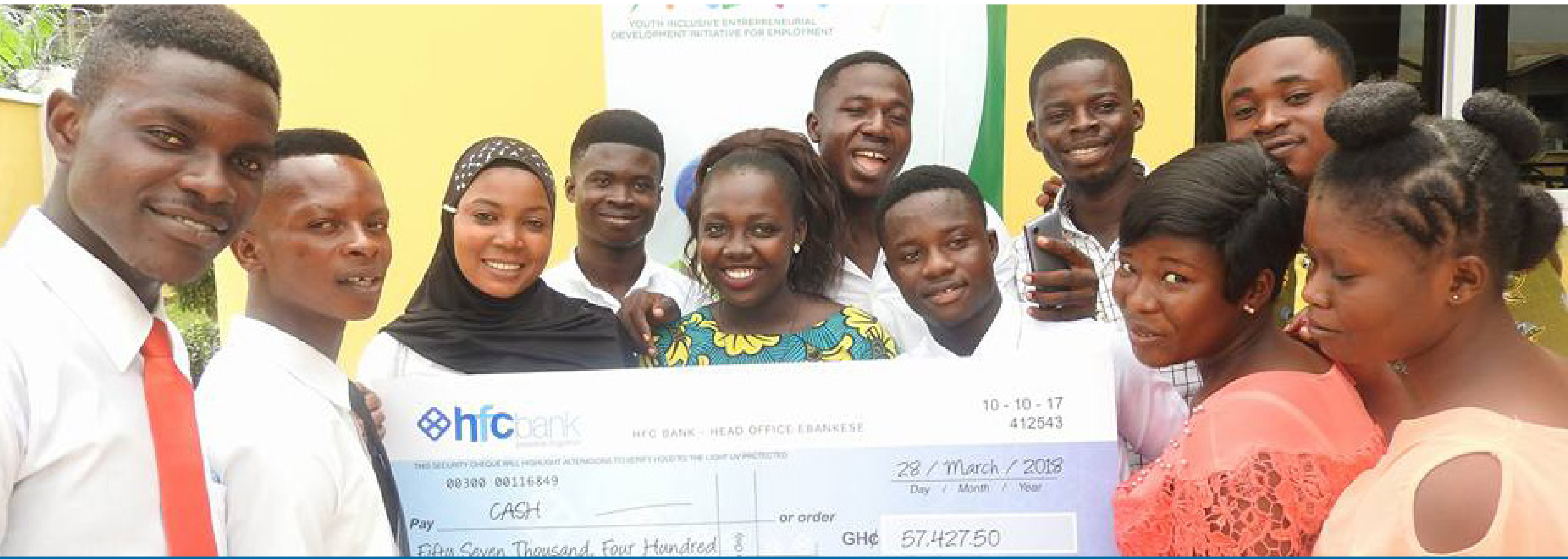
Youth Forward

YIEDIE

YOUTH INCLUSIVE ENTREPRENEURIAL DEVELOPMENT INITIATIVE FOR EMPLOYMENT



Increasing Access to Finance for Youth in Ghana: Lessons Learned from the YIEDIE Project

Introduction

Disadvantaged, urban youth face a range of challenges in accessing financial services: long distances to reach financial service providers financial products that are inappropriate for seasonal or intermittent work, minimum age requirements to open a bank account or obtain credit, and limited experience with financial services. In addition, financial institutions have traditionally been reluctant to serve young people because they are considered unbankable (unable to save, a high credit risk due to their engagement in less-profitable enterprises, and lacking business experience and conventional collateral).

Recognizing these challenges, the **Youth Inclusive Entrepreneurial Development Initiative for Employment (YIEDIE)** project commissioned a market assessment of youth financial services as part of its start-up activities in 2015. The assessment found that young people usually spend their income on savings, food, tools, house rent, transportation, phone service and other bills. They typically save in order to prepare for emergencies or business expansion and to meet their personal needs. The assessment further found that although most young people

The Youth Inclusive Entrepreneurial Development Initiative for Employment (YIEDIE) created economic opportunities for economically-disadvantaged youth, leading to a career pathway into Ghana's construction sector. Implemented over five years (2015-2020) by Global Communities in partnership with the Mastercard Foundation, YIEDIE helped more than 25,000 youth develop skills useful in the sector through two pathways—technical training through an apprenticeship with a master craftsperson or entrepreneurship training through a curriculum delivered by vocational training institutions. Both groups also received financial literacy education.

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had experience with saving, only one in five (19%) had tried accessing credit from a financial service provider, a relative or a friend. Issues such as difficulty in providing proof of residence and fear of being unable to repay the loans were some of the reasons offered for the low numbers. The study noted that there was demand for financial products. Most of the youth interviewed expressed a willingness to pay an account opening fee of between GHc 1 and GHc 50 (between US$0.25 and $10.00) and to maintain a minimum balance of between GHc 5 and GHc 50 (between $1.00 and $10.00[1]).

As a result of these findings, consortium partner Republic Boafo Microfinance Limited developed "Boafo ye Na" Youth in Construction savings and credit products, which take into consideration security of funds, cost and access. The savings product required an initial deposit of only GHc 10 ($1.80) compared to the average of GHc 30 ($5.50) required by other banks, provided youth with easy access to their money and reduced monthly service charges to the barest minimum. The credit product required applicants to have saved consistently with the bank for at least two months; the amount that could be borrowed was based on their savings balance. For group loans, members served as guarantors for one another. Interest rates on loans were reduced to 4%. In spite of these features, uptake among the youth was very slow. The location of branches, unwillingness of bank agents to visit youth work sites to collect deposits, and long queues at the branches were cited as the main challenges. To address them, Republic Boafo introduced a mobile platform that linked youth bank accounts to their mobile money accounts, to make it easier for youth to make deposits and withdraw savings without having to visit a branch.

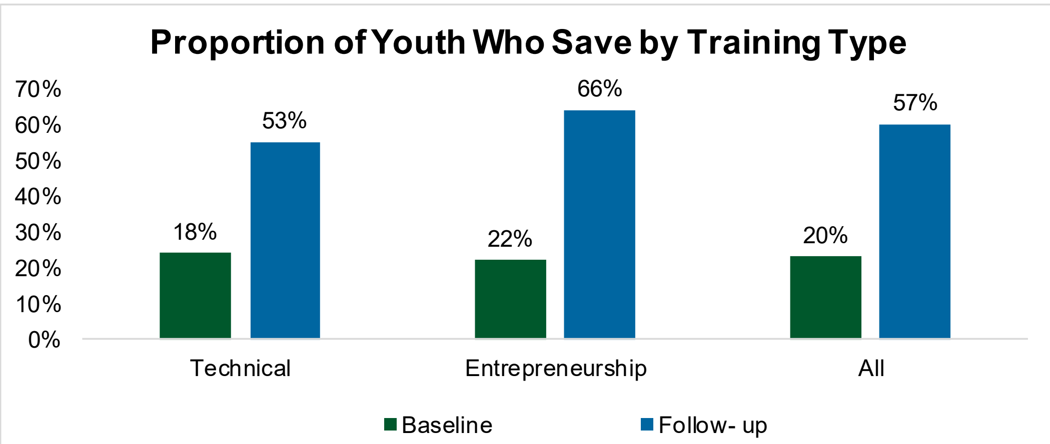
Outcomes

YIEDIE collected baseline information on youth employment, earnings and savings behavior at program enrollment which took place on a rolling basis. To measure participant outcomes in these areas, the project conducted three rounds of follow-up surveys with a 10% sample of youth who had completed training a year earlier.

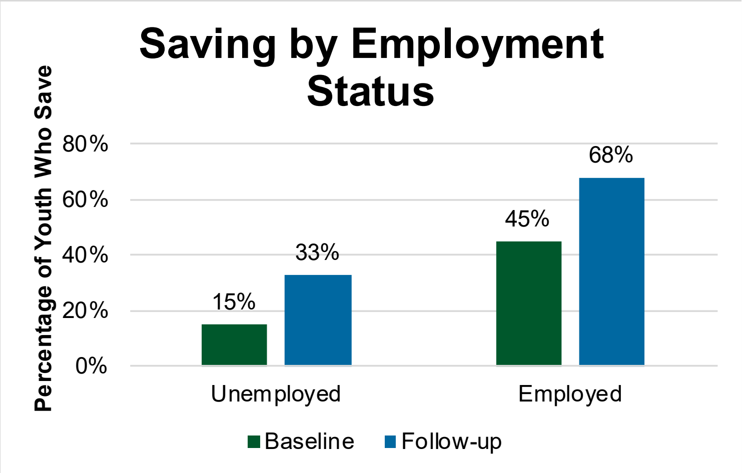
Growing interest in savings

It is clear that YIEDIE had a positive impact on savings; the proportion of youth who reported that they saved increased significantly from 20% at baseline to 57% a year after completion. The proportion of youth who save was higher for those who completed entrepreneurship training than for those who completed technical training, increasing from 22% to 66% between baseline and follow up, versus from 18% to 53% for the latter. The proportion of youth who save was also slightly higher for men than women; between baseline and follow-up, the proportion of men who saved increased from 19% to 59% while it increased from 20% to 54% for women. The observed differences in the proportion of youth who save in terms of training track may be due to the fact that youth who graduated from entrepreneurship training made a quicker transition to economic activity than those who completed technical training.

[1] Exchange rate used is US$1=GHc 5.5



YIEDIE conducted focus groups with participants at the end of the program to capture qualitative information on these outcome measures. Youth who participated in the focus group discussions demonstrated their interest in saving. Most indicated that they place a high priority on saving as a critical survival mechanism. According to one participant in Kumasi, this is due to the seasonal nature of their jobs.

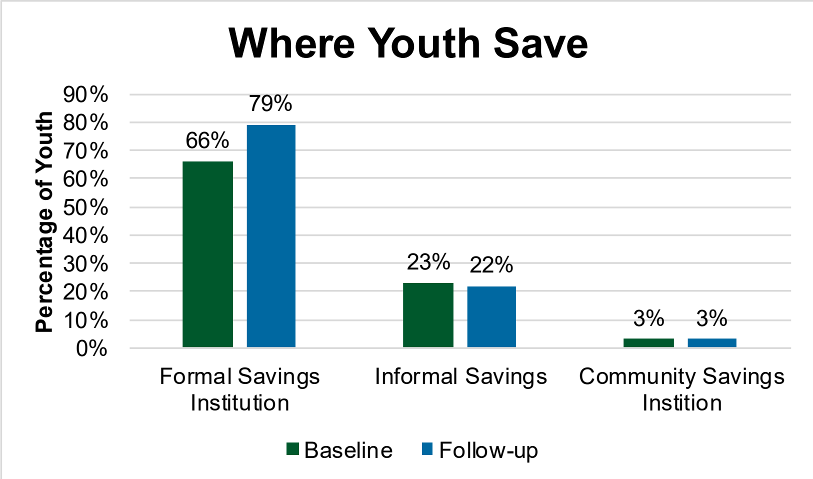


Unsurprisingly, saving was correlated with employment status at both baseline and follow-up. However, the proportion of youth who reported saving increased markedly between baseline and follow-up for those who were unemployed during the previous 12 months, as well as for those engaged in an economic activity (see graph). Given that only 29% of youth reported increased income from baseline to follow-up, and that the increase in average income reported was very small, the implication is that YIEDIE's financial literacy training was effective in changing savings behavior; that is, even in the absence of any significant change in income, participants saved more. Those who completed entrepreneurship training demonstrated a higher proclivity to save at follow-up than those who graduated from technical training, for both those who were economically active (75% versus 64%) over the last year and those who were not (39% versus 30%). This may be due to differences in profitability between the types of enterprise or trades engaged in.

On average, youth increased the total amount that they had saved from GHc 141 ($26) to GHc 766 ($139). The amount saved was higher among men and youth who completed entrepreneurship training. Between baseline and follow-up, average savings for those who completed technical skills training increased from GHc 137 ($26) to GHc 724 ($132) while it increased from GHc 148 ($27) to GHc 835 ($152) for those who completed entrepreneurship training.

Where do youth save?

Youth who participated in YIEDIE saved with a diverse group of institutions, with formal financial institutions (including banks, mobile money and microfinance institutions) being the most popular. The share of youth saving in formal institutions increased over the course of the project. According to one young person during focus group discussions, *"youth prefer saving with their formal savings institution because it is the safest."* Another participant added, *"formal savings institutions are well-connected and give easy access to our little funds."*



A higher percentage of entrepreneurship graduates saved with a formal financial institution at follow-up than did those who pursued technical training (84% to 76%). Interestingly, this was also true at enrollment; 72% of those who chose the entrepreneurship track already saved at a formal institution, compared to 63% of those choosing technical training.

Only 10% of youth (2,587) opened an account with Boafo over the course of the project. This is likely due in part to the significant challenges imposed by the Bank of Ghana's national directive which requires customers to have a Tax Identification Number to open a bank account, and the annulment of the national health insurance card as a form of valid identification, which many youth used. A majority of the youth participating in focus group discussions who had opened an account at Boafo did so because it was one of the criteria for receiving the Youth in Construction Enterprise Fund which they had applied for.[2] Once they received the funding, only 10% or so continued to use their account for saving and other transactions. While the uptake in banking was moderate, there was a marked increase in the use of independent mobile money platforms to send or receive money, from 72% at baseline to 96% at follow-up. This reflects the general trend in mobile money usage in Ghana; according to the Bank of Ghana, registered mobile money accounts rose six-fold between 2012 and 2017. Most youth find mobile money convenient for their day-to-day financial transactions.

The reasons provided by participants for choosing informal institutions (such as community savings groups or friends and relatives) instead include convenience in accessing one's funds and the stress-free process. As one said, *"Saving with a Susu collector is convenient for me.[3] I don't have to go and queue in the bank to deposit or withdraw money. I only need to*

[2] YIEDIE established the Youth in Construction Enterprise Fund (YCEF) to provide business start-up or expansion funds to a small set of young people who had completed training. Youth applied via a competitive process if they met particular criteria, including proposing a sustainable business idea and a Republic Boafo savings account (YCEF funds were disbursed into these accounts). By the end of the project, 336 youth businesses had received awards.

[3] Susu collectors are traditional financial intermediaries who provide a means for Ghanaians to securely save and access their own money for a small fee. They often act as mobile bankers.

place a call and my money is in my hands." A female participant in Takoradi noted that, *"I always want to have access to my money when I want it so I rather prefer saving with a friend or a Susu collector than saving with a bank."* This aligns with literature on youth savings culture which posits that young people prefer saving with institutions that give them the utmost convenience in terms of access to their funds.[4]

Limited access to credit

There is very little interest in traditional loan products; only 4% of youth surveyed for the follow-up study reported applying for loans. Most youth who were in some form of employment indicated that the application processes were too cumbersome. Disincentives to seeking loans cited by the youth included long bank queues, language and literacy obstacles, requirements for legal documents, and lengthy waits for a verdict on an application. Indeed, many youth and some master craftspeople in Accra said that they would rather approach a local moneylender than a financial institution, even if this means paying higher interest rates. The exception to this disinterest in formal credit products were those offered on the mobile money platform, where the fees and repayment plans were seen as more affordable than those from other sources. As summed up by a female participant in Kumasi, *"the MTN MoMo is very good. I am able to borrow money and pay at my own convenience. I don't need to provide any collateral or documentation. All I need is to have an active line, and I get what I want."*

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[4] For example, see Youth Savings Patterns and Performance in Colombia, Ghana, Kenya, and Nepal: Executive Summary, Center for Social Development, Washington University in St. Louis, 2015, accessed at: https://www.savethechildren.org/content/dam/global/reports/hunger-and-livelihoods/youthsave-ES-15.pdf; and Understanding Youth and Their Financial Needs, SEEP Youth and Financial Services Working Group, January 2013, accessed at: https://seepnetwork.org/files/galleries/1058_Understanding_Youth_and_their_Financial_Needs_April_2013.pdf

Lessons Learned

- There is considerable demand for savings products among youth, but it is challenging to design products that meet young people's demands related to convenience and cost and are profitable for financial institutions. Mobile money seems to be the form of financial service most accessible and convenient to young people. Financial service providers should leverage young people's interest in and use of mobile money to grow digital financial services that lower transaction costs.
- Investing in youth-focused products will not in itself increase and sustain access to finance for young people. Achieving these changes will require the active participation of governments (including policymakers, regulators and line ministries), financial service providers, and other youth stakeholders, as well as youth themselves.
- YIEDIE's focus on access to formal financial services for vulnerable youth in a restrictive regulatory environment was too narrow. Future efforts could incorporate informal financial services such as savings groups, which have proven effective in increasing savings and providing start-up capital for income-generating activities among vulnerable populations. YIEDIE was not designed with a cohort model in which youth started and proceeded through the program as a group, often seen as a factor in developing the trust necessary for successful savings and lending groups; however, it would have been worthwhile to test and pilot models for forming and supporting such groups. These groups can then be linked to financial service providers, allowing them to access credit beyond their own savings and providing a stepping stone to opening an individual account.
- Young people in the construction field need tools and equipment to find work as artisans. To meet this need, asset leasing could be explored as an alternative to traditional loan products.

The Youth Forward initiative links young people to quality employment or entrepreneurship opportunities in the agricultural and construction sectors in Ghana and Uganda. This five-year partnership led by Mastercard Foundation, Overseas Development Institute, Global Communities, Solidaridad, NCBA CLUSA, and GOAL will reach more than 200,000 economically disadvantaged youth aged 15–24. The initiative uses an approach that combines market-relevant skills training, mentorship, internships, and access to financial services to help young people better their lives, transition to sustainable livelihoods, and contribute to social and economic change.

The Youth Forward Learning Partnership works across the initiative to develop an evidence-informed understanding of the needs of young people in Ghana and Uganda and how the program can best meet those needs.

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