

Effectiveness of Youth Development Fund in Enhancing Youth Entrepreneurship in Ilemele Municipality, Tanzania.

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DOI: <https://dx.doi.org/10.47772/IJRISS.2025.910000628>

Received: 25 October 2025; Accepted: 29 October 2025; Published: 19 November 2025

ABSTRACT

This study comprehensively examines the effectiveness of the Youth Development Fund (YDF) in enhancing youth entrepreneurship specifically in Ilemela Municipality, located in the Mwanza Region of Tanzania. Guided by the theoretical framework of Social Capital Theory, the study pursued three specific objectives aimed at gaining in-depth insights. These objectives include identifying the number of entrepreneurial training sessions provided to YDF beneficiaries, determining the number of youth-owned enterprises that have been funded by the YDF, and assessing the sustainability rate of businesses that are supported by the YDF. A descriptive survey design was employed, utilizing a mixed-methods approach to gather rich qualitative and quantitative data. A total of 110 respondents, including Youth Development Officers, Community Development Officers, and youth beneficiaries, were carefully selected through purposive and convenience sampling techniques. Data were collected using well-structured questionnaires and semi-structured interviews and subsequently analyzed descriptively to draw meaningful conclusions. The findings revealed that most respondents were aware of the YDF and that the majority had participated in at least one entrepreneurial training focusing on crucial topics such as digital investment, group fund management, and business planning. Notably, the YDF was found to contribute not only to financial empowerment for the youth but also to skill development that is essential for the long-term sustainability of their enterprises. This study highlights the importance of such initiatives in fostering entrepreneurship among marginalized groups, thereby promoting economic growth in the region.

Keywords: Youth Development Fund, entrepreneurship, youth empowerment, Ilemela District, Tanzania.

INTRODUCTION

Youth unemployment continues to pose a major challenge to socio-economic development globally. According to the International Labor Organization (2018), the global youth unemployment rate stands at approximately 13%, nearly three times the adult rate of 4.3%. In Sub-Saharan Africa, an estimated 67% of employed youth live in poverty despite being economically active, indicating that employment does not necessarily translate to economic security.

In Tanzania, the Youth Development Fund (YDF) is a key government intervention aimed at addressing youth unemployment and poverty. It is implemented by Local Government Authorities (LGAs) under the coordination of the Department of Community Development. The YDF aligns with various national policies and strategies, including the Youth Development Policy (2007), Community Development Policy (1996), National Economic Empowerment Policy (2004), and Tanzania Development Vision 2025. It also contributes to the National Strategy for Growth and Reduction of Poverty (NSGRP II) and the Sustainable Development Goals (SDGs).

The YDF provides 10% of LGA revenue as soft loans to marginalized groups, particularly youth and women, who often lack collateral to access commercial bank loans (Daud, 2020). However, despite these initiatives, youth unemployment remains high, and the sustainability of youth enterprises continues to be a concern. This study therefore examines the effectiveness of the YDF in promoting youth entrepreneurship in Ilemela Municipality.

The current study therefore aims to identify the number of entrepreneurial training sessions provided to YDF beneficiaries in Ilemela Municipality; to ascertain the number of youth-owned enterprises funded by YDF in Ilemela Municipality, and to determine the sustainability rate of YDF-supported businesses in Ilemela Municipality.

LITERATURE REVIEW AND THEORETICAL REVIEW

This study is anchored in Social Capital Theory (SCT), which posits that social networks, trust, and shared norms enable individuals to access resources and opportunities more effectively (Putnam, 2000; Bourdieu, 2017). Social capital facilitates cooperation, knowledge sharing, and mutual support, thereby fostering entrepreneurship and collective development.

Within the context of youth entrepreneurship, SCT underscores the importance of networks and group associations in accessing funding, mentorship, and markets. In Ilemela Municipality, the YDF operates largely through youth groups, making social networks a critical factor in fund accessibility and enterprise sustainability. When youth collaborate in cooperatives or business collectives, they enhance trust, resource pooling, and collective risk management—factors that are vital for long-term business success.

Previous studies on youth development funds in Africa show mixed results regarding their effectiveness. Chigunta (2017) found that while youth entrepreneurship schemes exist in Zambia, Ghana, and Nigeria, their impact is often limited by poor management, lack of mentorship, and inadequate financial literacy. In Tanzania, Mussa (2013) examined the YDF in Kahama District and found that although awareness levels were high (77%), only a small proportion (0.3%) of youth accessed the fund. The study cited insufficient funding, weak entrepreneurship training, and delays in disbursement as key challenges. Similarly, Nyaki (2024) reported that in Moshi Municipality, low initial capital, inadequate financial resources, and insufficient entrepreneurship education hindered participation and sustainability of YDF-supported ventures. These studies underscore the need for local-level assessments to understand contextual variations in YDF implementation and outcomes hence the present study focusing on Ilemela Municipality.

METHODOLOGY

The study adopted a descriptive survey design and employed a mixed-methods approach combining quantitative and qualitative techniques. This design allowed for an in-depth understanding of YDF's effectiveness from both numerical data and participant experiences. The target population comprised Youth Development Officers, Community Development Officers, and YDF beneficiaries. Using purposive and convenience sampling, a total of 110 respondents were selected. Data were collected through closed-ended questionnaires administered to youth beneficiaries across six wards (Kitangiri, Shibula, Kayenze, Sangabuye, Kirumba, and Nyasaka) and semi-structured interviews with key informants. The mixed approach ensured data triangulation and improved validity. Quantitative data were analyzed descriptively using frequency tables and percentages, while qualitative data were thematically analyzed to complement numerical findings.

Therefore, several ethical issues required careful consideration to ensure the integrity of the research and the protection of participants, informed consent was obtained from all participants after clearly explaining the purpose of the study, their voluntary participation, and their right to withdraw at any time without consequences. Then, confidentiality and privacy was strictly maintained by ensuring that the information provided by respondents is kept anonymous and used solely for academic purposes.

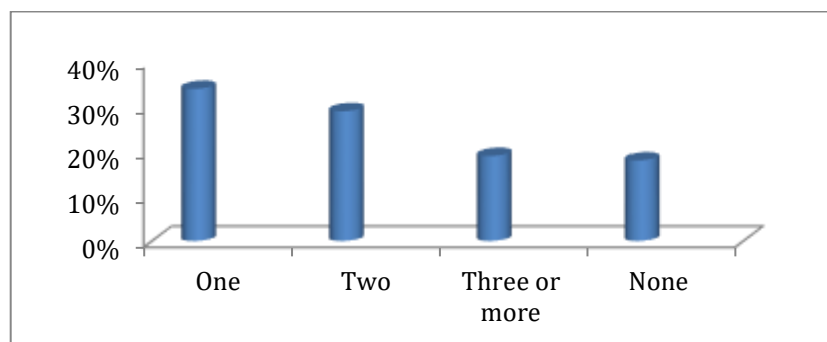
RESULTS AND DISCUSSION

Entrepreneurial training

Entrepreneurial training was identified as central to YDF's implementation. Results showed that 82% of beneficiaries had attended at least one training session. Topics included financial management, business planning, and digital entrepreneurship. However, 18% reported not attending any training, suggesting uneven

coverage and limited accessibility. Consistent with Social Capital Theory, these trainings not only transfer skills but also strengthen peer networks crucial for information sharing and business collaboration.

Figure 1: Number of entrepreneurial training session



This findings aligns with Khoza (2018) found that Business Development Support (BDS) training positively impacts entrepreneurship success through financial and non-financial training programs such as marketing, innovation, risk-taking, and management skills .

Youth enterprises funded by YDF

Findings revealed that 73% of respondents had received YDF financial support ranging from TZS 1 million to 45 million. This funding enabled youth to start or expand businesses in agriculture, trade, and services). Nonetheless, the relatively small proportion receiving higher amounts indicates capital insufficiency for scaling up enterprises an issue that aligns with findings by Nyaki (2024) and Mussa (2013).

Table 1: Shows approximate amount of funding received

| Approximate amount of funding received | Frequency | Percentage (%) |
|----------------------------------------|-----------|----------------|
| TSH TZS 1,000,000- 15,000,000 | 34 | 34 |
| TZS 15,000,000 – 30,000,000 | 39 | 39 |
| TZS 30,000,000 – 45,000,000 | 22 | 22 |
| TZS 45,000,000 – 60,000,000 | 04 | 04 |
| Above 60,000,000 | 01 | 01 |
| Total | 100 | 100 |

Nyaki (2024) found that while the Youth Development Fund (YDF) provides crucial financial support to youth entrepreneurs, many beneficiaries still struggle with insufficient capital for scaling their businesses effectively. In particular, the study highlighted that most recipients received amounts that were inadequate for significant expansion, limiting their potential for growth in competitive markets. Similarly, Mussa (2013) reported that access to funding through the YDF often falls short of what is necessary for youth-led enterprises to thrive, revealing a gap between financial support and the needs of young entrepreneurs. Mussa emphasized that this lack of adequate funding contributes to the stagnation of many youth-owned businesses, particularly in sectors like agriculture and trade. Both studies underline the importance of increasing the funding limits within the YDF to ensure that youth can not only start but also scale their businesses sustainably, thereby enhancing their economic impact and reducing unemployment in their communities.

Sustainability of YDF-Supported Businesses

About 71% of the businesses funded had operated for over one year, while 30% had survived beyond two years. This demonstrates moderate sustainability. However, only 23% of enterprises were expanding, and 33% were

struggling to survive. The main challenges identified included limited capital (52%), lack of business skills (24%), poor management (17%), and restricted market access (7%). These challenges reveal that financial inputs alone are insufficient without continuous training, mentorship, and structural support core aspects emphasized by Social Capital Theory.

Table 2: Shows how long YDF-supported business operated

| How long | Frequency | Percentage (%) |
|-------------------|-----------|----------------|
| 6–12 months | 29 | 29 |
| 1–2 years | 41 | 41 |
| More than 2 years | 30 | 30 |
| Total | 100 | 100 |

This finding aligns with, Mwasunda (2020) emphasizes that access to training and mentorship significantly enhances the sustainability of youth-owned businesses, enabling them to adapt to market demands. Similarly, a study by Olufemi (2020) highlights that an enabling business environment, characterized by supportive policies and access to financial resources, is essential for the continuity of youth enterprises.

CONCLUSION

The study concludes that the YDF has contributed substantially to youth entrepreneurship in Ilemela Municipality through financial support and entrepreneurship training. The fund has improved income levels, business participation, and social networking among youth. Nevertheless, business sustainability remains a challenge due to inadequate capital, limited market linkages, and gaps in managerial skills.

Overall, the study confirms the importance of integrating financial assistance with social capital enhancement, through mentorship, peer networks, and continuous skill development, to ensure long-term entrepreneurial success. The study recommends expanding entrepreneurship training by increasing the frequency, accessibility, and content scope of entrepreneurship training to include financial literacy, marketing, and digital business skills. Increase the YDF capital allocation to accommodate more beneficiaries and ensure adequate financing for enterprise growth, establish follow-up mechanisms including mentoring, monitoring, and business advisory services to improve sustainability, and encourage youth cooperatives and business associations that leverage collective social capital for resource sharing and market access.

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