PEP research in action

Understanding risk tolerance to boost Uganda’s young entrepreneurs

2012

64% of Uganda’s unemployed are aged 18-30
19.5% of population live in poverty

Local PEP researchers investigate risk tolerance and the role of credit counseling for young entrepreneurs.

Credit demand is closely linked to personal risk tolerance, which can be modified through training.

Those who attended the clinics:
- inclined to request significantly lower amounts of credit
- understood the need to use the resources responsibly
- showed better understanding of financial management
- more likely to explore other funding sources (supplier credit, grants, family loans)

Providing financial risk education as a complement to credit provision for youth can reduce the default rate while also reducing unemployment levels.

Findings

Ugandan government launches the Youth Venture Capital Fund (YVCF) to provide credit and mentoring for young entrepreneurs

- Low uptake
- High default rate

Recommendations for policymaking

- Incorporate credit counseling, financial management and soft-skill training (planning, communication, negotiation, risk management, etc.) into all vocational courses and entrepreneurship programs that target and aim to empower youth.

Informing national policies

Throughout the project the team consulted with:
- Office of the Prime Minister
- Ministry of Finance, Planning and Economic Development (MOPFED)
- Ministry of Gender, Labour and Social Development (MGLSD)
- Ministry of Education and Sports
- Uganda Investment Authority

Team invited to present
- Regular progress updates to the National Evaluation Sub-committee
- Preliminary findings to the Evaluation Fraternity and Uganda policymakers in May 2014
- Findings and recommendations to senior management of MOPFED and MGLSD

◊ Following PEP National Policy Conference in December 2016

Findings help inform government’s Youth Unemployment Strategy

“I learnt how to generate business ideas, raise capital, and handle risks and uncertainties in my business at the business clinic. I am now a self-employed and my entrepreneurial skills are developing day by day.”
- Spencer Ivan from Mbarara

“Being offered training on business and credit management before the consideration of fund acquisition in the YVCF was a very good idea. The business clinic was very useful in explaining how to better access and use credit to grow my business”
- Sam Lubwama, 30