

Empowering Youth Through Microfinance: The Role of Ngos in Promoting Youth Entrepreneurship

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ABSTRACT

This study investigates the ways in which Non-Governmental Organizations (NGOs) influence their institutional strengths to deliver microfinance services aimed at empowering youth and promoting entrepreneurial development. Drawing on both conceptual frameworks and empirical observations, the research analyzes the organizational structures, strategic approaches, and participatory methods that NGOs employ to expand young people's access to financial tools and entrepreneurial support. The study explores how youth-oriented microfinance programs are designed, how resources—both financial and human—are mobilized, and how youth engagement is facilitated through mentorship, monitoring, and support systems to ensure long-term success. A key focus is placed on capacity-building initiatives, skills development, and community-specific interventions tailored to the diverse needs of emerging youth entrepreneurs. The research underscores that the flexibility, creativity, and collaborative efforts of NGOs are vital in fostering youth entrepreneurship through microfinance. It concludes by offering actionable recommendations to improve the effectiveness of these interventions, such as adopting digital technologies, expanding entrepreneurship education, and advocating for youth-friendly policy reforms to scale up and sustain youth empowerment initiatives.

Research Design: This study follows a descriptive design, based on secondary data from academic publications, NGO reports, and other credible sources. It reviews existing literature and case studies to examine how NGOs use microfinance to promote youth entrepreneurship. The focus is on identifying effective practices in financial access, skill development, and youth engagement. Insights gained are used to suggest strategies for enhancing the impact of NGO-led initiatives.

Findings: The study indicates that NGO-led microfinance programs have a positive impact on youth entrepreneurship. These initiatives help young individuals start income-generating activities, improve their financial knowledge, and build supportive peer networks. NGOs also play a key role in developing youth-focused financial services and offering training and guidance, which encourages active youth involvement in local economic development.

Originality and Value: This research provides fresh insights by examining how NGOs use microfinance to support youth entrepreneurship. It offers practical suggestions for policymakers and stakeholders aiming to strengthen youth-led economic initiatives and improve their role in local development.

Paper Type: This review draws on a structured analysis of academic publications and NGO reports sourced from reputable national and international databases. It explores how NGOs support youth entrepreneurship by leveraging microfinance, focusing on financial access, skill development, and sustainable economic engagement among young people.

Keywords: Non-Governmental Organizations (NGOs), Microfinance, Youth Empowerment, Youth Entrepreneurship, Financial Inclusion, Institutional Capacity, Sustainable Development

1. INTRODUCTION

Non-Governmental Organizations (NGOs) have increasingly emerged as pivotal actors in the provision of microfinance services, especially for youth in economically disadvantaged settings. Their grassroots presence and adaptive operational models enable them to address the unique financial and entrepreneurial needs of young people, thereby contributing to both their economic independence and upward social mobility. Recent studies emphasize the crucial role of NGO-led microfinance in cultivating entrepreneurial capacities among youth and strengthening their economic decision-making skills [1]. Evidence from rural areas in Southeast Asia indicates that youth beneficiaries of microcredit through NGOs are more likely to initiate small businesses and take on leadership roles within their communities [2]. Similarly, in India, NGO-supported Self-Help Groups (SHGs) and youth microenterprise programs have made notable progress in enhancing financial inclusion and promoting entrepreneurial ambitions among rural youth [3].

Despite these encouraging trends, the effectiveness of NGOs in fostering youth entrepreneurship through microfinance is contingent upon their organizational capacity and structural coherence. Key elements such as successful resource mobilization, strong stakeholder collaboration, and youth-centered program design play an essential role in ensuring program efficacy [4]. Additionally, embedding financial literacy components and adopting participatory, locally grounded strategies can significantly strengthen the outreach and durability of these initiatives [5]. However, persistent obstacles remain. These include inadequate access to digital technologies, limited vocational education, and insufficient policy backing—all of which hamper the broader goals of youth empowerment [6]. This study seeks to analyze the institutional capabilities and strategic methodologies of NGOs in the youth microfinance sector, with the aim of identifying key success factors and offering actionable recommendations for program enhancement.

2. RESEARCH METHODOLOGY

This study employs a literature review methodology to explore the strategic approaches and capacity-building efforts undertaken by NGOs in delivering microfinance services to youth, with particular emphasis on their role in fostering entrepreneurship and advancing economic empowerment. The review synthesizes insights from peer-reviewed journals, policy papers, and field-based reports sourced from reputable academic and development platforms such as JSTOR, Google Scholar, ERIC, and the World Bank Repository. Special attention is given to the integration of conceptual models and empirical findings, with a geographical focus on South Asia—particularly India—and the involvement of faith-based and Church-affiliated NGOs. The analysis examines key operational strategies, youth-focused engagement models, and institutional structures that shape the reach, impact, and sustainability of microfinance interventions aimed at young entrepreneurs. By critically assessing the existing body of

literature, the study seeks to identify best practices, highlight success-enabling factors, and uncover strategic gaps in current NGO-led efforts to empower youth through microfinance.

OBJECTIVES:

1. To critically examine the organizational structures and operational frameworks employed by NGOs in delivering microfinance services aimed at promoting youth entrepreneurship.
2. To evaluate the impact of core NGO capacities—such as human resource competencies, resource mobilization strategies, and institutional partnerships—on the sustainability and scalability of youth-oriented microfinance programs.
3. To analyze the extent to which NGOs tailor microfinance interventions to address the diverse financial, educational, and entrepreneurial needs of youth in economically and socially disadvantaged communities.
4. To assess the effectiveness of outreach mechanisms, vocational training programs, and participatory engagement strategies in enhancing youth access to microfinance and entrepreneurship support services.
5. To identify the major challenges faced by NGOs in implementing youth-centric microfinance initiatives and to propose evidence-based strategies for improving their operational efficiency and developmental outcomes.

3. CONTENT ANALYSIS: INSTITUTIONAL CAPACITIES AND STRATEGIC ROLES OF NGOs IN MICROFINANCE PROVISION

The success of microfinance interventions led by NGOs in promoting youth entrepreneurship is deeply influenced by their internal institutional capacities. Key organizational factors—including visionary leadership, efficient administrative infrastructure, active community engagement, and collaborative networks—play an instrumental role in shaping program design, enhancing outreach, and ensuring the sustainability of youth-centered financial services. NGOs, through their structural capabilities, are able to go beyond merely offering credit and savings schemes by cultivating a favourable environment that promotes entrepreneurial activities among young individuals.

This section delves into the ways NGOs leverage their structural strengths to expand microfinance access, improve entrepreneurial performance, and stimulate innovation in underserved youth populations. Through a review of scholarly literature and insights from field-based assessments, the analysis underscores the multifaceted roles NGOs perform—not only as financial intermediaries but also as facilitators of capacity-building, policy advocacy, and ecosystem coordination. By integrating financial services with skill development, mentoring, and participatory planning, NGOs contribute significantly to fostering inclusive and sustainable youth entrepreneurship.

3.1. Conceptual framework of microfinance and youth empowerment

The success of microfinance initiatives aimed at youth empowerment is closely tied to the capacity of NGOs to develop flexible, youth-responsive financial services that align with the socio-economic realities of local communities. NGOs that maintain strong grassroots connections, possess a clear understanding of young people's aspirations, and integrate entrepreneurship development within their financial programming are well-positioned to serve as catalysts for youth empowerment.

In rural and marginalized areas, NGOs play a critical role in bridging institutional gaps by offering access to microcredit, vocational training, and mentorship opportunities—core elements necessary for nurturing youth-led entrepreneurial ventures. Through the convergence of financial inclusion, skills

enhancement, and social support, these organizations help promote economic engagement, self-sufficiency, and innovative thinking among young people. This integrated approach not only addresses immediate financial needs but also lays the foundation for long-term economic resilience and upward mobility within youth populations.

KEYWORDS: Microfinance, Youth Empowerment, Youth Entrepreneurship, Economic Participation, Financial Inclusion, Livelihood Development, Social Mobility

Table – 1: Conceptual Framework of Microfinance and Youth Empowerment

| Sl.No. | Focus of Study | Contribution | Reference |
|--------|--|--|-----------------------------------|
| 1 | Youth empowerment through microfinance | This conceptual framework highlights how NGOs advance youth entrepreneurship by integrating microfinance with skill development and institutional support. It links financial access to community engagement, organizational strength, and policy advocacy, emphasizing a holistic approach to sustainable youth empowerment. | Bhatia, S, et al. (2023). [7] |
| 2 | Microfinance impact on rural youth poverty reduction | This research offers significant empirical insights into the impact of microfinance on poverty alleviation in rural areas of Pakistan. It demonstrates that access to financial services through microfinance empowers households to enhance their income, build assets, and elevate their standard of living. The results underscore the efficacy of microfinance as a developmental tool for assisting economically marginalized communities in low-income contexts. | Ghalib, A. K, et al. (2015). [8] |
| 3 | Microcredit effects on entrepreneur income | This study assesses the impact of microcredit programs on income enhancement among small-scale entrepreneurs in Malaysia. It examines the primary factors driving income growth and offers insights that contribute to policy debates aimed at optimizing the effectiveness of microfinance initiatives. | Terano, R, et al. (2015). [9] |
| 4 | Green microfinance promotes sustainable entrepreneurial transformation | This study presents a green microfinance approach designed to promote environmentally responsible entrepreneurship. It proposes a transformative framework that connects access to microfinance with sustainable business practices. The findings advocate for the integration of environmental objectives into microfinance programs to enhance their long-term sustainability and developmental impact. | Shahidullah., et al. (2015). [10] |

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| 5 | Microfinance enabling empowerment in Indigenous communities | This research investigates the key components of microfinance that contribute to women's empowerment, addressing both economic and socio-cultural dimensions. It provides a comprehensive analysis of how these factors interact to strengthen women's financial security and elevate their social standing. The study highlights the pivotal role of microfinance in advancing holistic empowerment among women. | Godinho, V, et al. (2018). [11] |
| 6 | Profit motives affect microfinance support for start-ups | This study examines the impact of microfinance institutions' profit orientation on their lending practices toward business start-ups. The findings reveal that institutions with a strong focus on profitability tend to be more hesitant in extending credit to new entrepreneurs, highlighting concerns about mission drift and reduced support for developmental goals. | Shahriar, A. Z. M, et al. (2016). [12] |
| 7 | Microfinance empowers youth entrepreneurship for inclusive development. | This study offers empirical evidence demonstrating that access to microfinance substantially enhances entrepreneurial engagement among youth in India. It underscores the importance of youth-cantered financial inclusion as a catalyst for promoting broader inclusive economic development. | Dutta, A, et al. (2021). [13] |
| 8 | Microfinance promotes youth entrepreneurship development | This study explores how microfinance institutions support youth entrepreneurship in Ethiopia by facilitating business initiation and growth. The findings indicate that access to customized financial products, coupled with entrepreneurial training, significantly boosts business activity and income generation among young individuals. | Asfaw, A. (2015). [14] |
| 9 | Microfinance services boost entrepreneurship in Pokhara Valley | This study presents empirical evidence from Nepal's Pokhara Valley demonstrating that microfinance services—such as credit access, training, and advisory support—positively impact entrepreneurial development. It emphasizes that these services contribute to business expansion, increased income, and greater self-employment among local micro-entrepreneurs. | Karmacharya. B. (2023). [15] |
| 10 | Microfinance sustainability and micro business success in Madhya Pradesh. | This study empirically investigates the sustainability of microenterprises financed through microfinance initiatives in Madhya Pradesh, India. The findings indicate that only a limited number of these ventures achieve profitability, underscoring the critical role of financial literacy and capacity-building interventions in ensuring their long-term viability. | Chouksey, et al. (2017). [16] |

3.2 Institutional Capacities of NGOs in Microfinance Delivery to Youth Entrepreneurs:

The effectiveness of NGOs in advancing youth entrepreneurship through microfinance largely depends on the robustness of their institutional frameworks. Key factors such as forward-thinking leadership, participatory governance, and targeted staff training focused on youth engagement, adoption of digital tools, and adaptable service delivery mechanisms significantly influence their capacity to deliver impactful programs. Institutions with strong organizational structures are better positioned to identify and address the unique challenges and ambitions of young entrepreneurs, thereby increasing their reach and ensuring long-term viability of their initiatives.

Moreover, these NGOs are often more capable of integrating support services—like financial literacy training, mentoring, and entrepreneurial skills development—within their microfinance programs. This comprehensive approach not only enhances access to credit but also deepens the effectiveness of youth empowerment by promoting independence, innovation, and active economic engagement.

KEYWORDS: Institutional Capacity, Youth Empowerment, Leadership, Governance, Organizational Efficiency, Program Sustainability, Entrepreneurship Development, NGOs, Microfinance

Table No – 2: Institutional capacities of NGOs in microfinance delivery:

| Sl No | Focus of Study | Contribution | Reference |
|-------|---|---|--------------------------------------|
| 1 | Organizational resilience influences innovation in microfinance institutions | The study underscores the importance of self-organizing systems and network-based structures in strengthening microfinance institutions' ability to implement sustainable innovations. It also points to organizational resilience as a key factor in maintaining long-term adaptability and efficiency in microfinance operations. | Wakibi, A, et al. (2024). [17] |
| 2 | Institutional entrepreneurship drives transformation in Indian microfinance NGOs. | This study examines the ways in which NGOs in India employ institutional entrepreneurship to stay aligned with the changing dynamics of the microfinance sector. It sheds light on the strategic leadership approaches and governance transformations that support the effective scaling and sustainability of their microfinance initiatives. | Sarma, S., (2013). [18] |
| 3 | Key factors influencing microfinance sustainability in India examined. | This study highlights several critical determinants of microfinance sustainability in India, including operational scale, loan amounts, cost-effectiveness, and return on portfolio. The empirical evidence underscores the significance of both institutional and financial dimensions in ensuring long-term success, providing actionable insights for NGOs and microfinance institutions (MFIs). | Mahapatra, M. S, et al. (2016). [19] |
| 4 | Sustainability determinants of Indian | Drawing on panel data from 2009 to 2014, this study evaluates the financial sustainability of microfinance | Deb, J, (2017). [20] |

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| | microfinance institutions analyzed. | institutions (MFIs) in India. It highlights operational costs, portfolio quality, and capital structure as major influencing factors. The results indicate that achieving cost efficiency and enhancing revenue streams are vital for long-term sustainability, offering valuable insights for improving institutional capacity within the sector. | |
| 5 | Two-stage DEA measures efficiency of Indian MFIs. | Using a two-stage DEA model, this study assesses the operational and scale efficiency of Indian MFIs, revealing disparities linked to institutional and contextual factors. It identifies areas for resource optimization and service improvement, offering strategic insights for enhancing sustainability. | Sinha, R. P, (2019). [21] |
| 6 | Sustainability index designed for Indian self-help groups. | This study develops a comprehensive sustainability index for self-help groups (SHGs) in India's microfinance sector, combining financial, social, and institutional metrics. The index helps identify strengths and gaps in SHG performance, offering practical insights for NGOs and policymakers to enhance impact and sustainability. | Malhotra, N, (2024). [22] |
| 7 | Governance influences microfinance performance in South Asia. | Focusing on South Asia, particularly India, the study explores how governance structures affect the financial and social performance of MFIs. It highlights board independence, audit quality, and leadership as key factors, offering policy recommendations to strengthen institutional frameworks for greater sustainability and outreach. | Saeed, A, et al. (2018). [23] |
| 8 | Digital technology enhances efficiency in Kerala's microfinance sector. | This study explores how digital technologies are transforming microfinance in Kerala, showing that tools like mobile apps and online transactions improve efficiency and client engagement. It concludes that technology adoption strengthens institutional capacity and long-term sustainability. | Santhosh Kumar, K, (2024). [24] |
| 9 | Green microfinance links sustainability with financial inclusion efforts. | The study presents green microfinance as a strategic approach that combines financial inclusion with environmental sustainability in the Indian context. It illustrates how environmentally conscious lending—such as support for clean energy and sustainable farming—advances broader developmental objectives. The research stresses that embedding environmental considerations into microfinance operations can significantly strengthen the long-term sustainability of institutions. | Adhyapak, S, et al. (2025). [25] |
| 10 | Indian MFIs face | This study examines the sustainability issues faced by | Dutta, P, |

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| | sustainability challenges and strategic choices. | microfinance institutions (MFIs) in India, particularly in the context of regulatory and operational challenges. It identifies essential internal factors—such as effective governance, cost management, and appropriate client selection—as vital for ensuring long-term stability. The findings call for strategic reforms aimed at harmonizing financial efficiency with the social mission of microfinance. | (2014). [26] |
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3.3. Strategic Approaches and Program Designs for Youth Entrepreneurship through Microfinance

Youth entrepreneurship promotion through microfinance involves strategies that prioritize youth-specific financial services, skill development, mentoring, and supportive ecosystems. These approaches address challenges like insufficient collateral, low financial literacy, and limited business experience. NGOs contribute significantly by customizing financial products—such as seed funding, adaptable repayment options, and youth-friendly savings schemes—to meet the unique needs of young entrepreneurs. Additionally, capacity-building efforts, including training in entrepreneurship, digital finance, and access to incubation support, empower youth to transform innovative ideas into viable enterprises. Collectively, these measures enhance economic engagement, self-sufficiency, and social integration among young individuals.

KEYWORDS:

Youth Financial Inclusion, Strategic Approaches, Youth Entrepreneurship, Financial Literacy, Access to Credit, Microfinance, Capacity Building, Start-Up Support, NGOs, Inclusive Development.

Table No- 3: Strategic Approaches and Program Designs for Women’s Financial Inclusion

| Sl. No. | Focus of Study | Contribution | Reference |
|---------|---|--|---------------------------------------|
| 1 | Microfinance impact on poverty reduction in rural Bangladesh. | This study critically explores microfinance in rural Bangladesh, showing that while it improves financial access, it can also reinforce power imbalances and traditional gender roles. It advocates for more holistic, context-aware financial strategies for poverty reduction | Banerjee, S. B, et al. (2017). [27] |
| 2 | Microfinance’s evolving role in India’s development landscape. | This thematic review examines microfinance's contribution to socio-economic development in India, outlining major trends, challenges, and evolving policy directions. It underscores the importance of inclusive and sustainable models to effectively serve marginalized communities. | Chaturvedi, D. D, et al. (2012). [28] |
| 3 | Analyzing microfinance effectiveness in advancing financial inclusion for | The study critiques microfinance’s limited impact on broad financial inclusion and calls for holistic policy reforms to tackle structural barriers to financial access. | Ghosh, J, (2013). [29] |

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| | development goals. | | |
| 4 | Gender inclusivity in India's digital financial revolution | This study examines India's digital finance initiatives in advancing gender inclusion within the Sustainable Development Goals framework. By comparing national progress with grassroots realities, it highlights gaps and emphasizes the need to tailor digital strategies to women's actual needs for equitable outcomes. | Duvendack, M, et al. (2023). [30] |
| 5 | Assessing microfinance's impact, outreach, and long-term sustainability across contexts. | The study assesses microfinance's impact on client welfare, highlighting the balance between reaching the poor and maintaining financial sustainability. It offers insights to help policymakers and practitioners design more effective, equitable programs. | Imai, K. S, et al. (2012). [31] |
| 6 | Exploring microfinance's role in enhancing entrepreneurship through psychological, social capital. | The study examines the role of microfinance in fostering entrepreneurial success in emerging economies, highlighting psychological and social capital as crucial mediators. It offers guidance for refining microfinance programs to achieve stronger entrepreneurial results. | Newman, A. (2014) [32] |
| 7 | Examining self-help groups' role in microfinance and financial inclusion. | This study examines the role of self-help groups (SHGs) in microfinance delivery, highlighting their success in advancing financial inclusion in rural regions. The findings endorse SHGs as an effective grassroots model for inclusive development. | Nagayya, D, et al. (2016). [33] |
| 8 | Analyzing microfinance institutions' performance in financing Bangladesh's micro-entrepreneurs. | This study assesses the roles of BRAC, ASA, and Proshika in poverty reduction by analyzing both financial and social performance of their microfinance services. It provides comparative insights to enhance support programs for micro-entrepreneurs. | Fouillet, C, et al. (2013). [34] |
| 9 | Evaluating microfinance's role in guaranteeing financial inclusion across India. | The study presents empirical evidence on how microfinance enhances financial inclusion in India, particularly among underserved groups. It affirms microfinance as an effective tool and advocates for policy efforts to strengthen inclusive financial systems. | Islam, M. N, (2022). [35] |
| 10 | Assessing strategic microfinance interventions for promoting youth | This study examines the role of targeted microfinance in promoting youth entrepreneurship, identifying effective strategies that improve business outcomes. The | Al-Mamun, M, (2014). [36] |

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| | entrepreneurship development. | results offer guidance for designing youth-oriented microfinance and development policies. | |
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3.4. Impact of NGO-Led microfinance on youth entrepreneurship and socio-economic empowerment

NGO-led microfinance plays a vital role in advancing youth entrepreneurship and socio-economic empowerment by improving access to financial resources. These initiatives enable young people to launch or grow income-generating enterprises, fostering economic independence and self-sufficiency. Microfinance support strengthens youths’ ability to manage finances, make strategic decisions, and engage productively in economic life. As a result, many assume leadership roles within their households and communities. Participation in such programs also enhances their social inclusion and overall well-being. In this way, microfinance delivered through NGOs becomes a catalyst for reducing youth unemployment and driving inclusive, sustainable development.

KEYWORDS: Microfinance, NGOs, Youth Empowerment, Financial Inclusion, Youth Entrepreneurship, Socio-Economic Development, Start-ups, Livelihood Generation, Capacity Building, Sustainable Development

Table No - 4: Impact of NGO-Led Microfinance on Youth Entrepreneurship and Socio-Economic Empowerment

| Sl. No. | Focus of Study | Contribution | Reference |
|---------|---|---|---------------------------------|
| 1 | Explores ASA's sustainable NGO-led microfinance model. | This study analyzes ASA’s cost-efficient and scalable microfinance model, emphasizing its success in balancing sustainability with financial inclusion for underserved groups. The findings offer practical insights for NGOs seeking to adopt effective microfinance frameworks in developing contexts. | Ahmed, J. U, et al. (2017) [37] |
| 2 | Analyzes microfinance's role in promoting sustainable entrepreneurship among the poor. | This study explores how microfinance influences entrepreneurship development, revealing that access to financial services boosts business sustainability and income generation. It provides empirical evidence supporting microfinance as a driver of long-term entrepreneurial growth in developing economies. | Ferdousi, F, (2015) [38] |
| 3 | Identifies factors influencing success of women micro entrepreneurs using microfinance. | This study examines the socio-economic and financial factors influencing women micro-entrepreneurs involved in microfinance. It finds that education, financial literacy, and family support play a crucial role in business success. The insights help NGOs and MFIs | Roy, G, et al. (2024) [39] |

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| | | refine their programs to better support women's empowerment and enterprise growth. | |
| 4 | Women's empowerment through microcredit in Self Help Groups | This study presents empirical evidence from Northern India on the role of SHG-based microcredit in advancing women's socio-economic empowerment, highlighting gains in financial autonomy, decision-making, and social mobility. | Chauhan, S. (2021) [40] |
| 5 | Microfinance, social capital, and training for sustainable SDG-aligned entrepreneurship. | This study explores how microfinance institutions promote sustainable entrepreneurship aligned with the SDGs by leveraging social capital and entrepreneurial training. It shows that integrating financial services with capacity-building greatly improves long-term entrepreneurial outcomes. | Abdullah, A, et al. (2023). [41] |
| 6 | Entrepreneurship institutions influence microfinance access for sustainable enterprise growth. | This study investigates how institutions that support entrepreneurship enhance microfinance access in emerging economies. It finds that such support strengthens enterprise sustainability by addressing financial gaps and fostering resilience among entrepreneurs. | Onyekwelu, P. N, et al. (2023). [42] |
| 7 | Financial inclusion through SHG-led microfinance and its social impact. | This study examines if SHG-led microfinance in Assam leads to broader social inclusion. It finds that while financial access improves, meaningful social inclusion also requires supportive socio-cultural conditions and active community involvement. | Maity, S, (2023). [43] |
| 8 | Microcredit's role in tribal women's employment and livelihood transformation. | This study evaluates the effects of microcredit provided through the Pradhan Mantri Mudra Yojana (PMMY) on tribal women entrepreneurs. It reveals that such credit has notably improved employment, income levels, and business engagement, thereby transforming livelihoods and boosting economic participation. | Putta, S. S, (2023) [44] |
| 9 | Islamic microfinance impact on women entrepreneurship during COVID-19 pandemic. | This study examines the role of Islamic microfinance in supporting women entrepreneurs during the COVID-19 crisis. It finds that Shariah-compliant financing offered financial stability and resilience, enabling women to sustain and adapt their businesses amid economic challenges. | Nawaz, S, et al. (2021). [45] |
| 10 | Social business | This study investigates the role of social | Hossain, M, et al. |

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| | promotes youth entrepreneurship development | business models in promoting youth entrepreneurship in Bangladesh. It finds that integrating business opportunities with social impact supports sustainable development and empowers young people economically. | (2024). [46] |
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4. EMPOWERING YOUTH THROUGH MICROFINANCE: THE ROLE, STRATEGIES, AND IMPACT OF NGOS

Non-Governmental Organizations (NGOs) play a crucial role in bridging financial access gaps for young entrepreneurs, particularly in regions with limited formal banking infrastructure. Their interventions extend beyond microcredit, incorporating mentorship, skills training, digital financial literacy, and market access—all tailored to the specific needs of youth [47]. This section explores the comprehensive strategies employed by NGOs to nurture youth entrepreneurship and the socio-economic changes resulting from these efforts.

One key strategy is the formation of Youth Self-Help Groups (YSHGs)—peer-driven collectives that facilitate savings, lending, and leadership development. These groups enable access to credit without traditional collateral requirements and foster a culture of accountability and entrepreneurial learning. NGOs also embed financial and digital literacy into their programs and assist youth in connecting to local and regional markets. For instance, BRAC’s youth-focused social business fund in Bangladesh has significantly raised entrepreneurial income levels when coupled with training and ongoing NGO support. Similarly, in Kenya’s Migori County, NGO-supported YSHGs reported better financial performance due to simplified loan terms and more flexible collateral conditions [48].

Empirical findings indicate that youth involved in NGO-led microfinance initiatives experience measurable improvements in business planning, income generation, and self-confidence. When digital skill training is included, youth are better prepared to navigate evolving, technology-driven economic landscapes. These outcomes underline the vital contribution of NGOs in promoting sustainable youth entrepreneurship through well-structured and inclusive microfinance programs.

4.1 Capabilities of NGOs in Empowering Youth

NGOs possess a wide range of capabilities that enable them to empower youth through microfinance initiatives. They provide financial literacy training, entrepreneurship development, and vocational skill-building programs that enhance young people's capabilities and confidence. NGOs also play a key role in mentoring, facilitating access to seed capital, and creating platforms for youth networking and innovation. For example, BRAC’s Youth Empowerment Program in Bangladesh combines microfinance with education and livelihood training to help youth build sustainable livelihoods [49]. Likewise, DOT and the MasterCard Foundation have equipped over 300,000 African youth with digital entrepreneurship skills and startup support. YBI (2024) further highlights that youth-focused NGO initiatives tend to be more effective when mentorship is embedded into financial services.

4.2 Challenges Faced by NGOs in Youth Microfinance Initiatives

Although NGOs have made notable strides in promoting youth entrepreneurship through microfinance, they continue to face a range of operational and structural challenges. Key among these are limited funding, regulatory complexities, lack of formal credit histories among youth, and the heightened perception of risk associated with lending to young, often inexperienced entrepreneurs. Reaching underserved or remote youth populations are further complicated by geographical isolation and limited

digital infrastructure, deepening the urban–rural divide (GOYN, 2025).

Beyond logistical constraints, socio-institutional barriers also impede progress. The exclusion of youth voices in financial policy formulation can weaken the relevance and impact of microfinance initiatives. For instance, Onyango et al. (2024)[50] report that in Kenya, while Youth Self-Help Groups (YSHGs) have shown potential, inadequate policy support and misalignment with institutional frameworks hinder broader success. Likewise, Karmacharya [51] highlights persistent infrastructural shortcomings and widespread financial illiteracy as major obstacles to youth microfinance outreach in Nepal.

To address these challenges, NGOs often build strategic partnerships with governments, private sector actors, and community-based organizations. Such collaborations allow for the tailoring of interventions to meet the specific needs and circumstances of youth, enhancing both reach and effectiveness.

4.3 Impact of Microfinance on the Empowerment of Youth

Microfinance plays a vital role in empowering youth both economically and socially. It facilitates business creation and expansion, leading to increased household income and greater self-sufficiency. Access to finance through NGO-led microfinance initiatives often enables young people to shift from informal work to more stable and sustainable livelihoods. Engagement in group lending models or financial cooperatives not only improves financial access but also nurtures leadership, collaboration, and civic participation. Evidence from DOT’s initiatives in Rwanda further illustrates that integrating digital and financial education equips youth to navigate and succeed in contemporary economic environments (DOT, 2024). However, the extent of these positive outcomes is influenced by the effectiveness of program design, contextual socio-economic realities, and the consistency of institutional support [52].

5. CONTENT ANALYSIS OF LITERATURE REVIEW

Recent academic discourse increasingly emphasizes the significant contribution of Non-Governmental Organizations (NGOs) in facilitating youth empowerment through microfinance. Particularly in contexts where formal financial institutions are either weak or inaccessible, NGOs have assumed a central role in delivering tailored financial services to young populations. Their interventions often target economically marginalized youth in rural and semi-urban settings, offering microcredit, savings facilities, and training programs that enhance financial awareness and business acumen [53].

By fostering inclusive financial systems, NGOs create opportunities for youth to participate in economic activities that can improve their livelihoods. Structured models such as youth self-help groups and peer-led cooperatives are frequently used to deliver microfinance services in a way that emphasizes collective responsibility and participatory learning. These arrangements not only ensure access to collateral-free loans but also contribute to the social and psychological empowerment of the youth involved. Participants in such programs have been observed to demonstrate greater confidence, leadership capacity, and willingness to engage in community development initiatives.

In addition to financial services, NGOs commonly implement non-financial support mechanisms aimed at enhancing the entrepreneurial capacities of youth. These include skills development, vocational training, digital literacy programs, and mentorship opportunities, all of which equip young people with the tools necessary to establish and manage sustainable enterprises. Programs that integrate financial assistance with structured business development support have proven more effective in nurturing entrepreneurial success than those offering microcredit alone [54]. Access to training on financial management, marketing, and innovation has been particularly beneficial for enabling youth to transition from informal subsistence activities to more formal, income-generating ventures.

A noteworthy aspect of NGO-led microfinance initiatives is their multidimensional approach. Rather than limiting their role to credit provision, many NGOs engage in broader ecosystem development, including advocacy for youth-friendly financial policies and collaboration with stakeholders to build enabling environments. Their involvement in shaping supportive regulatory frameworks helps ensure that young entrepreneurs have access not only to capital but also to institutional support and recognition [55].

Nevertheless, despite these achievements, NGOs continue to face several structural and operational barriers in their efforts to scale youth-oriented microfinance. Among the most persistent challenges are insufficient financial resources, organizational limitations, and the difficulty of reaching marginalized youth groups in geographically or socially isolated areas. Furthermore, socio-cultural factors—such as prevailing gender biases and societal skepticism towards youth entrepreneurship—continue to restrict participation and impact, particularly among young women.

To address these challenges, NGOs have increasingly sought to collaborate with government bodies, financial institutions, educational organizations, and local community networks. These partnerships have helped expand program outreach, diversify funding sources, and ensure the cultural relevance of entrepreneurial training. Evidence suggests that such collaborative models enhance the sustainability and inclusiveness of microfinance programs designed for youth, especially when tailored to the specific aspirations, skills, and contexts of the beneficiaries.

6. FINDINGS & SUGGESTIONS

6.1 Findings:

NGO-led microfinance programs have shown significant promise in empowering youth by enhancing financial autonomy, stimulating entrepreneurial ventures, and fostering engagement in local economic activities. The success of these initiatives is closely tied to the institutional strength of NGOs—their ability to formulate strategic plans, manage resources effectively, and engage trained professionals skilled in youth empowerment and financial inclusion.

Programs that employ inclusive, youth-centric, and community-driven models tend to be more responsive to the actual needs and aspirations of young people, particularly those in marginalized or underserved areas. Such approaches prove more effective in fostering entrepreneurial mindsets, enhancing practical business skills, and improving access to start-up capital. Moreover, strategic collaborations with governmental bodies, financial institutions, academic organizations, and community-based entities substantially strengthen the ability of NGOs to expand their initiatives, secure sustainable funding, and achieve lasting developmental outcomes. Nonetheless, several constraints remain. Gaps in digital and financial literacy, limited access to mentorship, and the absence of robust youth-focused policy frameworks hinder the broader effectiveness of these efforts. Overcoming these obstacles calls for integrated strategies that merge financial services with skill development, digital empowerment, and targeted policy advocacy—adapted to the shifting realities and challenges faced by young entrepreneurs.

6.2 Suggestions:

To strengthen the outreach and long-term effectiveness of microfinance programs aimed at youth, NGOs should broaden their service offerings by integrating financial literacy, entrepreneurial skill-building and personalized mentorship tailored to the diverse goals and socio-economic realities of young beneficiaries. Building robust institutional capacity is equally critical—this includes training staff in

youth-centered approaches, leveraging digital tools to improve service delivery, and enhancing governance structures to ensure accountability and scalability.

Active involvement of youth in program design and implementation—through inclusive planning, continuous dialogue, and community engagement—can significantly improve the responsiveness and adaptability of interventions. In addition, forging strategic alliances with public agencies, financial institutions, and academic bodies can enhance program visibility, optimize resource utilization, and strengthen policy influence.

Addressing structural barriers remains essential. Limited access to digital infrastructure, minimal exposure to entrepreneurial ecosystems, and restrictive regulatory frameworks often constrain youth participation in microfinance initiatives. To overcome these challenges, NGOs must promote digital inclusion, expand technology access in rural and underserved regions, and contribute actively to youth-focused policy reforms. These efforts can foster a more enabling environment for youth entrepreneurship and inclusive socio-economic development.

7. CONCLUSION

This study highlights the pivotal role that NGOs play in fostering youth entrepreneurship through microfinance programs that are context-sensitive, community-driven, and strategically designed. By integrating financial access with skill development, mentorship, and participatory engagement, NGOs significantly enhance the capacity of young individuals to launch and sustain entrepreneurial ventures. The findings suggest that the effectiveness and longevity of these initiatives are closely linked to the strategic utilization of institutional resources, ongoing stakeholder collaboration, and the delivery of youth-responsive support services.

Nonetheless, several systemic barriers continue to limit broader impact. Challenges such as inadequate digital infrastructure, a lack of comprehensive vocational training, and weak institutional backing at the policy level hinder the scalability and inclusivity of these efforts. Addressing these gaps requires a multi-stakeholder approach that emphasizes public–private partnerships, stronger alignment between NGOs and government bodies, and the implementation of targeted youth entrepreneurship policies. Moreover, investments in digital platforms, financial education, and innovation-focused support structures can further strengthen the youth entrepreneurial ecosystem. Enhancing these dimensions will not only expand access to opportunity but also drive long-term socio-economic development through empowered, youth-led enterprises.

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