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# Y INITIATIVE: FINANCE FOR YOUTH

## Compendium of Global Good Practices

- Synopsis Version -

# Acknowledgements

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MicroSave Consulting

MAKING CENTS INTERNATIONAL

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# Synopsis Overview

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# About the Compendium Synopsis

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The youth market segment in low- to middle-income countries is large and offers financial service providers (FSP) unique opportunities to expand their market base.  At the same time, emerging models for serving youth and advances in digital technology are creating new pathways for FSPs to profitably serve youth markets at scale.

Nonetheless, FSPs sometimes struggle to understand this market, develop the right business case, and design profitable products to serve it.

In response, FMO developed a Compendium of Good Practices and tools, based on research of successful youth finance initiatives and designed to provide practical guidance to help FSPs understand and profitably serve the youth market.

This synopsis contains the key points from the Compendium and includes examples of initiatives that illustrate good practices.


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BRAC

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# Understanding Youth:
## The Business Case and Distinct Characteristics of Youth

# Understanding Youth: The Business Case

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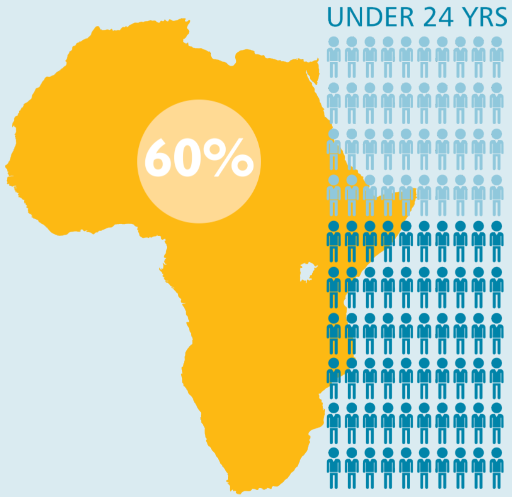
Youth[1] represent an important market and are critical to economic growth. Youth ages 18 to 34 are more likely to be entrepreneurs and the rate of entrepreneurial activity among youth exceeds that of adults (ages 35 to 64) in 36 of the 47 economies surveyed by the Global Entrepreneurship Monitor in 2020 (GEM, 2021).

Youth represent an important market from a social impact lens as well in terms of macro-economic development, business creation, and improved educational outcomes and financial well-being.

Penetration of the youth market differs between countries, but FSPs who have chosen to serve the market have learned that:

- Urban and older youth present the most potential for lending
- Youth are active savers and a savings-led approach offers promise for younger and rural youth
- Digital services have demonstrated potential to reach youth with relatively low operating costs
- The risk of serving youth has often been overstated; FSPs find that youth and adults share equal risk profiles
- Offering or partnering with other institutions to provide non-financial services can be an important strategy to engage youth
- Credit for education offers a strong business and social impact case


A large current market: Youth population in middle and low income countries as % of working adults




The market of the future: 60% of Africa's population is under the age of 24

# **Understanding Youth:** A Transitional Stage

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Youth transition through different stages of development as they grow; their demand for financial services evolves with them.

FSPs that take these transitions into account as they design specific products and services for each distinct stage demonstrate greater product uptake and impact among youth.

### Adolescence

Youth in early stages of adolescence may be focused entirely on education and are likely to need funds to pay for school and basic personal needs (Hopkins, 2013; AFI, 2021a). At this stage that may just need a basic savings account.  But as they get older and diversify their income sources, their financial needs become more complex.

### 18 - 25

Youth entering adulthood (18-25) face increasing financial pressures, such as contributing to their parents' household income while also trying to establish their own financial independence.  They may also want to continue their education.  Youth in this stage may need savings and educational or business loans.  If they need to access the money quickly for a regular or unexpected expense, a current account or mobile savings wallet may be the most appropriate product.

### 26 - 35

Young Adults aged 26–35 who are fully engaged in their work life, are concerned with providing for their own households and families, including their children's education and developing support networks in order to advance.   For youth in this stage, educational loas and business loans are still in need in addition to possibly insurance.   (MCI 2019; AFI 2020; UNCDF, 2021).

# Understanding Youth: A Diverse Market

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Besides serving as a transitional stage, youth are comprised of various market segments that must be considered as FSPs develop appropriate financial products.

| CATEGORY | RURAL YOUTH | URBAN YOUTH | YOUNG WOMAN | YOUTH ENTREPRENEUR | YOUTH MIGRANT |
|---|---|---|---|---|---|
| DEMOGRAPHIC PROFILE | | | | | |
| Age | 18 to 30 | 18 to 30 | 18 to 24 | 24-35 | 18 to 34 |
| Gender | Male or Female | Predominantly Male | Female | Male or Female | Male or Female |
| Level of Education | Primary Level, some with secondary level | Mainly Secondary level, some post-secondary | Mainly primary, some secondary | Mainly Secondary level, some post-secondary | Primary and secondary level |
| Location | Rural area | Mainly urban, some peri-urban | Urban and peri-urban | Mainly urban, some peri-urban | Urban and peri-urban |
| LIVELIHOOD STRATEGY | | | | | |
| Type | Diversified seasonal income sources | Gig Worker | Informal employment or informal home-based businesses | Small Businesses | Temporary or part-time employment, informal sector |
| Sector | Agriculture, Services, Commerce | Service Industry: Logistics, App Based Delivery | Industry, Commerce, Services | Industry, Commerce, Services | Services, Commerce |
| FINANCIAL BEHAVIORS | | | | | |
| Use of Formal Financial Services | Few borrow formally<br>Borrow for medical emergencies and to meet daily living expenses<br>Few have formal savings account | Savings account or asset-based loan | Limited use of formal financial services<br>May receive cash transfers linked to an account | Strongest users of formal financial services<br>Personal savings account and some with business account if registered<br>Loans from banks or MFIs | May send/receive money to/from family members in account<br>More likely to use if more settled in new locations |
| Use of Digital Financial Services | Save money through mobile phone<br>Use mainly for remittances to family/friends | Use mobile money for payments, to save and to send remittances to family | Limited use of digital financial services<br>May receive electronic transfers from parents or spouse | Use digital platforms for payments<br>Send remittances to family members through mobile money | May use digital transfers to send/receive money from to/from family members |

Demographic Characteristics and Financial Behaviours of Selected Youth Segments

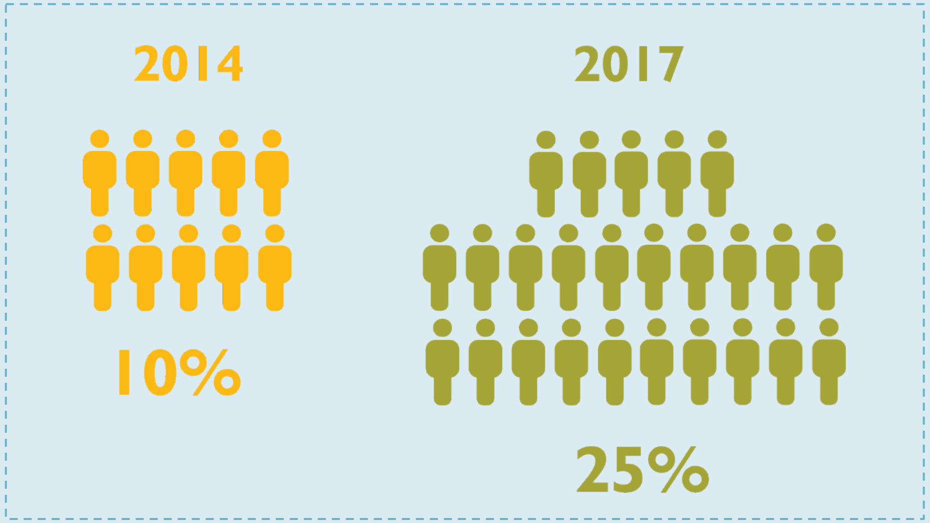
# **Understanding Youth:** Current Status of Financial Inclusion



Data from the Global Findex[2] and the Finscope Youth Dashboard[3] reveals the following global trends across various regions as it relates to youth financial inclusion:

- Youth save more at financial institutions than they do informally (World Bank, 2017).
- Youth are more likely to use financial institutions to save than to borrow (CGAP, 2019, World Bank, 2017).
- There is a gender divide, with more young men than women having accounts at financial institutions (CGAP, 2019).
- Ownership of mobile accounts among youth has increased dramatically (World Bank, 2017; CGAP, 2019).
- More educated youth are more likely to save or borrow at a financial institution (World Bank, 2017, Sykes et al. 2016).
- Financial services can increase the likelihood of youth entrepreneurship which leads to increased access to financial services (CGAP, 2019.)

Youth with a secondary education are two times more likely to save at financial institutions than those with a primary education




Mobile money accounts are increasing for youth, ages 15-25

# **Understanding Youth:** Through a Market Systems Framework

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A market systems approach considers the different actors that play a role in youth financial inclusion and works to strengthen the systems and relationships among these various actors.

This framework can be used to analyze the barriers and opportunities for youth financial inclusion along different dimensions of youth financial inclusion such as access, usage, quality, and welfare/impact.

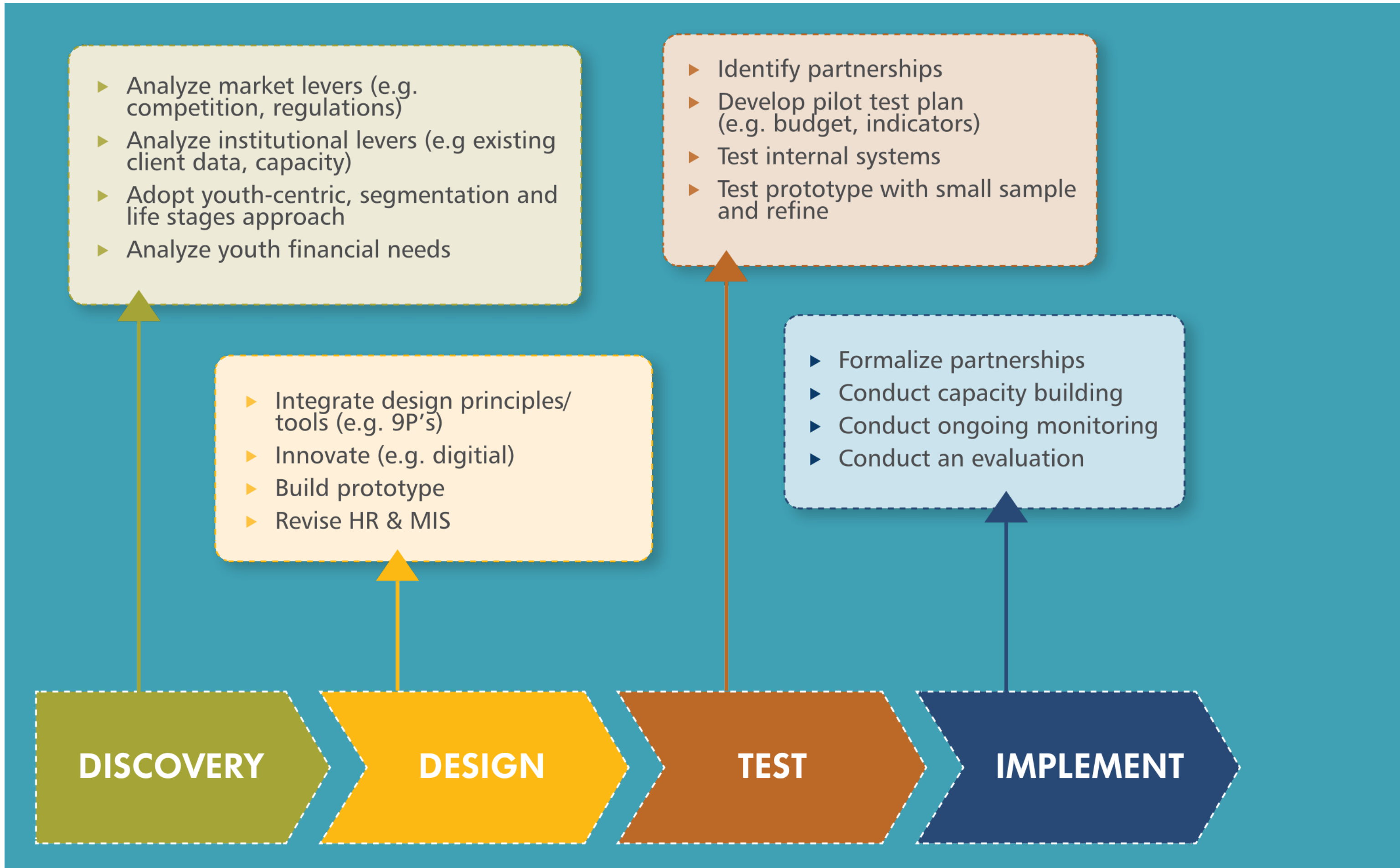
| LEVEL | BARRIERS | SOLUTIONS |
|---|---|---|
| ENABLING ENVIRONMENT/ REGULATORY | ▸ Know Your Client (KYC): ID requirements (sometimes difficult to fulfill for youth)<br>▸ Minimum age requirements (typically 18)<br>▸ Collateral/guarantee and income requirements (too high for youth starting<br>▸ livelihoods)<br>▸ Credit reporting (youth have limited credit histories)<br>▸ Digital infrastructure (limited infrastructure is a hinderance | ▸ Adopt flexible ID and age requirements (e.g. aligned with labour laws in country) or tiered KYC based on size of account<br>▸ Adopt flexible or limited collateral and guarantee requirements and repayment terms aligned with the economic activity of youth<br>▸ Enable youth to build credit history through savings or mobile transactions<br>▸ Expand digital infrastructure (e.g., agency banking) |
| SUPPLY | ▸ Information asymmetries (limited credit information and risk aversion)<br>▸ Low-value, low-margin and inflexible products (inappropriate for youth)<br>▸ Limited knowledge and capacity to serve youth<br>▸ Financial infrastructure (insufficient to meet youth needs) | ▸ Conduct diagnostic to identify financial needs and preferences of various youth segments<br>▸ Identify local and regional best practices for serving youth<br>▸ Develop youth-friendly products based on best practices and demand research<br>▸ Expand financial infrastructure internally or through partnerships (e.g., FinTechs) |
| DEMAND | ▸ Lack of experience and knowledge of formal financial system<br>▸ Low levels of financial literacy and capability<br>▸ Low levels of digital financial literacy and capability<br>▸ Cultural, social and religious norms that inhibit utilization of formal servicesw<br>▸ Fear of over indebtedness<br>▸ Lack of business experience or business support<br>▸ Preference for informal sources over formal sources<br>▸ Perception that formal products are for wealthy people or for adults | ▸ Provide training in financial education directly or in coordination with government and non-for-profit entities<br>▸ Provide or link to mentoring and business support services for entrepreneurs<br>▸ Obtain buy-in of key youth influencers (e.g., parents, spouse, community leaders) |

Market Systems Framework: Barriers of Financial Inclusion for Youth

# Designing Financial Services For Youth

# **Designing for Youth:** The Product Development Cycle

Research indicates that FSPs which have unlocked the potential of the youth market followed a systematic product development cycle.



Market Systems Framework: Barriers of Financial Inclusion for Youth

# Designing for Youth: The Discovery Phase

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The discovery phase helps financial institutions to analyze the youth market and their internal strengths in order to develop the institution's business case for serving a specific youth segment.

CGAP's Business Case Tool presents a useful framework for FSPs to determine their unique business case at this stage, helping them to assess key levers as they decide which segments of the youth market are most viable to be served profitably.

- Analyze market levers (e.g. competition, regulations)
- Analyze institutional levers (e.g. existing client data, capacity)
- Adopt youth-centric segmentation and life stages approach
- Analyze youth financial needs

DISCOVERY

| LEVEL | KEY DECISIONS |
|---|---|
| MARKET LEVEL | ▸ How competitive is the environment?<br>▸ What are the regulatory parameters? |
| INSTITUTIONAL LEVEL | ▸ What are the opportunity costs of offering youth savings as opposed to investing resources into other ventures?<br>▸ What is the institution's capacity and infrastructure to allocate resources to youth savings?<br>▸ How strong of a motivating role do social mission and corporate social responsibility play? |
| YOUTH LEVEL | ▸ Which client subsegments should the institution target? |
| PROFITABILITY | Consider following cost and revenue drivers:<br>▸ Marketing<br>▸ Product<br>▸ Delivery<br>▸ Operations<br>▸ Credit and Reputational Risk |

CGAP Business Case Tool

# **Designing for Youth:** Chancen International

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Chancen International used its understanding of students and their livelihoods to design an innovative loan product based on graduates' income.

CHANCEN eG

**Seizing Market Opportunities: Chancen International**
Many low-income students in Africa cannot afford a quality tertiary education. Chancen International developed a market solution to respond to this need. Chancen's Income Share Agreements (ISAs) are loans that allow students to repay their education expenses as a percentage of their post-education salary for a set number of years. Students must meet a minimum income threshold first to ensure they can cover their basic living expenses first. Total repayment is capped typically around 10 percent to ensure high earners are not penalized and the repayment period varies but is on average five years. Chancen's agreements offer flexible terms that provides a greater opportunity for students to make on-time payments. The program started in Rwanda, has a pilot in South Africa and plans to expand to Kenya. It targets youth mainly between the ages of 18 to 24 with a focus on young women and rural youth. In addition, Chancen provides financial literacy and career readiness training for youth who access their loans to help them prepare for graduation and the repayment phases. To date, Chancen has reached nearly 1,500 students.

# **Designing for Youth:** The Product Design Phase

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The design phase builds on the findings from the discovery phase to develop prototype services for the targeted youth market segment and prepare institutional systems and processes (MIS, policies, staff), for prototype delivery.

Youth value simplicity, flexibility, accessibility, affordability and privacy in their financial services (SEEP, 2013; UNCDF, 2017); implications include:

- Integrate design principles/tools (e.g. 9P's )
- Innovate (e.g. digital)
- Build prototype
- Revise HR & MIS

**DESIGN**

| DESIRED FINANCIAL PRODUCT CHARACTERISTICS | FINANCIAL PRODUCT IMPLICATIONS |
|---|---|
| Simplicity | ▸ Product information in simple terms<br>▸ Simple onboarding process<br>▸ Use of local languages, pictures and visual images<br>▸ Minimal transaction steps<br>▸ Simplified interface |
| Flexibility | ▸ Tiered onboarding and KYC requirements (e.g., not require national ID or utility bills, biometric ID)<br>▸ Lower age requirements<br>▸ Loan products with flexible guarantees or collateral requirements<br>▸ Flexible loan repayment terms (e.g., longer grace periods, gradual payments) aligned with youth economic activity cycles<br>▸ Savings products with flexible deposit and withdrawal features<br>▸ Savings products with zero balance for those with low-income /seasonal income periods<br>▸ Alternative data sources for credit history (e.g., digital footprint, psychometric testing) |
| Accessibility | ▸ Access points for onboarding and regular use in close proximity to where youth frequent, reside, work or attend school<br>▸ Operating hours that align with school and work schedules+<br>▸ Leverage networks of agents and shopkeepers |
| Affordability | ▸ Interest rates/payments linked to business growth stage or cash flows (e.g. seasonality for agriculture)<br>▸ Savings products with no account-opening fees, no minimum balance and no maintenance fees<br>▸ Digital financial services |
| Privacy | ▸ Consumer protection measures regarding account or loan access by spouse or parent that promote maximum control by youth<br>▸ Limit use of personal data of youth for marketing purpose |

Financial Product Implications for Youth Based Desired Characteristics

# **Designing for Youth:** BRAC Microfinance

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BRAC Microfinance developed a new product designed to meet the need of young entrepreneurs who required flexibility as they began their ventures.

### Flexible Loan Products for Youth: Promise Program, BRAC International

The Promoting Business Incubation for Small Entrepreneurs (PROMISE) program, a joint initiative of BRAC Microfinance and BRAC Skills Development Programme (SDP) combines a business skill development program for young entrepreneurs with a small flexible loan product, the Unmesh-loan, to make entrepreneurship more accessible for disadvantaged youth who lack access to fixed-assets for collateral.  The Unmesh-loan provides entrepreneurs with 20,000 to 300,000 BDT ($200-3,500 USD) in startup funding. Borrowers are required to match the loan amount and secure the endorsement of both a guarantor (family member) and referee (non-family member). The product charges similar interest rates to products for adults, but offers a flexible repayment period (12, 18, or 24 months). Youth borrowers are also provided two vouchers to use at any time during the loan term to extend the repayment period for two months without interest.

# Designing for Youth: The Test Phase

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During the test phase the financial institution prepares and refines the youth product for the market and identifies potential partnerships to promote scalability and sustainability.

A key component of the test phase is to identify partnerships. There are different types of organizations that FSPs can partner with and corresponding benefits for each type of partner.

The FSP's segmentation strategy is a key factor to consider when developing partnerships. For example, if FSPs do not a have a strong presence in rural communities but want to reach rural youth, they should identify partner organizations that have an established presence and experience working in rural areas with youth.

- Identify partnerships
- Develop pilot test plan(e.g. budget, indicators)
- Test internal systems
- Test prototype with small sample and refine

**TEST**

| TYPE OF ORGANIZATION/PARTNER | POTENTIAL BENEFIT OF PARTNERSHIP |
|---|---|
| Other FSPs | ▸ Leverage more extensive network or infrastructure<br>▸ Incorporate other financial products from other FSPs if have more limited range of products |
| Corporations | ▸ Value chain financing |
| Fin Tech | ▸ Existing infrastructure and agent network to provide digital financial services |
| E-Commerce Platforms | ▸ Existing outreach to large next work of MSMEs<br>▸ Existing payments infrastructure |
| Government (e.g. line ministries/regulators) | ▸ Favorable legal context<br>▸ Advocacy and promotion of program<br>▸ Scale the program |
| YSOs/NGOs/Incubators | ▸ Existing outreach to youth and MSMEs<br>▸ Capacity to deliver non-financial services |
| Media Outlets | ▸ Social media presence for advertising products<br>▸ Radio or tv ads/PSAs for reaching rural/urban youth |
| Graphic Designers/ Public Relations Firm | ▸ Development of marketing strategy and materials |
| Donors (foundations, bilateral, and multilateral organizations) | ▸ Additional funding for financial and non-financial services<br>▸ Linkages to other initiatives/partners |

Types of Partners for Financial Institutions

# **Designing for Youth:** The Implementation Phase

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During the last stage of implementation, the financial institution formalizes partnerships, builds the capacity of internal and external staff, promotes the product, and conducts ongoing monitoring and evaluation to further refine and improve the profitability of services.

MEDA's Youth Financial Inclusion Model is based on a two-pronged approach of supply and demand. On the supply side MEDA builds the capacity of MFIs in the following three areas:

- Formalize partnerships
- Conduct capacity building
- Conduct ongoing monitoring
- Conduct an evaluation

**IMPLEMENT**

| TOPIC | OBJECTIVE | TARGET |
|---|---|---|
| Customer Service | To develop youth friendly-customer service techniques and strategies | Front line MFI staff and management at branch and regional level |
| Product Development | To tailor current products or creating new products for the youth | Middle and top management MFI staff |
| Risk Management | To develop risk management strategies for MFIs working with youth | Upper management level staff |

MEDA's Financial Inclusion Model: Supply Side Capacity Building

# **Designing for Youth:** Microfund for Women

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After piloting its new start-up loan product for youth, MicroFund for Women was able to gather the data to convince staff that youth were less risky and to then scale-up the product.

## Microfund for Women: First Movers for Youth Start-Up Loan in Jordan

Microfund for Women (MFW) in partnership with MEDA developed the first start-up loan for targeting youth in Jordan, the Intilaqati loan between 2016 and 2018. The loan provided initial start-up capital in the amount of 500 and 10,000 Jordanian Dinar ($700-1,400 USD) for a term of up to 5 years. Due to the risk involved in working with startups, the loan's interest rate was higher than standard loans but there was an initial six-month grace period to provide more flexible terms. It was initially challenging getting the buy-in of field staff as they saw youth start up loans as risky, thought it would increase PAR, and that they wouldn't benefit from the newly created incentive program. However, most field staff came around after the first few months when they saw a low PAR and that they were gaining new clients. MFW has seen a 98% on-time repayment rate and low PAR of around .5%. It remains one of their more profitable loan products compared to their flagship products. The loan's success inspired other banks in Jordan such as the National Microfinance Bank to develop similar start-up products for youth.

MICROFUND FOR WOMEN
Empowering Every Ambitious Woman

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# Key Considerations that Drive Youth Financial Inclusion

# **Key Considerations:** Non-Financial Services

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The provision of non-financial services to youth can increase the usage of financial services. For example, youth may save more frequently, save larger amounts, or for particular goals after receiving **financial education** in conjunction with assistance to open a savings account. **Entrepreneurship training and business support services** can then improve business success, reducing risk, and increasing demand for financial services.

## Financial Literacy/Financial Capability Training

Building financial capability helps youth to understand basic products, know their rights, and practice behaviors that increase their successful usage of products.

Key themes for a youth financial capability training should include the following:

- Day to day money management
- Long-term planning
- Resilience
- Use of formal financial services
- Digital Financial Services
- Consumer Protection

As with financial services, it is important to relate the content and delivery of non-financial services directly to the life stage of the youth.

## Entrepreneurship Training and Support Services

Improving entrepreneurship skills will enable youth to successfully launch and grow enterprises, increasing their overall utilization of financial services.

Key themes for youth entrepreneurship should include the following topics:

- Soft skills training and personal development
- Personal initiative training
- Business management
- Financial management
- Technology management
- Digital training
- Sector-specific training/vocational training
- Business Formalization
- Risk Management and Evaluation

# **Key Considerations:** Integrating Financial and Non-Financial Services

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Though important, offering non-financial services can be expensive and FSPs should carefully consider to what degree they can and should integrate their non-financial and financial services among four basic models (Freedom from Hunger, 2001, UCNDF, 2015).

Regardless of which type of model a FSP chooses to provide non-financial services internally, it is important to integrate global best practices into the design of the program, both in terms of the content and the delivery model:

- Leverage existing infrastructure
- Employ critical minimum  approach that uses simple key messages
- Take a multi-channel approach that raises awareness, provides direct training, and opportunities for practice and reinforcement and is situated within the local context and specific for each target segment
- Utilize hybrid approaches with mix of high touch (in-person) training or touchpoints and low touch (virtual, technology) to reach scale

| DELIVERY MODEL | DESCRIPTION | EXAMPLE | PROS/CONS |
|---|---|---|---|
| **Unified** | Service delivery by one organization, same staff | Staff of one FSP such as loan officers deliver both financial and non-financial services | ▸ FSP has direct control over NFS; NFS cost embedded in FS<br>▸ Staff may not have the capacity to deliver NFS; diverts staff from core job responsibilities; depending on amount of NFS, can be expensive |
| **Parallel** | Service delivery by two or more programs of the same organization | Staff of the FSP deliver financial services and staff of the foundation associated with the FSP deliver non-financial services | ▸ Allows staff to focus on core jobs<br>▸ NFS need on-going subsidies<br>▸ NFS and FS need to be coordinated |
| **Linked** | Service delivery by two or more independent organizations | The FSPs partners with staff at a YSO or training institute to deliver the non-financial services while they continue to deliver financial services | ▸ Allows staff to focus on core jobs<br>▸ NFS needs on-going subsidies<br>▸ Partner selection critical<br>▸ NFS and FS need to be coordinated |
| **Hybrid** | A combination of unified and linked model | Youth peers are trained and hired to deliver non-financial services to other youth (peer model) | ▸ Relatively inexpensive service delivery model<br>▸ Quality control sometimes difficult |

Models for Integrating Financial and Non-Financial Services

# **Key Considerations:** Technology and Financial Services

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Technology is a key driver of youth financial inclusion. In many countries, youth are more digitally savvy and active than adults. Technology, when well adapted to the youth-user, provides an opportunity to provide faster, more efficient financial services, particularly for those who are engaged in multiple income-generating activities and gig work. It also provides an opportunity to bundle additional non-financial support services youth need. Technology innovations to consider include:

**Crowdfunding and Peer-to-Peer Lending Platforms:**

- Offer innovative alternative financing options for youth entrepreneurs who lack access to seed capital and collateral and can build a financial history which will allow them to build a relationship with a FSP.
- Help FSPs tap into an innovative mechanism to improve lending decisions, lower collateral requirements and interest rates and thus potentially overcome some of the barriers of serving youth.

**E-Commerce Platforms:**

- Provide an opportunity for integrated financing and payments infrastructure and may also provide additional support services (e.g. information or training on selling online).
- Provide unique opportunities for young women to enter male-dominated sectors and overcome restrictive social norms

**Digital Financial Services:**

- Can decrease barriers to credit for youth entrepreneurs and provide data points on youth clients who don't have a formal credit history to provide alternative credit rating mechanisms through a digital footprint.
- Can also facilitate account access through electronic know-your-customer (KYC) identification for youth without an official ID card.

**Digital Savings:**

- M-Shwari, a combined savings and loans product launched through a collaboration between the Commercial Bank of Africa (CBA) and Safaricom and HaloYako an app piloted by Mercy Corps Agrifin Accelerate, offer unique and secure opportunities for youth to save.

Despite the many opportunities that technology may provide to youth, it is also important to acknowledge the risks for youth associated with these new digital technologies. Youth are more susceptible to improper advertising practices and fake advertisement due to their lack of experience with financial services and regular presence on online platforms. They are also more willing to share personal information online (OECD, 2021a). As such it is important to integrate guidance and information or training on digital consumer protection.

# **Key Considerations:** Technology and Non-Financial Services

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Virtual platforms such as the internet, mobile apps, Zoom and social media sites (e.g. WhatsApp, Facebook, and YouTube) can also be leveraged by FSPs to serve as sources of information and instruction for youth to provide non-financial services. Gig platforms can provide customized, digital, personal financial management tools to aid young gig workers in effective financial management. They can also provide direct linkages to digital financial services to promote their uptake and usage. Online business incubators and accelerators typically offered by the private sector (e.g. Visa, MasterCard, Verizon) provide unique platforms to provide entrepreneurship training in addition to networking and mentoring opportunities during a three-to-six-month time period.

In 2016, Safaricom launched Blaze, a mobile platform aimed at youth aged 18–26, which provides mentorship, training, funding and networking services through bootcamps, summits and TV shows. Blaze channeled its campaigns through the leading social media platforms: Facebook, Twitter and YouTube. By 2019, the platform had 3.2 million subscribers. In the same year, the platform introduced an aggregator of e-learning resources, Blaze Link, to connect young Kenyans with new market opportunities and enjoy free courses such as sales and marketing, finance, agriculture, creative arts and IT programming. (FAO Kenya, 2020)

Ecobank Ghana in Ghana partnered with a FinTech in Ghana (OZE) to develop a mobile business app (OZE) for MSMEs to track sales, expenses and customer information. The partnership was brokered through UNCDF. MSME data is analyzed to provide tailored recommendations, reports and business education through a coach, assess credit risk and connect them to capital. By March 2020, OZÉ had more than 37,000 registered businesses in Ghana, of which 35 percent were owned by women and 61 percent by youth. Over 1,000 entrepreneurs had applied for a loan. (UNCDF, 2021b).

# **Key Considerations:** Initiatives Leverage Technology to Serve Youth

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## Integrating Tech and Nonfinancial Service Delivery

**CARE Ignite Program: Leveraging Technology for Business Training of Young Women MSMEs**

The CARE Ignite program targets mainly young women MSMEs in Peru, Pakistan and Vietnam to provide them with flexible financing and business training. The program has found platforms such as WhatsApp and Zalo that facilitate interactive groups and two-way messaging to be very effective at providing information to women entrepreneurs and also connecting them together as a network. CARE has set up social media groups to apply the training, introduce new financial products and services, and develop networks across all three countries. In addition, CARE Vietnam supported VPBank to build its own SMEConnect Portal - a comprehensive online hub for MSME customers that connects them with financial solutions (bank's financial products), capacity building (online training courses), diagnostic tool (45-minute business health assessment) and business connection (events, workshops).

SME CONNECT BY VPBank SME

## Integrating Tech and Financial Service Delivery

**Crowdfunding Platform in Ghana Promotes Quick Lending for MSMEs**

In Ghana UNCDF partnered with Pezesha, a Kenyan Fintech firm to match the funding needs of MSMEs with the investment interest of investors (including banks, microfinance institutions and other retail lenders) who provide debt and receive periodic repayment. MSMEs can apply for a loan online in under two minutes. Pezesha uses a credit-scoring process to evaluate the creditworthiness of enterprises and a framework to tailor the financing offer. A matching algorithm selects investment opportunities for investors based on their risk appetite and expectation of risk-adjusted investment returns. Local account officers assist in due diligence and servicing. Pezesha also offers financial education to drive responsible borrowing and improved financial decision making. (UNCDF, 2021)

pezesha

# **Key Considerations:** Scalability and Sustainability

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There is growing evidence of the potential for FSPs to achieve financial sustainability for their youth-focused savings and credit products over the medium to long term (three to five years). Success often requires both sustainability and scale, however.

A FSP cannot reach economies of scale that make services financially viable over time without achieving a certain volume of savings and/or loans. At the same time, FSPs cannot serve significant numbers of young people without ensuring sustainability through institutionalization and capacity building.

Scaling up youth integrated services can be accomplished by leveraging existing infrastructure and networks for both outreach and implementation. This can also greatly reduce the costs and time involved for FSPs. The choice of financial product may also affect scalability. Savings products are the easiest to scale, especially through existing branch networks, schools, and youth savings group models. Key lessons for achieving both of these dimensions include:

- Leveraging existing materials, technology infrastructure, and platforms to reach a large number of young people. This could be done through partnerships with business incubators and accelerators who may have existing online business or financial education programs as well as an existing network of youth entrepreneurs (both current and alumni).
- Leveraging existing touchpoints to reach youth such as extracurricular activities or civic classes at school, groups or clubs, youth savings groups, weekly meetings with loan officers, Facebook, or other social media groups.
- Charging a small fee for training to offset some of the training costs. This may also increase the overall sustained participation throughout the program and make youth feel more invested or committed to completing the program.
- Adopting a unified or parallel model where the non-financial services are delivered through internal staff of the FSP.
- Adopting the peer educator model so that youth who meet pre-specified criteria and initially graduate from the program become facilitators for youth who follow them.
- Adopting a critical minimum approach for both in-person and virtual training sessions that focuses on.

# Recommendations

# Recommendations for Youth Financial Inclusion: FSPs

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**To expand outreach to youth, FSPs should consider the following key recommendations focused on three main areas:**

### Outreach and Impact Strategy

1. **Define the market and business case-** conduct a SWOT analysis to identify existing institutional capacity and infrastructure that can be leveraged (e.g. technology, services, and programs) for outreach to potential borrowers. Use this data to determine which market segments and sub-segments have the most potential.
2. **Broaden and Deepen Outreach-** look at existing client data disaggregated by age to see which youth segments FSPs might already be serving or how to reach youth through some of their existing clients (e.g. parents, peers) and identify existing touch points that can be leveraged (e.g., solidarity group meetings, onboarding meetings) to broaden outreach to youth.
3. **Take a Long-term View-** be patient and flexible in working with youth as it may take time to achieve sustainability and scalability. Establishing customer loyalty with youth will reap long-term benefits as they earn more income and expand their financial portfolio.

### Product Development Cycle

1. **Adopt Systematic, Youth-Centric Approach-** follow the recommended product development cycle (e.g. discovery, design test and implement) while incorporating technology where appropriate and a youth-centric, community wide, and life stage approach to design appropriate tailored financial services for youth.
2. **Capacity Building Promotes Institutionalization-** Promoting capacity building (product development, marketing, customer service and risk management) of internal staff at various levels, will ensure the buy-in of these key staff in addition to institutionalizing the program. FSPs can offer this capacity building internally if there is existing staff capacity or partner with another organization to provide it.
3. **Build up Internal Systems and Processes-** update the MIS to include age-disaggregated data by different youth segments and develop youth product committees or name “champions” among existing staff to lead the process and be accountable for success.

### Drivers of Youth Financial Inclusion

1. **Provide non-financial services-** providing financial education or entrepreneurship training will promote usage of the financial services and improve the overall financial health outcomes of youth. Follow a critical minimum approach in addition to leveraging existing touchpoints, infrastructure, materials and programs such as business accelerators or incubators to keep costs low.
2. **Partnerships are fundamental-** especially with governments. Partners should be evaluated through a set-criteria and FSPs should ensure alignment with their mission, target youth segment and geographic reach, in addition to adopting a sustainability and scalability lens.
3. **Digitize whenever possible-** to increase the uptake and usage and to scale the program. Evaluate existing technology infrastructure and partner with FinTechs as necessary. A ‘high touch’ model may still be necessary during onboarding and in rural areas where the digital divide is more pronounced.

# End Notes

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[1] The UN and ILO define youth as between the age range of 15 to 24, but in some countries such as those in Africa, the African Youth Charter defines youth as between the ages of 15 and 35.  For the purposes of this report, youth are defined as between the ages of 18 and 35.

[2] The Global Findex defines youth as between the ages of 15 and 24

[3] The Finscope Youth Dashboard defines youth as between the ages. of 18 and 35

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