

POLICY BRIEF

BEYOND THE BUZZ

The Allure and Challenge of Using Mobile Phones to Increase Youth Financial Inclusion

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GLOBAL ASSETS PROGRAM
YouthSave Project

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Our experience with the YouthSave Project informed much of this report. Created in partnership with The MasterCard Foundation, YouthSave investigates the potential of savings accounts to promote youth financial inclusion and economic empowerment in developing countries by co-designing tailored, sustainable savings products and tools with local financial institutions and assessing their performance and development outcomes with local researchers. The project is an initiative of the YouthSave Consortium, led by Save the Children in partnership with the Center for Social Development at Washington University in St. Louis, the New America Foundation, and the Consultative Group to Assist the Poor.

The cover photo shows youth using their mobile phones at Save the Children's YouthSave financial education workshop in Tumaco, Colombia. YouthSave is also testing SMS-based financial capability interventions in Colombia. Photo by Angela Mesa, Save the Children.



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Executive Summary

Although low-income youth in the developing world tend to lead relatively complex financial lives, many do so without access to the financial tools and knowledge that might benefit them. Increasing their financial inclusion—or the access and capabilities necessary to use appropriate, typically formal, financial products and services—could help low-income youth better navigate the financial landscape and ultimately contribute to their economic empowerment.

The recent application of mobile phones for financial inclusion among adults and the rising use of mobile phones among youth suggest that mobiles can catalyze financial inclusion for youth in developing countries. Mobile financial solutions such as mobile information services, mobile wallets, and mobile banking are especially helpful for those with limited mobility, limited time, and limited funds, all of which typify the low-income youth demographic. In addition, mobiles can enhance youth financial capability by ensuring that youth have not only access to financial services but also influencing the knowledge, skills, attitudes and behaviors necessary to

maximize their benefit from those services.

However, financial inclusion advocates must overcome many barriers before they can realize the full benefits of mobiles in the field. Issues with infrastructure, cost and usage of mobiles, and government regulations—such as minimum age for SIM ownership or identification requirements—still linger. Although their effect varies greatly by region, they limit the overall ability of financial service providers, nongovernmental organizations, donors, or governments to offer mobile-based services to the youth demographic. Moreover, even if these barriers were overcome, in-depth data on how youth in developing countries use mobile phones and how they manage their money are lacking and, where they exist, are generally not publically available. Tapping available policy levers—by enabling regulatory environments, incentives to innovate, strategic alliances, advanced data collection, and experimentation with “nudges”—would allow proponents of youth financial access to circumvent the various barriers to youth-centered mobile financial solutions and therefore speed up the pace of exploration and innovation.

List of Acronyms

Automated Teller Machine	ATM
Consultative Group to Assist the Poor	CGAP
Child and Youth Finance International	CYFI
World Bank Global Financial Inclusion (Global Findex) Database	FINDEX
Gross Domestic Product	GDP
GSM Association	GSMA
Identification	ID
Know Your Customer	KYC
Latin America and the Caribbean	LAC
Mobile phone-based money transfer service offered by Safaricom and Vodacom	M-PESA
Middle East and North Africa	MENA
Non-Governmental Organization	NGO
Point of Sale	POS
Point of Transaction	POT
Subscriber Identification Module	SIM
Short Message Service	SMS
Sub-Saharan Africa	SSA
United Nations Capital Development Fund	UNCDF
United Nations Educational, Scientific, and Cultural Organization	UNESCO
Youth Financial Capabilities	YFC
Youth Financial Inclusion	YFI
Youth Financial Services	YFS

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Introduction

The movement toward youth financial inclusion has galvanized recent interest and activity all over the world, attracting policymakers, the financial sector, non-governmental organization (NGO) practitioners, and researchers to its potential to boost youth economic empowerment. At the same time, the mobile phone has begun to demonstrate its potential to bring information, products, and services to previously underserved populations in developing nations. These successes have garnered interest within the financial inclusion industry and led to a growing consensus that mobile phones might accelerate progress toward universal financial access and thus become an important component of an economic development strategy.

Mobile technology is especially appealing within the field of youth financial inclusion because traditional financial products, services, and delivery channels are proving less effective and sustainable than financial inclusion advocates initially envisioned. Many youth financial services administered through brick-and-mortar banks, for example, have been commercially unsustainable. In addition, while classroom-based financial education can impart financial knowledge, it has not catalyzed the behavior changes that proponents hoped for.

At the same time, the financial inclusion field is already

and increasingly leveraging the mobile phone to provide financial access to the adult population through a variety of products and services, such as mobile information services, mobile wallets, mobile payments, and mobile-linked bank accounts. Early, albeit arguably isolated, successes of mobile-based financial products and services for adults have prompted many in the field to consider whether mobile tools may allow the industry to leapfrog the hurdles to financial inclusion specifically for youth.

Mobile technology is especially appealing within the field of youth financial inclusion because traditional financial products, services, and delivery channels are proving less effective and sustainable than financial inclusion advocates initially envisioned.

Applying mobile solutions to financial inclusion for low-income youth seems to hold particular appeal for two reasons. First, youth are known to be early adopters of new technology. Preliminary data on mobile ownership by young people across the developing world indicate

What Do We Mean by...

Youth? In this paper, references to “youth,” unless otherwise noted, broadly focus on low-income, excluded, or otherwise marginalized young people ages 15–24 in developing nations, although the word can extend to those as young as 12 and as old as 29, depending on the source of information.

Youth Financial Inclusion? Youth financial inclusion (YFI) refers to universal access among youth to appropriate financial products and services, typically—although not necessarily exclusively—in formal financial institutions, and particularly among low-income and otherwise excluded youth populations.

Youth Financial Capability? Youth financial capability (YFC) refers to access among youth to appropriate financial services combined with the ability, knowledge, skills, attitudes, and behaviors to make sound personal financial decisions. In this paper, we place particular emphasis on the behavioral components of YFC.

that youth own mobiles at rates that are nearly equal to or greater than the rates for adults.¹ In fact, data from middle-income nations such as India, China, Egypt, and Brazil show that young people ages 15–24 are consistently more likely to own a phone than the 25 and older demographic.² Youth are also quite adept at using the technology: Research has shown that they can use a mobile phone without any formal training.³ Second, because people develop their stickiest behaviors and habits early in life, youth are likely to be particularly responsive to nudges and cues that reinforce those behaviors. In contrast with traditional financial education curricula, mobile tools, such as mobile-based marketing and just-in-time educational messages and reminders, could potentially offer an easier, more effective way to supplement financial access with the opportunity to impart financial knowledge and encourage positive financial behaviors earlier in life.

If youth generally have access to mobile phones, are early adopters and fast learners of new technology, and are developing their stickiest behaviors earlier in life, then mobile-based solutions to financial access and capability should have greatest impact on the youth demographic.

These observations present a compelling hypothesis: If youth generally have access to mobile phones, are early adopters and fast learners of new technology, and are developing their stickiest behaviors (those most resistant to change) earlier in life, then mobile-based solutions to financial access and capability should have greatest impact on the youth demographic.

Promise and excitement aside, however, we are still a long way from realizing this hypothesis in the field. The New

America Foundation and Making Cents International conducted a global Pulse-Taking Survey aimed at understanding the current state of technology-based solutions to youth financial access globally and found that the youth financial inclusion field is long on enthusiasm for mobile-based solutions, particularly mobile money, yet short on practice and evidence. Issues with infrastructure, cost and usage of mobiles, and government regulations—such as minimum age for SIM ownership or identification requirements—still linger. Although their effect varies greatly by region, they limit the overall ability of financial service providers, NGOs, donors or governments to offer mobile-based products or services to the youth demographic. Moreover, even if these barriers were overcome, in-depth data on how youth in developing countries use mobile phones and how they manage their money are lacking and, where they exist, are not publically available. Without these data, it is difficult not only to begin designing youth-specific financial products but also to know if mobile phones can in fact expand access to formal financial services and improve financial capability among youth.

By reviewing the current, yet limited, research on and experience with mobile solutions for youth financial inclusion, this paper illustrates the opportunities and challenges of using mobile technology to reach low-income youth in developing countries with financial products, services, or interventions that enable their financial access or capability. We first survey trends in financial inclusion and mobile access and usage among youth in the developing world, and we outline how mobile phones can help achieve youth financial inclusion goals. We then explore a range of perspectives and experiences from the financial inclusion field on the subject. Reflecting on the dearth of evidence and practice—particularly relative to industry enthusiasm for such solutions—we highlight challenges to expanding youth financial access and capability through mobile phones. Finally, we offer initial recommendations on how to create the enabling environment necessary to leverage mobile technology to reach low-income youth with financial products and services in the developing world. ▣

Youth, Financial Inclusion, and the Mobile Phone

Youth in the Developing World

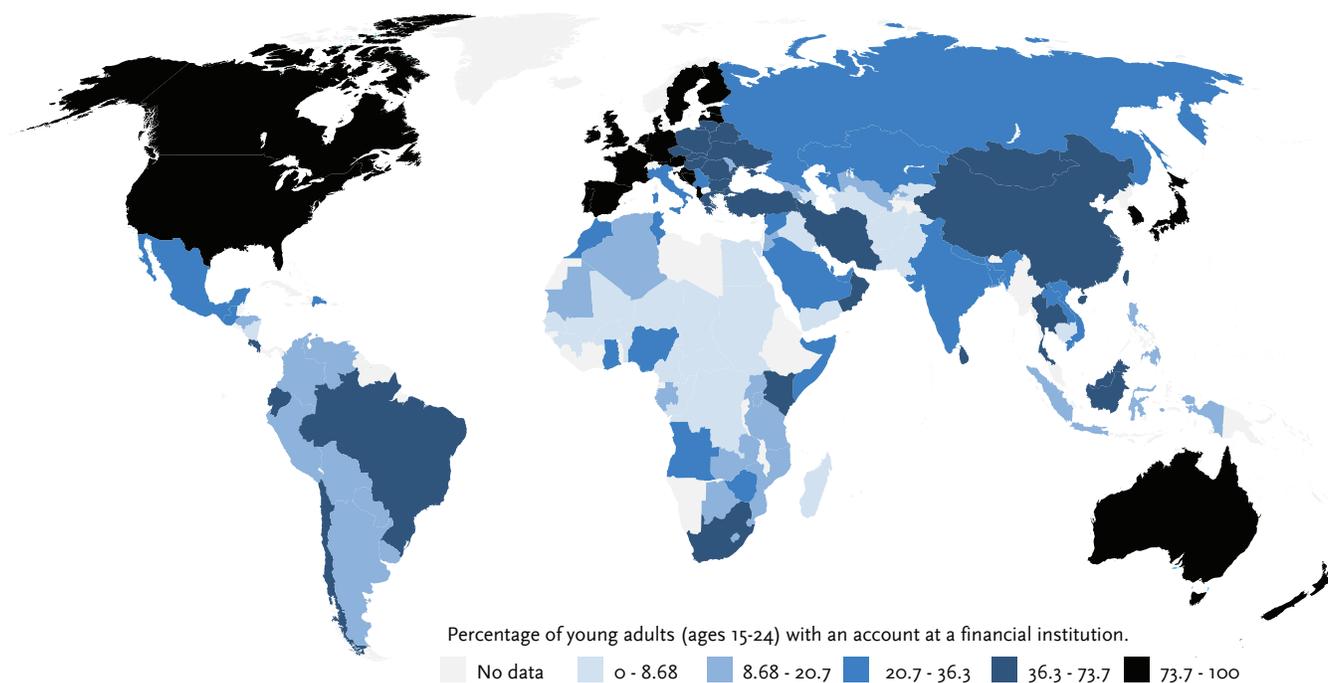
The world's 1.2 billion youth make up one-fifth of its population, and the vast majority—approximately 85 percent—live in developing countries.^{4,5} More than half of this group live on less than \$2 per day and face many obstacles to their socioeconomic advancement.⁶ While many developing countries have made great strides toward universal primary education, 11 percent of young people are still illiterate.⁷ In addition, in many regions, school attendance declines during secondary and tertiary education.⁸ In Africa, for example, only about 50 percent of students enroll in secondary education and just 10 percent obtain a college education.⁹ Many youth in the developing world begin working at an early age. More than half of 15- to 24-year-olds in developing countries report being economically active.¹⁰ The statistic increases in the poorest countries, and in some cases, it jumps to 80 percent

or higher.¹¹ These youth are often employed in the informal economy and thus lack a stable income and job security, making them more vulnerable to risks and economic shocks.¹² Young women are also generally more vulnerable and less economically mobile than men, because they are more likely to battle social and cultural opposition to education or employment in the formal labor market.¹³

Youth Demand for Financial Services

Because low-income youth in the developing world tend to leave school, begin working, and start families earlier in life, they often must engage in complex financial transactions. Financial tools—particularly reliable savings services—could help this group adjust to major life transitions and take on greater responsibilities. Recent research provides early evidence that these youth want flexible, accessible savings services with transparent and low fees.¹⁴

Figure 1: Accounts at a Formal Financial Institution Among Youth (ages 15-24)



Source: World Bank Global Findex.

Yet current access to bank accounts among youth in developing countries still pales in comparison with emerging insights about demand. Recent Findex data on bank account ownership, illustrated in Figures 1 and 2, show that although there is significant regional variation in the percentage of youth who own an account at a formal institution, overall, youth in the developing world are less likely to access these services than their peers in the developed world. In some regions, such as sub-Saharan Africa (SSA) and the Middle East and North Africa (MENA), account ownership is particularly low—just 17 percent and 13 percent, respectively. While broadly illustrative, these figures do not provide a full picture of the magnitude of the access barriers for low-income youth: The data do not distinguish between income strata or between minors (15- to 17-year-olds) and young adults (youth who are 18 and older).¹⁵ In addition, Findex statistics suggest that although one-fourth of young people in the developing world save money, only one-tenth use formal financial services to do so.¹⁶

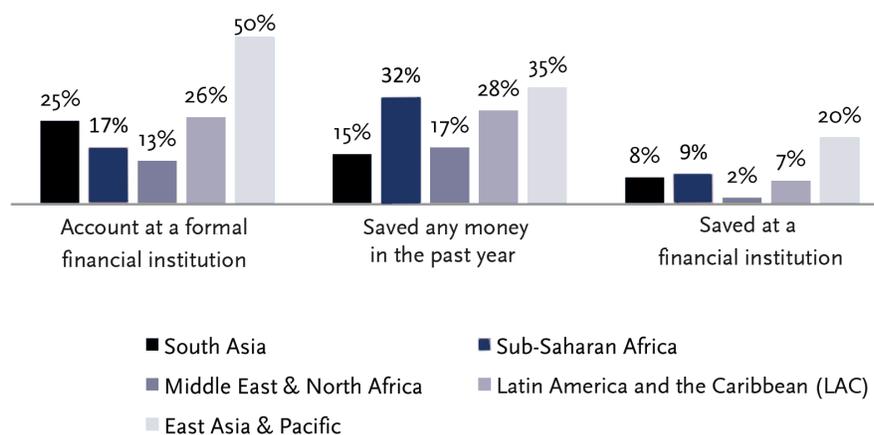
A 2012 United Nations Capital Development Fund (UNCDF) study of more than 700 youth in sub-Saharan Africa found that the majority tended to save some of their money—allowances, gifts, and/or pay—through informal means, either hidden in piggy banks or given to their parents or local shop owners for safekeeping.¹⁷ The same study found that youth were more likely to save through informal mechanisms than formal ones because they consider them more convenient, they do not trust formal financial services, they find that maintaining a bank account is too costly, or they lack information about formal financial services.¹⁸

Mobile Phones in the Developing World

On the whole, cell phone use has increased rapidly across the developing world, but it still varies significantly across regions and countries. From 2005 through 2013, mobile penetration¹⁹ within the developing world rose from an average of 23 percent to 89 percent, and it has jumped by 20 percent in the past three years alone.²⁰ However, despite the rapid increase overall, regional coverage levels still differ significantly. In 2013, for example, developing nations in Latin America and the Caribbean (LAC) boasted 109 percent cell phone penetration on average, the highest rate for developing nations in any region. Those in Asia followed with 89 percent penetration.²¹ Although Africa has recently seen robust growth in mobile penetration—with annual growth rates averaging 30 percent—and has become the second-largest mobile market in the world, the region still has the lowest level of mobile penetration: just 63 percent.²² Behind these broad regional figures, however, great variation exists between individual countries. In Africa, for example, South Africa and Benin report mobile penetration rates of 100 percent and 87 percent, respectively, while Ethiopia and Eritrea sit at just 10 percent and 4 percent.²³ In Asia, Vietnam boasts 126 percent mobile penetration, while Myanmar hovers around 1 percent.²⁴

Yet these data could still be misleading: Because of the extensive use of multiple SIM cards, the actual number of individual mobile phone subscribers may be overestimated by 20–25 percent.²⁵ For instance, according to Informa Telecoms & Media, 178 million people in LAC

Figure 2: Indicators of Financial Inclusion Among Youth (ages 15–24)



Source: World Bank Global Findex.

still lack access to mobile services, even though the region's mobile penetration would suggest otherwise.²⁶

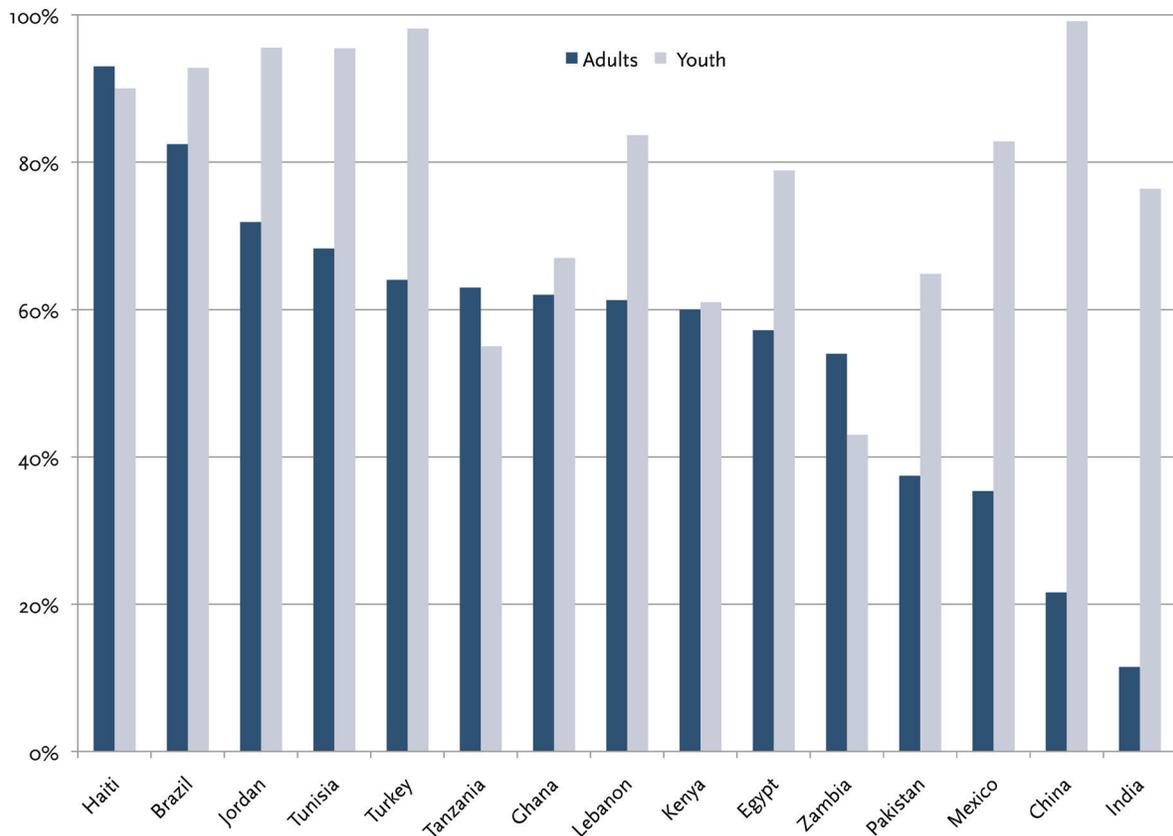
Nonetheless, the stark uptake of mobile services in the developing world has been accompanied by rapid price decreases and wider availability of mobiles. In Africa and Asia for instance, between 2010 and 2011, fierce competition between the growing number of mobile operators led to average price reductions of 18 percent and 16 percent, respectively. Some telecoms, such as MTN One World and Zain's One Network, which operate in Africa and the Middle East, allow their customers to make international calls at local rates or free of charge. Similar patterns hold for mobile phone ownership. For instance, Airtel—a subsidiary of an Indian telecom company that operates in 17 countries across Africa—has begun to offer a basic handset, SIM card, and pre-paid credit voucher for about \$20,²⁷ which is significantly less than the \$58 average price of

a handset in emerging markets.²⁸ For many low-income youth, though, even these prices are prohibitive. Still, the growing market may attract more operators and/or increase competition in the future and thus further drive down the minimum cost of mobile ownership and make mobile services affordable for the masses.

Mobile Phones Among Youth

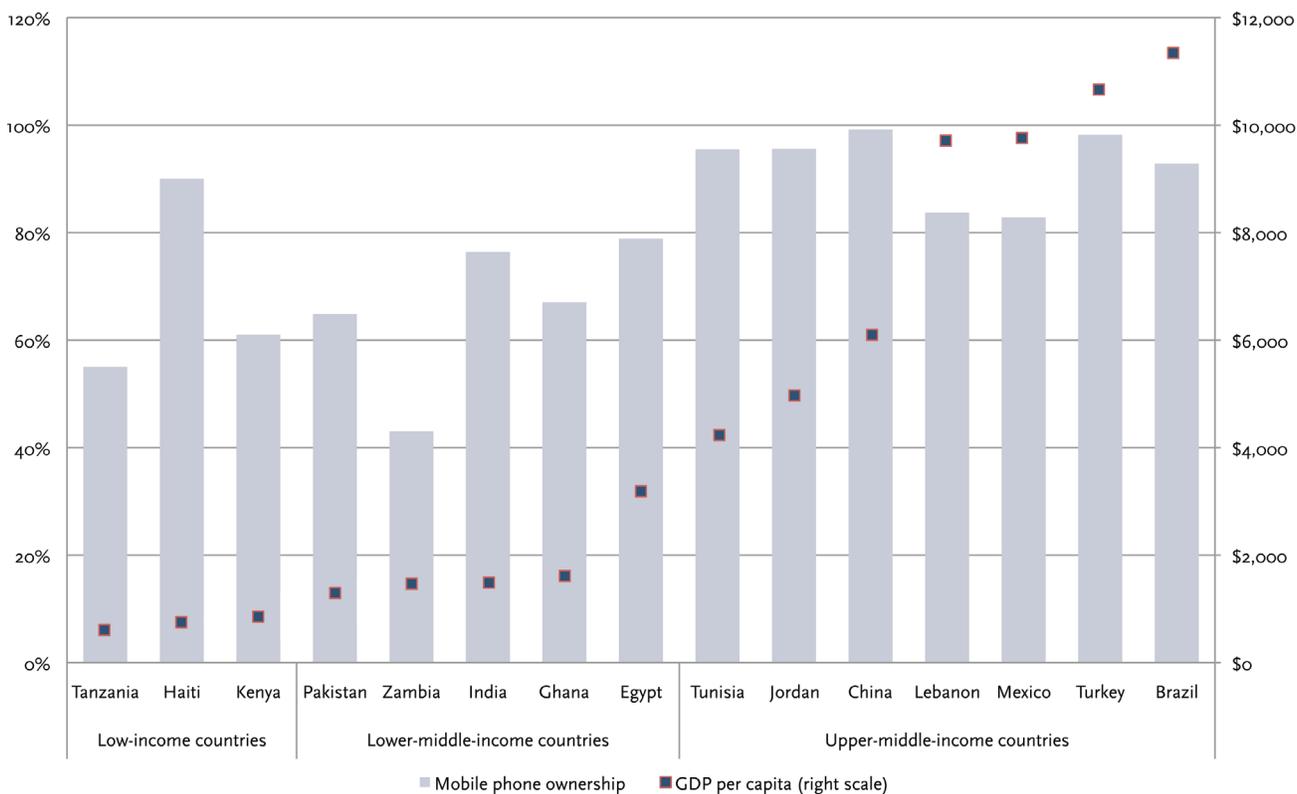
Mobile phone ownership among youth in developing countries varies widely across regions and GDP levels. Using the limited data available, Figures 3 and 4 illustrate that youth mobile ownership either closely mirrors national trends or greatly surpasses them.²⁹ However, the existing data samples over-represent older youth, which may drive up estimates of mobile use among the entire demographic, especially because some evidence suggests that 15- to 17-year-olds are less likely than older youth to own a mobile.³⁰ In addition, the data represent youth across

Figure 3: Mobile Ownership Among Adults Compared With Mobile Ownership Among Youth, in the Developing World³¹



Source: Pew Research Center and InterMedia.

Figure 4: Mobile Ownership Among Youth in the Developing World³²



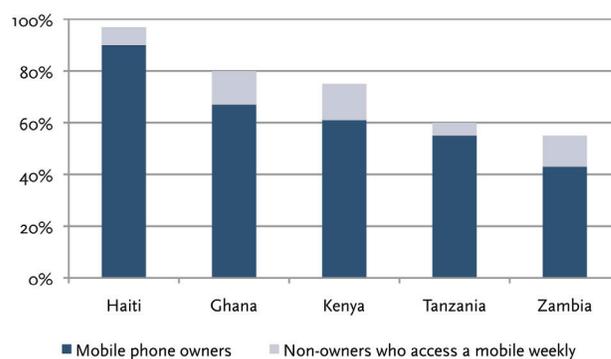
Source: Pew Research Center and InterMedia.

income strata, which limits our ability to speculate on ownership among the low-income segment in particular.

Mobile ownership is not necessarily a comprehensive indicator of youth access to cell phones, however. In many developing countries, it is common for a family or social group to share a phone. Of people who do not own a handset, about 20 percent own a SIM card and use it with other people’s phones.³³ According to a study conducted by InterMedia in Ghana, Haiti, Kenya, Tanzania, and Zambia, 30–50 percent of youth lend their phone to others at least once a month. In most cases, they lend their phone to one to five people. Almost 10 percent of respondents reported that they had lent their phone to 6 to 10 people in the past month, and in Zambia, 8 percent of respondents had shared their phone with more than 15 people in the past month. Young people also reported that they could borrow phones not only from family members and friends but also from local business and other people in the community (although the prevalence of this practice varied greatly between the countries surveyed).³⁴ This may explain why

the number of people who reported having at least weekly access to a mobile was higher (by approximately 10 percent on average) than the number of people who reported owning a phone, as Figure 5 illustrates. 📌

Figure 5: Mobile Use Among Youth (ages 15–29) in the Developing World



Source: InterMedia.

The Promise of Mobile Solutions for Youth Financial Inclusion

Based on the current trend toward mobiles and the relatively complex financial lives typical of low-income youth, mobile phones could catalyze financial inclusion for youth in developing countries. Mobile financial solutions are especially helpful for those with limited mobility, limited time, and limited funds, all of which typify youth, and particularly low-income youth. Mobiles could fill the accessibility void left by the brick-and-mortar banking models aimed at this demographic. Specifically, mobile financial transactions may be less expensive and less time consuming than transactions conducted at bank branches and may offer youth the privacy of transacting without an adult present.

Mobile solutions could also aid efforts to enhance youth financial capability by ensuring not only that youth can access financial services but also that they know how to use them. Improving financial capability also requires developing the skills, knowledge, attitudes, and behaviors that lead to sound personal financial decisions.³⁵ Mobile-based nudges such as educational SMSs, reminders, or alerts offer a particularly expedient way to get important

information to youth and possibly influence their behavior. Having access to this information early on may help youth develop sound financial habits that will last throughout their lives and help them plan and meet their goals.³⁶

Financial Access

Currently, traditional brick-and-mortar banking services and delivery channels, which are neither accessible nor affordable to bottom-of-the-pyramid youth, tend to exclude this group. Research conducted by UNCDF-YouthStart revealed that “youth do not save in formal financial institutions due to unclear and costly transaction charges, costly or complex requirements to open an account, and high minimum balances [necessary] to keep that account active.”³⁷ Through its analysis, UNCDF-YouthStart also found that “youth desire the flexibility to access an account whenever they want.”³⁸ However, low-income youth are often time-constrained, bound by chores, school, and work.³⁹ In addition, the mobility of those in the younger age group is often limited because their parents are concerned about their welfare.⁴⁰ Traditional banks with fixed locations have difficulty catering to this demographic because the high operat-

Mobile Money Among Youth

Although the mobile money industry is still in its infancy, sporadic data already exist on uptake by youth in developing countries. According to a 2009 InterMedia study conducted in Kenya, out of all respondents who reported using mobile money services, 40 percent belonged to the 20- to 29-year-old demographic. When the same study was conducted in Zambia in 2010, a similar trend held: Nearly 50 percent of mobile money users were between the ages of 15 and 29. However, the study in Kenya found that in the 15- to 24-year-old population, mobile money use differed significantly between 15- to 19-year-olds and 20- to 24-year-olds. Whereas only about 38 percent of respondents between 15 and 19 had ever used mobile money, this number rose to 65 percent in the 20–24 age group. This divide mirrors the differences in financial independence between the two groups and the differences in the amount of financial information available to them. Although the data cannot be disaggregated by income strata, these preliminary findings suggest that youth in developing markets do adopt mobile money, yet the differences in their financial needs and the resources and information available to them play a large role in their uptake and usage.

Source: Montez, David. “Mobile Money Services—Whom They Reach” and “Young Africans’ Access to Financial Information and Services: Lessons from Surveys in Kenya and Ghana.”

ing costs associated with each outpost limit their ability to expand into underserved areas.⁴¹

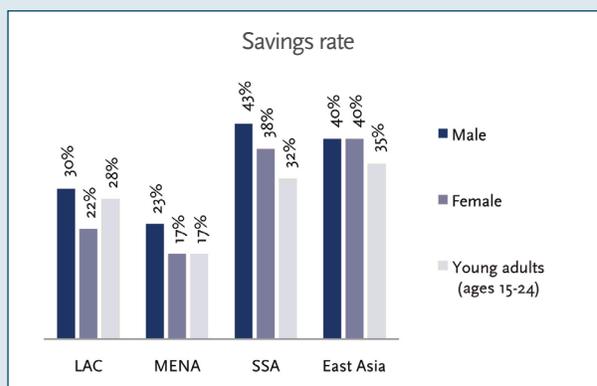
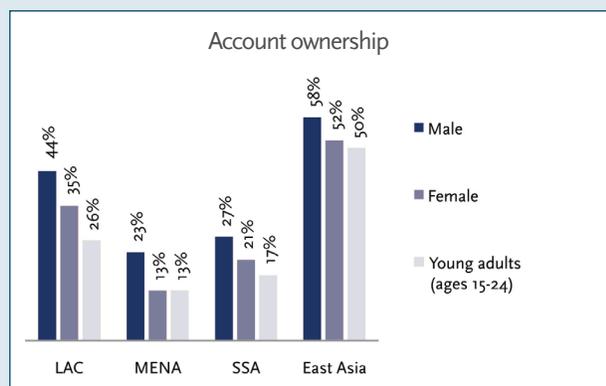
Mobile-enabled solutions may be able to address cost and access because they are often less expensive than traditional banking service and offer a way to reach populations who are not easily served by the brick-and-mortar model.

According to a 2010 CGAP report, mobile banking is already cheaper than both alternatives available to youth: traditional and informal financial services.⁴² On average across multiple providers and a full range of financial ser-

vices, mobile banking was found to be 19 percent cheaper than traditional banking services. The cost-effectiveness of mobile banking is particularly apparent for small transaction values: Typically it does not charge the fixed fees that traditional banks impose on their customers; instead, it charges a tiered or percentage-based fee for transactions.⁴³ This is important for youth because, regardless of their family's income level, they are more likely than adults to transact in small values, especially if they are financially dependent on their parents, jobless because of the high rates of youth unemployment, or because they are still in school.⁴⁴ It is important to note, however, that as promising

Can Mobile Phones Equalize the Gender Gap in Financial Inclusion?

Across the developing world, financial services are less accessible to women than to men. Account ownership and savings rates illustrate the significant gender gap.



According to a 2012 report by the African Development Bank, women face extraordinary obstacles to financial access. More so than their male counterparts, young women are confined by time and customs, and they are expected to help take care of the household in addition to attending school or generating income. It is therefore particularly difficult for them to make the journey to a bank branch during business hours. Mobile phones may help young women overcome these added barriers by making financial access and information available to them with less investment of time and travel.

Nevertheless, mobile phones cannot be viewed as a silver bullet for the gender gap in youth financial inclusion, because access to phones carries its own set of gender issues. The 2013 GSMA report *Women and Mobile: A Global Opportunity* found that “a woman is still 21 percent less likely to own a mobile phone than a man. This figure increases to 23 percent if she lives in Africa, 24 percent if she lives in the Middle East, and 37 percent if she lives in South Asia.”

However, the gender gap in cell phone access is least pronounced among young women, meaning that among all female age groups, they have the highest access to mobile phones. Therefore, mobile phones may be better catalysts for the financial inclusion of young women than older women.

Source: *Women and Mobile: A Global Opportunity and Advancing African Women's Financial Inclusion*.

as these advantages sound, even percentage-based transaction fees may be prohibitive for the lowest-income youth transacting in very small amounts. For example, M-PESA users must pay a 12 percent fee for every \$1 transaction and an 8 percent fee for every \$5 transaction. For the poorest youth, these fees still represent a substantial financial burden; however, they are still generally more manageable than the hefty rates traditionally levied by brick-and-mortar banks and indeed may be worth paying in exchange for the convenience, safety, and privacy they can afford.⁴⁵

Thus, while mobile phones are still not accessible for many young people, particularly for those younger than 18 in most countries, mobile-based financial solutions could address youth clients' time and mobility constraints, making financial access convenient enough to be practical for young people, especially in countries where traditional bank penetration is low.

Financial Capability

Under the standard definition, financial capability requires access to appropriate financial services, combined with the ability, knowledge, skills, attitudes, and behaviors necessary to make sound personal financial decisions. A growing body of evidence reveals that people develop their stickiest behaviors, those most resistant to change, when they are young. Ensuring financial capability early in life—particularly during adolescence, when people often begin making serious life decisions—“could be critically important in counteracting the psychological biases that notoriously inhibit positive financial behaviors.” Financial capability initiatives should therefore seek to make positive financial decision-making instinctive, rather than tedious and reflective.⁴⁶

Given the pace at which mobile technology is advancing, and young people's attraction to such products, leveraging mobiles to implement certain nudges—such as reminders, commitments, and peer pressure, automated and default controls, and incentives—could help improve youth financial capability (YFC).⁴⁷

In comparison with traditional curriculum-based financial education models, mobile phones can deliver faster, cheaper, and more-personalized financial knowledge to young people through mobile games, messaging services, and other interactive tools. Consider PAMECAS's Ndortel product in Senegal, which was rolled out in 2011 and offers savings accounts and loans to youth who are 12 to 24 years

old. As part of its broader financial education strategy, Ndortel sends its young customers SMSs containing financial-education information designed to encourage saving. Not only are the messages fast ways to reach customers, but they are also quite cheap compared to other methods of financial education.⁴⁸ While SMS is not appropriate for all information sharing—it has not replaced financial education training by PAMECAS staff—the medium works well as an engagement and retention tool.⁴⁹

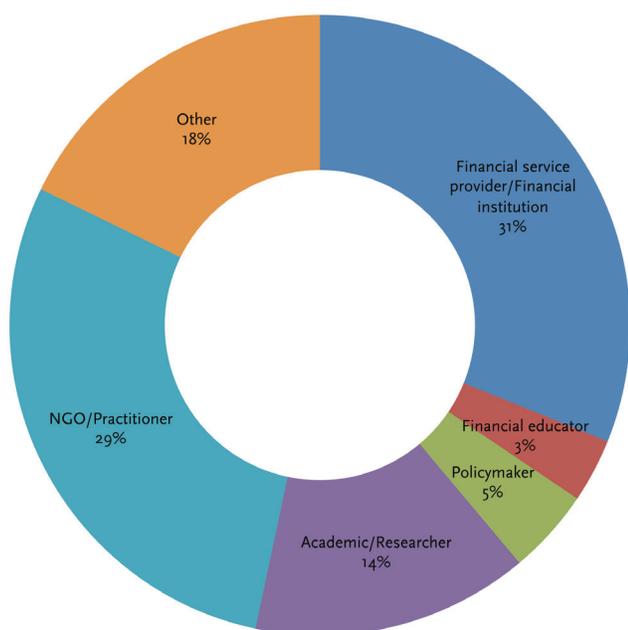
A growing body of evidence reveals that people develop their stickiest behaviors, those most resistant to change, when they are young. Ensuring financial capability early in life—particularly during adolescence, when people often begin making serious life decisions—“could be critically important in counteracting the psychological biases that notoriously inhibit positive financial behaviors.”

The mobile phone is an appealing catalyst for financial capability because of its simplicity; a two-line SMS highlighting proper savings practices requires only basic levels of reading comprehension. Still, among some regions in the developing world, and among bottom-of-pyramid youth in particular, high illiteracy can still present an obstacle in disseminating financial messages. However, as seen in a 2009 pilot conducted by Mobilink, UNESCO and local NGO Bunyad, mobile phones can actually stand to permanently bridge the gap for this traditionally marginalized and illiterate population. The pilot tested the effects of SMS messages to deliver a basic literacy program spanning a number of topics among 250 females 15- to 24-years-old in a rural Pakistani province. The girls received up to six messages a day on a variety of subjects including religion, health, and nutrition. By the conclusion of the four-month program, literacy had increased substantially and family satisfaction with the program reached nearly 90 percent.⁵⁰ Even so, with the range of voice and visual capabilities offered by mobile phones, the necessity for literacy is somewhat bypassed, as any information can be repackaged through those mediums. ■

Industry Perspectives: The Current State of the Field and Future Trends

Leveraging a single mobile phone to combine (a) accessible and affordable financial services, (b) knowledge and skills building through mobile-based financial literacy training, and (c) behavioral nudges through alerts, reminders, or others cues, offers an enticing proposition to those eager to advance youth financial inclusion. But to what extent are practitioners within the field currently using mobile-based solutions to accelerate financial access and financial capability among youth? How do they foresee using them in the future? In May 2013, the New America Foundation, in partnership with Making Cents International, conducted a Pulse-Taking Survey of more than 100 youth financial inclusion experts to understand both how they currently use and how they expect to use technology-based tools to advance youth financial inclusion.

Figure 6: Overview of Respondents to 2013 Pulse-Taking Survey on Technology and Youth Financial Access



Survey respondents represented a diversity of backgrounds and included financial services providers, financial educators, policymakers, academics, and NGO practitioners. About 60 percent of respondents had experience in Sub-Saharan Africa; 40 percent in Latin America and the Caribbean; and 30 percent in the Middle East and North Africa, South Asia, and East Asia. Nearly all respondents worked with both genders, and more than half worked on financial access and financial capabilities, rather than only one or the other.

In May 2013, the New America Foundation, in partnership with Making Cents International, conducted a Pulse-Taking Survey of more than 100 youth financial inclusion experts to understand both how they currently use and how they expect to use technology-based tools to advance youth financial inclusion.

The survey explored the prevalence of and interest in a variety of technology-based tools that could potentially accelerate the pace of youth financial inclusion.⁵¹

Current Use of Mobile Tools for Youth Financial Inclusion

The survey revealed that many within the field of youth financial inclusion are already beginning to experiment with mobile technology in the developing world. When asked which technology they had experience using or were planning to use within the next year to achieve their youth financial access or financial capability goals, respondents reported having the most experience with SMS (60 percent) and mobile money (55 percent) followed by branchless banking (50 percent) and data collection (49 percent), all of which are dependent on or often leveraged by mobile technology. For instance, one respondent reported “very posi-

Table 1: Quick Reference Definitions of Tools Explored in the Survey

Tool	Definition
SMS (Short Message Service)	A mobile communication tool allowing for timely delivery of financial information in a cost effective manner. SMS can also be used to facilitate financial transaction, such as payments, transfers, and purchasing. Also referred to as text messaging.
Gaming	An application of mobile games for teaching personal financial education. Generally directed at children or youth, they provide interactive lessons about money and improve critical skills in financial literacy.
Mobile money	A payment service performed through a mobile phone that allows individuals to transfer money without a bank account and sometimes completely without bank involvement. Also referred to as mobile payment.
Branchless banking	A distribution channel system for delivering financial services to clients through outlets that are not full-service bank branches. Often called mobile banking, electronic banking and agent banking. Examples of branchless banking technologies include: ATM, mobile phones, debit cards, and the internet.
Biometric ID	An automatic authentication method to recognize individuals using their distinctive physiological characteristics or traits, such as fingerprints, eyes, or voice. It is beginning to be used as a form of identification in lieu of paperwork or birth certificates in developing countries.
Data collection/management	Mobile phones and other technologies like open IPAs, etc. can provide a way to collect, manage, automate, reconcile and analyze vast amounts of behavior and marketing data. Currently, accessing youth-specific data (especially for those under 18) is very difficult, and it is possible to use technology to gain better access.
Other	Only a handful of survey respondents reported using any other tools, but a few reported using mobile features for prepaid/GPR (general prepaid reloadable) cards, Facebook, Twitter, and blogs.

Source: Definitions of SMS, Gaming, Mobile money, Branchless banking, and Biometric ID based on definitions from the World Bank and the Center for Financial Inclusion.

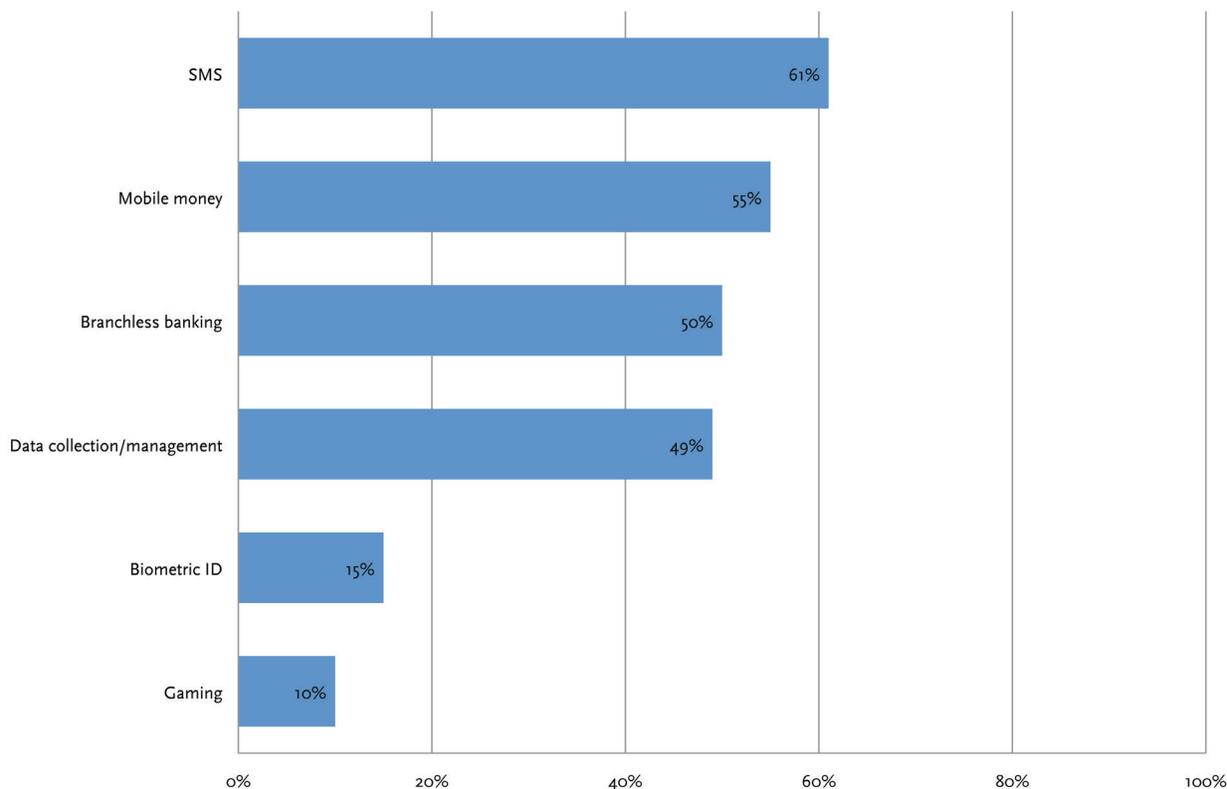
Using SMS to Promote Savings Among Youth: Al-Amal Youth Fund and Child Savers Program

The work of Yemen’s Al-Amal Microfinance Bank demonstrates the potential that SMSs have as a tool for promoting youth financial empowerment in developing countries. Established in 2008 on the principle of universal financial inclusion, Al-Amal targets Yemen’s largest unbanked demographic: young people below the age of 25, who make up nearly 75 percent of the Yemeni population and have an unemployment rate approximately double that of adults older than 25.

Partnering with Silatech, a Qatari institution that strives to find solutions to youth unemployment in the Middle East, Al-Amal created the Youth Fund (for young people 18–30) and the Child Savers (for children younger than 18) to provide a long-term, self-sustaining source of finance and guidance for youth clients. In addition to offering savings and loan plans (\$121,284 in savings, \$3.47 million in loans) that ease youth access to savings and credit in a tumultuous sociopolitical environment, Al-Amal is beginning to let clients use SMS to pay installments from home; access their savings accounts; pay bills; and collect information about their accounts, from due dates to loan balances.

Source: European Dialogue Youth Financial Inclusion: Promising Examples for Achieving Youth Economic Empowerment: Al-Amal Microfinance Bank.

Figure 7: Have you used, or do you plan to use in the next 12 months, any of these technology-based tools to advance the financial inclusion or capability of low-income youth?



“...” results from using “branchless banking and mobile phones for planned savings accounts.” In other cases, researchers have proposed using data from SMS experiments to better understand and develop products tailored to the financial needs and behaviors of youth. In addition, very few survey respondents listed any non-mobile tools in the “Other” category, although Internet-based social media was mentioned.

Future Use of Mobile Tools for Youth Financial Inclusion

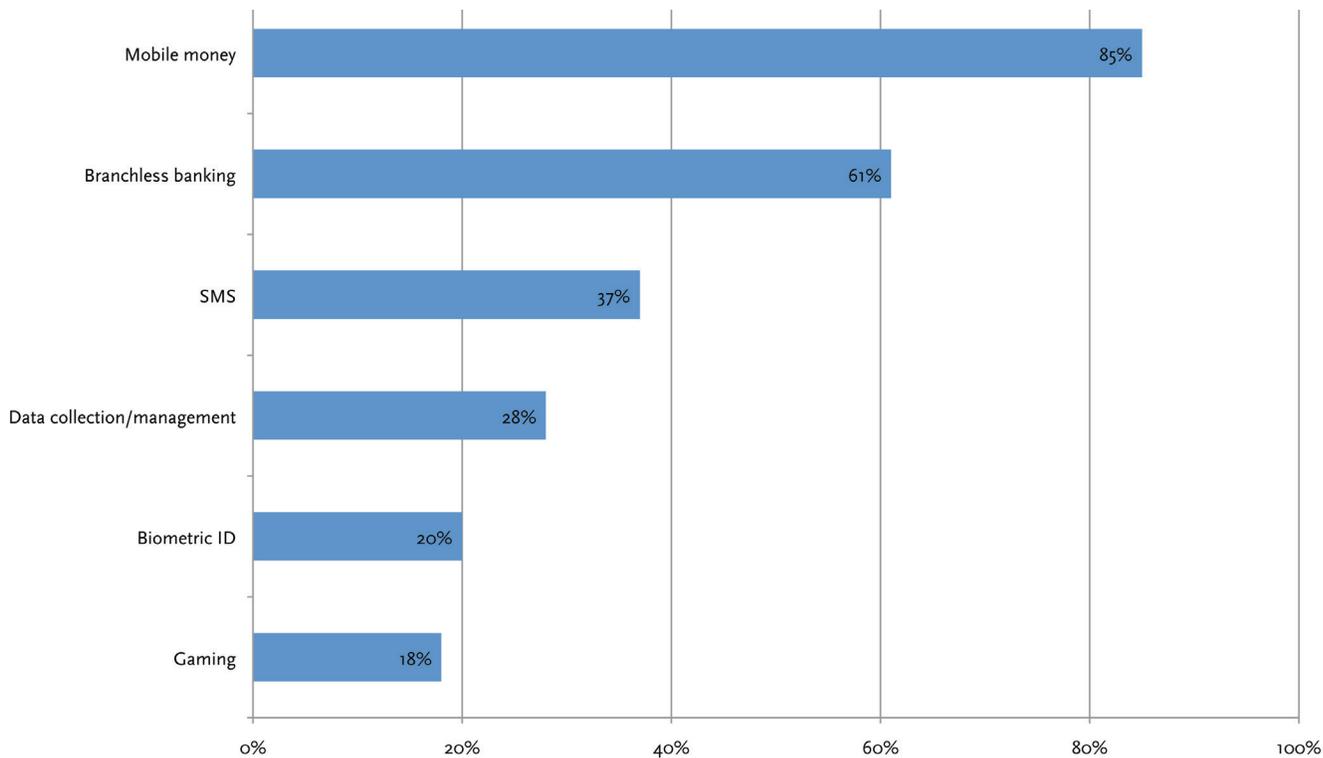
While there is currently budding interest in a variety of mobile-based solutions for youth financial inclusion, our survey respondents indicated that they envision the field moving toward mobile more fully in the future. One respondent said, “The mobile device is the single instrument that most youth will use to learn about and participate in a money economy.” A few of the other respondents noted that they based their predictions about which tools will be most promising in the future on the “steadily growing mobile phone penetration rates.” In addition, many echoed the sentiments of a respondent who advocated for

mobile solutions in the future, because, he said, “Youth are always the segment [that] is eager to accept such technology-based solutions.”

When we asked respondents which tools will offer the greatest promise in the future, mobile money (85 percent) and branchless banking (61 percent) emerged as the undisputed leaders.

When we asked respondents which tools will offer the greatest promise in the future, mobile money (85 percent) and branchless banking (61 percent) emerged as the undisputed leaders. In addition, 37 percent and 20 percent of respondents, respectively, saw SMS and gaming as the greatest opportunities in the future. The overwhelming trend toward mobile money in the future, and the wide gap between the percentage of respondents who use it now

Figure 8: Which of these technology-based tools will offer the greatest promise in the future?



and those who view it as the greatest future opportunity (30 percent), could suggest (a) an underlying enthusiasm for the use of mobile for financial access and/or (b) a view that mobile phones remain a promise unfulfilled for youth financial inclusion.

Mobile money is clearly on the mind of many within the field. As one respondent summarized: “When mobile money is further developed, we could see large uptake among youth.”

Mobile money is clearly on the mind of many within the field. As one respondent summarized: “When mobile money is further developed, we could see large uptake among youth.” From that perspective, the development of mobile money is not a matter of if, but when. To quote another respondent: “Mobile money will eventually be a transformative tool.” These beliefs rest on an assumption

that in the future, youth will have access to cost-effective mobile money, or other mobile-based products, and they will want to use them.

Beyond a clear optimism for the future of mobile money, respondents also predicted a rise in branchless banking and, to a lesser extent, biometric identification and mobile gaming.

While the rapid expansion and adoption rates of mobile money products make this assumption feasible, some respondents were only cautiously optimistic. One said, “Mobile money has a lot of potential, but banks, telecoms, and regulators have a lot of collaboration to do before it will be a solution for all.” Beyond a clear optimism for the future of mobile money, respondents also predicted a rise in branchless banking and, to a lesser extent, biometric identification and mobile gaming.

The YouthSave Initiative's Experience With Tech-Led Solutions to Youth Financial Access

YouthSave is a multi-stakeholder project currently partnering with local banks and researchers in four countries—Colombia, Ghana, Kenya, and Nepal—to design, deliver, and test savings products for low-income youth. To varying degrees, YouthSave and its financial institution partners have sought to leverage technology to enhance youth financial access and capability. Mobile solutions have not always been the most preferred or readily available option.

Colombia: In Colombia, YouthSave together with its research partner Universidad de Los Andes is conducting a yearlong, randomized, controlled experiment to measure the effect of SMS-based financial education on saving rates among youth account holders. The 10,060 children participating in the experiment, all of whom have accounts with YouthSave's Colombian bank partner Banco Caja Social, are divided into three treatment groups and one control group. The three treatment groups receive either financial education SMSs or simple savings reminders SMSs at various times. The control group receives no messages. The study aims to determine whether SMSs effectively promote saving among youth and to what extent the content and frequency of the messages matter.

Ghana: In Ghana, YouthSave partner HFC Bank will begin piloting POS devices in select schools when they reopen for classes in the fall. For now, youth will be able to make deposits only because the current system does not support full banking services. Also, HFC does not currently offer mobile solutions for any of its products because it perceives that the market response to mobile money has been weak. It speculates, though it has not yet conducted market research to confirm, that many people are not comfortable sending money through their mobiles because they do not trust the phone networks.

Kenya: In Kenya, YouthSave partner Postbank developed its SMATA (*smata* means “the smart one” in Swahili) savings account geared toward 12- to 18-year-olds. Like other Postbank customers, SMATA customers can use Postbank's mobile banking system, PataCash, to deposit and withdraw money from their account through M-PESA. Although SMATA customers are beginning to conduct more transactions through PataCash, the vast majority use agents and bank branches. Out of 8,671 transactions logged in July 2013, 96 percent were conducted at bank branches, 3 percent were conducted through agents, and just 1 percent were conducted through mobile phones. In addition, the bank says that SMATA customers would conduct more transactions through mobile phones if they were better informed about the option, and it is working to spread the word among account holders.

Nepal: In Nepal, YouthSave partner Bank of Kathmandu is rolling out both an agent network equipped with POT machines and a mobile banking platform. BoK is also planning to give POT machines to bank staff who currently conduct school banking transactions as part of YouthSave then eventually replace this system with permanent agents located near the schools. Agent services are available to the 10-22 year old youth who hold the Chetansil Yuwa Bachat Yojana (CYBY) savings accounts developed as part YouthSave, though minors (below 16) are required have dual authentication from a parent to transact through agents. In addition to agent banking, BoK uses a shared mobile banking platform and predicts that mobile banking could become a “very viable solution to reach youth” in the future because more than 60-70 percent of existing mobile banking users under 34. Yet they foresee possible challenges: The extent to which these youth own a mobile phone is still unknown and regulations currently prohibit minors from transacting through mobiles.

Source: “About YouthSave”; personal correspondence with Alejandra Montes Sáenz, YouthSave Colombia project coordinator; “PataCash Mobile Banking Services”; “It’s Now Mandatory to Register Your SIM Card”; personal correspondence with Corrinne Ngurukie, YouthSave regional technical advisor for Africa; Testing the Waters: YouthSave Pilot Results From Three Markets; personal correspondence with Ganesh Lamsal, head of marketing and corporate communication, Bank of Kathmandu Ltd.

Mobile Banking for Older Youth: M-Shwari

Initiated jointly by Safaricom and the Commercial Bank of Africa in November 2012, M-Shwari is a mobile savings and loan service offered to consumers of the successful Kenyan payment service, M-PESA.

M-Shwari owes part of its success to its simplicity. It can be set up instantly and accessed from any mobile handset. It requires no minimum balance and offers a small overdraft, with a one-off, 7.5 percent set-up fee. It also allows M-PESA clients to save, with interest rates ranging from 2 to 5 percent, according to the deposit amount. These low-cost services allow M-Shwari to fulfill the basic financial needs of unbanked individuals.

Unfortunately, like M-PESA, the M-Shwari product is almost inaccessible to youth under 18 because of restrictions that do not allow minors to own their own SIM cards or handsets. In addition, customers are usually required to hold a Kenya National ID, which is issued only to those 18 and older, before they can open an account (although documents such as passports and residence permits are also accepted). Still, uptake among older youth should capture our attention.

Source: M-Shwari FAQ and M-Shwari: The Story So Far.

In addition, some respondents said that SMS is currently an underused avenue of communication. One of them said, “Many youth have access to a mobile phone countrywide, and this tool [has] yet to be exploited to reach [them].” Another echoed this sentiment, noting that “SMS are popular and people read them.” Many respondents proposed applying SMS to mobile financial education, using text messages as nudges to impart infor-

mation and elicit financially responsible behavior. One respondent emphasized that SMS would be helpful only “if managed well (i.e., include a feature that is able to track whether youth receive the text messages for example).” He added, “The challenge is that many youth may not even receive these messages, because they rely on the phones of their parents/guardians who may not pass on the message.” ❖

Challenges to Using Mobile Solutions for Youth Financial Inclusion

Despite the enthusiasm about the mobile phone’s potential to spur youth financial inclusion, there is little evidence and only nascent examples of mobile solutions tailored specifically to youth, and to minors in particular. Several significant barriers limit current opportunities to leverage mobile solutions for financial inclusion of low-income youth in developing countries.

While there was no clear consensus among our survey respondents on what posed the greatest challenge to mobile solutions to youth financial access, one trend did emerge: The greatest obstacles do not relate to the limitations of mobile technology itself but to challenges, such as account ownership and regulatory barriers, that must be addressed before the technology can be fully leveraged. Just 3 percent of respondents believed that either mobile

phone/SIM access or the cost of phones would be the biggest obstacle to mobile-based youth financial inclusion in the future, while more than a third saw these as being of little or no importance.

These findings may suggest that those within the youth financial inclusion field perceive their role moving forward not as technology providers but as service enablers. Both industry trends and the respondents’ expectations indicate that the financial inclusion field must prioritize alleviating policy constraints and product development over the affordability of mobiles in the future. While these are admittedly the same factors that constrain the development of mobile solutions for financial inclusion in general, applying such solutions to the youth demographic tends to add another layer of complexity. In light of this added complexity, we

Figure 9: Which Issues Do You Think Pose the Greatest Obstacles to Using Technology for Achieving Youth Financial Inclusion and/or Capabilities?

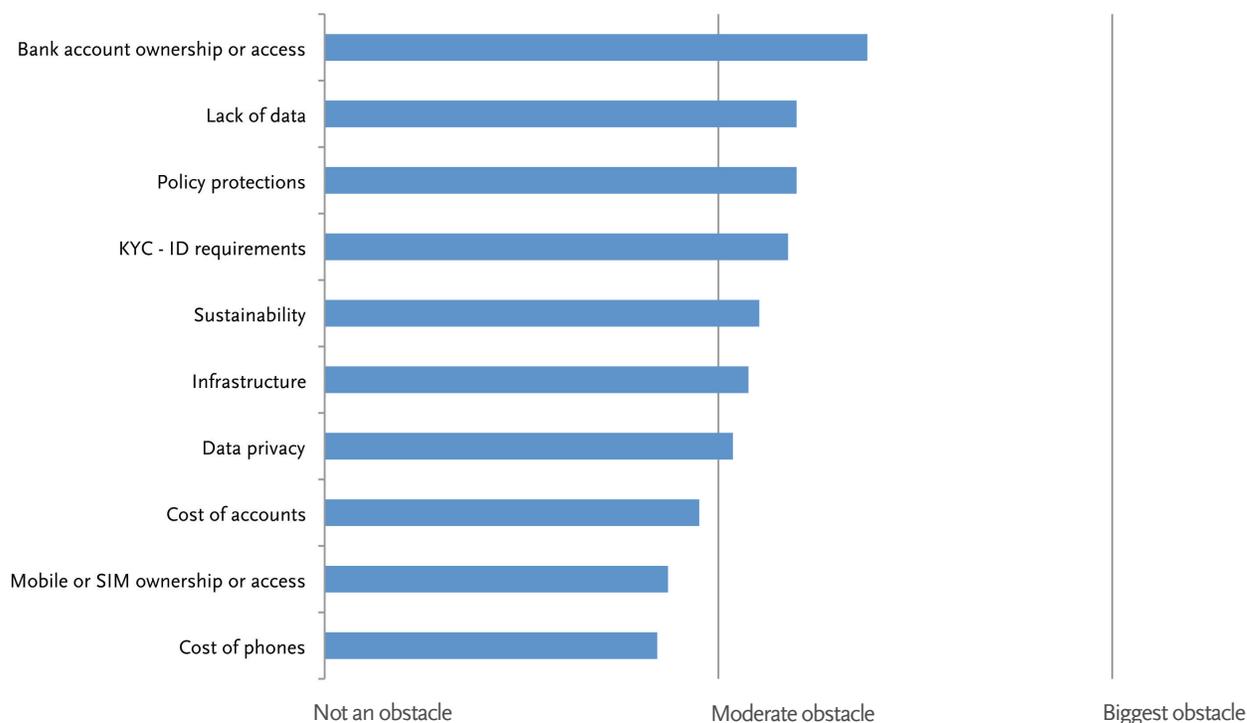


Table 2: Quick Reference Explanations of Obstacles to Using Mobiles for YFS

Obstacle	Explanation
Bank account ownership or access	Ability to own and/or regularly access a bank account, typically limited by age restriction or physical access to a bank.
Policy protections	Policies that limit an institution's ability to transact or interact with a minor.
Lack of data	Lack of information on and/or understanding of the youth demographic that would be useful for designing appropriate products, services, programs, and policies.
KYC (Know Your Customer) - ID requirements	Minimum amount of information that a financial institution needs to prove the identity of a client.
Sustainability	Typically, the commercial viability of—or business case for—a product or service.
Infrastructure	Physical infrastructure necessary to offer mobile-based financial services or programs, such as mobile network and agent coverage.
Data privacy	Unwillingness or inability of an institution to share uptake, usage, and other behavioral data about the youth client.
Cost of accounts	Cost to the client of opening and maintaining a bank account.
Mobile or SIM ownership or access	Ability to own the mobile phone or SIM card necessary to engage in mobile banking.
Cost of phones	Cost to the client of purchasing a mobile phone

have outlined five core obstacles currently limiting innovation on mobile-based solutions to youth financial access.

1. Legal and regulatory barriers. Legal and regulatory barriers are arguably the largest obstacles to mobile-based youth financial inclusion, especially if considered in light of the theory that financial inclusion produces greater benefits when introduced earlier in life. Beyond the broader regulatory barriers that can inhibit growth of mobile banking platforms and agents networks, most banks (and telecoms) are required to enforce minimum age and identification requirements necessary both to open a bank account and to own a mobile phone. In terms of bank account ownership, most countries require account holders to be at least 18, with few exceptions.⁵² Youth younger than 18 need a parent or guardian to co-sign and be present for withdrawals from the account, although they may often deposit money without an adult present. Since privacy is a top priority among youth, many do not wish to inform their parents about their finances and therefore are less likely to open a joint account. Moreover, 70 percent of children in the world's least developed countries lack the legal documentation, such as birth certificates or registration documents, necessary to open an account.⁵³ In fact, many countries do not issue formal identification cards until youth reach the age of 18, if at all. In addition, while less documentation

may be needed to purchase a SIM card, SIM ownership is restricted to those 18 and older in nearly all countries.⁵⁴

Therefore, even if a 15-year-old girl has access to a phone, she cannot purchase the SIM card needed to access mobile money services, much less mobile-based financial services offered by financial institutions.

Legal and regulatory barriers are arguably the largest obstacles to mobile-based youth financial inclusion, especially if considered in light of the theory that financial inclusion produces greater benefits when introduced earlier in life.

2. Poor Infrastructure. Adults and youth face similar challenges to accessing mobile solutions because of poor infrastructure like electricity, mobile network coverage, and mobile money agent penetration. According to the World Bank, over 1.2 billion people, most of who live within developing countries and represent 20 percent of the world's population, are still without electricity.⁵⁵ In addition, network coverage varies widely within

Table 3: Reasons Youth (ages 15–29) Do Not Use a Phone

Reason	Haiti	Ghana	Kenya	Tanzania	Zambia
No signal where they live	5%	6%	4%	4%	15%
Nowhere to charge a phone	0%	10%	5%	6%	16%

Source: InterMedia.

Table 4: Fraction of Youth (ages 15–29) Who Have Not Used a Mobile Phone Within the Past Year

Demographic	Haiti	Ghana	Kenya	Tanzania	Zambia
Youth (15–29)	2%	4%	4%	10%	28%
National average	3%	7%	8%	20%	26%

Source: InterMedia.

Table 5: Reasons That Youth (ages 15–29) Do Not Use a Mobile Phone

Reason	Ghana	Kenya	Tanzania	Zambia
Handset too expensive	22%	19%	20%	32%
Expensive	13%	0%	20%	21%

Source: InterMedia.

and between countries. For example, some countries like Tunisia and South Africa report 100 percent coverage, while other countries like Ethiopia and Sudan reported only about 10 percent coverage as recently as 2006.⁵⁶ In fact, a substantial percentage of respondents (ages 15–24) reported infrastructure issues as the reason they did not own a phone in a recent study conducted by InterMedia.

One of our survey respondents crystalized the issue: “The mobile network coverage in Ghana is still inadequate. I can’t trust that my SMS will make it to a colleague; why would I trust that my money will make it to my account?” In addition, a reliable agent network that is accessible to youth is a prerequisite for many mobile-based transactions, although it is less of an issue for youth financial capability interventions than the strength of the mobile network itself.

3. Limited Access to Mobiles. Proponents of using mobile solutions to deliver financial services for youth often assume regular mobile access as a given. But despite the steep upward trend toward mobiles in developing nations, many low-income youth face several limitations, including cost and ownership, to acquiring access to a mobile phone. Because many people in developing nations share

their phones, the number of people who have access to phones is higher than the number of people who actually own phones. However, as seen in the following InterMedia study, even when general access is taken into account, many people still do not have access to a phone.⁵⁷

These data may also be slightly misleading. Although they show that the youth population has similar access to phones as the adult population, this is probably not the case for all youth. Because of legal restrictions, only those above 18 can own a SIM card in nearly all countries. Therefore, this demographic’s access to mobile phone ownership is likely much more restricted. For example, 2011 Gallup Poll surveyed mobile phone ownership across 17 countries in sub-Saharan Africa and found that, in every one, youth between 15 and 18 years old had 10–20 percent lower rates of cell ownership than their 19- to 29-year-old counterparts and the population average.⁵⁸

More so than for the adult population, cost also still severely limits youth access to phones. InterMedia found that around 20 percent of youth in the four countries that they surveyed identified cost—of either the handset or actually using a mobile—as the factor prohibiting them from using a phone.⁵⁹

In addition to cost, power dynamics may reduce young people's, especially girls', access to a phone. For example, a study of mobile phone access among youth in Ghana, Malawi, and South Africa found that when girls reach puberty, their ability to borrow a phone becomes severely limited because phone access is often thought to be linked to "inappropriate" behavior.⁶⁰

Interestingly, in the four African countries surveyed by InterMedia, only about 5 percent of youth who did not have a phone said that they did not need a phone. As past research has found, this suggests a strong latent demand for mobile phones among low-income youth, and that more youth would likely acquire phones if barriers to ownership were lowered.⁶¹

Research suggests a strong latent demand for mobile phones among low-income youth, and that more youth would likely acquire phones if barriers to ownership were lowered.

4. Lack of Data. In addition, those trying to develop mobile financial products and services for youth lack data on their target demographic. Without such data, it is difficult to create and pilot appropriate and sustainable products because the designers do not know the needs and restrictions of youth. According to a global Making Cents International survey of 131 organizations, 70 percent cited not knowing how to attract or retain youth as a challenge to delivering youth financial services, and 83 percent cited a lack of market information about the youth segment.⁶² Accessing market data on the youth demographic, particularly data

on minors, tends to be even more difficult than accessing data on adults. Given legitimate privacy concerns and other legal protections for the "rights of the minor," institutions enforce special protections that limit or prohibit collecting data on mobile phone use among minors, even if the data are to be used to develop demographic-appropriate products and services. There is also only emerging data on what products, services and interventions influence usage of financial products and only nascent evidence on the impacts of mobile solutions on financial decision-making.

5. Lack of Youth-Centered Design. Mobile-based financial products and services designed specifically for youth are still virtually nonexistent. This was a common thread in our survey, with respect to mobile money in particular. Although practitioners reported having experience with mobile money and suggested that it had great potential, the general consensus was that much work needed to be done to make it a viable product for the unbanked youth demographic. As one respondent specified, "it is too expensive for young adults and the transaction pricing that makes it work for poor householders hits young adults too hard." Another respondent reported having personally experienced the difficulty of using mobile money to reach youth, explaining that the effort failed because "the fee per deposit was almost the same as the average deposit size." In response to the current, apparently unworkable cost structure of mobile money for youth, one practitioner suggested that young people "need some very low cost transfer mechanism within their network groups running off a specially configured group account." Moreover, there is a particular need to acknowledge and mitigate any unique risks posed by mobile-based financial solutions in order to protect young people from exploitation and misleading information to which they might be particularly vulnerable. ➤

Policy Recommendations

There is still much we do not know about the needs of low-income youth and hence how to best employ mobile solutions to increase their financial inclusion. Even if their needs were known, legal barriers to bank account access and mobile phone ownership, particularly among younger youth, stifle efforts to offer products and services. We recommend five preliminary ways to help mobile solutions accelerate youth financial access.⁶³

1. Create an Enabling Policy Environment. Regulatory barriers impede growth of mobile money and mobile-based financial services: Issues such as consumer protection, age restrictions, and data privacy laws, as well as challenges of anti-money laundering and combating the financing of terrorism (AML/CFT) compliance, while important, often hamper the growth of mobile-based financial services. To quote one of the survey respondents: “The biggest obstacles are from policies and regulations aimed at the protection of minors [such as age restrictions on accounts or SIM ownership], which are well intended but may restrict financial institutions from providing adequate services to youths.” Further, a number of developing countries still treat mobile phones as a luxury good and impose high taxes on phone purchases and fees on usage. For instance, in Sub-Saharan Africa, many governments impose luxury taxes on airtime and handsets (as high as 80 percent in Gabon), import taxes, and a value added tax, which often double the price of a handset.⁶⁴

2. Leverage existing alliances. The financial services industry still lacks a clear business case for targeting the low-income youth segment, despite emerging considerations on potential for cross-sales and long-term client profitability as clients pull themselves out of poverty. Sharing the burden of data collection and facilitating product and service development among several stakeholders could be a politically and financially expedient way to move forward. Traditionally, alliances have been binary public-private partnerships. But this is too narrow a view. The future of alliances rests in multi-stakeholder communities that share information, ideas, and, to some extent, costs. Partnerships such as YouthSave

and YouthStart offer small-scale examples of multi-stakeholder approaches to learning and innovations. Currently, Child and Youth Finance International, which has a working group dedicated to using technology to promote child and youth financial access, represents an attempt at forging such an alliance. If these initiatives and institutions are successful, they can be catalysts for idea generation and future policy development.

Sharing the burden of data collection and facilitating product and service development among several stakeholders could be a politically and financially expedient way to move forward.

3. Increase youth-specific data collection, research, and analysis. Designing appropriate and responsive financial products, services, programming, and policies requires a thorough understanding of the youth demographic. Currently, we do not fully understand such elementary issues as youth mobile phone uptake and use, how mobile technologies affect youth financial behavior, or any potential risks inherent in exposing or promoting mobile-based financial services or information. Given that such information is vital to advancing the field, the industry should dedicate resources to collecting and analyzing more youth-specific data and building a more solid evidence base for the promotion of mobile-based youth financial inclusion.

4. Promote innovation in youth-specific mobile financial products and services. The youth demographic is a unique customer segment whose financial needs and goals differ from those of adults. Creating financial products and marketing strategies that appeal to youth can increase product uptake, usage, and cross-selling. By attracting more customers, these products could introduce opportunities for long-term profitability in an oth-

erwise untapped market segment, incentivizing financial providers to sustain long-term investment in the youth market. Incentive structures—such as innovation challenge funds or incubators, technical assistance facilities, and venture capital for social investing, bilateral foreign aid and multilateral investment facilities—could boost experimentation with new product models or market segments where innovation is lacking.⁶⁵

The youth demographic is a unique customer segment whose financial needs and goals differ from those of adults. Creating financial products and marketing strategies that appeal to youth can increase product uptake, usage, and cross-selling.

5. Incorporate behavioral nudges into youth-centered policies. Leveraging the mobile phone to nudge positive financial behaviors early in life can reinforce good habits and foster economic empowerment over time. Through existing policies specifically designed to empower youth, it may be possible to provide financial services and/or relay information on financial capability to young people. Social cash-transfer schemes, such as Conditional Cash Transfers (CCTs) and Government to Person (G2P) payments,⁶⁶ for example, offer a timely opportunity: The number of cash-transfer programs that pay recipients through electronic means, such as mobile-linked bank accounts or debit cards, has grown substantially in recent years. Mobile solutions could offer governments and donors a more financially-inclusive payment method for youth-centered cash transfers than traditional disbursement of cash. Also, because cash transfer schemes very often incentivize positive behaviors through conditions or other interventions, mobile solutions may provide an ideal tool for experimentation with behavioral nudges and other financial capability-enhancing interventions. ✦

Conclusion

Can the mobile phone accelerate the pace of financial inclusion and propel financial capability among excluded youth populations? Recent trends toward mobile solutions for financial inclusion and emerging knowledge about youth mobile access and behavior offer a compelling hypothesis:

If youth generally have access to mobile phones, are early adopters and fast learners of new technology, and develop their stickiest behaviors (those most resistant to change) earlier in life, then mobile solutions should accelerate financial access and capability among the youth demographic.

There is clear enthusiasm about the potential for mobile-based solutions, even if the field still largely lacks evidence on what, how, when, and why mobile solutions could be most effective.

Our evaluation of the responses to the 2013 Pulse-Taking Survey on Youth Financial Inclusion along with available data reveals that although the mobile accelerator proposition remains largely untested it is of increasing interest to practitioners, policymakers, researchers, funders, and financial institutions alike. There is clear enthusiasm

about the potential for mobile-based solutions, even if the field still largely lacks evidence on what, how, when, and why mobile solutions could be most effective.

Beyond the buzz surrounding mobile tools for youth financial inclusion and capability, it is doubtful that the majority of low-income youth in developing countries will be able to piggyback on the advancements in mobile-based financial access without overcoming some significant hurdles. The obstacles confronting low-income youth, in terms of formal banking, financial literacy, and phone ownership are substantial—more so than for their adult counterparts. Lack of market data, solid evidence of uptake, potential risks, or impact, and regulatory hurdles further limit our ability to understand and address these challenges.

Tapping available policy levers—through enabling regulatory environments, incentives to innovate, strategic alliances, advanced data collection and research, and experimentation with nudges—would allow proponents of youth financial access to better understand and circumvent the various obstacles to youth-centered mobile financial solutions and therefore speed up the pace of innovation. Indeed, if the potential of mobile solutions as an accelerator of youth financial inclusion is as great as it seems—even if such potential still exists only in theory—then the imperative to find solutions to these obstacles is stronger than ever. ♦

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Notes

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- 28 Vital Wave Consulting, 2008.
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- 32 Ibid. Classification of countries is by the World Bank, July 2012, on the basis of 2011 GNI per capita.
- 33 InterMedia, 2008–2010.
- 34 InterMedia, 2008–2010.
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- 36 See Pathak et al., 2011; and Pathak, 2012, for more information about behavioral economic theory and its application to youth financial capability.
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51 Although not all tools included in the survey necessarily use mobile phones; most tools either depend exclusively on mobile phones or can be advanced by using mobiles.

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62 Making Cents International, 2009.

63 This is not meant to be an exhaustive list of possible policy recommendations for successful implementation of mobile solutions for youth financial access, but is instead meant to encapsulate our view on the most-pertinent suggestions. In addition, because technical aspects of how to implement each policy recommendation are beyond the scope of this paper, we do not intend to delve into each of them individually, but rather spur an objective dialogue among the field's experts about these suggestions.

64 Gabriel Solomon and Davide Strusani, 2011

65 U.S. Agency for International Development's Office of Innovation and Development Alliances (IDEA) offers an interesting, illustrative example of how a bilateral aid agency strategically facilitates innovation. See <http://idea.usaid.gov/about-idea> for a breakdown of its mobile and technology-focused investments and objectives.

66 Social cash transfers are a regular payment of money by governments to individuals or households designed to address socioeconomic vulnerability and promote human capital development. They are regular (typically monthly or bimonthly) payments often aimed at boosting the human capital of low-income children and youth by incentivizing continued education and improved health, as well as vocational and entrepreneurship training. For more information on combining social cash transfers with financial inclusion and capability, see Zimmerman et al., "Banking From Protection to Investment: Understanding the Global Shift to Financially Inclusive Social Protection Payment Systems." New America Foundation Global Savings & Social Protection Initiative (GSSP), November 2012.

