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IDRC Grant / Subvention du CRDI: 108488-001-Promoting women and youth financial inclusion for entrepreneurship and job creation: A comparative study of selected sub-Saharan African countries

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Promoting Women and Youth Financial Inclusion for Entrepreneurship and Job Creation: Comparative Study of Selected Sub-Saharan African Countries

FINAL TECHNICAL REPORT: OCTOBER 2019

Promoting Women and Youth Financial Inclusion For Entrepreneurship and Job Creation: Comparative Study of Selected Sub-Saharan African Countries

Final Technical Report, October 2019

Project Information

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Names of Research Team	Dr. Edward K. Brown (Principal Researcher) Mr. Richmond Commodore (Engagement Manager) Dr. Joe Amoako-Tuffour (Project Advisor and External Reviewer) Mr. David Sterling Sessions (External Reviewer) Mr. Roselyn Adadzewa Otoo (Gender Specialist) Mr. David Darkwa (Researcher/Task Manager) Mr. Bright Gowonu (Policy Analyst) Mrs. Diana Dadzie (Project Assistant)

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Project synthesis

Global and national policy makers, academics, business leaders, civil society groups and development partners are increasingly embracing financial inclusion because of the growing recognition of women's agency in the development process beyond basic empowerment and improving household welfare. The G20 made financial inclusion one of its pillars at the 2009 Pittsburgh Summit. The Maya Declaration of the Alliance for Financial Inclusion (AFI) has gained almost 60 commitments from national regulators and policy makers. Unique partnerships are also emerging. The Better than Cash Alliance brings together the private sector, donor agencies and governments to advance the use of digital channels for financial inclusion. Indeed, the new Sustainable Development Goals (SDG) framework recognizes the importance of promoting financial inclusion, especially of women. And at the 2015 World Bank-International Monetary Fund Spring Meetings, the World Bank Group and a coalition of partners—including other multilateral agencies, banks, credit unions, card networks, microfinance institutions and telecommunications companies—made commitments to help promote financial inclusion and achieve universal financial access by 2020.

Emerging work from researchers is refining our understanding of the barriers and opportunities facing women and the youth in their demand for and access to financial services. Access to financial services in sub-Saharan Africa (SSA) has increased – around 21 percent of adults now have access to mobile money accounts, nearly twice the 2014 proportion. Despite the progress, there is continued marginalization of a large segment of the population, particularly rural dwellers, women and youth. Research from the African Development Bank, Alliance for Financial Inclusion, Women's World Banking and the World Bank also consistently highlights the extent of exclusion of women and youth and ongoing efforts to empower them by increasing inclusion.

Researchers, policy makers and development experts are unanimous on one thing: failure to develop women and youth as valuable human resources represents lost output and potential. For the youth in particular, this failure undermines their lifetime productivity and earning potential, making it difficult for them to escape poverty. From the perspective of financial service providers (supply side), inclusion of adult women deepens their current client base and increases savings and lending opportunities. Youth financial inclusion represents a broader client base in future, but comes with greater economic, social and demographic risk. Nevertheless, from the broader economic perspective, as with women, youth financial inclusion can contribute to employment, business creation and overall economic growth and development. Although countries have made significant strides over the past decade in women's financial inclusion, the same cannot be said of financial services for the youth.

Project objectives

The study, conducted by the African Center for Economic Transformation (ACET), aimed to identify and evaluate the effectiveness of existing financial inclusion initiatives and their relative success or failure in achieving desired goals. It compared approaches, gauged their impact, tracked progress and drew lessons for policy makers, regulators and service providers. Following the Alliance for Financial Inclusion framework[1], the project assessed women and youth financial inclusion through the following four lenses: access, usage, quality and welfare.

The study reviewed:

1. The regulatory, policy and institutional frameworks that drive/influence inclusion or exclusion of women and youth. It assessed the nature and scope of public policy initiatives and the regulatory environment in Guinea, Sierra Leone and Zambia in terms of accelerating progress towards women and youth financial inclusion;

2. Supply-side issues: the study took stock of the process and product innovations taking place in each country intended to deepen and broaden financial inclusion beyond the traditional male clients;

3. Demand-side issues: the study documented the experiences of women and youth financial inclusion through the four lenses, and how entrepreneurship opportunities, especially micro-enterprise start-ups, are accessible through financial inclusion.

The key deliverables under the project included: (a) Inception meeting; (b) Country validation workshops; (c) Peer review workshop; (d) Three country case studies with a synthesis report; (e) Multi-country policy learning event; and (f) Engagement on findings of the project.

1 Alliance for Financial Inclusion, 2010. Financial Inclusion Measurement for Regulators: Survey Design and Implementation.

Project Methodology

ACET's methodology for multi-country studies, the ACET Policy Engagement Model (APEM), was adopted for this project. The methodology engages multiple stakeholders in addressing key policy issues with the goal of ensuring that the conclusions and recommendations emerge from healthy debate and rigorous analysis of different perspectives.

The study was conducted in three phases. Phase 1 involved all preliminary activities leading to and including the inception meeting with country researchers' feedback. Phase 2 covered the actual country studies, country workshops, and the delivery of the final country reports. Phase 3 covered the preparation of the synthesis report based on the country studies, and a dissemination plan.

(a) Phase 1: Background, Preparation and Inception Meeting

The first stage of Phase 1 began with setting up ACET's internal project team, an advisory team, and the preparation of an inception report with an implementation plan. ACET's internal team also prepared all the research instruments to be used by country research partners during Phase 2 of the project. Following this, ACET undertook the recruitment of a lead consultant, data collection firms, and country research partners. To further improve the project focus and to better articulate the project objectives, ACET convened an inception meeting with the principal lead and country research partners.

(b) Phase 2: Desk Research, Fieldwork, and Preparation of Country Reports

The first stage of Phase 2 involved extensive desk research using secondary data to generate information about financial inclusion across countries. Specifically, the desk research: (a) diagnosed the policy and regulatory landscape in terms of how women-friendly and youth-friendly the financial system is; (b) identified which service providers have introduced relevant financial services and process innovations during the past 24 months and how many of these are women and youth specific; and (c) identified the institutions (formal and informal) that are working with the youth for career development and skills training.

In the second part of Phase 2, the team embarked on fieldwork to capture primary data from each of the different groups of stakeholders. Country research partners collected both qualitative and quantitative data in the field through a broad-based consultation process including surveys, interviews and workshops. The surveys ensured broad participation of stakeholders in the study. The interviews complemented the survey questionnaire to ensure deeper interaction with key stakeholders. Where specific recent innovations could be identified, and with the cooperation of the service providers, women and youth groups or individuals who had benefitted from the service or product were identified and their views solicited on the successes or failures and the factors that may have impeded or facilitated their opportunities and whether or not there was scope for public policy reforms.

(c) Phase 3: Synthesis Report and Dissemination

During the final phase of the project, ACET prepared a draft synthesis report on the findings of the country studies for review and comments by external reviewers, ensuring that the country reports were complementary and aligned with the objectives of the study. ACET then incorporated the comments and issued a final report with recommendations. The next stage was the finalization and publication of the country briefs and the overall synthesis report. The last stage involved the convening of a Policy Learning Event for African policy makers and donor agencies to discuss the findings and recommendations of the reports on the three study countries.

Conceptual and Analytical Framework:

Figure 1.1 presents the conceptual framework of the study. Secondary data was drawn from sources such as country household data compiled by country statistical services, the Global Findex database, Finscope studies, World Bank Enterprise Surveys, and the World Bank Global Financial Inclusion Database. Second, demand- and supply-side data were collated from the field through surveys and interviews with different stakeholder groups – policy makers and regulators, the whole spectrum of formal and informal financial service providers, industry associations and institutions – working with the youth in skills training, and those who demand financial services. Findings were presented and validated at a stakeholder workshop in each study country leading to the development of a draft country report. The stakeholders mentioned above participated in the process and offered critical feedback which was incorporated in the final reports.

The analytical framework for the research was derived from the Alliance for Financial Inclusion's policy paper on defining and measuring financial inclusion.[2]

2 Alliance for Financial Inclusion 2010. Financial Inclusion Measurement for Regulators: Survey Design and Implementation.

The paper assesses the extent of financial inclusion through four lenses: access, usage, quality and welfare improvements. This formulation has been adopted for this study, and defined below:

- **Access** measures the ability of women and the youth to reach financial services touch points or to use products from financial institutions. It gives insights into potential barriers to opening and using financial accounts for any purpose. Key factors that affect this indicator include proximity of financial access points to the target group locale; the type, number and quality of delivery channels available to serve this target group with products; and other significant factors present in their environment that limit access to financial services such as legal or cultural restrictions.
- **Usage** measures the actual use of financial products among women and the youth. It includes the combination of products and services and the behavior and usage patterns that are unique to this cohort, paying attention to the frequency and duration of specific instances of use. It asks questions such as: can the people use the products, and do they? If not, why? What are the popular use cases and usage patterns?
- **Quality** is the measure of relevance of financial services or products to the needs of clients. One aspect is evaluated from the perspective of the clients judging from their experience the extent to which the services that are available meet their needs. The other aspect is determining the fit of financial products by assessing the provisions that address their unique circumstances – provisions such as dispute resolution, recourse mechanisms to address grievances, and consumer protection.
- **Welfare** gauges how access, quality and usage have helped clients start up and scale businesses, create jobs, and contribute to general household wellness. For the youth, what is important may be more their enhanced capability to get started than just having a deposit account. It matters what credit instruments are available to them, the accessibility of these instruments and how these facilities have helped to stimulate their entrepreneurship. As depicted in the analytical framework in Figure 1.2, the country field studies focused on the three dimensions of the study: the regulatory, supply, and demand sides of the financial services market. All field research tools and interview guides were developed in English, adapted to the local nuances of each market, and informed by findings and questions emerging from the desk review. All data collected from the research were subsequently collated, cleaned, analyzed and summarized. The research instruments can be found **here**.

Changes in methodology

Following the deliberations at the inception meeting in Accra on 12th-13th March 2018, the initial methodology of the project was slightly modified to improve the data collection process as well as the scope and quality of information gathered during the fieldwork. The methodology for collecting data on the demand side was slightly altered. The initial plan was based on stratified sampling of 15-20 clients (individuals and groups) drawn from each of the service providers for a total of between 150-300 clients for each country. In view of the concerns raised by our country research partners about the willingness of financial institutions to divulge confidential information to the researchers, an alternative approach was adopted. This involved randomly sampling women and youth across various geographical categories.

In essence, the profiles of the participants in the survey are of women and youth, with further segmentation of the profiles assessed by geography and income level. To complement the responses from the survey, qualitative data from the demand side were also gathered through focus group discussions split equally between women and youth clients of each of the service providers as well as youth and women's groups across defined locations and income levels. These changes called for some adjustments to the initial project budget line allocations but had no impact on the overall budget for the project.

Figure 1.1: Conceptual Framework

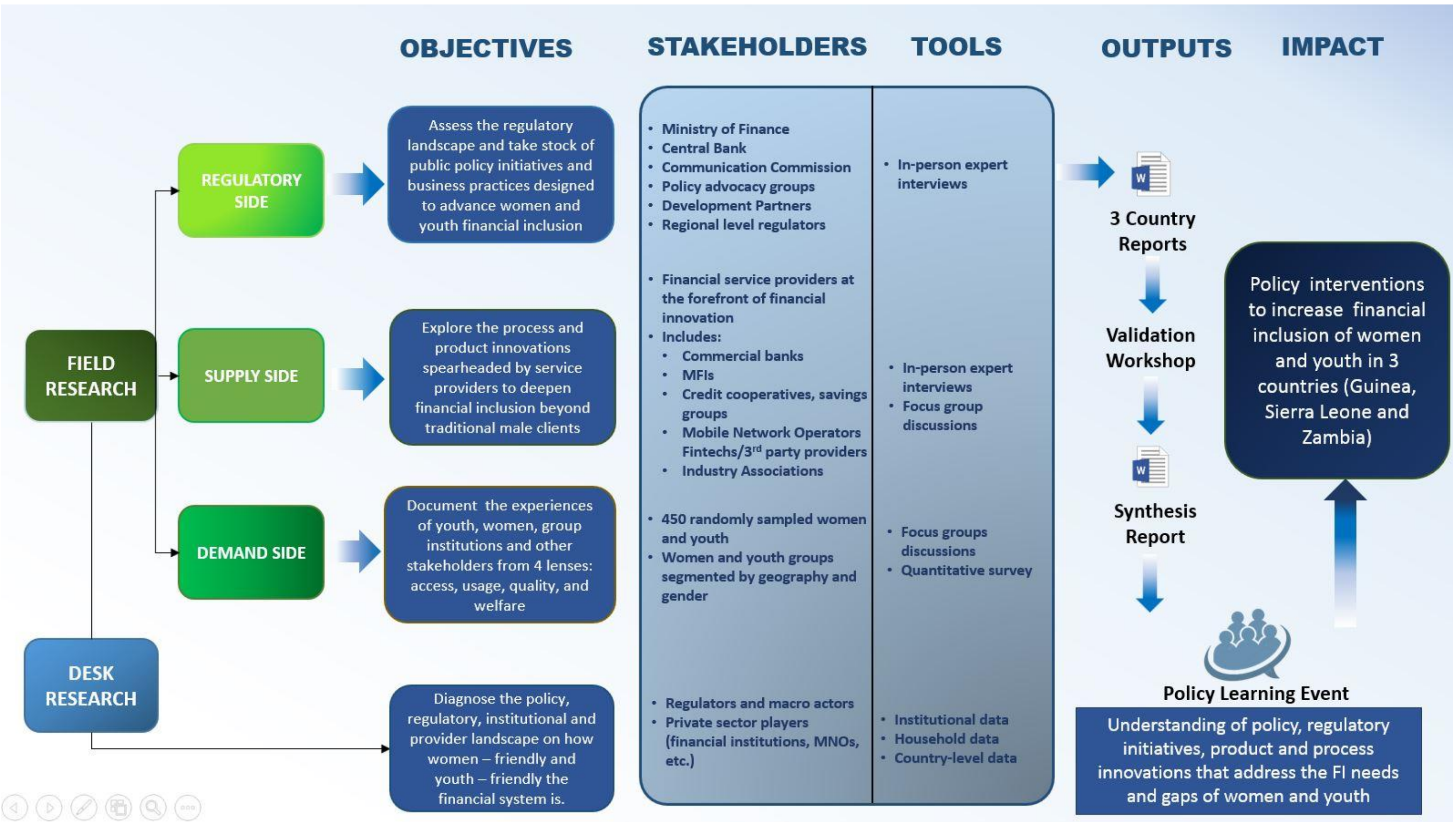

Figure 1.2: Analytical Framework

	DESCRIPTION	INDICATOR CATEGORY	REGULATORY	SUPPLY SIDE	DEMAND SIDE
ACCESS	**Ability to access tailored financial services**	Proximity	🟢	🔴	🟢
		Channels	🟢	🔴	🟢
		Barriers (legal, cultural, economic)	🔴	🔴	🔴
USAGE	**Actual use of financial services**	Products (combination of products/services in use)	🟢	🔴	🔴
		Patterns (frequency, duration)	🟢	🔴	🟢
		Behavior	🟢	🔴	🔴
QUALITY	**Appropriateness of financial services for peculiar circumstances of women and the youth**	Security	🟢	🔴	🟢
		Products (attributes, fit with customers' needs	🟢	🔴	🟢
		Consumer Protection	🔴	🔴	🟢
WELFARE	**How access, usage and quality have impacted the livelihoods of customers in areas such as entrepreneurship and personal / business productivity**	Individual consumption levels/productivity	🟢	🟢	🔴
		Business productivity	🟢	🟢	🔴

🔴 = Primary Data Source 🟢 = Contributory Data Source

Project implementation and management

Over the course of the project, ACET conducted the following events and activities:

1. **Paper on Global Themes:** ACET authored a paper on *Global Themes of the Financial Inclusion Landscape*. The paper provided a broad overview of the global financial inclusion landscape and the need for an inclusive financial ecosystem that prioritizes women and youth. It also examined the key issues in the industry, regulatory developments, good practice and cutting-edge innovations. The objective was to highlight the key macro issues at the global level that should be considered in the overall design of the three-country study. The paper can be found **here.**

2. **Project inception report:** ACET produced a project inception report in which the project proposal was reviewed in the light of current research in this subject area. The methodology was further refined to ensure that the technical goals of the project were achievable. A detailed work plan was developed to ensure the integration of the different research topics forming this project and that all agreed objectives of the project were delivered in a timely manner. Management of the project was organized to meet the agreed deadlines of project deliverables and to ensure the quality of the research.

   In the course of the project, this inception report was used as the blueprint for the execution of project objectives on time and within budget while maintaining the required technical standard. This inception report formed the basis for the preparation of a Terms of Reference for the recruitment of country research partners, project advisors and gender specialists and was the main document informing the project inception meeting. This is a **link** to the project inception report.

3. **Project inception meeting**: Following recruitment by ACET of all the country research partners and advisers, an inception meeting was organized to improve the project focus and to better articulate project objectives. The inception meeting brought together the ACET project team and all other parties working on the project and was held on 12th-13th March 2018 in Accra, Ghana. The objectives of the meeting were to: (a) review the inception report and project focus, and discuss the research objectives; (b) discuss the work plan and study approach for the fieldwork; (c) discuss and finalize the list of stakeholders for each country; (d) recognize country nuances and how they may inform study approach and activities across the countries; (e) finalize the process and timeline of the project; and (f) revise the terms of reference and study activities to reflect the outcome of the inception meeting.

   Prior to the inception meeting, country research partners prepared country inception reports which also served as draft zero of the country reports. The outcomes of the meeting were a revised project inception report and a draft field research template reflecting country specific issues. A summary of the discussions at the inception meeting was shared with all research partners and served as the framework document for the preparation of the country reports.

4. **Country field research template and annotated outline:** To ensure comparability of results and information from the three study countries, ACET prepared country field questionnaire templates and shared them with all the research partners. This was a set of questionnaires tailored to specific stakeholders: regulators, financial service providers, women and youth. To ensure quality (in terms of scope and depth) of reporting as well as comparability of results, ACET also prepared an annotated outline to guide the preparation of the final country reports. The fieldwork took place from April 2018 through to August 2018 and the first drafts of the reports were finalized in September 2018. A copy of all the research instruments can be found **here**.

5. **Research ethics and protocol/approvals.** In line with the requirements of the contract, ACET developed a research ethics protocol prior to the collection of data. The protocol, which was binding on all our research partners, ensured that research was conducted in a manner that : (a) was sensitive to the inherent worth of all human beings; (b) showed all due respect and consideration; and (c) was within the laws and regulations of the country in which the research was conducted. In line with the requirements of the project, country research clearance letters were secured from the Ministry of Cooperation and African Integration in Guinea and the Ministry of Finance in Zambia.

6. **Fieldwork, coding and analysis: In line with the project plan,** after the inception meeting and agreement on all the research instruments, the team-initiated data collection in the study countries. Data was collected on the demand side, supply side and the regulatory side in order

to better understand the financial inclusion landscape and potential for job creation and entrepreneurship. During the fieldwork, ACET staff embarked on country field trips to supervise the process and ensure that the right data were gathered.

Following collection, the data were subsequently transcribed, cleaned, coded and analyzed. On the demand side, surveys were undertaken in Zambia (470 respondents), Sierra Leone (262 respondents) and Guinea (250 respondents). Regarding qualitative data for each country, research partners conducted six focus group discussions with almost 60 women and youth in rural and urban communities. On the supply and regulatory side, the research partners had one-on-one interviews with key players and stakeholders in order to gain a deeper perspective on the state of the financial system, its level of inclusiveness and the opportunities for women and youth in entrepreneurship and job creation in each country.

About 22 institutions from the regulatory and supply sides were consulted in Zambia, and 20 in Guinea and Sierra Leone respectively. The institutions included the central banks, ministries of Finance; Women; Youth; and Education; the telecommunications regulator, non-bank financial associations, commercial banks, microfinance institutions (MFIs), mobile network operators (MNOs), mobile money (MM) operators and financial technology companies (Fintechs).

7. **Draft country reports:** Following the fieldwork, the first and second drafts of the three country reports were submitted by the country researchers to ACET for review and feedback. Overall, the country reports varied in quality and had to be thoroughly reviewed by the ACET team before sharing detailed feedback with the country partners for final revision and adaptation. These documents underwent a second revision to become the basis for the country validation workshops.

8. **Country validation workshops:** A multi-stakeholder workshop was held in each study country to validate the findings and build consensus on key issues and recommendations. Specifically, the workshops were organized to (a) ensure that key stakeholders interviewed had the opportunity to validate the research findings and to provide additional insights on the issues and findings of the study; (b) gather contributions of stakeholders whose opinions and views were not solicited during the study; and (c) give ACET first-hand feedback on issues on the ground to facilitate completion of the final synthesis report.

   The three country validation workshops were held in Zambia (6th November 2018), Sierra Leone (28th November 2018) and Guinea (23rd January 2019). The workshops were well attended by senior officials from key ministries, department and agencies and a broad range of financial services providers (FSPs), women's and youth groups, development partners, think-tanks, civil society groups, and the media. The validation workshops received good media coverage in all three countries. A summary of discussions from the workshops was prepared –see **link** to the document. In line with the agreed project outputs, video presentations from the event in Zambia, Sierra Leone and Guinea were provided in **link 1**, **link 2** and **link 3** respectively.

   Another objective of the validation workshops was to enable the ACET team to further engage key ministers and senior officials of the central banks and ministries of finance of the study countries. The ACET team held meetings with these eminent resource persons with the objective of: (a) briefing them on the general project background and reiterating the intended project outcomes; (b) sharing the findings of the study with them; (c) soliciting additional information based on the deliberations at the validation workshops; and (d) apprising them of the upcoming policy learning event in order to secure their buy-in.

   Our preliminary conversations with government officials suggest that while there is a good appetite for the diagnostic in-country studies, the officials place more value on (a) the lessons they can draw from the other study countries and from mature markets; and (b) the technical and financial support they can receive from the International Development Research Centre (IDRC) or ACET to implement the recommendations of the study.

9. **Synthesis report and country briefs:** The synthesis report explored the overarching issues pertinent to all the study countries. Its purpose is to bring together the individual country stakeholders to discuss ways forward in a policy learning event. While the synthesis report was being prepared, the ACET team simultaneously prepared the country briefs –which were essentially summaries of the original country reports submitted by the research partners. See the executive summary of the synthesis report, the synthesis report and the three country reports: Guinea, Sierra Leone and Zambia.

10. **Participation in financial inclusion conference and partnerships:** As part of the project activities, ACET engaged stakeholders on some preliminary outcomes of the studies. In this context, Dr. Edward Brown (the ACET principal researcher) attended the African Evidence-Informed Policy Forum in Nairobi on 6th-7th March 2018. He presented the preliminary findings of the desk research in a session on "Youth and Women's Financial Inclusion in Sub-Saharan Africa: Challenges and Opportunities." In June, 2019, ACET also participated in the World Bank's launch of the 4th Ghana Economic Update covering the last two years, which had a special focus on enhancing financial inclusion. At the invitation of "Banque Centrale de la Republique de Guinée", ACET participated in the second High-Level Dialogue on Financial Inclusion in Guinea and Africa (DIA'FIN) held in Conakry, Guinea on 27-28th November 2019. Dr. Edward Brown joined the opening panel which explored the prospects for a sustainable financial inclusion model for women and youth entrepreneurship. ACET is also exploring the possibility of presenting its findings on the financial inclusion of youth at events during the World Bank/IMF spring meetings in 2020 as well as events on the continent. Also, throughout the execution of the project, ACET leveraged some of its partnerships with experts in institutions such as the Consultative Group to Assist the Poor (CGAP); Strategic Impact Advisors; Financial Inclusion Forum Africa; United Nations Capital Development Fund (UNCDF); Financial Sector Deepening Zambia and the Moawoma Rural Women's Development Association in Sierra Leone.

11. **Policy learning event:** To conclude the project, ACET convened a policy learning event in Accra, Ghana on 27th August 2019 for all study countries and key non-study countries that have attained some success in boosting financial inclusion for women and youth. Through this forum, ACET presented the results of its study to drive exchanges of experiences and knowledge between national and sectoral stakeholders working to advance women and youth financial inclusion. The main objectives of the policy learning event were threefold: (a) To bring together key participants in the study as well as some nonstudy countries to share experiences on women and youth financial inclusion; (b) To provide inputs for policy uptake by identifying and proposing focused, strategic and feasible interventions that bring women and youth into the financial system to spur entrepreneurship and job creation; and (c) To lay the groundwork for peer learning and knowledge sharing on women and youth financial inclusion in African countries.

    In addition to the study countries (Guinea, Sierra Leone and Zambia), participants included stakeholders from Ghana and experts from Sierra Leone, Uganda, Liberia and South Africa playing critical roles in advancing financial inclusion in their respective countries. They ranged from senior government officials from central banks, ministries, financial institutions to mobile money operators, inclusive finance practitioners,
    and representatives from women and youth associations. The Ghanaian stakeholders were from the central bank, Ministry of Finance, academia, the media and financial institutions

    The outcome of the policy learning event was a better understanding of policy, regulatory initiatives, and product and process innovations that address the unmet needs of women and youth in order to inform policy interventions to increase financial inclusion and sustainable development of women and youth. The stakeholder insights from the policy learning event are presented in this **video presentation**.

12. **Dissemination plan:** To effectively disseminate the findings of the project, ACET developed an outreach plan. The plan intends to (a) build a shared understanding of public policy, regulatory initiatives and business practices for financial inclusion in the study countries; (b) generate debate about product and process innovation for financial inclusion of women and youth within the context of Africa's transformation agenda; and (c) effectively monitor policy trends, contribute to discussions, and understand youth and women's experiences of entrepreneurship and access to financial inclusion services in post conflict, post-Ebola countries. The outreach plan seeks to reach a wide range of stakeholders with the study findings on financial inclusion initiatives in Africa, particularly in the study countries, how effective they are, and recommendations on how they can be improved. The final plan can be found **here**.

Project outputs and progress towards milestones

At the time of submission of this technical report, program tasks were about 97 percent complete.

The table below shows the status of each project activity.

PROJECT ACTIVITY	STATUS
1. Constitute project team	Complete
2. Submit work plan to IDRC	Complete
3. Produce paper on global themes	Complete
4. Recruit country research partners	Complete
5. Produce country inception reports	Complete
6. Organize inception meeting	Complete
7. Submit Research Ethics Clearance/Protocol to IDRC	Complete
8. Submit First Technical Progress Report	Complete
9. Prepare field research template and annotated outline	Complete
10. Participate in high-level conferences on Financial Inclusion	Complete
11. Finalize data collection and analysis in study countries	Complete
12. Prepare draft country reports	Complete
13. Submit Second Technical Progress Report	Complete
14. Submit First Financial Report	Complete
15. Hold validation workshops in each study country	Complete
16. Submit Third Technical Progress Report	Complete
17. Submit Final Financial Report	Complete
18. Finalize country reports	Complete
19. Finalize the project synthesis report	Complete
20. Organize policy learning event	Complete
21. Disseminate outputs and organize side events	Complete

Problems and challenges

While executing the project, ACET encountered a number of unanticipated challenges, particularly in the contracting and negotiation phase, the timing of the fieldwork, and the review and approval of country research partners' reports. The contracting and negotiation phase took some time because of (a)the thorough approach we had to adopt in selecting from the broad range of partners who expressed interest in working with us on this project; and (b) the limited budget available for undertaking nationally representative fieldwork.

ACET also experienced difficulties in accessing the major country-level stakeholders (especially women and youth) for the focus group discussions and surveys due to the nature of the religious calendar. The initial fieldwork in Guinea and Sierra Leone took place during Ramadan, which reduced access to the large Muslim segment of the population. This resulted in a review of timelines and researchers going back to the field to collect additional data from this cohort during a more conducive period. Finally, revision of the country reports took much longer than expected, adversely impacting the delivery of the project on time.

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Key findings of the study

Regarding product and process innovations the study found the following:

The mobile device is a promising enabler of access to financial services for women and young adults. Mobile financial services, particularly mobile money, are a major disruptor of traditional financial services typified by bank branches, cheque books and money orders. The rapid growth of digital technology in the past decade has rendered largely obsolete, the analogue financial system. The smart phone is the most common mobile device in urban areas, particularly among young males. This confirms the evidence of gender disparity in the use of mobile products and services. There is also evidence that low-cost phones are bridging the urban/rural technological divide. In Zambia, of the 75% of respondents who reported having access to a phone, 59% reported owning a smart phone. Almost 50% of youth respondents have smart phones while 57% of female respondents have basic phones. Female youths in Sierra Leone reported almost equal usage of the smart phone and the basic phone (41.5% and 43.9% of respondents respectively). Nearly half (48.9%) of respondents in Guinea owned or had access to smart phones, with urban youth being the most avid users. However, more women than men tend to find cost as the most important barrier, overall, to ownership and use of a mobile phone. As demonstrated in mature sub-Saharan markets like Kenya and South Africa, a high and rising smart phone penetration rate is an indicator of progress towards inclusive digital financial services.

All countries exhibit varying levels of product and process innovation in their financial sectors. In Guinea, beyond commercial banks, the microfinance institutions (MFI) like Yete Mali and Caidel have introduced and popularised a prepaid debit card for their clients. Other MFIs also have their officers visit women and other clients in markets, using tablets to offer services on the go and saving them from having to come to an office. Another fintech (BaySim) developed a point-of-sale (POS) device to be used in rural areas, which can be connected to solar panels and given to young street sellers/agents to become mobile money/POS suppliers. In Sierra Leone, the banks are beginning to innovate: seven commercial banks issue smartcards and operate ATMs while only four have operational POS machines, with Interswitch Nigeria providing switching services for six of the 14 commercial banks in the country. This is impressive for a country with fewer than 50 POS terminals, 30 of them deployed by one commercial bank (Ecobank). The fintech scene is more vibrant, with outfits like iCommit offering products that help farmers save between harvests, and Mosabi, a social enterprise that offers financial literacy services by providing a mobile platform for training low-income communities on topics such as entrepreneurship, business skills and financial literacy using a mobile app. In Zambia, Zoona, a popular fintech, markets a no-frills e-wallet called Zoona Sunga for the low-income consumer to keep money safe at no charge: it requires no paperwork, no minimum balance, no monthly fees, and only about 10 kwachas (less than $1) to set up.

Poor culture of collecting gender and age disaggregated data constrains Regulators, Policymakers and Financial Service Providers (FSPs) from developing targeted solutions, products or policies that address specific needs of the women and youth cohort. There is a weak culture and practice of segmenting data by gender, age or location for decision-making purposes, whether in industry or by policy makers in all study countries, particularly in Sierra Leone and Guinea. Having gender and age disaggregated data is a necessary first step for both government and private sector to understand the unique circumstances and behaviour of women and youth and to enable and support evidence-based policy making for their greater inclusion. Without it, unique insights pertaining to women and youth are lost and nuanced policies cannot be developed to address their needs. The central banks of Guinea and Sierra Leone – Banque Centrale de la République de Guinée (BCRG) and the Bank of Sierra Leone (BSL) respectively – do not collect disaggregated data from banks and community banks, although BSL does from MFIs. Few financial service providers and mobile network operators (MNOs) in these countries indicated that they collected or tracked disaggregated transaction data by gender, age and location. In contrast, the Bank of Zambia (BoZ) began collecting gender-disaggregated data in 2018. Data from 64 regulated institutions have helped it comprehend the magnitude of the gender gap in financial inclusion. Consequently, it is working on policies that specifically target women's financial inclusion. Among the main findings of the data collected by BoZ was that most financial institutions, especially non-banks, had either no or limited gender differentiation in products. In addition, despite having worse repayment records than women, men were the predominant borrowers. The number of men with loan accounts among every 1,000 adults was 27 at the end of 2014 compared to 12 for women. Additionally, the proportion of non-performing loans among Zambian women averaged 4.3% compared with 4.9% for Zambian men. Furthermore, women-owned small businesses had the lowest proportion of non-performing loans, ranging between 1% and 3% during this period. This is, on average, 17 percentage points lower than the proportion among men, showing that women and women-owned businesses are more prudent borrowers than their male counterparts. Disaggregated data of this nature helps build the business case for developing specific products and services for women and youth.

The regulatory framework and digital financial infrastructure that enables an inclusive finance environment are either absent or nascent in the focus countries. These two foundational components are important for the inclusion of women and youth for several reasons. First, they are critical to lowering or eliminating barriers to the entry of marginalized groups into the financial system, either through policy (such as agency banking guidelines) or practice (such as implementation of a national identity scheme). Second, they help stimulate the usage and adoption of critical financial services by all segments, helping to transition them from mere access to repeated use, which benefits their economic ventures and welfare. Guinea, Sierra Leone and Zambia largely lack these components: at the time of the study, there were no national agency banking guidelines; no interoperability at national level; no credit reference bureaus or registries that received data from key institutions such as low-tier financial institutions and mobile money operators; and no national identity scheme that all citizens can use to access public services. Fortunately, the situation seems to be getting better: In Guinea, the ‘Access my Bank’ initiative spearheaded by Ecobank and Orange in 2016 is one of several initiatives aimed at closing the interoperability gap. Zambia makes up for its lack of agency banking guidelines (purported to be in draft form and yet to be approved at the time of writing this report) by occasionally granting ‘no-objections’ to institutions that request approval and demonstrate the ability to meet delivery expectations. Currently, Investrust, Zanaco and FINCA are the only three financial institutions permitted to offer agency banking services in the country. Sierra Leone is also making positive strides in this regard as consultations with BSL indicated that work on the infrastructure for interoperability is ongoing and agency banking guidelines are being developed in partnership with the World Bank.

With respect to entrepreneurship and the job creation impact of access to financial services among women and youth, we found the following:

Digital financial services offer new income-generating opportunities for both women and youth. New and emerging inclusive finance models and technologies such as agency banking and mobile money offer outstanding income-generating opportunities for women and youth. Majority of the handlers (individuals who interact with customers and conduct transactions on their behalf in any agency outlet) were young and often women. In Zambia, the most successful agents tend to be young women, are family oriented and hardworking, with an entrepreneurial mind-set. In Guinea, the number of active mobile money agents was estimated to be over 29,308; that of Zambia stood at 35,880. The burgeoning local fintechs are also employing tech-savvy people who are mostly below the ages of 35. It is expected that the fintech revolution across Sub-Saharan Africa will also play a role in this by offering youth opportunities as remote sales and marketing agents of fintech products. Empirical evidence from the Helix Institute of Digital Finance suggests that while women are underrepresented in the ownership of mobile money agent business in Africa and South Asia, they excel in customer interactions – particularly with late adopters and female customers – compared to their male counterparts, and manage their liquidity needs (float/e-cash) just as well as men, if not better. Some mobile money providers in Zambia mentioned how loan products on their mobile money platforms are allowing hawkers to borrow from MTN in the morning, buy their wares and sell during the day and repay MTN in the evening.

Only a few respondents –especially the male youth and adult women –were entrepreneurially active. In Guinea, male youth (10.4 %) and women over 35 years (10.8%) in urban areas have the highest levels of business ownership. By contrast only a few young urban women owned business. In Zambia, more than a third of respondents own businesses or gained their income through some “Informal work” and more than half of urban respondents are entrepreneurs (52%). Ownership is even much higher among adult women: 84% in rural areas and 61.9% in urban. Similarly, in Sierra Leone, 80% adult of urban women had their own businesses, compared to half of young urban women, this contrasts with less than a third male urban youths who own a business. Though adult women were the most entrepreneurial, they had major challenges in accessing credit which is crucial for entrepreneurship.

Limited access to financial resources is the most critical binding constraint to the growth and development of SMEs (where most youth and women businesses operate) in all countries. There are limited services in the market with regards to micro-loans for those in informal employment/business owners –who are mostly women and young people. In Guinea, a recent World Bank study indicated that only 2.5 percent and 8 percent of small enterprises and medium-sized enterprises respectively have a loan or a line of credit from a formal financial institution. For most of these firms (92 percent), their investments are primarily financed internally compared to 2.8 percent by banks. Similarly, in Zambia, it is very difficult for women to access credit to expand their SME or agricultural businesses. The financial needs of these microenterprises are too small on average for banks to meet their demands as often the transaction costs even outweigh the amount of the loan for these SMEs. In addition, collateral requirements remain high – above 150 percent of the loan amount –and in most cases, SMEs are unable to provide the right documentation to meet the rigid collateral requirements. Thus, MFIs play a significant role as credit providers to this market.

Use of financial products to fund entrepreneurial activity is low, but loan financing of businesses from relatives is more common in urban areas and among urban youth. In Guinea, more than half of all surveyed business owners rely on personal funds or loans from family and friends (89.6% of business owners). Only among the relatively small number (about a quarter) of urban adult women were businessowners who also had bank-sourced finance. Of the 74 people that applied for a loan for all purposes, only 9 ultimately got the loans from a formal institution. Similarly, in Sierra Leone, majority of surveyed businessowners (51%) financed their businesses from their personal savings while about a fifth (20%) got the funding from family and friends; only 10% of respondents had bank-sourced financing. About a third of female youth (29%) sourced funds from their family and friends to start their businesses, while 14% took loans from either a commercial bank or MFI. The use of the loans proceeds for business needs was rather high among females than males –40% were female youth, 37% were women of more than 35 years of age, while 22% were male youth. In Zambia, financial inclusion is much deeper albeit comparatively low compared to the benchmarks. A little more than two-thirds (69.6%) of surveyed businessowners used own funds and savings, or family and friends for start-up.

Financial illiteracy and distrust for technology among women and youth emerged as a major barrier to using financial products in all three study countries. Zambian respondents who reported owning their own business cited loans and financial literacy training as the financial product/service that would help the most to improve their business. The survey findings from Sierra Leone also confirm this capability gap among interviewed stakeholders, as do other studies from UNCDF and Finscope. Many respondents stated that while they had previously received training on financial literacy there was no follow up. In Guinea, most women and youth indicated a preference for hands-on financial literacy training (as opposed to general education) and periodic retraining. Their responses revealed that a lot of training is done by the Social Action programs focused on women with the involvement of an MFI as a last step. Security issues were also identified to be particularly important for rural Guinean women, whose limited digital literacy and distrust of technology accentuates their vulnerability. As the business leader of one tech-enabled MFI intimated: “A good example of that ‘technophobia’ is that many people here in Guinea do not trust technology and recalculate teller slips”. Young males however, stressed the need for more open communication on pricing and transparent dispute resolution procedures from the providers. This concern clearly indicates the need for more technical education for both women and youth, particularly regarding product security, disclosure and dispute resolution. Respondents additionally encouraged providers to focus sensitization and education efforts on account security issues, device handling and on reading and interpreting SMS alerts which can easily translate into viable financial opportunities and ultimately lead to their economic and social empowerment.

Some informal financial institutions and associations have been successful in helping rural women to kick start businesses. Informal women’s groups in Sierra Leone play a significant role in ensuring that funds are channelled into areas that will improve the welfare of women and their families. Moawoma Rural Women’s Development Association is one of such groups found in Sierra Leone during the study. In Zambia, informal financial sources are very popular in the rural areas and are also very used in more urban areas despite the access to more formal services. The most popular informal entity is the village savings group, called the Chilimba; the Kolaba is also similarly popular. The Chilimba groups in Zambia and provide the opportunity for women to get together and pool their money, providing each other loans, charging interest, and receiving a return at the end of the year. The aspect of a trusted social network and meeting with each other socially makes this method unique by combining pleasure and informal access to credit and savings to support rural businesses.

In terms of the policy implications of the findings:

A greater obligation to produce disaggregated data on key sectors of the financial sector must be imposed on regulated financial and non-financial entities (such as MNOs, fintechs, women and youth umbrella associations) through government or industry-led regulation. Evidence-based policies and regulations borne out of an analysis of gender and age disaggregated data are much more likely to address gaps and produce the desired effects. Providers should also disaggregate data by age, gender and location to obtain significant insights on customer habits and attitudes; for some firms, this may require some level of demand-side research. For others, it may require that they enable digital access to their products and rely on data analytics. Understanding customer profiles and behavior helps in product positioning, efficient allocation of resources and provision of useful data to regulators and policy makers for tracking and evaluating progress on policy and national financial inclusion strategies.

There is urgent need for policymakers to fast track formulation of laws and policies for inclusive finance. Important regulations and policies – such as agency banking, e-money guidelines and national financial inclusion strategies – can shape the financial sector and determine its overall inclusiveness. Guinea's National Financial Inclusion Strategy is purportedly undergoing development and awaiting final release in mid-to-late 2019. The government should ensure that the Strategy is completed and operationalized to provide an overarching context for the effort to improve financial inclusion. Regulators and stakeholders should fast-track ongoing work on tiered KYC, inclusive collateral registries and interoperability in order to lay the foundation for an inclusive and frictionless financial system. Once such strategies are formally adopted and operationalized, there is impetus for action. For example, Indonesia took over two years to implement its strategy, after which its financial inclusion efforts increased significantly.

Financial literacy initiatives should be strategically designed to put the needs of women and youth at the forefront. Policy makers can increase financial literacy by adapting school curricula to include basics of financial discipline, financial planning and, in latter stages, the rudiments of entrepreneurship. This approach should blend both theory and practice. In that regard, the investment competitions promoted by Zambia's Securities and Exchange Commission (SEC) are an excellent way to provide curious minds with the requisite experience in planning, investing and trading. This grassroots approach is imperative because evidence shows that financial behaviour is formed around the age of seven, making it even more necessary to begin education early.

Financial Services Providers should also pay attention to women and youth during their regular targeted campaigns aimed at improving financial awareness and knowledge among their customers. It is imperative that such campaigns consider education levels, income streams and languages of the target groups. They should cover not only the theoretical aspects but also how to apply them practically (through role-play exercises, for example). In addition, it is important to deploy a variety of teaching approaches such as using village chiefs as financial literacy ambassadors and leveraging localized SMS or radio announcements in the vernacular with daily/weekly financial tips. Greater demand for products, especially those of MNOs, could be achieved through nuanced programmes (TV, radio, flyers) – potentially in the vernacular – to teach people how to use mobile money applications. These avenues could also be used for security purposes, to warn customers of scams taking place and to educate them on agent fraud and malpractice.

Increased partnership essential for effective financial education of underserved groups. Zambia's financial education framework has spurred a healthy mix of public and private sector initiatives including one promulgated by Zazu and FSD Zambia. In 2018, Zazu, a payments technology company, partnered up with FSDZ to unveil a suite of courses designed to increase how much the average person knows about finance and increase their confidence in accessing financial services. The digital courses were available over USSD, SMS and voice channels and offered lessons on managing income, loans, and savings, insurance & mobile money. This resulted in over 6,000 people completing over 15,000 courses ranging from credit and insurance to investments and budgeting. The plan is to launch a national campaign using this platform to help address the financial literacy challenge in a cost-effective way. The Central Bank of Sierra Leone (BSL) followed a similar approach in educating the youth by partnering with Africa Youth Coalition Against Hunger-Sierra Leone (AYCAH-SL) in 2017 to set up school savings clubs as part of financial literacy.

Partnerships such as these should be emphasized to reduce the burden of financial education on any one player. Additionally, providing access to financial products and services to women and youth in a way that will create jobs and spur entrepreneurship in rural settings will require policymakers to work hand-in-hand with informal associations and women's groups who have gained the trust and hearts of rural women; are aware of the needs of the women and are able to effectively communicate with these women. They are the best intermediaries for reaching women and making impact in the lives of these women.

Broadly speaking, the issues confronting the financially excluded woman are largely related to access and usage of financial services and require sustainable fixes through addressing ID challenges, encouraging agent and branchless banking models and advocating for and implementing interoperability of payments. The solutions to the issues that constrain the youth from realizing their economic potential however should focus primarily on increasing their awareness to financial products, tools and employment opportunities as well as equipping them with tailored financial knowledge, skills and discipline early on in life in order to instil in them a healthy financial mind-set for the new economy.

Project Impact

The project seeks to increase policy makers' understanding of the drivers of financial inclusion for women and youth in their countries and encourage uptake of policy reforms. One value-adding feature of this study is that unlike other studies, it concurrently assesses youth and women's financial inclusion from the perspective of: the regulatory side, the supply side and the demand side. Indeed, the presentation of the preliminary findings at workshops brought to light the inherent but overlooked challenges that inhibit the access, use and impact of financial services on the welfare of women and youth in the study countries. Additionally, the opportunity to simultaneously engage all core stakeholders on this pertinent issue (the first such event in the study countries) provided a unique platform to develop a holistic appreciation of the issues and to understand the extent of each player's impact on women and youth. The comments from some of the regulators after the forum, as captured in some of the summary videos, underscored the need to improve communication between these three broad categories of stakeholders – regulatory, supply and demand – to boost financial inclusion of women and youth in their respective countries.

Overall, the project provided a deeper understanding of the public policy, regulatory initiatives and business practices regarding financial inclusion in the three countries. It provided insights on product and process innovation in the financial sector across all countries and duly documented the entrepreneurship and job creation impact of better access to financial services among women and youth. The findings have implications not just for policy but also for the way services and products are designed for our target cohort. Stakeholder perception of the knowledge provided and shared at the policy learning event was overwhelmingly positive. With an average satisfaction score of 4.6 out of 5, participants in the policy learning event indicated that the content of the event was relevant to their work.

Through this project, ACET's in-house capacity has been further strengthened to undertake research on financial inclusion issues on the continent. ACET staff and country research partners have benefitted tremendously from their involvement in the project and our research methods and tools are increasingly integrating the lessons from this project. Of particular importance was the emphasis on gender applied throughout the various phases of the project. The disaggregation by sex on all data has helped ACET elaborate on the inherent differences and similarities in the male and female experience of accessing and using financial services, and the entrepreneurship and job creation potential of government financial inclusion programs.

We have collected a unique wealth of data on financial inclusion in the study countries. Further data analysis will be undertaken during the coming months for submission to journal publication – with the support of IDRC duly acknowledged.

Good partnerships and networks were also established in the financial inclusion space with government departments and agencies, development partner institutions as well as think tanks. These are useful networks ACET can leverage for future projects with a financial inclusion angle. ACET will incorporate these country findings on financial inclusion in the work of the Pan-African Coalition of Transformation Chapter on Youth Employment and Skills.

Lessons learned

The multi-country approach enhanced the credibility of the findings, allowed us to take stock of good practices and success stories in the study countries, and facilitated uptake of policy recommendations and influenced policy reforms, notably in Guinea and Sierra Leone. The comparative analysis of good practices and challenges spurred captivating, knowledge-sharing sessions between government officials, technical experts, development partners, researchers and ministers at the country validation workshops and the policy learning event. We realize that African governments are more likely to embrace policy recommendations informed by the practical experiences of their fellow African countries than those from other parts of the world. That notwithstanding, some care has to be taken in our quest for "common issues" that could undermine the useful diversity in experiences in individual countries.

Securing political buy-in for a project from the onset and continuously engaging these actors is crucial for success. The experience from this project suggests the need for buy-in from both the political and the technical leadership of the government. While buy-in from the political leadership will ensure policy uptake, technical leadership (non-political appointees in government agencies) will facilitate the ease of implementing policy recommendations while ensuring continuity of policy decisions beyond the term of the political leadership. Engaging both political and technical leadership in the project gives access to a host of data sources. It also provides a credible avenue for validating the findings and building consensus on the key issues and recommendations. This facilitates the uptake and implementation of policy recommendations, which is the ultimate aim of the project.

Conclusion

This is ACET's final report under the research grant provided by IDRC. The project was largely successful, having met virtually all the goals set out in the project proposal document. However, there remains a lot of work to be done in disseminating the findings of our work beyond this project. Going forward, ACET will continue to engage stakeholders on the key outputs of the project. We are grateful to IDRC for the financial support that made this important research possible.

TECHNICAL REPORT

Promoting Women and Youth Financial Inclusion for Entrepreneurship and Job Creation

ACET African Center for Economic Transformation

Promoting Women and Youth Financial Inclusion For Entrepreneurship and Job Creation: Comparative Study of Selected Sub-Saharan African Countries

Final Technical Report, October 2019

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ACET African Center for Economic Transformation

The African Center for Economic Transformation (ACET) is a Pan-African economic policy institute supporting Africa's long-term growth through transformation.