Learning Brief 3: Market Feasibility for Financial Products Focused on Youth in Construction

Global Communities is implementing the Youth Inclusive Entrepreneurial Development Initiative for Employment (YIEDIE) project in partnership with The MasterCard Foundation and five consortium partners: Youth Empowerment Synergy (YES-Ghana), HFC-Boafo, Artisans Association of Ghana (AAG), Africa Aurora Business Network (AABN) and Opportunities Industrialization Centre Ghana (OICG). YIEDIE is designed to create economic opportunities in Ghana’s construction sector for economically disadvantaged youth. The project will apply an integrated, youth-led market-systems model to improve the capacity of youth and service providers across the construction value chain. YIEDIE targets 17-24 year old youth who live on less than $2/day, in five cities in Ghana: Accra, Kumasi, Sekondi-Takoradi, Ashaiman and Tema.

Background

According to the World Bank’s Global Financial Inclusion Database, the majority of youth (ages 18-25) in developing countries do not have access to formal financial services. Moreover, young people tend to have low levels of financial knowledge. The combination of these factors limits young people’s financial capability, which is essential for maximizing their financial options in the present and for the future. For youth living in poverty, greater financial inclusion and capability can strengthen their resilience to economic stress and could end the cycle of poverty.

1 Global Communities commissioned the “Market Feasibility Assessment for New Group Financial Products,” which informed this learning brief. The report was completed by Athena Consulting Limited in August 2015 and is available upon request at yiedie@globalcommunities.org.
Global Communities commissioned market research to determine the feasibility for developing or adapting high-quality financial products that would be attractive to youth ages 17-24 in Ghana’s construction sector. The resulting report also focused on the feasibility of HFC-Boafo to meet youth’s needs and the possibility of using a group savings account or group-based mechanisms that combine savings and credit services. This learning brief is based on the findings from the report.

Methodology
The findings were developed based on assessment of results from: a literature review, 9 focus group discussions, 29 key informant interviews, and analysis of quantitative and qualitative data from banking industry players. The focus group discussions consisted of 77 youth selected based on age, location and demonstrated interest in construction measured by attendance at a technical training center.

Key Findings
Youth have high experience with savings, but limited access to loans
All youth focus group participants had already engaged in economic activities and indicated that they spend their incomes on savings, food, tools, house rent, transportation, bills and phone credit. Out-of-school youth typically put money aside as savings to take care of emergencies, for business expansion and to meet their personal needs, and have had some level of experience with financial institutions.

However, just a little below one-fifth (19%) of the total FGD participants confirmed having experience borrowing from either a financial service provider, a relative or a friend.

\(^2\) Living in one of the target cities
The Key Informant Interviews with master craftspeople and training center facilitators generally confirmed the information provided by the focus groups. The adult participants were hesitant towards giving youth access to credit facilities, from the perspective that youth may not want to take out loans or they may not easily make repayments. To this end, discussants recommended that the proposed credit product should have the same or similar features to the savings product.

**Youth have difficulty providing proof of residence and recommend a wide range of account fees**

Participants expressed ease with providing proof of identification, but difficulty in providing proof of residence, which are both typically required to open an account. Regarding their ability to pay for financial products, the youth expressed a willingness to pay an opening account fee of between GHC1.00 - GHC50.00 and maintain a minimum balance of GHC5.00 – GHC50.00.

**Factors considered most important by youth when deciding on a savings product:**
- Security
- Fees/charges
- Fast service
- Respected and friendly staff

**Financial products should represent opportunity and should be promoted through all means possible**

The youth suggested that the intended savings account be promoted via TV, radio, word-of-mouth, advertisements, community entry and sensitization and branded items. They also want the account to represent the opportunity they have had to learn a skill for life and suggested product names with that theme.
**HFC-Boafo is well-placed to provide youth-focused financial products that fit the focus group recommendations**

Key informant interviews were also carried out with representatives from HFC-Boafo and five other financial service providers. HFC-Boafo has 26 branches offering various savings and credit products targeting youth. Due to their increasing outreach and expansion and strong financial performance, the company is well-placed to offer the intended savings and credit products.

**Recommendations**

YIEDIE recommends strategic implementation in the following areas:

- Continue with prototype development to refine the features of the savings and credit products and services to complete the product development process through pilot testing.
- HFC-Boafo staff should engage clients at the training centers and at construction sites for both individual and group savings mobilization.
- Collaborate with government institutions, such as Metropolitan, Municipal and District Assemblies (MMDAs) and the National Board for Small Scale Industries (NBSSI), Ghana Real Estate Development Agency (GREDA), Ghana Contractors Association (GCA), Artisans Association of Ghana (AAG) and non-governmental organizations to identify construction sites for promotional purposes.
- Provide training to youth on the available products (credit and savings with education).
- Promote the intended products through parents, facilitators, teachers and master craftspeople.
- Pay competitive and attractive interest on youth’s savings and charge affordable interest rates on loans with appreciable loan term, moratorium and repayment schedule.
- Facilitate group loans for youth within recognized and credible associations.

**Conclusions**

- The market feasibility study presented interesting results on the attitudes of out-of-school youth in the construction value chain towards savings and credit.
- Participants are aware of the irregularity of their incomes, which propels them to save when they experience a ‘boom’ in income so they will have emergency funds available.
- Participants either currently have or have had relationships with financial service providers, both formal and informal, and are therefore aware of their responsibilities as clients.
- The role that agencies such as Artisans Association of Ghana (AAG) and master craftspeople play in the activities of target youth should be carefully considered during the design of savings and credit products.
- Creating youth financial inclusion and access to affordable financial and non-financial services can equip young people with the necessary tools, knowledge and skills to manage their money better and help them meet their most basic financial needs while lifting them out of poverty.