BRIDGING THE AGE GAP

Social & Market Investment Priorities

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1 BACKGROUND

In Africa, the number of youth is growing rapidly. In 2015, 226 million youth aged 15-24 lived in Africa, accounting for 19 per cent of the global youth population. By 2030, it is projected that the number of youth in Africa will have increased by 42 per cent. Africa's youth population is expected to continue to grow throughout the remainder of the 21st century, more than doubling from current levels by 2055.[1]

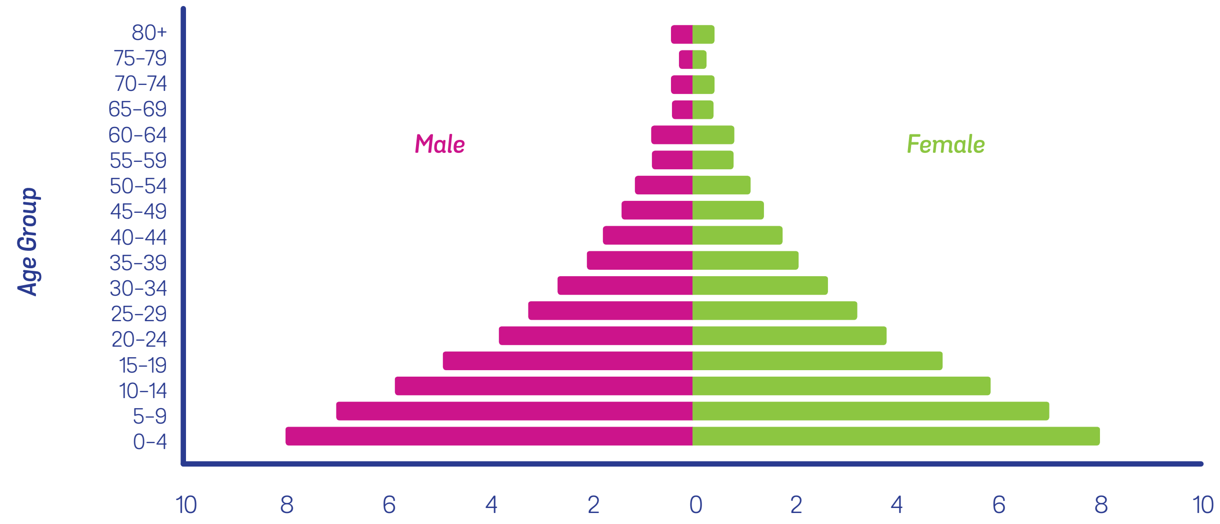
Similar increases in population can be observed in Tanzania; with fertility rates of 5.5 and an annual population growth rate of 2.7% the Tanzanian population pyramid is heavily skewed towards the bottom of the pyramid; which symbolizes the child and youth population below 24 years.

Considering the significant increase in population, the mean proportion of dependents has increased significantly over the past decades. From the last household budget survey the current proportion of dependents (under 15 year olds and 65 year olds and above) to economically active 15-64 year olds has increased by 8 percentage points, from 40% in 1991 to 48% in 2011/12.[2]

This rapid increase in youth in Tanzania presents a huge potential demographic dividend for the country. As this huge youth segment moves into adulthood, a window of opportunity opens for Tanzania to exploit the potential benefits that can accrue from an increasing workforce.

[1]http://www.un.org/esa/socdev/documents/youth/fact-sheets/YouthPOP.pdf
[2]Household Budget Survey 2011/12

Percentage Distribution of the 2015 Estimated Population by Age Group and Sex: Tanzania



The window of opportunity for Tanzania is open from now until 2100, when the ratio of effective producers relative to consumers will become unfavorable. It should be emphasized that this window of opportunity can close without a country reaping a sizable demographic dividend if the youth do not have the relevant skills for the labor market or the country is unable to create enough quality jobs for the workers.[3]

Vital to all of these is the **proliferation of financial services** among youth categories. This underlies each of the main strategies for promoting youth development, through providing opportunities to invest in human capital and productive enterprises, save to smooth money flows, and access insurance to avoid damaging liquidity crises. In this regard, formal financial inclusion is highly desirable, offering typically lower costs, higher security, and better future prospects than informal services.

This study looks at the state of formal financial inclusion among different age groups, and plans a path forwards.

SUMMARY

Tanzania's youth population is growing disproportionately quickly. To ensure that this benefits the country rather than holding it back, youth need access to formal financial services from savings to credit, and insurance to payments systems.

[3]https://assets.publishing.service.gov.uk/media/5af954d340f0b622d7cc6e59/Tanzania_briefing_note__Regional_Analysis_of_Youth_Demographics_.pdf

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METHODOLOGY

Research Methods

A mixed methods approach was adopted for this assignment using both quantitative and qualitative methods to gain both rigor and depth in the findings presented in this report.

SCOPING PHASE Literature Review	PHASE 1 Quantitative Data Analysis	PHASE 2A In-depth Interviews (IDIs)	PHASE 2B Focus Group Discussions (FGDs)	PHASE 3 Product & Policy Solutions Development
A literature review was conducted of scientific literature as well as relevant policies and programs of the Tanzanian government to understand both the target population, relevant behavioral factors and the context.	Analysis of the FinScope 2017 data was conducted to identify where the most significant gaps exist between youth and adults as well as divisions within the youth population. This analysis also included quantifying the factors that constitute the gap in uptake of financial services.	Individual in depth interviews were conducted to gain insights into the key questions listed above. A total of 45 IDIs were conducted, with 15 older youth, 15 younger youth and 15 adults. The interviews will be conducted in Dar es salaam and Pwani regions respectively.	2 Focus Group Discussions were facilitated with older youth, younger youth and adults. FGDs were used to validate the findings of the IDIs, quantitative analysis and literature review. Each group consisted of between 6 and 12 individuals. 1 FGD was held in Dar es Salaam (urban) and Pwani (rural).	Based on the insights developed from phases 1 and 2, actionable solutions for FSPs (products) and government/regulators (policies) were developed. These focused on the opportunities for FSPs presented by an underserved segment, and the market failures necessary for a regulator to tackle.

Solutions Development Objectives

Drawing on the insights from the quantitative and qualitative research phases, we developed a set of products to exploit market potential, and policies to address market failures

PRODUCTS

What products and programs can FSPs introduce that have the potential to capture as-yet underserved segments?

POLICIES

How can the government and regulatory bodies tackle market-level constraints on closing youth financial access gaps?

3

QUANTIFYING THE YOUTH GAP

How Should We Think of Youth?

Support a wider range of collateral and repayments structures.

Tanzania's definition of youth:

Youth: *16–34*
Non-youth: *35+*

Problems: *Too broad a category hides different experiences*

Tanzania's 2007 National Youth Development Policy defines youth as between the age of 16 and 34. Whilst this may capture a useful demographic for policy purposes, this group comprises 53.7% of Tanzania's population, and contains people at vastly different stages of their life cycle (Tanzania Bureau of Statistics, 2013). Considering such a large age group as 'youth' hides many vital findings with regards to the financial gap.

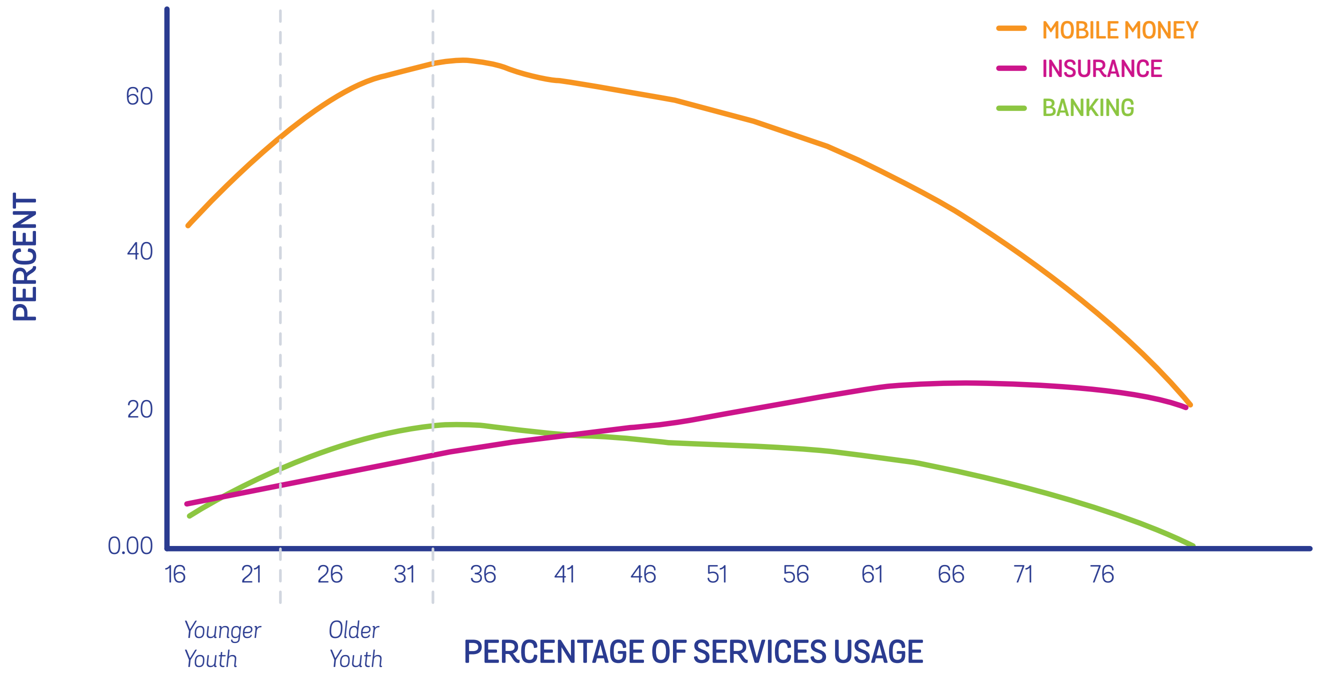
This study's definition of youth:

Youth: *16–34* Older youth: *25-35*
Non-youth: *36+*

Explanation: *Breaks down youth into two categories. Younger youth corresponds closely to the UN definition*

Instead, this study keeps a broad youth category of 16–35 (compared to 'non-youth' of 36+), but splits this into "younger youth" (16–24) and "older youth" (25–35). The younger youth age range is thus very similar to the UN's definition of youth (15–24), and captures individuals at a unique and important stage of their lives, as they typically gain independence from carers. Older youth then tend to face a different experience, more oriented around family and home-building.

What are the Biggest Gaps?



Based on a quantitative analysis of the FinScope Tanzania 2017 data, there are 3 financial services with significant gaps in uptake between age groups. This analysis is described further in the next two slides.

There are 4 main gaps with these 3 services:

1. *Mobile money* ***usage is considerably higher among older youth than younger youth*** (9.67 percentage points)
2. *Banking* ***services usage is higher among older youth than younger youth*** (5.06 pp)
3. *Insurance* ***usage is higher among non-youth than youth*** (6.62 pp)
4. *Mobile money* ***usage is higher among the youth than the non-youth*** (by 4.15 pp)

Overall, mobile money and (to a lesser extent) banking services have a very low rate of uptake among younger youth, peak for older youth, and drop off again for non-youth. Contrastingly, insurance uptake increases with age.

Identifying Key Gaps: Exploration

	NON YOUTH USAGE	YOUTH USAGE	YOUNGER YOUTH (16-24) USAGE	OLDER YOUTH (25-35) USAGE
FORMAL	64.90%	65.65%	60.16%	70.55%
INFORMAL	33.54%	27.80%	19.11%	35.55%
MOBILE MONEY	57.82%	61.97%	56.86%	66.53%
BANKING SERVICES	16.36%	17.01%	14.33%	19.39%
INFORMAL MONEY LENDERS	4.34%	4.32%	3.22%	5.31%
CAPITAL	0.03%	0.02%	0.00%	0.03%
PENSION	4.83%	3.31%	1.43%	4.99%
SACCO	2.33%	0.92%	0.32%	1.44%
MFI	5.82%	7.01%	5.30%	8.54%
INSURANCE	19.06%	12.44%	10.70%	13.98%

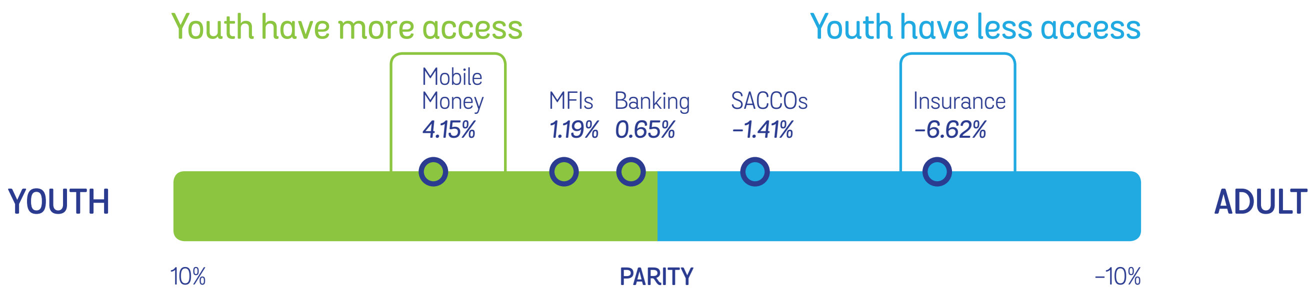
To identify the main gaps, mean rates of uptake were calculated for 8 financial services for youth overall, the two youth categories separately, and non-youth. These findings are shown in this table.

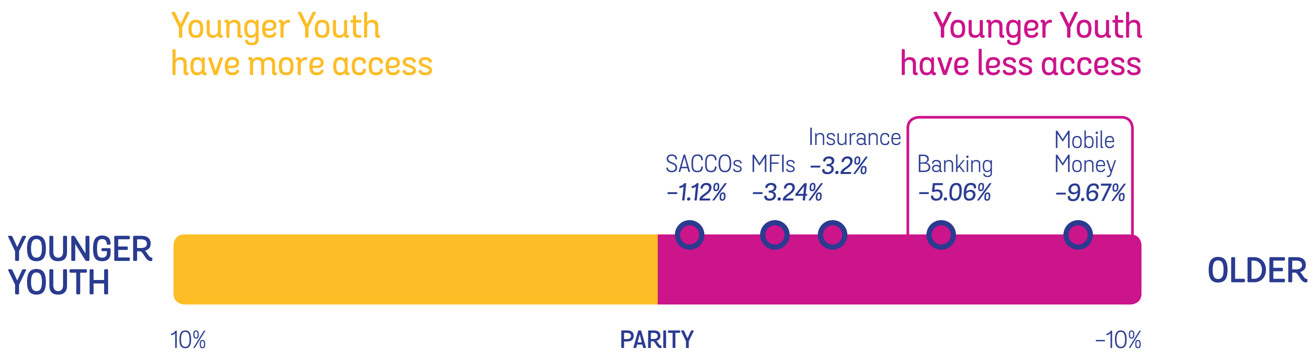
Based on the extremely low uptake of capital services among all age groups, this variable was dropped from the analysis. Informal money lenders were also dropped due to their informal nature, and pensions due to their narrow use case applicability.

Following this, the gaps between youth and non-youth, and between younger youth and older youth, were calculated and compared to decide on priority gaps.

Identifying Key Gaps: Prioritization

From the analysis analyzing the gaps, the size of the various gaps were considered to determine the most significant gaps that should be the focus. With regard to the gaps between youth and adults, the most significant gap is insurance, where youth have 6.62% less access than adults. It is important to note though that the analysis also found that youth have 4.15% more access to mobile money compared to adults. In comparing younger and older youth, younger youth have 5.06% and 9.67% less access to banking and mobile money services than older youth, respectively.





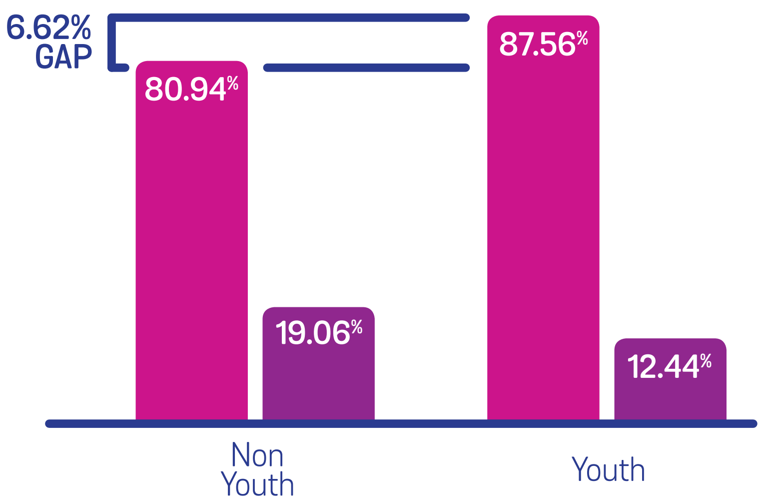
Quantifying the Gap

Insurance

Distribution of Insurance Services Usage by Youth Category

DO NOT HAVE SERVICE

HAVE SERVICE



Gap size:
6.62%
Youth vs. Adults

Youth without insurance:
13.2 ***million***
87.56% of the youth population aged 16–35

Youth missing market size:
TZS **1016** ***billion***
Market size / year based on annual NHIF group contribution of TZS 76,800

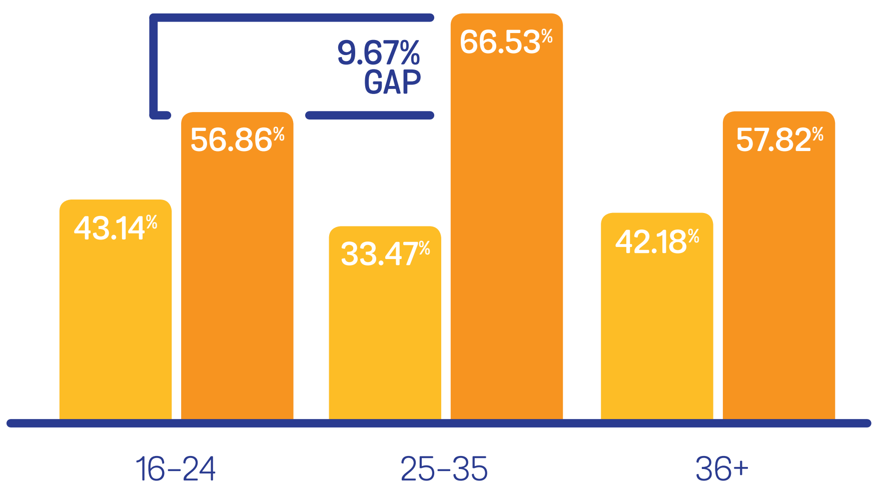
Realistic immediate potential:
TZS **52.8** ***billion***
Market size potential / year to achieve parity with South Africa's insurance rate of 16.99% (Statista, 2017)

Mobile Money

Distribution of Mobile Money Services Usage by Youth Category

DO NOT HAVE SERVICE

HAVE SERVICE



Gap size:
9.67%
Older vs. Younger Youth

Younger Youth without mobile money:
3.16 ***million***
43.14% of the youth population aged 16–24

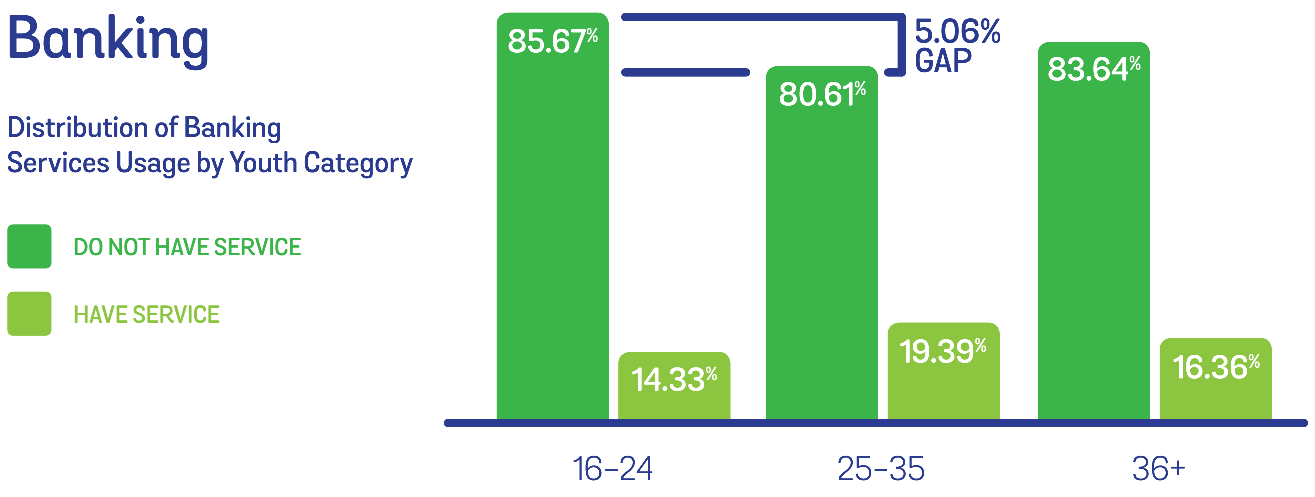
Younger Youth missing market size:
TZS **289** ***billion***
Annual potential based on TZS 91,200 average transactions/ year 3.16m customers (Tanzania Invest, 2017)

Realistic immediate potential:
TZS **61.1** ***billion***
Market size potential/ year to achieve parity with 66% East Africa rate (GSMA, 2017)

Quantifying the Gap

Banking

Distribution of Banking Services Usage by Youth Category



Gap size:

5.06%

Older vs. Younger Youth

Younger Youth without banking:

6.28 million

85.67% of younger youth

Younger Youth missing market size:

TZS 628 billion

TZS 100,000 minimum opening balance 6.28m customers

Realistic immediate potential:

TZS 232 billion

Market size to be at parity with Kenya's 46% mobile banking rate (Business Daily, 2016)

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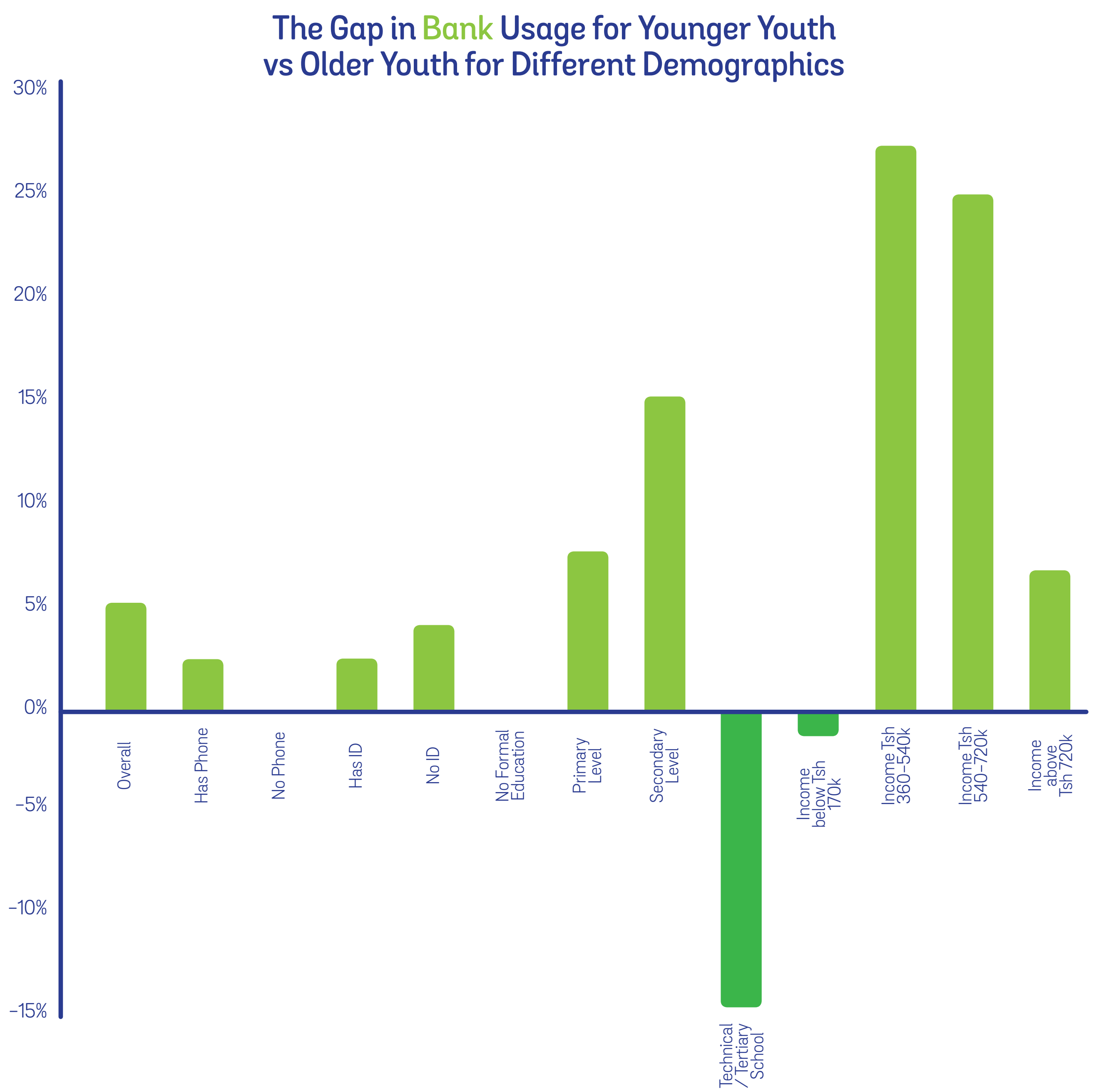
PREDICTING THE YOUTH GAP

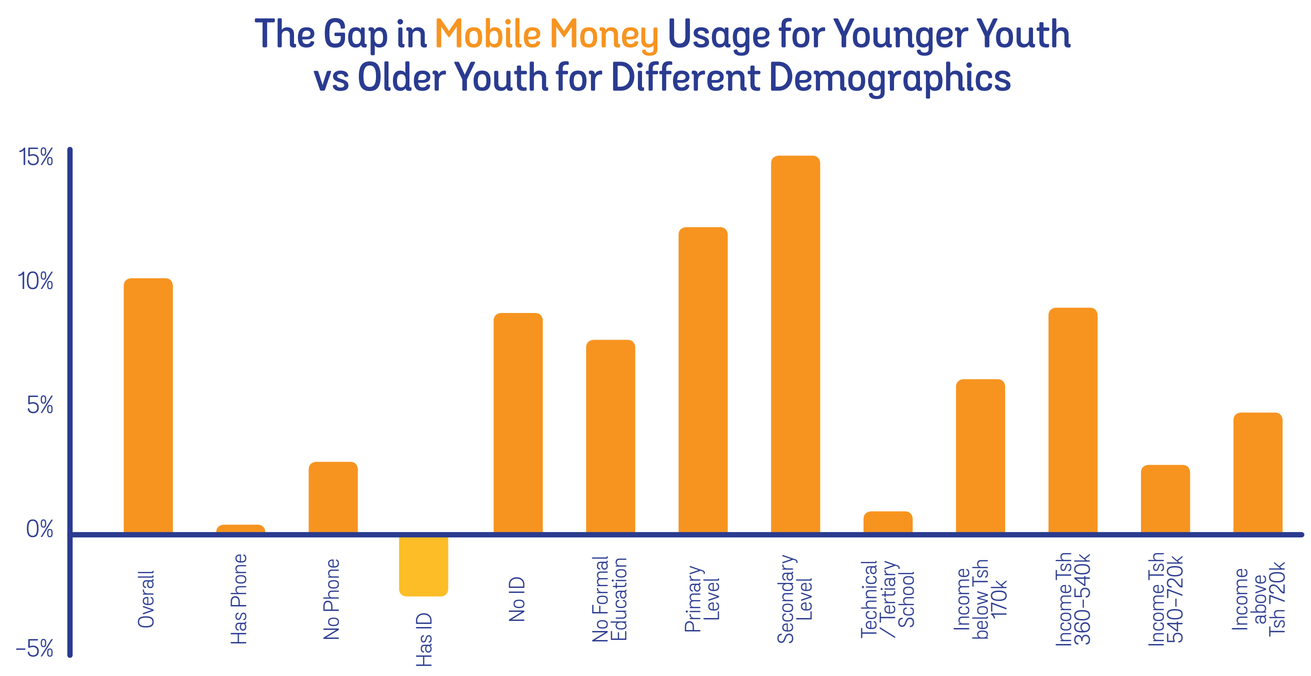
Gaps Within Demographic Segments

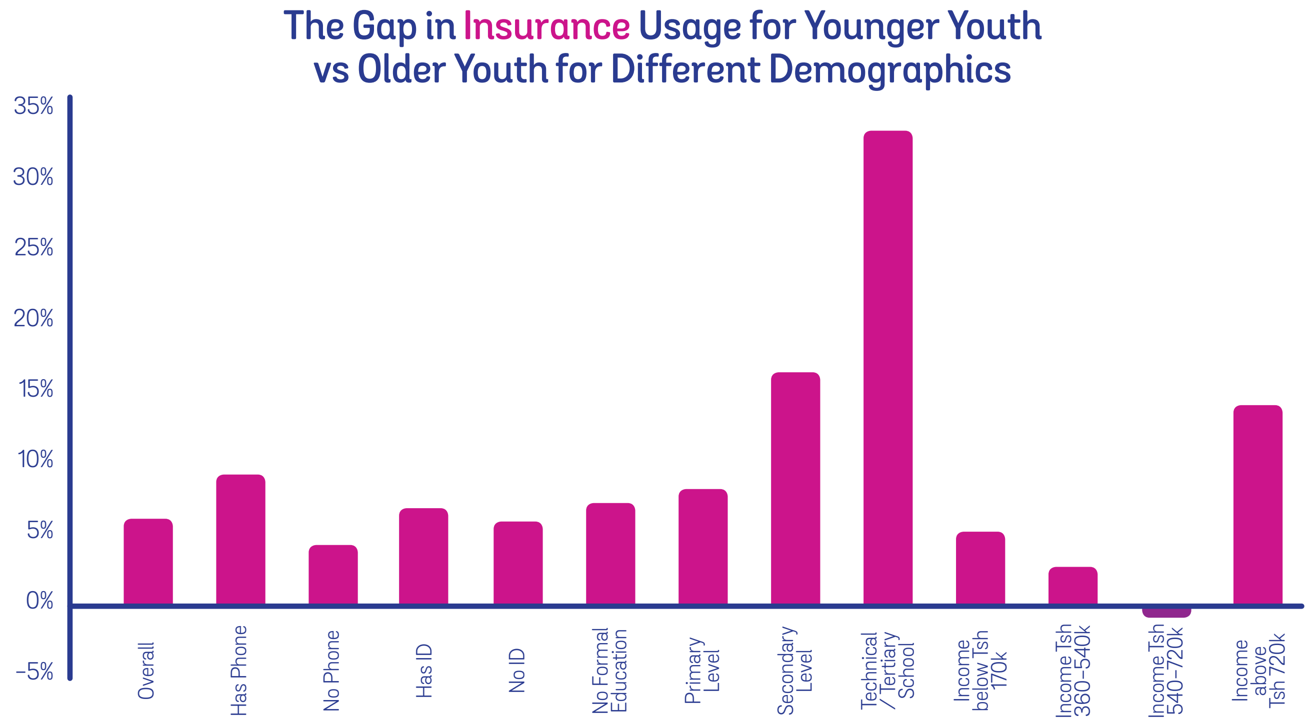
The previous slides present the overall gaps between younger youth and older youth for mobile money and bank usage, and the gap between youth and adults for insurance. However, it is also interesting to explore what the gap is for demographic subsets of the population: for example, looking only at people with national ID cards, is there still a gap between older and younger youth in mobile money and bank usage? Before trying to uncover the explanatory factors which may drive the gap, this section does just this, exploring the mobile money, bank and insurance gaps for different subsets of the Tanzanian population.

Two findings jump out. Firstly, looking only at people with phones, there is almost no mobile money gap, and a much smaller banking gap. Secondly, focusing only on people with national ID cards, the mobile money gap is actually negative: that is to say that a higher percentage of younger youth with IDs use mobile money compared to older youth with IDs. Tertiary education also appears to be an important leveller; among people with tertiary education, there is almost no mobile money gap, and there is a large negative bank gap (a higher percentage of university educated younger youth have bank accounts than older youth).

While this does not necessarily mean that increasing phone, ID and tertiary education access will reduce the youth gap in access to financial services, this analysis indicates that these 3 factors have strong predictive power, and are certainly worth looking at further.


The Gap in Bank Usage for Younger Youth vs Older Youth for Different Demographics
30%
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
Overall
Has Phone
No Phone
Has ID
No ID
No Formal Education
Primary Level
Secondary Level
Technical /Tertiary School
Income below Tsh 170k
Income Tsh 360-540k
Income Tsh 540-720k
Income above Tsh 720k


The Gap in Mobile Money Usage for Younger Youth vs Older Youth for Different Demographics
15%
10%
5%
0%
-5%
Overall
Has Phone
No Phone
Has ID
No ID
No Formal Education
Primary Level
Secondary Level
Technical /Tertiary School
Income below Tsh 170k
Income Tsh 360-540k
Income Tsh 540-720k
Income above Tsh 720k

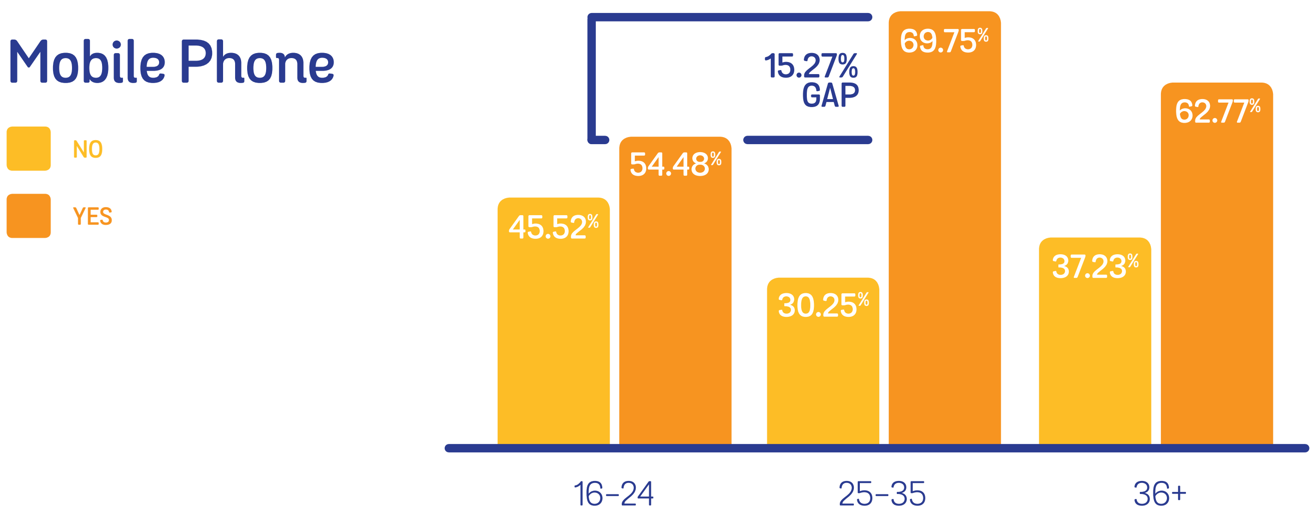

The Gap in Insurance Usage for Younger Youth vs Older Youth for Different Demographics
35%
30%
25%
20%
15%
10%
5%
0%
-5%
Overall
Has Phone
No Phone
Has ID
No ID
No Formal Education
Primary Level
Secondary Level
Technical /Tertiary School
Income below Tsh 170k
Income Tsh 360-540k
Income Tsh 540-720k
Income above Tsh 720k

Phone Ownership Correlates with High Bank and Mobile Money Access Segments

The gap in terms of mobile phone ownership is negligible between **youth and adults** at **-0.22%**.

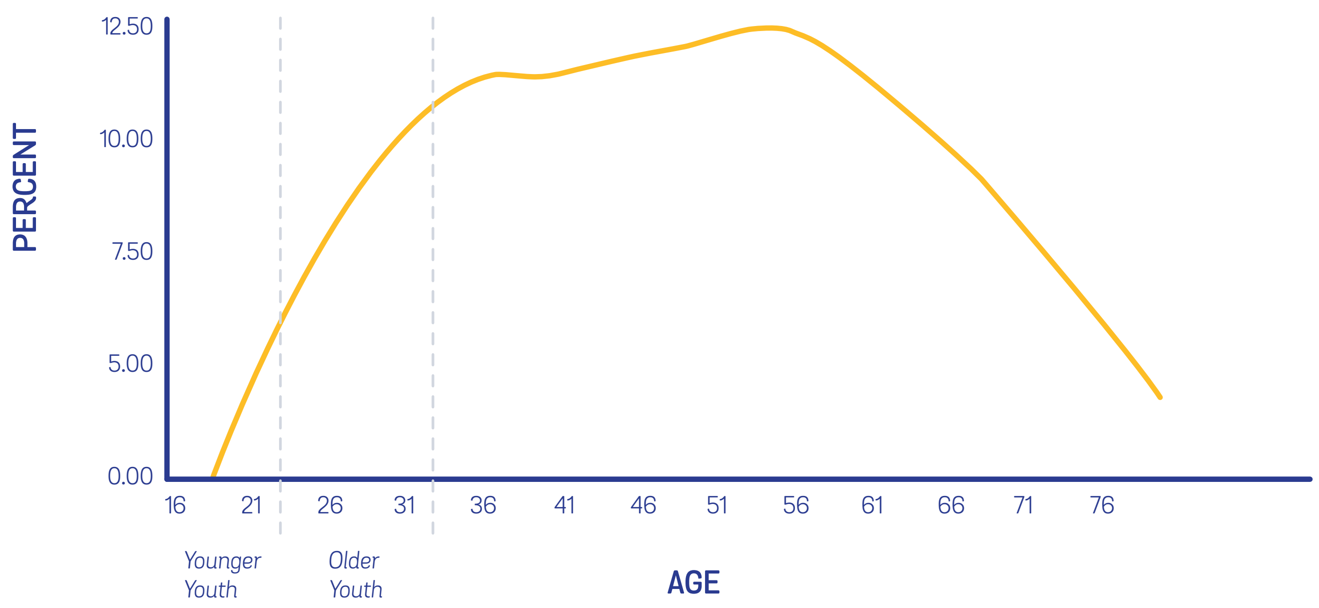
However, there is a significant gap between **younger and older youth** at **15.27%**. As a result, this serves as a structural barrier to younger youth using mobile money.

Do you personally own a mobile phone?



Few Younger Youth Have National IDs, Preventing Formal Access

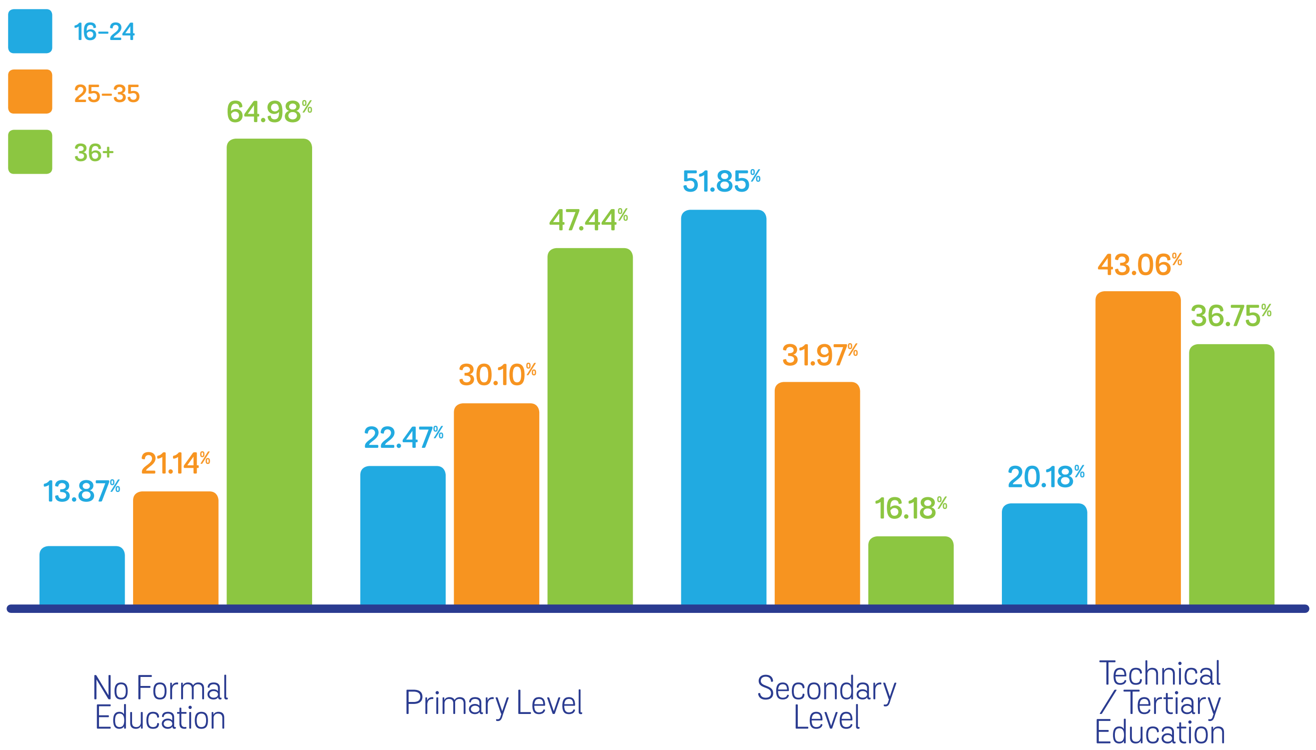
% OWNERSHIP OF NATIONAL ID BY AGE



The group most affected by the lack of ownership of a National ID card are the younger youth. Older youth have a higher ownership rate that increases with age. However, the majority of those who have access to a National ID are adults, though there is a significant drop-off in ID card ownership from age 56.

Education Levels Have Risen Rapidly

Distribution of Age Categories by Education Levels



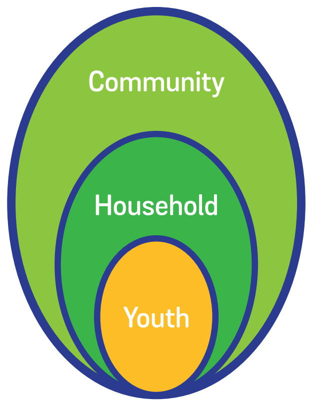
Younger youth are the most educated generation, while adults are by far the least, having the highest percentage not educated at all, or educated to primary level only. Older youth have the highest level or tertiary or technical education, though many younger youth are not yet at an age where this is eligible. This education difference drives literacy (financial and other), which may in turn drive uptake.

5

UNDERSTANDING THE YOUTH GAP

How can these Gaps be Explained?

Two models are particularly useful for thinking of factors that influence access and availability of financial services for the youth in comparison to adults and within youth. The first is the egg model, which affects financial decision making on an individual and group level.



THE EGG

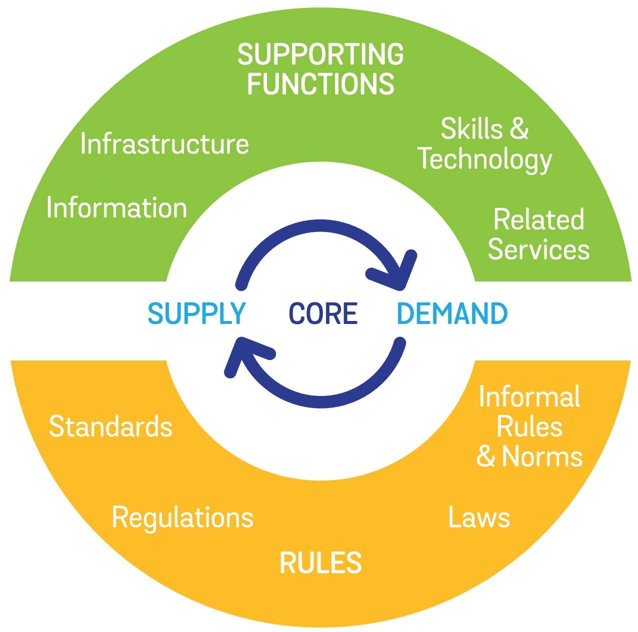
How people make financial decisions is an important factor in explaining the gaps that exist with regard to financial products and services. The Egg model posits that **financial decision-making at the individual (youth) level is influenced by the decisions made at the household level, which in turn are influenced by the decisions made at the community level.** Understanding and changing financial decision making structures can either take a top down (community to individual) approach or a bottom-up (individual to community) approach.

FINANCIAL DECISION MAKING

This can be seen in how people receive and spend their money (**cash flow management**), how they seek to plan and react to unforeseen financial expenses (**risk mitigation**), the different things they buy (**asset building**), how they set aside money in the expectation of higher returns (**investment in productivity**) and who they rely on to help them meet their financial needs (**social networks**). As a transitional period in life, how youth make these decisions is different both between youth groups and against adults. Youth are also early adopters of technology and are more open to risk, and serve to bring bottom-up change in the Egg model.

How can these Gaps be Explained?

The second model is the doughnut model, which takes a market systems perspective, looking at the structural barriers and incentives on individuals.



THE DOUGHNUT

A market system is a network where buyers and sellers are able to buy and sell goods and services. Market systems need to be facilitated by several supporting functions (e.g. infrastructure, skills and technology, information etc.) and rules (e.g. laws, regulations and standards). The Doughnut model helps identify the key factors of a well functioning market, with supply and demand at the core, and a range of rules and supporting functions providing the content of the model.

MARKET SYSTEMS

Market systems affect youth in terms of how they access information (therefore affecting their **education and attitudes**) as well as **structural factors** (such as regulations) that affect their ability to access financial services. Youth also have a key role to play in the market systems as sources skilled labor as well as adopters and developers of new technology.

Potential Explanatory Factors

Based on the models referenced above and the quantitative analysis conducted, seven factors were identified for further analysis to gain further insights into the gaps.

FACTOR	SUMMARY
In what ways can the youth gap be explained, and how can this help us address the gaps?	
CASH FLOW MANAGEMENT	Differing cash flows, and abilities to monitor, analyze, and optimize the amount of cash available.
RISK MITIGATION	Differing abilities to forecast and evaluate financial risks, and identify procedures to avoid or minimize their impact.
ASSET BUILDING	Differing asset levels, and prioritization in building assets.
INVESTMENT IN PRODUCTIVITY	Differing business practices and needs for investment in productive activities.
EDUCATION & ATTITUDES	Differing conceptions of financial services, and education in financial practices.
SOCIAL NETWORKS	Differing size and depth of networks of social connections and interactions.
STRUCTURAL FACTORS	Differing supply side constraints on the uptake of new financial products and services.

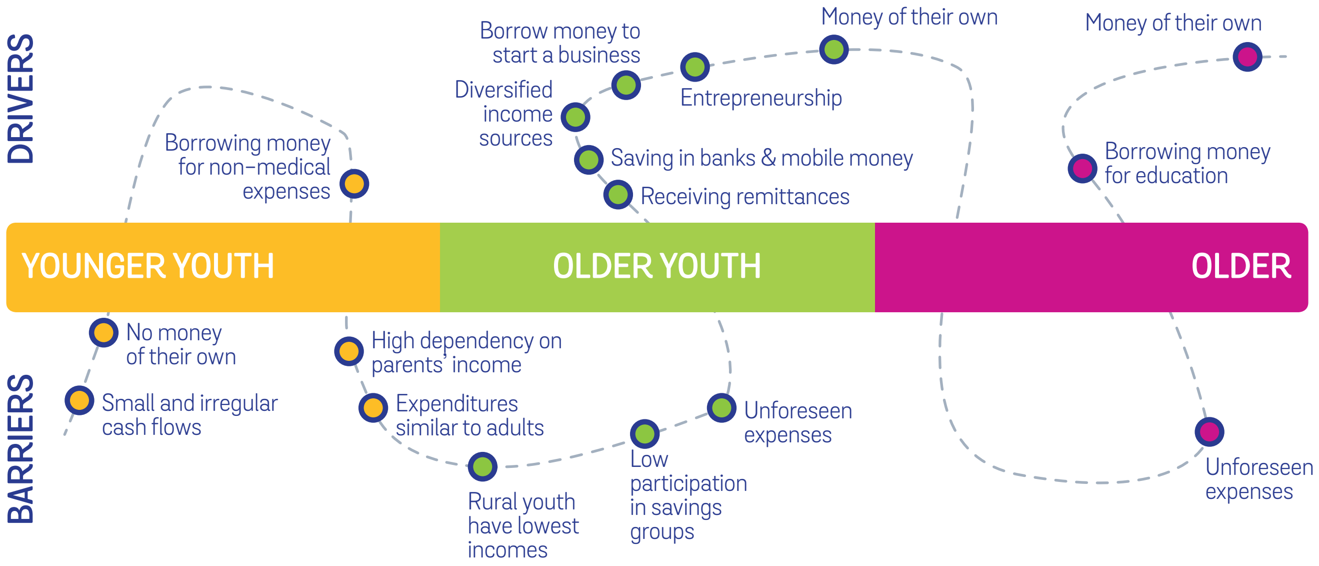
Financial Decision Making Journeys

Youth is a transitional period in life where individuals go from being dependent to being financially independent. The customer journey framework has been utilized below to present these transitions. This framework also helps to identify how these factors change across the different age groups.

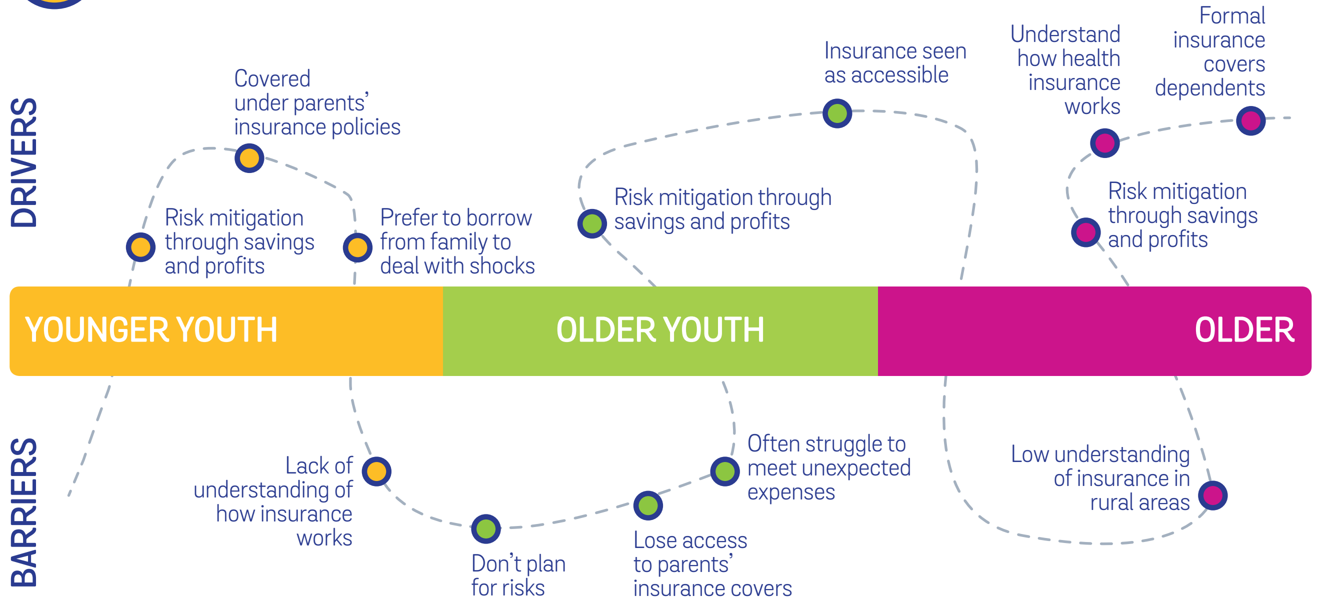
The factors are arranged as either being barriers or levers. Barriers are factors that negatively affect individuals' ability to access formal financial products and services (with an emphasis on insurance, mobile money and banking services). Drivers are factors that positively influence the ability of age groups to get access to the financial products and services.

Customer journeys are presented below for each of the explanatory factors.

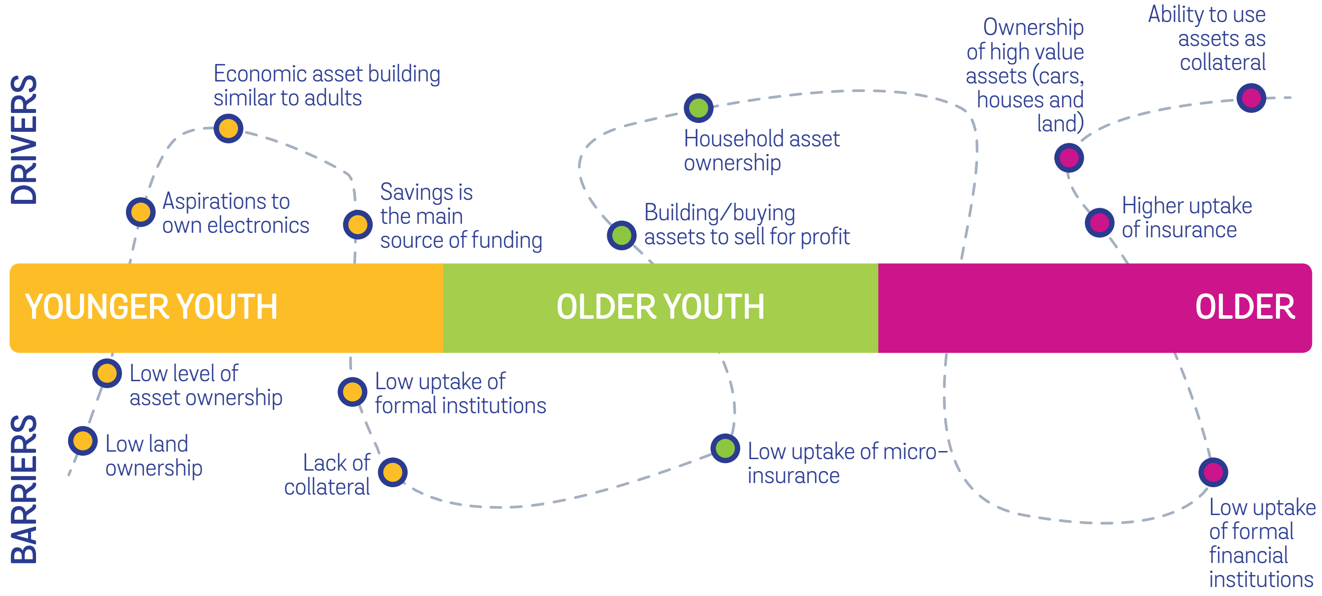
CASH FLOW MANAGEMENT



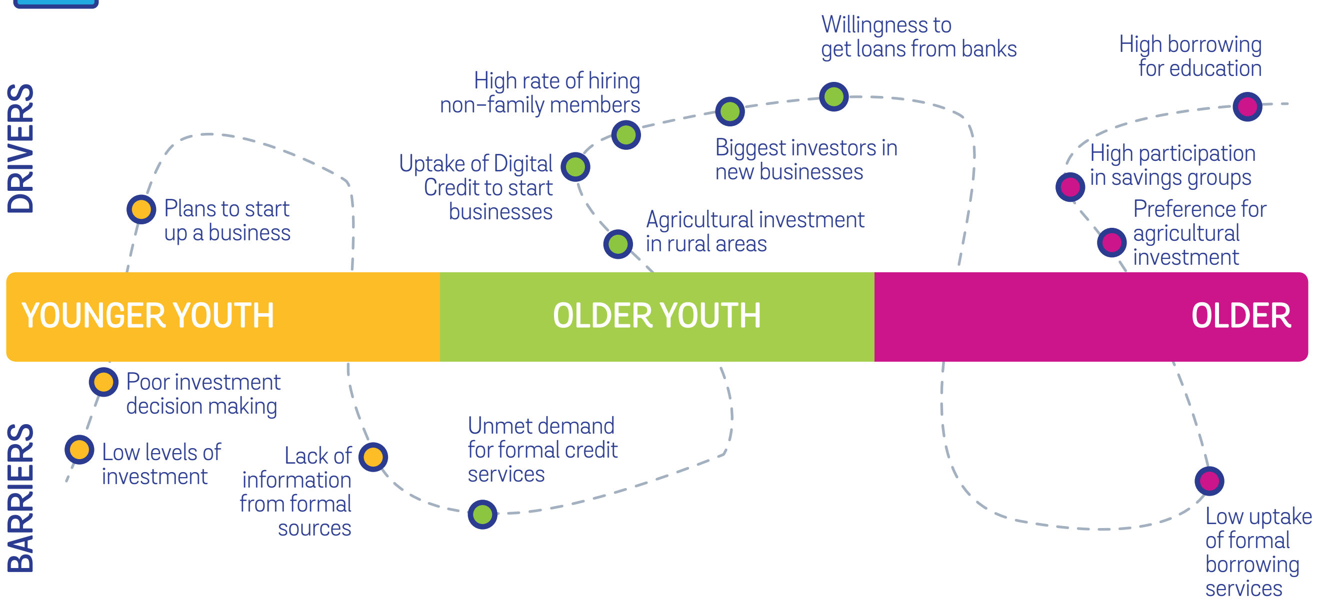
RISK MITIGATION



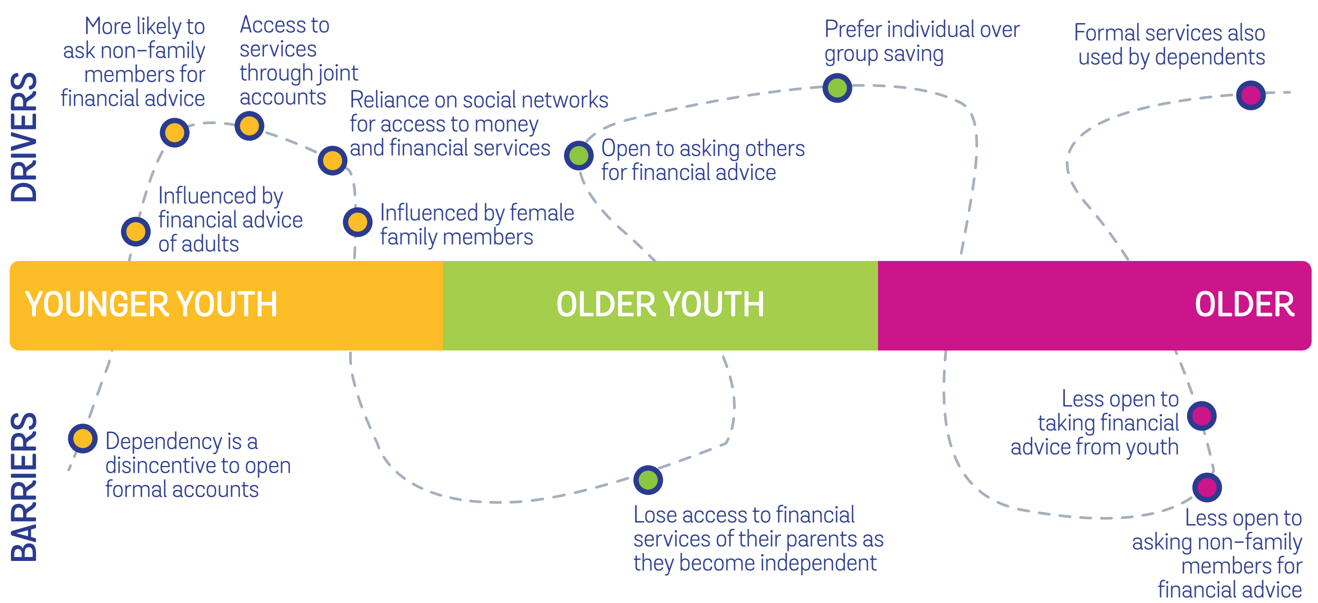
ASSET BUILDING



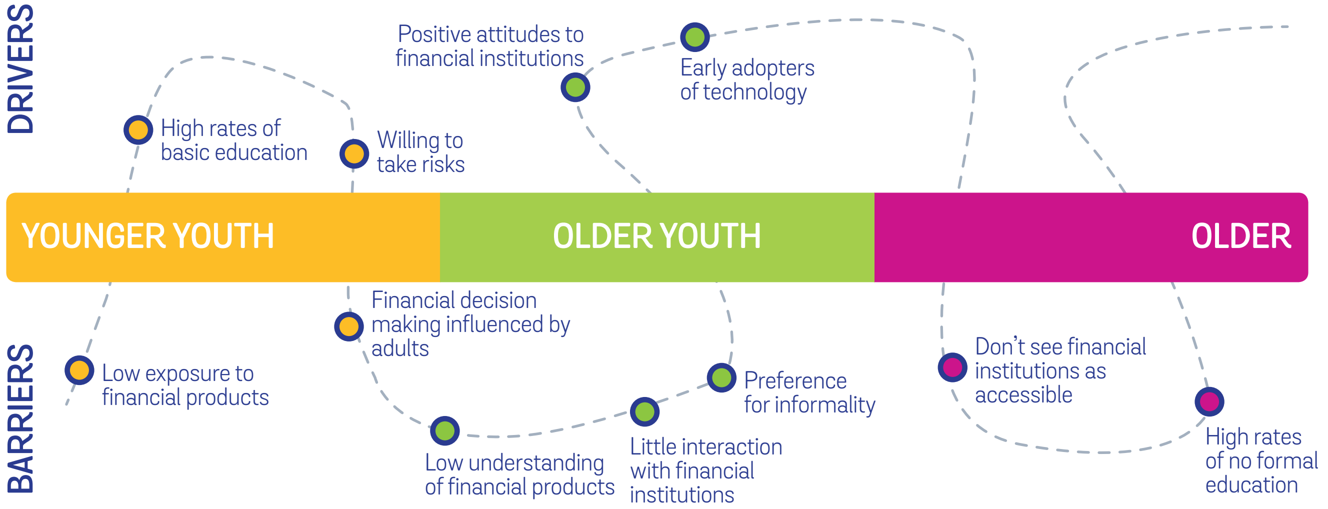
INVESTMENT IN PRODUCTIVITY



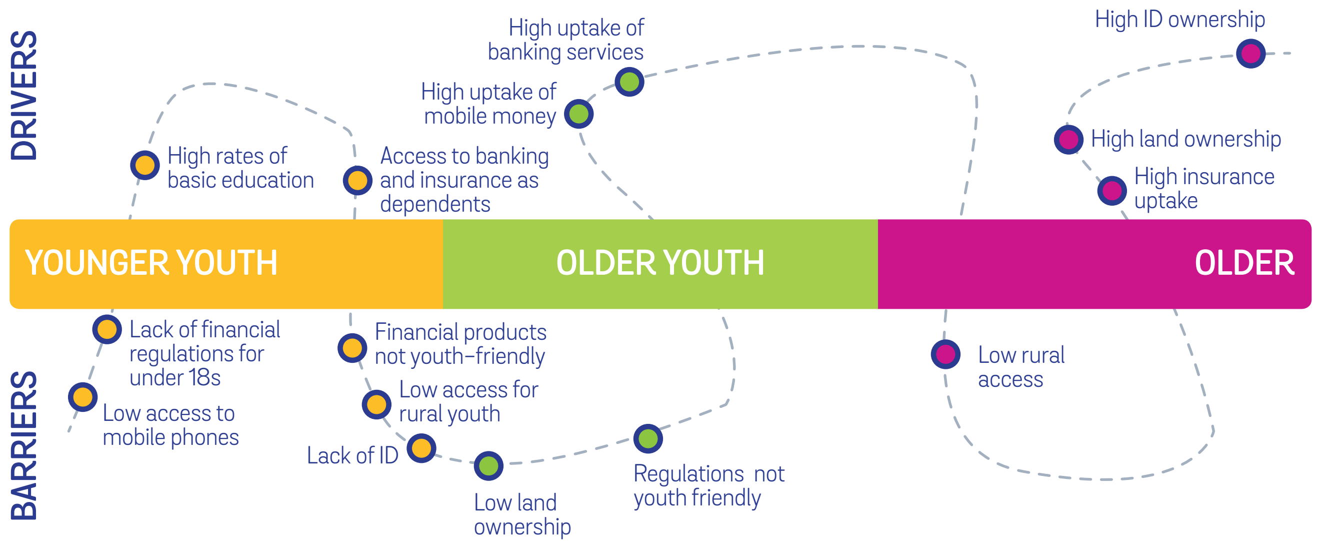
SOCIAL NETWORKS



EDUCATION & ATTITUDES



STRUCTURAL FACTORS



Potential Explanatory Factors

Based on the models referenced above and the quantitative analysis conducted, seven factors were identified for further analysis to gain further insights into the gaps.

In what ways can the youth gap be explained, and how can this help us address the gaps?

FACTOR	SUMMARY
CASH FLOW MANAGEMENT	Younger youth, compared to older and adults, have smaller and more irregular cash flows (lower cash flows) from non diversified sources, and have less formal financial knowledge and experience (less ability to manage flows).
RISK MITIGATION	Adults and older youth tend to be more risk averse and less present biased, tend to understand insurance better, and are more exposed to insurance products. Families are primary risk mitigation institutions. Personal savings are the main way to mitigate risk.
ASSET BUILDING	Adults and older youth are more likely than younger youth to have personal assets, and to prioritize asset building. This is likely due to their stage in the life cycle and their financial ability. Asset building is usually financed through personal savings.
INVESTMENT IN PRODUCTIVITY	Aside from personal assets, older youth are also more likely to invest in productive enterprises, requiring financial services to do so. There is an unmet demand for formal credit services for investments.
EDUCATION & ATTITUDES	For younger youth in particular, newer products like mobile money are prestigious, while adults may struggle to use newer technologies. Youth see formal financial institutions as being accessible, but there is a lot of ignorance on financial products.
SOCIAL NETWORKS	Younger youth are more reliant than older groups on their social networks for information, risk mitigation, and for finances. As dependents, others may control their financial lives. Dependency however increases access to financial services.
STRUCTURAL FACTORS	Supply factors can prevent younger youth from accessing financial services, as they are trusted by providers less. Those in rural areas also tend to be less served by providers. Regulations are also not always youth friendly.

6

PRODUCT OPPORTUNITIES & POLICY SOLUTIONS

These gaps imply two things: a market opportunity, which FSPs should seek to tap into with products, and socially suboptimal outcomes, which governments and regulators should seek to solve with policy.

FINANCIAL SERVICE PROVIDER PRODUCT OPPORTUNITIES

Younger youth and adults are under-represented as mobile money and banking users, while youth in general are low consumers of insurance. This is a **missing market worth billions of shillings monthly**. In this section, we suggest **potential product and marketing solutions** to tap into this large missing market.

REGULATOR & GOVERNMENT POLICY SOLUTIONS

The under-representation of youth categories in **access to the key products and services that drive Tanzanian financial inclusion** is something that needs addressing. Driving faster uptake of financial services as one reaches adulthood can **build Tanzanian business, investment and wealth**. Certain **policy solutions may be required** to support youth financial inclusion, independently or through providing an enabling environment for the private sector.

Policy Solution 1: Identification

WHY DOES IT MATTER?

Younger youth disproportionately lack access to suitable forms of identification. National ID cards are not yet universal, and the majority of those who have access are adults, though there is a significant drop-off in ID card ownership from age 56. Many younger youth in particular tend to lack access to voting cards, as they were too young to vote in the last national election.

This has big knock-on effects on their ability to access financial services, which strictly require certain forms of ID. This means that they can't contribute productively to Tanzania's economic development.

WHO WOULD BENEFIT?

Meet Emmanuel. He is 20 years old.

He lives in a rural area, has a secondary school level education and an entrepreneurial spirit. He has his own small coffee house which he is planning to expand to include a video library. He set up the business with money saved from working for his uncle for TZS 200,000 per month. He has been learning to run a business through trial and error, but at the moment is doing well enough to employ 2 of his friends. He would like to own a bank account, but does not have any form of identification and finds the process difficult to get one. He currently doesn't see any urgency in following-up to get an ID, but would be a barrier to achieving his goal of opening a bank account and borrowing from a formal financial institution to expand his business.

"I would like to have a bank account... I think it is a safe place though I have no experience."

"[Getting an original and copy of ID is] difficult."

SOLUTIONS

ACCELERATE ROLL-OUT OF IDs

Overview: The distribution of National ID cards should be accelerated, with a strong emphasis on those who are turning 18 to enable them to quickly access services.

Applicable insights: A lack of ID is one of the largest structural barriers faced by youth in accessing formal financial accounts.

Government policies supported: Registration and Identification of Persons Act, 1986

ALTERNATIVE FORMS OF ID

Overview: Youth in learning institutions should be able to use school IDs. Referrals from account holders can also replace recommendations from *Mwenekiti wa Mtaa.*

Applicable insights: A lack of ID is one of the largest structural barriers faced by youth in accessing formal financial accounts.

ID CARDS FOR UNDER-18s

Overview: Consideration can be made for IDs to be issued to younger youth below the age of 18 which can be linked to their parent's IDs.

Applicable insights: A lack of ID is one of the largest structural barriers faced by youth in accessing formal financial accounts.

Government policies supported: Registration and Identification of Persons Act, 1986

Policy Solution 2: Youth Consumer Protection

WHY DOES IT MATTER?

Older youth who are not dependents are less likely than dependent younger youth to pay for or use formal financial services, particularly insurance and banking. This is in part because as they transition from dependency, they lose access to their parents policies and accounts. As a result, older youth may move towards informal services which offer less protection.

As older youth are also more likely to have started families and businesses this leaves their dependents (both family and employees) at risk too. Solutions need to be developed that enable youth to transition their accounts and insurance policies as they enter adulthood without losing access and use.

WHO WOULD BENEFIT?

Meet Benjamin. He is a 19 year old.

He is unemployed. He has a primary school education and lives in a rural area. He is not engaged in any economic activity and is dependent on his parents. He has mobile money and owns a phone his parents bought for him. He has very little knowledge of financial products and services. He has little incentive to be economically active, and is unaware of how he could benefit from any financial product or service. He has a low sense of self-efficacy and is vulnerable to exploitation.

"I haven't taken any insurance policy. I don't know the idea of insurance. I don't know how it works. I've heard about Health Insurance. I don't know the requirements needed. I have never heard of financial product that offers this. I don't know Community Health Insurance."

"I depend on my parents to make decisions on a daily basis".

"I don't have expenses. I don't plan anything. My parents do it for me."

SOLUTIONS

FOCUSED REGULATION ON UNDER-18s

Overview: Develop customer protection regulations for youth below 18 to prevent exploitation.

Applicable insights: The lack of regulation focused on under 18s limits access to financial services, because it is erroneously assumed that they are not economically active. This then means that under 18s have no consumer protection regulations. Younger youth also don't understand financial products and services, making them vulnerable to exploitation.

TIERED KYC FOR TRANSITIONING OF ACCOUNTS

Overview: Develop an intermediate KYC level between mobile money and bank accounts to encourage youth to gradually formalize their finances.

Applicable insights: Dependent younger youth rely on their social networks to access banking services than older youth. Moreover, the current KYC structure limits youth to mostly having just mobile money accounts.

YOUTH FRIENDLY REGULATIONS ON FINANCIAL

Overview: Developing guidelines on transparency of financial information that allow for creative communications strategies that can easily reach the youth (such as social media).

Applicable insights: Youth have positive attitudes to financial institutions, but don't understand financial products and services.

Government policies supported: Fair Competition Act, 2003

Policy Solution 3: Education

WHY DOES IT MATTER?

An understanding of how financial products work, the different types that exist, and the benefits that they can bring, is still lacking among the youth. Younger youth are also not good at making informed investment decisions and tend to mimic the investment patterns of their parents. Despite this, youth on the whole have positive impressions of banking and insurance institutions, despite having very little interaction with them. Youth are also tech savvy and open to adopting new products and services, which adults are less likely to. Youth are thus drivers of change in financial decision making at the household level in the Egg model. Finally, youth are also more educated than adults. Put together, this shows a picture youth with poor financial literacy, but strong potential to learn.

WHO WOULD BENEFIT?

Meet Nasra. She is 18 years old.

She is currently a secondary school student in a rural area. She has no access to financial services and is completely dependent on her parents for her financial needs. All her transactions are in cash. She has very little knowledge of financial services, what they entail and how they can benefit her, though she does have basic understanding of what banks and insurance companies do. Despite this, she has had no interactions with any banking or insurance providers. She has no reliable sources of financial information, but is swayed by her peers on how she spends her money.

"[I want to have a bank account] to deposit money because it will help me for future education."

"I have never heard of CHF."

"[My fellow students at school] influence what I spend money on."

"I don't have any way to track how I spend my money."

SOLUTIONS

SUPPORT ENTREPRENEURSHIP & LIFE SKILLS TRAINING SCHEMES

Overview: Basic entrepreneurship and life skills training, including a focus on investment and inventory strategies, can accelerate growth.

Applicable insights: Younger youth are typically unprepared for the labor market, self-employment or financial independence. Younger youth are poor at making investment decisions. Tanzania is also experiencing a lack of skilled workers in numerous sectors.

Government policies supported: National Financial Education Framework (2016-2020)

INVOLVEMENT OF FINANCIAL SECTOR IN CURRICULUM REVIEW PROCESS

Overview: Financial sector experts providing input to the education curriculum review process to better prepare youth for the labor market, entrepreneurship and agribusiness.

Applicable insights: Youth today are more educated than adults and are spending more years in formal schooling.

Government policies supported: National Financial Education Framework (2016-2020)

Policy Solution 4: Opportunities

WHY DOES IT MATTER?

Products offered to consumers tend to be bias towards supporting the uses cases and profiles of older or adults. For example, credit scoring algorithms typically focus on financial histories, which are not available to younger youth, even though they may have alternative financial data that could be drawn upon. Similarly, rules on accounts and transfers may disproportionately affect younger youth, who lack the capital or need to make regular and sustained transactions, and thus may fall foul of account dormancy regulations in particular. All these factors push younger youth into informal finance, and may lead to their staying away from the formal financial system for an extended period.

WHO WOULD BENEFIT?

Meet Rachel. She is a 25 years old.

She lives in a rural area. She has completed primary school, is married and has 2 children. She is self-employed and runs her own small businesses selling second hand clothes. She is a highly active user of mobile money and has successfully paid back several digital credit loans. She is also diligent in tracking the income and expenditures of her business. She aspires to grow her business to sell clothes across the country. She is interested in sim banking to access loans, but she doesn't think she will be able to access the loans she needs to grow her business.

"[I would like to have] sim banking because you can access your money anywhere over the country."

"I will grow my business by [being] strict with my business. I won't borrow and [I will] keep records everyday."

SOLUTIONS

FLEXIBLE RULES ON ACCOUNT DORMANCY

Overview: Longer periods on account dormancy would enable youth to stay financially included.

Applicable insights: As youth transition from being dependents they have fewer use cases for formal bank accounts as they search for stable incomes through employment or entrepreneurship. This can take years, and as a result bank accounts which they may be joint owners of can become dormant or suspended. Younger youth's reliance on their social networks means they are more financially included by relying on their parents' guardians banking and insurance policies.

Government policies supported: National Financial Inclusion Framework (2018-2022)

MANDATORY SHARING OF CRB-APPLICABLE DATA

Overview: Expanding CRB applicable data to include mandatory sharing of alternative data, for example mobile money transactions and savings, loans from smaller providers, and other datasets, would improve the financial footprint of youth.

Applicable insights: Younger youth often lack access to formal banking due to structural factors such as credit scoring, collateral, and identification. Youth categories tend to lack the financial history required by formal providers to access affordable credit and insurance products.

Government policies supported: Bank of Tanzania (credit Reference Bureau) Regulations, 2012

Product Opportunity 1: Youth Sponsored Accounts

THE CONTEXT

Younger youth in particular often either struggle to open accounts with formal financial providers, or lack the desire to do so. Structural factors including ID restrictions and proof of collateral preclude younger youth, who may lack sufficient ID, from accessing savings, credit and insurance services. Burdensome requirements, for example high bank minimum balances or excessive red tape, pushes younger youth in particular to more flexible and accessible financial services (often informal).

While some of these structural factors need to be addressed by government and regulator policy, FSPs can help design products to overcome these barriers, and improve younger youth access to formal financial services.

WHO WOULD BENEFIT?

Meet Matendo. She is a 24 year old .

She lives in a rural area. She has completed Primary school, is married and has 1 child. She is self employed as a *Mama Lishe*. She does not track her finances in any way. She has access to mobile money but does not have access to banking or insurance services. She saves on a daily basis through mobile money and aspires to own a smart phone and a car in the future. She desires to borrow money from a bank to be able to buy livestock to boost her income. She has bought a small piece of land through her savings on which she plans to keep her animals. She also sees banks as a safe place to save. However, she doesn't see banks as being accessible to her.

"[Banks are for] business people and those who are employed."

"[Getting an ID card] is hard for me and others".

"[Completing application and claims forms] is difficult for me and others."

"I would like to borrow money from [a] bank to finance my investment."

"I don't have any idea on insurance and I don't know any kind of insurance products."

SOLUTIONS

EMBED SIMPLE ACCOUNTING

Overview: Provide basic finance tracking support to banking services, e.g. weekly inflow and outflow calculations. Formal accounting will drive formal use.

Applicable insights: Younger youth are poor at making investment decisions and would benefit from support managing their personal finances. Younger youth also have the low levels of understanding about financial products and services.

Government policies supported: National Financial Education Framework (2016-2020)

REDUCED RED TAPE

Overview: Provide simplified sign-ups, with more standard language, to speed up processes and build trust.

Applicable insights: Youth have has little interaction with formal financial services and have little education of how financial products work.

Government policies supported: National Financial Education Framework (2016-2020)

Product Opportunity 2: Digitize Informal

THE CONTEXT

Those with lower access to formal financial services tend to use informal services, including informal savings is high. At the same time, youth participation in informal savings groups is low.

Informal savings are a huge market, which can be incorporated in formal financial services. Providing digital solutions for informal savings can bring a huge potential market into FSPs portfolio's, while providing useful features for users (e.g. security of capital, speed of transfer, ability to access loans and others).

Digitizing informal savings also provides an opportunity to reach youth information about other financial products and services and to understand savings patterns.

WHO WOULD BENEFIT?

Meet Ali. He is a 25 year old.

He is a boda boda rider in an urban area. He has completed primary school and has 1 child. He saves in his kibubu and doesn't save for any specific purpose. He has no clear plans for the future, but he would someday like to own a small restaurant selling chips and chicken. He does not see the point of formal savings, but does not have good financial decision making skills to plan for the future. As a result, he turns to his personal savings for all his financial needs. He also doesn't have any sources of financial information to help him plan how to best use his finances.

"I save for my daily needs, rent and for emergencies in my kibubu."

"Food and savings are my biggest priorities."

"Banks are open to all men and women… but I can't gain anything from a bank."

"I don't seek financial advice from anyone."

"I don't have enough money to meet my needs."

SOLUTIONS

DIGITAL SAVINGS PURSES

Overview: Youth to formalize their savings through digital purses to safely store their capital. Uptake can be further enhanced through linking to credit facilities to enable group loans.

Applicable insights: Youth are tech savvy, usually early adopters of technology and are more willing to take risks and have a low level of engagement in savings groups. Youth are drivers of change in financial decision making at the household level.

Government policies supported: National Financial Inclusion Framework (2018–2022)

MOBILE BASED FINANCIAL LITERACY TOOLS

Overview: USSD based financial literacy tool providing information on financial products and services, particularly to younger youth. Predictive modeling can also be applied to support cash flows management.

Applicable insights: Youth are tech savvy, usually early adopters of technology but also lack information about financial products and services. Youth also have high levels of formal education, so literacy challenges are less likely to be a barrier.

Government policies supported: National Financial Education Framework (2016–2020)

National Financial Inclusion Framework (2018–2022)

Product Opportunity 3: Youth-focused

THE CONTEXT

Younger youth are typically at the stage of their lives in which they are still dependent on family support, or are beginning to develop income streams and accumulate assets. Typically, this demographic first concentrates on accumulating assets for basic needs, most commonly key household furniture (primarily a bed) and electronics (in particular a mobile phone). More expensive assets, for example housing, vehicles or land, typically comes after this in later years.

By focusing on youth-dominated use cases, FSPs can tap into an underserved market. Currently, younger youth income streams and expenditures are dominated by cash transfers to and from informal sources and destinations.

WHO WOULD BENEFIT?

Meet Burhan. He is 24 years old.

He lives in an urban area. He is single and has no dependents. He has a secondary school level education and rides a boda boda which he rents on a daily basis. His priority at the moment is meeting his daily needs (food, water and cooking fuels) and putting money aside to grow his business. He plans to grow his business by buying a motorcycle of his own. He is aware of the risks his business entails, but he only concerned with insuring his motorcycle, and not himself or any additional tools he uses for his business, such as his mobile phone, which he uses to communicate with his customers.

"I can only insure my motorbike because this is my business the place where I earn daily income so I am worried too much about it. [That is] why I can take any risk to make sure my motorbike is safe."

"I have heard about community health insurance but I have no idea how it works and how I can benefit from it."

SOLUTIONS

BUNDLING MICRO-CREDIT & MICRO-INSURANCE FOR MOBILE PHONES

Overview: Provide bespoke credit tools for younger youth to purchase mobile phones. This can be tied to micro-insurance to protect the assets. The benefit to MNOs is to accelerate their usage of mobile money and purchase of airtime and internet bundles. Banks would also benefit by gaining a new customer base.

Applicable insights: Youth place high value in asset building on mobile phones and aspire to own "good phones", mostly smart phones. Youth are also tech savvy and would be early adopters of new financial products that meet their needs. Youth driver of change in financial decision making at the household level.

Government policies supported: National Insurance Policy, 2014

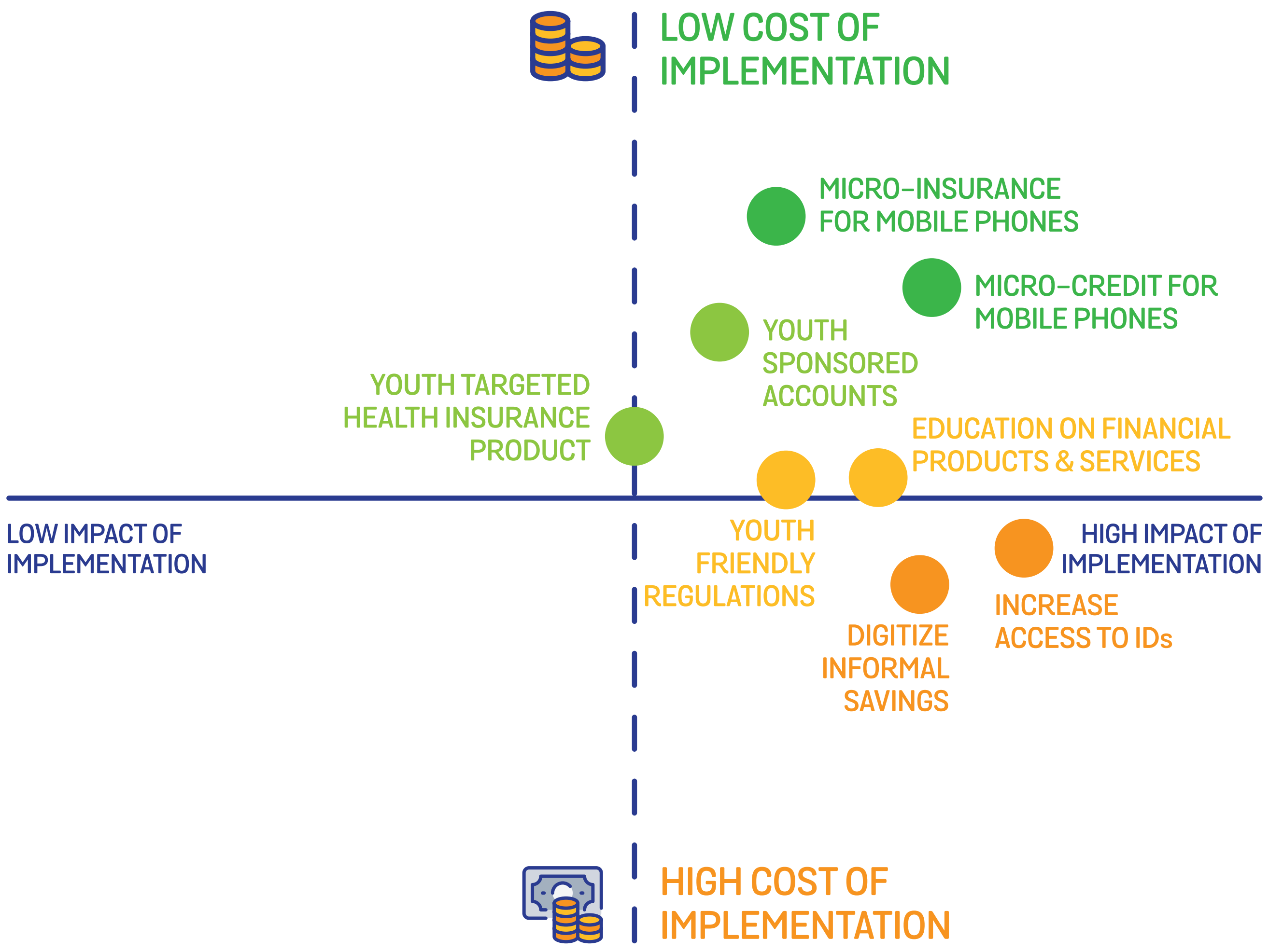
TARGET A HEALTH INSURANCE PRODUCT AT YOUTH

Overview: Provide a bespoke health product for younger youth, drawing on lower risks, to bring new customers into the insurance market. These can include, for instance, weekly/ monthly premiums and targeted at risks that are salient to youth.

Applicable insights: Youth have low uptake and education on insurance products. Youth are also more risk taking than adults and don't plan for future risk.

Government policies supported: National Insurance Policy, 2014

Evaluating Solutions



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APPENDIX

Calculating Gaps Within Segments

THE MODEL

To calculate the youth gap for different demographic segments (i.e. the difference between older youth with phones and younger youth with phones in uptake of mobile money), a simple model was used, following these steps for each segment:

1. For analysis of mobile money or bank gaps, adults were excluded from the dataset. For analysis of insurance, everyone was kept in the dataset.

2. All people not within the demographic segment were excluded from the dataset. For example, when analyzing gaps for people with ID cards, all people without ID cards were dropped.

3. A simple Ordinary Least Squares regression (which in this context is also known as a Linear Probability Model) was then applied. For mobile money or bank gaps, the outcome variable (mobile money or bank usage) was regressed on a dummy variable for older youth. For insurance gaps, the outcome variable (insurance usage) was regressed on a dummy for adults.

This model is equivalent to simply calculating, within the demographic segment, the proportion of younger youth, older youth and adults that use the product (mobile money, banking or insurance), and computing the gaps directly.

The Results: Mobile Money

OUTCOME VARIABLE	COMPARISON GROUPS	DEMOGRAPHIC SUBSET	GAP	P-VALUE
Mobile Money Access	Older Youth vs Younger Youth	Overall	9.67%	0.000***
		People with phones	0.2%	0.887
		People without phones	3.22%	0.115
		People with IDs	-2.95%	0.445
		People without IDs	8.85%	0.000***
		No formal education	8.29%	0.060*
		Up to primary level education	13.2%	0.000***
		Up to secondary level education	15.89%	0.000***
		Tertiary education	0.40%	0.911
		Income below TZS 170,000	5.84%	0.000***
		Income TZS 360,001-540,000	8.02%	0.128
		Income TZS 540,001-720,000	2.50%	0.634
		Income above TZS 720,000	3.41%	0.246

The Results: Banks

OUTCOME VARIABLE	COMPARISON GROUPS	DEMOGRAPHIC SUBSET	GAP	P-VALUE
Bank Access	Older Youth vs Younger Youth	Overall	5.06%	0.000***
		People with phones	2.38%	0.139
		People without phones	0.00%	0.992
		People with IDs	2.35%	0.646
		People without IDs	3.12%	0.003***
		No formal education	0.24%	0.843
		Up to primary level education	7.12%	0.000***
		Up to secondary level education	15.28%	0.000***
		Tertiary education	-15.49%	0.026**
		Income below TZS 170,000	-1.05%	0.298
		Income TZS 360,001-540,000	26.55%	0.001***
		Income TZS 540,001-720,000	25.46%	0.118
		Income above TZS 720,000	6.69%	0.095*

The Results: Insurance

OUTCOME VARIABLE	COMPARISON GROUPS	DEMOGRAPHIC SUBSET	GAP	P-VALUE
Insurance Access	Adults vs Youth	Overall	6.63%	0.000***
		People with phones	8.02%	0.000***
		People without phones	4.24%	0.000***
		People with IDs	7.35%	0.007***
		People without IDs	6.38%	0.000***
		No formal education	5.97%	0.001***
		Up to primary level education	7.34%	0.000***
		Up to secondary level education	14.58%	0.000***
		Tertiary education	33.03%	0.000***
		Income below TZS 170,000	5.27%	0.000***
		Income TZS 360,001-540,000	3.5%	0.475
		Income TZS 540,001-720,000	-0.38%	0.961
		Income above TZS 720,000	12.38%	0.000***

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