

**FINANCIAL INSTITUTIONS AND YOUTH EMPLOYMENT  
IN GICUMBI DISTRICT, RWANDA**

**BY**

**UMUGWANEZA LYDIE MARLAINE**

**S17/BBUC/BBA/089**

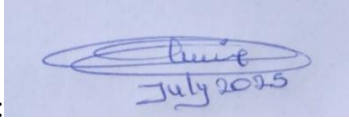
**A RESEARCH REPORT SUBMITTED TO THE DEPARTMENT OF BUSINESS AND  
ADMINISTRATION PARTIAL FULFILMENT OF THE REQUIREMENTS  
FOR THE AWARD OF THE DEGREE OF BACHELOR OF  
BUSINESS ADMINISTRATION OF UGANDA  
CHRISTIAN UNIVERSITY**

**JULY, 2025**

## **DECLARATION**

I, **UMUGWANEZA LYDIE MARLAINE** hereby declare that this report proposal is my original work and has never been presented anywhere else for any other academic qualification at any University or institution of higher learning

Signature:

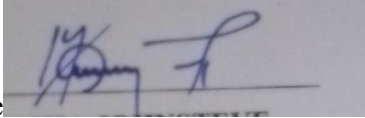
A blue rectangular stamp containing a handwritten signature in blue ink. The signature appears to be 'Lydie' and is dated 'July 2025'.

**UMUGWANEZA LYDIE MARLAINE**  
**S17/BBUC/BBA/089**

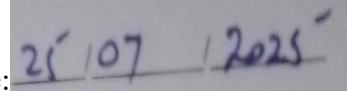
## APPROVAL

This research report has been done under my supervision and is now ready for submission.

Signature



Date:



**MR. MUGISHA JOHNSTEVE**  
**(UNIVERSITY SUPERVISOR)**

## **DEDICATION**

I dedicate this research report to my husband and family for their support and prayers. May the Almighty God bless them abundantly.

## **ACKNOWLEDGEMENT**

I express my sincere appreciation to my supervisor Mr. Mugisha Johnsteve who willingly dedicated his time by rendering constructive and professional criticisms as well as guidance throughout the study. His insight and patience played a vital role to the completion of this report. I am grateful to the administration, staff and members of Bishop Barham University for the great contributions towards completing my research report.

I acknowledge with gratitude my family for their endless care, love and support showed to me, I genuinely thank my mum who has supported me financially, spiritually and socially from year one to my final year, I also thank my friends for their love and support.

God bless you All.

## TABLE OF CONTENTS

DECLARATION.....	i
APPROVAL .....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT.....	iv
TABLE OF CONTENTS .....	v
ABSTRACT .....	viii
CHAPTER ONE:.....	1
INTRODUCTION.....	1
1.0 Introduction .....	1
1.1 Background of the Study .....	1
1.2 Statement of the Problem .....	3
1.4 Objectives of the Study.....	3
1.5 Research Questions.....	3
1.6 Scope of the Study.....	4
1.7 Significance of the Study.....	4
1.8 Conceptual Framework.....	5
1.9 Definition of Key Terms.....	5
CHAPTER TWO:.....	6
LITERATURE REVIEW .....	6
2.0 Introduction .....	6
2.1.The effect of credit accessibility on youth entrepreneurial activities .....	6
2.2 The influence of financial literacy programs offered by financial institutions on youth employment sustainability .....	8

2.3 The relationship between collateral requirements and youth participation in loan schemes.....	11
2.4 Research Gaps .....	13
CHAPTER THREE: .....	15
METHODOLOGY .....	15
3.1 Introduction .....	15
3.2 Research Design .....	15
3.3 Study Population.....	15
3.4 Sample Size .....	16
3.5 Sampling Procedures .....	17
3.6 Data Collection Methods .....	17
3.6.1 Data Collection Instruments .....	18
3.7 Validity and Reliability .....	18
3.8 Research Procedures.....	18
3.9 Data entry and Analysis.....	19
3.10 Summary of the chapter.....	19
CHAPTER FOUR: .....	20
DATA PRESENTATION AND ANALYSIS.....	20
4.0 Introduction .....	20
4.1 Biographic characteristics of respondents .....	20
4.1.1 Gender distribution of respondents.....	20
4.1.2 Age distribution of respondents.....	21
4.1.3 Education level of respondents.....	22
4.1 The Effect of credit accessibility on youth entrepreneurial activities in Gicumbi District .....	24

4.2	The influence of financial literacy programs offered by financial institutions on youth employment sustainability.....	26
4.3	The relationship between collateral requirements and youth participation in loan schemes in gicumbi district .....	28
	CHAPTER FIVE: .....	30
	DISCUSSION OF THE FINDINGS .....	30
5.0	Introduction .....	30
5.1	Discussion of the findings .....	30
5.3	The relationship between collateral requirements and youth participation in loan schemes in Gicumbi District.....	33
	CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS .....	35
6.0	Introduction .....	35
6.1	Conclusions .....	35
6.2	Recommendations .....	36
6.3	Areas for Further Research.....	36
	References .....	37
	Appendix A: Questionnaire.....	42
	Interview Guide .....	47

## ABSTRACT

The purpose of this study was to examine the role of financial institutions in promoting youth employment in Gicumbi District, Rwanda. The specific objectives were: to assess the effect of credit accessibility on youth entrepreneurial activities in Gicumbi District; to evaluate the influence of financial literacy programs offered by financial institutions on youth employment sustainability; and to analyze the relationship between collateral requirements and youth participation in loan schemes. The study adopted a descriptive research design and employed both quantitative and qualitative approaches. A sample size of 83 respondents was selected using purposive and random sampling techniques. The findings revealed that high interest rates significantly reduce the profitability of youth-led enterprises, limiting their ability to reinvest and create employment. Additionally, the study found that fluctuations in the Central Bank Rate (CBR) indirectly affect youth employment by influencing commercial lending rates, which impacts asset financing and business expansion. Short-term loans with high interest rates were found to undermine return on investment and restrict employment growth, while long-term loans with stable repayment structures were linked to better financial planning and increased hiring potential. Based on the findings, the study recommended that financial institutions and government agencies should promote access to affordable credit for youth, strengthen financial literacy programs, and encourage long-term financing solutions. Furthermore, regulatory bodies should stabilize the lending environment, and local authorities should establish a Youth Enterprise Development Fund to support entrepreneurial growth and employment creation among youth in Gicumbi District.

# **CHAPTER ONE: INTRODUCTION**

## **1.0 Introduction**

This chapter presented the background of the study, statement of the problem, purpose and objectives of the study, research questions, scope, significance of the study, conceptual framework, and definition of key terms. The study explored the role of financial institutions in promoting youth employment in Gicumbi District, Rwanda.

## **1.1 Background of the Study**

### **Historical Background**

Globally, financial institutions have emerged as key drivers of economic empowerment and poverty reduction, especially in low-income and developing countries. Microfinance and other forms of inclusive banking have been promoted as powerful mechanisms for improving livelihoods and reducing unemployment, particularly among marginalized groups such as youth (Ehigiamusoe, 2015). In Africa, informal financial systems such as tontines and rotating savings associations have long served community-level financing needs; Over time, governments across the continent, including Rwanda, have institutionalized and modernized these systems to increase access to credit and improve socio-economic outcomes (Ehigiamusoe, 2015).

In Rwanda, the history of financial inclusion is closely tied to post-genocide recovery and national development plans. Institutions such as SACCOs (Savings and Credit Cooperatives), microfinance banks, and youth investment funds were introduced to enhance access to credit for underserved populations (Fisher et al., 2012). These institutions are seen as crucial in promoting youth self-employment and entrepreneurship, especially in rural districts like Gicumbi.

### **Theoretical Background**

This study is anchored in the theory of financial inclusion, which posits that expanding access to financial services among excluded populations leads to increased economic participation, productivity, and social empowerment (Fisher et al., 2012). By providing credit, savings accounts, and financial literacy, financial institutions can enable young people to create jobs for themselves and others. Additionally, youth economic empowerment aligns with the broader goals of the

Sustainable Development Goals (SDGs), particularly SDG 8 which emphasizes “decent work and economic growth.”

Moreover, endogenous growth theory supports the idea that investment in human capital and entrepreneurship—fueled by access to finance—leads to sustained economic growth (Romer, 1990). Financial services targeted toward youth thus act as both a catalyst and outcome of development.

### **Contextual Background**

Rwanda has made significant strides in financial inclusion, with institutions such as Umurenge SACCOs, Vision Umurenge Programme (VUP), and the Business Development Fund (BDF) supporting the youth in rural and semi-urban areas. Despite these efforts, youth unemployment remains a persistent challenge, especially in districts such as Gicumbi, where a majority of the population relies on subsistence agriculture and informal sector jobs (NISR, 2023). Financial institutions operating in Gicumbi provide both formal and semi-formal credit facilities aimed at youth-led startups and income-generating activities; however, the efficacy of these services in generating sustainable youth employment is still under-researched (Gicumbi district report, 2024).

### **Conceptual Background**

Youth employment is a multidimensional issue encompassing job availability, job quality, income sustainability, and employability. Financial institutions contribute to youth employment by providing startup capital, business development services, and financial literacy training. In developing countries, particularly in sub-Saharan Africa, youth unemployment rates are significantly higher than adult unemployment rates, with limited access to credit cited as a core barrier to youth entrepreneurship (ILO, 2022).

Financial support mechanisms, when integrated with capacity building, have shown potential in reducing dependency, promoting innovation, and enhancing economic productivity among the youth (Tambunan, 2008; Hobohm, 2021). However, in many rural districts, challenges such as limited collateral, high interest rates, and bureaucratic lending procedures hinder the impact of financial institutions. This study seeks to analyze these dynamics specifically in Gicumbi District.

## **1.2 Statement of the Problem**

While financial institutions have been lauded for their role in enabling access to capital and promoting entrepreneurship, youth unemployment remains a persistent issue in Gicumbi District and despite targeted interventions by microfinance institutions and SACCOs, many youth-led businesses either fail to launch or collapse within a short period (Ehigiamusoe, 2024). According to Gicumbi District local statistics and field observations (2024), loan repayment defaults are increasing, and the anticipated impact on job creation remains minimal. Furthermore, existing financing mechanisms often require collateral or financial guarantees that are beyond the means of most young entrepreneurs in the district. While institutions such as BDF and SACCOs provide youth startup funds, the long-term employment effects remain ambiguous. This disconnect between financial support and actual youth employment outcomes highlights a significant gap in both policy implementation and institutional effectiveness. Therefore, this study sought to investigate the contribution of financial institutions to youth employment in Gicumbi District.

## **1.3 Purpose of the Study**

The purpose of this study was to examine the role of financial institutions in promoting youth employment in Gicumbi District, Rwanda.

## **1.4 Objectives of the Study**

- i. To assess the effect of credit accessibility on youth entrepreneurial activities in Gicumbi District.
- ii. To evaluate the influence of financial literacy programs offered by financial institutions on youth employment sustainability.
- iii. To analyze the relationship between collateral requirements and youth participation in loan schemes in Gicumbi District.

## **1.5 Research Questions**

- i. What is the effect of credit accessibility on youth entrepreneurship in Gicumbi District?
- ii. How do financial literacy programs offered by financial institutions influence youth employment sustainability?
- iii. What is the relationship between collateral requirements and youth participation in financial services in Gicumbi District?

## **1.6 Scope of the Study**

### **1.6.1 Geographical Scope**

The study was conducted in Gicumbi District, located in the Northern Province of Rwanda. This area was selected due to its predominantly rural setting, high youth population, and significant number of active financial institutions such as SACCOs, MFIs, and banks operating youth-targeted programs.

### **1.6.2 Time Scope**

The research study focused on the period between 2014 and 2024. This ten-year period allowed for an adequate assessment of recent trends in youth employment and the interventions by financial institutions during this time.

### **1.6.3 Content Scope**

The study focused on the effect of credit accessibility on youth entrepreneurial activities, evaluating the influence of financial literacy programs offered by financial institutions on youth employment sustainability and analyzing the relationship between collateral requirements and youth participation in loan schemes in Gicumbi District.

## **1.7 Significance of the Study**

The findings of this study shall be important for policymakers, financial institutions, and development partners working on youth employment strategies through identifying gaps and opportunities, the research will inform more inclusive and effective financial services for young entrepreneurs.

Specifically, financial institutions shall use the findings to redesign youth financing models that are more accessible and sustainable.

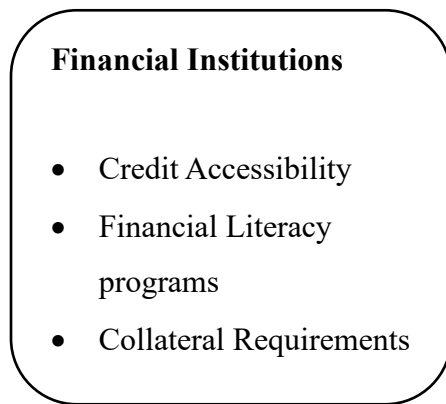
Government agencies and NGOs shall incorporate the findings into national youth employment policies.

Academics and researchers shall use the study as a baseline for further research in rural finance and youth employment.

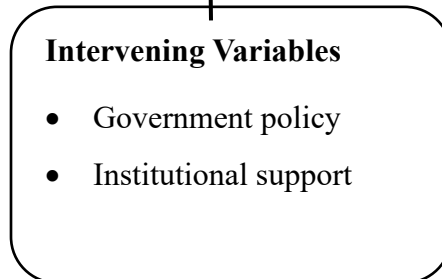
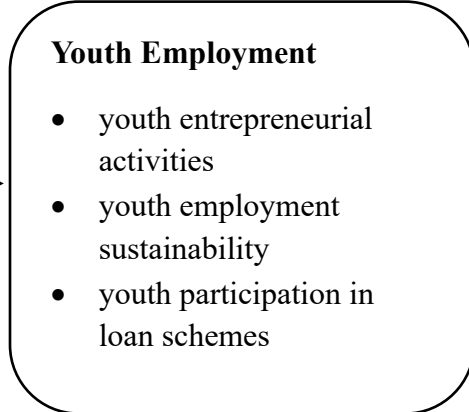
The study shall help the researcher fulfill part of the requirements for the award of a Master's degree in Business Administration.

### 1.8 Conceptual Framework

#### Independent Variables



#### Dependent Variable



### 1.9 Definition of Key Terms

**Financial Institution:** Any organization that provides financial services such as loans, savings, and insurance to individuals or businesses, including commercial banks, SACCOs, and microfinance institutions (Rao, P.K., 2018).

**Youth Employment:** Gainful economic activity carried out by young people (ages 18–35), including self-employment and wage employment (Rao, P.K., 2018).

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.0 Introduction**

This chapter presented the existing literature on the study variables of budgeting and financial performance. This is secondary data and major sources was magazines, newspapers, textbooks, and previous research reports, publications, journals and Internet.

#### **2.1. The effect of credit accessibility on youth entrepreneurial activities**

Chigunta (2022) argues that youth entrepreneurship plays a critical role in addressing youth unemployment, but one of the main barriers facing young entrepreneurs is limited access to financial services. Many young people lack the collateral, credit history, or financial literacy needed to engage with formal credit institutions. This limits their ability to start or expand enterprises, thereby stifling potential economic growth and innovation at the grassroots level.

OECD (2017) emphasizes that youth are often perceived by financial institutions as high-risk borrowers due to their age, limited business experience, and lack of credit history. This perception restricts their access to both start-up and working capital. Consequently, many young entrepreneurs turn to informal sources of credit, such as family and friends, which are often insufficient to support the long-term sustainability and growth of business ventures.

World Bank (2018) highlights that inclusive financial systems are key enablers of entrepreneurship. Credit accessibility, when facilitated through youth-friendly products and services, can enhance business formation and job creation. However, the financial ecosystem in many developing countries remains underdeveloped, disproportionately affecting youth who already face structural labor market disadvantages.

Honohan and Beck (2017) state that access to credit is positively correlated with entrepreneurship levels in developing countries. Young entrepreneurs, in particular, benefit from tailored financial products that address their specific challenges. Yet, without such products, they are often unable to compete or scale their businesses, resulting in stagnation and high failure rates in youth-led enterprises.

Lusardi and Mitchell (2014) contend that financial literacy is a crucial determinant of credit accessibility and effective borrowing. Youth with limited financial knowledge are less likely to approach formal institutions for credit and are more vulnerable to predatory lending. Enhancing financial education among young people can bridge the gap between credit access and successful business outcomes.

Zarook, Rahman, and Khanam (2023) found that in Libya, access to credit significantly impacts the performance of SMEs, especially those run by youth. The study reveals that not only does the availability of credit matter, but the simplicity of credit procedures and the reduction of bureaucratic barriers are equally important in enabling youth participation in entrepreneurial activities.

Karlan and Morduch (2020) note that microfinance institutions have attempted to fill the gap left by traditional banks by offering small loans to underserved populations, including youth. However, the effectiveness of microfinance in promoting youth entrepreneurship is mixed, as many young borrowers face difficulties in repaying loans due to poor business planning and lack of mentorship.

Banerjee and Duflo (2021) argue that access to capital alone does not automatically translate into successful entrepreneurship. For youth, credit must be paired with skills development, market access, and mentorship to have a meaningful impact. Without these complementary supports, the risk of business failure remains high, even when credit is accessible.

Beck and Demirgüç-Kunt (2016) emphasize the need for financial infrastructure that supports young entrepreneurs, including credit bureaus and collateral registries. The absence of such systems makes it difficult for youth to demonstrate creditworthiness, even when they possess viable business ideas and entrepreneurial motivation.

Sanyang and Huang (2020) found that youth in sub-Saharan Africa face unique structural challenges when accessing credit, including discriminatory lending practices and legal barriers. These factors compound the difficulties young people face in establishing creditworthiness and accessing the financial resources needed to start a business.

ILO (2015) states that youth-targeted financial programs, such as government-backed loan schemes and guarantee funds, have shown promising results in promoting youth entrepreneurship. When properly designed and implemented, such programs can de-risk youth lending for banks and encourage financial inclusion among marginalized populations.

Kanyenze et al. (2020) underscore the importance of informal savings and credit mechanisms, such as rotating savings and credit associations (ROSCAs), for youth entrepreneurs who are excluded from formal financial systems. While these mechanisms offer some relief, they are not sufficient for scaling business operations or managing significant capital investments.

Stevenson and St-Onge (2015) argue that youth entrepreneurship development requires a holistic ecosystem that includes access to credit, business development services, and supportive regulatory frameworks. Without such an ecosystem, isolated efforts to increase credit availability will have limited long-term impact on youth enterprise sustainability.

Yunus (2017) demonstrates through the Grameen Bank model that when credit is made accessible to underserved populations, including youth, it can be a transformative tool for self-employment and poverty reduction. However, replicating this model for youth requires adaptation to their specific needs, such as more flexible repayment terms and tailored training programs.

Ayyagari, Demirgüç-Kunt, and Maksimovic (2021) provide empirical evidence that credit constraints are a significant barrier to business entry and growth in developing countries. Youth are disproportionately affected due to lack of collateral and credit history, underscoring the need for policy interventions that reduce information asymmetry and create youth-friendly lending products.

## **2.2 The influence of financial literacy programs offered by financial institutions on youth employment sustainability**

Xu and Zia (2014) argue that financial literacy plays a pivotal role in enhancing employment outcomes among youth, particularly in developing economies. Financial institutions that provide structured financial education empower young people to manage income, budget effectively, and make sound business decisions, thereby improving their chances of sustaining employment either through self-employment or within formal job settings.

Lusardi, Michaud, and Mitchell (2017) found that financial literacy significantly impacts economic resilience, especially among youth. When financial institutions offer targeted literacy programs, youth are better equipped to navigate uncertain job markets, plan for long-term stability, and avoid debt traps, thereby contributing to more sustainable employment trajectories.

Morgan and Trinh (2019) emphasize that financial education, when provided by trusted financial institutions, enhances financial decision-making and reduces youth vulnerability to financial shocks. This stability is crucial for employment sustainability, as young workers with better financial planning skills are more likely to maintain their jobs or businesses during economic downturns.

Atkinson and Messy (2015) state that financial literacy contributes not only to employment but also to employability. Young people who understand budgeting, saving, and basic investment concepts are seen as more competent by employers. Financial institutions offering such training indirectly support youth employment by improving workplace readiness.

Klapper, Lusardi, and van Oudheusden (2015) reveal that youth in many countries score significantly lower in financial literacy assessments compared to adults. However, when banks and credit unions actively deliver educational programs, this gap narrows, leading to improved job retention and entrepreneurial success among younger demographics.

OECD (2016) highlights that financial education is most effective when embedded within broader youth employment strategies. Programs offered by financial institutions that integrate career planning, savings habits, and business skills tend to result in more consistent and sustainable employment outcomes for youth participants.

Bongomin et al. (2018) found that in Uganda, financial literacy programs offered by microfinance institutions had a statistically significant effect on the sustainability of youth-owned businesses. The knowledge gained helped young entrepreneurs manage cash flows, reinvest profits wisely, and avoid costly borrowing, thus supporting long-term self-employment.

Miller et al. (2014) conducted a meta-analysis of global financial education interventions and found that even small gains in financial literacy can lead to significant improvements in financial behavior. For youth, this translates into greater job retention, increased savings, and enhanced ability to withstand job-related financial stress.

Goyal and Kumar (2017) report that banks that integrate financial literacy with youth-focused services such as savings accounts and mentorship programs see higher rates of youth customer retention and employment stability. These services create a support system that encourages financial independence and long-term employment.

Ismail, Masood, and Tawfiq (2016) argue that financial institutions play a key role in employment ecosystems when they tailor financial literacy initiatives to the digital habits and communication styles of young people. Mobile-based financial education, for example, has been shown to enhance youth engagement and improve economic outcomes.

OECD/INFE (2019) notes that countries where financial institutions work closely with public education systems to deliver financial literacy experience lower rates of youth unemployment. In these contexts, youth are better able to plan for the future, resist impulsive spending, and maintain stable employment relationships.

Mouna and Jarboui (2017) assert that youth who receive financial literacy training are more confident in their financial decisions, leading to stronger engagement in entrepreneurial ventures. Financial institutions that provide structured business simulations and credit management training see improved youth employment sustainability through increased business survival rates.

Reddy and Naik (2016) found that in India, bank-led financial literacy programs targeting rural youth contributed significantly to job creation and employment retention. Youth who understood basic financial principles were more likely to sustain agricultural enterprises or migrate into urban labor markets with greater financial resilience.

Mandell and Klein (2014) state that early exposure to financial concepts through institutional training leads to better career and financial outcomes later in life. Financial institutions offering regular workshops and seminars create a cycle of informed decision-making among youth, reinforcing both employment stability and upward mobility.

Bruhn et al. (2016) highlight that financial literacy is most impactful when combined with behavioral training and mentorship. Banks that implement these comprehensive models see improved employment outcomes among youth, especially in low-income communities where job security is often threatened by financial mismanagement and lack of planning.

### **2.3 The relationship between collateral requirements and youth participation in loan schemes**

Morsy and Tzannatos (2019) assert that youth are disproportionately excluded from formal loan schemes due to strict collateral requirements, which they often cannot meet due to a lack of physical assets or credit history. While financial institutions argue that collateral mitigates lending risk, this practice unintentionally marginalizes young people who are seeking to initiate entrepreneurial ventures or pursue further education through loans.

World Bank (2020) highlights that collateral-based lending models create a structural barrier to financial inclusion for youth in developing countries. Despite the proliferation of youth-focused financial programs, rigid collateral requirements continue to suppress participation by excluding those who have neither land nor valuable possessions to pledge against loans.

OECD (2021) found that youth participation in credit schemes increases significantly when financial institutions adopt alternative lending models that reduce or eliminate traditional collateral demands. Techniques such as psychometric assessments, group guarantees, or digital credit scoring have shown promise in bridging the gap between credit access and youth inclusion.

Oduro and Ackah (2019) emphasize that youth are often economically active but lack capital assets due to historical and intergenerational inequities. As a result, collateral requirements act as a gatekeeping mechanism that prevents them from participating in mainstream financial schemes, pushing them toward informal and riskier sources of financing.

Chikalipah and Jumani (2022) reveal that even well-intentioned government-backed youth loan programs often replicate commercial lending norms by insisting on collateral, which undermines their accessibility. Their study in Southern Africa showed low uptake among youth despite the availability of funds, primarily because collateral demands were not adjusted to reflect the realities of young borrowers.

Klapper, Love, and Sánchez-Ortega (2020) argue that modernizing collateral systems, such as recognizing movable assets or intellectual property as security, could drastically improve youth access to finance. Financial institutions that continue to rely solely on land or real estate as collateral exclude a generation increasingly invested in knowledge-based and digital enterprises.

AfDB (2023) notes that collateral requirements are the single most cited barrier by young entrepreneurs seeking funding through formal institutions. Their research across 20 African countries indicated that collateral-free or low-collateral loan products directly correlate with higher levels of youth participation and business initiation.

Bjorvatn and Tungodden (2021) suggest that collateral acts as both a psychological and structural deterrent to youth engagement in loan schemes. Many youth self-exclude from applying for loans due to the anticipated rejection based on asset limitations, which contributes to a cycle of underinvestment in youth-led enterprises.

ILO (2022) reports that countries that have reformed their collateral frameworks such as by allowing credit guarantees or third-party endorsements have seen a measurable rise in youth loan scheme participation. These innovations reduce the risk burden on lenders while making credit more accessible to young people with limited capital.

UNDP (2020) found that digital lending platforms that bypass traditional collateral models are increasingly popular among youth, particularly in urban centers. These platforms often assess creditworthiness through transaction history, mobile phone data, or business performance, thereby eliminating one of the primary structural barriers to loan access.

Ndiaye and Fatou (2021) assert that collateral not only limits loan uptake but also affects the terms under which youth can borrow. When collateral is lacking, youth are either denied entirely or offered loans with higher interest rates and shorter repayment periods, making the loans financially unsustainable and deterring future participation.

Mwangi and Wanjiru (2019) document that youth in rural areas are especially disadvantaged, as land—commonly required as collateral is often communally owned or titled under elders' names. This legal and cultural disconnect further deepens the exclusion of rural youth from loan programs designed to stimulate employment and entrepreneurship.

Yeboah and Asiedu (2023) demonstrate that collateral-free models such as social capital lending (peer groups or cooperatives) have successfully mobilized youth participation in several West African countries. Their findings support the argument that institutional innovation, rather than loan volume alone, determines youth engagement in financial schemes.

Kang and Khatun (2024) highlight that startup ecosystems in Southeast Asia have begun embracing credit guarantee schemes backed by government and private-sector collaborations. These schemes effectively absorb the default risk that would otherwise be secured through collateral, leading to higher youth participation in innovation-driven enterprises.

FAO (2022) emphasizes that in the agricultural sector, many young people are unable to access credit despite being active producers, due to the high collateral thresholds set by agricultural banks. Their study recommends adopting value-chain financing models that assess risk based on production capacity and market linkages, rather than fixed asset ownership.

## **2.4 Research Gaps**

Despite substantial research on credit accessibility and youth entrepreneurship, there remains a gap in understanding the qualitative experiences of young people navigating credit systems, particularly in rural or marginalized urban areas. Most existing studies focus on quantitative access metrics (e.g., loan amounts, approval rates), but less is known about the socio-cultural and psychological barriers youth face even when credit is available. Additionally, there is limited evidence on how digital credit products (such as mobile loans or fintech platforms) are shaping entrepreneurial outcomes for youth, especially in contexts where traditional banks dominate the credit landscape.

In relation to financial literacy programs and youth employment sustainability, much of the current literature emphasizes short-term financial behavior changes (e.g., increased savings or budgeting skills) without adequately exploring long-term employment impacts. There is also a lack of comparative studies evaluating the effectiveness of financial literacy programs delivered by different types of institutions (e.g., commercial banks vs. microfinance institutions vs. NGOs). Moreover, gender-disaggregated data on how financial literacy influences employment sustainability among male and female youth remains scarce, making it difficult to design inclusive and equitable financial education interventions.

For the objective on collateral requirements and youth participation in loan schemes, a major research gap lies in the lack of policy evaluations that assess the effectiveness of alternative collateral models, such as group lending, credit guarantees, or movable asset registries. While recent studies acknowledge these innovations, few rigorously measure their impact on youth inclusion across different sectors and regions. Furthermore, little is known about the intersection

of digital identity systems and creditworthiness for youth—an area increasingly relevant as fintech reshapes how collateral and risk are assessed.

## **CHAPTER THREE: METHODOLOGY**

### **3.1 Introduction**

This chapter presented the research design, target population, sample size, sampling techniques, research instruments, validity, reliability, data collection procedures, data analysis, ethical considerations, and limitations of the study.

### **3.2 Research Design**

A research design is the framework within which data is collected and analyzed in a structured manner to meet research objectives (Seltiz, 2012). This study adopted a descriptive research design, as it enables the researcher to interpret and understand the relationship between financial institutions and youth employment. Both quantitative and qualitative approaches were employed to enhance the depth and breadth of data collected. The descriptive design was appropriate for assessing the influence of credit accessibility, financial literacy, and collateral conditions on youth employment in Gicumbi District.

Quantitative methods were used to analyze numerical data, such as the number of youth accessing loans or participating in training programs, while qualitative approaches allowed the researcher to gather insights from stakeholders on challenges, attitudes, and perceptions. As emphasized by Parahoo (2006), selecting the appropriate design is essential for effectively achieving research objectives. Therefore, this mixed-methods approach provided a comprehensive understanding of how financial institutions influence youth employment in the district.

### **3.3 Study Population**

According to Saunders (2005), a population refers to any group of individuals or institutions sharing common characteristics. The study population was 100 respondents who included; employees and officials from financial institutions operating in Gicumbi District, particularly microfinance banks and savings and credit cooperatives (SACCOs). The study also involved local youth who had engaged with these institutions through loans or financial literacy programs, as well

as loan officers and district-level authorities who oversaw youth employment and economic empowerment initiatives.

This population was selected because these groups are directly involved in the interaction between youth and financial services, making them key informants for understanding how access to credit, literacy programs, and collateral requirements impact youth employment. As Mugenda (2003) states, the population must conformed to observable characteristics relevant to the topic being studied.

### 3.4 Sample Size

A sample size of 83 respondents was selected using both purposive and random sampling methods. This mixed sampling approach allowed for comprehensive coverage of relevant categories, ensuring diversity in perspectives while minimizing bias (Amin, 2005). The sample size was determined using the Krejcie and Morgan (1970) formula. Below is a breakdown:

<b>Target Population</b>	<b>Population</b>	<b>Sample Size</b>	<b>Sampling Procedure</b>
Microfinance employees	10	6	Purposive sampling
Officials from selected financial institutions	4	3	Simple random sampling
Top authorities of Gicumbi District	6	4	Simple random sampling
Youth business owners and entrepreneurs	70	55	Simple random sampling
Loan officers	10	15	Stratified random sampling
<b>Total</b>	<b>100</b>	<b>83</b>	

*Source: Primary Data, 2024*

<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	100000	384

Note.—*N* is population size. *S* is sample size.

Source: Krejcie & Morgan, 1970

### 3.5 Sampling Procedures

Sampling is the process of selecting a subset of individuals from a population to represent the whole (Sekaran, 2003). The researcher purposively selected 6 employees from microfinance institutions based on their roles and knowledge of loan practices. Simple random sampling was applied to select youth beneficiaries and district officials to avoid bias and ensure each member of the population has an equal chance of being selected. Stratified random sampling was used to categorize loan officers based on institution type (e.g., SACCOs, commercial microfinance institutions) before selection, ensuring that different institutional perspectives are represented.

### 3.6 Data Collection Methods

Primary data was collected directly from the field using questionnaires and interviews. These tools helped to capture both quantitative metrics (e.g., number of loans accessed by youth) and

qualitative insights (e.g., youth perceptions of collateral requirements). Secondary data also was gathered from financial institution records, government reports, and previous studies related to financial inclusion and youth employment in Rwanda. This provided a solid foundation for validating primary data findings.

### **3.6.1 Data Collection Instruments**

#### **Questionnaires**

Structured questionnaires (open- and closed-ended) was distributed to youth beneficiaries, financial institution employees, and loan officers. These were designed in English and translated into Kinyarwanda to ensure clarity for all respondents. The use of questionnaires allowed for the collection of standardized data across a large number of participants (Kothari, 2004).

#### **Interviews**

Semi-structured interviews was conducted with selected officials from financial institutions and district authorities. Interviews allowed the researcher to probe further into challenges such as collateral requirements and financial literacy program effectiveness. As noted by Babbie (2012), interviews improve response rates and enable clarification of survey items.

### **3.7 Validity and Reliability**

**Validity** refers to the accuracy and truthfulness of research findings (McMillan & Schumacher, 2006). To ensure content validity, questionnaires and interview guides was reviewed by academic supervisors and financial sector experts before deployment. Items not aligned with research objectives were revised or excluded.

**Reliability** ensured that the instruments used provide consistent results over time (Joppe, 2000). A pilot test was conducted with a small group in a neighboring district before the full study in Gicumbi. Feedback was used to refine the tools and ensure reliable data collection.

### **3.8 Research Procedures**

Upon approval of the proposal, the researcher obtained an introductory letter from Uganda Christian University – Bishop Barham University College. This letter was used to request

permission from relevant authorities and financial institutions in Gicumbi District. This process fostered cooperation and enhance access to respondents.

### **3.9 Data entry and Analysis**

According to Gibbs GR (2002), data analysis refers to the range of processes and procedures where we move from the qualitative data that has been collected into some form of explanation, understanding, or interpretation of the people and situation under investigation. Data collected was analyzed using quantitative analysis which included several activities including preparation, counting, grouping, relating, predicting and statistical testing, data was sorted and grouped according to the research questions. Data was then coded and presented in written form. Also the researcher analyzed the data using percentage (%), frequencies and discussed the finding frequently.

### **3.10 Summary of the chapter**

This chapter highlighted on the way in which the study was under taken. The study area, the research design and approach, sampling, data collection methods and tools, data analysis methods and the data management which are was used in undertaking the study which was defined.

**CHAPTER FOUR:  
DATA PRESENTATION AND ANALYSIS**

**4.0 Introduction**

This chapter presented and analyzes the data collected on the role of financial institutions in promoting youth employment in Gicumbi District, Rwanda. The data is analyzed in relation to the study's objectives.

**4.1 Biographic characteristics of respondents**

Understanding the demographic characteristics of respondents helps to contextualize their views on financial institutions and youth employment. The bio-data included gender, age bracket, and education level.

**4.1.1 Gender distribution of respondents**

The study collected data on gender to understand how both males and females are involved in, and perceive, the role of financial institutions in facilitating youth employment.

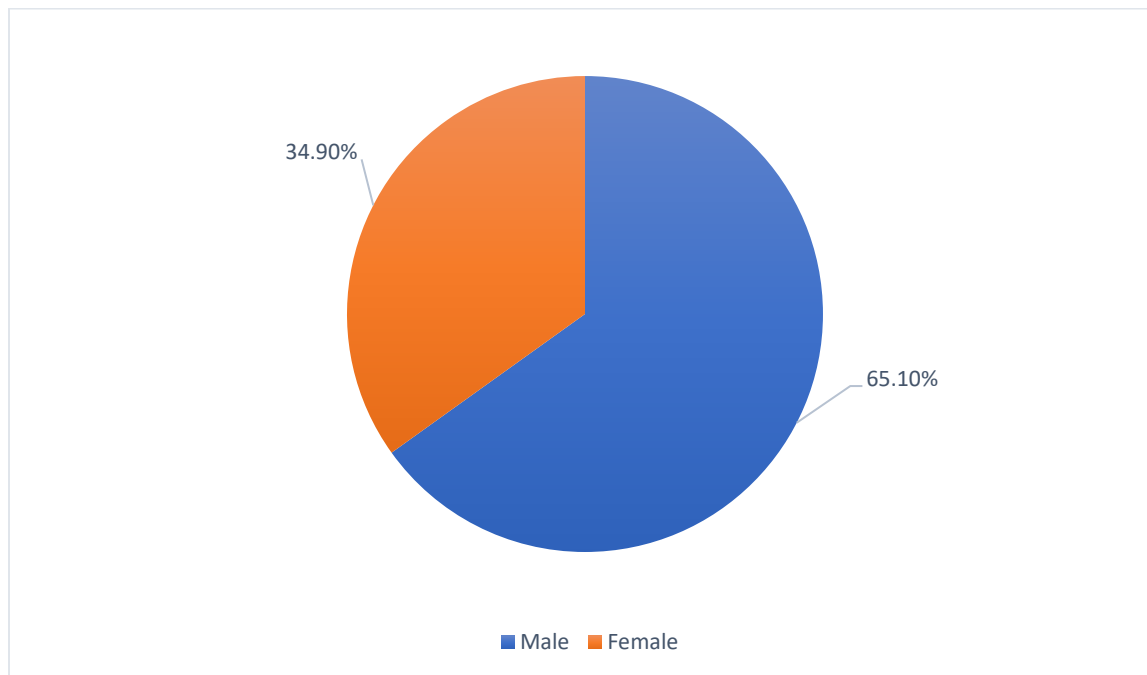
**Table 1: Gender distribution of respondents**

<b>Gender</b>	<b>Frequency</b>	<b>Valid Percent</b>
Male	54	65.1%
Female	29	34.9%
<b>Total</b>	<b>83</b>	<b>100%</b>

**Source:** Primary Data, 2025

From the findings above, males comprised 65.1% of respondents, while females accounted for 34.9%. This indicated that more males than females were involved or had interest in the operations of financial institutions and their linkage to youth employment. This implied a gender imbalance in access to financial resources or involvement in entrepreneurial activities.

### Pie chart showing gender distribution of respondents



### 4.1.2 Age distribution of respondents

Age is an essential variable in understanding how different age groups relate to financial services and youth employment opportunities.

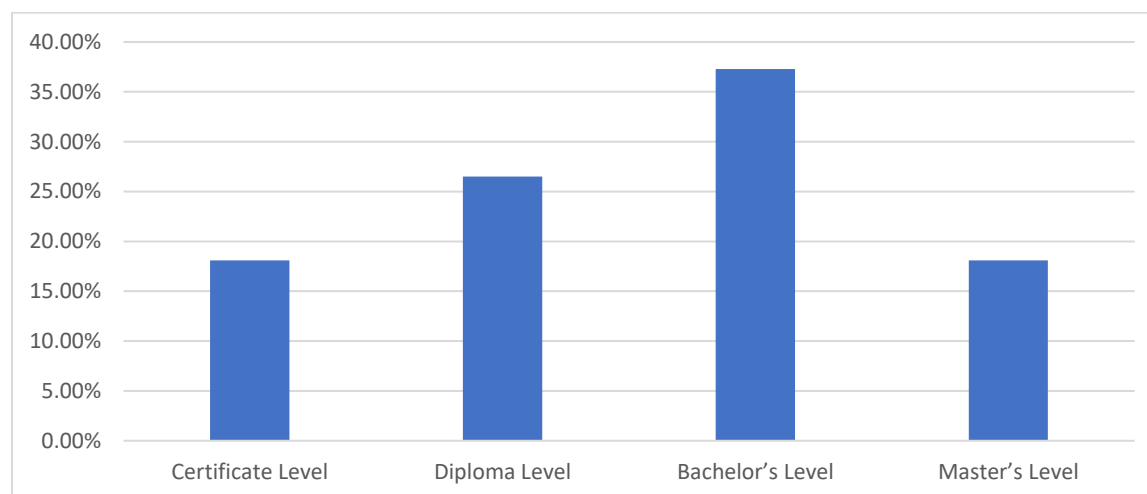
**Table 2: Age distribution of respondents**

Age Bracket	Frequency	Valid Percent
20 and below	17	20.5%
21 – 30	38	45.8%
31 – 35	20	24.1%
50 and above	8	9.6%
<b>Total</b>	<b>83</b>	<b>100%</b>

Source: Primary Data, 2025

The age distribution indicates that the majority of respondents (45.8%) were aged between 21–30, followed by those between 31–35 (24.1%). Respondents aged 20 and below made up 20.5%, while those 50 and above represented 9.6%. The findings implied that most respondents were within the youth age category, making their responses relevant to the subject of youth employment.

### Bar graph showing age distribution of respondents



### 4.1.3 Education level of respondents

Education level was critical to evaluate how academic qualifications influence access to financial institutions and related employment opportunities.

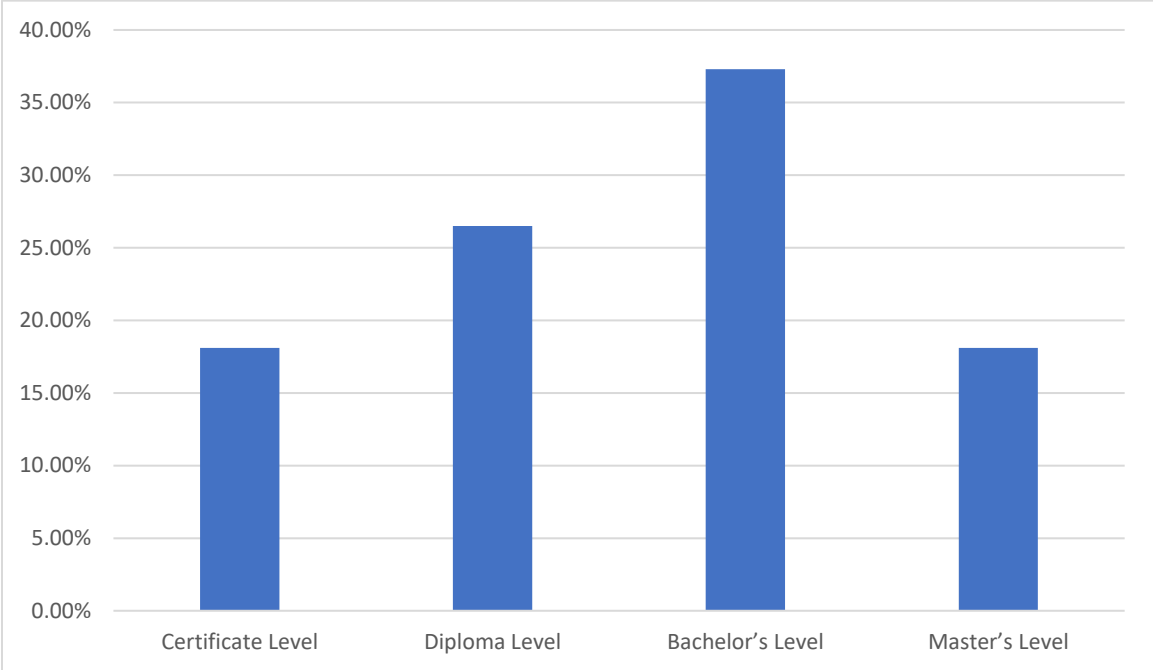
**Table 3: Education level of respondents**

Education Level	Frequency	Valid Percent
Certificate Level	15	18.1%
Diploma Level	22	26.5%
Bachelor's Level	31	37.3%
Master's Level	15	18.1%
<b>Total</b>	<b>83</b>	<b>100%</b>

**Source:** Primary Data, 2025

The results indicate that the majority of respondents (37.3%) were Bachelor's degree holders, followed by Diploma holders (26.5%), and both Certificate and Master's holders (18.1% each). This shows a relatively educated sample, reflecting a population capable of understanding and utilizing financial services to pursue employment and entrepreneurship.

**Bar graph showing education level of respondents**



#### 4.1 The Effect of credit accessibility on youth entrepreneurial activities in Gicumbi District

**Table 4.1: Responses on how credit accessibility affects youth entrepreneurial activities**

<b>Statement</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Limited access to credit prevents youth from starting or expanding businesses	34	41%
Accessible and flexible credit enables youth to invest in income-generating activities	20	24%
Credit with strict collateral requirements excludes many youth from financial support	16	19%
Youth-friendly loan products increase participation in entrepreneurship	13	16%
<b>Total</b>	<b>83</b>	<b>100%</b>

**Source:** Primary Data, 2025

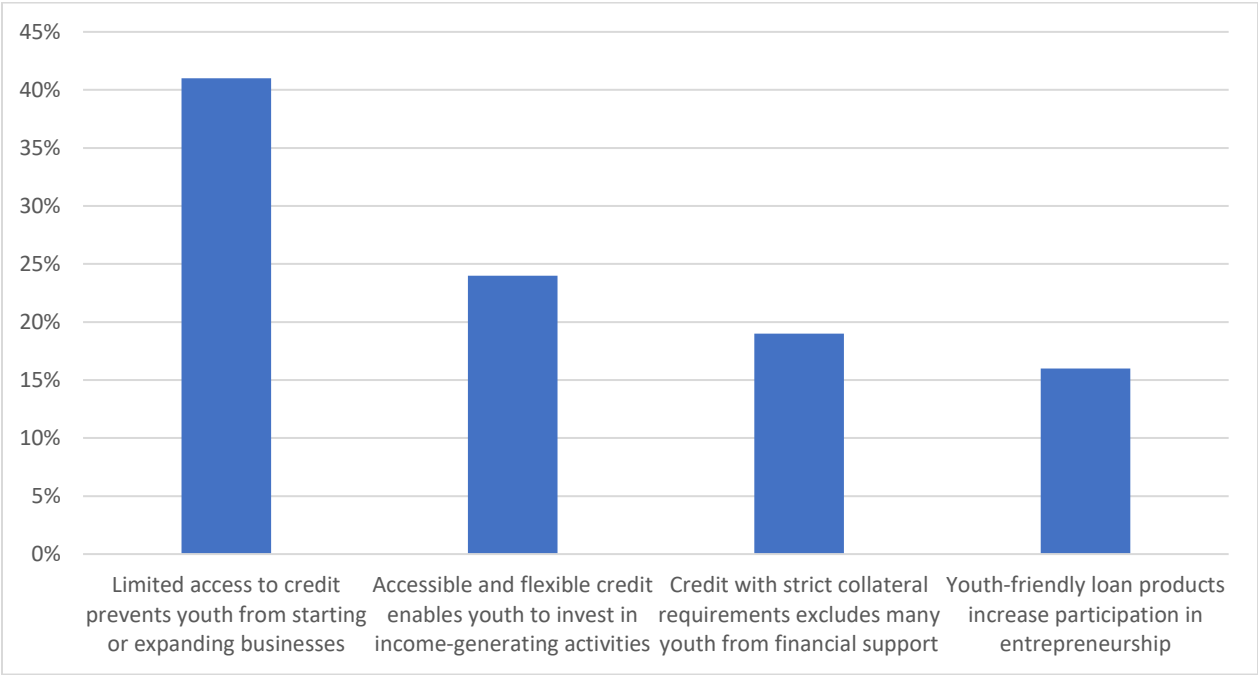
According to the data presented in Table 4.1, the majority of respondents (41%, or 34 out of 83) stated that limited access to credit remains a major barrier for youth attempting to engage in entrepreneurial activities in Gicumbi District. Many of the youth respondents emphasized that without access to startup capital, even those with viable business ideas are unable to implement them. The difficulty in obtaining loans from formal financial institutions hinders both business creation and growth, reinforcing the cycle of unemployment among young people.

A further 24% of respondents (20 out of 83) indicated that accessible and flexible credit greatly contributes to youth entrepreneurship. These respondents shared that when loans are available with manageable terms, such as reasonable repayment periods and interest rates, youth are more empowered to start or expand their ventures. This access to financial support allows for investment in necessary business inputs such as tools, inventory, or marketing, which enhances income-generating capacity and long-term sustainability.

Meanwhile, 19% (16 out of 83) noted that strict collateral requirements act as a major exclusion factor. Many young people, especially recent graduates or those in rural areas, lack land titles or valuable assets to present as collateral. As a result, they are automatically disqualified from most credit facilities, regardless of their business potential. This situation discourages entrepreneurial motivation among youth and leaves them reliant on informal or often exploitative lending options.

Another 16% of respondents (13 out of 83) reported that youth-friendly loan products such as group lending schemes, grace periods, or government-backed loan programs significantly improve youth participation in entrepreneurship. These products reduce the risk perception that financial institutions have toward lending to young people and create a more inclusive financial ecosystem. Respondents credited such programs with helping them establish businesses and gain economic independence.

**A bar graph showing responses on how credit accessibility affects youth entrepreneurial activities**



## 4.2 The influence of financial literacy programs offered by financial institutions on youth employment sustainability

**Table 4.2: Responses on how financial literacy programs affect youth employment sustainability**

<b>Statement</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Financial literacy improves business management and long-term youth employment.	38	45.8%
Financial education enables youth to make informed borrowing and investment decisions.	21	25.3%
Lack of financial knowledge leads to business failure and unstable employment.	14	16.9%
Youth do not have adequate access to financial literacy programs in their communities.	10	12%
<b>Total</b>	<b>83</b>	<b>100%</b>

**Source:** Primary Data, 2025

As shown in Table 4.2, 45.8% of respondents (38 out of 83) reported that financial literacy significantly improves the sustainability of youth employment by equipping young entrepreneurs with skills in budgeting, record keeping, and cash flow management. These respondents observed that youths who undergo financial literacy training are better able to manage their businesses, avoid unnecessary debt, and reinvest profits wisely. As a result, they are more likely to maintain self-employment or create jobs for others, contributing to long-term employment stability.

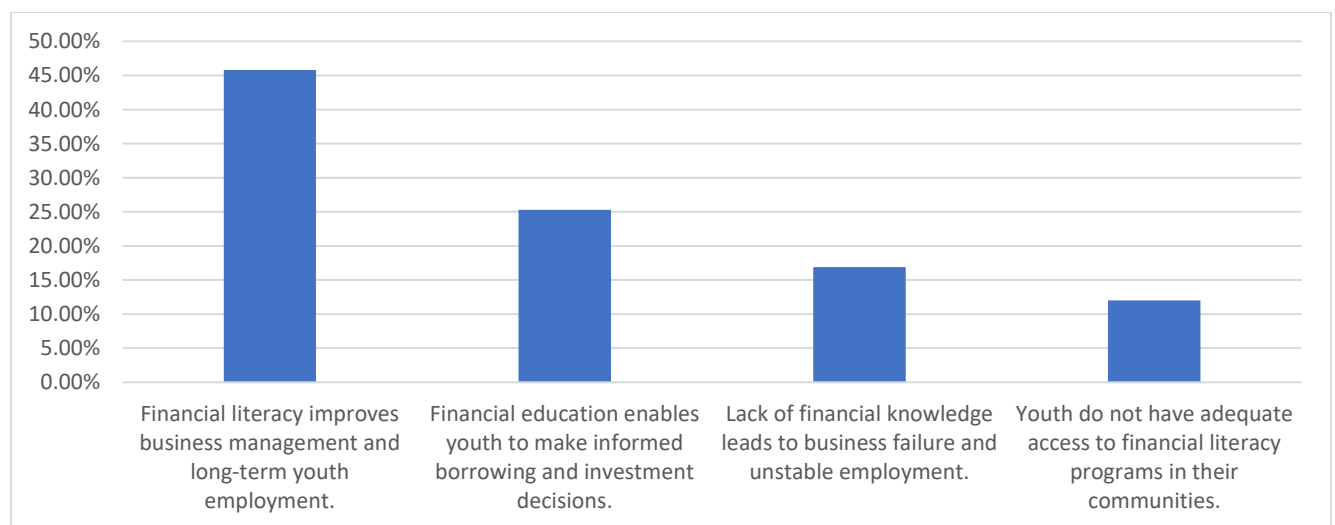
Additionally, 25.3% of respondents (21 out of 83) stated that financial literacy empowers youth to make informed financial decisions regarding loans, savings, and investment. They emphasized that many young entrepreneurs fail not because of a lack of capital but due to poor financial judgment. Through training programs offered by banks and microfinance institutions, they have learned to assess risk, understand interest rates, and choose appropriate financing options—key factors that enhance the success and sustainability of youth-led enterprises.

About 16.9% of respondents (14 out of 83) believed that the lack of financial knowledge is a leading cause of business failure among the youth. They pointed out that without adequate training in basic financial concepts, many youths misuse loans or mismanage resources, resulting in unsustainable businesses and short-lived employment. This group called for mandatory financial education to be integrated into both school curriculums and loan application processes for young entrepreneurs.

Furthermore, 12% of the respondents (10 out of 83) noted that youth in rural parts of Gicumbi District have limited access to financial literacy programs. They indicated that most programs are either held in urban centers or require digital access, which many youths do not have. As a result, a significant portion of the population remains unaware of how to properly utilize financial products to maintain and grow their economic activities.

In conclusion, the findings reveal a strong correlation between financial literacy and the sustainability of youth employment in Gicumbi District. Well-designed and accessible financial education programs empower young people to run successful businesses, reduce loan defaults, and make strategic financial decisions that contribute to economic independence. Enhancing the reach and quality of these programs especially in rural areas—can be a key driver for improving long-term employment among youth.

**A bar graph response on how financial literacy programs affect youth employment sustainability**



### 4.3 The relationship between collateral requirements and youth participation in loan schemes in gicumbi district

**Table 4.3: Responses on How Collateral Requirements Affect Youth Participation in Loan Schemes**

<b>Statement</b>	<b>Frequency</b>	<b>Percentage (%)</b>
High collateral requirements discourage youth from applying for loans.	29	34.9%
Lack of assets among youth limits their eligibility for loan schemes.	25	30.1%
Relaxed collateral policies increase youth participation in financial services.	17	20.5%
Group or guarantor-based loan schemes improve access despite lack of individual collateral.	12	14.5%
<b>Total</b>	<b>83</b>	<b>100%</b>

**Source:** Primary Data, 2025

According to Table 4.3, 34.9% of respondents (29 out of 83) reported that high collateral requirements significantly discourage youth from applying for loans. These respondents indicated that most youth in Gicumbi District do not own valuable assets such as land or vehicles that financial institutions demand as security. As a result, they often feel excluded from formal lending systems, even when they have viable business ideas or urgent financial needs. This barrier directly limits their ability to start or expand income-generating activities.

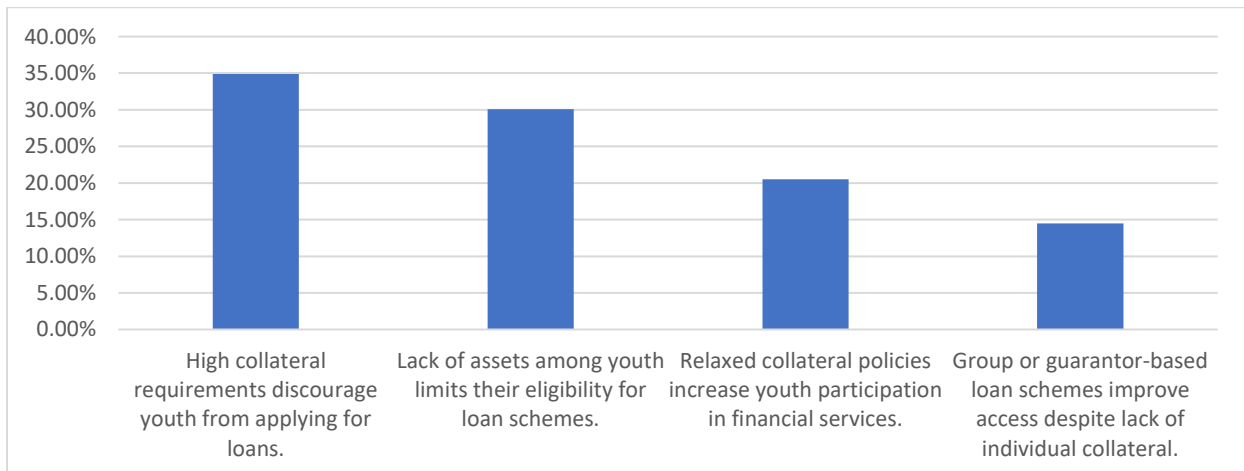
Additionally, 30.1% of respondents (25 out of 83) highlighted that the general lack of asset ownership among youth is the main reason they are ineligible for most loan schemes. Many of these respondents expressed frustration over being considered "high risk" simply because they are young and asset-poor. They explained that without the backing of family property or substantial savings, they are automatically denied access to capital, which in turn limits their employment opportunities through entrepreneurship.

On a more positive note, 20.5% of the respondents (17 out of 83) stated that relaxed collateral policies have a direct impact on increasing youth participation in loan schemes. These respondents cited examples of financial institutions or NGOs that offer unsecured or semi-secured loans, especially for youth-led projects. In their experience, such inclusive lending models empower young people to take initiative and build sustainable livelihoods, particularly in agribusiness, retail, and services.

Furthermore, 14.5% (12 out of 83) emphasized the importance of group-based or guarantor-supported loan schemes in enabling youth to access credit. According to these respondents, initiatives like youth cooperative lending, SACCOs, or peer guarantor models allow even those without collateral to benefit from financial support. This approach promotes community trust and collective responsibility, and has been effective in reducing default rates while promoting inclusion.

In conclusion, the findings strongly suggest that collateral requirements are a major determinant of whether youth can access financial services in Gicumbi District. Traditional lending models that rely heavily on physical collateral continue to exclude a large segment of the youth population. However, innovative models such as group lending and relaxed collateral conditions have proven effective in expanding youth participation in credit schemes, which in turn supports job creation and employment sustainability among young people.

**A bar graph response on how collateral requirements affect youth participation in loan schemes**



## **CHAPTER FIVE: DISCUSSION OF THE FINDINGS**

### **5.0 Introduction**

This chapter discussed the main findings presented in chapter four regarding the effect of interest rates charged by commercial institutions on the profitability and growth of small and medium enterprises (SMEs) in Kabale Municipality, Kabale District. The discussion is presented in line with the three specific objectives of the study.

### **5.1 Discussion of the findings**

#### **5.1 The effect of credit accessibility on youth entrepreneurial activities in Gicumbi District**

The study found that 41% of respondents (34 out of 83) reported that limited access to credit remains a significant obstacle to youth entrepreneurship in Gicumbi District. Many youth emphasized that without access to initial capital, they are unable to operationalize their business ideas or scale existing ventures. This aligns closely with Chigunta (2022), who argues that young people often lack collateral and financial history, making them ineligible for formal loans. The World Bank (2018) further reinforces this by stressing that financial exclusion significantly limits grassroots innovation and economic participation by youth in developing countries. Thus, limited credit access remains a central barrier to youth-led business development in Gicumbi.

24% of respondents (20 out of 83) indicated that accessible and flexible credit facilities play a transformative role in empowering youth to engage in entrepreneurship. These respondents shared that when loan conditions are favorable—such as low interest rates, flexible repayment terms, or minimal collateral—they are more likely to take the financial risks associated with starting or expanding businesses. This finding echoes the arguments of the OECD (2017), which highlights that financial products tailored to youth can mitigate perceived lending risks and increase financial inclusion. Moreover, Banerjee and Duflo (2021) emphasize that while access to capital is necessary, it must be paired with supportive conditions to achieve meaningful entrepreneurial outcomes.

A notable 19% of respondents (16 out of 83) pointed out that strict collateral requirements effectively exclude many youth from formal lending systems. Particularly for rural youth and recent graduates, the absence of land titles, guarantors, or physical assets makes them unqualified for most commercial loans. This resonates with findings by Beck and Demirgüç-Kunt (2016), who underline the lack of youth-oriented financial infrastructure like collateral registries and credit scoring mechanisms in many developing countries. Similarly, Sanyang and Huang (2020) argue that structural barriers including discriminatory lending practices—compound youth exclusion from credit systems, a reality that appears to be strongly evident in the Gicumbi context.

Additionally, 16% of respondents (13 out of 83) shared that youth-friendly loan products—including government-backed programs, group lending schemes, and loans with grace periods—are critical in enhancing youth participation in entrepreneurship. This observation is consistent with ILO (2015), which highlights the effectiveness of targeted financial interventions in stimulating youth entrepreneurship and employment. The success of models like Grameen Bank (Yunus, 2017) also supports this perspective, demonstrating how inclusive lending practices can catalyze self-employment and local economic growth when designed to match youth needs and realities.

These findings collectively illustrate that while credit accessibility is a fundamental driver of youth entrepreneurship in Gicumbi District, its impact is unevenly distributed. As noted by Ayyagari, Demirgüç-Kunt, and Maksimovic (2021), credit constraints are more than just financial—they are systemic and linked to regulatory, educational, and social dimensions. Therefore, improving credit access for youth in Gicumbi requires not only expanding available loan products but also reducing collateral requirements, building financial infrastructure, and integrating credit with mentorship and capacity building as suggested by Banerjee and Duflo (2021) and Karlan and Morduch (2020).

## **5.2 The influence of financial literacy programs offered by financial institutions on youth employment sustainability in Gicumbi District**

The study revealed that 45.8% of respondents (38 out of 83) believe that financial literacy significantly improves the sustainability of youth employment by equipping young entrepreneurs with key financial management skills such as budgeting, record keeping, and cash flow analysis.

This aligns with findings by Xu and Zia (2014), who argue that financial education enhances young people's capacity to make sound business decisions, ultimately increasing their chances of sustaining self-employment or succeeding in formal work environments. Similarly, Lusardi, Michaud, and Mitchell (2017) emphasize that financially literate youth are more resilient to job market fluctuations and better positioned for long-term employment success.

25.3% of respondents (21 out of 83) stated that financial literacy enables youth to make more informed decisions regarding credit, savings, and investments. These findings are consistent with Morgan and Trinh (2019), who highlight that financially educated youth are less likely to fall into debt traps and more likely to withstand financial shocks—factors critical for employment sustainability. Moreover, Miller et al. (2014) support this perspective through their meta-analysis, which found that even modest improvements in financial literacy can lead to substantial behavioral changes, such as better savings habits and increased job retention among youth.

16.9% of respondents (14 out of 83) identified the lack of financial literacy as a key reason for the failure of youth-led businesses in Gicumbi District. This reflects the concerns raised by Klapper, Lusardi, and van Oudheusden (2015), who found that youth consistently score lower than adults on financial literacy tests, which directly correlates with their lower entrepreneurial success rates. Bongomin et al. (2018) similarly report that young entrepreneurs who lack knowledge in financial planning and credit management are more likely to mismanage resources, leading to early business collapse and unstable employment outcomes.

Meanwhile, 12% of respondents (10 out of 83) indicated that youth in rural parts of Gicumbi District have limited access to financial literacy programs, often due to geographic isolation, lack of institutional outreach, or digital barriers. This supports findings by Ismail, Masood, and Tawfiq (2016), who argue that effective financial literacy must be tailored to youth communication habits—particularly through mobile or community-based models. Without localized access to these programs, rural youth are left financially uninformed and economically vulnerable. OECD/INFE (2019) further supports this, noting that youth employment outcomes improve in regions where financial institutions collaborate with educational systems to deliver structured literacy programs.

In conclusion, the study's findings support a strong link between financial literacy and youth employment sustainability. As Atkinson and Messy (2015) and Bruhn et al. (2016) suggest, financial literacy not only enhances employment but also improves employability by developing decision-making capacity and long-term planning skills. However, for such programs to be fully effective in Gicumbi District, they must be widely accessible, context-specific, and integrated into broader youth development strategies, including mentorship and access to finance. When delivered through trusted financial institutions and supported by inclusive outreach models, financial education becomes a key lever for promoting stable, long-term employment for youth.

### **5.3 The relationship between collateral requirements and youth participation in loan schemes in Gicumbi District**

The study found that 34.9% of respondents (29 out of 83) reported that high collateral requirements significantly discourage youth from applying for loans. This finding aligns with Morsy and Tzannatos (2019), who argue that collateral-based lending systems disproportionately exclude youth who lack land titles, buildings, or other forms of fixed assets. This issue is further reinforced by the World Bank (2020), which highlights that collateral-centric loan models in developing countries serve as structural barriers that hinder youth financial inclusion, despite the existence of youth-targeted credit programs.

Additionally, 30.1% of respondents (25 out of 83) emphasized that the general lack of asset ownership among youth is the main reason they remain ineligible for most formal loan schemes. This concern echoes findings by Oduro and Ackah (2019), who noted that many young people are economically active but face intergenerational asset deprivation that restricts their financial mobility. Mwangi and Wanjiru (2019) similarly document that in rural areas, where land is often communally owned or registered under elders' names, youth are especially disadvantaged in securing credit, deepening both geographic and generational inequalities in access to finance.

On a more optimistic note, 20.5% of respondents (17 out of 83) noted that relaxed collateral policies directly increase youth participation in loan schemes. These findings support the argument made by OECD (2021) and AfDB (2023) that alternative lending models—such as psychometric testing, movable asset recognition, and digital credit scoring—have proven effective in enabling

youth to access formal financial services. Similarly, Klapper, Love, and Sánchez-Ortega (2020) advocate for collateral modernization, including the recognition of intellectual property and digital assets, especially for youth involved in innovation-driven sectors.

Moreover, 14.5% of the respondents (12 out of 83) highlighted the value of group-based or guarantor-supported loan schemes, suggesting that these mechanisms lower the entry barrier for young borrowers. This supports evidence from Yeboah and Asiedu (2023) and the ILO (2022), who found that peer-based lending models and third-party guarantees help mitigate lender risk while fostering a supportive borrowing environment for youth. These schemes have been shown to significantly increase loan uptake in regions where youth traditionally avoided financial institutions due to fear of rejection or unrealistic asset requirements.

In conclusion, the findings confirm that rigid collateral requirements remain a significant obstacle to youth inclusion in loan schemes in Gicumbi District. However, as noted by UNDP (2020) and Kang and Khatun (2024), the rise of digital lending platforms and credit guarantee programs offers a viable path toward greater youth engagement. For financial institutions and policymakers aiming to improve youth employment and entrepreneurship outcomes, revising collateral frameworks and scaling up alternative risk-assessment tools are essential steps toward dismantling the structural barriers that prevent young people from accessing much-needed capital.

## **CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS**

### **6.0 Introduction**

This chapter presented the conclusions drawn from the study findings based on the objectives and analysis presented in chapter four.

### **6.1 Conclusions**

The findings revealed that high lending rates from commercial banks and microfinance institutions significantly reduce the profitability of youth-led enterprises. A large proportion of the respondents indicated that a significant part of their income is used to service expensive loans, which limits reinvestment and business growth thereby stalling employment expansion. However, when interest rates are moderate or low, young entrepreneurs are better able to manage their capital and create employment opportunities. It is evident that affordable interest rates are a key enabler of youth entrepreneurship and employment in the district.

The study also found that changes in the Central Bank Rate (CBR) have a trickle-down effect on youth employment through their influence on commercial lending rates. An increase in the CBR results in higher borrowing costs for young entrepreneurs, reducing access to productive assets and affecting returns. Conversely, a stable or lower CBR encourages borrowing, leading to the acquisition of productive assets and business expansion hence increasing the capacity of youth-led enterprises to hire more workers. Limited financial literacy was noted among many young people regarding the implications of central bank policies, though they are still directly impacted.

It was concluded that short-term loans with high interest rates, such as microloans and overdrafts, negatively affect youth enterprises by reducing short-term profits and discouraging hiring. On the other hand, long-term loans with predictable repayment terms were seen to support investment in fixed assets and sustainable business growth. When managed well, these loans increased the return on equity and enhanced the ability of businesses to employ more youth. Financial planning was reported as a challenge due to inconsistent or unpredictable interest rate structures.

## **6.2 Recommendations**

Based on the above conclusions, the following recommendations were proposed;

The government and financial institutions should collaborate to offer subsidized loan schemes or youth-friendly credit products with low interest rates. This will lower the cost of borrowing and increase the capacity of youth enterprises to expand and create employment.

There is a need for enhanced training programs focused on financial planning, loan management, and understanding central bank policies. Empowering young people with this knowledge will improve their borrowing decisions and financial sustainability, which in turn supports long-term employment creation.

Financial institutions should design more long-term, fixed-interest credit products tailored to youth-led enterprises. These loans should focus on asset acquisition and business scaling, which would enable sustainable job creation.

Regulatory bodies such as the National Bank of Rwanda should strive to maintain a stable monetary environment to reduce interest rate volatility. Predictable lending conditions are essential for strategic business planning and job growth in youth-led enterprises.

The local government in Gicumbi District should consider setting up a youth enterprise fund in partnership with development partners. This fund could offer low-interest or interest-free loans and business development services to youth entrepreneurs.

## **6.3 Areas for Further Research**

- i. An in-depth analysis of non-financial barriers (such as skills mismatch and market access) to youth employment in rural Rwanda.
- ii. A comparative study of youth access to finance between urban and rural districts in Rwanda.
- iii. The impact of digital financial services (mobile money, online banking) on youth employment and entrepreneurship in Gicumbi District.

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**Appendix A: Questionnaire**

I UMUGWANEZA LYDIE MARLAINE with Reg. no. S17/BBUC/BBA/089 a finalist doing Bachelors of Business administration of Bishop Barham University carrying out om “FINANCIAL INSTITUTIONS AND YOUTH EMPLOYMENT IN GICUMBI DISTRICT, RWANDA”. Your feedback is very important as your inputs will be used for academic purposes only. I greatly appreciate if you could take a few minutes to provide me with information. Your response will be kept confidential and it will not be divulged to any person or institution outside this corporation. Thank you in advance

**SECTION**

**A: GENERAL INFORMATION**

**Gender**

Male  Female

**Age bracket**

20 below  20 - 30

30-35  50+

**Education level**

(a) Bachelors level  (b) Masters level

(c) Diploma level  (d) Certificate level

**Level of management in financial institutions**

(a) Top level  (b) Middle level

(c) Lower level

**Section B: The Effect of Credit Accessibility on Youth Entrepreneurial Activities in Gicumbi District**

**Instructions:** Indicate your level of agreement with each statement using the scale:  
 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

NO	Statements	1	2	3	4	5
1	I have applied for credit from a financial institution in the past year.					
2	Access to credit has enabled me to start or expand my business.					
3	Financial institutions in Gicumbi District provide loans suitable for youth.					
4	The loan application process is easy for young entrepreneurs.					
5	Loan repayment terms are flexible and supportive of youth businesses.					
6	Lack of credit access limits youth entrepreneurship opportunities.					
7	Government programs have improved youth access to credit in Gicumbi.					
8	Youth in rural areas face more challenges accessing credit than those in towns.					

How limited access to credit affect youth entrepreneurial growth in Gicumbi District?

.....

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.....

.....

*What financial barriers do youth entrepreneurs face when applying for credit in local financial institutions?*

.....

.....

**Section C: The Influence of Financial Literacy Programs Offered by Financial Institutions on Youth Employment Sustainability**

**Instructions:** Indicate your level of agreement with each statement using the scale:  
 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

NO	Statements	1	2	3	4	5
1	I have attended financial literacy training offered by a financial institution.					
2	The training helped me improve my ability to manage income and expenses.					
3	Financial literacy programs increase my chances of sustaining self-employment.					
4	I use knowledge from financial literacy training in running my business.					
5	Financial institutions regularly offer financial literacy programs for youth.					
6	The training improved my confidence in making business-related decisions.					
7	Financial literacy programs have helped me avoid poor financial decisions.					
8	Youth without financial training are less likely to sustain employment or businesses.					

*How do financial literacy programs influence long-term employment or business sustainability among youth in Gicumbi?*

.....

.....

*What type of financial education content do youth in Gicumbi find most useful in managing employment or business income?*

.....

.....

**Section D: The Relationship Between Collateral Requirements and Youth Participation in Loan Schemes in Gicumbi District**

**Instructions:** Indicate your level of agreement with each statement using the scale:  
 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

NO	Statements	1	2	3	4	5
1	I have been denied a loan due to lack of collateral.					
2	Collateral requirements discourage many youth from applying for loans.					
3	Financial institutions ask for collateral that most youth cannot provide.					
4	Youth with no land or property find it hard to access credit.					
5	Collateral-free loan products increase youth loan participation.					
6	Group lending schemes make it easier for youth to access loans.					
7	Financial institutions in Gicumbi are revising collateral policies to suit youth.					
8	Youth would apply for more loans if collateral requirements were relaxed.					

How do collateral requirements influence your decision to apply for a loan from a financial institution?

.....

.....

What alternative forms of collateral or guarantees should be accepted to improve youth access to loans in Gicumbi?

.....  
.....

**End-**

**Thank you so much. God bless you**

## **Interview Guide**

1. What is the effect of credit accessibility on youth entrepreneurship in Gicumbi District?
2. How do financial literacy programs offered by financial institutions influence youth employment sustainability?
3. What is the relationship between collateral requirements and youth participation in financial services in Gicumbi District?
4. What challenges have you experienced in accessing credit from local financial institutions?
5. How do financial institutions assess your eligibility for loans or financial support?
6. What role do government policies play in improving youth access to financial services in Gicumbi District?
7. Are financial institutions doing enough to educate youth about money management and employment sustainability?

**End-**

**Thank you so much. God bless you**



**UGANDA CHRISTIAN  
UNIVERSITY**  
A Centre of Excellence in the Heart of Africa  
**BISHOP BARHAM UNIVERSITY COLLEGE**

DEPARTMENT OF BUSINESS AND ADMINISTRATION

6<sup>th</sup> May 2025

Dear Sir/Madam,

**RE: INTRODUCTORY LETTER FOR DATA COLLECTION**

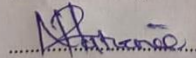
This is to introduce to you **UMUGWANEZA LYDIE MARLAINE** REG NO: **S17/BBUC/BBA/089** who is a student at Uganda Christian University, Bishop Barham University College. He/She is a finalist pursuing a Bachelor's Degree in Business Administration. It is a requirement of the University for students on this program to write a dissertation in partial fulfilment of the award for the degree. For this purpose, he/she is conducting research on the topic: **Financial Institutions and Youth Employment in Gicumbi District, Rwanda.**

The findings and analysis of this research will be treated confidentially and will not be used for any other purpose other than the partial fulfilment of the award of the above qualification.

Please accord him/her every possible assistance.

Thank you.

Yours faithfully,





**MS. PATIENCE NAJUNA**

**COORDINATOR,**

**BUSINESS & ADMINISTRATION**

Tel. 0774166711 or pnajuna@ucu.ac.ug

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Founded by the Province of the Church of Uganda. Chartered by the Government of Uganda



Rwankonjo Cell, Cyumba Sector  
Gicumbi District, Rwanda  
Date: 16<sup>th</sup> May 2025

To The Financial Department  
Uganda Christian University  
(Bishop Barham University College)  
Uganda- Kabale

**Subject: Accepting UMUGWANEZA Lydie Marlaine for data collections in Financial Institutions Located in Rwankonjo cell Cyumba sector Gicumbi district for academic purpose**

Dear Sir/Madam,

I, **HAFASHIMANA Jean Damascène**, Executive Secretary of Rwankonjo Cell, Cyumba Sector, Gicumbi District, hereby accepting **Umugwaneza Lydie Marlaine**, a student from **Uganda Christian University (Bishop Barham University College)**, with student number **S17/BBUC/BBA/089**, to collect data from financial institution located in Gicumbi District Cyumba sector Rwankonjo Cell for her final thesis research.

The title of her study is:

**"FINANCIAL INSTITUTIONS AND YOUTH EMPLOYMENT IN GICUMBI DISTRICT, RWANDA."**

The research will involve gathering relevant information that will contribute to her academic work. All data collected will be used **solely for academic purposes** and treated with confidentiality.

Thank you for your support in advancing academic research.

Yours sincerely,

**HAFASHIMANA Jean Damascène**  
Executive Secretary, Rwankonjo Cell  
Cyumba Sector, Gicumbi District

