Chapter 8

Financial Inclusion

Youth in Ghana are affected by many challenges to their financial and economic success, including unemployment, limited access to education, loss of parents or guardians at a young age and lack of financial inclusion. Financial inclusion as it applies here is the accessibility of financial services such as bank accounts, savings plans and loans for all people and businesses. Fortunately, through financial literacy education, capitalising on the potential of mobile money and addressing systemic barriers to financial services, financial inclusion can be improved.

8.1 Importance of financial inclusion among youth

Today, more than a third of the sub-Saharan African population is between 10 and 24 years old and that number is only growing (Zou et al., 2015). Youth are the future of Ghana. However, many have pointed out that financial institutions may not be built with the needs of all youth in mind. Indeed, mainstream financial services cater primarily to a different generation and different socio-economic and cultural landscapes. For example, in-person banking can be inaccessible for rural communities, while digital banking can be out of reach for people without the modern conveniences of computers, smartphones and an internet connection. Likewise, in some families, it is exclusively adults who handle finances, even though a large number of youth are entering the workforce at a young age (ibid.).

Financial inclusion is critical to strengthen Ghana's economy, as it would help solve the structural problem of economic growth that does not produce jobs for the youth population, known as jobless growth (Amanor-Wilks and Aniston, 2018). Being able to save money is linked to greater incomes and assets, better reproductive and preventive health knowledge, improved physical and mental health, and improved academic achievement and performance (Zou et al., 2015).

8.2 Challenges to financial inclusion

8.2.1 Lack of funds

Youth are often deterred from opening a savings account by activation fees, minimum account balances and maintenance fees. Saving money is difficult for low-income individuals, as they must prioritise necessities such as food, school supplies and clothing. However, YouthSave, an experimental programme pioneered in Ghana and Kenya, offers accounts for low-income youth with no fees and only a US$5 minimum account balance, with the goal of meeting the needs of youth populations.

8.2.2 Service and network limitations

In a world increasingly reliant on technology, humans are finding new ways to use this for banking and financial transactions. In many ways, modern innovations in finances can be powerful tools for bridging gaps between socio-economic levels. For example, people living in rural areas may not have the time or means to travel to a bank to withdraw or deposit money. However, if that person has a mobile phone, they can make a withdrawal or deposit from their own home or work without having to go physically to their bank. Nevertheless, not everyone has access to such devices, and computers and smartphones are useful only if they can be charged consistently and connect to the internet. As a result, people without access to stable electricity, phone connections or the internet and those who live in areas not covered in data plans are restricted from reaping the benefits of digital banking. One report identifies service and network limitations as the biggest challenge for youth populations with respect to mobile banking services (Heitmann et al., 2018).

8.2.3 Lack of trust in traditional financial institutions

Access to and trust in financial institutions were concerns young people raised during research interviews as another barrier to the creation of a culture of saving and positive financial habits in Ghana (Chowa et al., 2015). The recent closure of certain banks in Ghana has affected young people's trust in where they save their money. Moreover, while many believe large mainstream banks to be the only answer to questions of financial inclusion, in rural areas alternative savings plans, loans and smaller local banks may be the way to reach those whom traditional banks leave behind (Zou et al., 2015).

8.2.4 Requirement challenges

In some cases, the requirement for parental permission can create a significant barrier to financial inclusion for adolescent and youth populations (Zou et al., 2015). Furthermore, some young people may lack the identification (e.g. passport or voter ID) and personal records that many financial institutions require when opening an account. While these requirements are well intentioned and important to safeguard banking customers from fraud and identity theft, they also make it significantly more difficult for youth, including rural youth, to access saving accounts (ibid.).

8.2.5 Gender discrimination

Women are less financially included than men in Ghana (World Bank, 2019). The patriarchal belief that men should handle finances while women remain in domestic areas is still prevalent in some areas, marginalising the latter. During research interviews, it was noted that, even if women are participating in the labour force, they are still more likely to remain in poverty for a variety of reasons, including undervaluing of their contribution and lower wages. As a result, female youth face unique challenges and struggles when it comes to accessing financial services.

8.3 Opportunities for financial inclusion

8.3.1 Digital banking and mobile money

Digital banking is an optimal solution for increasing financial inclusion for youth specifically because, although youth are significantly less likely than adults to have a traditional banking account, they are also more likely to have a mobile phone, are willing to try new things and are increasingly aware of the opportunities digital channels present (Heitmann et al., 2018). Mobile money has a powerful effect when it comes to levelling the playing field with regard to access to financial services between males and females and also among rural and urban youth. According to the Consultative Group to Assist the Poor, mobile money usage has only a 5 per cent inclusion gap, compared with an 11 per cent inclusion gap for traditional banking methods (Buruku, 2016) (see Figure 8.1). For this reason, mobile money is one way to address the impacts of lack of financial services for female youth.

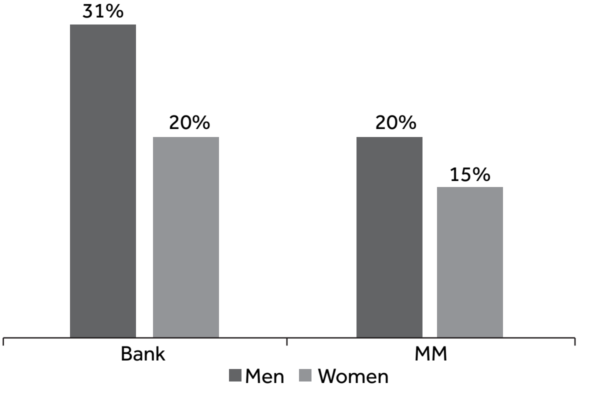
Already, mobile banking has made a considerable impact on Ghana, but it could be expanded to include insurance products, loans and savings, merchant solutions and energy solutions (UNCDF, 2016).

8.3.2 Financial literacy programmes

Education can be critical in teaching youth to make smart financial decisions. Mentorship and encouragement on financial topics, to teach youth how to bank, save and borrow responsibly, are important to provide youth with these skills before they transition into adulthood. In a study conducted by EcoBank and FHI360, 42 per cent of youth in Ghana expressed a need for education on how to manage spending and 27 per cent wanted education on saving practices (Rohatgi, 2018).

YouthSave is another valuable tool for increasing financial inclusion in Ghana. YouthSave is an experimental programme created in partnership between Save the

Figure 8.1 Gender inclusion gap in traditional bank accounts and mobile money



Source: Buruku (2016).

Children and the Mastercard Foundation with the purpose of piloting financial services that are designed to be more accessible to youth. After three years, research has shown that early savings can improve the quality of life for youth in Ghana through enhancing psychological well-being, education outcomes and future professional performance (Chowa et al., 2015).

There are currently a number of programmes in existence that are already providing models to fulfil this need of financial literacy. For example, the United Nations Capital Development Fund (UNCDF) YouthStart programme is working throughout sub-Saharan Africa and could also be implemented in Ghana. However, in order to maximise the potential of financial literacy education, programmes such as these would be best paired with a national development strategy for addressing youth financial literacy (UNCDF, 2019). This could be achieved through a core curriculum requirement for financial literacy lessons in Ghanaian schools.

8.4 Summary points

1. Gender can play a large role in financial inclusion, given lingering cultural perceptions regarding young women and girls' inclusion in financial decisions. Policies and programmes to make banking and saving more accessible need to be crafted with this in mind.
2. Other key challenges to financial inclusion include lack of trust in banking institutions, service and network limitations making it difficult to fully embrace the benefits of digital banking and gaps in requirements to open banking accounts.
3. However, there are many opportunities to improve financial inclusion, such as through financial literacy classes, digital banking and programmes such as YouthSave Ghana.

8.5 Recommendations

1. Continue and expand the YouthSave Ghana programme.
2. In order to reach females who are sometimes discouraged from handling finances, incorporate savings and financial literacy programmes aimed at girls.
3. Mobile network operators and microfinance institutions could work to provide products and services that better cater to customers with low and irregular incomes. This could include transparent and lower charges for young people.
4. Change the requirements to open an account to acknowledge that many youth aged under 18 years do not have parents to sign off on an account or do not have the proper identification (i.e. photo ID or birth certificate).
5. Address service and network limitations to increase accessibility of financial technology.
6. Emphasise the importance of savings and financial planning in schools and communities.

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