

CONTRIBUTION OF LOCAL GOVERNMENT LOANS TO YOUTHS ON INCOME INCREMENT: A CASE STUDY OF MAFINGA TOWN COUNCIL, IRINGA REGION, Tanzania

ABSTRACT

This study assessed the contribution of local government loans to youths on income increment in Mafinga Town Council, Iringa Region. The study used cross-sectional survey design and the sample of population selected from four (04) wards. The study used mixed approach which involved both quantitative and qualitative methods. The study collected data using interviews and Focus Group Discussion for qualitative approach and questionnaires for quantitative approach. The study showed that the presence of Income Generating Activities (IGA) before the provision of loans to Youths by Local Government Authorities (LGA) was low because large number of youths 63 (44.1%) had no IGA and only a few youth 43 (30.1%) and 37 (25.9%) showed that they had IGA. However, after getting loans from LGA showed that most youths had income generating activities compared to before. Types of IGA before loan provision to youths was found to be farming 43(30.1%) and livestock keeping 37 (25.9%) After the provision of loans to youths by LGA, the types of IGA were motorcycle driving g (*Bodaboda*) 19 (13.3%), block making 8 (5.6%), hairdressing 31 (21.7%), livestock keeping 33 (23.1%), tailoring mart and embroidery 14 (9.8%), carpentry 18 (12.6%) and farming 20 (14.0%). Generally, the results showed that more IGA were realized after the youths received loans from LGA. Based on the findings of the study, it is recommended that LGA loans provided to youths aimed at income increment through small enterprise development and use of financial instruments and other support to youths' employment or IGA. In line with the study results, it can be concluded that governments' provision of loans to empower youths in the country has an advantage of improving economic youths' status in income increment through the benefit obtained from IGA. It is recommended that youths in the country are to attain the pre-stated objectives of the loans provision toward youths' income increment.

Key words: Income increment, Income Generating Activities (IGA), Local Government Authorities (LGA), Local Governments Loans, Youth Empowerment, Mafinga Town Council.

1. INTRODUCTION

Limited capital that contributes to an increasing rate of economic restructuring, health risks and lack of substantial entrepreneurship skills have among challenges facing youths globally (Kemunto, 2014). Young people constitute about 1.2 billion of the world population, which is close to 90 percent of the world's youth who live in developing countries. In Africa, the youth population is projected to reach 830 million 2050 (United Nations Education, Scientific and Cultural Organization (UNESCO), 2023). According to the United Nations Program on Youths (2012), youths aged between 15 and 35 years represent approximately 34% of the global population, nearly 2.4 billion people. In Africa, youth population represents 30%, while in Tanzania, youths are about 68% of the total population. Youths' population therefore forms the largest source of human resource (Macharia et al., 2014). However, it is disappointing that youths have not been fully utilized for social, economic and political development (Adams, 2011).

As the global youth population continues to grow, youth empowerment has become an important cross-cutting issue for achievement of all of the Sustainable Development Goals (UNESCO, 2023).

Also Mecha (2017) argued that youths' empowerment and capacity building are of significance as they will not only enable them to have a voice, but also encouragement, hope for tomorrow; sharpen their skills and hence allow them to access future economic opportunities. Along a related view, the UNDP Youth Strategy 2014 – 2020 further put that, empowerment for youths should go beyond economic, to include their active participation in planning for their lives. The government has designed and implemented various initiatives ranging from small pilot projects to large-scale programs, including the Youth Development Fund (YDF) and the soft loans from the LGAs to empower youth (Haji, 2015).

YDF operates in various African countries like Kenya, Zambia, Botswana and Mali, aiming at youth empowerment by addressing the issue of youth unemployment through encouraging young people who could not find formal salaries employment to pursue entrepreneurship and self – employment in various income generating activities (Ogutuet et al.2011; Sikenyi, 2017).

In Tanzania YDF was created in 1994 and aimed at empowering youth through small enterprise development using financial instruments and other support that enable it to increase income (Regina et al., 2020). Youth empowerment through soft loans and youths' funds provided by the government is perceived as a silver stone to address a problem of youths' empowerment and influence their access to financial capital and, therefore, economic growth (Kitabu, 2021; Magali & Mbagwa, 2021). Moreover, youth's empowerment through government soft loans in their small enterprises can be considered as a measure that leads to asset ownership to youths, food accessibility, and youth to access health services (Chinedu & Yunusa, 2014; Regina et al., 2020). Loans allow for the growth in the overall money supply in an economy and open up competition by tending to new businesses and enabling individuals to earn their future life (Valckx, 2017).

Local Government Authorities (LGAs) are supposed to allocate 10% of the internal revenues to be provided to youths (4%), women (4%) and people with disabilities (2%) and reflected in the national budgets (Agricultural Non- State Actor Forum, 2019). In 2018 the Local Government Financial Act of 1982, CAP 290, section 37A was amended to mandate local councils set aside 10 percent of own sources of revenue at no interest rate to empowerment loans for women, youth and people with disabilities (Kitabu, 2021).

The Mafinga Town Council Community Development Division Report of 2022 shows that in the financial year 2020/2021 alone, the council managed to provide a total of Tshs. 607,323,601/= whereas Tshs. 331,307,865 were provided to 88 groups of women and Tshs. 233,031,265/= were provided to 40 groups of youths. Only 14 groups of people with disabilities received loans amounting to Tshs. 42,984,471/=. The study intended to study this year because provision of loans to special groups including youth at Mafinga Town Council shows to increase a lot compared to other three years back. For example, for the year 2017/2018, 2018/2019 and 2019/2020 the total provision of loans was 47,000,000/=, 121,000,000/= and 124,200,000/= respectively. This proposed study therefore intends to assess the effectiveness of youth development loans in contributing to empowering the youths.

Many studies have investigated on youth's empowerment through microfinance and soft loans from the government and other financial institutions; for example, Ondoro *et al*, (2012) investigated the effect of microfinance services on the financial empowerment of youth, Issa

and Kiruthu (2019) investigated the effect of youth enterprise development fund on the performance of youth enterprises, Agufana (2015) investigated the influence of youth empowerment programs on national development and Ediomu- Ubong and Iborokpo (2010) investigated the micro- credit programme and poverty alleviation to the youth. However, much is yet to be known on the contribution of the LGAs' loans to youth's empowerment particularly on income increment. It is against that background. This study was carried out to answer the question: what is the contribution of the LGAs' loans on empowerment of youths specifically on income increment using Mafinga Town Council as a case.

The findings of this study will: (i) contribute to our understanding of Local Government's loans to youth on addressing their economic challenge as capital to the small enterprises in order to increase income to meet their basic needs (ii) complement to National Strategy for Sustainable Development (NSSD) in all aspects of sustainability of the society including youth empowerment, Sustainable Development Goals (SDGs) by eradicating poverty to youth by empowering them and the National 2025 Development Vision which focus on promoting sustainable and broad-based growth for all Tanzanians, (iii) complement National Youths Development Policy (2007) that stated to empower youths in various areas including provision of working capital and obtaining friendly social services.

2. LITERATURE REVIEW

Increase in income is one among the essential indicators of improvement. There are different ways in which poverty can be eradicated. Theoretically, channels through which Local Government Loans affects the poor have been well documented (Hulme, 2000). In literature, many studies have revealed that microfinance institutions help to alleviate poverty through the provision of credit to marginalized societies. Availability of loans helps diversify household income and smoothens household expenditure, allowing them to absorb economic shocks and fluctuations (Samer *et al.*, 2015).

Local Government loans and other forms of loans like that from the government have been defined by Herbert (2019) as "The provision of financial services to low-income people". The term microfinance does not only mean the extension of small loans to disadvantaged people, it further includes different types of small products and financial services such as saving,

insurance and micro leasing (*ibid*). The term microfinance has its root in microcredit which has been evolved in latest decades, it is considered to be one of the new tools used for poverty and unemployment mitigation in various developed and developing countries. Despite other shortcomings of microfinance and government loans, considerable social, economic and political changes have been witnessed to the youths benefiting from these services in Tanzania (Itondoka, 2018).

According to Mbaluko (2014) loans from the Youths Enterprise Development Fund is a good chance for countries to get rid of poverty and to create new job opportunities for unemployed people and develop home based businesses. It offers them an easy access to funds that contribute to better living standard for their families. These micro and small loans play a vital role in assisting households to overcome the financial difficulties faced in life. Youths in many studies are reported to get their benefits from the participation in microfinance and loans programs, this participation led to greater independence, more freedom, and improvement in their business skills, better self-esteem, and more self-confidence. The opportunities to take decision in the family and outside increased and their economic situation improved, resulting in increasing their income and securing their future (Herbert, 2019).

The study by John (2021) on the contribution of YDF – supported income generating activities found that there was a significant change in proportion of respondents in income increase following the YDF –supported IGAs. Also, Regina *et al.* (2020) argued that for youths to access funds from the YDF, their ability to secure funds from other sources was enhanced. The Tanzania Economic Empowerment Fund (EEF) and Youth Development Fund (YDF) had a big emphasis on income increment. The objectives of these funds included creation of jobs through income generating activities and avail credit to youths with business ideas and projects and to promote the culture of banking and saving (ILO, 2012)

According to Sehaba L.B (2022) stated that soft loans to youths in income generating activities contribute in income increment and enabled them to established another business enterprises. The loans provided to vulnerable persons with free interest compared to other financial institution increase confidence, voice and economic empowerment to youth (Mwankuga A. 2018)

Michie and Lobao (2012) noted that assets can be used to create new financial instruments and provide for future consumption and are a source of security against contingencies from individual to a family level as contingencies count to unexpected expenses in one's daily life. However, considering that only a few YDF-beneficiaries have been able to acquire assets, the YDF has not succeeded in helping most of the youths to own assets and increase income. Haji (2015) and Mussa (2013) argued that the little financial support which is provided by the credit schemes in most cases becomes the major obstacle towards the performance of the schemes.

An important indicator of improvement in livelihood was the increase in income which could be measured in terms of the change in the value of assets owned. Studies show that there is a statistically significant change in the proportion of respondents owning assets following the financially supported IGA. Regina *et al.* (2020) reported that the percentage of respondents owning an asset in the form of a motor cycle increased from 3 (1.5%) before engaging in YDF-supported IGA, to 41 (20.5%) after being involved in YDF-supported IGA which has not reached even half of the respondents.

By accessing the loans, the ability of the youth to secure funds from other sources is enhanced to some extent, since assets act as a financial instrument that offers security against financial needs of an individual. The study by Michie and Lobao (2012) noted that assets can be used to create new financial instruments and provide for future consumption and are a source of security against contingencies from individual to a family level as contingencies count to unexpected expenses in one's daily life.

Increased income and improved livelihood are also measured through the methods of saving used, since there is a tendency to rely more on formal savings institutions with increased income. Existence of formal savings is also an indication of an increase in assets. The study by John (2021) revealed that there is a significant difference in the methods used for saving among the beneficiaries of YDF before and after YDF support. This may imply that there is an increase of income of the youth from the IGAs supported which improved their ability to save and thus offers financial security and asset. Assets such as savings are one of the vital components of a family's economic security. Both income, human and social capital and savings are called assets because they can act as a cushion for families in case of job loss, illness, death of a parent, or even natural disaster (Aratani and Chau, 2010).

Literatures show that saving through Village Community Banks (VICOBA) and banks are the common saving methods used by youths in most local communities. Other youth use a variety of other methods such as “upatu” (a kind of Rotating Savings and Credit Associations – ROSCAs), and a small proportion do not save at all. Regina *et al.*, (2020) discovered an increase in the awareness and use of formal ways of savings for the youths whose IGAs were supported by YDF. The study further concluded that group empowerment may be more successful than individual empowerment among youth since group saving ensures the existence of the group and hence improves sustainability of the IGAs established by members.

According to Sumberg and Flynn (2018), savings through groups can help to facilitate operational expenses and cash flow and thus members’ and micro-enterprises established can have an opportunity to transform to a better situation. Therefore, there is a need to increase efforts to promote youth groups as a first step towards financial inclusion and economic empowerment for community development and livelihood improvement. **Therefore, there is a need for the youth to be assisted as they try to improve their livelihoods and participate in the economic development of the country (Banks, 2016)**

The study by Regina *et al.* (2020) also reported the financial empowerment by the YDF support has contributed to rise income among youth beneficiaries. According to the study, 81.5% of the respondents who were youths, reported to be able to consume three meals per day which is due to increased of income. Furthermore, the study reported increase in income of the beneficiaries, which also increased the ability of youths (purchasing power) to have a variety of dietary foods. Itondoka (2018) revealed that credit and savings facilities can help poor rural households manage and often supplement their resources and acquire adequate food and other basic necessities for their families. Excess profit obtained from income generating activities enabled them to save in various financial institutions and finally they take advantage of potentially profitable investment opportunities.

Simeo (2011) argued that provision of microfinance to the vulnerable has been considered an innovative and sustainable approach where the youth can engage in micro enterprise activities to generate income so as to improve their livelihoods and social welfare because of increased income to the beneficiaries.

Household income is another indicator of youth empowerment. According to Organization for Economic Cooperation and Development (2015), assessing household income and expenditure by looking consumption of household. Consumption tends to be driven by permanent, long – term income more than short – term changes in income. In this situation it is important to consider young people’s own perception of their economic situation whether or not they feel confident enough to make major purchases.

Household expenditure consists of expenditure incurred by resident households on goods or services that are used for the satisfaction of needs or wants (Inee, 2021). Increased household income contributes to the rise in advanced and emerging market economies (Valckx, 2017).

World-wide, youths are considered as a focus for change; as such every country in the world works on how youth manpower can best be utilized to foster economic development (UNESCO, 2021). The major global concern is on how the governments consider youth as an opportunity and not a problem. Thus, globally different countries took initiatives in mainstreaming youth economic empowerment policies, plans and implementing programmes that would create a good environment for youth to participate in economic development and improve living standards (UNESCO, 2021).

Many studies have been conducted about the role of Local Governments loans in improving people’s welfare as shown above in literature review. For instance Regina *et al*, (2020), Haji (2015), Banks (2016), Kitabu (2021) and Magali and Mbagwa (2021) stated that YDF was supported income generating activities among youth has contributed significantly to improve livelihood of the beneficiaries in terms of income increment, saving and other social services. The contribution observed to a large extent was influenced by an increase in income among of the youth YDF beneficiaries. The drawbacks from many these literatures was delay of some LGAs to allocate 10 percent of their own source revenue to special persons, financial inequalities among LGAs, low repayment rates, short period of paying back the loans, low revenue collections by LGAs which reduced the overall allocation of fund and failure to research all areas on contribution of loans to youth empowerment.

Many literature was suggested LGAs to collect all revenues by any means, training is crucial for youth before accessed loans to enable them to improve on their small enterprises, local and central government should be allocated enough fund to youths so as its impacts can be increased for the general well-being of youths and the whole country

3. METHODOLOGY

3.1 Design and Approach

This study employed the mixed methods approach which combines the quantitative and qualitative approaches; this is because of triangulation procedures which involved the use of more than one collection tools. The quantitative approach used the questionnaire and qualitative approach used key informant interview (KII), in-depth interview, Focus Group Discussion and Documentary review. This study employed cross-sectional survey design. The design allows collection of data from different respondents at a time since they can be conducted relatively faster and they are inexpensive (Setia, 2016). The objective of using cross sectional was to get a 'snapshot' or a picture of a group at a cheapest way.

3.2 Population and Sampling

In this study, the sample size was 143 youths (key respondents) and 10 key informants (seven Community Development Officers from four wards, one Town Council Development Officer and two Community Development Officers who coordinate loans) were involved in collection of data.

3.3 Methods of Data Collection

3.3.1 Questionnaires

Both structured and unstructured questionnaires were used. The questionnaires were used to obtain information from the youths that have accessed and received loans from the council. A questionnaire is a relevant tool as it provides the freedom to the respondents to freely express his/her opinion without being pressured or influenced.

3.3.2 Interviews

Face to face interview was used to collect information from the key informants who study were the community development officers at the ward level, the government staff council's Community Development Division especially the Town Community Development Officer (TCDO) and the Group's coordinator. The interview was purposely used to supplement information collected through questionnaire.

3.3.3 Focus Group Discussions

Focus Group Discussions involve gathering people from similar backgrounds or experiences together to discuss a specific topic of interest. It is a form of qualitative research where questions are asked about their perceptions attitudes, beliefs, opinion or ideas (Tegan, 2021). This method was used to groups of youths who have received loans from the Mafinga TC for the purpose of extracting ideas to supplement information collected through questionnaires and interviews.

3.3.4 Documentary Review

The researcher passed through various documents concerning the topic of study. The document that was sought includes; quarterly and annual report from Community Development Division, Mafinga Town Council socio-economic Profile, Mafinga Town Council Five Years Strategic Plan 2021/2022 – 2025/2026. Relevant information was also extracted and reviewed from files and other records published which contained essential data in the area to be studied. This method also was useful because it was supplementing the interview, questionnaire and focus group discussion methods.

3.4 Validity and Reliability

According to Middleton (2019), elaborate Reliability and Validity as a concept used to measure the quality of research. It shows how well it is to measure something.

According to Ahmed and Ishtiaq (2021), validity of research study refers to how well the results among the study participants represent true findings among similar individuals outside the study. The researcher-maintained validity by training research assistants, questionnaires were translated into Swahili language for understanding of respondents, monitoring of research activities, nominating committed research assistants and use of multiple approaches in collection of data was applied.

In case of reliability, testing of research tools was done, modification and flexible adapted as advised by research supervisors. Triangulation or multiple methods of data collection and analysis used, to maximize reliability. The advantage of using the multiple tools like FGD, face to face interviews and research questionnaires was to ensure that the researcher was able to obtain even the information that she would have missed in case one instrument was to be used. On the other hand, the assistant researcher was useful especially in recording the information that the researcher would have missed.

4. RESULT AND DISCUSSION

Contributions of Local Governments Loans on Youths' Income Increment in Mafinga Town Council

4.1 Income generating activities

Results (Table 1) reveals that the presence of IGAS before loans were so low in the sense that large number of youths 63 (44.1%) had no IGAs and only small number of youths 43 (30.1%) and 37 (25.9%) showed that they had IGAs that include but not limited to farming and livestock keeping respectively. While after getting loans from LGA, it showed that most youths who were beneficiaries of LGA loans had IGAs.

Table 1: Types of IGA before and after loan

| IGA Before loan | Frequency (n=143) | Percent (%) |
|--|--------------------------|--------------------|
| Didn't have any | 63 | 44.1 |
| Farming | 43 | 30.1 |
| Livestock keeping | 37 | 25.9 |
| Total | 143 | 100.0 |
| IGA After loan | | |
| Farming | 20 | 14.0 |
| Livestock keeping | 33 | 23.1 |
| Tailoring mart and embroidery | 14 | 9.8 |
| Hair dressing | 31 | 21.7 |
| Carpentry | 18 | 12.6 |
| Motor cycle riding (<i>Bodaboda</i>) | 19 | 13.3 |
| Block making | 8 | 5.6 |
| Total | 143 | 100.0 |

Source: Field Data, 2023

Also, Results (Table 1) show that provision of loans to youths have significant contributions to an increase on IGAs that were implemented by youths in Mafinga Town Council that included: farming 20 (14.0%), livestock keeping 33 (23.1%), tailoring mart and embroidery 14 (9.8%), hair dressing salon 31 (21.7%), carpentry 18 (12.6%), Motor cycle riding 19 (13.3%) and block making 8 (5.6%). This implies that more IGAs were realized after the youths have received loans from LGA.

The data from Table 1 above are in line with those obtained from interview and FGDs as follows:

One of youths explained the following

You know before I got loan from LGA, I had no other IGA than engaging in farming activities which was done traditionally by getting the experiences from my parents and other surrounding community members. And that the farming activity was conducted for subsistence purposes only and not for generating profits (FGD youth from ward B July, 2023)

Another respondent added :

Obviously, it is clear that if the Youth has no any IGA possibly, he/she can automatically be pulled by farming activity traditionally because there are no any other activities that can be done by youths if there is no any government support (Interviewed CDO from ward A July, 2023)

The study observed the importance of LGA loans to youths in changing their types of IGA from traditional farming to other IGA activities which could increase their level of income after receiving the loans as compared to the situation before receiving the loans from LGA.

4.2 Youths' income increment per day

Results (Table 2) reveals that there was youths' income increment per day before and after getting loans from LGA, as most of youths 88 (61.6%) were capable of earning between Tshs.1000-5000 and Tshs.6000-10,000 per day while 47 (32.9%) were earning between Tshs.11000-20000 per day.

Table 2: Youths' income increment per day before and after loan

| Youths' income increment | Frequency (n=143) | Percent (%) |
|---------------------------------|--------------------------|--------------------|
| Before loan | | |
| 1000-5000 | 47 | 32.9 |
| 6000-10000 | 41 | 28.7 |
| 11000-15000 | 33 | 23.1 |
| 16000-20000 | 14 | 9.8 |
| 21000 and above | 8 | 5.6 |
| Total | 143 | 100 |

| Youths' income increment | | |
|---------------------------------|------------|------------|
| After loan | | |
| 1000-5000 | 2 | 1.4 |
| 6000-10000 | 28 | 19.6 |
| 11000-15000 | 29 | 30.3 |
| 16000-20000 | 22 | 15.4 |
| 21000 and above | 62 | 43.4 |
| Total | 143 | 100 |

Source: Field Data, 2023

Result (Table 2) also reveals youths' income increment per day before and after receiving the loans from LGAs. It is clear from table 2 that youths' income increment rose after the youths received the loans from the LGA. Many youths 62 (43%) were capable of earning Tshs. 21,000 and above; 29 (20.3%) were capable of earning Tshs. 11,000-15,000 per day; 28 (19.6%) were capable of earning Tshs.6000-10,000 per day; 22 (15.4%) were capable of earning Tshs.16,000-20,000 per day and a very small number of youths 2 (1.4%) were capable of earning Tshs.1000-5000 per day.

The data obtained through the questionnaire above concurs with those obtained through the interview and Focus Group Discussion as presented below:

When the researcher asked the respondents who were the key informants about the contributions of Local Government Loans on Youths' income increment from Mafinga Town Council, they had the following to share:

Obviously, the loans which are provided by the Local Government to youths in Mafinga are very helpful to youths especially in curbing the problem of income deficit because they help youths to earn more cash than before getting the loans. But what faces youths is lack of financial skills on how to keep and properly utilize the extra income they get (Interviewed Town Development Officer from Mafinga Town Council July, 2023).

Another key informant who is the Community Development Officer from ward A added that:

To be honest, youths from Mafinga Town Council have benefited to a great extent from the loans which are provided to them. Most of the youths have used the loans in addition of starting the new income generating activities like buying motor cycles, opening small shops, opening saloons, and engaging in farming and poultry production. Therefore, through youths' engagement in these activities they have found themselves raising their per capita income compared to previous time before getting the loans (Interviewed Community Development Officer from Ward A July, 2023).

Again, the researcher had a time with another CDO from Ward B in Mafinga Town Council and asked to explain according to her experiences how Local Government loans have helped the youths from Mafinga Town Council to raise their income. The following were their voice:

To be frank, the economic situation of the majority of youths from Ward B have changed their life styles both socially and economically in the sense that before the provision of the loans, most of the youths were engaging in non-economic activities which wasted a lot of their time like playing games, betting watching movies and playing "bao" but after they got loans, their behaviors changed positively because most of them were seen very busy in their chosen income generating activities which have played a very big part in raising their personal income (Interviewed CDO from ward B July, 2023)

One CDO from Ward D explained the following:

On my side, I don't see any changes in the youth's life situation before and after they have received the loans. because experiences have shown that most of the youths once they get loans initially, they start business instead of developing the business which lasts for a short period of time and they quit claiming that government taxes on their initiated business are so high which causes them to use all the profit generated from their businesses to pay taxes. Ultimately these youths are saying that, the provided loans are torturing instead of benefiting them (Interviewed CDO from ward D July, 2023)

Another CDO from Ward A had the following to share:

I remember one of the youths who received the loans came to me seek assistance on how she could use the received loans because she never knew where to start with the loans she received. What happened to this youth was that she came with a lot of plans to be completed by using the received loans like finishing the construction of the house, sending her young brother to school, opening the hair dressing saloon etc. which in real situations could not be attained by using the amount of loans she received (Interviewed CDO from Ward A July, 2023)

One CDO from Ward D added that:

Most of the immoral activities in my wardlike heft, robbery, prostitution etc. are committed by youths. The issue which has been realized as to why youths are motivated to engage in these immoral behaviors is lack of both formal and informal employment, a situation which causes youths to find alternative ways of generating income which are morally not accepted. Through the loans which have been provided to youths, it has been noticed in my ward that immoral behaviours have decreased tremendously, because recently the youths who have received the loans are busy with their income generating activities and that their economic and social wellbeing have been rising over time (Interviewed CDO from Ward D July, 2023).

The Community Development Officer from Ward C said this concerning the contributions of Local Government Loans on Youths' income increment:

The loans which are provided by the government to youths have predetermined objectives which need to be attained by all youths like the issue of unemployment among youths in the country and improvement of youths' economic and social wellbeing. When these loans are provided by the government to youths, most youths do not use the loans as intended that is why they end up incurring big loss to the government when Youths fail to repay back the loans. It is therefore noted that lack of entrepreneurship skills on how to use the loans is a big challenge to most of the youths from MTC (Interviewed Community Development Officer from Ward C July, 2023)

Another Community Development Officer from Ward B had the following to explain:

Loans are not free services which are provided by the government to help youths, rather they are income generating asset which are intended by the government to help all youths in the country. It is therefore important for the youths to get rid of the negative attitude of such kind because by doing that they will find themselves irresponsible difficult to notice the pros of loans in improving the economic welfare. Most of youths who have received the loans in my ward have this negative attitude, a situation which causes them to be lazy and unproductive (Interviewed Community Development Officer from Ward B July, 2023)

One loan beneficiary from MTC who is a youth at Ward C explained the following:

I thank the MTC for enabling youths to get loans with simple conditions like no interest of loans. Really, the loans which I have received have helped me solve a lot of life challenges both social and economic. Socially I have come to positive interaction through my business (café) I have started and economically I have become possible to save Tshs. 15,000/= each day. Through that I have been in a position to take care of my family without any problem (FGD with Youth who received Loan from Ward C July, 2023)

Another youth from Ward A said:

I do always believe on one religious saying that is very common. “An idle mind is the devil’s workshop” that is also applied in the economic point of view that “youths without capital are useless” when youth are enabled with initial capital, they become active, strong and economically efficient. The loans which are provided are so useful to the youths including myself. Through the loans I have received, my life has changed drastically because I have been able to generate new extra income. What matters is personal self-efficacy on fulfilling his/her pre-planned activities (FGD with Youth who received Loan from Ward A July, 2023).

The study observed that the loans provided by LGA to youths at Mafinga Town Council had a positive impact to the Youths’ Income Increment per day compared before the provision of loan by LGA.

The findings are in line with the results found by Mecha, (2017) where he observed that opportunities for youths to take up responsibilities in the community depend a great on how they have been nurtured and socialized in the community since childhood. The youths, just like other able - bodied citizens have the right to participate in various development activities, therefore the issue of youth contribution towards national development needs to be given due weight by the government by providing them with loans to enable them implement development plans and participate in community development from household to a nation levels.

This observation concurs with that seen by Banzi, (2012) and Mgalula, (2012) who differently conducted their study about Women Development Fund in Dar es Salaam Region and Arumeru District respectively. These researchers found that Women Development Fund loan assisted youths (women) to generate more income which helped them to purchase and own things which they were not able to own before because of their poverty.

The study found that LGA of Tanzania have been assisting youths from Mafinga Town Council from 2017 to 2021 as follows, in the year 2017-2018 the total amount of loans provided to youths were Tshs.47,500,000/=, whereby the greatest amount which was provided was Tshs. 2,000,0000/= and the lowest amount was Tshs.1,000,000/=; in the year 2018-2019 the total amount of loans provided to youths were Tshs. 89,500,000/=, whereby the greatest amount which was provided was Tshs 5,000,000/= and the lowest amount was Tshs 1,000,000/=; in the year 2019-2020 the total amount of loans provided to youths were Tshs.172,722,364/= whereby the greatest amount which was provided was Tshs.

8,000,000/=and the lowest amount was Tshs. 2,100,000/=; in the year 2020-2021 the total amount of loans provided to youths were Tshs. 233,031,265/= whereby the greatest amount which was provided was Tshs 12,000,000/= and the lowest amount was Tshs2,500,000/=.

The amount provided to youths depended on the nature of the IGA they have and the repayment capacity of the provided loans.

4.3 Youths’ ability to save money for future use

Results (Table 3) reveal the youths’ ability to save money for future use before and after loan. The findings revealed that large number of youths 103 (72%) were not able to save money for future use before the loan while very small numbers 40 (28%) of youths were not able to save money for future use before they received loan from LGA.

Table 3: Youths’ ability to save money for future use before and after loan

| Youths’ Ability to save money for Future use Before loan | Frequency (n=143) | Percent (%) |
|---|--------------------------|--------------------|
| Yes | 40 | 28.0 |
| No | 103 | 72.0 |
| Total | 143 | 100 |
| Youths’ Ability to save money for Future use After loan | | |
| Yes | 142 | 99.3 |
| No | 1 | 0.7 |
| Total | 143 | 100 |

Source: Field Data, 2023

Also, the finding in Table 3 above shows the youths’ ability to save money for future use after loan. The study findings reveals that large number of youths 142 (99.3%) were able to save money for future use after receiving loan from LGAs while the smallest number of youths 1 (0.7%) was not able to save money for future use. The findings have revealed the importance of loans provided by LGA to youths on enhancing their ability to store money for future use compared to before provision of loans by LGA. The findings from table 3 above support the findings which were revealed by Johansen, (2017) where he found that both micro-credit and micro savings increased the levels of youths’ savings, saving money is one of the essential aspects of building wealth and having a secure financial future. Saving money gives youths a way out of the uncertainties of life and provides them with an opportunity to enjoy a quality life. Putting aside a sum of money in a systematic manner can help you steer out of many hurdles and obstacles in life. It can support you in your hour of need and ensure that your family has something to fall back on in case of an unfortunate event. There are many reasons to save and several ways to save with ease.

Saving money can provide individuals with financial security and the ability to achieve their long-term goals. In conclusion, the desire for instant gratification, advertising, low-interest rates, and economic instability are some of the reasons why youths prefer spending money rather than saving it (Kitabu, 2021). Understanding the needs of youth during key transitions and then determining the role that finance can play in fulfilling those needs is important. Providing youth with safe, quality, formal financial service options can help manage the transitions only if the financial tools and products offered address the specific challenges and opportunities youth face (UNESCO, 2023). Youths represent an opportunity if their productive capacity can be harnessed.

4.4 Amount saved by youths per day

Result (Table 4) below reveals the amount of money saved by the youths before and after getting the loans from LGA. The study findings revealed that large number of youths 101 (70.6%) did not save any amount of money per day, followed by 31 (21%) of youths who were only capable of saving Tshs.500-5000 per day and a very small number of youths 8 (5.6%) were capable of saving Tshs.6000-10,000 per day while a single youth 1 (0.7%) was capable of saving Tshs. 16,000-20,000 per day.

Table 4: Amount saved per day before and after loan

| Amount Saved Per Day Before loan | Frequency (n=143) | Percent (%) |
|---|--------------------------|--------------------|
| None | 101 | 70.6 |
| 500-5000 | 31 | 21.7 |
| 6000-10000 | 8 | 5.6 |
| 11000-15000 | 2 | 1.4 |
| 16000-20000 | 1 | 0.7 |
| Total | 143 | 100 |
| Amount Saved Per day | | |
| After loan | | |
| 500-5000 | 46 | 32.2 |
| 6000-10000 | 49 | 34.3 |
| 11000-15000 | 27 | 18.9 |
| 16000-20000 | 12 | 8.4 |
| 21000 and above | 9 | 6.3 |
| Total | 143 | 100 |

Source: Field Data, 2023

Results (Table 4) also reveals amount of money saved by youths per day after receiving the loan from LGA. The findings revealed that average number of youths 49 (34.3%) were able

to save Tshs.6000-10000 followed by 46 (32.2%) who were able to save Tshs.500-5000 per day; 27 (18.9%) were able to save Tshs.11,000-15,000 per day while 12 (8.4%) were able to save Tshs.16,000-20,000 per day and 9 (6.3%) were able to save Tshs.21,000 and above. This implies that there was a contribution of loans to youths because now they can able to save money for future use from zero amounts to 21,000 and above. However, it was found that the amount of money saved by youths per day increased tremendously as compared to the amount of money saved by youths before receiving the loan from LGA.

The findings further revealed that the amount to be saved by youths on daily basis depended on youths' goals, current income and several other factors like important milestones and various financial needs. Hence, there is no one figure that can suit everyone. In order to ascertain the minimum amount of saving required for youths' financial needs, they should take into consideration their future requirements and the time they have left to plan for them (Itondoka, 2018). What was observed is that the spirit of saving money among youths was affected by the amount of income they generated on daily basis, where it was revealed that majority of youths who were studied had a huge income constraint before they received loans from LGA. This situation prevented them to generate more extra income for them to save daily for some of them even lacked the business conduct due to lack of capital. Although it is always better to contribute more to your savings plans, the answer would depend on your current savings pool and needs. Having a specific goal or target you're trying to reach helps you to stay focused on what it is you're trying to achieve. If you don't have a goal in mind of how much you want to save or what you want to use the money for it's easy to let other things take priority (Amu et al., 2018).

Youths' first step in spending money wisely is to come up with a plan. This includes breaking down what youths absolutely need to spend on (needs) and things they just like to have (wants). Both wants and needs tend to fall into two categories: Short-term goals and long-term goals, for many people, money is a source of security and a means of achieving their goals and aspirations. It can be used to pay for basic necessities, such as food, housing, and healthcare, as well as for luxuries, such as vacations and fancy cars. For others, money is a way to gain power, status, and respect in society (Haji, 2022). Due to the fact that Youths are a big work force in Tanzania who occupies more than 60% of total work force, it cannot be overemphasized that they are a group of people who have a unique opportunity and role to participate in the development of the nation. In the community it is the Youths who are

expected to take the responsibility of production, defense and security rendering various social services.

Also, the research results are in line with the study conducted by Mmari and Katera (2018) when they insisted on the provision of loans by the LGAs to the community for the aim of boosting the economic development at the community level. The review of LGA documents revealed that LGAs are providing soft loans to community groups. For instance, on the aspect of youth and women, LGAs in Tanzania under Women and Youth Development Fund Guidelines and Directives issued by the government, each LGA is required to contribute ten percent of its own revenue to a women, youth and people with disabilities revolving fund for the aim of enabling women, youth and people with disabilities to access loans and engage in various economic activities. Again, the study done by Swalehe, (2019) showed that economic activities catalysed by government funds were petty trade, tailoring, and poultry keeping. The Socioeconomic impact brought by government funds provided to youths, women and people with disabilities groups helped members to own assets, provision of quality education to the children, improve meal taken by family (balance diet), lead easy to access health services and help members of the groups to do rational decision making and hence increased their income levels. The study discovered that Youth Development Fund support to youth IGAs has contributed significantly to improved livelihood of the beneficiaries and the contribution observed. For example, few youths were able to own asset while majority were able to afford three meals per day. To a large extent was influenced by an increase in income. Local government plays a critical role in coordinating Local Economic Development planning and promotion, and the provision of most of the basic services which are important to the local economy and improvement of the standards of living for all local communities. World-wide, youths are considered as a focus for change; as such every country in the world works on how youth manpower can best be utilized to foster economic development (UNESCO, 2021). According to Fonke (2019), provision of the loan and training to newly starting or existing enterprise is important, but the utilization of the given fund may lead to the performance of the businesses. Majority of youth in Tanzania engage in several economic activities such as agriculture, animal husbandry, fishing, mining, welding, carpentry, tailoring, petty business and other legal accepted and recognized activities (URT, 2007). In Tanzania, youths' unemployment is a result of lack of skills and technical among the youth, few job opportunities a nation can offer, skills mismatch and lack of capital to invest in informal

IGAs (Haji, 2015). Additionally, the government of Tanzania introduced several policies and initiatives to make youth participate in economic activities.

5. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusions

The second objective inquired to determine the contribution of Local Governments' loans to youths on income increment. The results showed that the presence of Income Generating Activities (IGA) before loans were so low in the sense that large number of youths 63 (44.1%) had no income generating activities and only small number of youths 43 (30.1%) and 37 (25.9%) showed that they had income generating activities like farming and livestock keeping respectively. While after getting loans from LGA showed that all most youths have income generating activities compared before.

It was further findings shown that youths' income increment per day before getting loan from LGA large number of youths 88 (61.6%) were capable of earning between Tshs.1000-5000 and Tshs.6000-10,000 per day; while youths' income increment per day rises after the youths received the loans from the LGA. Large number of youths 62 (43%) were capable of earning Tshs. 21,000 and above; However, the results have shown that youths 103 (72.0%) cannot able to save money for future use and only youths 40 (28.0%) were able to save money for future use before loan. After getting loan from Council the result shown that large number of youths 142 (99.3%) were capable to save money for future use and only 1 youth cannot able to save money for future use. This was possible due to the profit incurred in income generating activities. The result shown that there is a contribution of loans to youths because now they can able to save money for future use from zero amounts to 21,000 and above.

The contribution observed to a large extent was influenced by an increase in income among youth loan beneficiaries. This conclusion in reached while keeping other factors constant such as financial assistance from other institutions, family, friends and fellow youths' groups.

5.2 Recommendations

The general recommendation of this study is that the LGA loans provided to Youths aimed at employment creation through small enterprise development and use of financial instruments

and other support to youths' employment or IGA. Youths in the country are to attain the pre stated objectives of the loans provision toward youth empowerment. It is through these loans where youths get acquainted with improved behaviour, income increment, increased self-esteem and increased self-efficacy. Furthermore, the government through the Youth Development Policy of 2007 which focuses on youths' development issues like economic empowerment, health and employment promotion, youth participation, gender, sports, arts and culture. **The Ministry of Labour Youth Employment and Persons with Disabilities should continue improving the implementation for this policy and expand the operation of Local government loans to cover more youth and increase amount of fund so as its impacts can be increased for the general well-being of youths and the whole country.**

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