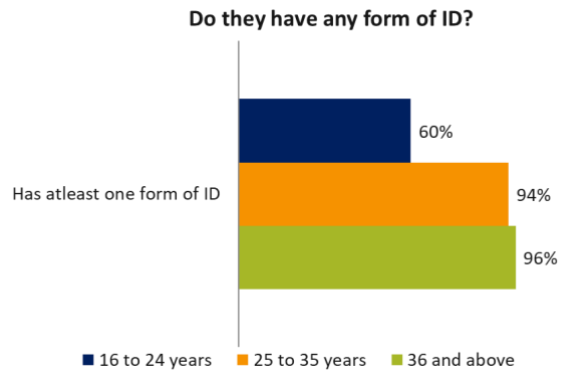


Blog – Unlocking finance for the youth

Neema Mosha - Communications Advisor, Financial Sector Deepening Trust (FSDT)

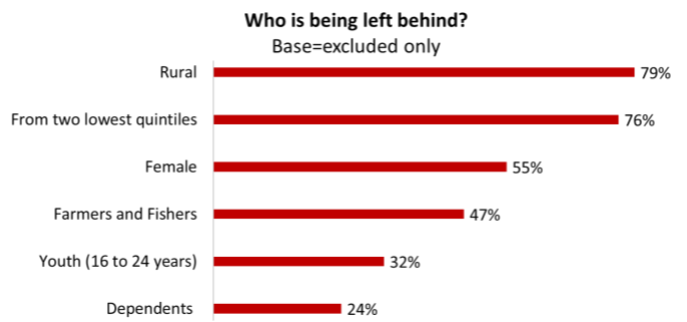
With over 7 million young people in Tanzania, there is the potential to develop innovative policies and strategies to untap new income into the financial sector worth nearly TZS 2,000 billion per year.



Source: FinScope Tanzania 2017

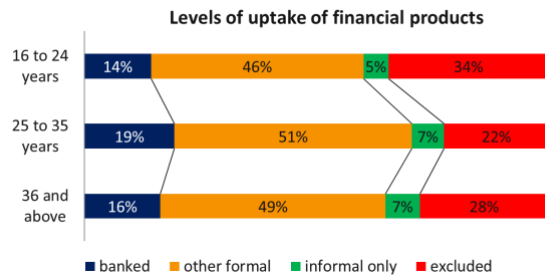
Understanding the youth market

At just over 7 million, the 16-24 year old segment in Tanzania make up over a quarter of the adult population, but account for a third of the overall financially excluded population.



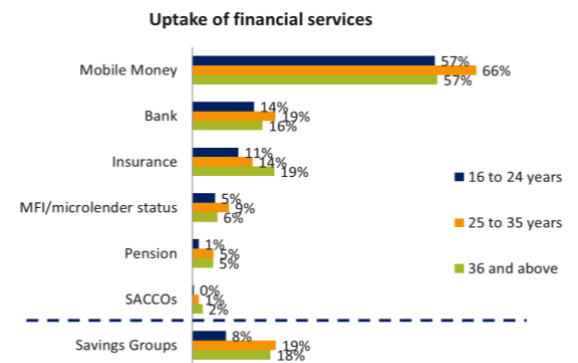
Source: FinScope Tanzania 2017

In terms of their participation in the financial sector, 65% of youth use formal financial services, with the lion share mainly utilizing mobile money. Their uptake of formal banking, insurance, credit and savings products and services remains low.



Source: FinScope Tanzania 2017

This presents a significant opportunity for public and private stakeholders to find innovative ways to improve their financial inclusion and enable them to contribute to the financial growth of the country.



Source: FinScope Tanzania 2017

Challenges facing youth's access and usage of financial services



The latest FinScope Tanzania survey revealed distinct characteristics of the youth market, which provide insights into the needs, behaviours and challenges they face in accessing and using financial solutions to improve their livelihoods. The challenges can be considered in terms of customer protection requirements, limited product offering and low financial education.

Customer protection requirements: Only 6 out of 10 youth hold some form of identification required to register with formal financial service providers. Many of them were too young to vote in the last national election, so do not hold national identification cards which are commonly used as proof of identification. For access to credit relevant documentation includes proof of land ownership, but only 11% claim to own land and of them, only 22% have proof.

Product offerings: According to FSDT's [Financial Sector Supply Side Survey, 2017](#), only 1 in 10 deposit products are focused on youth and the majority of financial solutions target youth below the age of 18 through some form of guardian held account and only 3% of loan products in the market target educational support. As early adopters of new technology, with 54% of youth owning their own phone, it is encouraging to see that 57% of youth use mobile money and 44% of savers use mobile wallets save, but it is clear that financial service providers need to better understand and develop innovative financial solutions that are appropriate to the needs, behaviours and challenges of young people.

Education: In order to participate more fully, youth need to become empowered and build their skills and capacities to take advantage of the benefits of financial inclusion. Although they are the generation with the highest education attainment, their financial literacy and business skills are low. Education sits at the core of youth empowerment and capacity building, and young people need to increase their financial literacy and to build their business and life skills in order to fully participate in the financial sector.



Quantifying the untapped potential value of the youth market: for the banking, mobile money and insurance sectors, there is untapped potential of an estimated value of nearly TZS 2,000 billion.

Banking

TZS 628 billion

Over 85% of young people do not use banking services due to Know-Your-Customer requirements, limited product offering and low financial education. If every youth out of the 6.28 million opened a bank account with the minimum balance of TZS 100,000, this would inject TZS 628 billion into the banking sector.

Mobile money

TZS 289 billion

Although 57% of youth are using mobile money, if the remaining 3.16 million young people started using the service, based on *Tanzania Invest's* estimate of the average value of a customer's annual transactions of TZS 91,200, this would yield TZS 289 billion annually to the digital financial sector.

Insurance

TZS 1,016 billion

For insurance, with over 87% of youth excluded from these services, if the 13.2 million excluded 16-35 year olds took out insurance of a similar value to the National Health Insurance Fund of TZS 76,800, this presents an opportunity of over TZS 1000 billion for the insurance sector.

Unlocking finance for young people in Tanzania?

It is clear that the potential of young people to participate fully in the financial sector is not being realised due to challenges in accessing financial services and products.

To unlock the potential of this market, there is the need for multi-stakeholder partnerships to address challenges in customer protection requirements, limited product offering and low financial education.

Customer protection requirements: Policy-makers and financial service providers can work together to develop policies to improve ID ownership for young people. Such policies could include the acceleration of the distribution of ID cards, acceptance of alternative Know-Your-Customer documentation (eg school ID cards or a referral from an account holder) and consideration of ID cards for under-18s which could be linked to their parents' ID.



Product Offering: Youth are tech savvy and open to adopting new products and services and, with targeted education, can be drivers of change in financial decision-making at the household level.

Providing appropriate digital financial solutions can increase customer bases and provide opportunities to nurture and cross-sell products and services to young people to become profitable lifetime customers and ultimately lead to sustainable growth.

Education: To ensure Tanzania harnesses the window of opportunity, public and private stakeholders need to adopt joined-up strategies to develop human capital.

Such efforts are widely reflected in the second **Five-Year Development Plan**, which places focus on increased productive capacities, skills development and job creation. Productive inclusion to build human capital is expected to lead to long-term prosperity. The **National Financial Education Framework** supports the implementation of strategies for youth groups by promoting the integration of financial management in national education curricular at both primary and secondary school levels.

In addition, financial service providers could work with other stakeholders to support basic entrepreneurship and life skills training, as well as providing expert input to the education curriculum review process to better prepare youth for the labour market, entrepreneurship and agribusiness.

If the potential of youth is not realised, this could have negative impact on the sustainability of the financial sector, but if strengthened, could be the key driver towards market expansion and growth.