

The Effect of Flexible Loan Repayment Schedules on Youth Enterprises in Uganda

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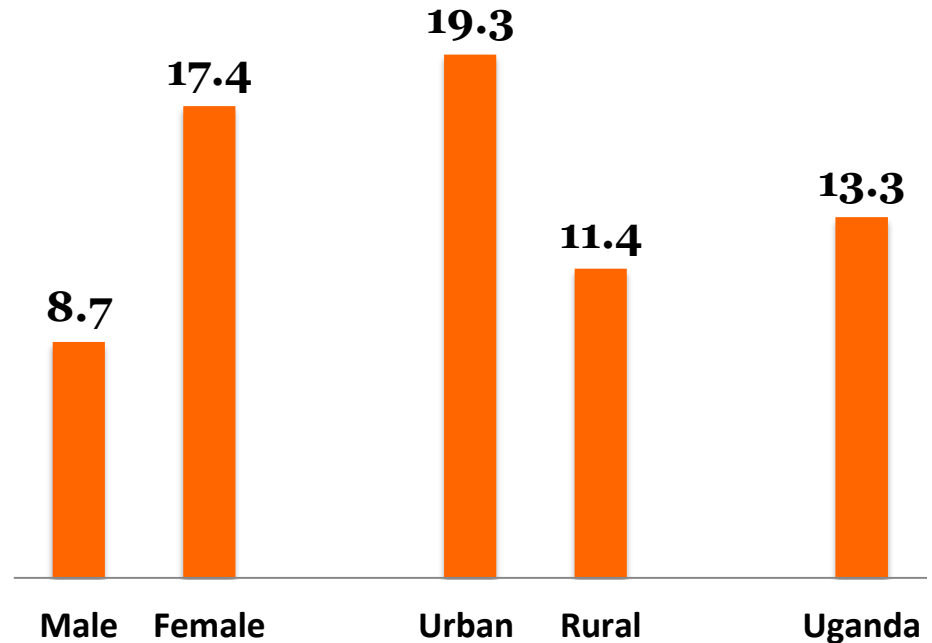
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Background

- ◆ High youth unemployment and underemployment rates
- ◆ 13.3% unemployed (relaxed definition)
- ◆ 63.2 percent underemployed/underutilized
- ◆ Wage employment in public and private sectors accounts for only 24.6% of employed youth,

National Youth Unemployment rates (%)

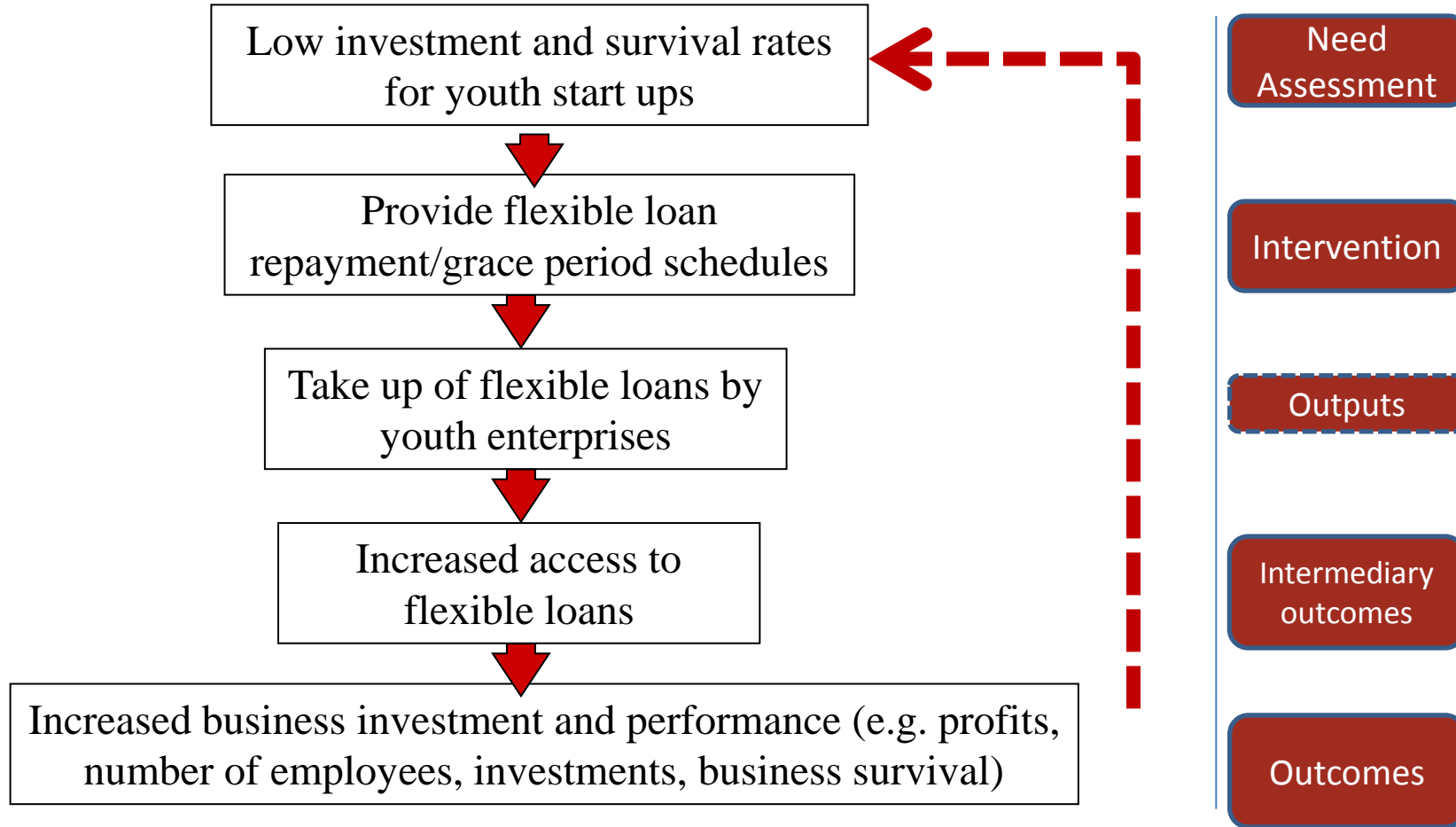


Source: SWTS (UBoS, ILO, 2013)

Background

- ❖ As a result of youth unemployment, and narrow wage sector, youth are more likely to be in self employment (micro enterprises), (74.8%)
- ❖ However, there is low investment and enterprise growth among youth business startups, and high business failure (for every business started nearly another closes down (GEM, 2004)
- ❖ Literature shows that access to micro-credit has improved however their repayment inflexibility may not provide the necessary time for investments to show a yield.
- ❖ Hence the need for our intervention (flexible loan grace period and its effect on business investment and performance

Theory of change



Assumptions and Indicators

TOC	Low investment and survival rates for youth start ups	Assumptions	Indicators
Intervention / Inputs	Provide flexible loan repayment/grace period schedules	Short/No grace period barrier to investment	-Intervention (1 or 0 assignment to control and treatment)
Outputs	Take up of flexible loans by youth enterprises	Applicants take up the loans	- Number of loans disbursed by grace period and applicant
Intermediary outcomes	Increased access to flexible loans		<ul style="list-style-type: none"> - Take up rate - Assets purchased
Outcomes	Increased business investment and performance (e.g. profits, sales, number of employees, investments, business survival)	Loans are invested in businesses Conducive business environment	<ul style="list-style-type: none"> -Return on Investment/value of assets -Number of employees

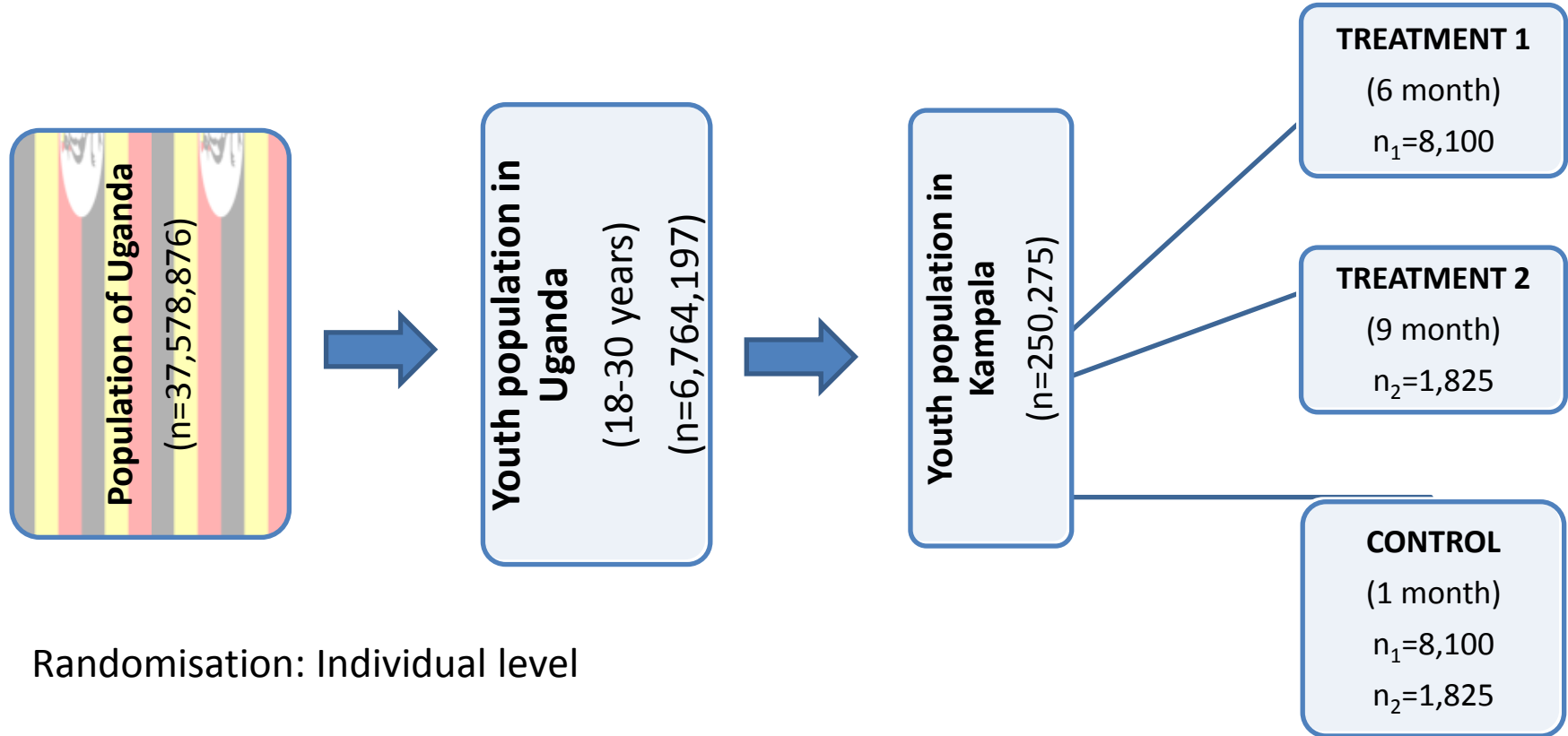
Evaluation Questions and Outcomes

- ❖ Does increased loan grace period correlate with increase in business investment and performance

Outcomes

- ❖ Investments, profits, number of employees, business survival

Evaluation Design



Data Sources

1) Largely based on survey data

Evaluation
sample

Baseline
survey

Assignment
(Control and
Treatment)

End line
survey (one
year)

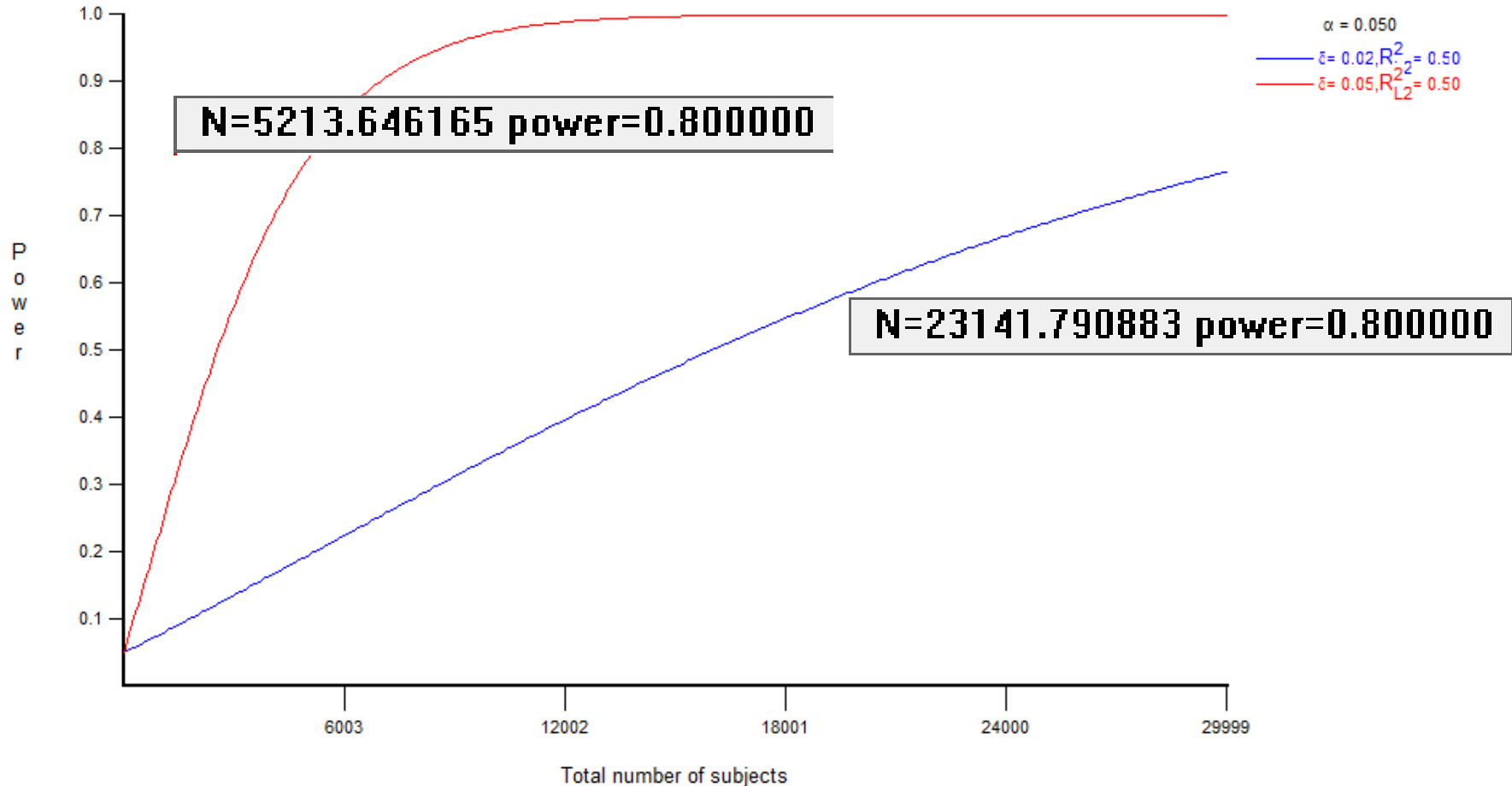
Measure
Impact

2) To a small extent administrative data

Sample Size

	Pre-test	Control (1 month)	Treatment 1 (+ 6 month)	Treatment 2 (+ 9 month)
Mean (monthly net profit) SD = US\$ 469	US\$ 297	US\$ 302.94	US\$ 315.06	US\$ 333.23
Expected change	.	+ 2%	+ 6%	+ 12%
R ²	.	.	0.5	0.5
α	.	.	0.05	0.05
δ	.	.	0.02193	0.0549
n	.	.	24,299	5,475

Power Calculation



Potential Challenges

- ❖ Take up rate: 85% target
- ❖ Compliance: high, maybe on supply side
- ❖ Attrition: 5% no systematic
- ❖ Spillovers: not much to worry about

How to manage the challenges

- ❖ Adjust sample size to take care of these challenges
- ❖ Good monitoring checks

Results

Target audience

- ❖ Governments and policy makers,
- ❖ NGOs with credit components,
- ❖ Micro finance institutions
- ❖ Research community

Dissemination channels

- ❖ Workshops
- ❖ Policy briefs, research paper
- ❖ Targeted meetings