



Analysis of Youth Financial Inclusion

MAIN REASONS FOR FINANCIAL EXCLUSION IN RURAL AREAS

FSDMo. 
INVESTINDO EM INCLUSÃO FINANCEIRA

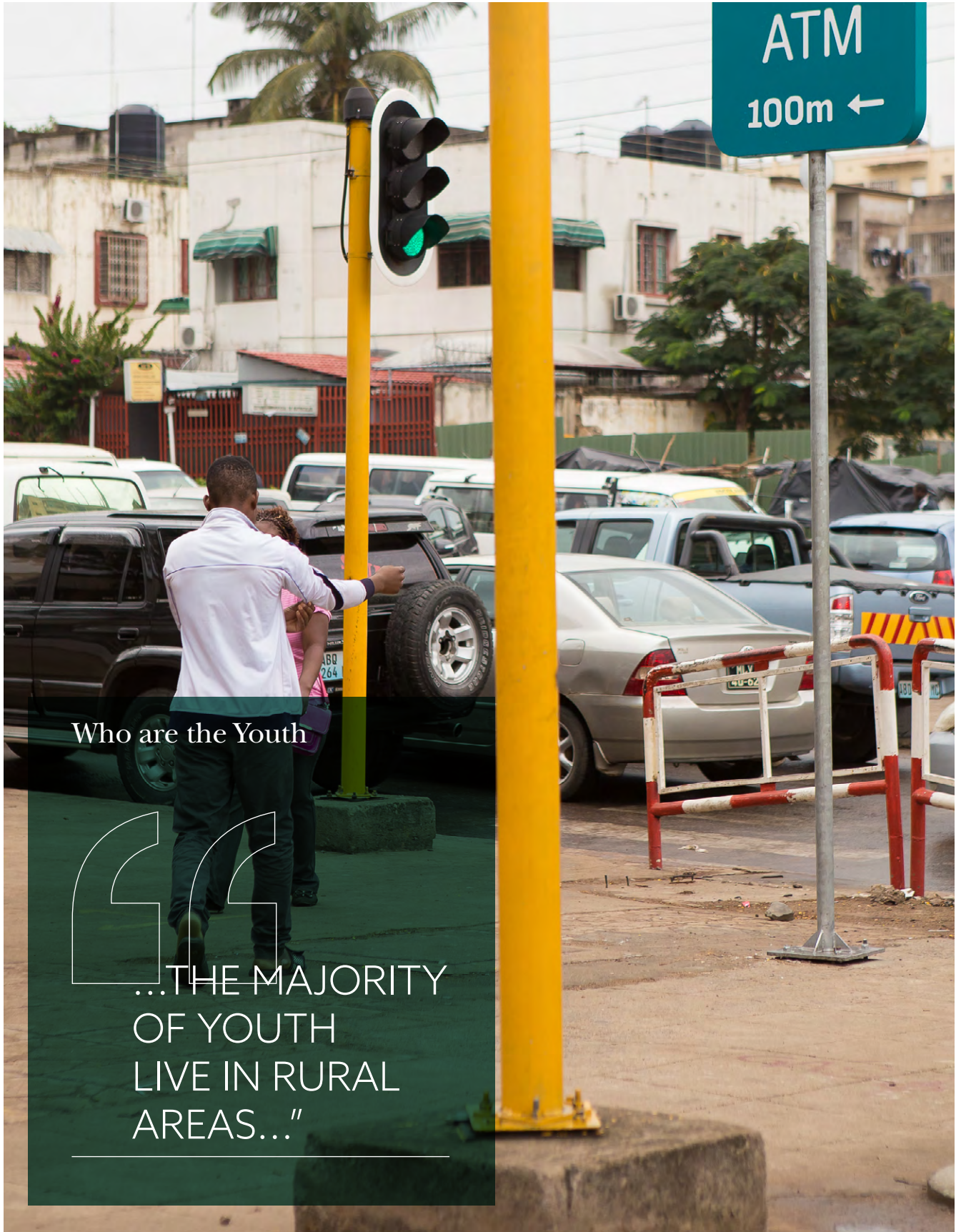
Key points

ANALYSIS OF YOUTH FINANCIAL INCLUSION



“THE TOTAL YOUTH
(16 TO 35 YEARS OLD)
POPULATION IS 8.2
MILLION, ...”

- 05** WHO ARE THE YOUTH
- 07** HOW THE YOUTH LIVE
- 09** ACCESS AND ELIGIBILITY
- 11** HOW FINANCIAL LITERATE THE YOUTH IS
- 13** THE FINSCOPE ACCESS STRAND
- 14** WHAT ARE THE YOUTH POPULATION NEEDS
- 15** YOUTH EXPERIENCE WITH NON-BANK FINANCIAL SERVICES & BARRIERS
- 21** YOUTH SEGMENTS
- 23** YOUTH SEGMENTS AND RECOMMENDATIONS



Who are the Youth

“...THE MAJORITY OF YOUTH LIVE IN RURAL AREAS...”

Who are the Youth

YOUTH PER PROVINCE

The total youth (16 to 35 years old) population is 8.2 million, i.e. 57% of total adult population in Mozambique).

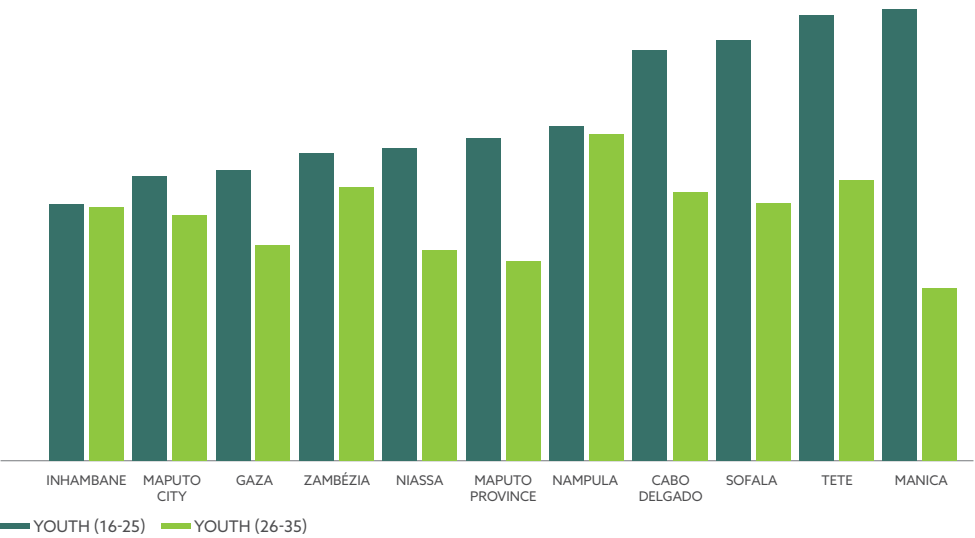
- > 33% have between 16 and 25 years old and 25% have 26 to 35 years old.
- > 56% are women for both youth age categories.

The majority of youth live in rural areas (65% of 16-25 and 66% of 26-35).

> 86% of 16-25 and 77% 26-35 have some form of education, but 56% and 57% only have primary school.

> 54% of 16-25 depend on others to pay for expenses and 46% of 26-35 have agriculture and fishing as the main source of income and a few (8%; 13%) are salaried.

> 69% of 16-25 and 63% 26-35 earn less than 5.000 Mt per month. On average they make 5.185,58 Mt and 6.510,22 Mt, respectively.

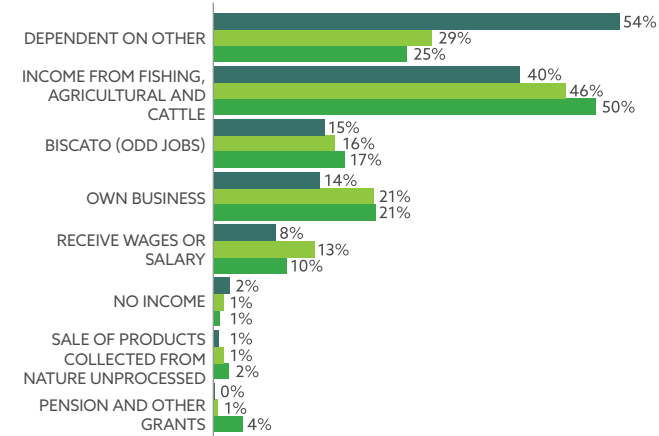


DEMOGRAPHICS

GENDER



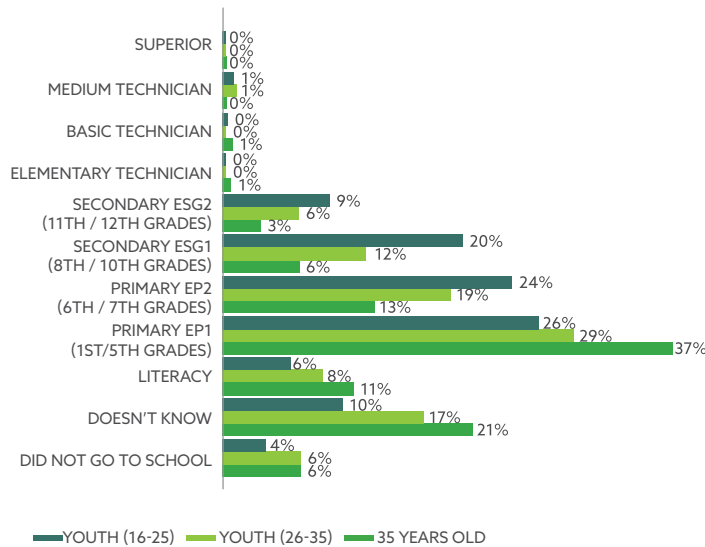
SOURCES OF INCOME



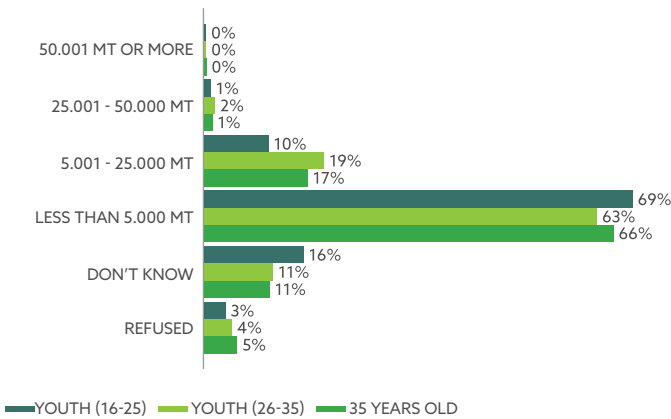
Who are the Youth

DEMOGRAPHICS

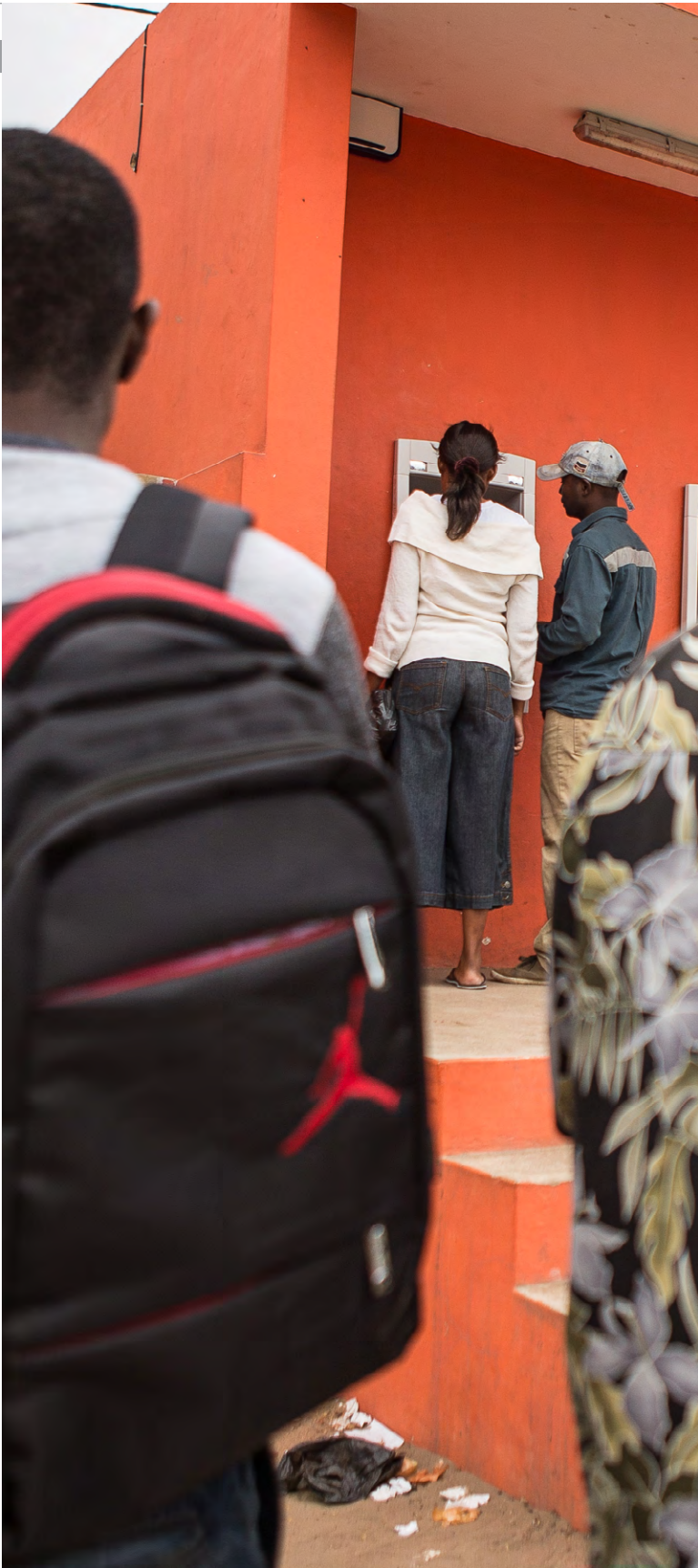
EDUCATION



PERSONAL MONTHLY INCOME



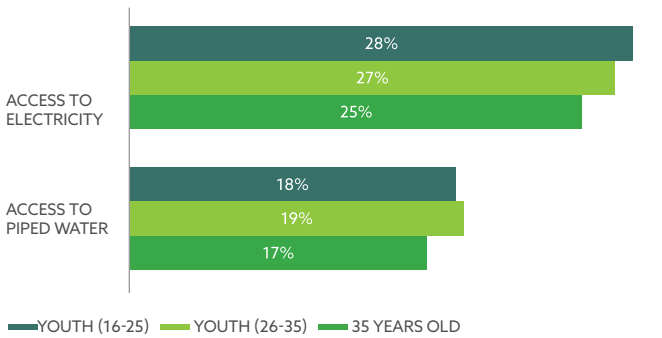
Personal Monthly Income Less than 5.000 Mt 69%



How the Youth Live

ACCESS TO BASIC AMENITIES

ACCESS TO BASIC AMENITIES



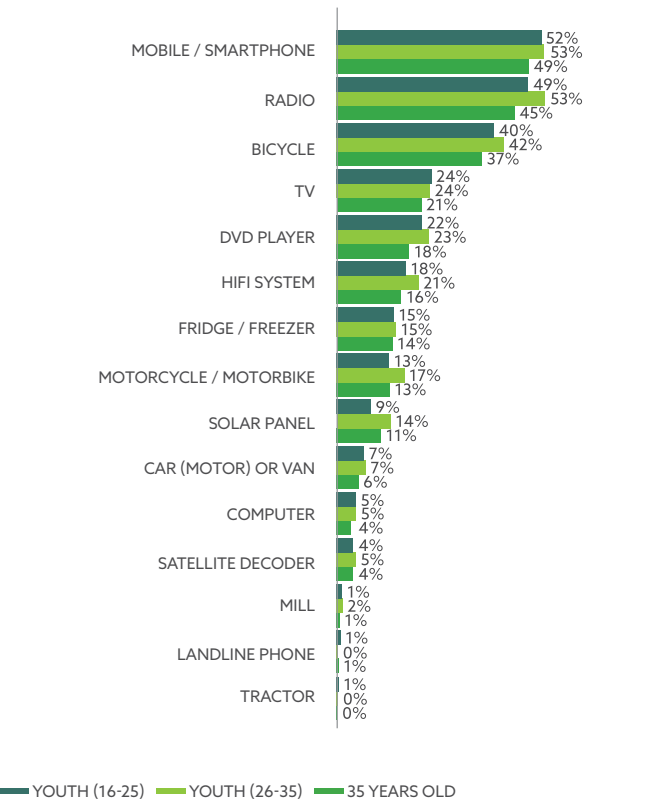
> All age groups have poor access to piped water (less than 20%) and electricity (less than 30%). Less adults with more than 35 years old have access to piped water and electricity than the other two age groups.

> Mobile phones (52%;53%), radio (49%; 53%) and bicycle (40%; 42%) are the assets most owned by 16-25 and 26-35, respectively. Adults with more than 35 years old have similar assets, although with minor percentages .

> There is no significant difference in terms of housing type among the 3 age categories.

> The financial decision making is made in consultation with partner or spouse for the three age groups though it is more common among 26-35 and above 35. This may be due to their marital status as 51% of the 16-25 years are single.

HOUSEHOLD OWNERSHIP OF ASSETS

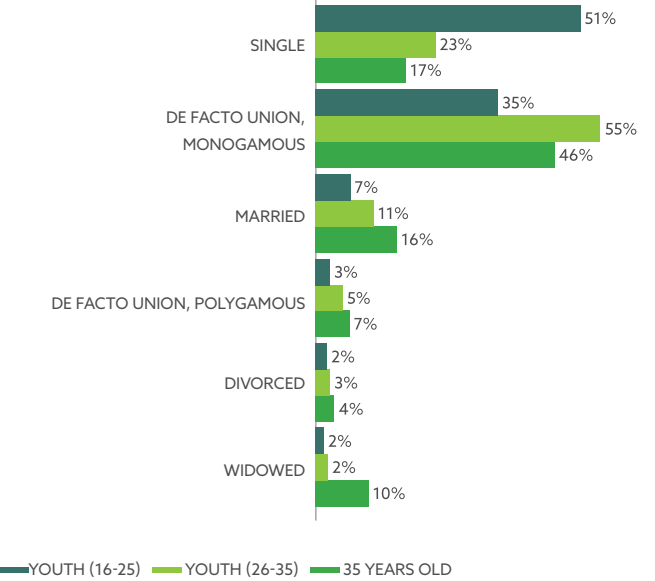


TYPE OF HOUSING

(16-25) (26-35) >35



MARITAL STATUS

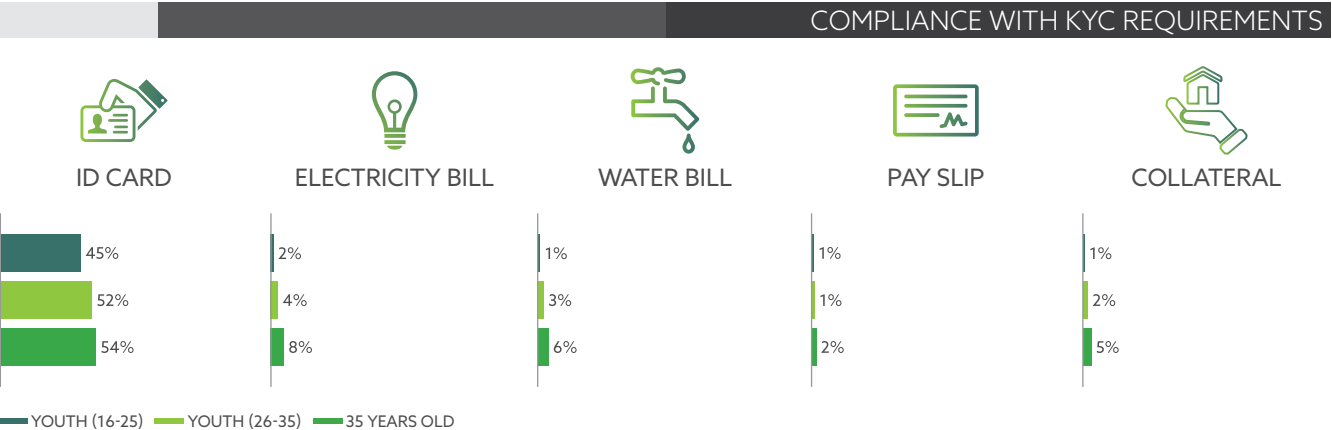




Access and Eligibility

ACCESS TO INFRASTRUCTURE				
		16-25	26-35	>35
NEAREST MARKET		Average : 30 minutes	Average : 29 minutes	Average : 35 minutes
	Time	< 1 hour: 86%	< 1 hour: 86%	< 1 hour: 82%
	Transport	> 1 hour: 14%	> 1 hour: 14%	> 1 hour: 18%
MONEY LENDER		Average : 45 minutes	Average : 46 minutes	Average : 52 minutes
	Time	< 1 hour: 77%	< 1 hour: 73%	< 1 hour: 70%
	Transport	> 1 hour: 23%	> 1 hour: 27%	> 1 hour: 30%
BANK		Average : 1h 05 minutes	Average: 1h 09 minutes	Average: 1h 11 minutes
	Time	< 1 hour: 61%	< 1 hour: 55%	< 1 hour: 53%
	Transport	> 1 hour: 39%	> 1 hour: 45%	> 1 hour: 47%
ATM		Average: 1h 06 minutes	Average: 1h 11 minutes	Average: 1h 14 minutes
	Time	< 1 hour: 63%	< 1 hour: 57%	< 1 hour: 56%
	Transport	> 1 hour: 37%	> 1 hour: 43%	> 1 hour: 44%
FINANCIAL INSTITUTION OFFICE		Average: 1h 09 minutes	Average: 1h 11 minutes	Average: 1h 15 minutes
	Time	< 1 hour: 58%	< 1 hour: 54%	< 1 hour: 52%
	Transport	> 1 hour: 42%	> 1 hour: 46%	> 1 hour: 48%

> More than half of adults from all ages can access a market, bank or ATM in less than 1 hour. Young adults from 16 to 25 take slightly less time to access these. However they have to rely on public transport to access all of the infra-structures except for markets and money lenders.

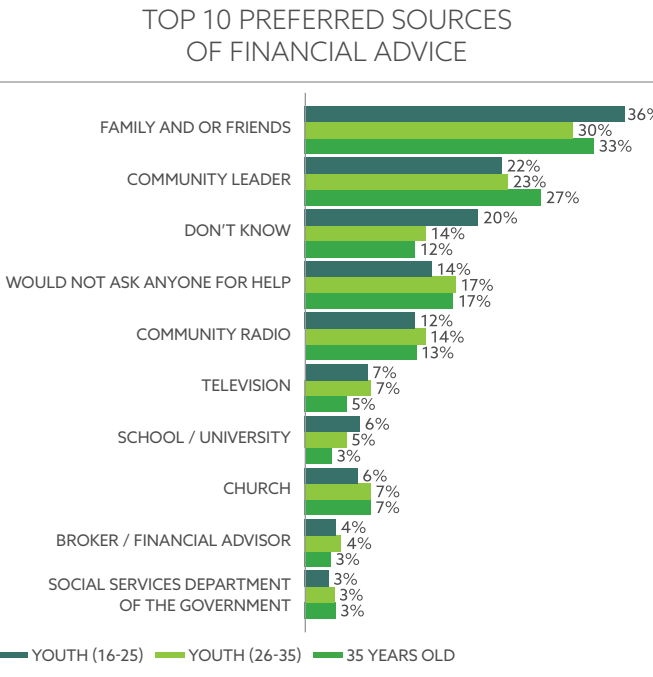


REQUIREMENTS FOR OPENING A BANK ACCOUNT

REQUIREMENTS FOR APPLYING FOR A LOAN

> All age groups have difficulties in meeting documentation requirements (particularly proof of residence) for opening a bank account and/or applying for a loan. However, data indicates that the KYC compliance is higher as the age increases.

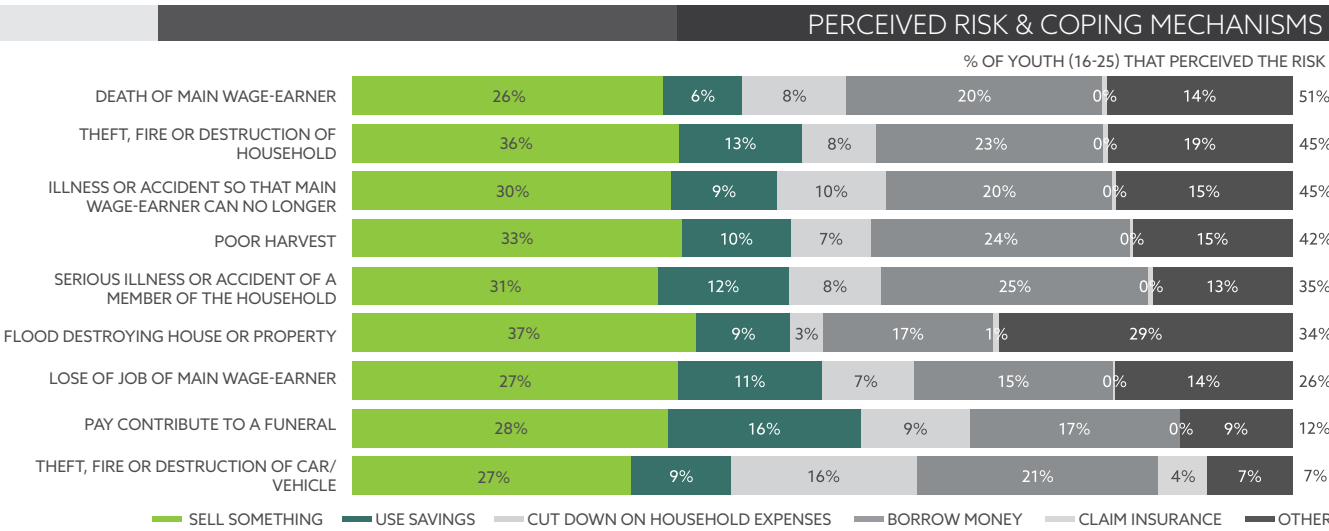
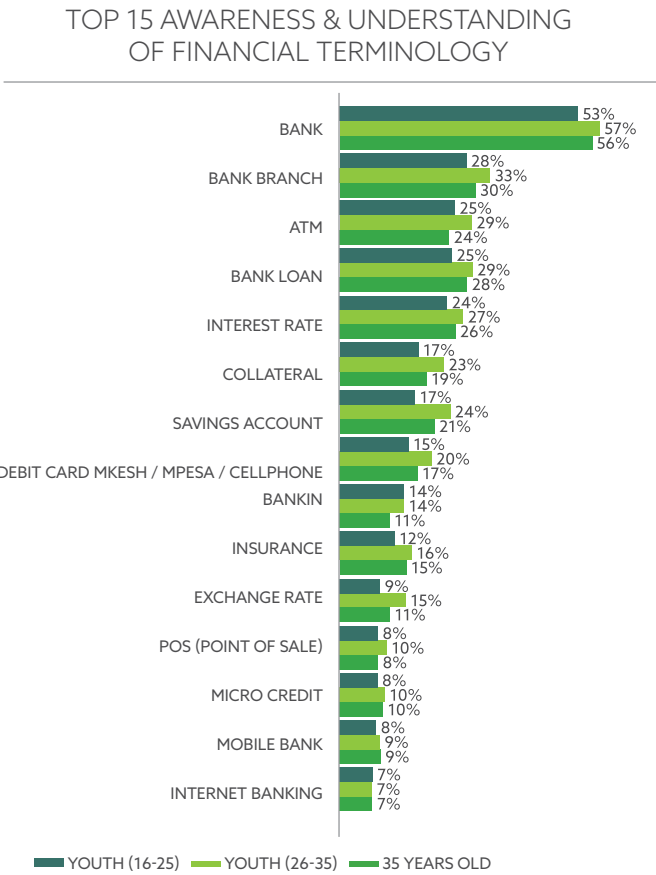
How Financial Literate the Youth is



> Youth people have low levels of understanding of financial terminology. Apart from "Bank", the other terms are known by less than 35% of youth. The scenario is very similar for adults with 35 or more years old.

> There is not major differences in terms of that awareness of cellphone banking, mobile bank and internet banking among the three age groups.

> Other than family & friends, community leaders play an important role in providing financial advice for youth population as it happens with the other age group.



> As most of 16-25 age group are dependent on others to have an income, the death of the main wage earner is the most perceived risk (51%). For the other two age groups, poor harvest is the most perceived risk. Selling something and borrow money are the most used coping mechanism for all age groups.

The FinScope Access Strand

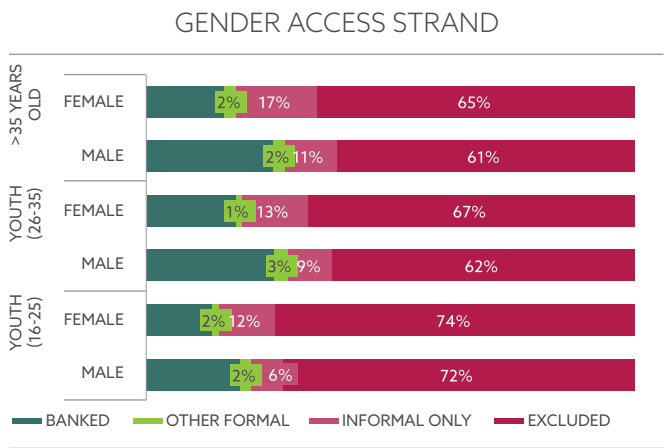


The FinScope Access Strand

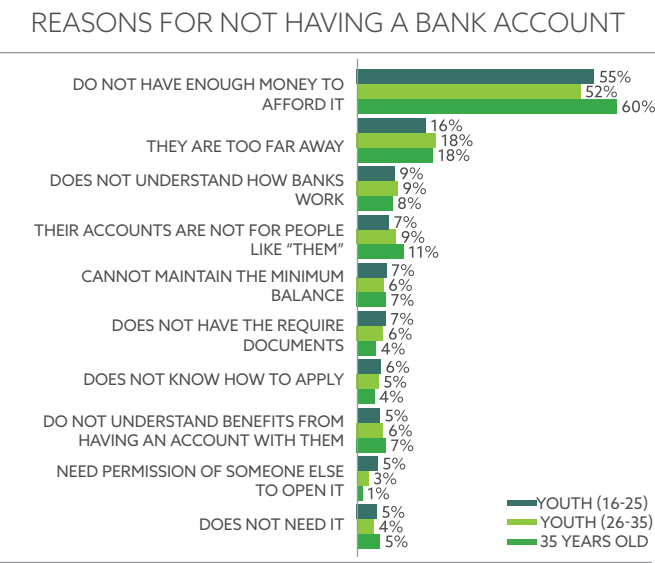
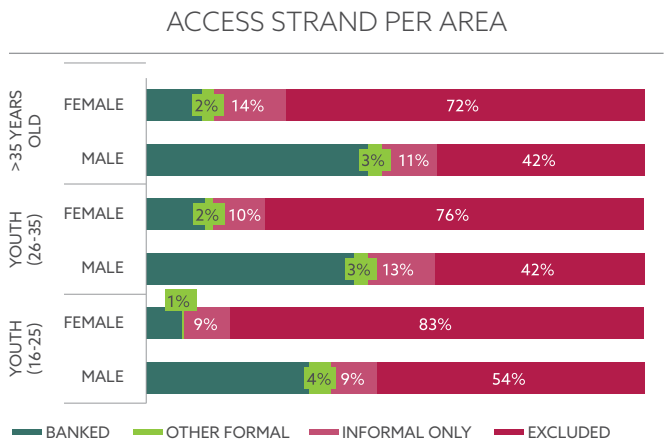
“...RURAL 16-25 YEARS ARE THE MOST EXCLUDED POPULATION (83%)...”

The Access Strand is used to understand the level of financial inclusion.

> Overall, the levels of financial inclusion increased from 2009 to 2014. However, the improvement was most felt by adults with more than 35 years old and by male. The gap between men and women and by age groups has widened from 2009 to 2014.

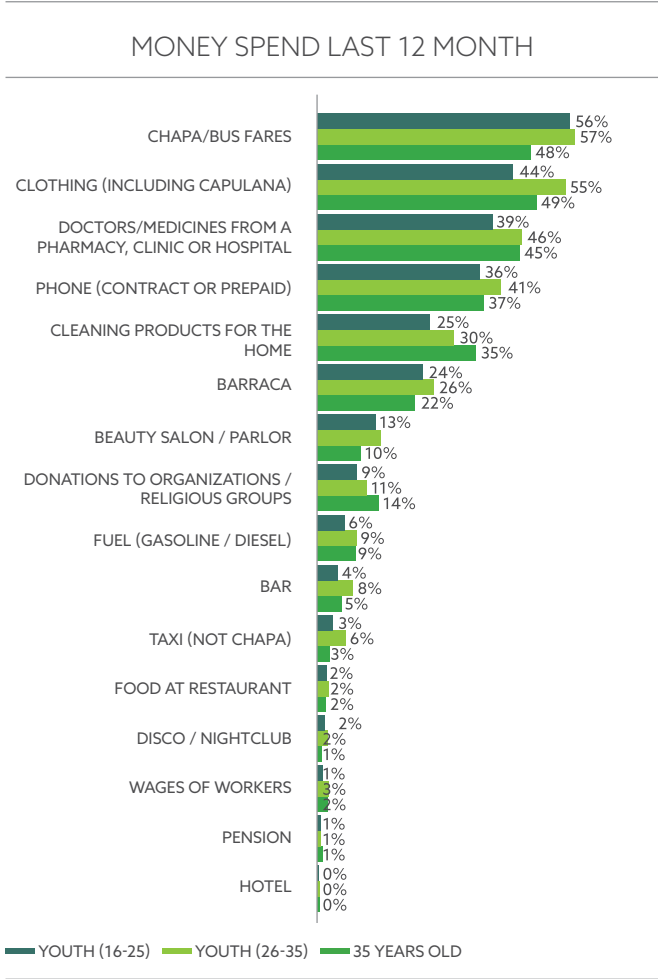


- > In terms of financial inclusion, it is clear that the younger age group is less banked and use less informal mechanisms.
- > In terms of financial exclusion from younger to older, the difference between women (74%; 67%; 65%) and men (72%; 62%; 61%) is less than 5 percentage points. However, when it comes to banked population, the difference is higher (6%, 8% and 10%).
- > Rural 16-25 years are the most excluded population (83%).
- > Not enough money (55%;52%) and distance (16%;18%) are the main reasons for young population of the 2 age groups for not having a bank account.



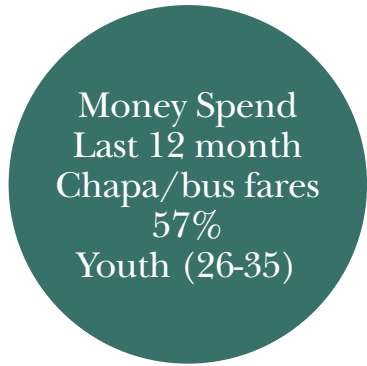
What are the Youth Population Needs

Youth Experience with Non-Bank Financial Services & Barriers



> Transport (56%; 57%), clothes (44%; 55%) and medical expenses (39%; 46%) are the categories on which most youngsters spend their money.

> Medical emergency, living expenses and education are the most common drivers for the use of financial products and services by the youth.



REASONS FOR HAVING A BANK ACCOUNT

16 - 25 <ul style="list-style-type: none">> To keep money safe (38%)> Employer requirement (26%)> To save or accumulate money (24%)> To send & receive money (15%)	25 - 35 <ul style="list-style-type: none">> To keep money safe (52%)> Employer required me to do it (30%)> To save or accumulate money (23%)> To send & receive money (21%)
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REASONS FOR RECEIVING MONEY

16 - 25 <ul style="list-style-type: none">> General expenses (44%)> Education (30%)> Food (26%)> Health (11%)	25 - 35 <ul style="list-style-type: none">> General expenses (54%)> Food (31%)> Education (12%)> Health (12%)
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REASONS FOR SAVING

16 - 25 <ul style="list-style-type: none">> To increase income (39%)> Living expenses (35%)> Medical emergency (22%)> Other emergency (19%)	25 - 35 <ul style="list-style-type: none">> To increase income (42%)> Living expenses (35%)> Medical emergency (29%)> Other emergency (18%)
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USE OF XITIQUE PAYOUT

16 - 25 <ul style="list-style-type: none">> Household goods (29%)> Saved it (27%)> Food (16%)	25 - 35 <ul style="list-style-type: none">> Household goods (33%)> Saved it (23%)> Food (17%)
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REASONS FOR HAVING A LOAN

16 - 25 <ul style="list-style-type: none">> Other emergency (49%)> Living expenses (27%)> Starting or expanding a business (26%)> Building or rehabilitating dwelling (25%)	25 - 35 <ul style="list-style-type: none">> Starting or expanding a business (49%)> Other emergency (40%)> Building or rehabilitating dwelling (24%)> Medical emergency (20%)
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REASONS FOR RECEIVING MONEY

16 - 25 <ul style="list-style-type: none">> General expenses (44%)> Education (30%)> Food (26%)> Health (11%)	25 - 35 <ul style="list-style-type: none">> General expenses (54%)> Food (31%)> Education (12%)> Health (12%)
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REASONS FOR HAVING FAMILY SHARED ACCOUNTS

16 - 25 <ul style="list-style-type: none">> Funerals (100%)> Educations (25%)> Accidents (25%)> Sickness (25%)	25 - 35 <ul style="list-style-type: none">> Funerals (100%)> Sickness (50%)> Educations (20%)> Accidents (38%)
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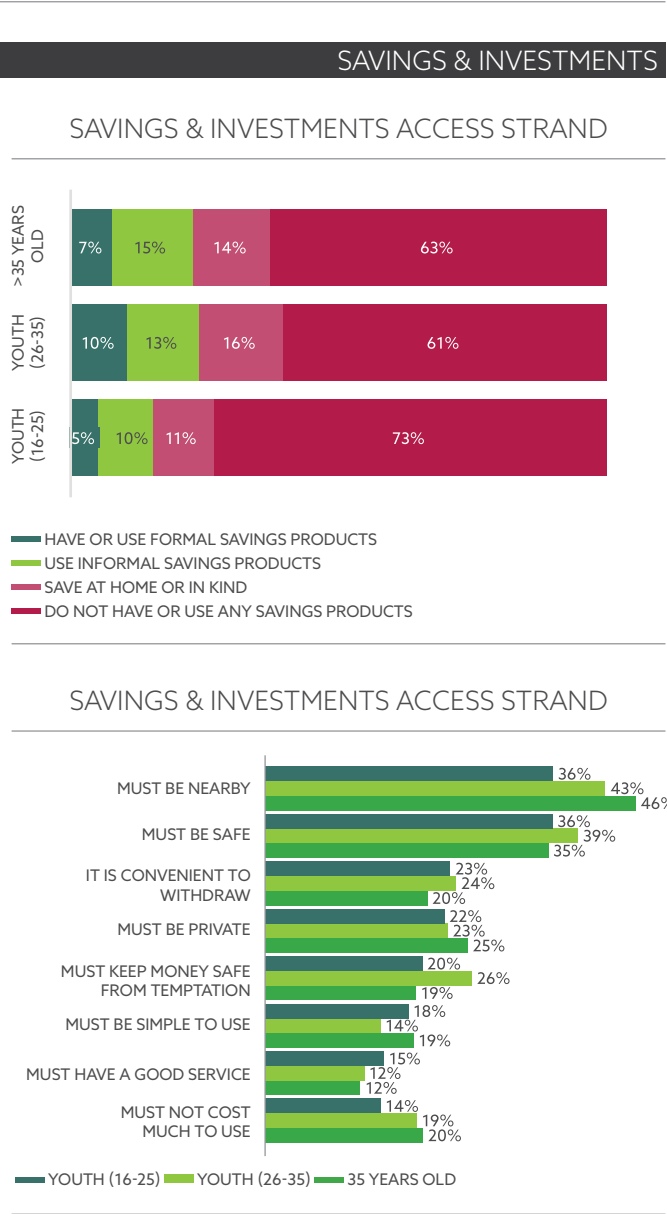
REASONS FOR HAVING A LOAN WITH CBG

16 - 25 <ul style="list-style-type: none">> Other (100%)	25 - 35 <ul style="list-style-type: none">> Stock for business (65%)> Paid debts (36%)> Agricultural inputs (28%)
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REASONS FOR HAVING INSURANCE

16 - 25 <ul style="list-style-type: none">> Insurance stops worrying (35%)> Required by law (33%)> Better safe than sorry (33%)	25 - 35 <ul style="list-style-type: none">> Required by law (38%)> Insurance stops worrying (27%)> Cannot lose the thing that is covered (27%)
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Reasons for receiving money
25 - 35
General expenses (54%)



Youth Experience with Non-Bank Financial Services & Barriers

Youth Experience with Non-Bank Financial Services & Barriers

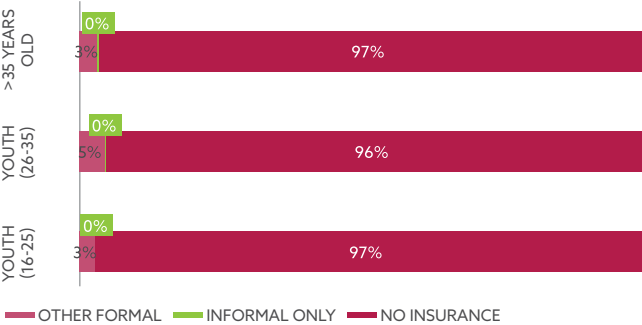
SAVINGS & INVESTMENTS

- > Most youth do not save in any form. Those who save, do it mainly at home or in a secret place.
- > Other mechanisms of saving are livestock (16-25), deposits made regularly with a savings group or collector and savings account with formal bank (26-35).
- > When considering a saving mechanism youth value proximity, security and convenience.
- > Lack of money to save (no income or no money left) and never thought about saving are the main barriers to save.

- > 11% of youth use xitique (9%; 14%) and 2% xitique geral (1%; 2%). Just 1% are part of a community based savings and credit group (0.3%; 2%) and merely 0.3% are part of a informal grouping sharing a family account (0.2%; 0.4%).
- > Few are members of more than one group so as to get more money (90%; 52%) and to smooth income “the cycles meet my needs because the money comes in different times” (8%; 32%).
- > Most youth contribute monthly (46%; 56%) in their xitique groups. Weekly contribution is also a common practice (39%; 38%).
- > Members of CBG save on average 675 and 727 Mt and the xitique members contribute on average 397 and 442 Mt.
- > Lack of money (56%;54%) is the main reason for not belonging to any group. Other reasons include lack knowledge about it (37%; 32%).

INSURANCE & RISK MANAGEMENT

INSURANCE & RISK MANAGEMENT ACCESS STRAND



- > Pension / retirement fund (31%) and funeral insurance covered by employer (29%) are the most common products among 16-25 with insurance.
- > Employer covered medical aid (19%) and Life insurance (30%) are the most common products for youth with 26 to 35 years.

WHAT STOPS THEM FROM SAVING

- | 16 - 25 | 25 - 35 |
|--|--|
| > No money left over after living expenses (40%) | > No money left over after living expenses (45%) |
| > Never thought about it (24%) | > Never thought about it (24%) |
| > No income (23%) | > All money is put into the household pot (19%) |

What Stops them from Saving
25 - 35
No money left over after living expenses (45%)

WHAT STOPS THEM FROM HAVING LOANS

- | 16 - 25 | 25 - 35 |
|--|--|
| > Fear owing money (29%) | > Fear owing money (30%) |
| > Have not thought about borrowing (27%) | > Have not thought about borrowing (27%) |
| > Do not need a loan (17%) | > Do not need a loan (14%) |

- > 4% of the total youth with 16-25 had a loan refused, of which 65% was never given a reason for the refusal. For a 9% of this group age that have been refused a loan was due to lack of formal employment.
- > 5% of the total youth with 26-35 had a loan refused, of which 63% was never given a reason for the refusal, 17% was refused because they did not have an account at the bank and 13% did not have an identity document.
- > Loans from family and friends are the most common type of loan (54% and 49% of those who have a loan). Loan with collateral (17%; 18%) and unsecured loan (17%; 18%) are the other types of loan used by the youth.

What Stops Them from Having Loans
25 - 35
Fear owing money (30%)

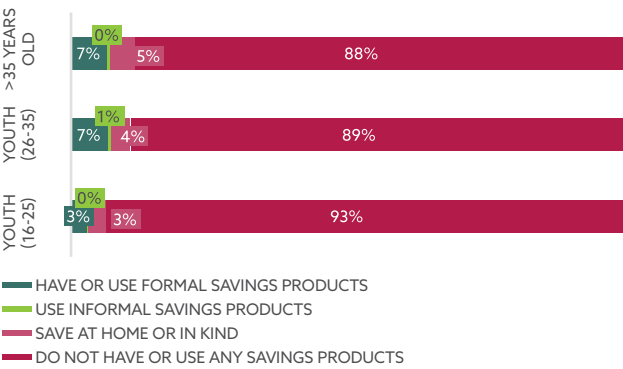
WHAT STOPS THEM FROM HAVING INSURANCE

- | 16 - 25 | 25 - 35 |
|-------------------------------------|-------------------------------------|
| > Have not heard about it (57%) | > Have not heard about it (56%) |
| > Have never thought about it (30%) | > Does not know how it works (30%) |
| > Does not know how it works (24%) | > Have never thought about it (27%) |

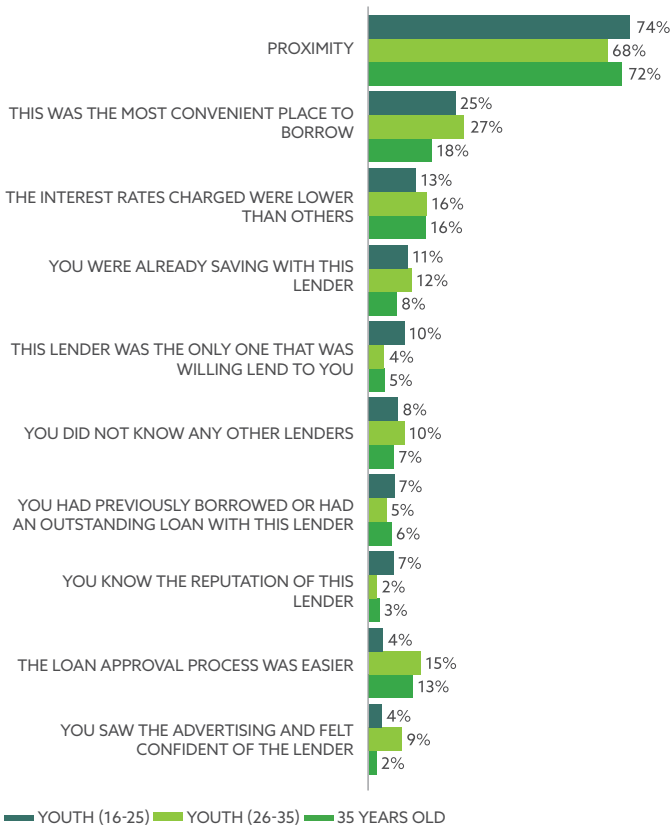
What Stops Them from Having Insurance
25 - 35
Have not heard about it (56%)

BORROWING AND CREDIT

BORROWING AND CREDIT ACCESS STRAND



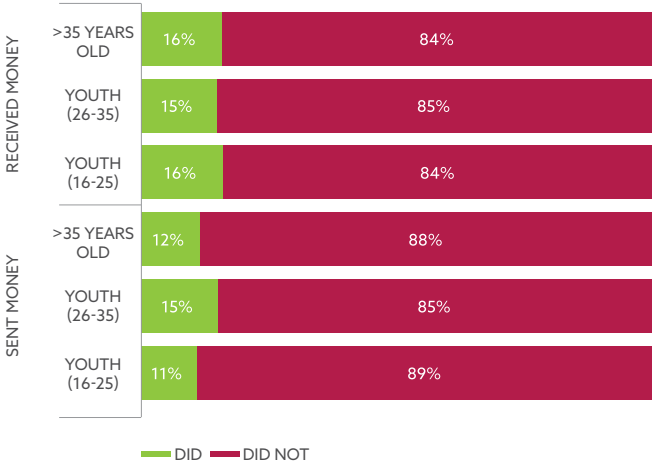
FACTORS CONSIDERED WHEN DECIDING WHERE TO LOAN



Youth Experience with Non-Bank Financial Services & Barriers

REMITTANCES

BORROWING AND CREDIT ACCESS STRAND



> In general remittances is a service with very limited use for all age groups.

48% of youth 16-25 send and 52% receive money irregularly. Youth 26-35 also send (52%) and receive (59%) money irregularly.

> Youth 16-25 send money through banks (68%) but receive through a relative or friend (42%).

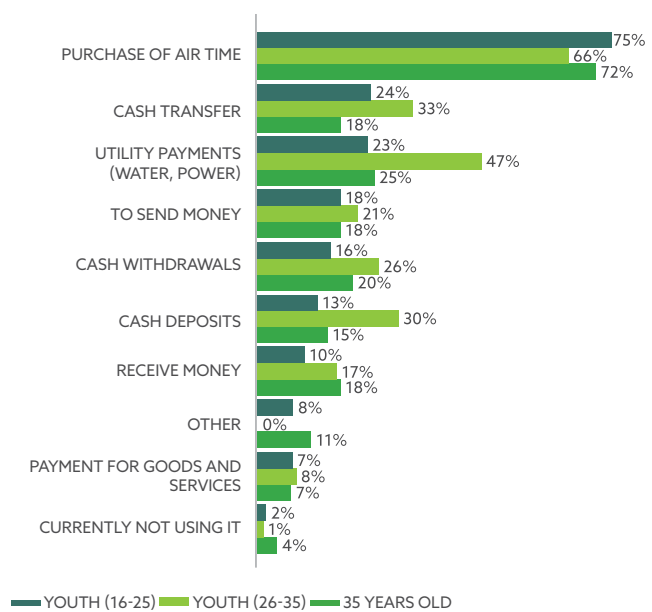
> Send (64%) and receive (54%) money through a bank is the most common form of remittances from youth with 26 to 35.

> Sending money (31%;31%) through a relative or friend and receiving through a Bank (38% of 16-25) and through a relative or friend (30% of 26-35) are the other channels used by youth to send and receive money.

> Mobile money is still not widely spread among youth to send (2%; 1%) and receive money (0%; 0%).

MOBILE MONEY

MOBILE MONEY TRANSACTIONS



TOP BARRIERS

16-25

> Does not know the service (76%)

> Does not have enough information (11%)

> Have not thought of (4%)

> 52% (16-25) and 53% (26-35) of the youth have mobile phones, against 49% of adults with more than 35.

> 24% of youth (16-25) know about mobile money and only 4% use it.

> 21% of youth (26-35) know about mobile money, but it is not very used (4%).

> Purchase of airtime is the most used transaction by all age groups.

> 45% of youth (16-25) have a normal cellphone and 10% have a smartphone (with internet access). 72% (16-25) and 69% (26-35) of youth that have a cell phone (normal or smartphone) uses the cellphone to send and receive messages.

26-35

> Does not know the service (79%)

> Does not have enough information (10%)

> Have not thought of (5%)

Youth Experience with Non-Bank Financial Services & Barriers

NEEDS OF THE YOUTH

LIFE CYCLE NEEDS:

Youth are involved in family shared accounts to deal with funeral expenses (100%;100%) and education (25%;20%). On the other hand, around 30% and 12% of the youth receive money for education purposes. Build or rehabilitate dwelling is another life cycle need of the youth (25%;24%).

EMERGENCY:

Medical and non-medical emergencies are among the top drivers of savings (22% and 19%;29% and 18%), for loans (17% and 49%; 20% and 40%), family shared accounts (25% and 25%;50% and 38%) and receiving money (11% and 0%;12% and 0%).

OPPORTUNITIES:

26% of the youth (16-25) and 49% of the youth (26-35) used loans from different sources to start/expand their business. The 26-35 age group is involved in ASCAs. They acquire loans from this source to buy agriculture inputs (28%) or buy stock for their business (65%).

MONEY MANAGEMENT:

The main drivers for savings is "to increase their income" (39%;42%) and for living expenses (35%;35%). Living expenses are also one of the drivers for loans (27%;0%). Household goods (29%;33%), to save (27%;23%) and food (16%;17%) are also the main uses of the money from xitique payout. As for the money they receive, 44% and 54% use for general expenses and 26% and 31% for food.

Emergency: Medical and non-medical emergencies are among the top drivers of savings (22% and 19%;29% and 18%)



Youth Segments



MAIN REASONS FOR FINANCIAL EXCLUSION

LOCATION

65% of the 16-25 and 66% of the 26-35 age groups live in rural areas where only 11% of bank branches are located

LOW LEVELS OF INCOME:

More than 60% of the two youth age groups receive an income of less than 5,000 Mts

TYPE OF INCOME:

Most (54%) of 16-25 are dependent on others and 40% work on agriculture. Merely 8% of them receive a salary or wage. 26-35 youth are mainly involved in agriculture (46%) and are dependent on others (29%). Only 13% are salaried

LOW LEVEL OF EDUCATION:

Although 16-25 are more educated than the other two age groups 56% only have primary school. Most 26-35 also only have primary education (57%). The study shows a clear relationship between education and levels of financial inclusion

LOW LEVEL OF FINANCIAL LITERACY:

Both youth groups have very few knowledge of financial terminology. Apart from "Bank" (53%;57%) all other financial terms are known by less than 35% of all youth ages

LIMITED COMPLIANCE WITH KYC REQUIREMENTS:

less than 50% (16-25 youth) and 52% (26-35 youth) has an ID, a few have electricity (2%;4%) or water bill (1%;3%) as a proof of residence to open a bank account

LONG DISTANCE TO A FINANCIAL INSTITUTION:

Even though more than 50% of both youth groups take less than 1 hour to reach a bank, an ATM or a financial institution office, they need to use a public transport which increases transaction costs

LACK OF REQUIRED ASSETS:

The assets owned by youth do not meet bank requirements to access a loan. Mobile phones (52%;53%), radio (49%;53%) and bicycle (40%;42%) are the assets most owned by the two age groups. Their houses are mainly huts made with adobe bricks and grass roof and are not eligible as collateral to financial institutions

POOR COPING MECHANISMS:

Despite the risks youth population is exposed to, insurance is not a common coping mechanisms they use. Instead, they sell something and borrow money to cope with unforeseen events

Youth Segments

OPPORTUNITIES						
16 - 25			26 - 35			
	S1	S2	S3	S4	S5	S6
Area	Urban 76%	Urban 45%	Urban 10%	Urban 72%	Urban 56%	Urban 10%
	Rural 24%	Rural 55%	Rural 90%	Rural 28%	Rural 44%	Rural 90%
Gender	Male 48%	Male 40%	Male 46%	Male 56%	Male 41%	Male 43%
	Female 52%	Female 60%	Female 54%	Female 44%	Female 59%	Female 57%
Main source of income	Depend on a household member to pay for expenses 26% Wages or salary 23%	Depend on a household member to pay for expenses 37% Own business 16%	Depend on a household member to pay for expenses 32% Selling agricultural crops 40%	Wages or salary 28% Own business 25%	Own business 25% Selling agricultural crops 20%	Selling agricultural crops 43% Depend on a household member to pay for expenses 21%
Personal Monthly income	< 5,000 Mt 68% 5,001-25,000Mt 20%	< 5,000 Mt 66% Don't know 19%	< 5,000 Mt 71% Don't know 16%	< 5,000 Mt 56% 5,001-25,000Mt 34%	< 5,000 Mt 66% 5,001-25,000Mt 23%	< 5,000 Mt 64% Don't know 15%
Highest level of education	Secondary ESG1 34% Secondary ESG2 31%	Primary EP229% Secondary ESG1 33%	Primary EP1 36% Primary EP227%	Secondary ESG1 23% Secondary ESG2 24%	Primary EP1 27% Primary EP231%	Primary EP1 36% Doesn't know 24%
Time to reach a Bank	Average 0:38 < 1 hour 84% > 1 hour 16%	Average 1:05 < 1 hour 58% > 1 hour 42%	Average 1:35 < 1 hour 37% > 1 hour 63%	Average 0:50 < 1 hour 76% > 1 hour 24%	Average 1:05 < 1 hour 63% > 1 hour 37%	Average 1:23 < 1 hour 38% > 1 hour 62%
Time to reach a Financial Institution Agency	Average 0:39 < 1 hour 84% > 1 hour 16%	Average 1:10 < 1 hour 53% > 1 hour 47%	Average 1:43 < 1 hour 32% > 1 hour 68%	Average 0:52 < 1 hour 74% > 1 hour 26%	Average 1:06 < 1 hour 61% > 1 hour 39%	Average 1:27 < 1 hour 35% > 1 hour 65%
Time to reach an ATM	Average 0:37 < 1 hour 84% > 1 hour 16%	Average 1:06 < 1 hour 63% > 1 hour 37%	Average 1:42 < 1 hour 35% > 1 hour 65%	Average 0:53 < 1 hour 74% > 1 hour 26%	Average 1:06 < 1 hour 61% > 1 hour 39%	Average 1:28 < 1 hour 46% > 1 hour 54%
Documents	ID Card 76% None 22%	ID Card 56% None 44%	ID Card 27% None 73%	ID Card 87% Passport 18%	ID Card 74% None 26%	ID Card 30% None 70%



Youth Segments and Recommendations



SEGMENTS ANALYSIS	
SEGMENTS ANALYSIS	
<p>> Looking to youth segments identified, segment 4 (S4) is the most attractive segment since: 28% have a salary and 25% have their own business; 34% receive between 5,000 and 25,000 Mts; almost half of them have secondary school and 76% reach a bank and 74% reach an ATM in less than 1 hour. On the other hand, 87% have an ID. This segment is essentially urban (72%).</p> <p>> Segments who are mostly in rural areas are less attractive. However, segment 5 (S5) have around half of the youth population in rural areas, can also be tackled to avoid urban bias. 58% have primary school; 25% have their own business and 20% sell agriculture crops; 23% receive between 5,000 and 25,000</p>	
RECOMMENDATIONS	
<p>Best Practices recommend that to increase youth financial inclusion, there is a need to develop a outreach strategy composed with 4 elements: Product Strategy, Communication Strategy, Delivery Strategy and Relationship Strategy. the following measure should be taken:</p>	
PRODUCT STRATEGY	
<p>> Savings products: They help young people to accumulate assets for the future and create a cushion that they can fall back on an event of emergency. Semi-flexible savings represent a good solution</p> <p>> Loan and leasing products: loans for education and enterprise start up and working capital</p> <p>> Money transfer to receive money for education and leaving expenses</p> <p>> Debit cards with a lower cost to attract this segment to banking services</p> <p>> For all this products it is important to revise the enter age in banking system</p>	
COMMUNICATION STRATEGY	
<p>> Tailor communication to youth: It is crucial that the communication uses youth language & icons</p> <p>> Include financial literacy: e.g. expand World Savings Day activities to high schools, technical schools and universities</p>	
DELIVERY STRATEGY	
<p>> Mobile money: given that young people are more technology savvy, mobile based financial services can help them reduce transaction costs and risks</p> <p>> Introduce bank agents in high schools, technical schools and universities</p>	
RELATIONSHIP STRATEGY	
<p>> Introduce a Youth Financial Service Day to ensure permanent and regular contact with the segment</p> <p>> Provide excellent client service to ensure long term relationship</p>	

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