



INSIGHTS FROM UNCDF'S YOUTHSTART PROGRAMME

# Policy Opportunities and Constraints to Access Youth Financial Services



The MasterCard  
Foundation





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## ACRONYMS

ACSI	Amhara Credit and Saving Institution
BSP	Bangko Sentral ng Pilipinas: Central Bank of Philippines
BYSG	Bayelsa State Government
CCT	Conditional Cash Transfers
CMS	Credit Mutuel du Senegal
CYFI	Child and Youth Finance International
FSP	Financial Service Provider
ICT	Information and Communications Technology
IFAD	International Fund for Agriculture Development
KSA	Knowledge, Skills and Attitudes
KYC	Know Your Customer
MEDA	Mennonite Economic Development Associates
MFI	Microfinance Institution
MFO	Microfinance Opportunities
NFS	Non-Financial Services
OBM	Opportunity Bank Malawi
PAMECAS	Partenariat pour la Mobilisation de l'Épargne et le Crédit au Sénégal
PEACE	Poverty Eradication and Community Empowerment
RCPB	Réseau des Caisses Populaires du Burkina
ROSCA	Rotating Credit and Savings Association
SMS	Short Message Service
UCU	Union of Savings and Credit Cooperative Umutanguha
UN	United Nations
UNCDF	UN Capital Development Fund
WWB	Women's World Banking
YSO	Youth Serving Organization

## ANNEXES

Annex 1: Legal and Regulatory Environment for UNCDF-YouthStart countries

## ABOUT YOUTHSTART

YouthStart, a UN Capital Development Fund (UNCDF) programme funded by The MasterCard Foundation aims to reach 200,000 youth in Sub-Saharan Africa with demand-driven financial services and non-financial services, in particular savings and financial education, by 2014. To date, US\$7.2 million has been awarded to 10 Financial Service Providers, of which US\$1.3 million has been disbursed, to design, deliver and scale up demand-driven youth financial services and youth-centric programmes in partnership with Youth Serving Organizations. For more information, see <http://www.uncdf.org/YouthStart/>.

## ABOUT UNCDF

UNCDF is the UN's capital investment agency for the world's 48 least developed countries. It creates new opportunities for poor people and their communities by increasing access to microfinance and investment capital. UNCDF focuses on Africa and the poorest countries of Asia, with a special commitment to countries emerging from conflict or crisis. It provides seed capital – grants and loans – and technical support to help microfinance institutions reach more poor households and small businesses, and local governments finance the capital investments – water systems, feeder roads, schools, irrigation schemes – that will improve poor peoples' lives. UNCDF programmes help to empower women, and are designed to catalyze larger capital flows from the private sector, national governments and development partners, for maximum impact toward the Millennium Development Goals. For more information, see <http://www.uncdf.org/>.

## ABOUT THE MASTERCARD FOUNDATION

The MasterCard Foundation advances microfinance and youth learning to promote financial inclusion and prosperity. Through collaboration with committed partners in 48 countries, The MasterCard Foundation is helping people living in poverty to access opportunities to learn and prosper. An independent, private foundation based in Toronto, Canada, the Foundation was established through the generosity of MasterCard Worldwide at the time of the company's initial public offering in 2006. For more information, visit <http://www.mastercardfdn.org/>.

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## EXECUTIVE SUMMARY

Given the increasing youth population in developing countries, the high levels of youth unemployment and limited economic opportunities for youth, governments are increasingly looking for proactive approaches to help youth realize their full economic potential. Increased access to financial services and increased financial capability to use those services effectively to invest in their education, enterprises, and futures may provide that beacon. Yet youth face many barriers in accessing financial services, including restrictions in the legal and regulatory environment, inappropriate and inaccessible products and services and low financial capability. The public policy opportunity—and imperative—is evident.

Overcoming these barriers and achieving successful youth financial inclusion requires a multi-stakeholder approach that engages government (including policy makers, regulators, and line ministries), Financial Service Providers (FSPs), Youth Service Organizations (YSOs), other youth stakeholders, as well as youth themselves. The following are recommendations that policy makers and regulators should consider for each of the three barriers to advance financial inclusion for youth:

### LEGAL AND REGULATORY ENVIRONMENT

- Develop legislation that is inclusive and protective of youth rights and consistent with the principles supported by the Smart Campaign and CYFI (e.g. minimize age restrictions and be more flexible on identification requirements)
- Ensure that adequate mechanisms of recourse exist and that they are accessible to youth
- Encourage FSPs to adopt industry standards of client protection and youth-friendly products
- Coordinate activities among different regulatory bodies and ensure alignment with the national youth policies
- Develop and promote awareness of national youth policies that promote access to both financial and non-financial services
- Rescinding NYC requirements for small deposits and withdrawals (e.g. under \$20) and accounts with low balances (e.g. under \$200)

### DESIGN AND DELIVERY OF YOUTH FINANCIAL SERVICES

- Stimulate and support the financial sector to design appropriate financial products that are consistent with the Smart Campaign and the Child Friendly Banking principles of CYFI
- Develop policies that offer incentives or subsidies to open and use a savings account
- Signal to donors that funding to build capacity of FSPs in the youth financial services market is a priority
- Develop appropriate policy and regulation to support the development of innovative delivery channels (e.g. agent, mobile, and school banking) that promote access to youth financial services

### FINANCIAL CAPABILITIES

- Develop a national strategy for financial education
- Invest in the development and delivery of financial education and entrepreneurship programmes to increase the financial capabilities of youth
- Integrate financial education and entrepreneurship curriculum into the national curriculum
- Support YSOs to reach out-of-school youth with financial education
- Provide information on youth demographics and links to YSOs and other government institutions with whom FSPs can partner
- Advance best approaches to financial education for youth by coordinating amongst government entities and collaborating with FSPs and YSOs

## INTRODUCTION

The current global youth<sup>1</sup> population of 1.2 billion is the largest in history and represents approximately 18 per cent of the world's population.<sup>2</sup> More than 80 per cent of the world's youth live in Africa, Asia and Oceania, where employment in agriculture comprises at least 35 per cent of total employment. Seventeen percent of the global youth population lives in Africa. One in five youth lives on less than US\$1 a day. Approximately 64 per cent of African youth live in countries where at least one third of the population lives on less than \$2 a day.<sup>3</sup> The quality of education for youth in many developing countries is very poor with high teacher-student ratios and high drop-out rates, particularly for girls in the rural areas. Very few youth are able to complete their education due to poverty and insufficient public institutions for tertiary education. As a result, many enter into the work force at a young age. In developing countries roughly 20 to 50 per cent of youth aged 15-19 and 50 to 80 per cent of youth aged 20-24 are working. Higher rates such as those in Africa (e.g. roughly 30 to 80 per cent for youth aged 15-19 and 50 to 90 per cent for youth aged 20-24)<sup>4</sup> may indicate limited education opportunities and the need for young people in these countries to contribute to family income. Girls in many developing countries are typically more vulnerable than boys due mainly to social norms perpetuated by 'gatekeepers' (e.g., fathers, mothers-in-laws, boyfriends, etc.) that diminish their value in the family and community and lead to fewer educational and employment options than boys. In addition many girls enter into unwanted marriages or relationships at a young age.<sup>5</sup>

To cope with the poor economic conditions and lack of educational opportunities, many youth turn to the informal market for work and financial services, however imperfect. A better solution would be to provide more formal financial service opportunities for youth by including them in inclusive finance strategies<sup>6</sup>. Appropriate and inclusive financial services for youth can equip them with the resources and support they need to become productive and economically active members of their households and communities as they make the transition from childhood to adulthood.<sup>7</sup> Providing youth with financial services can help them improve their livelihoods and build their assets in the long term. Youth represent the next wave of new clients for Financial Services Providers (FSPs) with the expected population growth by 1 billion over the next decade, particularly in sub-Saharan Africa.<sup>8</sup>

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<sup>1</sup> According to the United Nations, youth includes teens (13 to 19) and young adults (20 to 24).

<sup>2</sup> Estimate by the United Nations, World Population Prospects 2008 Revision Database.

<sup>3</sup> World Bank. World Development Report, 2007.

<sup>4</sup> World Youth Report 2007, Statistical Annex, United Nations, 2007. Accessed online at: <http://social.un.org/index/WorldYouthReport/2007.aspx>

<sup>5</sup> Hopkins, Danielle, Perdomo, Maria. Listening to Youth: Market Research to Design and Develop Financial and Non-Financial Services for Youth in Sub-Saharan Africa, UNCDF, July 2011. Accessed online at: <http://www.uncdf.org/english/microfinance/uploads/other/Listening%20to%20Youth-YouthStart%20Market%20Research.pdf>

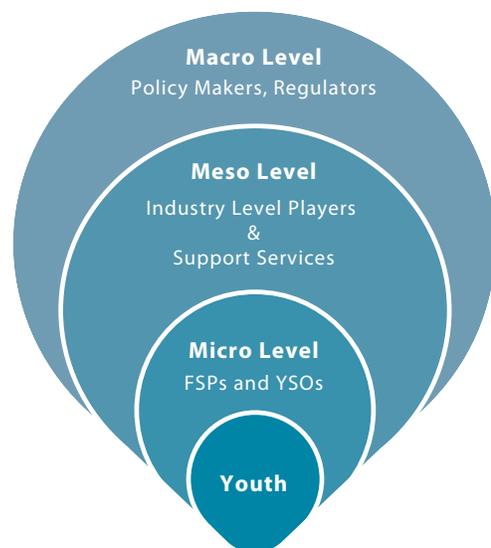
<sup>6</sup> Inclusive finance means that a range of financial products – savings, credit, insurance, payments, remittances – are available to all segments of society, at a reasonable cost and on a sustainable basis. Source: UN Capital Development Fund. UNCDF Annual Report 2010, New York: UN Capital Development Fund, 2011. Accessed online at: [http://uncdf.org/english/about\\_uncdf/uploads/annual\\_reports/2010\\_AR.pdf](http://uncdf.org/english/about_uncdf/uploads/annual_reports/2010_AR.pdf). See also United Nations. Building Inclusive Financial Sectors for Development, New York: United Nations, 2006. Accessed online at: [http://uncdf.org/english/microfinance/uploads/thematic/Building\\_Inclusive\\_Financial\\_Sectors\\_The\\_Blue\\_Book.pdf](http://uncdf.org/english/microfinance/uploads/thematic/Building_Inclusive_Financial_Sectors_The_Blue_Book.pdf)

<sup>7</sup> Making Cents International. *State of the Field in Youth Enterprise, Employment and Livelihoods Development: Programming and Policymaking in Youth Enterprise, Employment & Livelihoods Development*. Lessons from Making Cents International's 2009 Global Youth Enterprise Conference. Washington, DC: Making Cents International. 2010. Accessed on-line at: [http://www.youthenterpriseconference.org/SiteManager/CuteEditor\\_Files/uploads/MakingCentsInternationalStateoftheFieldPublication2009Bookmarked.pdf](http://www.youthenterpriseconference.org/SiteManager/CuteEditor_Files/uploads/MakingCentsInternationalStateoftheFieldPublication2009Bookmarked.pdf)

<sup>8</sup> In addition to building their client base and increasing their market share, FSPs may choose to provide youth financial services to build long-term customer loyalty. See Storm, Lara, Beth Porter, Fiona Macaulay. *Emerging Guidelines for Linking Youth to Financial Services*. Enterprise Development and Microfinance. Vol.21 No.4. December 2010. Accessed online at: <http://www.mastercardfdn.org/pdfs/Emerging%20Guidelines%20for%20linking%20youth%20to%20financial%20services.pdf>

While many low income people in developing countries still cannot access financial services easily<sup>9</sup> <sup>10</sup> youth in particular face many barriers to access such as age limitations to legally open an account, inappropriate and inaccessible products and services, and low financial capability, to name a few. Given the youth bulge, the fact that youth and children are disproportionately represented amongst the poor<sup>11</sup>, youth lack of access to financial services, regulatory barriers to deliver youth financial services, and that youth can truly benefit from access to formal financial services, the public policy imperative for governments becomes apparent.

Ensuring that youth have an opportunity to benefit from an inclusive financial sector requires collaborative interventions by a range of stakeholders at the macro, meso, micro and client levels as follows:



1. Macro: Policy makers and regulators including from the Ministry of Finance, Ministry of Youth, Ministry of Education, Central Bank, and financial services supervisory authorities;
2. Meso: Industry level players and providers of support services, such as microfinance associations, training organizations, etc.
3. Micro: FSPs such as Microfinance Institutions (MFIs), banks and credit unions, as well as YSOs and other organizations that also serve youth, such as community centers, churches, women's groups, parent's associations, etc.
4. Youth: According to the United Nations, youth includes teens (13 to 19) and young adults (20 to 24). Young people may or may not be of legal age, but nevertheless face age-related constraints to accessing and using financial services.

<sup>9</sup> Indeed, one observer notes that the barriers facing youth from savings in institutions are so similar to those of small-balance depositors that the emphasis should be on developing the strategies and the particular products and delivery channels that create a viable business case to serve the small-balance depositor rather than focusing on the youth market in particular. See Madeline Hirschland, Youth Savings Accounts: A Financial Service Perspective, Washington, DC: USAID, May 2009. This paper argues that a better understanding of the youth market can lead to more appropriate regulatory environment, product design and delivery channels, and targeted financial education.

<sup>10</sup> In considering consumer protection approaches for the youth market, it is nevertheless useful to consider the commonalities of regulation applying to other low-access environments as well as addressing the particular characteristics and vulnerabilities of youth. See Laura Brix and Katharine McKee, "Consumer Protection Regulation in Low-Access Environments: Opportunities to Promote Responsible Finance," Focus Note No. 60. Washington, DC: CGAP, February 2010 for more on this topic.

<sup>11</sup> UNICEF. "The State of the World's Children 2011" [http://www.unicef.org/sowc2011/pdfs/SOWC-2011-Executive-Summary-Lo-Res\\_EN\\_12132010.pdf](http://www.unicef.org/sowc2011/pdfs/SOWC-2011-Executive-Summary-Lo-Res_EN_12132010.pdf).

So that policy makers and regulators are better equipped to play their role at the macro level, they need to better understand the specific characteristics and needs of youth when it comes to access to finance, as well to understand barriers youth face in interacting and benefiting from the financial sector. Youth face the following three barriers to accessing and using formal financial services:

1. Restrictions in the legal and regulatory environment (e.g., minimum age and identification requirements)
2. Inappropriate and inaccessible financial products offered by FSPs
3. Poor financial capabilities<sup>12</sup> of youth

To overcome these barriers, a youth-friendly regulatory environment that recognizes the needs of youth, and is both inclusive and protective of youth is essential. Financial education and entrepreneurship development can also assist youth in taking greatest advantage of the financial services available. Government policies and incentives can help stimulate the financial sector to design appropriate financial products as well as innovative delivery channels including low-cost access points such as mobile banking and school banking programmes. Coordination amongst the various policy makers, line ministries, and regulators (e.g., Ministry of Education, Ministry of Youth, Ministry of Finance and Central Bank) can contribute to more effective and closely aligned policies and activities that support financial inclusion of youth. This may include developing a national platform or advisory committee at the country level.

This paper will address these barriers by looking at the related challenges and opportunities at the macro level that affect youth access to and utilization of financial services, while at the same time providing insights from the UNCDF-YouthStart programme.<sup>13</sup> It will then provide recommendations on how government can help to address the challenges and take advantage of the opportunities in order to bring benefits to youth.

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<sup>12</sup> Financial capabilities are the combination of knowledge, skills, attitudes, and behaviors necessary for wise financial management and often imply the ability to apply knowledge and put it into practice.

<sup>13</sup> YouthStart, a UN Capital Development Fund (UNCDF) programme funded by The MasterCard Foundation aims to reach 200,000 youth in Sub-Saharan Africa with demand-driven financial services and non-financial services, in particular savings and financial education, by 2014. To date, US\$7.2 million has been awarded to 10 FSPs, of which US\$1.3 million has been disbursed, to design, deliver and scale up demand-driven youth financial services and youth-centric programmes in partnership with YSOs. Financial services include mainly savings products for youth of all ages and credit linked closely to savings for youth older than 18.

# LEGAL AND REGULATORY ENVIRONMENT: CHALLENGES AND OPPORTUNITIES

## CHALLENGES: LEGAL AND REGULATORY ENVIRONMENT

- a. Minimum age requirement to open account and transact on own
- b. Identification documents

Legal and regulatory barriers are a key challenge to delivering financial services for youth, according to 75 per cent of respondents in the Global Youth-inclusive Financial Services Survey conducted by Making Cents International.<sup>14</sup><sup>15</sup> The most common barrier for youth, across developing countries, is a minimum age requirement (generally either 16 or 18 years old) to open and transact a savings account on their own.<sup>16</sup> Out of the seven UNCDF-YouthStart countries the minimum age requirement in one country is 14 for working youth; in one country it is 16; and in five countries it is 18.<sup>17</sup> Youth that do not meet this minimum age requirement need a parent or guardian to open the account and withdraw money, although often they are permitted to deposit money on their own. In many cases youth do not wish to inform their parents or guardians about their finances, so they are less likely to open a joint account than an individual account. The joint ownership with a parent or guardian may pose a potential threat to youth since most governments do not limit the transactions that the adult can make on the account, thus allowing them to make withdrawals without the consent of the youth account holder. Notwithstanding the policy framework, some FSPs who view youth as a risky market segment, due to its mobility, and do not see the business case due to small deposits and high administrative costs, may set higher age requirements to open and transact a savings account than those imposed by the government. A better understanding of the youth market may help providers to be more flexible with account specifications (e.g. lower their age limits and take other steps to attract and retain youth).

Age restrictions are exacerbated by identification requirements, particularly for children and youth. Seventy percent of children in the world's least developed countries do not have birth certificates or registration documents.<sup>18</sup> In addition, many parents may not have these required documents and are not willing to obtain them due to costs and hassle of obtaining the documents, and the lack of support for their children to open an account.<sup>19</sup> Thus identification documents such as birth certificates, proof of residence and proof of income are other common regulatory barriers for youth financial inclusion.

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<sup>14</sup> Making Cents International. Presentation- Youth Inclusive Financial Services: The State of the Sector. September 2009. Accessed online at: [http://www.makingcents.com/pdfs/yfs/Making%20Cents\\_Opening%20Plenary\\_Youth%20Financial%20Services%20Survey%20Findings.pdf](http://www.makingcents.com/pdfs/yfs/Making%20Cents_Opening%20Plenary_Youth%20Financial%20Services%20Survey%20Findings.pdf)

<sup>15</sup> 131 organizations responded to the survey. 34 percent are from or are working in Africa, 22 percent are from Latin America and the Caribbean, 21 percent are from Asia, 11 percent are from the Middle East and North Africa, 10 percent are from Europe, and two percent are from Australia and Oceania. The types of respondents included technical assistance providers and international non-governmental organizations (24 percent), youth-serving organizations (23 percent), financial services providers (20 percent), trainers (19 percent), funders and researchers (7 percent), and associations (seven percent).

<sup>16</sup> This paper will focus mainly on savings for youth below the age of 18.

<sup>17</sup> For additional information regarding the legal and regulatory environment in the UNCDF-YouthStart countries, see Annex 1.

<sup>18</sup> Commission on Legal Empowerment of the Poor and United Nations Development Programme, "Making the Law Work for Everyone," *Report of the Commission on Legal Empowerment of the Poor 1* (2008), [http://www.undp.org/legalempowerment/report/Making\\_the\\_Law\\_Work\\_for\\_Everyone.pdf](http://www.undp.org/legalempowerment/report/Making_the_Law_Work_for_Everyone.pdf)

<sup>19</sup> Interview with Karen Austrian, Associate, Population Council, January 2012.

## OPPORTUNITIES: LEGAL AND REGULATORY ENVIRONMENT

### Product Certification Process from Child and Youth Finance International (CYFI)

#### INSTITUTIONAL REQUIREMENTS

- The financial institution is licensed under appropriate national laws and regulations
- The institution is in good standing with its national regulatory authority
- The institution is covered by a deposit guarantee scheme, if applicable, in the country
- The institution has a code of conduct with respect to children including staff training and development programmes on how to interact with children

#### CHILD FRIENDLY PRODUCTS

- Maximum control by the child within the national legal and regulatory framework

Source: Child and Youth Finance International, Certification Manual

To ensure that legislation regarding deposits particularly protects the savings of youth, policy makers should ensure that legislation is consistent with the client protection principles of the Smart Campaign ([www.smartcampaign.org](http://www.smartcampaign.org)) and the Child and Youth Friendly Banking Principles of Child and Youth Finance International (CYFI) ([www.childfinanceinternational.org](http://www.childfinanceinternational.org)) for both institutional requirements and development of child and youth-friendly products. FSPs that offer services to youth should be regulated and supervised along with all other FSPs. Given their vulnerabilities, the stakes for youth are even higher, however. Particular care should be taken to ensure that youth can avail themselves of the protections provided. For example, recourse mechanisms should be accessible to youth, ideally conveniently located and not intimidating to use. Providers can address some of these issues by limiting access for parents or guardians or mandating that youth are always present with the guardian when withdrawing funds from the account. For example, many UNCDF-YouthStart grantees require that youth must be present and sign with the guardian for withdrawals. In some countries where more flexible interpretation of regulations exists youth can choose to use trustworthy school teachers, mentors and other care givers as signatory to the youth account instead of parents or guardians.

Policy makers and regulators can help develop and promote legislation to expand access of youth to financial services by minimizing age and ID restrictions for the independent use and management of savings accounts. This may involve issuing exemptions from ID requirements for joint child accounts or accounts under a certain balance. For example, the Central Bank of Philippines, *Bangko Sentral ng Pilipinas* (BSP) launched the 'Kiddie Account Programme' in August 2011. This is the first initiative in a developing country, spearheaded by the Central Bank that permits young children to open and manage savings accounts on their own. Launched in partnership with the Bank Marketing Association of the Philippines, the programme garners the support from 12 of the top Filipino banks to enable children older than the age of seven with a school ID to open and manage savings accounts on their own. The school ID for children above the age of seven was deemed acceptable by the banks, *Bangko Sentral* and the Philippine Anti Money laundering Council as sufficient to open a

### Ethiopia: Youth-Friendly Regulatory Environment

In Ethiopia, labor law recognizes "youth employment" starting at the age of 14 with restrictions for certain jobs (e.g. no family-based employment). Civil Code allows family to provide "special authorization" to children starting at the age of 15 to take on any and all rights of "majority" age, including marrying and signing a contract. As a result of this regulatory environment, UNCDF-YouthStart partners PEACE and ACSI in Ethiopia allow children aged 14 to 18 to open and manage an account on their own with any of the following documents:

- Kebele ID: the local administration such as village or ward councils (also known as "Kebele") can issue IDs earlier for "young workers" with proof of employment
- Labor contract

savings account. Children can open accounts with initial deposits of 100 pesos (PHP) or lower in any of the 3000 branches operated by these banks. This programme is expected to impact the 12 million school children under the age of 12 in the Philippines, and builds on an existing financial literacy programme.<sup>20</sup>

Depending on the flexibility of the regulators and interpretation of the legal framework, FSPs often can find ways to be more flexible in accepting various forms of IDs to open an account. For example, Finance Trust in Uganda, a UNCDF-YouthStart partner, accepts a recommendation letter as a type of ID from someone who knows the youth such as an existing Finance Trust client, the local council authority, school head or other authorities from churches, markets or YSOs. It also accepts school IDs for in-school youth and, village IDs for out-of-school youth and voter's card and driving permit/license for mentors or youth above the age of 18. If the account is opened in the field, staff from Finance Trust uses a camera to take a picture of the youth. UNCDF-YouthStart partner in Malawi, Opportunity Bank Malawi (OBM) accepts letters from the chief for youth without IDs who wish to open an account. In some countries, such as India, biometric technology is used to uniquely identify someone without proper documentation (i.e. via iris scans, fingerprinting, or DNA recognition) and is sufficient to open an account and meet "Know Your Customer" (KYC) provisions.<sup>21</sup>

In a recent CYFI survey of more than 200 youth finance experts from 20 countries, 63 per cent of respondents felt that governments should establish a youth financial inclusive regulatory framework and banks and other providers should adhere to a code of conduct, mainly to protect the savings of youth.<sup>22</sup> Particularly given the limited regulatory and supervisory capacity available<sup>23</sup> and given the increasing number and range of FSPs, governments can encourage FSPs to adopt industry standards of client protection and youth-friendly products. For example, this could involve requiring FSPs to belong to industry associations that develop codes of conduct and practical tools (e.g. for self-assessments or external assessments) or certification standards to promote adherence to the code and hold their members accountable. In addition, governments could take proactive steps to develop and promote awareness of national policies that are inclusive of youth and promote access to both financial and non-financial services for youth (e.g., financial education, entrepreneurship development, livelihood skills training, etc.). It may also involve coordinating the activities of policy makers and regulators (e.g. Ministry of Finance, Central Bank) to ensure alignment with national youth policies.

### National Youth Policies: YouthStart Countries

National youth policies in some countries where UNCDF-YouthStart has partners have facilitated the development of infrastructure to support the delivery of non-financial services to youth and mobilized FSPs to provide financial services such as credit and savings to youth. In Ethiopia, the Ministry of Youth created 54 youth development centers providing a unique infrastructure for FSPs to team up with YSO and offer non-financial services. In Rwanda, the Ministry of Youth was established to address high youth unemployment rates through mobilization, capacity building and advocating for youth initiatives (e.g. employment, education and skills development, ICT) that lead to economic and social development. In addition to supporting the delivery of non-financial services for youth, the Ministry of Youth is tasked with mobilizing all sectors, including the financial sector to consider youth policies and programmes in their action plans.

<sup>20</sup> YouthSave blog. <http://youthsave.org/content/blog-philippines-driving-innovation-youth-savings>

<sup>21</sup> Unique Identification Authority of India, Planning Commission, Government of India, "Why Aadhaar?," [http://uidai.gov.in/index.php?option=com\\_content&view=article&id=58&Itemid=106](http://uidai.gov.in/index.php?option=com_content&view=article&id=58&Itemid=106).

<sup>22</sup> Child and Youth Finance International. The Word on the Street: Views on Finance for Children and Youth. June 2010. Accessed online at: <http://childfinanceinternational.org/images/the-word-on-the-street.pdf>

<sup>23</sup> CGAP. "Global Standard-Setting Bodies and Financial Inclusion for the Poor: Toward Proportionate Standards and Guidance" 2011. [http://www.cgap.org/gm/document-1.9.55147/CGAP\\_WhitePaper\\_Global\\_Standard\\_Setting\\_Bodies.pdf](http://www.cgap.org/gm/document-1.9.55147/CGAP_WhitePaper_Global_Standard_Setting_Bodies.pdf)

## Policy Recommendations: Legal and Regulatory Environment

- Develop legislation that is inclusive and protective of youth rights and consistent with the principles supported by the Smart Campaign and CYFI (e.g. minimize age restrictions and be more flexible on identification requirements)
- Ensure that adequate mechanisms of recourse exist and that they are accessible to youth
- Encourage FSPs to adopt industry standards of client protection and youth-friendly products
- Coordinate activities among different regulatory bodies and ensure alignment with the national youth policies
- Develop and promote awareness of national youth policies that promote access to both financial and non-financial services
- Rescinding NYC requirements for small deposits and withdrawals (e.g. under \$20) and accounts with low balances (e.g. under \$200)

## DESIGN AND DELIVERY OF YOUTH FINANCIAL SERVICES: CHALLENGES AND OPPORTUNITIES

### CHALLENGES: DESIGN AND DELIVERY OF YOUTH FINANCIAL SERVICES

- a. High opening or minimum balance requirements
- b. Fees for withdrawals/deposits
- c. Inconvenient financial services located too far from communities where youth reside
- d. Lack of incentives to open and use savings accounts

A second challenge to providing youth financial services is that often these services are inappropriate for the lifecycle needs of youth and their varying income levels or are offered through delivery channels that are inaccessible or inconvenient for youth.

Youth typically save small amounts of money received either from parents, relatives or in exchange for labor. Research conducted by YouthSave<sup>24</sup> revealed that youth typically have irregular income that comes primarily from two sources. Smaller and more frequent inflows received mainly from parents, especially for in-school

### Market Research Findings: Opportunity Bank Malawi (UNCDF-YouthStart partner)

OBM identified the main sources of income for youth aged 12-17 as parents, guardians and relatives, while sources of income for youth aged 18-24 year olds are casual labour and small businesses. Out of school youth typically have income from casual employment.

and younger youth, are often used to buy lunch or snacks at school. Larger and less frequent inflows received from parents or other family members are usually in the form of gifts around holidays or in-migration times. Youth, especially out-of-school youth, receive money for some type of labor such as petty trade, working in shops, and domestic labor, as well as seasonal agricultural work in rural areas.<sup>25</sup>

Research conducted by UNCDF-YouthStart<sup>26</sup> revealed that the sources of income for youth vary often by age and occupation (e.g. in-school, out-of school). In general youth under the age of 14 receive revenue mostly from their parents or visiting relatives

<sup>24</sup> The YouthSave research included almost 2500 respondents –youth ages 12-18, parents, teachers, and other adult “gatekeepers in Colombia, Ghana, Kenya, and Nepal.

<sup>25</sup> YouthSave blog. <http://youthsave.org/content/blog-paying-grown-attention-financial-service-needs-youth>

<sup>26</sup> Qualitative market research was conducted with 18 FSPs across 9 countries that participated in Phase I of UNCDF-YouthStart. The sources of information included 6,000 youth between the ages of 12 and 24, parents, staff of YSOs and FSPs. For additional information see: Hopkins, Danielle, Perdomo, Maria. *Listening to Youth: Market Research to Design and Develop Financial and Non-Financial Services for Youth in Sub-Saharan Africa*, UNCDF, July 2011. Accessed online at: <http://www.uncdf.org/english/microfinance/uploads/other/Listening%20to%20Youth-YouthStart%20Market%20Research.pdf>

and some may get paid for occasional labor. Youth older than 15, tend to diversify this income with small or part-time jobs. Due to the informal nature of the sources, the income earned and/or received is small in size and irregular in frequency.

These irregular sources of income may lead youth to make frequent, smaller deposits in a savings account in their efforts to build lump sums of money. Many existing financial products for adults with large opening or minimum balance requirements or associated costs (e.g. account maintenance fees) are not appropriate for these smaller, irregular sources of income. In addition, complex account features with various restrictions may not appeal to youth.

Research conducted by UNCDF-YouthStart revealed that:

- Youth do not save in formal financial institutions due to unclear and costly transaction charges, costly or complex requirements to open an account and high minimum balances to keep account active.
- Youth prefer an account with no monthly charges because the majority do not have steady, regular income flows.
- Youth older than 18 want access to credit to start up and develop income generating activities or to invest in fixed assets.
- Youth desire flexibility to access an account whenever they want.

In addition to the product design, formal financial services are often located too far from communities where youth reside, resulting in time and transportation costs. The operating hours of the financial institution may also conflict with school hours for in-school youth or work hours for out-of-school youth. As a result many youth choose informal savings mechanisms that provide the accessibility that they value so highly, especially for emergencies.

During field work conducted by UNCDF-YouthStart grantees, youth indicated they did not save in banks because the branches are not located in rural areas. Instead they save informally with savings and credit associations (e.g. ROSCAs, SACCOS, tontines<sup>27</sup>, and ekubs) because these institutions are located close to their residences and youth can deposit their money at any time and easily access their funds when it is their turn. They also save at home, with their parents and friends and in-kind (e.g. stock and livestock)<sup>28</sup>. In market research conducted by YouthSave in Colombia, Ghana and Nepal, the majority of respondents indicated that they save at home, for example in a piggy bank, in cash hidden around the house, or with a “trusted” person such as a family member, friend, or even a local shopkeeper. Youth also save through clubs or with teachers at school.<sup>29</sup>

### YouthStart-UNCDF Partners Find Youth Prefer Convenient Access to Accounts

FINCA Uganda, a UNCDF-YouthStart partner, conducted market research that revealed youth are not willing to travel more than 500 meters to conduct bank transactions. The market research also indicated that youth want to use a card and mobile phones to access their accounts. OBM conducted market research that indicated most youth prefer ATMs and points of service such as shops in the community as opposed to banking halls where they have to wait in long lines and are often intimidated by bank staff. Points of service were particularly attractive for rural youth because it eliminated costs of travelling to the bank.

Sources: Interview with Leslie Enright, Senior Manager, New Business Development, FINCA International, January 2012. Opportunity Bank of Malawi and Making Cent International. YouthStart Testing Protocol Report. September 2011

<sup>27</sup> Informal savings and loan mechanism used in Africa. It combines features of a group annuity and a lottery.

<sup>28</sup> Hopkins, Danielle, Perdomo, Maria. Listening to Youth: Market Research to Design and Develop Financial and Non-Financial Services for Youth in Sub-Saharan Africa, UNCDF, July 2011

<sup>29</sup> YouthSave blog. <http://youthsave.org/content/blog-paying-grown-attention-financial-service-needs-youth>

## OPPORTUNITIES: DESIGN AND DELIVERY OF YOUTH FINANCIAL SERVICES

### Child Friendly Banking Principles (CYFI)

- Non-discriminatory access to products
- Net positive financial return received by the child
- No penalty in case of withdrawals
- No or minimal requirements with respect to initial opening deposits
- No credit facilities (including overdrafts) related to product
- Child-friendly (simple and transparent) communication surrounding the product

Source: "Obtaining the Child-friendly Product Certificate- A Guide". CYFI

Policy makers should stimulate and support the financial sector to design appropriate financial products that are consistent with the Smart Campaign Client Protection Principles and the Child Friendly Banking Principles of CYFI. According to the 1<sup>st</sup> client protection principle, products should be designed and delivered in a way that does not cause harm to clients and takes clients' characteristics into account.<sup>30</sup> The results from the CYFI survey show that 88 per cent of the respondents think banks and financial institutions should introduce youth-friendly savings accounts (e.g., that pay higher interest rates, charge low or no transaction costs, and offer facilities which make banking fun for children).<sup>31</sup>

To increase uptake and usage of savings accounts for youth, governments can develop policies that offer incentives or subsidies to open and use a savings account. The incentives may be through a seed deposit, a match, and conditional cash transfers (CCTs) or bonus transfers into the account. A match, the most common savings incentive, promotes asset accumulation (e.g. regular and frequent savings) by making periodic deposits into the savings account, either in set amounts or in proportion to the amount saved. Seed deposits are the first step toward asset accumulation while CCTs and bonus transfers are intended to encourage behavior such as investing in education and academic achievement.<sup>32</sup>

### Providing Incentives to Save: Nigeria and Colombia

In Nigeria, the Bayelsa State Government (BYSG) is piloting matched-saving accounts for 1,000 low-income children in a conflict ridden region. It is the only programme in a developing country to offer both a seed and a match (deposited quarterly at a 2:1 ratio), in addition to transfer bonuses for regular school attendance and high scores on standardized exams.

In Colombia, Bogota's SAES policy provides a savings-linked CCT for low-income, in-school youth. The youth receive a bimonthly CCT and \$10 to deposit into a savings account. Youth can access this money at the beginning of the following year.

Source: Desphande, Rani and Jamie Zimmerman. *Savings Accounts in Developing Countries: Trends in Practice*. Enterprise Development and Microfinance Vol. 21 No. 4. December 2010. Accessed online at: <http://www.mastercardfdn.org/pdfs/Savings%20account%20for%20young%20people%20in%20developing%20countries.pdf>

<sup>30</sup> The Smart Campaign. *The Client Protection Principles*. Accessed online at: <http://www.smartcampaign.org/about-the-campaign/smart-microfinance-and-the-client-protection-principles>

<sup>31</sup> Child and Youth Finance International. *The Word on the Street: Views on Finance for Children and Youth*. June 2010. Accessed online at: <http://childfinanceinternational.org/images/the-word-on-the-street.pdf>

<sup>32</sup> Desphande, Rani and Jamie Zimmerman. *Savings Accounts in Developing Countries: Trends in Practice*. Enterprise Development and Microfinance Vol. 21 No. 4. December 2010. Accessed online at: <http://www.mastercardfdn.org/pdfs/Savings%20account%20for%20young%20people%20in%20developing%20countries.pdf>

## Capacity Building: YouthStart

UNCDF-YouthStart conducted due diligence visits with its grantees and discovered that the majority need technical assistance in the integration of youth financial and non-financial services and monitoring and evaluation. As a result UNCDF-YouthStart in partnership with MicroSave, Reach Global and Population Council, delivered a 10-day training focusing on pilot testing youth financial services, designing youth-centered programmes with a special focus on adolescent girls, and integrating financial and non-financial services. UNCDF-YouthStart grantees participated in a 3-day market research training conducted by Making Cents International.

To help FSPs design and deliver appropriate financial services, policy makers can indicate that building the capacity of FSPs seeking to enter the youth financial service market should be a priority area for donors. Sixty-eight percent of the organizations from the CYFI survey stated they do not offer financial products for children mainly because they lack organizational expertise in the area. In the Global Youth-inclusive Financial Services Survey conducted by Making Cents International in September 2009, 75 per cent of respondents cited the lack of human resources to provide financial services to youth as a challenge to delivering youth financial services. Seventy percent cited not knowing how to attract or retain youth and 83 per cent cited lack of market information about the youth segment as challenges to delivering financial services for youth.<sup>33</sup>

One key area of capacity building is how to conduct market research to identify the socio-economic characteristics, needs and preferences of this new market segment. As the needs of youth vary according to the various life stages, so too do the financial products required to meet those needs. In-school youth under the age of 18 may need savings while out-of-school working youth over the age of 18 may need credit. For example, Finance Trust in Uganda conducted market research and found that older youth wanted access to credit. As a result it offers two products. Its 'Teen Classic' savings product is for youth aged 12 to 17. Its 'Youth Progress' savings product is for youth aged 12 to 17, and is delivered through a micro-enterprise and provides a link to credit during the second year. Union of Savings and Credit Cooperative Umutanguha (UCU), a UNCDF-YouthStart partner in Rwanda, developed a loan product to help young women between the ages of 20 and 24 pay for their children's school fees.<sup>34</sup>

### Emerging guideline for the design and implementation of youth inclusive financial services: Develop products and services that reflect the diversity of youth.

The youth market contains sub-segments related to age (legal age), life cycle stage (marital and parental status), gender, education, employment status, and vulnerability. These differences when taken into consideration in product design and delivery, allow for a more targeted and effective product.

Source: Storm, Lara, Beth Porter, Fiona Macaulay. *Emerging Guidelines for Linking Youth to Financial Services*. Enterprise Development and Microfinance. Vol.21 No.4. December 2010.

Knowing the amount and frequency of young people's income and their capacity to save can help FSPs determine an appropriate opening and minimum balance for a savings account. For example OBM found that youth from low-income households could save 500 MWK (US \$3) per week leading it to design a savings product for youth with an opening balance of 500 MWK and a minimum deposit of 100 MWK (US \$.60). FINCA Uganda reduced its opening balance from US\$ 5,000 (US \$2.10) to US\$ 3,000 (US \$.84) after its market research revealed that this lower amount would be more affordable for youth.<sup>35</sup> Most UNCDF-YouthStart partners offer savings products for youth with a low opening balance (less than US \$1) and either no minimum balance or a low minimum balance (less than US \$1).

<sup>33</sup> Making Cents International. Presentation- Youth Inclusive Financial Services: The State of the Sector. September 2009. Accessed online at: [http://www.makingcents.com/pdfs/yfs/Making%20Cents\\_Opening%20Plenary\\_Youth%20Financial%20Services%20Survey%20Findings.pdf](http://www.makingcents.com/pdfs/yfs/Making%20Cents_Opening%20Plenary_Youth%20Financial%20Services%20Survey%20Findings.pdf)

<sup>34</sup> 60 per cent of Rwandan young women between the ages of 20 and 24 are married.

<sup>35</sup> Interview with Alice Lubwama, Business Development Officer, FINCA Uganda, January 2012.

Table 1 provides an example of how market research informed the design of a savings product for youth at OMB.

<b>Market Research Findings</b>	<b>Product Design</b>
Young people want a product with low costs (e.g. no maintenance fees, zero opening balance)	Opening balance=0 <sup>37</sup> Minimum balance= 0
Young people want to make small deposits	Minimum deposit= MWK 100 (US \$.60)
Savings capacity of young people is MK 500 per week	Opening balance=0 Can draw account down to zero (minimum balance = 0)
Uneven, irregular cash flows/income	Account becomes dormant after 12 months
Young people will only withdraw 1-2 times per month	Charge of MWK 50 per withdrawal (US \$.30) to encourage savings

### School Banking Programmes

Hatton National Bank began a Student Managers Programme in 1990 to increase access to its products for youth. Through support of the Ministry of Education the bank has set up 200 Student Banking Units in 200 Schools across the country through 180 branches. Over the past twenty years, over 600,000 students have become clients of the bank through the 200 Student Banking Units and the Bank holds savings deposits up to nearly USD 40 million from these students. The Bank has also trained over 30,000 students across the country to manage the banking units.

Source: Abeywickrema, C. (2009, September). The role of the Hatton National Bank in creating access to financial services for youth in Sri Lanka. Hatton National Bank. Accessible at: [http://www.makingcents.com/products\\_services/resources.php](http://www.makingcents.com/products_services/resources.php)

Delivering youth financial services through convenient channels, such as schools, nearby recreation and youth work places or agents can help overcome the barrier of physical access, especially for those youth that live far from financial institutions or are out-of-school. Many UNCDF-YouthStart grantees plan to target in-school youth through a school banking programme, allowing students to deposit money before classes and at lunch. Schools can be an effective delivery channel for youth financial services, but require that FSPs seek and obtain the support of the Ministry of Education. It is also important to ensure that the policies and efforts of the Ministry of Education and Ministry of Youth are closely aligned. Schools may be a more appropriate delivery channel to reach in-school youth while market places, mobile vans, mobile phones or agents might be more appropriate to reach out-of school working youth. Some UNCDF-YouthStart grantees plan to use mobile vans to conduct transactions inside or near the schools and markets, or in other areas that are far from the branches (e.g. PAMECAS in Senegal, Finance Trust in Uganda). FINCA Uganda may also operate 'light' branches, which have fewer staff, one teller and use GPRS-enabled POS devices instead of full teller terminals. This will reduce technology and infrastructure costs while at the same time increase points of access for its youth customers.<sup>38</sup>

<sup>36</sup> Interview with Mwawi Nkhonjera, Youth Services Manager, Opportunity Bank Malawi, January 2012.

<sup>37</sup> Although the opening balance is zero, youth are required to pay a one-time fee for a SmartCard which is MK 1,200 (US \$7.27)

<sup>38</sup> Interview with Alice Lubwama, Business Development Officer, FINCA Uganda and Sonali Rohatgi, Senior Manager, New Business Initiatives. January, 2012.

## Mobile Banking: Equity Bank

Kenya's Equity Bank, found that most Kenyan young people below the age of 30 possess a mobile phone and would be willing to conduct financial transactions using these phones. Using the M-Pesa platform, Equity developed a mobile banking system that within the first two months of its launch, 670,000 bank accounts were opened. Although these accounts were not solely opened by youth, Equity Bank's management views the use of mobile banking as an enormous opportunity to increase the uptake of youth savings accounts. Young people find the mobile banking system particularly attractive as only the initial account opening requires an adult cosigner but deposits and withdrawals made through the mobile phone do not. In addition, the mobile banking system does not charge fees and savings are insured.

Source: Making Cents International. 2010. State of the Field in Youth Enterprise, Employment and Livelihoods Development: Programming and Policymaking in Youth Enterprise, Employment & Livelihoods Development. Lessons from Making Cents International's 2009 Global Youth Enterprise Conference. Washington, DC: Making Cents International. Accessed on-line at: [http://www.youthenterpriseconference.org/SiteManager/CuteEditor\\_Files/uploads/MakingCentsInternationalStateoftheFieldPublication2009Book-marked.pdf](http://www.youthenterpriseconference.org/SiteManager/CuteEditor_Files/uploads/MakingCentsInternationalStateoftheFieldPublication2009Book-marked.pdf)

Mobile banking provides another delivery channel to reach youth and increase their access to formal financial services. The number of mobile phone subscribers below the age of 30 is predicted to increase in 2012 throughout the world. In South Asia, the number is projected to rise by 30 per cent to 380 million, while sub-Saharan Africa will have 108 million subscribers under 30, and Latin America will have 188 million.<sup>39</sup> Youth who are often technologically savvy and most likely own or have access to a cell phone may be more comfortable using this medium to access their savings account. In addition, mobile banking can lower the costs of travelling to branches and save time typically spent waiting in lines to transact on a savings account, thus providing more accessible and affordable products for youth. A large network of agents such as small kiosks, grocery stores, pharmacies, mobile operating stores and post offices can facilitate access to savings accounts for youth that live far from branches of financial institutions. For example, FINCA Uganda plans to use POS agent locations and mobile banking services to provide access to financial services to in-school and out-of-school youth within the community. Given the potential of mobile banking to expand access at lower cost to the underserved, including youth, appropriate regulation regarding mobile banking could play a significant role in youth access.

## Policy Recommendations: Design and Delivery of Youth Financial Services

- Stimulate and support the financial sector to design appropriate financial products that are consistent with the Smart Campaign and the Child Friendly Banking principles of CYFI
- Develop policies that offer incentives or subsidies to open and use a savings account
- Signal to donors that funding to build capacity of FSPs in the youth financial services market is a priority
- Develop appropriate policy and regulation to support the development of innovative delivery channels (e.g. agent, mobile, and school banking) that promote access to youth financial services

<sup>39</sup> Brown, Graham. Young People Mobile Phones and the Rights of Adolescents, MobileYouth. Accessed online at: <http://www.unicef.org/sowc2011/pdfs/Young-People-mobile-phones-and-the-rights-of-adolescents.pdf>

# FINANCIAL CAPABILITY: CHALLENGES AND OPPORTUNITIES

## CHALLENGES: FINANCIAL CAPABILITY

A third challenge that threatens the provision of youth financial services is poor financial capabilities of youth in developing countries. Financial capability is defined as “the combination of knowledge, skills, attitudes, and especially behaviors that people need to make sound personal finance decisions, suited to their social and financial circumstances”.<sup>40</sup> Youth typically lack knowledge of formal financial institutions and the terms and benefits of financial products such as savings and credit. They also may have misperceptions about banks, such as banks are only for rich people or for adults. Ninety-three percent of respondents to the CYFI survey said that the lack of understanding of money and resources hinders children and youth’s development into adulthood.<sup>41</sup>

Field research with UNCDF-YouthStart grantees confirmed that youth do not use formal financial services due mainly to misconceptions about financial institutions and lack of knowledge about how financial services work (e.g. fees, requirements for account opening, etc.) and how they can benefit youth. These reasons include the following:

- Fear of losing access to their money
- Fear that the institution will collapse
- Fear of losing their money due to fraud or high fees
- Perception that financial institutions are only for adults
- Perception that financial institutions are only for the rich
- Perception that financial institutions are only for depositing large amounts of money<sup>42</sup>

Easily influenced by media, family and peer pressure, youth with spending power are particularly vulnerable to making poor financial decisions and developing poor financial habits.<sup>43</sup> Lack of savings culture in most developing countries may cause most youth to spend small amounts of money saved at home right away on smaller items instead of saving it to build a lump sum and achieve larger goals for their future. In addition, peer pressure to look good among their peers, wear the latest fashionable clothes and accessories and own the latest cell phones lead youth to save money for consumptive purposes (e.g. snacks at school, entertainment, technology, personal items) rather than for productive purposes (e.g. school, business). If they save, they need to contribute to household needs (e.g., food, rent, medical) or they save during the week only to spend it over the weekend with their friends<sup>44</sup> or to buy what they want on their own to gain independence from their parents.<sup>45</sup>

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<sup>40</sup> U.S. Treasury Department; FINRA Investor Education Foundation, 2009.

<sup>41</sup> Child and Youth Finance International. *The Word on the Street: Views on Finance for Children and Youth*. June 2010. Accessed online at: <http://childfinanceinternational.org/images/the-word-on-the-street.pdf>

<sup>42</sup> Hopkins, Danielle, Perdomo, Maria. Listening to Youth: Market Research to Design and Develop Financial and Non-Financial Services for Youth in Sub-Saharan Africa, UNCDF, July 2011. Accessed online at: <http://www.uncdf.org/english/microfinance/uploads/other/Listening%20to%20Youth-YouthStart%20Market%20Research.pdf>

<sup>43</sup> McCormick, M. H. The Effectiveness of Youth Financial Education. July 2008. Accessed online from The New America Foundation: [http://www.newamerica.net/publications/policy/effectiveness\\_youth\\_financial\\_education](http://www.newamerica.net/publications/policy/effectiveness_youth_financial_education)

<sup>44</sup> Hopkins, Danielle, Perdomo, Maria. Listening to Youth: Market Research to Design and Develop Financial and Non-Financial Services for Youth in Sub-Saharan Africa, UNCDF, July 2011. Accessed online at: <http://www.uncdf.org/english/microfinance/uploads/other/Listening%20to%20Youth-YouthStart%20Market%20Research.pdf>

<sup>45</sup> Hopkins, Danielle. Savings, Financial Education and Social Support for Adolescent Girls: Dominican Republic Process Documentation, Microfinance Opportunities, September 2011

## MAKING THE CASE FOR FINANCIAL EDUCATION

In the Global Youth-inclusive Financial Services Survey conducted by Making Cents International in September 2009, 78 per cent of respondents felt it is important to provide financial education alongside provision of financial services.<sup>46</sup> According to the CYFI movement's theory of change, financial access plus financial/social education lead to empowerment, improved financial capability and economic citizenship. Financial education seeks to reduce the economic vulnerability of youth by providing them with the knowledge, skills and attitudes to make wise financial decisions and counteract the negative influences on their financial behavior (e.g. media, family and peer pressure). Financial education can be delivered either directly by FSPs or in partnership with YSOs or schools.

To improve outcomes for adolescent girls, the Population Council and *MicroSave* partnered with four financial institutions in Kenya and Uganda to develop, test, and roll out a programme comprised of an individual savings account with no opening balance or monthly fees; weekly girls group meetings with a financial mentor; and financial education. The pilot in Kenya showed positive change in social networks and mobility, gender norms, financial literacy, use of bank services, saving behavior, and communication with parents/guardians on financial issues. Specific examples related to financial capabilities are listed below:

- Faulu and K-Rep girls were significantly more likely to have a long-term financial goal compared to girls in the comparison group.
- Faulu girls were significantly more likely to correctly answer financial knowledge questions than girls in the comparison group.
- Compared to girls in the comparison group, Faulu girls were more likely to have been to a bank and K-Rep girls were significantly more likely to have used a bank's services.
- Girls in Faulu and K-rep groups were at least 3 times more likely to be saving on a weekly basis and at least 3 times more likely to have saved any money in the previous six months than girls in the comparison group.
- Faulu and K-Rep girls were at least twice as likely to have discussed money management issues with their fathers or mothers as girls in the comparison group.<sup>47</sup>

The main goal of YouthInvest, a project being implemented by MEDA in Morocco and in partnership with The MasterCard Foundation, is to foster entrepreneurship and workforce readiness among youth aged 15-27 through '100 Hours to Success', a training focusing on life skills and financial education. After receiving training, 96 per cent of participants have started to save and more than half of those increased their savings during the time they received the training.

### Positive Outcomes in XacBank's Financial Education Programme

In early 2009, XacBank in Mongolia partnered with the Nike Foundation, Women's World Banking (WWB), and Microfinance Opportunities (MFO) to develop a customized savings products linked to financial education specifically designed for girls 14–17 years old. An outcomes assessment conducted with MFO, WWB XacBank and Equal Steps (partner YSO) with girls prior to and immediately following participation in the financial education revealed a significant increase in savings knowledge and behavior. For example, 80 per cent of girls in the Equal Steps Programme (partner YSO) said that they increased their savings in the past month. The number of girls with savings plans rose by 85 per cent after receiving financial education. All of the girls said that they were more confident asking questions at a bank and that the bank is a safe place to keep money.

Source: The MasterCard Foundation. *Taking Stock: Financial Education Initiatives for the Poor*, A Report. Toronto, Canada: The MasterCard Foundation. 2011. Accessed online at: <http://www.mastercardfdn.org/pdfs/TakingStockFinancial.pdf>

<sup>46</sup> Making Cents International. Presentation- Youth Inclusive Financial Services: The State of the Sector. September 2009. Accessed online at: [http://www.makingcents.com/pdfs/yfs/Making%20Cents\\_Opening%20Plenary\\_Youth%20Financial%20Services%20Survey%20Findings.pdf](http://www.makingcents.com/pdfs/yfs/Making%20Cents_Opening%20Plenary_Youth%20Financial%20Services%20Survey%20Findings.pdf)

<sup>47</sup> Austrian, Karen. *Safe and Smart Savings Products for Vulnerable Adolescent Girls: Kenya Rollout Phase Baseline Survey*. Population Council. September 2011. Accessed online at: [http://www.financialeducationfund.org/storage/files/PopCouncil\\_Kenya\\_Rollout\\_Baseline\\_Report\\_Oct\\_28\\_2011.pdf](http://www.financialeducationfund.org/storage/files/PopCouncil_Kenya_Rollout_Baseline_Report_Oct_28_2011.pdf)

Of those who opened a savings account after entering the programme, 75 per cent said they would not have considered opening an account in the near future if it were not for the programme. Sixty four percent with savings accounts increased the size of their accounts since the initial deposit; for those who did not the primary reason was due to lack of funds. Ninety percent with savings accounts said that the programme has helped them move towards reaching their savings goals. Participants are also more self-confident than they were before the training, are planning for their future and are more likely to increase their incomes.<sup>48</sup>

Financial education programmes can help youth better understand the benefits and terms and conditions of financial services. They can also increase knowledge on the rights and responsibilities of youth as clients of financial institutions. For example, it is important for youth to know that recourse mechanisms exist for them if their rights are violated and how to access them. This in turn, will help young clients to make a more informed financial decision and to protect themselves from harmful lending practices of financial institutions or exploitative caretakers.

### OPPORTUNITIES: FINANCIAL CAPABILITY

Governments are increasingly investing in financial education and entrepreneurship programmes to equip young people with confidence to make sound financial decisions, enable them to manage financial services and help them work toward tangible savings goals. Such initiatives can also include market research efforts of YSOs to identify the most appropriate content and delivery channels for financial education (e.g. classroom training, computer or mobile phone games, SMS, etc.). It may also include holding an annual 'Child and Youth Finance' Day or 'Savings Day' to raise public awareness about the importance of increasing access of youth to financial services and the importance of savings. For example, in the Dominican Republic, the government sponsors a 'Savings Day' and promotes it through the schools.

#### Government Sponsored Financial Education: Colombia

The Colombian Government's Oportunidades Rurales, uses savings and financial education to promote entrepreneurship among approximately 4,000 youth in rural Colombia. Youth receive training in business administration, marketing and investment.

Source: IFAD, "Stories from the Field: Nurturing the Rural Entrepreneurs of Tomorrow in Colombia" accessed online at: [http://www.ruralpoverty-portal.org/c/document\\_library/get\\_file?p\\_l\\_id=60350&folderId=641343&name=DLFE-3795.pdf](http://www.ruralpoverty-portal.org/c/document_library/get_file?p_l_id=60350&folderId=641343&name=DLFE-3795.pdf)

<sup>48</sup> Harley, Jennifer Gurbin, et. al. *YouthInvest: A Case Study of Savings Behavior as an Indicator of Change through Experiential Learning*. Enterprise Development and Microfinance Vol.21 No.4. December 2010. Accessed online at: <http://www.mastercardfdn.org/pdfs/YouthInvest.pdf>

The Ministry of Education can play a large role in integrating financial education and entrepreneurship curriculum into the national curriculum to reach in-school youth. In addition, governments can collect and publish data on youth demographics, as well as financial service offerings that target youth and develop financial capability programmes. Once the programmes are developed, governments can promote their best practices to various stakeholders such as FSPs, YSOs and other regulatory bodies. In some countries, the Central Bank has created a unit to build financial capability of the public, though not targeted specifically to youth.

### National Financial Education: Ethiopia

In Ethiopia there is a distinct unit on savings which is taught every year from grades 5-10 in civics class in all government and private schools. The unit covers the basics of overcoming cultural barriers to saving, as well as why savings, goal setting, planning, budgeting and why bank accounts are useful. Most of these basic concepts are repeated every year in the curriculum.

Source: PEACE Market Research Findings

### Policy Recommendations: Financial Capabilities

- **Develop a national strategy for financial education**
- **Invest in the development and delivery of financial education and entrepreneurship programmes to increase the financial capabilities of youth**
- **Integrate financial education and entrepreneurship curriculum into the national curriculum**
- **Support YSOs to reach out-of-school youth with financial education**
- **Provide information on youth demographics and links to YSOs and other government institutions with whom FSPs can partner**
- **Advance best approaches to financial education for youth by coordinating amongst government entities and collaborating with FSPs and YSOs**

## CONCLUSION

Barriers that threaten the provision of youth financial services in developing countries include restrictions in the legal and regulatory environment, inappropriate or inaccessible financial products and poor financial capabilities of youth. To overcome these barriers and achieve successful youth financial inclusion requires a multi-stakeholder approach that engages government (including policymakers, regulators, and line ministries), FSPs, YSOs, other youth stakeholders, as well as youth themselves.

Table 2 highlights recommendations that policy makers and regulators should consider for each of the three barriers to advance financial inclusion for youth:

<b>Legal and Regulatory Environment</b>	<ul style="list-style-type: none"> <li>• Develop legislation that is inclusive and protective of youth rights and consistent with the principles supported by the Smart Campaign and CYFI (e.g. minimize age restrictions and be more flexible on identification requirements)</li> <li>• Ensure that adequate mechanisms of recourse exist and that they are accessible to youth</li> <li>• Encourage FSPs to adopt industry standards of client protection and youth-friendly products</li> <li>• Coordinate activities among different regulatory bodies and ensure alignment with the national youth policies</li> <li>• Develop and promote awareness of national youth policies that promote access to both financial and non-financial services</li> <li>• Rescinding NYC requirements for small deposits and withdrawals (e.g. under \$20) and accounts with low balances (e.g. under \$200)</li> </ul>
<b>Design &amp; Delivery of Youth Financial Services</b>	<ul style="list-style-type: none"> <li>• Stimulate and support the financial sector to design appropriate financial products that are consistent with the Smart Campaign and the Child Friendly Banking principles of CYFI</li> <li>• Develop policies that offer incentives or subsidies to open and use a savings account</li> <li>• Signal to donors that funding to build capacity of FSPs in the youth financial services market is a priority</li> <li>• Develop appropriate policy and regulation to support the development of innovative delivery channels (e.g. agent, mobile, and school banking) that promote access to youth financial services</li> </ul>
<b>Financial Capabilities</b>	<ul style="list-style-type: none"> <li>• Develop a national strategy for financial education</li> <li>• Invest in the development and delivery of financial education and entrepreneurship programmes to increase the financial capabilities of youth</li> <li>• Integrate financial education and entrepreneurship curriculum into the national curriculum</li> <li>• Support YSOs to reach out-of-school youth with financial education</li> <li>• Provide information on youth demographics and links to YSOs and other government institutions with whom FSPs can partner</li> <li>• Advance best approaches to financial education for youth by coordinating amongst government entities and collaborating with FSPs and YSOs</li> </ul>

## ANNEX 1: LEGAL AND REGULATORY ENVIRONMENT IN YOUTHSTART COUNTRIES

Country: YouthStart- UNCDF Partner	Age youth can independently open a savings account <sup>49</sup>	Required parental or adult consent to make transactions (for under age youth)	YouthStart FSPs Requested Support from Government
<b>Senegal:</b> PAMECAS and CMS	18	Yes	<ul style="list-style-type: none"> <li>• Lower age requirements for opening and independently transact on a savings account</li> <li>• Integrate financial education into school curricula</li> </ul>
<b>Burkina Faso:</b> RCPB	18 <sup>50</sup>	Yes	<ul style="list-style-type: none"> <li>• Lower age requirements for opening and independently transact on a savings account</li> </ul>
<b>Ethiopia:</b> ACSI and PEACE	14 : for working youth  18: for non-working youth	No  Yes	<ul style="list-style-type: none"> <li>• Promote savings product as poverty reduction tool</li> <li>• Develop policies to support programme</li> <li>• Encourage schools to allow FSPs to operate in schools and provide FE through schools</li> <li>• Appreciation for approach to providing FS and NFS</li> </ul>
<b>Uganda:</b> Finance Trust and FINCA	18	Yes	<ul style="list-style-type: none"> <li>• Lower age requirements for opening and independently transact on a savings account</li> <li>• Facilitate development of innovative new delivery channels that allow convenient access to savings services (i.e., POS)</li> <li>• Facilitate entry into schools and universities to deliver FE</li> </ul>

<sup>49</sup> Youth below the age in this column, require adult consent to open a savings account

<sup>50</sup> The new law, taking effect in January, 2011, does not mention any age limit

Country: YouthStart- UNCDF Partner	Age youth can independently open a savings account <sup>49</sup>	Required parental or adult consent to make transactions (for under age youth)	YouthStart FSPs Requested Support from Government
<b>DRC:</b> <b>FINCA</b>	18	Yes	<ul style="list-style-type: none"> <li>• Facilitate entry into schools and universities to deliver FE especially as corruption can impede access to public schools</li> <li>• Lower age requirements for opening and independently transact on a savings account</li> </ul>
<b>Malawi:</b> <b>OBM</b>	18. The minimum age requirement is waived for youth under 18 who are married or who have a registered business	Yes	<ul style="list-style-type: none"> <li>• Youth friendly policies</li> <li>• Provide information on youth demographics and links to NGO's and government institutions</li> <li>• Develop projects that support YFS initiative</li> <li>• Lower age requirements for opening and independently transact on a savings account</li> </ul>
<b>Rwanda:</b> <b>UCU</b>	16	Yes	<ul style="list-style-type: none"> <li>• Lower age requirements for opening a savings account</li> <li>• Disseminate messages about importance of savings with MFIs</li> <li>• Facilitate waiving of credit union membership fees for youth</li> <li>• Continue with initiatives that allow credit unions to expand</li> </ul>

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## NOTES

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