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Youth Economic Empowerment and Microfinance in Sub-Saharan Africa

The youth are the future; what role could microfinance play?

Abstract

The number of young people in developing countries has continuously increased over the past decade. Their importance simultaneously grows, involving many opportunities and challenges at the same time. The increasing 'youth bulge' results in insufficient employment opportunities for the increasing labor force in African countries. Multiple barriers are encountered in the search for employment, implicating a large informal economic sector. One of the major constraints of youth advancing their individual economic empowerment is the inaccessibility of formal financial resources to startup self-employment or to improve empowerment through, for instance, education. Youth appear to be a disadvantaged population group who are often excluded from formal financial products and services.

As a result, this research explores youth economic empowerment in Sub-Saharan Africa (SSA) and the role of microfinance, provided by various financial service providers, in fostering economic empowerment among youth in Sub-Saharan Africa. Ethiopia has been highlighted throughout this research. More detailed information regarding the research topics in Ethiopia has been given.

This study has found that the youth in Africa generally face similar barriers on their way to economic empowerment. Poor quality education has found to be one of the major barriers, resulting in insufficient and poor financial literacy. This in turn leads to a lack of financial opportunities. Microfinance institutions show a risk-averse attitude, excluding younger people form formal financial products and services due to the higher risk and costs related with younger clients.

Access to finance and financial inclusion does not automatically lead to youth empowerment. The first steps in the youth empowerment process are education and training. When having a base of knowledge and skills, microfinance could step in as a reinforcing element. However, the negative aspect of microfinance shows that strict requirements confound access to finance for youth. The people who are most in need of finance (to improve their empowerment) are often not in the position to meet the demanded requirements. Therefore microfinance could contribute to economic empowerment of youth. However, more wealthy young appear to benefit more from microfinance, instead of the initial target group of microfinance. COVID-19 complicates the case for youth, since liquidity shortages among MFIs rise and financial institutions might decide to avoid any risks even more and tighten the requirements for acquiring microloans.

Acknowledgements

A lot of flexibility and support has been needed for the writing of this thesis, due to many events occurring within the past few months. COVID-19 showed up unexpectedly, affecting the entire globe, including me and my research. A change of study and perhaps even more important, a change of mindset were necessary to regain focus and energy when returning to the Netherlands after six weeks instead of four months as initially planned.
I sincerely want to thank my supervisor Dr. Maggi Leung. I could not have completed this thesis without her support. Led by Dr. Maggi Leung's guidance I have been superbly stimulated throughout the research process, therefore was able to remove any doubt when it arose. Also Mekelle University, Kebede Gebru and Kidane Tesfay in particular, have been very welcoming, supportive and assistive during the field research period in Mekelle, Ethiopia. Despite the (too) short field research abroad in Ethiopia, I am very grateful to have gotten the opportunity to get to know a part of Ethiopia and its very respectful and inspiring people, amongst the beautiful culture. Unfortunately the return to the Netherlands was unplanned, chaotic, and rushed. Hopefully I will have the contingency to return one day and to bestow a proper farewell to the amazing people I have met during those six weeks.

Thank you!

Jessica Spithoven

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List of abbreviations

ADF	African Development Bank
AFI	Alliance For Financial Inclusion
Amfi	Adeday Microfinance Institution
DECSI	Dedebit Credit And Saving Institution
FDI	Foreign Direct Investment
FSP	Financial Service Provider
GFC	Global Financial Crisis
GoE	Government of Ethiopia
HE	Household Enterprise
LIC	Low Income
LMIC	Lower Middle Income
MFI	Microfinance Institution
MFS	Microfinance Sector
MSME	Micro, Small And Medium Enterprises
NBFIS	Nonbank Financial Intermediaries
ODA	Official Development Assistance
ROSCA	Rotating Savings And Credit Associations
SACCO	Savings And Credit Cooperative
SAP	Structural Adjustment Program
SME	Small And Medium-Sized Enterprises
SSA	Sub-Saharan Africa
TVET	Technical And Vocational Training Institution
UMIC	Upper Middle Income
UNCDF	United Nations Capital Development Fund
VSLA	Village Savings And Lending Associations
WHO	World Health Organization

1. Research overview

This section will give an overview of the research, starting with an introduction of the research topic; youth economic empowerment and microfinance in SSA. The relevance of this research will then be discussed, resulting in the knowledge gap which will be filled with this research. The research questions are subsequently listed and a short introduction to the structure of the research will be given.

1.1 Introduction

The UN (2013) defines youth as a population group that finds itself between childhood and adulthood. Statistically seen, youths are defined being aged between 15 and 24 years. Youth globally account for 16% of the world population and this percentage annually grows. That is approximately 1.2 billion young people aged between 15 and 24 years (United Nations [UN], 2019a). The youth are the future of many developing countries in particular.

Likewise in Sub-Saharan Africa[1] where the population is relatively young. The importance of the youths increasingly grows throughout the African continent. The labor force increases and more and more young are in search of jobs, which causes multiple challenges amongst which higher unemployment rates. Especially the urban youth are trying to cope with these challenges (Fox, 2016).

Due to the youth bulge in Africa, youngsters could form the driver of economic development within a country. However, when not offered sufficient and appropriate opportunities, this driver could turn into a threat for economic development and stability (Banks, 2016). Youth empowerment, hence, arises as an important topic on most agendas of African countries. Nevertheless, a panacea to solve the youth challenge has not been yet discovered. An effective strategy and resulting policies remain to be (re)explored.

Access to finance appears to be one of the major constraints youth face in their empowerment process (Demirgüç-Kunt & Klapper, 2013; Sykes, Elder, Gurbuzer, Principi, 2016). An interesting solution to overcome this barrier and further enhance economic empowerment might be microfinance. Microfinance is considered to be an important development tool for poverty alleviation (Ali et al., 2016). It is a development instrument initially created to help the poor(est) out of poverty by means of lending financial capital, which fosters financial inclusion among poorer populations. Microfinance provides the poorer people with access to formal credit and savings institutions, and

[1] Sub-Saharan Africa and Africa are used interchangeably in this research.

herewith facilitates the establishment of income-generating activities (Bateman, 2014). Microfinance is a collective term for different types of loans and varied financial activities. It comprises among other things microcredits, insurances, payment services, and group lending (Ledgerwood, 1999). Proponents see microfinance as a tool for the poor to get out of poverty. According to Yunus (2004), pioneer of the microcredit concept:

"*The way to overcome poverty is to unleash the energy and creativity in each human being.*"

Youth are, however, often excluded from microfinance programs due to various reasons (Mecha, 2017), while microfinance could be interesting for youngsters in particular, as entrepreneurship is encouraged through microfinance (Sisay, 2013). Youth-friendly financial services are hardly present and therefore a lack of financial resources refrains youth to start their own business (Central Statistical Agency [CSA], 2018). Also other possibilities arise for the youth to empower themselves, as following education or training might be made possible through small loans.

This study, hence, focuses on youth empowerment in SSA and the role of microfinance in economic empowerment. Due to a restriction of time, this research solely focuses on youth economic empowerment on an individual level, in order to limit the scope of the study. The other aspects of youth empowerment and the youth empowerment process will be shortly mentioned, but not further researched. Additionally, a case study of Ethiopia has been conducted additionally, which is highlighted throughout the research.

1.2 Relevance

Microfinance as a development tool is highly debatable; opinions regarding this topic are divided. Much research has been devoted on microfinance and the impact of microfinance on the lives of poorer persons. However, many contradictories in the results of the various studies conducted on microfinance are present. It therefore remains unclear what the role of microfinance could play in the lives of youth.

Moreover, many studies have been done on youth empowerment programs and the outcomes, whereas the possible contribution of microfinance to youth This research herewith fills a knowledge gap on microfinance and youth economic empowerment. (economic) empowerment has largely been left aside (Morton & Montgomery, 2011).

The demand for credit among young people has not been studied as closely as the demand for savings services. However, initial indications from a variety of sources indicate that young adults in their working years need and will use credit products (Mastercard Foundation, 2015).

Ethiopia is one of the most populous countries in Sub-Saharan Africa (SSA). Youth unemployment in Ethiopia is expected to aggravate the coming years (Kellow et al., 2010). Youth are often excluded from microfinance programmes, while participation and opportunities could lead to a decrease in unemployment and the empowerment of youth. When youth are economically empowered, economic and social development within a country can be improved. Therefore improving job creation and an appropriate economic environment for the large youth population in African countries is paramount (Filmer & Fox, 2014). An explorative study on access to finance and youth economic empowerment could positively influence future youth programs. Positive results might affect policies of MFIs regarding their client outreach and youth might potentially be more included in their client base.

The current COVID-19 (also known as the novel coronavirus) pandemic conveys uncertainty for both the microfinance sector in Ethiopia and SSA as a whole, as well as for African youth in general. The pandemic affects every (micro) company, sector and community worldwide. Being in the midst of the pandemic, it is difficult to predict the implications of COVID-19 for MFIs and their beneficiaries. However, it can be stated that structural changes will occur in the microfinance sector, which emphasizes the urge for closer research on possible implications for both institutions and their clients, and African youth.

1.3 Research questions

The research objective of this study is to analyze a possible contributive role of microfinance in fostering youth economic empowerment in SSA, highlighting Ethiopia as a Sub-Saharan African country.

The identified challenges lead to the following research question and sub-questions that are to be answered:

How could microfinance programs contribute to youth economic empowerment in SSA, taking into account the implications of COVID-19?

This research focuses on filling the knowledge gap by answering the research question. The study is guided by the questions listed below.

1) What barriers and obstacles do African youth encounter in their search for employment?
2) What kind of activities have been undertaken in the past to promote youth economic empowerment in Africa and what role does microfinance play?

3) What implications does COVID-19 have for youth and the microfinance sector in Africa?

1.4 Structure of the thesis

This thesis is divided into six major sections. A further subdivision per chapter has been made.

The next chapter in this paper describes the general background of this research. The main concepts and theories mentioned and used within this study have been explored, reviewed and elaborated. After the theoretical background the research context has been described. The most important and relevant factors for this study have been explained; youth economic empowerment, youth unemployment, microfinance, financial inclusion, and COVID-19.

The third chapter outlines the research methodology applied in this research. The various data collection methods are discussed, followed by a reflection on the researcher's positionality.

The following sections show the main findings and results of the study. Youth economic empowerment in SSA firstly is discussed. Afterwards the case study Ethiopia has been described. The focus subsequently shifts towards previous crises in Africa, the current COVID-19 pandemic, and the (possible) implications of the pandemic with regards to youth, microfinance and youth economic empowerment.

A final discussion is elaborated and a conclusion is given, followed by recommendations for future research regarding the research topics.

2. Background

This chapter discusses available and relevant literature regarding the main theme of this research; microfinance. To discover a link between microfinance and a possible positive contribution to youth economic empowerment, theories of Youth Empowerment are discussed in the theoretical framework. Also the concepts of youth unemployment, financial inclusion, and entrepreneurship are described. Finally, an overview of the research context is given.

2.1 Theoretical background

2.1.1 Youth Empowerment

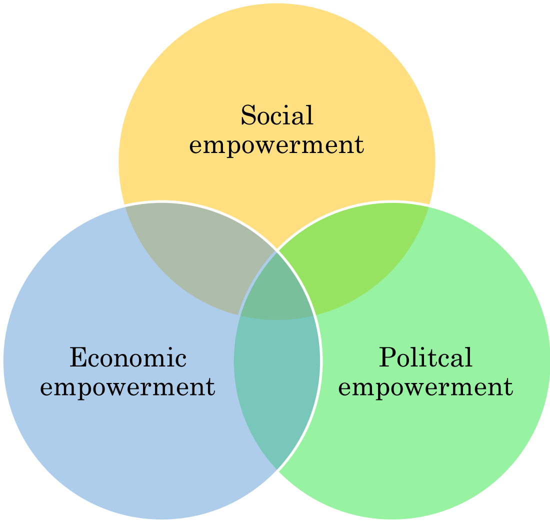
According to The Commonwealth (2007): *"Young people are empowered when they acknowledge that they have or can create choices in life, are aware of the implications of those choices, make an informed decision freely, take action based on that decision and accept responsibility for the consequences of those actions."*

Empowerment can be seen as a construct, which combines individual well-being with a social and political environment where one can develop and strengthen individual skills (Perkins & Zimmerman, 1995). Social, political and economic empowerment are hence interlinked and overlap.

Wallerstein (1992) describes empowerment as a process which encourages people, communities and associations to increase individuals' and shared agency, political abilities, social justice and improved community life.

Every part of empowerment are, therefore, interdependent on one another, as can be seen in figure 2.1. The different areas of youth empowerment overlap. For instance, in order to develop economically, the political environment will have to allow and encourage economic development. Also socially one must be capable of and ready for economic advancement. Therefore the combination of empowerment within the three levels, will lead to overall empowerment. The various levels are further elaborated in this sub-section.

Figure 2.1 The various elements of Youth Empowerment.



Source: created by author.

Social empowerment

Social (youth) empowerment puts individual development in a central place. Developing skills and improve individual agency and control is crucial in social empowerment. Especially young people are in the position to make a change in their resources and assets, hence improve their well-being. Among the various aspects of youth empowerment are self-confidence, self-control, and the ability and skill to make decisions, within a system that fosters social-connectedness (Mecha, 2017). Increasing self-confidence and self-control and adopting decision-making skills can be gained in education. Therefore education plays an important role in the process of youth empowerment. Education opens up opportunities for acquiring knowledge, resulting in increased access to job opportunities (Morton & Montgomery, 2011; Aliero & Ibrahim, 2013). Access to platforms where information and knowledge are shared is a condition for enabling social empowerment. Therefore education is crucial, since literacy is a precondition for accessing information and knowledge (The Commonwealth, 2007).

In addition to education, participation is an essential part of social empowerment (Martínez et al., 2017). Youngsters get the opportunity to build self-esteem and confidence when participating in projects, when they are able to realize things via these projects. Leadership skills are useful for control in relationships in general. These skills can be obtained through participation in appropriate opportunities (Mecha, 2017). But also power and the feeling of control over life are part of a feeling of empowerment (Morton & Montgomery, 2011; Martínez et al., 2017). The development of skills determines the type of employment and the level of income in time (Filmer & Fox, 2014).

Political empowerment

A favorable political environment enables individuals and communities, to utilize opportunities, influence areas of interest, and exercise power in these areas. A democratic country enables democratic participation, which takes a central role in political empowerment (Perkins & Zimmerman, 1995). Involving youth in participation and decision-making processes stimulates youth to become active citizens in society. This could impact their personal development and individual agency (Ile & Boadu, 2018; Mecha, 2017). Participation, collaboration and ownership encourages the development of several skills. Leadership skills are developed through ownership, while a sense of responsibility comes along with teamwork and project ownership as well (Mecha, 2017).

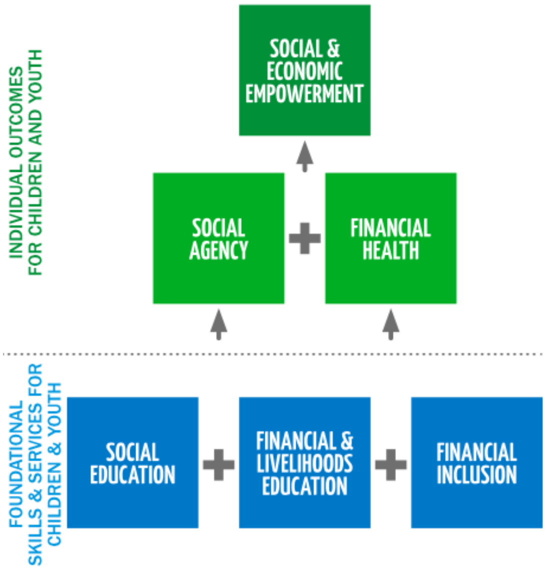
In order to enable political empowerment, an appropriate framework which allows and promotes investments in youth are necessary. Equality must be the standard in society and the environment must be politically stable and peaceful. Voting rights are essential for youth, so their voices can be heard (The Commonwealth, 2017).

Economic empowerment

Economic opportunities are as essential as a favorable political and social environment. A lack of financial capital and difficult access to financial resources cause the youth to remain poor. Illiteracy and financial illiteracy could also cause financial resources to be inaccessible for youth. Providing financial access to the poor (youth), fosters capacity building and increases productivity as a result. An increase in income due to an increase in income-generating activities contributes to youth empowerment (Aliero & Ibrahim, 2013). Studies and interventions have shown that financial trainings followed by access to finance (credits and savings) improved the youths' self-esteem (Sykes et al., 2016). Therefore microfinance could be in particular interesting for youth, as microcredits could enable youth to develop and empower themselves. Besides entrepreneurship, microcredits also open up other opportunities when microcredits contribute to savings for instance (Nagarajan, 2005).

Aflatoun International (2019) views social education, financial and livelihoods education and financial inclusion as the basis for social agency and financial health. The combination of social agency and financial health leads to social and economic empowerment in turn, as can be seen in figure 2.2.

Figure 2.2 The external factors in the Youth Empowerment process.



Source: Aflatoun, 2019.

Financial and livelihoods education mainly focuses on developing and promoting responsible financial behavior, which includes making sound financial decisions, estimating financial risks and rewards, learning about financial markets and investments. Financial inclusion is seen as accessibility to financial appropriate financial products and services. Social agency refers to the ability of making free choices, based on understanding your rights and subsequently claiming them. Social agency in combination with financial health, being able to take care of yourself financially and make sound financial decisions, leads to social and economic empowerment.

Social, economic and political empowerment are entwined. Hence, combining the three elements within empowerment will lead to overall empowerment.

2.1.2 Youth (un)employment

A job or employment explains income-generating activities, which produce an imputed or actual income which could be in the form of cash income and in kind. These income-generating activities take place in the informal or formal sector. Besides income-generating activities, employment is also associated with one's status, identity and simultaneously one's self-confidence (Filmer & Fox, 2014). Unemployment can be described as a consequence of job seeking without success. To be unemployed, one must be part of the labor force. Beside not having a job, being job-seeking or being available for a job, it is also possible to not be able to actively search for employment (Baah-Boateng, 2016). When looking at youth in urban areas in Sub-Saharan African countries often experience underemployment or are unemployed (Banks, 2016). Underemployment can be described as labor underutilization. Underemployment could be a part-time job whereas fulltime capacity can be delivered. Also the full capacity in terms of skills might be underutilized. Young people might not have employment according to their level of study. Low-productivity and low-wage jobs are then accepted (Filmer & Fox, 2014).

2.1.3 Microfinance

A lot has been written about microfinance since the creation of microfinance and the expansion of microlending in particular. This section will firstly give some background information of microfinance, followed by an overview of the main concepts and standpoints in literature.

Background of microfinance

Lending small loans, informally or formally, goes far back in time. It has a long history in Asia in particular. Moneylenders were already active around 200 BC in Asia. Not the way we are now familiar with microfinance, but the idea of lending small loans was yet present. ROSCAs exist since long in Asia and Africa, namely since around the 13th century in Asia and the 16th century in Africa. Rotating Savings And Credit Associations (ROSCAs) are comparable with contemporary microfinance models and institutions. Especially group lending and the importance of social capital and pressure within the groups is similar. Credit cooperatives came into existence in Europe, around the 1950s. These cooperatives subsequently spread to Asia (Zainuddin & Yasin, 2020). The development of microfinance and MFIs in less developed countries took off in the 1970s, along with the decolonization of many countries. Microfinance quickly spread across the least developed countries globally. From a bottom-up approach to development to a top-down approach, the usage of microfinance and the actors within the microfinance sector changed over the years. Contemporary microfinance has a more commercial feature. Informal cooperatives and institutions strive for formalization (Srnec & Svobodová, 2009).

Microfinance products

Although the definition of the terms microcredit and microfinance are often mixed, there are some significant differences between the terms. Microfinance can be seen as the overarching term of this development tool and covers among others financial and social intermediation. Financial intermediation consists of the provision of, for instance, credits and savings. Social intermediation consists of training of (group) lenders in financial and management knowledge and skills (Ledgerwood, 1999). Microcredits are part of microfinance. Such programmes are more focused on the provision of loans and the distribution of this capital (Qudrat-I Elahi & Lutfor Rahman, 2006).

Objectives of microfinance

Microfinance and microcredits are provided believing microloans are the creators and stimulators of income-generating activities. Moreover, microcredit programmes are said to offer financial sustainability. Microcredits enable poorer people to save and be financially self-sufficient at some point (Ledgerwood, 1999).

However, microloans are not always automatically the sole input for income-generating activities to be created. Investments made by beneficiaries of microcredits do not always lead to successful income-generating activities. The intended purpose of the credit might herewith not be achieved. Additionally, when a certain level of income has been reached, it might be difficult for the beneficiaries to sustain this level, as this requires certain skills and knowledge (Hulme & Arun, 2011). Consequently, beneficiaries might be even worse off than before having a loan.

Microfinance beneficiaries

Microfinance was initially created to financially include the poorer people in developing countries, since formal finance was and still is hardly accessible for poorer populations. However, Hulme and Mosley (1996) found that microfinance generally do not reach the poorest populations of a country. Mostly the middle and upper poor are able to benefit from microfinance programmes. The poorest people in society lack basic needs; food shortages within families and not being able to provide children basic education. This suffering could only be alleviated by the government and donors through subsidies or grants. Microfinance might therefore not reach the extremely poor, the initial targeted population group (Robinson, 2001; Hulme & Arun, 2011).

Youth are often excluded from microfinance programs, while they form the largest part of Sub-Saharan Africa's population and are full of potential. MFIs and formal banks often consider youth as a population group who bear higher risks and costs, as they lack knowledge and experience regarding finances and work in general (Kellow et al., 2010; Mecha, 2017; .Leist, Avidar, Szelest, Chapet & Tenikue, 2018). Hence, MFIs appear to avoid the most vulnerable groups in society, due to the higher risks and costs.

Microfinance as a development intervention

Microfinance as a development tool is an interesting subject of research. Various impact studies have been conducted. An impact study carried out by Dumo (2015) showed the positive impacts of microfinance on the lives of Ethiopian borrowers, living in rural areas of Hawassa. Positive changes in income, well-being, job opportunities, and living status were found. Also the effect on empowerment of women could be seen. Leist et al. (2018) found that microfinance appears to affect the health of youth and their families in a positive way, due to increased access to food and health services. Despite the arguments in favor of microfinance, experiences in the past have not always been positive. Loan repayments rates were low and the costs for credits were high. Nevertheless, microfinance and the corresponding financial products is seen as a development tool and development intervention that goes beyond the provision of business loans. Due to an increase in income, poorer people are able to build up and diversify livelihood strategies and herewith empower the household, better cope with shocks and become less vulnerable in turn. This increase in income and assets results in improvement in health, access to education (for their children), and empowers women as women might become more confident. The (social) benefits that microfinance bring last on the long-term (Littlefield et al., 2003).

Newer literature written by Cull and Morduch (2017) has revised microfinance as a development tool and substantiate the less positive outcomes of interventions using microfinance. This literature states that the implications of microfinance on poverty alleviation were exaggerated in the 1990s. The benefits of microfinance are nowadays described as rather modest. Microfinance was seen as a development intervention. This view has been readjusted to microfinance as being a useful financial service. Additionally, proponents say that microfinance empowers the poor. However, the poor can only control what they are permitted to control. Although microcredits offer some control, they maintain to be powerless. It can therefore not be said that microfinance institutions genuinely intend to empower the poor (Bateman, 2010). Bruton (2014) adds to this argument that microcredits generally little contribute to poverty alleviation. The sustainability of microlending is questioned. According to Newman, Schwarz and Ahlstrom (2017), research on the creation of new ventures through microfinance is still rather limited. Due to this lack of information, it cannot directly be said that microfinance fosters development and poverty alleviation.

Also the expectations of the outcomes of microfinance programs are often unrealistic. Beneficiaries are, in many cases, expected to startup a (micro) business with the loan, while in reality not every person is suited to become an entrepreneur (Dichter, 2007). Di

Nunzio (2015) and Bateman (2010) add to this argument that microfinance also creates a burden for the (would-be) entrepreneurs due to the financial obligations that simultaneously arise. According to Bateman (2010), microfinance facilitates consumption-spending instead of supporting the creation of income-generating activities. Those consumption expenditures could not be paid with the income before accessing the loan and are therefore not income-generating activities. Moreover, the loans are not always used for the purpose they are acquired for, as it is said that consumption spending increases instead of investments being made (Dichter, 2007).

The actual impact and effectiveness of microfinance, hence, remains arguable and continuously an interesting topic of research.

2.1.4 Financial inclusion

Financial inclusion is defined by the United Nations Capital Development Fund [UNCDF] (2017) as follows: *"Financial inclusion means that individuals and enterprises can access and use a range of appropriate and responsibly provided financial services offered in a well-regulated environment."* Financial inclusion can also be described as access to formal financial services. Disadvantaged groups, among which are youth, and poor people are more likely to benefit from a financial system that is more inclusive, since more financial products and services are offered in more inclusive financial systems (Demirgüç-Kunt & Klapper, 2013). The younger youth and women living in rural areas are particularly vulnerable and have less access to finance (Lyons & Contreras, 2017). Such financial services include insurances, credits, deposits, saving facilities, money transfers and payments (Sykes et al., 2016).

Formal accounts are predominantly utilized for the transferring of salaries, remittances and government payments. Savings are also encouraged through formal bank accounts and credits, in turn, are easier accessible. Generally, the higher a country's GDP, the more formal accounts are utilized. When family members have an account at a formal institution, other family members are less likely to have their own account. Having a formal account gives a certain sense of independency. It could also open up greater possibilities, like access to saving products and credits (Demirgüç-Kunt & Klapper, 2013).

2.1.5 Youth entrepreneurship

A common view on entrepreneurship is the starting-up of an enterprise. The term entrepreneurship could be defined as "the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, personal and social risk, and receiving the resulting rewards” (Hisrich, Peters, & Shepherd, 2017). Entrepreneurship is a contributor to economic growth within a country (Geldof et al., 2013). Boosting entrepreneurship among youth, the largest population groups in many developing countries nowadays, could therefore be fundamental. Therefore job creation is a central topic on the agenda of many (African) developing countries. Self-employment, hence entrepreneurship, is an important part of job creation. Especially youth unemployment is dominating the (political) agendas. Due to a lack of formal employment and opportunities for youth in the formal sector in developing countries, young people become self-employed in the informal sector. Unemployment is herewith reduced. Entrepreneurship is also assumed to stimulate innovations and advancements in technological fields (Lyons & Contreras, 2017). In addition to employment creation and economic growth, entrepreneurship at individual level also influences youths’ social (and cultural) identity, since it tends to add to self-development (Shittu, 2017).

To startup a household enterprise (HE)[2], or even a formal business, basic education is needed in order to startup a household enterprise Especially completion of primary education is crucial to become a successful entrepreneur. Logically, literacy and numeracy add to an entrepreneur’s success (Filmer & Fox, 2014). Moreover, to become self-employed, a certain mindset determines the rate of success. An entrepreneurial mindset differs from the mindset from non-entrepreneurs. This has mainly to do with one’s reactive power in uncertain situations. An entrepreneur must possess some creativity to create opportunities, but should also have the ability to easily switch and adapt in different environments and with different circumstances. Entrepreneurship is a risk of which the rewards could be high, but simultaneously brings great responsibilities (Hisrich et al., 2017).

2.1.6 Conclusion

The different levels and various areas within the overall empowerment process cause both internal and external factors to be involved. One’s personal characteristics seem to play a role in entrepreneurship, as well as the environment must allow self-development to occur and improve. At the same time, the available literature points out that financial inclusion

[2] A household enterprise is a form of self-employment. The principal characteristic of a household enterprise is the fact that such firms are unincorporated. Additionally, the business activities take place in non-farm sectors. Household enterprises generally do not employ people. The people working for these enterprises are mostly family members (Filmer & Fox, 2014).

is also one of the major barriers for youth to further develop themselves and create opportunities.

It has become clear that entrepreneurship, especially among youth, could foster development and bring new opportunities. Entrepreneurship could be an essential part in youth empowerment processes. However, some barriers and obstacles have to be overcome in order to improve entrepreneurial opportunities. Financial inclusion is key and simultaneously is one of these obstacles that complicates entrepreneurship. Youth economic empowerment, financial inclusion and entrepreneurship are interdigitated. A combination of these elements is essential for youth economic empowerment.

2.2 Research context

This section describes the research context relevant for the research topics. The first subchapter outlines the current most important global event; COVID-19. Next, the most relevant geographical, demographic, and economic indicators of Sub-Sahara Africa[3] are described. The final subchapter presents a short overview with some general information about Ethiopia.

2.2.1 COVID-19 pandemic

Currently the world finds itself in a pandemic, the COVID-19 pandemic. COVID-19, commonly called the novel coronavirus, is a recent discovered virus which is subject to coronaviruses in general. The virus was discovered in December 2019 in China, when it subsequently quickly spread to other areas of the world. In March 2020, the outbreak of the virus was declared a pandemic by the World Health Organization (WHO). The COVID-19 pandemic caused countries to close borders, but also closure of schools, buildings, offices and prohibition of large gatherings on national level. Social distancing, or physical distancing, has become the standard to prevent spreading (World Health Organization [WHO], 2020).

COVID-19 has caused considerable chaos in China, the United States and Europe the past few months. Hence, the pandemic leads to much concern and uncertainty in Africa. The continent has not been hit hard yet by the virus. However, most African countries do

[3] The following countries are part of the Sub-Saharan African continent: Burundi, Burkina Faso, Central African Republic, Democratic Republic of the Congo, Eritrea, Ethiopia, Guinea, The Gambia, Guinea-Bissau, Liberia, Madagascar, Mali, Mozambique, Malawi, Niger, Rwanda, Sudan, Sierra Leone, Somalia, South Sudan, Chad, Togo, Uganda, Angola, Benin, Cote d'Ivoire, Cameroon, Republic of the Congo, Cape Verde, Comoros, Ghana, Kenya, Lesotho, Mauritania, Nigeria, Senegal, Swaziland, Tanzania, Botswana, Gabon, Namibia, and South Africa.

not seem to be well-prepared for the implications that might follow, when looking at the available materials in the health sectors, leaving aside that Africa might be more experienced when it comes to dealing with a contagious virus like COVID-19 (El-Sadr & Justman, 2020). Most African countries adopted the measurements recommended by WHO and applied in other parts of the world, like lockdowns and social distancing. Measurements like physical distancing are likely to have less effect in Africa, since keeping physical distance in lower-income countries appears to be more challenging in overcrowded areas. Also handwashing in water-scarce areas is difficult (Mehtar et al., 2020). The implications will be immense for each and every country. Despite the outbreak still is unfolding, the current and past events must be taken into account within this research.

COVID-19 in Ethiopia

The first measures to contain the coronavirus outbreak in Ethiopia were taken mid-March. These measurements included the closing of schools and universities. The measures were followed by a declared national state of emergency for a duration of five months. The number of infected people remained limited as a result. Although the measures seems rather stringent, in practice this turned out to be less (Shigute, Mebratie, Alemu & Bedi, 2020). Ethiopia faces various challenges during the COVID-19 outbreak. A weak health system, overcrowded (urban) areas, a shortage of water, and importance of public transport form the main challenges (Ayenew, Yitayew & Pandey, 2020).

2.2.2 Sub-Saharan Africa

Demography

Sub-Saharan Africa is part of the African continent and is situated south of the Sahara. In total 46 countries together form the Sub-Saharan African continent. About 1.1 billion people currently live in SSA. Nearly one-fifth is between 15 and 24 years old and approximately 70% of the entire African population is aged below 30 (UN, 2018).

SSA has been colonized for a long time and its decolonization started in the 1960s, when country after country sought for independence. As a consequence, most African countries had to build-up and restructure national governments and authorities when colonial powers left. From the 1880s on, structural adjustment programs (SAPs) initiated and implemented via the World Bank, were supposed to support and achieve structural change on a national level. The SAPs mainly focused on trade liberalization, currency devaluation, privatization of the public sector, and reduction of government expenditure

(Riddell, 1992). Privatization of the public sector resulted in a decline in jobs, while simultaneously the labor force was growing due to an increase of the younger population and graduate students (Gebremariam, 2017). Here, the marginalization of younger people started. The SAPs caused anxiety among youth, since their positive views on their future changed during the SAPs towards a more negative view. Due to the changes the SAPs brought along, uncertainty arose (Ismail & Alao, 2007).

People are increasingly moving towards urban areas. Urbanization is especially evident in SSA and Asia. Rural-urban migration rates continue to increase, which results in rapid urban growth. The smaller cities in particular will experience further growth the coming years. Mainly younger people are attracted to the bigger cities due to a wider range of job and entrepreneurial opportunities. Also a lack of financial capital and access to this capital is an important driver for younger people to migrate from rural areas to urban places (Saghir & Santoro, 2018). Within urban areas, informal settlements are established over the years. These informal settlements are densely populated, causing extra risk of the spread of COVID-19 (Population Reference Bureau [PRB], 2020).

Unemployment

Due to the demographic distribution of SSA countries, the young population continues to grow, resulting in a youth bulge. This entails multiple opportunities as well as challenges nationwide. High unemployment and underemployment among youth is one of these challenges. Although unemployment rates do not seem to be extremely high, due to the fact that Africans can just not afford to have no income (Filmer & Fox, 2014). Moreover, the informal sector dominates most African economies. Hence, formal unemployment rates remain low.

Most Africans are employed in the agricultural sector. 15.4% of Africa's GDP was added by agriculture, fishing and forestry. However, the importance of agriculture slowly decreases, whereas the service sector continues to expand (World Bank, 2020a).

Household enterprises are the most popular form of (informal) employment. Wage employment is less accessible for most Africans. Unemployment tends to be higher in the upper and middle income-countries, especially among youth. Graduates seem to have difficulties finding a job in particular (Filmer & Fox, 2014).

Education

During the 1990s, many African countries invested in their national education systems to improve education on a national level, aiming for improved development on the long-term.

These investments resulted in remarkable increases in enrollment rates from the late 1990s on. The enrolment rates significantly increased between 1990 and 2018. More information regarding the enrollment rates between 1990 and 2018 can be found in appendix I on page 89. The number of children enrolled (early childhood) education programs more than quadrupled from 2011 to 2016. The youth literacy rate (15-24 years old) has increased from 73.94% in 2013 to 76.78% in 2019. Hence, access to education increased, along with education attainment. As a result, the number of young people graduating increased on an annual base. However, despite the increase in literacy, less than a quarter of the youths between 15 and 24 years old are nowadays still illiterate (UNESCO Institute for Statistics, 2020).

The many investments resulting in quick increases in school enrollment rates in African countries had been at the detriment of the quality of the education. The number of students per teacher were high, while basic education is not provided. Poor quality of education hinders youth to develop and learn new skills (Filmer & Fox, 2014).

Technical and vocational education and training (TVET) is offered in African countries to prepare youngsters for the labor market and manual work by providing and training them the right skills. The importance of TVET institutions and programs grew, since economic progress was believed to largely depend on technical knowledge. However, youth saw this importance differently and were not so much interested in the so-called "blue-collar" jobs, hence preferred general education. In practice, TVET was and still is viewed as a way out when no access to general education can be gained. Institutions are attracted to transform into qualified institutions, which results in a skills mismatch (Oketch, 2007).

Economy

SSA's GDP has been increasing steadily over the years. African economies start to grow. Among the fastest growing economies are Ethiopia, Ghana, Tanzania, Côte d'Ivoire, Benin, and Rwanda (African Development Bank Group, 2020). Although Africa's outlook looked bright, the COVID-19 pandemic globally has enormous implications.

The GNI per capita has somewhat decreased from 2014 to 2018. However, since 2018 the income per capita seems to slowly improve again. When comparing the income per capita with 1990, the ($628.72), improvements have been made, since the income has more than doubled to $1,550.18 (World Bank, 2020b).

Per country in SSA, the situation is different. The economic indicators differ across countries within SSA. Large differences can be observed. Economically, Ethiopia and Rwanda experienced the highest economic growth. Whereas Ethiopia has to cope with the large skill gap in the labor market, Rwanda seems to slowly progress in closing the gap. Political instability and social unrest tempered Ethiopia's economic growth. In both countries youth unemployment remains a challenge. At the same time, of all African countries Liberia and Sudan experience the least economic growth, rather to say contraction. The Ebola crisis hit Liberia hard between 2014 and 2016, while political instability and an uncertain economic environment caused private investors to stay away from Sudan (African Development Bank Group, 2020).

In 2012, around 23% of the adults in Africa had an account at a formal institution. In Southern Africa, the number of formal accounts is higher (42%) then in Central Africa (merely 7%). Formal accounts among adults increase. Education appears to affect holding a formal account, since adults with tertiary education are more likely to have an account. A link between account ownership and tertiary education can herewith be observed. The number of Africans with a credit remains rather low compared with the rest of the world Informal finance is a popular (and increasingly popular) alternative for formal finance in Africa. Also, a mobile money account gains popularity among Africans. Approximately 21% of the adults had an account for mobile money transfers in 2014. Access to finance remains difficult for most Africans (Triki & Faye, 2013).

General information Ethiopia

Ethiopia, officially the Federal Democratic Republic of Ethiopia, is a landlocked country situated North-East in Sub-Saharan Africa. About 36% of the land in Ethiopia is used as agricultural land and 78.3% of the total population is settled in rural areas, while 21.7% of the population is settled in urban areas. The country has an urbanization rate of 4.63%, which indicates the estimated change in urban population. In this case an estimated annual increase in the country's population settled in urban areas (Central Intelligence Agency [CIA], 2019).

The interviews conducted for this research were conducted in Mekelle. Mekelle is the capital city of the Tigray region in northern Ethiopia. The city is located 780km from Addis Ababa, Ethiopia's capital city. Mekelle is the sixth largest city in Ethiopia with approximately 508.000 residents. The dominant language spoken in Tigray is Tigrigna (Berhe, Martinez & Verplanke, 2014).

The GDP per capita in Ethiopia continues to increase; from US$342 per capita in 2010 to US$772 per capita in 2018. The country's unemployment rate was estimated to be 17.5% in 2012, while approximately 25% of the youth (between 15 and 24 years old) was unemployed (CIA, 2019). The unemployment rate of urban areas in Ethiopia was 19.1% in 2018, an increase since 2015 (Central Statistical Agency [CSA], 2018).

2.2.3 Youth in Sub-Saharan Africa

The definition of youth differs across countries in SSA. The definitions range from people aged 12 to 35 years, from 12 in Nigeria, to 35 in Ghana. It is therefore difficult to precisely compare countries, since most definitions of youth differ (Baah-Boateng, 2016).

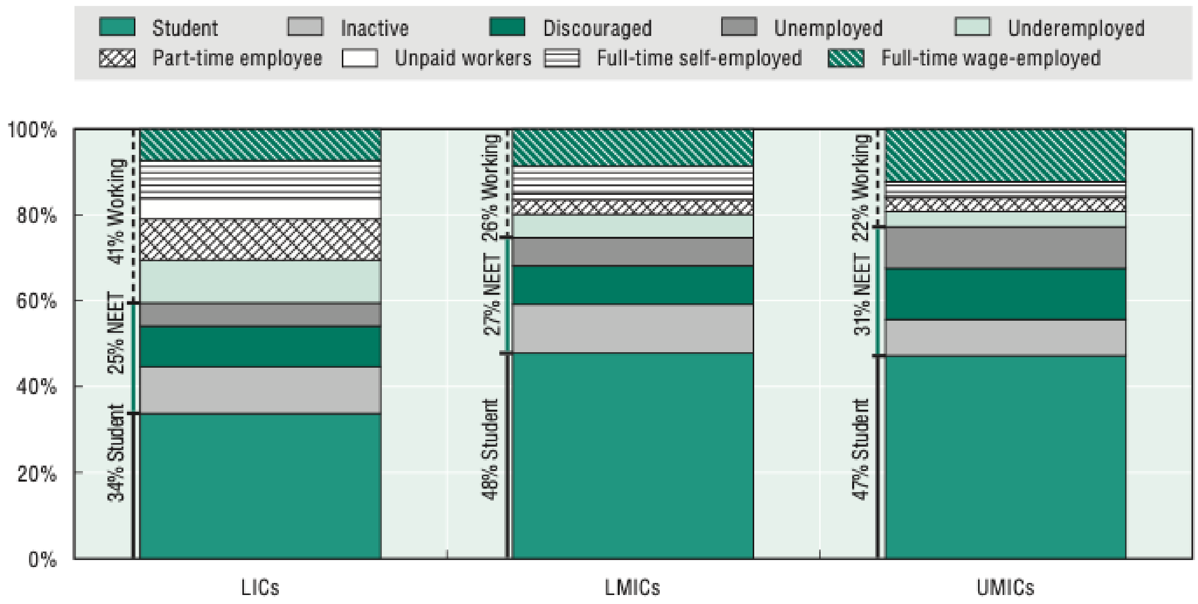
African youth are becoming better educated due to increased possibilities with regards to education. Unemployment can mostly be seen in middle-income countries in SSA. The lower-income countries have less unemployment and a larger informal economy. Many young people end up in the informal sector and practice informal economic activities (Okojie, 2003).

Job creation is therefore increasingly important. When youth are more educated and insufficient opportunities are created, dissatisfaction can arise and political instability might follow (AfDB et al., 2012). Hence, underemployment tends to increase as well, due to more and better educated young people. The youth bulge could therefore be a threat for a country as well. When expectations like improved economic circumstances cannot be reached with a growing young population and continued political instability, concerns will further grow (UN, 2018).

Various programs and interventions, like the YouthStart and YouthSave programs, have been carried out in order to stimulate development of youths' lives in Africa. A focus has been put on fostering financial inclusion among youth. The interventions brought positive outcomes for the youth who participated, like increased savings accounts and individual or group loans which were provided for business startups or expansion of businesses. Youth were offered financial education and skills trainings, which logically is essential for financial inclusion. Access to finance was provided to groups of youngsters in order for them to develop their livelihood strategies (Sykes et al., 2016).

Early child marriage is an issue in many SSA countries. When married at an early age, girls and young women are not able to attend school, finish school or enroll in secondary education. For children and youth living in rural areas, attending school is more difficult, since school are less accessible from rural areas (Inoue, di Gropello, Taylor & Gresham, 2015). In figure 2.3 can be seen that especially in the lower-income countries in SSA part-time employment and underemployment is higher. Also the number of youths studying is lower, compared with middle and higher-income countries. Self-employment tends to be higher, as a way out of the limited possibilities. In appendix II on page 90 can be found the distribution of SSA countries into LIC LMIC and UMIC.

Figure 2.3 Youth time use per country income group 2010.



Source：OECD UNDP AfDB African Economic Outlook, 2012.

Youth financial inclusion

In 2014, 20% of the youth (aged 15-24) had an account at a formal financial institution. Merely 3% of the youth in SSA had a loan, whereas 11% saved at a formal institution. 6% of the youth in SSA seems to be financially included, whereas 13.8% had an account at an informal financial service provider (Sykes et al., 2016). The number shows the exclusion of young people from financial services.

Youth in Ethiopia

Youth in Ethiopia are categorized as people aged between 15 and 29 years. According to Desta, Bitga and Boyson (2018), youths in Ethiopia are among the most vulnerable population groups in the country. Especially young women are vulnerable, due to a gender gap. This gender norm causes young women to not get the same possibilities as men get, when looking at education and employment. Also, early marriage refrains young women to go beyond housework and working on the land.

Unemployment among youth living in urban areas slightly increased from 23.3% in 2012 to 25.3 in 2018. A higher percentage of females living in urban areas is unemployed, compared to males. Approximately 34% of the unemployed in urban areas would like to start their own business. However, more than half (54%) of the residents lack the required financial resources to pursue this desire. A shortage of training was also encountered. These experiences have largely remained the same the past years (CSA, 2018).

Various factors cause high unemployment among youth in Ethiopia. First of all, the economic performance of the country lags, with little investments and poor job creation as a result. Also little or no education or missing certain skills for required jobs cause unemployment. Due to the high population growth rate, more and more young enter the labor force. Lastly, migration from rural to urban areas plays a big role in employment in urban areas (Kellow, 2010). Because of a budget deficit, the government of Ethiopia lacks financial resources (Trading Economics, 2020). Hence, despite youth policies being developed, the implementation is lagging due insufficient financial capital.

2.2.4 Microfinance sector in Sub-Saharan Africa

Microfinance in Africa is offered by different types of financial service providers (FSPs). For instance, formal banks, credit cooperatives, nonbank financial intermediaries (NBFIs) and NGOs. Nonbank financial intermediaries (NBFIs), among which are MFIs, had the largest number of borrowers in 2009, followed by banks and NGOs respectively. Especially in Eastern Africa NBFIs dominate, whereas NGOs and credit unions and cooperatives are the leading financial service providers in western Africa. Banks, on the contrary, appear to have the most depositors. Large providers seem to possess the largest market share. Most loans, namely 88%, were provided for microenterprises by NBFIs (MIX & CGAP, 2010).

As mentioned in the previous chapter, FSPs (including MFIs) have a rather risk-averse attitude when targeting new clients. This signifies that youth are largely excluded, despite the fact that microfinance has been established to support the poorer and disadvantaged groups in society (UNCDF & Mastercard Foundation, 2012).

In Africa, both the group model and individual lending model are used by MFIs for borrowing. Individual lending is increasingly utilized.

Group lending model (Grameen model)

MFIs can provide loans based on group lending models. Individuals who would like to borrow at a formal institution but do not possess any collateral which can be provided, can group together to acquire a loan at an MFI. All individuals within the same group will receive a loan, while being responsible for repayments of all loans within this group. This group responsibility results in every individual will therefore have to make sure that all members of the group will abide the repayment agreements set by the MFI. Every individual herewith bears the responsibility for the entire group. When a member of the group will not be able to repay, access to future borrowing is cut off (Armendáriz & Morduch, 2010).

Individual lending model

A shift has taken place from group lending to individual lending. Individual lending is the lending of credits per individual, instead of based on composed groups. Due to inaccessibility of formal financial services, informal financial lenders are often used for the rest of the population (MicroFinance Transparency, 2011). Other financial products than group loans are increasingly offered. However, the requirements for acquiring an individual loan might differ with the requirements for group loans, as individual loans are considered riskier (Armendáriz & Morduch, 2010).

Microfinance in Ethiopia

The microfinance sector in Ethiopia has rapidly expanded the past decade. It was established to provide access to the poor, since formal institutions are hardly accessible for the majority of Ethiopia's citizens. The Association of Ethiopian Microfinance Institutions (AEMFI) is the association that represents the Ethiopian MFIs and is established in 1999 with the aim of providing a national platform where information and knowledge could be shared. All formal MFIs are a member of AEMFI. The organization grew from four members in 1999 to currently 34 members across the country (Association of Ethiopian Microfinance Institutions [AEMFI], 2019).

Besides MFIs as microfinance providers, also saving and credit cooperatives (SACCOs) provide microfinance products and services. The first SACCO in Ethiopia was established in the mid-1960s. SACCOs were established in order to organize people into cooperatives, like agricultural cooperatives, and to develop communities herewith. SACCOs are increasingly popular, as the number of SACCOs annually grows (Tesfamariam, 2015).

3. Research methodology

This chapter describes the research design and the main research methods used in this research. This study is in nature qualitative. Both primary and secondary research have been conducted. The research concepts reviewed in the previous section are further elaborated in this chapter and data collection methods are discussed. The last section within this chapter focuses on the experiences and positionality and limitations as a researcher. A short reflection on the research period has been written.

3.1 Primary data collection

The first step in this research was collecting secondary data to frame and contextualize the area of research and familiarize with the research topic; microfinance and youth empowerment in Ethiopia. Having created an insight in the research context and concepts through secondary data, primary data was partly gathered in Mekelle, Ethiopia. Due to the consequences of COVID-19, data collection in Ethiopia was disrupted after six weeks and was continued in the Netherlands, following an adjusted data collection scheme. Instead of face-to-face in-dept interviews, online interviews were conducted through Zoom or Skype.

From March 10th until March 16th, in-depth interviews with key informants of MFIs, SACCOs and youth organizations in Mekelle were conducted. These interviews were followed up by online in-depth interviews with NGOs between May 15th and 30th. The general purpose of these interviews was to create a broader picture of microfinance in Ethiopia, and subsequently to assess the constraints for Ethiopian youth. The topics covered mainly included Ethiopian youth, financial inclusion and microfinance as a tool of empowerment. Different standpoints of the various stakeholders within the Ethiopian microfinance sector and youth development resulted from the interviews and new themes related to the research emerged. The interview guides were created using "Qualitative Research Methods", written by Hennink, Hutter and Bailey (2011).

The key informant interviews in Mekelle were semi-structured in-depth interviews. Due to a language barrier the interviews were conducted in collaboration with Mekelle University, who also arranged the contact and meetings with institutions. All interviews were conducted within the city of Mekelle, hence in urban areas. The organizations were chosen, as a combination of FSPs would create a broader picture of the microfinance sector in Ethiopia. DECSI is the largest MFI in the region, while Amfi focuses on women in particular. A gender perspective is herewith taken into account. The choice for Fana Youth has been due to its young client base and focus on youth.

The interview questions were created on the basis of the previous research question (the impact of microfinance on the lives of Ethiopian youth). The topical probes, earlier identified and explored in secondary research, were used during the interviews to detect similarities or differences in practice. The interview guides created for the online interviews were somewhat adjusted to the new and current research questions of this research.

The online interviews were conducted in the Netherlands after the field research period. The interview with a program manager of SNV was conducted in Dutch, while the remaining online interviews were in English. The interviews with SNV and the Mastercard Foundation were chosen because of their active presence in Ethiopia, combined with current projects and financial knowledge.

All interviews lasted up to an hour, were recorded with consent of the interviewees and the transcripts are available. Non-verbatim transcription method has been used, which means that solely the questions and answers are transcribed, without adding non-verbal and background sounds or voices.

Thematic analysis has been applied, since this is the most appropriate method to explore the research topic and the most important notions on youth and microfinance, and to gain insights and views from multiple stakeholders on this topic. This research method has been chosen in order to discern trends in approaches of African countries on addressing youth economic empowerment and to see if any patterns can be determined. The relationship and role of microfinance within these patterns has been analyzed.

First of all, familiarization of the collected data through repetitively reading and searching has been carried out. After reading the transcripts multiple times, the main ideas and codes have been noted and further explored. The interviews were manually coded, as it concerns eight interviews in total. Through systematical code development inductive and deductive codes were developed and categorized. An overview of the codes and corresponding examples are summarized in the codebook, which can be found in appendix V from page 99. The themes that emerged from the coding were combined, substantiated and elaborated with secondary data to achieve data triangulation.

Informal conversations

Informal conversations with local youth were very interesting and valuable. The youth met were at Mekelle University, in the city center, and in bajajes (small local taxi's). These conversations were mostly held with youngsters, between the age of 20 and 32. Insights into the lives of Ethiopian youth (living in urban areas of Mekelle) were obtained through these conversations. Through immersing into the Ethiopian culture, treats and habits were discovered. These informal conversations contributed to the imaging of Ethiopian youngsters and their norms, values, daily habits, but also their aspirations, needs and ambitions. The conversations advanced the context where (some of) the interviews were conducted, and the research context in general.

Validity and reliability of research

The validity and reliability of the research have been improved through an exhaustive review of secondary data, including available literature and policy papers. Data triangulation has herewith been strived for. However, better data triangulation could have been achieved when beneficiaries of microfinance could have been interviewed. Although the informal conversations did give some extra contextual information, more insights and different views could have been gained through in-depth interviews with the principal actors within economic youth empowerment.

3.2 Secondary data collection

The beginning phase of the research focused on collecting secondary data to critically explore the research topic and the available literature, studies and assumptions in particular. Familiarization with the topic was central. An image of the Ethiopian microfinance sector was created before field research was conducted and the in-depth interviews were subsequently built on this information. Having conducted primary research, secondary data served as foundation and elaboration of the primary data gathered. Academic literature, government documents, policy papers, publications from organizations are examples of secondary data that has been collected during the full research period. On the basis of academic literature, published research and journals, and knowledge gaps were identified. Other forms of secondary data, like publications and policy papers have been used in order to create and broaden the research context, but also to identify activities, projects and programs regarding the research topic.

The secondary resources have been analyzed using thematic analysis method, since this approach appeared to be the most appropriate for seeking an answer to the research questions having in mind the corresponding research objectives. Validity and reliability of the literature and other data sources has been enhanced through the utilization of multiple sources, authors and actors. Thematic analysis has been applied since this is the most appropriate method to explore topics and different views from different actors on this topic. To obtain an objective view on the research topics and as much information to create a broad picture of the situation, thematic analysis appears to most suitable method of research. Codes and themes have been developed until information saturation had been reached and sufficient sources had been consulted.

3.3 Researcher's positionality and limitations

A lot of preparation for a four-month field trip to collect data was involved. Unfortunately, due to COVID-19 the field research period in Ethiopia was disrupted unexpectedly after six weeks. A change in research methodology was necessary.

Subsequently, some online interviews were conducted instead. This change resulted in a different combination of research methods and a different use of the gathered primary data. The collected data became very valuable all of a sudden. Moreover, COVID-19 affected the accessibility of organizations, as offices were closed. A change from primary research to a combination of primary and secondary research was therefore necessary.

The primary language spoken in Ethiopia is Amharic and Tigrigna in the Tigray region. This caused a language barrier, due to the lack of proficiency in English. Hence, assistance in translating was necessary in order to conduct in-depth interviews. When collaborating with natives, information can be lost. It could also cause interviews to be more trivial than desired. Questions were misinterpreted as well as a result, which caused misunderstandings and a loss of information.

A limitation experienced was that the interviews during field research were solely conducted in the northern part of Ethiopia (Mekelle, Tigray), so possibly not generalizable on the entire microfinance sector in Ethiopia. However, since the findings do match with findings from secondary data and existing literature, conclusions can be drawn from the entire research all together. Additionally, it is important to mention that the interview questions were insufficient critical during some interviews. New or varied insights might have been gathered if deeper and more critical questions would have been added to the interview guides.

Due to limited time in Ethiopia, the scope of this study has been expanded to SSA as geographical research area. Although African countries have many similarities, the exact research context and environment differs per country. Exploring and studying each and every African country to the bottom was not a possibility due to time constraints. The results of this study, therefore, tend to be rather general instead of country-specific. It must be taken into account that the results could further differ per country, depending on the environment.

This research initially aimed to include youth beneficiaries of microcredits as well, as the main target group of this study. Beneficiaries could have given new or different insights in the way microfinance is viewed. It would also have led to better data triangulation. However, due to a lack of time in Ethiopia and poor internet access among young Ethiopians, interviews or a survey were not feasible within the time span of this research period. At least the informal conversations, both with young beneficiaries and non-beneficiaries, contributed to the context of this research; the overall image of African youth and microfinance.

4. Youth economic empowerment and microfinance in Sub-Saharan Africa

From this chapter, this study shifts towards the main findings resulting from the research. Youth economic empowerment in combination with microfinance in SSA has been analyzed and elaborated. The results are divided into different sub-chapters and paragraphs. The first subchapter elaborates on programs and interventions implemented in Africa. Next, the youth unemployment issue in Africa is discussed and finally the main findings regarding microfinance and youth in SSA are presented.

4.1 Youth economic empowerment in SSA: policies, strategies and projects

Youth policies

The government of Uganda promotes financial inclusion among youth through two principal policies; the National Strategy for Financial Inclusion and Strategy for Financial Literacy. The urge for improving financial literacy among youth, access to finance and especially appropriate financial products and services for youth is herewith acknowledged (UNCDF, 2017a). Also the government of DRC established youth policies to promote and foster employment. One of the main strategies is to encourage entrepreneurship and, hence, the creation of SMEs. Financial training and knowledge has been recognized as essential in the process of successful entrepreneurship (UNCDF, 2017b). However, not all SSA countries have created policies for improvement of financial education. Benin is one of these countries without such policies. Despite absence of financial literacy policies in Benin, the country does prioritize vulnerable population groups, among which are youth (UNCDF, 2017c). Also the government of Kenya recognized the exclusion of youth from important policies and identified the need for inclusion to foster economic empowerment through employment creation, as well as social and political empowerment through promoting equity of opportunities and participation in political decision-making processes (Muthee, 2010).

The Entrepreneurship Development Programme implemented by the government in Nigeria, targeting youth in particular, focused on the creation of new businesses to enlarge the existing private sector. Adedeji, Ayodele and Olalekan (2018) found that the entrepreneurship programmes positively affected youth employment and economic development in turn. Recommended is to incorporate the entrepreneurship development training in education, or at least provide it when providing access to finance. However, although the Nigerian government put youth in a central place in domestic developing policies and programs, the government later (in 2004) itself indicated the policies to be ineffective due to the short-term focus and lack of sustainable results (Awogbenle & Iwuamadi, 2010). The results of government policies and the actual implementation, therefore, might contradict.

Projects and interventions

Various projects and interventions have been implemented in different African countries. For instance, the Youth Enterprise Fund in Swaziland was established to provide access to youngster with the objective starting-up an enterprise. Training was provided forming a basis of entrepreneurship. However, loan repayment behavior was poor, which resulted in insufficient capital to expand and continue the program and provide new loans. A lack of grants and donor funds worsened the situation (Brixiová, Ncube & Bicaba, 2015)

An intervention initiated by UNCDF and supported by the Mastercard Foundation is the YouthStart project, initiated in 2010. This project similarly focused on African countries, especially the lower-income countries. Financial inclusion among youth had a central role in this project. The organizations link poverty reduction with financial inclusion: *"YouthStart will contribute to the achievement of the Millennium Development Goals (MDGs) particularly the specific goal of poverty reduction in half by 2015, by increasing the sustainable access to financial service by low-income youth in Sub-Saharan Africa".*

However, poverty alleviation does not automatically result from financial inclusion. Interventions in different fields, like education, form the basis. Financial inclusion could be a reinforcing factor.

Economic empowerment

Ondoro and Omena (2012) found that microcredits had no significant impact on the economic empowerment on microcredit beneficiaries in Kenya. Their income, savings or investments were not improved after acquiring a microloan. Increased training was recommended to improve entrepreneurial skills. Moreover, the credit amount appeared to be insufficient and, hence, was recommended to be increased.

At the same time, Macharia, Nyaga and Gongera (2014) did find microfinance to be a contributive instrument to effectively improve youth empowerment in Murang'a Country situated in Kenya. The study found contradictive results compared with Ondoro and Omena (2012). However, an essential finding of this research is the overall importance of all elements of empowerment. As mentioned in the theoretical background regarding Youth Empowerment, the fields overlap. Solely microfinance, hence, will not be sufficient for youth empowerment. Macharia et al. emphasized the importance of education in the youth empowerment trajectory.

4.2 Youth unemployment in SSA

Most literature written about youth unemployment point out that the main reasons for youth unemployment in SSA are the demographic distribution of populations in African countries, combined with the economic situation which causes insufficient economic growth. African economies are not able to create sufficient jobs for the high number of young people in SSA (Baah-Boateng, 2016). In rural and peri-urban areas unemployment is not as high as in urban areas, since many people are employed in the informal sector (Fox, 2016). Especially in urban areas, insufficient opportunities are created. A rising rural-urban migration rate partially adds to this issue. Rural-urban migration also stems from unrealistic expectations, like the idea of increased job security (Banks, 2016). Unemployment might not be the main issue among youth in SSA, but underemployment instead (Fox, 2016). The main obstacle for youth in SSA is the desire and growing agency, while the countries' environments do not allow them to fulfill their needs and develop. Opportunities are needed, but lack. Employment is central in economic development. The environments are therefore not favorable for blossoming (Banks, 2016).

However, not just external factors play a role in youth employment, also demographic characteristics affect one's employability. For instance, education level influences one's chances of being accepted for a job. Education is crucial in self-development and subsequently improve job prospects (Baah-Boateng, 2016), while youth in Sub-Saharan African countries do not have the opportunities to develop the necessary skills to shift to adulthood and create chances. Education is hardly accessible for many young people and the education offered is of poor quality. Self-development through skills training is herewith hindered (Filmer & Fox, 2014; Fox, 2016). A skills mismatch can be observed as a result. Graduates cannot offer the demanded (soft) skills. This complicates the search for employment for young people (Filmer & Fox, 2014).

Higher unemployment among youth mainly results from the employers' preference for adults, since adults are more experienced and acquired and developed certain skills which young people often still have to develop. However, just improving education is not sufficient for employers to hire young people. Work experience is another highly valued possession (Choudry, Marelli & Signorelli, 2012).

The informal sector does offer many jobs. Although the informal sector is the largest economic sector which creates the most jobs for the African populations in most SSA countries, informal employment is seen as unproductive with low wages (Baah-Boateng, 2016). Also the majority of the Africans is employed in the informal sector, since merely 16% is employed in wage labor. Of the remaining 84% is 22% self-employed in the informal sector. Hence, formal employment is scarce. It is therefore expected that young people mostly will end up working at micro enterprises or with family. Instead of unemployed, youths are then underemployed. Underemployment simultaneously is associated with the informal sector (Filmer & Fox, 2014). However, informal employment is not very popular among educated youth,. Therefore it appears to occur that educated people are more often unemployed than the less educated youngsters in developing countries (Baah-Boateng, 2016).

The increasing number of youths in Africa could be a source for development and growth for domestic economies, but also fuel social tensions when not being taken seriously and invested in. Migration and violence might result from a lack of attention (Baah-Boateng, 2016). Therefore high unemployment among youth is being seen as a threat for the security within societies (Banks, 2016).

4.3 Microfinance and African youth

A large number of impact studies have been conducted in search for a redeeming answer to the question if microfinance could provide a solution to poverty reduction in Africa. This subchapter discusses the role of microfinance in relation to the development of African youth prior to the COVID-19 pandemic.

Financial inclusion

A formal account is inaccessible for the majority of the African populations. The main reason for Africans without an account at a formal financial institution is the lack of money to utilize an account. Bank accounts appear to be too costly to maintain for poorer people. Moreover, banks or financial institutions are often too far away. A lack of decent transportation facilities worsens physical access (Demirgüç-Kunt & Klapper, 2013; Sykes et al., 2016). Besides challenging physical access to formal financial institutions, formalities like personal documentation (e.g. birth certificate or residence permit) are also found to be a barrier. (Young) residents often have difficulties in providing the required official documents for opening formal accounts at financial institutions (Syket et al., 2016). At the same time, distrust in these institutions appears to be another obstacle to financial inclusion (Demirgüç-Kunt & Klapper, 2013; Lyons & Contreras, 2017). Distrust could arise due to a lack of knowledge about the available financial products and services. Also misconceptions about the available services are a barrier, for youth in particular. Insufficient information with regards to the financial service providers is transitioned (Lyons & Contreras 2017).

The before mentioned barriers for financial inclusion also accounts for youth in developing countries. Youth are often excluded from financial services. This arises from, among others, the inappropriateness of financial services for young people. The product range offered by financial institutions do not fit the needs and characteristics of youth, since the target groups of the formal institutions are the less (financial) risky groups in society. Youngsters self-employed in the informal sector often have to process small transactions, whereas the transaction costs are high (Lyons & Contreras, 2017). However, provision of appropriate financial products could increase the level of welfare among households and stimulate employment creation through MSEs. Possessing a residence document appears to hinder youngsters from accessing finance in particular, since 70% of the children in SSA do not possess any birth certificate. Also the minimum age is an obstacle particularly for youth. For formal institutions youth are even harder to reach. Especially long distances to be covered, for instance from remote areas. It also brings a risk to cover a great distances in developing countries (Sykes et al., 2016).

Since formal financial inclusion is scarce and complicated for the majority of the Africans, alternatives for financial inclusion have been created. For instance, saving groups or clubs are more utilized among the less wealthy populations in developing countries as an alternative for saving at formal institutions (Demirgüç-Kunt & Klapper, 2013). Informal financial services are seen as an alternative for formal financial services. VSLAs (Village Savings and Loan Association) can offer alternatives for the excluded persons. It has been said that informal saving clubs are a solution for the poorer, whereas the other side of informal finance appears to be insecurity and expensiveness (Sykes et al., 2016). Flynn and Sumberg (2017) found that informal savings groups, like ROSCAs (rotating savings and credits associations), offer opportunities for youth to become financially included. However, youth seem to be part of a broader social network. They do not take part as individual economic actors within these savings groups, but family and relatives form important actors as well. Flows of financial resources enter and leave the savings groups (Flynn & Sumberg, 2017). It therefore cannot be said that youngsters individually are financially included through informal savings and credits groups. Hence, informal financial services do not seem to offer a full alternative to financial inclusion which formal financial institutions can offer.

Other alternatives for improving financial inclusion among all African population groups is mobile money. The usage of a mobile phone for money transfers increases, also in developing countries (Demirgüç-Kunt & Klapper, 2013). For instance, the M-pesa and M-birr are mobile money transfer services in Kenya and Ethiopia respectively. The expansion of financial inclusion fosters business creation, but also (economic) development, which in turn leads to poverty alleviation. Digital finance and mobile banking improve financial inclusion, especially among rural youth (Lyons & Contreras, 2017). The number of mobile users in SSA started to exceed the people in SSA with a formal bank account.

Hence, mobile money is upcoming and gaining popularity and importance when looking at financial inclusion. Mobile phones and mobile money replace the formal accounts at financial institutions. However, rules and regulations retain mobile money to grow significantly in use. Technology-based financial services are restricted in use by governments, since governance on these technologies remains unclear. Mobile banking has proved to increase financial inclusion among Africans (Triki & Faye, 2013). Also branchless banking improves financial inclusion, since it takes away the physical barrier of access to financial institutions (Demirgüç-Kunt & Klapper, 2013).

Younger people and women are financially excluded in particular (Filmer & Fox, 2014). Financial products and services that might be more appropriate for youth could be formal accounts requiring low opening and maintaining costs. Also reduced collateral requirements for business loans could contribute, since youth often cannot provide the demanded collateral. Soft loans, credits with lower interest rates, would also be more suitable for younger people. Moreover, financing the underlying asset instead of providing the loan is also an interesting alternative. The creditors are herewith stimulated to generate income and pay-off the asset (Filmer & Fox, 2014; Sykes et al., 2016).

Nevertheless, most domestic central banks or regional banks in SSA are a member of AFI (Alliance for Financial Inclusion, an organization striving for enhanced financial inclusion on a global level (Alliance for Financial Inclusion [AFI], n.d.). Financial inclusion, hence, is worldwide acknowledged as an important element in development. In 2019, AFI in cooperation with its members developed the Kigali Statement. The statement implies a collaboration between members of AFI to reassure commitment on the improvement of financial inclusion among disadvantaged groups, among who are youth. Members of AFI are located in African countries, some South and Central-American countries, Asian countries, European countries and the Middle-East. The Kigali Statement emphasizes the urge for partnerships between the various stakeholders in the fields of financial inclusion (Alliance for Financial Inclusion [AFI], 2019). Not only in Ethiopia a lack of coordination is an issue, also other African countries thus experience inefficiencies due to this.

Entrepreneurship

Uneducated youths identify opportunities in small enterprises when facing difficulties in formal wage employment. Self-employment is very much desired as a result. However, various barriers towards entrepreneurship can be identified. Young people are often hindered when in need of starting capital to startup a business and working capital for continuing business activities. Most (almost all) small (household) firms in SSA indicated to started their business using a loan of a relative (friend or family), instead of approaching a formal financial institution. To get a loan, collateral is needed. Savings could serve as collateral. However, providing savings as collateral is difficult for youth in particular, since they have no savings or solely limited savings available (Shittu, 2017; Sykes et al., 2016). Hence, financial inclusion appears to be an important factor for the creation of HEs and MSMEs. Also for business survival access to ordinary finance is essential, since investing in the firms is necessary for an enterprise to succeed (Chen et al., 2017; Newman et al., 2017). Especially for youth, financial access and starting up a business are closely interrelated. Youths owning a firm appear to have better access to financial services and youth with access to finance have a greater chance of starting up a business (Lyons & Contreras, 2017). However, too little institutions provide access to credits to youth. Consequently, the youth are often excluded from the MFIs clients' base and an opportunity to create income-generating activities is left out (Mecha, 2017). Besides access to finance, for younger youth it is difficult to access formal financial institutions due to the minimum age requirement (often 18+). Also a guarantee is often needed (Lyons & Contreras, 2017). Moreover, a lack of the right skills and no access to information hinder youth from starting businesses (Shittu, 2017).

4.4 Conclusion

Despite the various policies, programs and interventions created by African governments, today's numbers show the ineffectiveness of the programs on the long-term.

Encouraging entrepreneurship among youth is a common strategy in Africa to create employment for youth and herewith fostering youth economic empowerment and development. However, the poor loan repayment behavior of youth also shows that more is necessary than access to finance and entrepreneurship. They might lack the sense of responsibility of repaying the loans and using the loans for other purposes. A lack of the right skills appears to be another barrier, resulting from poor quality. Multiple barriers have to be overcome for African youth to foster individual economic empowerment.

Promoting entrepreneurship as a standalone element in employment creation works insufficiently on the longer-term. Also, a gap in the policy and the actual implementation results in the current unemployment issues. Hence, the policies and interventions created are not sufficient to employ the large youth population in Africa.

Employment is a crucial aspect of youth economic empowerment. Employment could also form a base for financial inclusion, since a salary could result in savings and loans could be acquired in turn. Unemployment, hence, tempers the contributive role of microfinance in youth economic empowerment. At the same time, microloans could also serve as employment-creator. The role and contribution of microfinance therefore depends on the context and environment.

5. Case study Ethiopia

This chapter presents the main findings regarding the case study Ethiopia. Youth economic empowerment in Ethiopia will be described, substantiated by the primary data collected. Policies, strategies and interventions will be highlighted. Subsequently, experiences from Ethiopia with regards to youth and microfinance will be further elaborated.

5.1 Youth economic empowerment in Ethiopia: policies, strategies and projects

An overview of the most important policies and interventions with regards to Ethiopian youth are explained in this section. The information gathered during the interviews add to the existing data and are combined and thematically analyzed.

Youth policies

In 2004, the government established the National Youth Policy. This year a considerate number of youth were addicted to alcohol, drugs or narcotics. The main objective of the National Youth Policy was to maximize the utilization of the capacity of the youth and empower the youth, in order to stimulate Ethiopia's development and the building of a organized democratic system. Capacity building, by creating a favorable environment for youth to actively participate in society (in the fields of job opportunities, education, and cultural activities) is one of the means to stimulate this development (Ministry of Youth, Sports and Culture, 2004).

The PASDEP (Plan for Accelerated and Sustained Development to End Poverty) was established in 2005. This plan gave a particular devotion on MSEs by focusing on unemployed youth, as well as on school drop-outs and female entrepreneurs. The government intended to facilitate access to finance and support in provision of the necessary training for MSEs. This policy, however, did not bring much change for MSEs either (Ministry of Finance and Economic Development [MoFED], 2006).

The PASDEP was followed up by GTP I (Growth and Transformation Plan I), which was activated in 2010 during five years. In GTP the GoE partially focused on the creation of youth centers, which were going to provide services to youngsters. Also programs were developed for youth to participate in income-generating activities (MoFED, 2010).

The second GTP (GTP II) was launched five years after GTP I, so from 2015 on. The government's focus during this period lies on fostering social and economic benefits for youth development. The GoE planned to improve the quality of education, both at higher education and TVET institutions. This should result in an increase in economic productivity. Additionally, tackling unemployment among youth by fostering economic empowerment was also part of GTP II. GTP II also steered in the direction of better mobilization of savings at financial institutions (MoFED, 2016). This change can indeed be seen at MFIs and SACCOs. The FSPs mentioned tremendous increase in savings, hence improved savings mobilization (DECSI, Amfi, Mehazut, Fana Youth, personal communication, March, 2020).

Projects and interventions

Although the Ethiopian government tries to improve the conditions for youth by means of all various national policies, this population group were still dissatisfied in 2018. The main critiques of the youth were on (the lack of) employment opportunities, the national education system (poor quality), and social, economic and political marginalization. The national government aimed to combat youth unemployment by establishing credit institutions to facilitate access to financial services. However, these institutions turned out to be less accessible for youngsters, as corruption and discrimination determined the access to these financial services (YouthPower, 2018). There has not been established a national policy yet that focuses on youth and the creation of opportunities for the youth (International Growth Centre [IGC], 2012).

Despite the government's efforts in establishing youth policies and improving access to finance for youth through the Youth Revolving Fund to stimulate entrepreneurship, appropriate and effective implementation of the policies lags. The major cause of this is a lack of coordination between different stakeholders. Short-term solutions like providing access to finance for youth might lead to negative consequences for long-term goals (Wadham, Urquhart & Warren, 2019). The bad coordination between stakeholders caused inefficiencies in the youth sector. This emphasizes the urge for partnerships and collaboration. Specialization is herewith promoted and organizations and institutions can carry out their specialty (Tigray Youth Association, Mastercard Foundation, SNV, personal communication, March and May, 2020). This could also be seen in development cooperation, according to Riddell (2007). The way aid is given and delivered is not efficient, as donors are often not aware of other donors' activities and projects, as well as the government's plans and priorities.

Various projects and interventions have been launched to empower the Ethiopian youth. Organizations like UNICEF, the Mastercard Foundation, SNV and UNCDF are very active in Ethiopia when it comes to youth empowerment, and youth employment as part of youth empowerment processes. Projects like the Adolescent/Youth Development Programme (2007-2011) launched by UNICEF in collaboration with the Ministry of Finance and Economic Development Ethiopia and Empower Youth For Work operated by Oxfam have reached their targets and objectives, but their sustainability and continuity of capacity built can be doubted (UNICEF & Ministry of Finance and Economic Development Ethiopia, 2012; Empower Youth For Work, 2019). These programs and projects focus on youth and the financial inclusion of youth by linking them to MFIs which provide them access to finance. Hence, microfinance does play an important role in these interventions. However, the sustainability can be questioned.

YouthConnekt Africa (YCA) is a platform initiated by the government of Rwanda in cooperation with UNDP that supports youth by aiming for the creation of jobs and entrepreneurship, offering training and internships at workplaces, promoting participation and leadership within their community. Due to its success in Rwanda, the program has been introduced in Ethiopia as well, because of its high amount of young. Despite the lack of national policies focusing on youth, this program was launched December 2019 (YouthConnekt Africa [YCA], 2019).

Financial inclusion

The obstacles for youth which were revealed by the Tigray Youth Association and SNV (personal communication, March and May, 2020) in order to have access to finance, are closely related to the barriers mentioned by UNCDF and the Mastercard Foundation (2012). According to UNCDF and the Mastercard Foundation (2012), youth face difficulties regarding regulatory and legal requirements, like possessing an identity card. Secondly, the financial products offered by financial institutions are inaccessible and inappropriate for youth. Also, the locations for services are often physically (too) far away. Although savings increased on a national level, youth do not feel the urge to start saving, which is an essential requirement to become a member or client and to subsequently get a credit (Mastercard Foundation, personal communication, May, 2020). In addition, the youth's (financial) capabilities are rather poor. Lastly, a lack of awareness and information available among youth causes young people to be unaware of the existing opportunities regarding microloans. Financial institutions are therefore not being approached so much (SNV, personal communication, May, 2020).

This lack of knowledge about financial product and the possibilities, has been fueled by the misconceptions in the fields of finance and financial resources and products young people have (UNCDF & Mastercard Foundation, 2012). During the field research period in Mekelle, an informal conversation with a bajaj driver (a small taxi) gave an insight in the thoughts of Ethiopian youth. He was very negative about loans at financial institutions, as the debt burden was not desired (personal communication, March, 2020). This is another view, and perhaps a misconception, of younger people on loans.

Access to information

A lack of access to information appeared to an obstacle for Ethiopian youth to improve individual empowerment. Especially financial knowledge lacks. Internet and digitalization could play an important role in fostering information sharing. Additionally, digitalization also leads to digital platforms to where information and knowledge can be shared. However, the GoE recently shut down the internet for almost a month, starting from June 30th 2020 (Access Now, 2020). A year ago the GoE shut down the internet eight times to prevent and minimize social unrest (Human Rights Watch [HRW], 2020). The internet being shut down, implies no access to internet and online information and data, while this is crucial in youth empowerment. This could lead to further deprivation.

5.2 Issues among Ethiopian youth

The interviews revealed that youth suffer from various barriers and obstacles in their empowering process. Their main issue is underemployment and unemployment. A second barrier which youth face is a lack of the required skills for jobs. These skills are not trained effectively or taught at educational institutions. Training and education programs offered are adjusted to the missions of institutions to become accredited institutions. In addition, the education at educational institutions appears to be of rather poor quality due to various reasons (Desta, Bitga & Boyson, 2018; SNV and Mastercard Foundation, personal communication, May, 2020). Secondary education in particular appears to be ineffective and of poor quality. The study objectives and themes do not match the requirements and demands for a subsequent technical study or school. To fill the gap, one-third of the employers offers training. However, the majority of the employers does not offer training as youth often leave after they followed these trainings (UNDP Ethiopia, 2018; SNV, personal communication, May, 2020).

For instance, SNV and the Tigray Youth Association (personal communication, May and March respectively, 2020) pointed out that training institutions like TVET institutions offer ineffective training which does not match with the employers' needs. TVET institutions want to operate as accredited institutions, while the students have different needs. This results in a skill gap or skill mismatch between the employer's demanded requirements and the employee's skills. They are not ready for job and do not have the right mindset when it comes to working (Tigray Youth Association, personal communication, March, 2020; SNV, personal communication, May, 2020). Youth indicate to be highly interested in self-employment. Youth want to start their own business, but lack starting capital and financial resources.

MSMEs could play an essential role in combatting youth unemployment. However, establishing MSMEs is difficult (Amha & Woldehanna, 2016). In addition to the entrepreneurial skills necessary, access to finance is crucial. This is simultaneously another obstacle for youth, due to the requirements for becoming a member or client. The majority of the children in developing countries, including Ethiopia, does not have a birth certificate or any documents of birth registration (UNCDF & Mastercard Foundation, 2012; The Danish Immigration Service, 2018; SNV, personal communication, May, 2020). Once a member or client, further requirements for loans are the next barrier to obtain access to credits. These requirements appear to be very strict for young people. An income, savings, assets, or vehicles etc. could serve as collateral. However, the Tigray Youth Association and SNV (personal communication, March and May respectively, 2020) indicated that young people often do not possess collateral like these. They are still building up their lives. Hence, collateral forms a major barrier for them to get access to finance. Access to finance is like blood for the body for youth to empower themselves. To fulfill their aspirations to start their own business, starting capital is needed. But also for active firms it appears to be difficult to get access to more financial resources for business investments.

Both the Mastercard Foundation and SNV (personal communication, May, 2020) mentioned the barrier for youth entrepreneurs appears to be the limited operational space to carry out their business activities. Also market space seems to be scarce. The entrepreneurial environment hence does not seem appropriate for young entrepreneurs.

5.3 Microfinance and Ethiopian youth

Among the disadvantaged groups in developing countries, and the Ethiopian society, are (young) women and youth. Whereas women are often being targeted in microfinance programs, young people are frequently being excluded. The main motive for MFIs to exclude youth from their clientele is the risks they bring and the stereotyping youth as risk-takers (Tigray Youth Association, personal communication, March, 2020). These risks include higher default risks, as the youths do not have the right entrepreneurial skills (yet) or the mindset. Not every person possesses the entrepreneurial mindset and skills (Rosas, Acevedo & Zaldivar, 2017; SNV, personal communication, May, 2020). Expected is that earning a lot of money and becoming rich will follow when having a loan. Some youngsters perceive the loan as charity, instead of an obligation. MFIs are risk-averse, hence youths are more often excluded from microfinance programs. Additionally, youth tend to prefer high skilled jobs above manual labor, which also results in higher unemployment rates among youth (Tigray Youth Association, personal communication, March, 2020).

UNCDF and the Mastercard Foundation (2012) support the idea of youth being irresponsible with the money they receive from financial institutions. They state that money saved is often spent on non-productive investments like consumption expenditure. Simultaneously it has been mentioned that "*money for youth is like blood for the body*" (Mastercard Foundation, personal communication, May, 2020).

Objectives of SACCOs and MFIs

Despite the risk-averse attitude of MFIs, a collaboration between MFIs and youth could take away their major barrier and facilitate access to finance instead (SNV, personal communication, May, 2020). However, the risk-averse mindset goes hand in hand with the objective of MFIs to make profit in the first place. In spite of the second objective of MFIs to contribute to economic development and empowerment within the country, the interest rates are set high. Ranging from 10% (SACCOs) and 20%, depending on the type of financial product utilized (purpose of the loan, group loan or individual loan etc.). Moreover, since youth are a costly, young people are not an interesting target group for MFIs when costs and benefits are being analyzed (Mastercard Foundation, personal communication, May, 2020). Looking at the interest rates and the required collateral, these financial products offered by MFIs tend to be inappropriate for youth. Youth-friendly finance is not being offered at MFIs currently. Jobless youth are herewith forced to seek alternative employment seeking strategies.

Purposes of microfinance

The majority of creditors utilize the loan for starting up a business and the loan serves as starting capital. Other purposes of the credits are for accessing health services, education, housing, and manufacturing (Fana Youth, Mehazut, DECSI, Amfi, personal communication, March, 2020). If the loans are utilized as initially planned, it could be said that it improves livelihoods, as income generating activities are made possible through self-employment. Creditors have the chance to improve their well-being. However, improper use of the credits could feed social problems among youth and sparkle new aspirations. Migration is one of these aspirations. Youth do not understand the responsibility of repaying the loans and take too many risks, generally taken (Tigray Youth Association, personal communication, March, 2020).

Default rates

Although MFIs indicated that clients are required to take a training (business and financial training) before loans are provided, their skills do not suffice. As a result, many young entrepreneurs fail to reach the second year with their enterprises. They appear to lack knowledge regarding the utilization of financial resources, the management of a business, marketing skills (how to promote the product/service, how to create awareness and how to expand the clientele), selling skills (how and where to sell the product or service) (SNV, personal communication, May, 2020). This lack of skills is indicated to be the main default reason as well. The trainings being offered by MFIs are often in collaboration with training institutions. However, the effectiveness of the training is open to doubt.

Government strategies

The government of Ethiopia does not have the means to cope with the high unemployment rates among youth. Partnerships are therefore needed. Different levels of organizations (government authorities, private sector and NGOs) are needed within these partnerships (Tigray Youth Association and SNV, personal communication, March and May respectively, 2020). Currently a lack of good coordination in interventions and programs causes inefficiencies. For instance, the Youth Revolving Fund. This is a program initiated by the GoE in order to stimulate entrepreneurship among youth by providing financial resources to startup an enterprise. This might not be as successful as expected, since merely providing financial resources is not sufficient (SNV, personal communication, May, 2020).

Microfinance, entrepreneurship and youth empowerment

Both SACCOs and MFIs in Mekelle indicated to experience increases in the amounts saved by their members and clients. People are increasingly utilizing their products and services, which in turn indicates increasing popularity. Also the number of accounts, credits, credit cards etc. used at financial institutions has increased over the past years. Financial inclusion hence increases in Ethiopia.

Various impact studies have shown that microfinance does bring about positive change in the beneficiaries' economic situation. According to Diro and Regasa (2014), monthly incomes have risen due to microcredit, as well as the amount of household savings and expenditure. However, the number of income-generating activities remained the same.

Looking at the factors in the empowerment process, a rise in income, savings and expenditure indicates an increase in agency and greater control over finance. Decisions made can be based on a different, improved financial situation. In this case, it could be said that microfinance does contribute to economic empowerment.

Mastercard Foundation and SNV (personal communication, May, 2020) also point out that a major part of Ethiopian MSMEs experience difficulties in the first phase after establishment. A number of reasons cause these difficulties: a lack of important skills (business skills, marketing skills), no appropriate operational space to practice their business, improper attitude, lack of working capital and also no training or not sufficient training. Studies have also shown that the environment influences the success of MSMEs. Rules and regulatory play a role, as well as the bureaucracy within the country.

Woldehanna, Amha and Yonis (2018), support the difficulties of startups mentioned by the Mastercard Foundation and SNV. Among the various reasons for businesses to fail are the lack of reinvestments done by entrepreneurs due to avoiding risks, a lack of working capital to finance the reinvestments, lack of skills as mentioned earlier and a focus on high profits in a short period of time instead of a business plan focusing on the long-term as well. In spite of internal factors affecting business survival, external factors play a role too. The business environment is not favorable in Ethiopia, due to occurrence of bribing and rules and regulatory which are not as transparent as necessary to create a favorable environment.

Technology and digitalization

The MFIs and SACCOs visited in Mekelle do not utilize digital administration systems. Therefore monitoring and evaluation is difficult, as client and credit information cannot be explored analyzed. Programs are not monitored and evaluated, and clients are poorly supervised. The MFIs and SACCOs indicated that hardly any default was present at the institutions (DECSI, Amfi, Fana Youth, Mehazut, personal communication, March, 2020) whereas SNV and the Mastercard Foundation stated that many businesses struggle to survive the first year and reach the second year of establishment (personal communication, May, 2020). This could mean that default rates might not be very clear, or difficulties in recognizing and admitting the defaults from the supply side of microfinance.

Digitalization is key in monitoring and evaluation processes. Both DECSI and Amfi were, however, working on automatization of the systems. This might lead to changes in their approach to monitoring and evaluation, and on future clients perhaps on the long-term.

The views of MFIs and SACCOs differ from NGOs and other organizations when it comes to microfinance as a development tool and the exclusion of youth in microfinance programs. MFIs indicate to target youth as well, while microfinance programs are not appropriate for youth when looking at the interest rates and required collateral. This is rather contradictory.

5.4 Conclusion

The available literature and the results and outcomes of the conducted field research largely correspond. It can therefore be said that the outcomes of the interviews were not surprising and rather within expectations and in line with existing recent literature.

Despite a different environment and diverse external factors, the situation of Ethiopian youth is rather comparable with the situation of their peers in other parts of Africa. Similar barriers and obstacles have been identified, among which is financial exclusion as one of the main barriers youth encounter.

The environment of Ethiopia appears to still be inappropriate for youth to improve empowerment. Efforts have been made, but structural changes lack and are desperately needed. Initiatives including access to finance have brought improvements, to a small part of the large youth bulge. More is needed to serve the large number of young people. Policies without appropriate implementation is does not work.

6. COVID-19 in Sub-Saharan Africa

This section the research shifts from a focus on Ethiopia, to a broader view on and analysis of economic activities and the microfinance sector in Sub-Saharan Africa (SSA). The current COVID-19 pandemic turns the world upside-down. The positive economic situation the world (including most countries located in SSA) had found itself in (World Bank, 2020c), as quick as the newly COVID-19 virus could shift this. The first chapter discusses previous crises that struck SSA in the past, subsequently the consequences for the microfinance sector in SSA will be assessed. The third section examines the consequences for beneficiaries of microfinance, followed by the last chapter which discusses the consequences of COVID-19 for youth empowerment in SSA.

6.1 Crises in Sub-Saharan Africa SSA

The Global Financial Crisis (2007)

Features of the Global Financial Crisis

In 2007, the Global Financial Crisis (GFC) initiated in the United States with the collapse of the Lehman Brothers Bank, struck the world unexpectedly. Starting off in the U.S., the GFC quickly spread to the rest of the World. At first one supposed Africa would not very much be affected. However, this turned out differently (Te Velde, 2018; Akanni, 2013).

Coping strategies

An important implication for African countries was the sharp fall in FDI (Foreign Direct Investments) and ODI (Official Direct Investment). Exports from African countries subsequently decreased and firms experienced declining revenues and less government revenues as a result. However, emerging economies were able to financially support African countries (Alemu, 2010; Te Velde, 2010).

One of Africa's coping strategies was diversification of both export products and destinations, in order to spread risks in the future. Diversification should also foster job creation and stimulate economic resilience. A transformation in the fields of improving and accelerating job creation was needed (Te Velde, 2018).

Although this crisis was a financial crisis and not a health crisis, the African continent was urged to be creative and come up with coping strategies to survive this global crisis. As a result, African countries heavily relied on cash injections from other economies (Akanni, 2013).

Implications of the GFC in SSA

The expected consequences of the crisis for Africa were limited, since it was believed that the limited integration of Africa's financial system in the global financial system would prevent the African continent to be largely affected. However, the GFC lead to less capital inflow, private investments in particular (Aryeetey, 2009).

The implications of the crisis have been analyzed again in 2018 by Te Velde (2018), who determined that the African economies are not in the position yet to cope with any shocks again and remain vulnerable. *"The next crisis might hit hard."* An important implication of the GFC seems to be a lack of financial capital within the financial systems of Africa. This has led to credit shortages, which could also be noticed in Ethiopia (personal communication, Tigray Youth Association, March, 2020). The risk-averse attitude of financial institutions might herewith partly be explained.

The GFC and microfinance

One could expect foreign direct investments (FDI) and official development assistance (ODA) to decline during a crisis, since countries will focus more on the domestic economy and changing their focus on transnational linkages. However, whereas the GDP in SSA dropped in 2008, FDI, ODA and remittances appear to be stable. The financial flows seem less prone to global events. This could also be said for the Ebola crisis in western African countries during the largest outbreak from 2014 to 2016. Both FDI and ODA, slightly declined but remained largely steady (African Development Bank Group, 2020). This argument, however, contradicts with the above mentioned argument that financial capital in the African ecosystems has reduced as a result of the crisis. In spite of the steady foreign financial flows, the crisis did affect the availability of financial resources within Africa afterwards.

Wagner and Winkler (2013) add to this, describing a large decrease in microcredits as a result of the GFC. Especially in a financial crisis, microfinance is a vulnerable financial products due to the fact that MFIs serve the more vulnerable target groups in society. A dependency on remittances exacerbates the consequences for MFIs. MFIs that operated in the international capital market were more vulnerable for financial shocks. MFIs that grew their credit rapidly, appeared to be the most vulnerable (Wagner & Winkler, 2013).

Ebola crisis (2014-2016)

Features of the Ebola crisis in west Africa

Ebola, an infectious and deadly virus, caused an epidemic and resulted in one of the worst crisis that hit some countries in west Africa. Although the disease hit the western African continent first in the 1970s, the crisis from 2014 to 2016 involved the largest implications. The largest outbreak was from 2014 to 2016 and the main countries affected were Sierra Leone, Guinea, Libera and DRC (Democratic Republic of the Congo), thus west African countries in general. Sierra Leone was the west African country which was hit hardest by the Ebola epidemic during the period from 2014 to 2016 (World Health Organization [WHO], 2015).

Coping strategies

Due to measurements imposed by the governments, entrepreneurs could not continue their business activities as usual. Intra-regional traveling was prohibited, hence salesman were bound to the place of residence. Also large gatherings were temporarily banned to prevent the spread of the virus (Rosas et al., 2017).

Strategies for combatting youth unemployment appeared to be cash injections combined with training. Promotion of entrepreneurship during and after the Ebola crisis seemed to be an effective method for addressing youth unemployment. Recommended (short-term) coping strategies were restructuring of the loan portfolio, cash injection, improve the portfolio's loan quality and maintain a diversified portfolio to spread risks. Important was during the Ebola crisis to maintain contact with beneficiaries so that this relationship was being sustained after the crisis, which is good for the customer satisfaction and loan collection in turn (Rosas et al., 2017).

The situation in Liberia was like "warfare", according to the Access Bank Liberia (European Investment Bank [EIB], (2016). While many banks discontinued business activities and stopped lending due to the risk of default, the Access Bank Liberia continued lending as its clients were contingent on the financial resources. Especially the micro entrepreneurs. The bank did experience liquidity shortages, but courtesy of investments from the EIB the Access Bank was able to survive the epidemic and to return to the required liquidity and solvency ratios. The Bank could also provide clients grace periods of two months (or more in some cases) in order to diminish the default rates.

At the same time, the Bank also had to cope with and take core of its employee's health and prevent the employee's from being affected with the Ebola virus. Hence, a multi-faceted strategy was to be adopted by the Bank (EIB, 2016).

Consequences of the crisis for the involved African countries

Youth living in urban areas in particular were hit hard by the epidemic, as Ebola affected urban areas in Sierra Leone. When the outbreak started in 2014, MSMEs experienced declines in revenues up to 54% compared to the previous year as a result. Subsequently unemployment rates rose, since the costs produced by firms exceeded the revenues (Rosas et al., 2017). Simultaneously health care throughout the country was affected tremendously. Treatments of other diseases could not be delivered temporarily, as the focus was put on combatting Ebola. The number of deaths (other causes than Ebola) increased during this period (Centers for Disease Control and Prevention [CDC], 2019).

The measurements imposed resulted in declined revenues, which in turn led to defaults. Firms were no longer capable of repaying their loans (Rosas et al., 2017). Sierra Leone's GDP growth decreased from US$5 billion in 2014 to US$3.7 in 2017 (World Bank, 2020d). Foreign aid flows, however, mitigated the economic consequences of the epidemic. Especially deficits could be repaid (World Bank, 2016).

The main implications of Ebola on businesses in Sierra Leone were a loss of customers, resulting in a decrease in sales, a decrease of suppliers, increased purchasing prices, and increased own selling prices in turn. Household expenditure decreased as a result, with less expenditure on food. Almost three-quarter of the surveyed entrepreneurs indicated that a change in their business, e.g. a change of product, was their main coping strategy. Also receiving financial support from relatives and a change in business strategy were among their coping strategies. Additional income-generating activities were carried out and assets were sold. The main challenge of entrepreneurs in Sierra Leone was the travel restriction. This caused the largest implications, like inaccessibility of supplies and customers. Also the fear of becoming ill caused disruption of business activities. Ebola caused group meetings of beneficiaries and members of MFIs to be suspended and training were postponed (Cordaid, 2015a).

Ebola and the microfinance sector

During the Ebola crisis, the primary objective was to combat the virus. The economy and the economic consequences of the measurements taken have not been centralized in addressing Ebola. The international organization BRAC, also a microfinance provider, was active in Liberia during the Ebola outbreak. The organization primarily focused on maintaining contact with the microfinance beneficiaries, to assure them their support in order to prevent default. However, BRAC decided to suspend operations to keep both staff and beneficiaries safe. This suspension lasted for nine months (Khalili & Saltmarsh, 2020).

MFIs with a more diverse client portfolio seemed to be better resilient against shocks. Including individual loans in a portfolio turned out to improve resilience. Solely group loans make a portfolio more vulnerable. Hence, a combination of individual and group loans with mixed purposes reduced MFIs' risks (Cordaid, 2015b).

Additionally, the clients' demand for products changed during and after the crisis. A broader range of products offered by MFIs to support their clients' resilience, like offering securities, also improves overall resilience for both the FSPs and the clients. The overall risks and consequences for MFIs in Sierra Leone was somewhat curtailed (Cordaid, 2015a).

Ebola and youth

Youth were also largely affected, since their life as usual was disrupted. Social activities and contacts were cut and difficult to maintain due to bad connectivity. Also coping with deaths of family of relatives intensified their difficulties. This caused anxiety and psychological distress. These symptoms started during the epidemic and continued afterwards. Due to the weak health system in SSA, social support in mental health issues was not sufficient. Training was recommended to encourage entrepreneurship and employment to better recover from the crisis (Semo & Frissa, 2020).

6.2 Implications of COVID-19 for beneficiaries of microcredits

The current COVID-19 pandemic affects the world economy tremendously, in a negative way. The health crisis also has a great impact on MFIs and its clients. Most countries adopted similar coping strategies. For instance, closing of offices, buildings and schools result in suspended trainings. Group beneficiaries of microloans are not able to meet anymore, due to these closures and travel restrictions. According to SNV (personal communication, May, 2020), also projects and interventions are largely being delayed.

Due to travel restrictions within most SSA countries, (informal) entrepreneurs are not able to sell their products. The lockdown also causes market places to be closed. Selling places decrease and simultaneously sales and incomes decline. As digital platforms and mobile money hardly exists in SSA, this decline cannot be replaced by digital sales.

Both the Mastercard Foundation and SNV (personal communication, May, 2020) confirmed that trainings cannot be attained or given currently due to closure of training institutions, school and, offices. Combined with strict social distancing measures, this also results in group meetings among group beneficiaries being suspended.

Loan repayment

According to the Association of Microfinance Institutions in Rwanda (AMIR, 2020), implications for beneficiaries will mainly have to do with difficulties of the monthly repayments. MFIs could opt for temporary deferral of repayments, to provide their clients with more breathing space and to continue their businesses and activities. Extra support in terms of additional loans during and after the lockdown could be provided. SACCOs and MFIs encourage beneficiaries to approach them when needed. Possibilities regarding their loans are offered. They recommend enterprises to review their business plans.

Governmental coping strategies

Governments mainly focus on supporting the formal enterprises, while the informal MSEs are the main source of income among the population after agricultural income (Rosas et al, 2017). Many African governments announced to provide financial assistance to enterprises. The government of Benin confirmed financial support for formal enterprises, informal traders and the poorer segments of the society. The largest part of this financial support is intended for businesses to cover their personnel costs. Firms are, hence, supported by their business survival. The government also provides credits without interest rates and which can be repaid within three years. This is, however, provided to selected economic actors. It remains unclear who the beneficiaries will be (Financial Afrik, 2020). Regarding the informal sector, SMEs, agricultural producers and big firms are financially supported in Côte d'Ivoire (e-MFP, 2020).

Saving groups

Members of saving groups will not be able to physically meet in most African countries currently, due to the restriction. For instance, female beneficiaries from the Vicoba (village community banks) in Tanzania are not able to attend the meetings and most meetings are canceled. As a consequence, repay the loans or save is temporarily postponed. These smaller self-established self-help groups are not capable of coping with crises like these, not like the bigger financial institutions like MFIs and SACCOs. A decline in capital within these groups can be observed, as all members of the group are in need of cash at the same time (Global Voices, 2020).

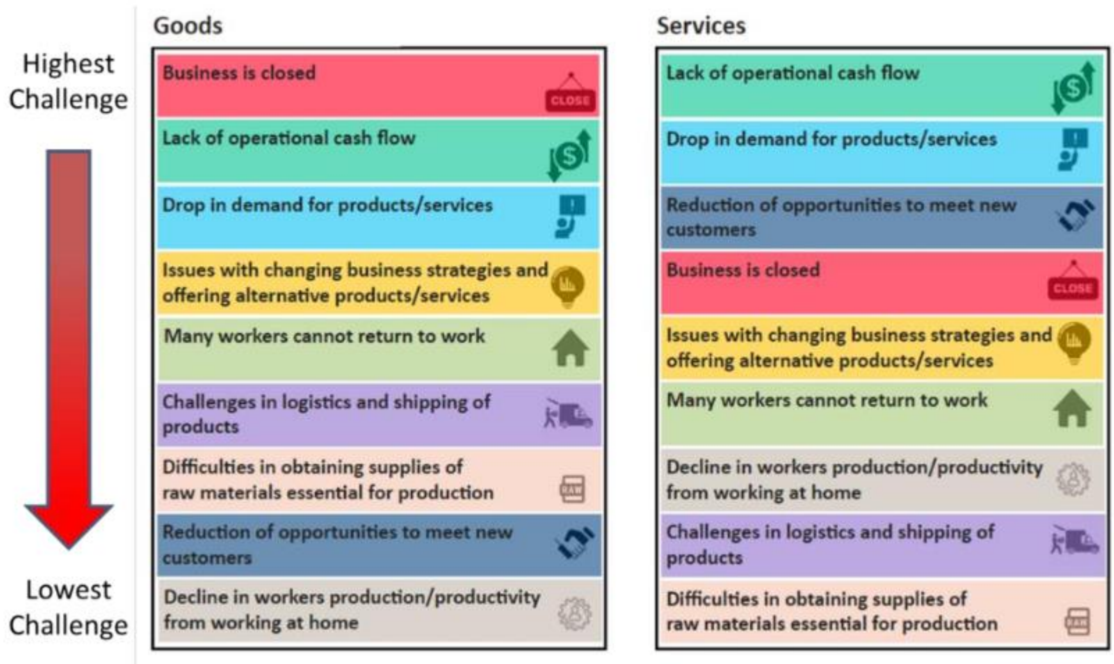
Entrepreneurs

MSEs in Senegal experiences difficulties due to restrictions like closing of the borders, traveling between regions within the country and prohibition of gatherings of more than ten people. Entrepreneurs experienced a decline in sales of 30% to 100%. As a result, employees are partly or temporarily fired and business activities are have been canceled and postponed. The majority of MSEs (approximately 90%) in Senegal are very negative about the future. Also here is a demand for digitalization. Despite support measures from the government for MSEs, lack of access to information causes entrepreneurs to not be aware of the support packaged provided by the government (Wade, 2020).

In Côte d'Ivoire, beneficiaries have been offered grace periods on their credits. MFIs try to keep contact with clients to assess their (health and business) status and needs (e-MFP, 2020). Also the SMEs in Nigeria receive financial support. The IFC will lend $50 million to the First City Monument Bank of Nigeria. The purpose of the loan is for SMEs to continue trading and will serve as working capital (International Financial Corporation [IFC], 2020).

As can be seen in figure 6.1, the main challenge that businesses which trade goods face are the physical closure of offices and market venues. Reductions in demand result in a lack of working capital, which in turn complicates a switch in business operations or strategies. Businesses active in the service industry experience less difficulties resulting from closure of businesses. However, a lack of working capital appears to be their greatest challenge.

Figure 6.1 Major challenges faced by companies by main business sector.



Source: UNECA, 2020.

Access to finance

Generally, access to finance has become even more difficult, as MFIs adjusted their requirements for obtaining loans to prevent risks (Meagher, 2020). Declining revenues is not the only challenge businesses in Africa are facing. Less employees are able to work. Moreover, expanding businesses and approaching new customers is an obstacle firms encounter. Especially MSMEs seem to struggle with the current pandemic, since almost a third of the firms have not adopted coping strategies. Smaller firms are in need of working capital to be able to pay short-term liabilities. Approximately 23% developed new strategies and products. Working remotely appears to be another strategy in order to continue the business. Firms are in need of (additional) loans due to the crisis. However, financial institutions are not able to provide the necessary loans (African Trade Policy Centre [ATPC] & International Economics Consulting [IEC], 2020).

6.3 Implications of COVID-19 for MFIs

MFIs have the riskiest clients portfolio among all financial institutions, as microfinance has been initiated to help the poorer, hence riskier population groups of society. The poorer population are yet the most vulnerable of society, who are hit the hardest during the COVID-19 pandemic. Income-generating activities cannot be pursued (temporarily), which are mostly informal economic activities. A financial back-up plan, like savings or other income-generating activities are often not available for poorer households (Proparco, 2020).

Measurements

Logically, the smaller MFIs face the greatest difficulties, since the larger institutions are more resilient and better equipped to cope with financial shocks. Nevertheless, the smaller MFIs do have the advantage that keeping in contact with clients and offering supplementing services can be easier facilitated. The larger MFIs indicated to be interested in and be aiming for diversification of the product and services range, in order to spread income sources. Simultaneously, smaller MFIs indicated to see the urge in offering non-financial services, like training (ADA, Inpulse & the Grameen Crédit Agricole Foundation, 2020).

Measurements in Uganda and Kenya like curfews and closing of firms and offices cause the population to cease carrying out income generating activities. This is especially the case in peri-urban areas. In Kenya and Uganda, the lending volume (via the digital credit provider Awamo) has significantly decreased since mid-March. Supplies decreased up to 98%. The purposes of the credits provided since mid-March, are especially for financing SMEs, self-employed persons, education fees and to cover seasonal fluctuations (Awamo, 2020).

Challenges and implications

Increasing liquidity shortages due to decline in revenues is one of the main challenges of MFIs in SSA. SACCOs and VSLAs in Uganda are in need of more financial support to survive the pandemic. Due to a decline in sales, the members of the organizations (partly) withdrew their savings for their businesses to survive. The Microfinance Support Centre in Uganda asked the Ugandan government for a $83 million loan for financial support of SACCOs and VSLAs. The informal sector is the major economic sector in Uganda, as 80% of the Ugandan population is employed in the informal sector. These extra funds are therefore very much needed (Kahungu, 2020).

Another challenge faced by MFIs is the recollection of the loans is, as traveling between regions is/was restricted, the offices of financial institutions are closed and mobile money hardly exists in many areas. Also mobile phones are needed for the usage of mobile money transfers, logically. Also the measurements regarding social distancing cause MFIs to adjust their operations (Meagher, 2020).

Also in Rwanda, consequences like declining revenues and defaults can be observed. MFIs are coping with liquidity issues as a result. Also a decline in clients is being faced. The impact of COVID-19 has already had a negative impact on MFIs and SACCOs in Rwanda in April, while the worst possibly is yet to come (AMIR, 2020; Mirpouria et al., 2020). Some institutions are even planning to increase the requirements for credits.

According to AMIR (2020), the biggest challenges for MFIs in Rwanda appear to be as follows:

1) Sustainability;
2) Rising portfolio at risk (PAR);
3) Customer relationship management;
4) Business continuity;
5) Liquidity and refinance;
6) Lack of digital banking and mobile platform;
7) Crisis management skills;
8) Lack of domestic refinance options;
9) Staff engagement.

Due to the closing of offices and shops etc., people are forced to work from home. In developing countries this is not as easy and self-evident as in developed countries. Processes get interrupted because of this, as many employees do not have the means (internet, equipment, or working space) to work from home. In Côte d' Ivoire, MFIs suspend field visits by staff to protect the staff. Also the number of employees working at the office has been reduced to avoid any risk (e-MFP,2020).

MFIs and foreign investments

As a result of the crisis, financial institutions, SACCOs and MFIs in particular, might become dependent on donor funds and support of NGOs in order to survive. However, also developed countries are moving towards an economic recession. An economic recession could affect funds and support offered by countries and organizations. The retroliberal era[4], which dominates development cooperation since the 2010s, leaded to an increased dependency of developing countries on donor countries (Murray & Overton, 2016). This increased dependency affects the receiving countries in times of crises even more.

Coping strategies from MFIs

One of the coping strategies of MFIs to survive the pandemic is or could be to prevent too many cash withdrawals on a daily basis, to maintain liquidity (and solvability on the long-term). Also the Mastercard Foundation pointed out that withdrawals have being limited in Ethiopia. According to the National Bank of Ethiopia (NBE), banks and MFIs will receive a fine if they do not abide the temporary restriction of withdrawing certain amounts of cash per day or per month (National Bank of Ethiopia [NBE], 2020).

Secondly, restructuring their portfolio is another way to reduce the risks and consequences of COVID-19. In Sub-Saharan Africa, 7.9% of the surveyed MFIs has restructured its portfolio, whereas this is 29.2% in South and Southeast Asia and 24.6% in Europe. The interviewed MFIs did not face major liquidity risks yet (at the end of April), besides lower cash reserves in SSA. It is, however, important to mention that just a small part of all MFIs in these regions are interviewed. Results differ significantly and per MFI there are differences in coping strategies (Zetterli & Sotiriou, 2020).

Thirdly, debt refinancing appears to be among the coping strategies of MFIs. 55% of the MFIs in Rwanda indicated to need refinancing facilities, from which 69% will need the

[4] The term retroliberalism has been created by Murray and Overton (2016) explaining a new era in development aid. After the GFC a shift has taken place in development aid towards a globalized form of modernization. A focus has been put on privatization and capital accumulation, like in the 1990s when the SAPs were introduced in Africa.

facilities before September 2020. The urge is high among MFIs. International funders play a role in this need for refinancing. But the main reason for the urge is internal resources and savings mobilization (AMIR, 2020).

Discontinue lending has also been executed by MFIs and SACCOs in Rwanda. The institutions are in need of capital, which causes incapability of the institutions to lend to clients (AMIR, 2020). Discontinue lending therefore is one coping strategy. However, it is doubtable to what extent this is an effective measurement for the long-term. It will greatly impact the rest of the country.

Further strategies were stay in close contact with clients; businesses and individuals. Also, some MFIs indicated to lowering interest rates to attract demand and herewith increasing their own risk. Additionally, capital ratios were lowered. By lowering capital ratios, financial institutions do not have to meet the set ratios of liquidity and solvency. This could lead to financial stability. However, lowering the ratios signifies taking an increased level of risk. It differs per institution how much risk will be taken (Tyson, 2020).

Lastly, mobile money is strongly encouraged. Digital channels are promoted to keep businesses running. Especially in group based lending.

A leap forward towards a digital era could reduce the implications of the pandemic to become even more disastrous and improve resilience for the future. Both companies and individuals are forced towards digitalization, as digitalization opens up possibilities. Online platforms for selling of products (e-commerce), for instance.

6.4 Implications of COVID-19 for youth in SSA

Youth play an important role in combatting COVID-19. Young people appear to be central in spreading and promoting information regarding COVID-19 and the measures. Social media and other online platforms are utilized to share essential information about the virus and emphasize the urge for adhering to the measures. Throughout the African continent, young people find creative ways to inform their fellow-countrymen (Honwana & Honwana, 2020; UN, 2020). Youth are also able to assist the more vulnerable population groups during a health crisis (UN, 2020).

Education and digitalization

Despite their important role in fighting COVID-19, young people are facing their own challenges as well, since schools, TVET institutions and universities have been closed on a global scale. The most TVET institutions and training institutions have been closed in SSA. In other parts of the world, most education institutions switched to online classes.

For African countries this forms a challenge, due to technological lags (Hartzenberg & Chidede, 2020; ILO, 2020). For youth digitalization has become even more necessary, as possibilities regarding online training and class should be broadened. To keep up their study and training, digital programs must be available and accessible. Broadening training and education programs towards inclusion of and focusing on digitalization and the digital economy could enhance their opportunities (Hartzenberg & Chedide, 2020; Karuitha, 2020). Opportunities to study from home, by means of for instance internet access, are not within their reach. Hartzenberg and Chidede (2020) mention it might be a challenge to get the students back at school when the institutions are allowed to (fully) reopen. The economic consequences of the pandemic, for instance a loss of income, could force children and youth to stay at home. Also the care for the family due to loss of a family member could keep youths at home.

Employment

Youth, and especially entrepreneurs employed in the informal sector, experience the heaviest shocks of this pandemic. The COVID-19 virus may not bring young people in immediate danger when it comes to their health, as the virus does not appear to be too dangerous for young, fit people with a good-working immune-system. However, the economic consequences do affect youth largely. Especially carrying out informal employment has become difficult during the pandemic. More than three-quarter of the youths are employed in the informal sector (Bordeleau, Kazimierczuk & Van Wijk, 2020). Additionally, youth appear to be more vulnerable for losing their job than adults. Hence, unemployment among youth will increase (UN, 2020).

Besides a loss of jobs, young people also experience drops in working hours. Working hours especially reduced since April, as a consequence of the measures imposed. It is expected to further reduce the coming quarters (ILO, 2020).

A positive turn can be found among young entrepreneurs, who change their business activities and operations into useful products like hand sanitizers and masks (Honwana & Honwana, 2020). Access to financial resources has become even more important for youth now. Both to encourage investments to change and strengthen businesses, and starting-up a business. Self-employment could contribute to building up resilience and add to expansion of their possibilities in particular. Hence, startup capital is even more needed (Hartzenberg & Chidede, 2020).

Mental implications

The economic consequences of COVID-19 also affects youths mentally. The pandemic causes uncertainty and stress, which in turn could cause anxiety and depressions. Also social distancing affects social relationships with family, friends, and relatives. Moreover, coping with deaths of loved ones adds to mental health issues. The impact of the Ebola crisis on youths' mental health are expected to be quite similar (Semo & Frissa, 2020).

COVID-19 in Ethiopia

The stringent measures imposed in an early stage of the outbreak have had significant implications for the country. MSMEs and people employed in the smaller firms are especially vulnerable, since business activities were disrupted. Particularly the urban firms employed in the informal sector, since urban areas are hit hardest. Unemployment will rise in all likelihood and a rise in business failures (MSMEs) is expected (UN Ethiopia, 2020). A survey among Ethiopian youth has pointed out that 71.8% of the students experienced anxiety, 77.2% depressions and 48.5% stress. Despite the psychological impact of COVID-19 being rather low, the mental impact should not be minimized (Tadesse, Mihret, Biset & Muluneh, 2020).

The closure of schools and universities affects the poorer children and youth in particular. A reduction in public transport from urban tot rural areas caused a drop in sales of ventures (Jones et al., 2020).

To prevent failures, interest-free loans must be provided and guarantees for MSMEs to prevent liquidity shortages at MFIs. The ADF granted to the National Emergency Response Plan which aims to address health and economic impact of COVID-19. Especially vulnerable groups and the private sector will be supported, mainly in urban areas. Also small businesses, both formal and informal, will be supported to prevent job losses (AfDB, 2020).

Much information seems to be shared via internet and social media. Urban residents are more aware of the pandemic and measures. However, the recent internet shut down of approximately a month makes it even harder for the population to cope with the crisis, since being cut off from the rest of the world for a month could have tremendous consequences. Also for entrepreneurs who started using digital channels to sell their products instead, as a coping strategy of COVID-19.

6.5 Conclusion

Both the Global Financial Crisis and the Ebola crisis affected the African continent and also the microfinance sector. With regards to the GFC, dependency on international (financial) markets caused Africa's MFIs to be affected as well and microfinance beneficiaries as a result. The current situation of COVID-19 can best be compared with earlier Ebola outbreaks in west African countries. Many similarities have been identified and one could expect rather identical implications, or even worse due to the involvement of the entire world now instead of a part of Africa.

Microfinance beneficiaries, hence mostly micro-entrepreneurs or household entrepreneurs, face difficulties repaying loans due to a drop in sales as a consequence of governmental measures. Although incomes among MSME have increased again since loosening of the measures, the impact on the longer-term cannot be foreseen yet.

Likewise with the Ebola outbreak, domestic economies in Africa are currently not put on the first place. Logically, addressing the disease and treatments are the primary objective within the country. This, however, leads to significant implications for the economy, which in turn could have tremendous consequences for the entire country.

Youth have been put in a central place during this pandemic. Their importance has grown. Not specifically economic importance, but primarily social importance. However, this crisis affects their mental health, but also their economic situation. This makes the younger population group even more vulnerable.

7. Discussion

This section firstly discusses the possible impact of the limitations and omissions of the study on the results. Consequently, the findings of the interviews conducted in Ethiopia and the findings of the thematic analysis applied to secondary data as addition to the interviews have been combined and further reviewed, leading to a discussion of the main results.

Researcher's reflection

When looking at the information, data, and overall results gathered from the interviews, it can be stated that the outcomes largely correspond with the existing literature. Little discrepancies between the primary and secondary data have been found. Perhaps more critical interview questions could have led to some new insights. It must be acknowledged that some interview questions tended to be rather superficial. It is therefore difficult to add new aspects to the existing literature when looking at the needs of youth, youth economic empowerment and the role of microfinance in youth economic empowerment in Ethiopia or in Africa. Despite some aspects and main barriers for youth which were already known, some aspects are, however, important to highlight since too little change has been brought and the urge for structural change is still present. The results of this study, hence, add to the fields of development studies, since all African countries face enormous challenges regarding the many young populations.

The scope of the research was rather broad to form country-specific conclusions and recommendations. Since every country is unique, more time is necessary to formulate an adjusted tailored view on youth empowerment and microfinance.

Youth empowerment in SSA

The key-informants confirmed and emphasized the importance of youth in Africa, including Ethiopia. Especially the increasing urban youth population. The urge for an increase in (concrete) youth opportunities is high, since dissatisfaction could be considerably threatening to a country's political and economic stability. Moreover, youth face many barriers when looking for (economic) empowerment. Starting with lacking birth documents, followed by inaccessibility of financial resources. Access to finance was and still is an important element in youth economic empowerment. Due to little formal employment opportunities in African economies, self-employment has become even more pivotal, hence access to finance. However, like the most Ethiopian MFIs, financial institutions throughout Africa avoid risks which leads to exclusion of vulnerable (and simultaneously risky) population groups. The collateral requirements are unrealistic for young people, since a loan is often desirable in order to building-up their assets. Once obtained a microloan, entrepreneurs seem to have too little operational and market space to carry out and enforce their business activities and hence strengthen and grow their businesses.

The appropriateness of the existing financial products and services offered by MFIs can also be questioned. High interest rates and insufficient and poor quality training are not appropriate for youth. Due to insufficient experience, youth need to have financial training and business management training to determine a business plan and strategy. As a consequence, businesses often fail within the first year of establishment. To prevent failure and foster growth, good preparation including training are crucial for youth and microfinance to be a contributor to their empowerment.

The interventions and projects from the past were successful. The targeted youth were supported and improved their livelihood. Thousands of young people have been reached through these programs. Despite many efforts of (international) organizations through youth programs, projects a structural change in the system is needed for the labor market and the system to create and develop employment itself and to ensure the provision of training etc. These projects and interventions are not a sustainable solution to the current unemployment issues. If service providers, FSPs in this case, are being approached by organizations to cooperate in projects, continuation after the termination of the project often cannot be guaranteed. These short-term solutions might even lead to negative consequences for long-term goals.

The combination of most African economies producing insufficient (formal) jobs for the new generation entering the labor force, increasing graduates, poor quality education, and a skills mismatch cause the general environment to be rather unfavorable for youth to seek for empowerment. Besides a lack of the demanded skills, their mindset has been neglected. Youth are not ready for the job market. Hence, both internal and external factors play a role. Altogether, this causes a downward spiral and complicates the trajectory of youth empowerment.

Internet access, technological advancements, and digitalization are key in many processes, like access to finance, entrepreneurship, as information can be obtained via digital platforms and internet. Also in self-development and creating opportunities digitalization and technology have become increasingly important. However, countries like Ethiopia where the government easily decides to shut down the internet for a month (or longer), much information and connections have become inaccessible. Such an unstable digital environment hinders many forms of self-empowerment.

COVID-19 in SSA

The Ebola crisis showed the consequences for youth unemployment; increased job losses, in urban areas in particular. Aid flows appeared to mitigate the shocks. However, a crucial dissimilarity between the Ebola epidemic and the COVID-19 pandemic is that COVID-19 hits every country on the globe and not only the African continent. It therefore remains to be seen how African countries will have to cope with the pandemic without or with lessened foreign aid, as countries will possibly primarily be focusing on the domestic economies first.

For beneficiaries of microcredits, group meetings are temporarily suspended. This already had a great impact on the contributed and saved capital within the groups. Social pressure among members within these groups might rise, since beneficiaries are not able to contribute to savings and repay the credits due to decline in income. Saving groups are composed of friends and relatives. COVID-19 could therefore have implications for social relationships and kinships in private circumstances. When relationships within the groups change, one's social capital might change as a result. Also communities can ultimately be affected.

On the short-term, training facilities cannot be continued as before the outbreak, online education is hardly possible due to poor internet connections (if internet connections at all), disruptions of supply chains because of dependency on foreign suppliers, a drop in sales, resulting in difficulties repaying loans.

Adjustment to and coping with the current new (temporary) measurements requires creativity. Generating an income remains the primary element in livelihood strategies. Changing a strategy could be a change in the method of income generation. For instance, changing the production method, changing the product to be produced or changing the sales channel could be part of a coping strategy for entrepreneurs. Financial institutions are required to be flexible towards their clients; the creditors. Essential is the survival of firms. Deferrals on loan repayment might be needed. However, this might cause liquidity issues for the financial institutions on a temporary basis. When creditors are expected to start repaying again, the deferred terms will have to be repaid as well. This might be a huge challenge for MSMEs.

Hence, to further prevent and condemn risks, MFIs might continue tightening (and some already have) requirements for loans. Although one might expect the requirements to be tightened for the short-term, MFIs might decide to maintain the extra requirements. Moreover, the risk-averse attitude of MFIs might worsen due to liquidity shortages and the uncertainty COVID-19 brings. Hence, youth might be even more excluded from access to finance than before the pandemic, since institutions have become extra careful. Although the impact of COVID-19 on the microfinance sector is not disastrous yet, it can be expected that firms will not reach the levels of sales from before the pandemic soon. Defaults will possibly continue to increase, which will enlarge MFIs' financial issues and might affect MFIs' solvency on the longer-term. Whereas MFIs are receiving financial support from governments and (international) donors, the solvency of financial institutions remains uncertain.

Also in the financial sector FSPs are forced to advance technologies and digitalize operational processes. Credit schemes can be better monitored and evaluated which will give more insights in the numbers. The effectiveness of microfinance can herewith be determined, which might lead to possible adjustments and improvements in credit schemes.

The importance of mobile money has grown due to the health crisis. Mobile money and transfers are expected to gain even more popularity. Poorer people are offered different possibilities herewith and can be more financially included, whereas access to finance simultaneously is becoming even more important for youth in particular. Financial resources will bring opportunities to recover from the shocks and build-up a new livelihood strategy. Also MFIs prevent recollection issues by increasing digital processes and are increasing resilience herewith.

A favorable environment in which youth could fully develop and improve individual empowerment would allow internet access at all time. Online platforms and online education have shown to be especially important to continue training and self-development. When youth are not given the full range of possibilities and are hindered in self-development, countries remain to have untapped opportunities.

8. Conclusion and recommendations

This chapter of this study seeks to answer the research question of this study: *How could microfinance programs contribute to youth economic empowerment in SSA, taking into account the implications of COVID-19?*

This section elaborates on the implications for youth empowerment in Africa, but also on the future of microfinance after COVID-19. Implications in the wider context are outlined.

It can be concluded that microfinance can contribute to the economic empowerment of African youth. However, some conditions will have to be met for microfinance to be an appropriate means and contributor in economic empowerment:

- First of all, a certain base of development and education must be present. Young people need, for instance, to be (financially) literate;
- Secondly, microfinance should be youth-friendly. Inclusive services and products, e.g. interest-free or low-interest loans, and protective services must be offered. Less-friendly microfinance products, like high-interest rates, are less appropriate for youth;
- Good coordination between the different stakeholders of the microfinance sector, particularly policymakers and regulators so that policies, activities and programs will be developed that include youth in financial services. The government might be the most important and influential stakeholder, as it can control and exercise appropriate policies that steer MFIs in the direction of offering youth-friendly financial services. Good coordination and partnerships could reinforce and result in synergy in the outcomes of youth empowerment interventions and programs;
- Financial training, business management, and crisis management training of quality should be given to better prepare youths and their business to survive and grow. A possible change of business plan when needed must be ready.

More opportunities for youth will arise when MFIs loosen their risk-averse attitude. This can be achieved through an increase of liquidity and solvency, resulting from increased savings within the institution. Increased donor funds or guarantees from banks or organizations might lead to looser policies for youth. However, the current pandemic possibly postpones such initiatives which shows the unsustainable character of such solutions on the long-term. A structural change within the system is needed in order to change an improve the current deficiencies. Supply and demand must be automatically organized and not artificially be developed and maintained.

For youth to contribute to their empowerment, MFIs should digitalize processes and COVID-19 increase urgency for digitalization. Online training should become a possibility and also mobile money transfers services must be offered. Also online platforms where information is shared would improve youths' knowledge and awareness. Since a lack of access to information already was an issue for youth before the pandemic, online platforms have become even more important. This includes governmental information as well, since rules and regulations (before and during the pandemic) seem to be unclear. The creation of digital platforms plays a big role in awareness creation and information sharing. Herewith beneficiaries will not lag behind and are more resilient against such shocks.

Access to finance and financial inclusion does not automatically lead to youth empowerment. The first steps in the youth empowerment process are education and training. When having a base of knowledge and skills, microfinance could step in as a reinforcing element. However, the negative aspect of microfinance shows that collateral is needed. The people who are in need of finance (to improve their empowerment), often lack the demanded collateral. Therefore microfinance could contribute to economic empowerment of youth, but often to the middle class and wealthier persons.

At the same time, MFIs should not be afraid to take risks and give youths opportunities. Profit-making simultaneously is their main objective. However, when looking at investing, the riskier the investment the more profit could be made. So why not taking the risk?

Nevertheless, the COVID-19 pandemic will not improve this risk-averse attitude of MFIs. A capital injection in the microfinance sector will be needed to secure survival of MFIs, resulting in cash injections for entrepreneurs and household enterprises to mitigate the implications of COVID-19 and to reassure survival of both the financial institutions and the households behind the beneficiaries. When a number of MFIs is not able to survive the pandemic, competition among MFIs decreases, which could result in stricter requirements for potential clients. The demand for finance then will increase, whereas the supply will decrease. MFIs will obtain a stronger position, while vulnerable groups will be even more excluded.

It, though, can be expected that requirements for loans at MFIs will be tightened during and after the pandemic. When requirements become even more strict, access to finance, which is so important for youth (empowerment), will be even more complicated. The gap between the wealthier segments of society and the poorer segments might widen. Microfinance might become affordable and accessible for the middle class, instead of the initial target groups.

9. Reflection and further research

An important part of a research is acknowledging the deficiencies within the research. This study, evidently, also includes deficiencies which could be prevented a next research. This final section of the study elaborates on the overall research process.

Positive aspects in methodological approach

The thematic analysis applied on both primary and secondary resources still has been an appropriate research method, harmonizing with the research objectives. The conduction of the interviews in Ethiopia went well, since collaboration with Mekelle University (hence native Ethiopians) gave an advantage regarding networking and meeting the right people and organizations. Although COVID-19 disrupted the data collection process unexpectedly, the first interviews conducted went well. Hence, it could be said that the execution of the first part of the research was sufficient.

A huge advantage of the primary data collection was the opportunity to see and meet the Ethiopian youth. Also a part of the research context could be explored, although in a much shorter time than expected. I am very grateful to at least have had the opportunity to discover and meet peers in Africa and explore a region of Ethiopia.

Amendable aspects in methodological approach

A limitation within this research has been insufficient data triangulation, since beneficiaries of microcredit have (largely) been excluded of this research. A survey and formal conversations and in-depth interviews would have been very valuable in this research. Instead of a thematic analysis, content analysis might have been applied instead. The methodology of content analysis could have deeper insights on the personal and genuine views of beneficiaries on microfinance. Other aspects of microfinance might have been discovered as a result and the reliability of the research would have increased, since the youth is the principal actor and stakeholder within this research.

Moreover, the available literature on youth empowerment in Africa is lasting. As a consequence, the literature reviewed could have been substantiated with more literature or existing data. However, it could be said that the point of saturation has been reached at a certain point when no new information was gathered.

Further research

Suggestions for further research are also an important outcome of this study. An essential outcome of this study has been the urge for a structural change within domestic economic system in African countries, since short-term interventions appeared to be effective but perhaps not sustainable on the long-term. Which structural changes could lead to improved youth empowerment and how to implement might be very interesting and important for further research, given the many youngsters in Africa.

An additional recommendation for future research is expanding the focus from youth economic empowerment towards full empowerment, hence including the social and political aspects of youth empowerment. Including the remaining aspects of youth empowerment could lead to a full understanding of the role of microfinance in youth empowerment processes, since the possibility of microfinance to be contributive in economic empowerment is closely interrelated with other elements in youth empowerment. Studying microfinance beneficiaries over a certain period of time would also be very valuable in research on the role of microfinance in youth economic empowerment. More insights and more specific information can be found when examine beneficiaries during at least three to five years.

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11. Appendices

Appendix I

Enrollment rates in SSA

	1990	2000	2010	2018
Enrolment primary education	60,356,628	87,752,607	135,304,095	167,927,199
Gross enrolment rate primary education	73.39%	82.99%	98.40%	98.63%
Enrolment secondary education	15,132,150	22,779,831	44,755,229	60,915,890
Gross enrolment rate secondary education	22.63%	25.62%	39.68%	43.33%
Enrollment tertiary education	1,298,151	2,619,041	5,866,211	8,125,044
Gross enrolment rate tertiary education	3.01%	4.43%	7.55%	9.08%

Source: UNESCO Institute for Statistics [UIS], 2020

Appendix II

Sub-Saharan African countries categorized from lower-income countries, to lower-middle income countries and upper middle-income countries

Country	Income category
Burundi	LIC
Burkina Faso	LIC
Central African Republic	LIC
Democratic Republic of the Congo	LIC
Eritrea	LIC
Ethiopia	LIC
Guinea	LIC
The Gambia	LIC
Guinea-Bissau	LIC
Liberia	LIC
Madagascar	LIC
Mali	LIC
Mozambique	LIC
Malawi	LIC
Niger	LIC
Rwanda	LIC
Sudan	LIC
Sierra Leone	LIC
Somalia	LIC
South Sudan	LIC
Chad	LIC
Togo	LIC
Uganda	LIC
Angola	LMC
Benin	LMC
Cote d'Ivoire	LMC
Cameroon	LMC
Republic of the Congo	LMC
Cape Verde	LMC
Comoros	LMC

Ghana	LMC
Kenya	LMC
Lesotho	LMC
Mauritania	LMC
Nigeria	LMC
Senegal	LMC
Eswatini	LMC
Tanzania	LMIC
Botswana	UMIC
Gabon	UMIC
Namibia	UMIC
South Africa	UMIC

Source: OECD UNDP AfdB African Economic Outlook, 2012

Appendix III

Interview scheme

Interviewee	**Organization**
General manager	Fana Youth Saving and Credit Cooperative
Manager	Mehazut Saving and Credit Cooperative
CEO	Amfi (Adeday Microfinance Institution)
Project developer	Tigray Youth Association
Branche manager (Adi Hawki)	DECSI (Dedebit Credit and Saving Institution)
Program manager (Tanzania, Rwanda, Mozambique)	SNV
Chief of Party LIWAY project (Ethiopia)	SNV
Program manager (MSME Ethiopia)	Mastercard Foundation

Appendix IV

Interview guide MFIs and SACCOs

	Introduction researcher, objectives of the research, informed consent, further questions.
1.	Could you tell me more about the products, services, and programmes ... offers? - Packages: difference urban and rural - Purposes of loans - Duration of loans - Amount of loans - Type of contracts between lender and borrower (written?)
2.	What are the purposes of the loans? - New ventures - Education/training/learning a certain skill - Follow-up loan for investments in existing business
3.	What type of clients does ... serve?

- How decided which clients to serve?
- Are youth targeted? Why (not)? Risks? Costs?
- Are women targeted? Why (not)?
- Rural or urban?
- Are the poorest in society targeted? (Why not?) How would you approach the poorest? How could the poorest be included?
- Individual lending
- Group lending: how are the groups composed? Composed by MFI or clients themselves?

4. How are clients recruited?
- Are clients being approached by ...? Or do clients have to approach ...? Why this strategy?
- How does this process go?

5. What are the criteria and requirements for becoming a client?
- Due to these criteria, some population groups are excluded? (youth)
- Is collateral needed to obtain a loan, what kind of collateral?
- Group lending: social group as a requirement
- Business plan: how must a business plan be prepared? → exclusion of certain groups, as not everyone might be able to create a business plan?

6. What kind of youth programmes does ... offer?
- What kind of services are offered?
- Is any type of training included? This could be financial training. (why not?) What kind of training? Does this training appear to be effective?
- How could microfinance empower youth

7. What trends are taking place in the microfinance sector?
- Trends in Ethiopia
- Trends in Mekelle (and surrounding regions)
- Distribution group lending and individual lending
- Shift from group lending to individual lending
- More female borrowers?

8. Microfinance was initially developed to get the poorest out of poverty, so how could microfinance help the poorest?
- Can microfinance be seen as an effective development tool? Why (not)?
- What is the mission and vision of ... ?

9. What could you tell about the experiences of the clients?

	- Positive experiences? Higher income? Expanded social network? - Negative experiences? Debt burden, high repayments, default rates, changes in family ties or ties with relatives?
10.	Could you tell anything about the default rates? - Average percentage/number of borrowers - What are the main reasons of default? - No financial training - No management training - Repayment scheme: high repayments - Composition of interest/interest rates - How are credits monitored and evaluated? - How is contact maintained with clients? Supervision
11.	Rules and regulation regarding microfinance - Important laws - Limitations for MFIs
12.	Funding: where do the funds come from? - Grants, government subsidies, (foreign) donations
13.	Are there any data or archives available that could be shared? Hard copy? Soft copy? - MF sector (Tigray region and Mekelle in particular) - Number of clients, characteristics of clients (background information: age, level of education, religion etc.), purposes of loans, amounts of loans, default rates, reasons of default

Interview guide Tigray Youth Association

	Introduction researcher, objectives of the research, informed consent, further questions.
1.	What products and services does Tigray Youth Association offer youth? - Credits and savings programmes - Financial training - Management training
2.	How many members does Tigray Youth Association have?
3.	What type of youth does Tigray Youth Association serve? - How decided which youth to serve?

	- Are the poorest in society targeted? (Why not?) How would you approach the poorest? How could the poorest be included?
4.	What kind of youth programmes does Tigray Youth Association offer? - Participation in activities: what kind of activities? - Participation in projects: what kind of projects? - Capacity building? - Civic organizations? - Development of youth:
5.	How could you describe the youth living in urban areas of Mekelle? - Characteristics: occupations, school enrollment, educational background - Tigray - Popular places/activities among youth - School enrollment rates
6.	How is the Ethiopian education system? - Quality - Are youth able to train skills and prepare for the labor market? - Accessibility
7.	How is unemployment among youth in Mekelle? - Lack of job opportunities - Self-employment/entrepreneurship opportunities - (lack of access) to finance - (lack of) access to education - Jobs in informal sector
8.	What do you think is the main reason for the unemployment rates in urban areas of Mekelle? - Mismatch in skills: lack of quality education - How to combat?
9.	How could youth in Mekelle develop themselves? - Participation in projects? - Mentorship - Education - Training - Social capital (networks) - Knowledge
10.	What do youth miss to be able to develop themselves?

	- Access to finance - Access to education - Social network
11.	How could microfinance help youth? - Microfinance/credits successful development tool? - What is the mission and vision of ...? - How could MF contribute to youth empowerment?
12.	What could you tell about the experiences of the members with the programmes? - Positive experiences? Changes in occupations? - Negative experiences?
13.	What could you tell me about the aspirations/future plans of the youth? - Entrepreneurship - Education
14.	Could you tell me something about any other youth policies established to support the youth in the country? - YouthConnekt program: implications for organization and youth in Mekelle
16.	Are there any data or archives available that could be shared? Hard copy? Soft copy? - MF sector (Tigray region and Mekelle in particular) - Number of members, characteristics of members (background information: age, level of education, religion etc.), reason of joining organization, duration of membership

Interview guide SNV

	Introduction researcher, objectives of the research, informed consent, further questions.
1.	Could you tell me something about your current position at SNV in Ethiopia?
2.	Could you tell me something about SNV's activities in Ethiopia?
	What about the LIWAY project? - When started? - Objectives - Interim results

	- Current phase - Setbacks - Next steps - M4P approach: applied? How does it work? - Experiences from participants
3.	What are the main needs and aspirations of youth? - Ambitions - Barriers and obstacles
4.	How could youth in Ethiopia be empowered? - Indicators - How measured - Importance of access to finance
5.	What are the government's strategies to empower Ethiopian youth? - National Youth Policy 2004 - Changes since youth policy - Partnerships/coordination
6.	What do you know about the Youth Revolving Fund? - Purposes - Effectiveness - Which MFIs cooperate
7.	How important is microfinance for youth? - SACCO vs MFI - Appropriateness of MF - Effectiveness of MF in youth empowerment - Negative experiences
8.	MF is initially designed as a development tool to get the poorest out of poverty. How do you see MF as a development tool? - Positive and negative aspects
9.	I heard about a credit shortage at MFIs. MFIs are not able to serve as many clients as they want and they cannot provide more loans to existing clients. Donors and partners are retracting finance. What do you know about this? - SNV's experiences - Dependence on donors/NGOs/organizations - Consequences for MF sector and clients - How could the government of Ethiopia cope with this?

10. What is the impact of COVID-19 on current and future projects?

- Impact on MF sector in general

Appendix V

Codebook

Code	Type	Description	Example from text
Access to finance	Deductive	Access to finance is one of the most important aspects of youth empowerment.	Access to finance is blood for any youth for have a business idea, who has a proven business model. Unless they have access to finance, they cannot do anything.
Clients of MFIs	Inductive	MFIs tend to focus on the rather wealthier population in Ethiopia. Most beneficiaries are not youth, but the people with collateral, who tend to be the rather well-off in the country.	Some of them are focusing for middle class or for the rich class. Some of them are focusing for the proper one, for those peoples under poverty line. This is just focusing for the rich and middle class, this is a problem.
Consequences of unemployment	Inductive	Unemployment causes among other things, social problems among youth, like alcohol and drug abuse. Also illegal migration is one of the implications of unemployment	When unemployment is increasing, social problems of the youth also increase.
Coping strategies MFIs COVID-19	Deductive	Cash injections from governments and donors to reduce liquidity shortages. Lower interest rates and grace periods are given to prevent defaults. Restructuring of loan portfolios is important to reduce the portfolio at risk.	Six key steps for MFIs to follow: 1. Enable MFPs to operate safely; 2. Provide relief to microfinance clients; 3. Make additional liquidity available to MFPs; 4. Defer noncritical supervisory processes; 5. Restructure or liquidate troubled MFPs.

Coping strategies beneficiaries COVID-19	Inductive	Different coping strategies are created to support entrepreneurs in Ethiopia during the corona pandemic. Credit requirements are adjusted, and guarantees of family members or relatives are provided to support MFIs and protect clients. Entrepreneurs are required to be creative and change business plans.	For COVID MCF approved almost $25 million USD for access to finance program, which is called MCF micro-small enterprise resilient facility which will be implemented first consult and three financial institutions in ETH. 2 components: giving a grant to a dying business to coping, credit guarantee, soft loan for SMEs.
Credit shortage	Inductive	A shortage of money and credits appear to be in the financial system of Ethiopia. MFIs and SACCOs cannot meet the demand for credits. Donors retracted finance.	A challenge for Ethiopia: shortage of credit. Before 1 year, there were different oceans of credits. Now, we have only 1 type of credit (DECSI). Before that, there were also other opportunities of credits (NGOs, national organizations). But this has stopped. Just DECSI now.
Default reasons	Deductive	The major reasons for young entrepreneurs in Ethiopia to not repay their loans are a lack of appropriate knowledge, skills and mindset.	Business failure, they go bankrupt, because they don't have enough profits. They lack business understanding and business skills.
Digitalization	Deductive	Digital technologies need to be developed to accelerate job creation. Digital-based microfinance could also improve accessibility of finance	There are specific interventions, like creating digital database for labor market. We manage to link the unemployed with the employed by using the digital based technologies.
Disadvantaged groups	Inductive	Women and youth appear to be among disadvantaged groups in developing countries, including Ethiopia.	The workshop was mainly aiming for awareness creation, to recruit people, especially youth and women. These groups are considered disadvantaged.

Disempowerment	Deductive	Disempowerment arises when youth do not have a favorable environment in which they can develop themselves.	Disempowerment comes from the skill and the means (access to finance), or the necessary equipment they want to accomplish they're objective or their production capacity and forget about the skill. Also the environment. It's very difficult to get working or written space and production space and also the environment for starting businesses.
Entrepreneurial barriers	Deductive	No access to finance appears one of the main barriers for entrepreneurs (to-be). Additionally, available space and places to produce and sell products lacks. Access to information and missing the entrepreneurial mindset are issues among young entrepreneurs as well.	But there are a number of things that should be taken into consideration, starting with business development, mediate service, access to finance, market feasibility, operational space, as well as marketing information, linkages, a lot of things that should be not brought up together for them to survive.
Government capability	Deductive	In order to change the unemployment problems in the country, partnerships are needed, as the Ethiopian government does not know how to solve these issues. Coordination issues between actors within youth empowerment processes cause inefficiencies.	Therefore from different directions unemployment is increasing from time to time. It is also become an political issue, not just economic. When you discuss it with youth, you don't need government. They are unable to solve the unemployment issue.
Government programs	Deductive	Government policies and programs are not effective. Appropriate implementation often lacks	The government is also pumping money, trying to provide money to the MSEs. It's paradoxical. Entrepreneurship mentality is a gift. Not everybody is born with this mentality. Those who have that interest and potential should organize. It should be coming from them, from within. What's happening here is just for reporting purposes, to

			stabilize the political waste that we're having here. It doesn't work like this, this is just waste.
Implications COVID-19 interventions	Deductive	Training and programs will change and be delayed.	Projects and programs will be delayed. Trainings cannot be given as before, as more people within the same room is not possible.
Implications COVID-19 microfinance sector	Deductive	Businesses produce less, hence their income decreases and liquidity issues arise. Supply chains (from Asia for instance) are disrupted, which complicates production. Lending possibilities have been stopped temporarily to reduce default risk and firms might have to change the products they produce to be able to generate income.	Due to COVID business activities start to slow down. Most of SMEs, especially engaged in the manufacturing sector, their sales volume significantly decreased. Ethiopia imports especially from Asian countries, but supply chain disruption is affecting the country youth and enterprises who are available in the country. The financial sector is also incurring very difficult time, due to liquidity. The NBE recently established new regulation. You cannot withdraw more than 200,000 ETB per day. And also for the business it's also 1,000,000 ETB.
Importance of youth	Inductive	The high number of youth in Ethiopia indicates the importance of youth for the country. Youth are also considered as a contributor to development within a country.	The youth population is even more increasing than any other continent . The growing number of youths, the major problem is employment. If you properly manage the youth force, it's a resource.
Interest rate	Deductive	The interest rate on credits at SACCOs are lower in general than the interest rate on credits at MFIs, but still too high for youth.	Especially the youth need a national credit, which is a soft loan with an 8% interest rate.

Interventions	Inductive	Various interventions are active in Ethiopia currently.	What we are planning is to help them to see the opportunity of working with these enterprises, with a collateral free loan, based on their credit history, based on their reputation, on the business they're running and their statement. We're trying to help banks to see the SMEs as a potential partner for them. If they take them as a potential partner, they can increase their customer base, at the same time they increase their profit and they can go together.
Measurements COVID-19	Deductive	Multiple measures have been imposed to reduce the implications of COVID-19. Most African countries imposed similar measures; (regional) lockdowns, closed borders, closure of school, institutions, buildings and offices, physical distancing, suspension of gatherings.	Many governments have temporarily closed schools and universities to curb the spread of COVID-19 in academic institutions. This has disrupted the education of more than 1.57 billion (91%) students worldwide. Some of the young people are unlikely going to return school permanently due to the loss of parents' lives and income. UNICEF records that over 1 billion children and youth are out of school globally, due to the pandemic.
Microfinance as development tool	Deductive	SACCOs have a greater chance of reaching the poor, due to lower interest rates and different requirements. Microfinance in general could be part of empowerment processes.	SACCOs are the one who reach the poorest ones. They lend for education (e.g. master's degree) or their first degree and when they graduate, they pay back their debt to SACCOs. MFIs are very difficult. The poor and the lower economic level society cannot afford to borrow from MFIs. They're not serving as their name expect. They're serving the middle class, but not the lower section of society and the youth.

Mobile money	Deductive	Mobile money has become even more important as a result of COVID-19. African economies are urged to take a step towards advancing mobile money applications.	The success of mobile money illustrates the transformative potential of technical progress and innovation to promote financial inclusion. Mobile money—sometimes considered a form of branchless banking—has allowed people who are otherwise excluded from the formal financial system to perform financial transactions in a relatively cheap, secure, and reliable man.
Monitoring and evaluation	Inductive	Monitoring and evaluation of microfinance programs often lack at financial institutions, due to manual administration.	This is what field workers do: day to day contact with customers, day to day controlling, day to day monitoring system is hard. Amfi is not computerized.
Objective of MFIs	Deductive	MFIs are established to foster economic change and make profit in the first place. Social development in the second place.	MF leads to economic change. The rules and regulations build on shareholders. MF also concerns for profit first. Interesting to run economic and social needs of community, but they can't include to everyone's needs.
Objective of SACCO	Deductive	Objectives of SACCOs are expansion and growth to a cooperative in the first place. Also fostering social and economic development of the members within the country.	Other objective is to develop social and economic level of growth to transform the economic level we establish a multipurpose cooperative , to deliver as many community services.
Objectives financial institutions	Inductive	Financial institutions generally seek for the clients which produce the highest profit. The most costly clients are being avoided: youths in this case.	Most of the Ethiopian financial institutions are not interested in investing into these small businesses. Because the management costs are almost equal or even higher, so it increases the transaction costs. They're not interested to invest in that

Partnerships	Inductive	MFIs and SACCOs in Ethiopia have partnerships with other organizations and institutions, mainly to provide training to youth.	Other organizations offer other types of training (like management training) at Mekelle University.
Political situation	Inductive	Ethiopia's political situation causes various inefficiencies in the country. Youth-friendly finance has been stopped providing, for instance. The provision of finance, hence, is influenced by politics.	Maybe the current political situation , the national political situation. Political reforms, because of that there is some impacts. Especially the youth need a national credit, which is a soft loan (8% interest rate). DECSI is high, 18%. Youth prefer national credit, which is now not running.
Promotion of microfinance	Deductive	Microfinance is being promoted via meetings at local and regional, but also via the radio and television.	Many meetings at regional and local level where is propagated. Second, advertisements. Radio, tv.
Purposes of microcredits	Deductive	Microcredits are used for various purposes: housing, construction, informal sector, education, health, shops, restaurants, merchandise, manufacturing.	Building house, housing cooperatives, for different small and medium enterprises, informal sectors (coffee houses, shops, trading activities). Teaching, education, health, clinical services, hospital.
Quality of education	Inductive	Poor quality of training and education results in inefficient training programs and a skill gap in turn. Additionally, TVET institutions focus on accreditation instead of adjusting trainings to market demand.	If they want to get a credit, they have to take a training . But the training also has an efficiency issue , it's not effective. The training is not enough, this is the voice of the youth.

Required collateral	Deductive	Collateral is also a requirement at MFIs and SACCOs to get a credit. Collateral could be: savings, vehicles, house (plan), salary,	For instance, to take credit, they ask you to have collateral (land, money, house). But the youth they have no resources like land, they have only their motivation
Requirements client	Deductive	To become a client or a member at an MFI or SACCO, several requirements are asked: aged 18+, ID card, savings (amount depending on the institution)	ID card, at least 2 years living in one area. Person must be healthy, must have the capacity to work
Requirements credit	Deductive	Different requirements are asked in order to be eligible for acquiring a microcredit: savings, a business plan, collateral, certificate shareholders, evidence of repayment behavior,	Characteristics: repayment behavior of their past history. Prove: bring a letter from different financial organizations (Lideta etc.). If they don't have that (new borrower), no problem at all.
Structural economic change	Deductive	A shift in focus has to take place, from agriculture to the industrial sector to combat unemployment	Personally, it needs a structural change in economic development. Maybe we will bring some change if industrialization becomes part of the agenda and the economy is now mainly lead by the agricultural sector. This sector is just a subsistence sector, it is not that much productive. But, the agriculture also has to develop to the industry sector.
Supervision	Deductive	Supervision of creditors is provided at SACCOs and MFIs. The frequency differs per institution. This could be daily, monthly, quarterly etc.	We supervise them and visit them monthly or quarterly.

Systemic change	Deductive	A structural and systemic change of the market system needs to take place. Training and education will need to be efficient and of quality.	We work on a system level in terms of creating conducive environment a friendly environment to create a job.
Training	Deductive	Many SACCOs and MFIs provide training when they become a member or a client. It concerns training in the fields of financial and business management, customer service management, relationship management, procedures,	Especially when you take a loan, first a training is provided. About how to use the money. Training in savings as well. Financial training. Both for new comers, but also existing members.
Trends and developments MF sector	Deductive	The amount of savings at financial institutions in Ethiopia significantly increased the past years.	Savings and credit organizations are developing, especially in urban areas. And they're giving good services in a good manner.
Urban youth unemployment	Inductive	Unemployment among urban youth is high in Ethiopia.	Unemployment is very high in the urban towns. Of course, in the rural also unemployment is present. Extent of unemployment, urban center is extremely high.
Use of financial institutions	Inductive	People are increasingly making use of financial institutions, as demand for credits and the amount of savings increase at financial institutions.	Savings increase from time to time, also a development, increase in savings. It shows that people use the organizations, use their services.
Women empowerment	Inductive	Institutions offer incentives for women to make use of financial products in order to empower themselves. Microfinance contributes to the	Strengthening women in economic and social participation: she should have to work, she should have to get a loan, exercise or practice in different kinds of spheres. Focus, especially in households women

		women's self-esteem. They also appear to be better at saving	and disabled women and young women, who are not in education, who are unemployed.
Youth aspirations	Inductive	Ethiopian youth aspire to become rich in a short period of time. A lot of youths prefer to become self-employed.	They aspire, that they will be rich in a short period of time.
Youth barriers	Deductive	Youth experience different obstacles in their empowerment process. The main obstacles are skill mismatch (mainly from TVET institutions), awareness among youth, reproductive health issues, no access to finance (starting capital for entrepreneurs), no access to information, poor access to skill training	They don't have to ask for collateral for youth. If someone has a brilliant idea and you know that they can be successful and create job for others, but they're not going to give them money because they can't bring collateral. It's nonsense. One gap that youth have is the skill gap, because of different reasons. When they get the money, they have a skill gap how to manage the money.
Youth characteristics	Inductive	Youth are risk takers, which means that, if not educated well, they are not afraid to make irresponsible decisions. The work culture lacks.	They have different problems: they are risk takers. When they receive cash, they change their ideas.

Youth empowerment	Deductive	Youth should be given (concrete) opportunities, then they can create their own possibilities. Employability is important. Developing skills (financial, business, life) is part of their empowerment which improves employability. Empowerment consists of a combination of social, economic and political empowerment.	Economic empowerment is very important. Social empowerment as well and political empowerment. You cannot differentiate these three from one another. Economic empowerment: they need to have the opportunity to work, expand their business if they're self-employed, and generate money and improve life and livelihoods. Social empowerment: anything we can think of social, we have to take youth into consideration. Everything we do should revolve around the youth. We should have a say on what they're trying to do for themselves and the community in general. That should have a say in what will happening, beyond their locality. Politically as well, they should take youth seriously. I think now they're taking them seriously. They now see what dangers youth can be if not properly treated and managed
Youth-friendly finance	Inductive	Existing credit schemes are not youth-friendly, as collateral as required an interest rates are too high.	Rather than asking collateral, they have to give them fixed assets. If they want to establish an enterprise, they shouldn't be given liquid cash.