



An Investigation on Factors Hindering the Access of Microfinance to Youth: A Case Study of Area 23

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ABSTRACT

The research study centered in Area 23, Lilongwe district, sought to explore the factors influencing youth access to microloans. The study specifically aimed to gauge the level of information available to youths regarding microfinance accessibility, identify challenges hindering their access to microloans, and formulate effective strategies to enhance accessibility. Data from 46 respondents were collected through individual interviews with a structured questionnaire, complemented by a focus group discussion. Analysis using the Statistical Package for Social Scientists (SPSS) revealed barriers faced by youth micro-entrepreneurs, such as the lack of collateral, limited institutions not requiring collateral, inadequate business training, and low literacy levels.

In response to these challenges, interventions, including awareness campaigns and business and financial management training, were implemented. These efforts significantly increased knowledge among the youth. Consequently, the report recommends a pre-loan training requirement for entrepreneurs, with a focus on business and financial management. Additionally, it suggests the training of more male champions in the area and calls for government action to reinforce laws on women's land ownership, accompanied by widespread awareness initiatives. These recommendations aim to create a more supportive environment and empower youth micro-entrepreneurs for sustainable success.

KEYWORDS: - Microloans, Microfinance, Collateral, Literacy levels

I. INTRODUCTION

In contemporary societies, the empowerment of youth through access to financial resources is recognized as a vital catalyst for fostering economic growth, reducing unemployment, and mitigating social challenges. In many regions, including Lilongwe, Area 23 in

Malawi, the youth demographic constitutes a significant portion of the population. However, the potential economic contributions of these young individuals are often hampered by limited access to financial services, particularly microfinance (Kayembe, Et al, 2021). This study aims to investigate and analyze the economic factors that hinder youth access to microfinance in Lilongwe, Area 23, shedding light on the barriers that impede their ability to engage in entrepreneurial endeavors and income-generating activities.

This investigation goes beyond surface level observation. It explores the underlying mechanisms that limit opportunities looking at how factors and access, to microfinance interact. The study aims to uncover the combination of factors that often prevent people from having financial control making them mere spectators in their own economic story. The importance of this study resonates on levels. On a scale it has the potential to identify the economic challenges faced by young people in Lilongwe's Area 23. Shedding light on these challenges allows for interventions and solutions that directly address the barriers faced by this demographic. On a scale the insights gained from this research contribute to our knowledge shaping strategies that can be applied not only in this particular context but also, in different regions dealing with similar issues.

Malawi's youthful population represents both an opportunity and a challenge. While the youth possess the energy and innovation required for economic transformation, they frequently encounter obstacles such as limited access to capital and financial services. Microfinance, defined as the provision of small-scale financial services to low-income individuals, holds significant promise in addressing this gap and enabling young individuals to participate in economic activities that contribute to both personal development and community prosperity (CYFI, 2013).



The specific focus of this study on Lilongwe, Area 23 is of paramount importance. Area 23, like many similar locales, faces the dual challenge of high youth unemployment and a lack of accessible financial resources. As such, young people in this area often find themselves unable to translate their potential into productive economic ventures, leading to broader social implications.

The overarching goal of this research is to provide a comprehensive understanding of the economic factors that hinder youth access to microfinance in Lilongwe, Area 23. By delving into the specific barriers that impede their engagement with microfinance institutions, this study seeks to generate insights that can inform policy measures and practical interventions. Ultimately, the aim is to pave the way for meaningful economic opportunities for the youth, unlocking their potential and contributing to the holistic development of both individuals and the community.

Through a thorough examination of the economic factors that contribute to limited youth access to microfinance in Lilongwe, Area 23, this research aspires to provide a foundation for evidence-based decision-making. By addressing these barriers head-on, the study endeavors to create pathways for sustainable economic growth, individual empowerment, and social progress.

II. BACKGROUND OF STUDY

Access to deposit and credit facilities in Sub-Saharan Africa is currently limited, with countries like Ghana and Tanzania reporting only 5-6% population access to banking services. Community-based microfinance, as seen in Malawi, relies on traditional cooperative groups within communities for expansion. Collaboration between microfinance institutions (MFIs) and commercial banks has proven beneficial, with MFIs depending on banks for liquidity and banks expanding their reach to rural areas. Donors, NGOs, and governments contribute to the growth of MFIs, yet challenges such as reporting standards, insufficient staff, and a lack of comprehensive client information persist. Youth financial inclusion is crucial, and microfinance is positioned to play a pivotal role in providing financial services to excluded youth, contributing to poverty alleviation.

Looking ahead, the future of microfinance aims to foster self-sufficiency among young entrepreneurs, break the cycle of poverty, and promote economic empowerment. Challenges to youth entrepreneurship, including regulatory

barriers and financial knowledge gaps, are anticipated to persist. Microfinance's unique role in challenging conditions is expected to endure, but issues such as high service costs and regulatory oversights may pose challenges. Newman highlights the importance of micro-enterprises for youth livelihoods, emphasizing the need for holistic approaches beyond providing credit. Despite persisting challenges, the collaboration between community-based MFIs and commercial banks, along with innovative policies and increased transparency, underscores the potential for positive change in Sub-Saharan Africa's microfinance landscape. The focus must remain on addressing holistic challenges faced by young entrepreneurs to ensure sustainable economic development and social progress.

PROBLEM STATEMENT

The strategy of providing micro-loans to empower rural youth in impoverished areas has transformative implications, positively impacting individuals and contributing to broader societal development. Research underscores the potential to break the cycle of poverty by offering financial resources for education, vocational training, and small-scale ventures. Empowered youth not only experience economic benefits but also gain essential life skills, fostering autonomy and contributing to social cohesion. Despite these positive outcomes, challenges such as limited infrastructure, cultural norms, and inadequate market access persist.

In addition to hindering individual ventures, challenges extend to the broader socio-economic context. Limited market access, insufficient training, and a lack of mentorship support undermine the sustainability of empowered youth ventures. Addressing these issues requires a comprehensive approach, encompassing financial resources, capacity-building, market linkages, and ongoing guidance. The multi-dimensional nature of empowerment calls for strategies beyond monetary infusion to unlock the true potential of youth.

While Micro Finance Institutions (MFIs) play a crucial role, interest rate variations and accessibility challenges persist. The youth population, though promising, faces systemic barriers to opportunities, contributing to issues like unemployment and underemployment. Despite global efforts, equitable economic empowerment for the youth remains elusive, with limited access to financial services posing a significant hurdle. Collateral requirements, financial literacy gaps, and



fear of asset loss deter youth from seeking loans, hindering their economic progress.

Studies conducted by the Association of Microfinance Institutions of Uganda (AMFIU) highlight the formidable challenges faced by youths in accessing financial services. These challenges, if unaddressed, can have far-reaching consequences for social cohesion, as witnessed in the North African protests. While the importance of microfinance for youth empowerment is acknowledged, studies emphasizing accessibility challenges, particularly in specific regions like Malawi's Area 23 in Lilongwe, are limited. Providing micro-loans to empower rural youth holds immense promise for individual and national development. However, overcoming systemic challenges and ensuring accessibility is essential to realizing these benefits and fostering a brighter future for young individuals within societies.

III. Literature Review

Access to Information about Accessibility of Microfinance

In the ever-evolving arena of economic development and business sustainability, the indispensability of information has grown manifold. It stands as the cornerstone upon which the survival and prosperity of Small and Medium Enterprises (SMEs) hinge. As articulated by Khan and Rabban (2015), information operates as a pivotal lever that empowers not only established SMEs but also the fledgling ventures of youth entrepreneurs to navigate the tumultuous tides of the contemporary global market. In a world characterized by unprecedented technological advancements and the ceaseless flux of market dynamics, SMEs are relentlessly in search of comprehensive and pertinent information. This comprehensive range of information requirements encompasses deciphering prevailing business trends and understanding market dynamics, unraveling complex legal frameworks, and discerning the ever-morphing inclinations of consumers. The perennial constraints of limited time and finite capacity underline the critical urgency for SMEs to have immediate and unfettered access to relevant information.

However, the actuality, as illuminated by Schleberger (2013) and ITG (2013), unveils a starkly contrasting narrative. Despite the growing acknowledgment of the pivotal role information plays, SMEs, particularly those tethered to the constraints of limited resources, find themselves grappling with an insidious information dearth. The challenge isn't solely the paucity of information

itself; it lies in the intricate nexus of mechanisms requisite to ensure the expeditious and effective dissemination of relevant and actionable information. All too often, the signals that the market emits—signals that possess the latent potential to illuminate latent opportunities and presage consumer trends—reside inaudible to these enterprises, thereby limiting their capacity to make well-informed decisions and respond with alacrity to shifts in the market. This inherent asymmetry in access to information places SMEs, including those orchestrated by the youth, at a manifest disadvantage, curtailing their ability to optimally leverage emerging possibilities.

Within this complex tapestry, the interplay of education, training, and information access weaves intricate threads that significantly shape SMEs' engagement with informational resources. Jonson and Lindbergh's (2016) research casts an illuminating spotlight on the pivotal role of social capital in catalyzing the exchange of knowledge. They underscore how individuals connected by shared values and immersed in collective learning processes form a conduit through which the stream of information flows seamlessly. In this symphonic collaboration of knowledge-sharing, education emerges as a conductor, amplifying the capabilities of entrepreneurs to effectively engage with and harness invaluable information. This harmonious melody resonates throughout the works of scholars such as Hassan and Mugambi (2014), Mbugua et al. (2013), Ongachi and Bwisa (2013), and Waithaka et al. (2014). A collective chorus emerges, highlighting the intricate dance between formal education, targeted training, the diffusion of knowledge, and subsequent access to credit. Conversely, the chasm created by the absence of educational avenues erects a formidable barrier, confining young entrepreneurs to the periphery of credit accessibility and stymying their growth potential.

In summation, the landscape of information access for SMEs, especially those propelled by youth, unfolds as a complex and multidimensional terrain. The insights gleaned from the diverse research conducted by scholars not only underscore the paramount importance of information itself but also illuminate the symbiotic interdependence between education, training, and the ability to effectively harness available information. As we venture deeper into this expansive literature review, the subsequent sections will continue to unveil the multifaceted challenges that youth confront in their quest for microfinance, while also exploring strategies that hold the



potential to dismantle these barriers and pave the way for an elevated accessibility to financial resources.

Challenges Youth Face in Accessing Micro Loan

The endeavor to enhance youth's access to financial services has spurred numerous initiatives and interventions on both local and global scales. The United Nations Development Fund (UNCDF) stands as a poignant example of such initiatives, forging a partnership with the MasterCard Foundation to drive improvements in youth's access to financial services across sub-Saharan Africa. This cooperative initiative is underpinned by a two-fold focus on promoting savings and financial education (UNESCO, 2013). The UNCDF program aims not only to design, test, and scale services that are tailored to the unique needs of young individuals but also to create a regulatory environment that facilitates their access to pertinent financial services. The ultimate objective is to equip youth with the tools to make informed financial decisions, bolstering their understanding of equity and sustainability, and thus fortifying the foundation for a resilient livelihood (Arndt & Tarp, 2016). This far-reaching program has been operational in several countries, including Burkina Faso, Democratic Republic of Congo, Ethiopia, Malawi, Rwanda, Senegal, Togo, and Uganda (Rist, 2013). The tangible outcomes of this initiative are palpable: around 515,000 young individuals, comprising 50 percent young women, saved via individual savings accounts or group-based mechanisms; almost 60,000 received individual or group loans to ignite or expand their entrepreneurial ventures; and a significant number, 388,365, engaged in financial education sessions, nurturing a more financially literate youth demographic (Darvas & Palmer, 2014).

The collaborative efforts of the United Nations Development Fund (UNCDF) and the MasterCard Foundation in the pursuit of enhancing youth's access to financial services in sub-Saharan Africa exemplify a commendable approach to addressing a critical developmental challenge. The multifaceted strategy employed by this partnership, focusing on both savings promotion and financial education, underscores the recognition that financial inclusion involves not only access to services but also the capacity to use them effectively. By tailoring services to the specific needs of young individuals and creating a conducive regulatory environment, the UNCDF program seeks to empower youth with the

knowledge and tools necessary for making informed financial decisions.

This initiative extends its influence across several countries in sub-Saharan Africa, including Burkina Faso, Democratic Republic of Congo, Ethiopia, Malawi, Rwanda, Senegal, Togo, and Uganda, demonstrating its widespread impact and commitment to inclusivity. The tangible outcomes achieved thus far are remarkable and indicative of the program's success. Over half a million young individuals, including a significant representation of young women, have started saving through individual accounts or group-based mechanisms. Additionally, nearly 60,000 youths have gained access to individual or group loans, facilitating the initiation or expansion of their entrepreneurial endeavors. Furthermore, almost 400,000 young people have participated in financial education sessions, contributing to the development of a more financially literate and empowered youth population (Darvas & Palmer, 2014).

These accomplishments not only illustrate the effectiveness of the UNCDF-MasterCard Foundation partnership but also underline the transformative potential of financial inclusion initiatives. By equipping young people with financial knowledge and access to services, this program not only enhances their immediate economic prospects but also fosters a sense of equity and sustainability, laying a solid foundation for resilient livelihoods and long-term development in sub-Saharan Africa. The UNCDF-MasterCard Foundation collaboration serves as an inspiring model for addressing critical global challenges through strategic partnerships and multifaceted approaches.

Furthering the cause, the Youth Save consortium project, a joint effort between Save the Children, the University of Washington Centre for Social Development (CSD), the Louis New Foundation, CGAP, and the MasterCard Foundation, has dedicated its energies to the design, development, and testing of affordable savings products aimed at serving economically disadvantaged young individuals in countries like Colombia, Ghana, Kenya, and Nepal (Filmer & Fox, 2014). The endeavor, known as Youth Save, envisioned a paradigm shift in youth's financial behavior by making saving a feasible endeavor even for those with limited means. Remarkably, the project opened over 130,000 accounts, dispelling notions that low-income youth are unable to save. This collective effort of young people aged 12-18, many of whom existed below the poverty line, resulted in an accumulation of more than \$1 million



over a span of three years. The initiative not only catered to savings but also infused direct financial education to approximately 44,000 individuals, with 48,000 benefiting from community engagement events and an estimated 660,000 reached through media channels. Notably, the Youth Save program has also witnessed its fair share of experimentation, as evidenced by the Ghana Experiment on Youth Save, which delved into the relatively unexplored realm of financial inclusion among adolescents (Gichuki, et al. 2014).

In a similar vein, the Advancing Integrated Microfinance for Youth (AIM Youth) project, a collaborative effort between the MasterCard Foundation and Freedom from Hunger, set its sights on guiding vulnerable youth in Ecuador and Mali through the intricate transition from adolescence to adulthood (Redford, 2017). The project's primary focus was the development and testing of novel financial products and services, predominantly savings-oriented, that catered to the youth demographic. Crucially, these offerings were complemented by comprehensive financial planning instruction, money management guidance, and strategies for effective savings. By embedding financial education into the fabric of these services, AIM Youth provided access to financial tools and the requisite knowledge to approximately 40,000 young individuals aged 13 to 24, a demographic heavily concentrated in Mali and Ecuador. Moreover, this initiative left a lasting imprint by creating an online module, extending its influence beyond its immediate reach, helping financial service providers and non-governmental organizations chart strategies to furnish young people with holistic and integrated services (OECD, 2013).

Amid these endeavors, one recurring challenge emerges as a significant impediment: credit restrictions. A meta-regression study spanning 37 impact studies examining enterprise initiatives in developing nations found credit barriers to be a substantial obstacle for youth endeavoring to establish income-generating activities (Jerven, 2014). These findings underscore the role of credit accessibility as a pivotal determinant of youth's potential for economic advancement and self-reliance. Moreover, the efficacy of financial interventions, particularly those centered on enterprise finance, demonstrates the potential for unlocking substantial job opportunities and wage growth for youth (Jerven, 2014).

In summation, a convergence of global initiatives, such as those led by the UNCDF, Youth

Save, and AIM Youth, underscores the collective endeavor to surmount the challenges posed to youth's access to micro loans and financial services. These initiatives focus not only on mitigating financial hurdles but also on fostering financial literacy and embedding knowledge within the very fabric of these interventions. Yet, despite these efforts, the specter of credit restrictions continues to loom large, necessitating further exploration and targeted interventions to unleash the latent potential of youth-led entrepreneurship and economic growth.

Strategies for Enhanced Youth Access to Micro Loans

The journey toward fostering greater youth access to micro loans unveils a multifaceted landscape, where innovative strategies have the potential to dismantle age-old barriers. Two strategic avenues that hold immense promise are the reduction of collateral requirements and the optimization of interest rates and loan processing times. These strategies address critical pain points that have long hindered youth entrepreneurs from harnessing financial resources for their ventures.

Reduced Collateral Requirements

Ogoi's (2017) groundbreaking study illuminates the potential of reducing collateral requirements as a pivotal strategy to enhance youth access to micro loans. This proposition challenges the status quo by advocating for a reevaluation of the collateral demanded from young entrepreneurs. The prevailing practice of requiring substantial collateral disproportionately hinders youth entrepreneurs, given their developmental stage and limited resources. While larger firms may have the means to fulfill collateral demands, youth-led enterprises are often constrained by their unique circumstances. These circumstances include limited access to traditional sources of finance like banks and financial institutions, which are instrumental in building credit histories. This, in turn, poses challenges for youth in fulfilling credit report requirements for loan eligibility (World Bank, 2018).

Ogoi's (2017) groundbreaking study brings to light a crucial aspect of youth access to micro loans: the need to reconsider and potentially reduce collateral requirements. This perspective challenges the prevailing norm and advocates for a fundamental reevaluation of the collateral demanded from young entrepreneurs. The conventional practice of imposing substantial collateral demands can disproportionately impede



the progress of youth-led enterprises, given their early developmental stage and limited resources. In contrast to larger, more established firms that may have the means to meet these requirements, young entrepreneurs often find themselves constrained by their unique circumstances. These circumstances include limited access to traditional sources of finance, such as banks and financial institutions, which play a pivotal role in building credit histories. This limited access to traditional finance can, in turn, create challenges for youth in fulfilling credit report requirements for loan eligibility. By recognizing these challenges and rethinking collateral demands, financial institutions can make micro loans more accessible to young entrepreneurs, facilitating their economic empowerment and the growth of innovative businesses.

Furthermore, the absence of access to fixed assets, such as land or buildings, exacerbates the issue. These assets are commonly sought by lending institutions as collateral to secure loans. However, youth-led enterprises typically lack such assets due to their early stage of development. As a result, the demand for substantial collateral becomes an insurmountable obstacle for many young entrepreneurs seeking financial support. This strategy's significance lies in its potential to level the playing field, recognizing the developmental realities of youth and the need for an equitable access to micro loans (World Bank, 2018).

Ogoi's groundbreaking study not only highlights the need to reevaluate collateral requirements but also underscores the importance of considering alternative forms of collateral that better align with the realities of youth-led enterprises. Rethinking collateral demands solely in terms of fixed assets like land or buildings might limit the potential for innovation in microfinance. Instead, financial institutions can explore innovative collateral options such as personal guarantees, future revenue projections, or the potential for peer-based collateral systems. These alternative approaches not only acknowledge the limited access that young entrepreneurs have to traditional assets but also stimulate creativity and adaptability in the financial industry. By embracing a more flexible and inclusive approach to collateral, microfinance institutions can foster an environment where youth-led businesses can thrive, contributing to economic growth and job creation, particularly in emerging economies.

In conclusion, Ogoi's pioneering study serves as a beacon of insight into the realm of youth access to micro loans. By challenging the

conventional wisdom surrounding collateral requirements, Ogoi (2017) illuminates a path toward more equitable financial inclusion for young entrepreneurs. The prevailing practice of imposing substantial collateral demands can be a formidable barrier to their progress, given their unique circumstances and limited access to traditional financial resources. Reevaluating collateral requirements and exploring alternative forms of collateral not only levels the playing field but also acknowledges the developmental realities and potential of youth-led enterprises. This shift in perspective aligns with the broader goals of microfinance - to empower individuals and foster economic growth - and paves the way for more inclusive and innovative financial solutions. As the world seeks to harness the energy and creativity of its youth population, Ogoi's study reminds us of the transformative power of rethinking established norms in pursuit of a more inclusive and prosperous future.

Optimization of Interest Rates and Loan Processing Times

Hope (2019) advances a crucial strategy centered on the optimization of interest rates and loan processing times. This approach acknowledges that the hurdles to youth access to loans extend beyond mere collateral demands. Prolonged loan processing times and high interest rates have long acted as deterrents, hampering the youth's ability to access credit efficiently and sustainably.

Hope's (2019) emphasis on optimizing interest rates and loan processing times for youth access to loans underscores the importance of addressing practical barriers that extend beyond collateral demands. Prolonged loan processing times and high interest rates have indeed been significant deterrents for young entrepreneurs. Delays in obtaining funds can hinder their ability to seize time-sensitive business opportunities, while high interest rates can lead to unsustainable debt burdens, stifling their entrepreneurial ambitions. By focusing on streamlining these crucial aspects of the lending process, financial institutions and policymakers can make credit more accessible, affordable, and responsive to the needs of young borrowers. This strategic shift aligns with the goal of nurturing a conducive environment for youth entrepreneurship, where financial resources are readily available, enabling them to flourish and contribute to economic growth and innovation.

Lengthy loan processing procedures create an environment where time-sensitive opportunities could pass by before loan approval is granted. This



is particularly detrimental to youth-led ventures that often operate in dynamic and fast-paced environments. A streamlined and expedited loan processing mechanism, incorporating digitization and efficient evaluation procedures, would enable young entrepreneurs to seize opportunities promptly, potentially accelerating their venture's growth trajectory (Abora, Agbloyor, & Kuipo, 2014).

High interest rates, on the other hand, introduce a financial burden that can deter youth from seeking loans altogether. By offering competitive interest rates tailored to the unique financial circumstances of youth-led enterprises, financial institutions can make loans more accessible and appealing. This approach aligns with the broader goal of fostering entrepreneurship and innovation among the youth, ultimately contributing to economic growth and development (Barua, 2020).

Indeed, the burden of high interest rates is a significant deterrent that often dissuades young entrepreneurs from pursuing loans, even when they may desperately need financial support for their ventures. Financial institutions that recognize the specific financial circumstances of youth-led enterprises can play a pivotal role in removing this obstacle. By offering competitive interest rates tailored to the risk profiles and financial capacities of young borrowers, these institutions can make loans not only more accessible but also more appealing to this demographic. This strategic adjustment aligns perfectly with the broader objective of nurturing entrepreneurship and innovation among the youth, as it ensures that the financial resources required to kick start or expand their ventures are not prohibitive (Barua, 2020).. In doing so, it not only empowers young entrepreneurs but also contributes significantly to overall economic growth and development by stimulating new business endeavors and job creation.

In sum, the strategies of reduced collateral requirements and optimized interest rates and loan processing times converge to form a comprehensive approach to enhancing youth access to micro loans. By reimagining collateral demands and restructuring lending practices, financial institutions can empower young entrepreneurs to overcome the challenges that have long hindered their progress. This multifaceted approach aligns with the evolving socioeconomic landscape, recognizing the potential of youth as agents of change and progress. As financial systems continue to evolve, embracing these strategies can pave the

way for a future where youth-led entrepreneurship is no longer inhibited by barriers but rather fueled by opportunities, contributing to the growth and vitality of economies worldwide.

Geographical Variability in Access

While many studies have shed light on the challenges of youth access to micro loans, there is often a concentration on specific regions or countries, particularly within sub-Saharan Africa. However, it's important to recognize that the dynamics of youth entrepreneurship and financial inclusion can vary significantly across different geographic, cultural, and economic contexts. A more extensive cross-regional analysis could provide a broader perspective, uncovering context-specific challenges and highlighting strategies that are adaptable and effective in diverse settings. This approach would not only enrich the overall understanding of youth access to micro loans but also offer insights into tailoring interventions based on the unique characteristics of different regions.

Furthermore, examining the geographical variability in youth access to microloans would underscore the significance of taking a context-specific approach to address this issue. Regions differ in terms of infrastructure, regulatory frameworks, cultural norms, and economic conditions, all of which can significantly impact the effectiveness of initiatives aimed at promoting youth entrepreneurship and financial inclusion. By conducting a cross-regional analysis, researchers and policymakers can identify the nuances that influence access to microloans in each area. This knowledge can then inform the development of tailored interventions that consider the specific needs and constraints of local communities. Ultimately, a more nuanced understanding of geographical variability in access can lead to the creation of more inclusive and effective strategies to support young entrepreneurs worldwide, ensuring that financial opportunities are accessible to all, regardless of their location or background.

Long-term Impact Assessment

Many studies in the field tend to focus on short-term outcomes of interventions and strategies aimed at enhancing youth access to micro loans. While these insights are valuable, there is a need for more longitudinal research that assesses the long-term impact of such initiatives. Understanding how access to micro loans influences the trajectory of youth entrepreneurship, economic growth, and social development over an extended period can provide a more holistic view of their effectiveness.



Long-term impact assessments can contribute to refining strategies, identifying sustainable solutions, and informing policy decisions that promote lasting positive change (World Bank, 2018).

In addition to examining the long-term impact of youth access to micro loans, it is equally important to consider the interconnectedness of various factors that influence these outcomes. Longitudinal research should take into account not only the economic effects but also the social and environmental dimensions of youth entrepreneurship and financial inclusion initiatives. This holistic perspective would enable researchers to explore how access to micro loans affects not just financial stability but also aspects like gender equality, environmental sustainability, and community development. By recognizing the intricate web of influences, policymakers and organizations can craft more comprehensive and sustainable interventions that address the multifaceted needs of young entrepreneurs. This approach not only ensures the long-term success of such initiatives but also aligns them with broader societal goals, contributing to more equitable and resilient communities.

SIGNIFICANCE OF THE STUDY

In the context of Malawi, the demographic landscape is characterized by a significant proportion of youth within the population. However, this youth population often grapples with high levels of unemployment, which can lead to the emergence of undesirable behaviors and social issues. Addressing this challenge requires the implementation of targeted programs aimed at eradicating the root causes of unemployment and its associated consequences. One such solution that has been introduced is the concept of youth micro loans, which can play a pivotal role in empowering young individuals and breaking the cycle of unemployment-driven issues. In the specific case of Area 23, where the study is planned, there exists a notable absence of accessible micro loans for the youth. This absence, in turn, exacerbates the prevalence of immoral behaviors and challenges within the community. The study proposed seeks to comprehensively analyze and understand the factors contributing to this lack of access to micro loans among the youth in Area 23. By uncovering these underlying obstacles, the research endeavors to formulate effective strategies that can effectively address the issues and subsequently enhance the accessibility of micro loans for the youth.

The primary objective of this study is to identify and analyze the various barriers that hinder the youth's access to micro loans in Area 23. These barriers could encompass a range of factors, such as inadequate financial literacy, limited collateral options, bureaucratic hurdles, and lack of awareness about available financial services. By dissecting these barriers, the study intends to shed light on the specific challenges faced by the youth in the area and propose practical solutions that can alleviate these challenges.

By increasing the accessibility of micro loans for the youth in Area 23, several positive outcomes can be anticipated. Firstly, empowering the youth with financial resources will enable them to initiate and sustain small businesses or income-generating activities. This newfound economic independence can contribute to their self-reliance and mitigate the adverse effects of unemployment, such as poverty, idleness, and involvement in immoral behaviors.

Furthermore, aligning with the objectives of the National Gender Policy, this study aligns with the overarching goal of integrating gender considerations into all development processes. It recognizes the importance of addressing the unique needs and challenges faced by both young boys and girls in accessing financial resources. By ensuring equitable access to micro loans, the study indirectly supports the policy's aim to promote balanced development and opportunities for all.

In conclusion, the pressing issue of high youth unemployment and its associated consequences necessitates innovative solutions. The introduction of youth micro loans holds promise for addressing this challenge by empowering young individuals and enabling them to create sustainable livelihoods. Through a comprehensive study of the factors hindering access to micro loans in Area 23, this research seeks to offer actionable insights that can foster positive change. Ultimately, by facilitating increased access to micro loans, this study aligns with broader national goals and contributes to the betterment of the community and its youth population.

Scope of Study

Geographical Scope:

The study will be centered on a specific geographical area within Malawi, namely Lilongwe's Area 23. This particular locale will serve as the focal point for the comprehensive collection and analysis of data. By narrowing the scope to this distinct region, the research aims to



delve deeply into the intricacies and dynamics at play within a specific context. Through this focused approach, the study intends to capture a nuanced understanding of the challenges, opportunities, and intricacies related to youth access to financial services in this particular urban setting. By concentrating efforts on Lilongwe's Area 23, the research seeks to draw meaningful insights that can potentially be extrapolated to inform broader strategies and interventions aimed at improving youth financial inclusion both within this area and in similar contexts within Malawi and beyond.

Main Objective

To investigate factors hindering the access of microfinance to youth

Specific Objectives

1. To find out whether youths have access to information about accessibility of microfinance
2. To determine challenges facing by youth in accessing microloan
3. To come up with strategies to increase youth's accessibility to microloans

Research Questions

- What information do youth have about micro loan?
- What are the primary economic challenges and barriers that hinder youth access to microfinance in Lilongwe, Area 23?
- What steps could be taken to address the challenges faced by youth in accessing microloans?
- How did you first learn about the concept of microfinance?

IV. RESEARCH METHODOLOGY

This research employs a mixed-methods approach to investigate youth access to microloans in Area 23, Lilongwe urban. The choice of Area 23 is based on its socio-economic dynamics and the lack of comprehensive studies on youth microloan accessibility. The mixed-methods design, combining qualitative and quantitative strategies, aims to provide a comprehensive understanding of the research problem, with key informants from financial institutions playing a crucial role. The study employs a multifaceted data collection approach, including key informant interviews, focus group discussions, and questionnaires, to triangulate information and ensure a robust dataset. The significance of localized context in shaping youth access to financial services is acknowledged, and the research aims to contribute valuable insights for potential policy initiatives. Data analysis is recognized as a pivotal phase,

transforming raw data into meaningful information to bridge the gap between empirical observations and academic inquiry. The study is designed to enhance the credibility and reliability of its outcomes by addressing both qualitative subtleties and quantitative aspects of youth microloan accessibility.

V. RESULTS AND DISCUSSION OF THE FINDINGS

- The findings regarding knowledge about financial institutions among youths revealed that all respondents were aware of the existence of financial lending institutions in Malawi. The primary sources of information were friends, radio, television, and relatives, with friends playing a predominant role in spreading awareness about the National Economic Empowerment Fund (NEEF). The study also highlighted that 80% of respondents associated NEEF primarily with providing loans, while only 20% recognized its role in offering training. Regarding the accessibility of information channels, the study uncovered varying perspectives among respondents. While half believed that the current information channels were easily accessible, the other half held a contrasting view, indicating a divergence of opinions within the surveyed population. This emphasizes the importance of considering individual perspectives when evaluating the effectiveness of information dissemination channels. Moving on to the findings from the Vision Fund, the study focused on respondents who had taken loans more than once. The sources of information about financial institutions for this group were mainly friends, with 75% citing interpersonal connections as their primary knowledge source. The study also explored the ease with which channels conveyed messages about Vision Fund, revealing that 62.5% of respondents found the channels easily accessible.

- The research findings highlight several challenges faced by youth in accessing microloans from financial institutions. Firstly, the repayment period for loans was not explicitly detailed but emerged as a potential obstacle, suggesting that shorter periods may strain the financial capacity of young borrowers. The demand for collateral, although not explicitly addressed, remains a traditional barrier, potentially limiting access for youths without substantial assets. Delays in the loan approval process, while not specified, may impede timely financial assistance. The study did not provide specific interest rates, but the absence of such information underscores a critical factor, as



high interest demands can discourage youth from pursuing microfinance options or create financial strain during repayment. Divergent opinions on the accessibility of information channels were noted, suggesting challenges for some youth in obtaining accurate and timely information about available microfinance options. In summary, these findings shed light on the multifaceted challenges that youth encounter in their efforts to access microloans from financial institutions.

- The research findings underscore the multifaceted challenges faced by youth in accessing microloans, prompting valuable insights into potential strategies for improvement. The study reveals that reducing interest rates, eliminating deposit fees, and shortening the duration after loan application are proposed solutions, with respondents emphasizing the need for changes in National Economic Empowerment Fund (NEEF) rules. Notably, the provision of a two-month grace period for loan repayment emerged as a positive response to the challenge of early repayment. Additionally, enhancing awareness about financial institutions was addressed, with suggestions including radio sensitization, recruitment of more workers, and outreach programs. The findings from the Vision Fund mirrored similar concerns, with respondents proposing strategies such as interest rate reduction, removal of deposit fees, and a shorter waiting period for loan approval. The study concludes by highlighting the youths' recommendations to collaborate with non-financial entities and integrate financial education into the secondary school curriculum as further measures to improve financial literacy and inclusivity. Overall, the research provides a comprehensive understanding of challenges faced by youth and proposes actionable strategies to enhance their accessibility to microloans and financial information.

VI. RECOMMENDATIONS AND SUGGESTIONS

Young entrepreneurs encounter significant challenges in accessing loans from financial institutions due to limited resources, inadequate collateral, and a lack of business experience. These difficulties are compounded by high credit costs, including interest rates and various fees. Institutional policies and government regulations further impede economic freedom for young entrepreneurs, impacting their awareness of opportunities. To address these challenges, the study proposes recommendations. Firstly, there is a need for skill development and training to enhance entrepreneurs' ability to manage ventures and increase loan repayment capacity. Streamlining loan access processes is crucial, involving simplifying administrative procedures and expediting fund disbursement to meet urgent financial needs. Enhancing transparency on interest rates is recommended, emphasizing clear communication to bridge the awareness gap among borrowers. Additionally, improvements in loan disbursement conditions are suggested, with a focus on the Youth Enterprise Development Fund adopting a more flexible approach, adjusting eligibility criteria, collateral requirements, and other conditions to better align with the unique realities faced by young entrepreneurs. Overall, fostering transparency and accommodating frameworks for loan disbursement are key to building trust and promoting a mutually beneficial relationship between financial institutions and young