

THE EFFECTS OF MICRO FINANCE ON YOUTH EMPOWERMENT: A CASE STUDY OF

THE NAMIBIA YOUTH CREDIT SCHEME IN OTJIWARONGO

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DECLARATION

I certify that this work contains no material which has been accepted for the award of any other Master's degree in my name, in any university or other tertiary institution, and to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text. In addition, I certify that no part of this work will in the future, be used in a submission in my name, for any other degree or diploma in any university or other tertiary institution without the prior approval of the University of Namibia. I give consent to this copy of my thesis, when deposited in the Namibia Business School of the University of Namibia Library, being made available for loaning.

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DEDICATIONS

I dedicate this work to the Almighty Father God, my creator, my strong pillar, my source of inspiration, wisdom, knowledge and understanding. He has been the source of my strength throughout this study and on his wings only I have soared.

The work is also dedicated in loving memory of my parents, Mr and Mrs Daniel – Iitondoka, for appreciating the gift of life.

In loving memory of my primary school teacher, Kuku Helena Atshikoto Ambuga, I dedicate the work, for the love of education you instilled in me at a tender age.

Finally, I dedicate this work to my son, Shawn Iitondoka, for making every day of my life special.

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ABBREVIATIONS

AIDS	Acquired Immune Deficiency Syndrome
CGAP	Consultative Group to Assist the Poor
CYB	Credit for Youth in Business
CYP	Commonwealth Youth Programs
HIV	Human Immune Virus
ILO	International Labour Organization
IMF	International Monetary Fund
K- REP	Kenya Rural Enterprises Program
KWFT	Kenya Women Finance Trust
M&E	Monitoring and Evaluation
MDGs	Millennium Development Goals
MFIs	Monetary Fund Institutions
MYNSSC	Ministry of Youth, National Services, Sport and Culture
NAMFISA	Namibia Financial Institution Supervisory Authority

NGOs	Non-Government Organizations
NRDP	Namibia Rural Development Project
NSA	Namibia Statistics Agency
NYCS	Namibia Youth Credit Scheme
OVC	Orphan and Vulnerable Children
ROSCAs	Rotating Savings and Credit Associations
SCAs	Savings and Credit Associations
SMEs	Small and Medium enterprises
SSC	Social Security Commission
UNCDF	United Nations Capital Development Fund
UNIFEM	United Nations Development Fund for Women

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ABSTRACT

The purpose of this study was to analyze the effects of Microfinance on youth empowerment. The researcher targeted 72 beneficiaries of the Namibian Youth Credit Scheme in Otjiwarongo. A descriptive research design was adopted and purposive and systematic sampling methods to select 72 respondents of which 55 participated in the survey. Descriptive and Chi-square test statistics were used to analyze the data. The findings of the study seem to suggest that NYCS is an effective tool to alleviate poverty, unemployment among youth and financially empower them. The Chi-square test revealed that the income of the youth had changed after joining the NYCS program. Similarly, NYCS had promoted the SMEs ventures projects started by Youth in Otjiwarongo Municipality (see the chi-square test statistics on Tables 4.2- 4.3). Considering the view that the unemployment rate is high among youth, the study concluded that microfinance programs at this stage have improved the living standard of the youth and that of their families. It has reduced poverty among the youth, gave the youth an opportunity to start and expand their businesses thereby creating employment. However, the study recommended that, to assess and quantify the effectiveness and the impact of the program extensively, the Government of the Republic of Namibia should intervene to curb the higher interest rate charged by MFIs, and that NAMFISA should develop a friendly policy in favor of micro entrepreneurs. Moreover, the majority of respondents have found the 20% interest to be very high and killing their business at infant stage. It further recommended that training is crucial for both borrowers and MFI (NYCS) personnel to enable them to improve on their service delivery and financial utilization to increase accessibility of microfinance products and services. The government (MSYNS) and stakeholders (SSC) should be involved in all key decisions affecting micro financing. This would help to bring new ideas that MFI (NYCS) is able to take and implement to minimize all the obstacles experienced currently. To comply effectively with the role of empowering the youth economically, MFI (NYCS) needs to mobilize the youth, train them in all elements that involves micro financing to sustain the economic welfare of the youth. It urges future research to examine the impact of microfinance on recipients over time, since some studies suggest that it takes time for microfinance to have an effect on the livelihoods of the poor and youth.

Key Words: Youths, Microfinance, Empowerment, Micro Credit.

CHAPTER 1

1.1 Orientation of the Study

1.2 Introduction

Swartz, (2013), found that the 2012 Labour Force Survey (LFS) showed that the unemployment rate in Namibia stands at 27% but that of the youth remains at a staggering 42.8%. Unemployment remains a serious concern in Namibia, especially among youth and women. Namibia has a youth population of 610,437 young people between ages of 15-29 of which 328,496 form part of the labour force. The unemployment rate according to the age group 15-19 stands at 56.3%, age 20-24 at 48.5 and 25-29 at 33.6%. Youth unemployment is the most urgent economic problem and has the potential to cause social discontent (Epstein and Buhavoc, 2009). According to Hossan, (1998), cited in Swartz, (2013), higher unemployment rates mean that there might be macro-economic instability in the country. It is commonly known that high unemployment rates among youth leads to unlawful activities as young people often get involved in criminal activities in order to feed themselves. A case study by Hossain, (1998), stated that a lack of skills and credit is one of the key determinants of major social problems such as youth unemployment, poverty and crime as well as key limitation to growth in developing countries like Namibia.

Khanaka, (1990), similarly cited a lack of access to formal sector credit as a key constraint that hinders youth from taking advantage of economic opportunities to increase their level of output hence move out of poverty. Attempts to alleviate youth from poverty were carried out worldwide through micro finance programs that are aimed at helping the youth to accumulate their own capital and invest in employment-generating activities.

Simeo, (2011), argued that microfinance provides an important source of funding for those entrepreneurs excluded from the formal financial sectors. Sources of microfinance include Namibia Youth Credit Scheme, Credit for Youth in Business (Namibia), private micro lenders (banks) and Non- Governmental Organizations (NGOs).

The Consultative Group to Assist the Poor, (2010), stated that, the goal of empowering small businesses is to provide means of finance that will enable small businesses to expand create employment and contribute to national development. This makes microfinance to possess the following features: target poor clients who do not have access to formal financial sources, mostly collateral free, micro finance institutions go to clients rather than clients going to micro finance institutions, have simplified savings and loan procedures, offer small and repeating loans, and repayment considers income from business as well as other sources.

According to John, (2010), microfinance is a powerful instrument against poverty. Access to sustainable financial services enables the poor to increase incomes, build assets and reduce vulnerability to external shocks. Microfinance allows poor youth to move from everyday survival to planning for the future, investing in better, improved living conditions. Microfinance is a marginal sector and primarily a development concern for the donors, government and social responsible investors in order to achieve their full potential of reaching a large number of the poor. Microfinance should become an integral part of the large financial sector (CGAP, 2010).

1.3 Statement of the Problem

Zeller, (2000), found that the goal of microfinance is to provide “booster shot”, and financing that would lead to the self-sufficiency for talented youth entrepreneurs, breaking of poverty cycle, facilitating and encouraging entrepreneurial spirit in quest for self-reliance and

economic empowerment through business expansion and growth. Swartz, (2013), pointed out that there are numbers of factors impeded the full realization of the transition of youth owned enterprises to mainstream economy. Yunus, (1998), highlighted some of these factors as: high costs of service delivery, poor infrastructure, and lack of appropriate regulatory oversight diversity in institutional form, inadequate governance and management capacity, limited market outreach, limited access to funds.

According to Victoria, (2006), limited access to credit has been identified, in a number of studies, as one of the major constraints that hinder the process of empowering the youth to break out of the poverty circle. Commercial banks are reluctant to serve youth run SMEs, particularly entrepreneurs from rural areas for a number of reasons such as: youth are high-risk borrowers due to insufficient assets and low capitalization, vulnerability to market fluctuations and high mortality rates, lack of accounting records, inadequate financial statements, lack of accounting records, inadequate financial statements or business plans makes it difficult for creditors and investors to assess the creditworthiness of potential SME proposals, high administrative/transaction costs of lending or investing small amounts do not make SME financing a profitable business. Reducing youth unemployment is one of the major challenges being faced by most governments in the world, including Namibia.

Susan, (2012), found out that, given the low growth of employment in the formal sector of Namibia, the growth of micro-enterprises provides the best opportunity for youth livelihood. One of the approaches that meant to promote youth empowerment in Namibia is the introduction of NYCS program by the Government of the Republic of Namibia in 2005. Namibia Youth Credit Scheme report, (2012), stipulated that, the scheme is designed by the Government of the

Republic of Namibia as a leading agency in harnessing and developing innovation and entrepreneurship amongst the youth for employment and wealth creation. Its priority mission is to create an environment through which youth entrepreneurs can be empowered to contribute to the country's socio- economic growth and development. This is undertaken through the provision of training and credit to youth to start business with one intention of growth, sustainability and expansion through innovation and hardworking of the youth. However, Namibia Youth Credit Scheme which was meant to enhance youth participation in socio-economic development through the provision of credit to enable young entrepreneurs to access finance to set up or expand their businesses, appears to be failing in this mandate. The fund has been dogged by technical, structural and governance challenges since its inception, and young people do not seem to be benefiting from it as microfinance institution as financial intermediaries in the country exploit the interest lent to its clients (Ministry of Youth Sport and National Services annual report, 2010).

Jennings, (2011), found that of the 500 000 thousand youths, less than 30% are in gainful economic activities in the formal, informal and public sectors of the economy, while the majority are unemployed and live on less than two dollars a day as estimated by the United Nations. The economic growth rate has not been sufficient to create productive employment opportunities to absorb the increasing labour force of about 10,000 annually (NSA, 2011). The micro finance revolution effectively demonstrates that when poor youths have access to financial services, not only do they save, but they also have high a repayment rate on the credit they borrowed. It is important for the researcher to find substantial proof as to whether microfinance services (NYCS) is an effective tool on youth empowerment.

1.4 Objective of the Study

The main objective of the study was to determine the effects of microfinance services on the youth empowerment of NYCS beneficiaries in Otjiwarongo.

To achieve this, the following specific objectives were addressed:

- To explore existing finance products microfinance institutions employ to enable the youth access credit and accumulate savings.
- To determine the extent to which the microfinance institution, NYCS, has succeeded in poverty eradication among youth and in promoting micro-enterprises created by youth.

1.5 Significance of the Study

The significance of the study will add value to policy makers of the Ministry of Sport, Youth and National Services, the Social Security Commission and the Management Advisory Board, for the smooth running of the scheme. The research findings will be used as a basis for formulating strategies to address the constraints affecting the smooth services delivery of NYCS. The findings will also be of significance, as they will enable the NYCS to devise informed, effective and long-term strategies of dealing with the massive youth unemployment. The knowledge, understanding and skills of the researcher was enriched and broadened by the input of other researchers who had carried out the same study in other countries. The outcome of this research will assist NYCS to improve upon its current practices of lending, promoting the youth, and strengthening and improving the youth enterprise development fund. It will also be of great help to other researchers who are involved and interested in the concerned area to focus on when they intend to do further research on youth empowerment.

1.6 Limitation of the Study

This study was conducted in the Namibian town of Otjiwarongo; its findings were not generalized beyond this town. Besides, the researcher found it difficult to get information from respondents who found it hard to disclose information they consider confidential. It is for this reason that the intended unit of analysis sample of 72 beneficiaries did not fill out the questionnaires; only 55 filled out and returned the questionnaires. Some beneficiaries did not participate, as they were afraid to disclose all the information about the MFI body (NYCS).

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter reviews the existing literature on microfinance, Namibia Youth Credit Scheme and youth empowerment with a holistic approach on both the positive and negative effects of microfinance services. It look at the conceptual definitions of the topic under study, it further looks at different existing microfinance models and mechanisms used to measure its effectiveness. It also reviews empirical studies in the rest of the countries. Finally, it presents the conceptual framework, which gives the relationship between dependent and independent variables in the study.

2.2 Conceptual Definitions

2.2.1 Microfinance

Pnaganiban, (1998), defined microfinance as an economic development approach that involves providing financial services, through institutions, to low-income clients, where the market fails to provide appropriate services. The services provided by the Microfinance Institutions (MFIs) include credit saving and insurance services. Many microfinance institutions also provide social intermediation services such as training and education, organizational support, health and skills in line with their development objectives.

2.2.2 Micro-credit

According to Wright, (2005), micro credit is a component of microfinance and is the extension of small loans to entrepreneurs, who are too poor to qualify for traditional bank loans. Especially in developing countries, micro-credit enables very poor people to engage in self-

employment projects that generate income, thus allowing them to improve the standard of living for themselves and their families.

2.2.3 Micro Finance Institutions

Small, (2004), stated that a microfinance institution is an organization, engaged in extending micro credit loans and other financial services to poor borrowers for income generating and self-employment activities, therefore Namibia Rural Development Project is an MFI for Otjozondjupa region. An MFI is usually not a part of the formal banking industry or government, it is usually referred to as a Non-Government Organization.

2.2.4 Economic Empowerment

As a consequence of economic empowerment, income, savings, employment and self-employment increases and thus reducing unemployment and indebtedness. As a result of this distress, sale of commodities and land also decreases, resulting in the increase of assets and productive investment (Webster, 1996).

2.2.5 Youth Empowerment

Zimmerman, (2000), defined youth empowerment as a process where young people are encouraged to take control of their lives. They do this by lecturing to their conditions and then take action in order to advance their access to resources and transform their perception through their beliefs, values, and attitudes. It aims at improving the quality of life they live. Youth empowerment can be realized through involvement in youth empowerment programs but some researchers argue that the youth's rights should go beyond learning of formal rights and procedures to create about potential of great concrete experience of rights. Empowerment theory

focuses on processes that enable participation, enhance control through shared decision-making, create opportunities to learn, practice, and increase skills.

Empowerment theory suggested that engaging youth in pro-social, meaningful, and community enhancing activities that the youth themselves define and control, helps youth to gain vital skills, responsibilities, and confidence necessary to become productive and healthy adults. Kabeer, (2005), argued that from the above definitions, empowerment can be said to be an ongoing change process that involves self-determination through the making of choices that can improve a person's wellbeing. Zimmerman, (2000), on the other hand suggested that youth economic empowerment should be defined as having access to and control over the means to make a living on sustainable and long-term basis and receiving the material benefits of this access and control. Youth empowerment means creating and supporting the enabling conditions under which young people can act on their own behalf, and on their own terms, rather than at the direction of others. In fact, the youth can be considered as empowered when they themselves acknowledge that they have created, or can create, make choices in life, and they are aware of the implications of those choices, make informed decisions freely, take actions based on those decisions, and accept responsibility for the consequences of those actions.

National Youth Policy, (2003), has it that the young people in Namibia have been considered as important factor and agents of change in the development of the nation. A youth is any person residing in Namibia in the age brackets of 18 - 35 years, taking into account the physical, psychological, cultural, social, biological and political definition of the term. They are asset to the nation as they are full of energy, this give Namibia Development Plan II (NDP 2) facts to recognizes and priotrises the need to provide young people with financial resources and skills development to enhance their livelihoods.

Efforts to support youth healthy development and integration in to the economic development have experienced several shifts in focus over the past few decades. Youths are empowered through gaining social capital from building skills and participating in a complex process. Youths have the power to acquire skills as they participate in various projects. They have many choices of how to participate in various projects including design team, photo documentation, project planning, team leadership, fundraising, contributing themes and ideas, and painting, drawing, and participating in evaluation. By doing the above activities the youth do build capacities which finally empower them economically (Kabeer, 2005).

2.2.6 Critical Evaluation of Literature.

The word “empowerment” itself lacks proper understanding. From the literature reviewed it is difficult to define and measure it empowerment, and the general assumption is that there is a simple linear relationship between micro-finance and youth’s empowerment.

2.2.7 Characteristics of Microfinance

CGAP, (2010), cited in Byamuhaya and Francis, (2014), microfinance gave access to financial and non-financial services to low-income people, who wish to access money for starting or developing an income generation activity. The individual loans and savings of the poor clients are small. Microfinance came into being from the appreciation that micro-entrepreneurs and some poorer clients can be ‘bankable’, that is, they can repay, both the principal and interest, on time and also make savings, provided financial services are tailored to suit their needs. Microfinance as discipline created financial products and services that together have enabled low-income people to become clients of a banking intermediary. According to Otero, (1999), the following are characterized microfinance: small loans and savings, short loan

terms (less than a year), payment schedules featuring frequent equal installments, higher rates on credit (higher than commercial bank rates), easy access to MFIs, simple application forms which are easy to complete, short processing periods between completion of application and disbursement of the loan, availability of repeat loans in higher amounts for clients who pay on time, no collateral required; alternative methods such as individual or group are used.

Similarly John, (2011), highlighted the following as characteristics of MFIs: mostly it is collateral free, MFIs go to clients rather than clients going to MFIs, simplified savings and loan procedures, loan size increases in the repeated loans or subsequent cycles, small size of loans and savings repeat loans, interest rate is usually in between money lenders and formal banks, free use of loans (no restrictions on specified purpose), repayment considers incomes from business as well as other sources, loan and savings products within manageable numbers

2.2.8 Evaluation of the Lending Criteria for Microfinance loans

Wright, (2005), found that, though every microfinance institution has a unique way of formulating the eligibility criteria for beneficiaries, there are a couple of general requirements to be fulfilled these includes: permanent residence in the city in which they have applied for a loan, engagement in micro and small enterprise activities, unemployed youth and women with strong commitment and potential for self-employment, willingness to be organized into a credit group and acquire loan through group collateral, usually in sizes of 5-10 people, potential clients need to be between 18 to 35 years of age and economically active, potential clients must be in the category of the poorest of the poor, credit worthiness, a good reputation among the community that can be confirmed by the local credit and savings committee, possession of a business plan that also confirms the availability of a market for the product/service loan is requested for,

willingness to save part of his/her business income at the microfinance institution through which they have accessed the loan, agreeing to pay interest and other fees within the grace period.

Microfinance is about building permanent local financial institutions that can provide financial services to the poor people on a permanent basis. Such institutions should be able to mobilize resources and recycle domestic savings and external credit and provide a range of services, thus dependence on funding from donors and government will gradually diminish as local financial institutions and private capital markets flourish (Wright, 2005).

According to Orrick, (2012), the consultative group to assist the poor, a consortium of 31 public and private development agencies, private foundations and international financial services for the poor, developed the following set of key principles of microfinance, which were endorsed by the group of eight leaders at the G8 summit on 10 June 2004: Poor people like youth and women need a variety of financial services not just loans, like everyone else, the poor need a range of financial services that are convenient, flexible and affordable. Therefore, depending on circumstances, they want not only loans, but also savings, insurance and cash transfer services, Microfinance is a powerful tool to fight poverty. As a result, poor households use microfinance to move from everyday survival to planning for the future. They invest in better nutrition, housing, health and education of their children and dependents, microfinance means building financial systems that serve the poor and youth. In most developing countries, poor people like youth and women are the majority of the population, yet they are the least likely to be served by banks. Microfinance is often seen as a marginal sector; a development activity that donors, government or social investors might care about, but not as part of the country's mainstream financial system. However, microfinance will reach the maximum number of poor clients only when it has been integrated into the financial sector, interest rate ceilings hurt poor young people

by making it harder for them to get credit. It costs much more to make many small loans than a few large loans. Unless micro lenders can charge interest rates that are well above average bank loan rates, they cannot cover their costs. Their growth will be limited by the scare and uncertain supply of soft money from donors or governments. When governments regulate interest rates, they usually set them at such low levels that microfinance cannot cover their costs, so such regulation should be avoided. At the same time, a micro lender should not use high interest rates to make borrowers cover the cost of its own inefficiency, the role of government is to enable financial services for example NYCS not to provide microcredit directly to youth and poor. National government should set policies that stimulate financial services for poor and the youth, at the same time protecting deposits.

Governments need to maintain macro-economic stability, avoid interest rate caps and refrain from distorting markets with subsidized, high - default loan programs that cannot be sustained. They should also clamp down on corruption and improve the environment for micro businesses, including access to markets and infrastructure. In cases where other funds are unavailable, government funding may be warranted for sound and independent microfinance institutions, donor funds should complement private capital; but not compete with it. Donors provide grants, loans and equity for microfinance. Such support should temporarily be used to build the capacity of microfinance providers, to develop and support infrastructures, like rating agencies, credit bureaus and audit capacity and to support experimentation, the bottleneck is the shortage of strong institutions and managers. Microfinance is a specialized field that combines banking with social goals. Skills and systems need to be built at all levels. Managers and information systems of microfinance institutions, central banks that regulate microfinance and other microfinance should focus on building this capacity, not just moving money, and

Microfinance works best when it measures and discloses its performance. Accurate, standardized performance information - both finance information (e.g. interest rate, loan payment and cost recovery) and social information (e.g. number of clients reached and their poverty level) - is imperative. Donors, investors, banking supervisors and customers need this information to judge their cost, risk and return.

2.2.9 Critical Evaluation of Literature

Tying together the characteristics of micro finance and evaluation of the lending criteria for microfinance loans, the most important thing to note is: microfinance is a form of financial development that has primarily focused on alleviating poverty through providing financial services to the poor. However, most people think of microfinance, if at all, as being about micro-credit i.e. lending small amounts of money to the poor. Microfinance is not only this, but it also has a broader perspective which also includes insurance, transactional services, and importantly, savings.

2.3 Benefits of Microfinance Programmes

2.3.1 The Relationship between Microfinance and Poverty

According to Chowdhury, (2004), microfinance and poverty are closely linked, as microfinance has become an important instrument for poverty alleviation in developing countries. Similarly, microfinance according to Nelson and Nelson, (2010), is a viable strategy for overcoming insufficiencies of the formal lending system and guaranteeing access to credits for the rural poor through a financial intermediation option that is responsive to livelihoods conditions of the poor. The argument is that formal credit markets tend to fail the poor due to the

collateral requirements that the youth cannot meet and due to the belief that repayment incentives for the youth are limited given the high monitoring costs of micro individual borrowers.

Dondo, (1999), and Hossain and Hossan, (1998,) agreed that lack of collateral is among key reasons why the poor cannot access loans through the formal sector. According to Ghai, (2004), financial institutions require security when providing credit. However the poor typically lack marketable assets suitable for use as collateral to access credit from formal financial institutions. According to Goldberg, (2005), youths are often described as high risk due to their lack of collateral and unstable sources of income and hence timely repayment of loans is often not anticipated. Nelson and Nelson,(2010) further argue that the poor often rely on informal financial markets such as money lenders and rotating saving.

Zeller, (2000), as well as Khandker, (2001), stated that the purpose of micro-credit programs is to reduce credit barriers of households or to provide them with capital to invest in an activity that will increase their income and consumption. Orrick, (2012), found that microfinance providers seek to serve poor populations that have traditionally been unable to obtain access to credit by enabling them to secure loans in other financial services. Orrick, (2012), further stated that the primary goal of micro finance is to reduce poverty in developing countries by providing poor people with basic access to finance and in turn enable them to earn more, accumulate assets and protect themselves from unexpected setbacks.

Otero, (1999), stated that benefits derived from micro-enterprise assistance programmes can be classified in three distinct levels: the direct beneficiaries, the implementing institutions; and the local context or policy climate. The Beneficiaries: These are the direct participants or clients of a programme, and constitute the first and most important group for whom benefits

derived are most tangible and quantifiable. Two areas of benefits are considered: the generation of additional income for the micro-producer and their family; and the creation or the maintenance of productive employment. Otero, (1999), found that, changes in income, involves a close study of the microenterprise itself, its performance as measured by changes in production, sales and net profit. The combination of working capital and technical assistance should help a micro-entrepreneur to either improve the overall efficiency of their operation by lowering their costs, or to increase production. These, changes in firm activity will probably then lead to changes in family income. The second key area according to Otero, (1999), is employment since all developing countries face job creation problem.

The Institution: Savedoff and Birds, (2006), stated that institutions benefit in at least three ways as a result of implementing micro enterprise assistance programs. Firstly, if a microenterprise assistance program is to move beyond the pilot phase, then the institution must review and upgrade its internal structure and management mechanism. These improvements lead to a stronger and more efficient institution. Secondly, the institution must pay very close attention to its financial status and management. The proper implementation of a micro enterprise assistance program should strengthen both its financial analysis capacity and its monitoring and reporting techniques less dependent on outside sources of funding. The Local context: According to Otero, (1999), the third level of benefit analysis involves a study of how micro enterprise assistance program are contributing to the evolution of a national political and policy climate favorable to addressing the needs of the informal sector. Governments and interested entities have always turned first to existing program and used their experience to formulate solutions.

Otero, (1999), further stated that the demonstration effects of effective micro enterprise assistance programs have been invaluable, and will continue to guide emerging public and private sector responses.

2.3.2 Critical analysis of Literature review

From the literature reviewed it came out that microfinance can make a real difference in the lives of those served, but microfinance is neither a panacea nor a magic bullet against poverty and it cannot be expected to work everywhere and for everyone. One can bring to a close that there is a research gap between the effects of microfinance in youth empowerment and the impacts of livelihood of the micro finance beneficiaries. Therefore more research should be, directed towards not just specific results, but also the context within which particular results are expected in the life of beneficiaries.

2.3.3 Youth and Poverty

Swartz, (2013), found that the situation of orphans and vulnerable children (OVC) has become an important issue facing the world. In 25 years, the human immune deficiency virus (HIV) has infected almost 70 million people and illnesses related to the acquired immune deficiency syndrome (AIDS) have killed more than 25 million. The economic opportunities for these children as they become adolescents and young adults continue to decrease. According to Byamuhaya and Francis, (2014), self-employment for the unemployed is not uncontroversial as it leads to self-exploitation and creates unsustainable businesses.

Allen, (2005), pointed out that while some people see it as an instrument of welfare reform, to help reduce public sector expenditure and the burden on social security systems, others said it only increases the pool of working poor, whose wages are too low to make a decent living and end up taking on other income-generating activities.

According to Asemelash, (2003), generating employment opportunities for young people is a major challenge facing most countries whether rich or poor difficulties faced by young people in finding work are compounded by the large numbers seeking limited employment opportunities. Swartz, (2013), stated that a study conducted on unemployment and the youth in Namibia by the partnership for Local Democracy found that unemployment has a huge impact in Namibia as it causes poverty, homelessness, lack of family cohesion and it also affects the human dignity of the unemployed. According to the study about 75% of youth between the age group 15-24 years are unemployed.

2.3.4 Microfinance and the Youth

According to Roth, (2012), empowering youth through savings-led microfinance in Rwanda, youth have little or no access to formal credit to start or expand micro-businesses. This is often due to their young age and lack of physical assets, collateral and/or social connections. A study by Navajas, (2006), found that the assumed goal of microcredit is to improve the welfare of poor households through better access to small loans. Zeller, (2000), stated that improved access to financial services can have two principle effects on households. First, it can raise the expected value of income and of consumption and future investment and asset accumulation.

This is the traditional and often sole argument for provision of services by Microfinance Institutions. Second it can decrease the downward risk of too low income to satisfy basic consumption needs.

Zeller and Littlefield, (2003), 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. Credit facilities enable them to tap financial resources beyond their own and take advantage of potentially profitable investment opportunities. Equally Morduch and Aghion, (2005), argued that microfinance institutions have demonstrated that it is possible to serve poor clients, operate in a financially sound manner, and reach a very large scale. 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 contribute to economic growth. Hossain, (1998), also argued that microcredit has gained enormous success in reducing poverty on a global scale. According to Hossain, (1998), microcredit as an efficient financial mechanism enables various governmental and nongovernmental actors to realize the millennium development goals.

2.3.5 Critical analysis of Literature review

The literature reviewed the provision of loans youth by micro-finance institutions, enable them to grow their business in entrepreneur activities, by promoting awareness and raising youth self-esteem which consequently increases their motivation in utilizing various opportunities which are present in the society. Furthermore the MFI's also promotes the loan accessibility among youth as the requirements and conditions to obtain loan are less stringent in comparison

to loans given by the banks especially on the issues regarding collateral and interests rates this simply mean that NYCS's charged interest is 0.2% comparing to 0.11% charged by the commercial banks. With this youth have opportunity to rise in business earn income and hence grow as entrepreneurs, improving their life and that of their families.

2.4 Models of Micro Finance

United Nation Capital Development Fund, (2004), reported that there are approximately 10,000 micro finance institutions in the world, but they only reach 44% of potential clients, about 30 million people. On the other hand, Grameen bank, (2000), reported that, as of December 31, 2003 the 2,910 microcredit institutions data have reported reaching 80, 868 343 clients 54, 785 433 of whom were the poorest when they have their first loan. Even though they refer to micro credit institutions, they explained that they include programs that provide credit for self-employment and other financial services. The Grameen Bank, (2000), has identified fourteen different microfinance models. These models include Associations, Bank Guarantees, Community Banking, Cooperatives, Credit Unions, Grameen, Group, Individual, Intermediaries, NGOs, Peer Pressure, Rotating Savings and Credit Associations (ROSCAs), Small Business, and Village Banking Models.

According to Swart, (2013), cited in Grameen,(2000), in reality, the models are loosely related with each other and most good and sustainable microfinance institutions have features of two or more models in their activities. The models were developed through extensive fieldwork/observations and interviews carried out in India, Thailand, Philippines, Indonesia and Sri Lanka, and includes information from literature as well.

2.4.1 Associations Model

This is where the target community forms an 'association' through which various microfinance and other activities are initiated. Such activities may include savings associations or groups of youth, women, formed around political, religious and cultural issues. Support structures for micro enterprises and other work-based issues are created. In some countries, an 'association' can be a legal body that has certain advantages such as collection of fees, insurance, tax breaks and other protective measures. Distinction is made between associations, community groups, people's organizations, etc (Grameen Bank, 2000).

2.4.2 Bank Guarantees Model

Grameen Bank, (2000), stated that, a bank guarantee is used to obtain a loan from a commercial bank. This guarantee may be arranged externally (through a donor/donation, government agency etc.) or internally (using member savings). Loans obtained may be given directly to an individual, or they may be given to a self-formed group, bank Guarantee is a form of capital guarantee scheme. Guaranteed funds may be used for various purposes, including loan recovery and insurance claims. Several international and UN organizations have been creating international guarantee funds that banks and NGOs can subscribe to on lend or start microcredit programs.

2.4.3 Community Banking Model

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

institutions may have savings components and other income generating projects included in their structure. In many cases, community banks are also part of larger community development programs which use finance as an inducement for action (Grameen Bank, 2000).

2.4.4 Cooperatives Model

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. Some cooperatives include member-financing and savings activities in their mandate (Grameen Bank, 2000).

2.4.5 Credit Unions Model

According to (Grameen Bank, 2000), a credit union is a unique member-driven, self-help financial institution. It is organized by and comprises members of a particular group or organization, who agree to save their money together and to make loans to each other at reasonable rates of interest. The members are people of some common bond: working for the same employer; belonging to the same church, labour union, social fraternity, etc. or living/working in the same community. A credit union's membership is open to all who belong to the group, regardless of race, religion, colour or creed.

2.4.6 Grameen Model

The Grameen model emerged from the poor-focused grassroots institution, Grameen Bank, started by Prof. Mohammed Yunus in Bangladesh. It essentially adopts the following methodology: A bank unit is set up with a field manager and a number of bank workers, covering an area of about 15 to 22 villages. The manager and workers start by visiting villages to familiarize themselves with the local milieu in which they will be operating and identify prospective clientele, as well as explain the purpose, functions, and mode of operation of the

bank to the local population. Groups of five prospective borrowers are formed; in the first stage, only two of them are eligible for, and receive, a loan. The group is observed for a month to see if the members are conforming to rules of the bank. Only if the first two borrowers repay the principal plus interest over a period of fifteen weeks do other members of the group become eligible themselves for a loan. Because of these restrictions, there is substantial group pressure to keep individual records clear. In this sense, collective responsibility of the group serves as collateral on the loan (Grameen Bank, 2000).

2.4.7 Group Model

The Group Model's basic philosophy lies in the fact that shortcomings and weaknesses at the individual level are overcome by the collective responsibility and security afforded by the formation of a group of such individuals. The collective coming together of individual members is used for a number of purposes: educating and awareness building, collective bargaining power and peer pressure. The Group model is closely related to, and has inspired, many other lending models. These include Grameen, community banking, village banking, self-help, solidarity, and peer pressure (Grameen Bank, 2000).

2.4.8 Individual Model

This is a credit-lending model where micro loans are given directly to the borrower. It does not include the formation of groups, or generating peer pressures to ensure repayment. The individual model is, in many cases, a part of a larger 'credit plus' program, where other socio economic services such as skill development, education, and other outreach services are provided (Grameen Bank, 2000).

2.4.9 Intermediaries Model

The intermediary model of credit lending positions a 'go-between' the lenders and borrowers. The intermediary plays a critical role of generating credit awareness and education among the borrowers (including, in some cases, starting savings programs). These activities are geared towards raising the 'credit worthiness' of the borrowers to a level sufficient to make them attractive to the lenders. The links developed by the intermediaries could cover funding, program links, training and education, and research. Such activities can take place at various levels from international and national to regional, local and individual levels. Intermediaries could be individual lenders, NGOs, microenterprise/microcredit programs, and commercial banks (for government-financed programs). Lenders could be government agencies, commercial banks and international donors (Grameen Bank, 2000).

2.4.10 NGO Model

NGOs have emerged as a key player in the field of microcredit. They have played the role of intermediary in various dimensions. NGOs have been active in starting and participating in microcredit programs. This includes creating awareness of the importance of microcredit within the community, as well as various national and international donor agencies. They have developed resources and tools for communities and microcredit organizations to monitor progress and identify good practices. They have also created opportunities to learn about the principles and practice of microcredit. This includes publications workshops and seminars, and training programs (Grameen Bank, 2000).

2.4.11 Peer Pressure Model

Peer pressure uses moral and other linkages between borrowers and project participants to ensure participation and repayment in microcredit programs. Peers could be other members in

a borrowers group (where, unless the initial borrowers in a group repay, the other members do not receive loans. Hence pressure is put on the initial members to repay); community leaders (usually identified, nurtured and trained by external NGOs); NGOs themselves and their field officers; The 'pressure' applied can be in the form of frequent visits to the defaulter, community meetings where they are identified and requested to comply etc.(Grameen Bank, 2000).

2.4.12 ROSCA Model

Rotating Savings and Credit Associations are essentially a group of individuals who come together and make regular cyclical contributions to a common fund, which is then given as a lump sum to one member in each cycle. For example, a group of 12 persons may contribute 100 rands (US\$33) per month for 12 months. The 1, 200 rands collected each month is given to one member. Thus, a member will 'lend' money to other members through regular monthly contributions. After having received the lump sum amount when it is his turn (i.e. 'borrow' from the group), he then pays back the amount in regular/further monthly contributions. Deciding who receives the lump sum is done by consensus, by lottery, by bidding or other agreed methods (Grameen Bank, 2000).

2.4.13 Small Business Model

The prevailing vision of the 'informal sector' is one of survival, low and very little value added. But this has been changing, as more and more importance is placed on small and medium enterprises (SMEs) for generating employment, for increasing income and providing services which are lacking. Policies have generally focused on direct interventions in the form of supporting systems such as training, technical advice, management principles etc, and indirect interventions in the form of an enabling policy and market environment. A key component that is always incorporated as a sort of common denominator has been finance, specifically microcredit

in different forms and for different uses. Microcredit has been provided to SMEs directly, or as a part of a larger enterprise development program, along with other inputs (Grameen Bank, 2000).

2.4.14 Village Banking Model

Village banks are community-based credit and savings associations. They typically consist of 25 to 50 low-income individuals who are seeking to improve their lives through self-employment activities. Initial loan capital for the village bank may come from an external source, but the members themselves run the bank: they choose their members, elect their own officers, establish their own by-laws, distribute loans to individuals and collect payments and savings. Their loans are backed not by goods or property, but by moral collateral: the promise that the group stands behind each individual loan. (Grameen Bank, 2000). The Village Banking model is closely related to the Community Banking and Group models for example Kohiyomuti banking models practiced by three regions in the northern Namibia, which are (Omusati, Oshana, Oshana and Oshikoto).

2.4.15 Critical analysis of Literature review

The literature revealed 14 different models of micro financing developed through extensive studies in developing countries such as India, Thailand and Sri Lanka. Microfinance programs in Namibia have adopted the Community Banking and Group Model under the NYCS program. One of the most important elements need to be discussed is that in which aspects the above-mentioned theories are linked to this study. The NYCS is providing loans to the poor youth but it does not emphasized, not only to increase their income but also to mobilize their savings. By mobilizing savings, younger people can secure their future and feel safe, therefore the other necessary model of microfinance is solidarity, which is the base of microfinance. From the literature reviewed, the study find out that solidarity (Group lending) works as a synergy of

microfinance, solidarity is a powerful tool of microfinance to reduce the risk and to keep the capital safe. Even though village bank models (practiced by three regions in the northern Namibia, which are (Omusati, Oshana, Ohangwena and Oshikoto). The literature reviewed found that it did not have any significant impact on physical asset accumulation; production and expenditure on education. The borrower ended up in the vicious cycle of debt as they used the money from the village bank for consumption and were force to borrow from money lenders at high interest rates to repay the village bank loans so as to qualify for more loans.

2.5 Empirical Analysis of Relevant studies

2.5.1 Rest of the world

According to Von, (1991), Micro-finance has emerged as a fundamental part of the new development paradigm, described by the phrase participation and development. Many aid donors and non-governmental organizations (NGOs) are attracted by the tremendous success of the micro-finance programs. Firstly, micro-finance programs are successfully reaching the poor, particularly low-income women and youth micro-entrepreneurs. Secondly, the programs are recovering outstanding loans, some program recording over 95 percent repayment rates. Thirdly, microcredit is seen as a development model designed to reduce poverty and improve self-sufficiency (Small and Mosley, 2000; Susan and Rogaly, 1996; Schrenier, 2004). Fourthly, while micro-credit was purposely designed to reduce and or alleviate poverty, empowerment has emerged as one of the key objectives of microfinance programs (Khandker, 2001; Kabeer, 2005).

Ledgerwood, (1991), cited in Ondoro & Omena, (2012), found that microfinance is perceived as the provision of financial and non-financial services by microfinance institutions (MFIs) to low income groups without tangible collateral, but whose activities are linked to

income-generating ventures. Roth, (2012), found that financial services include savings, credit payment facilities, remittance and insurance. The non-financial services mainly entail training in micro-enterprise investment and business skills. There is also a belief that microfinance encompasses microcredit, micro savings and micro insurance.

Microfinance is not a new development; its origin can be traced back to 1976, when Muhamad Yunus set up the Grameen Bank as an experiment on the outskirts of Chittagong University campus in the village of Jobra Bangladesh. The aim was to provide collateral-free loans to poor people, especially in rural areas, at full cost interest rates that are repayable in frequent installments. Borrowers were organized into groups and peer pressure among them reduced the risk of default (Raendran, 2010). In any case, basic business skills training should accompany the provision of microloans to improve the capacity of the poor to use funds. Yunus, (1998), suggested that an effective way to facilitate credit to poor and youth is when the financial services institutions offer them an integrated package of services (credit plus approach). Khanka, (1990), is of the opinion that financial management training is one of the best aspects helps borrower in managing cash in their business. In support Yunus, (1998), defined financial management as the process of managing the financial resources including accounting and financial reporting, budgeting, collecting accounts receivable, risk management and insurance for a business. Therefore, the credit plus approach will assist micro entrepreneurs to set up financial management system for their small business that will inform and manage money in their business.

Webster and Fidler, (1996), stated that micro financing should address capital investment decisions, general business management and risk management. In the world, the provision of microfinance services to the youth has been considered. An innovative and sustainable approach

to youth financial and micro-enterprise activities has been adopted, thus leading to the generation of income to improve their livelihoods and contribute to economic growth. Debates on extending the reach of microfinance to the very poorest people increasingly focus on savings facilities. Allen, (2005), found that, for many youths, savings facilities are essential in increasing the amount of income under their control and building assets. In remote areas, the mobilization and intermediation of member savings may be crucial steps before accessing external loan funds. A number of studies have observed that savings-led groups perform better than credit-led individual ones

According to Zeller, (2000), microfinance has the potential to assist the poor in earning income from micro-enterprises, smooth their income and consumption and help households diversify their income sources. Mosley, (2000), found that microfinance makes a considerable contribution to the reduction of poverty. It helps increase income-earning and asset-building opportunities, thus making households less reliant on single-assets types and, consequently, the households can better deal with disasters.

Hussa, (2000), found that many Grameen bank borrowers were actually building larger houses, while Panganiban, (1998), advances that the income of borrowers has risen and their assets bases have widened. Investments made by loans appear to have been extremely productive and have contributed towards significant improvements in household output income and consumption. Ghai, (2004), stressed that in Tegucigalpa and Cholteca in Honduras in 2003, effect assessment studies revealed that 60% and 50% of the recipients had their sales and income increase respectively one year after receipt of credit for working capital. In India, in 2008, agricultural finance cooperation limited assessed the development effects of microfinance programs. Clients reported an increased income from 76% of the activities. There is therefore a

reason to believe microfinance services in their entirety should report the effect on saving and investment, alongside non-financial effects, such as change in skills through training.

Epstein and Buhavoc,(2009), indicated that in many cases microcredit facilitated the creation and growth of business. It has often generated self-employment, but it has not necessarily increased income after interest payment, contorally, some scholar went further to stress that microcredit is just one factor influencing the success of a small business whose business is influenced largely by how much an economy or a particular market grows.

Khandler,(2001), stated that the great majority of jobs are created by small businesses started by entrepreneurial-minded individuals. Many of whom go on to create big businesses. People exposed to entrepreneurship frequently express that they have more opportunity to exercise creative freedom, higher self-esteem and overall a greater sense of control over their own lives. As a result, many experienced business people, political leaders, economists and educators believe that fostering a robust entrepreneurial culture will maximize individual and collective economic and social success on local, national and global scale.

Khanka, (1990), rightly argued that the role of entrepreneurship in economic development varies from economy and it depends on several factors, like availability of material resources, industrial climate and responsiveness of the political system's entrepreneurial function. India has a good potential to promote micro-enterprise because it has enough material resources with a favorable industrial climate. Schrenier, (2004), has defined support for micro-enterprise in terms of asset-building economic benefits that affect the quality of life for the micro-entrepreneurs. It is believed that micro-enterprise programs attempt to help entrepreneurs to build human, financial and social capital for the development of very small businesses that

will improve people's wellbeing. The asset-development paradigm highlights the usefulness, for not only loans for financial capital and training for human capital, but also saving services for financial capital and networks for social capital. Other than economic benefits, there are some social benefits of micro-enterprise and microfinance development.

Sinha, (1998), mentioned that the social development approach of microfinance is based on the premise that entrepreneurs should earn money by investing in viable micro-enterprises and earn profit from their enterprises. The major share of the profit should be reinvested in the enterprise for business growth. By earning profit from the viable micro-enterprise, entrepreneurs will increase their paying ability for services delivered to them and finally this will lead to the development of the overall society. Therefore, an increase in income opportunities will lead to empowering the poor, which is a basic service of micro-enterprises. Empowerment of the poor community is the way to the development of society.

2.5.2 Microfinance in Africa

Wright, (2005), found that diverse institutional models of micro financing are functioning in Africa, but most clients served by credit unions and cooperatives are often based (particularly in East Africa) in west and central Africa. However, saving and credit cooperatives are generally more community based. In contrast to Asia, the lack of population density means that rural and agricultural finance is particularly challenging and thus many MFIs are urban based and focused. As a result, the July 2003 Micro banking bulletin identified only eight sustainable institutions and estimated that only around 25 million clients are being served throughout the continent. International and domestic banks are starting to take an interest in the potential of the low-income market in Africa. The last twenty years have seen significant improvement in micro financing through and variances in understanding and providing finance service to better advance

development and eradicate poverty. This includes providing the financial means to save access credit and start small businesses, with the potential to enhance community development as well as local and national policy-making.

When properly harnessed and supported, microfinance can scale up beyond the micro level as a sustainable part of the process of financial empowerment by which the poor can lift themselves from poverty (Hossan, 1998). Wright, (2005), found that the micro financing revolution effectively demonstrates that when poor households have access to financial services, not only do they save, but they also have high repayment rates when they borrow. It is noted that microfinance institutions have made financial services available to millions of poor households worldwide, but this still represents a tiny fraction of the population in developing countries where the majority lack access to formal financial services.

In Kenya, the youth is defined within the ages of 15 -35 years, which is about 1 million which is equivalent to 56% of the population. Of the 1 million youth, less than 50% are in gainful economic activities in the formal and informal public sectors of the economy, while the majority is unemployed (Kenya Min. of Youth and Sport report, 2008).

Simeo, (2001), stated that to bring the youth on board, the Kenyan government, with support of development partners in 2006, established a youth enterprises development fund that is channeled to micro financial institutions and other financial intermediaries for onward lending to the youth without collateral. Such a fund attracts a greatly reduced cost of capital, which stands at 8% per annum, as a strategy to make, the fund affordable to the youth who in any case do, not have collateral and therefore ideal for start- ups.

Given that the vision of micro finance is to promote the growth of micro-enterprises, MFIs and other financial intermediaries have experienced rapid growth to support the youth financial requirements institutions, such the Kenya Rural Enterprises Program (K-REP) a non-governmental organization that was started in 1984 under the funding of the USAID are some microfinance institutions. Today K-REP is fully licensed as a bank and offers a wide range of banking services in addition to its microfinance specialty (Dondo, 1999). A number of MFIs and financial intermediaries, including K-REP, equity bank, Kenya Women Finance Trust (KWFT), Faulu, etc. have since then come up to provide microfinance services to the low-income groups for the purpose of starting or developing income-generating activities. Related to this, is the indication that MSE's access to credit has increased greatly from 7.5 % in 2006 to 17.9 % in 2009 (Simeo, 2011).

Several studies was conducted to ascertain the impact of microfinance on poverty reduction in different countries therefore, some studies found that microcredit positively impacted poverty (Goldberg, 2005; Hander, 2003) while some others reported no positive effect. A study by Asemelash, (2003), for Ethiopia showed that microfinance had a positive impact on the poor. Specifically, the result showed that microfinance led to increased income for the poor. Besides, it helped to increase poor people's access to better school and medical facilities. The study conducted by Raendran and Raya, (2010), for India showed that microfinance had an impact on poverty reduction, women empowerment and environmental sustainability. Littlefield, (2003), found that microfinance allowed poor people to protect, diversify and increase their sources of income - the essential path out of poverty. In Nigeria, the recent studies conducted on the subject matter have shown that microfinance impacted positively on poverty.

A study carried by Victoria, (2006), showed that microfinance is an effective instrument for lifting the poor above the level of poverty through increased self-employment opportunities and improved credit worthiness.

2.5.3 Micro Finance Service in Namibia.

The Namibian financial system is well established with an efficient banking system and an established stock exchange. A developed financial sector is essential in the development of a flourishing microfinance sector because the environment in which the microfinance program operates can influence the effectiveness of microfinance interventions. Firstly, socio-economic conditions may affect both the potential benefits of clients from their loans and their ability to repay. Secondly, the environment has a direct influence on the operations of the program itself (Mushendami, Kaakunga, Amuthenu-Iyambo, Ndalikokule and Steytler 2004).

Swartz, (2013), stated that, in comparison to other well-developed micro finance providers in countries like Uganda, Bolivia and Bangladesh, micro finance is an emerging sector in Namibia. Micro Finance Institutions (MFIs) came to prominence in Namibia largely after independence in the late 1990. Eventually since independence, the Namibia Government together with non- governmental organizations (NGOs) has actively embarked upon the development of micro finance aimed at curbing poverty. The development of the micro finance sector in Namibia is greatly attributed to international organization, as most of them are donor funded, whilst a few are operated independently. Thus far, only a small number of microfinance institutions have recorded growth, with the majority of MFIs still far reaching financial sustainability or having closed down due to overwhelming challenges. The attainment of

efficiency and sustainability should thus be a priority of the microfinance provider's in order to have widespread impact on lives of the poor (Swart, 2013).

According to Namibia Financial Institution Supervisory Authority report, (2014), the Namibian government takes cognizance of the fact that access to finance poses a challenge to the growth of small business and emerging enterprises and most of time it owned by youth and poor. Namibia has not adopted nor created a microfinance policy that guides micro financing in the country. It can then be quantified that, the Namibian economy will only show real growth, once the small-scale enterprises sector is developed to its fullest potential.

2.5.4 Namibia Youth Credit Scheme Program

Namibia Credit Scheme report, (2010), reported that Namibia Youth Credit Scheme is a commonwealth initiative, implemented in 2005 to enable the youth of Namibia to access capital, and participate significantly in the socio economic development of the country. The program was started with an initial seed funding grant of N\$ 340,525.00 from Commonwealth during the pilot phase, followed by additional funding from the ministry of Youth, National Services Sport and Culture, amounting to N\$ 1,350,000.00, while Social Security Commission funded the pilot phase with N\$1,000,000.00. The initiative was borrowed from Commonwealth and is a micro credit and enterprise initiative, designed to create employment and alleviate poverty among the youths of the common wealth countries. Namibia through the Ministry of Youth and Sport signed an agreement with Commonwealth Youth Program to initiate the commonwealth youth credit initiative in Namibia. The aim of the initiative is to assist in national efforts for reducing youth unemployment with the aim of building economic self - sufficiency, widening economic participation and contribute to national socio- economic and development goals.

The program was successfully piloted from 2005- 2007 in four central northern regions of the country (Ohangwena, Oshana, Oshikoto and Omusati), following its success from its pilot year that ended in the year 2007, later it was extended to cover the 13 political regions of the country by then in the year 2010 on the approval of the cabinet.

According to NYCS report, (2010), the program aims to create employment and contribute to the alleviation of poverty in Namibia through youth economic empowerment. This program has its operational framework pivoted on youth entrepreneurship development of the commonwealth youth program plan of action for 2008/2015. It is an integrated support program providing simplified business management training as well as loans ranging from N\$4000.00 to N\$20 000.00. It is the intention of the program to establish microfinance institution that will enable Namibian youth to access finance through village banks and micro lenders who will provide them with affordable access to financing at grassroots level. NYCS as program has the following goals: To increase the participation of the youth in the country's economic affairs, to promote entrepreneurial culture among the youth through structured and integrated support; the existence of qualified implementing agencies and development of a pool of potential implementing agencies gives a clear demonstration of the economic contribution of the program as an appropriate intervention for the alleviation of poverty and creation of employment.

According to Swartz, (2013), the program operates through a group lending system and provides training of beneficiaries in basic business management practices, access to credit and follow up training, counseling and mentoring of beneficiaries. It uses a group-lending model with groups consisting of five members. Once the youth form groups, they can access the loan through savings and credit associations. No collateral is necessary although members are required to open individual savings accounts with Savings and Credit Association (SCA). NYCS

annual report, (2010), urged that the justification of the program remain as follows: Unemployment in Namibia is high among youth with official statistics indicating the rate to be in excess of 50%, the pilot phase demonstrated for the NYCS the ability of development interventions to lead to the establishment of sustainable enterprises and creation of jobs by the Youths and alleviation of poverty among program participants, the program has also provided for the setting up of support system for small enterprise development, the existence of qualified implementing agencies and development of a pool of potential implementing agencies gives a clear demonstration of the economic contribution of the program as an appropriate intervention for the alleviation of poverty and creation of employment.

The credit scheme is implemented by different implementing agencies in the country and the agencies use different strategies of implementation. Namibia Rural Development Project (NRDP) is an agency implementing the program in the Otjozondjupa region. NYCS's report (2010), stated that, funds are disbursed to young people for starting or expanding their business, the Management Advisory Board is coordinating the administration of the loan fund, and therefore the funds are disbursed from secretariat as approved by the MAB to implementing agencies for training and loan disbursement for programme implementation. It is disbursed in line with the business plan presented by the beneficiary who would have attended training sessions of the program. Additional financial products are to be developed for graduating youth to ensure sustainability of their enterprise. The revolving loan fund is coordinated by the program secretariats that are reporting to MAB. The target rate for the fund is 90%, as this will allow for sustainability of the funding instrument. The interest rate charged on the loan is at a rate of 20% and the loan amounts available to borrowers and their tenure periods are as follow: Phase 1: N\$ 4, 01- N\$ 2,000.00 payable in 6 months, phase 2: N\$ 2,001- N\$ 4,000.00 Payable in

12 Months, phase 3: N\$ 4,001- N\$ 6,000.00 Payable in 24 Months, phase 4 N\$ 6,001- N\$ 20,000.00 Payable in 36 Months

The program provides all beneficiaries with four days training in basic business management skills and practices. Beneficiaries are also assisted with the compilation of viable business plan during this period, which are submitted to the implementing agency (NRDP) for processing. The program incorporates other facet, which include the provision of consultancy services, execution of detailed studies and provision of technical assistance. These services serve to support implementing agency through provision of ongoing advisory services to ensure the success of the program. NYCS is implemented under Omusati model. The interest rate charged under this financial service is 20% irrespective of the loan period. The interest income is allocated as follows: 10% goes to Social Credit Associations (SCAs) and 10% is allocated to the NRDP to meet its operational costs. The 10% going to SCAs is distributed as follows: 4% for direct costs of SCAs, 4% is reserved for the expansion of the loan fund and 2% is an incentive payment availed for timely loan repayment. Access to facilities under the program is still only through the savings and credit association and microfinance institutions identified and capacitated by the lead agencies. The youth must therefore join Social Credit Associations (SCAs) before going through the process of screening, group bonding and training (NYCS report, 2010).

NYCS annual report, (2010), found that based on the evident success of the program the scheme is facing some challenges, however, NYCS as a financial institution is advocating the following: Development of new products that will enable the program to meet the client's diverse need, constant training to empower the youth with knowledge and skills to sustain their business, the need for micro finance laws / policies to be established in order for the implementing agencies to be empowered in controlling the funds and to allow for increased

savings level. This is simply because the current policy is not in favor with its clients, continued support by the Government until program is financially independent.

2.5.5 Critical analysis of Literature review

Tying up Micro Finance Service in Namibia and Namibia Youth Credit Scheme, It is worth mentioning that the provision of loans from MFI's is also associated with the training and seminars which is given to borrowers which aims to reduce loan default chances among them by guiding proper way to maintain cash flow after receiving the loan. With this achieved, the borrowers from MFI's are benefited by learning proper ways of maintaining cash flow which is essential in business as well as in life in general. The overall effect of this it enables youth to make choices which are beneficial in the long term and enable them to grow. However it was revealed by the study that NRDP is an implementing agency implementing the program in Otjozondjupa region, however the disadvantage of direct provision of microfinance by NGOs is that they will always have higher costs for the amounts they lend relative to the microfinance institution. As they become increasingly involved in microfinance the high costs of non-financial services will result in their lending more to larger clients with less risk, which goes against their stated objectives to reach the poorest of the poor

2.5.6 Microfinance and Microcredit

In the literature, the term microcredit and microfinance are often used interchangeably, but it is important to highlight the difference between them because both terms are often confused. Sinha,(1998,) stated that microcredit refers to small loans, whereas microfinance is appropriate where NGOs and MFIs supplement the loans with other financial services (savings, insurance, etc.). Therefore, microcredit is a component of microfinance in that it involves

providing credit to the poor, but microfinance also involves additional non-credit financial services, such as savings, insurance, pension and payment services. Microcredit and microfinance are relatively new terms in the field of development, first coming to prominence in the 1970s prior to then, from the 1950s through to the 1970s; the provision of financial services by donors and government was mainly in the form of a subsidized rural credit program. These often resulted in a high loan default, high losses and in an inability to reach poor rural households (Richard, 2001).

2. 6 Micro Finance, Youth Empowerment and Poverty Eradication.

United Nations Capital Development Fund report, (2004), found that Countries must invest in the empowerment, education and employment of their young people. There are 1.8 billion young people in the world today, representing a staggering amount of human potential. Yet too many of them are trapped in poverty, with few opportunities to learn or to earn a decent living. Microfinance is a type of banking service that is provided to unemployed or low income individuals or groups who would otherwise have no other means of gaining any financial Services. Ultimately, the goal of microfinance is to give low-income people an opportunity to become self-sufficient by providing a means of saving money, borrowing money and insurance policy to protect their investments. Microfinance has a very important role to play in development, according to proponents of microfinance studies have shown that microfinance plays three key roles in development: It helps very poor households meet basic needs and protect against risks, it is associated with improvements in household economic welfare, it helps to empower women by supporting women's economic participation and promote gender equity.

Otero, (1999), illustrated the various ways in which microfinance at its core combats poverty. The report further stated that microfinance creates access to productive capital for the poor, which, together with human capital addressed through education and training and social capita, achieved through local organization building, enable younger people to move out of poverty. By providing material capital to poor and youth, their sense of dignity is strengthened and this can help to empower the beneficiaries to participate in the economy and society. Otero, (1999), further stated that the aim of microfinance is not just about providing capital to the poor people and youth to combat poverty on an individual level, but it also has it at an institutional level. It seeks to increase institutions that deliver financial services to the youth who are continuously ignored by the formal banking sector. Littlefield and Rosenberg, (2003), stated that the poor people and youth are generally excluded from the financial services sector of the economy, so MFIs have emerged to address this market failure.

Littlefield, Murdugh and Hashemi, (2003), stated that microfinance is a key strategy in reaching the Millennium Development Goals and in building a global financial system, which meets the needs of the poorest people including youth. Littlefield et al., (2003), stated that microfinance is a critical contextual factor with a strong impact on the achievements of the Millennium Development Goals (MDGs), it is unique among development interventions, it can deliver social benefits on an ongoing permanent basis and on a large scale. Referring to various case studies, they show how microfinance has played a role in eradicating poverty, promoting education, improving health and empowering women and youth. However, not all commentators Littetlefield, Murdugh & Hashemi, (2003), are enthusiastic about the role of microfinance in development and it is important to realize that microfinance is not a silver bullet when it comes to fighting poverty.

John, (2011), found that, while acknowledging the role microfinance can have in helping to reduce poverty, it was concluded from their research on microfinance that most contemporary schemes are less effective than they might be. They further stated that microfinance is not a panacea for poverty alleviation and that in some cases the poorest people have been made worse off by microfinance.

According to Wright, (2005), much of the skepticism of MFIs stems from the argument that microfinance fail to reach the poorest, generally have a limited effect on income, drives women to greater dependence on their husbands and fail to provide additional services desperately needed by the poor. In addition, many development practitioners not only find microfinance inadequate, but also that it actually diverts funding from more pressing or important interventions, such as health and education. Navajas, (2006), found that there is a danger that microfinance may siphon funds from other projects that might help the poor more. It was stated that government and donors should know whether the poor gain more from microfinance than from health care, etc. Therefore, there is a need for all involved in microfinance and development to ascertain what exactly has been the impact of microfinance in combating poverty. Considerable debate remains about the effectiveness of microfinance as a tool for directly reducing poverty and about the characteristics of the people it benefits (Chowdhury, 2004).

Sinha, (1998), argued that it is notoriously difficult to measure the impact of microfinance progress on poverty. Further, it was argued that money is fungible and therefore it is difficult to isolate the credit impact. The goals of Micro Finance banks are as follows: to provide diversified, trustworthy and timely financial services to the economically active Poor, to mobilize savings for financial intermediation, to create employment opportunities, to provide

real revenues for the administration of the micro-credit program of government and high net worth individuals, to engage the poor in the socio-economic development of the country, to promote self-sufficiency for talented youth entrepreneurs, breaking of poverty cycle, economic empowerment through business expansion and growth.

2.6.1 Critical analysis of Literature review

Having analyzed Micro Finance, Youth Empowerment and Poverty Eradication it came out that the contribution of micro-credit program participation on youth's empowerment have given conflicting results which can make it difficult to reach a consensus with each other, even when evaluating the same program. Some researchers support the belief that micro-credit programs are making an effort for youth's empowerment in their assessment.

2.7 How various Microfinance Institutions Measure Effectiveness

2. 7.1 Monitoring and Evaluation of Microfinance Program (NYCS).

Monitoring and evaluation are critical for micro financing institutions. Indicators are used to measure the implementing agencies' performance in implementing the program and its impact on target beneficiaries and their communities. Therefore NYCS report, (2010), cleared it that the process of M&E of the scheme is done periodically at all level, with the purposes of expanding capacity building in monitoring and supporting implementing agencies The main instruments for reporting monitoring and evaluation are: Monthly reports, Quarterly reports and annual report. However other stakeholders in the program are doing it differently: MAB, which institute NYCS policies, conducts visits to the beneficiaries and carries out assessment of implementing agencies and general environment scans, program secretariat, this staff visits implementing agencies and beneficiaries periodically, compiles quarterly reports from the agencies and monitors the flow of

income and output of fund, youth officers, are monitoring the beneficiaries on regular basis for progress of borrower's enterprises, Implementing agencies, to which are directly in contact with the beneficiaries and they translate the program policies/ strategies to program output/ outcome (NYCS annual report, 2010).

According to Epstein and Buhavoc, (2009), cited in (Savedoff L. & Birds 2006), monitoring provides internal and external information on a continuous basis to inform program managers about planed and actual developments. Monitoring involves collecting and analysis of data to verify that resources are used as intended, that activities be implemented according to plan that the expected products and services are delivered and the intended beneficiaries are reached. Effective monitoring needs to be part of any project, regardless of whether or not the project will be evaluated. Monitoring provides a foundation for evaluation, which determines the continuation and discontinuation of the program or project, for that reason stakeholder's forum is held on annual basis for progress reporting purpose.

2.8 Major criticisms on Microfinance and Youth Empowerment.

Based on literature reviewed it can therefore illustrated that, According to Nelson and Nelson, (2010), one major critique of the youth empowerment is that most programs take a risk-focus approach. There has been a major emphasis on what is going wrong with the youth in their lives rather than what goes right. This portrays young people as a problem that need to be fixed, and displays the process of development as a process of overcoming risk. This may discourage

youth from joining youth development programs. The risk-based model can obscure the fact that adolescence is a time when young people master skills and concepts.

The excitement about the use of micro-finance to empower youth is not backed up with sound facts. Therefore, in many cases, microcredit facilitated the creation and growth of business, it has often generated self-employment, but it has not necessarily increased income after interest payment. Nelson and Nelson, (2010), noted that, most microcredit programs in the developing world are hampered by constraints including limited loan portfolio administration problems. In the similar case of NYCS, The fund has been dogged by technical, structural and governance challenges since its inception. Young people do not seem to be benefiting from it as microfinance institutions as financial intermediaries is exploiting them with higher interest rate however there is a lack of proper law and policies implementation by NAMFISA to control higher interest loan repayment in the country (Ministry of Youth Sport and National services annual report, 2010), what could have happened in the absence of MFIs? The question is whether microfinance is better than some other development projects for the poor as a whole. In any country, the performance of MFIs is based on outreach and sustainability, whereby outreach is the social value of MFIs in terms of the depth worth to the users, cost to the users and the scope (Nelson and Nelson, 2010).

Morduch, (2000), found that, although microfinance has claimed more and more of the aid budget, it might not always be the best way to help the poorest people. Government and the donors should know whether the poor gain more from small loans than accessibility to good health care, food and infrastructures. Is the support for microcredit a waste or worthwhile? No one knows the appropriate answer. Most measures of the impact of microfinance organizations fail to control what could have happened in the absence of MFIs. Aghion and Morduch, (2005),

stated that, even if the financial institutions featured strength of the lender and the number of products offered, still, MFI faces challenges operating and financial expenses are high and, on average, revenues remained lower than other global regions. Efficiency in term of cost per borrowed is lowest. MFIs technological innovations, product refinements and ongoing efforts to strengthen the capacity of Namibian MFIs are needed to reduce costs, increase outreach and boost over-profitability

2.9 Research Gap Identified

The young people in Namibia have been considered as important factor and agents of change in the development of the nation (National Youth Policy, 2003). However for a number of years, youth have been marginalized by being denied opportunities such as credit due to a lack of collateral and other reasons. The mobilization of youth's groups, who guarantee each other, in order to access loans, have raised interest in whether there is a close correlation between credit and youth economic empowerment. There is a special need therefore, to study the economic and social changes attained by youth in such an environment. Such empirical findings will also be used by other researchers to make comparisons with other municipalities in Namibia.

2.10 Summary of Studies Reviewed

Literature revealed it evidently that; microfinance has been successful in reducing poverty. However for Namibia to achieve her long term vision 2030 young people has to empowered with financial resources and skills development to enhance their livelihood. Literature also revealed that different models of micro financing are developed through extensive studies from grameen model. It, however, revealed that microfinance NYCS, have adopted the

Grameen Solidarity Group model as well as the village bank mode practiced at the northern regions of Namibia.

2.11 Conceptual Framework

The conceptual framework depicts the relationship between two variables in the study that is microfinance services and youth empowerment, with a direct links of change in savings, investments and financial management and sales, while gender, age, lifestyle, educational level, are moderating variables. Impact domains vary for each assessment according to the perceptions of the target group, the objectives, the local settings of the micro credit conditions and the study design.

2.11.1 Dependent Variable

Youth empowerment is a dependent variable, it depends on microfinance services in a way that when sales increase, productivity also increases thus leading to an increase in demand as well as increase in sales. Enhancing business management skill, the offering of business management training is leads to capacity building of the youths. Increase in savings leads to an increase in liquidity consequently thus increase in investments and this obviously leads to creation of employment.

2.11.2 Independent variable

Microfinance is an independent variable, it comprises the following: Micro- lending (finance): These are loans given to the youths through different programs under various projects to start and expanding their business. Mentoring and Training: Specific adults are chosen to be mentors who then train the youth in various skills, which enables them to be empowered. At the

same time, the youth can also be trained through special training seminars. Training can be done internally within the organization (Ministerial level) externally (Service provider). Savings: when the savings increases it promotes the investments thus empowering the youth.

2.11.3 Intervening variables

A study conducted by Kim, (1998), involved entrepreneurs in Singapore, demonstrates that, after entering the entrepreneurial world, those with higher levels of education were more successful in acquiring micro financial services and products, because university education provides them with knowledgeable and modern managerial skills, which making them more conscious of the business world, and thus they are able to use their learning capabilities to negotiate for favorable terms and services from financiers.

2.11.2.1 Life style.

The life style of the youth determines to what extend empowerment will be effected. Example if the life style of a youth is high then it means that the youth's expenditure will also be high causing a decline in investment and vice versa.

Figure 1.1: Conceptual Framework: Independent and Dependent variables Source: **Schater (2001)**.

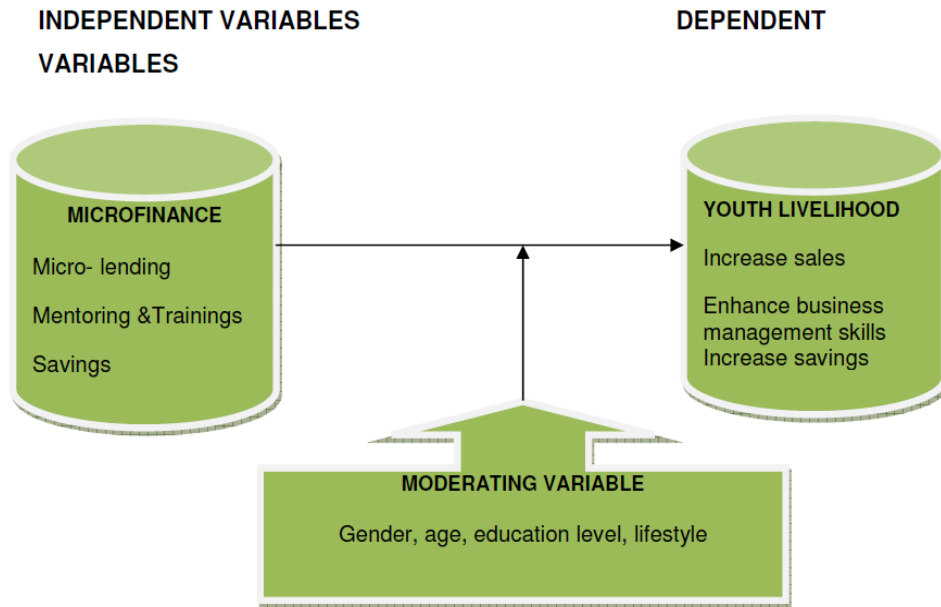


Figure 1.2 below is explaining how independent variables of the study affect dependent variable of the study.

Schater, (2001), stated that, the financial services are the driving force of the socio-economic development of youth and poverty reduction. The financial services of microfinance are generally known as the credit and saving, insurance, payment and repayment services. The main product of microfinance institutions is the loan, which refers to the small amount of credit given to youth at a reasonable interest for generating income through self-employment. The loan terms are important determinants to the clients' wellbeing and household improvement and their business performance. For example, increasing the size of the given loan is important to extend the market and the size of micro- and small enterprises. The flexibility of loan disbursement, which includes the facilities of easy access to services, time responsiveness and the provision of adequate information about the term of services, is an important determinant for improving the clients' wellbeing. Moreover, the aspects of the flexibility of the loan repayment policy, which

includes a loan grace period, a repayment period and an interest rate, are all critical factors for determining the role of microfinance services on the client's wellbeing. Thus, the proposition is:

The loan has a positive relationship with the client's wellbeing.

According to Grameen, (2000), the saving service is another important product of microfinance, which takes two forms, namely mandatory and voluntary savings. The mandatory savings refers to the value of savings that the clients of microfinance are required to save as a condition of obtaining a future loan, while the voluntary savings refers to the amount of saving kept by MFI clients, which is not required as a condition of an existing loan. Both savings are important for enhancing the capability of the poor to cope with uncertain shocks and to reduce the financial cost of lending and secure a sustainable fund source. In addition, saving services play a central role in enhancing loan repayment and enabling the borrowers to access a large sized loan, which helps them to consolidate their business sustainability and growth. Thus, the proposition is saving ***has a positive relationship with the client's wellbeing***

The non-financial services, such as enterprises development training, are important factors to effectively use the financial services and advance the client's wellbeing and their business performance. Nowadays, microfinance institutions are facing a twofold challenge. On one hand, the huge transformation and commercialization which result in a massive competition in the arena of the microfinance market. On the other hand, the social mission of microfinance of reaching and servicing the poorest youth is still a big challenge and has not yet been fulfilled. In order to cope with those problems, many MFIs started recognizing the importance of product diversification and quality service improvement, as well as human resource development. The entrepreneurial and business development training are important factors to the borrowers, which help them to effectively utilize the financial services that support the sustainability of their micro

businesses. In addition, the complementary services, such as marketing or business training, are important to enhance the impact of microfinance on the profitability of the borrowers (Schater, 2001). However, the group trainings of business strategy, planning, marketing, finance, project management, leadership, motivation, delegation, communication and negotiation are all important for advancing micro- and small enterprises. Therefore the proposition is: ***Enterprises development training has a positive impact on the client's wellbeing***

The social mediation service has been known as an important factor for facilitating the process of accessing the financial services without collateral through building social capital between the group members. Social intermediation has been defined as a process in which investments are made in the development of both human resources and institutional capital, with the aim of increasing the self- reliance of marginalized groups, thereby preparing them to engage in formal financial intermediation. Group forming is important for both the lenders and borrowers. The lenders attempt to reduce the cost of microfinance services mitigate asymmetrical information and adverse selection through achieving a wide and deep outreach and transform the responsibility of monitoring and loan repayment to the group member's peer (Kim, 1998). In contrast, the group members have the power to facilitate the borrowers' lending through easily accessing loans services and extending the size of the required loan as well as sharing the information between group members, which guide to improve the overall performance of the group members. Therefore the proposition is: ***Social intermediation services (group formation) have a positive impact on the client's wellbeing.***

The demographic characteristics, such as gender, age, level of education, income, marital status and others have the possibility of affecting the clients preface and their micro- and small businesses. The levels of clients' education and income are important determinants in

microfinance. The period of loan approval, the formality of business and loan monitoring influence the rate of loan repayment. Therefore, the proposition is: *Socio-economic and characteristics of the clients and their businesses mediate the relationship between microfinance services and the client's wellbeing* (Schater, 2001).

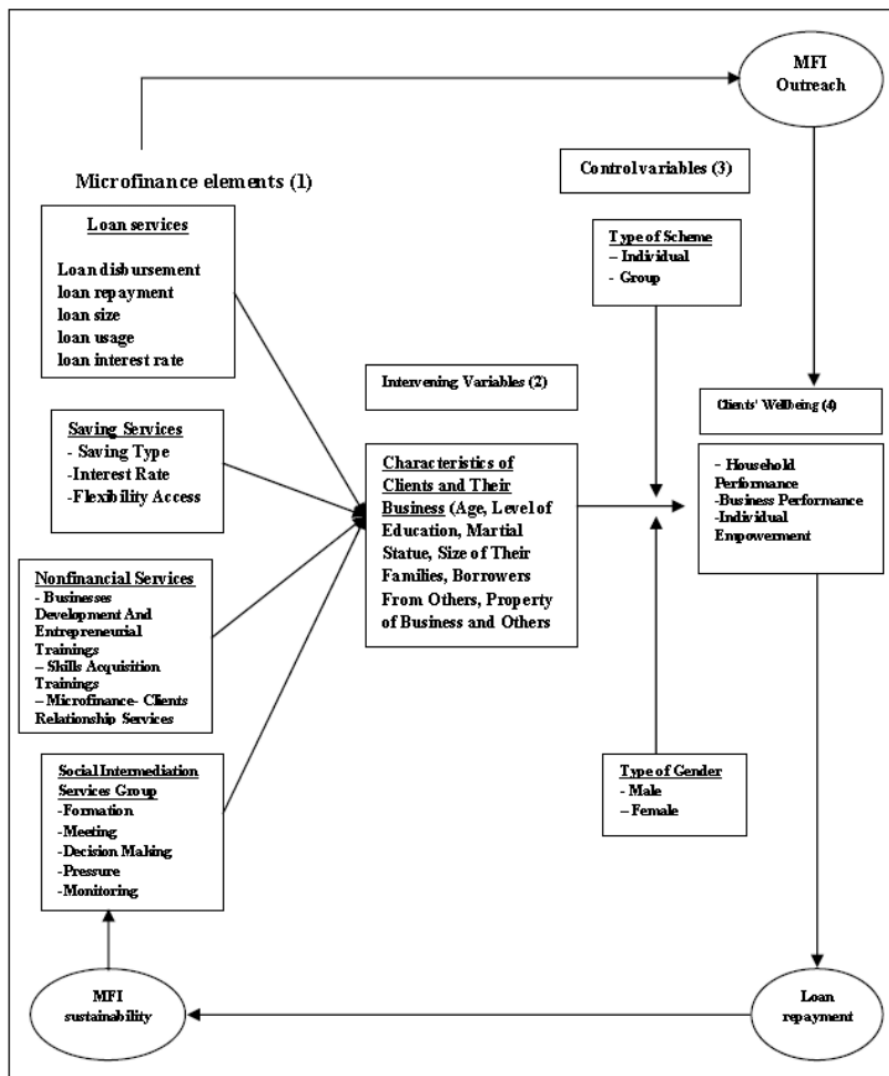


Figure 1.2 is a conceptual framework of Microfinance services in Malaysian Microfinance institution which represent the above explanation Schater (2001).

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Research Design

A research design is simply the framework or plan for a study used as a guide in collecting and analyzing data. To obtain necessary information, this study used the case study design with qualitative approach. The case study has been chosen due to its ability to provide the depth insight of the issue studied. However, the design has number of problems. One of them being, it does not provide basis for comparison, as no two businesses are the same (Kothari, 2004). Despite of the said weakness, case study is said to be complete, reality based, empirically grounded and exploratory.

3.2 Research Population

Population refers to the entire group of individuals, objects or things that share common attributes or characteristics and may or may not be found within the same geographical location (Mugenda, 2008). In the study, the researcher was interested to see the effects of micro finance on youth empowerment. Therefore, the target population of this study was comprised of 750 NYCS microfinance beneficiaries within the town of Otjiwarongo. A list of all NYCS beneficiaries was obtained from the Otjiwarongo regional youth office and it served as a sample structure.

3.3 Sampling Strategy

A sample is a subset of a particular population (Mugenda, 2008). Sampling is a process of selecting a sample from a population. In determining the sample size, the researcher considered the confidence level as well as the allowable sampling error and the reasonable estimate of the standard deviation of the population parameters. The proportion of young

entrepreneurs in Otjiwarongo is 25% of the total beneficiaries population; $p = 0.25$ of the whole population.

$$n = (Z/E)^2 (P) (1-P)$$

n = the required sample size, Z = the standard score corresponding to a given confidence level.

E = the proportion of sampling error P = the estimated proportion of cases in the population.

The researcher wanted a confidence level of 95% with a tolerable amount of error of not greater than 0.10, therefore the sample size of micro-entrepreneurs was calculated as follows:

$$n = (1.96/0.10)^2 (0.75) (0.25)$$

$$n = (19.6)^2 (0.75) (0.25)$$

$n = 72$, because the population was less than 1000, reached to the sample size.

The researcher created a systematic random sample of all 750 beneficiary list obtained from Otjiwarongo Regional Youth Office. By using a list of the total population, each name in the list was numbered 1-750. The researcher randomly choose number 4 as a number to start with, this mean that a person number 4 was a first selection and then every tenth person from then on was included in the sample until the intended number of the sample was reached. The systematic random sampling was chosen because it is a simple and easy technique that produces a sample that is free from bias.

3.4 Research Instruments

The researcher collected primary data through a closed-ended questionnaire that seeks to collect the demographic profiles of the participants as well as their views about the possible socio-economic benefits of NYSC microfinance services. The secondary data were collected

through Namibia Youth Credit Scheme annual reports and from Ministry of Sport and Youth. It was also obtained from several books, research literature, articles as well as academic journals. The secondary data were the amount of micro-credits given to the youth entrepreneurs as well as the investments generated from the beneficiaries.

3.5 Procedures

The NYCS beneficiaries in Otjiwarongo are conducting their business all over the town, some are in the central business area, and some are in the outskirts of the town. However, they are meeting every 3rd week of each month to discuss challenges facing their businesses. Therefore, the researcher recorded all the contact details of all participants in the sample frame (during the sampling process). Questionnaires were taken to respondent's enterprises by the researcher. The questionnaire included a covering letter that assured participant's observation of ethics and the consent agreement for completing questionnaires was given to the participants to sign before completing the questionnaire. The respondents were given two weeks to complete the questionnaire. After one week, a researcher made a call to remind the respondents to attend to the questionnaire. The channel of communication was not considered convenient as some respondents do not answer their calls phone.

3.6 Data Analysis

Data analysis is a process that brings order, structure and meaning to the mass of information collected in the study (Mugenda, 2008). Therefore at the end of data collection all completed questionnaires were thoroughly examined by the researcher coded and analyzed. The data collected was analyzed using descriptive statistics, Measure of central tendency was used to summarize large sets of data in the distribution of scores and determine the typical score of the independent variables, i.e. amount of microcredit, level of entrepreneurial training, size of micro-

enterprise and amount of micro-savings. Measure of relationships was used to indicate the degree to which microcredit, and youth empowerment has. The researcher analyzed the relationship of each independent variable on the dependent variables using correlation and regression analysis. The researcher used tables and bar graphs to present the findings.

3.7 Validity and Reliability

A conclusion of any study can be affected by either a researcher's bias or subjective judgment in the data collection process (Dondo, 1999). According to Kothari, (2004), the researcher must provide supporting evidence that a measuring instrument does, in fact, measure what it appears to be measured. On the other hand reliability is the central concern to social scientists because the measuring instruments they employ are rarely completely valid. Nelson and Nelson, (2010), found that reliability is the extent to which a measuring instrument contains variable errors, that is, errors that appear inconsistently from observation to observation during any one measurement attempt or vary each time a given unit is measured by the same instrument. As a process, validation involves collecting and analyzing data to assess the accuracy of an instrument. There are numerous statistical tests and measures to assess the validity of quantitative instruments, which generally involves pilot testing, therefore the researcher conducted a pilot test with beneficiaries who were not selected for the study, and this was done to ensure that the intended tools to collect data are valid and reliable. The sample selected was conducted in order to boost the reliability in the existing local communities who are living in the area where this study was carried.

3.8 Research Ethics

An acceptable research investigation must be conducted with an ethical approach. Kothari, (2004), defines research ethics as standards of behavior and practical procedures that the

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

3.9 Summary

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

CHAPTER 4: FINDS AND DISCUSSIONS

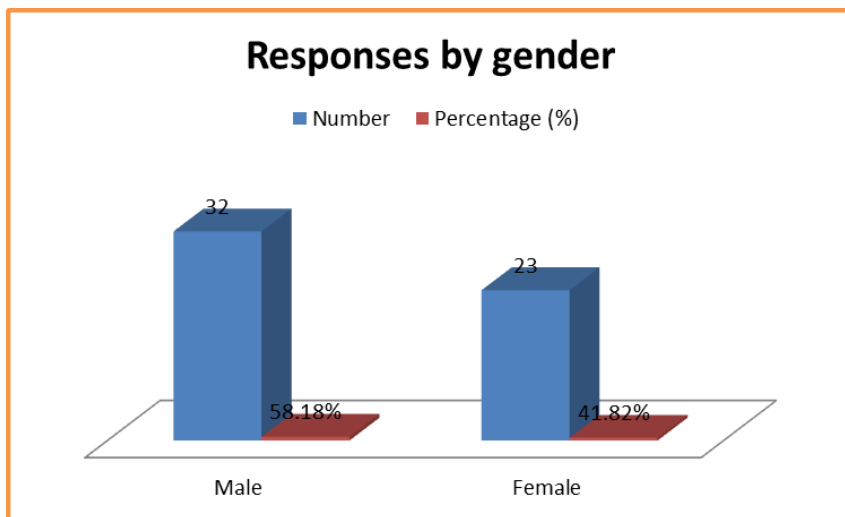
4.1 Introduction

This chapter provides the empirical findings obtained from the data collected. It provides an extensive discussion and interpretations of the findings of the study. The primary information was collected from 55 beneficiaries of NYCS through close-ended questionnaires. The secondary information was further obtained through program documents, academic journals as well as textbooks. It further provides demographic information of the respondents and the statistical analysis of the information collected from them.

4.2 Demographic characteristics

4.2.1 Gender

Figure 4.1: Responses by Gender (n=55)



The study targeted beneficiaries of NYCS who received microcredit (loans), since the inception of the program in Otjiwarongo March 2011. Questionnaires were distributed to all 72

units of analysis that appeared in the sample frame, however only 55 beneficiaries attempted to respond and returned the questionnaires.

Figure 4.1 illustrates gender distribution of the respondents. The sample was a representative of female and male beneficiaries. It shows that 58.2% males and 41.8% females participated. It appears that young males compared to female counterparts are taking a more active role and tend to be more active in starting small businesses in order to improve their welfare and that of their families.

4.2.2 Marital Status

Figure 4.2: Responses by Marital Status (n=55)

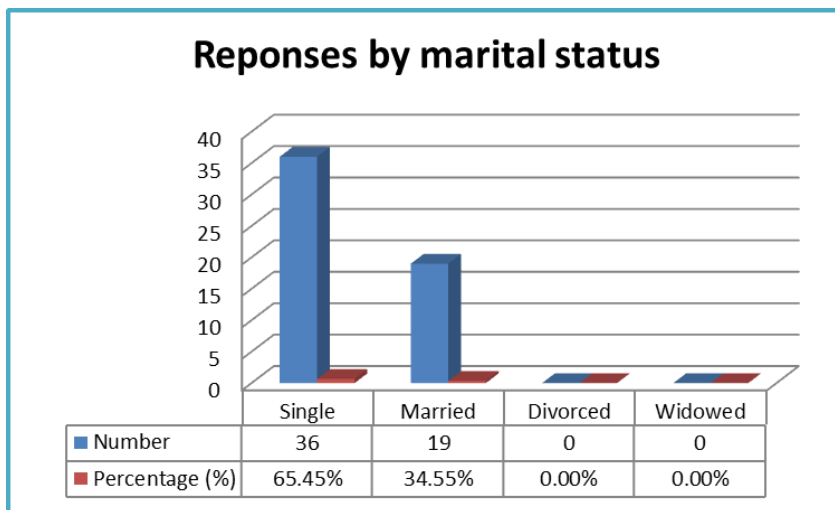


Figure 4.2 represents the marital status of the respondents. As expected, the majority of the respondents are single which constitute 65.5% whereas 34.5 % are married. No divorced youth participated in the credit program as well as youth whose spouses had been prematurely taken by death. This demonstrated that more single youth are seeking microfinance loans to improve their livelihoods and living standards in the absence of supporting spouses and the whole trait leads to youth self-reliance and empowerment.

4.2.3 Town/Location

Figure 4.3: Responses by Place of Residence (n=55)

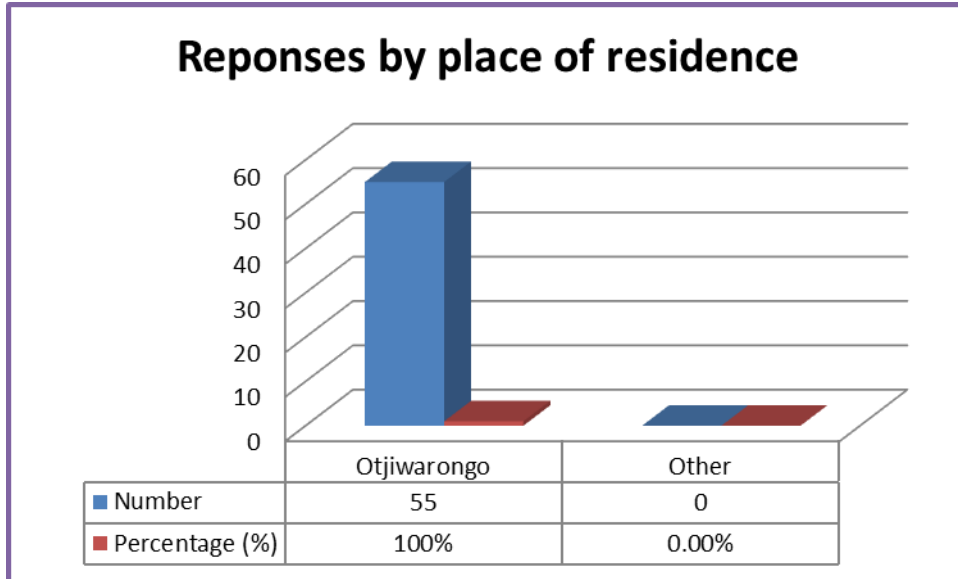
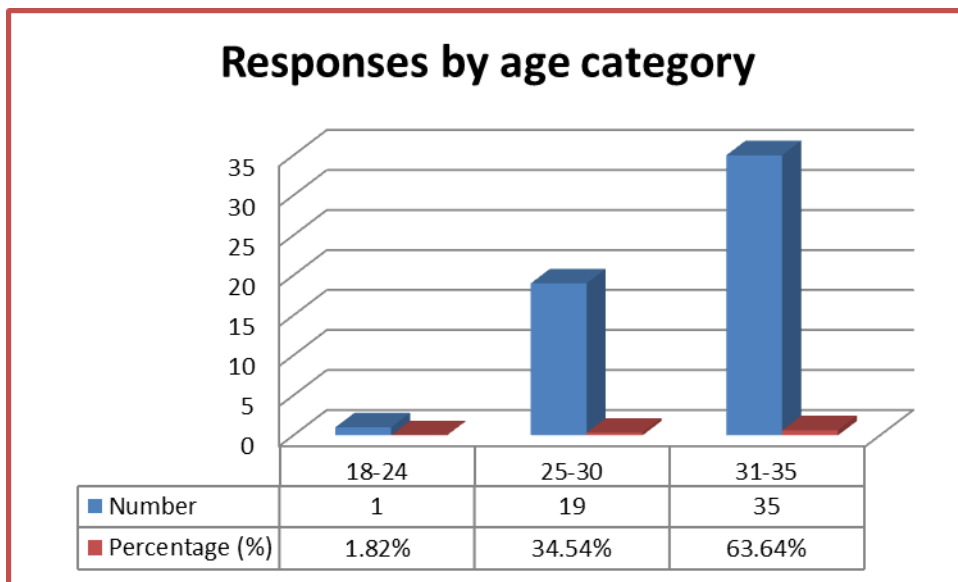


Figure 4.3 presents the town or location of residence. The study was conducted in the town of Otjiwarongo, though a lot of micro-enterprises started by micro-entrepreneurs are found all over in town and on its outskirts.

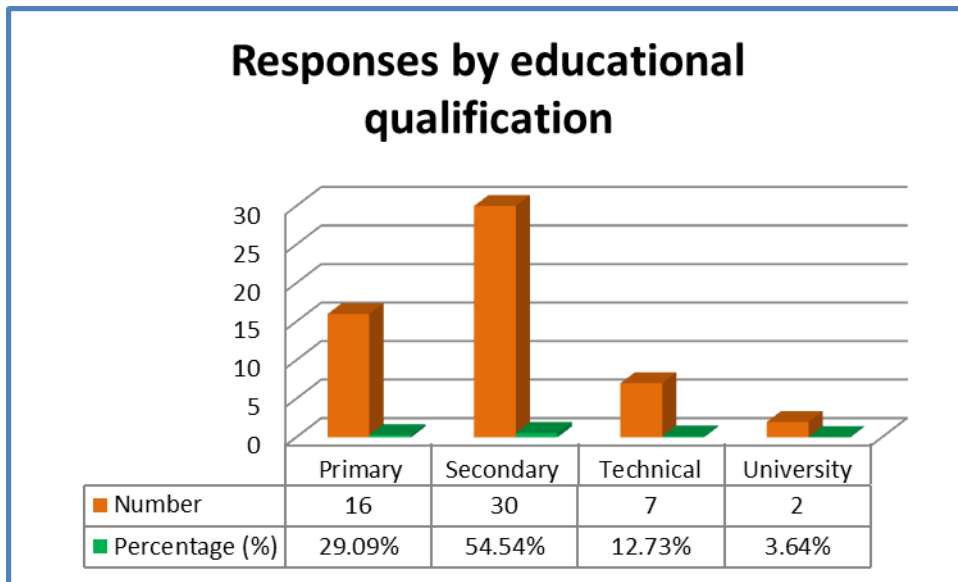
Figure 4.4: Responses by Age Category (n=55)



In terms of age, 1.8% of the respondents were in the age group of 18-24 years, 34.5% of the youth indicated their ages to be between 25 and 30 years, and 63.6 % were in the age group of 31-35 years.

4.2.4 Educational Background

Figure 4.5: Responses by Educational Qualification (n=55)



Respondents were classified in different categories of education level. This shows a significant influence on how beneficiaries manage their income and how they take care of their households. The argument is that respondents with higher education levels would be knowledgeable about savings, investments, capital decisions and risk management and income. While 54.5% indicated having completed secondary education, thus Grade 11- 12. 12.7% and 3.6% indicated having completed tertiary technical and university education, respectively.

4.3 National Youth Credit Scheme (NYCS) Socio - Economic Impact

4.3.1 Rating of the Effectiveness of NYSC Program

The respondents were requested to rate the effectiveness of the NYSC Program on a 5-point scale of Strongly Agree (SA) =5, Agree (A) = 4, Neutral (N) =3, Disagree (D) = 2, Strongly Disagree (SD) =1

Figure 4.6: Responses on Effectiveness of NYSC (n=55)

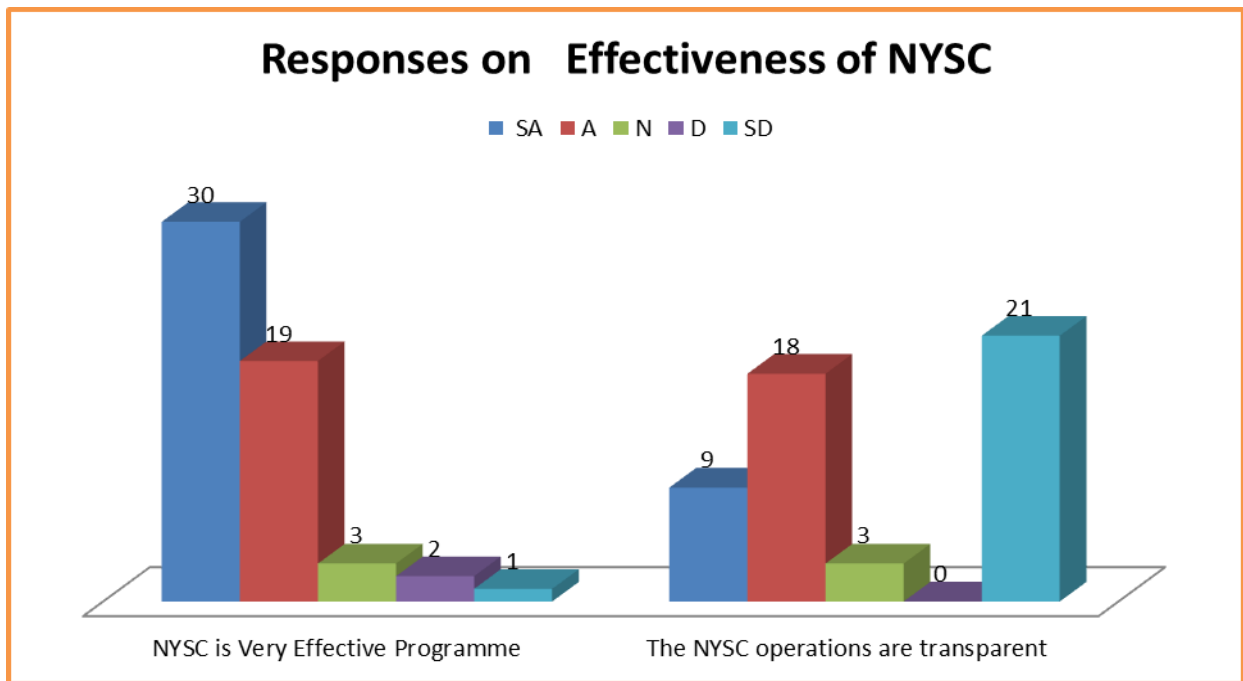


Figure 4.6 analyses NYCS effectiveness and NYCS operational transparency. Figure 4.6 illustrates the position of the respondents to determine the effectiveness of NYCS with the focus of examining whether NYCS is an effective program that means to promote employment and alleviate poverty among the youth.

The majority strongly agreed that NYCS is a very effective program, 19 participants agreed that NYCS is an effective program, 3 participants appeared to be neutral, 2 beneficiaries

completely disagreed and considered NYCS not to be an effective program and 1 participant strongly disagreed with the statement. The NYCS operational transparency came out of the study as follows: 9 NYCS beneficiaries strongly agreed that the operations of the programs were transparent, 18 participants agreed that the operation of the scheme was transparent, 3 participants appeared to be neutral on the operational transparency of NYCS, and 21 beneficiaries tended to differ as they strongly disagreed, seeing no transparency in the scheme's operation. This is a fair result considering the fact that the majority look at it as a much larger effective program. However, a critical look should be given to the operational transparency of the program that might demotivate the youth to participate in the microfinance program.

4.3.2 Impact of NYSC Program on Youth Livelihood

The extent of socio-economic benefits of NYSC is presented on a 5-point Likert scale as follows: SA= Strongly Agree, A = Agree, U= Undecided, DA= Disagree, SD= Strongly Disagree. The participants were required to tick only one option per statement below.

Table 4.1: Responses on Socio- Economic benefits of NYSC Program (n=55)

Statement	SA	A	U	DA	SD	Total
After joining the NYSC Programme my Income has change	25	27	3	0	0	55(100%)
My financial needs met after joining NYSC	25	29	1	0	0	55(100%)
My savings have changed after joining NYSC Programme	27	26	2	0	0	55(100%)

My income and investment have changed positively after joining NYSC programme	19	34	2	0	0	55(100%)
The NYSC has promoted SMEs ventures projects run by Youth in Otjiwarongo	28	25	2	0	0	55(100%)

The study aimed to establish an empirical evidence of whether NYCS has made an impact on the livelihood of the beneficiaries. It is evident that respondents indicated as follows: after joining the NYSC program, the beneficiary's income changed positively. A total number of 25 beneficiaries strongly agreed that their income changed, 27 beneficiaries agreed of the change in income whereas 3 remained undecided. The rating on financial needs met after joining the program is as follows: a number of 25 beneficiaries appear to strongly agree, 29 agreed, while 1 was undecided. With regard to change of savings after joining the program, 27 respondents strongly agreed, 26 respondents agreed and 2 of the respondents were undecided. This confirms that many respondents who obtained microfinance loans were able to increase income and were able to save and invest, and, therefore, were able to improve their living standards and contribute to their households as well as playing a role in decision-making in their family.

When asked for positive income and investment change after joining the NYCS program, 19 respondents strongly agreed to it, 34 respondents agreed whereas 2 respondents remained undecided. Although 28 respondents strongly agreed that NYCS has promoted established SME ventures, 25 respondents also agreed to that, while 2 respondents remained undecided as to whether NYCS has promoted SME ventures run by the youth in Otjiwarongo. Respondents were generally satisfied with socio-economic benefits that were brought into their lives by NYCS

program, although the majority of youth remained undecided on the benefits NYCS was designed for.

Test of Hypotheses;

Hypothesis 1 Null: The Income of NYSC beneficiaries has not changed after joining the NYSC program.

Alternative Hypothesis: The Income of NYSC beneficiaries has changed after joining the NYSC program.

To test this hypothesis, the Chi- Square (χ^2) test of goodness of fit is employed. The formula is as follows: **Hypothesis**

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

Where;

O= The observed frequency of any value

E= Expected frequency of any value

$$E = 55 \div 5 = 11$$

There are 55 respondents and five response options (Strongly Agreed (= SA), Agreed (= A), Undecided (= U), Disagreed (= DA) and strongly disagreed (= SD) as presented in Table 4.2

Table 4.2: Hypothesis 1: Null: The Income of NYSC beneficiaries has not changed after joining the NYSC program.

Response	O	E	O-E	$(O - E)^2$	$\frac{(O - E)^2}{E}$
SA	25	11	14	196	17.82
A	27	11	16	256	23.27

U	3	11	-8	64	5.82
D	0	11	-11	121	11
SD	0	1	-11	121	11
Total	55				68.91

From Table 4.2 above the calculated Chi- Square value is 68.91

Degree of freedom (DF) = (Rows-1) (Columns-1)

$$DF= 4$$

The Chi Square table value at alpha = 0.05 and 4 degree of freedom is 9.49

Decision Rule/Criterion

When the calculated Chi- Square value is greater than the table value, we reject the null hypothesis (H_0) and accept the alternative hypothesis. If the calculated Chi- Square value is less than the table value, we accept the null hypothesis.

Interpretation

From the above calculation, the Chi- Square computed value of 68.91 is greater than the table value of 9.49. Therefore, we reject the null hypothesis and accept the alternative hypothesis. *The income of NYSC beneficiaries had changed after joining the NYSC program.*

Hypothesis 2

Null: The NYSC program has not promoted SMEs Venture projects implemented by youth in Otjiwarongo Municipality.

Alternative Hypothesis: The NYSC program has promoted SMEs Venture projects implemented by youth in Otjiwarongo Municipality

To test this hypothesis the Chi- Square (χ^2) test of goodness of fit is employed. The formula is as follows:

$$\chi^2 = \sum \frac{(O-E)^2}{E}$$

Where;

O= The observed frequency of any value

E= Expected frequency of any value

$$E = 55 \div 5 = 11$$

There are 55 respondents and five response options (Strongly Agreed (= SA), Agreed (= A), Undecided (= U), Disagreed (= DA) and strongly disagree (= SD) as presented in Table 4.4

Table 4.3 Hypothesis 2: Null: The NYSC program has not promoted SMEs Venture projects implemented by youth in Otjiwarongo Municipality.

Response	O	E	O-E	$(O - E)^2$	$\frac{(O - E)^2}{E}$
SA	28	11	17	289	26.27
A	25	11	14	196	17.82
U	2	11	-9	81	7.36
D	0	11	-11	121	11.00
SD	0	11	-11	121	11.00
Total	55				73.45

Degree of freedom (DF) = (Rows-1) (Columns-1)

$$= (5-1) (2-1)$$

$$= 4$$

The Chi Square table value at alpha = 0.05 and 4 degree of freedom is 9.49

Decision Rule/Criterion

When the calculated Chi- Square value is greater than the table value, we reject the null hypothesis (H_0) and accept the alternative hypothesis. If the calculated Chi- Square value is less than the table value, we accept the null hypothesis.

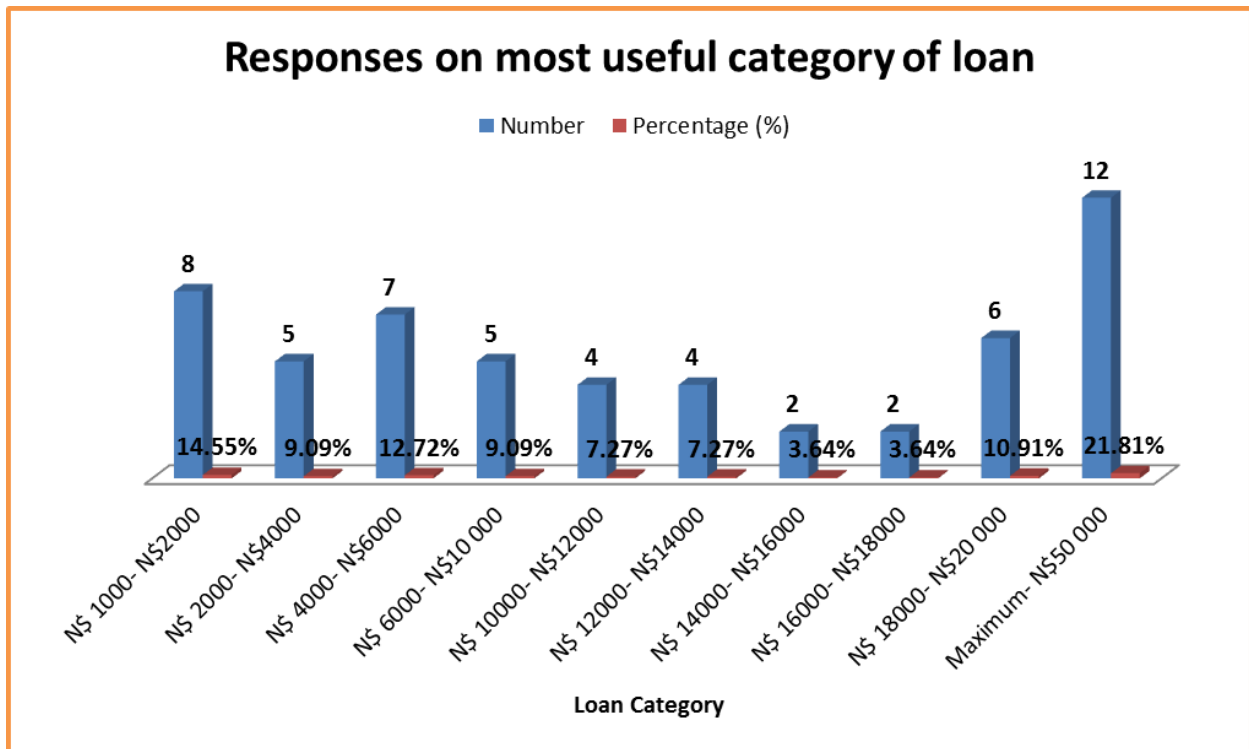
Interpretation

From the above calculation, the Chi- Square computed value of 73.45 is greater than the table value of 9.49. Therefore, we reject the null hypothesis and accept the alternative hypothesis. **Thus, the NYSC program had promoted SMEs ventures projects implemented by youth.**

4.4 NYSC Loans Scheme

4.4.1 Category of Loans commonly cited as useful by NYCS beneficiaries

Figure 4.7: Responses on most useful category of loan (n=55)

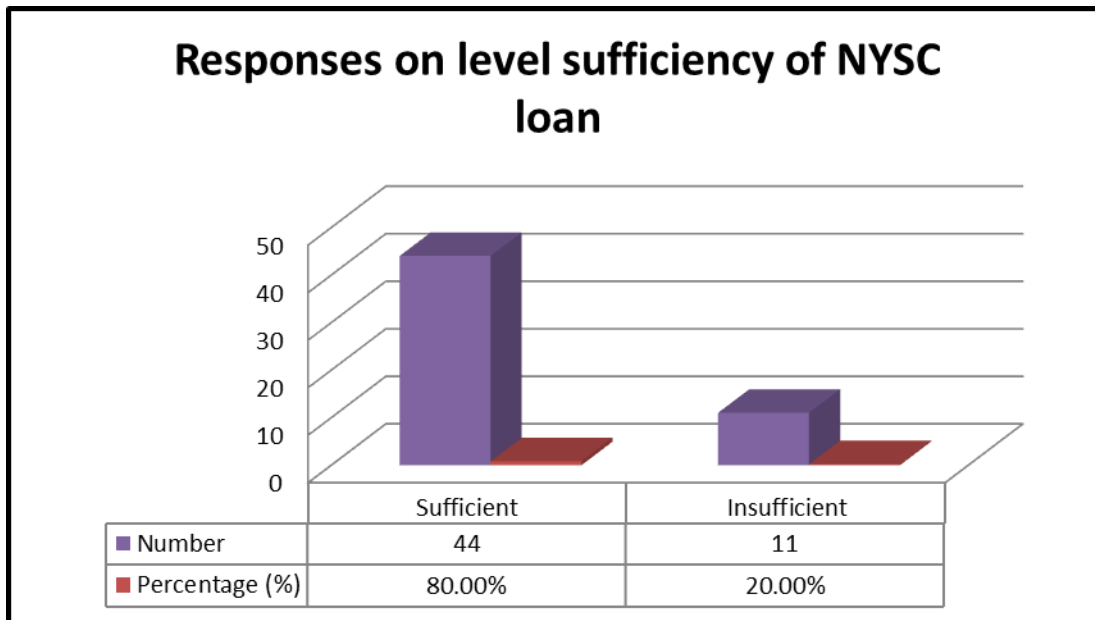


Respondents were asked which loan category appear to be most useful. Figure 4.7 shows that 15% of the respondents indicated that the amount of N\$1000 - N\$2000 was most useful to

them, 9 % responded that N\$ 2000- N\$ 4000 was most useful, 12.7% of the respondents indicated that N\$4000-N\$6000 was useful, 7.2 % showed that N\$ 10000-N\$ 12000 was most useful whereas 7.2% of respondents responded that N\$ 12000- N\$ 14000 loan product was most useful, 3.6% of respondents found N\$ 14 000- N\$16 000 loan product to be useful, 10.9% found that N\$ 18000 - N\$ 20000 assisted them much and 21.8% of respondents found the maximum loan category to be greatly useful. The loan products vary according to business; some micro-entrepreneurs operate a magnitude type of business that requires a lot of capital, while others do not require too much starting-up capital.

4.4.2 Perfection of the Sufficiency of NYCS Loan

Figure 4.8: Responses on level sufficiency of NYCS loan (n=55)

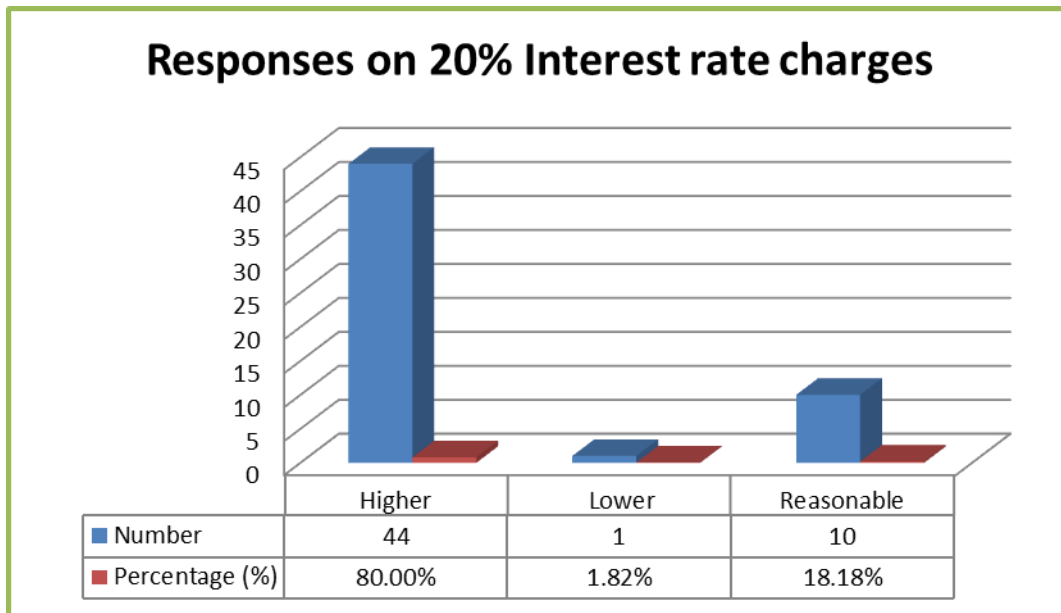


According to Figure. 4.8, it is evident that the majority of respondents were satisfied with the loan provided by NYCS, as 80% indicated that the loan provided by NYCS is sufficient to run their micro-enterprises and only 20% indicated that the microloan is insufficient to start and

run a business. Generally, it came out that respondents are satisfied with the loans sizes received that appear to be in different categories. The study also found that those who find the loan to be insufficient might do so because the loan did not bring out any improvement or new development in the business or does not validate any significant impact on the livelihood of the beneficiaries. Given the amount, the majority of respondents find some validation for their business’s expansion or improvement validated by the increase in the number of employees (employment creation), that respond to Namibia’s long-term plan, vision 2030.

4.4.3 Perception of the 20% Interest rate charged on amount Borrowed.

Figure 4.9: Responses on 20% Interest rate charges (n=55)

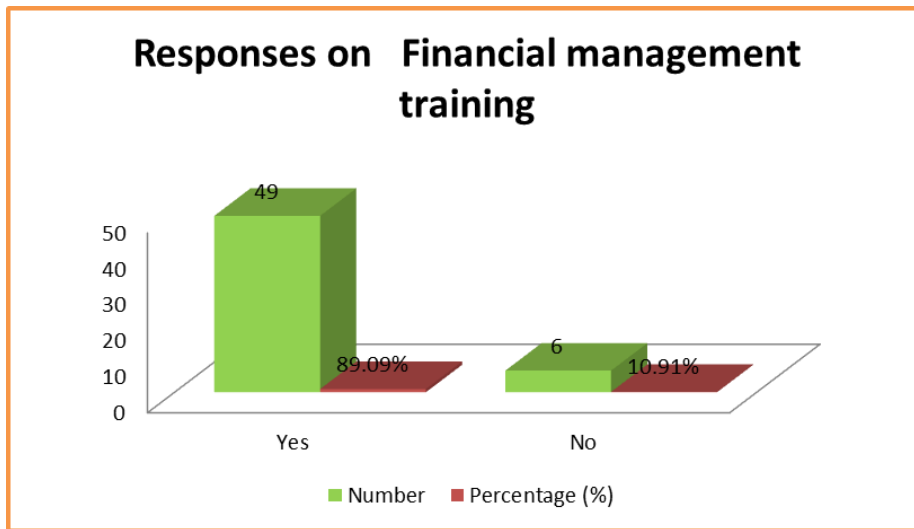


According to Figure 4.9, most of the respondents found the interest rate the program charges to be very high. It is worth noting that, 80% of respondents showed their concern of the interest rate charges charged on all loan categories to be very higher thus killing the business at an introductory stage. Only a few whose opinions toward the interest rate find it to be low, therefore 1% of respondents indicated otherwise. This could mean that borrowers find it difficult

to pay loan principal as well as interest charged installments. Figure 4.9 further pointed out that 18.8% of respondents were of the opinion that the interest rate charged on any loan category stand to be reasonable.

4.5 Training of NYCS Beneficiaries on Financial Management

Figure 4.10: Responses on Financial Management Training (n=55)



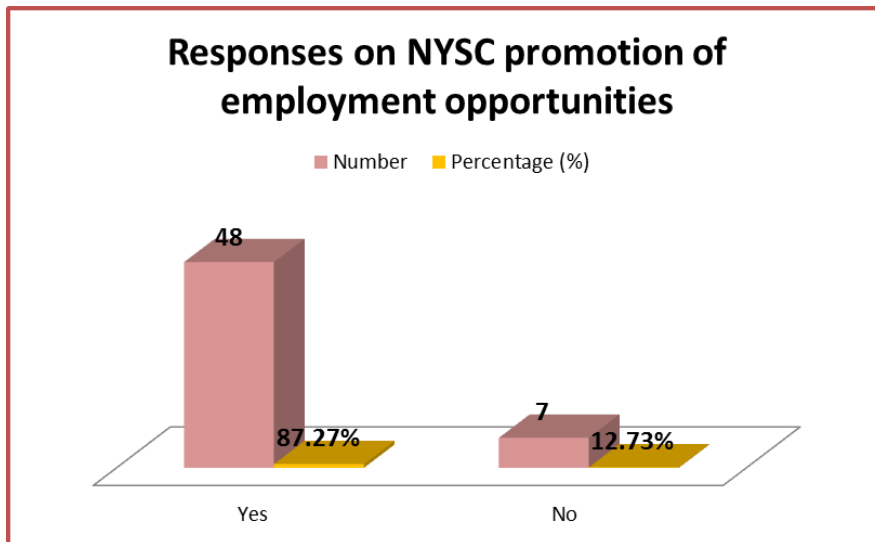
The study aimed to find out the type of skills training NYCS is engaged in, when giving out loans to micro-entrepreneurs. It came out that NYCS is much more on a credit-plus approach, not a credit-alone approach, as some MFIs are. It came out that when youth are joining the scheme they has to be trained in basic business management with the idea of developing a solid knowledge of running a business on a day-to-day basis. A total of 89 % of the respondents indicated that they received training before joining the scheme and became beneficiaries, followed by 11% who indicated that they were not trained on financial management before and after joining the scheme. A large percentage of respondents indicated that financial management training aid them to significantly develop the business skills needed to run and manage their businesses. Even though the study found out that 11% of loan recipients

did not receive any training before and after joining the program, much can be done or more training can be initiated to bring all beneficiaries to the same level of business management understanding.

4.6 Overall Perception of NYCS Program

4.6.1 NYSC Program and Employment Opportunities

Figure 4.11: Responses on NYCS and Employment Opportunities (n=55)

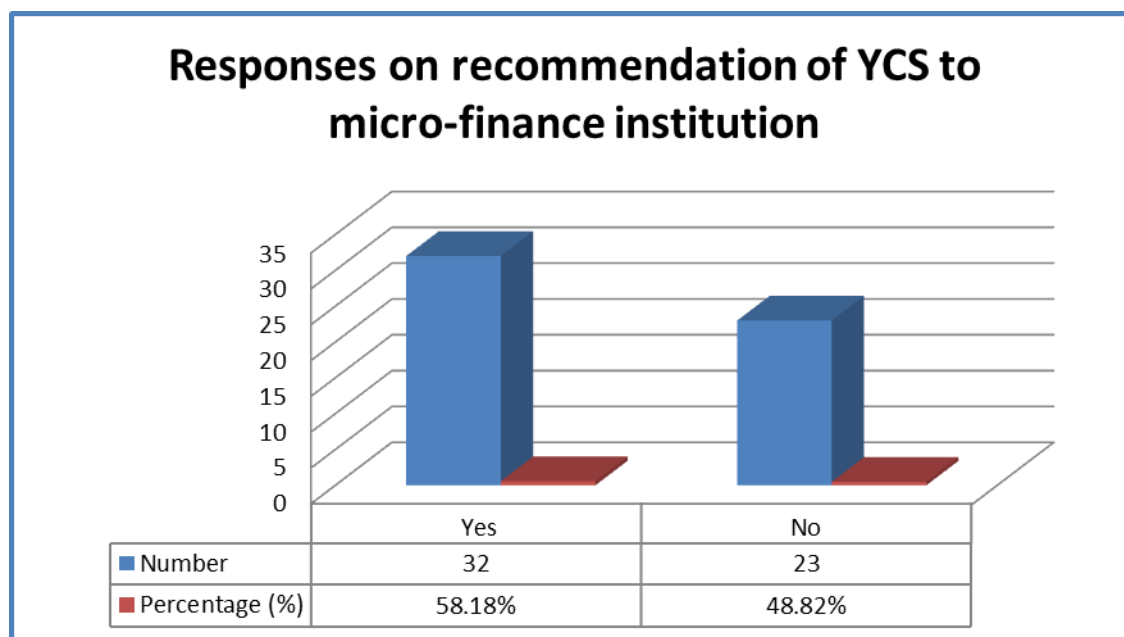


Respondents were asked to rate how NYCS promote employment opportunities. A total of 87 % of respondents were of the opinion that NYCS program is an effective tool to create employment among the youth by the youth. It is evident that the majority of respondents were satisfied with the results of the program. However, 12.7% of respondents were not satisfied and did not take NYCS as a driving force behind employment creations.

4.6.2 Recommendation of Youth Credit Scheme (NYCS) to be a Microfinance Institutions

The respondents were asked whether they would recommend the NYCS to be one of the microfinance institutions in Namibia.

Figure 4.12: Responses on recommendation of NYCS to micro-finance institution (n=55)



According to Figure 4.12, the majority of respondents were of the opinion that NYCS should be developed and strengthens to be a microfinance institution in the country. This could mean that, if NYCS is to be accorded that status, young people would find it easier to borrow money that can carry the weight or magnitude of their business, probably at a cheaper interest rate. The process will be simplified and made easier for them to access higher amounts of money compared to the current borrowing practice from NYCS. Besides, 48% of respondents could not buy the idea. In their opinion, for the NYCS to be upgraded to MFI, consideration might be given that the current system of NYCS did not employ all the aspects that qualify the microfinance to be an institution.

4.7 DISCUSSIONS OF FINDINGS

The researcher measured the effects of microfinance on youth empowerment, therefore, all the objectives were met. The literature reviewed showed that generating employment opportunities for young people remains a challenge for most developing economies, Namibia

included. Microfinance is therefore becoming an increasingly important tool for the youth in a country with a high youth unemployment level, such as Namibia, where formal/commercial lending institutions often requires collateral. Studies carried out by Mosley, (2000), and Zeller, (2000), confirmed that lack of collateral is among the key reasons why poor women and the youth cannot access loans through the formal banking sector

Nelson and Nelson, (2010), further emphasize the importance of microfinance as they argued that the poor often rely on informal financial markets, such as moneylenders and rotating savings and credit associations with simpler credit terms. However, the informal sector often charges higher interest rates, making savings from such loans impossible. It also revealed from the empirical findings that microfinance programs in Namibia are providing microcredit through the credit-plus approach, which means that it offers business development services as well as basic business management skills in order to soothe the running of business of the micro-entrepreneurs.

The purposes of the provision of microcredit are to alleviate poverty among the youth, to promote youth micro-enterprises and to empower the youth to be employment creators rather than employment seekers. As per objectives of this study, the study revealed that the majority of loan beneficiaries indicated significant improvement in their condition of living and increasing in income after joining the program and this can be evident enough that youth are empowered financially. The NYCS assisted the youth to attain socioeconomic improvements and it recognizes the youth as major human resources toward national development. With the combination of financial and non-financial services provided to the youth by NYCS, there is much evidence of empowerment by developing a sense of responsibility. Tying up the overall objectives of microfinance, the study can conclude that NYCS is an effective tool to alleviate

poverty as the social and economic lives of the respondents have improved. It can also be generalized that the whole population across the country benefited from the program.

Empowering small businesses initiated by the poor and the youth, the key goal is to provide a means of finance that will enable micro-enterprises to expand and create employment, which will contribute to economic and national development. The study found that the majority of micro-entrepreneurs found the NYCS program to be an effective tool as it smooths their income and makes a favorable consideration in fighting and alleviating poverty among its target group. The literature reviewed found that microfinance as discipline created financial products and services that together have enabled low-income people to become clients of a banking intermediary. Microfinance is about building permanent local financial institutions that can provide financial services to the poor people on a permanent basis. Such institutions should be able to mobilize resources and recycle domestic savings and external credit and provide a range of services, thus dependence on funding from donors and government will gradually diminish as local financial institutions and private capital markets flourish (Wright, 2005). This could mean that the study found NYCS eligible to be accorded with MFI status, thus to make it easier for young entrepreneurs to borrow money that can hold the weigh or magnitude of their business, probably at a cheaper interest rate.

4.8 CONCLUSIONS

It is worth concluding that the youth's microfinance program has improved their livelihood at different levels of their lives directly related to economic opportunities and the labour market. These have included individual wealth: Beneficiaries gained business management skills that will enable them to run their businesses successfully and that can

increase their levels of self-esteem. The program further provided the youth an opportunity to access financial services, encouraged them to save and taught them to make financial decisions regarding their day-to-day business management. Namibia as a country has not adopted nor created a microfinance policy that guides microfinance in the country. There is no standard uniform rate in the country as most of the microfinance institutions in the country are charging different interest rates. Therefore the interest rate charged by the NYCS program is relatively high; its ceiling is hurting some younger entrepreneurs who aim hard to do well in the business circle, however the literature reviewed revealed that one of the characteristics of micro credit is its rates on credit are higher than commercial bank rates. Though, some of them find it very hard to pay a principal loan plus 20% interest, which might make them default on installment payments. Consequently, this can create a bad payment record and unsustainability of the NYCS's funds. Given that, Namibia has to learn a successful implementation strategy from the countries where it is executed successfully, for example Kenya and Nigeria. NYCS still has room for improvement and a lot needs to be done, namely the transparency of the program has to improve, as the majority stated, and the management advisory board has to take further steps for the benefit of the beneficiaries.

4.9 LIMITATION AND FURTHER RESEARCH.

The study administered its questionnaires to 72 units of analysis in the sample frame. However, due to their business commitment (assumption), only 55 responded to the questionnaires provided to them and returned them as agreed. Given that the study reached its conclusion, the information provided is not significant enough to respond to the magnitude of the research. Based on the gathered and analyzed data, the result of the study indicated possible directions for future research. Firstly, bottom-up studies need to be carried out to determine the

challenge faced by micro-enterprises started by the youth and how best to improve the delivery process of the program. Secondly, future research should also examine the impact of microfinance on the recipients over time, since some studies suggest that it takes time for microfinance to have an effect on the livelihoods of the poor and the youth.

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

The purpose of the study was to investigate the effects of microfinance on youth empowerment. It also intended to see whether the study would answer this question: Is NYCS an effective tool in alleviating poverty among the youth? The study focused on three specific objectives. The objectives were:

- To explore existing financial products MFI employ to enable the youth to access credit and accumulate savings.
- To determine the extent to which MFI had succeeded in poverty eradication among the youth, through promoting micro-enterprises created by the youth.

5.2 CONCLUSION & RECOMMENDATIONS

Considering the view that the unemployment rate is high among youth, it is important to conclude that microfinance programs at this stage have improved the living standard of the youth and that of their families. It has reduced poverty among the youth, gave the youth an opportunity to start and expand their businesses thereby creating employment. Factors related to formal businesses, such as hiring many employees and acquiring business premises in municipal areas, can be some of the elements that prevent the youth from running their enterprises successfully, but much improvement has been outlined by the study. For the benefits of the micro-entrepreneurs, it may be recommended that the government must take away some of the municipal bypass laws, e.g. allowing younger entrepreneurs to run their businesses at the backyard of their houses.

It was also recommended that, to assess and quantify the effectiveness and the impact of the program extensively, the government of the Republic of Namibia should intervene to curb the high interest rates charged by MFIs. NAMFISA should develop a friendly policy in favor of micro-entrepreneurs. However, it is mentioned in the literature review that, when governments regulate interest rates, they usually set them at such low levels that microcredit lenders cannot cover its costs so such regulation should be avoided, given that micro lenders should not use high interest rates to make borrowers cover the costs of their own inefficiency. The majority of respondents find the 20% interest to be very high and killing their businesses at their infant stage. This implies that beneficiaries are paying too much and there will not be enough capital for stock, saving and investment. The literature reviewed shows that NYCS is mostly focused on microloan provision. However, this does not necessarily mean it should confine itself to those services, but should move beyond and extend its services delivery chain in areas such as marketing linkages and assist the youth to participate in national and international trade fairs and expositions to countries like Nigeria, Zimbabwe, Zambia, Uganda, Kenya, India, etc. Provision of these services will encourage the youth to do better and penetrate in businesses and establish entrepreneurial networks. The technical bureaucracy seems to slow the administration process within the program has to be minimized to ensure the loan provision is distributed on time.

The literature reviewed showed that, microfinance as discipline created financial products and services that together have enabled low-income people to become clients of banking intermediary. Microfinance is about building permanent local financial institutions that can provide financial services to the poor people on a permanent basis. Such institutions should be able to mobilize resources and recycle domestic savings and external credit and provide a range of services, thus dependence on funding from donors and government will gradually diminish as

local financial institutions and private capital markets flourish (Wright, 2005). Based on this evidence Namibia government cannot be exempted from such situations, governments do change by facing economic meltdown like does Namibia currently, therefore, the study recommended NYCS should be accorded MFI status, to make it easier for young entrepreneurs to borrow money that can hold the weight or magnitude of their business, probably at a cheaper interest rate. The approach to create such an institution (bank) should follow the similar approach used when the liquefied SME bank was established provided the board of directors should comprises of qualified and competent youth in the country.

It further recommended that training is crucial for both borrowers and MFI (NYCS) personnel to enable them to improve on their service delivery and financial utilization to increase accessibility of microfinance products and services. The study recommended that the government (MSYNS), investors and stakeholders (SSC) should be involved in all key decisions affecting micro financing. This would help to bring new ideas that MFI (NYCS) is able to take and implement to minimize all the obstacles experienced currently. To comply effectively with the role of empowering the youth economically, MFI needs to mobilize the youth, train them in all elements that involve micro financing to sustain the economic welfare of the youth. In enabling the NYCS to improve the program's operation transparency, the NYCS should have or develop a simplified system of operation that provides efficient and effective service delivery that is accessible and preferable by the youth across the country.

5.3 SUMMARY

The purpose of the provision of microfinance program is to alleviate poverty among vulnerable groups such as women and the youth. This study leveled that high levels of loan

beneficiaries indicated an improvement in their conditions of living, business and family contribution. It is also indicated by the literature reviewed that microfinance providers seek to serve poor populations that have traditionally been unable to obtain access credit. This is in agreement with Orrick, (2012), who stated that microfinance is there to reduce poverty in developing countries by providing poor people with basic financial services that will enable them to earn more. Other benefits of microfinance program have been identified as being reasonable interest rates, absence of collateral, and acceptable loan terms. The NYCS program assisted the youth to attain socio economic improvements. The study revealed that youth created employment for themselves with the combination of financial and nonfinancial services provided to them, there is high evidence of empowerment by developing a sense of responsibility.

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APPEDICES

APPENDIX 1: RESEARCH QUESTIONNAIRE

THE EFFECT OF MICRO - FINANCE ON YOUTH EMPOWERMENT: A CASE STUDY OF NAMIBIA YOUTH CREDIT SCHEME IN OTJIWARONGO

QUESTIONNAIRE FOR DATA COLLECTION – NYCS BENEFICIARIES

Dear respondent, am Johanna D. Iitondoka a Masters Student at the University of Namibia – Namibia Business. The purpose of the research is to understand the effect of Micro finance on youth empowerment: A case study of Namibia Youth Credit Scheme, therefore you are kindly requested to complete the questionnaire honestly. Your participation is voluntary and you are not required to mention your name. The information to be provided will be used for academic purposes only and will be treated confidentially.

Please mark with x in the appropriate box.

Personal Data

1. Gender

Female	<input type="checkbox"/>
Male	<input type="checkbox"/>

2. Marital Status

Single	<input type="checkbox"/>
Married	<input type="checkbox"/>

Divorced	
Widow(er)	

2. Town/ Location

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3. Ages

18- 25	
25-30	
30-35	

4. Level of Education

Never attended school	
Primary	
Secondary	
Technical	
University	

NYCS and Loan products

1. On a scale of 1-10 (1- weak 10 - Very Strong) how do you rate the effectiveness of NYCS Program

2. To what extend did NYCS played a role of income contribution in your household after joining NYCS Micro-finance program?

1. To a great extent	
2. To a certain extent	
3. Undecided	
4. To a small extent	
5. Not at all	

8. Which Financial / Loan Product did you find most useful?

N\$ 1000- 2000	
N\$2000- 4000	
N\$4000- 6000	
N\$6000- 10000	
N\$10000- 12000	
N\$12000- 14000	
N\$14000- 16000	
N\$16000-18000	
N\$18000-20000	
Maximum 50,000	

14. To what extent does your financial needs met after joining NYCS?

1. To a great extent	
2. To a certain extent	
3. Undecided	
4. To a small extent	
5. Not at all	

15. How has your savings changed compared to sometimes ago before you join NYCS?

1. To a great extent	
2. To a certain extent	
3. Undecided	
4. To a small extent	
5. Not at all	

16. How has your income and investment changed compared before you joined NYCS?

1. To a great extent	
2. To a certain extent	
3. Undecided	
4. To a small extent	

5. Not at all	
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17. How would you consider the loan amount?

Sufficient	
Insufficient	

18. How would you consider the 20% interest rate charged on loan amount borrowed?

Higher	
Lower	
Reasonable	

19. Have you been trained by NYCS on Financial Management and other related business skills?

Yes	
No	

20. To what extend does the implementation of NYCS promoted SMEs run by youth?

1. To a great extend	
2. To a certain extend	
3. Undecided	
4. To a small extend	
5. Not at all	

21. In your opinion does NYCS improved living standard and promote employment opportunities among youth?

Yes	
No	

22. How best can you rate the transparency of NYCS operations?

1. Very Good	
2. Good	
3. Fair	
4. Poor	
5. Very poor	

23. Will you recommend the YCS to be one of the Micro finance institution in Namibia?

Yes	
No	

End of the Questionnaire

Your Participation was highly valued,

Thank you very much!

APPEDIX 2: CONSENT FORM

A RESEARCH STUDY: THE EFFECTS OF MICRO - FINANCE ON YOUTH EMPOWERMENT: A CASE STUDY OF NAMIBIA YOUTH CREDIT SCHEME (NYCS) IN OTJIWARONGO.

CONSENT AGREEMENT FOR COMPLETING THE QUESTIONNAIRE

I am a MBA student from Namibia Business School - University of Namibia. The aim of this study is to determine the effect of Micro Finance on Youth Empowerment single out Namibia Youth Credit Scheme in Otjiwarongo. I am hereby reaching you to help in this study to complete a research questionnaire. As a participant and a beneficiary from the micro loan program, you are asked to express your knowledge, opinion and judge the effect of micro finance on youth empowerment. The Questionnaire is very short and requires 25 Minutes of your time, up on completing the questionnaire you may call me from 0811499278 or 067 – 302268, for the questionnaire to be collected.

I understand that I am free to withdraw my consent and discontinue my participation at any time without any fear. I understand that all information to be provided in this study will be treated confidentially and I understand that no form of money will be given based on participation.

Should you find the interest to participate, please fill in your details below:

Name of Participant

Signedon this Date.....

Researcher: J.D.Iitondoka..... Signed..... On this Date

