ASSESSING THE ROLE OF LOCAL GOVERNMENT (COUNCIL) LOANS IN BOOSTING THE INCOME OF TANZANIA'S YOUTH: A CASE OF KASULU TOWN COUNCIL

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Disclaimer:

This document represents part of the author's study programme while at the International Institute of Social Studies. The views stated therein are those of the author and not necessarily those of the Institute.

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List of Acronyms

AU - African Union

BOI - Bank of Industry

CAG – Controller and Auditor General

FGD - Focus Group Discussion

FYDP - The Five-Year Development Plan

IGAs - Income Generating Activities

ISS – International Institute of Social Studies

LGAs - Local Government Authorities

NBSSI - the National Board for Small Scale Industries

NSSF – National Social Security Fund

NYDA - the National Youth Development Agency

OS - Own Sources

PAYE - Pay As You Earn

PMEGP - Prime Minister's Employment Generation Programme

PWD - People with Disabilities

SACCOS - Savings and Credit Cooperatives

SDF - Social Development Fund

SDGs – Sustainable Development Goals

SDL - Skills and Development Levy

SMEs - Small and Medium Enterprises

TAMFI - Tanzania Association of Microfinance Institutions

TANESCO - Tanzania Electricity Supply Company

UN – United Nations

VICOBA - Village Community Banks

WCF - Workman Contribution Fund

WDF - Women's Development Fund

WYPD - Women, Youth and People living with disabilities

YDF - Youth Development Fund

YEDF - the Youth Enterprise Development Fund

YEEP - the Youth Entrepreneurship and Employment Program

YES - the Youth Entrepreneurship Support

YLD - the Youth Livelihood Programme

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Abstract

This study aimed at assessing the role of local government (council) loans in boosting the income of Tanzania's youth using a case of Kasulu Town Council. The study employed cross-sectional survey with 100 sample size selected from 10 registered youth groups in the study area. The study was conducted by using mixed methods which encompass qualitative and quantitative methods. Qualitative method included Focus Group Discussion (FGD) and interviews while quantitative data were collected from questionnaires.

The results in this study indicate that individuals who received small loan, medium loan and large loan their net incomes decreased by 272123, 289878 and 405834 (Tanzania Shillings) respectively compared to those who did not receive loan which is statistically significant at $p<0.000$, $p<0.012$ and $p<0.000$ respectively. These findings suggest that all loans are significantly negative associated with net income where the larger the loan, the greater the negative impact on net income. All the same, the study identified both obstacles and facilitators in accessing council loans. Identified barriers which have reported to limit youth from accessing and benefiting from loans include but not limited to corruption and bureaucracy, not having a Ruling Party Membership Card, not known to government officials, lack of enough money from the government, complicated application process, nepotism and favouritism and lack of information. Likewise, factors facilitate for better accessing loan are Presence of loan information, No interest rate, Influence from family or friends, No collaterals, Training programs and Support from local government.

Since loans have negative correlation with net income to young people, this study recommends that government and other stakeholders in Kasulu Town Council should create a good and friendly environment to facilitate access to loans that will stimulate the achievement of the intended goals of boosting youth income levels and reduce poverty among them.

Relevance to development studies

This study on assessing the factors affecting youth income with a focus on local government is highly relevance to development studies. It helps to address current issues facing the Global South such as unemployment, income inequality, financial inclusion among marginalized groups, SDGs, and policy intervention. In this case, this study provides evidence-based information which will be used to design and implementing proper policies and programs that contribute to economic empowerment and poverty reduction.

Keywords: Council loans, empowerment, marginalized population, financial inclusion, Tanzania, Youth.

Chapter 1: Introduction

1.0 Introduction

Many organizations and countries including Tanzania have been struggling to improve livelihoods of the youth through various interventions such as provision of development funds. For example, African Union (AU) has come-up with economic empowerment initiative to youth group following the declaration of February 2022 by heads of state and government initiated an economic empowerment program for women and youth by 2030 (African Union, 2022). Under this affirmative action known by Social Development Fund (SDF), AU will provide $20 billion to enable financial opportunities in order for youth to participate in socioeconomic activities (Rugeiyamu, 2022).

All the same, Tanzania has same program since 1993 where two funds were introduced under local government authorities (LGAs) namely Women's Development Fund (WDF) and Youth Development Fund (YDF). LGAs were required to set aside 10% of their own sources revenue to fund these two funds in terms of 50% of 10% for women group and 50% of 10% for youth group (ibid). In 2018, the government combined two funds to form one fund known as Women, Youth and People living with disabilities (WYPD) following the amendment of Local Government Finance act, Cap 290 (R.E. 2019) (Rugeiyamu, 2022; Mpalala, 2023). This act stipulates that empowerment program provides loans to these groups which is 10 percent of local government own sources revenue where women get 4%, youth get 4% and people with disabilities get 2%. These groups are required to form a group of at least 5 members who are involved in entrepreneurship or any business.

This study focused on youth empowerment under Youth Development Fund (YDF) which is an Empowerment aimed at providing loans to youth group. The reason of considering these groups is that youth comprise a large group in population. Many reports show that youth between the ages of 15 and 24 forms more than 18% of population in the world. For example, AU shows that 75% of population in Africa are women and youth whom 70% face economic challenges and are excluded in economic and financial matters (African Union, 2022).

In Tanzania, according to 2022 census (URT, 2022) 12 million of the overall population are youth who face a lot of challenges especially social and economic problems. For many years different customary laws did not give them chance to participate in different opportunities and benefits which lead them left behind. Youth faced challenges in owning any factor of production because of their ages they were considered as group which have not matured. Society believed that youth have no rights to access and own any resources for themselves. Many resources were owned by their parents on their behalf. Also, youth groups face this challenge of lack access and control of resources due to the fact that some of them are still in school and they do not have any job to earn money or resources.

It should be noted that youth is the age between childhood and adult who are still home depending on their parents and caregivers owning nothing. This situation oppressed their rights to participate in socioeconomic programs.

1.1 Problem Statement

Capital is a strong weapon to enable people engage in economic activities and improve their economic status. Tanzania National Development Plan 2 (2016/17 – 2020/21), apart from other things, it aimed at creating conducive environment to promote self-employment in various sectors such as agriculture, animal husbandry and others among youth population. In order to achieve this goal, the plan highlighted provision of loans to this youth group as tool to achieve financial and economic inclusion of youth to promote their economic activities and boost their income. One of the strategies used by the government under this plan was the amendment of Local Government Finance act, Cap 290 in 2018 to put concessional terms for giving youth chance to take loans (Rugeiyamu, 2022). Many loans require youth to have assets which act as collaterals something youth do not have but the government loans do not require any collateral with zero interest rate. This has been a big obstacle for this groups benefiting from loans provided by many financial institutions including banks.

There is compelling evidence low participation of youth group in applying and acquiring loans from financial institutions hence there is a need of addressing this challenge for financial inclusion to this group. The forthcoming of this is that it will help to increase morale to youth to participate in socioeconomic activities through provision of loans. Mecha in Mpalala (2023) stresses that empowerment and capacity building are important since they enable targeted group to have voice, encourage them and sharpen their skill and allow them access economic opportunities in future. Likewise, Mbaluko in the same author argued that loans provided to beneficiary groups is good for the country aiming at fighting against poverty because they create new job opportunities for unemployed population and develop home business.

Tanzania development depends on youth because a larger population of this group represents the link between the present and the future. Economic empowerment is very important among this group since their decisions, behaviours, skills and knowledge have impact on current and future sustainable development. This stimulates research to determine to what extent local government (council) loans in empowering Tanzania youth to boost their income.

1.2 Research Gap and Significance of the study

Many researchers have been interested to study on the impact of empowerment to youth through different interventions such as loans. For instance, Mpalala (2023) investigated contribution of local government loans to youth on income increment, a case of Mafinga town council, Iringa region, Tanzania. Also, Rugeiyamu (2022) conducted study on local government's failure to recover loans from groups of women, youth and people with disabilities in Tanzania.

This study is therefore, carried out to navigate the role of local government (council) loans in empowering Tanzania youth to boost their income using a case of Kasulu Town Council in Kigoma region, Tanzania. The key findings of the study will: 1. contribute to understand whether local government loans which are provided to youth are reaching and benefiting the targeted population. 2. Identifying key barriers and facilitators to accessing council loans that marginalized population face. 3. Help in evaluation of complement of national youth development policy of 2007 which all insist on empowering this group in various areas especially financial and economic inclusion.

Also, since the funds involve youth there is no any study that conducted in Kasulu Town Council on the effects of loans on this group. On 13th April 2023, the government abolished local government loans provision program due to different challenges encountered in the process. Hence, this study assessed the impacts of the program to all targeted groups – youth by considering barriers, challenges and opportunities beneficiaries face.

Thus, this study among other things is expected to contribute to propose a best model that can be applied to achieve the intended goal that is empowerment to youth by addressing barriers, challenges and problems that the program faced. Hence it is expected to bridge a gap between general studies on microfinance and region-specific analyses providing evidence on how loans affect youth income. It also offers a more holistic understanding of the factors affecting or influencing youth entrepreneurship and income generation. Existence literature review is evidence that this study/research is grounded on the existing knowledge while contributing new insights to the field.

1.3 Research Objectives

1. Assessing the effectiveness of this empowerment program in promoting income in among youth group.
2. Identifying key barriers and facilitators to accessing council loans that marginalized population face.
3. Provide evidence – based recommendations for policymakers and stakeholders to design more inclusive and equitable local government programs that address needs and priorities of special and marginalized groups.

1.4 Research questions

1. How local government loans impact the income of Tanzania youth?
2. What are the key barriers and facilitators to accessing local government loans for youth in Tanzania?

1.5 Organization of this report

This essay is divided into six chapters where Chapter 1 states forward introduction, problem statement, research objectives, research questions and research justification. Chapter 2 outlines definition of key concepts and theoretical framework and Chapter 3 highlights the literature review and empirical evidence. Likewise, Chapter 4 highlights methodology used in this study, data collection, coding and analysis and conceptual framework. Chapter 5 presents the deep analysis of the data and findings based on research objectives and Regression Model. The last Chapter 6 is conclusion and recommendations for policies modification.

Chapter 2 : Conceptualization and Theoretical Frameworks

2.1 Definition of key concepts

2.1.1 Youth

There is no universal definition of youth hence it is no agreeable definition of youth in terms of age. Every country or organization has its own definition of youth. For example, United Nations defines youth as a person aged between 15 to 24 years while Common Youth Program considered youth as individual with 16 to 29 years. In Malaysia people aged between 15 to 40 are considered to as youth. Laws and policies in Tanzania define youth in different way, for instance, Marriage Act of 1971 states that individual with 15 years (especially a girl) can get marriage while Tanzania constitution of 1977 recognizes individual who is below 18 years as a child (URT, 2007). Tanzania Youth Development Policy of 2007 defines youth as a person from the age group of 15 to 35. In this case youth may be defined as a period of childhood and adulthood after a girl or boy undergone physical, mental and social development. During this period youth are expected to participate in development activities and thus their skills, knowledge, behaviours and decisions are needed to promote development. Local Government Finance act, Cap 290 (R.E. 2019) which is rooted as council's loans lending guidelines recognize youth people aged 18 to 35 which was adopted as a definition of youth in this study.

United Nations reports show that there are 1.2 billion of young people aged between 15 to 24 years, accounting for 16% of the world population. According to the age and sex distribution report by Tanzania National Census in 2022, Tanzania's population is 60 million characterized by young and youth with 42.8% of population is below 15 years of age, persons aged 15 to 24 years is 19.2% and proportion of population aged 15 to 35 years decreased slightly from 34.7% in 2012 to 34.5% in 2022. Likewise, data shows that the proportion of working age population (15 – 64) increased from 52.2% in 2012 to 53.4% in 2022 census, meaning that youth is important part of labour force in the country.

Youth can play significant roles in development if their needs and priorities are placed on. Youth contribution in sustainable and inclusive development are acknowledged by international organizations. Despite all these acknowledgements, most youth in developing countries like Tanzania are facing social and economic challenges such as unemployment and underemployment, shortage/lack of capital to start business, inequalities which reduce participation in political opportunities, poverty and lack of access and control over resources. World Youth Report of 2020 indicates that share of youth in the global labour force declined from 21% in 2020 to 15% in 2018.

2.1.2 Youth empowerment in Tanzania

Many scholars believe that challenges and problems that youth face will be addressed through different empowerment programs. For example, Jimba (2007) argued that youth can be empowered to make them bring change in the society by shaping their lifestyle and transforming their ideas into creativity. Also, Amandi and Abdallah (2012) add that youth empowerment schemes are very important to equip youth with knowledge and skills to help them more productive in the society. Additionally, The Child and Youth Finance Movement Theory of Change holds that empowering children and youth economically breaks the cycle of poverty among individuals in particular community. This includes provision of financial literacy, access to loans and other economic opportunities which improve people's livelihoods. These views provide important insights on the need of empowerment in combating economic challenges such as poverty, unemployment and social exclusion among youth in developing countries.

Sustainable Development Goals (SDGs) insist that no one will be left behind in achieving these goals everyone will participate and benefit. In recognition of youth in development, Tanzania has involved and place youths' needs and priorities in different agendas and reforms. SDGs and youth need and priorities are stated forward in Tanzania Development Vision 2025, the National Youth Employment Action Plan of 2005, the National Youth Development policy of 2007, the National Youth Employment Creation Program of 2014, and the Five-Year Development Plan (FYDP) II which insisted on economic empowerment through provision of loans and the recently Graduate Skills Development Framework. All these interventions show the country's commitment on recognition and harnessing youth's potentials in economic development. Youth are drivers of the current and future development in the country but there is a need of mobilizing them in order to have access to important opportunities including microfinance services from both public and private sectors. In order to attract more youth in development the country requires provision of grants and loans with low interest rate and entrepreneurship education.

2.1.3 Loans

Loan is important driver in promoting economic growth, investment and solving financial challenges. Loan is amount of money that is borrowed from individuals can be friends, or relatives and sometimes from financial institutions such as bank which is always paid back with interest. In other words, loan may refer to transfer of money from one person (lender) to another person (borrower) with agreement of paying back. Cambridge Dictionary (2024) defines loans as an amount of money that is borrowed, often from a bank, and has to be paid back, usually together with an extra amount of money that you have to pay as a charge of borrowing.

Loans are incurred for different purposes such as personal (expenses like education, home improvement, medical bills), mortgages (buying real estates – buildings, lands), business (used to operate or expand business) but loans provided by councils in Tanzania are purposely for operating and expanding business for the targeted groups. In most cases, acquiring loans depend much on presence collaterals which act as security against the loan especially from formal financial institutions like banks but the government loans do not need any collaterals and there is no interest rate. In legal loans they are accompanied by contracts between borrower and lender and failure to pay back loan can lead to taking away security to compensate or replace loan (Guttentag, 2007; Signoriello, 1991).

2.1.4 Income

Income can be defined as money received by an individual in a specific time - a day, week, month or year through different sources such as investment, wages, salaries and business. According to Investopedia, income refers to money that individual or business receives in exchange for providing a good or service or through investment capital. Also, Cambridge Dictionary defines income as "money that is earned from work, investments and business." For the purpose of this study, "money" was applied as definition of income.

2.1.5 Empowerment

There is no clear definition of empowerment. Different study defines empowerment in different perspectives such as economic, environment, social and political. Some consider empowerment as a process of helping people to recognize their resources and ability to use them in order to achieve basic needs and goal (Adams, 2008). In this concept empowerment is considered as a process of giving people or individual power to make decisions and choices in their lives. Weber (1946) believes that power exists within individuals and changes over time and can be transferred to another person. The Connecticut People Empowering People programs defines empowerment "as a multi-dimensional social process that helps people gain control over their own lives. It is a process that fosters power in people for use in their own lives, their communities and their society, by acting on issues they define as important" (Czuba, 1999).

In social work, empowerment is considered as a strategic where social worker increases capacity for self-help and confidence to their client to fight against discrimination, abuse/oppression and harassment. This approach enables marginalized groups in population to be active instead of being passive or helpless victims to be helped or rescued. Marginalized are empowered to be active participant instead of dependent on charity (Adams, 2008). Social empowerment enables individuals to challenge social structure (norms and stereotype) that pose challenge to different individuals' opportunities based on their gender, age, ethnicity, disabilities, race and religion. As a result, it helps to understand their values, cultural identity and knowledge systems.

Also, in legal perspectives, empowerment is recognized as a process of helping people recognize their rights, priorities and needs. Legal perspective holds that some people are poor because they do not know their rights on using community resources. In his book titled "Legal Empowerment for Local Resources Control" Lorenzo Cotula (2007) asserts the importance of understanding local resources rights since legal awareness are constraints to some people in accessing and controlling community resources based on traditions/cultural, geographic and economic hindrances. Thus, legal empowerment helps community members to be aware of legal systems and how they work to advocate their needs and interests. Legal empowerment creates room for individual to participate in community decision making, dialogues and engage in political processes.

Additionally, economic development perspective always insists on self-help which opposites dependency syndrome. This perspective holds that poor people who are considered as marginalized group in population need to be organized and mobilized in order for them to participate in production rather than providing them with social welfare (Adams, 2008). In this view, empowerment is referred to as giving individual ability to control and access resources and opportunities such as productive assets, financial services, technology, skills and knowledge and property rights which enable him/her participates in different economic activities to improve their economic situation.

Based on these definitions, empowerment is not just shift of power or resources but it involving promoting self-confidence, independent and resilience among marginalized groups to enable them bring positive change in their communities. For the purpose of this study economic empowerment included income, employment, mentorship and financial literacy.

2.2 Access to loans for youth in Tanzania

Microfinance institutions play a vital role in financial inclusion and empowering marginalized group through provision of small and medium loans and financial literacy in Tanzania. Evolution of microfinance institutions can be traced back to the 1980s where informal saving and credit group known as Village Community Banks (VICOBA) emerged. These microfinance institutions which were community based provide small and medium loans to community members especially rural community to support their income generating activities (IGAs).

VICOBA was the transformed to informal financial institutions namely Savings and Credit Cooperatives (SACCOS) which play similar role of provision of loans to its members. In order to ensure conducive environment for microfinance institutions and financial inclusion for marginalized group government formulated Microfinance Policy of 2000 and the recently 2017 and Microfinance Act of 2018. All the same, Tanzania Association of Microfinance Institutions (TAMFI) was established to ensure coordination, facilitation efforts for microfinance sustainability and growth.

However, studies show that despite the presence of many microfinance institutions in Tanzania, marginalized face challenges in access to financial services such as loans. Across the country, marginalized group namely women, youth and people with disability are constraining with limited capital and cannot easily access to loans from financial institutions due to:

i) **Lack of Collaterals**: many financial institutions such as bank always ask for immovable assets such as house, land and machines which act as collateral. Most of youth do not possess them hence they do not qualify to secure loans.

ii) **Higher interest rates:** financial institutions are not for the poor or marginalized group they are there for profit maximization especially commercial microfinance which always charge high interest rates which does not favour marginalized group. Available data of 2021 indicate that in Tanzania commercial banks charge interest rate between 18% to 23%.

iii) **Financial records:** apart from the mentioned reasons, commercial financial institutions ask for previous financial records of borrowers to assess their financial flows (inflows and outflows). Most of youth do not possess bank account and it is difficult for them to have financial records to qualify for loans (See also NORAD, n.d.; Richard and Mori, 2012)

In this case, marginalized groups including youth in Tanzania are not saved by financial institutions for getting capital to start business. Most of them get capital from their relatives or friends and from community village banks (VICOBA), UPATU and MICHEZO/MIZUNGUKO which are community based with minimal terms and conditions.

2.3 Strategies to address access to finance constraints among youth in Tanzania

2.3.1 Provision of loans through local government authorities (LGAs) in Tanzania

Tanzania government has undertaken different measures to address access to finance constraints among marginalized groups including youth in Tanzania which includes various policies and laws aiming at providing loans among youth. Between 1993 and 1994, Tanzanian government introduced Youth Development Fund (YDF) to promote employment and income among youth groups by providing loans for operating and expanding business. Youth Development Fund (YDF) is a strategy aimed at empowering youth to address their economic constraints to enhance participation of this group in economic activities.

YDF represents a government initiative that aims to provide financial resources to youth entrepreneurs and small business owners to support their economic activities. This empowerment means to enable youth to have control and access to financial resources make them participate actively in production which in turn promote their lives well-being. In 2018, YDF was unified with Women Development Funds (WDF) and people with disabilities (PWD) to form new fund known as Women Youth and People with Disabilities (WYPD) under local government authorities (LGAs) act of 2018 (JMT, 2019).

The LGAs are directed to provide mandatory loans of 10% of own source to women (4%), youth (4%) and people living with disability (2%) under the Local government Finance Act of 2018 Cap. 290 (ibid). Local government authorities (LGAs) apply group lending model in provision of loans to marginalized groups which have become victims in accessing loans due to limited assets. Group lending model is used in microfinance to lend group of people who do not own traditional collateral like land and houses. The approach enables individuals to access loans by using group jointly liability as collateral and members of the group are responsible to repay back the borrowed money of their peers in case of default (Tegambwage and Kasoga, 2022).

2.3.1.1 Qualification of obtaining loans in LGAs to youth group

According to Rule 7, the council is responsible to inform registered and eligible groups to apply for loans for those who qualify under Rule 6 of Finance Act of 2018 (JMT, 2019). The following are qualifications for obtaining loans for women, youth and people with disability:

i) All group members must be citizens of Tanzania,

ii) A group must be registered as Youth group,

iii) A group must have or operate a small or medium business and income generating activities (IGAs),

iv) Must have 10 or more members for youth group,

v) A group must have a bank account with group's name for group purpose,

vi) A group must contain unemployed members with informal employment.

All these criteria aim at increasing youth in financial matters to promote socioeconomic inclusion. But the main concern is to what extent is this empowerment implemented by LGAs promote income of the targeted youth group. Apart from these qualifications, group relationship matters to have mutual goal for borrowing and implementing business and entrepreneurship projects after that have been approved by Community Development Department. It should be noted that loans are given to groups who share common interests but some groups divide the money among the members, for example a group has received a loan of 10 million and has 10 members, this money is divided among the members (each member will get one million) where each member makes returns according to the procedures, they have set for themselves. Also, there are groups that get joint loans and do a group project without dividing money among members. This study was focused on doing an assessment for the groups that got loan and shared among the members' groups.

2.4 Theoretical Frameworks

This study employed three theories such as decentralization theory, empowerment theory and microfinance theory.

2.4.1 Decentralization Theory

Decentralization is said to be complex concept which is interpreted an applied in different fields such as governance, organizational structures and finance. In its totality, decentralization refers to distribution of authority, power or control from top level to lower level. For example, in technology, decentralization may refer to the networks in which control is distributed among multiple nodes or participants rather than being concentrated in a single server. Also, in finance, decentralization can be seen in distribution of financial services such lending, investing and withdrawing money outside traditional way to use technology which transfers power and decisions to customers example using self-services such withdrawing money via ATMs and lending platforms.

In governance (which is a key concern in this study), the decentralization perspective is termed as transfer or distribution of power or authority from a central governance (top level) to local government or community (lower level). World Bank (2008) believes that decentralization is important in many countries which is why it is common recently. Different international organizations like UN insist on decentralization believing that it puts power closer to community.

Rugeiyamu (2022) argues that decentralization can be implemented in different ways. First is *deconcetration*, where decentralization can be through establishment of government offices to local areas but decisions are made by central government. Second is *delegation*, decentralization can be done in sense that local government is not fully controlled by central government but is accountable to central government. Third, is *devolution* where central government transfer all its powers for decision making to local government on administration, finance and administrative management.

Decentralization which represents shift of power and decision making from central government to local government offers numerous benefits. It can lead to greater responsiveness to local priorities and needs, increased participation in decision making and accountability (Rugeiyamu, 2022). However, decentralization also poses significant challenges such as increased administration costs, coordination and communication in achieving overall country's objectives. All in all, many scholars assert that decentralization is important in developing countries since it promotes development. Theory of decentralization assumes that decentralization reduce bureaucracy and increase participation of people in decision making and hence improve people's well-being. Also, it holds that decentralization reduces abuse of power by transferring power in the hands of community (ibid).

2.4.1.1 Decentralization in Tanzania

Decentralization has been a topical agenda of the government ever since the country's political independence in 1961. After gained political independence, central government worked hand with hand with local government authorities (LGAs) to enable community participation in decision making. However, reports show that decentralization in Tanzania became a bitter pill where the government abolished LGAs in 1960s to 1970s. The reasons behind are increased administration costs, shortage of professional workers (human resources), bureaucratic tendency among workers and failure to know mission and vision of what to be achieved (Rugeiyamu, 2022).

After this scenario, local governments were replaced by Development Coordination Committee where all powers and decisions were concentrated to only one body that is central government which was the one that made decisions for the majority. Absence of LGAs led to poor management of projects funds, low participation of people in decision making, lack of transparent and accountability and created bureaucracy tendency among government officials. In 1982, Tanzania re-adopted decentralization system of government known as regional administrative and local government (RALG) which devoted power to local government under local government Act No. 7 for district authority and Act No. 8 for urban authority. These two Acts provided different roles to local government including promoting and maintaining peace and harmony as well as promoting social and economic welfare of the people (See URT, 1998).

The idea was to reach minority in terms of government services who are many in population. Government realized that there is a need to reach large population who lived in villages and small cities. Through this reform local community were reached and their problems and challenges were placed on as well as involved in decision making. Public offices were built in many areas after this reform to provide public service to the people. Furthermore, in the late of 1990s and 2000s the government made some reforms in 1998 on local government known as Local government reform programme (LGRP) (See URT, 1998). This paper is considered as among the big reform made in local government which became active till 2014. The paper which came up with decentralization by devolution stated forward four major areas: 1. Asserting power to local government to make their own decisions through local councils. 2. LGAs were given power to recruit their internal staff or personnel, connecting with sectoral - ministries and establishing their own pay-roll 3. Empowering LGAs to manage their revenue and budget. 4. Establishment of central and local government relationship through consultation and policy advice instead of direct interventions (See URT, 1998; Tidemand and Msami, 2010).

One of the key areas of decentralization in this local government reform is managing local funds and budget (finance) which is a centre of this study. Forthcoming of Local government reforms programme was establishment of Women Development Fund (WDF) and Youth Development Fund (YDF) in 1993 which included keeping aside 10% of own source to finance these funds before combining them together to form Women, Youth and People living with Disabilities fund (WYPDF) (Rugeiyamu, 2022). In theory it is seemed that local governments are free to make decisions on financial matters but in reality, they are not. For example, in each government financial year they are required to prepare their budget based on their needs and priorities and sending to central government for ministerial budget which then is presented to National Assembly which can agree or refuse or make some changes on their budget. Also, it has reported that central government always take 90% of LGAs own sources (OS) which reduce LGAs financial stability. In this way they are not independent to make their own decisions especially in financial issues and reduce WYPDF in provision of loans due to unstable budget.

2.4.2 Empowerment Theory

Empowerment theory is very crucial in understanding benefits of affirmative programs aiming at empowering certain group of in the society. The theory was first introduced and used by American social psychologist Julian Rappaport in 1981 as a part of work in community psychology. He argued that people must have control over their lives not just by giving power but creating environment that enable people to discover and use their own power (Rappaport, 1987; See also Al-shami et al, 2021). The concept embraces different aspects of capacity building, individual agency and social change. When applied to the context of provision of loans by local government to youth can help to understand how these loans can contribute to promote their socioeconomic status, self-reliance and community development in context of income. The theory emphasizes the importance of enabling people or community to take control and use of resources to improve their situation (Perkins, 1995).

The theory believes that people regardless their situation they possess local knowledge and ability that enable them to make choices, solve problems and bring positive changes. Different scholars have different view on empowerment. For example, Marx believes that the society has two classes such as lower and higher class who are bourgeoisie exploits the weak class proletariat under capitalism economic system. According to Marx lower class consists poor people who are exploited in terms of lower wage, poor working environment, job insecurity and unequal distribution of benefits and resources. Strong class are those people who are capitalists who own factors of production and industry who benefit from the poor (Anon, n.d; Wolff, 1999; Heller, 2011).

In Tanzania context, poor people (the lower class) are found in rural areas and small town who most of them do not enjoy national cake and they are always face extremely poverty and income inequalities. Some own land but they lack money to utilize their land into production. Youth group falls under this group of underrepresented, unaccompanied minor and marginalized who face extremely poverty due to lack of access to resources. They are highly exploited group in the country. They all always sell their labour force with less payment and lack job security.

These people have surrounded by resources to help them get rid of poverty but they do not access them due to customary laws and policies that tied them in this messy. Max believes that this group needs to liberate themselves on the hand of bourgeoisie who are exploiters. According to him lower class need to fight in order to oppose exploitation done by high class in order for them to enjoy benefits of their labour force. They are the one who are affected by oppression hence true empowerment for them is to make revolutionary change which help them control of and access to major of production and enjoy benefits. Max believes that social change is a result of excessive exploitation caused by capitalism system to lower class who will then struggle to get rid of exploitation. Marx insists that empowerment is possible by eliminating higher class (capitalists) who exploit lower class creating inequality. Marx believes that empowerment is not about individual access to resources and opportunities in society but it requires transformation for equal access and control of resources and opportunity to the working class (Anon, n.d; Wolff, 1999; Heller, 2011).

Also, Giddens is among a sociologist scholar who came with idea of individual agency and contributed significantly to the study of empowerment within society. Giddens conception of empowerment is based on individual agency to act independently making choices that influence changes in modern society around him/her. Giddens believes that change can be reached through individual role, actions and decisions in shaping society (Gaventa, 2003). Likewise, Giddens introduced a concept of reflexivity which enable individual to reflect and analyse the situation in the social structure. This help individual to take actions and make decisions that reflect on their needs and priorities. According to Giddens in order to empower these people it requires to build and increase capacity for them to transform their own lives, making choices to make desired outcomes. This is though enabling them own their lives and destinies by enabling access to resources, information, self-determination and participating in different opportunities. In this notion it can be seen that people are poor because nothing has been done to their lives to make them achieve their long - term dream.

Empowerment theory underscores the importance of building capacity of individual and community in accessing and utilization of resources and opportunities effectively. Microfinance which involves provision of small loans to lower class who are lower income individuals is a tool for poverty reduction and empowerment. Provision of loans will enable poor people to invest in income generating activities (IGAs) and build strong financial freedom. Apart from provision of loans, microfinance provides financial education and training that enable borrowers make informative decisions. However, empowerment theory believes that provisions of loans is not sufficient to empower people since it operates in complexity society characterized by injustice and disparities. Thus, microfinance strategy through provision of should address all forms of inequality, inclusiveness and social injustices.

2.4.3 Microfinance Theory

This theory holds that provision of small and medium loans with no or small interest rate and collateral free can be used as a gear to fight against poverty among lower income earners. The primary aim of microfinance is to help poor people to improve their livelihoods and get rid of poverty by supporting their income generating activities (IGAs) and small business. This theory is also known as Grameen Model since it was first introduced and used by Professor Muhammad Yunus who founded the Grameen Bank in the 1970s (See Kayunze, 2015). Grameen Bank in Bangladesh was founded on this theory where it was used to provide small loans to group of female micro entrepreneurs in a group of no more than six people (Kayunze, 2015; Yunus, 2008; Mosley and Hulme, 1998).

The theory believes in self-help power with mutual support from each member who stands as a guarantor. The group assesses loan application of their member based on the amount required and repay period, however, if one member fails to repay his/her loan, no loan will be given to any member of the group. In context of Tanzania, many youths face barriers in accessing loans and credits from financial institutions like banks due to lack of collaterals, financial history, formal employment and high interest rate. Provision of loans through groups rather than individuals as social collateral by local government (councils) reflect group lending model in microfinance. This microfinance modality used by councils in provision of loans is useful in supporting and empowering youths by providing credits aiming at addressing credit gaps that youth face in starting business. In 2000 and 2017, the Tanzania's government introduced the National Microfinance Policy of 2000 and the recently Microfinance Policy of 2017 for the purpose of promoting access to financial services and raising income of the people especially marginalized groups such as youth for poverty alleviation (See URT, 2000; URT, 2017).

2.4.4 Conceptual Framework

The outcomes which is dependent variables depends much on the independent variables, in this case independent variables influence the occurrence of dependent variables thus independent variables was termed as cause and dependent variables as effect. The illustration in figure 2.1 shows variables studied to find out the role of local government loans to boost youth income. The variables are in three categories of client characteristics variables which include demographic variables i.e. age, gender, marital status, Socioeconomic Variables example education level, household income, Participation in training programs, capacity building programs, education level or experience, Access to financial resources, social services and support networks, Employment status and type of employment. Also, government level which is a key player in provision of loan based on local government policies and laws, collecting and managing own sources which are then used as loans to youth. Other variables including transport, market, climate changes, were assumed to be constant and dependent variables is empowerment.

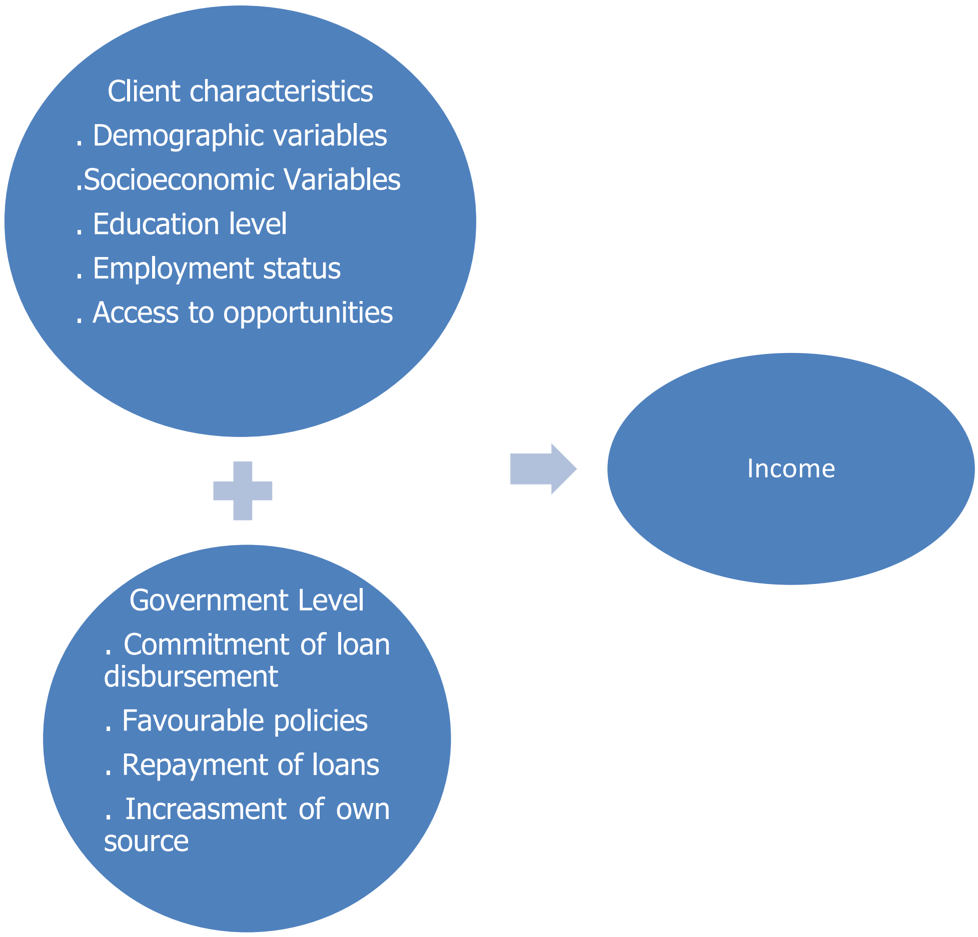


Figure 2.1: The Conceptual Framework of the research (Source: Researcher)

Chapter 3 : Literature Review

3.0 Empirical Evidence

Many authors and literatures have argued that capital or loans are engines for promoting economic activities including income generating activities (IGAs). Loans are significant in boosting firms based on the role it plays in the economy. Some findings show that any additional unit of loan added results to boosting economic activities and hence increase individual's income and country's economic growth. Also, these studies suggest that direct loan provisions and training assistance which is empowerment have positive impacts in stimulating small and medium enterprises (SMEs). For example, Sule (1986) stressed that additional unit of capital stimulates SMEs which in turn results employment and business opportunities. This means that capital is important stimulants in income generating activities which creates more chances and employment benefits.

Mbaluko (2014) asserted that provision of loans to youth group as empowerment intervention contribute to job creation and poverty alleviation among targeted population which also have multiplier effect in the whole population. In actual facts, provisions small and medium loans enhance business initiation which results into increased income to beneficiaries which then reduce financial hardship to many families. Youth tend to benefit more from loans with low-interest rate to start new businesses which reduce unemployment to them and increase confidence, self-esteem, and financial stability.

In many families where poverty is high the level of consumption is low to due to low income. Some families do not afford to take three meal per day due to limited income. The study by Regina et al. (2020) has shown that loan empowerment to youth has equipped them with high income which enable them to take three meals per day due to increased income. Also, the study shows that 81.5% of respondents who are beneficiaries reported to take three meals per and variety dietary food which improved their nutritional status.

Provision of loans to youth group: Experience from other developing countries

A Kenyan government established the Youth Enterprise Development Fund (YEDF) in 2006 by offering various loan services such as individual loans and market expansion loans and provision of training and mentorship programs to reduce unemployment among the youth group by promoting entrepreneurship and business development. Studies show that

YEDF disbursed billions of Kenyan shillings to thousands of youth enterprises leading to the creation of many job opportunities and boosted income among youth (Word Bank, 2019; YEDF, 2016; Issa & Kiruthu, 2019; Charles et. al., 2012).

Also, the Bank of Industry (BOI) in Nigeria initiated the Youth Entrepreneurship Support (YES) program aiming at empowering youth group to address unemployment rate by equipping them skills and knowledge for business and entrepreneurship. After completing the training programs youth were provided a chance to access loans to start or expand businesses. The YES program since its inception trained thousands of Nigerian youths who were also provided substantial funding for businesses which leading to create more employment opportunities and increase their income (See BOI, 2016; Guest Writer/Anonymous, 2023).

Additionally, the National Youth Development Agency (NYDA) in South Africa provides financial and non-financial support to youth aims to reduce unemployment and alleviate poverty among youth. The agency provides grants, business consultation services and business training to equip youth with required skills and knowledge for starting or expanding businesses. The impact of this program is that the agency has contributed to economic development by reaching thousands of youths, creation of jobs and reduced income poverty (UNDP, 2017; NYDA, n.d).

All the same, the National Board for Small Scale Industries (NBSSI) in Ghana came up with The Youth Entrepreneurship and Employment Program (YEEP) in 1985 focuses on provision of financial and technical support to young entrepreneurs. YEEP offers soft loans and start-up capital to young entrepreneurs with flexible repayment terms together with business advisory services including coaching and mentorship as well as training to sharpen abilities of young people. Reports show that YEEP has successfully supported many youth-led businesses leading to increase income and economic growth in Ghana (NBSSI, n.d; ILO, 2018).

Furthermore, the government in Uganda initiated the Youth Livelihood Programme (YLD) in 2014 aiming at improving socioeconomic status of marginalized youth who are unemployed and poor by providing financial and non-financial support. YLD operates a revolving fund that provides free interest rate loans to youth group to run income generating activities (IGAs). Also, the program provides skills development training in various sectors namely agriculture, manufacturing and services as well as mentorship programs to ensure long-term sustainability of the program. The shortcoming of this program has contributed to reduce poverty and improved socio-economic status of young people (World Bank, 2020; Ministry of Gender, Labour and Social Development, n.d).

Again, while not an African country, India's Prime Minister's Employment Generation Programme (PMEGP) is another example of initiative to empower youth groups by connecting them with different economic opportunities to generate self-employment through establishment of micro-enterprises. PMEGP provides subsidized loans to young entrepreneurs to start new ventures which cover part of project costs. Also, it provides skill development training to equip young entrepreneurs with essential business skills and guidance to ensure successful implementation and sustainability of the businesses. The program has been important instrumental in job creation, boosting youth income and promoting economic development by reaching millions of young Indians (RBI, 2020).

Many studies believe that provisions of loans to youth should be accompanied by other factors such as capacity building and training, good policies, commitment from beneficiaries and government, and political stability to achieve intended goal. For instance, study conducted on Youth Empowerment Program in Nigeria on poverty reduction indicate that the program failed to reduce poverty and unemployment among youth in Nigeria and has insignificantly contributed to national development and economic growth in the country due laziness of youth, corruption and unfavourable policies (Musa and Idris 2019).

This is supported by the study conducted by Kelvin-Iloafu et al. (2019) which reveals that youth empowerment program in Nigeria failed to achieved its goal due to change in government policies, political instability (strikes from Boko Haram, kidnaping and Fulani herdsmen menace), poor supportive infrastructure like constant electricity, business infrastructure and bad roads which increase transport costs and others. The study believes that if these challenges and problems will be solved it is clear that women and youth empowerment will be a better solution to unemployment and economic inclusion to these marginalized population in the country.

All the same, some studies show that non-monetary factors such as policy and capacity building can play a great role in productivity of empowerment. For example, in 2015 Columbia launched ValleE in Cali region as business accelerator by private organization which is operated by City chamber of Commerce to boost firms (Gazelles) by providing marketing, training and mentorship services to solve capacity constraints. The result shows that this business accelerator increased annual revenue by 166% and productivity in the country (Uribe and Reyes, 2021). These findings signify that apart from cash, many entrepreneurs and firms face capability constraints (non-monetary) that need business accelerator like CalleE to boost their productivity and revenue. In this case government and organizations involved in empowerment programs to marginalized group should consider business accelerator CalleE which includes provision of training, marketing, financial literacy and mentorship in order to bring the intended outcomes.

Frankling speaking empowerment is very crucial in transforming lives of marginalized youth. Many studies underscore the need of empowerment as a gear towards eradicating poverty, unemployment and well-being among the intended beneficiaries. Based on the positive impact empowerment has in the economy there is need for government and organizations to invest and equip youth knowledge and skills for self-initiation and management of business enterprises to promote economic development in the country. The mentioned initiatives highlight the importance of not only providing financial resources but also training, mentorship and market access to ensure successful of youth-led businesses and sustainability. By considering the lesson from successful youth programs from different countries, Tanzania and other developing countries can design and implement proper policies to boost youth income and foster entrepreneurship.

Chapter 4 : Research Methodology

4.1 Geographical description of the study area

The study was conducted in Kasulu Town Council which is a new local government authority established in 2011 through parliamentary letter of 19^{th} April 2012 under local government act Cap 288. The council is located in Western part of Tanzania in Kigoma region between longitude 29^0 06" and 30^0 55" East of prime Meridian and Latitude 3^0 45" and $4^0$34" South of the equator. According to Kasulu Strategic Plan of 2022/23 – 2023/34, the population of Kasulu Town Council is 251,752 where male is 120,129 and female is 131,623 with the total area of 878.8 km^2 having 15 wards and 108 streets (URT, 2022). The council was chosen because it serves as relevant and representative location for studying the impact of loan on youth income. Its demographic characteristics, economic activities, financial challenges and existence of Youth Development Fund (YDF) provides valuable context for understanding how loan can help youth to boost their income and improve their economic situations.

Map 4.1: Map of Kasulu Town

Source: https://www.bing.com/search?q=kasulu+map

4.2 Research design and approach

To gather data or information, the study employed a mixed methods approach combining both qualitative and quantitative approaches from sample of loan receipts and non-receipts. Qualitative approach provided deep information and context of findings while quantitative approach included regression model and statistical tests to assess the relationship between local government (council) loans and income outcomes. In this study the Specification Model included variables as follows:

1. Dependent variable

Actual Income index or indicator (measuring the level of monthly net income among youth).

2. Independent variables

- amount of local government loans disbursed to youth
- Demographic variables i.e. age, gender,
- Socioeconomic Variables e.g. education level, household income
- Participation in training programs, capacity building programs, education level or experience,
- Access to financial resources, social services and support networks,
- Employment status and type of employment

Regression equation (Simple OLS Model) explained mathematically as;

$$(\text{Income-Loan})_i = \beta 0+\beta_1 GOVLN_i+\beta_2 GEN_i+\beta_3 EDUC_i+\beta_4 AGE_i+\beta_5 EMPL_i+\beta_6 BUSEXP_i+\beta_7 BUSTRAIN_i+\beta_8 MARIT_i+\beta_9 TYPEMPL_i+U_i$$

Where:

- $Net\ Income_i$ represents the difference between current income and loan (current income - Loan) index for individual *i,*
- $GOVLN_i$ represents the amount of local government loans disbursed to youth individual *i,*
- GEN_i represents gender for the individual *i,*
- $EDUC_i$ represents education level for the individual *i,*
- AGE_i represents age for the individual *i,*
- $EMPL_i$ represents employment status for the individual *i,*
- $BUSEXP_i$ represents business experience for the individual *i,*
- $BUSTRAIN_i$ represents business training/skills for the individual *i,*
- $MARIT_i$ represents marital status for the individual *i,*
- $TYPEMPL_i$ represents type of employment for the individual *i,*
- B_0 is the constant term (intercept representing value of monthly net income when all independent variables are equal to zero),

- β_1, β_2, β_3, β_4, β_5, β_6, β_7, β_8 and β_9 are coefficients showing a change in monthly net income following a one-unit change in a specific independent variable while keeping other factors constant,
- U_i is the error term.

By estimating this simple regression model, the study obtained causal estimates of the treatment effect, providing valuable insights into the effectiveness of the intervention in achieving its intended outcomes.

This study was conducted in one round survey using cross-sectional research design. The cross-sectional research allowed data collection at a single point of the study in one time. The design was suitable for descriptive study for determination of impacts, between the variables (Kothari, 2009 cited by Rusomyo, 2012).

4.3 Sampling techniques and Sample size

The target population of this study was the youth from beneficiary groups where the sample size for the study involved 100 respondents. Proportionate stratified sampling according to receiving or not receiving loans was applied to get a proportionate balance the respondents. Simple random sampling method was employed to get a sample from both men and women to fill in questionnaires. The advantage of this method is that it was not biased to any member since every individual had equal chance to be selected (Kayunze, 2010).

Sample size selection

Sample size refers to the number of items selected to represent others in the population. In selection of sample size, the study applied Slovin's formular (See Slovin, 1960) which is expressed as:

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

where n is the sample size,

N is the population size,

e is the margin of error

In this research a population of Kasulu is 251,752 and considering a 90% confidence level where the margin of error is 10% (0.10). From Slovin's formular this was calculated as follows:

$n = \frac{251{,}752}{1+251{,}752(0.10^2)}$ =100, n=100. This was the sample size selected for interviews through structured questionnaire to achieve the research objective.

4.4 Data collection

The research applied a combination of a questionnaire, interviews, group discussions and documentary reviews to get relevant information.

4.4.1 Questionnaire Method

Questionnaire was used as a tool for data collection where by data was collected through interviewing 100 youth respondents who have accessed or not accessed loans from local government by using structured questionnaires. Thus, the data was collected using structured questionnaire consisting of both open and closed-ended questions prepared in English and translated in Swahili to allow easy understanding to the respondents. Questionnaire method is appropriate since it allow researcher to reach more respondents to fill in required information and it is less costive.

4.4.2 Interviews

The research also applied face to face interviews with 100 respondents from youth group with some key informants especially the selected one to get more information based on their experience and exposure of the topic. The research used structured and unstructured questions to ask more supplementary questions to get in-depth information and understanding.

4.4.3 Focus Group Discussion (FGD)

Moreover, the research conducted Focus Group Discussion (FGD) in two groups with 20 respondents who are loan beneficiaries. Due to time limitation few beneficiaries were selected where the aim was to explore their perceptions, views, experiences, attitudes, opinions and feelings concerning the topic. The criteria used to select the participants were based on the young entrepreneurs age between 18 and 35 from a registered youth group from Kasulu Town Council and beneficiary of YDF. The discussion was based on the role of loans to their income, challenges facing youth in accessing loans and criteria used to select youth for loans as well as what should be done to improve the situation.

4.4.4 Documents Review

In order to obtain the readily available information in regard to the stated objectives, the data was achieved from the local government documents, CAG reports, articles, textbooks, laws, policies and guidelines. Also, the study navigated data from published researches, journals, articles, books, essays and newspapers.

4.5 Data Analysis

The data processing and analysis was done using a computer-based program Excel and then exported to STATA a summary of findings regarding comparisons was presented. Then the total percentage regarding performance was computed examining a specific outcome that was found.

4.6 Ethical Consideration

Ethical consideration in this study was a central focus to ensure moral and ethics of the research. The study asked for consent from respondents and assure their confidentiality, privacy and anonymity. Secondary data from government and other sources were treated based on the study purposes and will not be shared or used to harass or discriminate anyone. also, the researcher adhered all principles for data collection including ethical considerations from ISS.

4.7 Data validity and reliability

In this research context, data validity and reliability were important based on the topic to ensure that the findings are trustworthy and accurately reflects reality of how provision of loans by government impact youth income in Kasulu Town Council. To ensure this, the researcher applied numerous research techniques to collect truthful and justifiable data to avoid unbiased information. Also, before conducting information the researcher trained assistant researchers and interviewers and conducted pre-test data on 10 respondents, expert reviews through research supervisors and literature review to ensure that the information gathered reflect the intended research objectives.

4.8 Scope and Limitation of the study

The study was conducted in Kasulu Town Council which have unique characteristics such as cultural, socio-economic and geographical thus it is limited in this area. The findings cannot be generalized to other places or areas with different structures. Similarly, the research focused on youth between 18 and 35 years who are from registered groups and beneficiaries of YDF who are young entrepreneurs. Consequently, the finding cannot be applied to another youth groups from other areas out of Kasulu Town Council. Another important thing is that the research was carried out in the council which is new one from 2015 to date which cannot be compared to another council existed before hence it covered specific period of time typically the most recent 10 years. These limitations highlighted the need of addressing them in the future research by expanding the geographical scope and increasing sample size to enhance the robustness and applicability of findings.

Chapter 5 : Key Findings and Results

Youth in Tanzania are facing unemployment and underemployment despite various initiatives aimed at empowering them. This section was intended to navigate endogenous (internal) factors personal characteristics, skills and choices such as age, gender, education, marital status and experience which play a great role in determining and utilizing available resources and opportunities like government loans in boosting their income in Kasulu Town Council. By examining these internal factors in this research, it aimed to provide a detailed information on how effectiveness of different government initiatives namely councils' loans and provide evidence-based recommendations for planners and policy makers to design and implement inclusive and equitable policies, initiatives and programs.

5.1 Description of Variables (Individual's background information)

5.1.1 Gender

The study considered gender characteristics of the respondents for analysing gender related income proportions among male and female. The results in Table 5.1 indicate that among 100 interviewed respondents' male respondents were 56 which is 56% while female respondents were 44 which is 44%. These results imply that male respondents are involved in YDF than women, this may be probably because women are also involved in the same fund (Women Development Fund - WDF) from council. The same findings from John (2021) who assessed the contribution of YDF Morogoro and Mvomero districts in Tanzania found that female respondents were few compared to male since female beneficiaries can decide to benefit in one of two funds namely YDF and WDF. In this case, the results based on gender lack gender diversity since it is difficult to notify the distinctions between the two groups which are supported by the council's loans due to the fact that female have two options to join either YDF or WDF.

Table 5.1: Gender characteristics of the respondents

Gender	Frequency	Percent	Cumulative
Male	56	56	56
Female	44	44	100
Total	**100**	**100**	**100**

Source: Collected Field Data, 2024

5.1.2 Age

Age is important factor in determining the effect of age on income level of respondents. Findings in Table 5.2 show that among interviewed respondents aged 18-23 were 48% (31 male and 17 female), 24-19 were 33% (13 male and 20 female) and 30-35 were 19% where male was 12 and female was 7. The data indicate that most of respondents fall under required age between 18 to 35 for YDP most of them being young people with age of 18-23 followed by 24-29 and 30-35. These data are sufficient evidence that a large group of youth especially aged 18-24 who have mostly become dependent on their families or guardians want economic freedom by owning their own income, assets and businesses.

Table 5.2: Age characteristics of the respondents by gender

	Gender		
	Male	**Female**	**Percent**
Age			
18-23	31	17	48
24-29	13	20	33
30-35	12	7	19
Total	**56**	**44**	**100**

Source: Collected Field Data, 2024

5.1.3 Education level

Mwalimu Nyerere, a former president of Tanzania once said, education is a weapon towards poverty eradication in the country. His words signify that education is important tool and fundamental determinant of individual income. In Tanzania context people with higher education attainment is associated with better jobs and higher income. In most case, the disparity in education access and quality may affect people income especially youth. A study by World Bank in 2020 show that people with higher or secondary education earn more than those people with only primary education or no formal education. This disparity also is seen in Kasulu Town Council where results in Table 5.3 indicate that respondents with no education is 8% (4 male and 4 female), primary education is 6% (2 male and 4 female), respondents with secondary education is 17% (6 male and 11 female), vocational training is 21% (10 male and 11 female), Certificate/Diploma is 47% (34 male and 13 female) and higher degree is only 1% for female. These findings show that 47 of respondents who are also YDF beneficiaries have attained Certificate/Diploma education which means that there is high achievement of education among the respondents. The highest education level enhances running and managing economic activities, businesses and entrepreneurship as well as making good use of the loans they get to increase their income.

Table 5.3: Educational level of the respondents by gender

	Gender		
	Male	**Female**	**Percent**
Education Level			
No formal education	4	4	8
Primary education	2	4	6
Secondary education	6	11	17
Vocational training	10	11	21
Certificate/Diploma	34	13	47
Higher degree	0	1	1
Total	**56**	**44**	**100**

Source: Collected Field Data, 2024

5.1.4 Marital Status

Marital status can affect income in numerous ways: one is that married individuals may have more responsibilities such as paying school fees for their children, buying foods for their families, medication and other consumptions that impact their ability to save and invest in and grow their businesses. Conversely, married individuals in many cases have collaterals such as land, houses/buildings and other assets which they might benefit from financial institutions and social support of their spouses which can positively affect their businesses and income. The African Development Bank (2019) stresses that marital status is a significant predictor of individual income and economic stability among African young entrepreneurs. In this study, the findings in Table 5.4 below show that respondents who are single are 69% (43 male and 26 female), married is 19% (8 male and 11 female), divorced and widowed are 8% (3 male and 5 female) and 4% (2 male and 2 female) respectively. Data shows that many beneficiaries 69% (where male is 43 and female is 26) most of them being male are single, this implies that unlike married youth many youths who are single do not have the assets to enable them to get loans from different financial institutions like banks so the right place for them to access loans is council's loans which do not need any assets as collateral for new entrepreneurs. Another thing to note is that in Kasulu Town Council it is difficult for young people to marry if they do not have a guaranteed income because the dowry costs are high, so if they do not marry ladies will lack people to marry them and thus, they find themselves single as well.

Table 5.4: Marital Status by gender

	Gender		
	Male	**Female**	**Percent**
Marital Status			
Single	43	26	69
Married	8	11	19
Divorced	3	5	8
Widowed	2	2	4
Total	**56**	**44**	**100**

Source: Collected Field Data, 2024

5.1.5 Business Training and Skills Development

Many studies have shown that business or entrepreneurship training are crucial for success of loans programs since they enable beneficiaries to plan, distribute resources and sustain their businesses. According to ILO (2018) indicates that business training significantly enhances performance and income of young entrepreneurs in developing countries. In recognition of the role of business training and skills development the results in Table 5.5 show that 76% (43 male and 33 female) of respondents have business training and skills and 24% (13 male and 11 female) have no business training and skills. to measure the impact of business training on entrepreneurial success and income. These results imply that most of the respondents have business training on entrepreneurship and business development which has positive impacts on entrepreneurship success and income.

Table 5.5: Business training and skills development program by gender

	Gender		
	Male	**Female**	**Percent**
Business training			
Yes	43	33	76
No	13	11	24
Total	**56**	**44**	**100**

Source: Collected Field Data, 2024

5.1.6 Business Experience

Business experience is crucial for income since it promotes running, planning, expanding networks, trust and building reputation, innovations, efficiency, risk taking and long-term sustainability for income generating activities (IGAs). In Table 5.6, findings indicate that many young entrepreneurs which is 42% have less than one year experience in business, and 28% have no business experience[1], 23% have 1-2 years of experience in business and the rest fall in 3 years and above. This information suggests that most of respondents have less and some have no business experiences which difficult for them to run and manage businesses since they cannot assess and manage risks and mistakes in business. Lack or less experience in business can increase running costs, ineffective sales and marketing strategies, lack of networks, inability to innovate new product or services, weak reputation and reduce trust and lower business growth which affect their income.

Table 5.6: Business experience (in years) by gender

	Gender		
	Male	**Female**	**Percent**
Business experience			
No experience	16	12	28
Less than 1 year	22	20	42
1-2 years	15	8	23
3-5 years	2	3	5
6 and above	1	1	2

Total	**56**	**44**	**100**

Source: Collected Field Data, 2024

5.1.7 Employment Status

This study aimed at evaluating different employment statuses of interviewed respondents which influence income. Among 100 respondents results in Table 5.7 indicate that only 4% (2 male and 2 female) are employed in informal sector, 40% (20 male and 20 female) are self-employed and 56% unemployed[2] (34 male and 22 female) all are from informal sector. Results indicate that most of youth are unemployed and self-employed in informal sector. Unemployment status of youth in Tanzania is a critical factor influencing the initiation of Youth Development Fund (YDF) to support this group by providing access to loans, training and mentorship program for financial inclusion and improving livelihoods of Tanzanian youth.

Table 5.7: Employment Status by gender

	Gender		
	Male	**Female**	**Percent**
Employment Status			
Employed	2	2	4
Self-employed	20	20	40
Unemployed	34	22	56
Total	**56**	**44**	**100**

Source: Collected Field Data, 2024

[1,2] Having no business experience and being unemployed does not make a group or individual excluded from loan. Disbursement of loans depend on the availability of funds, group or individual may have business experience and running business at the same time but they may not get loan due to the limited budget from the council. Priorities are given to those who are running small business with business experience believing that it is easy for them to grow fast than those who are not having even a starting point. Also, some people may not have business experience but they have other income generating activities (IGAs) like agriculture, livestock keeping, etc. All these are eligible for YDF. All the same, those who work in informal sector and self-employment with no long-term contracts and benefits are considered as beneficiaries of YDF.

5.2 Extra Capital

One of the criteria for obtaining council loans is that the group requesting the loan must have economic and entrepreneurial activities that they are doing. Based on this criterion, this study aimed at assessing extra capital apart from council loans that enable them to finance income generating activities (IGAs). The results in Table 5.8 indicate that most of youth 27% depend on Own saving, 25% depend on Family or friends and 21% depend on SACCOS/VICOBA (Community Banks) and 21% Group Contributions. Because of assets required as collaterals few respondents (4%) get their capital from bank and 5% receive grants from NGOs. Similarly, findings from John (2021) show that most young entrepreneurs who are beneficiaries of YDF depend much on personal funds, family and friends as additional funding for their IGAs to fulfil their financial needs.

Table 5.8: Additional funding for IGAs

Extra capital	Responses	Percent	Cumulative
Bank	9	4	4
SACCOS/VICOBA	44	21	25
Family or friends	53	25	50
Grants from NGOs	5	2	52
Own saving	57	27	79
Group contributions	44	21	100
Total	**212**	**100**	**100**

Source: Collected Field Data, 2024

5.3 A local government loan

Table 5.9 indicate number of youth respondents who received loan from council where 47% received loan and 53% did not receive loan. These findings signify that most of respondents from youth groups did not receive loan mostly men who are not favoured by feminism and empowerment program. Despite empowerment program for male and female youth, society believes that young men should not be empowered economically, instead they should struggle for themselves but only female youth should be empowered because traditions and customs have been oppressing them.

Table 5.9: Whether received a local government loan by gender

	Whether received a local government loan		
	Yes	**No**	**Total**
Gender			
Male	20	36	56
Female	27	17	44
Total	**47**	**53**	**100**

Source: Collected Field Data, 2024

5.4 The purpose of the loan

Many literatures stress that loans are incurred for different purposes such as personal (expenses like education, home improvement, medical bills), mortgages (buying real estates – buildings, lands), business (used to operate or expand business) (Guttentag, 2007; Signoriello, 1991). But loans provided by councils in Tanzania are purposely for operating and expanding business for the targeted groups. Table 5.10 results show that 53% of acquired loans are used to operate or expand business, 23% for raw materials, 22% as working Capital and 2% is for purchasing assets. From these findings most of loans are incurred for operating and expanding business which is the central focus of the intervention.

Table 5.10: The purpose of the loan

The purpose of the loan	**Frequency**	**Percent**	**Cumulative**
Operating and expanding business	53	53	53
Raw materials	23	23	76
Working capital	22	22	98
Asset purchase	2	2	100
Total	**100**	**100**	**100**

Source: Collected Field Data, 2024

Summary of Descriptive Variables

Table 5.11: Summary of Descriptive Variables

Variables	N	Mean	SD	Min	Max
Net income	100	146140	292943.6	-550000	1750000
No loan	100	0.53	0. 5016136	0	1
Small loan	100	0.26	0.440844	0	1
Medium Loan	100	0.16	0.3684529	0	1
Large loan	100	0.05	0.2190429	0	1
Actual age	100	25.26	4.615783	21	33
Gender	100	0.56	0.4988877	0	1
Marital status	100	1.47	0.8097262	1	4
Education level	100	3.97	1.306201	1	7
Employment status	100	2.5	0.5773503	1	3
Business experience	100	2.11	0.9416834	1	5
Business training	100	1.25	0.4578165	1	3

Source: Collected Field Data, 2024

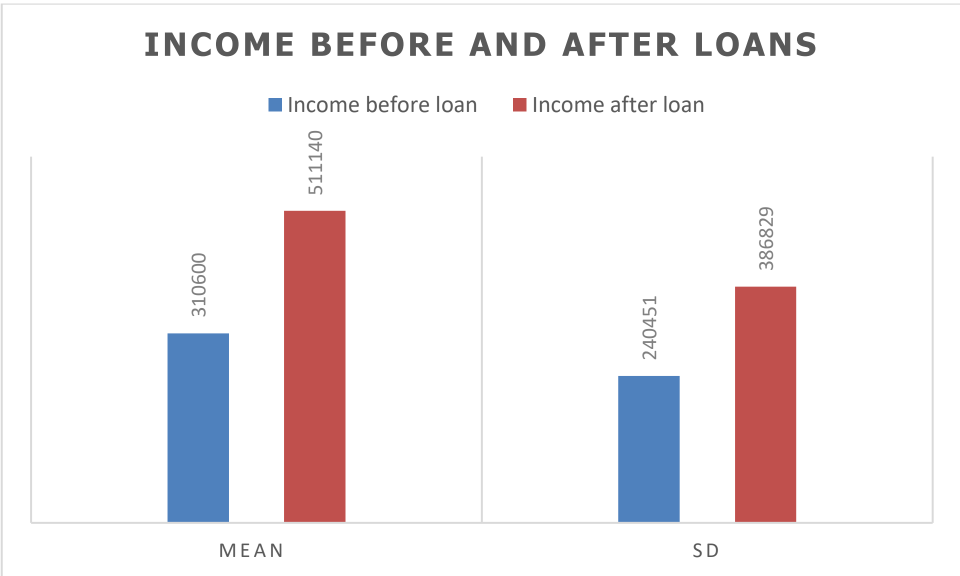
The above Table 5.11 shows summary of descriptive statistics of key variables used in quantitative analysis in this study. The mean of net income for interviewed is 146,140 Tanzania Shillings, minimum and maximum net income are -550000 and 1750000 Tanzania shillings respectively and its Standard deviation is 292943.60 Tanzania Shillings showing that net incomes are widely spread with some individuals having high net incomes and others facing negative net incomes possibly due to debts from the council. Likewise, the table shows that 53% of respondents did not receive any loan, majority of respondents which is 26% received small loan, 16% received medium loan and 5% of the respondents received large loan suggesting that accessing large loan is limited due to lending conditions that youths are unable to meet the requirements which affect expansion and growth of their businesses.

Also, the average age distribution is 25.26 years which represents the youngest respondents between 21 and 33 years old. This implies that most of the respondents are younger which is the central focus of research on youth. The gender variable mean is 0.56 showing that the sample considered males and females but most of them are males. Additionally, the table indicate that the mean marital status is 1.47 with minimum value “1” (for single) and maximum value 4 (for widowed or divorced) suggesting that most of the respondents are single who have fewer financial family obligations. Mean for education level is 3.97, minimum value is 1 and maximum value is 6, where a mean for education corresponds to respondents with secondary education this means that most of respondents have a moderate level of education. The minimum value is 1 (employed), maximum value is 3 (unemployed) and mean for employment status is 2.5 suggesting that most of respondents are self-employed and unemployed running small businesses. Similarly, the table shows that the mean value for business experience is 2.11 indicating that most of respondents have moderate business experience. Last but not least, the mean score for business training is 1.25 where minimum value "1" represents those attended business training and "2" for those who did not attend business training implying that most of respondents have business training which enable them to manage their businesses.

5.5 The effectiveness of YDF program in promoting income among youth group

5.5.1 Comparison of income before and after loans

Graph 5.1: Income before and after loans



Source: Collected Field Data, 2024

Graph 5.1 above shows that the average mean income of participants before receiving loans was 310,600 Tanzania Shillings while the average mean income of participants after receiving loans increased to 511,140 Tanzania Shillings which is higher than mean average before receiving loans. The income average increased by 200,540 Tanzania Shillings after receiving loans suggesting that loans have positive impact on income of the beneficiaries. Also, standard deviation (SD) of income before loan was 240,451 Tanzania Shillings and after loan was 386,829 Tanzania Shillings. The increase in SD indicates that there is greater variability in income among loan beneficiaries after receiving loans.

5.6 Regression Analysis

Summary of Model Statistics

This section provides regression analysis based on the Simple OLS Model that aimed to assess how various factors such as loan amount, gender, marital status, age, level of education, business experience and training, status of employment and type of employment affect individual net income (normally monthly income) of loan beneficiaries. Table 5.12 below indicates key findings based on regression results of 100 observations with **R-squared = 0.276** which implies that the model explains approximately 27.6% variance in the current net income which shows a good fit signifying that the independent variables in the model is explaining the variations in the dependent variable (income-loan). Also, **F-statistic =3.39 (Prob>F=0.0006)** which is highly significant **($p<0.01$)** indicating that the model is statistically significant at 1% and at least one of the predictors are jointly influence dependent variable (net income).

Interpretation of coefficients

Coefficients represent expected change in the net income level caused by one-unit change of predictor variable when holding other variables constant.

Loan category: Table 5.12 indicates that individuals who receive small loan, medium loan and large loan their net incomes are expected to decrease by 272123, 289878 and 405834 (Tanzania Shillings) respectively compared to those who did not receive loan which is statistically significant at $p<0.000$, $p<0.012$ and $p<0.000$ respectively. These findings suggest that all loans are significantly negative associated with net income where the larger the loan, the greater the negative impact on net income. This implies that having small, medium or large loan has financial burden on income. This might decrease capital discouraging many youths to invest in income generating activities (IGAs) leading to earn more income. These findings are slightly different from Mpalala (2023) who found that youth income increased after receiving loan in Iringa Tanzania which enable youth to invest in different IGAs such as farming, livestock keeping, tailoring, block making, motor cycle driving (bodaboda), carpentry and hairdressing.

Independent variables: Age coefficient is 20,130 with **p-value = 0.656** which is positive but it is not statistically significant meaning that for any increase of age net income increases by 20,130 Tanzania Shillings which has no meaningful impact on net income. Coefficient for gender is -15,112 with **p-value = 0.787** which is negative but it is not statistically significant effect on net income indicating that there are no significant decreases in net income associated by genders. Also, coefficient for marital status is -15,762 with **p-value=0.744** which is negative and not statistically significant indicating that marital status has no effect on net income among loan beneficiaries in selected sample. Coefficient for education level = -19,224 with **p-value=0.527** which is negative and not statistically significant indicating that in selected sample education has no effect on net income.

Also, Coefficient for employment status is 34,897 with **p-value=0.531** which is positive and not statistically significant indicating that employment status does not play a significant role in determining net income level among loan beneficiaries in selected sample. Coefficient for business experience is 7,173 with p-value=0.829 which positive and not statistically significant indicating that business experience alone has no influence on net income level among respondents. Like other variables, business training is negative and statistically insignificant meaning that it does not have effect on income since its coefficient is -41,697 with p-value=0.544. These results show that variables such as age, gender, marital status, education level, business training and experience are not statistically significant, suggesting that they do not have influence on net income. Similarly, a study conducted by Dogeje (2023) on YDF and youth income in North-west with 100 youth respondents indicates that other variables such as education level, business skills, gender and age have no influence on youth income levels.

Table 5.12: Regression Model Statistics

VARIABLES	(1) Net income
Small loan	-272,123***
	(68,877)
Medium loan	-289,878**
	(113,274)
Large loan	-405,835***
	(100,510)
Age	20,130
	(45,023)
Gender	-15,112
	(55,717)
Marital status	-15,762
	(48,110)
Education level	-19,224
	(30,304)
Employment status	34,897
	(55,551)
Business experience	7,173
	(33,054)
Business training	-41,697
	(68,510)
Constant	324,952
	(321,185)
Observations	100
R-squared	0.276

Standard errors in parentheses

*** $p<0.01$, ** $p<0.05$, * $p<0.1$

Source: Collected Field Data, 2024

5.7 Exogenous Factors affecting net income

Despite various government initiatives aiming at youth economic empowerment in Tanzania, unemployment and underemployment are among challenges facing youth. Among the initiative is provision of loans through local government authorities to promote employment and economic livelihood among youth groups. This section explores endogenous factors that affect youth income in Tanzania using a case of Kasulu Town Council. By examining these factors helped to understand in detail the effectiveness of local government loans and provide evidence-based insight and recommendations for policymakers to design and implement proper policies and interventions that are inclusive and equitable. Exogenous factors which external influences which include macroeconomic conditions, infrastructure, government policies, socio-cultural and market dynamics that affect youth income.

Taxes is crucial for development in any country in the world for enhancing health care, education, electricity and other social services. However, the increase in taxes has also been cited by young entrepreneurs as a barrier to their businesses especially for their project's inputs. Young entrepreneurs in Kasulu Town claimed about taxes burden which reduce their net income and affect their purchasing power, ability to save, invest, or spend on consumption. But the more important thing is that taxes increase costs of production and reduce profit margins. According to Taxpayer Services Charter of 2021 entrepreneurs and business owners are directed to pay Import Duty 25%, VAT 18%, Excise Duty 10%, Corporate Tax 30%, Rail Duty 5%, Withholding Tax 10%, Quarterly Tax, Property Tax, Land Tax, Directors Fees Tax, Service Levy Tax 0.3%, Stamp Duty Tax 1%, Capital Gains Tax 10% (Disposal Of Assets), NSSF Contribution 10%, PAYE (Pay As You Earn), SDL (Skills And Development Levy), WCF (Workman Contribution Fund) and other Business Licences from Government Authorities (TRA, 2021). Also, government introduced small entrepreneurs' identity cards which is paid 20,000 Tanzania Shillings and Tanzania's Budget of 2024/2025 implements its proposal of excise duty on phones, airtime and mobile money transfers (URT, 2024). All these taxes are bitter pills to startup businesses for young entrepreneurs with small capital that is why young entrepreneurs struggle in Tanzania. Effective tax policies and administration are important for ensuring that taxes are not burden to many young entrepreneurs.

Access to markets: access to market is important facilitator for business success, development and sustainability. Many young entrepreneurs in Kasulu Town have no access to bigger markets in big cities like Mwanza and Dar es Salaam which restrict business growth and income. One of the biggest challenges raised by Kasulu Town Council in its Strategic Plan of 2022/2023-2024/2024 is poor transportation infrastructure connecting Kasulu Town Council especially during rainy season causing difficulties in transportation of raw materials from farm to the market and increase transportation costs (URT, 2022, Pg. 23). According to UNIDO (2019), market access, limited transportation and poor infrastructure are among challenges that many youths face in Tanzania.

Inconsistency power supply: In Tanzania, there has been inadequate power supply due to climate change, maintenance of machines and broken infrastructure and machines. According to Tanzania Electricity Supply Company (TANESCO) reports of 2023 and 2024 show that climate change – induced water shortages and maintenance issues have caused a 400 – megawatts electricity shortfall triggering power rationing across the East African nation while the goal is to reach 5,000 megawatts capacity by 2025 (Reuters, 2023). The lack of reliable electricity increases the production and operation costs which weakens the production efforts especially in projects that use electricity such as salon and metal repairing. The shortage of electricity makes youth unable to continue with economic activities due to high cost of obtaining production power and thus using alternative power source such as generators and solar panels. According to Weischer (2012) in 2011, the shortage of electricity in Tanzania forced about 50 factories to close down and lay off their employees. In the same year, IMF reduced its forecast for economic growth from 7.2% to 6% as a result of power shortage which is a significant barrier to job creation, productivity and economic development. A study conducted in 25 sub-Saharan countries by Foster et al. (in Xue and Wang, 2021) revealed that 25% of electricity which are produced under self - generation is over 300% more expensive than electricity supplied from the grid. Garside and Wood (2018) argued that power outages in Tanzania cost businesses about 15% of annual sales and hamper income and more jobs[3].

All the same, electricity shortage affects technology and creativity: in Focus Group Discussion (FGD) youth claimed that they have been using technological devices and machineries in their projects such as wedding, carpentry and computers that are used teaching, scanning, printing and internet services which are sources of income. In most cases their projects came with advanced technologies in order to increase the level of production. The lack of reliable power impairs the operation of these technologies that use high costs to invest and operate. While the Solow Model believes that increases in production is driven by technological adoption and progress Maleko (2005) stresses that unreliable power supply affects economy of the people especially technological development, productivity, employment creation and income. Similarly, a study by Alby et al. (in Xue and Wang, 2021) on developing countries shows that firms tend to invest expensive generators to produce electricity to run their first-best technologies which depended heavily on electricity[4].

Provision of loans through local government in Tanzania has proven to be an effective initiative for economic empowerment among young entrepreneurs and boosting their income. The program has successfully increased access to finance enabling young entrepreneurs to start and run their business ventures resulting to job creation and boosting their income and contributing to poverty reduction. However, the program faces different challenges which have external influences namely macroeconomic conditions, infrastructure, government policies and market dynamics in its implementation that affect youth income.

[3,4] This part was taken from my individual assignment of International Trade on the effects of unreliable electricity on FDI in Tanzania.

5.8 The main facilitators and challenges in accessing loans

This section presents the main facilitators and challenges faced by youth in accessing loans in Kasulu Town Council. These facilitators and challenges are varied and ranging from procedural and structural to social political factors. Understanding these facilitators and challenges is of paramount importance in evaluating the effectiveness of the empowerment program and financial inclusion for planning and implementing socio-economic policies that have positive effect to youth group.

5.8.1 The main challenges faced in accessing loans

Corruption and bureaucracy: Many respondents indicated by 28.2% (See Graph 5.2 below) complained about bureaucracy and corruption as the most significant challenge that generally hamper their access to loans and business activities. Respondents argued that there are excessive and complicated procedures making difficult for them to get loans. They For example, three youth group fulfilled all the requirements required for getting loans but they faced many bureaucracies from government officials who maybe they wanted some money before processing their loan applications. Also, another youth group which has training centre complained that their business has not been registered more than one year so far and they pay for their business premises every month without any output. According to World Bank

Group (2022) in Tanzania, bureaucratic and corruption is among the factors that hinder the effectiveness and implementation of business projects (See also Ouma, Odongo & Were, 2017).

Not having a Leading Party Membership Card: This was also received many responses from respondents where 24% as shown in Graph 5.2 reported that not having a leading party membership card is another barrier in accessing loans. Many respondents said that they are told to have a Leading Party Membership Card if they need to access loans from government. This indicates that provision of loans by council is politically driven process where Leading Party has influence in allocation of financial resources in a country that adheres multiparty system. This is not only an obstacle to accessing loans but it denies the opportunity to other young people who are not members of the ruling party to get a loan from the government. Mbaluko (2014) reported that people who benefit from Youth Enterprises Development Fund (YEDF) in Malawi are not genuine youth but are members from leading political party. Also, Kangwere (1999) and Chiusiwa (2011) cited by Mbaluko (2014) stressed that ruling political party members in Malawi have great influence in development programs.

Not known to government officials: Many respondents claimed that if you do not have connections to government officials it is not easy to get loan. 15% of respondents said that not known to government officials is a critical barrier in obtaining loans. According to Putnam (1994) social capital driven from personal connections and networks play a great role in accessing resources and opportunities.

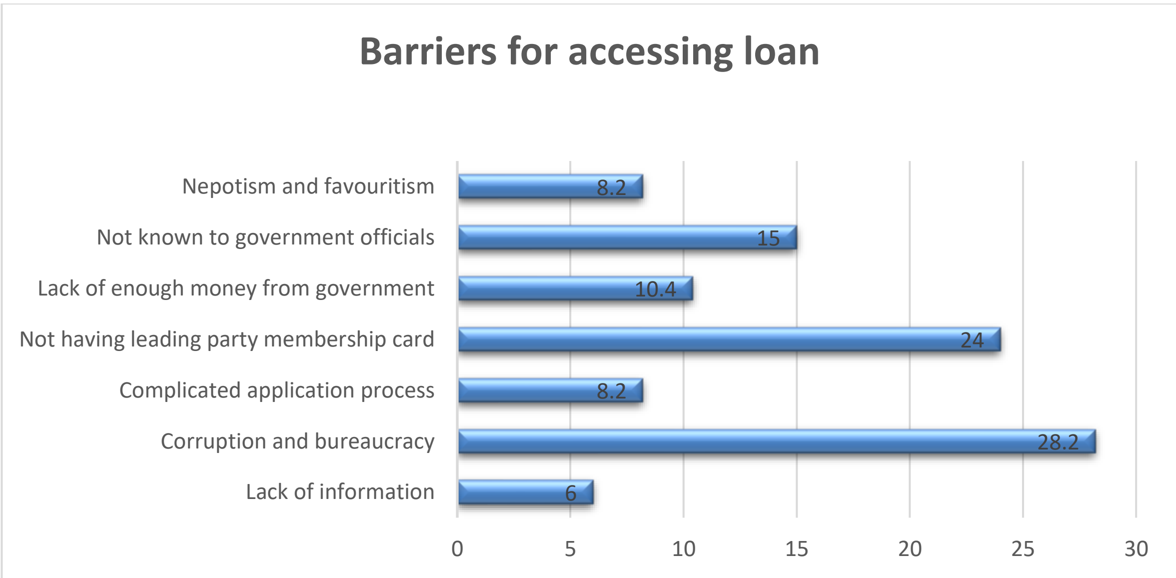
Lack of enough money from the government: A lack of sufficient funds from the government was indicated by 10.4% of respondents as constraints in accessing loans as displayed in Graph 5.2 below. The respondents complained that they filled out forms to apply for a loan but they were told that currently the council does not have the funds to provide loans. The CAG reports from 2015 to 2023 show that the council has not collected loan debts from groups that received loans to the amount of 1,148,790,136 Tanzania Shillings. Collection of loan debts or loans recovery will increase a wide range of income which is used to give loans to young entrepreneurs since these loans have returns that enable the council to give loans to other groups. Also, data compiled (in attached Table 5.13) from different reports including CAG reports indicated that since financial years of 2015/16 (year of council establishment) to 2022/2023 funds required for disbursement of loans were not provided as required based on 10% of local government own source.

Complicated Application Process: some respondents 8.2% as portrayed in Graph 5.2 below claimed that people who have no education and lower education face complicated application process pose as a challenge in accessing loan especially online process through Wezesha Portal available at: mikopohalmashauri.tamisemi.go.tz. Phiri (2016) noticed that beneficiaries of government loans who are small and medium entrepreneurs in Zambia face difficulties in applying loan especially people with no education or lower education level compared to people with higher education level.

Nepotism and favouritism: Graph 5.2 below show that 8.2% respondents pointed out that some groups are given loans because of their personal relationship rather than merit determine access this leads misallocation of loans. This practice undermines effectiveness and principles of equity and fairness since it excludes others in the program leading to social and economic exclusion (See also Duflo, 2011).

Lack of information: 6% of respondents argued that lack of financial literacy and awareness among loan beneficiaries including terms and conditions, availability of loans and procedures are some challenges to accessing loans.

Graph 5.2: Barriers for accessing loan



Source: Collected Field Data, 2024

5.8.2 Facilitators for accessing loan

Presence of loan information is mentioned by 29% (in Graph 5.3 below) of respondents that loan information on availability of loans and procedures are among facilitators for accessing loans. Provision of information helps to demystify the loan application process making more approachable for young entrepreneurs since it reduces the reduce knowledge gap that prevents youth from exploring financial opportunities.

No interest rate: many respondents 18% are attracted by interest-free loans as they reduce risks and costs of borrowing associated with loan repayment. According to Beck et. al. (2008) reported that interest-free loans provide a more accessible and appealing options for borrowers especially low-income groups.

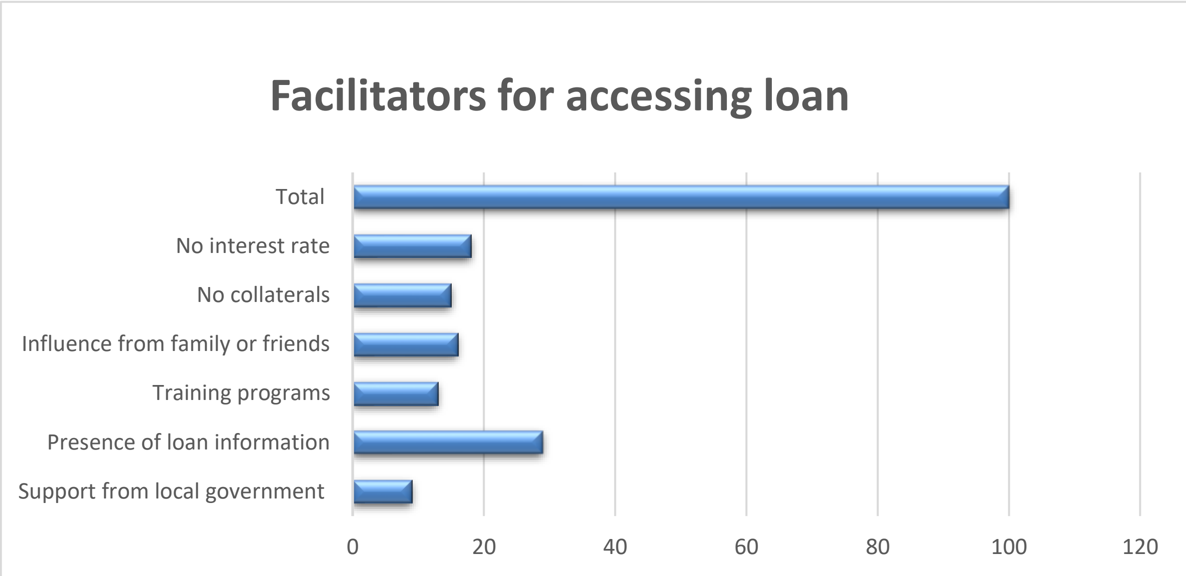
Influence from family or friends: 16% of interviewed respondents reported that family and friends play important roles in accessing council loans since they support them in application process, gathering documentation, understanding terms and conditions, acting as referees, providing physical address required in loan application, moral encouragement, giving funds for starting business before applying to council loans. It should be noted that in Tanzania many families adhere communal structures which are strong social networks that can play a vital role in accessing loans and informal assurances that increase confidence in taking on financial commitments.

No collaterals: most of youth have no assets which are required by many financial institutions as collaterals in accessing loan. 15% of respondents believe that one of the facilitators of accessing loans is removing a need of collateral to youth and low-income individuals who do not possess valuable asset. Absence of collateral as one of requirement in accessing council loans make loans more accessible and promote financial inclusion to marginalized groups including youth.

Training programs: Many respondents 13% believed that provisions of training helped them understood the objective of council loans to youth which accompanied by financial literacy, capacity building and business management. Training programs equipped youth who are targeted group with required skills and knowledge to develop viable business plan that can attract approval for loan and management of loans.

Support from local government: This is another factor that enhances access to loans where 9% of respondents stress that local government support in different forms such as providing training and awareness programs and facilitating partnership with other institutions. For instance, one youth group said that they get information of YDF through the event organized by their church which partnered with development department which facilitate YDF. This support through partnership reaches more youth in various context and bridges a gap between intended beneficiaries and government.

Graph 5.3: Facilitators for accessing loan



Source: Collected Field Data, 2024

Chapter 6 : Conclusion and Recommendations

6.1 Conclusion

This study which aimed at assessing the role of local government (council) loans in boosting the income of Tanzania's youth using a case of Kasulu Town Council concludes that individuals who received small loan, medium loan and large loan their net incomes are expected to decrease by 272123, 289878 and 405834 (Tanzania Shillings) respectively compared to those who did not receive loan which is statistically significant at $p<0.000$, $p<0.012$ and $p<0.000$ respectively. These findings suggest that all loans are significantly negative associated with net income where the larger the loan, the greater the negative impact on net income. This implies that having small, medium or large loan has financial burden on income. This might decrease capital discouraging many youths to invest in income generating activities (IGAs) leading to earn more income.

However, the impact of loans is not uniform to all participants indicating the influence of both internal factors include demographic variables - age, gender, marital status, Socioeconomic Variables example education level, household income, participation in training programs, capacity building programs, education level or experience, access to financial resources, social services and support networks, employment status and type of employment and external factors - macroeconomic conditions, infrastructure, government policies, sociocultural and market dynamics.

All the same, the study identified both obstacles and facilitators in accessing council loans. Identified barriers which have reported to limit youth from accessing and benefiting from loans include but not limited to corruption and bureaucracy, not having a Leading Party Membership Card, not known to government officials, lack of enough money from the government, complicated application process, nepotism and favouritism and lack of information. Likewise, factors facilitate for better accessing loan are Presence of loan information, No interest rate, Influence from family or friends, No collaterals, Training programs and Support from local government.

6.2 Policy Recommendations

(i) Government should introduce tax incentive program for young entrepreneurs to promote business formation and growth for at least one year of grace period. Also, in this program government through revenue authority should enhance financial literacy and tax education to help young people to understand their tax obligation and benefits.

(ii) Based on the negative association of government loans in boosting income to many young entrepreneurs there is need for government and organizations to invest and equip youth knowledge and skills for self-initiation and management of business enterprises, marketing and financial management to promote economic development in the country.

(iii) Since the government has sincerely decided to support young people with capital to start and run business, it should ensure that it manages the process of helping young people to develop their businesses from the initial stages of formalizing their businesses to its operation in order to bring about the intended productivity including removing the bureaucracy and corruption faced by young entrepreneurs by improving transparency within government institutions.

(iv) In Tanzania, millions of dollars are lost in business and investment as they are forced to wait long hours without electricity. In order to solve this challenge, Tanzania must use the presence abundant natural resources it has such as natural gas reserves of 57 trillion cubic feet, water bodies, oil, wind, solar and biofuels to produce electricity to promote business and investment including completing JNHP Project of 2,115 MW and initiate other projects to achieve reliable electricity.

(v) In Kasulu and Tanzania in general, a large part of the economic activities is highly dependent on the presence of infrastructure that are stable and passable throughout the spring and summer, the government and development stakeholders should ensure that they invest in infrastructure development particularly in rural areas to support market access, investment and business activities. This step will be important part to strengthen the prosperity of the private sector by reducing the risk of infrastructure failure that increases the costs of transportation.

(vi) Kasulu Town Council is supposed to monitor the collection of loan debts from groups that have received loans that should be returned.

(vii) Also, the council should adhere to lending laws and guidelines as shown in the local government Financial Act of 2018. The CAG report of 2020/2021 (which was general election year) the council collected amount of 1,371,334,532 Tanzania Shillings as own source and it supposed to put aside 10% as loan to small entrepreneurs which is 137,133,453.20 Tanzania Shillings but the amount allocated for loans was 184,423,061 Tanzania Shillings which is higher than the required amount. This was considered as political corruption and favouritism for benefited groups so that they can vote for the leaders in power (See Attached Table 5.13).

(viii) Likewise, the Kasulu Town Council should comply with the rules of granting loans for 10 percent of its internal income. CAG reports from 2015 t0 2023 indicate that for many years the council has not been sending loan funds at the required percentage and thus affecting the empowerment program for intended young entrepreneurs (See Attached Table 5.13).

(ix) The council should increase the scope of income by establishing new projects to increase own source of income so that it can reach the beneficiaries of loans from groups of entrepreneurs. Kasulu Town Council report of 2022 in its Strategic Plan (Page 40) indicate that the council has managed and registered 574 women groups, 316 youth groups and 36 disabled groups who are intended groups for council's loans but among of these groups only 4 groups of women and youth (2 women groups and 2 youth groups) from 15 ward were given loans from council's own source. This means that most of the groups of entrepreneurs have not been given loans since they were registered.

(x) The central government should increase the loan budget for the youth as currently most of the council's income is collected by the central government and thus affect the council's internal income which is used to provide loans to the youth and other groups.

(xi) On 13 April 2023, the Prime Minister, Majaliwa Kassim Majaliwa announced the abolishment of council's loans to small entrepreneurs in all councils in Tanzania for what was claimed to be the presence of lending to groups that do not exist and money were given to few people for their own interests. Due to this issue, there should be transparency and responsibility in granting loans to entrepreneurs in order to remove the uncertainty of granting loans arbitrarily without following the rules and regulations of granting loans.

(xii) A special bank should be established to provide loans to young people where all funds related to youth groups should be collected in the bank so that monitoring and implementation of loans can be done effectively to achieve intended goals.

(xiii) The groups should be given an orientation seminar on objectives of the empowerment program and the best way to use loans before being given loans. Some groups receive loans and start distributing among groups for their personal uses example buying televisions, furniture, land and home utensils out of the intended activity. When the repayment period arrives, they fail to repay because the money did not produce anything.

6.3 Areas for further research

This research was aiming at assessing the role of local government (council) loans in boosting the income of Tanzania's youth in Kasulu Town Council focusing on extent to which loans provided to this group help to boost their income as well as navigating the key barriers and facilitators in accessing council's loans. However, for further study, there is a need to conduct research on the roles of other factors such as macroeconomic conditions, infrastructure, government policies, socio-cultural and market dynamics that have influence on youth income who are loan beneficiaries.

APPENDICES

Table 5.13: OWN SOURCE (OS) REVENUES OF KASULU TOWN COUNCIL FROM 2015 – 2023

Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Own Source Revenues	408,131,724	968,588,809	880,579,615	1,364,160,316	1,626,200,917	1,371,334,532	2,406,968,096	1,975,743,939
10% for WYPD	40,813,172.40	96,858,880.90	88,057,961.50	136,416,031.60	162,620,091.70	137,133,453.20	240,696,809.60	197,574,393.90
Disbursed loans	0	0	0	59,955,449	0	184,423,061	11,572,621	138,864,700
Non-recovery loans	0	0	0	0	0	0	659,570,543	489,219,593

Source: Controller and Auditor General (CAG) Financial Reports for Local government Authorities (LGAs) in respective years and Kasulu Town Council Strategic Plan 2022/2023-2024/2025

Note: No financial data available for previous years because the council came into effect in financial year of 2015/2016

QUESTIONNAIRE FOR ASSESSING THE ROLE OF LOCAL GOVERNMENT (COUNCIL) LOANS IN BOOSTING THE INCOME OF TANZANIA'S YOUTH: A CASE OF KASULU TOWN COUNCIL

APPENDIX 1: INDIVIDUAL RESPONDENT

Dear respondent, my name is Rayson Julius Nkelame, a Masters of economics of development student at the Erasmus University of Rotterdam (International Institute of Social Studies - ISS) in Netherlands. I am doing research on "THE ROLE OF LOCAL GOVERNMENT (COUNCIL) LOANS IN BOOSTING THE INCOME OF TANZANIA'S YOUTH" in Kasulu Town Council. In order to achieve this, I ask for your cooperation in filling out this form with questions that will enable me to get the right information for my research. The information provided will be used for this research and will remain confidential between me and the informant for the intended academic work. Thank you very much for your time and God bless you.

SECTION A: Demographic Information

1. Age

[] 18-23

[] 24-29

[] 30-35

2. Gender

[] Male

[] Female

[] Other

3. Marital status

[] single

[] married

[] Divorced

[] Widowed

4. Education Level

[] No formal education

[] Primary education

[] Secondary education

[] Vocational training

[] Certificate/Diploma

[] Bachelor's degree

[] Higher degree

[] Other if any (specify)…………………………….

SECTION B: Employment and Business Information

1. **Employment status**

[] Employed

[] Self-employed

[] Unemployed

2. **Type of employment (if employed or self-employed)**

[] Formal sector

[] Informal sector

3. **Business experience (in years)**

[] No experience

[] less than 1 year

[] 1-2 years

[] 3-5 years

[] 6 and above

4. **Have you received any business training or skills development program?**

[] Yes

[] No

SECTION C: Government Loans and income

1. **Do you belong to a registered youth group?**

[] Yes

[] No

2. **Have you ever received a local government loan?**

[] Yes

[] No

3. **If yes, how much was the loan amount? (in Tanzania Shillings)**

[] 500,000

[] 1,000,000

[] 1,500,000

[] Other (Specify)……………………………….

4. What was the purpose of the loan?

[] Operating and expanding business

[] Raw materials

[] Working capital

[] Asset purchase

[] Other (Specify)…………………………………………………………

5. How has the loan impacted your income?

[] Significantly increased

[] Moderately increased

[] No change

[] Decreased

6. Previous monthly income before loan (in Tanzania Shillings)

[] 100,000

[] 500,000

[] 900,000

[] Other (Specify)…………………………………………

7. Current monthly income (in Tanzania Shillings)

[] 100,000

[] 500,000

[] 900,000

[] 1,000,000

[] Other (Specify)……………………………………………

8. What were your income generating activities before being a loan beneficiary?

[] Bodaboda

[] Farming

[] Street Hawking

[] Livestock keeping

[] Carpentry

[] Other (specify)…………………………………….

9. What is your income generating activities after being a loan beneficiary?

[] Bodaboda

[] Farming

[] Street Hawking

[] Livestock keeping

[] Carpentry

[] Other (specify)…………………………………….

10. Where do you get extra capital to finance your income generating activities apart from government loan?

[] Bank

[] SACCOS/VICOBA

[] Family or friends

[] Grants from NGOs

[] Own saving

[] Group contributions

[] Other (Specify)…………………………………………………………

SECTION D: Barriers and facilitators to accessing loans

1. What were the main challenges you faced in accessing the local government loans? (Check all that apply)

[] Lack of information

[] Corruption and bureaucracy

[] Complicated application process

[] Not having leading party membership card

[] Lack of enough money from government

[] Not known to government officials

[] Nepotism and favoritism

[] Others specify……………………………………..

2. What facilitated your access to the local government loan? (Check all that apply)

[] Support from local government

[] Presence of loan information

[] Training programs

[] Influence from family or friends

[] No collaterals

[] No interest rate

[] Simple application process

[] Short repayment period

[] Other (specify)………………………

3. What recommendations do you have for improving access to local government loans for the youth? …………………………………………………………

4. Please provide any additional suggestions regarding to the local government loans and their impact on youth income……………………………………………………

Thank you for participating in this survey. Your responses are valuable for this research.

APPENDIX 2: CHECKLIST FOR GROUP DISCUSSION

1. Why some groups are not receiving loans from YDF?
2. What are criteria for accessing loan?
3. What are the factors that limit youth to access loan from YDF
4. What are the challenges do you face in accessing loan from YDF
5. What are the facilitators in accessing loan from YDF
6. Did YDF boosted your income?
7. What recommendations do you have for improving access to local government loans for the youth?

APPENDIX 3: CHECKLIST FOR KEY INFORMANT – COMMUNITY DEVELOPMENT OFFICER

Dear respondent, my name is Rayson Julius Nkelame, a Masters of economics of development student at the Erasmus University of Rotterdam (International Institute of Social Studies - ISS) in Netherlands. I am doing research on "THE ROLE OF LOCAL GOVERNMENT (COUNCIL) LOANS IN BOOSTING THE INCOME OF TANZANIA'S YOUTH" in Kasulu Town Council. In order to achieve this, I ask for your cooperation in filling out this form with questions that will enable me to get the right information for my research. The information provided will be used for this research and will remain confidential between me and the informant for the intended academic work. Thank you very much for your time and God bless you.

QUESTIONS

8. What is the purpose of youth development fund (YDF)?

9. When did Kasulu Town Council adopt Youth Development Fund?...................

10. Are there any changes to targeted groups since its establishment? 1. Yes 2. No Please explain in detail ……………………………………………………………………………………………… …………………

11. Why some groups are not receiving loans from YDF?..

12. What are criteria for accessing loan?..

13. What are the factors that limit youth to access loan from YDF……………………………………………………………………………………… …………………

14. What are the challenges do you face in disbursing loan to youth groups?...

15. How do you address these challenges?

....

16. What are the economic activities that are financed by YDF? ……………………………………………………………………………………………… …………………

17. What recommendations do you have for improving access to local government loans for the youth? ………………………………………………………

Thank you for your time and considerations

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