



Food and Agriculture  
Organization of the  
United Nations



Deutsche Gesellschaft  
für Internationale  
Zusammenarbeit (GIZ) GmbH

INSIGHTS AND RECOMMENDATIONS

# Enabling markets of financial services for the rural youth



INCLUSIVE RURAL FINANCE





INSIGHTS AND RECOMMENDATIONS

# Enabling markets of financial services for the rural youth

by

Juan Buchenau

International consultant

Niclas Benni and Azeta Cungu

Food and Agriculture Organization of the United Nations, Rome

Required citation:

Buchenau, J., Benni, N. & Cungu, A. 2024. *Enabling markets of financial services for the rural youth – Insights and recommendations*. Rome, FAO and Bonn, Germany, GIZ. <https://doi.org/10.4060/cd3509en>

The designations employed and the presentation of material in this information product do not imply the expression of any opinion whatsoever on the part of the Food and Agriculture Organization of the United Nations (FAO) or Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ), German Agency for International Cooperation GmbH concerning the legal or development status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. The mention of specific companies or products of manufacturers, whether or not these have been patented, does not imply that these have been endorsed or recommended by FAO or GIZ in preference to others of a similar nature that are not mentioned.

The views expressed in this information product are those of the author(s) and do not necessarily reflect the views or policies of FAO or GIZ

ISBN 978-92-5-139413-7 [FAO]

© FAO and GIZ, 2024



Some rights reserved. This work is made available under the Creative Commons Attribution-NonCommercial-ShareAlike 3.0 IGO licence (CC BY-NC-SA 3.0 IGO; <https://creativecommons.org/licenses/by-nc-sa/3.0/igo/legalcode>).

Under the terms of this licence, this work may be copied, redistributed and adapted for non-commercial purposes, provided that the work is appropriately cited. In any use of this work, there should be no suggestion that FAO endorses any specific organization, products or services. The use of the FAO logo is not permitted. If the work is adapted, then it must be licensed under the same or equivalent Creative Commons licence. If a translation of this work is created, it must include the following disclaimer along with the required citation: "This translation was not created by the Food and Agriculture Organization of the United Nations (FAO). FAO is not responsible for the content or accuracy of this translation. The original English edition shall be the authoritative edition."

Disputes arising under the licence that cannot be settled amicably will be resolved by mediation and arbitration as described in Article 8 of the licence except as otherwise provided herein. The applicable mediation rules will be the mediation rules of the World Intellectual Property Organization <http://www.wipo.int/amc/en/mediation/rules> and any arbitration will be conducted in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL).

**Third-party materials.** Users wishing to reuse material from this work that is attributed to a third party, such as tables, figures or images, are responsible for determining whether permission is needed for that reuse and for obtaining permission from the copyright holder. The risk of claims resulting from infringement of any third-party-owned component in the work rests solely with the user.

**Sales, rights and licensing.** FAO information products are available on the FAO website ([www.fao.org/publications](http://www.fao.org/publications)) and can be purchased through [publications-sales@fao.org](mailto:publications-sales@fao.org). Requests for commercial use should be submitted via: [www.fao.org/contact-us/licence-request](http://www.fao.org/contact-us/licence-request). Queries regarding rights and licensing should be submitted to: [copyright@fao.org](mailto:copyright@fao.org).

Cover photographs (from left to right): ©CIAT/Georgina Smith, ©CIAT/Neil Palmer, ©FAO/Tamiru Legesse, ©CIFOR/Mokhamad Edliad

Cover page from left to right: ©CIAT/Georgina Smith, ©CIAT/Neil Palmer, ©IFAD/GMB Akash, ©CIFOR/Mokhamad Edliad

# Contents

|                                                                                                                |           |
|----------------------------------------------------------------------------------------------------------------|-----------|
| Acknowledgements                                                                                               | v         |
| Abbreviations                                                                                                  | vi        |
| <b>Introduction and problem statement</b>                                                                      | <b>1</b>  |
| <b>1 The market of financial services for rural youth: stakeholders and products</b>                           | <b>5</b>  |
| 1.1 Defining “youth” and availability of data                                                                  | 5         |
| 1.2 Rural youth’s demand for financial services                                                                | 6         |
| 1.3 Main providers of financial services for the rural youth                                                   | 7         |
| 1.4 Financial products for the rural youth                                                                     | 8         |
| <b>2 Regulatory and infrastructural constraints that limit the financial inclusion of the rural youth</b>      | <b>11</b> |
| 2.1 Age restrictions                                                                                           | 11        |
| 2.2 Rigid know-your-customer requirements                                                                      | 13        |
| 2.3 Weak and inflexible regulation on the use of collateral                                                    | 15        |
| 2.4 Scarce public data on the rural youth                                                                      | 17        |
| 2.5 Gaps and weaknesses in national financial consumer protection frameworks                                   | 19        |
| <b>3 Policy frameworks to promote youth financial inclusion</b>                                                | <b>23</b> |
| 3.1 Global frameworks and initiatives for youth financial inclusion                                            | 23        |
| 3.2 Incorporating youth-specific considerations in national financial inclusion strategies                     | 26        |
| 3.3 Mainstreaming financial education for youth in national strategies                                         | 27        |
| <b>4 Policies and approaches that promote a more enabling market of financial services for the rural youth</b> | <b>31</b> |
| 4.1 Defining policy areas of interest                                                                          | 31        |
| 4.2 Developing a business case for financial providers to serve the rural youth                                | 33        |



|                                                                                                              |    |
|--------------------------------------------------------------------------------------------------------------|----|
| <b>5 Selected instruments to foster rural youth's access to finance</b>                                      | 37 |
| <b>5.1 Tailored grant programmes targeting the rural youth</b>                                               | 37 |
| <b>5.2 Technical assistance and capacity building for financial service providers</b>                        | 39 |
| <b>5.3 Regulating and promoting the growth of agent banking networks</b>                                     | 40 |
| <b>5.4 Regulating and promoting the use of basic accounts</b>                                                | 41 |
| <b>5.5 Building digital financial ecosystems that can promote youth inclusion</b>                            | 42 |
| <b>5.6 Establishing youth-focused challenge funds</b>                                                        | 44 |
| <b>5.7 Are interest rate caps a suitable approach to promote the financial inclusion of the rural youth?</b> | 46 |
| <b>Final remarks</b>                                                                                         | 47 |
| <b>References</b>                                                                                            | 50 |

# Acknowledgements

This study was developed by the Inclusive Rural Finance Team, Rural Transformation and Gender Equality Division, of the Food and Agriculture Organization of the United Nations (FAO) with financing and technical collaboration by the German Agency for International Cooperation (GIZ). It was authored by Juan Buchenau, Niclas Benni and Azeta Cungu.

The document was prepared in the frame of the programme of work of the CABFIN Partnership, a collaborative effort in the field of rural and agricultural finance that engages a number of key development agencies active in this domain. Specifically, the CABFIN Partnership is composed of FAO; the Consultative Group to Assist the Poor (CGAP); the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ); the International Fund for Agricultural Development (IFAD); the United Nations Capital Development Fund (UNCDF); the World Bank; and the World Food Programme (WFP).

Several contributors and reviewers have provided their invaluable insights and contributions to the development of this document. The authors would like to thank the following: Carolina Pulido Ariza from FAO; Bastian Domke, Lara Anna Chhatwal and Nina Hollemann from GIZ; Tony Nsanganira from the Tony Blair Institute for Global Change; John Amimo from AFRACA; Eric Musizana from Access to Finance Rwanda; Thomas Belekevich from WOCCU; Danielle Hopkins from Inclusive Finance Consulting; Manfred Alfonso Dasenbrock from SICREDI Brazil; Allison Nafziger from MEDA; Leonor Gutiérrez from Root Capital; Jonathan Agwe from IFAD; Jamie Anderson, Gerhard Coetzee and Rani Deshpande from CGAP; Fatou Fadika and Toshiaki Ono from the World Bank; and Nina Hollerman from GIZ.

Thanks to Anna Farkas for providing professional proofreading and editing services for the study, as well as to Maxtudio Roma for developing the final layout for the publication.

# Abbreviations

|        |                                                          |
|--------|----------------------------------------------------------|
| CABFIN | Improving Capacity Building in Rural Finance             |
| CGAP   | Consultative Group to Assist the Poor                    |
| CYFI   | Child and Youth Finance International                    |
| DFS    | digital financial service                                |
| FI     | financial institution                                    |
| FSP    | financial service provider                               |
| GIZ    | Deutsche Gesellschaft für Internationale Zusammenarbeit  |
| GPFI   | Global Partnership for Financial Inclusion               |
| IFAD   | International Fund for Agricultural Development          |
| IFC    | International Finance Corporation                        |
| ILO    | International Labour Organization                        |
| LAC    | Latin America and the Caribbean                          |
| MFI    | microfinance institution                                 |
| MMO    | mobile money operator                                    |
| MNO    | mobile network operator                                  |
| MSME   | micro-, small-, and medium-scale enterprise              |
| NFES   | National Financial Education Strategy                    |
| NFIS   | National Financial Inclusion Strategy                    |
| NGO    | non-governmental organization                            |
| OECD   | Organization for Economic Co-operation and Development   |
| SSA    | sub-Saharan Africa                                       |
| TA     | technical assistance                                     |
| UIDAI  | Unique Identification Authority of India                 |
| UNCDF  | United Nations Capital Development Fund                  |
| UNDESA | United Nations Department of Economic and Social Affairs |
| VSLA   | village savings and loan association                     |
| WFP    | World Food Programme                                     |





# Introduction and problem statement

There are currently about 600 million young people residing in rural areas of developing countries, representing approximately half of the global youth population aged between 15 and 25 (IFAD, 2019). These young people are some of the most excluded and underserved segments of rural populations. The significant rates of poverty registered among the rural youth go hand in hand with their high rates of unemployment, which are substantially more elevated than those of other age groups. In the African continent, for example, according to data from the United Nations Capital Development Fund (UNCDF, 2017a), three out of five young people are unemployed, while in Southeast Asia and the Pacific the youth unemployment rate is six times that of adults. The vulnerability aspects that specifically characterize the rural youth tend to intersect with a range of broader, macro-level trends that are increasingly affecting rural areas of developing countries, such as the rising impact of climate change and the rapid advances in agricultural technology. These trends contribute to a rapidly shifting environment that carries both new challenges and new opportunities for young rural actors.

In this evolving scenario, the issue of financial exclusion stands at the forefront as one of the core bottlenecks that constrains rural young people from achieving their full economic potential. Rural youth from all backgrounds face considerable challenges when seeking to access and make use of quality financial services from formal financial service providers (FSPs), such as commercial banks, microfinance institutions, and credit unions. On the one hand, these challenges comprise the traditional bottlenecks that limit rural financial inclusion in general, but which affect youth to a particular degree - such as scarce available collateral and low financial education. On the other, there are also constraints that uniquely affect young people, such as regulations that prevent them from opening a bank account or applying for a loan on account of their age. As a result of these combined barriers, youth in rural areas tend to rely on informal providers to see their financial needs satisfied, such as friends, family, or informal moneylenders.

The capacity to access and make proper use of quality financial services represents a crucial factor that enables youth to kickstart and expand new business ideas, pursue higher levels of education, build assets over time, and attain socioeconomic independence. It represents, therefore, a critical, foundational element for youth entrepreneurship, empowerment, and resilience. In this sense, the regulatory and sociocultural environment in which youth live and work can play a major role in constraining – or facilitating – their financial inclusion. For young rural entrepreneurs, especially, that seek quality financial support to kickstart their business ideas, a range of regulatory and policy barriers can become impassable bottlenecks that constrain them from unlocking their full potential as agents for economic growth.

From the side of the of the supply of finance, those FSPs that seek to serve the rural youth face a range of barriers that relate to rural financing in general, such as the complexity of providing services in more sparsely populated rural areas where transactions are, on average, smaller than in urban settings, and where the covariant risk that is inherent to the agricultural sector discourages lending. Aside from these general barriers, FSPs must also adjust their strategy **to the unique profiles of young clients**, considering the specific challenges faced by these customers who are often just starting to achieve economic independence. FSPs also need to consider that the rural youth population is actually comprised of several diverse segments, whose demand for services can vary significantly depending on their sources of income, their gender, their economic and financial experience, and a range of other critical factors.

As a result of the above, the supply of financial services for rural youth – in most developing countries – remains significantly underdeveloped. As rural youth lack experience with the formal financial sector, it is important for FSPs to adopt a customized approach that is capable of gradually building up youth's familiarity and confidence with their services. An approach of this nature must consider the features and nature of the youth's demand for financial services, those of the supply side (i.e. the financial providers), as well as the quality of the enabling environment within which these financing activities take place.

In view of this, the objective of this paper is to analyse the factors that contribute to fostering an environment that is better able to promote the financial inclusion of rural youth, in order to help develop more sustainable and inclusive financial services that can adequately serve the various needs faced by these market actors. This implies developing policies and regulations that help remove the various obstacles to financial inclusion faced by the youth, while providing adequate incentives to develop a solid, sustainable, and inclusive market of financial services.

To achieve this objective, this study has been structured along five sections:

#### Section 1 – The market of financial services for rural youth – Stakeholders and products

This section discusses the key features that define the type of financial services demanded by different segments of rural youth, as well as the constraints and risks they face when using such services. Furthermore, it gives an overview of the main providers of financial services to rural youth, as well as the factors that influence their participation in the delivery of such services.

#### Section 2– Regulatory and infrastructural barriers that limit the financial inclusion of the rural youth

This section provides an overview of the core regulatory constraints that limit youth financial inclusion in rural and agricultural contexts, identifying the main pain points to be addressed by public sector actors in order to foster the establishment of an enabling environment that can promote a more varied, tailored and sustainable offer of financial services for these actors.

### Section 3: Policy frameworks to advance the financial inclusion of the rural youth

This section discusses the main global and national policy frameworks that have been implemented in recent years to promote youth financial inclusion in developing and emerging countries. It illustrates a range of global standards, initiatives, technical resources and guidelines that can be of use to policymakers and regulators seeking the best ways to promote an enabling environment for the financial inclusion of their rural youth in their own contexts.

### Section 4 – Policies and approaches that promote a more enabling market of financial services for the rural youth

This section reflects on key aspects to be considered to strengthen the enabling conditions for the development of a sustainable, efficient and growing market of financial services designed for rural youth.

### Section 5 – Selected instruments to foster rural youth's access to finance

This section provides an overview of policy and programmatic instruments that public decision-makers can employ to promote the development of financial markets that adequately serve rural youth. It highlights the main advantages and benefits associated with each instrument, as well as the potential risks and distortive effects that could be consequently generated on rural financial markets.





# 1. The market of financial services for rural youth: stakeholders and products

## 1.1 Defining “youth” and availability of data

The developmental stage of youth is one of profound changes and transitions, which relate for example to education, employment, and significant life events such as marriage and the birth of children. These changes result in a very challenging and dynamic environment for young people transitioning first into adolescence and later into adulthood. While these transitions may follow traditional patterns, whereby young people replicate the lifepath of their elders, in many cases they comprise the testing of new approaches, especially in regards to economic activities.

The economic activities available to each young person depend on the specific economy of each country and region as well as the youth's individual developmental stage and situation, including their gender, assets, education and aspirations. Each young person has an economic strategy: some strategies are better defined than others, but each of them has their own strategy. Searching for economic opportunities, young people in rural areas follow different pathways which, in many cases, lead to the testing of new ventures and the pursuit of new income sources.

This premise points to the **considerable heterogeneity** of youth as a group, as this term comprises widely different categories of individuals, characterized by various personal situations, needs and aspirations. Consequently, policies and programmes that seek to effectively promote the financial inclusion of these actors cannot overlook the complexity and variety that characterize this large group of actors. This, in turn, points to an important consideration: to be truly effective

at addressing the barriers constraining youth financial inclusion, formulators need to be able to leverage **granular and insightful data** that allow for the definition of a range of interventions on the basis of the specific features of different subsegments of the rural youth population.

This has important implications concerning the public data gathering infrastructure of different developing countries. At present, **publicly available data on rural youth is often scarce and low in quality**. Furthermore, this data is often collected by different state agencies based on diverging (and not very practical) definitions of the age brackets that the term “youth” comprises. While the commonly UN-accepted definition, for example, considers youth to be individuals in the 15-24 age bracket, a range of public programmes and policies, as well as research studies, adopt diverging classifications such as the 12–24, or even the 15–35 age range.

Excessively broad definitions of “youth” can often end up grouping together individuals that are facing very different life situations, which come along with specific needs in terms of financial services. Identifying as “youth” all individuals in the 15–35 age range, for example, implies grouping large numbers of adolescents, whose livelihoods depend on their families, with young adults who are already economically established, earning an income, and have possibly already started a family. For this reason, a “one-size-fits-all” approach to policies and programmes addressing youth financial inclusion is rarely helpful, as it does not take into adequate consideration the varied and complex life situations faced by different subgroups of individuals.

In line with that, it should be noted that the age range aspect is one facet of a broader issue in developing countries, related to the lack of granularity in public data collection. The vast majority of the data on youth collected by relevant public agencies (e.g. national statistics bureaus, central banks) are quite basic, and do not help policymakers or analysts in breaking further down the rural youth category along different subgroups on the basis of other variables (e.g. gender, level of education, sector of employment and/or family situation).

## 1.2 Rural youth’s demand for financial services

Financial services can contribute to facilitate the process of transition from adolescence into adulthood by helping young people to build economic and educational assets, as well as by providing that can assist in dealing with unforeseen expenses and risks during this phase. In particular, financial services can help young rural entrepreneurs with testing and taking up new practices and technologies that can be key to their business development, such as those related to climate-smart agriculture. Financial services can also provide these entrepreneurs with the resources and risk mitigation instruments that can support investments in new technologies (IFAD, 2015).

In terms of databases that can help evaluate the levels of youth financial inclusion around the world, the World Bank’s 2021 edition of the Global Findex survey provides valuable information about the level of financial inclusion of young people aged 15 to 24.<sup>1</sup> Key findings from the 2021 Findex data reveal that 58 percent of young people held an account at a formal financial service provider (FSP), but only 19 percent saved money in such accounts and a mere 13 percent received credit from FSPs. In general, young men and women in rural areas **tend to rely more than their**

---

<sup>1</sup> The World Bank’s Global Findex database is the world’s most comprehensive dataset on how adults save, borrow, make payments and manage risk. Originally launched with funding by the Bill & Melinda Gates Foundation, the database has been published every three years from 2011 to 2017 and then in 2021. The data are collected in partnership with Gallup, Inc., through nationally representative surveys of more than 150 000 adults in over 140 economies. See: <https://www.worldbank.org/en/publication/globalfindex>

**older counterparts on informal sources of finance** to fulfill their financial needs.<sup>2</sup> There are several constraints that prevent rural youth from accessing formal financial services, with some of these barriers limiting access to all services in general, while others are specific to accessing credit, savings or insurance. Apart from factors such as lack of collateral and poor accessibility to points of service, which affect the rural population in general, there are also constraints that affect youth specifically, such as minimum age requirements to access financial services. In addition, many rural youths lack familiarity on how formal financial services work and what services are actually available to them, as they have never visited a brick-and-mortar branch of a FSP or similar access point. The combination of constraints and barriers that limit the capacity of rural youth to access and make proper use of financial services will be discussed in greater detail in Section 2.

**Young women in rural areas** tend to face considerably greater challenges than their male counterparts which adversely affect their ability to access and make proper use of financial services. Compared to rural young men, young women's average income tends to be lower, as sociocultural expectations lead them to engage in higher rates of unpaid domestic work and family care, while simultaneously restricting their employment opportunities. Furthermore, their capacity to access different types of collateral that can be used as guarantees to access formal credit tends to be lower than that men, because of cultural norms that dictate men as the purchasers, owners and primary users of assets. On average, young women tend to be engaged in lower quality employment in agriculture compared to men, showing higher rates of job informality and employment as day labourers, as well as higher rates of engagement in subsistence agriculture and low income-generating activities (IFAD, FAO and ILO, 2021). As a result of these combined constraints, and as shown by Findex data, young women aged 15–24 tend to be one of the most financially marginalized categories of actors in rural areas. A social exclusion analysis, recently carried out by the Consultative Group to Assist the Poor (CGAP), showed that young women face the highest rates of exclusion from financial markets and services of any subsegment of financial clients (Deshpande and Koning, 2023).

### 1.3 Main providers of financial services for rural youth

Providing financial services to young people in rural areas is – for most FSPs – a challenging proposition, and only few of these providers consider this market segment to be part of their core business. While rural youth represent a promising clientele with significant potential for future growth, serving this segment effectively requires overcoming the manifold challenges of both rural and youth-specific finance. The main constraints faced by FSPs in serving rural clients, including youth, relate to the challenges they face in building a compelling business case resulting from the higher costs and risks involved in servicing these actors, with these challenges being compounded in some countries by interest rate caps that can make it difficult for FSPs to cover their costs of intermediation. In addition, some FSPs face limitations in accessing the funding they need to finance agriculture-specific investments that require on average larger amounts and longer maturities than they can offer with their current capital. These various challenges will be analysed in greater depth in Section 2.

Financial services for rural youth are provided mainly by a narrow set of FSPs that include prominently public agricultural banks, financial cooperatives, microfinance institutions, a limited

---

<sup>2</sup> In this paper, “informal” financial service providers refer to actors that are not overseen by the national financial sector regulator or similar supervisory entity. These include informal moneylenders, value chain agents such as input providers or retailers, informal village savings and credit groups, as well as family and friends.



number of retail-and agriculture-oriented commercial banks, some value chain firms and, more recently, digital finance providers. These institutions tend to share two common features:

- 1) they have a mandate to serve a clientele that includes rural youth; and
- 2) they have a larger network of points of service (branches, agents, etc.) in rural areas as compared to other FSPs.

While these providers do not face much competition when serving adolescent (or younger) clients in remote areas, competition increases substantially when it comes to financing young adults in more prosperous agricultural areas, as they can better afford to purchase financial services at commercial terms.<sup>3</sup>

## 1.4 Financial products for rural youth

The transition into adulthood implies a range of unique financial needs (and associated challenges) for youth, particularly in rural areas. The demand for financial services on the part of this group can be very heterogeneous, depending on the characteristics of each youth segment, varying from basic savings and payment services, to loans for consumer items, homes and vehicles, and to various types of insurance and remittance products. This section seeks to analyse more in-depth to these different products.

**Savings services.** These services provide a platform for young individuals, especially those in rural areas, to create a financial safety net and fund their future goals. They offer flexibility, enable financial planning, and can assist the youth in establishing a track record with a formal FSP that can support future loan applications. With that being said, the Global Findex 2021 survey found that only 41 percent of youths (aged 15–24 years) in developing countries saved any money, with only 19 percent doing so at a formal financial institution. Mobile money accounts, while growing, are not yet widely used for savings among this demographic (only seven percent of young people saved in a mobile account, according to the Findex survey), and there is a substantial gender gap in the ownership of mobile phones and usage of mobile money in rural areas.

While mobilizing savings from rural youth may not immediately yield profits, it can attract new customers and prove profitable in the long run, as these clients grow economically and start requiring loans and other services. From the viewpoint of formal FSPs, the mobilization of small savings amounts from rural youth, which may be seen as a relatively expensive source of funding, can be justified as part of a market development strategy aimed at establishing and building a strong relationship with clients who will generate income (from loans and transaction fees) in the long run, i.e. a strategy that focuses on “lifetime profitability” or on “customer lifetime value” instead of just looking for short-term profitability.

**Credit services.** According to the FINDEX 2021 survey, 42 percent of young people (15 to 24 years old) in developing countries borrowed money, mostly from informal lenders such as family and friends, with only 13 percent taking loans from formal FSPs. These loans were used for a variety of purposes, including education, farming or small business investment, medical expenses, transportation, home improvements, and to purchase consumer goods.

---

<sup>3</sup> For a more in-depth analysis of this aspect, refer to ISF Advisors (2019) and Dalberg (2016) in the References section.



The low level of loan access registered among the rural youth results from a wide range of both demand-side and supply-side constraints, which will be analysed in more detail in the Section 2. With that being said, and as shown in a recent FAO publication on financing youth in agriculture,<sup>4</sup> there are several examples of successful experiences of formal FSPs that have managed to mitigate these constraints. This has been achieved by targeting young clients through an integrated strategic approach that includes financial education, alternative collateral requirements, mobile money services, agent banking, and various other solutions that, when combined, have proven to be extremely effective in mitigating the risks associated to providing financial services to rural youth.

**Payment and transfer services.** Payment and transfer services are widely utilized by youth in developing countries, according to the 2021 Global Findex survey. These services are beneficial to rural youth as they eliminate the need to travel long distances to carry out basic financial transactions. The survey revealed that 48 percent of respondents were using digital payment services, while 35 percent had sent or received domestic remittances through digital channels. The latter often serve as crucial income source that support families in covering expenses, dealing with unexpected economic shocks, and making vital investments in areas such as education.

In relation to this, it should be noted that different studies have evaluated experiences and cases related to the best ways to promote the use of financial services among the rural youth (e.g. UNCDF, 2011; Dalberg, 2022). These studies have highlighted how serving this specific client category can benefit from a strategy that builds on providing payments, remittance, and savings services first, with credit only being provided after the client's profile – in the eyes of formal FSPs – has been sufficiently strengthened. Such strategies require time to achieve economies of scale and adequate profitability, and they should be supported by public decision-makers through a variety of policy and programmatic instruments that will be discussed throughout this paper.

---

<sup>4</sup> Refer to Benni, Berno and Cungu (2022) for a more in-depth analysis of the specific challenges faced by formal FSPs when targeting young farmers as a client segment, as well as various case studies of FSPs that have managed to serve these actors successfully by leveraging a multi-component strategic approach.







## 2. Regulatory and infrastructural constraints that limit the financial inclusion of the rural youth

The following section illustrates a range of traditional constraints to youth financial inclusion in rural areas that encompass various aspects of both regulation and infrastructure development, together with specific country-level examples of both constraints and associated policy responses. The bottlenecks illustrated here are commonly found in a host of low- and middle-income countries, across different regions of the world. Note that these constraints can derive both from a lack of intervention on the part of policymakers, which negatively affects the youth's capability to access financial services, as well as the presence of excessive, rigid, and discriminatory regulations that lead to similar results.

### 2.1 Age restrictions

The financial regulatory frameworks of most developing countries set a hard age limit of 18 years below which clients are restricted from opening an account with formal FSPs by themselves and, more generally, from accessing other financial services. This is a barrier that contributes to keeping youth disengaged from the formal financial system. Aside from the obvious effects that this regulatory provision has on the capacity of youth under 18 years old to access finance, there are also other consequences that are not immediately evident. For instance, FSPs will be discouraged from developing financial services that are tailored on the needs of this specific client segment. These kinds of restrictions, in particular, limit one of the most promising instruments to promote youth's financial inclusion, i.e. basic mobile money accounts that leverage youth's greater familiarity with mobile technology.

In recent years, a few countries have allowed for some flexibility in mitigating age restrictions. For example, **Burundi, Palestine and the United Republic of Tanzania** have set at 16 the minimum age to open mobile money accounts without the need of backing from an adult guardian. The peculiar case of **Burkina Faso** should also be mentioned: since 2011, the financial regulatory framework does theoretically allow youth aged 16 and onwards to open a bank account, but the government identity card (ID) required to open such account cannot be provided to them until they are 18 years old (AFI, 2021a; UNCDF, 2011). Some national regulations (e.g. in Nigeria, South Africa and Zambia) allow for an underage minor to co-sign on an account together with an adult legal guardian (such a family member or tutor), although guardianship can also have unintended negative consequences. For example, a guardian could act in an irresponsible or even exploitative manner,<sup>5</sup> by taking the youth's assets. Furthermore, guardianship requirements can also result in the exclusion of specific vulnerable client segments, such as orphans (CGAP, 2011; UNCDF, 2011).

It should also be noted that several countries are currently considering introducing reforms to mitigate age restrictions to youth financial access. In **Uganda**, for example, the NFIS (2017-2022) has recommended lowering the age to open a savings account to 15 years, as the age limit has been identified as a major constraint to youth financial inclusion. The Central Bank of **Jordan** is also considering a regulatory reform that would allow youth from 15 years old to open a bank account without the approval of a legal guardian. Similarly, a law proposal is currently being discussed in **Peru** that would allow youth from 16 years old to hold formal savings account, while those from 14 to 16 could share ownership with a legal guardian. (AFI, 2021a; O'Hara, 2021; Benni *et al.*, 2020).



Young farmer in Kyotera, Uganda.

<sup>5</sup> Most countries that allow a guardian to co-sign on an account with a minor do not pose any limitation on the transactions the guardian can make with said account, which implies a potential risk to the minor (UNCDF, 2011).

Therefore, it should be underlined that the mitigation of age restrictions should always take place in combination with appropriate regulatory measures that ensure that youth under 18 remain **adequately protected in their role of financial consumers**. Reducing the age limit without ensuring that adequate financial consumer protection measures are in place will only further exacerbate youth's vulnerability towards fraud, scams and predatory behaviours on the part of FSPs.

One way to reduce the inherent risk associated with reducing the age limit is to **limit the functionality of accounts destined to minors**. For example, in 2019, Mexico began allowing youth aged 15 to 17, who were either working or studying with a scholarship, to open a zero-balance bank account without the need for a guardian. In 2020, the Central Bank of Mexico placed a number of limitations on these accounts' functionality to ensure youth's protection: deposits into the accounts, for example, could only be made by an employer, by a government programme (e.g. the provision of a scholarship) or by another account held by the youth. The monthly limit for deposits, furthermore, was restricted compared to normal accounts. On the other hand, provisions were introduced by the Central Bank to counterbalance the reduced functionality of these accounts with easier due diligence requirements to open them (OECD, 2020).

## 2.2 Rigid know-your-customer requirements

Youth in rural and agricultural areas are often unable to comply with the **documentation requirements** that the national financial regulatory framework demands FSPs to impose on customers, usually to open an account,<sup>6</sup> or access other financial services. Based on the specific regulatory context, these requirements can include commonly accepted forms of ID (e.g. national ID cards), as well as complementary documents (e.g. proof of salary or proof of residence). These are documents that – although available in theory – are in many cases either not issued to youth on account of their age, or are quite challenging for youth to obtain because of a variety of factors, such as the high levels of informality of youth employment. In Uganda, for example, only 58 percent of young adults own one of the forms of ID required to open an account with a formal FSP, such as a birth certificate or proof of residence (Benni, Berno and Soria, 2020).

It should be noted that know-your-customer (KYC) requirements can affect the pricing of financial products, especially in contexts where there is a lack of flexible regulation in this regard. The high compliance costs that formal FSPs have to sustain to adhere to reporting and anti-money laundering processes can result in being priced at the cost of the financial products themselves, which, as a result, can become even less affordable for young clients (ACET, 2017). In this sense, policymakers should seek to simplify KYC requirements while maintaining a careful balance in terms of security, data protection, and compliance with Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) standards. For instance, regulatory reforms can be introduced to allow (and encourage) FSPs to accept **alternative forms of identification** that are more widely available to youth, such as baptism certificates, driving licenses or certificates from vocational training centers.

There are several recent examples of regulators intervening to simplify KYC and due diligence procedures when it comes to accessing mobile money services, in an effort to promote a larger scale uptake of such services on the part of the youth segment of the population (as youth are

---

<sup>6</sup> It is important to note that we are referring here to due diligence standards imposed by the regulator to the entire financial system, and not specific due diligence requirements set by individual FSPs according to their own internal standards. For public decision-makers, implementing KYC reforms without providing due incentives to FSPs to encourage these institutions to introduce them in their own processes is bound to severely curtail the limit of any policy intervention of this kind.

traditionally early adopters of such technologies). **Egypt** stands out as an interesting case in this respect, as its Central Bank introduced, in 2018, a range of simplified customer due diligence procedures for mobile money customers, including more relaxed documentation requirements to open mobile wallets. This was done in recognition of the fact that, of the 9.4 million unique users of mobile accounts in the country, **almost a quarter are under the age of 25**. As such, easing documentation requirements was deemed to have a particularly positive effect on the uptake of mobile money services (OECD, 2020). In 2020, the Central Bank of Egypt also introduced a series of provisions to enable **digital KYC**, i.e. the possibility for financial customers to undergo the identification/verification process for account opening in a completely remote manner, without needing to interact with a physical agent or a branch. From the side of financial providers, digital KYC requirements can generate considerable savings in terms of both time and resources, with associated positive impacts on the price of financial services.

**Tiered KYC models** have grown rapidly in recent years as a promising solution to balance accessibility and safety for underserved categories of financial clients. In the frame of a tiered KYC model, the financial regulator allows FSPs and/or mobile money operators (MMOs) to offer accounts with restricted functionalities in exchange for mitigating the due diligence requirements necessary to open them. The account holder is usually given the possibility of upgrading later to a higher KYC level (thereby unlocking more of the account's functionalities) by providing the FSP with the additional documentation. While these models are not specifically aimed at youth, they can favour them considerably because of the lower due diligence requirements necessary to open these types of accounts, as well as – in the case of mobile wallets – a greater rate of uptake of such products (AFI, 2021b). A good example of this concept can be found in **Ghana**, which became one of these first African countries to implement a three-tier KYC model for mobile money services in 2015, in which the lowest-tier accounts carried low ID requirements but had very limited daily transaction limits (USD 94), while the highest-tier accounts had KYC requirements almost equal to those of banks, together with high daily transaction limits. During the Covid-19 pandemic an ultra-basic, “tier-0” account was also temporarily introduced by the regulator, in an effort to spur mobile money wallet adoption and use among the population in a time of pandemic-imposed lockdowns and restraints, which could be opened simply by sharing the same basic data a user had to provide to register a SIM card (GSMA, 2021; Zetterli, 2015).

**Digital identity systems**, established at national level, are also becoming more common in developing and emerging countries. On the one hand, these systems carry considerable potential in terms of KYC process streamlining, cost savings, fraud mitigation, ease in regulatory compliance for FSPs and, overall, in the inclusion of financially marginalized customer segments that have scarce or no access to physical IDs, especially when enhanced through **biometric technology** (such as iris or fingerprint scanning). On the other hand, these systems also carry considerable unresolved implications in terms of privacy and data protection, voluntary/mandatory adherence and risk of exclusion of specifically underserved categories, and other related issues.

In this context, it is useful to analyse the case of the Aadhaar national system in **India**, given its status as the world's largest biometric ID system and the implications it poses from a financial inclusion standpoint. It consists of a unique 12-digit number and an associated physical card available to all Indian residents irrespective of age, linked to their biometric details (iris and fingertips scan) and a few other data points of basic demographic information, such as birth date and address. Each Aadhaar number is issued by the Unique Identification Authority of India (UIDAI), a governmental entity mandated with managing the system. While Aadhaar was first implemented in 2010

to mitigate fraud and overlaps in public subsidy programmes, it has now grown to encompass many parts of daily life in India. In 2016, the Aadhaar Bill was enacted, making Aadhaar de facto mandatory and linking it with a slew of services and public programmes such as vehicle registration, death certificates, SIM registration, transactions over certain thresholds, food aid, crop insurance subsidies and more. As of 2020, Aadhaar had enrolled nearly 1.3 billion Indian citizens (around 15 percent of the global population), including 99.7 percent of all Indian adults (OECD, 2018; Dutta, 2021).

An analysis of Aadhaar's impact on digital financial inclusion in India is, in fact, rather complex.<sup>7</sup> On one hand, digital KYC procedures have become substantially simpler and more affordable thanks to Aadhaar, for both clients and suppliers. Aadhaar has made it possible to introduce the Pradhan Mantri Jan-Dhan Yojana (PMJDY) basic accounts on a massive scale (see Section 5.4). It has been so successful, that today most rural Indians use the Aadhaar number as the de facto verification method to open accounts for the first time (GSMA, 2021; Dalberg, 2019; Gelb *et al.*, 2017). Despite these results, it must be remarked that the Aadhaar system has sparked several controversial issues, some of which are worth analysing as they reflect a range of broader concerns over the use of digital identity systems as tools for achieving financial inclusion, such as:

- **Data protection and privacy concerns.** Aadhaar has faced significant criticism as a result of privacy and data protection concerns. Critics highlight the potential misuse of biometric data, tracking individuals across services via the Aadhaar number and potential surveillance via the system's data records. The lack of a clear data usage policy and oversight mechanisms exacerbates these concerns. Responding to these issues, the Supreme Court of India ruled in 2018 that privacy is a fundamental right and people have the right to remain in control of their data sharing. It also prohibited the Government of India and the UIDAI from sharing Aadhaar data without user consent, and struck down a mandatory Aadhaar linkage to new bank accounts or phone registrations (Banerjee and Sharma, 2019).
- **Risk of worsening exclusion in rural areas.** Multiple instances of technical and data point errors in Aadhaar's identification and verification have acted as barriers in the provision of essential services (such as food aid) to millions of citizens. For example, resulting issues of authentication related to network problems and fingerprint identification (which might become faded with age or manual labour). This, for obvious reasons, has been mainly an issue in rural and agricultural areas, where connectivity issues, low levels of digital education, low mobile penetration rates and a host of other factors have made access to essential services (including financial ones) considerably more challenging – since Aadhaar's introduction – for many among the most marginalized segments of society (Ailawadi and Mathew, 2018).

## 2.3 Weak and inflexible regulation on the use of collateral

Weak and inflexible regulation can hold back young rural entrepreneurs from availing themselves of alternative options to traditional collateral (as guarantee for a loan) that are better suited to their situations, such as movable property (e.g. livestock, machinery) or peer pressure (i.e. group lending). This issue combines with the high value of conventional collateral demanded by most traditional FSPs for credit, which is unavailable to the vast majority of the rural youth. Formal FSPs in most developing countries are reluctant to accept alternative forms of collateral because of

---

<sup>7</sup> Refer to OECD (2018), USAID (2019), and Reserve Bank of India (2018) for a more in-depth review of different aspects of Aadhaar's impact.



weak regulation on this area, lack of established experience and technical capacity on this practice, and, often, the absence of a public collateral registry for movable assets. As noted by GIZ (2023, p. 50): *[A] legal framework that broadly defines collateral as all forms of movable property, both tangible and intangible, enables borrowers and lenders to determine the form of collateral that grants parties the most flexibility to negotiate terms acceptable to all parties*".

Regulation on alternative collateral should be coupled with a system that **guarantees contract enforcement** and ensures that both creditors and debtors' rights are respected. As movable collateral usually depreciates rapidly over time, well-defined property rights and agile enforcement mechanisms will be needed to ensure creditors' willingness to make use of it, especially when dealing with client categories assumed to be of higher risk such as the rural youth. If the regulator does not keep these aspects in mind, formal FSPs are bound to either eschew from providing alternative-backed collateral credit altogether, or compensate the risk they face by imposing stricter terms on their loans (e.g. higher interest rates, lower loaned amounts, shorter maturities), and thereby making these products unsuitable for most small-scale agricultural entrepreneurs. Regulation should also make sure to match the reality on the ground. In Thailand, for example, although both conventional and movable types of collateral are allowed in theory, regulation dictates that the pledged assets are supposed to remain in the possession of the lender to be enforceable, making most alternative types of agriculture-related collateral, such as machinery or equipment, not a viable option (USAID, 2014).

In terms of public investment in infrastructure that would enable credit backed by alternative collateral, mention should be made here of **collateral registries for movable assets**. As illustrated by the International Finance Corporation (IFC):

*"Collateral registries are public databases that allow financial institutions to register their security interests in movable assets used by borrowers for loans, and contain information on movable collateral belonging to potential borrowers. These registries enhance transparency in the credit system, and strengthen the financial infrastructure"*

(IFC, 2017, p. 14).

In recent years, an increasing number of developing countries have begun to establish public collateral registries,<sup>8</sup> usually in the form of online platforms, although their overall number is still quite low. These facilities have been shown to generate considerable impact when it comes to promoting rural MSMEs' capacity to access credit,<sup>9</sup> especially those owned by financially underserved categories (such as youth) that disproportionately lack access to conventional collateral. In **Colombia**, the introduction in 2014 of a public collateral registry led – in just one year – to more than 100 000 MSMEs receiving loans secured by movable asset, for an aggregate amount of USD 3.43 billion in financing. In 2014, the **Central Bank of Liberia** introduced an online platform for collateral registration that helped facilitate more than USD 226 million in loans to MSMEs in less than two years, despite the fact that it was launched at the very height of the Ebola virus disease outbreak (World Bank Group, 2015). **Ghana** was the first country in Africa to

<sup>8</sup> These include, but are not limited to: Colombia, Ethiopia, Ghana, Jordan, Liberia, Malawi, Mexico, Liberia, Nigeria, Sierra Leone, the Gambia, Uganda and Zambia.

<sup>9</sup> A non-experimental impact evaluation carried out by Love et al. (2011), using data on MSMEs from 73 countries, found that the introduction of movable collateral registries increased access to bank credit by almost 8 percentage points, in a sample characterized by relatively low rates of access to finance pre-intervention, with positive effects in terms of reduced interest rates, increased maturity of bank loans and higher working capital for the firms. Some evidence was also found that the impact of the credit registry introduction, in terms of financial additionality, was greater on smaller firms than on larger ones.



implement an online collateral registry in 2008, with the support of the IFC, which enabled, over a period of four years, the provision of formal loans secured with movable assets to more than 5 000 SMEs and 22 000 microenterprises (the majority of which owned by women), for a total value of more than USD 3 billion (IFC, 2012).

## 2.4 Scarce public data on the rural youth

As mentioned at the beginning of this study, the lack of an effective public data gathering infrastructure and extension network capable of collecting granular data in rural areas that is disaggregated by both age and gender represents a core barrier to the effective design of **policies and public programmes** that target rural youth. Similarly, on the part of the private financial sector, the lack of such disaggregated data constrains the development of cost-effective services and strategies by FSPs that explicitly target this large and marginalized segment of the population.

Gathering and making available ample and granular data – as a public good – disaggregated by gender, age, location (rural/urban), level of education, occupation and a host of other variables, are important steps towards understanding the unique circumstances and needs (both financial and non-financial) faced by youth in general, as well as by specific sub-categories of this group (e.g. young women, agripreneurs, young field labourers, etc.). This would enable a more evidence-based type of policymaking that could be quite effective in promoting inclusion (ACET, 2019). For formal FSPs, acquiring performance-related data on youth-led agribusinesses (e.g. farm size and productivity, crop diversification, revenues and sales) can be a game-changer when it comes to developing a tailored, profitable offer of services aimed at these specific client segments.

A closely linked issue to the general scarcity of insightful information on young financial clients is **the absence of a credit history** for the vast majority of them. To begin with, these actors have scarce or no experience in successfully applying for (and repaying) loans, on account of their age. When they do ask for credit, they usually tend to rely on informal providers (e.g. family and friends, moneylenders at village level and other value chain actors) because of the lack of formal FSPs willing to finance them. This creates a vicious cycle in which youth become incapable of building a traceable credit history within the formal financial system that would help them consolidate their creditworthiness and attract increasingly higher amounts of financing, building a “reputational collateral” that would help compensate for their lack of conventional guarantees (World Bank Group, 2016).

Compounding this issue is the fact that, in most developing countries, rural youth are constrained from accessing **credit bureaus**, i.e. privately owned credit reporting institutions that, as stated in the document:

*“[...] collect information from a wide variety of financial and nonfinancial entities, including microfinance institutions and credit card companies, and provide comprehensive consumer credit information with value-added services such as credit scores to private lenders. [...] As privately owned commercial enterprises, credit bureaus tend to cater to the information requirements of commercial lenders. Though there is variation in the type and extent of information they collect, credit bureaus generally strive to collect very detailed data on individual clients”*

(World Bank Group, 2016, p.6).

The public alternative to credit bureaus is provided by **credit registries**, usually managed by central banks or financial supervisory authorities, that tend to focus more on gathering system-wide data to inform policy design and macroprudential regulation. Both credit bureaus and credit registries have very low levels of coverage in developing countries, which tend to be even more reduced for the rural youth sub-segment because of a range of constraints already mentioned in Section 2, including lack of documentation and mobility restrictions. The lack of granular information on credit history and repayment behaviour increases the information asymmetry issue affecting young rural clients, driving up credit cost and further distancing this clientele segment from the formal financial sector.

Finally, it should be noted that formal FSPs maintain a wealth of privately owned information about their customers. This requires such institutions to report some basic data to regulators, such as simple time series on a few high-level indicators (e.g. volumes of savings, volume and quality of the outstanding loan portfolios granted to young people). These indicators could then be further differentiated by age, gender and/or home address of the clients) and thus be useful for the purpose of analysing trends and the likely effects of public policies and programmes aimed at promoting financial inclusion, as well as to improve their design. The reporting requirements could also further draw the attention of FSPs to youth as specific segment of their clientele and its potential. The information provided by FSPs should allow, at the very least, for a breakdown of the usage rates of financial services according to gender, age category (e.g. adolescents and young adults) and area of residence (rural-urban).



Collecting and making available ample and granular data – as a public good – are critical steps towards understanding the specific needs (financial and non-financial) faced by young agripreneurs.

## 2.5 Gaps and weaknesses in national financial consumer protection frameworks

Youth in rural areas are particularly vulnerable to different types of predatory behaviours carried out by FSPs, both formal and informal. The low levels of financial education reported among young clients, coupled with their scarce business experience, increase their exposure to fraud, scams and other illegal or unethical practices tied to the provision of financial services. While FSPs might not be actively trying to defraud young clients, the latter's lack of familiarity and experience with financial services implies that it is far more likely that they might face some kind of complication, in their relationship with the financial provider, which will require a dedicated grievance redressal mechanism to be resolved. Furthermore, supply-side issues can compound this scenario: FSPs in most developing countries have scarce experience interacting with young clients, which can give rise to institutional biases or misconceptions against this client segment, as well as an increased risk of abusive behaviour. As a result, one important implication for policymaking is that national financial consumer protection frameworks take into due consideration the specific features (and vulnerabilities) that characterize rural youth in their role as financial customers. Such frameworks should guarantee the presence of adequate grievance redressal windows that are easily accessible and user-friendly, in addition to preventing fraud, scams and predatory behaviours.

Most financial consumer protection frameworks in developing and emerging countries are still lacking provisions on these aspects, both in general terms and specifically **for what concerns the protection of younger clients**. This holds particularly true with regard to the mobile money industry. In many developing countries, the exponential growth and diversification of mobile money products are rapidly outpacing antiquated and weak regulatory frameworks, and hence the lack of cybersecurity becomes a pressing issue. Young financial customers, in particular, can be extremely vulnerable to predatory behaviours in the mobile money domain. As illustrated by the OECD (2020, p. 15): “young people may be particularly vulnerable to risks of transacting digitally [...] as they are active in online spaces and at the same time are subject to behavioral biases and have relatively low levels of financial literacy”. Youth, for example, can be more exposed to offers of short-term consumer credit and “buy now, pay later” products that are marketed and sold through mobile channels. These can easily lead to over-indebtedness through repeated use, especially when combined with limited disclosure of fees and conditions, scarce financial literacy and an excessive confidence in one's digital skills. Similarly, there can be high youth exposure to misleading advertising propagated through mobile channels, fraudulent in-app purchases, data privacy violations as well as identity theft.

There have been some interesting initiatives in recent years, on the part of development agencies and other relevant stakeholders, aimed at creating frameworks specifically devoted to promoting consumer protection among young financial clients. YouthStart, a UNCDF initiative established in partnership with the Mastercard Foundation, proposed in 2013 a set of **eight**

**TABLE 1.** YouthStart programme's Client Protection Principles

|   |                                                 |
|---|-------------------------------------------------|
| 1 | Appropriate product design and delivery         |
| 2 | Prevention of over-indebtedness                 |
| 3 | Transparency                                    |
| 4 | Responsible pricing                             |
| 5 | Fair and respectful treatment of clients        |
| 6 | Privacy of client data                          |
| 7 | Mechanisms for complaint resolution             |
| 8 | Child- and youth-friendly products and services |

**Client Protection Principles (CPPs)** that sought to guide FSPs (and, indirectly, policymakers) in developing a responsible strategy for engagement with young financial customers, while providing a wide set of indicators that FSPs could use to self-assess the level of suitability of their product offer and marketing approach when targeting these clients. These CPPs are illustrated in Table 1. In particular, YouthStart has emphasized the following aspects that FSPs should keep in mind when applying the CPPs to their strategies for engaging young financial clients:

- 1) **Financial capability:** FSPs should complement their offer of financial services to young clients with capacity building and training aimed at strengthening the financial capability of this clientele segment. This can help make sure that young clients are able to clearly understand the rights and responsibilities deriving from purchasing a service from the FSP, as well as their ability to select the most suitable products for their specific situation among the those offered by the provider (OECD, 2020).
- 2) **Role of guardians/co-signers:** from a regulatory perspective, the need for a young client to have a guardian or co-signer to apply and make use of a financial service should be carefully balanced by the FSP against: (i) the actual risk associated to the financial service in question (e.g. consider removing this requirement for basic savings accounts); and (ii) ensuring that youth have actual control over the product it has signed on to, and can use it autonomously to advance his/her goals. This should also be taken into consideration by policymakers when refining their national regulatory frameworks under a youth-friendly lens.
- 3) **Avoiding additional restrictions on top of the regulatory baseline:** in line with the above, the FSP's internal regulatory framework should not impose more restrictions on youth for opening an account other than the ones said product requires by the law. The end goal is for young clients to have as much autonomous control as possible over their accounts without being burdened with additional restrictions (e.g. need for a guardian or specific forms of ID) that might constrain their ability to access or make the best use of it.

Overall, YouthStart has supported more than 940 000 young people (of which 47 percent are young women) in accessing financial services, as well as a range of complementary services such as business skills training and financial education. More than 390 000 young entrepreneurs have accessed a total of USD 76 million in formal credit in the frame of the programme, while more than USD 24 million were saved by the young beneficiaries with participating FSPs. Furthermore, more than a million youth received training to strengthen their financial literacy in the frame of the programme (UNCDF, 2022).

### BOX 1. The YouthStart programme

In recent years, a select number of development programmes focused on fostering youth financial inclusion have shown that integrated intervention approaches hold considerable potential to generate impact and results. These programmes carry out multidimensional interventions that can encompass capacity building, technical assistance, increasing access to markets and technology, and more. The combined effects of these interventions can strengthen the profiles of young entrepreneurs and thus turning them into appealing clients for formal FSPs, improving their capacity to access a range of financial services at more flexible and advantageous terms.

The YouthStart programme is a good example of this approach. It was launched in 2010 by the UNCDF) with the objective of fostering access to financial and non-financial services for low-income, marginalized youth (aged 12-24) across eight sub-Saharan African countries. Implemented in partnership with the MasterCard Foundation, YouthStart is a USD 12.2 million programme that works in close collaboration with ten formal FSPs to pilot and commercialize sustainable suites of services specifically tailored to the needs of youth, and provide them with capacity building in a range of different domains. More specifically the programme seeks to strengthen and combine four core areas. These areas are: youth's access to finance; entrepreneurship; access to decent jobs; and financial education.

The programme has a strong focus on promoting a savings-led approach as a gateway for the financial inclusion of young clients, as well as on fostering an enabling environment for the development of digital financial innovations to strengthen the offer of financial services for youths. With regard to the latter, YouthStart has worked towards:

- promoting an enabling digital ecosystem in which fintech innovations directed at young clients would be able to flourish;
- strengthening the financial consumer protection framework for young clients with a particular emphasis on digital spaces;
- supporting inclusive and ubiquitous access to affordable payment accounts for youth;
- integrating financial and digital literacy within schools, universities, as well as technical and vocational training centres; and
- training youth to leverage social networks and platforms to build their networks, access skills and develop business opportunities.









## 3. Policy frameworks to promote youth financial inclusion

This section discusses a range of policy frameworks and strategies aimed at fostering the financial inclusion of rural youth. It provides useful insights on key aspects that governments are addressing to advance youth financial inclusion through policy-level interventions, while also discussing the different types of support that other key players (e.g. multilateral agencies, development finance institutions) can provide to these processes.

### 3.1 Global frameworks and initiatives for youth financial inclusion

In recent years, policymakers and regulators in a growing number of developing countries have begun to acknowledge the importance of fostering youth financial inclusion through policy reforms and public initiatives, with a view to harnessing the capacity of this group to promote inclusive growth and economic development. This shift in perspective has been supported by considerable **advocacy work** carried out by a few international institutions (e.g. global public networks and non-profit organizations), that have designed and promoted a series of key global frameworks and initiatives devoted to setting specific standards and commitments for the advancement of youth financial inclusion. This section briefly illustrates these frameworks and initiatives, and discusses some of their concrete effects in terms of increased engagement at national level towards fostering youth financial inclusion.

**The Alliance for Financial Inclusion (AFI).** Considerable advocacy work on youth financial inclusion has been carried out by the AFI, a global policy network of financial sector authorities focused on promoting financial inclusion at the national and regional level. Its members include approximately 100 institutions comprising central banks, financial regulatory institutions and decision-makers from 76 developing countries.

In 2011, the AFI launched the **Maya Declaration**, a global initiative for responsible and sustainable financial inclusion that aims to reduce poverty and ensure financial stability for the benefit of all. It is a statement of common principles regarding the development of financial inclusion policy, which seeks to provide a measurable set of commitments by developing and emerging national governments towards advancing the financial inclusion agenda. As of 2022, it had been signed by 85 AFI national members, which in total committed to 1023 concrete targets linked to advancing financial inclusion at national level. Over the years, the Maya Declaration has resulted in a series of commitments on the part of AFI member countries that engage specifically with youth financial inclusion aspects. Examples of such commitments include:

- The Reserve Bank of **Fiji**, which made a public commitment in its National Financial Inclusion Strategic Plan (2016–2020) to increase the percentage of youth-owned accounts in the formal financial system (Reserve Bank of Fiji, 2016).
- The Central Bank of **Jordan** committed in 2016, after adhering to the Declaration, to having 25 000 youth-owned accounts being opened each year until 2020. It also committed to mainstreaming financial education in school curricula for youth aged 11 to 15 (AFI, 2016).

As part of its 2019 Global Policy Framework, the AFI also promoted the **Kigali Statement**, a broad commitment among AFI member institutions to accelerate the financial inclusion of youth and other financially underserved categories in their own national contexts, by intervening on the key regulatory constraints limiting their capacity to engage with the formal financial system. The AFI acknowledged that “youth are currently a disadvantaged group in the formal financial system that rely more heavily on unregulated informal financial services, have less access to economic opportunities and are at greater risk of being trapped in a cycle of intergenerational poverty,” with the Kigali Statement setting forth the commitment of “designing financial inclusion policy interventions which promote access to finance for entrepreneurs from disadvantaged groups.” (AFI, 2019, p. 16).

Another important contribution from AFI (2021a) is the **Youth Financial Inclusion Policy Framework**, which provides a set of policy recommendations for public decision-makers aimed at tackling the key regulatory and sociocultural bottlenecks in youth inclusion. As suggested by the Framework, in order to reform existing regulatory frameworks and public policy environments under a youth financial inclusion lens it is useful to analyse them on the basis of the following four areas:

- 1) **Data collection:** this represents the capacity of Member Countries to gather granular and intersectional data on youth financial inclusion and related aspects, which can then be used to inform policy reforms and other public initiatives. Data collection should not be limited only to the demand side of finance (i.e. the youth themselves), but also the supply side (i.e. the FSPs), as well as the regulatory side (e.g. the actual impact of programmes or policy reforms). This type of data can inform policymakers of the specific gaps and challenges experienced by youth from a regulatory perspective, while illustrating how regulatory barriers impact financial access, use and quality among this client group.
- 2) **National strategies:** this area refers to the mainstreaming of youth-specific targets in existing or new national financial inclusion strategies (NFIS), as well as national financial education strategies (NFES) and national youth development policies. As illustrated by AFI, the needs and constraints of young financial clients should be integrated in a holistic and multisectoral approach pushed forward by these types of strategies, taking into consideration the effects

that the promotion of financial inclusion can have on a wide range of development-related indicators among youth (such as entrepreneurship, job creation, social protection and so forth).

- 3) **Regulatory reforms:** this area refers to the precise interventions that aim to strategically remove or mitigate existing regulatory barriers to youth financial inclusion. It encompasses reforms to know-your-customer (KYC) regulations imposed on FSPs; the lowering of minimum age thresholds to access specific financial services; the strengthening of the financial consumer and data protection framework under a youth lens; and the mitigation of collateral requirements. The overall discourse on enabling the promotion of digital financial solutions tailored to young clients through appropriate regulation (as illustrated in Subsection 5.6) is an important component of this pillar.
- 4) **Public policies and non-regulatory interventions:** this area refers to specific public initiatives, campaigns and financial facilities that seek to tackle specific financial inclusion gaps registered among the youth population, by intervening on the demand side (i.e. the youth themselves) as well as that of the supply (i.e. the financial service providers). Examples of these interventions include: public financial literacy campaigns; capacity building and mentorship for FSPs to foster awareness of youth's potential as financial clients; public investments in youth-led MSMEs; as well as the promotion of linkages between formal and semi-formal financial service providers.<sup>10</sup>

**The Child and Youth Friendly Banking Principles.** The Child and Youth Friendly Banking Principles were developed in 2014 by Child and Youth Finance International (CYFI), an international non-governmental organization (NGO) devoted to fostering the financial inclusion and education of young people. It consists of a set of eight principles that seek to establish a global standard for the safety, reliability and accessibility of financial services destined to youth, to be implemented both by the private financial sector and by financial regulators. The CYFI also created a Child and Youth Friendly Banking Product Certificate, which was awarded to FSPs for offering financial products to children and youth that adhered to the standards set by the Principles. The Principles were one of the core elements of a global campaign called “Bank The Youth”, launched in 2017 by the United Nations Capital Development Fund (UNCDF) and CYFI, which sought – among other objectives – to encourage policymakers to develop youth-focused financial inclusion policies consistent with the Principles (UNCDF, 2017b; CYFI, 2016). The CYFI followed up on the Principles with another series of ten recommended practices for developing **safe and effective digital payment products for young clients** (known as “Safer Payment Products for Minors: Guiding Minors Towards Financial Autonomy”), which it launched in 2017 in partnership with the Mastercard Foundation. Some countries have already incorporated the Principles in their national strategies for financial inclusion. In **Zambia**, the National Financial Inclusion Strategy 2017–2022 indicated that all accounts designed for young clients should adhere to the Principles, and that the minimum age for account opening should be lowered to 16 years (AFI, 2021a).

---

<sup>10</sup> The term “semi-formal” refers to entities that were created to provide financial services to its clients/members, but that are usually only loosely regulated by a country's financial framework. In some developing countries, membership-based, self-help organizations such as Savings and Credit Cooperatives (SACCOs) fall into this category, while in other countries they form part of the formal financial system. Moreover, village savings and loan associations (VSLAs) could be included in this category, although this will be dependent on whether they are (at least partially) regulated by the national financial regulatory framework.

## 3.2 Incorporating youth-specific considerations in National Financial Inclusion Strategies

In recent years, in line with the growing recognition of the role of youth in agricultural development in developing countries, governments have begun to integrate youth-specific objectives in National Financial Inclusion Strategies (NFIS), as well as other related strategic frameworks for development. According to an AFI (2021b) survey, 13 developing and emerging countries so far have incorporated youth-specific objectives in their national strategies, although only some of these include concrete, quantitative commitments, as opposed to generic statements of intentions.<sup>11</sup> The following are a few of the relevant examples of NFIS with a specific youth focus:

- In **Sierra Leone**, the NFIS (2017–2020) set a target of five percent annual growth in youth-owned accounts in the formal financial sector, although no specific pathways were envisioned on how to achieve this objective (AFI, 2021a).
- In **Uganda**, youth financial inclusion was one of the three key priority areas of the NFIS 2017–2022. The Strategy put forward a specific recommendation to introduce a legal reform that would allow young people aged 15–17 to open savings accounts without need for the backing of an adult guardian (Benni, Berno and Soria, 2020).

Furthermore, several NFIS have envisaged the establishment of **dedicated working groups** in their governance structure, which would focus specifically on identifying solutions to financial inclusion barriers affecting specific marginalized categories, such as youth, women and internally displaced persons. These working groups usually involve representatives from central banks, ministries, NGOs, civil society organizations, apex financial institutions and other stakeholders. An example of this approach can be found in the NFIS (2016–2020) developed by the **Reserve Bank of Zimbabwe**, which sought to create a Youth Working Group tasked with exploring and promoting innovations to facilitate youth-focused financial inclusion, as well as promote the capacity of young people to strengthen their profiles as financial clients.

To conclude, it is important to draw attention to an interesting guidance note developed by the AFI (2020), which focuses specifically on providing suggestions to countries on how to incorporate youth-specific considerations in their NFIS. Among the various recommendations and considerations put forward by the document, the following can be highlighted:

- **Integrate youth stakeholders' perspectives in all phases of an NFIS:** during the design of an NFIS, it is essential to incorporate views and advice from youth stakeholders including representatives of youth organizations (e.g. cooperatives, youth councils and student bodies), as well as, more broadly, profit and non-profit entities that have an interest in promoting youth inclusion (e.g. the academia, FSPs, NGOs and civil society organizations). From a governance perspective, mainstreaming the view of youth stakeholders in the governance structure of a NFIS is essential to ensure that proper focus is maintained towards advancing the youth-specific objectives of the strategy, while monitoring the progress made.
- **Integrate age-related considerations in public data collection and monitoring systems:** public data collection systems should be strengthened at the national level to ensure granular and

---

<sup>11</sup> Aside from NFIS, it must be underlined that a few countries (e.g. Philippines and Vanuatu) have opted to incorporate youth financial inclusion objectives into broader youth development strategies, in an effort to foster a more holistic and harmonized national approach to youth development, encompassing inclusion, entrepreneurship, job creation, education and various other related aspects.

accurate age-disaggregated data are made available on a regular basis. This would allow to adequately monitor the progress made on NFIS implementation and identify emerging impacts, as well as inform any necessary modifications to the implementation strategy resulting from changing conditions at the local level. Aside from age, further disaggregation should be made possible for a wide range of essential parameters, such as gender, location education levels. An interesting example in this sense is that of **Jordan's NFIS**, that plans for the monitoring of a wide range of indicators to access, use and quality of financial services for youth,<sup>12</sup> further categorized according to the 15–17 and 18–24 age range, which is an important distinction, as discussed in Section 1.1.

### 3.3 Mainstreaming financial education for youth in national strategies

Financial education is an essential driver and enabler of financial inclusion. As pointed out in an OECD (2020) publication, it represents: “an essential life skill that can make a critical difference in people lives, opportunities and successes, while being a cornerstone of well-being, entrepreneurship, social mobility, and inclusive growth” (OECD, 2020, p.12). It is not surprising, therefore, that several developing and emerging countries have sought in recent years to mainstream financial education considerations in their national strategies for policy development, either as components and objectives of their NFIS, or in the form of autonomous National Financial Education Strategies (NFES).<sup>13</sup> In this regard, a common factor shared among youth-specific inclusion strategies has been **the integration of financial education and financial management skills into school curricula**, from an early age, complemented by the setting of minimum standards for financial education and other finance-related skills in the national education system. The following are a few examples of policies and national strategies which have sought to foster youth financial education:

- In 2013, the Bank of **Uganda** launched an NFES aimed at achieving five core objectives: 1) to improve youth's ability to manage personal finances; 2) strengthen the ability among youth to protect themselves against fraud; 3) promote more high-quality initiatives to strengthen financial literacy; 4) use resources efficiently to strengthen financial literacy; and 5) improve coordination and knowledge sharing around financial literacy. The bank also launched a national campaign on financial literacy which had as its core messages the need to avoid fraudulent schemes and unnecessary debt; understand the cost of borrowing; gain better knowledge on where and how to save; and learn how to evaluate the safety of deposits. The Strategy also has a specific focus on youth capacity building, as it aims to develop school curricula on financial literacy at all levels of education (primary, secondary and tertiary), as well as community-based curricula for young people out of school (Benni, Berno and Soria, 2020).
- In **Mexico**, the Committee on Financial Education and the National Council on Financial Inclusion launched in 2020 a National Policy on Financial Inclusion, which incorporated the original 2017 NFES. The Policy sought to strengthen financial literacy at national level by incorporating financial education within school curricula, while establishing the minimum standards of financial knowledge that had to be imparted by the mandatory educational system (AFI, 2021).

<sup>12</sup> Examples of such indicators include: percentage of youth with a formal financial account; percentage of youth with insurance coverage; percentage of youth with a mobile phone or internet at home; a percentage of youth that have borrowed from an FSP in the last year; and a financial knowledge score.

<sup>13</sup> In fact, 27 developing and emerging countries have implemented national financial education strategies as of 2021, either as stand-alone strategies or in the frame of broader NFIS, according to data from the AFI (2021b).



- In **Mozambique**, the NFIS (2016–2022) set, as a specific target, the development of a national financial literacy strategy by 2020. It also defined as a priority area of intervention:

*“The harmonization of the existing financial education programs and strategies, by identifying the objectives and priorities at national level, covering sectors of the financial system, and various methodologies and channels, including financial literacy in schools”*  
(Bank of Mozambique, 2015, p. 18).

As pointed out by the AFI (2021b), mainstreaming financial education considerations in national strategies can be more effective when the policymaker or regulator partners with relevant stakeholders (e.g. development agencies, NGOs) that have considerable expertise in youth inclusion aspects. This allows policymakers to leverage the knowledge (both general and specific to the area in question) that these institutions have on the various barriers that impede the promotion of youth financial inclusion in rural areas. This can have beneficial effects not only on the design of the strategy, but also its implementation. One relevant example in this sense is the Central Bank of **Sierra Leone**, which is currently developing a national financial literacy framework in partnership with various NGOs that focus on youth as a primary target.

Aside from national strategies, the rising levels of commitment on the part of governments towards strengthening youth’s financial education has also translated into **nationwide campaigns and programmes**. In **Pakistan**, for example, the National Institute of Banking and Finance launched the National Financial Literacy Programme for Youth in 2020, an ambitious plan aimed at strengthening the financial education and money management skills of 1.6 million youths, through both in-class training as well as digital learning platforms. The Programme envisaged different capacity building and education initiatives for youth, depending on their specific age group: children at school (9–12 years); adolescents (13–17 years); and young adults (18–29 years). In the **Seychelles**, the central bank launched in 2020 a one-year youth ambassador programme, called Youth4Youth, in which young local champions were recruited and trained to promote financial education and financial management skills among their peers, strengthening capacity on a wide range of topics such as the proper use of financial services, investing and fraud avoidance. (AFI, 2021b and 2021c).

As for the harmonization of the content and objectives of different NFES, a key contribution has come from a guiding document developed by the OECD (2015) called *Core Competencies Framework on Financial Literacy for Youth*. The aim of the document is to provide a common frame of reference on the basis of which all nations can design their own financial education strategies and related objectives. The framework recommends a **series of concrete standards** for the basic levels of financial education that should be achieved by all youth in the 15–18 age range, in order for them to become empowered and adequately safeguarded financial consumers. It also illustrates a range of more advanced competencies that should be acquired by different subsegments of the youth population, especially in countries where they may be expected to make decisions on purchasing more sophisticated financial services. The framework standards are categorized according to four “content areas”, which the youth are expected to learn:

- **Money and transactions:** this includes content on the different forms and purposes of money; ways to make, receive and monitor transactions; and the differences between national and foreign currencies.
- **Planning and managing finances:** this includes knowledge and strategies to manage finances in the short and long term, with a view to achieving personal and professional objectives. It deals

with monitoring income and expenses, understanding ways to enhance wealth and personal well-being, understanding credit and the use of savings.

- **Risk and reward:** this refers to gaining knowledge on financial products that can help youth protect themselves from losing essential income or assets (e.g. savings and insurance), as well as understanding how to evaluate the level of risk and reward associated with different services and models.
- **The financial landscape:** this implies understanding the features of the financial world and the actors it comprises, as well as the rights and responsibilities individuals have within such a landscape according to national regulations (i.e. financial consumer protection). It encompasses aspects related to the general financial environment such as recognizing the implications of financial contracts, as well as understanding specific concepts such as interest rates, inflation, taxes and welfare benefits.

Finally, another useful reference document developed by the AFI is the ***National Financial Education Strategies Toolkit***, which provides a wide range of recommendations, good practices, checklists and practical steps for policymakers seeking to develop their own NFES. The toolkit is accompanied by a guideline note that provides practical advice for tailoring NFES according to the specific needs and untapped potential of the financially marginalized categories, such as youth, women and forcibly displaced persons (AFI, 2021b).



Young rice farmer in Yen Bai, Viet Nam.





## 4. Policies and approaches that promote a more enabling market of financial services for the rural youth

### 4.1 Defining policy areas of interest

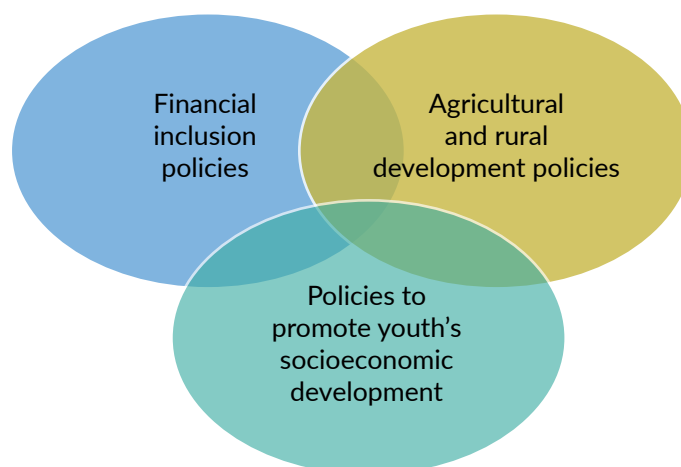
In practical terms, the development of a sound market of financial services for rural youth is normally supported by a range of public interventions that belong to **different policy domains**, with the most important ones being: (i) policies that promote financial inclusion in general; (ii) policies that foster agricultural and rural development; and (iii) policies that promote the economic development of youth, specifically. These policies have varying objectives and require the engagement of different kinds of stakeholders, all of which are relevant for the development of financial markets capable of adequately serving rural young clients. Figure 1 illustrates how these different policies often overlap in their scope and objectives, as they all seek to achieve similar goals in terms of promoting youth's entrepreneurship, employability and capacity to access finance, although they contribute to these goals in different ways and through the use of different instruments.

The following is a more detailed explanation of each of the policy categories:

- **Financial inclusion policies:** These aim to expand the sustainable access to, and use of, suitable financial services by all members of society. Important instruments that fall into this category are national strategic plans aimed at fostering financial inclusion, which engage a range of public and private stakeholders in the pursuit of predetermined and measurable targets. As already mentioned, national financial inclusion strategies may comprise interventions in



**FIGURE 1:** Key policy areas to promote a market of financial services for rural youth



Source: Authors' elaboration.

support of either youth or rural dwellers, but they rarely target the rural youth as a specific subgroup.

- **Agricultural development policies and programmes.** These are policies that mainly seek to: (i) increase the production, processing and marketing capabilities of agricultural actors, and the value chains they are active in; (ii) assist the agricultural sector in mitigating or adapting to the impacts of climate change; and (iii) promote the overall economic development of rural areas, with a strong emphasis on the strengthening of agri-MSMEs. When it comes to promoting the rural youth specifically, these policies and programmes usually involve the provision of grants, concessionary loans and a bundle of complementary non-financial services (e.g. skills training and mentorship) that can assist young entrepreneurs in conceptualizing and kickstarting their own business ventures in agriculture. A good example of an initiative of this kind is the Kapital Access for Young Entrepreneurs (KAYA) Programme in the Philippines, described in Box 2.
- **Polices aimed at promoting the socioeconomic development of youth as a specific target group.** These include, among others, measures that seek to enhance education and the school-to-work transition process. A key role in this category is played by both education authorities and public agencies mandated with addressing youth employment issues. They are primarily focused on two areas: (i) enhancing youth's employability through skills development that can lead to better (and salaried) jobs; and (ii) promoting their capacity to kickstart new entrepreneurial ventures across a wide range of sectors. A good example of this is South Africa's Youth Development Agency, which since 2008 has been providing aspiring young entrepreneurs with grants, business development services, mentorship, market linkages, scholarships and financial education.

Aside from mainstreaming considerations on how to properly target rural youth in national strategic frameworks, such as those on financial inclusion and financial education (as seen in Section 3), it should be noted that a few governments in developing countries have decided to assign to one specific public entity the role of **coordinator of the interinstitutional efforts in support of rural youth**. Such an institution could be, for example, a financial sector authority, one in charge of



agricultural and rural development, or one tasked with the promotion of youth entrepreneurship. In other cases, this task has been assigned to an interministerial working group, charged with coordinating and advancing youth-focused programmes and policies that engage various stakeholders. Regardless of its specific nature, such an entity should have the professional profile and convening capacity to gain the support and participation of those core stakeholders whose collaboration is critical to implement the strategy, such as rural FIs, representative organizations of young entrepreneurs, and apex financial cooperatives, among other actors.

#### **BOX 2. The Kapital Access for Young Agripreneurs Program**

The Kapital Access for Young Agripreneurs (KAYA) Program was launched in 2020 by the Department of Agriculture of the Government of the Philippines, in an effort to bridge the critical financing gap affecting young entrepreneurs in the agricultural sector. It is directed at young adults aged 18–30, graduates of a wide range of agri-focused courses and educational programmes for those who seek to kickstart a new business venture in either agriculture or fisheries. The Program provides these youth with zero-interest, uncollateralized loans of up to USD 9 000 and five years in duration, as well as mentorship and capacity building provided by qualified experts. The credit provided can go towards the purchase of agricultural machinery or equipment, working capital, or any other use that can help the agribusiness to start its operations. To deploy its credit capital, the programme has partnered with a range of both state-run banks and private FIs (e.g. commercial banks, MFIs and financial cooperatives), which are charged with loan provision, collection and monitoring. While loans are zero interest, FIs are authorized to charge a management fee of no more than 3.5 percent per annum to cover their administrative costs. The capacity building is provided through a network of educational institutions and specialized service providers, such as vocational training centres and universities.

Young entrepreneurs that are approved to enter the programme are also provided with a cash card called PayMaya, which stores the loan disbursements and can be topped up by any participating FI through a web portal. The young entrepreneur can use the card to withdraw the share of the loan capital he/she received through any ATM. Furthermore, PayMaya functions as a normal debit card, allowing a range of services such as bill payments and accessing an associated digital wallet. The documentation requirements to enter the programme are extremely simple, as the young entrepreneur only needs to provide government-approved ID, a simple business plan and a loan application form.

## **4.2 Developing a business case for financial providers to serve the rural youth**

As discussed throughout this study, a range of constraints makes the provision of financial services to rural areas more challenging for formal FSPs, such as the remoteness and fragmentation of clients, the small average size of the transactions, the low level of financial literacy on the demand side, the scarce access to conventional collateral, among others. The combination of these constraints leads most FSPs towards eschewing the financing of rural actors, on account of an institutionally rooted bias that brings them to view rural clients as inherently riskier and costlier compared to urban ones. Given these premises, it is crucial for policymakers to showcase to FSPs the significant return potential that could be unlocked by developing an offer of services better suited to the needs of rural actors, especially those more marginalized (but with considerable untapped potential), such as young rural entrepreneurs.

There are various types of approaches that can help build the business case for serving the rural youth:

### 1) Select suitable FSPs to partner with.

The participation of suitable FSPs in public-private partnerships is a key condition for the success of any intervention aimed at developing a sustainable and efficient market of financial services that can cater to the needs of rural youth. International experience shows that those FSPs which have a **clear institutional orientation to serve rural and agricultural clients**, as part of their mandate, tend to be significantly more successful in this domain, and therefore policymakers should aim to select partners from such institutions.

Past initiatives have focused on promoting youth-focused financing (such the YouthSave and YouthStart programmes) have shown that, in order to be able to adequately serve the rural youth, FSPs need to adjust their products and operations, as well as develop an institutional strategy. Although this process can take a significant amount of time, it can be accelerated provided that FSPs are given access to adequate innovation and know-how. The main instruments that can be used by policymakers to achieve this are discussed in the next section.

Partnering FSPs should also possess **an extensive network of points of sale in rural areas** (be it one they own or one they can access through partnerships with non-bank agent networks) that can be utilized to extend their services to rural youth. By leveraging these existing networks, FSPs can sustainably expand their reach to serve rural youth, with relatively low additional costs. Finally, partner FSPs should have already achieved a decent size and economies of scale (or have a credible business plan to support growth) that provide a robust foundation to expand operations.

### 2) Establish collaborations with different types of public institutions and service providers.

Establishing collaborations with different types of civil and non-profit organizations that work closely with the rural youth carry a significant potential to: (i) foster the capacity of youth-led enterprises on various levels, thereby strengthening their client profile in the eyes of formal FSPs; and (ii) bolster the flow of information and data available on these entrepreneurs, which can further support FSPs' financial provision activities (FMO, 2022). Among such types of collaborations, we can refer to the following:

- **Partnerships with educational institutions.** Educational institutions in rural areas can: (i) play a key role in strengthening rural youth's financial literacy and business management skills; (ii) support the preparation of business plans; (iii) encourage gradual savings over time; and (iv) foster other interventions that can strengthen youth's credit profiles when seeking financing from formal FSPs. Such educational institutions can include schools, vocational training centres, and NGO-managed workshops, among others.
- **Partnerships with digital agricultural platforms.** Digital agricultural platforms can act as key intermediaries and facilitators between FSPs and young rural clients, allowing the FSP to deliver its offer of services through the platform's digital channels. Furthermore, youth's usage of a digital platform's services generates a stream of data that can be leveraged by the partnering FSP to further adapt its offer of services to the features and needs of these clients.

- **Partnerships with women-focused organizations.** Organizations that work closely on gender-related issues (such as NGOs and civil society organizations) can provide critical information and support to an FSP that can help refine its offer of services according to the needs and strengths of rural young women. This can be crucial to mitigating the different constraints that young women face when seeking access to formal financial services, such as socio-cultural expectations limiting their time and mobility, legal discriminations, and lower access to collateral, among others.
- **Partnerships with village savings and loan associations (VSLAs) and Rotating Savings and Credit Associations (ROSCAs).** Both VSLAs and ROSCAs often fill an important gap in the financing of rural actors that is caused by the scarce engagement of commercial banks or microfinance institutions (MFIs), in reaching, in many cases, the most marginalized segments of the population such as young rural women and men. Linking VSLAs with formal FSPs can enable their members to access a wider range of financial services, and thus improving financial inclusion. An evaluation carried out in the frame of CARE International's Link Up project in Kenya, for example, showed that linking VSLAs with formal FSPs can lead to higher rates of financial returns among FSP-linked groups as well as, over time, higher savings rates when compared to unlinked groups (CARE International, 2017).
- **Partnerships with large-scale agribusinesses across the value chain.** Value chain financing arrangements can be a significant source of short-term finance for farmers and other small-scale agri-entrepreneurs, borne out of the collaboration between large-scale agribusiness companies (e.g. input providers, processors and exporters) and formal FSPs. Young agricultural entrepreneurs active in tight agricultural value chains would stand to especially benefit from these types of arrangements.

### 3) **Take advantage of the rise of digital financial services in rural areas.**

The rapidly accelerating expansion of digital financial services in rural and agricultural areas of developing countries offer a significant opportunity to promote youth-focused financing. Financial service providers can leverage new flows of client data generated through these services, as well as benefit from significant cost and time savings on a range of processes (e.g. client registration, due diligence, loan appraisal and management, and disbursements). The rural youth, in turn, can gain access to a more varied, flexible and cheaper offer of services that is better tailored to their specific client features. Section 5.5 provides a more in-depth analysis of how policymakers can support the creation of an enabling ecosystem that can promote the emergences of digital financial solutions adapted to the needs of the rural youth.









## 5. Selected instruments that foster rural youth's access to finance

Previously in this study we discussed the various challenges and opportunities associated with providing the rural youth with a more tailored offer of dedicated financial services. We have underlined how creating the conditions to foster the development of a sustainable market for such services remains a complex undertaking, which requires a considerable degree of collaboration between policymakers, local FSPs, and a host of other public and private stakeholders.

Building on these premises, in this section we aim to discuss a range of specific programmatic and policy instruments that public decision-makers (and other relevant stakeholders) can adopt to strengthen the access and use of financial services among the rural youth, as well as the quality (e.g. in terms of price, features and conditions) of such services. We also analyse the various potential bottlenecks that can limit the effectiveness of such measures, as well as the possible unintended distortions and negative impacts that they could generate.

### 5.1 Tailored grant programmes targeting the rural youth

In many developing and emerging countries, governments, DFIs and other relevant stakeholders have launched programmes that seek to provide grant funding to a selected group of young beneficiaries, with the intent of assisting them in kickstarting specific investments or activities, as well as in establishing a more solid asset base over time. Depending on the features of the programme and the profile of the recipients, these grants are often required to be matched by beneficiaries, either with their own finances or through labour or in-kind contributions. Grant provision, as a support instrument, is frequently used in contexts where the private financial sector engages little with agriculture, or where there are substantial gaps in financing that affect specific



subsegments of clients. The provision of grants is usually deployed in combination with a range of interventions, such as technical assistance, financial literacy training, business skills development and various other types of non-financial support. Aside from helping young entrepreneurs in kickstarting new ventures, targeted grants can also assist in strengthening a beneficiary's financial profile, thus paving the way towards unlocking further credit as provided by formal FSPs.

While there are many examples that illustrate such interventions, an interesting case to mention is the IFAD project entitled Youth Entrepreneurship and Employment Support Services (YESS) Programme, which is a USD 72.7 million initiative implemented over the 2018–2025 period in four provinces of Indonesia. The project seeks to support young aspiring entrepreneurs in kickstarting their business ideas not just strictly as farmers, but across rural supply chains, through a mix of competitive grants, financial literacy trainings, apprenticeship programmes, linkages to local FSPs and research work on the enabling conditions for youth entrepreneurship in the target areas. Among the results achieved by the project so far, we can mention the creation of new jobs for 8 000 rural youth, the support provided to more than 6 700 youth-led enterprises, and more than 28 000 youth accessing savings services through local FSPs (IFAD, 2023).

It is crucial to mention that, while grants can represent important flows of capital directed at youth-led agricultural MSMEs, their use involves a range of risks. One such risk is the potential for **displacing commercial finance**, i.e. providing grant funding that crowds out the private financing that could potentially be already obtained from local FSPs – at either commercial or subcommercial rates. This displacement effect is bound to be more prominent when grants are provided to more established and advanced youth-led enterprises, which could have – at least in theory – attracted debt or equity capital from private sources, but whose capital needs were already satisfied by the grant.



Young fruit and vegetable seller in Cali, Colombia.

Badly designed grant programmes can generate considerable distortions in rural financial markets, and discourage commercial FSPs from engaging with client segments already targeted by this type of intervention. It is essential, therefore, to base the design and implementation of a grants programme on a thorough analysis of the offer of public and private financing already available in the area in question, as well as on a comprehensive impact assessment that the programme of grant provision could have on the market.<sup>14</sup>

## 5.2 Technical assistance and capacity building for financial service providers

Given the lack of both expertise and experience that characterizes most formal FSPs when it comes to financing small-scale rural actors, it is no wonder that various recent projects led by DFIs and development agencies have included components aimed at strengthening the institutional capacity of these providers, with a view to expanding their offer of services to marginalized segments of rural clients. The technical assistance (TA) provided in the frame of these programmes usually seeks to assist FSPs in a number of ways, namely: (i) better targeting the subsegments of the rural clientele they wish to engage with (such as young rural entrepreneurs); (ii) strengthening their capacity to assess the risk associated to financing these actors; and (iii) developing a more tailored offer of services that can adequately “capture” each of these segments. There is also an increasing number of TA programmes focused on fostering the **institutional digitization** of FSPs, i.e. by supporting the integration of software packages, digital platforms and applications that can increase FSPs’ capacity to properly assess the financial risk profiles of specific subsegments of rural clients. The programmes also gather, centralize and triangulate client data from third parties more efficiently; streamline their administrative processes and operations; and generally promote improvements across a wide range of areas of operation.

Furthermore, another critical contribution that TA can provide is support to FSPs in integrating **a client-centric approach** in their strategic model for financing low-income, rural actors. This approach can help FSPs in defining – with more precision – which subsegments of clients to target with a tailored offer of services, how to adapt such services to precisely capture each segment, as well as identify the best delivery and communication channels to help reach these client groups more effectively.<sup>15</sup> As the rural youth client segment comprises a heterogeneous population, consisting of several subsegments (e.g. adolescents, students, young parents, hired labourers and agricultural micro-entrepreneurs, just to name a few) that are exposed to different sets of challenges, strengthening the capacity of FSPs to adapt their offer of services to the specific features of these different segments can be a key factor in successfully promoting youth financial inclusion (as well as the FSPs’ profitability).

Lastly, an important remark related to TA provision should be made on the role that cooperative financial institutions (CFIs) and MFIs can play in developing an offer of suitable financial services for rural youth. As these types of institutions are usually the most common providers of financial services in rural areas of developing countries, public decision-makers should carefully consider investing in providing substantial TA to these providers. While such public support would

---

<sup>14</sup> Refer to Sberro-Kessler (2019), for a more comprehensive analysis of how matching grants can both foster and constrain financial access among farmers and other actors in agricultural value chains.

<sup>15</sup> In this sense, it is worth remarking that the Consultative Group to Assist the Poor has developed and made available several tools and resources that can support FSPs in adapting their strategies and products to low-income, vulnerable client segments in rural markets.

not necessarily aim to impact the rural youth as a specific group, it would end up substantially benefitting the capacity of this client segment to access formal financial services.

### 5.3 Regulating and promoting the growth of agent banking networks

In recent years, agent banking has increasingly shown itself to be one of the most promising solutions to address the financial inclusion gap in rural areas, especially for what concerns marginalized and underserved categories of clients, such as the rural youth. In an agent banking model, the FSP eschews the traditional bricks and mortar branch model (expensive and usually challenging to develop in rural areas), establishing instead partnerships with local rural agents that already have a primary line of business (e.g. pharmacies, grocery stores, post offices, and so on) and elect to act as “retail points” for the FSPs’ offer of a range of basic services (e.g. deposits, lending, account opening, money transfers and general inquiries). This model reduces the costs associated to developing and maintaining a banking branch network in rural areas, allowing FSPs to leverage a network of qualified agents that can be trained to engage with financially underserved actors (AFI, 2021b).

Agent banking can play a particularly important role in youth-focused financial inclusion, as it can act as an essential entrance point for the rural youth to engage with the formal financial system. Retail agents at village level can leverage the familiarity and proximity they have with local youth to encourage an initial (mediated) interaction with an FSP, targeting them with a tailored offer of basic financial services adapted to their specific needs. This can be particularly important for young women in rural areas, as they are usually less mobile and more time constrained than their male counterparts, and as such can benefit from the proximity these agents have to where they work and live. Agent banking can become a first step in a longer process of trust building between the youth and the provider that would allow the former to grow into a valued and supported client in the eyes of the FSP.

Introducing proper regulation is a critical step that policymakers should take to ensure that agent banking adheres to **adequate standards of practice** that can guarantee the sustainability, affordability, and expansion of this model. This involves regulating specific aspects of the model, such as due diligence requirements to enroll agents; available services that can be offered; technology platforms that can be used; and many other elements. It also implies guaranteeing **fair competition** in the agent banking domain between mobile money operators (MMOs) and traditional financial institutions, as in many developing countries the former are considerably more advanced in their expansion of agent networks in rural areas, as they do not have to adhere to the usually far stricter regulations that govern FSPs’ operations.

However, with that being said, not all regulators have opted for the slow approach of trying and testing multiple iterations of agent banking regulation. As illustrated by the African Center for Economic Transformation:

*“Regulators do not have to go this route every time: multiple countries such as Ghana, Uganda, Kenya and Malaysia have taken a permissive approach to this innovation and have allowed interested banks to submit no-objection proposals for consideration. [...] Governments should not shy away from using this approach as an incubator of sorts to test the viability of the agent banking model before going through the pains of enacting policy”*

(ACET, 2021, p. 25).

In **Malaysia**, the central bank introduced the Agency Banking Initiative in 2012, initially limited only to financially underserved subdistricts (*mukims*), which called for early adopters among commercial banks to pilot this innovative model. Among these early adopters was the commercial bank Agrobank, which sought to leverage this innovation to specifically extend its outreach and offer of services MSMEs in the agricultural sector. The introduction of agent banking in the country resulted in considerable improvements to the financial inclusion scenario in rural areas: before 2012 only 46 percent of *mukims* had access to financial services, while this figure grew to 97 percent three years after the implementation of agent banking. The total number of agents also grew from 460 in 2012 to almost 800 in 2016 (ACET, 2019; World Bank, 2016).

## 5.4 Regulating and promoting the use of basic accounts

Basic deposit accounts, also known as “no-frills” or low-cost bank accounts, can be a useful instrument to foster the financial inclusion of the rural youth. These types of accounts are affordable and accessible savings products, usually complemented by a range of other basic services, that can be especially useful for financially marginalized, low-income client segments. They usually carry very low fees and require a low minimum balance (or none at all) to be maintained, making them easier to access by low-income individuals. In addition, they have a simplified account opening process, with less stringent requirements than conventional accounts in terms of the ID and documentation to be provided. To keep costs low, limitations may be placed on the maximum number of withdrawals and transfers allowed per month, the total amount that can be withdrawn, and other similar restriction. Despite these limitations, these accounts are able to provide clients with access to a range of essential banking services, including deposits, withdrawals and basic payment facilities that they would otherwise not be able to use.

While it can be challenging for banks to operate basic accounts profitably without some type of public support, there are examples of FSPs, such as the Equity Bank in Kenya, or the BancoEstado in Chile, that have managed to commercialize low-cost savings product – in a financially sustainable way – by leveraging a combination of mobile banking platforms, strategic partnerships with different service providers and agent banking models, to reduce operating costs and significantly increase the scale of their offer.

As for large-scale public programmes through which policymakers have sought to promote the uptake of basic accounts at national level among large shares of financially marginalized populations, two important examples should be mentioned:

- **The “Pradhan Mantri Jan Dhan Yojana” (PMJDY).** This is a public financial inclusion programme that sought to provide every Indian citizen with access to a basic savings account. The PMJDY accounts do not require a minimum balance; they earn an interest rate above that of regular savings accounts; and are issued together with a debit card that provides a no-cost accident insurance of INR 100 000 (approximately USD 1 200). Furthermore, account holders are given access to a small overdraft facility of about USD 120. The programme also allows minors between aged 10 and 17 to open an account, although it has to be co-signed by a guardian.
- The PMJDY programme has managed to achieve a considerable scale since it was launched in 2014. According to the data provided by the programme, as of March 2023, 483 million people had signed up for a PMJDY account, of which 67 percent resided in rural areas and 55 percent were women. Interestingly, 97 percent of all accounts had been opened at public banks and state-run regional rural banks, while private commercial banks were responsible for onboarding

less than three percent of all account holders (PMJDY, 2023). Despite these results, it should be noted that private banks still face a considerable challenge by maintaining this large a number of accounts, as carry costs outweigh the benefits of maintaining such accounts (e.g. in terms of due diligence, administration, emitting associated debit card and so on. Furthermore, more than 18 percent of PMJDY accounts were dormant as of 2022, which further increased the carry costs for banks (Nayak, 2022). As the percentage of inoperative accounts has been steadily decreasing, usage is expected to continue improving, as the financially underserved segments of the population gain familiarity with the products (Raman, 2018).

- **Mzansi Accounts.** Launched in 2006 by the Banking Association of South Africa, Mzansi accounts are entry-level, basic accounts directed at low-income individuals. They offer access to a suite of simplified banking services such as a debit card and ATM withdrawals. They were introduced following a recommendation made in the 2004 Financial Sector Charter, a policy document that sought to guide the transformation of South Africa's financial sector. Similarly to India's experience, the Mzansi accounts were instrumental in fostering financial inclusion in South Africa, with one in six citizens owning such an account as of 2022. The four major private banks in the country, as well as state-owned Postbank, have been involved in offering this type of product. However, because of the challenges in profitability and shifting market conditions, some banks have discontinued the Mzansi accounts over the years and introduced alternative low-cost banking products and services tailored to the needs of low-income customers.

## 5.5 Building digital financial ecosystems that can promote youth inclusion

As youth have been shown to be early adopters of digital financial innovations, enabling policy reforms that seek to build an enabling environment for digital financial inclusion stand to benefit this category to a significant degree. In particular, there are specific elements of a digital financial ecosystem that can strongly influence youth's capacity to access and use these services. **Digital know-your-customer (KYC) regulation**, for instance, is critical, as enabling policymaking from this viewpoint can strongly promote youth's capacity to open mobile wallets in an easy and hassle-free manner, leveraging the higher levels of mobile penetration often registered among this segment, as well as their greater familiarity with these kinds of procedures. Enabling and facilitating the digital onboarding of customers holds particular importance for young, rural women, who might be prevented from physically interacting with MMOs because of time/mobility constraints, as well as sociocultural pressures. Furthermore, and as already mentioned in Section 2.2, the introduction of **tiered KYC models** that regulate the creation of mobile accounts stands to benefit large segments of the youth population, allowing these clients to open and own basic accounts that can act as springboards for further engagement with the formal financial sector (AFI, 2021).

Another important aspect of digital financial ecosystems is the **regulation of digital payments**, which holds particular importance for young, rural workers as these actors frequently engage in small commerce and the so-called "gig economy", two areas that can benefit considerably from a well-established digital payment infrastructure (AFI, 2021). An example highlighted by the AFI (2021) is that of the Government of Fiji, which in 2019 collaborated with the telecom company Vodafone Fiji to develop a QR-based payment system that could be used in conjunction with the mobile money app M-PAiSA to allow for digital transfers and payments. The government explicitly targeted tech-savvy rural youth as a promising client segment for the uptake of this innovation. It should also be noted that a robust digital payment infrastructure is critical to enable G2P (government-to-people)



cash transfers specifically targeting youth (such as government allowances, scholarships, student loans and social benefits), which employ digital channels to reach even the most marginalized, rural dwellers (GPFI, 2020).

In terms of public facilities and programmes aimed at fostering the digital financial inclusion of youth, **incubators and accelerators** can promote the creation and expansion of fintech start-ups specifically targeting financially underserved client segments, and which focus on designing and delivering customer-centric services tailored on the needs of the rural youth. Furthermore, these facilities can support young entrepreneurs in developing and expanding their business ideas in the digital finance sector, leveraging their firsthand knowledge of the specific challenges and constraints they face as financial clients.

Another policy-related innovation that is becomingly increasingly more popular in developing and emerging contexts are **regulatory sandboxes**, which allow for financial technology (or Fintech) companies to experiment and pilot new products and business models, such as biometric identification, blockchain-based remittances and digital KYC and alternative credit scoring, all within a controlled environment and under the regulator's strict supervision.<sup>16</sup> Several governments have implemented such programmes in recent years, including Kenya, Mozambique, Rwanda, Thailand and Sierra Leone, in an effort to achieve a range of specific objectives such as promoting competition or developing guidelines and standards for new technologies.

Despite the variety of measures through which the regulator can intervene on the policy environment, it should always be kept well in mind that reforming the regulatory ecosystem for digital financial services can also end up aggravating existing inclusion gaps (whether related to age, gender, or other variables), if factors of exclusion (whether economic, legal or sociocultural) are not properly accounted for during the design and implementation of such policies. A range of critical bottlenecks can impair the effectiveness of policy reforms aimed at fostering digital financial inclusion among marginalized categories, and particularly among the rural youth:

- **Weak protection frameworks for digital financial consumers.** Whether related to payments, transfers, credit or savings, efforts to foster the digitization of financial services should be accompanied by adequate financial consumer protection measures. These should encompass clear and enforceable rules for digital financial service provider, and might include revising the financial regulatory framework to account specifically for financial cybercrimes; establishing a public supervisory body devoted to safeguarding the digital finance sector; implementing dedicated mechanisms for recourse and dispute resolution; establishing requirements for transparency and disclosures in the formal offer of digital financial services and so on. From an inclusion perspective, these measures should take into account the needs and constraints faced by different categories of clients in order to benefit them all, irrespective of their level of financial and digital literacy. For instance, mechanisms for reporting and investigating grievances and abuses in the digital financial sector should be easily accessible for rural dwellers, through mobile channels. Overall, young users need to be in a position that allows them to properly understand and mitigate the risks they face when embracing new digital financial services, while minimizing their potential losses (Benni, 2021a).
- **Low levels of digital financial education.** While it is true that youth tend to be early adopters

---

<sup>16</sup> A useful online resource database on regulatory sandboxes has been made available by CGAP. It can be found at this link: <https://www.cgap.org/regulatory-sandbox/interactive-map>.

of digital innovations, there is a considerable disparity in developing countries between urban and rural youth in terms of familiarity with such technologies, as well as in mobile and mobile internet penetration rates. The adoption of digital financial services should go hand in hand with a strategy and set of programmes for building adequate capacities among youths in their use and management of digital financial technologies and to protect them from scams, fraud, privacy abuses and predatory behaviour. A relevant initiative in this respect is that of the **Moroccan Foundation for Financial Education**, which, in 2020, began developing a digital financial education strategy for youth aged 18 to 25, and whose educational material integrated specific considerations regarding young women and rural youth (OECD, 2020).

- **Low interoperability.** The regulatory framework should include provisions that facilitate the interoperability of MMO services, i.e. the ability of customers to gain access to digital financial services through agents from a different network than the one they have signed up for, a feature that requires agents working for different MMOs to be able to communicate and exchange among themselves. The widespread availability of merchant acceptance points is essential for the value proposition of MMO agents. Customers will be motivated to learn how to use these payment methods, modify their routines, maintain e-wallet balances and utilize them for daily purchases, only if a significant number of retailers accept digital payments and the former do not have to worry about the affiliation of each agent to one or another network. Similarly, merchants will only actively accept digital payments if there is sufficient customer demand for this payment method. Consequently, achieving sustainability and profitability for MMO services requires attaining a substantial scale both from the supply side (the agent networks) and that of the demand (the rural customers). Interoperability is therefore a critical element to foster a more widespread adoption of digital financial services, especially in rural areas, one which public decision-makers cannot afford to overlook.

## 5.6 Establishing youth-focused challenge funds

Challenge funds are usually established to support innovative projects, initiatives and businesses that seek to tackle specific development-related challenges of different nature through the provision of both financial and technical support. These types of facilities can be instituted by governments, DFIs, foundations or private sector organizations, and can focus on different sectors, including agriculture, health care, education and technology. While such funds usually do not target the rural youth exclusively, a number of them – by mandate – focus on youth as one of their core target segments, providing support in areas such as financial inclusion, entrepreneurship, skills development and the creation of new market linkages.

Challenge funds work through a competitive application process, whereby organizations or individuals submit proposals for projects or initiatives that seek to address a range of defined challenges or objectives. The fund manager, or a committee, evaluates the proposals based on a set of predefined formats (e.g. a business plan or model) and specific criteria that are linked to the programme's overall goals, such as feasibility, potential impact, innovation, sustainability and scalability. Successful applicants are awarded financial and technical support in the form of grants, loans or equity investments, depending on each fund's structure and objectives.

Overall, it should be remarked that, while these funds can turn out to be very effective instruments to promote pioneering innovations that can support the creation of more sophisticated markets of financial services for the rural youth, it is crucial that the mechanisms underpinning the functioning of these facilities are carefully designed and maintained. Poor design, monitoring and oversight can

lead to a variety of issues such as misuse of funds, embezzlement and the funding being deviated from its intended destinations. This can quickly damage the trust that rural youth have towards the fund, drastically reduce the number of applications for funding, and result in reputational damage for the fund donors and managers. Furthermore, the entity or working group in charge of selecting which projects to support needs to possess the technical capacity required to evaluate the viability of the proposed investments and their capacity to achieve scale.

Among possible examples of challenge funds with a strong focus on the rural youth, we can mention:

- **The Youth Challenge Fund (YFC).** This fund was established by the Government of South Africa in 2021, with the aim of supporting 15 000 youth-managed enterprises over a span of five years. The YCF provides subsidized loans and business development services to youth-owned businesses and organizations. The programme aims to address the significant funding gap in the market for youth-led startups in South Africa. The YCF mainly aims to support youth-led startups to promote technology and innovation across various sectors of the economy (DSBD, 2022).
- **The Fund for Rural Prosperity.** This USD 50 million challenge fund was launched in 2014 by the Mastercard Foundation, with the goal of improving the livelihoods of vulnerable people in sub-Saharan Africa countries by supporting innovative and scalable financial products and services with a strong focus on youth as a core beneficiary segment. The Fund, which closed at the end of 2022, provided grants and funding to pioneering enterprises that proposed solutions to promote financial inclusion among low-income segments of rural populations, such as IT-based innovations to improve credit risk scoring and mobile insurance.

With regard to recommendations for an optimal implementation of challenge funds, a comprehensive evaluation of ten global challenge funds by the Swedish International Development Agency (SIDA) in 2018 showed that a **strong hands-on approach**, which includes intensive management and enlisting a wide stakeholder support, can lead to better results in achieving a fund's objectives (SIDA, 2018). It also showed that providing a comprehensive bundle of training, mentorship and technical assistance, alongside financial support, is crucial for the success of a challenge fund targeting marginalized groups such as the rural youth. This kind of support is especially important latter as the rural youth often lack the necessary skills and experience to build viable and sustainable economic ventures, despite being provided with investment capital. A flexible design, that adapts to the changing needs and circumstances of the youth segment being targeted by the fund in question, is also essential to ensure effectiveness. Such a design implies **adjusting grant sizes, support durations and eligibility criteria** – associated with the funds' investments – in response to an evolving context and a more precise idea of the beneficiaries' profiles (SIDA, 2018).

Finally, being able to identify and support entrepreneurial ideas that carry a high potential for sustainability and scalability is critical for the long-term success of challenge funds. Focusing on projects that can grow and become self-sustaining allows challenge funds to create a lasting impact and contribute to broader economic development. Ensuring inclusiveness and accessibility to all subsegments of young rural entrepreneurs, and especially young women, is essential for promoting social inclusion and achieving equitable development outcomes. This can be achieved by designing tailored outreach strategies, simplifying application processes and providing targeted support together with financing, so that every young aspiring entrepreneur in rural areas has an equal opportunity to participate to, and benefit from, a challenge fund.

## 5.7 Are interest rate caps a suitable approach to promote the financial inclusion of the rural youth?

The debate on the use of interest rate caps to promote the financial inclusion of the rural youth is an ongoing one. Interest rate caps are regulatory provisions that set an upper limit on the interest rates that financial institutions can charge on loans. While it would appear that such public interventions could lead to a more affordable offer of credit for young rural clients, research has shown that such measures can have negative effects on the supply of credit made available for these actors, as well as to other categories of financially underserved clients. A study by Maimbo and Henriquez Gallego (2014), for example, found that at least 76 countries around the world had adopted some form of interest rate caps on loans. The study showed that FSPs in these countries tended to adjust to such impositions by **withdrawing from lending to poorer, rural client segments**, as they were not able to cover the costs of financial intermediation, and by raising the total cost of loans through additional, complementary fees and commissions. The overall effect of these impositions is to decrease transparency and competition in the market, while also distancing clients from providers.

A study by Safavian and Zia (2018) evaluated the impact of a measure introducing interest rate caps in Kenya's banking sector in 2016. Using bank-level panel data from the periods both before and after the introduction of this measure, the study identified a significant decline in aggregate lending after the caps were implemented, as well as an increase in non-performing loans and a change in the composition of lending – away from small and medium-sized enterprises and towards safer, large-scale corporate clients. Commercial banks also ended up shifting away from offering interest on current account deposits to preserve their interest margins.

Given the above findings, regulators and policymakers may decide to consider alternative options that can achieve a reduction in terms of interest rates without generating the same distortions in FSPs' lending patterns. These include, for example, measures that: (i) enhance competition, price transparency and product innovation among formal FSPs; (ii) increase the amount of public data made available on agricultural value chain dynamics and associated actors; and (iii) promote better access to, and use of, credit bureaus among rural actors.



# Final remarks

As illustrated throughout this study, the promotion of a favourable environment for the financial inclusion of the rural youth is a complex, long-term endeavour that requires a considerable degree of collaboration between many stakeholders, both public and private. Experience thus far has shown that an integrated and multidimensional approach to policy and programmatic interventions is critical to address and mitigate the interconnected barriers that prevent the development of a sustainable offer of financial services, capable of adequately serving young people in rural areas. Given this premise, we can build on the insights and data presented throughout this study to distil a number of recommendations, which public decision-makers and other relevant stakeholders can follow to promote the creation of a more enabling environment in their own contexts:

- “Rural youth” is a general definition describing a **complex and heterogeneous category of young people**, characterized by diverse needs, talents and personal goals. Improving the capacity of public agencies to gather (and make sense of) granular data about these clients is a critical first step to enable the design and implementation of more adequate and impactful policies, regulations and programmes for promoting the financial inclusion of this vast category of underserved actors. This also has important spillover effects on the capacity of the private financial sector to design and commercialize financial services that are appropriate to the needs of the rural youth and the different subgroups of clients within this category.
- For private FSPs, **the business case of serving the rural youth** as a specific client category presents a number of intrinsic challenges. To remain viable, FSPs interested in serving one or more segments of the rural youth population must develop the necessary in-house capacity to design and commercialize financial services that are tailored to these client segments. These providers should understand that developing an internal capacity is a long-term investment that requires patience and a considerable degree of trial and error before good returns can be achieved. There is a significant commercial potential that could be unlocked by capturing this vast, largely untapped segment of clients, which in the long term could make the investment worthwhile. Those FSPs that understand this and invest early in developing this



capacity are bound to gain considerable competitive advantages in the market, especially as fintech innovation and mobile money services continue gaining ground and opening up new opportunities to serve vast numbers of financially underserved, prospective young clients.

- **Developing an enabling ecosystem of digital financial services is crucial** to ensure that these services are used to promote youth financial inclusion in rural areas in a safe and effective manner. This passes through both policy and programmatic interventions. From the policy side, implementing an effective digital KYC legislation, facilitating the digital onboarding of low-income customers and introducing tiered account models, are all measures that can support young rural clients in accessing digital savings services in an easier and safer manner. Furthermore, launching a regulatory sandbox can assist fintech companies, MMOs and other providers in piloting digital financial innovations aimed at the rural youth within a controlled environment and under the regulator's supervision. From a programmatic perspective, establishing dedicated incubators or accelerator programmes can help foster the creation and expansion of fintech startups specifically targeting financially underserved client segments, and specifically focusing on design and delivery of customer-centric services tailored on the needs of rural youth.
- **DFIs and multilateral banks** can play a critical role in strengthening the business proposition for the private financial sector linked to the development of a more targeted financial offer directed at rural youth (and its various subsegments), through the provision of both financial and non-financial incentives. These incentives are crucial to encourage FIs to foray into youth-focused financing and to realize the significant commercial potential associated with this client segment. Consequently, these providers could pave the way, over time, for the development of a more sophisticated and sustainable market of financial services capable of adequately serving these young actors.
- **The regulation of basic (or low-cost) accounts** is also an important step towards fostering the financial inclusion of rural youth, as it enables the provision of simple savings products that can be more easily accessed. Basic accounts usually have minimal or no fees and require either a low or no minimum balance, making them easier to maintain for low-income individuals. Furthermore, they have a simplified account opening process and require minimal documentation/identification. To keep costs low, limitations may be placed on the maximum number of withdrawals (or amount withdrawn) and transfers allowed per month, or other similar restrictions. These basic products can act as a starting point, especially for a young rural client, in a gradual process of deeper engagement with a formal FSP, building his/her profile as a trustworthy client in the eye of the provider, and paving the way for the provision of additional services such as credit.
- **Public and public-private grant provision programmes** have been a popular means to support young entrepreneurs in kickstarting new commercial ventures and begin building a financial client profile in the eyes of the private financial sector, especially in agriculture. In the frame of these programmes, grant funding is usually deployed in combination with technical assistance, financial literacy training, business skills development and various other types of non-financial support. Public decision-makers should be however wary that the provision of grant funding does not lead to the displacement of commercial finance, i.e. providing grant funding that crowds out the private financing that could potentially be already obtained from local FIs – at either commercial or subcommercial rates.

- **The regulation of agent banking** is a critical step towards the promotion of youth financial inclusion in rural areas. These agents can represent a gateway for the rural youth to engage – for the first time – with a basic offer of services made available by a formal FSP, fostering, over time, a relationship of trust and confidence between client and provider. Hence, it is crucial to introduce proper regulation that ensures agent banking adheres to **adequate standards of practice** that can guarantee the sustainability, affordability and expansion of this model. This process involves regulating specific aspects of the model, such as: due diligence requirements to enroll agents; related services that can be offered; technology platforms that can be used; and other elements.
- **Development agencies** can play critical roles in sharing knowledge and providing advice on the most recent good practices (e.g. in terms of policies, programmes and public facilities) that have proven effective in promoting the financial inclusion of the rural youth, such as tiered KYC, dedicated fintech applications, agent banking and various other solutions. The use of policy and programmatic means to foster youth financial inclusion is still a relatively new and unexplored area for most public decision-makers in developing countries, and fostering the exchange of information and experiences between countries is key to promote progress in this sense.

# References

- African Center for Economic Transformation (ACET).** 2019. *Promoting Women and Youth Financial Inclusion for Entrepreneurship and Job Creation: Comparative Study of Selected Sub-Saharan African Countries*. Final Technical Report, October 2019. Accra, ACET. <https://idl-bnc-idrc.dspacedirect.org/server/api/core/bitstreams/81d2a8ab-3dd3-4bbe-b254-3c1d130124a4/content>
- Ailawadi, A. & Mathew, A.** 2018. *Has Aadhar worked for rural India?* Mumbai, NDTV Profit. [Cited 12 January 2025]. <https://www.ndtvprofit.com/technology/has-aadhaar-worked-for-rural-india>
- Alliance for Financial Inclusion (AFI).** 2016. *Central Bank of Jordan makes bold Maya commitment to financial literacy, access for refugees, gender, DFS and data*. Kuala Lumpur, Malaysia. [Cited 15 February 2025]. <https://www.afi-global.org/newsroom/news/central-bank-of-jordan-makes-bold-maya-commitment-to-financial-literacy-access-for-refugees-gender-dfs-and-data/>
- AFI.** 2019. *The Kigali Statement – Advancing Financial Inclusion for Disadvantaged Groups*. Kuala Lumpur, AFI. [https://www.afi-global.org/wp-content/uploads/2019/09/Kigali\\_FS\\_20\\_AW2\\_digital.pdf](https://www.afi-global.org/wp-content/uploads/2019/09/Kigali_FS_20_AW2_digital.pdf)
- AFI.** 2020. *Integrating Youth into a National Financial Inclusion Strategy*. Guidance Note No. 38. Financial Inclusion Strategy Peer Learning Group (FISPLG). Kuala Lumpur, Malaysia. [https://www.afi-global.org/wp-content/uploads/2020/12/AFI\\_GN38\\_FISPLG\\_AW2\\_digital.pdf](https://www.afi-global.org/wp-content/uploads/2020/12/AFI_GN38_FISPLG_AW2_digital.pdf)
- AFI.** 2021a. *National Youth Financial Inclusion Policy Framework*. Kuala Lumpur, Malaysia. [https://www.afi-global.org/wp-content/uploads/2021/03/AFI\\_YFI\\_PM\\_AW\\_digital.pdf](https://www.afi-global.org/wp-content/uploads/2021/03/AFI_YFI_PM_AW_digital.pdf)
- AFI.** 2021b. *National Financial Education Strategies Toolkit*. Consumer Empowerment and Market Conduct Working Group (CEMCWG) Kuala Lumpur, Malaysia. [https://www.afi-global.org/wp-content/uploads/2021/07/NFES\\_toolkit\\_22082022.pdf](https://www.afi-global.org/wp-content/uploads/2021/07/NFES_toolkit_22082022.pdf)
- AFI.** 2021c. *Integrating Vulnerable Groups in National Financial Education Programs and Strategies*. Guidance Note No. 48. CEMCWG. Kuala Lumpur, Malaysia. [https://www.afi-global.org/wp-content/uploads/2021/10/GN48\\_CEMCWG\\_191021.pdf](https://www.afi-global.org/wp-content/uploads/2021/10/GN48_CEMCWG_191021.pdf)
- AFI.** 2022. *National Financial Inclusion Strategies: Current State of Practice (2022)*. FISPLG. Kuala Lumpur, Malaysia. <https://www.afi-global.org/wp-content/uploads/2022/05/NFIS-Current-State-of-Practice-isbn.pdf>
- Anderson, J., Karuppusamy, R., Neumann, P.E. & Thangavel, V.** 2018. *High-Saving Youth in Smallholder Households: An Untapped Market*. Brief November 2018. Washington, DC, CGAP. [https://www.cgap.org/sites/default/files/publications/Brief-High-Saving-Youth-Nov-2018\\_1.pdf](https://www.cgap.org/sites/default/files/publications/Brief-High-Saving-Youth-Nov-2018_1.pdf)
- Banerjee, S. & Sharma, S.** 2019. *Privacy concerns with Aadhar*. Communications of the ACM, November 2019, Vol. 62 No. 11, Page 80. New Delhi, Association for Computer Machinery (ACM). <https://dl.acm.org/doi/pdf/10.1145/3353770>

- Bank of Mozambique.** 2015. *National Financial Inclusion Strategy 2016–2022*. Maputo, Bank of Mozambique, Payment Systems Department. <https://thedocs.worldbank.org/en/doc/469371468274738363-0010022016/original/MozambiqueNationalFinancialInclusionStrategy20162022.pdf>
- Benni, N.** 2021a. *Digital finance and inclusion in the time of COVID-19 – Lessons, experiences and proposals*. Rome, FAO. <https://openknowledge.fao.org/handle/20.500.14283/cb2109en>
- Benni, N.** 2021b. *Impact evaluation of credit guarantee schemes in agriculture. Methodology and guidelines*. Rome, FAO. <https://doi.org/10.4060/cb7917en>
- Benni, N.** 2022. *Assessing the state of youth financial inclusion in developing contexts – Methodological guidelines*. Rome, FAO. <https://openknowledge.fao.org/items/213c3bdb-d46c-4ad7-b9d5-c8163319dd00>
- Benni, N.** 2023. *Fintech innovation for smallholder agriculture – A review of experiences*. Rome, FAO. <https://doi.org/10.4060/cc9117e>
- Benni, N, Berno, D. & del Puerto Soria, M.** 2020. *Agricultural finance and the youth: prospects for financial inclusion in Uganda*. Rome, FAO. <https://doi.org/10.4060/ca7873en>
- Benni, N., Berno, D. & Ho, H.** 2020. *Agricultural finance and the youth: prospects for financial inclusion in Kenya*. Rome, FAO. <https://doi.org/10.4060/cb2297en>
- Benni, N., Berno, D. & Cungu, A.** 2022. *Promoting access to agricultural finance for youth in developing countries – A synthesis of lessons and experiences*. Rome, FAO. <https://doi.org/10.4060/cc2868en>
- CARE International.** 2017. *CARE LINK UP - Final Report: Evaluation of key learning questions*. Geneva, Switzerland. <https://www.careevaluations.org/wp-content/uploads/evaluations/linkup-final-report-march-2017-vf.pdf>
- CGAP. (Consultative Group to Assist the Poor).** 2011. *Legally, how young is too young to open a savings account?* Washington, DC, U.S.A. <https://www.cgap.org/blog/legally-how-young-is-too-young-to-open-saving-account#:~:text=In%20most%20countries%2C%20youth%20under,without%20requiring%20a%20signed%20contract.>
- CGAP.** 2019. *Interoperability: Why and How Providers Should Pursue It*. Washington, DC, U.S.A. [Cited 12 June 2023]. <https://www.cgap.org/research/publication/interoperability-why-and-how-providers-should-pursue-it>
- CYFI (Child and Youth Finance International).** 2016. *Financial Inclusion for Children and Youth*. CYFI Landscape Series. Amsterdam, CYFI. <https://issuu.com/childfinanceinternational/docs/cyfi-financial-inclusion-landscape/1?e=0>
- Dalberg.** 2016. *Inflection point: Unlocking growth in the era of farmer finance*. New York, USA, Dalberg Development Advisors. [https://mastercardfdn.org/wp-content/uploads/2018/06/Inflection-Point\\_April-20160-accessible.pdf](https://mastercardfdn.org/wp-content/uploads/2018/06/Inflection-Point_April-20160-accessible.pdf)
- Dalberg.** 2019. *State of Aadhar: A people's perspective*. New York, USA, Dalberg. <https://policyinsights.in/report/state-of-aadhaar-a-peoples-perspective-2019-report/>

- Deshpande, R. & Koning, A.** 2023. *Maximizing the Impact of Financial Inclusion for Young Women*. Washington, DC, CGAP. [Cited 12 October 2023]. <https://www.cgap.org/blog/maximizing-impact-of-financial-inclusion-for-young-women>
- DSBD (Department of Small Business Development).** 2022. *Youth Challenge Fund*. Pretoria, South Africa. [Cited 2 May 2024 ]. <https://www.dsbd.gov.za/programme/youth-challenge-fund>
- Dutta, S.** 2021. Over 100 crore Aadhaar cards issued in India so far, says UIDAI CEO. *The Hindustan Times*, 16 December 2021. [Cited 15 June 2024]. <https://www.hindustantimes.com/india-news/over-100-crore-aadhaar-cards-issued-in-india-so-far-says-uidai-ceo-101639645906181.html>
- FMO (Dutch Entrepreneurial Development Bank).** 2022. *Y Initiative: Finance for Youth - Compendium of Global Good Practices*. The Hague, Kingdom of the Netherlands. [https://www.microsave.net/signature\\_projects/unveiling-global-best-practices-for-youth-financial-inclusion-with-y-initiative/#:~:text=The%20Y%20Initiative's%20Compendium%20of,services%20for%20young%20people%20globally.](https://www.microsave.net/signature_projects/unveiling-global-best-practices-for-youth-financial-inclusion-with-y-initiative/#:~:text=The%20Y%20Initiative's%20Compendium%20of,services%20for%20young%20people%20globally.)
- Gelb, A., Mukherjee, A., Navis, K., Thapliyal, M. & Giri, A.** 2017. *What a New Survey of Aadhaar Users Can Tell Us About Digital Reforms: Initial Insights from Rajasthan*. CGD Notes. Washington, DC, Center for Global Development. <https://www.cgdev.org/sites/default/files/what-new-survey-aadhaar-users-can-tell-us-about-digital-reforms.pdf>
- GIZ.** 2023. *Women Entrepreneur Financing and Investment Toolkit*. Bonn, Germany. <https://www.giz.de/fachexpertise/downloads/giz2023-en-women-entrepreneur-finance-and-investment-toolkit.pdf>
- GPFI (Global Partnership for Financial Inclusion).** 2020. *G20 High Level Policy Guidelines on Digital Financial Inclusion for Youth, Women and SMEs*. Washington, DC, U.S.A. [https://www.gpfi.org/sites/gpfi/files/saudiG20\\_youth\\_women\\_SME.pdf](https://www.gpfi.org/sites/gpfi/files/saudiG20_youth_women_SME.pdf)
- GSMA.** 2021. *Digital Identity: Accelerating Financial Inclusion During a Crisis. The impacts and opportunities of Know Your Customer (KYC) regulatory policy changes during the COVID-19 pandemic*. London, U.K. <https://www.gsma.com/solutions-and-impact/connectivity-for-good/mobile-for-development/wp-content/uploads/2021/03/Digital-Identity-Accelerating-Financial-Inclusion-During-a-Crisis.pdf>
- IEMed (European Institute of the Mediterranean).** 2021. *Advancing youth financial inclusion to boost job creation and growth in the Mediterranean region*. Barcelona, Spain, IEMed. [https://www.iemed.org/wp-content/uploads/2021/08/Report-no30\\_MED-Confederation\\_Youth-Financial-Inclusion.pdf](https://www.iemed.org/wp-content/uploads/2021/08/Report-no30_MED-Confederation_Youth-Financial-Inclusion.pdf)
- IFAD (International Fund for Agricultural Development).** 2015. *How to Do – Youth access to rural finance*. Rome, Italy. <https://www.ifad.org/documents/d/new-ifad.org/htdn-youth-access-to-rural-finance-pdf>
- IFAD.** 2019. *Creating opportunities for rural youth. IFAD 2019 Development Report*. Rome, Italy. [https://www.ifad.org/documents/38714170/41190221/RDR2019\\_Overview\\_e\\_W.pdf/699560f2-d02e-16b8-4281-596d4c9be25a](https://www.ifad.org/documents/38714170/41190221/RDR2019_Overview_e_W.pdf/699560f2-d02e-16b8-4281-596d4c9be25a)



- IFAD.** 2023. *Indonesia. Youth Entrepreneurship and Employment Support Services Programme - Supervision Report*. Rome, Italy. <https://www.ifad.org/documents/48415603/49455874/Indonesia+2000001202+YESS+Supervision+Report+December+2023.pdf/fda3fa74-c6f5-74db-4b8d-49937b806ec6?t=1726605122455>
- IFAD, FAO & ILO (International Labour Office).** 2021. *Gender dimensions of agricultural and rural employment: Differentiated pathways out of poverty*. Geneva, Switzerland, Rome. <https://www.ilo.org/publications/gender-dimensions-agricultural-and-rural-employment-differentiated-pathways>
- International Finance Corporation (IFC).** 2012. *It Started in Ghana: Implementing Africa's First Collateral Registry*. IFC smart lessons brief. Washington, DC, U.S.A. <https://documents1.worldbank.org/curated/en/717601468037145223/pdf/752410BRIOSMAR0teralORegistryOFINAL.pdf>
- IFC.** 2017. *World Bank Group Supports Access to Finance in Sierra Leone with Collateral Registry*. Washington, DC, U.S.A.
- ISF Advisors & the Mastercard Foundation Rural and Agricultural Finance Learning Lab.** 2019. *Pathways to Prosperity -Rural and Agricultural Finance State of the Sector Report*. Washington, D.C., U.S.A. [https://pathways.isfadvisors.org/wp-content/uploads/2020/09/2019\\_RAFState-of-the-Sector.pdf](https://pathways.isfadvisors.org/wp-content/uploads/2020/09/2019_RAFState-of-the-Sector.pdf)
- Lammer, T., Lauer, K. & Tomilova, O.** 2016. Championing interoperability for financial inclusion: carrot or stick? In: *The World Bank*. Washington, D.C., World Bank. [Cited 16 March 2024]. <https://blogs.worldbank.org/en/psd/championing-interoperability-financial-inclusion-carrot-or-stick>
- Love, I., Martínez Pería, M. S. & Singh, S.** 2013. *Collateral registries for movable assets: does their introduction spur firms' access to bank finance?* Policy Research working Paper; No. WPS 6477. Washington, D.C, World Bank. <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/731881468314344960/collateral-registries-for-movable-assets-does-their-introduction-spur-firms-access-to-bank-finance>
- Maimbo, S. & Henriquez Gallegos, C.A.** 2014. *Interest rate caps around the world: still popular, but a blunt instrument*. World Bank Policy Research Working Paper No. WPS 7070. Washington, DC, World Bank Group. <http://documents.worldbank.org/curated/en/876751468149083943/Interest-rate-caps-around-the-world-still-popular-but-a-blunt-instrument>
- Making Cents International.** 2017. *Findings from Five Youth-Inclusive Rural Finance Pilot Projects*. IFAD Rural Youth Economic Empowerment Program (RYEEP) 2013-2016. Washington, DC, U.S.A. [https://makingcents.com/wp-content/uploads/2020/12/cf5fc8\\_2d40f189d59d4cc88820de1caac0ccfd.pdf](https://makingcents.com/wp-content/uploads/2020/12/cf5fc8_2d40f189d59d4cc88820de1caac0ccfd.pdf)
- Mastercard Foundation.** 2023. *The Mastercard Foundation Fund for Rural Prosperity Unlocks Access to Financial Services for 5.3 Million Previously Underserved People in Sub-Saharan Africa*. In: *Mastercard Foundation*. Nairobi, Kenya. [Cited 3 February 2024 ]. <https://mastercardfdn.org/foundation/news-and-media/the-mastercard-foundation-fund-for-rural-prosperity-unlocks-access-to-financial-services-for-5-3-million-previously-underserved-people-in-sub-saharan-africa/>

- Nayak, S.** 2022. Banks struggle to make Jan-Dhan accounts cost-effective and viable, eight years on. In: *Moneycontrol*. [Cited 6th of September 2023]. <https://www.moneycontrol.com/europe/?url=https://www.moneycontrol.com/news/business/eight-years-on-banks-struggle-to-make-jan-dhan-accounts-cost-effective-viable-8621681.html>
- OECD.** 2018. *Case Study: Adhaar - India*. Paris, France
- OECD.** 2020. *Advancing the digital financial inclusion of youth*. Paris, OECD Publishing. <https://doi.org/10.1787/21b829d8-en>
- OECD** (Organization for Economic Co-operation and Development)/**INFE** (International Network on Financial Education). 2015. *OECD/IFE Core competencies framework on financial literacy for youth*. Paris. [https://www.gpfi.org/sites/gpfi/files/documents/05-%20OECD-INFE%20Core%20Competencies%20Framework%20...Youth\\_.pdf](https://www.gpfi.org/sites/gpfi/files/documents/05-%20OECD-INFE%20Core%20Competencies%20Framework%20...Youth_.pdf)
- O'Hara Salini, G.** 2021. *Comisión de la Mujer aprueba dictamen de ley que regularía cuentas bancarias para menores de edad*. [Cited 6 September 2023]. <https://gestion.pe/economia/gestion-comision-de-la-mujer-aprueba-dictamen-de-ley-que-regularia-cuentas-bancarias-para-menores-de-edad-noticia/>
- PMJDY [Pradhan Mantri Jan Dhan Yojana].** 2024. *Progress-Report 2023*. New Delhi, PMJDY. <https://pmjdy.gov.in/account>
- Raman, A.** 2018. India moves toward universal financial inclusion. In: CGAP. Washington, DC. <https://www.cgap.org/blog/india-moves-toward-universal-financial-inclusion>
- Reserve Bank of Fiji.** 2016. *National Financial Inclusion Strategic Plan 2016–2020*. Suva, RFB. [https://www.rbf.gov.fj/wp-content/uploads/2019/04/2016-2020-Fiji-Financial-Inclusion-Strategic-Plan\\_-Aug26.pdf](https://www.rbf.gov.fj/wp-content/uploads/2019/04/2016-2020-Fiji-Financial-Inclusion-Strategic-Plan_-Aug26.pdf)
- Reserve Bank of India.** 2021. *BRICS Digital Financial Inclusion Report – India 2021*. Mumbai, India. <https://brics2021.gov.in/brics/public/uploads/docpdf/getdocu-53.pdf>
- Safavian, M., & Zia, B.** 2018. *The Impact of Interest Rate Caps on the Financial Sector: Evidence from Commercial Banks in Kenya*. World Bank Policy Research Working Paper, No. 8393. Washington, DC, World Bank Group. <https://documents1.worldbank.org/curated/en/681501522684167817/pdf/WPS8393.pdf>
- Sberro-Kessler, R.** 2019. *How Can Matching Grants in Agriculture Facilitate Access to Finance – Lessons Learned from World Bank Group's Experience*. Washington, DC, World Bank Group. <https://documents1.worldbank.org/curated/en/908381590644619987/pdf/How-Can-Matching-Grants-in-Agriculture-Facilitate-Access-to-Finance-Lessons-Learned-from-World-Bank-Group-s-Experience.pdf>
- SIDA (Swedish International Development Agency).** 2018. *Evaluation of Sida's Global Challenge Funds - Lessons From a Decade Long Journey*. Sida Evaluation 2018:1. Stockholm, Sweden. <https://cdn.sida.se/publications/files/sida62181en-evaluation-of-sidas-global-challenge-funds.pdf>
- United Nations Capital Development Fund (UNCDF).** 2011. *Listening to youth – Market research to design financial and non-financial services for youth in sub-Saharan Africa*. New York, U.S.A. <https://www.uncdf.org/article/2242/listening-to-youth>

- UNCDF.** 2013. *Client Protection for Youth Clients*. UNCDF YouthStart Technical Note. New York, U.S.A. <https://www.uncdf.org/article/575/client-protection-for-youth-clients-migration>
- UNCDF,** 2017a. *Building the Business Case for Youth Financial Services: Further Insights from the YouthStart Programme*. Brief. New York, U.S.A. <https://www.uncdf.org/article/2221/building-the-business-case-for-youth-financial-services>
- UNCDF.** 2017b. #BankTheYouth: Smart Policies for Youth Financial Access. In: *UNCDF News*. New York, U.S.A. [Cited 22 January 2022]. <https://www.uncdf.org/article/1935/banktheyouth-smart-policies-for-youth-financial-access>
- UNCDF.** 2022. YouthStart. In: *UNCDF*. New York, U.S.A. [Cited 20 June 2023]. <https://www.uncdf.org/youthstart/about>
- USAID.** 2014. *State of the Evidence: Finance and Movable Collateral*. Washington, DC, U.S.A [https://agrilinks.org/sites/default/files/resource/files/State\\_of\\_the\\_Evidence\\_Finance\\_Movable\\_Collateralz.pdf](https://agrilinks.org/sites/default/files/resource/files/State_of_the_Evidence_Finance_Movable_Collateralz.pdf)
- USAID.** 2019. *India Digital Financial Inclusion – Journey Map Report*. Washington, DC, U.S.A <https://www.usaid.gov/digital-development/india-digital-financial-inclusion-journey-map-report>
- Varangis, P. & Saint-Geours, J.** 2017. *Using Commodities as Collateral for Finance (Commodity-Backed Finance)*. Washington, DC, World Bank. <https://hdl.handle.net/10986/28318>
- World Bank.** 2015a. *Providing financial services in rural areas: a fresh look at financial cooperatives*. Washington, DC, U.S.A. <http://documents.worldbank.org/curated/en/862251468146053376/Providing-financial-services-in-rural-areas-a-fresh-look-at-financial-cooperative>
- World Bank.** 2015b. Liberia Collateral Registry Expands Access to Finance amidst Ebola Crisis. In: *World Bank News*. Washington, DC, U.S.A. <https://www.worldbank.org/en/news/feature/2015/11/18/liberia-collateral-registry-expands-access-to-finance-amidst-ebola-crisis>
- World Bank.** 2016. *Credit bureau – Definition and comparison to credit registries*. Washington, DC, U.S.A. <https://www.worldbank.org/en/publication/gfdr/gfdr-2016/background/credit-bureau#:~:text=Definition%20and%20comparison%20to%20credit%20registries&text=Credit%20bureaus%20are%20privately%20owned,bank%20supervisors%20or%20central%20banks>
- World Bank.** 2017. *Financial Inclusion in Malaysia: Distilling Lessons for Other Countries*. The Malaysia Development Experience Series, May 2017. Washington, DC, U.S.A. <https://documents1.worldbank.org/curated/en/703901495196244578/pdf/115155-WP-PUBLIC-GFM08-68p-Flpaperwebversion.pdf>
- World Bank.** 2018. *Mexico - Savings and Credit Sector Consolidation and Financial Inclusion Project*. Audited financial statement from January 1 2017 (Spanish). Washington, DC, U.S.A. <https://documents1.worldbank.org/curated/en/470371542319089745/pdf/Mexico-Savings-and-Credit-Sector-Consolidation-and-Financial-Inclusion-Project-audited-financial-statement-from-January-1-2017-July-21-2017.pdf>

**World Bank.** 2019a. *How to Address Unique Risks in Agriculture Credit Guarantee Schemes – Lessons Learned from Credit Guarantees for Agriculture*. Washington DC, U.S.A. <https://documents1.worldbank.org/curated/en/990041591247465912/pdf/How-to-Address-Unique-Risks-in-Agriculture-Credit-Guarantee-Schemes-Lessons-Learned-from-Credit-Guarantees-for-Agriculture.pdf>

**World Bank.** 2019b. Private credit bureau coverage (% of adults). In: *World Bank Group Data*. <https://data.worldbank.org/indicator/IC.CRD.PRVT.ZS>

**Zetterli, P.** 2015. *Ghana: DFS Taking Off Amid New Regulations and Market Momentum*. Washington, DC, CGAP. <https://www.cgap.org/blog/ghana-dfs-taking-amid-new-regulations-and-market-momentum>











**CABFIN**  
**PARTNERSHIP**  
CAPACITY BUILDING  
IN RURAL FINANCE

**IRF** Inclusive Rural  
Finance

Contact:  
[inclusive-rural-finance@fao.org](mailto:inclusive-rural-finance@fao.org)  
Rural Transformation and Gender Equality Division  
Food and Agriculture Organisation

ISBN 978-92-5-139413-7



9 789251 394137

CD3509EN/1/12.24