

# Hope or Hype?

## Five Obstacles to Mobile Money Innovations for Youth Financial Services

Seen as a critical enabler of young people's economic empowerment, youth financial inclusion has galvanized support and activity all over the world, garnering attention from policymakers, the financial sector, practitioners, and researchers. At the same time, technology, particularly the mobile phone, is increasingly seen as a potential tool to bridge gaps in information, products, and services to poor people worldwide. Services like M-PESA in Kenya have sparked interest and attention around the mobile phone's potential to accelerate the pace toward global financial inclusion. As a result, there is growing consensus that mobile solutions are an important, effective development strategy.

Mobile-enabled solutions to financial access and capability bring hope to those working in youth financial inclusion at a time when existing tools are proving less effective and sustainable than envisioned. Classroom-based financial education has not catalyzed changes in behavior effectively, nor have we yet found a way to make youth financial services sustainable.<sup>1</sup> Inspired by many of the mobile financial service successes for adults, including mobile wallets, mobile payments, and account access for deposits and withdrawals, the youth financial inclusion field sees a way forward. Theoretically, mobile solutions should allow the field to leapfrog many existing hurdles to financial access and experiment with delivery

---

*Jamie M. Zimmerman is Director of the Global Assets Project at the New America Foundation, a nonpartisan think tank based in Washington, D.C., and a member of the YouthSave Consortium. YouthSave is an initiative aimed at developing and testing savings accounts for low-income youth in developing countries.*

*Julia Arnold is a Research Fellow with the Global Assets Project at New America Foundation. Julia has a background in mobile financial services for low-income women and has published original research that examines whether or not the mobile phone is a barrier to women's access to financial services.*

*This article summarizes findings also presented in the 2013 Global Assets Project policy brief, "Accelerating Access: The Movement Toward Mobile Solutions to Youth Financial Inclusion" by Zimmerman et al., published by the New America Foundation.*

channels, marketing, behavioral nudges, and other financial capability-enhancing activities.

Applying mobile solutions to goals for youth financial access has particular appeal, as young people are known to be early adopters of and innovators with new technology. Experience has shown that children and youth do not even need formal training to be able to pick up and use a mobile phone.<sup>2</sup> By building on this ease with technology, access to financial services early in their lives may maximize the positive economic, social, and behavioral impact on youth.<sup>3</sup> Accumulating assets early can help mitigate the vulnerability and volatility that define the lives of low-income individuals and households. In fact, youth may even influence older household and community members by demonstrating the benefits of formal financial services.

If youth (a) generally have access to mobile phones, (b) are early adopters and fast learners of new technology, and (c) develop their stickiest behaviors (i.e., those most resistant to change) early in life, then mobile solutions should be an accelerator of financial capability and access among the youth demographic, even more so than for their adult counterparts.

Promise and excitement aside, however, we are still a long way from proving the accelerator hypothesis. There is a dearth of evidence on how low-income youth use mobile phones, on whether they have regular access to them, and if mobile-enabled financial services and information will be as accessible to youth as they seem to be for adults. To be sure, the youth financial services field is only beginning to understand how youth earn and manage money and, by extension, to understand whether and to what extent the mobile phone can effectively provide access to formal financial services. By synthesizing the current opportunities and obstacles to using mobile-based tools to advance youth financial access and by assessing current opinion among practitioners, this paper examines whether mobile solutions offer the youth financial inclusion field immense hope, or just hype.

## THE PROMISE OF MOBILE AND YOUTH

### **The Context**

A vast majority of the world's 1.5 billion youth live in poor countries, with nearly 1.3 billion living in developing countries and one in five living on less than \$1 a day.<sup>4</sup> Low-income youth tend to start working earlier, get married and have children earlier, and engage in complex financial transactions early in life. Out-of-school youth are overrepresented among the unemployed and underemployed, even where unemployment rates are not high.<sup>5</sup> As youth face major life transitions without adequate education, with low employment, and increasing responsibilities, financial services (especially safe, reliable savings services) can play an important role in how well they will adjust throughout their lives. We know that youth in and out of school save money, typically in small amounts.<sup>6</sup> Yet, of 800 million youth living on less than \$2 a day, only about 4.2 million have access to financial services,

and thus little formal means of managing their resources or saving for their future.<sup>7</sup>

Research shows that youth across the developing world want flexible, accessible savings services with transparent, and preferably low, fees.<sup>8</sup> What money youth do earn—from allowances, gifts, or work—tends to be saved through informal means, either hidden in piggy banks or given to their parents for safe-keeping. Much like the informal saving mechanisms used by their parents or other adults in their communities, these methods are neither safe nor reliable. While youth on the whole have many misperceptions about formal financial services and institutions that reduce their propensity to use formal accounts, providing them with access to a safe, private place to store their savings is fundamental in helping them build and gain access to their assets.<sup>9</sup>

### **The Promise**

Mobile-based financial services, typically referred to as mobile money, may give underserved low-income people access to financial tools that offer flexibility and privacy at low cost. With over five billion subscribers in developing countries, the mobile phone has created a network through which many people, particularly those in rural areas, now have access to vital information and services.<sup>10</sup> For youth, this holds particular promise. Limited mobility plays a defining role for most youth throughout the developing world, especially girls. Mobile phones could offer youth, especially rural youth, the opportunity to leapfrog physical mobility constraints and the power relations within which these are bound.<sup>11</sup> Youth are severely time-constrained (especially those still in school); they have small, sporadic incomes; and they place high priority on finding a private place to keep their savings. Mobile financial services could help to ensure that youth customers avoid the often expensive and time-consuming journey to a bank branch while offering them the privacy of transacting without an adult present.

Mobile solutions could also enhance youth financial capability, which requires access to appropriate financial services combined with the ability, knowledge, skills, attitudes, and behaviors to make sound personal financial decisions.<sup>12</sup> Mobile-based nudges such as educational messages, reminders, or alerts sent via Short Message Service (SMS), offer a convenient and 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 behavior that can be carried through the rest of their lives. Whereas financial education can implant tools and knowledge, SMS reminders and alerts can prompt behavioral changes that ultimately help youth plan and meet their future goals.

### **The Evidence**

We use the United Nations definition of youth (age 15 to 24), but not everyone studying this demographic does, which makes analysis difficult. This variation also confirms that youth are not a homogeneous group, nor is youth simply an age; it is a life stage, one full of transitions and new experiences. Youth are as varied as

adults, and thus understanding their needs, from skills training to mobile phone access, can be complex.

Evidence on whether and how youth use mobile phones is sparse and often contradictory. Research conducted by the GSMA mYouth initiative found that, of the 4,500 children age 8 to 18 who were surveyed in Egypt, Chile, India, Indonesia, and Japan, 65 percent had access to a mobile phone and, among those who owned a phone, 81 percent had a new handset.<sup>13</sup> There were regional and age differences as to when youth first owned a phone and how they used it; for instance, younger children tended to use their mobile phone to make calls while older youth sent SMSs.

GSMA profiled countries with high mobile phone penetration rates, but these are not representative of the developing world, much less of the low-income youth living in it. Another study of almost 3,000 youth age 9 to 18 in three African countries (South Africa, Ghana, and Malawi) found that a majority of youth there do not own phones. In fact, mobile phones per household varied widely, with 77.2 percent of households in South Africa, 29.6 percent of households in Ghana, and only 23.3 percent of households in Malawi having a mobile phone. A significant portion of youth claimed to not even use a phone (60.2 percent of youth in Ghana and 76.9 percent in Malawi), which indicates that gaining access to mobile phones is a challenge for these youth.<sup>14</sup>

Gender plays a role in mobile phone access as well. While 70 percent of parents on average in the GSMA study cited concerns about their children's use of mobile phones, these concerns decreased as their children got older but, notably, they decreased more significantly for boys than girls. Parental control over children's use of and access to mobile phones is important, especially for girls. Girls in Ghana reported having very little access to household phones and a fear of punishment if they did use them.<sup>15</sup> Interestingly, this varied significantly by country: girls in South Africa had more use of mobile phones than boys, while girls in Malawi and rural Ghana had less use of them than boys; this pattern suggests that, as mobile phone use becomes more widespread, girls may begin to reap the benefits in greater numbers.

A study of 1,198 15- to 24-year-old youth in Kenya and Ghana examined youth access to financial services and mobile phones.<sup>16</sup> In general, the study found that youth with a bank account were more likely to seek information on financial topics and use financial services than those without a bank account. In Kenya, for instance, 75.5 percent of mobile money users between the ages of 15 and 19 have bank accounts. This ratio shifts as the population gets older and is reversed in the 25- to 44-year-old range: 57 percent of the unbanked in this age range use mobile money but 42 percent of the banked do. Significantly, among low-income youth, only 16 percent of 15- to 19-year-olds and 15 percent of 20- to 24-year-olds use or have access to mobile money. When asked about their savings habits, almost 25 percent of Kenyan youth age 20 to 24 who have used M-PESA also use their accounts as informal savings mechanisms. Only 7 percent of youth age 15 to 19 reported doing so, but this may be because M-PESA requires users to be at least 18

years old. In Ghana, there was very little recognition of mobile money services: 75 percent of all respondents said they had not seen any information on the topic. However, more than three-fourths of both urban and rural youth reportedly use mobile phones, so there is potential to expand banking by phone as more services are provided.

It seems that while global enthusiasm is strong for the use of mobile technology to facilitate youth financial inclusion, there is still a lot we don't know about the extent to which mobile phones are prevalent among low-income youth in developing countries. Indeed, we are only beginning to understand the financial lives and needs of low-income youth, let alone how mobile phones can help meet those needs.

## CURRENT STATE OF THE FIELD

### Perspectives

The dearth of data on mobile-based youth financial tools has not stifled enthusiasm for them. To further understand how the youth financial services field perceives mobile technology's potential for youth financial inclusion, New America Foundation, in partnership with Making Cents International, conducted a survey in May 2013 of one hundred professionals with expertise in youth financial services and capabilities, and mobile phones. The survey allowed us to test these theories by asking some key questions of experts and colleagues about their experience working toward youth financial inclusion. In addition to this survey, we conducted follow-up interviews with individuals who helped us get a deeper look into some of the survey results.

The survey primarily investigated three questions:

- Which tools are currently being used in the field?
- Which tools hold the most and least promise for the future?
- What are the biggest and smallest obstacles to mobile youth financial services?

We found little consensus among respondents for all three of these questions. Respondents came from diverse backgrounds and worked all over the developing world. They had a wide variety of experience with mobile tools, including SMS, mobile money, branchless banking, and data collection.

The respondents were evenly divided on how they believe low-income youth use mobile phones: for everything, only for things like calls or texts, or rarely due to limited access; each answer got nearly one-third of all responses. When the questions are analyzed by the region in which the respondents work, the picture remains mixed, which is somewhat surprising. When asked whether youth should be considered a segment separate from adults, over half of respondents said yes; one-fourth said it depended on the tool. When considering these two questions together, it becomes clear that it is difficult to place all youth in one box. They are not homogeneous, and it is likely that how youth use mobile phones depends on a variety of factors, demographic, social, and others. It may even be that the older youth are more similar to adults than to younger youth, but the nature of the sur-

vey did not allow for this kind of nuanced answer.

The most interesting finding from the survey illuminated a gap between which mobile tools currently offer the greatest opportunity and which tools respondents think will offer the greatest opportunity in the future. Across region and profession, tools seen to offer the greatest current opportunity varied; SMS and mobile money were seen as equally good opportunities across regions, and SMS and data collection were seen as great opportunities across professions. When asked to select which tools have the greatest opportunity in the future, regardless of region or profession, everyone converged on mobile money. Even when examining results by the tools with which the respondent had actual experience, there is no tool loyalty; mobile money is seen as holding the greatest promise for the future. These results expose a gap between which tools are currently at our disposal and which tools we *think* we'll have access to, and that our clients will want and use, in the future. The wide gulf between present and future thinking exists either because mobile money is assumed to be the tool of the future and youth thus will automatically use it, or because we simply don't know what the future holds.

Finally, when asked which issues pose the greatest obstacle to using technology to achieve youth financial inclusion/capabilities, there is again no clear consensus among respondents. Policy and regulations, bank account ownership or access, know-your-customer requirements, lack of data, and sustainability were all selected by most people as significant obstacles, but none of them is an outlier. Interestingly, none of these obstacles is specific to available technology; most are the obstacles that must be addressed before technology can be leveraged for youth financial access or education.

The survey results provide perspective on the trajectory toward mobile-based solutions, but which tools are actually in use or being tested on the ground? We will explore the range of mobile-based tools for youth financial access, from financial services to financial education. These stories are not meant to be exhaustive but simply to illustrate how the tools just discussed are used today.

## Practice

### *Financial Services.*

While it seems a number of organizations and banks are gearing up to launch pilots, research, and products in the next year or have products in the very early stages, there are few examples of mobile-based banking for youth, particularly for those under 18 years old.<sup>17</sup>

In Kenya, Equity Bank is a leader in the field of mobile banking for youth. In 2007, the bank began offering a loan to youth age 18 to 35, which was specifically tailored to youth needs and included financial education, training, and mentoring. In 2011, looking to technology-based solutions to increase scale and reduce transaction costs, Equity Bank began offering a technology-based solution that allows youth clients to use their mobile phones to apply for loans, make payments, and deposit or withdraw money. By January 2012, the service had nearly one and a half

million users.<sup>18</sup> Equity Bank also offers mobile banking through a mobile van, thereby giving youth without mobile phones the opportunity to make deposits not far from their homes. The bank has found that agent banking through point-of-sale devices or phone solutions is the most popular mechanism for deposit and withdrawal.

As part of the multicountry YouthSave Initiative,<sup>19</sup> PostBank in Kenya began piloting a youth savings account called SMATA in July 2011. Based on pilot feedback, it became clear that youth needed a flexible delivery channel, which led PostBank to offer the savings account via mobile phone and agent networks. The youth mobile savings account uses the M-PESA platform, allowing youth who have access to an M-PESA account to easily transfer money between any M-PESA account and their SMATA account via mobile phones. A youth savings account holder can deposit money into their account in three ways: through a mobile phone, as long as they have access to an M-PESA account; through a bank agent; or through a bank branch. As of May 2013, PostBank had over 17,000 open savings accounts, 35 percent of which were opened by girls. SMATA will soon include an SMS-based financial education component for current clients.

In 2012, Tunisiana, a Tunisian telecommunications firm, in partnership with the Tunisia Post, began offering a mobile banking service targeted at the unbanked, called Mobiflouss. Users purchase prepaid cards at the post office, register with the service via their mobile phones, and are instantly connected to services such as airtime top-up, peer-to-peer money transfer, and mobile bill pay. Students are able to receive government grants directly into their Mobiflouss mobile wallets. Though not specifically designed for youth, the service was heavily targeted at students, and by March 2013, most of its 128,000+ active users were under 30. Tunisiana also offers a mobile education service called MobiWorks, which aims to increase youth employment.

In 2012, Safaricom and the Commercial Bank of Africa jointly launched a new mobile banking product called M-Shwari, which is a savings and loan product that provides all M-PESA users with access to high-interest accounts and short-term loans. By the end of 2012, 75 percent of subscribers were between 18 and 35, which shows that this service is in high demand among youth and young adults. Users save their own money and then borrow against it for 30-day loans of up to about \$230. The loans do not require fees or paperwork; clients simply dial a number to receive an SMS with their credit limit. Two and a half months after its launch, M-Shwari had over 1.6 million customers.

### *Financial Capabilities*

Indonesia-based Plan International's Youth Economic Empowerment project, which links rural youth with employment and entrepreneurship skills to microfinance services, uses SMS to provide additional financial education to its youth participants. The youth, age 17 to 24 and primarily female, receive training at specialized training centers in life skills, work readiness, basic entrepreneurship, financial education, and reproductive health. The project brings employers to the youth or

takes the youth to various workplaces to see the work firsthand. Additionally, the project regularly sends each participant SMSs, which, for example, encourage them to save part of their earnings each week. Anecdotal evidence suggests that the participants modified their behavior once they began receiving the messages; in fact, they went from spending their income to buy new mobile phones or play video games to competing with each other on who could save the most.

In Ecuador, Freedom from Hunger (FFH) and partner financial cooperatives provide financial education and savings services to youth. The project began simply, by providing youth in local schools with education-promoting savings and good money-management decisions. However, FFH found that financial education was not enough to encourage youth to open up savings accounts; they were not making the connection between the information they learned and their actions. FFH and its partners began strengthening the link between its financial education and actual savings products by including information on access to and use of various financial services offered by the cooperatives. More importantly, FFH and its partners began promoting the uptake of savings accounts by facilitating some of the opening processes at the school sites. In addition to in-school financial education sessions offered once a week, the student participants receive SMSs reinforcing the information they learned in class. In order to avoid dormant accounts, representatives from financial cooperatives visit young people in their schools and homes in rural areas to take deposits via a smartphone, thereby saving young people in rural areas the cost of traveling to a town to make a deposit at a branch. Since 2011, the project has reached over 10,000 youth with both financial education and access to savings accounts.

YouthSave Initiative partners in Colombia are currently conducting a randomized, controlled trial experiment that aims to measure the effectiveness of mobile SMSs and reminders to increase savings rates among youth account holders. In Colombia, 70 to 80 percent of youth, including low-income youth, own their own mobile phones.<sup>20</sup> The yearlong experiment, which began in March 2013, will measure whether SMS effectively promotes and increases saving rates, whether the SMS content matters, and whether SMS frequency matters. Randomly selected youth were divided into three treatment groups that receive either financial education SMSs or simple savings reminders.

Although rare examples of mobile banking with educational nudges for youth financial access exist, we anticipate that usage of both will grow substantially in the near future. A number of existing innovative mobile solutions go beyond the tools outlined above and bring financial education and more to youth. Examples of solutions under consideration or in testing include mobile stock-picking as a form of education and income earning; tablet-based education using apps; mobile gaming that aims to improve literacy; and using social media for education.<sup>21</sup> Still, efforts in the field to create, test, and implement solutions remain the exception, and what they have revealed is that actual innovation and new solutions have not kept pace with increasing enthusiasm for mobile solutions.



## OBSTACLES TO USING MOBILE SOLUTIONS AS AN ACCELERATOR

### **What is stifling innovation on mobile-based youth financial access?**

The lack of evidence on mobile phones and youth, particularly on financial inclusion, is most likely due to the fact that mobile financial services and capabilities, and youth financial services generally, are very new. After examining the gap between theory and practice, we find there are a number of barriers, both youth-specific and general, that the field must address before we can achieve universal youth mobile financial access and inclusion. The survey results indicated that, while there is no clear consensus across region or field as to which obstacles are the most significant, the biggest obstacles have little to do with mobile technology itself and much to do with our ability to use it to effectively reach the low-income youth demographic. This section outlines the five obstacles we think are significant inhibitors of mobile-based solutions to youth financial access.

Two obstacles that affect low-income adult and youth populations alike are infrastructure problems and the lack of social data. While certainly not exclusive to youth, infrastructure failures affect youth acutely. Adults and youth face similar challenges to accessing network coverage, which can vary widely within and between countries. As one survey respondent said, “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?” As for social data, it is difficult, if not impossible, to create and pilot a product for a target group without knowing the group’s needs and restrictions. 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.<sup>22</sup> This is a widespread issue and speaks to a deeper need for adequate market research before a product is offered to any demographic. When it comes to providing mobile financial services and capabilities, what we don’t know about youth far outweighs what we do.

### **Regulation**

Arguably the biggest obstacles to youth gaining access to financial services, let alone those mobile-enabled, are the legal and regulatory barriers they face, namely, the minimum age and identification requirements to open and transact through an account. Most countries require account holders to be at least 18, with few exceptions.<sup>23</sup> Those younger than 18 need a parent or guardian to open the account and withdraw money, although youth often may 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 do not have birth certificates or registration documents.<sup>24</sup> In some countries, like Uganda, youth must provide multiple forms of identification, proof of residence,

proof of income, and proof of relationship between the joint account holders, thus making opening an account extremely difficult.<sup>25</sup> In fact, many countries do not issue formal identification cards until youth reach the age of 18. In addition, obtaining the documents is costly and arduous, which makes many parents unwilling to acquire them for their children.

### **Ownership**

For many youth, their personal mobile phone is an object of desire and a symbol of success. In addition, for the delivery of financial services and education, mobile phone ownership is paramount to ensuring both privacy and the receipt and benefit from all educational SMSs. Unfortunately, youth face many roadblocks to phone ownership, including cost (addressed below), access to SIM cards, and power dynamics that restrict access to even a household phone, especially for girls. In nearly all African countries, including Kenya, SIM card purchases are restricted to those 18 and older.<sup>26</sup> So, even if a 15-year-old girl had access to a phone, she couldn't purchase a SIM card to use it. In addition, the role of gender largely determines whether girls can borrow or own their own phone. A study of mobile phone access among youth in Ghana, Malawi, and South Africa found that when girls reach puberty, their mobility and access to borrowing a phone becomes severely limited because phone access is often linked to "inappropriate" behavior.<sup>27</sup>

### **Costs**

When expanding a school-banking program in Kenya to include mobile banking through M-PESA, a survey respondent found that the costs of service were prohibitive for her students. With their average deposit size being little more than the 20-shilling cost per transaction, the girls in the program found the service too expensive. Given that mobile money has been geared toward profit-making and less vulnerable populations, low-income youth (and adults) are largely excluded from services. Also, telecoms are not the only entities that charge fees; banks also charge fees per deposit or withdrawal that can further prevent usage. In fact, the United Nations Capital Development Fund (UNCDF) YouthStart program found that youth did not save in formal financial institutions, due in part to the unclear and costly transaction charges, costly or complex requirements to open an account, and high minimum balances to keep accounts active.<sup>28</sup>

## **THE ROAD AHEAD**

It is clear that the hope for mobile solutions to youth financial inclusion will spur continued investigation and innovation. The reality behind the mobile money hype, however, is that we have much to learn about the youth demographic, about financial services and capabilities for youth, and about how and whether mobile technology can be used effectively to bring these services to youth. While a few examples do exist, much more must be done before we can move forward confidently.

## *Hope or Hype?*

We have identified four pressing questions that must be answered in order to maximize the potential of mobile-enabled financial services and capability tools for youth. We also provide several recommendations that we hope will advance the field.

### **Questions**

*How are the challenges unique or specific to different segments of youth?*

Until we know more about boy's and girl's needs and limitations, it will be difficult to design, test, and pilot products that can achieve their financial inclusion. Understanding how youth are unique (i.e., different from adults and among themselves) will facilitate the immediate uptake and use of appropriate products and services. It also will help us get a better sense of the timeframe between where we are now and full financial inclusion. If some youth are more similar to adults than was previously thought, perhaps minor modification to existing tools is all that is necessary. Some youth are likely very different from adults, and new tools, products, and policies will need to be invented and implemented before we can reach our goals.

*How can we provide these services to youth in a cost-effective manner and, for those who already benefit from appropriate services, what is needed to serve them better?*

Some would argue that finding a business case for financial services for the poor is the holy grail. Long-term sustainability is incredibly important, but it remains a far-off goal. Taking lessons from adult financial services, we know that product cross-selling, gaining large numbers of clients, and client segmentation are a few strategies that can address the any losses related to providing a new product or service. Youth financial services are particularly costly, given the nature of their income. Thus, finding and creating methods of cost reduction, and finding institutions willing to experiment, are a priority.

*What are the gender differences in financial services needs and mobile phone access and usage?*

As with adult mobile financial services, we are beginning to understand that gender gaps in mobile phone access, ownership, and literacy are an enormous obstacle to full financial inclusion. The assumption that "everyone has a mobile phone" is a dangerous and false one: many women have very limited access to mobile phones, even if there is one in the household. Access to technology and confidence from experience with using technology are barriers that women and girls face to a much higher degree than men and boys. There is still much we don't know about how women and girls use the mobile phone. It is critical that we learn, examine, and build products and services that address and mitigate all limitations based on gender.

*How can policies and regulations protect youth clients while not inhibiting their access to vital financial services?*

The current policy and regulatory environment in most countries severely limits youth access to financial services and to mobile phone ownership and access, particularly for those under 18. While protecting the rights and privacy of minors is paramount, we must work with governments, regulators, and central banks to find a solution that enables youth access while keeping them, and their savings, safe.

## Recommendations

*Gather data.* Our enthusiasm for a cost-effective and efficient financial services tool may be a bit premature, given what little we know about our target demographic. Before we can successfully invent new tools or better leverage existing ones, we must first learn much more about how youth use mobile technology and financial services. This is particularly critical when seeking a long-term sustainable product: without knowing more about youth, we cannot create or identify a model that brings financial services to a greater number of youth at little or no cost to the institution, bank, or company.

*Enable innovation.* Relax regulation to create an environment conducive to innovation and experimentation with mobile-based financial services or other capability tools offered directly to youth.

*Prioritize the segment.* Explore costing and business models that consider long-term client profitability of tech-based youth financial services. Youth need to be seen as a coveted market segment. Only then will product and service providers invest in the market research, pilot-testing and product development that will result in appropriate, viable services.

*Remember that, in isolation, adequate access is an inadequate approach.* Incorporate behavioral economic theory into any mobile-based product, program, and policy design. Focusing on facilitating or nudging, positive financial behaviors will enhance efforts to extend access to products and services on mobile money platforms by inculcating good financial habits early in life.

## CONCLUSION

It is doubtful that youth will be able to piggyback on the advancements being made in this area any time soon without overcoming some significant hurdles. The obstacles low-income youth face in terms of formal banking, financial literacy, and account and phone ownership are significant, more so than for their adult counterparts. Lack of data and regulatory hurdles further limit our ability to immediately understand and address these challenges. Yet the allure of mobile solutions as an accelerator of youth financial inclusion remains compelling, and if the potential is as great as it seems—even if still in theory—then the imperative to find solutions to these obstacles is stronger than ever.

## Hope or Hype?

1. Lewis Mandell and Linda Schmid Klein, *The Impact of Financial Literacy Education on Subsequent Financial Behavior*, Association for Financial Counseling and Planning Education, 2009.
2. Julia Arnold, *Women, Mobile Phones, and Savings*, Grameen Foundation, 2012.
3. Payal Pathak, Jamie Holmes, and Jamie Zimmerman, *Accelerating Financial Capability among Youth: Nudging New Thinking*, New America Foundation, 2011.
4. World Bank. 2006. *World Development Report 2007: Development and the Next Generation*, available at <https://openknowledge.worldbank.org/handle/10986/5989>.
5. Tanaya Kilara and Alexia Latortue, *Emerging Perspectives on Youth Savings*, Consultative Group to Assist the Poor (CGAP), 2011.
6. For example, see Rani Deshpande, *Paying Attention to the Financial Needs of Youth*, 2011; Deshpande, *What Do Youth Savers Want?* YouthSave, 2012; Kilara and Latortue, *Emerging Perspectives*.
7. Kilara and Latortue, *Emerging Perspectives*, p. 2.
8. Deshpande, *What do Youth Savers Want*, pp. 5-6; *Policy Opportunities and Constraints to Access Youth Financial Services*, UNCDF YouthStart, 2012, p. 14.
9. *Policy Opportunities and Constraints*, p. 19.
10. See <http://mobithinking.com/mobile-marketing-tools/latest-mobile-stats>.
11. Gina Porter, et al. "Youth, Mobility, and Mobile Phones in Africa: Findings from a Three-Country Study." *Information Technology for Development*, 2012.
12. Pathak et al., "Accelerating Financial Capability Among Youth."
13. GSMA, *Children's Use of Mobile Phones: An International Comparison*, 2012.
14. Porter, et al. *Youth, Mobility, and Mobile Phones in Africa*.
15. *Ibid.*
16. David Montez, *Youth Africans' Access to Financial Information and Services: Lessons from Surveys in Kenya and Ghana*, InterMedia, 2010.
17. For example, Tunisiana, a Making Cents partner in Tunisia, offers a mobile banking product with Mobisouk/Mobiflous; a longitudinal study of uptake and activity will be completed next year. Three of Youth Start's partners are beginning to use mobile: PAMECAS in Senegal is using SMS to deliver financial education messages to the youth whose saving accounts have been inactive for over two months; Union of Savings and Credit Cooperative Umutanguha in Rwanda is making mobile money accessible their clients, including youth; and FINCA DRC is using point-of-sale devices for financial transactions aimed at all clients; they reach youth by putting each POS in places where youth go.
18. *Youth-Inclusive Financial Services: Scaling Up and Mobile Banking*, Making Cents International, 2012.
19. Youth Save is a project led by Save the Children in partnership with the Center for Social Development at Washington University in St. Louis, the New America Foundation, and Consultative Group to Assist the Poor, and supported by The MasterCard Foundation. The Youth Save Consortium and its local partners (financial institutions and researchers) are committed to developing, delivering, and testing savings products accessible to low-income youth in Colombia, Ghana, Kenya, and Nepal. Through this project, the consortium will share lessons and resources on delivering savings services sustainably while improving the life chances of low-income youth in the developing world.
20. Personal correspondence with Alejandra Montes, Youth Save project coordinator in Colombia.
21. GSMA, "mLearning: A Platform for Educational Opportunities at the Base of the Pyramid," 2010, p. 22.
22. See [http://www.makingcents.com/pdfs/yfs/Making%20Cents\\_Opening%20Plenary\\_Youth%20Financial%20Services%20Survey%20Findings.pdf](http://www.makingcents.com/pdfs/yfs/Making%20Cents_Opening%20Plenary_Youth%20Financial%20Services%20Survey%20Findings.pdf).
23. "Policy Opportunities and Constraints," UNCDF YouthStart, 2012, pp. 10-11.
24. Deshpande, *What Do Youth Savers Want?*
25. *Ibid.*
26. Kevin Donovan and Aaron K. Martin, "The Rise of African SIM Registration: Mobility, Identity,

*Jamie M. Zimmerman and Julia Arnold*

Surveillance and Resistance,” Information Systems and Innovation Group Working Paper, London School of Economics, 2012.

27. Porter, *Youth, Mobility, and Mobile Phones in Africa*, p. 152.

28. UNCDF YouthStart, *Policy Opportunities and Constraints*.