EFFECT OF YOUTH ENTERPRISE DEVELOPMENT FUND ON POVERTY ALLEVIATION AMONG THE YOUTH: A CASE OF LILONGWE URBAN

MA. (DEVELOPMENT STUDIES)

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UNIVERSITY OF MALAWI

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By

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DECLARATION

I, the undersigned, hereby declare that this thesis is my own original work which has not been submitted to any other institution for similar purposes. Where other people's work has been used, acknowledgements have been made.

Full Legal Name

Signature

Date

CERTIFICATE OF APPROVAL

The undersigned certify that this thesis represents the student's own work and effort and has been submitted with our approval.

Signature: ______________________________Date:_________________________
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Regson Chaweza, PhD (Lecturer)
Co-Supervisor

DEDICATION

To Mary Chibvala Phiri (Amayi) who has always believed in me and spared no expense to make this dream come true. Your dedication to my success through financial, emotional and spiritual support has always been my motivation and made this achievement possible. I am forever grateful. Only the Almighty God can reward your unceasing efforts.

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Finally, I acknowledge the Almighty God who is my pillar of strength, the rock that is higher than I and my truest friend. I could not have done this work without you. I am eternally grateful.

ABSTRACT

The main objective of the study was to assess the effect of YEDF borrowing on poverty alleviation among the youth through enterprise creation, enterprise expansion, job creation and business management. The study applied quantitative research techniques with comparison approach. The population of the study included YEDF beneficiaries and non YEDF youth from Lilongwe Urban. To assess the effect of YEDF borrowing, the researcher made use of a treated and control design to compare proportions from the two groups. Simple random sampling was used to draw a sample of 60 respondent from YEDF beneficiaries while 60 non-YEDF youth were sampled using systematic sampling. Primary data were collected using structured questionnaire, and analyzed using SPSS. The study found that YEDF has a positive effect on poverty alleviation by enabling enterprise creation, business expansion, job creation and enhancing business skills. Therefore, the study recommended for scaling up of YEDF to allow more youths access business start-up capital to initiate and manage income generating enterprises, create employment opportunities and reduce poverty.

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ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
DWP	Department of works and pensions
GDP	Gross domestic Product
GoM	Government of Malawi
MoLYMD	Ministry of Labor Youth and Manpower Development
MSME	Micro Small and Medium Enterprises
NEA	New Enterprise Allowance
NSO	National statistics office
OECD	Organization for Economic Cooperation and Development
PTEP	Prince's Trust's Enterprise Program
SME	Small and Medium Enterprises
SPSS	Statistical package for social sciences
UNECA	United Nations Economic Commission for Africa
YEDF	Youth Enterprise Development Fund

CHAPTER ONE

INTRODUCTION

1.1 Introduction

The chapter provides a comprehensive background and introductory information thereby setting the scene for the present study. Henceforth, the chapter is ordered as follows: Background, problem statement, objectives, research questions and significance of the study

1.2 Background

The definition of the youth has continuously changed, possibly because of changing political, economic and social cultural circumstances. The UN defines a youth as a person aged 15-24, while the African Union defines it as aged 15-35. Ejiogu (2001) defined the youth as persons whose age is between 17 and 20 years. FGN (2001) and Oluwadare (2004) also considered persons within age bracket 10 to 24 years as youths. Nevertheless, most of the definitions of youth indicate a period between adolescence and adulthood. In its 2013 National Youth Policy, Malawi's Ministry of Youth and Sports (MoYS) defines youth as all persons aged 10-35, regardless of sex, race, education, culture, religion, economic, marital and physical status (GoM, 2013). However, the study adopted the definition by YEDF guidelines in GoM (2010) which considers youth within the age blanket 18-35 years old. GoM (2010) indicates that this is the youth age blanket that can access the YEDF loan and training. Alternatively, GoM (2014) indicates that the youth in this age group are the ones experiencing a sharp rise in poverty and unemployment rate in the country.

The United Nations (2015) estimate that the youth (in the 15-24 age bracket) in Africa make up as much as 1.2 billion of the global population currently pegged at 7 billion. The condition in Malawi reflects the trend both at the global and continental level. Malawi has the largest population of the youth in its history. OECD Development Centre (2018) estimates youth population to be more than 46% of Malawi's total population. Concurrently, GoM (2017) also estimates youth of below 30 years old to be at 73%. In addition, GoM (2016) estimates that 50.7% of the population lives below poverty line and 25% being ultra-poor. At more than 46% of the total population, it can be considered that many of the youth live in poverty.

Whilst it has been widely accepted that young people are both a potential human resource for development and key agents of social change, economic development and technological innovation, they remain challenged by countless social-economic problems (Chinsinga & Chasukwa, 2017). Poverty is one of the main challenges facing the youth (Naidu & Chand, 2012). Many studies have identified financing as one single factor that leads to this challenge not only in Malawi, but also the rest of the developed and developing world (Kazooba, 2006; Kauffman, 2006; Hatega, 2007; Chirwa, 2008; World Bank, 2009; Fin Scope study 2014; Zidana 2015). According to the World Bank Youth Report (2003), many youths in developing countries rely on personal savings, friends and family for start-up capital and business expansion. Such that without these finances, they have limited chances of starting and maintain their own businesses.

A study by Chiguta (2005) in Zambia, suggested that many potential youth enterprises (72.4%) cited lack of capital as a major reason for not engaging in entrepreneurship as a self-employment mechanism. Ayodele (2006), also listed insufficient capital as one of the principal obstacles to entrepreneurship in Nigeria. Alternatively, the FinScope Consumer Survey, (2008) and (2012) identified limited access to finance as a major constraint in Malawi both for youths and enterprise owners. On the other hand, most of these youth have no job and/ business training other than formal schooling (Mogute & Limbitu, 2018). Hence, youth poverty is not just a lack of financing and jobs, but also a lack of job and business skills due to inadequacy of training infrastructure as well as the means to acquire skills due to poverty.

Cognizant with youth problems, GoM has been implementing different programs aimed at socio-economic empowerment of the youth (GoM, 2013). According to GoM (2017), the country needs to capitalize on the demographic dividend where the youth will help accelerate economic growth through increased productivity in the job market. It outlines in the MGDS III that this should be done through youth participation in decision making, employment creation and opening up opportunities for them to engage in businesses. One major youth empowerment program under implementation is the Youth Enterprise Development Fund (YEDF) which aims at empowering the youth to become self-employed and job creators through enterprise development (OECD Development Centre, 2018). The concept is based on the premise that Enterprise development initiatives are likely to eradicate extreme poverty among the youth (GoM, 2017). Therefore, the overall objective of YEDF is to reduce poverty amongst the youth in Malawi by uplifting their income-earning capacity (GoM, 2017).

The Fund was initiated on 20th February 2009 to focus on four main goals. The first goal is to allow the youth access credit for setting up enterprises. These enterprises would make poor youths to engage in income generating activities and become self-employed. The assumption is that, by engaging in income generating activities, the youth's economic status would improve, hence poverty alleviation. The second goal is to allow the youth obtain credit for businesses expansion.

Business expansion would mean increased sales, profits and diversification which eventually would need extra human resource. Business expansion would enhance youth's income base at the same time creating employment for unemployed youth. The third goal is thus to create employment through enterprises. YEDF expects the beneficiaries to create employment for other youth in the long run. This means that apart from YEDF creating economic opportunities for the youth, the youth themselves should also create the opportunities for each other. Thus, through these enterprises the youth should generate employment for unemployed youth to mitigate their poverty.

The fourth goal is to offer entrepreneurship training which equips the beneficiaries with business skills. The program seeks to enable youth to acquire sustainable business skills through enterprise training (GoM, 2013). The business skills would allow the youth to keep their enterprises in the marketplace for long. Therefore, the effect of YEDF borrowing on poverty alleviation in this study was determined by looking at proportion differences between YEDF beneficiaries and non-YEDF youth in terms of (1) who created more enterprises (2) who experienced enterprise expansion (sales, profits and diversification) (3) who employed more youth (4) who had business skills (record keeping, savings and marketing).

From the goals, YEDF has two main components, which include providing easy and affordable financial and business development support services (GoM, 2010). On financial services, YEDF provides low interest (7%) micro-credit for small and medium scale businesses as well as startup capital with a reasonable repayment period of at least 12 months (GoM, 2013). According to GoM (210), loans are supposed to be disbursed as 70% in equipment value and 30% in cash for working capital to make a complete loan package. Alternatively, the business development support service component provides the youth with capacity building and marketing services.

The objective behind this initiative is to inculcate entrepreneurship culture among the young people and provide them with the necessary business skills so as to enable them to run commercially viable businesses. On the other hand, YEDF seeks to facilitate marketing of products and services of youth owned enterprises by providing market support to youth owned enterprises, helping them to develop linkages with large enterprises and providing them with premises and worksites.

The fund operates in all districts in Malawi supported by four regional offices based in Mzuzu, Lilongwe, Mangochi and Blantyre. As a central region office, Lilongwe caters for Lilongwe rural, Lilongwe Urban, Dedza, Dowa, Salima, Nkhotakota, Mchinji, Ntcheu, Ntchisi and Kasungu districts. This means that as a district, Lilongwe is divided into rural and urban. The research is particularly interested in Lilongwe urban which accounts for about 3000 beneficiaries representing 5% of the total number of beneficiaries (GoM, 2018). So far, Lilongwe Urban beneficiaries have accessed MK179,649,842.66 in the form of equipment and cash loans (GoM, 2018). This is also the highest amount accessed in comparison with the rest of the districts. In short, YEDF in Lilongwe urban has the highest number of beneficiaries and loans accessed.

Despite the existence of YEDF to empower the youth economically, Malawi continues to face challenges affecting the youth in relation to poverty (Chinsinga & Chasukwa, 2017). The World Bank (2017), estimated youth urban poverty to be over 50% in Malawi. This indicates a low youth participation in the economy despite being the majority of the total population. This trend of rise in poverty is despite GoM and development partners injecting billions of kwachas towards the implementation of youth empowerment programs.

It is against this background that the researcher wanted to investigate the effect of YEDF on poverty alleviation among the youth in Lilongwe Urban. It was motivated by the fact that although the youth are both a potential human resource for development and key agents for economic development and technological innovation, results of many initiatives to empower the youth economically have not yield significant results (Atsede et al., 2008; UNECA, 2011; AfDB et al., 2012; Chinsinga & Chasukwa, 2017).

1.3 Problem statement

According to the African Development Forum of the United Nations Commission for Africa (2000), the creation of the YEDF initiatives in Africa was perceived as an important replacement of the existing structures that had failed to stimulate youth development in Africa. The Government of Malawi adopted the idea in 2009 to enhance youth empowerment through enterprise development (GoM, 2017). YEDF would spur youth into entrepreneurship which would result in declining poverty. The literature review shows agreeing results over the effect of youth empowerment programs on poverty alleviation. Studies showed that youth empowerment programs have a significant positive effect on poverty alleviation (Ruland & Zhou, 2005; Ademu, 2006; Robb & Robinson, 2009). Studies in different countries have also established that youth empowerment through YEDF has a positive significant effect on poverty alleviation (Zeller & Meyer, 2002; Ahiawodzi & Adade, 2012; Kanyari & Namusonge, 2013). However, there is little research evidence showing the effect of YEDF on poverty alleviation among the youth in Malawi (Mbaluko, 2014). As such, it is difficult to tell whether YEDF in Malawi is addressing poverty challenges facing the youth. Therefore, there was need to conduct this study to fill the knowledge gap on YEDF and its associated poverty alleviation.

1.4 Objectives of the study

The main aim of the study is to assess the effect of YEDF on poverty alleviation among the youth in Lilongwe urban. The specific objectives of the study are as follows

1. To assess the effect of YEDF borrowing on poverty alleviation through formation of new enterprises among the youth in Lilongwe urban;
2. To determine the effect of YEDF borrowing on poverty alleviation through enterprise expansion among the youth in Lilongwe urban;
3. To assess the effect of YEDF borrowing on poverty alleviation through job creation for unemployed youth in Lilongwe urban; and
4. To examine the effect of YEDF training on poverty alleviation through business management skills among the youth in Lilongwe urban;

1.5 Research questions

The following research questions guided the study

1. What is the effect of YEDF borrowing on poverty alleviation through formation of new enterprises among the youth in Lilongwe urban?
2. What is the effect of YEDF borrowing on poverty alleviation through enterprise expansion among the youth in Lilongwe Urban?

3. What is the effect of YEDF borrowing on poverty alleviation through job creation for unemployed youth in Lilongwe urban?
4. What is the effect of YEDF training on poverty alleviation through business management skills among the youth in Lilongwe urban?

1.6 Significance of the study

There is no much information on whether YEDF contributes to poverty alleviation among the youth in Malawi (GoM, 2018). Therefore, the study fills this vacuum and add to the body of knowledge on the effect of YEDF on poverty alleviation among the youth in Lilongwe Urban. The study is also important to future researchers who may want to use its findings as a basis for advancing their arguments.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides an account of literature and empirical studies that have investigated the effect of loan and training on poverty alleviation among the youth globally, regionally and nationally. The aim of this review is to find out what has already been done in relation to the role of borrowing and training on new enterprise formation, enterprise expansion, job creation and business management among the youth. The review focused on the theoretical framework as well as the empirical literature.

2.2 Theoretical framework

Just like any other study, a theoretical framework guided this study. The whole idea of YEDF is to convert the youth into efficient and effective entrepreneurs. Isa Van Aardt and Bezuidenhout (2000) defined entrepreneurship in terms of initiating, creating, building and expanding an enterprise or organization, as well as building an entrepreneurial team and gathering other resources to exploit an opportunity in the marketplace for an extended period. Adopting this definition, the study was guided by the Transformation learning theory and the Empowerment theory.

2.2.1 Transformation learning theory

The study was guided by the Transformation theory that was propounded by Mezirow (1978).

The theory assumes that by adulthood we already have adopted a worldview which serve as a boundary structure for learning new information. This worldview becomes our frames of reference which affect how, what and why we learn. As such, Mezirow (2009) defined transformation learning as learning that changes problematic frames of reference to make them more inclusive, discriminating, reflective, open, and emotionally able to change. The transformative learning is a significant developmental task of adulthood since it emancipates adults from their constraining habits of expectation and subordination, and move to a perspective that permits interpretations which are more inclusive, differentiating, permeable and integrative of experience (Kitchenham, 2008). This move to a transformed perspective allows them to see how dependency producing and oppressive institutionalized social practices, norms and cultural codes must be changed through social action, learning.

The transformation theory is therefore relevant to this study because it has useful qualities and characteristics in the unique entrepreneurial development context. It makes entrepreneurs develop their ability to transform their frame of reference to adapt better to changing environments. According to Johnson (2008), entrepreneurs are more successful when they are skilled in adapting their frames of reference. Adapting the frame of reference makes the frame more useful and as a result, entrepreneurs are able to tackle their problems easily. Transformative Learning can help entrepreneurs in this challenge of adapting (Ciporen, 2010; Cope, 2003; Johnson, 2008). Many times, as a policy consideration, developing countries like Malawi might need to encourage youth entrepreneurship (Graham & Mlatsheni, 2015) by making them reflect on their frames of reference through training. In this study, YEDF training is a tool for transformative learning to help trigger entrepreneurial intention and subsequent entrepreneurial action among the youth.

The role of YEDF training facilitators is that of transforming the youth’s attitudes, values, behaviors and beliefs so that they can acquire social-economic empowerment to deal with their poverty. According to Deming (1993), the person transformed should acquire new meaning to their life and apply its principle in every kind of relationship with the society. This means that a poor youth who successfully receives YEDF training, should take advantage of business opportunities available to them. The level of preparation of the youth in entrepreneurship through YEDF training should also determine their potential to create partnerships and networks to start up business organizations and find gainful employment. This would go a long way in poverty alleviation among the youth.

2.2.2 Empowerment theory

Empowerment theory focuses on processes that enable participation, enhance control through shared decision making, and create opportunities to learn, practice, and increase skills (Rappaport, 1981). It advocates for the liberation of the oppressed (Freire, 1973) from deprivation, exclusion, discrimination, exploitation, or violence (Prilleltensky, 2008). The empowerment approach has been argued by some scholars including Narayan (2005), that fundamentally, the approach is relational and was put in place as result of existing relationship between poor people (youth) and their environment (Zimmerman et al., 1992).

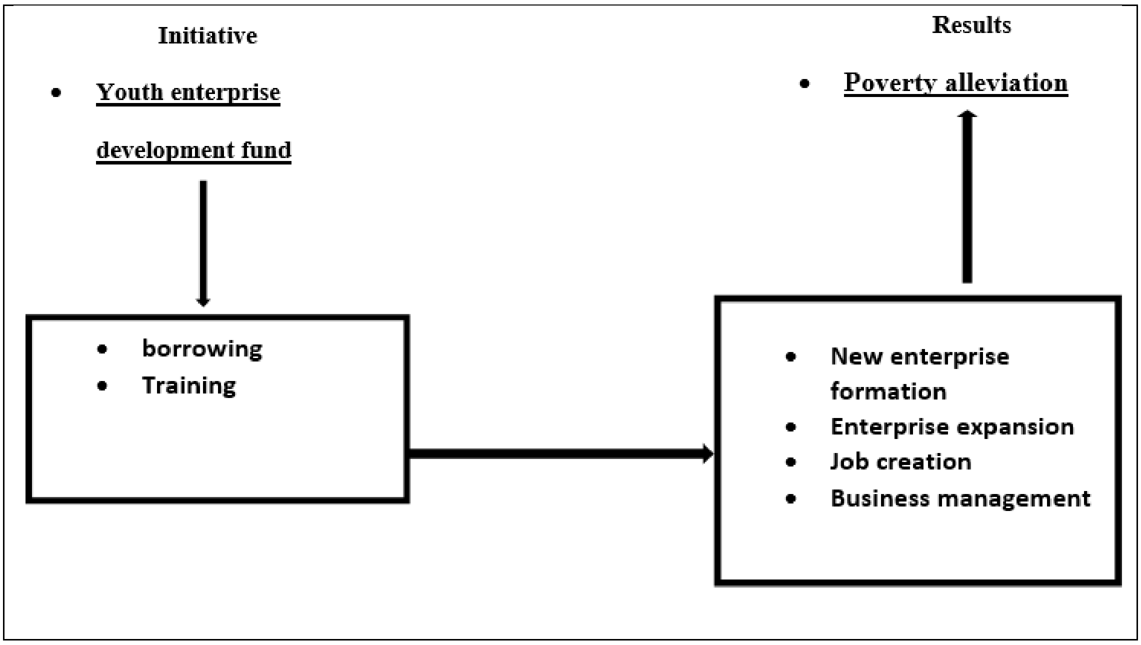
The empowerment approach, therefore, tends to focus more on recognizing individual or group assets and capabilities and how when attained can support the individuals to influence the outcome of social intervention programs that have a bearing on their livelihood. Theoretically, the empowerment approach critically looks at the well-being of oppressed groups (youth) in terms of competence versus deficits, disadvantage versus advantage and strength versus weakness (Perkins & Zimmerman,1995). Vulnerable youth have suffered oppression in various forms, including economic oppression, which escalate their poverty. Their empowerment helps them to gain important skills and responsibilities necessary to become productive citizens (Rappaport, 1981). By examining how youth are using entrepreneurship to take control of their life, empowerment facilitators should look to youths who are handling their own problems and seek ways to extend this to others.

YEDF initiative appropriately fit in the empowerment theory by securing livelihoods of the beneficiaries through loans and capacity building. It increases the youth's capacities to influence, control, participate and negotiate well in income generating activities and, in any policies, or programs that affect their livelihood. Thus, YEDF offers youth with loans, knowledge and skills that are critical in breaking their economic bondage. Kabeer (2005) argued that for an individual (youth) to make meaningful choices, there must be alternatives and these alternatives must be seen to exist. The GoM offers YEDF as an alternative to scarce and high interest loans from lending institutions. Knowledge or skills acquisition will reduce youth's vulnerability, and such skill development will ultimately empower the youth to possess such values (United Nations, 2006). The notion is that when the youth are provided with entrepreneurial or vocational skills, YEDF will ultimately decrease the poverty among the youth through enterprise creation, enterprise expansion, job creation and business skills.

The two theories in this study have been used because they explain the role of YEDF in alleviating youth poverty. Poverty leaves vulnerable youth powerless and oppressed. Both theories seek to liberate poor youth from oppression by transforming them from being socially excluded and subordinate group to youth that are empowered to have access to and control over the means to make a living on sustainable and long-term basis and receiving the material benefits of this access and control (Mosedale, 2005). Therefore, YEDF provides a conducive atmosphere which facilitates the alteration of the youth's frame of reference to enable them engage in entrepreneurship as a means of economic empowerment. The theories employ YEDF officers to ensure that a diversity of opportunities is made accessible to the youth so that a lack of exposure to opportunities is never the obstacle to growth.

2.2.3 Conceptual framework

The study was guided by the following theoretical framework.



The conceptual framework explains the relationship between YEDF and poverty alleviation. Awogbele and Iwuamadi (2010) notes that, the challenge of unemployment continues to affect youths all over the world, more specifically in the East African region. This brings the need to nurture a culture of entrepreneurship, where youths are empowered with skills to creatively generate jobs, rather than expecting to be given employment by others (Nieman & Nieuwenhuizen, 2009). Vulnerable poor youths are prone to deprivation of basic needs in life, including food, clean water, shelter, and psychosocial wellbeing. Thus, they lead a poverty life characterized by low self-determination, lack of creativity and innovation and hopelessness resulting in limited life skills and entrepreneurial culture, which in turn escalates poverty levels (Helling et al., 2005). YEDF as an initiative to cub youth poverty, offers soft loans to enable the youth initiate or expand business enterprises for poverty reduction. The targeted youth groups are also trained on business skills before being given the loans. Through these components, YEDF is expected to alleviate poverty among the youth since the program will spar them to become self-employed through creation of new enterprise, expand their businesses, and to create jobs for unemployed youth. The entrepreneurship training would equip the targeted youth with business skills that would allow them to efficiently run their businesses.

2.2.4 Role of MSMES in economic development

YEDF seeks to support Micro Small and Medium enterprises (MSMEs). These enterprises have a key role in economic growth and industrial development of a country (Rajendar, 2012). They make vital contributions in improving economic and social sectors of a country by stimulating large-scale employment, promoting entrepreneurship and innovativeness, enhancing exports, and also building an industrial base at different scales (Rajendar, 2012). A competitive and innovative MSME sector holds out enormous potential for developing countries like Malawi in terms of higher income growth, optimal employment of domestic resources, more gainful integration through regional trade and investment, and greater equity in access, distribution and development. Thus, MSMEs have been considered as the engine of economic growth and for promoting equitable development (Ayada & Larada, 2011). Kongolo (2010) indicates that MSMEs contribute over 55% of GDP and over 65% of total employment in high income countries. Peterholf et al. (2014) reported that small and medium enterprises account for 90% of all businesses globally. In addition, MSMEs generate 60% of employment worldwide and provide jobs to roughly 80% of workforce in the developed world. MSMEs and informal enterprises account for over 60% of GDP and over 70% of total employment in low income countries (Abor and Quartey, 2010). In Ghana, MSMEs contribution is higher, representing about 92% of Ghanaian businesses and contributing about 70% to Ghana's GDP (Abor and Quartey, 2010). While in Kenya, MSMEs are credited to offering about 75% of the general employment and contributing about 18% of GDP in the Kenyan economy (Muthee & Scholar, 2010).

Similarly, MSMEs represent a major source of job creation in Malawi, with 1.8 million working in the sector (Finscope, 2012). The country has 758 118 entrepreneurs who own 987 480 businesses and employ 1.1 million additional workers (OECD Development Centre, 2018), with youth entrepreneurs accounting for 30.6%. According to World Bank (2016), MSMEs in Malawi generate an annual revenue of about US$2billion. On the other hand, they are an important channel for poverty alleviation through economic empowerment and participation, particularly for the youth and the marginalised sections of the society. Thus, growth of MSMEs can reduce poverty through acceleration of economic growth, removal of biases against labor-intensive production, creation of employment opportunities for the low-skilled workers and formation of linkages with small suppliers.

2.2.5 Borrowing and formation of enterprises

According to the World Bank (2014), financial services have a significant role in development by facilitating enterprise creation. Okello (2010) contends that access to credit provides growth opportunities for businesses and the economy. From his findings in a study of factors influencing growth of MSME's at Rachuonyo South district in Kenya, he called for the introduction of tax relief, differential tax rates and grace periods for youth MSMEs to improve their growth. This would enhance financial inclusiveness which allow poor people and disadvantaged groups such as youth, persons with disabilities and women to borrow money and venture into entrepreneurial activities (World Bank, 2014). Kuzilwa (2005) states that financial credit particularly through term loan, is one of the primary sources of external financing for MSMEs and is key to helping small firms maintain cash flow, hire new employees and purchase new inventory or equipment, and grow their business. As such, stimulating the establishment of new enterprises and developing a culture of entrepreneurship, have become increasingly important policy objectives. National, regional and indeed local level policymakers increasingly recognize that they can play a role in relation to stimulating a culture of entrepreneurship and thus creating new enterprises. Consequently, they emphasize creating an environment in which entrepreneurs and family businesses can thrive, including provision of loan for as startup capital.

2.2.6 Borrowing and enterprise expansion

One of the most important objectives of YEDF is to promote business expansion. Majority of studies on business expansion have been carried out based on Gibrat's law. Gibrat's law states that firm growth rate is independent of firm size. Hence firms have been categorized into Micro, small, medium and large enterprises. Business growth is typically defined and measured using absolute or relative changes in assets, sales, productivity, employment, profits and profit margins. Ruffing (2006), maintains that once an enterprise is formally organized, it should be able to access business and financial services necessary to strengthen or expand the business. According to Zidana (2015), access to finance gives MSMEs the chance to develop their businesses and to acquire better technologies for production, therefore ensuring their efficiency and effectiveness. Generally, MSMEs require financial assistance for at least one of three purposes: to diversify or spread the start-up risk, to accumulate start-up capital, and to finance growth and expansion. Research has shown that creation of investment companies, provision of low-interest loans, and availability of credit guarantee schemes for small business financing have all contributed to the establishment of new businesses and expansion of existing ones (Dana, 1987; Harrison & Mason, 1992; Hawkins, 1993).

Alternatively, an enterprise must achieve profitability in order to survive in the long run in a competitive environment. Theoretical review propounds that credit financing plays a crucial role on firm's profitability. Credit constraints limit the size of firms, as well as their growth, profits, activations and liquidations (Alexander & Hall, 2003). Without finance, MSMEs can neither absorb new technologies nor can they expand to compete in global markets or even strike business linkages with larger firms (Idowu, 2010). Studies have found that greater sales and profits are associated with greater access to credit financing (Ruland & Zhou, 2005; Robb & Robinson, 2009).

2.2.7 Borrowing and job creation

While transforming youth job seekers into job-makers is considered an important mechanism to prevent or alleviate poverty, MSMEs are also widely recognized as a major source of employment and income in developing countries (Awogbenle & Iwuamadi, 2010). The sector is a major source of net job creation (Schreyer, 2009) as they tend to employ more labor-intensive production processes than large enterprises. Hence, they contribute significantly to the creation of productive employment opportunities, generation of income and reduction of poverty (Kongolo, 2010). Alsop, Bertelsen and Holland (2006) finds that these enterprises require very little capital to create jobs because they rely primarily on family savings and often provide their own skill training at no cost to the government. Nevertheless, they are considered key drivers and players in national growth and development through their significant contributions towards both Gross Domestic Product (GDP) and employment (Dalberg, 2011). Ahaibwe (2014) argues that if MSMEs grow, they would contribute to economic growth and poverty reduction among the youth through employment creation either self or formal employment. Thus, access to good credit services empowers and equips the youth to make their own choices and build their way out of poverty in a suitable and self-determined way (Mayoux, 2003). Conferring to Ademu (2006), the provision of credit with enough consideration for the sector's volume and price system is a way to generate self-employment opportunities. This is because credit helps to create and maintain a reasonable business size as it is used to establish and/or expand the business to take advantage of economy of scale. Business expansion would mean more profits which would lead to business diversification and increased need for additional manpower hence employment creation for others especially low-skilled workers.

2.2.8 Training and business skills

One of the preconditions to access YEDF loans is that the potential borrowers must undergo a designed business training before receiving a loan (GoM, 2018). Ministry of Labor Youth and Manpower Development (MoLYMD) conducts business trainings with the youth across the country. The objective is to inculcate entrepreneurship culture among the youth and equip them with the necessary skills to run commercially viable businesses. Apart from skills, McQuaid (2002), maintains that training assist the youth in identifying and tapping into business opportunities, while embracing modern business management techniques. King and McQuid (2002), concurs that skills development in business is one of the factors that contributes positively to growth of enterprises. Their argument is that, entrepreneurship with large stocks of human capital, in terms of education and/vocational training, are better placed to adapt their enterprises to constantly changing business environments.

Poor business skills is one of the major contributing factors to enterprise failure which can be corrected through proper training (Njoroge et al, 2013). According to his study in Nigeria, Okpara (2011) found that inadequate business training is a barrier to enterprise development. The majority surveyed in the study showed that they had little or no management skills or experience before starting their businesses. Hence, business growth was also found to be negatively affected by the lack of business skills. The study recommended that business management trainings be organized to equip owners with skills such as accounting, marketing and record keeping that are needed to manage businesses on daily basis. These skills are essential in promoting the overall success of the enterprise. Hence, Michael *et al* (2009), concluded that there in need to be trained in the area relevant to one's business to acquire appropriate business skills.

2.3 Empirical literature

Department of Work and Pensions (DWP) (2013) carried an evaluation of the UK government's New Enterprise Allowance (NEA) which is designed to redress youth economic difficulties. In relation to the nature and quality of businesses set up through the scheme, qualitative interviews with NEA participants, Job center staff, and delivery partners found that the scheme most often supports traders in gardening, hairdressing, and construction. The study discovered that the program was successfully supporting those interested in self-employment as a route to re-entering the labor market and playing a useful role in supporting the development of new enterprises. However, these enterprises were typically of a smaller scale and with less growth potential than initially anticipated (DWP, 2013). The study also discovered that the barrier to successful implementation was high interest rate of the startup loans while its strength was rooted in its combination of mentoring support and financial assistance. Human capital support was also found to be particularly important for those with the least experience of self-employment. DWP (2013) also found areas for improvement in: a lack of awareness of the scheme among frontline Job center staff; and an inconsistent quantity and quality of on-going support from mentoring agencies once trading has commenced.

In assessing the impact of the Prince's Trust's Enterprise Program (PTEP), Greene (2009) compared a number of reviews on the program and found that unsophisticated evaluations of success such as those that narrowly asked participants of their attitudes towards the PTEP tended to generate more positive outcomes than sophisticated econometric analyses such as one that compared the career and business trajectories of a sample of participants against a control group (Greene, 2009). Greene's study used three survey waves to conduct a longitudinal evaluation of the impact of the program, based on a matched control group comparison involving 2,000 PTEP participants. The evaluation found that for those that remain in self-employment after going through the scheme, PTEP participation had a significant positive impact on earnings. The evaluation also found that in the long run, participation in the program had no significant effect on earnings and employment chances; a finding that calls into question to what extent initiatives like PTEP can reach the aim of building human capital among participants.

In Kenya, a study on YEDF of Kenya by Amenya et al. (2011), it was found that although YEDF was a preferred source of funding, it is still faced with challenges with regards to the accessibility of the youth fund in several constituencies as it lacked effective monitoring and evaluation in the distribution processes. Amenya (2011) went on to maintain that there was also lack of follow ups by the government to the loan beneficiaries and this brought about comparatively very little impact on youth empowerment in Kenya. Zeller and Meyer (2002) also share the same view with

Amenya (2011) as he purported that the use of youth fund as an empowerment strategy is not backed by sound facts because the providers of the fund or loan are not willing to evaluate the effectiveness of such initiatives due to costs incurred and it is also rigorous. In terms of whether YEDF of Kenya is a preferred source of funding, Amenya et al. (2011) found that, 57% of respondents indicated that YEDF is a highly preferable source of funds. 26.6 % said, it is a preferable source of funds. Only 3.1% were indifferent as to whether YEDF is still a preferred source of funds while 13.3% indicated it is less preferable.

Langat, Maru, Chepkwony and Kotut (2012), on a study about YEDF and growth of MSMEs at constituency level in Kenya resolved that increasing awareness of YEDF, its objectives and loan features among the youth have effect on the growth of youth enterprises. This indicates that the fund has a role in growth of MSMEs. However, the study does not delve into the extent to which YEDF plays in MSMEs growth. Alternatively, Kanyari and Namusonge (2013) in a study in Gatundu south district, Kenya, aimed to determine the various interventions that influence youth entrepreneurs towards YEDF and their role towards attracting the youth toward YEDF. The study concluded that provision of entrepreneurship training to sensitize and inculcate the youth is crucial in identifying emerging business talents. The study also concluded that provision of continuous and relevant Business Development Services to youth entrepreneurs is key to the success of enterprise development initiatives in creating long term employment. They recommended that the fund should invest in more public sensitization and education in its operations and progress since its inception.

Damodaran (2007) examined the impact of debt financing on the profitability of 50 SMEs in South Africa for period ranging from 1999 to 2006. The study utilized regression model and panel data inputted in SPSS package. The empirical results indicate that debt financing have a significant positive impact on Conventional SMEs' profitability. The researcher holds that leverage/debt is a financing strategy designed to increase the rate of return on owners' investment by generating a greater return on borrowed funds than the cost of using the funds.

Abor (2005) examined the effect of capital structure on the corporate profitability of listed firms in Ghana. Using a panel regression model, his findings show positive relationship between short term debt ratio and profitability while negative relationship between long term- debt ratio and profitability. The results of his study indicate positive association between total debt ratio and profitability. A study by Ahiawodzi and Adade (2012), examined the effect of credit on the growth of MSMEs on the Ho Municipality of Volta Region of Ghana by using both survey and econometric methods. The survey involved a sample of 78 MSMEs in the manufacturing sector. The specific econometric model had firm growth as dependent variable, and the independent variables included access to credit, total current investment, age of the firm, start-up capital, education level and annual turnover of the firm. Both survey and econometric results showed that access to credit had a significant positive effect on growth of MSMEs in the region. Policy implication of the study was that the government should work on meeting the credit needs of the MSMEs in the country for economic growth.

2.10 Summary of literature review

The chapter has reviewed the theoretical and empirical literature on the effect of credit and training on creation of new enterprises, expansion or growth of existing enterprise, creation of employment and business management. The review shows that there are agreeing results over the effect of credit and training on poverty alleviation. Studies showed that credit and training have a significant positive effect on poverty alleviation. On the other hand, literature on the effect of YEDF on poverty alleviation in Malawi is scarce. Hence, this study will investigate the effect of YEDF on poverty alleviation among the youth in Lilongwe urban.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology that the researcher used in assessing the effect of YEDF on poverty alleviation among the youth in Lilongwe urban. These include study site, research design, population of the study and sample size, sampling techniques and procedures, data collection and procedures, data analysis and procedures, validity and reliability and research ethics.

3.2 Study Site

YEDF operates in all districts in Malawi. However, the study was carried out within Lilongwe Urban, the capital city of Malawi. The site was purposively selected because it has the highest number (21,000) (5%) of the youth who accessed YEDF loan (GoM, 2017). The number of beneficiaries at the site also ensured a significant sample size. In addition, the site was also chosen for cost saving because of its proximity to the researcher.

3.3 Research Design

The study used quantitative research design. The design allowed the researcher to gather broad numerical data to be used in the study of the study population.

To do so, the researcher deployed a treated and control design because study participants were not randomly assigned into treatment group and comparison group (Creswell, 2014). Due to lack of baseline data, the treatment group which accessed YEDF and the comparison group which comprise of non-YEDF members were studied using a post-test only with comparison approach (Saunders et al., 2009) to determine the effect of YEDF. Data were collected at one point in time and from perspectives of more than one person. The effect was determined by looking at the difference between the two groups in terms of new enterprise formation, enterprise expansion, job creation and business skills. Relationships between the independent variables and dependent variable were also determined to measure the effect. For comparison's sake, the researcher made sure that the two groups were as similar as possible in terms of sample characteristics to obtain unbiased effect estimate.

3.4 Study population and sample size

According to Grinnell and Williams (1990), population of the study is a totality of persons or objects with which a study is concerned or the total group of people from which the information is to obtain. The population of study is a set which includes all measurements of interest to the researcher (The collection of all responses, measurements, or counts that are of interest).

The study sought to find the effect of YEDF on poverty alleviation among the youth in in Lilongwe urban. Hence the population of the study comprised the youth of Lilongwe urban within the age blanket 18-35 years. This is the youth age blanket that can access the YEDF loan and training as indicated by GoM (2010). In addition, GoM (2014) indicates that the youth in this age group are the ones experiencing a sharp rise in poverty and unemployment rate in the country. The population contained two groups of youth. One group consisted YEDF beneficiaries whose population was 21,000 beneficiaries. On the other hand, the other group contained non YEDF youth. The population of the YEDF beneficiaries determined the study sample size. The researcher used the simplified formula by Yamane (1967) to calculate the sample size for YEDF beneficiaries. The sample size was used to come up with a sample size for non YEDF youth by matching samples. This method was pertinent for this study because the study was looking at the proportion.

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

Equation 1. Sample Size for YEDF beneficiaries.

Whereby *n*: is the sample size, *N*: is the total population, *e*: is the margin of error, the researcher used this formula because nothing about the behavior of a population is known at all. In this case N=21,000 taking the confidence level of 90% that is with a permissible error of 10%, e=0.1.

Equation 2. Calculation of Sample Size.

$$n = \frac{21{,}000}{1 + 21{,}000(0.1)^2} = \frac{21{,}000}{1 + 21{,}000 * (0.01)} = \frac{21{,}000}{350} = 60$$

n = 60

The sample size for YEDF beneficiaries was 60 members. The researcher obtained an equal number (60) of participants from the non YEDF population through matching. A sample size of 120 (60 YEDF members and 60 non YEDF members) participants was determined.

3.5 Sampling technique

The researcher used probability sampling technique to ensure selection methodology whereby each member of the study population had a known, non-zero chance of inclusion in the sample (Saunder et al., 2009). More importantly, probability sampling was the foundation upon which the sample estimates were inferred to represent the total population from which the sample was drawn.

Simple random sampling was used to select 60 sample units from the list of YEDF beneficiaries in Lilongwe urban. The simple random sampling meant that every member among YEDF beneficiaries had an equal probability of inclusion in sample (Ghauri & Gronhaug, 2005). Names and contacts of all YEDF beneficiaries from Lilongwe urban were collected from YEDF secretariat. These names were assigned numbers using a random number generator. To ensure randomness, the assigned numbers were arranged in ascending order and the first 60 names were selected for the sample plus a buffer of 10% for backup. The selected sample units were then contacted to inform them about the study. This reduced the risk of nonresponse there by avoiding bias and unrepresentativeness.

On the other hand, non-YEDF youth were selected using systematic random sampling. To come up with a sample of 60 participants, the research demarcated Lilongwe urban into five quadrants from which the sample units were drawn. The main demarcating feature was the M1 road. The first quadrant started from area18-area 10 road through city center to Lingadzi River. The second quadrant started from Lingadzi River to M1 road bounded by Chilambula highway in the north and Lilongwe River in the south. The third quadrant started from Lilongwe townhall roundabout (M1 road) going through area 3 up to Likuni roundabout and going to the right up to Crossroads hotel.

The fourth quadrant started from Lilongwe bridge up to Biwi triangle. The last quadrant started from Chilambula highway marked by M1 road in the west up to Bwandilo where Chilambula high way joins M1 road. From these quadrants, 12 sample units were drawn. The first respondent in each quadrant was purposively selected after which every 5th youth within the age blanket 18-35 years were interviewed until they summed up to 12. The 12 respondents from the 5 quadrants were summed up to 60 sample units for the non-YEDF group. This technique also ensured that all members of the non-YEDF group had an equal chance of being a member of the sample population.

3.6 Research instruments

The researcher used a questionnaire as the main data collection tool for collecting primary data because of its ability to obtain accurate data, gather feedback and provide cost and time effective means of collecting data (Cherutich, 2016). The questionnaire was structured in a way that it contains closed ended questions to ensure response uniformity and ease of processing data. The questionnaire was divided into two sections. The first section covered general information about the respondents while the second section covered the objectives to be discussed (Appendix 1). For data collection, the researcher translated the questionnaire to Chichewa for easy communication with the respondents. The researcher personally collected the data to ensure correct translation of the English questionnaire.

For objective one, the study sought to assess the effect of YEDF borrowing on poverty alleviation through formation of new enterprises among the youth in Lilongwe urban. Data on formation of new enterprise was collected to determine the effect. The respondents were asked if they had opened a new enterprise and if they initiated the enterprise with YEDF loan. Objective two aimed at gathering data on the effect of YEDF borrowing on poverty alleviation through enterprise expansion among the youth in Lilongwe urban. Data on whether the respondents experienced an increase in sales, profits or diversification was collected in order to determine this effect. Objective three collected data on the youth's ability to create employment for their unemployed counterparts through their enterprises. The respondents were asked to indicate if their enterprises required extra workers, if they were able to employ other youth and how many youths they had employed at the date of the interview. This was done to assess the effect of YEDF borrowing on poverty alleviation through job creation for unemployed youth among the youth in Lilongwe urban. Objective four examined the effect of YEDF training on poverty alleviation through business management skills among the youth in Lilongwe urban. The respondents provided data that indicated their level of business management skills by showing if they were able to keep business records, make savings from their enterprise profits and also if they were able to find markets for their businesses. This information helped the researcher to determine if YEDF training had an effect on poverty alleviation among the youth.

3.7 Validity and Reliability

Validity is the extent to which the instruments will capture what they aim to measure (Kothari, 2004). Before actual collection of data, the questionnaire was pre-tested to determine the validity and reliability of the instrument.

3.7.1 Validity of the study

To enhance content validity, the researcher read through the questionnaire to ensure validity is achieved. During the development stage, the questionnaire was given to experts such as the University supervisor and other lecturers in research methods for feedback. The experts were given the instrument to assess whether the instrument measured and answered the research questions in line with the topic under the study, objectives, conceptual framework and literature. The pilot study too helped in identifying items in the questionnaire which were ambiguous and inappropriate in order to improve its quality and validity. Creswell (2014), acknowledges the importance of pilot testing as it establishes the questionnaire's content validity, and improves questions, format and the scales. At the same time, the pilot study was conducted to assess the time planned for completing the questionnaire. The pilot study was conducted on a small sample (10% of the respondents) of the youth within Lilongwe urban. The researcher selected the sample that had the same characteristics as the target population. In the end, comments and suggestions from these test respondents were incorporated into final questionnaire revisions to improve its clarity and practicality.

3.7.2 Reliability of the study

Reliability broadly refers to the capacity of a measurement to produce consistent results on repeated trials (Saunders et al., 2009). To ensure that reliability is reinforced, during the development stage and after the pilot-test, a separate test-retest was conducted. Four respondents completed questionnaires and three days later the same respondents were asked to complete the same questionnaire. A correlation analysis of all answers of the questionnaires indicated the level of consistence and accuracy. A test-retest reliability coefficient of *r=0.81* was obtained during the analysis of the data the instrument has a good reliability.

3.8 Data collection and procedures

The researcher collected primary data for purpose of drawing conclusion and making recommendations. The questionnaire was administered through face-to-face approach to reduce errors in the data being collected because the researcher provided clarifications on issues that were not clear to the respondent. The researcher personally collected the data to ensure that reliable data was collected and because the study area was in proximity to the researcher.

3.9 Data analysis and interpretation

The researcher used Statistical Package for Social Sciences (SPSS) to analyze quantitative data. The researcher began by coding the data in order to determine how best to organize it. Descriptive statistics analyses were carried out to summarize demographic information regarding gender, marital status, number of children, dependency, age and level of education of the respondents. The descriptive statistics for categorical data (gender, level of education, age, dependency, marital status, awareness, enterprise formation and nature of enterprises) took the form of frequencies and percentages. The researcher also carried out statistical tests using inferential statistics to analyze research objectives. These helped to determine significant differences between variables and sample groups of the population. The analysis took the form of cross tabulations for comparing proportions and Pearson chi square tests for significance testing. Cross tabulations were run in SPSS in order to assess the effect of YEDF borrowing on formation of new enterprises among the youth in Lilongwe urban; determine the effect of YEDF borrowing on enterprise expansion among the youth in Lilongwe urban; to assess the effect of YEDF borrowing on job creation for unemployed youth in Lilongwe urban; and to examine the effect of YEDF training on business skills among the youth in Lilongwe urban. Pearson chi-square test was carried out to measure the significance of the difference to determine the effect.

3.10 Ethical consideration

There are ethical issues that must guide every research in social sciences and must be adhered to. In this study, the rights to self-determination, anonymity, confidentiality and informed consent were observed. Oral consent was obtained from each respondent before any interview or discussion was conducted. Confidentiality was also observed and assured to the respondents. The researcher guaranteed respondents that unauthorized persons will not have access to the data collected. Respondents were also asked to be free to ignore items that they did not want to respond to or to withdraw from the interview at any point.

3.11 Limitations of the study

Since the study used self-reported data, the one reading should take the results with caution because there is a possibility of measurement error. During data collection, there was no use of accounting books due to unavailability of data among the youth. The researcher asked the youth to respond to questions from their point of view. The most ideal way was to make use of their accounting books which would provide basis for drawing conclusions but most of them did not have such documentations. As such, issues of internal validity may have occurred. However, the researcher still thinks that despite the limitations, the study findings till reflect what is happening on the ground in terms of YEDF contribution towards poverty alleviation.

CHAPTER FOUR

RESEARCH FINDINGS

4.1 Introduction

This chapter presents and analyses the results of the study. Data have been organized and presented as per the demographic information gathered during the beginning of the analysis and the objectives of the study. As such, the discussion is divided into two sections. The first section discusses the demographic characteristics of the sample while the second section focuses on the analysis of the objectives.

4.2 Section 1: Demographic characteristics of the sample

The first part of the analysis presents the descriptive data of all the demographic information regarding gender, marital status, dependency, age, level of education, awareness, nature of business and owning an enterprise. These variables were analyzed by frequencies and percentages because they were categorical in nature. Table 1 on the next page presents descriptive statistics for the demographic information.

Table 1: Descriptive statistics (n=120)

Variable		Frequency	Percentage
Gender	Male	62	52
	Female	58	48
Marital status	Single	53	44
	Married	47	39
	Divorced	12	10
	Separated	6	5
	Widowed	2	2
Dependency	Parents	30	25
	Alone	37	31
	Siblings	13	11
	Spouse	34	28
	Other	6	5
Age	18-22	34	28
	23-27	37	31
	28-32	33	28
	33-35	16	13
Education	Non	3	3
	Primary	14	12
	secondary	68	57
	tertiary	35	29
YEDF awareness	Yes	114	95
	No	6	5
Enterprise formation	Yes	92	77
	No	28	23
Nature of business	Farming	22	18
	Retail or kiosks	38	32
	Transportation	15	13
	Hospitality	9	8

Table 1 reveals that out of a sample of 120 respondents, 52% were males while 48%were women. This shows that there was equal participation by gender in the study. At the same time, table 1 shows that among the sample, 44% were single, 39% were married, 10% were divorced while 5% were separated and 2% were widowed. This means that most of the productive youth are single.

In terms of dependency, the researcher asked the respondents to indicate who they were staying with at the time of the interview. The summary from Table 1 indicates that 31% of the youth stayed alone, 28% were living with spouses, 25% were living with parents while 11% were living with siblings and 5% were staying with other relations such as uncles, grandparents and friends. From these statistics, most of the youth depend on themselves and need businesses to sustain their lives and immediate families. Hence, the need for YEDF to facilitate the engagement of youth in business activities.

The study also sought to know the age of the respondents at the time of the interview. This was important to establish the most productive age of the youth. Table 1 shows that out of 120 respondents, those who were aged between 18-22 years were 28%, between 23-27 years were 31%, between 28-32 years were 28% and between the ages of 33-35 were 13%.

The researcher wanted to know if respondents had successfully completed their respective levels of education. They were asked to indicate the level of education they had reached at the time of the interviews. Table 1 shows that 3% did not attain any education, 12% had primary education, 57% achieved secondary education and 29% achieved tertiary education. These statistics show that most participants have attained secondary school education. This result agrees with the GoM (2014) about youth having no job training other than formal schooling. As such, youth poverty in the study area is a result of inadequacy of job or business training infrastructure as well as the means to acquire skills due to poverty.

The study also sought to know if respondents were aware of the existence of YEDF. It was found that out of 120 respondents, 95% were aware of the existence of YEDF while

5% were not aware. Langat et al (2012), on a research about YEDF and growth of micro and small enterprises at constituency level in Kenya concluded that increasing awareness of YEDF and how its loan scheme operates among the youth have an effect on the growth of SMEs.

Table 1 also summarized if respondent were actively running an enterprise. The respondents were asked to indicate the main business sector in which they were actively involved. The study discovered that most respondents were operating businesses with 77% representation of the total sample while 23% did not own or operate any enterprise. With such high participation in income generating activities, it is expected to observe declining youth poverty.

The researcher sought to establish the nature of businesses that respondents were engaged in. From the findings in table 1, it was established that, 18.3% of the respondents engaged themselves in farming, 31.7% of the respondents engaged themselves in small retail trade or kiosks, 12.5% of the respondents engaged themselves in transportation,7.5% of the respondents engaged themselves in hospitality industry and, 6.7% engaged in informal sector.

4.3 Section 2: Effect of YEDF on poverty alleviation among the youth

This section is organized based on the four objectives of the study. The study was guided by the following objectives; To assess the effect of YEDF borrowing on formation of new enterprises among the youth in Lilongwe urban; To determine the effect of YEDF borrowing on enterprise expansion among the youth in Lilongwe urban; To assess the effect of YEDF borrowing and job creation for unemployed youth in

Lilongwe urban; To examine the effect of YEDF training on business skills among the youth in Lilongwe urban. The analysis took the form of inferential statistics which included cross tabulations and Pearson chi-square tests.

4.3.1 Effect of YEDF borrowing on formation of new enterprise

Objective one sought to assess the effect of YEDF borrowing on formation of new enterprises among the youth in Lilongwe urban. This objective was measured by looking at the difference in proportions between YEDF beneficiaries and non YEDF youth on new enterprise formation. Pearson chi-square test was carried out to measure the significance of the difference to determine the effect. Table 2 summarizes the findings.

Table 2: formation of new enterprise

		enterprise formation	
Variable		Yes	no
access to YEDF loan	Yes	54	6
		90%	10%
	No	35	19
		65%	35%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.588^a	2	.002

The results established that among YEDF members, 90% formed enterprises while 10% did not form enterprises (Table 2). For the non YEDF youth, 65% formed enterprises while 35% did not form enterprises. In terms of enterprise formation, there were many YEDF beneficiaries (90%) who formed enterprises compared to 65% of the non YEDF youth (Table 2). The Chi square results revealed that there is a significant difference in terms of enterprise formation between the YEDF beneficiaries and non YEDF youth (Table 2). This means that being a member of YEDF, the chance of creating an enterprise is higher than being a non YEDF youth. As such, it can be concluded that YEDF borrowing results in formation of new enterprise. Consequently, these enterprises eliminate youth poverty by engaging the youth in income generating activities which improve their economic well-being and its associated living stands.

These results are in concurrence with those cited by DWP (2013) who conducted an evaluation of the UK government's NEA which is designed to redress youth economic difficulties. The study discovered that the program was successfully supporting those interested in self-employment as a route to re-entering the labor market and playing a useful role in supporting the development of new enterprises. Concurrently, the results also agree with Okello (2010) who contends that access to credit enhances financial inclusiveness which allow poor people and disadvantaged groups such as youth and women to borrow money and venture into entrepreneurial activities. Likewise, the results are also in line with Narayan (2002), who also found out that access to YEDF as business startup capital spur youth to engage in commercial activities which improve their wellbeing.

4.3.2 Effect of YEDF borrowing on enterprise expansion

Objective number two sought to determine the effect of YEDF borrowing on enterprise expansion. Expansion in this study was measured in terms of rise in sales, profits and diversification. All respondents were asked to indicate if they experienced a rise in sales, profits and diversification. Cross-tabulation and Pearson Chi square test were carried out to analyze the data on sales, profits and diversification.

4.3.2.1 Effect of YEDF borrowing on Sales

The study sought to know if access to YEDF loan increased sales for youth owned enterprises. The results were analyzed using the cross tabulation to compare proportions and Pearson chi-square test for significance test. (Table 3)

Table 3: Effect of YEDF borrowing on sales

		Rise in sales	
Variable		Yes	No
access to YEDF training	yes	46	14
		77%	23%
	no	14	40
		30%	74%
Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	29.359[a]	2	.000

The results show that there is a significant effect of YEDF borrowing on sales (Table 3). The study found that among YEDF beneficiaries, 77% experienced a rise in sale while 23% did not experience the rise. Among non YEDF youth, 30% experienced a rise in sales while 74% did not experience the rise. Thus, in terms of sales, more YEDF beneficiaries (77%) experienced a rise in sales compared to the non YEDF youth (30%). A Pearson chi square test was carried out to determine the effect and the results were a score of 29.359 and a *p-value* of 0.000. This indicates that, being a member of YEDF results in experiencing higher sales compared to not being a member of YEDF.

These findings agree with Ahiawodzi and Adade (2012), who examined the effect of credit on the growth of MSMEs on the Ho Municipality of Volta Region of Ghana and showed that access to credit had a significant positive effect on growth of MSMEs in the region. Okello (2010) also noted that access to credit provides growth opportunities for businesses and the economy.

4.3.2.2 Effect of YEDF borrowing on Profits

The study sought to determine if YEDF borrowing affect profits for youth owned enterprises. The participants were asked to indicate if their enterprises experienced a rise in profits since their initiation. The results obtained are summarized it Table 4 by comparing proportions and Pearson chi-square test for significance test.

Table 4: Effect of YEDF borrowing on profits

		rise in profits	
Variable		yes	no
Access to loan?	yes	51	9
		85%	15%
	no	24	30
		44%	56%
Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.172[a]	2	.000

The study found that among YEDF beneficiaries, 85% experienced a rise in profits while 15% did not experience the rise. Among non YEDF youth, 44% experienced a rise in profits while 56% did not experience the rise. Thus, in terms of profits, more YEDF beneficiaries (85%) experienced a rise in profits compared to the non YEDF youth (44%). A Pearson chi square test was carried out to determine the effect and the results were a score of 21.172 and a *p-value* of 0.000. This indicates that the difference between the two groups is significant enough to conclude that YEDF has an effect of increasing the chances of experiencing a rise in profits. This means that there is a higher chance for YEDF members than non YEDF youth to experience a rise in profits and eventually improved socio-economic wellbeing.

These results can clearly show that YEDF borrowing has a positive contribution towards profit generation in youth owned enterprises. These results are consistent with those of Abor (2005) who found a positive relationship between short term debt ratio and profitability. The results also agree with Damodaran (2007) who examined the impact of debt financing on the profitability of 50 SMEs in South Africa and found that debt financing have a significant positive impact on Conventional SMEs' profitability. Alternatively, the study also agrees with the European Central Bank (2013) who in a study established that access to finance by SMEs reported significant changes to the profitability of the enterprises.

4.3.2.3 Diversification

The study sought to know the probability of youth to diversify their enterprises if they received YEDF loan. The results were analyzed using the cross tabulation to compare proportions (Table 5).

Table 5: Effect of YEDF borrowing on enterprise diversification

		enterprise diversification	
Variable		yes	no
access to YEDF loan	yes	24	36
		40%	60%
	no	5	49
		9%	91%

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.668[a]	2	.000

The analysis shows that among YEDF beneficiaries, 40% diversified while 60% did not diversify. On the other hand, 9% of the non YEDF youth diversified while 91% failed to diversify. Compared to non YEDF youth, there are many YEDF beneficiaries who diversified. Thus, among the youth who had diversified, 40% were YEDF while 9% were from non YEDF youth. A Pearson chi square value of 16.668 was obtained in significance test giving p=0.000. Hence, there is a significant difference in diversification between the two groups. These results mean that youth stand a better chance to diversifying their Enterprises if they become YEDF members. Diversification of businesses means more sales and profits. At the same time, it creates job opportunities for unemployed youth thereby mitigating their economic difficulties.

The findings agree with other scholars like Langat, Maru, Chepkwony and Kotut (2012), who on a study about YEDF and growth of SMEs at constituency level in Kenya concluded that enforcing awareness of YEDF, and its loan features among the youth have a bearing on the growth of small enterprise. Nevertheless, the study does not investigate the extent to which YEDF plays in MSEs growth.

4.3.3 Effect of YEDF borrowing on job creation for unemployed youth

The study sought to know whether YEDF borrowing led to employment creation for unemployed youth. The respondents were asked to indicate whether their enterprises were able to employ other unemployed youth. The results are presented in Table 6.

Table 6: Effect of YEDF borrowing on employment creation

		job creation	
Variable		yes	No
access to YEDF loan	Yes	47	13
		78%	22%
	No	20	40
		33%	67%

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	32.925[a]	4	.000

The results displayed that 78% of the YEDF beneficiaries reported that they were able to employ unemployed youth while 22% were unable (Table 6). In contrast, 33% of the non YEDF youth were able to employ their unemployed counterparts while 67% were not able to do so. This shows that among the youth who were able to employ jobless youth, YEDF beneficiaries occupied a higher proportion (78%) than non YEDF youth (33%). A Pearson Chi square value of 32.925 was obtained and gave a *p=value* of 0.000 showing that there is a significant difference in employment generation between the two groups. These findings reveal that YEDF plays a role in employment creation among the youth. Apart from self-employment from enterprise creation, YEDF youth that own enterprises are able to employ their unemployed counterparts thereby allowing them to earn a living and escape poverty.

The study findings disagree with Greene (2009), who in assessing the impact of the Prince's Trust Enterprise Program (PTEP) found that in the long run, participation in the program had no significant effect on employment chances. They also dispute with that of Gudda and Ngoze (2009) who also noted that there is not much impact by YEDF in sustainable employment for the youth throughout Kenya. On the other hand, the findings agree with Kanyari and Namusonge (2013), who in their study about the various interventions that influence youth entrepreneurs towards YEDF and their role in attracting the youth toward YEDF concluded that the provision of continuous and relevant business development services to youth entrepreneurs is key to the success of enterprise development initiatives in creating long term employment. Agnew (2003) argues that finance is the life blood of any business and no matter how well it is managed, it cannot survive without enough funds for working capital and employment of skilled labor force.

4.3.4 Effect of YEDF training on business skills

Objective four sought to determine the effect of YEDF training on business skills. Business skills in this study was measured in terms of record keeping, savings and marketing. Cross tabulations were used to summarize the results and Pearson chi square tests for significance test.

4.3.4.1 Effect of YEDF borrowing on Record keeping

The study sought to know if YEDF training had an effect on record keeping skills among beneficiaries. The researcher asked the respondents if they were keeping records for their businesses. The results are presented in table 7 on the next page.

Table 7: Effect of YEDF training on records keeping skills

Variable		records keeping Yes	records keeping No
access to YEDF training	Yes	28	32
		47%	53%
	No	7	47
		12%	88%

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	34.890[a]	4	.000

The results show that among YEDF respondents, 47% were keeping business records while 53% did not keep records. In contrast, 12% of the non YEDF youth were keeping business records while 88% were not keeping records. Despite being the minority, YEDF members still outweighed the non YEDF youth in terms of business record keeping. Thus, 47% among YEDF beneficiaries compared to 12% among non YEDF youth. A Pearson chi square value of 34.890 was obtained in significance test giving p=0.000. Hence, there is a significant difference in records keeping between the two groups. As such, it can be concluded that being a member of YEDF increases the chances for one to acquire business record keeping skills for business management. Good business management facilitate the day to day running of an enterprise thereby sustaining its existence in the market place.

4.3.4.2 Effect of YEDF borrowing on Savings

The study sought to know if YEDF training had an effect on savings skills among beneficiaries. The researcher asked the respondents if they were making any savings from their business profits. The results were analyzed and summarized in table 8.

Table 8: Effect of YEDF training on saving skills

		making savings	
Variable		yes	No
access to YEDF training	Yes	48	12
		80%	20%
	No	14	40
		26%	74%
Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	45.663[a]	4	.000

The analysis shows that among YEDF beneficiaries, 80% were making savings from their enterprise profits while 20% were not. On the other hand, 26% of the non YEDF youth were making savings from enterprise profits while 74% were not. In comparison, YEDF beneficiaries take lead in making savings from enterprise. Thus, 80% for YEDF beneficiaries against 26% for the non YEDF youth. A Pearson chi square value of 45.663 gave P=0.000 in significance test leading to a conclusion that the difference is indeed a result of YEDF training. As such, it can be safely said that by receiving YEDF training, the chance of making savings from business profits is higher compared to when you are not a YEDF member. Savings allow for further investments which boost income for the youth thereby reducing their economic challenges.

4.3.4.3 Effect of YEDF training on Marketing

By asking respondents if they were able to find markets for their businesses, the study sought to know if YEDF training had an effect on marketing skills of the beneficiaries. Proportions were compared to establish the effect and the Pearson Chi square was used to test the significance. The findings are as summarized in table 9.

Table 9: Effect of YEDF training on marketing skills

		marketing products	
Variable		Yes	No
access to YEDF training	Yes	53	7
		88%	12%
	No	32	28
		53%	47%

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	33.454[a]	4	.000

Table 9 indicates that among YEDF beneficiaries, 88% were able to find markets for their businesses while 12% were not able to so. Contrarily, 53% of the non YEDF youth were able to find markets for their businesses while 47% were unable to do so. In comparison, there are many YEDF members (88%) that were able to find markets for their businesses compared to the non YEDF youth (53%). A Pearson Chi square value of 33.454 was obtained and gave a *p=value* of 0.000 showing that there is a significant difference in marketing skills to conclude that YEDF training has an effect of increasing marketing chances for enterprises. This means that by receiving YEDF training, the chance of finding markets for enterprises is higher than being a non YEDF youth.

The study findings on effect of YEDF training on business skills are in agreement with Kanyari and Namusonge (2013) who in their study about the various interventions that influence youth entrepreneurs towards YEDF and their role in attracting the youth toward YEDF concluded that provision of entrepreneurship training to sensitize and inculcate the youth is crucial in identifying emerging business talents. At the same time, the results also concur with Manimala (2006) who evaluated SME training needs in tandem with current practices in India and concluded that MSEs need training for business development. Bradford (2007) also resolved that for effective performance, MSEs need training and skills related to keeping and interpreting financial records, product promotion and obtaining as well as managing funds. The results also agree with Mullei (1999) who posited that entrepreneurial training is designed to meet the goals of the organization while simultaneously meeting the goals of individual employee's entrepreneurship. Thus, capacity building is a crucial component in the performance of youth entrepreneurs.

CHAPTER FIVE

SUMMARY AND CONCLUSION OF THE FINDINGS

5.1 Introduction

This chapter provides a summary of the results on the effect of Youth Enterprise Development Fund on poverty alleviation among the youth in Lilongwe urban. The chapter presents the summary of findings and conclusions, and recommendations on what the Government and YEDF managers can do to improve the fund for the achievement of the fund's objectives on youth empowerment.

5.2 Summary of findings and conclusion

5.2.1 Effect of YEDF borrowing on formation of new enterprise

Out of a sample of 60 YEDF beneficiaries and 60 non YEDF respondent, it was revealed that 90% of the YEDF beneficiaries formed new enterprises while 10% did not form enterprises. Among the non YEDF youth the study found that 65% formed new businesses while 35% did not form new enterprises.

From these findings, it was concluded that YEDF borrowing greatly influences formation new enterprises among the youth. As can be seen from the study, it is noted that through YEDF loans more YEDF youths can create new enterprises than non YEDF youth. These enterprises engage the youth in income generating activities which safeguard their livelihood.

These enterprises allow the youth to meet their financial needs without much difficulties. Hence, it can be concluded that YEDF borrowing is contributing to poverty reduction among the youth since it enables them to become self-reliant and financially stable.

5.2.2 Effect of YEDF borrowing on enterprise expansion

The findings revealed that 77% of YEDF beneficiaries experienced a rise in sale while 23% did not experience the rise. Among non YEDF youth, 30% experienced a rise in sales while 74% did not experience the rise. Alternatively, comparison of proportions on profits revealed that 85% of YEDF beneficiaries experience a rise in profits compared to 44% of the non YEDF youths. At the same time, 15% of the YEDF youths did not experience a rise in profits compared to 55.6% of the non YEDF group. In terms of diversification, 40% of YEDF beneficiaries diversified compared to 9% of the non YEDF Youth. Alternatively, 60% of the YEDF beneficiaries failed to diversify compared to 91% of the non YEDF youth.

From the results it was concluded that YEDF borrowing has a positive effect on youth enterprise expansion. As noted in the results, it is seen that through YEDF borrowing youths are able to expand their business as has been evidenced by higher proportions of YEDF beneficiaries who experience rise in sales, profits and diversification. Business expansion means improved living standards of the youth as they become more self-reliant and financially stable. Therefore, YEDF borrowing enables youth to combat their poverty.

5.2.3 Effect of YEDF borrowing on employment creation

The study established that 78% of the YEDF beneficiaries reported that they were able to employ unemployed youth compared to 33% from the non YEDF youth. For those that could not create employment, 22% belonged to the YEDF beneficiaries while 67% were non YEDF.

The study concludes that YEDF beneficiaries occupied more than half (78%) of the respondents that were able to employ other youth. As such these findings reveal that YEDF plays a role in employment creation among the youth. Thus, YEDF has the capacity to create employment and generate wealth in a way that would enhance community development by actively engaging youths in social entrepreneurship and reducing their idleness thereby improving their socio-economic productivity. In so doing, local community youths become self-driven agents of poverty reduction and sustainable community development, as they can generate their own wealth.

5.2.4 Effect of YEDF training on business skills

The findings show that among respondents who kept business records, 47% received YEDF training compared to 12% of the non YEDF youth. For respondents who did not keep records, 53% belonged to YEDF beneficiaries while 88% were non YEDF youth. In terms of savings, the population that made savings from enterprise profits, 80% were YEDF beneficiaries compared to 26% from the non YEDF youth. At the same time, 20% that did not make savings belonged to the YEDF group compared to 74% from the non YEDF group. in terms of marketing, 88% of the YEDF beneficiaries were able to find markets for their businesses compared to 53% from the non YEDF youth. On the other hand, 12% of the YEDF beneficiaries found difficulties in finding markets for their businesses compared to 47% of the non YEDF youth.

From the findings, the researcher concludes that YEDF training in business skills helps the youth to acquire business skills. As revealed in the study, it is noted that YEDF beneficiaries acquired business skills in business records keeping, savings and marketing. The researcher also concludes these skills enable the youth run and manage businesses effectively. With good business skills, youth are expected to manage their business in order to keep them in the marketplace for long. They will be in control of their finances, human resources and physical capital. In so doing, their wellbeing will be sustained. Thus, free from poverty.

5.3 Recommendations

The study makes the following recommendations based on objectives of the study:

For objective one, the researcher recommends that YEDF needs to intensify the borrowing campaign to the youth in order to minimize the problem of access to business finance and to enhance a range of financial mechanisms and alternatives available for the youth. There is also need that there should be quick processing of the loan applications so that the youth should be able to utilize the funds for the intended purposes in time. Prolonged delays disturb the zeal of businesses the youths plan to embark on. It is also recommended that YEDF should be properly linked to other government institutions such as TEVETA so that those that have graduated from TEVETA should benefit from a loan from YEDF.

In objective two and three, the researcher recommends that there is need for YEDF to help in exposing the enterprises to potential customers. It is important that YEDF provide supportive environments to allow entrepreneurial growth. Markets be availed and policies that favor youths should be formulated. Sufficient amount of loan should be given to start up the selected enterprises at a lower interest rate. A strong monitoring and follow-up support and services should be given in executing the enterprises especially in the first few months

For objective four, the researcher recommends that YEDF needs to intensify entrepreneurial training to inculcate entrepreneurship culture and expertise that will improve the youth’s performance in business. Skills in entrepreneurship, business planning and financial management must be well imparted prior to and after any loan disbursement by YEDF. At the same time, Youths with small businesses should seek opportunities for improving their entrepreneurial skills by cultivating a saving culture, learning from successful business entrepreneurs, accessing and utilizing up-to-date information about marketing trends and opportunities and consumer dynamics among others. In addition, there is need for continued capacity building among the beneficiaries. Just training them once before they actually receive the loan is not enough. On top of that, the groups that benefit from YEDF must be linked to other youth groups engaged in business for sharing of good and promising practices. Mentors need to be identified so that these youths should gain as much skills as possible for the benefit of their business.

5.4 Areas for further studies

For further studies one might consider a deep inquiry into the extent to which YEDF alleviates poverty among the youth and should make use of accounting books instead of self-reported data.

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APPENDICES

Appendix 1: Questionnaire for the study

QUESTIONNAIRE

Questionnaire No ………………

INTRODUCTION

Dear respondent,

My name is Noel Chirwa a student at the University of Malawi, Chancellor College. I am carrying out research for partial fulfillment of the requirements for the award of the degree of Master of Arts in Development Studies of the University. My research is on the effect of YEDF on poverty alleviation among the youth in Malawi. Be assured that whichever information you will give will only be utilized for academic purposes and your identity and information will be treated as confidential. Your cooperation will be highly appreciated.

PART 1: GENERAL INFORMATION (please encircle where necessary)

1. What is your gender?
    1. Male
    2. Female
2. What is your marital status?
    1. Single
    2. Married
    3. Divorced
    4. Separated
    5. Widowed

3. How many children do you have?

4. Who do you live with?

    1. Parents
    2. Alone
    3. Siblings
    4. Spouse
    5. Other

5. How old are you?

6. What is your level of education?

    1. None
    2. PSLCE
    3. Secondary education
    4. Tertiary education

PART 2. OBJECTIVES OF THE DISCUSION

Section 1: New enterprise creation

7. Have you ever heard of YEDF?
    1. Yes
    2. No (*go to 19*)
8. Have you ever accessed the loan from YEDF?
    1. Yes
    2. No (*go to 15,16,17,18*)
9. Did you get the loan to start a new enterprise?
    1. Yes
    2. No
10. Did you get the loan for business expansion?
    1. Yes
    2. No
11. Did you use the loan for other things?
    1. Yes *(go to 12, 13, 14)*
    2. No
12. Did you use the loan for other things due to insufficient amount?
    1. Yes
    2. No
13. Did you use the loan for other things due to lack of knowledge?
    1. Yes
    2. No
14. Did you use the loan for other things due to emergencies?

1. Yes
2. No

15. Did you fail to access the loan because of loan bureaucracy?
    1. Yes
    2. No

16. Did you fail to access the loan because of compulsory groups?
    1. Yes
    2. No

17. Did you fail to access the loan because of lack of approval by leaders?
    1. Yes
    2. No

18. Did you fail to access the loan because of lack of information?
    1. Yes
    2. No

19. Have you created an enterprise or business?
    1. Yes
    2. No *(go to 29)*

20. What is the nature of your business?
    1. Farming Business
    2. Small retail trade /kiosks
    3. Transportation
    4. Hospitality
    5. Informal sector

21. How old is your enterprise/business?

Section 2: Business expansion

22. Has your business experienced a rise in sales since it started?

    1. Yes
    2. No

23. Has your business experience a rise in profit since you started?

    1. Yes
    2. No

24. Have you opened new businesses from the existing one?

    1. Yes
    2. No

Section 3: Job creation

25. Does your business need extra workers?

    1. Yes
    2. No

26. Is your business able to employ other youth?

    1. Yes
    2. No

27. How many youth employees does it have?

Section 4: Business management

28. Have you received a YEDF business training?

1. Yes
2. No *(go to 33) if no enterprise go to 43.*

29. Has the training allowed you to create a new enterprise?

1. Yes
2. No

30. Has the training allowed you to expand your enterprise?

1. Yes
2. No

31. Has the training allowed you to create employment for other youth?

1. Yes
2. No

32. Do you keep records for your enterprise?

1. Yes
2. No

33. Do you save profits from your business?

1. Yes
2. No

34. Do you use the saved profits for other investments?

1. Yes
2. No

35. Are you able to find market for your business?

1. Yes
2. No

36. Are you able to expand the market for your business?

1. Yes
2. No

37. *If yes on question 29,* Would you want more YEDF trainings to enhance your business skills?

1. Yes *(go to 40,41,42)*
2. No

38. *If no question 29,* Would you want YEDF training to enhance your business skills?

    1. Yes *(go to 40,41,42)*
    2. No

39. Would you want to be trained in financial skills?

1. Yes
2. No

40. Would you want to be trained in management skills?

1. Yes
2. No

41. Would you want to be trained in marketing skills?

1. Yes
2. Yes

Section 5: Youth without business/enterprise

42. Why don’t you have a business/enterprise?

    1. No capital
    2. Not interested
    3. No knowledge

43. What is your source of income?

    1. Employed
    2. Casual labor
    3. Handouts
    4. Family support
    5. Others

44. Does your source of income allow you to employ other youth?

    1. Yes
    2. No

45. Would you start a business if you were given a loan by YEDF?

    1. Yes
    2. No

46. Would you want any formal training in management of a business?

    1. Yes
    2. No

THE END