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Beyond Financial Capital: Rethinking Youth Empowerment and Entrepreneurship in Tanzania's Informal Sector

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ABSTRACT

Government-funded, interest-free youth loan schemes are central to promoting entrepreneurship and economic inclusion in Tanzania's informal sector, yet their broader empowerment effects remain underexplored. This study examines how financial capital shapes youth empowerment across economic, psychological, social, and political dimensions. Using a mixed-methods case study in Arusha City Council, the analysis draws on survey data from 118 youth entrepreneurs supplemented by focus group discussions and semi-structured interviews. The results indicate that although access to loans facilitated business start-ups and enhanced self-confidence, the sustainability of these enterprises was impeded by insufficient training, inadequate institutional follow-up, and restricted market linkages. Some participants gained social recognition, but entrenched gender and age hierarchies continued to restrict decision-making power and political participation. Overall, the findings underscore the need for integrated interventions that combine financial support with capacity-building, institutional accountability, and inclusive governance mechanisms.

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1.0 Introduction

Across many developing economies, youth entrepreneurship has been promoted as a pathway to employment creation and economic inclusion, particularly where formal labour markets cannot absorb growing youth populations (Ulwan, 2021; Owusu-Peprah, 2024). In such contexts, the informal sector plays a central role, often serving as the primary entry point for young people seeking livelihood opportunities (Fox & Sohnesen, 2016; Narayan, 2002). Although financial capital is frequently framed as the major constraint to youth enterprise development and the principal lever for policy intervention (Demirgüç-Kunt & Klapper, 2012), emerging evidence shows that access to capital alone does not ensure sustainable empowerment or structural inclusion (Zada & Erokhin, 2025; Kabeer, 2020; Welter *et al.,* 2017). This raises critical questions about the broader social, psychological, and political consequences of youth entrepreneurship initiatives.

In Tanzania, where informal and self-employment activities dominate youth livelihoods, entrepreneurship has become a central strategy for economic inclusion and job creation (Isaga, 2025). National policy frameworks, including the *National Youth Development Policy* (URT, 2007, 2024) and the *National Employment Policy* (URT, 2008), highlight persistent challenges related to vulnerable employment, limited access to productive resources, and low enterprise productivity. In response, interest-free loan schemes for youth groups have been introduced as a key mechanism for stimulating enterprise development and strengthening youth agency (Kazungu & Njau, 2023; Mpoto *et al.,* 2025).

Yet concerns persist regarding the long-term sustainability and transformative potential of these loan programmes (Festo & Sumawe, 2026). The central challenge is not merely unemployment but the predominance of informal, low-productivity, and income-insecure activities that limit prospects for profit generation, capital accumulation, and long-term wellbeing. This reality underscores the limitations of relying on employment statistics alone and calls for a more nuanced assessment of entrepreneurship initiatives, one that accounts for the quality, sustainability, and empowerment potential of the livelihoods generated.

Existing scholarship on youth empowerment has largely focused on financial access and credit expansion as indicators of success (Kazungu & Njau, 2023; Ssewamala *et al.,* 2012). While such approaches offer valuable insights, they often overlook the psychological, social, and political dimensions of agency that shape whether young people can convert resources into sustained achievements (Zimmerman, 2000; Kabeer, 2020). Empirical studies examining these multidimensional processes within Tanzania's informal economy remain limited, particularly in light of institutional constraints, gender inequalities, and socio-cultural norms that shape youth experiences.

Against this backdrop, this article examines how access to financial capital interacts with institutional, social, and political conditions to shape youth empowerment across economic, psychological, social, and political domains. It makes three contributions to empowerment scholarship and Tanzanian policy discourse. First, it provides empirical evidence from Arusha, drawing on youth and institutional perspectives to illuminate how empowerment is experienced and negotiated in practice. Second, it challenges the assumption that financial capital alone is sufficient, demonstrating the importance of complementary supports such as skills training, mentorship, and institutional accountability (Kesanta & Andre, 2015). Third, it identifies conceptual ambiguities in Tanzanian youth policy, where terms such as *enable*, *empower*, and *facilitate* are often used interchangeably, obscuring distinctions between resource provision and genuine agency-building (Zimmerman, 2000).

The next section reviews relevant literature on youth entrepreneurship and multidimensional empowerment, followed by the research design, findings, and policy implications.

2.0 Theory and Conceptual Framework

This article draws on empowerment theory, which conceptualises empowerment as a multidimensional process through which individuals gain access to resources, exercise agency, and convert opportunities into sustained achievements (Kabeer, 1999; Zimmerman, 2000). Empowerment extends beyond material provision to encompass the capacity to make strategic life choices within existing structural constraints. Access to economic resources alone does not constitute empowerment unless it is accompanied by enhanced agency, social recognition, and meaningful participation in decision-making processes. Empowerment, therefore, entails both access to resources and the ability to transform those resources into sustainable improvements in well-being and autonomy.

In entrepreneurship research, economic empowerment goes beyond funding; it involves the ability to start, maintain, and grow businesses within supportive institutions (Welter *et al.,* 2017). Enterprise survival is shaped by regulatory conditions, market integration, contextual embeddedness, and access to supportive business networks (Alvarez & Barney, 2007). In informal economies, with limited institutional support structures, enterprise sustainability depends not only on capital investment but also on business skills, mentorship, social legitimacy, and accountability mechanisms. Economic empowerment involves long-term livelihood security and financial stability, not just starting a business. Evidence from Tanzania and comparable Sub-Saharan African contexts shows that youth-led enterprises often operate within constrained institutional environments marked by limited training opportunities, bureaucratic barriers, gendered market inequalities, and weak post-disbursement monitoring (Mpoto *et al.,* 2025; Kesanta & Andre, 2015; Babajide *et al.,* 2020). Although youth loan schemes have expanded financial inclusion, access to credit without structured capacity-building and continuous institutional support rarely leads to long-term entrepreneurial transformation. These findings highlight that empowerment outcomes depend not only on financial inputs but also on the broader structural and relational environments in which youth enterprises function.

Building on this scholarship, youth empowerment in this article is conceptualised across four interrelated dimensions: *economic, psychological, social, and political.* Economic empowerment refers to access to and control over productive resources, income stability, and enterprise resilience. Psychological empowerment encompasses self-efficacy, resilience, and perceived autonomy in decision-making (Zimmerman, 2000). Social empowerment involves recognition, participation in networks, and collective agency within community contexts (Narayan, 2002). Political empowerment concerns engagement in governance processes and influence within institutional decision-making structures (Calvès, 2009). These dimensions are mutually reinforcing: financial access may strengthen confidence and social standing, but exclusion from governance or market networks can undermine long-term agency and civic trust. Without institutional support, gender-responsive practices, and viable market linkages, empowerment remains fragile (Mukyala & Namono, 2024).

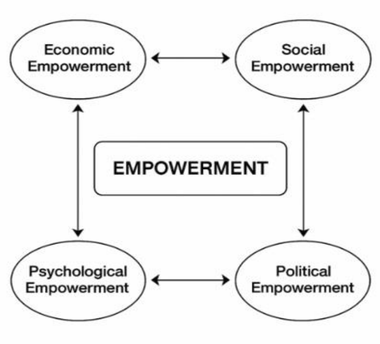
Alternative frameworks such as Sen's capability approach, which emphasises substantive freedoms (Crocker & Robeyns, 2010), and social capital theory offer valuable insights. However, empowerment theory is adopted here because of its explicit focus on relational power dynamics and institutional accountability. It provides a coherent lens for examining how resources, agency, and structural conditions interact within Tanzania's informal economy.

This article also uses empowerment theory to interrogate conceptual ambiguities in Tanzanian youth policy, where terms such as *enable*, *facilitate*, and *empower* are often used interchangeably. Such imprecision risks conflating resource provision with genuine agency formation, thereby weakening policy coherence and accountability (Zimmerman, 2000). A multidimensional framing that foregrounds equity, institutional responsibility, and structural support offers a more rigorous basis for evaluating youth empowerment interventions (Ranatunga & Priyanath, 2025; Berg *et al.,* 2009).

The conceptual framework guiding this study is presented in Figure 1. It conceptualises empowerment as an integrated and dynamic process in which financial capital strengthens psychological confidence, enhances social recognition and network participation, and expands engagement in governance processes.

Financial resources are therefore one enabling component within a broader ecosystem of institutional, social, and political conditions. The framework emphasises the interdependence of the four empowerment dimensions and informed the analytical approach, particularly in assessing how financial access in Arusha interacts with institutional constraints, gender norms, and limited civic inclusion.

Figure 1
Conceptual Framework: Financial Capital within a Multidimensional Model of Youth Empowerment



Source: Developed by the authors (2025), based on empowerment theory (Kabeer, 1999; Zimmerman, 2000).

3.0 Materials and Methods

3.1 Research Design and Rationale

A mixed methods case study design was employed to examine how economic empowerment influences youth agency across psychological, social, and political dimensions. Grounded in empowerment theory, which emphasises multidimensional and context-specific processes, this design enabled the capture of both measurable economic outcomes and subjective lived experiences (Creswell & Plano Clark, 2011; Yin, 2006). The integration of qualitative and quantitative approaches strengthened analytical depth through methodological triangulation, allowing complementary forms of evidence to be brought into conversation within a unified framework. Mixed methods research is particularly suited to complex social phenomena such as empowerment, where objective indicators of resource access must be interpreted alongside perceptions of autonomy, recognition, and participation (McKim, 2017; Creswell & Plano Clark, 2011).

3.2 Study Area and Sampling

Fieldwork was conducted in Arusha City Council. Using purposive sampling, thirteen of the fifty-one youth groups that received loans in the 2019–2020 cycle were selected to capture variation in sector, gender composition, loan size, and repayment performance (Patton, 2015).
Feasibility considerations and analytical saturation guided the final sample (Guest *et al.,* 2012). In total, 118 youths aged 18–35, consistent with statutory definitions under the *Local Government Finances Act No. 9 of 1982* and *Government Notice No. 286 of 2019,* participated. Additionally, five (5) key informants from the Community Development Department were included for their roles in loan disbursement, implementation oversight, and monitoring.

3.3 Data Collection

Data were collected through surveys, focus group discussions (FGDs), participant observation, and semi-structured interviews. A structured questionnaire administered to the 118 youth respondents generated quantitative indicators of loan utilisation, business performance, and empowerment outcomes, complemented by selected open-ended items to capture experiential insights (Creswell, 2014). Interviewer administration ensured clarity and accommodated diverse literacy levels.
Four FGDs were conducted, each comprising eight to twelve participants stratified by gender, education level, and business type. These discussions provided deeper insight into socio-cultural constraints, institutional dynamics, and perceptions of agency (Narayan, 2002). Sessions lasted 60–90 minutes, were audio-recorded with consent, and supported by detailed field notes. Participant observation during site visits enabled direct assessment of business infrastructure, record-keeping, decision-making processes, and loan utilisation (Bryman, 2016). Semi-structured interviews with loan officers, programme coordinators, and business mentors offered institutional perspectives on implementation challenges and empowerment outcomes. Triangulation across

these qualitative sources enhanced interpretive rigour (Flick, 2024).

3.4 Secondary Sources and Policy Analysis

Secondary data included the *National Youth Development Policy* (2007), the *National Economic Empowerment Policy* (2004), and the *Five-Year Development Plan III* (2021–2026). These documents were analysed to understand how youth empowerment is framed in national policy, particularly regarding financial access, institutional accountability, and agency formation. This analysis enabled comparison between policy intentions and implementation practices in Arusha and situated findings within broader regional and international debates (Alsop & Heinsohn, 2005).

3.5 Reliability, Validity, and Data Analysis

The questionnaire was pretested with youth entrepreneurs in a neighbouring ward (Hashim *et al.,* 2022), leading to minor adjustments for clarity and sequencing. Reliability was strengthened through standardised administration and consistent question structures. Construct validity was enhanced through triangulation across survey data, FGDs, interviews, and observations (Flick, 2024; Patton, 2015).

Qualitative data were analysed inductively to identify themes related to autonomy, recognition, gendered agency, and institutional constraints (Guest *et al.,* 2012). Quantitative data were analysed using descriptive statistics to summarise loan use, business sustainability, and participant characteristics (Field, 2024). Comparative analysis between relatively successful and underperforming groups helped identify structural and institutional drivers of variation. Integration occurred during interpretation, enabling analysis of how economic, psychological, social, and political dimensions interacted in practice.

3.6 Analytical Framework and Operationalisation

Empowerment theory informed the operationalisation of key variables, requiring attention to both resource access and agency formation (Kabeer, 1999; Zimmerman, 2000). Objective indicators such as business continuity and loan utilisation were analysed alongside subjective indicators including confidence, recognition, and decision-making autonomy. Table 1 summarises the operationalisation of empowerment across economic, psychological, social, and political dimensions.

3.7 Ethics Statement and Limitations

Ethical principles of informed consent, confidentiality, and voluntary participation were strictly observed (Bryman, 2016; Creswell and Plano Clark, 2011). Participants were fully briefed on the purpose of the research and their right to withdraw. Identifying information was removed from the report, and the data were securely stored. The research was confined to the Arusha City Council and focused on youth groups participating in government-supported loan schemes. While this facilitated contextual depth consistent with case study methodology (Yin, 2006), findings may not be generalisable beyond similar institutional arrangements. A further limitation is the reliance on self-reported psychological and political measures, which are vulnerable not only to response and social desirability biases but also to common method variance because multiple key constructs were assessed using the same method at a single time point. Triangulation across multiple sources mitigated this risk.

Table 1
Operationalization of Empowerment Dimensions

Dimension	Conceptual Focus	Indicators	Primary Data Source
Economic	Access to and control over financial resources	Loan utilization; business continuity; income stability	Survey; Observation
Psychological	Perceived confidence and autonomy	Self-reported confidence; decision-making autonomy	Survey; FGD
Social	Social recognition and network participation	Group participation; community recognition	FGD; Interviews
Political	Engagement in governance processes	Meeting participation; awareness of local governance	Interviews; Survey

Source: Authors' Compilation (2025), Based on Kabeer (1999) and Zimmerman (2000).

4.0 Results and Discussions

The findings reveal that while access to financial capital initially stimulated entrepreneurial activity among youth groups, it rarely translated into sustained or multidimensional empowerment. Structural constraints, including limited business training, weak institutional follow-up, socio-cultural inequalities, and restricted market opportunities, significantly shaped outcomes across the economic, psychological, social, and political domains. The presentation of results follows these four dimensions, as outlined in the conceptual framework. Statistical trends are complemented with qualitative insights drawn from focus group discussions, semi-structured interviews, and field observations to illuminate how youth experienced and negotiated empowerment in practice.

4.1 Economic Empowerment and Business Sustainability

Access to youth loans enabled many participants to initiate small-scale enterprises. However, survey data showed that 68.6 per cent of respondents had no prior business training, significantly constraining their capacity to manage and sustain their ventures. Focus group discussions revealed that many youths invested in sectors unfamiliar to them, often lacking the technical skills or strategic planning needed. Rather than reflecting deliberate entrepreneurial risk-taking, these decisions stemmed from limited market exposure, inadequate advisory support, and pressure to demonstrate rapid utilisation of funds. Participants frequently described an emotional shift from initial optimism to growing uncertainty. The loan was widely interpreted not merely as financial support but as a symbolic gateway to social mobility. As one participant explained during a focus group discussion:

> *We were very happy when we received the loan because we thought our lives would change. But no one trained us on how to run a business or manage the money. Most of us had never done business of this nature before. When problems started, like low sales or losses, we did not know whether to continue, change the business, or stop completely. Many of us invested in businesses that failed within months, which is why so many collapsed.* (FGD, October 2021)

The language of "our lives would change" reflects how entrepreneurship had been internalised as a transformative promise. The loan was imagined as a gateway to independence and social repositioning. Yet when market realities confronted inexperienced operators, the absence of training produced not only financial strain but also psychological disorientation. Uncertainty about whether to persist or withdraw reveals the fragility of agency when institutional scaffolding is weak. In empowerment terms, access to resources alone did not translate into sustained capability, as the structural and relational conditions necessary for converting resources into achievements were missing.

Patterns of business survival further reflected these structural constraints. Enterprises in retail and food vending were more likely to survive due to daily cash flow and lower technical demands. In contrast, ventures such as poultry farming and tailoring experienced higher failure rates because they required specialised expertise and ongoing management oversight. A participant engaged in poultry farming recounted:

> *We started a poultry business because we believed it would grow quickly and make a profit, but we did not know how to handle sick birds. We did not have a training expert to consult. When the disease spread, many died, and the business could not recover.* (FGD, 2021)

This example illustrates how technical knowledge gaps can convert a viable opportunity into economic collapse. The decision to enter poultry farming was not irrational; rather, it reflected exposure to narratives of quick returns without corresponding access to veterinary guidance or risk-mitigation support. The resulting livestock losses eroded not only income but collective confidence within the group. The absence of expert consultation highlights institutional silence at critical moments of vulnerability.

Institutional actors acknowledged these shortcomings. One loan officer stated:

> *Our role is mainly to disburse the loans to youth groups. After that, follow-up on repayment and whether the business is doing well is not always effective. Due to*

> *limited staff and resources, we are unable to visit all groups regularly or provide close guidance*. (Interview, October 2021)

This admission reveals a structural disconnect between loan disbursement and capacity development. Monitoring prioritised repayment rather than enterprise mentoring, meaning early signs of business distress were seldom addressed. The institutional architecture thus reproduced a capital-centric model, in which responsibility for success was individualised despite inadequate structural support.

Group cohesion also influenced sustainability. Youth groups with pre-existing trust, clear role allocation, and shared decision-making practices were better able to absorb shocks. As one participant noted:

> *Our group worked because we trusted each other and agreed on roles from the beginning. Everyone knew what they were responsible for, and we made decisions together. When problems arose, we discussed them as a group rather than blaming each other, and that helped the business continue.* (FGD, October 2021)

Here, empowerment was embedded in relational capital. Trust and collective responsibility acted as informal governance mechanisms that compensated for institutional gaps. In contrast, groups marked by conflict or weak leadership disintegrated quickly. Thus, economic empowerment emerged not solely from financial access but from the social dynamics within groups.

Taken together, these findings demonstrate that while loans created entry points into entrepreneurship, sustainability depended on training, mentorship, institutional accountability, and internal cohesion. Access to capital alone was insufficient to produce durable empowerment. Consistent with empowerment theory, resources must be accompanied by enabling structures to generate sustained agency and livelihood stability (Kabeer, 2020). These patterns mirror Hamed *et al.* (2024), who argue that capital-centric interventions often overlook foundational competencies essential for long-term enterprise development.

4.2 Inequality in Gender and Education

Structural inequalities, particularly those related to gender and education, played a decisive role in shaping empowerment trajectories. Women constituted only 25.4 per cent of loan recipients, reflecting persistent barriers to female participation in economic initiatives. Even when women accessed loans and achieved observable business growth, deeply embedded cultural norms and household power structures continued to limit their autonomy and decision-making authority. Participants frequently described a disjunction between economic contribution and relational authority within the family. Income generation enhanced financial visibility but did not automatically shift patriarchal hierarchies. As one participant explained:

> *Even though my business is growing and I contribute to the household income, my father still makes all the major decisions. When important issues are discussed, they do not consider my opinion seriously. The business has helped me financially, but it has not changed my position in the family*. (FGD, October 2021)

This account illustrates the coexistence of economic advancement and relational subordination. Financial contribution did not translate into decisional authority, which remained symbolically anchored in male control. The phrase *"it has not changed my position"* reveals an acute awareness of structural immobility despite material progress. Empowerment was therefore segmented across domains: gains in economic agency did not penetrate private spheres governed by patriarchal authority.

At the same time, entrepreneurship generated subtle but meaningful shifts in identity and community perception. Several women reported increased respect and personal dignity. One participant noted:

> *Since I started my business, people in my community respect me more. Before, I depended on others, but now I can support myself and my children. Even though challenges remain, this business*

> *has given me confidence. (FGD, October 2021)*

This narrative demonstrates the emergence of psychological and symbolic empowerment. Economic participation reshaped self-perception while improving social standing within informal networks. However, the concession that *"challenges remain"* underscores the incremental and partial nature of these gains, revealing that recognition did not equate to structural transformation.

Entrepreneurship also intersected with customary inheritance norms. In communities where women are excluded from inheriting land or major assets, loans became an alternative pathway to ownership. As one participant stated, "In *our tribe, I cannot inherit land from my father. This loan became my only opportunity to start something of my own. Without it, I would still be depending on my relatives"* (Interview, October 2021).

This statement situates economic empowerment within broader regimes of gendered property rights. The loan functioned as a compensatory mechanism in contexts where women are structurally prevented from accumulating assets. Yet the framing of the loan as *"my only opportunity"* highlights structural scarcity rather than systemic change. The intervention enabled partial autonomy without dismantling exclusionary inheritance systems. Empowerment thus operated within, rather than beyond, patriarchal constraints.

Educational disparities further shaped empowerment outcomes. Youth with tertiary education demonstrated stronger planning capacity, better navigation of bureaucratic procedures, and more consistent record-keeping. Their enterprises showed clearer growth strategies and greater financial discipline. In contrast, youth with only primary or secondary education often struggled to separate business and household finances or anticipate market fluctuations. A business mentor explained: *"Many youths have good ideas and motivation, but without business knowledge, they lose control of the money. Some do not keep records; others mix business funds with household expenses, which affects sustainability"* (Interview, 2021).

This observation underscores that educational capital functioned as an enabling condition for converting financial resources into durable outcomes. Motivation alone could not sustain enterprise development. Technical competence, financial literacy, and administrative familiarity enhanced youths' ability to translate opportunity into long-term stability. Educational inequalities therefore compounded gendered constraints, producing differentiated empowerment trajectories.

Taken together, these findings suggest that empowerment initiatives risk reproducing existing inequalities when gender and education are not explicitly addressed. Women's constrained autonomy reflects enduring patriarchal norms that prevent economic gains from translating into relational authority. At the same time, educational disparities shape youths' ability to sustain enterprise development. An intersectional lens is therefore necessary to account for the interaction between gendered power relations and uneven educational access (Cornwall & Rivas, 2015). Without deliberate structural design that confronts these inequalities, economic empowerment programmes may generate uneven and fragile outcomes rather than inclusive transformation (Chant, 2016).

4.3 Social Empowerment and Recognition

Nearly 61.8 per cent of respondents reported increased respect within their communities after establishing their businesses. For many youth, economic participation altered their social positioning. Income generation enhanced visibility within peer networks and family settings, shifting their identity from one of dependence to that of a contributor. Participants described being consulted more frequently, invited into discussions previously reserved for elders, and perceived as individuals capable of responsibility. In this sense, income functioned not only as a financial resource but also as a symbolic marker of maturity and reliability.

However, these gains were moderated by entrenched age and gender hierarchies that continued to structure authority. Consultation did not necessarily imply decisional power. As one participant explained: "*Even with financial independence, elders still control most decisions. We may be consulted sometimes, but the final word usually belongs to them"* (FGD, October 2021). The distinction between being "consulted" and having the "final word" reveals the limits of social empowerment. Youth were invited into deliberative spaces but remained structurally subordinate within them. Economic success permitted presence but not authority. The phrase "the final word" underscores the persistence of generational hierarchy in which decision-making remains anchored in elder status rather than economic contribution. Recognition, therefore, operated at a symbolic level without fully redistributing power. Social empowerment appeared negotiated and conditional rather than transformative.

Field observations further revealed gendered patterns in social participation. Young women were especially active in informal networks such as savings groups, peer mentoring circles, and collective marketing initiatives. These spaces provided arenas for mutual support, emotional solidarity, and shared learning. Within such informal structures, women's economic roles were validated and reinforced. Confidence was cultivated through collective exchange rather than formal institutional inclusion. Yet formal leadership structures remained largely inaccessible to youth, particularly young women. One female participant articulated this tension clearly: "*They listen to me more now, probably because I have some financial muscle from the business. Sometimes I am invited to discussions, and people ask for my views. But when it comes to village leadership or important meetings, it is still the elders who decide. My input is disregarded in final decisions"* (FGD, 2021).

Her reference to "financial muscle" reflects the symbolic leverage that income provides in informal contexts. Economic strength increased her visibility and expanded her opportunities to speak. However, the admission that "the final decisions are made without us" reveals the structural boundaries of inclusion. Voice was permitted, but authority remained centralised. The experience described is one of partial incorporation rather than substantive participation. This layered form of empowerment highlights the distinction between recognition and influence. Youth and especially young women experienced increased visibility and respect, yet these gains did not translate into sustained access to governance processes.

Social empowerment thus remained relational and embedded within normative hierarchies. Gains in economic independence altered perceptions but did not dismantle age-based or gender-based authority systems. These findings support Narayan's (2002) argument that empowerment requires not only participation but also the ability to influence outcomes. They also align with Fraser's (2020) contention that recognition must be accompanied by redistribution and representation to achieve substantive inclusion. Without structural changes in governance arrangements, social empowerment remains partial and negotiated, constrained by existing power relations rather than generating transformative shifts.

4.4 Psychological Confidence and Motivation

Prior to receiving financial support, 79 per cent of respondents reported low levels of self-confidence and uncertainty about their economic future. Many described feeling economically dependent, socially marginalised, and excluded from meaningful participation within their households and communities. For several participants, unemployment was experienced not only as material deprivation but also as diminished personal worth. Economic inactivity was associated with shame, silence in family discussions, and a sense of stalled adulthood.

Engagement in entrepreneurship altered these perceptions for many youths. Business ownership was frequently described as restoring dignity and redefining identity. Income generation enabled contributions to household expenses, school fees, and family obligations, thereby shifting participants from perceived dependents to active providers. One participant reflected: *"Now that I run a business, I feel I have something valuable to contribute. Before, I depended on others and felt unsure about my future, but having my own business makes me feel more confident and respected"* (Interview, 2021).

The transition from being 'unsure about my future' to having 'something valuable to contribute' illustrates a reconstitution of self-perception. Economic participation reshaped internal narratives of capability. Confidence was not merely emotional uplift; it was tied to visible contribution and social validation. Psychological empowerment, therefore, functioned as a mediating dimension between financial access and broader forms of agency. Income generated recognition, and recognition reinforced self-belief. These patterns resonate with scholarship on entrepreneurial identity, which conceptualises entrepreneurship as an ongoing identity-construction process shaped by social and institutional contexts (Radu-Lefebvre *et al.,* 2021). Youth were not only starting businesses; they were reconstructing their sense of self as capable economic actors. Yet, consistent with this literature, identity formation proved dynamic and vulnerable to disruption. Where institutional support, mentorship, and stable market conditions were weak, the consolidation of entrepreneurial identity remained fragile. Indeed, participants without training or institutional support described heightened anxiety when confronted with business setbacks. Market fluctuations, group disagreements, or unexpected losses destabilised confidence. Without reinforcement, psychological gains eroded quickly. These vulnerabilities were compounded by competing household demands. Survival pressures often blurred the boundary between business capital and domestic necessity. As one participant explained: *"Some of us used the loans for personal expenses instead of the business. When there is no food at home or school fees to pay, it becomes difficult to separate the business money from family needs"* (FGD, October 2021). This decision reflected not irresponsibility but the embeddedness of youth enterprises within precarious household economies. Immediate survival needs frequently outweighed long-term business reinvestment.

Institutional actors similarly highlighted the gap between motivation and resilience. A business mentor observed: *"They are motivated and eager to succeed, but without guidance and regular support, that energy is often wasted. When challenges come, they do not know how to respond"* (Mentor, Interview, 2021).

The notion that "energy is often wasted" underscores the fragility of unstructured ambition. Enthusiasm alone did not equip youth with the adaptive capacity needed to navigate an unpredictable informal economy. Resilience required mentorship, knowledge reinforcement, and consistent institutional presence. Without these supports, confidence remained reactive rather than durable.

Psychological empowerment thus emerged as one of the most immediate outcomes of financial access, visible in renewed confidence, strengthened self-perception, and a redefined sense of identity. However, these gains were contingent rather than self-sustaining. Confidence expanded when business activity remained stable and socially recognised, yet it contracted quickly under conditions of market volatility, household pressure, or institutional absence. The tension between household survival and enterprise reinvestment underscores the importance of designing empowerment interventions that recognise youth as embedded within fragile socio-economic systems rather than as isolated economic actors. Consistent with empowerment theory, agency is reinforced through enabling structures such as skills development, mentorship, and institutional accountability (Zimmerman, 2000). In their absence, psychological empowerment remains provisional and vulnerable to reversal.

4.5 Political Empowerment and Civic Voice

Political engagement emerged as the weakest dimension of youth empowerment. Only 30.5 per cent of respondents reported participating in voting, while nearly 70 per cent expressed disengagement or apathy toward formal political processes. For many participants, civic participation felt distant from the demands of sustaining small enterprises. Political institutions were not experienced as responsive arenas of influence but as procedural spaces with limited tangible impact. Several youths noted attending meetings or electoral activities without perceiving meaningful outcomes. As one participant explained: *"Even if we vote or speak out, leaders do not take us seriously. We attend meetings or give views, but nothing really changes for us or our business"* (FGD, October 2021).

This statement reflects more than disengagement; it illustrates perceived inefficacy. Participation occurred at the level of formality, yet influence remained absent. The phrase "*nothing really changes" captures* the disconnect between procedural inclusion and substantive impact. Youth were physically present in civic spaces but did not experience their voices as shaping decisions. Political participation, therefore, remained symbolic rather than transformative.

Economic precarity further constrained civic involvement. Daily survival pressures limited the time and emotional capacity available for political engagement. Entrepreneurship required continuous attention to customers, suppliers, loan repayment, and household obligations. One participant explained: "*We are too focused on survival to care about politics. When you are struggling to keep your business running or feed your family, politics feels very far from your life"* (Interview, October 2021).

This account demonstrates how material insecurity compresses political space. Faced with precarious livelihoods, youths rationally prioritised survival over governance processes. Economic vulnerability thus restricted the expansion of personal agency into civic domains.

Institutional actors acknowledged additional structural barriers to meaningful youth participation. One key informant noted: *"Policy meetings do happen, but they are not designed for youth. Many young people feel that the policy language, structure, and timing of these meetings do not allow them to participate meaningfully, so they do not feel represented"* (Key Informant Interview, 2021).

This observation highlights procedural exclusion embedded within governance systems. Even where participatory mechanisms formally exist, technical language, rigid formats, and scheduling mismatched with informal-sector livelihoods limit substantive engagement. Youth voices may be invited, but they are not institutionally integrated.

The findings reveal a persistent disconnect between personal agency and systemic inclusion. Gains in economic confidence and social recognition did not translate into influence within formal decision-making arenas. Political empowerment remained structurally constrained, reinforcing the separation between private economic activity and public governance authority. This pattern aligns with Ogamba's (2019) argument that economic inclusion alone does not automatically produce civic participation. Similarly, Babeiya (2011) observes that youth political engagement in Tanzania often remains consultative rather than decisional. In Fraser's (2020) terms, recognition without representation limits the transformative potential of empowerment.

Viewed collectively, findings across the four empowerment domains show empowerment as a multidimensional yet uneven process. Economic access enabled entry into entrepreneurship and stimulated confidence; however, sustainability depended on training, institutional support, and internal group cohesion. Psychological gains emerged quickly but were fragile, often destabilised by market volatility and household pressures. Social recognition expanded visibility but did not dismantle entrenched age- or gender-based hierarchies. Political participation remained the weakest dimension, limited by procedural exclusion and economic precarity. These interconnected patterns illustrate that empowerment is shaped not merely by financial inputs but by the interaction of resources, institutional arrangements, and normative power relations. Empowerment thus emerged as a negotiated and contingent process, requiring supportive structures rather than unfolding as a linear outcome of financial access.

5.0 Conclusions and Policy Recommendations

5.1 Conclusion

The analysis shows that youth loan schemes implemented through Arusha City Council generate important but uneven empowerment outcomes, underscoring the limitations of capital-centred development approaches in informal economies. Although access to capital enabled enterprise start-up and strengthened psychological confidence, long-term sustainability depended on training, mentorship, and continuous institutional support. In the absence of such structures, many enterprises remained vulnerable despite the initial provision of the start-up capital.

Gender and educational inequalities further shaped empowerment trajectories. Women gained visibility and social recognition, yet entrenched patriarchal norms continued to restrict their decision-making authority within households and local governance structures. Educational disparities similarly influenced youths' ability to translate financial access into durable enterprise growth, with more educated participants demonstrating stronger managerial capacity. These findings contribute to wider debates on the governance of informality, highlighting that economic participation alone does not guarantee institutional inclusion and that empowerment initiatives which overlook intersectional inequalities risk reinforcing structural disadvantage.

While social recognition enhanced youth visibility, authority remained embedded in age-based hierarchies, and political empowerment emerged as the weakest dimension. Economic participation did not translate into meaningful influence within governance processes. Youth engagement remained largely consultative, revealing a persistent gap between individual agency and systemic inclusion. The findings reaffirm empowerment theory's core premise that resources alone are insufficient; empowerment emerges from the interaction of material resources, institutional structures, and existing power relations. Financial capital can create opportunity, but without enabling environments that strengthen capability formation and institutional accountability, empowerment remains fragile and uneven.

Beyond these immediate findings, the study speaks to broader shifts in youth entrepreneurship scholarship across Sub-Saharan Africa, which increasingly question whether financial inclusion alone can generate sustained agency in contexts marked by informality, precarity, and structural inequality. Evidence from Arusha suggests that future research should explore how digital financial ecosystems, climate vulnerability, and local governance dynamics shape the resilience of youth enterprises. By situating youth entrepreneurship within wider relational and institutional contexts, the study calls for further inquiry into how informal-sector empowerment can transition from individualised survival strategies to structurally supported transformation.

5.2 Policy Recommendations

The findings carry direct implications for the implementation of *Tanzania's National Youth Development Policy (2007, 2024),* the *National Economic Empowerment Policy (2004*), and the operationalisation of the Local Government Authorities' 10 per cent youth, women, and persons with disabilities loan scheme under *G.N. No. 286 of 2019.*

First, the implementation of the loan scheme for youth should integrate structured capacity development as a mandatory component rather than an optional add-on. Pre-disbursement and post-disbursement training in financial literacy, business planning, record-keeping, and risk management should be enhanced within local government frameworks. This would align practice more closely with the empowerment objectives articulated in the *National Youth Development Policy (2024),* which emphasises skills development and self-reliance.

Second, institutional follow-up mechanisms should move beyond repayment monitoring to developmental support. Establishing dedicated enterprise-mentorship units within local authorities offering periodic advisory visits, technical guidance, and early-warning intervention would reinforce the accountability mechanism envisioned in the National Economic Empowerment Policy (2004).

Third, gender-responsive implementation is essential for addressing persistent structural barriers. Targeted outreach to young women, flexible collateral arrangements, and community-level efforts to challenge restrictive gender norms would support commitments articulated in the *Five-Year Development Plan III (2021 to 2026).* Empowerment should encompass not only economic inclusion but also decision-making authority within both households and governance spaces.

Fourth, economic empowerment initiatives should be linked to participatory governance. Strengthening youth representation in ward development committees, simplifying consultation processes, and embedding civic education into entrepreneurship programmes would help bridge the gap between economic agency and political voice. Without institutionalised pathways for youth engagement, empowerment risks remaining individualised rather than transformative.

Overall, effective implementation of Tanzania's empowerment policies requires moving beyond a capital-centred model toward a multidimensional framework that integrates training, institutional accountability, gender equity, and civic inclusion. Such an approach provides a more coherent pathway for translating financial access into sustained and equitable empowerment within the informal economy.

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8.0 Declaration of Conflicting Interests

The authors declare no conflict of interest.

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