lower interest rates. Similarly, most participants found the loan application process to be easy as 28.7% strongly agreed, 22.8% agreed, 27.7% remained neutral and 9.9% disagreed with 10.9% indicating they strongly disagree. There should however be a concern as a relatively high percentage of participants, 27.7% were neutral with regards to the loan application process. This could mean that the process should be simplified and made easier. In terms of the conditions of obtaining a loan, 26.7% of respondents confirmed that the conditions were strongly favourable, 30.7% agreed, 22.8% were neutral while 5% disagreed with 14.9% strongly disagreeing. With regard to repayment periods, 27.3% of respondents strongly agreed, 18.2% agreed, 28.3% remained neutral and 9.1% disagreed whereas 17.2% strongly disagreed. Although 28.6% of respondents believe that loan processing timelines are short, 19.8% said they strongly disagreed, 16.5% remained neutral and 18.7% strongly agreed.

According to Table 4, the majority of respondents were of the opinion that the loan size is not reasonable as 29.2% disagreed while 13.5% strongly disagreed whereas 28.1% remained neutral and 16.7% strongly agreed whereas 12.5% disagreed. This is in agreement with the 75% of respondents

who did not apply to any youth microfinance programme due to its low loan size. In terms of the grace period, most respondents confirmed that the repayment period was favourable as 27% strongly agreed, 25% agreed, while 21% remained neutral and 9% disagreed. In terms of the overall characteristics of the loan received, 38.3% of the respondents strongly agreed while 37.2% were neutral and 20.2% agreed with 1.1% indicating they disagreed and 3.2% strongly disagreed. Generally, the low disagreement rate indicates that respondents are satisfied with the loans they received although the loan size is insufficient.

Table 4: Programme characteristics

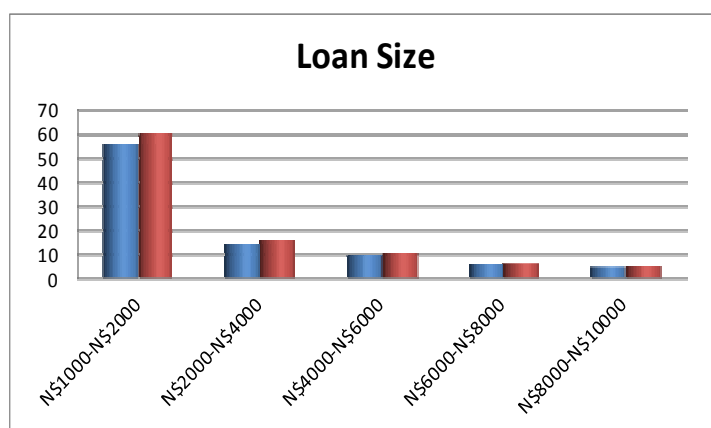
		N	%
The rate of interest of micro credit is Reasonable	Strongly disagree	12	12.4
	Disagree	16	16.5
	Neutral	22	22.7
	Agree	23	23.7
	Strongly agree	24	24.7
Total		97	100
The application process of the loan is easy	Strongly disagree	11	10.9
	Disagree	10	9.9
	Neutral	28	27.7
	Agree	23	22.8
	Strongly agree	29	28.7
Total		101	100
The conditions of obtaining a loan is favorable	Strongly disagree	15	14.9
	Disagree	5	5
	Neutral	23	22.8
	Agree	31	30.7
	Strongly agree	27	26.7
Total		101	100
The loan has favorable repayment period	Strongly disagree	17	17.2
	Disagree	9	9.1
	Neutral	28	28.3
	Agree	18	18.2
	Strongly agree	27	27.3
Total		99	100
The loan processing timeline is short	Strongly disagree	18	19.8
	Disagree	15	16.5
	Neutral	15	16.5
	Agree	26	28.6
	Strongly agree	17	18.7
Total		91	100

		N	%
The loan size is reasonable	Strongly disagree	13	13.5
	Disagree	28	29.2
	Neutral	27	28.1
	Agree	12	12.5
	Strongly agree	16	16.7
Total		96	100
The loan has favorable grace period	Strongly disagree	18	18
	Disagree	9	9
	Neutral	21	21
	Agree	25	25
	Strongly agree	27	27
Total		100	100
Overall, the characteristics of loan i received were very good	Strongly disagree	3	3.2
	Disagree	1	1.1
	Neutral	35	37.2
	Agree	19	20.2
	Strongly agree	36	38.3
Total		94	100

4.1.14 Loan Size

Figure 16 shows that the majority of recipients received loans within the N\$1 000 to N\$2 000 bracket as 60.9% of recipients indicated accordingly, while 16.3% received between N\$ 2 000 and N\$ 4 000, 10.9% between 4 000 and N\$ 6 000, 6.5% between N\$6 000 and N\$8 000 and 5.4% between N\$8 000 and N\$10 000. This justifies why larger percentages of respondents rated loan size as not being reasonable. The low amounts awarded to over 60% could be insufficient to bring improvements on a business or to justify a significant impact on the livelihood of a beneficiary.

Figure 16 : Loan Size



4.1.15 Impact of Loan on Family and Enterprise

To determine the impact of their loans between the period 2009 and 2013, participants were asked if their business sales had increased, 20% strongly agreed, 22% agreed while 42.4% were neutral, 8.1% and 7.1% disagreed and strongly disagreed as illustrated in Table 5. With regard to improvements in product quality due to the loan, 23.5% strongly agreed and 21.4% agreed, 27.6% were neutral while 19.4% disagreed and 8.2% strongly disagreed. In terms of increase in income, 23.2% confirmed there was an increase in income, whereas 20.2% agreed, 31.3 were neutral, while 17.2%

disagreed and 8.1% strongly disagreed. The respondents were fairly neutral when asked if their savings had increased significantly, with 20.2% stating that they strongly agreed, 21.2% agreed, 21.2 were neutral, 27.3% disagreed while 10.1% strongly disagreed. Similar results were obtained in terms of the impact on access to education for family as 23% strongly agreed, 20.2% agreed, 22.2% were neutral, 21.2% disagreed and 13.1% strongly disagreed. In terms of better access to health care for family, 25.3% of respondents strongly agreed, 20.2% agreed, 18.2% were neutral, 23.2% disagreed and 13.1% strongly disagreed. With regard to better financial situation for the family, 25.5% of respondents disagreed, 12.2% strongly disagreed, 19.4% were neutral whereas 21.4% indicated that they strongly agreed and agreed respectively. According to the results, 24.2% of respondents confirmed that the loan had a significant impact on their family commitment whereas only 6.3% agreed, 35.8% remained neutral, and 22.1% disagreed while 11.6% strongly disagreed. When asked to comment if the loan enabled them to acquire business premises, 37% of respondents strongly disagreed, 19% disagreed, only 3% remained neutral whereas 26% agreed and 15%strongly agreed according to Table 6. In terms of the impact on the increase on number of workers, most respondents disagreed as 32.3% strongly disagreed, 30.2% disagreed, 12.5% were neutral whereas 16.7% agreed and only 8.3% strongly agreed. With regard to acquiring more assets respondents mostly disagreed with 16.3% strongly disagreeing, 30.6% disagreed, 22.4% were neutral, 19.4% agreed and 11.2% strongly agreed. This confirms that loan amounts were not significant considering the amounts awarded to the majority of respondents. Small loan amounts do not justify business

expansion or an increase in the number of employees. When asked if access to the loan significantly improved their record keeping, 32.6% were neutral, whereas 27.4% agreed, 16.8% strongly agreed whilst 11.6% indicated that they disagreed and strongly disagreed. In terms of adding new products as a result of access to the loan, 27.8% strongly agreed, 17.5% agreed, 30.9% were neutral, 15.5% disagreed and 8.2% strongly disagreed. It is observed from the results 36.2% of respondents were assisted by the loan to start their businesses. Of this figure 29.8% agreed, 14.9% were neutral, 5.3% disagreed and 8.2% strongly disagreed. Similarly, a larger percentage of respondents indicated that the loan helped them to significantly expand their businesses as 41.5% strongly agreed, 24.5% agreed, 10.6% were neutral whereas 17% disagreed and 6.4% strongly disagreed. In terms of the improvement in business skills, 36.6% of respondents strongly agreed, 22.8% agreed, 23.8% remained neutral, whereas 6.9% disagreed and 9.9% strongly disagreed.

Table 5: Impact of Loan on family and enterprise

		N	%
My business sales has significantly increased	Strongly disagree	7	7.1
	Disagree	8	8.1
	Neutral	42	42.4
	Agree	22	22.2
	Strongly agree	20	20.2
Total		99	100
Improve product quality	Strongly disagree	8	8.2
	Disagree	19	19.4
	Neutral	27	27.6
	Agree	21	21.4
	Strongly agree	23	23.5
Total		98	100
The income has significantly increased	Strongly disagree	8	8.1
	Disagree	17	17.2
	Neutral	31	31.3
	Agree	20	20.2
	Strongly agree	23	23.2
Total		99	100
My savings has significantly increased	Strongly disagree	10	10.1
	Disagree	27	27.3
	Neutral	21	21.2
	Agree	21	21.2
	Strongly agree	20	20.2
Total		99	100
Better access to education for family	Strongly disagree	13	13.1
	Disagree	21	21.2
	Neutral	22	22.2
	Agree	20	20.2
	Strongly agree	23	23.2
Total		99	100
Better access to healthcare for family	Strongly disagree	13	13.1
	Disagree	23	23.2
	Neutral	18	18.2
Better access to healthcare for family	Agree	20	20.2
	Strongly agree	25	25.3
Total		99	100
Better Financial situation of the family	Strongly disagree	12	12.2
	Disagree	25	25.5
	Neutral	19	19.4
	Agree	21	21.4
	Strongly agree	21	21.4
Total		98	100
The loan had a significant impact on my family commitment	Strongly disagree	11	11.6
	Disagree	21	22.1
	Neutral	34	35.8
	Agree	6	6.3
	Strongly agree	23	24.2
Total		95	100

		N	%
I acquire business premises	Strongly disagree	37	37
	Disagree	19	19
	Neutral	3	3
	Agree	26	26
	Strongly agree	15	15
Total		100	100
I hire more workers	Strongly disagree	31	32.3
	Disagree	29	30.2
	Neutral	12	12.5
	Agree	16	16.7
	Strongly agree	8	8.3
Total		96	100
The loan help me to acquire more assets	Strongly disagree	16	16.3
	Disagree	30	30.6
	Neutral	22	22.4
	Agree	19	19.4
	Strongly agree	11	11.2
Total		98	100
I have significantly improve in record keeping	Strongly disagree	11	11.6
	Disagree	11	11.6
	Neutral	31	32.6
	Agree	26	27.4
	Strongly agree	16	16.8
Total		95	100
I introduce new product	Strongly disagree	8	8.2
	Disagree	15	15.5
	Neutral	30	30.9
	Agree	17	17.5
	Strongly agree	27	27.8
Total		97	100
The loan help me to start my business	Strongly disagree	13	13.8
	Disagree	5	5.3
	Neutral	14	14.9
The loan help me to start my business	Agree	28	29.8
	Strongly agree	34	36.2
Total		94	100
The loan help me to significantly expand my business	Strongly disagree	6	6.4
	Disagree	16	17
	Neutral	10	10.6
	Agree	23	24.5
	Strongly agree	39	41.5
Total		94	100
Improve business management skills	Strongly disagree	10	9.9
	Disagree	7	6.9
	Neutral	24	23.8
	Agree	23	22.8
	Strongly agree	37	36.6
Total		101	100

4.1.16 Impact of Loan on Living Standards

Respondents were asked to rate the impact of the loan on their living standards. The findings revealed that 26% strongly agreed that the loan had a positive impact, whereas 25% agreed, 23% were neutral while 16% disagreed and 10% strongly disagreed. Similarly, most respondents commented that the loan they received had generally a positive impact on their circumstances as 28.7% strongly agreed, 26.7% agreed, 22.8% were neutral while 11.9% disagreed and 9.9% strongly disagreed. This confirms the positive contribution of microfinance towards improving the living standards of its beneficiaries.

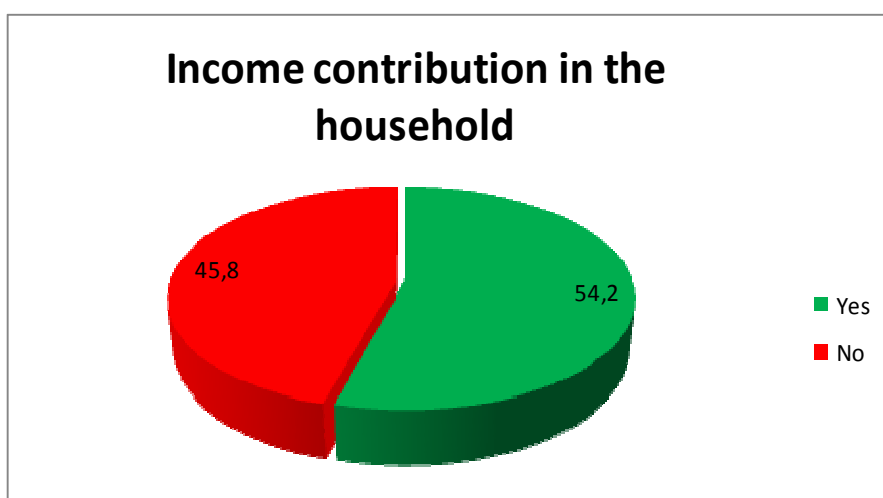
Table 6: Impact of Loan on Living Standards

		N	%
My living standards	Strongly disagree	10	10
	Disagree	16	16
	Neutral	23	23
	Agree	25	25
	Strongly agree	26	26
Total		100	100
Overall, the loan I received had positive impact on my circumstances	Strongly disagree	10	9.9
	Disagree	12	11.9
	Neutral	23	22.8
	Agree	27	26.7
	Strongly agree	29	28.7
Total		101	100

4.1.17 Programme impact on household

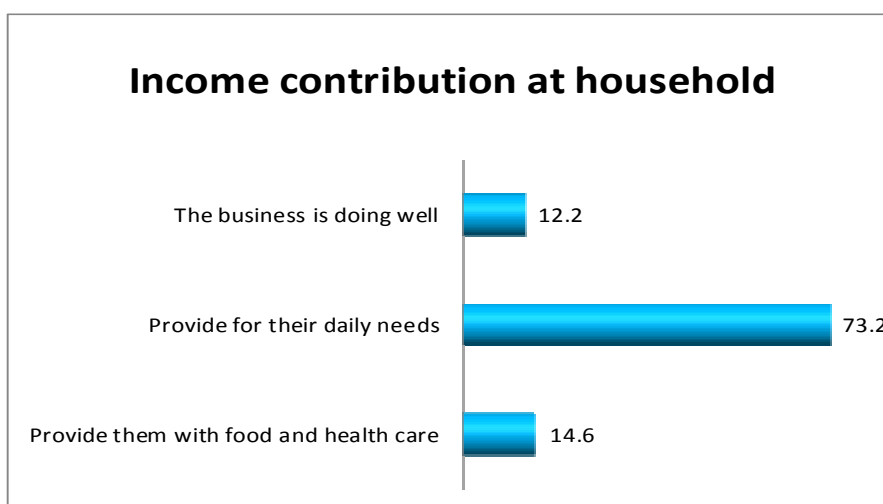
Respondents who received loans from microfinance programmes were asked if their contribution to households significantly increased after joining the programme. The Figure 18 below illustrates that 54.2% of respondents agreed whereas 45.8% were not in agreement.

Figure 18: Income Contribution on the Household



4.1.18 Areas improved in households

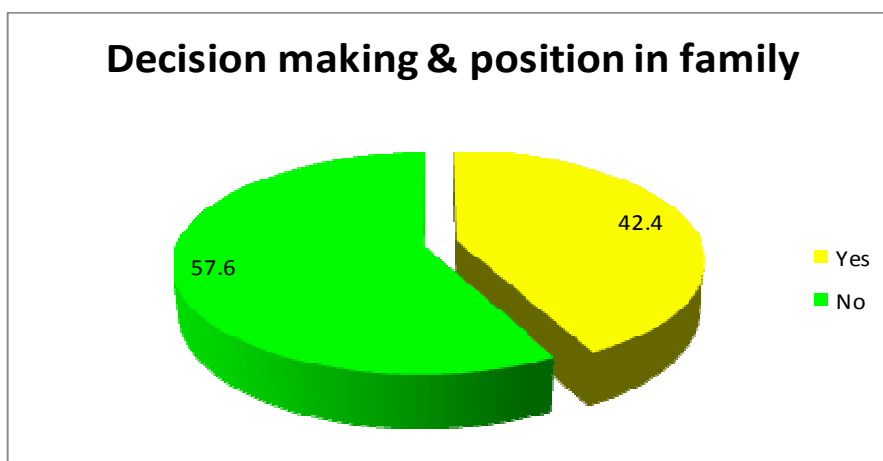
When asked how this contribution increased their contribution, 73.2% of respondents that agreed indicated that it provided for their daily needs, 14.6% stated loans provide them with food and health care whereas, 12.2% indicated that their businesses were doing well.

Figure 19: Areas improved in household

4.1.19 Role in decision making

According to Figure 20, 42.4% of respondents indicated that their roles in decision making and position in the family after joining MFI programmes increased significantly, whereas the majority, 57.6% did not agree. From those that agreed, 73.3% of respondents stated that their roles changed as they contribute financially.

The fact that 78% of respondents were single, impacts on the outcome that access to the loans did not significantly increase the decision making and position of 57.6% of respondents in Figure 20 below.

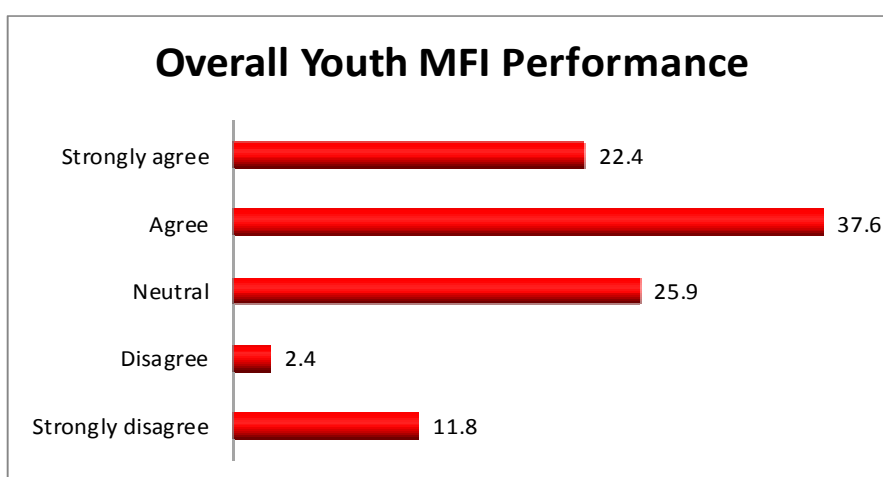
Figure 20: Decision Making and Position in the Family

This confirms that respondents who obtained microfinance loans were able to increase their income and therefore were able to improve their living standards, contribution in the household as well as their roles in decision making and position in the family.

4.1.20 Overall Performance of Youth Microfinance Programmes

Respondents were asked to rate the overall performance of youth microfinance programmes upon which 37.6% agreed that MFI programme performance is good, while 22.4% strongly agreed, 25.9 % neutral, 2.4% disagreed and 11.8% strongly disagreed.

Figure 21: Overall Performance of NYCS/CYB



4.1.21 Relationship between microfinance programmes and its services

Appendix 1 shows the relationship between microfinance programmes and quality of services offered to its beneficiaries. Findings show that the correlation between services received from NYCS/CYB officials and overall services received by respondents is 0.427. These means the degree of association between the two variables is over 0.4 or 40% and therefore has

a strong correlation. Similar strong correlations are found with services received from MFI officials where correlation coefficient is 0.430, responses on feedback is conducted on time 0.744 and regular visits received from NYCS/CYB 0.744 as illustrated in Appendix 1.

According to table 7 below, there is a weak positive relationship of 0.389 between the overall services received and the impact of the loan on the circumstances of respondents. This could be a result of the low loan amounts offered to beneficiaries as up to 60.9% of respondents were offered loans between N\$1 000.00 – N\$2 000.00.

Table 7: Correlation services received & impact on circumstances

Correlations			
		Overall, the services I received were very good	Overall, the loan I received had positive impact on my circumstances
Spearman's rho	Correlation Coefficient	1.000	.389**
	Sig. (2-tailed)	.	.000
	N	97	97
	Correlation Coefficient	.389**	1.000
	Sig. (2-tailed)	.000	.
	N	97	101

** . Correlation is significant at the 0.01 level (2-tailed).

4.1.22 Relationship between microfinance programme and its characteristics

Appendix 2 shows the relationship and its overall characteristics. Findings show a strong correlation coefficient of 46 % on conditions of obtaining loan is favourable with a further positive correlation of 47% on loan application process is easy. Equally a weak positive correlation coefficient of 0.270 was noticed in Table 8 below between the overall characteristics of the loan and the positive impact the loan had on the circumstances of its recipients. This can be attributed to the low loan amounts made available by microfinance programmes.

Table 8: Correlation loan received & impact on circumstances

			Overall, the loan I received had positive impact on my circumstances	Overall, the characteristics of loan i received were very good
Spearman's rho	Overall, the loan I received had positive impact on my circumstances	Correlation Coefficient	1.000	.270**
		Sig. (2-tailed)	.	.008
		N	101	94
	Overall, the characteristics of loan i received were very good	Correlation Coefficient	.270**	1.000
		Sig. (2-tailed)	.008	.
		N	94	94

** . Correlation is significant at the 0.01 level (2-tailed).

4.1.22 Relationship between microfinance programmes and its impact on living standards

Appendix 3 shows correlation between the impact of overall loan received and living standards of respondents. This table shows a high correlation between the improvement in living standards and the impact of the loan received at a correlation coefficient of 0.901. This is further confirmed by a strong correlation between impact of loan on circumstances and the loan received with a correlation coefficient of 1.00. This shows that loans received through microfinance have a positive impact on the living standards of recipients. In contrast, Table 9 also reveals low correlations between acquiring more assets at correlation coefficient of 0.37. It can thus be concluded that although microfinance loans can improve living standards of recipients, they do not have a significant impact on economic status of recipients, in other words making the poor wealthy.

A cross tabulation between the effectiveness of the youth microfinance programme and whether the loan had a positive impact on the circumstances of recipients shows strong positive correlation coefficient of 0.553 as shown in Table 9. This confirms the fact that microfinance programmes are effective as they improve the living standards of their beneficiaries. Thus they help reduce poverty by providing a meal to the beneficiaries and their families. This result is consistent with studies conducted by Zeller and Sharma (2000), Khanker et al. (1998) and Orrick et al (2012) that microfinance contributes towards reducing poverty and improving livelihoods.

Table 9: Correlation Effectiveness of Microfinance Programmes

			Overall, the loan I received had positive impact on my circumstances	Overall, the youth micro-financing programme is very effective
Spearman's rho	Overall, the loan I received had positive impact on my circumstances	Correlation Coefficient	1.000	.553**
		Sig. (2-tailed)	.	.000
		N	101	85
	Overall, the youth micro-financing programme is very effective	Correlation Coefficient	.553**	1.000
		Sig. (2-tailed)	.000	.
		N	85	85

** . Correlation is significant at the 0.01 level (2-tailed).

4.1.23 Multiple Regression Analysis

The Table below shows the analysis of variances between the dependent variable and independent variables. This shows there is a significant positive relationship between the dependent variable: Overall, the youth micro financing programme is very effective and the independent variable: overall the services I received were very good at .771 and overall, the characteristics of loan I received were very good at .805. Correlation is significant at 0.01.

Table 10: Multiple regression of dependent and independent variables

Model	Un-standardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.342	.574		2.337	.022

Overall, the services I received were very good	.033	.112	.036	.293	.771
Overall, the characteristics of loan i received were very good	.037	.150	.029	.247	.805
Overall, the loan I received had positive impact on my circumstances	.548	.095	.566	5.772	.000

- Dependent Variable: Overall, the youth micro-financing programme is very effective
- Predictors: (Constant), Overall, the loan I received had positive impact on my circumstances, Overall, the characteristics of loan I received were very good, Overall, the services I received were very good

4.2 Feedback from Interviews

Although no comparison was made between beneficiaries and non-beneficiaries, in depth interviews were conducted with the stakeholders of both programmes in order to capture different views from the implementers (MFIs) and the owners (NYC/MYNSSC) of the programmes. The programme documents were also studied. The following points were raised:

- The positive impact were highly confirmed with best practices, youth graduating into the mainstream banking sector, acquiring business assets (equipment), increased sales and improved living standards.
- The repayment period under the NYCS scheme is short resulting in higher defaults because the size of targeted enterprises are small and income from sales is not sufficient enough to pay the instalments.
- There were no synergies between the two youth microfinance programmes which resulted in 'dubious loans' being taken by some youth with no intended objective.

- The sustainability of MFIs, especially under the NYCS, were raised questioning the effective provision of services to the youth.

4.3 Summary

The findings of the study revealed that the majority of microfinance beneficiaries under the NYCS and CYB programmes were female, single and full-time in business. It was established that most youth, particularly in well establish businesses are not interested in microfinance loans due to the small loan amounts. An increase in loan sizes could thus attract more applicants. The findings also showed that although respondents are satisfied with the service offered by microfinance programmes, it could be improved with more frequent visits by officials and support programmes. Findings revealed that the interest rates offered by microfinance programmes are reasonable, however most respondents suggested that the loan size is not significant. A key finding of the study was that a high percentage of respondents confirmed being able to start or expand their businesses as a result of the loan. It is worthwhile to mention that the youth microfinance programmes have improved the livelihood of youth at different levels of their lives directly related to economic opportunities and labour market. These have included the following:

Individual wealth: Beneficiaries gained business managements skills and increase the level of self-esteem. They started or either improved their businesses and in the process gained entrepreneurial skills. The programmes further provided the youth an opportunity to access financial services,

encouraged them to save and teach them how to manage business stock and debt.

Family wealth: Although there is no significant impact on acquiring assets, it is important to mention that the majority of beneficiaries are female at 72% which is a reflection of women empowerment. Women are running their own businesses and taking pride in contributing to household income and expenditure. Women are accorded different prestigious positions such as mothers, grandmothers, stepmothers who by virtue of their positions make sure that daily basic needs of the family are met. The profits are used for the well-being of the family, both in education, health, nutrition and housing. The study further confirms that daily needs are met at 72.2%. This reduces the social pressure from families.

Enterprise wealth: The microfinance programme with its current scope has improved the enterprise wealth which is slightly above the subsistence level. Factors mostly related to enterprise wealth such as increased sales, increased income, improved record keeping, improved business management, introduction of new products were rated fair whereas hiring more workers, acquiring business premises and acquiring more assets were rated low. With these findings it can be confirmed that the microfinance programmes do not have a significant impact on the business growth. It will take time for beneficiaries to move from informal to formal enterprises.

Community wealth: The two programmes have economically contributed to the communities' wealth because beneficiaries have either started or expanded their businesses. Beneficiaries integrated with the larger community have increased their social recognition.

4.4 Limitation and Further Research

One of the objectives of the study was to assess the efficiency and provision of service levels of microfinance institutions with specific reference to backup support interventions to beneficiaries, market penetration (outreach), performance management systems, growth of the loan book and loan product performance. Due to limited time and absences of letters granting permission from relevant authority, the MYNSSC, it was not possible to achieve the objective. Some of information sought pertained to internal administrative matters which are treated as confidential. However, it is important to mention that through interviews conducted the outreach and effective service delivery of MFIs was raised as a concern.

The disadvantage of the direct provision of microfinance by NGOs is that they will always have higher costs for the amounts they lend relative to those by microfinance institutions. As they become increasingly involved in microfinance the high costs of non-financial services will result in their lending larger amounts to clients with less risk, which goes against their stated objectives to reach the poorest of the poor. It can also result from their not having the necessary skills to assess, disburse and monitor a loan portfolio (Andongo& Stork, 2005).

Therefore further research is needed to assess the effectiveness and efficiency of services provided by MFIs. It is also important to investigate the sustainable levels of microfinance institutions because MFIs cannot have lasting outreach without sustainability.

CHAPTER 5 CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The purpose of the study was to evaluate the effectiveness of Youth Microfinance Programmes in Namibia and how they contribute to the livelihood of beneficiaries, with specific reference to the performance of CYB Programme and NYCS during the period of January 2009 to January 2013.

In this study, focus was made on one key question: How effective are Namibian Youth Microfinance Programmes in contributing to the livelihood of its beneficiaries?

In order to obtain further clarity, the following research sub-questions were compiled.

- a) What models of micro financing currently exists?
- b) What types of micro financing are targeted at youth?
- c) What are the specific characteristics of Microfinance Programmes?
- d) What kinds of benefits are expected from Microfinance?
- e) How do the various microfinance institutions measure effectiveness?

The question was further broken down in the questionnaire to be able to measure the impact of micro financing on the livelihood at four levels of impact, namely individual, community, enterprise and household.

The literature reviewed showed that generating employment opportunities for young people remains a challenge for most developing economies. Microfinance is therefore becoming increasingly important for the youth in countries with high youth unemployment levels such as Namibia, as formal lending institutions often require collateral. Studies by Adongo and Stork (2005) and Hossain and Knight (2008) confirmed that lack of collateral

is among key reasons why the poor cannot access loans through the formal sector. The importance of microfinance is further emphasised by Nelson and Nelson (2010) as they argue that the poor often rely on informal financial markets such as moneylenders and rotating savings and credit associations with simpler credit terms. However, informal sectors often charge high interest rates making savings from such loans impossible.

It is revealed from the empirical findings that microfinance programmes in Namibia apart from providing microcredit loans, offer other business development services such as business skills trainings and mentoring in order to strengthen the operations of the borrower's enterprises. Business skills training turns out to be the highest rated service offered as it forms part of the loan granting process. Besides business skills training, Namibian youth microfinance beneficiaries tend to gain access to both individual and group savings accounts.

The reason behind the absence of other services such as funds transfer, grants, insurance, and pension remittances is thus the result of the focus of these programmes on microcredit loans, as a strategy to improve the livelihoods of its beneficiaries. This is in agreement with Navajas et al. (2002) who argues that the professed goal of microcredit is to improve the welfare of poor households through the provision of small loans.

It is noted that the youth are in need of other services in support of the loans offered as the study shows that there is a need for mentoring services, business proposal writing, project management as well as increased support in terms of monitoring and evaluation which forms part of additional services required by the youth.

According to the literature reviewed, informal loan granting service providers often offer their services at high interest rates. However, a key characteristic of microfinance programmes is that it offers affordable interest rates as revealed by this study where 48.4% of loan beneficiaries indicated that interest rates are low.

The purpose of the provision of microfinance programmes is to alleviate poverty among vulnerable groups such as women and the youth. This study shows high levels of loan beneficiaries who indicated an improvement in their conditions of living, business and family contribution. It is indicated by the literature reviewed that microfinance providers seek to serve poor populations that have traditionally been unable to obtain access credit. This is in agreement with Orrick, (2012) who states that microfinance is there to reduce poverty in developing countries by providing poor people with basic financial services that will enable them to earn more. Other benefits of microfinance programmes have been identified as being lower interest rates, absence of collateral, and acceptable loan terms.

Mustafa and Saat (20013) provide performance measurements characteristics of microfinance institutions according to the literature reviewed. They show that if a programme accomplishes its planned activities, it successfully improves the livelihood of its target group. The authors highlight the input-process-output-outcome framework as a potential measurement model.

The NYCS and CYB programmes assisted the youth to attain socio-economic improvements. The study reveals that youth created employment for themselves. It was further confirmed through interviews with stakeholders

that youth have graduated in the mainstream banking sector. With the combination of financial and nonfinancial services provided to the youth, there is high evidence of empowerment by developing a sense of responsibility. The vulnerability of youth living near the subsistence level has been reduced as revealed by the study, with the 73.2% provision of their daily needs. It is further confirmed by the positive correlation coefficient of 91% of improving the living standards of beneficiaries under appendix 4.

Simeyo et al (2011) further describe microfinance as to small loans, savings mobilisation and training offered to the poor to enable them to undertake self-employment by starting their own business and thus generate income. The services provided by NYCS and CYB are in line with the overall objectives of microfinance therefore the impact is positive and significant, confirming that the living standard of youth has improved.

5.2 Recommendations

Considering the views received from interviews with stakeholders and the alarming high unemployment rate in Namibia among the youth, it is important to highlight that microfinance programmes at this stage are only improving the living standards of the beneficiaries, reducing poverty and are not necessarily providing opportunities to youth to create sustainable large businesses. As confirmed by the study, factors related to formal businesses such as hiring employees, acquiring business premises, acquiring assets were rated low. Therefore it is recommended to assess the two programmes extensively and find collaboration between CYB and NYCS.

Part of the efforts of this study assesses challenges and opportunities and possibilities for building synergies for transformation of the Credit for Youth in Business Programme and Namibia Youth Credit Scheme into one fund. The study also proposes a range of financial solutions and business development services that can support the full spectrum of youth owned enterprises.

Most of the literature reviewed shows microfinance's provision of micro loans, savings and mentoring services. It does not necessarily mean that NYC and MYNSSC should confine themselves only to these services but should look beyond and extend their service delivery chain in areas such as market linkages, investments and insurance and assist youth with feasibility studies, markets and business premises. Provision of these services will ensure that youth move from informal (micro enterprises) to formal enterprises. Microfinance involves a wide range of ownership and governance structures, sources of capital, levels of external regulation, possible services and degree of success.

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APPENDIX 1: Relationship between microfinance programmes and its services

			Overall, the services I received were very good
Spearman's rho	Service received from NYCS\CYB officials are good	Correlation Coefficient	.427
		Sig. (2-tailed)	.000
		N	97
	Service received from MFI officials are good	Correlation Coefficient	.430**
		Sig. (2-tailed)	.000
		N	87
	Responses and feedback is conducted on time	Correlation Coefficient	.744*
		Sig. (2-tailed)	.000
		N	93
	I received regular visits from NYCS\CYB	Correlation Coefficient	.668*
		Sig. (2-tailed)	.000
		N	97
	Overall, the services I received were very good	Correlation Coefficient	1.000**
		Sig. (2-tailed)	.
		N	97

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

APPENDIX 2: Relationship between microfinance programme and its characteristics

			The loan has favourable grace period	Overall, the characteristics of loan i received were very good
Spearman's rho	The rate of interest of micro credit is Reasonable	Correlation Coefficient	.323	.238 **
		Sig. (2-tailed)	.001	.024
		N	96	90
	The application process of the loan is easy	Correlation Coefficient	.552 **	.467
		Sig. (2-tailed)	.000	.000
		N	100	94
	The conditions of obtaining a loan is favourable	Correlation Coefficient	.592 **	.464 **
		Sig. (2-tailed)	.000	.000
		N	100	94
	The loan has favourable repayment period	Correlation Coefficient	.462 **	.511 **
		Sig. (2-tailed)	.000	.000
		N	98	92
	The loan processing timeline is short	Correlation Coefficient	.221	.081
		Sig. (2-tailed)	.036	.456
		N	90	87
	The loan size is reasonable	Correlation Coefficient	.380 **	.405
		Sig. (2-tailed)	.000	.000
		N	95	92
	The loan has favourable grace period	Correlation Coefficient	1.000 **	.631 **
		Sig. (2-tailed)	.	.000
		N	100	94
	Overall, the characteristics of loan i received were very good	Correlation Coefficient	.631 *	1.000 **
		Sig. (2-tailed)	.000	.
		N	94	94

** . Correlation is significant at the 0.01 level (2-tailed).

APPENDIX 3: Relationship between microfinance programmes and its impact**Correlations**

			My living standards	Overall, the loan I received had positive impact on my circumstances
Spearman's rho	My business sales has significantly increased	Correlation Coefficient	.598	.583**
		Sig. (2-tailed)	.000	.000
		N	98	99
	Improve product quality	Correlation Coefficient	.556**	.523
		Sig. (2-tailed)	.000	.000
		N	97	98
	The income has significantly increased	Correlation Coefficient	.693**	.563**
		Sig. (2-tailed)	.000	.000
		N	98	99
	My savings has significantly increased	Correlation Coefficient	.687**	.582**
		Sig. (2-tailed)	.000	.000
		N	98	99
	Better access to education for family	Correlation Coefficient	.713**	.719**
		Sig. (2-tailed)	.000	.000
		N	98	99
	Better access to healthcare for family	Correlation Coefficient	.804**	.789**
		Sig. (2-tailed)	.000	.000
		N	98	99
	Better Financial situation of the family	Correlation Coefficient	.777**	.768**
		Sig. (2-tailed)	.000	.000
		N	97	98
	The loan had a significant impact on my family commitment	Correlation Coefficient	.673**	.600**
		Sig. (2-tailed)	.000	.000
		N	94	95
	I acquire business premises	Correlation Coefficient	.327**	.255**
		Sig. (2-tailed)	.001	.010
		N	99	100
	I hire more workers	Correlation Coefficient	.388**	.333**
		Sig. (2-tailed)	.000	.001

			My living standards	Overall, the loan I received had positive impact on my circumstances
Spearman's rho	I hire more workers	N	95	96**
		Correlation Coefficient	.495	.365
	The loan help me to acquire more assets	Sig. (2-tailed)	.000	.000
		N	97**	98
		Correlation Coefficient	.640	.549
	I have significantly improve in record keeping	Sig. (2-tailed)	.000	.000
		N	94**	95**
		Correlation Coefficient	.542	.440
	I introduce new product	Sig. (2-tailed)	.000	.000
		N	97**	97**
		Correlation Coefficient	.418	.337
	The loan help me to start my business	Sig. (2-tailed)	.000	.001
		N	93**	94**
		Correlation Coefficient	.434	.434
	The loan help me to significantly expand my business	Sig. (2-tailed)	.000	.000
		N	93**	94**
		Correlation Coefficient	.559	.507
	Improve business management skills	Sig. (2-tailed)	.000	.000
		N	100**	101**
		Correlation Coefficient	1.000	.901
	My living standars	Sig. (2-tailed)	.	.000
		N	100**	100**
		Correlation Coefficient	.901	1.000
	Overall, the loan I received had positive impact on my circumstances	Sig. (2-tailed)	.000	.
		N	100**	101**

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

APPENDIX 4: DATA SCHEDULES**Table 1 Gender of respondent**

	N	%
Female	71	71.7
Male	28	28.3
Total	99	100.0

Table 2 Marital status

	N	%
Single	76	78.4
Married	21	21.6
Total	97	100.0

Table3 Region

	N	%
Otjozondjupa	15	14.9
Khomas	20	19.8
Omusati	20	19.8
Karas	21	20.8
Oshana	25	24.8
Total	101	100.0

Table4 Constituency

	N	%
--	---	---

Grootfontein	15	14.9
Windhoek	20	19.8
Outapi	20	19.8
Keetmanshoop	21	20.8
Oshakati	25	24.8
Total	101	100.0

Table5 Age

	N	%
Between 18-25	11	10.9
Between 25-30	37	36.6
Between 30-35	53	52.5
Total	101	100.0

Table6 Position of respondent

	N	%
NYCS loan beneficiary	75	82.4
CYB loan beneficiary	14	15.4
NYCS AND CYB beneficiary	2	2.2
Total	91	100.0

Table7 Educational level

	N	%
Upper primary(Grade5-7)	5	5.0

Junior Secondary(Grade 8-10)	47	46.5
Senior Secondary (Grade 11-12)	39	38.6
Tertiary Education	2	2.0
Vocational Training	8	7.9
Total	101	100.0

Table 8 Did you apply for CYB or NYCS loan

	N	%
CYB loan	14	13.9
NYCS loan	82	81.2
Both	2	2.0
Did not apply	3	3.0
Total	101	100.0

Table 9 Reason for negative response

	N	%
I do not have a constant source of income to be a member	1	6.3

Loan amounts are too small	12	75.0
High interest rates	3	18.8
Total	16	100.0

**Table10 Involvement in the
business**

	N	%
Part-time	24	23.8
Full-time	77	76.2
Total	101	100.0

Table 11 Services provided by NYCS/CYB

	Resp.	Col R %
Loan- group lending facility	28	14.7

Loan-individual lending facility	40	21.1
Business skills training	67	35.3
Business coaching/mentoring	11	5.8
Savings account-individual	26	13.7
Saving account -group	9	4.7
Grants	2	1.1
Funds transfer	3	1.6
Insurance	2	1.1
Pension remittances	2	1.1
Total	190	100.0

Table 12 Services that you would like NYCS/CYB to provide

	Resp.	Col R %
Mentoring	9	13.6

Business coaching /mentoring	14	21.2
Make loan process easy	1	1.5
Bookkeeping and financial management training	7	10.6
Increase loan amount	5	7.6
Monitoring and Evaluation course	6	9.1
Business proposals	8	12.1
Business premises	3	4.5
Project managementand record keeping	7	10.6
Provide equipments	3	4.5
Provide scholarship	2	3.0
Youth to be considered for tenders	1	1.5
Total	66	100.0

Table 13 Rate the following services of NYCS\CYB AND MFIs

	N	%
Service received from Strongly disagree	10	9.9
NYCS\CYB officials are good Disagree	10	9.9

	Neutral	17	16.8
	Agree	24	23.8
	Strongly agree	40	39.6
Total		101	100.0
	Strongly disagree	5	5.6
	Disagree	8	9.0
Service received from MFI officials are good	Neutral	19	21.3
	Agree	34	38.2
	Strongly agree	23	25.8
Total		89	100.0
	Strongly disagree	18	18.9
	Disagree	4	4.2
Responses and feedback is conducted on time	Neutral	19	20.0
	Agree	36	37.9
	Strongly agree	18	18.9
Total		95	100.0
	Strongly disagree	21	21.2
	Disagree	16	16.2
I received regular visits from NYCS/CYB	Neutral	10	10.1
	Agree	22	22.2
	Strongly agree	30	30.3
Total		99	100.0
	Strongly disagree	7	7.2
Overall, the services I received were very good	Disagree	11	11.3
	Neutral	18	18.6
	Agree	21	21.6

	Strongly agree	40	41.2
Total		97	100.0

Table 14 Rate the following characteristics of CYB/NYCS

		N	%
The rate of interest of micro credit is Reasonable	Strongly disagree	12	12.4
	Disagree	16	16.5
	Neutral	22	22.7
	Agree	23	23.7
	Strongly agree	24	24.7
Total		97	100.0
The application process of the loan is easy	Strongly disagree	11	10.9
	Disagree	10	9.9
	Neutral	28	27.7
	Agree	23	22.8
	Strongly agree	29	28.7
Total		101	100.0
The conditions of obtaining a loan is favorable	Strongly disagree	15	14.9
	Disagree	5	5.0
	Neutral	23	22.8
	Agree	31	30.7
	Strongly agree	27	26.7
Total		101	100.0
The loan has favorable repayment period	Strongly disagree	17	17.2
	Disagree	9	9.1
	Neutral	28	28.3

	Agree	18	18.2
	Strongly agree	27	27.3
Total		99	100.0
	Strongly disagree	18	19.8
	Disagree	15	16.5
The loan processing timeline is short	Neutral	15	16.5
	Agree	26	28.6
	Strongly agree	17	18.7
Total		91	100.0

Table 15 Rate the following characteristics of CYB/NYCS

		N	%
	Strongly disagree	13	13.5
	Disagree	28	29.2
The loan size is reasonable	Neutral	27	28.1
	Agree	12	12.5
	Strongly agree	16	16.7
Total		96	100.0
	Strongly disagree	18	18.0
	Disagree	9	9.0
The loan has favorable grace period	Neutral	21	21.0
	Agree	25	25.0
	Strongly agree	27	27.0
Total		100	100.0
Overall, the characteristics of loan i received were very	Strongly disagree	3	3.2
	Disagree	1	1.1

good	Neutral	35	37.2
	Agree	19	20.2
	Strongly agree	36	38.3
Total		94	100.0

Table16 Loan size

	N	%
N\$1000-N\$2000	56	60.9
N\$2000-N\$4000	15	16.3
N\$4000-N\$6000	10	10.9
N\$6000-N\$8000	6	6.5
N\$8000-N\$10000	5	5.4
Total	92	100.0

Table 17 Impact of loan on enterprise

		N	%
My business sales has significantly increased	Strongly disagree	7	7.1
	Disagree	8	8.1

	Neutral	42	42.4
	Agree	22	22.2
	Strongly agree	20	20.2
Total		99	100.0
	Strongly disagree	8	8.2
	Disagree	19	19.4
	Neutral	27	27.6
Improve product quality	Agree	21	21.4
	Strongly agree	23	23.5
Total		98	100.0
	Strongly disagree	8	8.1
	Disagree	17	17.2
	Neutral	31	31.3
The income has significantly increased	Agree	20	20.2
	Strongly agree	23	23.2
Total		99	100.0
	Strongly disagree	10	10.1
	Disagree	27	27.3
	Neutral	21	21.2
My savings has significantly increased	Agree	21	21.2
	Strongly agree	20	20.2
Total		99	100.0
	Strongly disagree	13	13.1
	Disagree	21	21.2
	Neutral	22	22.2
Better access to education for family	Agree	20	20.2

	Strongly agree	23	23.2
Total		99	100.0
	Strongly disagree	13	13.1
Better access to healthcare for family	Disagree	23	23.2
	Neutral	18	18.2

Table 17 Impact of loan between on family

		N	%
Better access to healthcare for family	Agree	20	20.2
	Strongly agree	25	25.3
Total		99	100.0
	Strongly disagree	12	12.2
	Disagree	25	25.5
Better Financial situation of the family	Neutral	19	19.4
	Agree	21	21.4
	Strongly agree	21	21.4
Total		98	100.0
	Strongly disagree	11	11.6
	Disagree	21	22.1
The loan had a significant impact on my family commitment	Neutral	34	35.8
	Agree	6	6.3
	Strongly agree	23	24.2
Total		95	100.0

Table 18 Impact of loan between on enterprise

		N	%
I acquire business premises	Strongly disagree	37	37.0
	Disagree	19	19.0
	Neutral	3	3.0
	Agree	26	26.0
	Strongly agree	15	15.0
Total		100	100.0
I hire more workers	Strongly disagree	31	32.3
	Disagree	29	30.2
	Neutral	12	12.5
	Agree	16	16.7
	Strongly agree	8	8.3
Total		96	100.0
The loan help me to acquire more business assets	Strongly disagree	16	16.3
	Disagree	30	30.6
	Neutral	22	22.4
	Agree	19	19.4
	Strongly agree	11	11.2
Total		98	100.0
I have significantly improve in record keeping	Strongly disagree	11	11.6
	Disagree	11	11.6
	Neutral	31	32.6
	Agree	26	27.4
	Strongly agree	16	16.8
Total		95	100.0
I introduce new product	Strongly disagree	8	8.2

	Disagree	15	15.5
	Neutral	30	30.9
	Agree	17	17.5
	Strongly agree	27	27.8
Total		97	100.0
	Strongly disagree	13	13.8
The loan help me to start my business	Disagree	5	5.3
	Neutral	14	14.9

Table 18 Impact of loan between 2009 and 2013

		N	%
The loan help me to start my business	Agree	28	29.8
	Strongly agree	34	36.2
Total		94	100.0
The loan help me to	Strongly disagree	6	6.4

significantly expand my business	Disagree	16	17.0
	Neutral	10	10.6
	Agree	23	24.5
	Strongly agree	39	41.5
Total		94	100.0
Improve business management skills	Strongly disagree	10	9.9
	Disagree	7	6.9
	Neutral	24	23.8
	Agree	23	22.8
	Strongly agree	37	36.6
Total		101	100.0

Table 19 Impact of loan on individual

		N	%
My living standards	Strongly disagree	10	10.0
	Disagree	16	16.0
	Neutral	23	23.0

Total	Agree	25	25.0
	Strongly agree	26	26.0
		100	100.0
Overall, the loan I received had positive impact on my circumstances	Strongly disagree	10	9.9
	Disagree	12	11.9
	Neutral	23	22.8
	Agree	27	26.7
	Strongly agree	29	28.7
Total		101	100.0

**Table20 Income contribution in
the household after joining
microfinance programme has
significantly increase**

	N	%
Yes	52	54.2
No	44	45.8
Total	96	100.0

Table21 If Yes how

	N	%
Provide food and health care	6	14.6
Provide for their daily needs	30	73.2
The business is doing well	5	12.2
Total	41	100.0

Table22 Role in decision making and position in the family after joining microfinance programme has significantly increase

	N	%
Yes	39	42.4
No	53	57.6
Total	92	100.0

Table23 If Yes how

	N	%
Contribute financially	22	73.3
Head of the household	8	26.7
Total	30	100.0

Table 24 Overall performance youth micro -financing programme

	N	%
Strongly disagree	10	11.8
Disagree	2	2.4
Neutral	22	25.9
Agree	32	37.6

Overall, the youth micro-financing programme is very effective

	Strongly agree	19	22.4
Total		85	100.0

APPENDIX 5: RESEARCH QUESTIONNAIRE

EVALUATING THE EFFECTIVENESS OF YOUTH MICROFINANCE PROGRAMMES IN NAMIBIA

QUESTIONNAIRE FOR DATA COLLECTION – YOUTH

Dear respondent, I am a Masters student at Polytechnic of Namibia. The purpose of the research is to evaluate the effectiveness of Namibia Youth

Credit Scheme and Credit for Youth in business Programme, therefore you are kindly requested to complete the questionnaire honestly. Your participation in completing the questionnaire is voluntary and you are not required to mention your name. The information obtained will be used for academic purposes only and will be treated with utmost confidentiality. You are guaranteed anonymity and privacy in completing this questionnaire.

Please tick (X) in the appropriate box

1. PERSONAL DATA

Gender: Female: ☐ Male: ☐
 Marital status: Single: ☐ Married: ☐ Divorced: ☐
 Region: _____ Town/Village _____

2. Age:

Between 18 - 25 ☐ between 25 - 30 ☐ between 30 -35 ☐

3. Position of respondent

- a) NYCS loan beneficiary ☐
- b) CYB loan beneficiary ☐
- c) NYCS & CYB beneficiary ☐
- d) Trained but not a loan beneficiary ☐
- e) None beneficiary ☐

4. Educational level (please tick (X) the appropriate box)

- a) Not attended school ☐
- b) Lower primary (Grade 1-4) ☐
- c) Upper primary (Grade 5-7) ☐
- d) Junior Secondary (Grade 8-10) ☐
- e) Senior Secondary (Grade 11-12) ☐
- f) Tertiary Education ☐
- g) Vocational Training ☐
- h) Other: Specify ☐

.....

.....

5. LOAN STATUS

Did you apply for CYB or NYCS loan?

- a) CYB loan ☐
- b) NYCS loan ☐
- c) Both ☐
- d) Did not apply ☐

If not, please state reason for negative reply

- a) I do not have money to join ☐
- b) I do not have a constant source of income to be a member ☐
- c) I fear I might be turned away ☐
- d) I was turned away ☐
- e) I feel intimidated by the workers of NYCS and CYB ☐
- f) NYCS and CYB do not encourage the youth to join them ☐
- g) NYCS and CYB do not trust the youth ☐
- h) Loan amounts are too small ☐
- i) I do not need their services ☐
- j) High interest rates ☐
- k) Other reason: please explain ☐
-
- ...

6. How is your involvement in the business?

- a) Part-time ☐
- b) Full-time ☐

7. What services does the NYCS/CYB provide you with?

- a) Loan – group lending facility ☐
- b) Loan – individual lending facility ☐
- c) Business skills training ☐
- d) Business coaching/mentoring ☐
- e) Savings account - individual ☐
- f) Savings account - group ☐
- g) Grants ☐
- ☐
- ☐
- ☐
- ☐
- ☐

- h) Business linkage
- i) Funds transfer
- j) Insurance
- k) Pension remittances

8. Are there services that you will like NYCS/CYB to provide that is not currently provided?

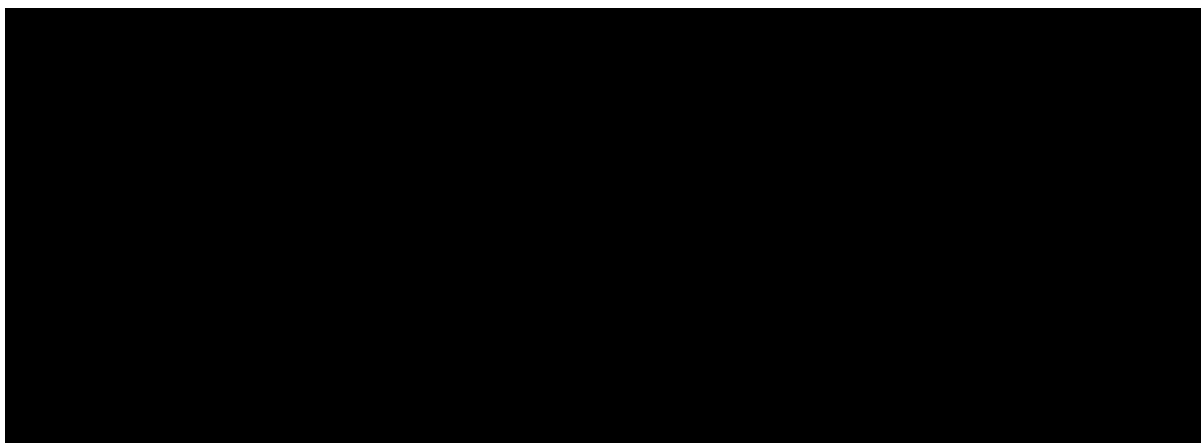
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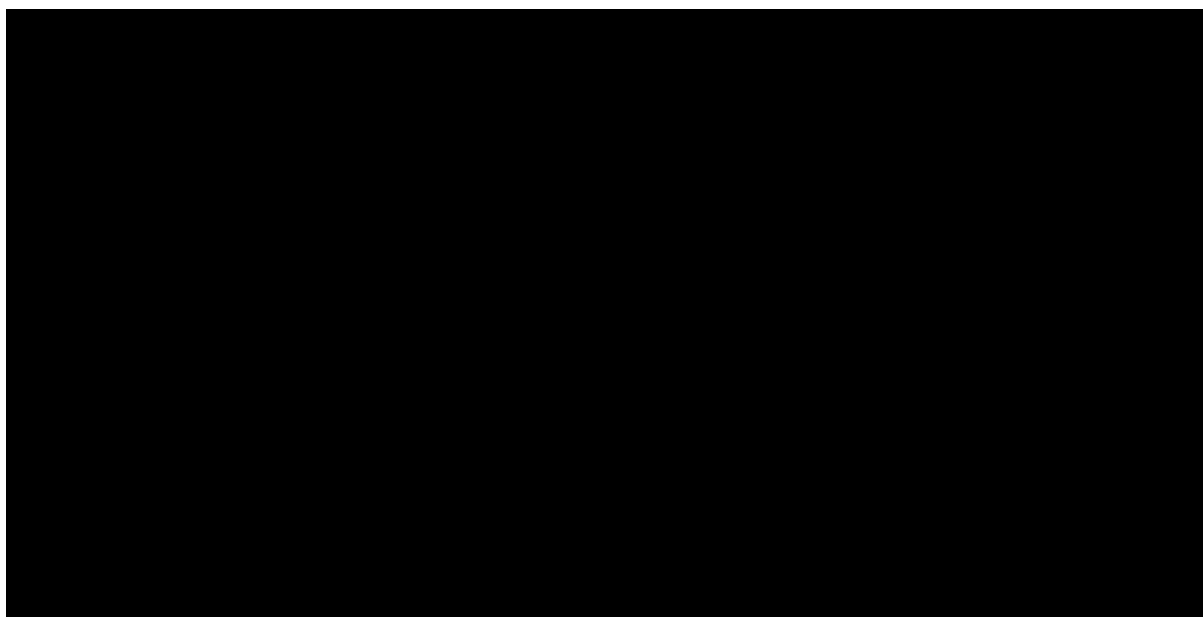
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9. How will you rate the following services of NYCS/CYB and MFIs?
(Please circle appropriate number)



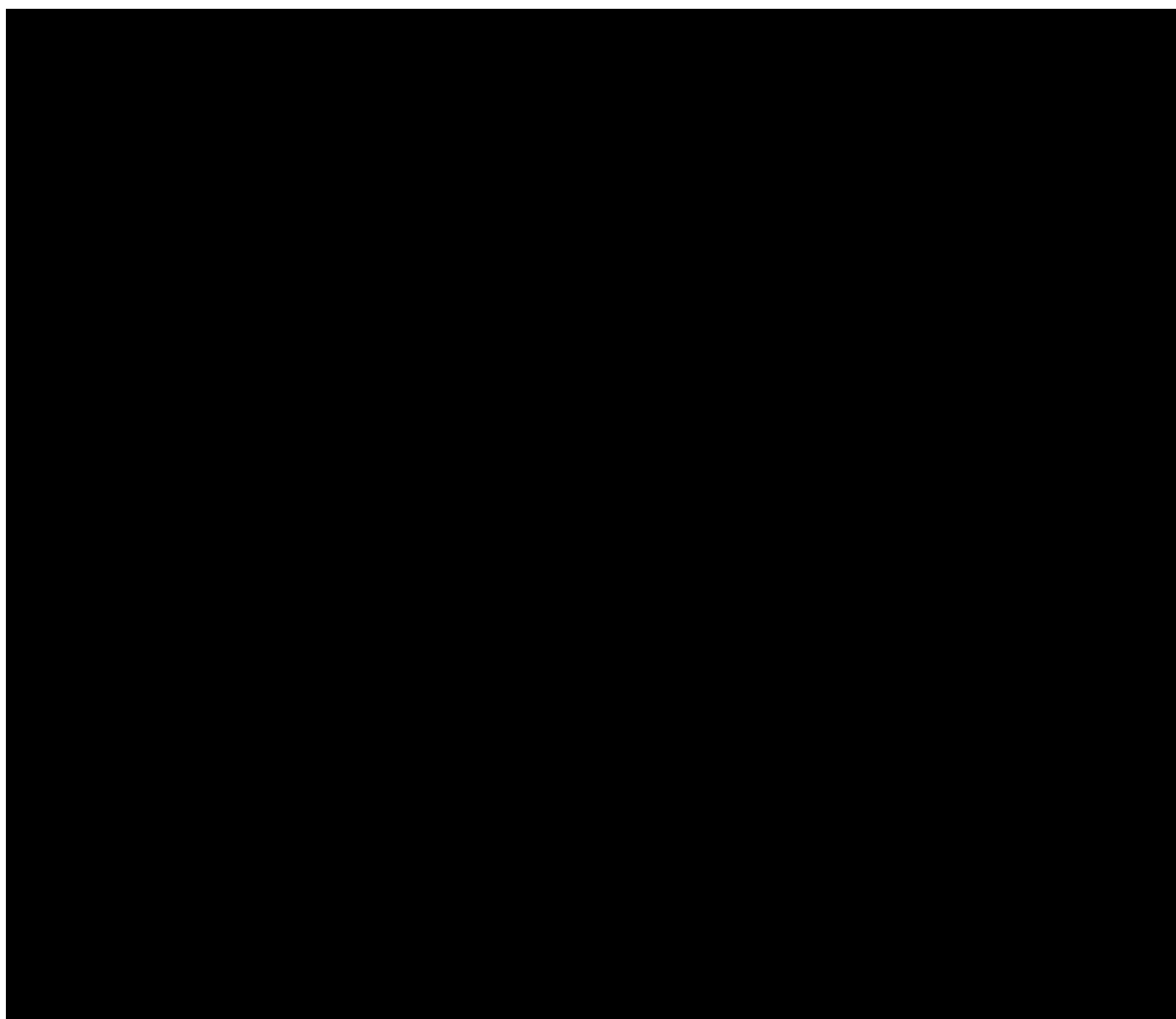
10. LOAN CHARACTERISTICS

How do you rate the following characteristics of CYB/NYCS?
(Please circle appropriate number)

**11. LOAN SIZE****What amount of loan have you received?**

- | | |
|--------------------------|--------------------------|
| a) N\$1,000 – N\$2,000 | <input type="checkbox"/> |
| b) N\$2,000 – N\$4,000 | <input type="checkbox"/> |
| c) N\$4,000 – N\$6,000 | <input type="checkbox"/> |
| d) N\$6,000 – N\$8,000 | <input type="checkbox"/> |
| e) N\$8,000 – N\$10,000 | <input type="checkbox"/> |
| f) N\$10,000 – N\$12,000 | <input type="checkbox"/> |
| g) N\$12,000 – N\$14,000 | <input type="checkbox"/> |
| h) N\$14,000 – N\$16,000 | <input type="checkbox"/> |
| i) N\$16,000 – N\$18,000 | <input type="checkbox"/> |
| j) N\$18,000 – N\$20,000 | <input type="checkbox"/> |

12. IMPACT OF LOAN BETWEEN JANUARY 2009 AND JANUARY 2013**How will you rate the impact of NYCS/CYB** (please circle appropriate number)



13. Has your role in terms of income contribution in the household after joining microfinance programme significantly increase?

Yes: ☐ No: ☐

If yes how?

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.....

.....

14. Has your role in decision making and your position in the family significantly increased after joining the microfinance programme?

Yes: ☐ No: ☐

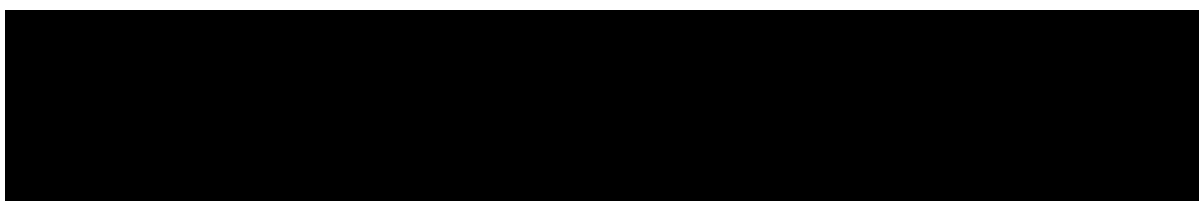
If yes how?

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.....

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.....

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15. Overall, the youth micro-financing programme is very effective.



THANK YOU VERYMUCH FOR YOUR COOPERATION