Scale2Save

# Young people in Africa

## Research showing opportunities for financial service providers in Morocco, Nigeria and Senegal

October 2019

WSBI

mastercard foundation

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## Foreword

Africa is young. Almost 70% of its people are estimated to be under 30 years of age. It faces a youth challenge, at a time when population growth elsewhere has already slowed or stalled.

Across sub-Saharan Africa, young people account for half of the remaining financial excluded, but they have been catching up fast. In Northern Africa, where demographic trends are more mature the young are a smaller proportion of the unserved. But they remain oftentimes still disproportionately unserved. Given this backdrop, young people in Africa can benefit from financial inclusion. Financial service providers can support them.

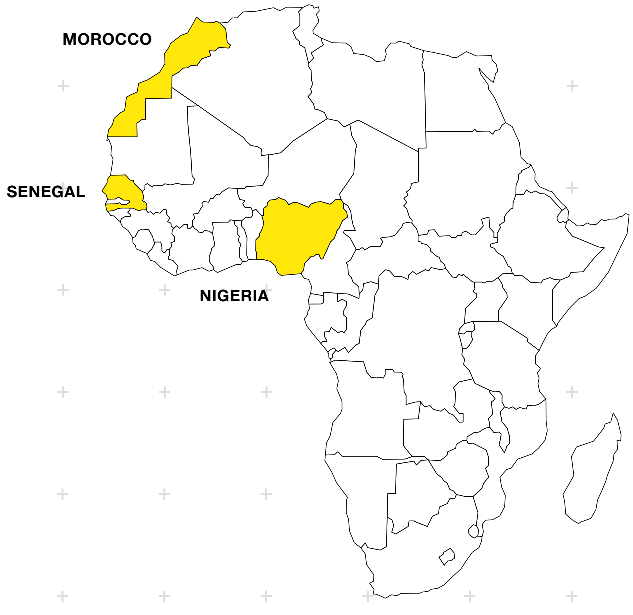
Within the remaining excluded group one finds young adults living in the parental home. Transitioning into full adulthood, they are expected one day to become heads of household. Mid-teens and youth already set up businesses and find ways to save through digital means. All young people are more at ease with digital technologies than their parents. New initiatives can reach these unserved young people.

Change is needed to address weak support structures for young people. That's why Scale2Save, a partnership between WSBI and Mastercard Foundation to establish the viability of small-scale savings, commissioned this study. The programme seeks to understand better the needs of unserved youth in three rapidly growing countries – Morocco, Nigeria and Senegal.

Research found in this report looks at how younger sections of the population manage their money. Drawing upon data collected in the field, this study aims to find the best paths by which financial institutions can connect with young people. Data drawn from internationally recognised bodies and fieldwork feed the study's quantitative research element. Qualitative research done through focus group discussions and working sessions enriches the information.

The lessons from this study can help guide financial institutions, financial inclusion experts and policymakers. We hope the findings and recommendations will make a difference to the outlook and help Africa's banks join in building a better future for the 4 billion Africans predicted to be living on the continent by century's end.

**Chris De Noose**
**Managing Director, WSBI**



# 1. Executive Summary

## Our research

This research report focuses upon mid-teens (aged 15-17), youth (18-24) and young adults (25-30) – collectively referred to as young people[1] – in three countries: Morocco, Nigeria and Senegal. It examines their experience in respect to financial inclusion, support structures and opportunities for young entrepreneurs. The main methodologies employed included a 13-week diary study, macro-quantitative analyses of publicly available data and qualitative research.

## What are the needs of unserved young people?

**Financial access is increasing fast but struggles to keep ahead of population growth among young people**

The number of young people who lack access to the formal financial system remains large in absolute terms and compared to the adult population. We did, however, identify very significant improvements in young people's sense of access to basic financial services in Nigeria and Senegal.

Between 2011 and 2017 the number of young Nigerians and Senegalese reporting access to financial services grew by 12 million. But the number of young people also grew rapidly, by 8 million, so the net impact on the size of the unserved young Nigerian and Senegalese population was a fall of only 4 million. Progress of inclusion in Morocco looks slower: the number of excluded young people is not falling.

**The demographic push is large in all three countries**

In Nigeria and Senegal, 20% of the current adult population over the age of 18 were aged under 18 just five years ago. For the foreseeable future the maturing of mid-teens will increase the size of the young adult population in Nigeria and Senegal by 20% approximately every five years. In Morocco, because it has a more mature demographic structure, maturing mid-teens increase the adult population by 10% every five years.

**Mid-teens and young adults living at home are disproportionately underserved**

In Nigeria and Senegal young people have similar levels of financial inclusion to the older adult population: in Morocco young people remain disproportionately underserved as a segment.

Youth and young adults across all three countries are less well served by banks than older adults. But young adults and youth have used digital and mobile technologies to enhance their access to basic financial services. As a result, they are no longer disproportionately excluded from at least some sort of access to financial services for carrying out transactions, though that does not mean they get the service they want and need. Mid-teens, however, remain disproportionately under-served numerically, in terms of access and what they are able to do and the sums they can transfer. This is partly due to legal constraints.

**Yet mid-teens and youth are quick to connect via digital technologies**

Uptake of digital financial technologies among mid-teens and youth exceeds uptake among young adults and older adults (aged 30+). Young people are quick to use digital tools to access formal finance, though challenges remain.

## How do young people manage their money?

**A generation of savers**

Young people engage in a broad variety of economic activities, ranging from hairdressing and welding to working in the music industry. They also save, mostly to smooth fluctuations in their living costs, buy more expensive items, or ensure they have money to cover unforeseen emergencies. As young adults, they may save to buy a car, a home, or to pay bride price.

1 The UN definition of youth is people aged between15 and 24. The legal definition of youth in Morocco is under 29, in Nigeria under 30 and in Senegal under 35. We used a range of 15-30 years to enable us to look at young people's transition through life cycles.

In each life stage, each country shows an increase in large savers, of which some have progressed from being mid-level savers. Likewise, the number of small-level savers remains either steady or increases in savings incidences.

**Earning money**
Diary respondents' net daily incomes ranged from US$1.05 among mid-teens to US$3.75 among young adults in Morocco, US$0.52 among mid-teens to US$8.58 among young adults in Nigeria and from US$0.19 among mid-teens to US$1.64 for young adults in Senegal.

**The more they earn, the more they save**
Many young people are regular savers. In Nigeria and Senegal about a third of weekly diary observations saw some sort of saving by young people. This suggests that more than half of diary participants in the two countries engaged in saving during the survey period. Savings activity was much less evident in Morocco – barely one-in-six survey responses indicated a saving event – but even this is compatible with up to half the survey group saving at some point during the survey period.

Overall, there is a positive correlation between economic activity and saving. Furthermore, young people generally become less financially dependent upon their parents as they move through life stages.

**Many want to become entrepreneurs**
One of the most striking findings from both our diary and our qualitative research was the desire among many young people in each of the countries we studied to become entrepreneurs. Among our diary respondents, just 6% of those in our Moroccan sample operated a micro-enterprise, whilst 43% had a full-time job. In Nigeria, 13% were entrepreneurs and 30% employed, while in Senegal 5% were entrepreneurs and 13% employed. Yet when asked about their ambitions, in Morocco, 66% declared an aspiration to self-employment, 81% did so in Nigeria and 64% in Senegal. At national level, Gallup World Poll data for 2018 shows actual employment among 15-24 year olds in Morocco balanced fairly evenly between waged and self-employed. In Nigeria more than three times as many people were self-employed (52%) as in employment (17%), whilst in Senegal 28% were self-employed, compared to 20% in employment.

**But social expectations and gender influence behaviour and financial inclusion**
Social expectations introduce gender-related issues that influence financial inclusion. Patterns vary. In Nigeria, both young women and young men are expected to marry around the age of 25. In Senegal and Morocco, it may be acceptable for young women to work, but they are often expected to end formal employment when they marry. Social expectations based on gender influence financial behaviours.

Young men feel the pressure to become financially strong enough to provide for their family. Most young women expect to be taken care of by their husbands. Expectations influence economic and financial behaviour. In practice, however, our study found that young men spend more, but young women are more likely to withdraw for emergencies and save more.

## Main considerations and opportunities

**Our research findings suggest opportunities for stakeholders, financial institutions and policy makers. These are our recommendations:**

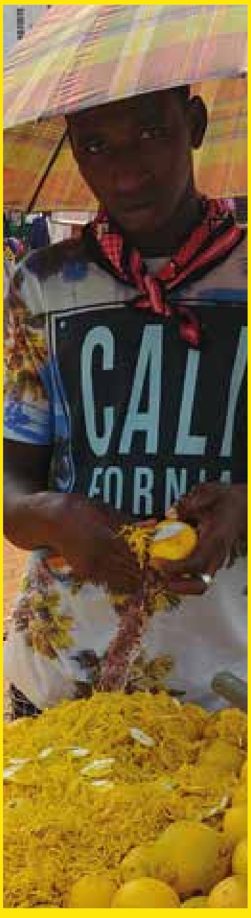
**Get to know your customers**
In a rapidly changing world, young people need to be understood in their own terms. This understanding must evolve with young people as they move rapidly through the early life-stages on the way to becoming full adults. This requires an understanding also of the changing social norms under which young people operate as they mature. Products that do not grow with the customer rapidly slip into dormancy. Only when financial service providers can keep up with the changing needs of younger customers will investments in serving them be made to work for young people and financial service providers alike.

**Focus on the youngest groups and build their loyalty using digital tools**
Policy makers and financial institutions should focus especially on mid-teens who, as our study shows, remain formally underserved. Support from parents is commonplace for these groups, who may frequently receive money from family members. In Morocco, Nigeria and Senegal under-18s cannot legally open accounts, though they are often digitally adept. Financial institutions might wish to consider developing family accounts to better serve this market and should use digital tools to do so.

**They need access to finance, and better training**
Young people aiming to set-up a business said access to capital and finance was the biggest challenge. They also requested more entrepreneurial training opportunities: training is currently concentrated in urban areas, and generally deemed too academic.

**Collaborate to strengthen support to young entrepreneurs**
Financial institutions have already begun to respond to the challenge of providing better support to entrepreneurs. However, there is a strong case for policy makers and financial institutions to collaborate more closely to reinforce broad-based support to young entrepreneurs, which should lead to more successful self-employment.

# 2. What we found



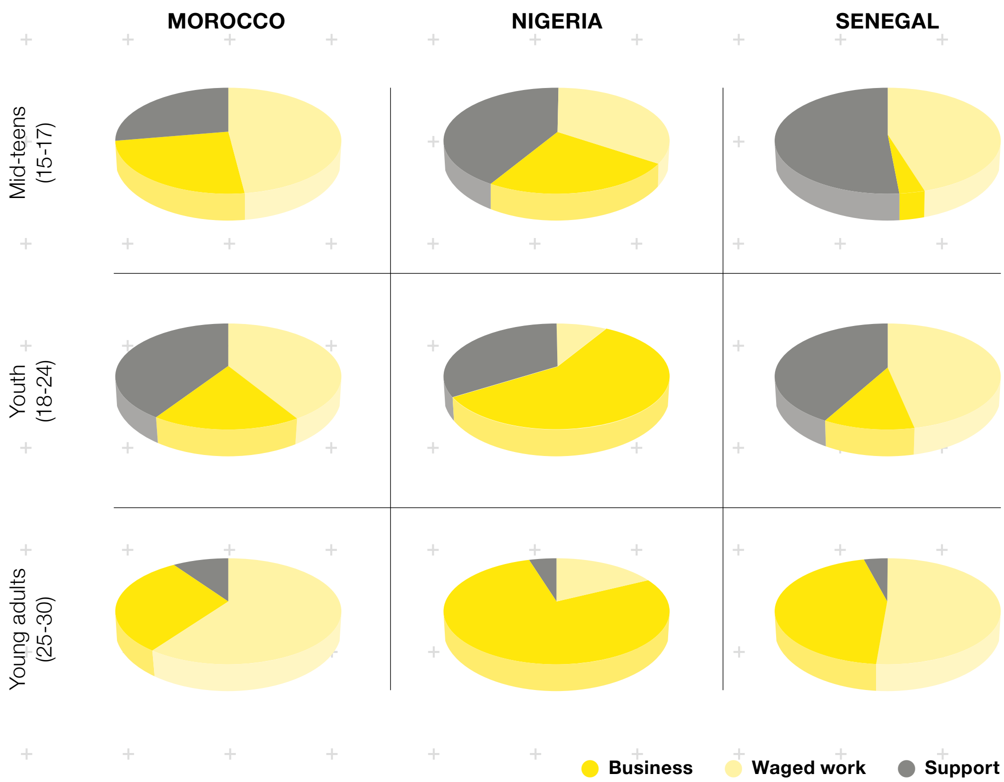

Our main analysis is based on facts, data and findings from research. We obtained insights from 909 stakeholders, comprising diary study respondents, research participants and survey respondents. These included 826 young people, in Casablanca and the nearby Mediouna area in Morocco; Benin City area in Nigeria; and in Dakar and the Mbour area in Senegal. Of 747 diary and qualitative research participants 383 were female.

## 2.1 What are the needs of unserved youth?

### Most of the young people we surveyed were economically active

**Many young people are economically active and prefer or aspire to become entrepreneurs**

Graph 1: Sources of diary respondents' income (percentage shares)




Note: Support includes financial support from parents. Findings from diary studies

Marked differences between the proportion in education, who have a business, or are employed, can partly be explained by variations in the ages of our samples. Young people say that they prefer to diversify their sources of income. Yet diary responses also show that young people prefer self-employment. The desire to be self-employed increases with age in all three countries.

2 Referring to working session participants.

Many young people in Nigeria, for example, believe they cannot rely upon the formal economy to create enough jobs, so they must create their own. Nearly a third of young people in Nigeria are students[3]: students often report running a business whilst they are studying. Combining school and running an enterprise is challenging, but gives them extra income, and helps to ensure they have an occupation after leaving education. A common sentiment among young people in Nigeria is:

> "We have to do it ourselves. It is the only way we can earn an income."
>
> **— Young people, working sessions in Edo State, Nigeria**

## Gender can have a big impact on economic activity – as can false perceptions

**Social norms often hold young women back, and employment is sometimes disdained**

In Morocco Women's participation in the labour market is changing. Traditionally, women would cease working once they married, because to carry on working would suggest their husband was unable to support his family financially. Today, however, women are either choosing not to marry, or where acceptable, working whilst married.

In Senegal, young people see jobs as scarce and poorly paid. Many young people work to earn money to invest in a business of their own. They see employment as a stepping-stone towards increased earnings from their own business as they reach young adulthood. Yet in reality young people in Senegal earned twice as much from employment as from self-employment. In this case, economic behaviour is shaped by incorrect perceptions about entrepreneurship and business.

### Understanding perceptions and hopes

Though young people may say they have a business, it may not actually be up and running. Many youths and young adults lack capital and machinery to turn their ideas into reality. The term 'young entrepreneur' is sometimes a reflection of aspirations relative to other economic opportunities and to young people's needs and social expectations for having to be active and contribute to society.

Similarly, confusion arises when using the term 'enterprise'. Some young people understand an enterprise to be a company that employs people, and different from a business run by one person. It is important to take the potential language barrier into account when designing policies.

## Young people save to manage financial pressures and build their lives

**Most young people save to smooth bumps in their day-to-day living costs and overcome financial pressures. Living costs include clothing, food, health expenses and mobile phone airtime**

In Nigeria and Senegal, young entrepreneurs save to invest in their business. In Senegal, young men also sometimes save to pay a bride price in order to marry[3]. Besides saving to meet social obligations, young people may save to buy a car or house or to pay school fees. Reasons for saving are similar across the three countries but evolve as young people get older and acquire greater financial obligations or aspirations. These are in line with why the money was set aside. There is a little more use of savings for daily expenses than planned, because young people see unplanned daily expenses, such as sodas, as a necessity.

Financial pressures identified by young people include paying for food, rent, transport, textbooks and school fees, airtime and data subscriptions, clothes, utility bills and other basic costs of living. Other gender-related reasons for saving were to pay dowry, to buy a house, to invest in business and to support their siblings.

**3** The need to save bride price was mentioned during discussions with young people, but not by diary respondents.

## They also save in case of unexpected emergencies

### Men are expected to finance families, but women's savings may cover emergencies

In Morocco and Nigeria especially, young men feel pressure to provide financially for their family. Social and gendered expectations are that the male head of household supports his family: he works, pays for large expenses such as school fees and the home, and he makes the main financial decisions.

Where multiple generations live together, as in Morocco and Senegal, the financial burden on the male head of household increases. Social expectations impose a strong pressure on young men to secure an adequate income.

Young people say they save to fund emergencies, but the nature of an emergency may be subjective. Age, gender and current realities may shape the evaluation of what constitutes an emergency, and this may change over time. For example, some may understand emergency as health-related, while others may interpret the need for food as an emergency.

Young people in all three countries do most saving in cash at home or on their person. Young women generally have more deposits then young men. The main purpose of saving is to smooth the imbalances of volatile incomes and variable daily expenditure needs.

**Table 1: Number of recorded deposit events in the 13-week diaries by gender and country**

| | Morocco | Nigeria | Senegal |
|---|---|---|---|
| **Female** | 165 saving events out of a possible 793 | 280 out of 858 | 290 out of 819 |
| **Male** | 78 out of 780 | 259 out of 663 | 259 out of 845 |

During the 13-week diary survey, we saw in all three countries more weekly deposit events involving women than men. In each week when a deposit event happened, for almost all respondents (95% plus) it involved adding to just one form of saving. Allowing for the difference in sample sizes and margins of error, however, deposit events by women and men were probably happening at roughly the same underlying frequency in Nigeria and Senegal but women were much more active depositors than men in Morocco.

The same patterns were true for weeks seeing a savings withdrawal event. Young people in all three countries mainly withdrew money to fund everyday expenses and this happened more than planned across the three countries and all three age bands. Withdrawals for an emergency are the next biggest reason for withdrawal.

**Table 2: Number of withdrawal events by gender and country (n=13 weeks)**

| | Morocco | Nigeria | Senegal |
|---|---|---|---|
| **Female** | 255 | 189 | 235 |
| **Male** | 187 | 146 | 208 |

**Table 3: Percentage of savings withdrawals for emergencies by gender and country (percentage of total number of withdrawals) (n=13 weeks)**

| | Morocco | Nigeria | Senegal |
|---|---|---|---|
| **Female** | 20 | 16 | 11 |
| **Male** | 17 | 14 | 13 |

## Digital access is enhancing financial inclusion for young people

**New digital routes to accessing the power of formal finance have allowed young people to close the gap with older adults and sometimes overtake them, but challenges remain**

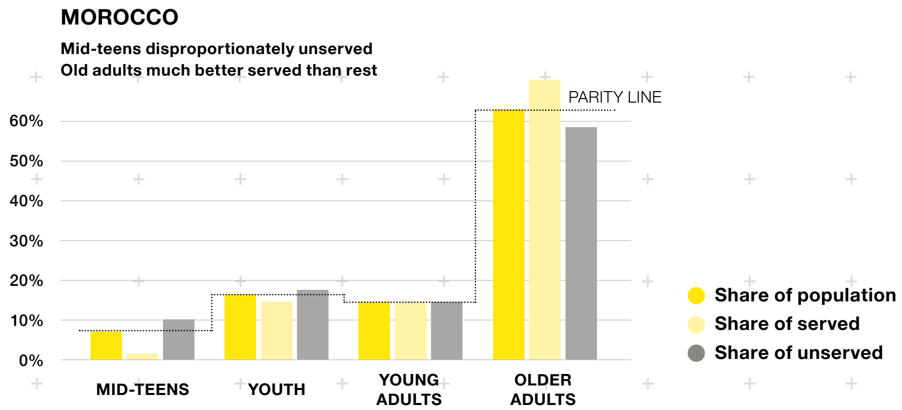
Digital forms of access to the financial system have created new opportunities for young people. In Nigeria and Senegal young adults have similar levels of financial inclusion to the older adult population. Today inclusion typically blends having an account at a formal financial institution, some sort of digital access, and perhaps a standalone mobile wallet.

In Nigeria and Senegal it is also increasingly possible to use the formal financial system's digital infrastructure without owning an account or wallet in one's own name, although this is not possible in Morocco. Young people in Morocco remain disproportionately present among the financially unserved population.

**Table 4: Youth and young adult proportion among served and unserved adult population (percentage) (n=13 weeks)**

| 2017 Youth/Young-adult share of: | Adult pop'n (15+) | Served adults | Unserved adults |
|---|---|---|---|
| **Morocco** | 37 | 30 | 41 |
| **Nigeria** | 50 | 48 | 52 |
| **Senegal** | 51 | 50 | 52 |

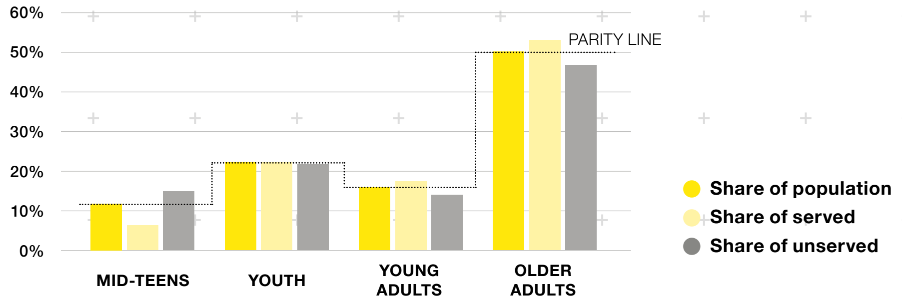
Analysis of the World Bank's Global Findex Financial Inclusion data[4] captures how people of different ages describe themselves in terms of the type of access they have, and reveals behaviours that imply they have an account or mobile wallet. But there are big differences in financial inclusion between young people of different ages.




4 Demirgüç-Kunt, Asli, Leora Klapper, Dorothe Singer, Saniya Ansar, and Jake Hess. 2018. The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution. Washington, DC: World Bank.
Ref: WLD_2017_FINDEX`_v02_M. Accessed on 2019 Jan 09 at: http://microdata.worldbank.org/index.php/catalog/3324/study-description

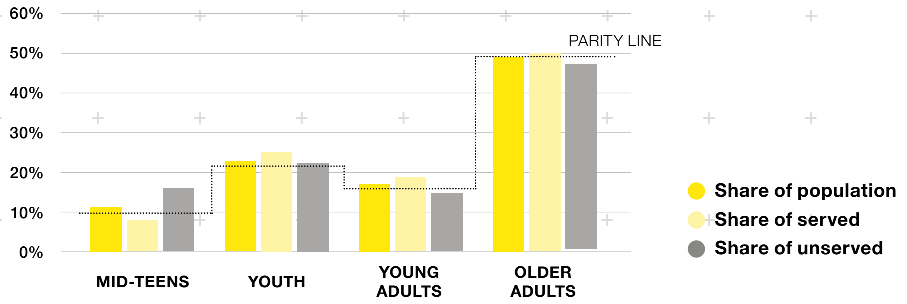
### NIGERIA

**Mid-teens disproportionately unserved**
**Young/old adults slightly better served**




### SENEGAL

**Mid-teens disproportionately unserved**
**Young/old adults slightly better served**




The formal financial system works much better for young people as they mature. From age 18 on, there is a significant increase in the proportion of young people who claim access, recall some use of the access they have, and report some form of saving. Thereafter progress is more muted.

Nonetheless, young people have been highly active in adopting digital means of access[5].

**Table 5: Type of access by age-band within country**

| MOROCCO | Mid-teen (15-17) | Youth (18-24) | Y-adults (25-30) | Older adults (36+) |
|---|---|---|---|---|
| Acces via FFI[6] a/c | 1% | 21% | 31% | 13% |
| Acces via digital[7] | 5% | 30% | 32% | 29% |
| **OVERALL ACCESS** | **7%** | **33%** | **38%** | **40%** |
| Pure digital as an element of overall | 3/4 | 1/3 | 1/5 | 2/5 |

**5** Two challenges emerge in analysing World Bank's Global Findex financial inclusion database, including (i) though Global Findex data shows whether people think of themselves as being served, it does not show how often they use the access they have and (ii) because of population growth, financial exclusion may fall very slowly even as formal access grows. For example, fewer than 20% of mid-teens in Nigeria had any form of access in 2011. By 2017 the proportion with access was just over 30%. But the number of unserved mid-teens increased: the mid-teen population grew so fast that expanding supply could not keep up with potential new demand.

**6** FFI account is any account, transactional or savings, at a formal financial institution.

**7** Digital includes any form of mobile banking, mobile money or payment card offered as an extension of an FFI account or on a totally stand-alone basis.

| NIGERIA | | | | |
|---|---|---|---|---|
| Acces via FFI a/c | 12% | 42% | 50% | 38% |
| Acces via digital | 26% | 42% | 50% | 41% |
| **OVERALL ACCESS** | **30%** | **50%** | **59%** | **48%** |
| Pure digital as an element of overall | 1/2 | 1/7 | 1/6 | 1/5 |
| **SENEGAL** | | | | |
| Acces via FFI a/c | 10% | 16% | 26% | 23% |
| Acces via digital | 36% | 54% | 58% | 53% |
| **OVERALL ACCESS** | **42%** | **60%** | **64%** | **59%** |
| Pure digital as an element of overall | 3/4 | 3/4 | 3/5 | 3/5 |

**Note: Findings are from Findex**

The capacity of digital technologies to transform access to formal finance is particularly apparent in Senegal, where young people have made digital means work in their favour. In 2011, just 7% of adults in Senegal had any form of financial access: by 2017 this had risen to 57% overall, most of them active. As a result, Senegal has seen very significant absolute falls in the numbers of unserved across all sub-segments of young people between 2011 and 2017[8].

## Age and education have an impact on financial needs

**Young people go through life stages that are characterised by certain events. Levels of financial inclusion of young people are influenced by education. Age and social expectations related to gender determine financial pressures**

In Nigeria, young women and men normally live with their parents until the age of 25, when they aspire to marry and head their own households. Over 15 million youth and young adults already run a household in Nigeria. Young people in Nigeria say:

> "It is the norm that you marry around the age of 25. This is when we finish university and start working. We are now expected to be adults. If not, then it means there is something wrong with the person."
>
> **— Young people during working session in Edo State, Nigeria**

The use of formal financial structures in Nigeria is also shaped by education. Almost 10 million youth and young adults who are at university may say they live at home, though they may be staying in a room close to their university, which may be in another city. Hence, though they feel independent and live outside the parental home, material and financial dependence on their parents remains high. Financial independence, though growing, remains relatively little.

The choices young people make are often influenced by social expectations and perceptions. In Nigeria, it is normal for young men to stay in the parental home, as it is for young women. Whereas young men may feel pressured to get a job and start earning an income at a young age, young women feel less pressured to leave home. Young people say that, as long as they are not married, they have the right to stay in the parental home. More important than getting a job, a young woman will look for a hardworking man to marry and be dependent on. At this stage, young people are making plans for becoming autonomous.

**8** Despite young people gaining inclusion fast, because everyone was gaining, the share of young people among formally excluded adults only fell from 53% to 51%. This pattern is repeated across all three countries studied but with specific country influences.

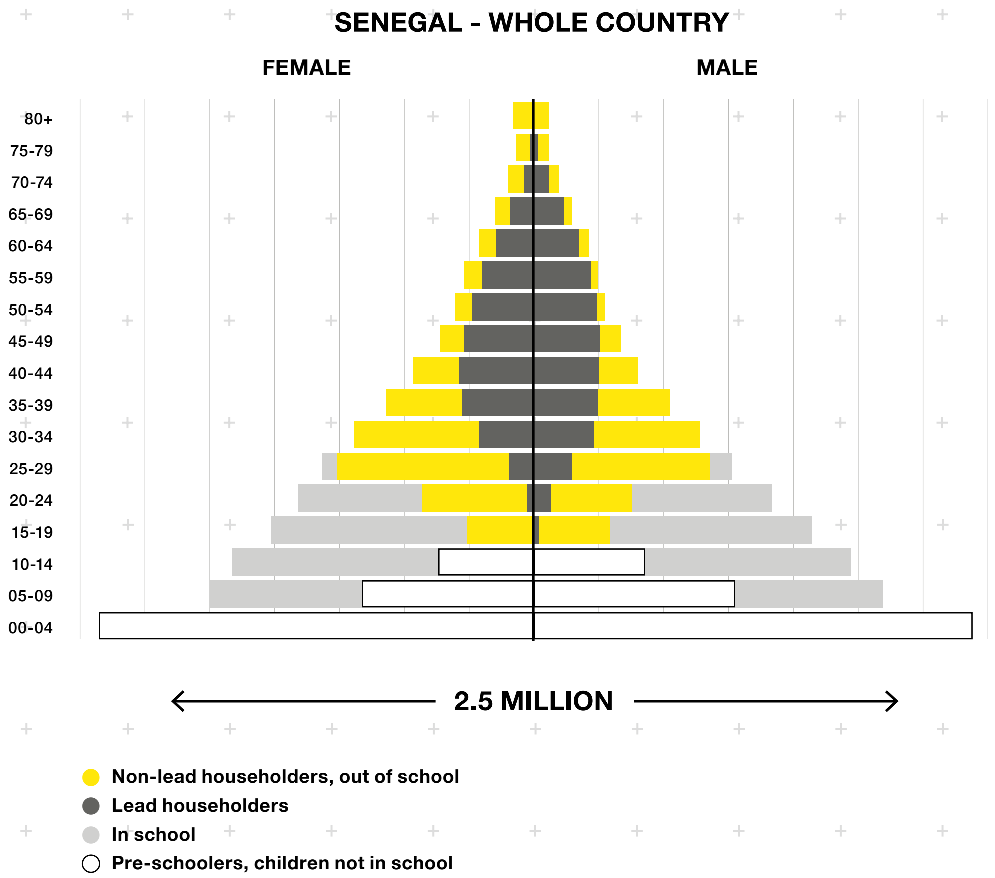
Financial pressures are linked to social pressures and gender relations. Though both genders may work, the implications of work and income earned differ according to gender. Hence, the need for support from financial service providers is different. Young women are looking for increased autonomy from their parents and could be supported by being offered a safe place to keep their money. A young man is likely to seek ways to grow his finances and become a good provider for his future family.

## Household structures and position in household impact financial exclusion

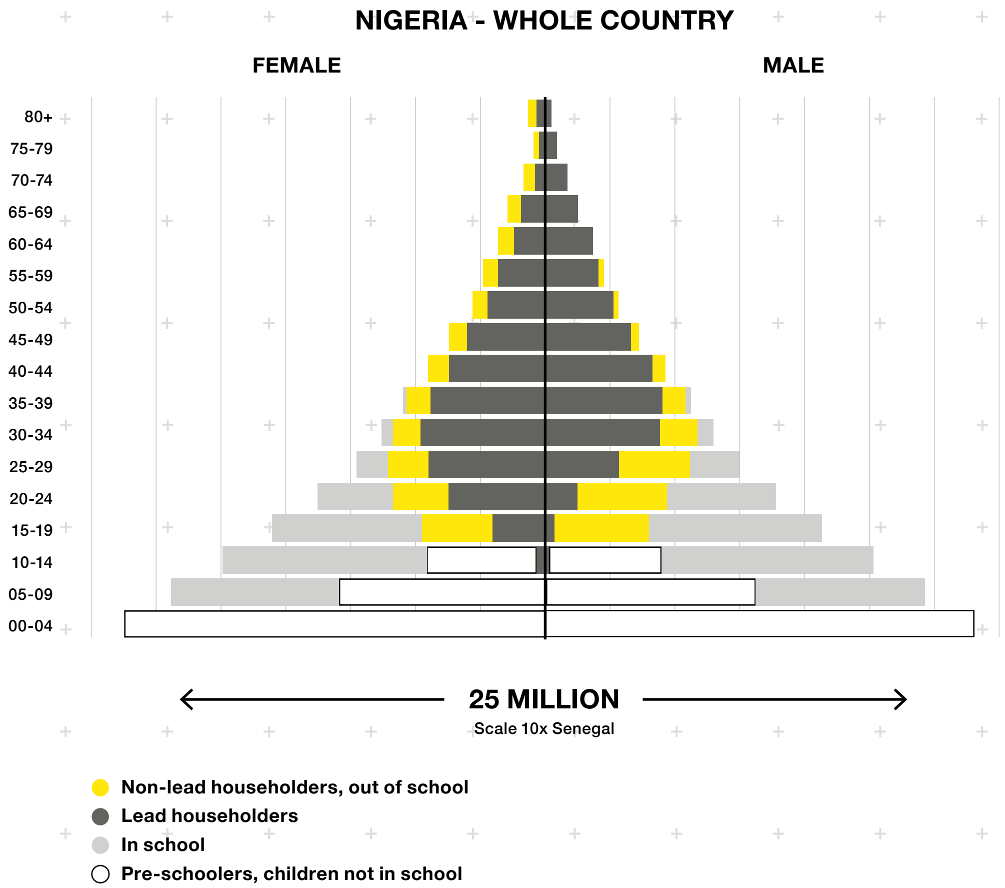
**In Nigeria and Senegal the untapped markets for young adults differ between those for household heads and those for other unserved young people**

The choices young people make are often influenced by social expectations and perceptions. They initially emerge in a family context and the nature and timing of how this happens can partly be deduced by studying population pyramids.

Graph 2: Trends in transition[9]




9 Based on findings from national census and household survey data.




Many young adults live in the parental home in Nigeria and Senegal. The transition to becoming a head of household or married to one can start from the age of 15 in Nigeria and Senegal and continues until well beyond 30. Among young people in Morocco, the same phenomenon is evident.

In all three countries the pyramids show a demographic push: growing numbers of school age children become mid-teens; mid-teens become youth; and youth become young adults.

In Nigeria and Senegal, 20% of the population over the age of 18 were aged under 18 just five years ago. For the foreseeable future the maturing of mid-teens will increase the size of the whole adult population in Nigeria and Senegal by 20% approximately every five years. In Morocco, because it has a more mature demographic structure, maturing mid-teens increase the adult population by 10% every five years[10].

In 2010 in Nigeria just under 30% of all household heads were aged 30 or younger. This proportion is likely to be around a third by 2017[11]. In 2017, unserved young heads of household likely account for almost 10 million of an estimated total of 30 million unserved heads of households of all ages. Nigeria had almost 19 million other unserved young people in 2017 and it is highly likely they were out of full-time education and still living in or around[12] their parents' homes.

For Senegal, data show a markedly different pattern. Far fewer heads of household are in the mid-teen, youth and young-adult sub-segments. Households in Senegal are large, containing on average three adults, compared to an average of slightly over one in Nigeria.

**10** Morocco has reached a stage where the absolute number of babies is expected to stabilize and will therefore start to fall as a percentage of the population. The proportion of mid-teens will peak around 2035 and the youth/young adult population will peak about five to ten years later. For Nigeria and Senegal this is projected to happen around the start of the next century.

**11** Source: national census and household survey data.

**12** So-called 'sofa-surfing' has long been commonplace among young people between full-time education and forming a household, so some may be omitted from financial inclusion surveys because these include stable residence among criteria for being interviewed. It is quite possible that there is a degree of hidden exclusion among the fastest growing parts of the population.

Of an estimated 1.5 million unserved heads of household in Senegal, up to one in four may be unserved young people. This implies[13] that the pool of 2 million unserved young people contains 370,000 unserved young household heads and another 1.6 million unserved young people living in or around their parents' homes.[14]

In both cases the majority of financially excluded young people are living in or around the parental home. This will be true also (probably to an even greater degree) in Morocco but the latest census data there is still being released.

## 2.2 How do young people manage their money?

### Some young people are regular savers

**Though amounts saved by sub-groups in each country differ, young people clearly choose to save growing amounts as they transition into adulthood and their priorities change. Overall, the amount and frequency of saving increases in line with income among mid-teens, youth and young adults**

We tracked young people's financial behaviours, including saving, in Morocco, Nigeria and Senegal for 13 weeks. Diary studies are good for providing insights into the behaviour of marginalised groups. They also show relative behaviour. However, samples are small so these data are less statistically robust.

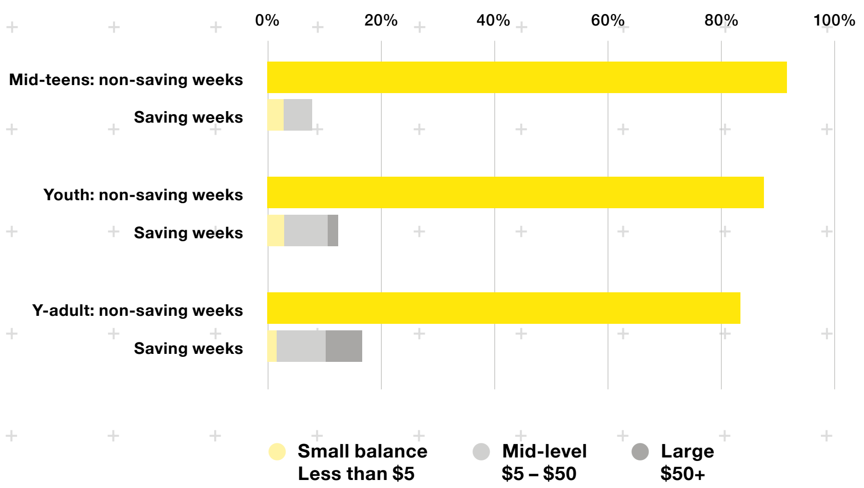
In Nigeria and Senegal, among our mid-teen samples, we saw a savings event in one out of every four survey weeks. This suggests they are economically active and do save autonomously before they can legally be served. Among mid-teens in Morocco saving frequency was much lower (one in every ten possible weeks) but the sample was much smaller, so this finding needs to be treated with care.

In all three countries, there were slightly more savings events among young adults than for their younger counterparts but again the sample size was not large enough to say they saved significantly more often. What can be said with some confidence is that because income generally increases with age, youth and young adults do appear to be able save more.

The amounts being saved during the observed savings events did vary from country to country.

In Morocco we observed a rise in percentages of mid-level and large saving events from the mid-teen sample to the youth sample, and from the youth to young adult samples. But because of difficulties in getting a fully balanced mix of interviews by age band, the relative absence of large-scale saving events among mid-teens may be as much to do with sample size as any lack of income or propensity to save.

**Graph 3: Morocco – percentage mix of weekly diary responses with no savings event versus those with an event, plus indication of size of events observed**

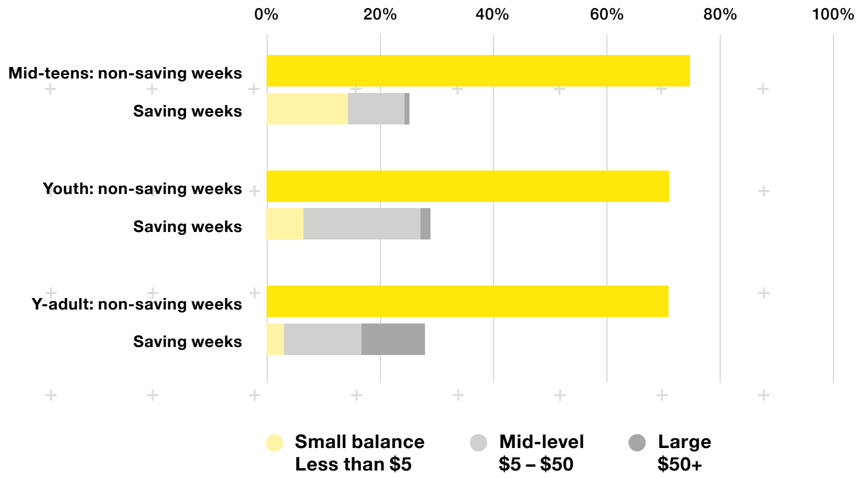



**13** For more information, see 'Technical note supporting the report on "The opportunity for financial service providers among young people in Morocco, Nigeria and Senegal" (Main findings from macroquantitative analysis)

**14** See footnote 4

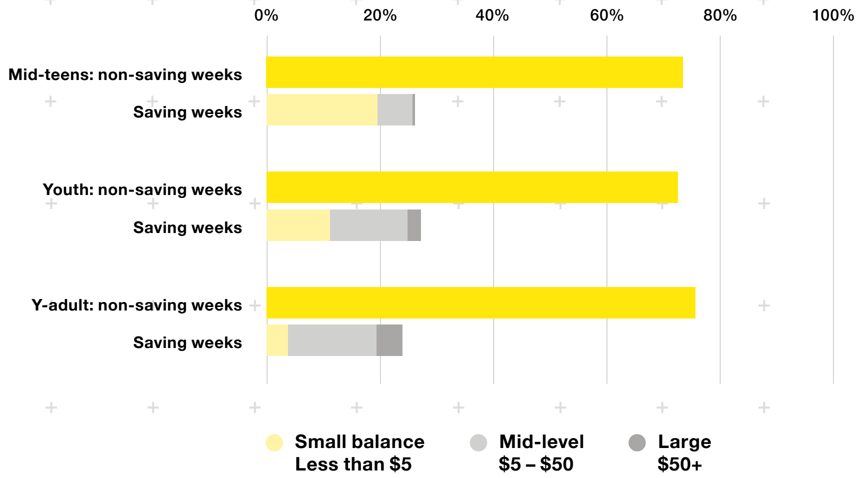
In Nigeria, where we had a better balanced and slightly bigger sample, we found a sharp increase in the percentage of mid-level saving events among total youth savings weeks, compared to those among mid-teen savings weeks and a small increase in large saving events. Some mid-level savers appeared to have become larger savers when maturing from youth to young adult.

**Graph 4: Nigeria – percentage mix of weekly diary responses with no savings event versus those with an event, plus indication of size of events observed**




Young adults in Senegal made deposits during a smaller percentage of studied weeks than youth, but more of their deposits were large.

**Graph 5: Senegal – percentage mix of weekly diary responses with no savings event versus those with an event, plus indication of size of events observed**




One trend is common to all three countries: Mid-teens save less than youth, who save less than young adults. In Morocco, some mid-level savers become big savers and the number of big savers increases. In Nigeria, there are few large savers among mid-teens, more mid-level savers among youth and about equal numbers of mid-level and big savers among young adults. In Senegal, there are many small savers among mid-teens, and an increased number of mid-level and big savers among youth, and a relatively high level of big savers among young adults.

The amount and frequency of saving by young people is influenced by social expectations and perceptions.

In Senegal young people say that if they do not have an income, they cannot and do not save. In Nigeria, young people say that they should save more when they have more money, but that sometimes they spend more when they have more money because they need or want to buy particular things. In Morocco, young women save more than young Moroccan men, even though they earn much less than young men.

## The savings behaviour of young women and young men in the diary samples differed

### Savings behaviours are gendered

Our research showed that gender matters in financial inclusion. Across the three countries, young women and young men had markedly different savings behaviour.

Table 6: Overall frequency of savings events and amount saved per country by gender (percentages of maximum possible number of events)

| MOROCCO | Female | Male | Both |
|---|---|---|---|
| Non-saving weeks | 79 | 90 | 85 |
| Saving weeks | 21 | 10 | 15 |
| O/W small | 4 | 2 | 3 |
| O/W basic | 10 | 7 | 9 |
| O/W large | 6 | 1 | 4 |
| **NIGERIA** | **Female** | **Male** | **Both** |
| Non-saving weeks | 71 | 63 | 68 |
| Saving weeks | 29 | 37 | 32 |
| O/W small | 9 | 9 | 9 |
| O/W basic | 16 | 20 | 17 |
| O/W large | 4 | 9 | 6 |
| **SENEGAL** | **Female** | **Male** | **Both** |
| Non-saving weeks | 66 | 71 | 68 |
| Saving weeks | 34 | 29 | 32 |
| O/W small | 15 | 11 | 13 |
| O/W basic | 15 | 16 | 16 |
| O/W large | 3 | 3 | 3 |

Note: Findings are from diary studies

## Access to formal loans is more difficult for young women than for young men

### Young women generally have more difficulty obtaining loans than young men

In Nigeria, women's access to finance and capital is hampered by the policies of financial institutions. Even if they are employed, young women in Nigeria can access loans only if they are married and their husbands have a job.

Financial institutions assume that when a woman is married, her husband has and will provide collateral, if necessary. Structural gender barriers like these combined with youth and lack of collateral make it almost impossible for an unmarried young woman in Nigeria to obtain a loan with a formal service provider.

In Senegal and Morocco, young women on the outskirts of towns and in rural areas also have difficulty accessing loans, although for different reasons. These societies are more patriarchal, and men are expected to support the family financially. In general, women are not expected to need loans.

Some women in Morocco and many women in Senegal work and earn an income – and are proud of it. Some young men support their wives working. Yet the gender gap in financial inclusion remains a challenge, especially in Morocco.

## Solidarity between family members often complements earned income

### Parental support can fluctuate with age, while young people may also support parents or siblings

Young people have diverse sources of income. Male diary respondents often have a business as well as a paid job. The economic activities of diary respondents showed that in all three countries young people prefer to (or may have no choice but to) diversify their sources of income.

Support between family members is socially recognized and can be both vertical and horizontal. In Senegal, the norm is to live in one house or compound with the extended family. If a young person leaves the parental house, it is normally to seek a job in an urban area. The young person may still rely on parents for financial support, whilst contributing to paying the bills.

Young women may work to increase the household income and compensate for any shortfall in a husband's earnings. Chores and household work will typically keep her from seeking employment far away so she may sell produce or small goods on a table outside the house.

In Nigeria, older siblings are often expected to support younger siblings by giving them pocket money or by contributing to paying school fees. It is not usually expected that younger siblings support older siblings. In Morocco, however, young people are not generally expected to support either younger or older siblings financially.

**Table 7: Diary respondents' total net daily income (US$, average for each sub-sample)**

| | Nigeria | Morocco | Senegal |
|---|---|---|---|
| **Mid-teens** | 0,52 | 1,05 | 0,19 |
| **Youth** | 2,16 | 2,15 | 0,59 |
| **Adults** | 8,58 | 3,75 | 1,64 |

In addition to their earned income, young people receive support from their parents[15].

**Table 8: Percentage of diary respondents' net daily income coming from parents by sub-segments and country**

| | Nigeria | Morocco | Senegal |
|---|---|---|---|
| **Mid-teens** | 24 | 24 | 48 |
| **Youth** | 16 | 38 | 29 |
| **Young adults** | 6 | 6 | 5 |

**15** The support provided is in cash, the diary study shows.

Parental support generally decreases as young people get older. But in Morocco, parental support tends to increase as mid-teens become youths, before falling again. Part of the explanation may be that university attendance levels are higher in Morocco than for young people in Nigeria and Senegal. Among young people in Morocco, self-employment is also less common.

Young people in Morocco and Senegal normally live with their parents and siblings. This shapes their financial lives. As they mature, young people progressively handle more money independently. The relationship with family increasingly becomes a complex system, in which financial support flows both down from parent to child and increasingly up from children to parents as well as sideways to siblings.

## 2.3 What impedes greater financial inclusion?

### Young people often remain financially excluded

**Driven by fear of negative consequences, a perception that accounts are for the rich and a lack of physical access to financial institutions in rural areas, young people often remain financially excluded**

From interactions with young people, it is clear that some young people have a savings account, which they may use like a current account, depositing and withdrawing money on a regular basis. Two-thirds of diary respondents had an account with a financial service provider, but did not appear to be active users.

In Nigeria, for example, young people with accounts said the purpose was to make it easier and quicker for their parents to send them money while they are at university. However, satisfaction with financial institutions was low. They complained of poor customer service and unreliable systems, saying that biometric systems on ATMs often did not work and that network failures sometimes prevent them using services.

In Morocco and Senegal young people said inconveniences such as geographical distance, deterred them from having accounts. Further, some young people fear that if they are unable to repay a loan, the financial institution will repossess their property or that they will be imprisoned.

Young people, and especially young entrepreneurs, often remain excluded from financial opportunities because they lack sufficient collateral or guarantees to access loans. Such challenges are structural and affect young people in general[16]. There is a large group of populations whose needs remain unsatisfied. Understanding the customer's specific needs at key times is important for the customer's journey towards feeling served.

### Transitioning into employment

**The parental household is a springboard for young people transitioning from education to employment and remains a financial support mechanism into adulthood**

#### Case study

A young man aged 18 from Nigeria sees it as his duty to support his younger siblings while he is in school. He must go to school so that he can seek a good job and be able to financially support a family of his own in the future. Before he was in school he was dependent on his parents and his expenses were small. As a youth, he has become more aware of the social pressures of being a man in Nigeria, So, he has started a business alongside his schooling. This way he has something to fall back on when he finishes school and it gives him some extra income. Then, when he is in his late 20's, he will marry and have children. He will be the man of the house. He will be the main breadwinner and make the big financial decisions.

16 See various research reports, including Paaskesen L. and Angelow W. (2015) Youth financial inclusion in Kenya: Co-creating a way forward, WSBI.

In Nigeria, personal and social expectations, which are largely enforced by parents, are that once mid-teens and youth have finished their education, they are to start earning an income and move out of the home. The dominant expectation across all three countries for both young women and men is that the alternative to education is employment.

Expectations are similar in Senegal, though moving out is not expected or preferred by parents. Rather, newly-weds are expected to live with the husband's family.

Both young people and parents expected a continuing financial relationship, even after youth and young adults are in (self-) employment. This is evident from the income young people receive from parents: when young people move out of the parental house they are transitioning and are vulnerable in the process.

## Marital status tends to shape whether young women work

**Before marriage, young women face fewer social barriers to working and gaining financial independence**

### Case study

A young woman in Mediouna is learning embroidery at the local training centre with a room full of other young women. She is around the age of 18 and is looking forward to selling her work. She will not be able to move far from home, because she must fulfil her responsibilities there. A husband sounds nice, but she is too young to marry, she says. Maybe when she is older, but then again, maybe not. She wants to have a job and work when she is older. Staying at home and looking after the children is not satisfying enough for her. She wants to be independent and make her own decisions, be independent and make her own money.

In Senegal, married women are expected to cook meals for the entire family, which limits their opportunities to work or study full-time. When there are several married women in a household they take turns cooking, which lowers barriers to work or study. Many unmarried young women among our research participants were learning a trade such as hairdressing. They had no obligations at home and could leave the house as they pleased.

In Nigeria, however, there are generally no gender differences or barriers between young people in accessing employment. Some young people saw building and the car trade as male occupations and hairdressing and cooking as female occupations, but that was a minority viewpoint among peers. In practice, gender inequalities are less restrictive than they are perceived.

In Morocco, men are expected to head the household, work, and ensure an income which sustains the household and the family. Young women are generally allowed to work but are expected to cease economic activities after marriage. These social expectations led some young women to say that they did not want to marry, because they wanted to work.

However, some young people in Morocco rejected these conventions. Some young women said they wanted to work, regardless of what others thought of them. Some young men approved of working wives and helped with household chores, normally considered a woman's responsibility. In Morocco, though patriarchy is the norm, alternatives are not uncommon.

Financial inclusion is strongly linked to social norms. Hence, social norms determine opportunities for financial inclusion of young women and young men. Young people become aware of social norms at an early age and will start acting towards fulfilling expectations, before they are enforced.

## Differing expectations of men and women impact economic activity

**Young men seek to diversify their income sources to reduce risk. Young women diversify sources of income because they want to do more. Young people have complex financial lives.**

### Case study

A young adult woman from rural Senegal says she has a small business. She trained as a tailor as a youth before marrying at the age of 24. But she also says she does not have a sewing machine, so her 'business' cannot do business. Her challenge is access to finance: there are no banks in town and she does not have any collateral to her name. She saves the little amounts that she can, but when she is not earning an income, she cannot save. She is married, resides with her family-in-law and has two children, who she takes care of at home. Her brothers-in-law come home for lunch every day and it is her turn to cook lunch for the entire family.

Gender clearly shapes perceptions and expectations about work. Yet young women are generally only a little less economically active and productive than their male counterparts. Although gender is an important factor in social relations, its impact on work is limited.

Table 9: Economic activities by country and gender among diary respondents (percentage)

| | Morocco | Nigeria | Senegal |
|---|---|---|---|
| **Female respondents receiving income from a paid job** | 17 | 15 | 22 |
| **Male respondents receiving income from a paid job** | 27 | 13 | 31 |

Table 10: Expectations of having mixed sources of income among diary respondents (percentage)

| | Morocco | Nigeria | Senegal |
|---|---|---|---|
| **Female respondents who expected mixed sources of income** | n/a | 66 | 41 |
| **Male respondents who expected mixed sources of income** | n/a | 74 | 58 |

In Morocco, neither young women nor young men know whether they would like or expect mixed or multiple sources of income.

In Nigeria young men pursue a mixed livelihood to maximize their income because they enjoy it, or because they do not see other opportunities for earning enough income. For young men, the expectation to pursue mixed sources of income seems to be based on necessity, whereas for young women the need for mixing sources of incomes is balanced with a desire to do more. This is linked to expectations about the differing financial responsibilities of men and women detailed above.

## A strong preference for self-employment

**Most young people would sooner be self-employed than have a steady job, and the preference strengthens with age**

Our diary study found that young people in all three countries would sooner be self-employed than work for others.

Table 11: Preference for self-employment vs. employment (percentage) among diary respondents

| | Morocco | Nigeria | Senegal |
|---|---|---|---|
| **Diary respondents who have preference for self-employment** | 66 | 81 | 64 |
| **Diary respondents who have preference for employment** | 31 | 19 | 35 |
| **Mid-teens who prefer self-employment** | 40 | 69 | 55 |
| **Youth who prefer self-employment** | 59 | 79 | 57 |
| **Young adults who prefer self-employment** | 76 | 95 | 82 |

This was especially true in Nigeria, where young adults have an overwhelming preference for self-employment (81%) and only 19% of young people wish to be employees. In Morocco too, young adults' preference for self-employment (76%) was higher than for youth and mid-teens. The rising trend in preference can also be seen in Senegal, where 82% of young adult respondents prefer self-employment, compared to 57% of youth and 55% of mid-teens.

Preferences for self-employment differed between countries. In Morocco and Senegal, young people said there were not enough jobs. Self-employment is the only viable option for them. In Nigeria, young people did not believe the Government could provide jobs for them and they said employment underpays.

## Supporting entrepreneurship

**Training and support tend to be concentrated in urban areas. Gaining access to finance is the toughest challenge for young entrepreneurs. WSBI partners are not only concerned about financial inclusion but are supporting young entrepreneurs**

Support mechanisms for young entrepreneurs exist in each country and are more accessible in urban areas than on their fringes, while support is virtually non-existent in rural areas. Young entrepreneurs in all three countries said that access to finance is the most difficult challenge to overcome.

Table 12: Diary respondents and training (percentage)

| | Morocco | Nigeria | Senegal |
|---|---|---|---|
| **Diary respondents who have received training in the past** | 6 | 37 | 15 |
| **Diary respondents currently in training** | 0 | 27 | 16 |

Table 13: Diary respondents who have accessed a loan during diary study period, informal and formal

| | Morocco | Nigeria | Senegal |
|---|---|---|---|
| **Recorded loans** | 52<br>OUT OF 121 RESPONDENTS | 42<br>OUT OF 120 RESPONDENTS | 155<br>OUT OF 128 RESPONDENTS |
| **of which informal** | 51 | 37 | 154 |
| **of which formal** | 1 | 5 | 1<br>SACCO |

We found that young people in Nigeria access the most training. There are both Government-run and private training programmes, including scholarships and apprenticeships offered by petrol companies, mainly in the Delta region; online forums where opportunities are listed, such as Edo Jobs[17]; and online hubs where young people can access support and training (often in IT). Government-led programmes include the former P-YES scheme and the current Government's N-Power programme.

Training is harder to find outside the main urban areas, and competition for government support is intense. In 2016, 23,844 young people applied to the YouWin! competition[18], of whom 6,000 received four-day business plan training and 1,200 people received a money prize of US$50 each.

Young people who live near Moroccan towns find it easier to access affordable local Government-supported training institutions. Young women mainly take up these opportunities, saying this allows them to leave the house and meet other people. Young men tend to become apprentices in welding or woodwork, learning trades outside local Government-supported training facilities[19].

> **"We value embroidery and hairdressing courses as well as teacher training. It gives us an opportunity to meet others, get out of the house and learn something new."**
> **— Young women in focus group, Casablanca, Morocco**

In the city of Casablanca, the entrepreneurial ecosystem is more developed. There are organizations that act as incubators where young men and women entrepreneurs can develop and grow their business ideas, such as Enactus and Injaz; financing organizations, such as Cluster Ménage, Cluster Solaire and R&D Maroc; and funding organisations that provide support, such as Maroc Numeric Fund and Africinvest. However, conversations with young entrepreneurs suggest that these structures only work for some.

Young entrepreneurs often need to contact various organizations and types of support, since no single organization offers all the support that is needed. Young entrepreneurs also say courses are too theoretical and fail to promote the creation of ideas.

In Senegal, the Government-funded National Office of Vocational Training (ONFP) has a mandate to increase training opportunities in selected areas of the country. It builds centres, which provide training based on the needs of local young people. The Government is reported to have promised additional financial resources in support of self-employment[20].

There are also private sector initiatives, such as hairdressing and tailoring schools in Mbour. Collective groups exist, like those where women jointly pickle vegetables, sell them and share or re-invest their earnings. Another model is the tontine[21], whereby members contribute regular sums and the money is distributed at year-end as investment or seed money in member businesses. Combinations of training and informal savings mechanisms are popular in Senegal.

Training in the three countries is often top-down, based on following instructions, not practical and not applicable to solving the challenges of gaining employment. Senegal's Complexe Privé de Formation Professionnelle (CPFP), by contrast, seeks to share knowledge and promote critical thinking, empowering young people to create opportunities for themselves.

In each of the three countries, the WSBI programme partner in-country has a mechanism to support young entrepreneurs. Initiatives by Cofina in Senegal include incubation spaces in its offices and competitions for young entrepreneurs. In Morocco, Al Barid Bank offers a training programme and in Nigeria, LAPO has a training centre for young entrepreneurs. Increased knowledge of their customer's journey towards entrepreneurship provides financial service providers with clearer and strategic points for intervention.

**17** An initiative by the Government of Edo State to improve the welfare of residents, this is a website listing vacancies and opportunities. Accessible on http://edojobs.edostate.gov.ng, as at 01 July 2019.

**18** McKenzie D. (2015) The lessons from DECFP Impact Evaluations in Finance & PSD Impact, September 2015, issue 33.

**19** Some young women said they had been involved in embroidery training for up to 20 years. When asked what the added value and advantages were of these courses, they said it got them out of the house and allowed them to meet and socialize with other women. This research is not an evaluation. No conclusion about the effectiveness and efficiency of the training can be drawn. However, based on anecdotal evidence, it seems these training programmes contribute to the social and psychological well-being of women without the objective being (self-) employment.

**20** N.a. (2019) *Le chef de l'état trace les sillons de son second mandat in Le Soleil* (3-4 April)

**21** A tontine is an investment plan for raising capital through saving done in groups.

# 3. Main considerations and opportunities

The research provides input that can help policy makers and financial institutions create and strengthen opportunities. Further research is needed into ways of reinforcing the customer service relationship between financial institutions and young people. Policy makers and financial institutions need a better understanding of how social perception and expectations influence financial inclusion, and the challenges of reaching young people on the outskirts of cities and in rural areas need to be addressed more effectively. Financial institutions should consult young people closely to uncover which financial services they need, and how these can best be delivered to meet their aspirations.

Financial institutions clearly need to understand exactly which financial products and services young people want, and how much they are able or prepared to pay for them. They also need to look closely at how these products and services are physically delivered, how they market products to young people, and how they interact with them at a human level.

## 3.1 Focusing on including mid-teens and youth

There are good reasons to increase the focus on improving the financial inclusion of mid-teens and youth because this is where the biggest overlap of unmet need and dynamic rates of population growth is evident in all three countries. Mid-teens invariably – and in the less dynamic financial systems, youth aged 18-24 as well – have lower rates of access than young adults aged 25+ and older adults;

Growth in the number of young people in these two categories is strong in Morocco and surging in Nigeria and Senegal:

- in Morocco, maturing mid-teens and youth add more than 10% to the overall size of the young/older adult market every five years – that is a very significant source of real growth;

- in Nigeria and Senegal maturing mid-teens and youth are expected to add around 20% to the adult market every five years for the foreseeable future.

Policy makers should pay attention to the needs of these sub-segments of the population. Our research shows that mid-teens and youth are already savers. Some live away from home and frequently need to receive money from family members. As they mature, they move towards financial independence, often start businesses and hence need loans, or move into the labour market. In time many also start households.

With such strong growth potential, mid-teens and youth are potentially a profitable market, enabling financial institutions to spread their high fixed costs more widely. However, to win more customers in these market segments, product pricing will have to reflect emerging capacity to bear costs, otherwise business will be choked off before it has a chance of becoming profitable.

The real opportunity for financial institutions is to provide products that help young people grow their finances and manage a variety of growing income sources. These start small for mid-teens and grow during the youth phase, becoming more significant by the young adult stage. Financial institutions would do well to understand and develop relationships with these potential clients before they become young adults.

Offering accounts that evolve and add functions as the client matures (in so far as laws allow) should enable them to strengthen and develop an existing relationship, rather than start afresh with each life stage as young people mature into full adults.

Mid-teens and Youth are, despite their increasingly active use of digital means to access finance, still finding their way in a complex market. They may be better at understanding the technology aspects of digital access than they are in fully understanding some of the financial commitments implicit in the product offer that access is opening up for them. This puts a premium on good consumer recourse for younger customers so that problems can be solved before they undermine the benefits of increased access.

## 3.2 Understanding life stage development and the implications of gender

Our report has looked at the market for financial services among young people by age and gender. We found that young people tend to have similar experiences and face similar social pressures and challenges in accessing finance in all three countries, and that support often fails to meet the needs of all.

One notable finding is that as young people mature and their incomes rise, their financial affairs become more complex. Both young women and men often rely on multiple sources of income and are likely to prefer self-employment – a preference that increases with age. Today many young people rely upon informal loans. In the future, financial service providers could offer valuable support including loans.

Our research into life stage development found that female youth or young adults may face social pressure to marry and as a result become financially dependent on their husband. But in Morocco, especially, we found that some young women do not wish to marry young or wish to maintain their financial independence after marriage. How can policy makers and financial institutions or others support female youth and young adults and ensure their financial inclusion, as they renegotiate social boundaries and as behaviours evolve? The trend to greater individual financial independence for young people transitioning from one life stage to another could provide opportunities for financial service providers.

Life stage development enables us to understand that people change and that there are common patterns. By acquiring in-depth understanding of activities, patterns and interactions that young people have, in varying contexts, it is possible to identify sequential stages of development. Rather than designing and developing a financial product that aims to serve all young people, identifying these stages enables the specific needs of mid-teens, youth and young adults to be targeted. This can strengthen Know Your Customer (KYC) policies as well as increase relevance and efficiency in reaching new young customers.

## 3.3 Targeting the family unit with financial services

Young people under the age of 18 cannot legally open an account in Morocco, Nigeria or Senegal, yet many people in these countries end full-time education before they are 18, or work while in full-time education. Structural challenges to financial inclusion have already been extensively researched[22].

We found that while young people live with their parents, they are partly dependent upon them financially. The level of dependency on parents generally decreases as young people move through life stages and from mid-teens to youth to young adulthood[23]. As young people age, their financial support to siblings increases. Clearly financial relations between family members evolve and become increasingly complex.

Rather than seeking to attract an individual young person as a customer, our research suggests that development of clustered family or household accounts could lead to a new approach to financial inclusion. That might be more relevant, efficient and effective for young people as they seek increased financial independence. These accounts would have to allow free transfers between family members, otherwise they would likely continue to use cash. However, the cost to financial institutions of making digital transactions is falling fast, and could be offset by the benefits of keeping more money within a financial institution.

**22** See previous research reports at https://www.wsbi-esbg.org/publications/, as accessed on 13 June 2019.

**23** In Morocco patterns are slightly different and direct financial support increases between school, when mid-teens are still firmly within the family, and when they are aged 18-24 and start to have more financial autonomy but may still be relying on parents as a significant source of spending power.

## 3.4 Digital and mobile technologies are helping young people access financial systems

Our study found that two-thirds of diary respondents had an account with a financial service provider but did not appear to be active users. Yet macro-quantitative data shows that digital access to financial systems is the fastest growing type of financial management service. Even mid-teens, who are under-age, are using digital tools to access financial services: young people are adept at using digital technology to fulfil needs the formal financial system does not.

Young men are more likely than young women to access mobile money services. This gender gap is wider in societies where social norms frame a young woman's role in the household or constrain her inclusion in the labour market.

Technology may aid equal treatment and equal access. Where mobile money is having a less disruptive effect, or where there is a slower rate of growth in the uptake of mobile money services, such as in Senegal, young women are left behind. Policy makers and the financial service industry need to uncover why mobile money has boosted the financial inclusion of young people[24]. Our findings can aid understanding.

## 3.5 Reinforcing support to young entrepreneurs

Support for young entrepreneurs is found in Morocco, Nigeria and Senegal. Initiatives include training in vocational and business skills, incubation centres, and informal group education. But we found that only a minority of young people benefit from these initiatives and that generally, the further young entrepreneurs are from urban areas, the less their access to the entrepreneurial ecosystem.

Young entrepreneurs, like all young people, say their age, lack of collateral, lack of a financial history and lack of assets or entrepreneurial track record makes borrowing money from the formal financial system their biggest challenge. When young entrepreneurs succeed in obtaining an informal loan, it is often short-term and the amount relatively modest. Women often face particular hurdles. In Nigeria young women are less likely to be granted access to finance if they are unmarried. Social norms also sometimes create expectations that women should not work.

When the entrepreneurial ecosystem does reach young entrepreneurs, it tends to fall short of expectations. Young people in all three countries say they are not supported in originating or developing ideas, either with or by entrepreneurs. Entrepreneurship training is focused on teaching knowledge: young people want more practical help.

However, good practices in entrepreneurship training exist. In Mbour, Senegal, young people are taught to create their own opportunities. This was said to ensure that young people are better equipped to reflect, evaluate, investigate and transform their own situation by exploring opportunities around them.

Can the approach to education and training affect entrepreneurship or the entrepreneurial spirit? In an environment where forward thinking is the norm, and encouraged, it will become easier for young entrepreneurs to think in creative, innovative and transformative ways.

**24** Georgiva K. (2018) The gender gap won't budge. Here are three ways to shrink it. Accessed at https://blogs.worldbank.org/voices/gender-gap-financial-inclusion-three-ways-shrink-it, on 04 June 2019.

# 4. Summary recommendations

Our suggestions include ideas from young research participants. Our recommendations are directed primarily at policy makers, but we have included some ideas that may interest banks, micro-finance institutions and potential young customers.

## 4.1 Summary recommendations for policy makers

Research how to facilitate family accounts, and their potential contribution to financial inclusion and growth.

- Aim to understand how and for which purposes young people use the various tools available for accessing finance.
- Research gendered financial relations and behaviour and how these may change over a longer period of time and across life cycles.
- Explore what are the most effective entrepreneurial ecosystems and see how systems already set up by financial institutions can enhance their performance. How can financial institutions contribute to entrepreneurial success through the design and pricing of financial products and loans?
- Understand social norms and how they influence the behaviour of young people, especially women in relation to families, to find paths to increase their financial inclusion.
- Work with young people to better understand their needs and develop new ways to promote financial inclusion. Openness to inclusion and change and a willingness to take risks are vital for policy makers.
- Ensure that training for young entrepreneurs encourages critical thinking and learning to question, as well as the sharing and distribution of knowledge.
- Choose to partner with local educational centres and institutions or organizations which have the practical experience, capacity, passion and patience to engage in long-term relationships with young people.
- Promote partnerships between financial service providers and youth support programmes to target mid-teens and commence relationship building.
- Remove social and political barriers that impair financial inclusion of young people by working with financial institutions to find alternative collateral.
- Consider finding ways to allow mid-teens to formally access financial products.

## 4.2 Summary recommendations for financial institutions

- We have based our recommendations upon the Services Marketing Mix 7Ps framework, which identifies seven factors that are key to reaching a target market: Product, Place, Price, Promotion, People, Process, and Physical Environment (7Ps marketing framework).
- The customer-service relationship is central to enhancing financial inclusion and must be strengthened.
- Co-create financial products with young people to strengthen support and base it on what they need.

- To serve the mid-teens, youth, and young adult markets, financial institutions must develop systems that enable low-cost collection of small deposits and withdrawals.
- For product design, research why and when young people withdraw from their accounts.
- Family or household accounts could be an effective and efficient way to include young people, including under-18s, both for saving and money transfers.
- Research whether the development of family accounts should be done in parallel to policy reform and risk management.
- Financial service providers should focus on including young people through digital means.
- Encourage young entrepreneurs by improving their access to loans. Financial institutions may limit risks by providing loans to support business development in stages, or may consider partnering with training institutions.
- Use peers, campaigns or advertisements to help young people stay connected to, and build an enduring relationship with, the financial service provider.
- Base loan decisions for young entrepreneurs on savings and other records, such as financial diaries and saving histories.


14 DAYS OF
SUN. 20TH JAN. -
Km 8 Benin Agbor

# 5. Annexes

## 5.1 Introducing Scale2Save, WSBI and Mastercard Foundation

### About Scale2Save

Scale2Save is a partnership between WSBI and Mastercard Foundation to establish the viability of small-scale savings in six African countries. The six-year programme aims for 1 million more people banked in those countries through projects using innovation models. Learn more at www.wsbi-esbg.org/knowledgesharing/scale2save

### About World Savings and Retail Banking Institute

Founded in 1924, WSBI is an international banking association committed to help savings and retail banks thrive. To do this, it represents the interests of approximately 6,000 banks on all continents. As a worldwide organization, WSBI focuses on international regulatory issues that affect the savings and retail banking industry. It supports the aims of the G20 in achieving sustainable, inclusive and balanced growth, and job creation, whether in industrialized or less developed countries. Supporting a diversified range of financial services to meet customer need, WSBI favours an inclusive form of globalization that is just and fair. It supports international efforts to advance financial access and financial usage for everyone.

WSBI has members in some 80 countries in the Americas, Africa, Asia and Europe. These members are either individual financial institutions or associations of retail banks. All members share three characteristics: they are active in the retail banking segment, have a strong regional presence and show a responsible attitude towards business and society. WSBI members are committed to further unleash the promise of sustainable, responsible 21st-century banking. For more information, please visit www.wsbi-esbg.org.

### About Mastercard Foundation

The Mastercard Foundation seeks a world where everyone has the opportunity to learn and prosper. The Foundation's work is guided by its mission to advance learning and promote financial inclusion for people living in poverty. One of the largest foundations in the world, it works almost exclusively in Africa. It was created in 2006 by Mastercard International and operates independently under the governance of its own Board of Directors. The Foundation is based in Toronto, Canada. For more information and to sign up for the Foundation's newsletter, please visit mastercardfdn.org. Follow the Foundation at @MastercardFdn on Twitter.

## 5.2 Programme background

In 2016, WSBI created a new programme called Scale2Save. Mastercard Foundation funds the programme. The aim of Scale2Save is to "establish the viability of low balance savings accounts and use of customer-centric approaches to address barriers faced in access, usage and affordability of savings services".

The programme is set against a backdrop of problems such as high poverty rates and financial exclusion in sub-Saharan Africa as well as low formal savings rates. This research is linked to the programme's learning agenda, which aims to contribute to a general and more in-depth understanding of (potential) customers' realities. Higher-level objectives of the research are to elaborate on earlier research findings.

These assumptions are important as they lead to the conclusion that the business case is not solely based on transaction fees, but on significant margins that will come from a growing funding base of young small-scale savers. In general, inter and intra-household transactions have not been adequately analysed and relevant learning is expected to emerge from a focus on these financial relations, which is consistent with the underlying Scale2Save goal of reaching more new savers.

Specific objectives of the research are two-fold, though they relate to and influence each other. Objectives are to (i) demonstrate the existence and size of the young people's untapped market and (ii) to learn from and identify relevant products and services to serve the young people's market. The research builds and expands on existing research done in Uganda and Kenya[25], which focused on generating a greater understanding of the youth segment, their financial behaviours and priorities, and their needs. Findings from these studies have contributed to strengthening existing financial products aimed at youth customers.

Financial service providers understand low-income and young segments insufficiently. As a result, services do not match the needs of these people, which leads to ineffective business models, customer interfaces and interactions. Resulting poor customer experience gives rise to very high incidences of dormancy and inactivity in (bank) accounts, which is a significant drain on costs and thus undermines potentially sustainable business cases in delivering accessible financial services to these segments. The programme started in September 2016 and will continue until February 2022 and works with nine programme partners.

## 5.3 The research and research questions

Open source data show that young people aged 15-24, or even up to 30, comprise a big part of the worldwide 1.7 billion underserved and unbanked population. Based on earlier findings, Scale2Save assumed that young adults have money to save and that young adults still living in the parental home remain largely neglected and thus unserved and underserved segment in these countries, but do contribute to household income and potentially have extra income they would be able to convert into formal savings. This is important as it also assumes that the business case is not exclusively based on transaction fees, but on significant margins that will come from a growing funding base comprising young savers' small-scale savings.

Inter and intra-household transactions have not previously been adequately analysed, and relevant learning has emerged from the research that is consistent with the underlying goal of the programme of reaching more new savers. There has been much focus on tapping into the market related to money entering and leaving the household, but what happens in between – when money is moving inside the household – is not well identified.

### The research questions

The research was conducted in three countries: Morocco, Nigeria and Senegal. It was guided by research questions, which focused on young people, and the customer's needs, behaviours and opportunities. The research questions were:

**The needs: what are the needs of the unserved young people?**

A. Which type of economic activities do young people engage in?
   How much time is spent at home, at university or in a job?
B. What type of productive oriented savings goals do young people have?
C. What are the financial pressures young people face?
D. What is the size and type of emergency money set aside by young people?

**The behaviour: how do they manage their money?**

A. How regularly do young people save?
   What are the average amounts saved by young people?
   Do young adults save more than youth and mid-teens?
B. Does economic activity coincide with savings activity?

25 Angelow W. and Paaskesen L. (2016) Particpatory market research and product development with youth in Uganda, WSBI.
Angelow W. and Paaskesen L. (2015) Youth financial inclusion in Kenya: Co-creating a way forward, WSBI

**The opportunities: what can the formal sector do?**

A. How high are rates of account inactivity and what provokes them?
Is inactivity as high for young adults as it is for youth and mid-teens?

B. What proportion of unserved young people can be considered as 'unserved young adults living in a parental home'?
How many years do young adults spend in their parental home after leaving school?

C. What financial and other support do young people receive that might enable economic activities?

## 5.4 Limitations of the research

The research was limited by several factors, which included:

- In some cases, translation was necessary during participatory interactions. It is possible that there was confirmation bias or misinterpretation of information by the translator, though it is unclear to what extent this happened. To prevent such limitations, consultants tested and substantiated findings by including other (types of) stakeholders, such as other young people, organisations and institutions and educational centres.

- To conduct research with young entrepreneurs who might not want to leave their business or were still in school was a challenge. The research team sought to overcome this by allowing participation at and during times that suited them and did not interfere with their responsibilities.

- The research was conducted in one area in each country. However, social norms, behaviours, gender relations and experiences are contextual. The research must, therefore, be seen within given contexts, including the socio-economic and socio-political positioning of young people, which is related to power relations, challenges, opportunities and, in some cases, religion.

- Macro-quantitative data for Morocco is available for 2017 only with no 2011 baseline so relevant change or growth in access/exclusion cannot be determined. Also, relative ages of married householders, which are crucial to determining how many young householders there are, are not yet available from the latest census data. As a result, the secondary data analysis for Morocco is less well founded than for Nigeria and Senegal. Nevertheless, comparable indications are given based on assumptions for the missing data.

- In Morocco, the sample size for mid-teens in diary study research is small, which makes it impossible to identifying emerging behavioural trends among, specific needs of and opportunities linked to this group. This happened because mid-teens were underrepresented in the programme partner client base, which was used to recruit respondents.

- The overall sample size is too small for the research to qualify as scientific research and it was not always possible to include equal numbers of male and female respondents. It is also not representative of the young population as a whole. However, because initial findings were tested and triangulated, outcomes and conclusions can be considered reasonable.

- The diary study samples one market, which is not representative of the national market. Meantime, national data may be based on one-off surveys, which may well reflect what people think they do, rather than actually do. Such differences mean that, in some cases, the link between diary study outcomes and national data is weak.

## 5.5 Methodology

The research began in June 2018. It focused on three countries, Morocco, Nigeria and Senegal, and in each included a peri-urban area and a rural area. In Morocco, the research was conducted in Mediouna near Casablanca. In Nigeria, the team visited Aduwawa and Uromi near Benin City. In Senegal, the research took place in Mbour, Malikounda, Gandigal, Sintiou Serrere and Sintiou Toucouleur. The research locations were selected partly because Scale2Save programme partners have branch offices in these districts which provided easy access to suitably diverse areas.

The research took a mixed methods approach. Our findings are based upon macro-qualitative, micro-qualitative and qualitative data. This approach enabled the research team to look at various aspects of financial inclusion among young people. From this emerges an overview that shows the realities and complexities of the topic, especially when youth and young adults live in the parental household or with a guardian.

The main approach of the research was to look at the demand-side of financial inclusion/exclusion. The aim was to first understand young people's perspectives, then develop theories and finally conclusions about how best to serve this segment. The methodology and approach were participatory, allowing young people to voice their insights, ideas and opinions. The quantitative data enabled us to place our findings in context and consider other aspects of financial inclusion. This enabled us to draw conclusions and make recommendations for improving financial inclusion among young people.

**Specific research methodologies included:**

**Macro-quantitative research**
Analyses were done based on public and open source data, such as Findex and World Bank surveys. These analyses focused mainly on the supply-side and the larger perspective, including access to finance and levels of financial inclusion, and analyses of countrywide norms. The data included statistics linked to life stage developments with a gender perspective. World Bank Group Global Findex data[26] is available for 2011, 2014 and 2017. We analysed and contrasted the data for 2011 and 2017.

**Micro-quantitative research**
A team of researchers conducted diary studies in each country. A total of 366 diary studies provided insights into intra-household financial relations and young people's financial behaviours. Diary respondents were interviewed each week for 13 weeks, during which period they recorded all financial transactions in a booklet provided by the research team. Interviews with diary respondents were supported by a mobile application, which allowed outcomes to be uploaded directly to an online portal.

In Nigeria, the majority of diary respondents were clients of programme partners. The remainder were non-clients selected randomly from the sample of intake interviews within research areas who were available and willing to participate. In Senegal, all diary respondents were sampled at random after an intake interview where they confirmed their desire to participate and availability within the research areas. In Morocco only a handful of programme partner clients could be recruited to participate. The rest were selected randomly after an intake interview.

**26** Demirgüç-Kunt, Asli, Leora Klapper, Dorothe Singer, Saniya Ansar, and Jake Hess. 2018. The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution. Washington, DC: World Bank. Ref: WLD_2017_FINDEX`_v02_M. Accessed at http://microdata.worldbank.org/index.php/catalog/3324/study-description on 2019 Jan 09

The table opposi provides an overview of diary respondents by country, area, age and gender in percentages:

Table one: Overview of diary respondents

| | Morocco N = 121 | Nigeria N = 117 | Senegal N = 128 |
|---|---|---|---|
| **Mid-teen respondents** | 9% | 33% | 25% |
| **Youth respondents** | 40% | 34% | 45% |
| **Young adult respondents** | 51% | 33% | 30% |
| **Female respondents** | 50% | 56% | 49% |
| **Male respondents** | 50% | 44% | 51% |
| **Respondents in rural area** | 40% | 12% | 38% |
| **Respondents in peri-urban area** | 52% | 50% | 60% |
| **Respondents in urban area** | 8% | 38% | 2% |

Respondents were chosen in different ways in each country. In Nigeria and Morocco, diary respondents were recruited from an anonymized list provided by the partner bank. Where the local research team required additional respondents, the snowball effect was used. In Senegal, the research team was not provided with a list of clients, so the local research team relied solely on the snowball method for recruitment.

**Qualitative research**

Discussions were held with young people in all countries towards the end of the diary study, to help understand the preliminary diary study results. We tried to include diary respondents in these discussions in all three countries. However, this proved impossible in Morocco because diary respondents were too busy to participate. In Nigeria, this research was done during school time, so school students could not take part.

A consultant facilitated discussions and young people were invited back for a follow-up session. The purpose of this was to include the young people in the research process, including identifying issues, drawing conclusions and designing recommendations. In Morocco, where this was not feasible, conversations were held with groups of young people. The table below gives an overview of participants, by country, area and gender:

Table two: Overview of qualitative research participants

| | Morocco | Nigeria | Senegal |
|---|---|---|---|
| **Unique research participants** | 181 | 69 | 131 |
| **Female research participants** | 103 | 29 | 63 |
| **Male research participants** | 78 | 40 | 68 |
| **Survey respondents** | | 107 | 55 |
| **Young survey respondents** | | 24 | 55 |

Because youth issues are crosscutting, other stakeholders were also included in the research. Policy makers, local politicians, village elders and various organisations were consulted in semi-structured interviews. In all countries, preliminary findings and insights were tested and substantiated with relevant stakeholders.

## 5.6 Glossary

**ATM, or Automated Teller Machine**
Machines with a fixed location that customers use to access services. They may be accessed through different identification means – such as a card, personal identification number (PIN), or biometrics – and used for different kinds of cash or non-cash-based operations that include deposits and withdrawals as well as, transfers and consulting account balances. They may be proprietary ATMs or managed by third parties.

**Economic activity**
The concept of economic activity has two meanings in this report, namely (i) financial transactions and (ii) entrepreneurship or informal and formal work/employment that provides a source of income.

**Education**
Either formal or informal, education means being included in a learning opportunity. This can be schooling or training, or be in the form of community training or apprenticeship.

**Entrepreneur**
A person who says she/he is self-employed or has a business. In some cases, an entrepreneur lacks resources or capital, so may not yet be an active entrepreneur.

**Financial activity**
Actions people undertake to help achieve their economic goals and objectives, either short-term or long-term. It includes transactions where money either comes in or goes out.

**Financial inclusion**
To have access to the financial system, and therefore be financially included, a person must have an account at a formal financial institution, digital access or a standalone mobile wallet. The feeling of being included.

**Gender**
A social construct that determines and influences the relationship between young female and men as well as their socio-political position in society and economic opportunities.

**Household**
A unit in which members of the nuclear or extended family live and reside. It is a group of people who live together, typically led by a head of the household.

**Mid-teen**
Youth aged 15 to 17, disregarding their experiences and current life stage.

**Older Adult**
People aged over 30, disregarding their experiences and current life stage.

**Parent(s)**
May not be biologically related. Is/are primary caretakers of a young person.

**Peri-urban area**
An area that is in between the urban and the rural area. An area that is characterized as being different from the urban area, yet, is perceived to have a higher population concentration and proximity to urban areas. In some cases, the peri-urban area officially carries a different name from the urban area but may be called the same as the urban area by its inhabitants.

**Rural area**
An area that is far enough removed from the urban area and shows different environmental characteristics.

**Structures**
These refer to systems that provide support or a foundation for young people, entrepreneurs, and others to access and take advantage of opportunities.

**Training**
Either informal or formal, training programmes are a way of accessing and gaining knowledge with a specific goal in mind.

**Unserved**
No access to any financial services.

**Underserved**
Excess demand for financial services, compared to availability

**Young adult**
Young people aged 25 to 30, disregarding their experiences and current life stage.

**Youth**
Young people aged 18 to 24, disregarding their experiences and current life stage.

# 6. Authors and contributors

WSBI and the research team would like to thank all those involved in the research, especially young people. This report and research would not have been possible without the contribution of Scale2Save partners, the team leads and local consultants hired to support the lead researchers in the process.

Lise Paaskesen of LISE consultancy and Stephen Peachey from Total Concept wrote the report. Lise Consultancy and L-IFT conducted primary field research.

A special thank you to the L-IFT team for their work conducting the research and supporting the in-country teams. The report would not have been possible without Mastercard Foundation, MFO, Save the Children and Itad, who offered valuable input to the report and throughout the research process. A special thank you also to Leora Klapper, Lead Economist in the Finance and Private Sector Research Team of the Development Research Group at the World Bank, for her review and insightful comments. Additional thanks go to Weselina Angelow and Céline Stevens of WSBI Advisory Services, Ian Radcliffe, and James Pieper from WSBI and Ross Tieman for their help in the development of this report.

# 7. Lists of tables and graphs

Published by WSBI.
Brussels. October 2019.

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2Save