# Opportunities and Challenges for Youth Financial Inclusion in Africa

Date: August 27, 2019
Time: 9:30 – 10:30 am (EDT)

## SPEAKERS

**WeselinaAngelow,** *WSBI Scale2Save*
**Guy Stuart,** *Microfinance Opportunities*
**Lise Paaskesen,** *Lise Consultancy*
**MarcienneUmumbyuyi,** *L-IFT*

## QUESTIONS

**Q: Why did you choose Morocco, Senegal and Nigeria?**

Our goal was to have abroad mix of countries across income levels, (digital) financial access rates, maturity of the banking sector and language groups.

**Q: How can we improve the youth market in financial services and make access to financial services less complicated for youth?**

As mentioned in the webinar this research proposes experiments with family accountsthat we expect can offer young people suitable financial services. We expect that the family accounts can offer several advantages and overcome some barriers:

a. Through the family accounts, minors could access accounts even if those are not available to them until they reach the age of 18.
b. These accounts could offer relatively low-cost intra-family transfers which would stimulate that the family finances take place through a formal channel.
c. Through the family account each member could get a chance to build a financial track-record which they could use later for supporting their loan applications with an FSP. Likewise, the intra-family transactions could demonstrate the family support young people receive and give which could serve as an alternative collateral for a loan or other financial services.

N.B. the family account should not mean that all family members can see other members' transactions. It should offer privacy to each family member.

**Q: Can you define "access to FS?" Are we discussing accounts and services from regulated, formal financial institutions?**

The new Findex 2017 microdata, allowed us a new way of thinking about access that has transformed our understanding of how previously very under-served groups use different forms of formal access – via formal financial institutions, with mobile money and card – as well as through informal savings mechanisms. The Findex data presented during the webinar showed levels of access to *formal* financial services. During the webinar, in response to a question about savings groups, we also provided data on savings group use separately (see below)—we did not count access to a savings group as access to a formal financial service.

Equally, for the diaries we defined access in a broader sense, right from having the option of using (but not necessarily using it) to actually intensively using it. We looked at the full range of financial transactions and any inform form of transaction was also recorded. As a result, we can demonstrate that the majority of young people we interviewed in Morocco and Senegal did not have a formal account (32.5 percent have an account in Morocco, 15.4 percent have an account in Senegal). In Nigeria,the majority of the respondents were selected from client lists of the partner FSP. Hence, these people were by definition having an account. Those who did have such an account did actually use it. But even for people who had a formal account the larger part of their savings goes to informal savings mechanisms, such as saving at home.

Separately, and when conducting qualitative interviews in the field, we've defined access to financial services as a link to formal financial services and looked at how digital can aid financial inclusion of young people through formal financial institutions

**Q: Are the much lower digital access figures for Nigeria compared to the other two countries, primarily a reflection of the much less developed state of digital financial services in Nigeria? Or are other factors at work?**

It is hard to identify what would be causes for lower digital usage. We can state that Nigeria had a relatively higher incidence of using bank-accounts (non digital). This may indeed somewhat indicate that people in Nigeria are as interested in using digital services but have less access.

**Q: What is the average monthly revenue of the young people studied? And what is the average amount that they saved?**

<u>Median income for 3 countries</u>

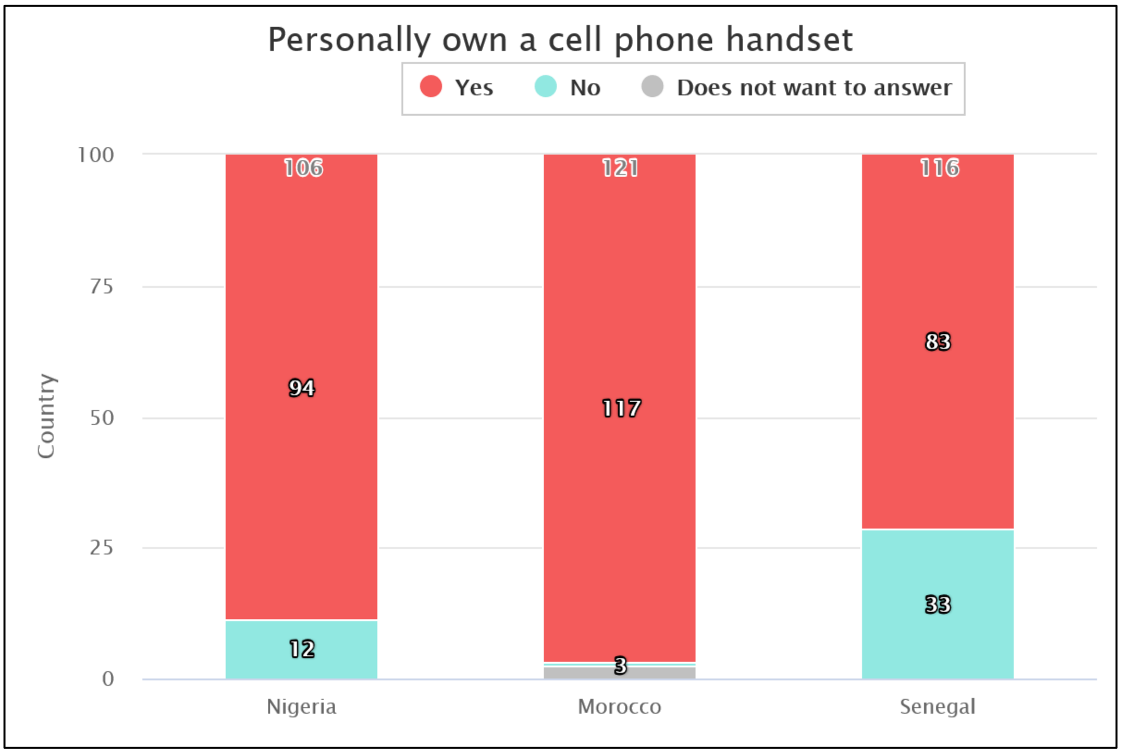
| | Nigeria | Morocco | Senegal |
|---|---|---|---|
| Mid teens | 6.30 | - (too few respondents) | 0 |
| Youth | 31.30 | 7.50 | 13.26 |
| Young adults | 364.56 | 260.00 | 116.45 |

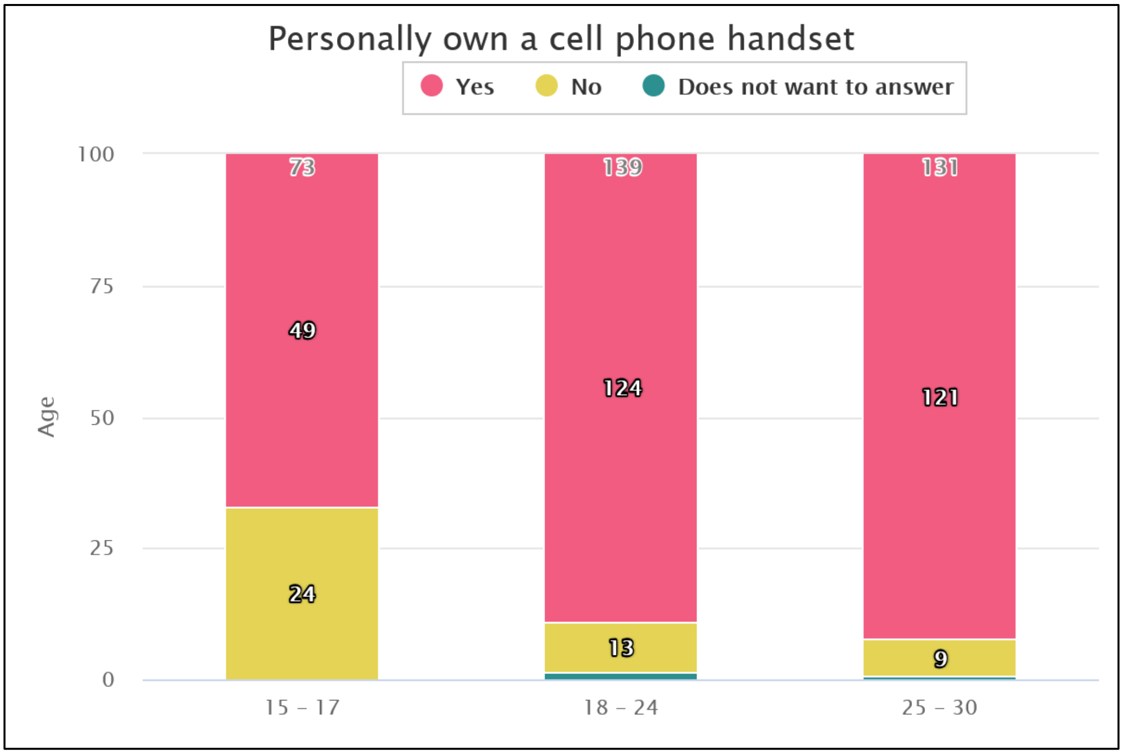
Median savings for 3 countries

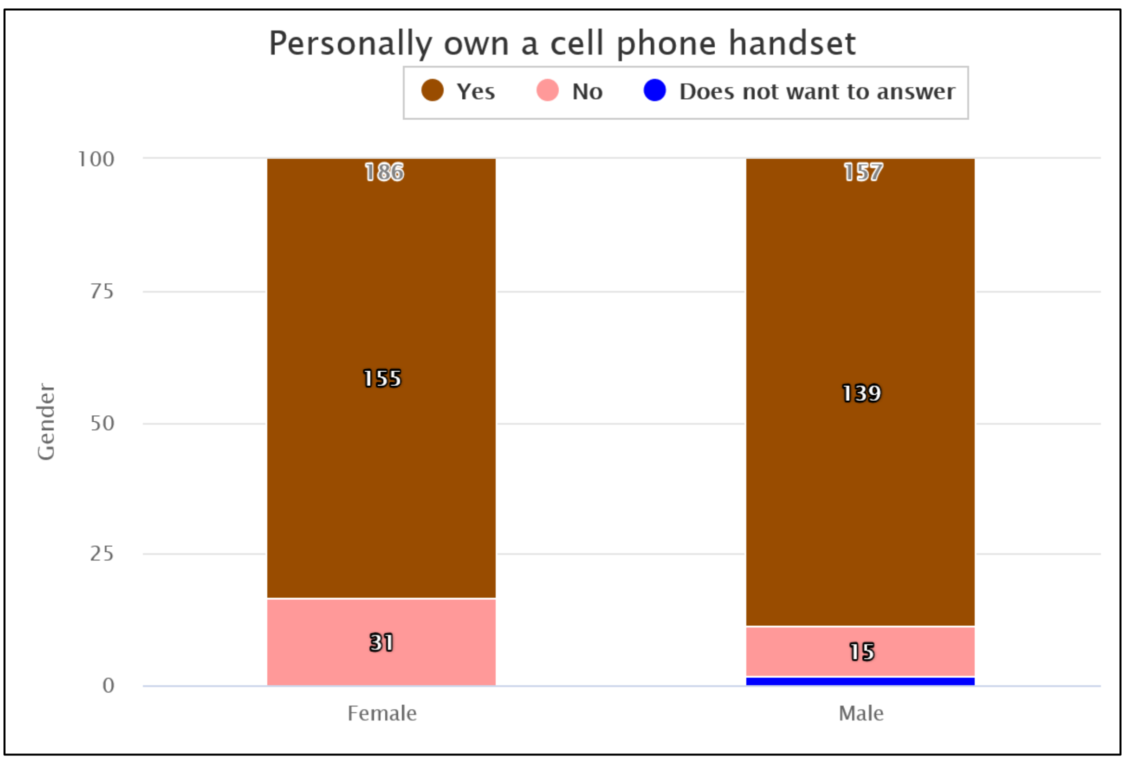
| | Nigeria | Morocco | Senegal |
|---|---|---|---|
| Mid teens | 8.792 | - (too few respondents) | 4.25 |
| Youth | 61.60 | 11.00 | 36.55 |
| Young adults | 117.60 | 22.00 | 47.60 |

**Q: What is the size of the gig economy in Senegal? The young man in the video talked about selling through WhatsApp, how big is this economy?**

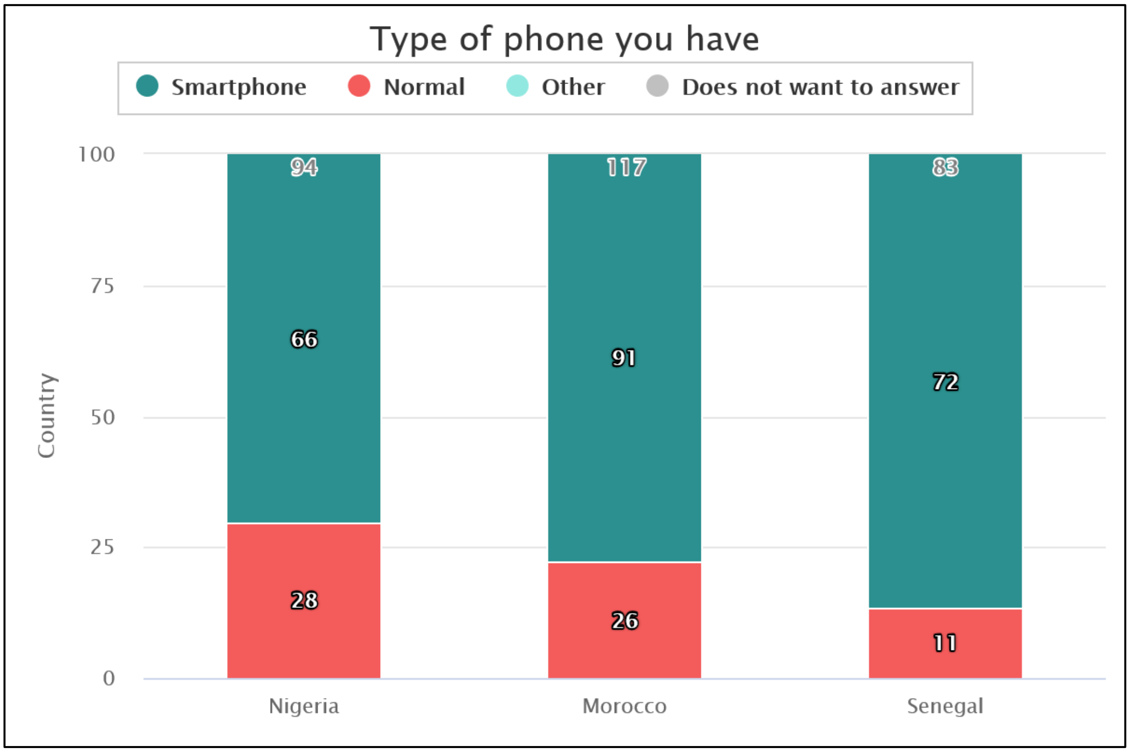
We did not collect data on how often people used social media or otherwise were part of the gig economy. We do have data on how many people have a mobile phone:

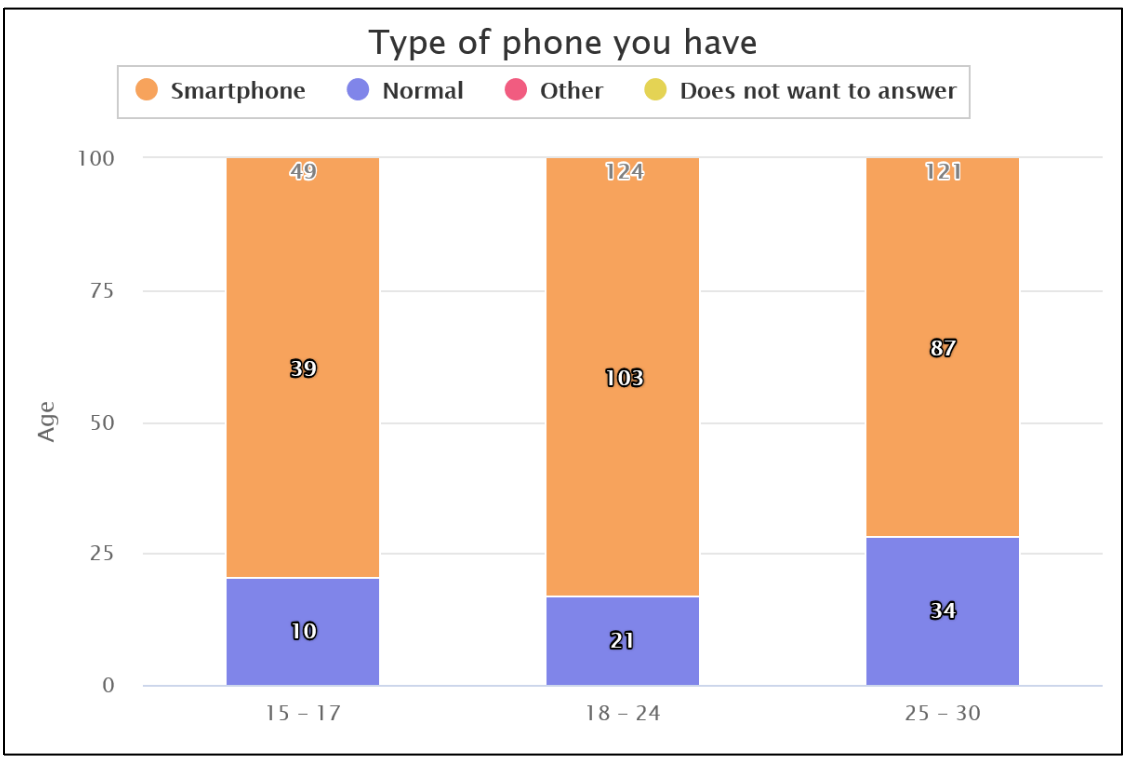


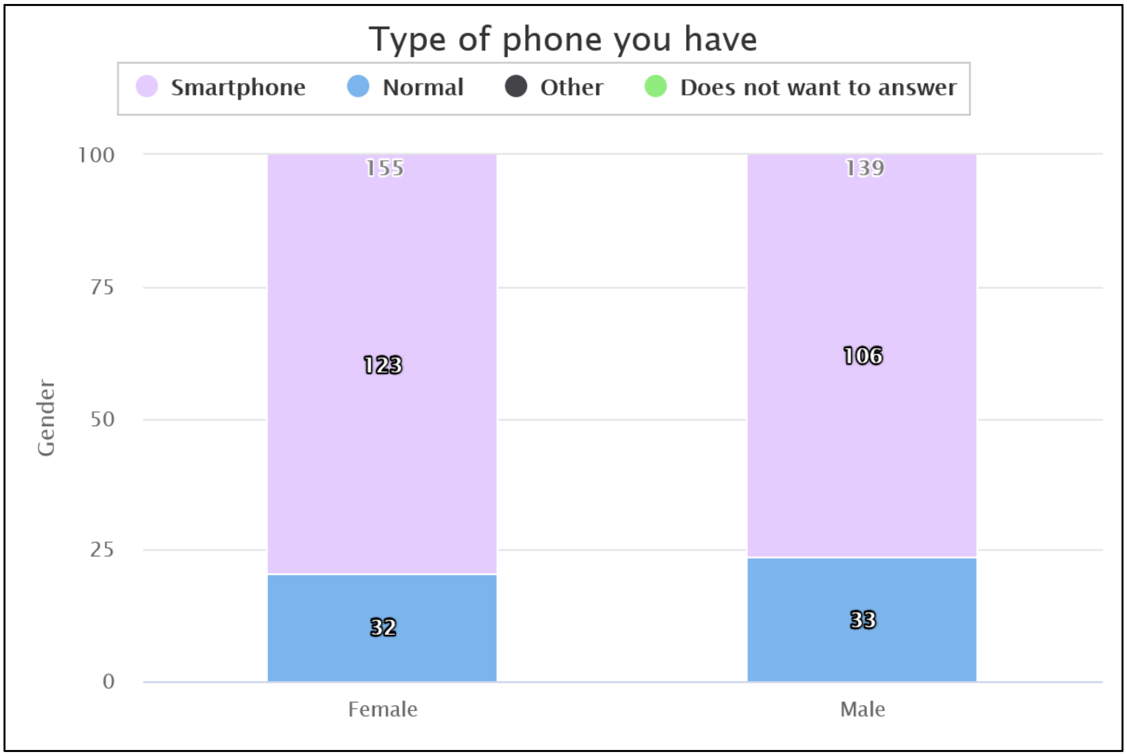



In short, Senegal is the country with a lower mobile phone penetration amongst young people. But even here the majority (72 percent) have a cell phone. The youngest age group, the mid-teens are less likely to have a cell phone. Amongst this group, one-third do not have a personal hand-set. Women are slightly less likely to have a personal handset: 17 percent of the female respondents did not have a personal hand-set against 10 percent of the male respondents.






Of those who have their personal hand-set, the majority reports it to be a smart-phone. In our experience, however, there are many phones that have a large screen but do not have many options and cannot download apps or access internet.

In Senegal, those who have a phone are most likely to consider it a smart-phone. There is no age correlation with type of phone and men and women who have a phone are as likely for the phone to be a smart phone.

**Q: How about the gender angle? All of the young people in the video were men – how about young females?**

Point well taken. This video on expenditures, part of a four-part series to be released this autumn, focused on stories that indeed come from men. They offered the best stories on spending that would fit in the tight timeframe the video treatment required. The remaining videos focus greatly on women's stories, including videos on savings and income. We certainly took gender into account during the editing process. Luckily, while the question was asked on the webinar, Lise provided some insight into women's approaches to expenditure. Hope you were able to take in those points. A question further down will help provide some of that insight.

**Q: To what extent can we infer that tiny savings for a few days to cover essential and non-essential needs can lead to "business" oriented savings and investments that are needed to sustain those businesses and ultimately help them enter the formal lending market?**

Entering the formal lending market is a challenge for young people because of (i) lack of collateral and (ii) their business not having a track record, which shows they generate enough revenue to pay back the loan. Our argument is that by engaging with young people from a young age, financial institutions can support small and mid-level savers grow into big savers, which works in the favor of financial institutions and young people, including those who want to invest in or start a business.

**Q: What is the role of technology, especially in markets like Senegal with high digital access by young people in financial access?**

The role of technology is that mid-teens and youth who should not be able to touch the formal system, use it to access the system. The role of technology is big. For financial institutions it is an opportunity to link, create a relationship and engage with young people.

**Q: What were your findings regarding savings among early youth (ages 10-14)?**

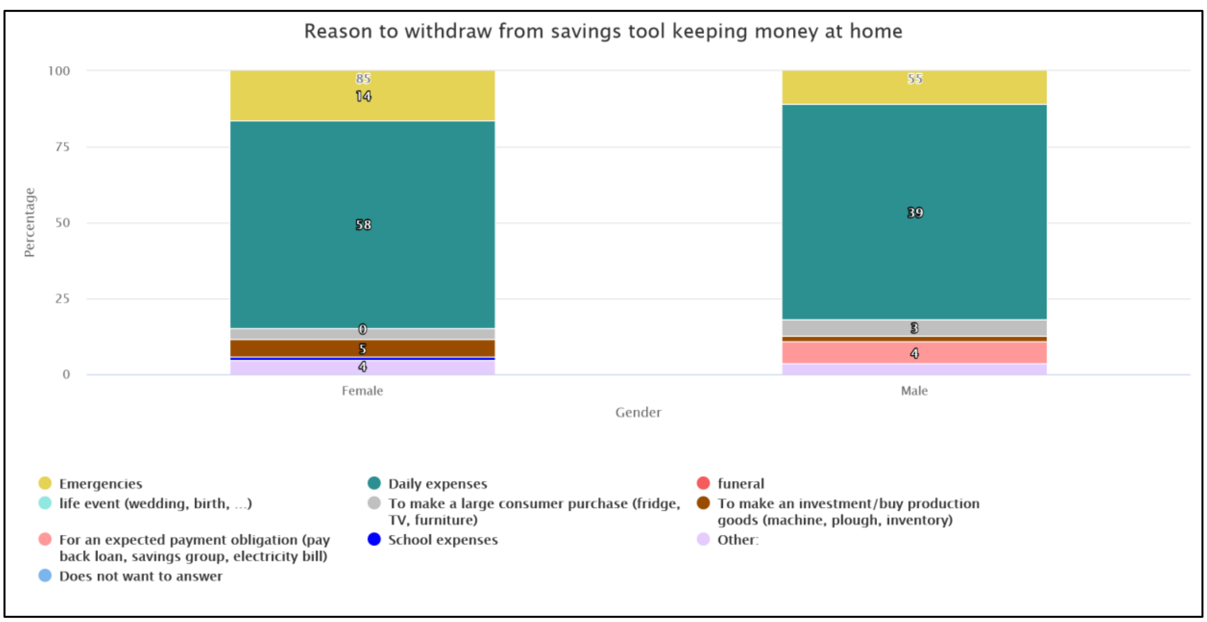
The youngest respondents were 15 years old.

**Q: Are savings habits and patterns different among women and men? And if so, what does it tell us about how we should design programs?**

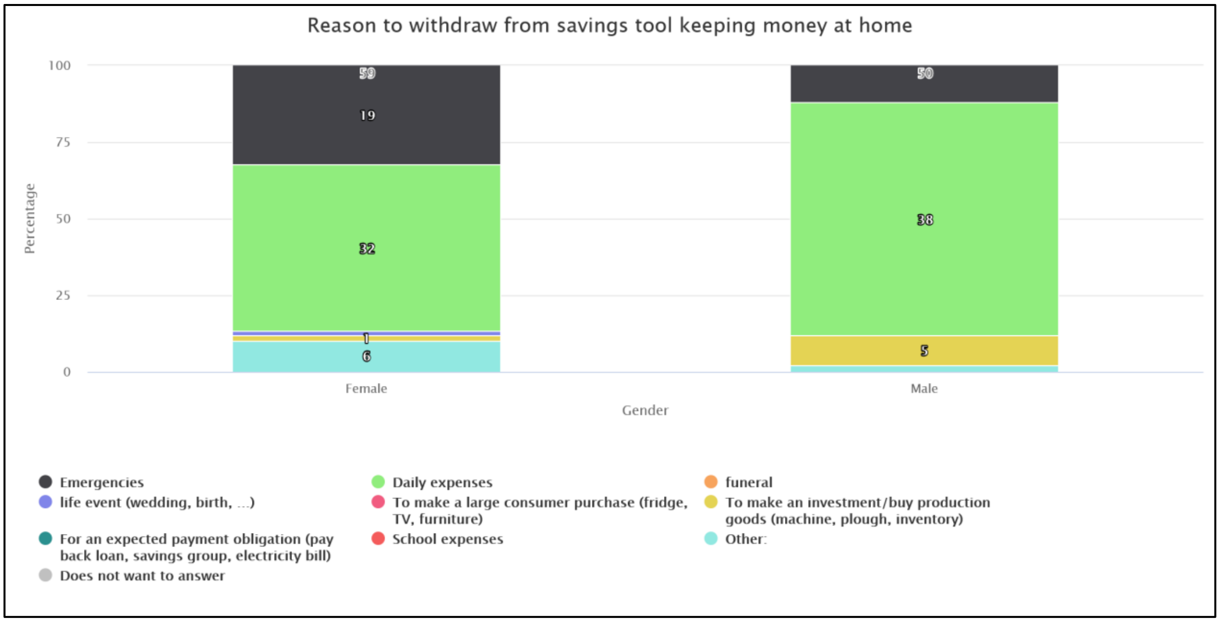
In Nigeria women saved less than men, in Senegal women and men had practically the same savings patterns and in Morocco women saved more.

The purpose of savings can also differ between men and women, with overall women being more focused on saving for emergencies than men. However, when we look at reasons to withdraw savings (demonstrating for which people used savings), we see a mixed pattern across the three countries:

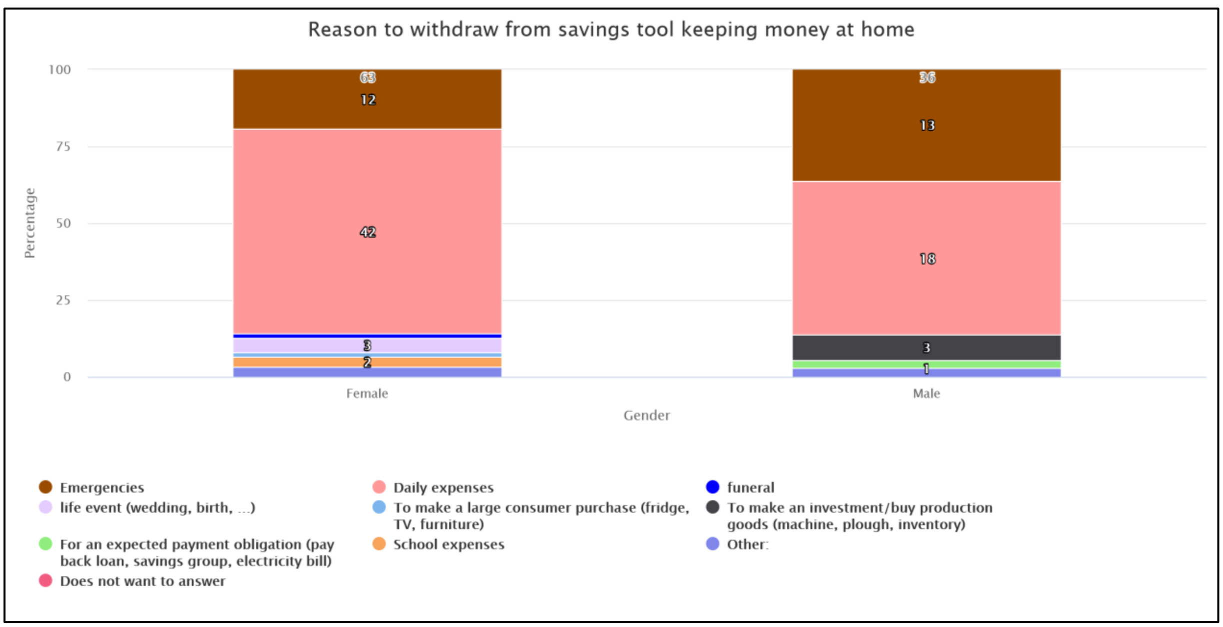
<u>Nigeria</u>



Morocco




Senegal




Across all three countries, the most common reason for using savings is “daily expenses” which represents half or more of the reasons to withdraw savings.

In Nigeria, there are few differences between men and women in terms of reasons for using savings. In Morocco, women are more likely to withdraw for emergencies men more likely to withdraw for daily expenses. In Senegal, men are more likely to withdraw savings for emergencies and women more likely to withdraw for daily expenses.

Altogether each country should look in great detail what the differences are for that country specifically and start learning about the main segmentations. Differences may be more related to profession (e.g. employed people versus business people) age or education level than only to gender.

**Q: How could we get access to this research?**

The report will be published in the coming months. For those people interested in the data, all can access the data portal on : http://scale2saveyouth.l-ift.com

**Q: When you refer to "bank transactions" are these in branch, payment by debit/credit card, money wallets, or something else?**

We did not distinguish between different forms of bank-transactions. You can assume that most took place in branches. You can find more detailed information about bank-accounts and usage of formal services in week 8 of the weekly specials on the data portal [http://scale2saveyouth.l-ift.com](http://scale2saveyouth.l-ift.com)

**Q: Lise, is it fair to conclude that young people generally save for consumption rather than investment, although two exceptions might be saving for training and also toward buying a house? Is there any evidence that links where young people save the intended use, e.g. informal savings used for consumption purposes?**

It is true that on a daily and weekly basis young people spend most on day-to-day things and consumption. However, based on conversations I have had with young entrepreneurs, some were extremely meticulous about saving for their business. One entrepreneur I spoke to in Mbourhad started a car rental business from scratch by starting small, saving informally and investing his savings into his business, growing it in the process. He saved informally only, as he did not trust banks and there were none in the area. There were various examples of this process in the various countries, but this one stands out.

In our study we can clearly see a difference between the purpose for which people saved and the reason for which people withdrew their savings. So they may save for emergencies but end up using the savings for day-to-day expenses. Likewise, the original savings may be intended for starting a business but in practice the day to day costs and an emergency may come in between and the plan for starting the business is abandoned.

**Q: What does the panel make of the South African model of "stokvel" which is about pooling of savings over time and then use returns for further investments, bulk buying, etc.?**

Amongst our diarists, there were few cases of using 'savings groups' (where stokvel equivalent would have been reported). However, as Guy Stuart reported in the webinar, the Findex data does demonstrate that young people in Nigeria and Senegal are using savings groups and it is reported as much by young people in these two countries as by older age groups. In Morocco young people seldom report savings groups but the same goes for older age groups in Morocco.

We are not sure why our sample of respondents in Senegal and Nigeria barely reported using savings groups. It could be a coincidence of the selected locations.