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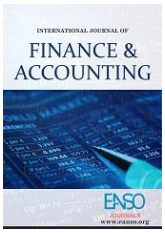

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Original Article

Influence of Microfinance Factors on Poverty Reduction among Youths in Tanzania: A Case Study of Kyerwa District

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Microfinance, Poverty Reduction, Asset Accumulation, Financial Inclusion, Kyerwa District.

ABSTRACT

This paper examines the influence of microfinance factors on poverty reduction among youth in Kyerwa District, Tanzania. The specific objectives were to assess the services youth receive from microfinance institutions (MFIs), analyse changes in income and monetary values of asset ownership before and after accessing the services, and determine the influence of microfinance factors on the changes. A sample of 150 youth was selected using purposive and stratified sampling, and primary data were collected through a structured questionnaire and analysed using the IBM SPSS Statistics software for descriptive and inferential statistics. For the latter, multiple linear regression was run. It was found that 92.6% of the respondents had accessed financial and non-financial microfinance services; 86.0% of them had received savings services, and 92.8% of them had received business development, training and capacity building services. The mean increases in incomes and monetary value of assets owned were TZS 3,290,787.00 and TZS 3,515,367.00, respectively. Based on multiple linear regression results, the amount of loan received had a positive influence on changes in both income (β = 1,280,334.689; p = 0.594) and monetary values of assets (β = 2,386,638.904; p = 0.001). Moreover, having business development services also had a positive influence on changes in both income (β = 3,630,612.87; p = 0.393) and monetary values of assets (β = 1,888,063.687; p = 0.154). Moreover, the study employed two Key Informant Interviews (KIIs) and three Focus Group Discussions (FGDs). The KIIs were conducted with microfinance officers, while the FGDs involved 24 youth participants (8 in each group) from different wards. The KIIs used semi-structured guides to capture expert perspectives on microfinance service delivery and youth challenges. The FGDs explored lived experiences, challenges before and after microfinance access, and perceptions on service effectiveness. Thematic analysis of the qualitative data revealed enhanced self-employment, improved decision-making, and empowerment through training, as well as obstacles like high interest rates, limited mentorship, and short loan repayment periods. These findings suggest that, while loans are effective for poverty reduction, business development services to loan recipients are also important. Microfinance institutions issuing

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loans to youth should also offer them non-financial services, particularly business development, training, and market linkages, if the youth are to reduce poverty effectively. Youth organisations and community groups should actively engage with MFIs to identify youth-specific needs and promote service awareness, fostering greater participation.

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INTRODUCTION

In recent years, microfinance institutions (MFIs) have become key players in global efforts to alleviate poverty, particularly in rural regions where conventional banking systems are often out of reach for the economically marginalised (Spithoven, 2020). These institutions provide essential financial services, including savings, loans, and insurance, to low-income individuals typically excluded from traditional financial systems (Rahman et al., 2017). MFIs are instrumental in delivering both financial and non-financial support to disadvantaged groups (Rashid et al., 2019). The microfinance movement gained traction in the 1970s with the establishment of the Grameen Bank in Bangladesh and has since expanded worldwide, delivering small-scale financial services to underserved communities (Simeyo et al., 2011). Scholars like Hermes and Lensink (2011) and Mrindoko et al. (2022) have examined how access to microfinance services contributes to poverty reduction, while Morduch and Haley's (2002) meta-analysis confirmed significant welfare improvements among marginalised populations, especially through training and lending programmes

Across Africa, where poverty levels remain high, MFIs have gained recognition as critical tools for socio-economic empowerment. In particular, African youth, many of whom face persistent unemployment, have benefited from tailored microfinance products and entrepreneurship training (Chipindula & Mwanga, 2015). Studies indicate that youth engaged in microfinance initiatives have seen improvements in their income levels and financial security (Msumba et al., 2013). Further, access to microfinance has enabled young people to launch and/or expand income-generating ventures, thereby enhancing their business acumen and economic resilience (Kassim, 2018).

In Tanzania, formal efforts to promote microfinance began in the 1990s, with a focus on improving financial access for low-income households, stimulating economic growth, and creating a more

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conducive investment climate (Jackson & Layda, 2016). Nonetheless, many households, especially the poor, smallholder farmers, and informal business operators, continue to struggle with limited access to financial services, despite the presence of institutions such as CRDB Bank PLC, the National Microfinance Bank, the National Bank of Commerce, and the Tanzania Postal Bank.

Tanzania's microfinance landscape is diverse, encompassing Non-Governmental Organisations (NGOs), Savings and Credit Cooperative Organisations (SACCOs), Village Community Bank (VICOBA), Village Savings and Loan Associations (VSLAs), cooperative banks, microfinance companies, and even government credit schemes (Jackson & Layda, 2016). These entities support a variety of entrepreneurial activities from agriculture and are tailored to retail and livestock farming, aimed at improving livelihoods and reducing poverty. Youth and women are particularly targeted, given their limited access to formal employment. As noted by Massele et al. (2015), the ultimate goals of microfinance are to empower disadvantaged groups, raise living standards, and promote entrepreneurial activities. As participation in the microfinance sector grows, the need for effective policies and practices becomes even more vital. In Kyerwa District Council, structured microfinance initiatives began offering loans in 2012, with a particular focus on empowering women and youth aged 18 to 35. The district earmarks 4% of its annual revenue for youth loans, offering financing at favourable interest rates ranging from 0 to 5%. These loans are disbursed to both groups and individuals within the youth bracket, helping to catalyse entrepreneurship and income generation.

However, youth unemployment remains a major concern in Tanzania. In Kyerwa District alone, there are 45,540 youths aged 18–35, including 20,130 females and 20,410 males. Of these, only 9,189 are in formal employment, while 12,140 work in the informal sector, and 26,329 remain unemployed (NBS, 2022). This reflects a big national challenge where limited job opportunities, especially in rural areas, contribute to high youth unemployment (Msigwa, 2013). In this context, microfinance institutions offer hope by facilitating access to credit and other resources that can empower young people to start or expand small businesses (Makorere, 2014). Moreover, microfinance services such as savings and training further enhance financial stability and entrepreneurial capability.

Existing literature has not sufficiently examined the actual influence of microfinance factors on poverty reduction among youth in Tanzania, particularly in Kyerwa District (Haji, 2015). This paper addresses that gap by determining how access to microfinance services contributes to poverty reduction among youth in Kyerwa. Specifically, it examines the services youths receive, changes in income and monetary values of assets owned before and after accessing the services, and the influence of microfinance-related factors on those changes.

LITERATURE REVIEW

Theoretical Framework on Microfinance and Poverty Reduction

The theoretical framework for this study draws on several key concepts in the literature on microfinance, poverty reduction, and youth economic empowerment. The primary theoretical underpinnings guiding this research are the Theory of Financial Inclusion and the Human Capital Theory, both of which help to explain the mechanisms through which microfinance influences poverty reduction.

Theory of Financial Inclusion

The Theory of Financial Inclusion posits that providing access to formal financial services such as savings, credit, and insurance enables marginalised populations, including youth, to participate more in the economy, invest in productive activities, manage risks, and ultimately reduce poverty (Cull, Demirgüç-Kunt, & Morduch, 2014). This theory

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directly supports examining the types of microfinance services youth receive, changes in their income and asset ownership before and after accessing these services, and the influence of microfinance-related factors on poverty reduction outcomes in Kyerwa District. However, this theory has faced some critiques. Access alone, critics argue, does not guarantee poverty reduction. Duvendack et al. (2011) highlight that, without appropriate product design and supportive institutional frameworks, financial inclusion may not lead to meaningful improvements. For example, high-interest rates or poorly managed loans may lead some microfinance clients into debt traps, thereby exacerbating poverty rather than alleviating it (Bateman, 2010). Additionally, the theory sometimes overlooks socio-cultural and institutional barriers that affect the ability of youth to effectively use financial services. In the context of Kyerwa District, challenges such as low financial literacy, gender norms, and mistrust in formal institutions may hinder the impact of microfinance services (Ledgerwood, 2013). Furthermore, Sarma and Pais (2011) argue that financial inclusion should be understood as a multidimensional concept involving not only access but also usage and the quality of services. This critique is important because the mere availability of services does not ensure their effective utilisation or positive economic outcomes. Therefore, the study on which this paper is based looked into issues beyond access by investigating how youths in Kyerwa engage with microfinance services and whether the services adequately meet their needs.

Human Capital Theory

The Human Capital Theory, developed by Becker (1964), emphasises that investments in education, skills, and training enhance individuals' productive capacity and income potential. In the microfinance context, this theory underscores the importance of non-financial services such as training, financial literacy, and business skills development, which empower youth to better manage loans and improve their enterprises (Armendáriz & Morduch, 2010). This theory supports the study on how capacity-building services alongside financial access contribute to increased income and asset accumulation among youth in the study area, thus reducing poverty. Nevertheless, the Human Capital Theory has its critics. One of the major critiques is that it places too much responsibility on individuals to improve their circumstances by acquiring skills, while often neglecting broader structural issues such as economic inequality, labour market barriers, and institutional failures (Bowles & Gintis, 2002). This perspective reminds us that even well-trained youth may face poverty if the economic environment does not offer sufficient opportunities. Moreover, empirical evidence on the impact of microfinance-linked training is mixed. Banerjee et al. (2015) found that while some training programmes improve short-term business knowledge, their effects on sustained poverty reduction and income growth are limited without complementary support.

Contextual variability also poses challenges for the theory's application. Heckman (2000) notes that factors such as age, gender, and local economic conditions significantly affect how investments in human capital translate into economic outcomes. Therefore, in Kyerwa District, the effectiveness of microfinance-related training and capacity-building services must be examined within the local socio-economic realities of youth.

Microfinance and Poverty Reduction

Microfinance and Youth Empowerment

Microfinance institutions (MFIs) have long been recognised as a key tool in promoting financial inclusion, particularly for marginalised groups such as the youth in developing countries. In Tanzania, where many youths face economic challenges due to high unemployment rates and limited access to formal financial services, microfinance offers a viable pathway for improving economic conditions. The provision of small loans, savings services, and entrepreneurship training empowers youth to start

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businesses, save for future needs, and accumulate valuable assets (Pantaleo & Chagama, 2023).

The concept of microfinance is grounded in the principle that access to financial services, especially credit, can elevate individuals out of poverty by fostering entrepreneurship, income generation, and self-sufficiency. Evidence from recent studies indicates that youth engaged with microfinance institutions experience improvements in both income and asset acquisition, particularly in rural areas where traditional banking systems are absent (Kaseva, 2023). Programmes such as those implemented by Green-Life Microfinance have demonstrated measurable success, with over TZS 5.7 billion disbursed to youth-owned businesses, leading to job creation and business expansion (Green Life Microfinance, 2023). Additionally, national initiatives in Tanzania, such as the Local Government Authorities' youth and women loan schemes, have provided further support for youth empowerment through microfinance. In 2023 alone, over TZS 43.94 billion were issued as loans to more than 23,000 beneficiaries, highlighting the government's commitment to financial inclusion and poverty reduction (Tanzania Local Government Authorities, 2024).

Microfinance Services and Poverty Reduction

A growing body of contemporary literature emphasises the role of microfinance in alleviating poverty, particularly through increased financial access, income generation, and entrepreneurship. In Tanzania, microfinance has evolved into a cornerstone of poverty reduction policy, especially for marginalised youth. According to the Tanzania Inclusive Financial Sector Report (2023), access points for microfinance services grew by 31% to over 51,000 in 2023, with the majority being linked to Community Microfinance Groups (CMGs) and Savings and Credit Cooperative Organisations (SACCOs) (TICGL, 2023). These services offer affordable loans, savings options, and insurance, all of which serve to support small business expansion, agricultural investments, and other livelihood activities. However, access alone is not enough for the effectiveness of microfinance in reducing poverty; it also depends on the youth's ability to translate financial access into productive investments. While microfinance institutions (MFIs) like SACCOS and VSLAs have enabled young Tanzanians to invest in income-generating ventures, barriers such as high interest rates and poor business training often limit long-term sustainability (Pantaleo & Chagama, 2023; TICGL, 2023).

Microfinance and Asset Accumulation

Asset accumulation is one of the key pathways through which microfinance reduces poverty. For young people, the acquisition of productive assets such as motorcycles, livestock, land, and farming tools represents tangible improvements in socio-economic standing. Recent initiatives, like the UN Capital Development Fund, which supported Kibondo Youth Agri-Business Group in Kigoma, show that microfinance can facilitate the accumulation of assets that generate long-term income (UNCDF, 2023). Through tailored loans and financial planning training, youth in these programs were able to purchase essential equipment and inputs for agribusiness ventures. Similarly, data from Green Life Microfinance (2023) indicate that over TZS 5.7 billion was disbursed to nearly 3,000 youth-run enterprises in Northern Tanzania between 2020 and 2023, contributing to measurable increases in business assets and capital. This underscores the importance of asset-based microfinance products that are aligned with youth entrepreneurial goals.

Factors Influencing Youth Economic Empowerment

While loans and savings are critical, the real empowerment of youth comes from integrated microfinance models that combine financial and non-financial services. Training programs in entrepreneurship, digital literacy, and business development services have been instrumental in

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transforming financial support into economic success. For example, the Ignite Business Clinic (IBC) in Tanzania offers hands-on business skills to women and youth, enabling them to operate sustainable ventures (TAMFI, 2023). Similarly, the Green Livelihoods Training initiative by UNITAR (2023) includes modules on climate-smart agriculture, entrepreneurship, and financial literacy, directly addressing gaps in the youth's capacity and resilience. These findings align with those by Pantaleo & Chagama (2023), who reported that microfinance-supported training significantly boosts financial decision-making and business outcomes. In Kyerwa District, such training complements loan services, enhancing asset use and business sustainability.

METHODOLOGY

Area of the Study

The study was conducted in Kyerwa District, Kagera Region, located in the northwestern part of Tanzania. The district was purposefully selected due to a notable presence and operations of microfinance institutions (MFIs) targeting the youth population. The district is characterised by high levels of rural youth unemployment and poverty, making it a relevant area for examining the role of microfinance in poverty alleviation among the youth. Furthermore, its socio-economic environment provides a meaningful context for analysing how access to microfinance services influences asset acquisition and economic empowerment among youth.

Research Design and Approach

A descriptive cross-sectional research design was adopted, whereby data were collected at a single point in time from youth beneficiaries of MFIs. This design allowed for the analysis of the relationship between microfinance services and poverty reduction through asset accumulation (Bailey and Kurland, 2002). The study employed a mixed-methods approach, primarily dominated by quantitative methods, supported by qualitative insights. A structured questionnaire was used to collect quantitative data, while in-depth interviews with microfinance officers were held to get qualitative perspectives. This combination enhanced the reliability of the findings and helped contextualise the quantitative results, in line with Creswell's (2014) recommendations for mixed-methods research.

Target Population, Sample Size, and Sampling Procedures

The target population consisted of youths aged 18–35 years in Kyerwa District who had accessed microfinance services for a period of at least three years. A total of 150 youths were selected as the participants in the study. The participants were involved in a variety of income-generating activities, including agriculture, trade, services, and small-scale manufacturing. Yamane's (1967) formula was used to determine the sample size: $n = N/[1+ (N(e^2)]$

Where:

- n = Sample size
- N = Total population of eligible youths
- e = Precision level (0.05)

A total of 240 youths had received loans. Using the above formula, the sample was calculated to be:

$$n = \frac{240}{[1 + 240(0.05 * 0.05)]} = \frac{240}{1.6} = 150.$$

Proportionate stratified random sampling was used to select youth beneficiaries of microfinance institutions (MFIs). Lists which contained the names of youths who had consistently accessed microfinance services for the previous three years were obtained from the MFIs which had given them the services. Purposive sampling was used to select key informants who were loan officers and MFI representatives due to their expert knowledge of microfinance operations and client progress.

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Data Collection Instruments and Procedures

The primary data collection instrument was a structured questionnaire, which was administered to youth beneficiaries to capture information on microfinance service access, types of services received, and changes in income and asset values. Additionally, two Key Informant Interviews (KIIs) and three Focus Group Discussions (FGDs) were conducted with MFI officers, local leaders, and youth to gather expert insights on service delivery and challenges faced by youth clients. The three instruments were pilot-tested with 15 youths in neighbouring districts of Karagwe and Missenyi to ensure their clarity and reliability.

Data Processing

A total of 150 questionnaire copies were distributed, and all were fully completed and returned. Then, they were carefully reviewed, coded, and entered into the IBM SPSS Statistics (Version 26) for analysis, with only complete responses included to ensure data accuracy and reliability.

Data Analysis Techniques

Qualitative data from KIIs were transcribed and analysed thematically to identify key patterns and recurring themes that complemented the quantitative findings. Thematic coding followed guidelines from Lacey & Luff (2001), with a focus on linking insights to the study's specific objectives and theoretical framework. Quantitative data were analysed using the IBM SPSS Statistics software to compute descriptive statistics (frequencies, mean, minimum and maximum values, and standard deviations) to summarise the youth's characteristics, services accessed, income, and monetary values of assets owned. To determine relationships between microfinance service factors and poverty reduction indicators (change in income and in monetary values of assets owned), Pearson's Chi-square tests were run to determine associations between categorical variables, such as type of service accessed and types of assets acquired. Moreover, multiple linear regression was used, the dependent variable (Yi) being poverty reduction (measured as change in income and change in the monetary value of assets owned), which was regressed separately on independent variables, which were microfinance institution (MFI) factors. The multiple linear regression model was specified as follows:

$Yi = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \beta_5 x_5 + \beta_6 x_6 + \beta_7 x7 + \beta_8 x_8 + \beta_9 x_9 + \beta_{10} x_{10} + \varepsilon_i$ .....(1), where:

- Yi = Poverty reduction indicator (change in net income and change in the monetary value of assets),
- α = Intercept of the equation,
- β_1 to β_{10} = Regression coefficients showing the effect of each independent variable,
- x_1 to x_{10} = Independent variables related to microfinance services and socio-demographics, and
- ε_i = Error term capturing the influence of omitted variables

In this study:

x_1 = Amount of loan received (TZS)

x_2 = Interest paid (TZS)

x_3 = Having got savings services (dummy: 1 = Yes, 0 = No)

x_4 = Having got training and capacity building (dummy: 1 = Yes, 0 = No)

x_5 = Having got business development services (dummy: 1 = Yes, 0 = No)

x_6 = Loan source (dummy: 1 = Kyerwa DC on Bank, 0 = Community groups)

x_7 = Sex (dummy: 1 = Male, 0 = Female)

x_8 = Education level (dummy: 1 = Secondary and tertiary = 1, Informal and primary = 0)

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x_9 = Marital status (dummy: Married = 1, Unmarried = 0)

This model allowed for quantifying the contribution of each microfinance factor to poverty reduction, as measured by income and asset value changes.

RESULTS AND DISCUSSION

Socio-demographic Characteristics of the Respondents

Socio-demographic characteristics are crucial as they can influence both the likelihood of accessing financial services and the effectiveness of microfinance interventions. Therefore, they were analysed, and the findings are summarised in Table 1, with respect to sex, education level, marital status, occupation, and age. They give insights which help contextualise subsequent findings related to income generation and asset accumulation.

Sex Distribution

The sample showed a fairly balanced composition, with 54% being male and 46% being female respondents. While male youth were slightly more represented, the strong female presence indicates a substantial foundation for gender-inclusive microfinance programmes. In many rural Tanzanian settings, women often face barriers to access to formal credit due to limited ownership of assets and social constraints. However, microfinance institutions have increasingly recognised women's strong repayment performance and the broader economic benefits of investing in women. This gender balance in the sample creates a good basis for assessing whether current microfinance offerings adequately address the needs of both men and women.

Educational Attainment

The majority of respondents were relatively well-educated, with 44.7% having completed secondary education and 22.7% holding diplomas. A smaller proportion had only primary education (16.7%) or no formal education (2%). This educational profile suggests that most of the participants had the basic literacy and numeracy skills needed to understand loan terms, manage finances, and engage with microfinance processes. However, those with lower education might require targeted financial education and simplified application procedures to fully benefit from microfinance services.

Table 1: Socio-demographic Characteristics of the Respondents

Characteristic	Category	Respondents (n)	%	Access to MFI services (n)	%
Sex	Male	54	54.0	50	92.6
	Female	46	46.0	44	95.7
Education level	No formal education	2	2.0	1	50.0
	Primary	17	17.0	16	94.1
	Secondary	45	45.0	42	93.3
	Certificate	4	4.0	3	75.0
	Diploma	23	23.0	22	95.7
	Bachelor's degree	10	100.0	10	100.0
Marital status	Single	35	35.0	25	71.4
	Married	58	58.0	45	77.6
	Divorced	7	7.0	5	71.4
Occupation	Businessman	32	37.0	33	89.2
	Self-employed	54	54.0	48	88.9
	Employed	9	9.0	5	55.6

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Characteristic	Category	Respondents (n)	%	Access to MFI services (n)	%
Age	18–22	28	18.7	19	67.9
	23–26	53	35.3	39	73.6
	27–30	69	46.0	56	81.2

Marital Status

Almost three-fifths (58%) of the respondents were married; 34.7% were single; and 7.3% were divorced. Married individuals often enjoy better access to credit due to shared financial responsibilities and perceived stability, while single youth who may be more entrepreneurial often lack collateral or spousal guarantees. This diversity in marital status implies a need for differentiated microfinance products, such as group lending models for single youths and flexible loan structures for married clients.

Occupational Profiles of the Respondents

The main occupations of the respondents were dominated by informal employment, with 54% being self-employed and 36.7% operating small businesses, while only 8.7% were formally employed. This reflects the realities of the rural youth's economy, whereby most economic activities are done outside formal wage employment. Traditional banks often overlook these segments due to irregular income and lack of credit history, but microfinance institutions are specifically designed to serve them. These findings underline the relevance of microcredit in supporting small-scale entrepreneurship and suggest strong demand for products such as working capital loans and business support services.

Ages of the Respondents

The age distribution was that 46.0% of the respondents were 27 to 30 years old, followed by 35.3% who were 23 to 26 years old, and 18.7% who were 18 to 22 years old. These figures highlight a strong engagement of older youth in microfinance activities, suggesting that as age increases, so does access to financial services. This trend reflects greater trust from lenders as individuals gain more life experience or possibly accumulate good credit history, making them more eligible for microfinance support. *Participants in the FGDs commonly emphasized that Female participants noted additional barriers to asset accumulation, such as limited access to larger loans due to perceived risks and societal constraints. Many women expressed the need for more inclusive services to address their unique challenges in entrepreneurship*.

Services Youth Received From Microfinance Institutions

All the respondents had received loans. Besides, most of them had received various non-monetary services, which are presented in Table 2. The table indicates that the most frequently obtained non-loan services were training and capacity building (92.8%) and savings services (86.0%), highlighting the importance of equipping youth not only with capital but also with the skills and tools necessary to manage and grow their enterprises effectively. A substantial number of youths also benefited from financial literacy education (65.2%), which is critical for responsible borrowing and informed financial decision-making.

Additionally, mentorship and coaching (58.4%) and market linkage support (54.5%) played an essential role in strengthening entrepreneurial performance and improving access to customers and suppliers. Business development services, accessed by 46.8% of respondents, provided targeted support in areas such as planning, product development, and operations. The variety and uptake of these services suggest that youth value holistic microfinance programmes that go beyond lending and address broader challenges in starting and sustaining small businesses. These findings reinforce the importance of integrated microfinance approaches in achieving

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long-term economic empowerment and poverty reduction among rural youth.

Table 2: Services Obtained from MFIs (n= 150)

Service Obtained	Frequency	Percent of responses	Percent of Cases
Loans	150	100.0	100.0
Savings services	120	19.4	80.0
Training and capacity building	129	20.9	86.0
Business development services	65	10.5	43.3
Mentorship and coaching	80	12.9	53.3
Financial literacy education	90	14.5	60.0
Market linkage support	75	12.1	50.0
Total	**659***	**100**	**-**

The 150 respondents gave 659 responses, as multiple responses were allowed.

Changes in Income and Assets before and After Accessing Microfinance Services

Net income before receiving financial services was subtracted from net income after receiving the services to determine the change in income, which served as a proxy indicator for poverty reduction. A similar approach was used to calculate changes in the monetary values of assets owned before and after accessing microfinance services. These calculations provided a concrete basis for evaluating the economic transformation experienced by youth in Kyerwa District. The results are presented in Table 3. The data reveal positive mean changes across all asset categories, with the most substantial average increase recorded in vehicle ownership (TZS 1,283,000.00), followed by land (TZS 1,083,733.33) and household items (TZS 495,866.67). These gains indicate that youth were able to convert microfinance support into productive investments and durable goods, reflecting increased business mobility, improved housing conditions, and strengthened livelihood assets. The wide range of standard deviations, particularly for vehicles (TZS 7.28 million) and land (TZS 2.43 million), suggests heterogeneous impacts, with some youth accumulating significantly more assets than others. This might be due to differences in entrepreneurial ability, types of enterprises, or access to complementary services such as training and mentorship. The results are presented in Table 3.

Table 3: Changes in Income and Assets' Monetary Values (n =150)

Income and assets	Mean before getting MFIs	Mean after getting MFIs	Change (TZS)
Income	**-1,152,707**	**2,138,080**	**3,290,787**
Assets			
Land	1,347,000	2,430,733	1,083,733.33
Livestock	469,967	683,400	213,433.33
Vehicle	471,667	1,754,667	1,283,000.00
Machines	142,933	219,267	76,333.33
Motorcycle	76,174	438,667	348,657.72
Household items	269,933	765,800	495,866.67
Total for assets	**2,777,674**	**6,292,534**	**3,515,367**

These findings align with arguments by Ledgerwood (2013) and Littlefield et al. (2003), who argue that microfinance plays a critical role in enabling asset-building among the poor by providing capital and facilitating investment in income-generating ventures. Moreover, the results

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support the Empowerment Theory (Zimmerman, 2000), which posits that access to financial resources strengthens individuals' control over their economic lives and increases their capacity for self-reliance. The observed increase in productive assets such as land, machinery, and livestock is also consistent with studies by Khandker and Samad (2014), and Swain, and Varghese (2009), which indicated that microfinance participation leads to a gradual accumulation of physical capital and improvement in household resilience. Overall, the combined average asset value increased by approximately TZS 3.5 million, indicating the transformational potential of microfinance services. While disparities remained, the general upward trend confirms that microfinance institutions contributed not only to income growth but also to long-term capital accumulation among rural youth. These outcomes underscore the importance of expanding integrated microfinance programmes that include financial literacy, business development services, and post-loan support mechanisms to maximise impact.

Influence of Microfinance Services on Asset Accumulation

The influence of microfinance services on asset accumulation was determined descriptively and inferentially. Descriptively, it was determined by asking youth how they perceived the influence of loans, savings, training, and business development on their ability to accumulate assets. The descriptive analysis findings offer insights into respondents' subjective evaluations of each service's influence, highlighting patterns across gender and service types. While loans and savings services were recognized as critical for asset accumulation, the effectiveness of training and capacity-building programs was questioned. Key informants noted that these programs often lacked practical relevance and were not tailored to the specific needs of rural youth entrepreneurs.

One informant emphasised that training content must be localised and participatory, focusing on equipping youth with skills directly applicable to their income-generating activities. Furthermore, they pointed out that limited follow-up support after training sessions reduced the long-term impact of these interventions. This finding underscores the need for MFIs to redesign their training programs to enhance their practical utility and ensure they align with the realities of rural enterprise. Solutions could include mentorship, ongoing coaching, and business development services that are better integrated with financial products.

Inferentially, multiple linear regression analysis was run to quantify the strength and statistical significance of the relationship between access to those services and the reported increase in income and monetary values of assets owned. Together, these analyses revealed not only how youth perceived the value of these services but also the extent to which such perceptions were aligned with actual outcomes in income increase and asset accumulation.

Perceived Influence of Microfinance Services on Asset Accumulation

Table 4 presents descriptive statistics showing how youth respondents perceived the influence of various microfinance services, namely loans, savings, training, and business development, on their ability to accumulate assets. Among all the services assessed, loans and savings services emerged as the most influential. A significant majority of the respondents (68.0%) reported that loans had a major influence on their asset accumulation, with almost the same proportions of males (67.9%) and females (68.1%) youth interviewed. Likewise, 67.3% of all respondents perceived savings services as having a major influence, suggesting that access to credit and savings mechanisms played a central role in enabling youth to invest in productive resources such as land, livestock, vehicles, and household assets. These findings align with an argument by Ledgerwood (2013), who emphasised the role of microfinance in building financial inclusion and

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supporting asset creation among the poor. They also align with findings by García-Pérez et al. (2020), who found that access to loans and savings mechanisms enhanced individuals' capacity to accumulate wealth and secure long-term financial resilience.

This observation is further supported by Khandker and Samad (2014), who demonstrated that microfinance programmes significantly increased household assets and consumption over time in rural settings. Similarly, Banerjee et al. (2015) noted that, while microfinance's short-term effects on business profits may vary, long-term access to credit helps households invest in physical capital that fosters economic stability. The findings also revealed some notable disparities. Approximately 28.7% of the respondents indicated that loans and savings had no influence on their ability to accumulate assets. This was slightly higher among female (30.4%) than male (27.2%) respondents for savings, but similar between male and female respondents for loans. These differences may reflect structural barriers such as small loan sizes, rigid repayment schedules, lack of financial literacy, or the misalignment between loan disbursement timing and agricultural or business cycles, which can hinder optimal use of financial resources (Duvendack et al., 2011; Armendáriz & Morduch, 2010).

In contrast, non-financial services were perceived as significantly less influential. For training and capacity building, 72.0% of the respondents rated the influence as minor, and only 28.0% reported no influence. This suggests that while such programmes are provided, their relevance, delivery quality, or contextual fit may be inadequate to support asset growth. Karlan and Valdivia (2011) found that business training improved client knowledge but had a limited short-term effect on profitability or investment, particularly when training was not customised or reinforced through follow-up support. The situation was more critical for business development services, which were perceived as having no influence by all the respondents, signalling a substantial gap between the services offered and the practical needs of rural youth entrepreneurs.

These findings underscore the dual importance of financial and non-financial microfinance services in poverty reduction strategies. While access to credit and savings directly supports investment and asset accumulation, non-financial services must be improved to enhance their utility and uptake. MFIs and supporting institutions should consider redesigning training and business development programmes to be more practical, localised, and participatory, thereby increasing their relevance and effectiveness for rural youth (ILO, 2015; GIZ, 2017).

The structured questionnaire revealed that 68% of respondents perceived loans as having a major influence on asset accumulation, with savings services also rated highly at 67.3% (Table 4). In contrast, qualitative data from FGDs highlighted that the limited impact of training and business development services was due to a lack of contextual relevance and practical follow-up. For instance, one participant noted, *'The training provided was too general and did not address the specific challenges faced in rural enterprises*.' These results suggest that while financial services directly support asset growth, there is a need for more tailored non-financial services to maximise impact.

By addressing both financial and non-financial service gaps, microfinance interventions can become more holistic and inclusive, ultimately fostering sustainable youth empowerment, asset accumulation, and economic resilience.

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Table 4: Descriptive Statistics Show Perceived Microfinance Services on Asset Accumulation

Service	Influence Type	Male		Female		All	
		n	%	n	%	n	%
Loans	No influence	23	28.4	20	29.0	43	28.7
	Minor influence	0	0.0	0	0.0	0	0.0
	Moderate influence	3	3.7	2	2.9	5	3.3
	Major influence	55	67.9	47	68.1	102	68.0
Savings services	No influence	22	27.2	21	30.4	43	28.7
	Minor influence	0	0.0	0	0.0	0	0.0
	Moderate influence	3	3.7	3	4.3	6	4.0
	Major influence	55	69.1	46	65.2	101	67.3
Training and capacity building	No influence	22	27.2	20	29.0	42	28.0
	Minor influence	59	72.8	49	71.0	108	72.0
Business development services	No influence	81	100.0	69	100.0	150	100.0

Note: *Total respondents = 100 (54 males, 46 females), and multiple responses were allowed across different services*

The Qualitative Insights from FGDs and KIIs Align Well with the Quantitative Findings Presented in the Tables Above.

Table 3 shows significant increases in asset accumulation, such as motorcycles (TZS 348,657.72), land (TZS 1,083,733.33), and household items (TZS 495,866.67), which corroborate the FGD accounts of how loans are used for productive investments. Table 4 highlights the perceived high influence of loans (68%) and savings (67.3%) on asset accumulation, as discussed in both FGDs and KIIs. Non-financial services like training and BDS were perceived as less impactful (72% of respondents rated training as having "minor" influence, and 100% stated BDS had "no influence"), reflecting the qualitative findings that these services lacked practical relevance and effectiveness.

Inferential Influence of Microfinance Services on Asset Accumulation

Multiple linear regression analysis was done whereby poverty reduction in terms of differences in income and in monetary values of assets owned before and after accessing microfinance services were separately regressed on microfinance service factors and some socio-demographic variables. The results are presented in Table 5

Table 5: Influence of Microfinance Factors on Poverty Reduction among Youth

Independent variables	Change in net income			Change in the monetary value of assets owned		
	Beta	t	Sig.	Beta	t	Sig.
(Constant)	-19191473.559	-0.537	0.592	-34197809.881	-3.216	0.002
Amount of loan received	1280334.689	0.534	0.594	2386638.904	3.303	0.001
Interest in TZS	-2.372	-2.470	0.015	0.541	1.872	0.063
Having got savings services	4426947.065	0.695	0.488	-2557972.095	-1.348	0.180
Having got training and capacity building	1280958.024	-0.178	0.859	1937105.621	0.894	0.373
Having got business development services	3630612.870	0.857	0.393	1888063.687	1.433	0.154

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Independent variables	Change in net income			Change in the monetary value of assets owned		
	Beta	t	Sig.	Beta	t	Sig.
Loan source	-4774366.565	-0.955	0.341	3177902.059	2.131	0.035
Sex	-4264434.076	-0.999	0.319	2445822.982	1.921	0.057
Education Level	4031223.076	0.724	0.471	1452939.457	0.868	0.387
Marital status	6019282.171	1.364	0.175	-2345826.135	-1.672	0.097
Model summary	• Dependent Variable: Difference in net income between after and before getting a loan • R = 0.287 • R Square = 0.082 • Durbin Watson = 2.072			• Difference in monetary values of assets owned between before and after getting a loan • R = 0.367 • R Square = 0.134 • Durbin Watson = 2.167		

Regression Results: Difference in Net Income between After and Before Getting a Loan

Table 5 presents the regression results analysing the influence of various microfinance-related factors on the change in net income and monetary value of assets owned by youth after accessing loans. The model yielded R-squared values of 0.082 and 0.134 for changes in income and monetary values of assets, meaning that the independent variables used explained 8.82% and 13.4% of the variability in income and monetary values of assets, respectively. These R Square values are common in socio-economic studies; a value between 0.10 and 0.50 is reasonable, according to Ozili (2023). The Durbin-Watson statistic in both cases was close to 2.0, meaning that there was no serious autocorrelation. According to Field (2018), the Durbin-Watson statistic ranges from 0 to 4, with a value close to 2 indicating no autocorrelation.

A value below 2 suggests positive autocorrelation, while a value above 2 indicates negative autocorrelation. Interest paid on loans had a statistically significant negative influence on income (β = -2.372, p = 0.015). This indicates that higher interest rates reduced the financial gains youth got, likely due to a substantial portion of business returns being diverted to loan repayment. This finding aligns with findings by Imai et al. (2012) and Morduch (1999), who found that high interest undermines the poverty reduction potential of microfinance. It underscores the need for youth-friendly loan terms and effective regulation of microfinance institutions to protect vulnerable borrowers. Amount of loan received had a positive insignificant influence on changes in income (β = 1,280,334.689; p = 0.594) but a positive significant influence on monetary values of assets (β = 2,386,638.904; p = 0.001). Moreover, having business development services also had a positive influence on changes in both income (β = 3,630,612.87; p = 0.393) and monetary values of assets (β = 1,888,063.687; p = 0.154). According to Empowerment Theory, access to financial resources such as loans can enhance an individual's capacity to make strategic life choices. In this context, the significant impact of loan amounts on asset acquisition may indicate that youths are using loans to strengthen their long-term economic position through asset ownership, even if this does not immediately translate into income gains. Similarly, business development services may empower youth with knowledge and confidence to make informed financial and investment decisions, gradually leading to improved livelihoods.

Demographic variables, sex, education, and marital status, did not have a statistically significant influence, though education and marital status had positive coefficients. This may imply that, while more educated or married youths may benefit slightly more from microfinance, these factors alone are not sufficient drivers of financial improvement. Training and capacity-building services had a

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negative but non-significant relationship with financial outcomes, possibly due to the mismatch between training content and the practical needs of youth entrepreneurs, as highlighted by Kassim (2018). Addressing these factors could significantly enhance the role of microfinance in youth poverty reduction.

LIMITATIONS OF THE STUDY

The study was subject to several limitations. First, it focused exclusively on Kyerwa District, and while this provided detailed local insights, the findings may not be broadly generalizable to other regions with different socio-economic settings, microfinance environments, or youth support frameworks. Second, the qualitative component comprising two Key Informant Interviews and three Focus Group Discussions involved a limited number of participants, which constrained the diversity of perspectives and potentially overlooked variations across youth subgroups. Lastly, the cross-sectional research design captured data at one point in time, limiting the ability to infer causal relationships or track long-term changes in youth well-being resulting from microfinance access. Future longitudinal research is needed to establish the durability and progression of observed impacts.

CONCLUSION AND RECOMMENDATIONS

This study demonstrates that microfinance services, particularly loans, savings, BDS and training, have played a significant role in supporting asset accumulation and poverty reduction among youth in Kyerwa District. Access to loans enabled investments in productive assets like motorcycles and livestock, while savings services promoted long-term financial planning. Training enhanced financial literacy and entrepreneurship, ensuring more effective use of financial services. However, the limited impact of business development services (BDS) highlights the need for MFIs to strengthen non-financial support mechanisms.

To deepen microfinance's impact, MFIs should improve the design and delivery of training programs, making them more practical, youth-focused, and relevant to rural enterprises. Ongoing support, including mentorship, refresher training, and interactive sessions, is essential to build youths' financial management and entrepreneurial capacity. At the same time, BDS should include mentorship, business coaching, and market linkage support. Collaboration with local institutions and stakeholders can enhance these services. MFIs should also diversify their loan products to include asset-focused financing, such as motorcycle loans or agricultural tools, aligning with youths' developmental needs and improving their income potential. Policymakers should support this by encouraging tailored microfinance innovations.

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