Counting Change: How youth manage their money

Plan to change the world
Credits

Author
Abu Saleh Mohammad Musa
With
Mohammed Emrul Hasan, Director, Program Effectiveness, Plan Canada
Bella Lam, Senior Program Manager, Plan Canada

Copy, design and layout
Damian Milverton, Tracy Keenan, Donna Smith, Michael Zikovitz & Jen Rowe

Front cover photo

Back cover photo
YSLA group meeting in Moyamba, Sierra Leone (Joanna Melymuk, November 2013).

Reviewers and contributors
Megan Gash, Research and Evaluation Specialist, Freedom from Hunger
Jennifer Denomy, Director, Youth Economic Opportunities, MEDA
Joanna Melymuk, Program Manager, Plan Canada
Moustapha Ibrahim, Program Support Manager, Plan Niger
Hamadou Adamou, Project Manager, Plan Niger
Insa Gassama, Project Manager, Plan Senegal
Edward Gbemeh, Project Manager, Plan Sierra Leone*
Umu B. Kpange, Project Coordinator, Plan Sierra Leone
Ruth Dueck-Mbeba, Program Manager, Financial inclusion, The MasterCard Foundation
Joseph Dickman, Deputy Director, Evaluation & Learning, The MasterCard Foundation
Shawna Hoffman, Coordinator, Evaluation & Learning, The MasterCard Foundation

*the individual has since left the organization
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<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>BoSL</td>
<td>Bank of Sierra Leone</td>
</tr>
<tr>
<td>CEDA</td>
<td>Community Empowerment and Development Association</td>
</tr>
<tr>
<td>CEFORD</td>
<td>Community Empowerment for Rural Development</td>
</tr>
<tr>
<td>CRN</td>
<td>Crédit Rural du Niger</td>
</tr>
<tr>
<td>DFS</td>
<td>Decentralized financial systems</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<td>FCFA</td>
<td>Franc Communauté Financière d’Afrique</td>
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<tr>
<td>FFH</td>
<td>Freedom From Hunger</td>
</tr>
<tr>
<td>FGD</td>
<td>Focus group discussion</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross domestic product</td>
</tr>
<tr>
<td>GTZ</td>
<td>Gesellschaft für Technische Zusammenarbeit</td>
</tr>
<tr>
<td>HDI</td>
<td>Human development Index</td>
</tr>
<tr>
<td>HIPC</td>
<td>Heavily-indebted poor countries</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>KII</td>
<td>Key informant interview</td>
</tr>
<tr>
<td>MCPEC</td>
<td>Mouvement des Caisses Populaires d’Épargne et de Crédit</td>
</tr>
<tr>
<td>MDRI</td>
<td>Multilateral debt relief initiative</td>
</tr>
<tr>
<td>MECREF</td>
<td>Mutuelle d’Épargne et de Crédit des Femmes</td>
</tr>
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<td>MF</td>
<td>Microfinance</td>
</tr>
<tr>
<td>MFI</td>
<td>Microfinance institution</td>
</tr>
<tr>
<td>MFO</td>
<td>Microfinance opportunities</td>
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<td>NCDB</td>
<td>National Cooperative Development Bank</td>
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<tr>
<td>NDB</td>
<td>National Development Bank</td>
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<tr>
<td>PAMECAS</td>
<td>Partenariat pour la Mobilisation de l’Épargne et du Crédit au Sénégal</td>
</tr>
<tr>
<td>PPP</td>
<td>Purchasing power parity</td>
</tr>
<tr>
<td>PRA</td>
<td>Participatory rural appraisal</td>
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<tr>
<td>ROSCA</td>
<td>Rotating savings and credit associations</td>
</tr>
<tr>
<td>SME</td>
<td>Small and medium enterprise</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical package for social sciences</td>
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<tr>
<td>UMEC</td>
<td>Union des Mutuelles d’Épargne et de Crédit</td>
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<td>UN</td>
<td>United Nations</td>
</tr>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
</tr>
<tr>
<td>USD</td>
<td>United States dollar</td>
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<td>VSLA</td>
<td>Village savings and loan association</td>
</tr>
<tr>
<td>YEE</td>
<td>Youth economic empowerment</td>
</tr>
<tr>
<td>YMF</td>
<td>Youth microfinance</td>
</tr>
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<td>YSLA</td>
<td>Youth savings and loan association</td>
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</table>
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We would also like to express our gratitude to the partner organizations of Plan in the three project countries for gladly agreeing to participate in the Financial Diaries research. The research team wishes to convey sincere thanks to the enumerators for their relentless efforts in collecting data on a monthly basis and reporting back to the consultant using the prescribed guidelines. It is thanks to their efforts that the collected data were reported and recorded accurately. The integrity of the data enabled us to conduct meaningful analysis on the financial behaviour of the youths surveyed.

The most important stakeholders are the young people who committed their time in order to provide the monthly data on their financial transactions. These youths willingly and enthusiastically participated in the yearlong Financial Diaries research. The opportunity to share a part of their lives in this research paper through recording their financial transactions has been an interesting and informative experience for me as a consultant.

Abu Saleh Mohammad Musa, Consultant
March, 2014
Youth in Africa

Africa has the youngest population in the world, with 200 million people between the ages of 15 and 24. Despite the fact that six of the 10 fastest-growing economies in the world are in Sub-Saharan Africa, unemployment rates for African youth remain disproportionately high. Having large groups of disenfranchised youth can lead to social and political unrest, increasing insecurity in already vulnerable states. Appropriate and targeted interventions can help harness the energy and creativity of youth, equipping them as they transition into adulthood and become contributing members of society.

Youth Microfinance Project

Plan Canada started implementing the Youth Microfinance Project (YMF) in 2010 in partnership with The MasterCard Foundation to improve the lives and to realize the rights of youth in Niger, Senegal, and Sierra Leone. Low Human Development Index scores are characteristic of all three countries, i.e. low literacy, limited financial access, and persistent social, economic, and cultural gender barriers, especially in rural areas. The project aimed to empower youth socially and economically, and to bridge the identified gaps in training and economic opportunities in order to help stop the cycle of poverty for them, their families, and their communities. The project reached over 89,000 youths, of which 85% were women. The project comprised four components: Youth savings and loan associations (YSLAs); life skills and financial education training; pilot linkage with microfinance institutions (MFIs); and knowledge management. The YMF Project was implemented with a holistic approach that combined both financial and non-financial services, with youths taking up financial services through savings-led community finance.

Executive summary

Youth in Africa

Youth Microfinance Project

\(^1\) Youth savings and loan association is a term utilized by the YMF Project to refer to VSLAs which are adapted and geared towards youth.
Financial diaries to understand youth financial behaviour

The project used financial diaries methodology to collect the diversified and dynamic patterns of income, expenditure, savings, and credit from selected youths on a monthly basis for a period of one year in order to trace their different sources and forms of economic activity. The diaries were also used to identify their financial needs and demands, to explore their ex ante risk management strategies and ex post coping strategies, and to analyze the relevance of financial products. This report explains the findings of the financials diaries that explored how these youths used financial services and chose service options over the annual cycle of data collection, how these helped them manage their finances, what range of financial services and instruments they turned to, and what role YSLAs played in their financial behaviour and strategies.

Case studies are included in this report to highlight certain individual respondents and enable the readers to get a glimpse of what we have learned about youth and their financial behaviour. These case studies also provide youths themselves the chance to share their perspectives on how they manage their own finances in their daily lives.

Profile of sampled youths

A total of 110 respondents were chosen, of which 90% were female. As this was a youth-centred project, most were between 19 and 25 years of age. Respondents were primarily selected from urban locations, based on an assumption that they would have better access to trading opportunities and be more economically active than youth in rural areas. However, 20 youths from rural Senegal were included in order to determine whether such geographical differences would affect financial behaviour.

Most of the respondents from urban areas were educated (although few had progressed beyond secondary education) while 45% of the respondents in rural areas were illiterate. The primary occupation of most respondents in Niger and Senegal was petty trading, while the majority of those in Sierra Leone were students. All male respondents were single. In the case of the female respondents, in Niger and rural Senegal over 60% were married, while in urban areas of Senegal and in Sierra Leone over 60% were single. The respondents’ household sizes generally ranged from four to 12 members, with an average of seven people per household.

Youth income patterns

The Financial Diaries research respondents reported a wide range of income from varied sources. In Niger, 37% of respondents earned between USD 10 and USD 50 per month, while 33% earned between USD 100 and USD 500. In Senegal, 64% of respondents earned less than USD 10 per month. In Sierra Leone, respondents’ monthly income was generally between USD 10 and USD 100. In all three countries, the most common source of income was petty trading. Service jobs and handicrafts were other main sources of income.

Youth expenditure patterns

Overall, most of the respondents mentioned that their area of greatest expense was food items, with 36% of responses, followed by 26% of responses for petty trades, asset and capital expenses, 16% of responses for ceremonies and entertainment, and 11% each for health- and education-related expenses.

In Niger and rural Senegal, the key source of funds for meeting expenditures was income from petty trade. Youths in urban Senegal depended mostly on money saved at home, while in Sierra Leone the majority of the respondents reported depending on cash gifts from family or friends. While the petty trades they managed were found to be running mainly on the businesses’ working capital, a number of respondents took loans from YSLAs or withdrew YSLA savings to cover petty trade-related expenditures. A notable number of responses indicated that money received as gifts from family or friends was used as a source for meeting various expenditures, which reflects the dependency phase of life cycle for those youths.

Use of savings instruments

While the participating youths utilized a variety of financial instruments to generate income and manage their expenses, YSLAs were the most commonly-used savings option across the board, followed by Osusu groups and savings kept at home. However,

2 All USD amounts in this report have been rounded to the nearest dollar.
3 Unlike the other two countries, Sierra Leonean respondents spent more on merchandise than on food.
4 See description in section 1.3. Key definitions and concepts.
responses from Niger and Senegal show that although respondents used YSLAs most frequently (1,200 instances of savings with YSLA compared with 350 instances of savings at home in one year), the average savings amounts were higher in the other savings facilities (i.e. USD 62 average savings in YSLAs compare to USD 75 average savings at home in one year).

Some respondents saved large amounts in YSLAs, while others reported regularly depositing small amounts. Deposits were generally made from business income and money received from family or friends. In Sierra Leone, a higher percentage of youths reported using disposable funds available at the household level (31% against less than 1% for Niger and seven percent for Senegal), along with business income and monetary gifts. In Niger, 80% of the money for savings came from business income, while in Senegal savings from business income was 73% and 86% respectively for urban and rural youths.

With regard to withdrawals, respondents most frequently made use of the easily accessible savings kept at home. Respondents in all three countries also made withdrawals from other savings instruments, i.e. YSLA, MFIs, and Osusu groups) on a less frequent basis. Withdrawals were mostly made in order to meet their petty trade-related expenditures, to help family or friends, or to contribute to family expenses during ceremonies.

Youth access to credit facilities

YSLAs were also the most commonly used credit source in all three project countries. Collectively, over a one-year period, youth respondents in the study took 533 loans from the YSLAs, while only 40 respondents reported borrowing from family members. With the exception of the respondents from rural Senegal, the majority took loans primarily to meet educational and petty trade-related expenses. Repayments were mostly made from the proceeds of petty trading.

Youth financial management

Through the Financial Diaries research, it was observed that: youth, like adults, use a range of financial instruments to manage their money creatively; the financial instruments available for youth are dominated by informal sources; youth lack access to formal financial services, youth have high capacities and propensity to save; there is a tendency to save at home more; and life cycle and seasonality factors play an important role in how youth manage their money.

The Financial Diaries research revealed that youth have a high capacity to save at home in small amounts. Youth also took loans in small amounts starting from the equivalent of a single US dollar. The diaries show that youths maintained a consistent pattern of expenditure, savings, and credit, but there were some months in which expenditure and credit-seeking behaviours were comparatively high. Except for savings, rural youths reported spending more in all expenditure areas than their urban counterparts. It was also observed that the youths had a consistent tendency to invest in their petty trades year-round, irrespective of their location.

Range of financial services used by youths

Youths derived income from more than one source; there were formal and informal, regular and irregular streams of income. Stronger trends are evident in the financial behaviour of urban youth than rural youth, possibly as a result of more accessible financial service options in urban areas helping shape financial behaviour. The range of financial services used by youth reflects the multifaceted ways they manage their money, from investing in asset building to covering ongoing food and education expenditures and contributing to household expenses when additional funds are required.

Variation in use of financial services

Seasonality issues related to youth-specific and life cycle factors (e.g. school calendar, festivals, business cycles) play an important role in explaining the variations of the respondents’ financial behaviour. Youths also used financial services to help expand their petty trades. As many of the youths were partially dependent on their parents and/or other relatives, they were able to invest a higher percentage of their disposable funds in their small businesses. In seeking credit, youths were found to capitalize on their experiences; they took higher credit amounts at the start of the Financial Diaries research, but changed their particular behaviour to a more consistent pattern later on in the data collection cycle.
Conclusion

Though some patterns and consistencies were identified, the Financial Diaries reveal a wide range of financial behaviours amongst youth. Data did not show any special or unique set of youth financial behaviour compared to an adult population. The respondents demonstrated an inclination to use their money when available to support their families, which is unique considering the lifecycle of youth when most young people would still be dependent on their family for support.

The data confirmed that youth managed their money creatively and have high demand for savings and loans. The data also confirmed that geographical location and individual demographic characteristics affected financial behavioural patterns, as did the youth’s financial market accessibility. A lack of access to formal and demand-driven financial instruments led these youths to turn to informal, and sometimes ineffective, mechanisms to manage their scarce money (i.e. saving at home without earning on interest on it, or risking money to be stolen or lost). Financial diaries data shows that accessibility of savings instruments has a strong role to play in uptake.

The Financial Diaries research revealed that seasonality plays an important role in the financial behaviour of youth. To develop youth-friendly financial products, better understanding of the seasonal factors that affect their financial behaviour is critical. Financial product strategies should include offering seasonal products for both savings and loans, with repayment and withdrawal options aligned with seasonal realities.

We believe that the YSLA methodology is a good starting point for providing basic financial services to youth. However, youth would benefit highly from more flexible and accessible savings and credit products that could enable them to manage their money more effectively. YSLAs could either test some product innovations targeting youth, especially with savings withdrawal facilities, or better promote access to formal financial services with flexible repayment schedules for loans and access to withdrawal facilities for saving. Typically, the more demand-driven the service is, the better it is able to satisfy the needs of the target population and the more it contributes to their livelihood development. This applies to adults as well as youth.
1. Introduction and background
Africa has the youngest population in the world, with 200 million people between the ages of 15 and 24. Despite the fact that six of the 10 fastest-growing economies in the world are in Sub-Saharan Africa, unemployment rates for African youth remain disproportionately high. Having large groups of disenfranchised youth can lead to social and political unrest, increasing insecurity in already vulnerable states. Appropriate and targeted interventions can help harness the energy and creativity of youth, equipping them as they transition into adulthood and become contributing members of society.

Plan Canada started implementing the Youth Microfinance Project (YMF) in 2010 to improve the lives and to realize the rights of West African youth. The project aimed to empower youth socially and economically, and to bridge the identified gaps in training and economic opportunities in order to help stop the cycle of poverty for them, their families, and their communities. The project has a target of reaching at least 70,000 youths in Senegal, Niger, and Sierra Leone. The key components of the project include:

1. Youth-specific financial services, namely youth saving and lending associations (YSLAs)
2. Piloting linkages with microfinance institutions (MFIs)
3. Training on life skills and financial education
4. Knowledge management

The project has reached over 89,000 youths, of which 85% are women.
1.1.1. Objectives of the Financial Diaries report

The project used the financial diaries methodology\(^6\) to collect the diversified and dynamic patterns of local income, expenditure, savings and credit from selected youths on a monthly basis for a period of one year. All sources and forms showing amounts of income, expenditure, savings, and credit were traced through the diaries. The diaries were also used to identify the financial needs and demands of youths, to explore their ex ante risk management strategies and ex post coping strategies, and to analyze the relevance of financial products. The diaries explored how participating youths used financial services and instruments over the annual cycle of data collection. The specific objectives of the financial diaries research were to examine:

- How youths varied in their use of financial services and instruments
- How financial services and instruments helped youths manage their finances
- What range of financial services and instruments the youths used
- What role YSLAs played in the youths’ financial behaviour and strategies

\(^6\) See Section 2 for more details. Financial diaries have been widely used to track the financial transaction patterns of poor people. As a research methodology, it has gained popularity among the many researchers who have used financial diaries to track financial inflows and outflows from households (S. Rutherford, 1999 and 2002, J. Morduch, 2009, M. Cohen, 2008, G. Stuart, 2011). Financial diaries keep track of the different financial instruments used by individuals, and provide insight into their financial behaviour and the reasons for variation in the usage of different financial services and instruments. Financial diaries also help seek out how financial services and instruments help individuals manage their money within the scope of the existing financial services and instruments available to them. The simple structure of the financial diaries allows researchers to look at the financial inflows and outflows of an individual’s finances, generally with low cost involvement and minimum effort for data collection. This structure also explains, through a simple format, the different types of financial services and instruments the individual accesses to manage his/her existing financial resources.

1.1.2. Target audience of the Financial Diaries report

The Financial Diaries report is targeted towards a set of readers as outlined below. Each of the following stakeholders could use the findings from the report to further inform their respective programming with youth.

- The primary readers of the report are the project management team of each of the three project countries: Niger, Senegal, and Sierra Leone. They can use the findings of the Financial Diaries research to further explore how youth can be better served through initiatives like YSLAs.
- Plan Canada will benefit from the report by increasing their understanding of youth financial behaviour, which will help strengthen and introduce microfinance services to youth in other Plan countries.
- Finally, for other funders, implementers and organizations that are providing financial services to youth or working with youth, information from this report can provide further insight into the financial behaviours of young people.
1.2. Country-specific socioeconomic context

Table 1: Key development indicators and information on financial inclusion

<table>
<thead>
<tr>
<th>Index</th>
<th>Senegal</th>
<th>Sierra Leone</th>
<th>Niger</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP per capita(^8)</td>
<td>USD 1057</td>
<td>USD 613</td>
<td>USD 399</td>
</tr>
<tr>
<td>HDI point(^9)</td>
<td>0.459</td>
<td>0.336</td>
<td>0.304</td>
</tr>
<tr>
<td>HDI rank(^10)</td>
<td>155</td>
<td>180</td>
<td>186</td>
</tr>
<tr>
<td>Below poverty line(^11)</td>
<td>46.7%</td>
<td>52.9%</td>
<td>76%</td>
</tr>
<tr>
<td>Main Occupation</td>
<td>Agriculture</td>
<td>Agriculture</td>
<td>Agriculture</td>
</tr>
<tr>
<td>Unemployment(^12)</td>
<td>48%</td>
<td>70%</td>
<td>Not found</td>
</tr>
</tbody>
</table>

**Financial inclusion data\(^13\)**

<table>
<thead>
<tr>
<th>Index</th>
<th>Senegal</th>
<th>Sierra Leone</th>
<th>Niger</th>
</tr>
</thead>
<tbody>
<tr>
<td>Account at a formal financial institution</td>
<td>6%</td>
<td>15%</td>
<td>2%</td>
</tr>
<tr>
<td>Account used to receive government payment</td>
<td>1%</td>
<td>4%</td>
<td>0%</td>
</tr>
<tr>
<td>Loan from financial institution past year</td>
<td>4%</td>
<td>6%</td>
<td>1%</td>
</tr>
<tr>
<td>Account at a formal financial institution, female</td>
<td>5%</td>
<td>13%</td>
<td>1%</td>
</tr>
<tr>
<td>Account used to receive remittance</td>
<td>1%</td>
<td>7%</td>
<td>0%</td>
</tr>
<tr>
<td>Loan from family and friends past year</td>
<td>26%</td>
<td>43%</td>
<td>43%</td>
</tr>
<tr>
<td>Saved at a financial institution in past year</td>
<td>4%</td>
<td>14%</td>
<td>1%</td>
</tr>
<tr>
<td>Account used to receive wages</td>
<td>2%</td>
<td>8%</td>
<td>1%</td>
</tr>
<tr>
<td>Saved using a saving club in the past year</td>
<td>5%</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Debit card</td>
<td>2%</td>
<td>4%</td>
<td>1%</td>
</tr>
<tr>
<td>Credit card</td>
<td>1%</td>
<td>2%</td>
<td>0%</td>
</tr>
</tbody>
</table>

\(^8\) Adapted from the Youth Microfinance Project Proposal  
\(^9\) International Monetary Fund, 2013  
\(^10\) United Nations Development Programme, 2013  
\(^11\) United Nations Development Programme, 2013  
\(^12\) World Bank, 2011  
\(^13\) World Bank, 2011  
\(^14\) Datatopic.worldbank.org/financial inclusion/, Financial Inclusion Data, 2011
1.2.1. Senegal

Despite its relatively sound macroeconomic performance, Senegal remains a poor country, with a gross domestic product (GDP) per capita of USD 1,057 and adjusted purchasing power parity (PPP) per capita of USD 2,026, according to a 2012 estimate (IMF, 2013). The Human Development Index (HDI) for Senegal is 0.459, which gives the country a rank of 155th out of 193 countries with data (UNDP, 2013). In 2011, the World Bank estimated that 46.7% of the total population of Senegal was still living below the poverty line. In June 2000, Senegal became eligible to receive support under the Heavily-Indebted Poor Countries (HIPC) Initiative. In April 2004, Senegal exited the recently-enhanced HIPC Initiative and the Multilateral Debt Relief Initiative with a good basis for maintaining sustainable external debt levels over the medium-term.

Senegal’s microfinance sector has experienced strong growth over the last decade, and some microfinance institutions (MFIs) are now large enough to offer financial services to small and medium enterprises (SMEs). The microfinance (MF) sector has a penetration rate of more than 10% of the total population (MIX, 2009). Some networks are contemplating establishing commercial banks, and large MFIs are well positioned to compete with the commercial banks in providing financing to SMEs. The microfinance industry is highly concentrated, and the largest networks appear to be on sound footing. Apart from these large networks, there are numerous small, independent institutions (approximately 10% of the market) that are structurally weaker and pose a real challenge to the consolidation of the sector; they rarely comply with reporting requirements, largely escape the attention of the supervisory authorities, and often have weak financial structures. As already mentioned, the microfinance sector in Senegal is dynamic and it shows clear signs of maturity. Looking forward, the main challenge facing the sector is to avoid an erosion of the credit culture among clients. Distortions and threats affecting the MFI sector include intended government credit lines and special funds proposed for microfinance and SMEs. Another challenge for the MF sector in Senegal is the lack of tested models to reach out with appropriate strategies to the chronically poor and youth populations.

1.2.2. Sierra Leone

Sierra Leone is an extremely poor nation with tremendous inequality in income distribution. The HDI for Sierra Leone is 0.336, which gives the country a rank of 180th out of 193 countries with data (UNDP, 2013). Its GDP per capita as of 2012 was estimated at USD 613, with per capita adjusted PPP at USD 1,344 (IMF, 2013). While it possesses substantial mineral, agricultural, and fishery resources, its physical and social infrastructure are not well developed and serious social disorders continue to hamper economic development. Nearly half of the working-age population engages in subsistence agriculture. Manufacturing consists mainly of the processing of raw materials and of light manufacturing for the domestic market. Alluvial diamond mining remains the major source of hard currency earnings, accounting for nearly half of Sierra Leone’s exports. The fate of the economy depends upon the maintenance of domestic peace and the continued receipt of substantial aid from abroad, which is essential to offset the severe trade imbalance and supplement government revenues. The International Monetary Fund (IMF) has completed a Poverty Reduction and Growth Facility Program that helped stabilize economic growth and reduce inflation. A recent increase in political stability has led to a revival of economic activity such as the rehabilitation of bauxite and rutile mining.

The microfinance landscape in Sierra Leone is comparable to other post-conflict situations. Present capacity is basic; outreach is still very limited and none of the operations are yet sustainable. A shift has been made recently from providing relief with a business-like orientation to providing relief with a focus on sustainability. This shift was accelerated by the microfinance policy recently approved by the government. Among the 12 commercial banks listed with the Bank of Sierra Leone (BoSL), a few have expressed interest in lending to microfinance institutions, provided sufficient security is offered. The Sierra Leone Commercial Bank is engaged in microfinance, as are the two development banks: the National Development Bank, and the National Cooperative Development Bank. The BoSL has also piloted microfinance in targeted communities.

Sierra Leone also has two indigenous financial mechanisms that provide access to credit. Osusus, or rotating savings and credit associations, are common throughout the country. Group members enforce credit discipline and may claim any part of a defaulter’s assets. Given the
low income of most members, the amounts mobilized are not sufficient to generate significant funds. Money-lenders are also found throughout the country, charging high interest rates and enforcing strict repayment schedules. Borrowers who face emergencies and are in need of funds often have few options available to them.

1.2.3. Niger

Niger is one of the poorest countries in the world according to UN statistics. The HDI for Niger is 0.304, which gives the country a rank of 186th out of 193 countries with data (UNDP, 2013). Its GDP per capita was estimated at USD 399 in 2011 (IMF, 2013) and about 76% of the population is living on less than USD 2 a day (UNDP, 2013). The adult literacy rate in Niger stands at 28.7% as of the 2005 World Bank indicator, while its GDP growth was estimated at 5% in 2010.

It is estimated that 80% to 90% of the population of Niger does not have access to financial services (IMF, 2007). As of 2005, there were an estimated 179 MFIs in Niger serving 225,558 clients. Total combined assets equalled USD 8.6 million and total outstanding loans stood at USD 12.9 million (IMF, 2007). Financial services are still biased to urban areas. Despite the fact that the number of agricultural or commercial banks grew from 21 to 38 between 2003 and 2006, their rural outreach is minimal, particularly to the agricultural sector, which receives 1% of its credit from financial institutions despite representing 38% of Niger’s GDP (IMF, 2007). According to the IMF (2007), two-thirds of the nation’s banks are in the capital city, where they have a ratio of one branch to 33,700 members, while outlying areas are estimated to have a branch servicing every 844,000 members.

Currently, the most active institutions in microfinance are credit unions providing savings and credit, credit-only institutions, and project-related institutions (IMF, 2007). The member-owned sector has been performing relatively better. Credit unions such as Mouvement des Caisses Populaires d’épargne et de Credit (MCPEC), Union des Mutuelles d’épargne et de Credit (UMEC), Mutuelle d’épargne et de Credit des Femmes (MECREF) and Crédit Rural du Niger (CRN) have experienced favourable performance with a membership of more than 120 decentralized financial systems, reaching out to about 150,000 persons (Boulenger and Bedingar, 2006). The decentralized associations also show greater depth of outreach. According to national-level statistics, the penetration rate for VSLAs at the village level ranges from 1.4% to 3.3% of the total population, slightly higher than the MFI sector range of 0.9% to 1.8% for the total population (IMF, 2007).
Throughout this report, several terms, terminologies and concepts are used to explain the financial behaviour of youth. The following are the definitions of key terms, terminologies, and concepts.

• **Consumption smoothing**: Strategies adopted by individuals to stabilize consumption in accordance with fluctuating income. Examples of different strategies adopted by individuals for consumption smoothing could be to deposit savings, to withdraw from savings, or to borrow from different sources.

• **Ex ante risk management strategies** or **precautionary strategies**: Strategies taken up by individuals or a group of individuals as preventive measures to protect themselves and/or their communities from any potential risks such as natural disasters, man-made disasters, seasonal crises, economic crises, etc.

• **Ex post coping strategies or coping mechanisms**: Strategies taken up by people after any event occurs, i.e. to cope with shocks and economically stressful occurrences after the events.

• **Financial behaviour**: How individual and institutional economic decisions are influenced by the effects of social, cultural, religious, and emotional factors. Financial behaviour attempts to explain economic decisions made by individuals taking rational action.

1.3. Key definitions and concepts
• **Financial instrument:** An asset that is tradable, either in the form of cash or a contractual right that allows individuals or institutions to receive and/or deliver cash. According to International Accounting Standards 32 and 39, a financial instrument is “any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.”

• **Frequency:** The number of occurrences of a repeating event per unit of time. In statistics, the frequency (or absolute frequency) of an event is the number of times the event occurred in an experiment or study.

• **Financial product:** A contract between two parties agreeing on inflow and outflow of cash, both now and in the future. Financial products help manage the financial transactions, including income, expenditure, savings, and credit in general.

• **Investment:** An asset purchased with the objective of generating income or other forms of wealth in the future. In an economic sense, an investment is the purchase of goods that are not consumed today but are used to create wealth in the future. An investment could be made in two ways: for accumulating cash and/or non-cash assets, and for working capital to support a business and/or petty trade.

• **Merchandise/raw materials:** Commodities that are offered for sale by entrepreneurs or business people.

• **Ousu groups:** A group savings scheme that enables participants to receive larger amounts of money to meet heavy expenditure commitments. Funds are collected on a daily, weekly, or monthly basis, depending on the understanding of the group members. The amount collected is disbursed to a member of the group and this process continues until all members of the group have a chance to receive the collected sum.

• **Petty trading:** Trades and/or businesses conducted on a small scale, generally with limited geographic exposure. Petty trading can also be considered as the selling of small, inexpensive items. In this report, the terms “petty trading” and “business” were used interchangeably.

• **Risk management:** The practice of identifying potential risks, analyzing them, and taking precautionary steps for risk reduction. The term can apply to individuals who use financial services, as well as institutions that offer them.

• **Service job:** Activities and/or tasks that a person does on a regular basis to earn money. Generally, people who have service jobs as occupations earn on a regular time interval, i.e., weekly, semi-monthly, or monthly, and the parties involved agree to the amount paid.

• **Youth:** Defined by the United Nations (UN) for statistical consistency across regions, as persons between the ages of 15 and 24 years, without prejudice to other definitions by member states\(^4\). However, under the YMF Project, youth were defined as persons who fall within the range of 15 to 25 years of age.

• **Youth savings and loan association (YSLA):** A group formed by youths to mobilize group savings, with a purpose of converting those savings into small loans to be lent exclusively to the group members. YSLAs are considered a low-risk approach to providing financial service to youth.

2. Methodology
2.1. Methodology

The Financial Diaries research followed purposive sampling (see section 2.4 for more details) and data collection techniques. Although the Financial Diaries approach is based on a quantitative method, in the process of designing the Financial Diaries project the researchers used qualitative tools like focus group discussions (FGD), key informant interviews (KII), and participatory rural appraisal (PRA) tools like seasonality analysis, mobility mapping and the financial service matrix, to identify the appropriate variables and contents for the diaries questionnaire. These tools were applied with the targeted youths and concerned officials in the respective project countries. Throughout the process, the program managers from Niger, Senegal and Sierra Leone were closely consulted as they supported the enumerators in their countries to collect data from June 2012 to May 2013.

In designing the financial diaries, the financial diaries questionnaire was pretested at the field level with the youths in Sierra Leone and Niger. The pretesting provided useful insights for modifying the diaries, with a focus on effectiveness and comprehensiveness of the diaries. Figure 1 below explains the process of designing the Financial Diaries and the data collection for the purpose of this research.

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**Figure 1: Process flow from inception to Financial Diaries Report**

- Inception meeting with Plan Canada, Plan COs
- Methodology and sample finalization
- Field visit to Project Countries: FGDs/PRAs conducted
- Financial Diaries developed
- Data collection, periodic review and consolidation
- Field testing of Financial Diaries, training of enumerators

All data collected through the financial diaries were consolidated and processed using Microsoft Excel software; final quantitative analyses were done using the Statistical Package for the Social Sciences program. The Financial Diaries project consultant reviewed the data monthly for quality purposes. The data were consolidated quarterly and reviewed jointly with the project managers in each of the project countries.
2.2. Overview of financial diaries

Financial diaries have been widely used to track the financial transaction patterns of poor people. As a research methodology, it has gained popularity among the many researchers who have used financial diaries to track financial inflows and outflows from households (S. Rutherford, 1999 and 2002, J. Morduch, 2009, M. Cohen, 2008, G. Stuart, 2011). Financial diaries can capture the financial transactions of households and individuals in great detail by asking simple questions such as, “what is the monthly expenditure of the respondent for different expense areas?” and “how much was spent for those purposes?” Financial diaries can identify the transaction patterns of poor people, providing a detailed picture of the frequency and intensity of people’s economic activities by analyzing the data collected to look at different risk management approaches taken up by the same group of people over a period of time. This approach offers a new way to understand the lives of the poor. It also offers a chance to track how individuals manage their money, providing valuable insight into how microfinance services can better meet their needs.

Financial diaries keep track of the different financial service options and instruments used by individuals, and provide insight into their financial behaviour, and the reasons for variation in the usage of different financial services and instruments. Financial diaries also help seek out how financial services and instruments help individuals manage their money within the scope of the existing financial services and instruments available to them.

The simple structure of the financial diary allows researchers to look at the inflows and outflows of an individual’s finances, generally with low cost involvement and minimum effort for data collection. This structure also explains, through a simple format, the different types of financial services and instruments the individual accesses to manage his or her existing financial resources. For the purpose of this report, the cohort method of research was applied, in which the financial behaviour of participating youths was tracked over a period of time. Time series data were collected to list and analyze all financial transactions of selected youth from the project countries.

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### Figure 2: Specific areas explored through the financial diaries

<table>
<thead>
<tr>
<th>Income Pattern</th>
<th>Expenditure Patterns</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sources</strong></td>
<td>Areas / Amount / Sources of money</td>
</tr>
<tr>
<td><strong>Frequency</strong></td>
<td>Food</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>Health</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>Schooling</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>Ceremonies</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>Purchase</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>Business Expenses</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Credit behaviour</th>
<th>Savings Behaviour</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Loan taken</strong></td>
<td>Savings</td>
</tr>
<tr>
<td><strong>Loan repayment</strong></td>
<td>Withdrawl</td>
</tr>
<tr>
<td><strong>Amount</strong></td>
<td>Amount</td>
</tr>
<tr>
<td><strong>Sources of money</strong></td>
<td>Amount</td>
</tr>
<tr>
<td><strong>Reason for taking loan</strong></td>
<td>Frequency</td>
</tr>
<tr>
<td><strong>Interest rate</strong></td>
<td>Sources of money</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assets Held</th>
<th><strong>Category</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type</strong></td>
<td>(productive/household)</td>
</tr>
<tr>
<td><strong>Quantity</strong></td>
<td></td>
</tr>
</tbody>
</table>
2.3. Research location

For the collection of data, samples were primarily drawn from urban locations, as it was assumed that youth living in urban areas have better access to business opportunities. In addition to geographic preference, another consideration was to include youths who are most likely to be financially active. The reason behind this consideration was to collect as much information for analysis as possible on the financial transactions of youth and samples were chosen purposely to reflect the dynamic financial behaviour of this group. To show a comparative picture of urban and rural youth, 20 rural respondents from Senegal (Thies) were selected. The table below contains the geographic locations for the Financial Diaries research.

Table 2: Geographic locations of Financial Diaries research

<table>
<thead>
<tr>
<th>Country</th>
<th>Research location</th>
<th>Location type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Niger</td>
<td>Niamey</td>
<td>Urban</td>
</tr>
<tr>
<td>Senegal</td>
<td>Dakar</td>
<td>Urban</td>
</tr>
<tr>
<td></td>
<td>Thies</td>
<td>Rural</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>Western Area, Freetown</td>
<td>Urban</td>
</tr>
</tbody>
</table>

The selected youths were all taken from youth savings and loan associations (YSLAs) that were performing well. The performance of the groups was evaluated based on set indicators. The project countries used a group quality assessment tool and a management information system package to assess the group quality scores and rate of return. Selection of this sample was done purposefully to bring about as much information as possible through the financial diaries, as the members of the high-performing YSLAs were assumed to be more financially active. Please see Annex 2 for the performance indicators used in the group quality assessment tool.
2.4. Overview on sampling method

Globally, financial diaries research is usually conducted with a selection of individuals. The sampling method used for such research does not look at the representativeness of the sample, as the resource requirement to take a representative sample size is relatively high. Additionally, management of data collected through financial diaries for a large number of samples is difficult because it requires regular follow-up with the respondents and also frequent review of data for the purpose of quality control.

The sample for this research was decided based on time and the financial and technical resources available upon consultation with Plan Canada. The total sample sizes for the collection of year-long data using the financial diaries was set at 110 youths, 30 each from Niger and Sierra Leone and 50 from Senegal. The 20 additional youths from Senegal were from a rural area and were selected to determine if there are any similarities or differences in financial behaviour based on urban/rural location. An important consideration in selecting the youth was their level of economic activity so that all dimensions of financial behaviour (i.e., income, expenditure, and savings and credit) were captured through the research. All respondents were members of YSLAs from the three project countries and no control group was sampled to conduct the research.

Selection of the youth was done in close consultation with the concerned project manager in each of the project countries and then vetted with Plan Canada staff. The following are some of the key criteria that informed the youth selection.

Performance: Youths were selected from YSLAs that showed strong performance. Please refer to Annex 2 for details on the indicators.

Location: Youths were selected from urban areas of all three project countries, with the exception of Senegal where 20 additional youths were enlisted from rural areas.

Sex: Given that the project heavily targets females\textsuperscript{16}, they represent 90% of the total sample. Sex-disaggregated data allows the financial diaries research to examine the difference in the profiles of female and male respondents. Additionally, during the selection process, it was found that female members dominated many of the high-performing groups.

There were no reported dropouts throughout the one-year period of data collection using the financial diaries. This indicates that the youth sample selected for the research was very intent on participating in the research and was willing to provide the necessary information on a monthly basis for an extended timeframe.

The financial figures were initially collected through the financial diaries in local currencies, which were converted into a common currency unit, i.e., US dollars, to have a comparative view between the three project countries. The exchange rates were taken from www.oanda.com (July 15, 2013) and rounded up for the purpose of convenient calculation of the financial data collected through the diaries. Significant fluctuation in the exchange rates was not recorded during the one-year data collection of the financial diaries research. The rates used for conversion were:

- USD 1 = 500 FCFA (currency unit for Niger and Senegal)
- USD 1 = 4,280 Leones (currency unit for Sierra Leone)

\textsuperscript{16} The YMF Project had a 70% female participation target but reached 85% female by the end of the project.
2.5. Ethical considerations

Throughout the period of this assignment, the consultant committed to respecting the confidentiality of the data, which focused on individual issues. Strict measures were undertaken to ensure that only concerned personnel would have access to the data and report. Throughout the assignment period, the methods were continually reviewed to ensure integrity and quality of the task. During data collection, youths were provided with adequate information regarding the nature of the assignment, how it might affect them, and confidentiality. Participation was completely voluntary.

The consultant also abided by Plan’s Child Protection Policy, whereby the consultant was committed to ensure the safety of all youth respondents from any exploitation and risk of abuse. All communication with the YSLAs was conducted in the presence of Plan staff and was done in a manner that was respectful of their rights. YSLAs were informed in advance of the purpose of the visits to ensure convenient meeting times.
2.6. Limitations

This financial diaries research was not done as an impact study, so no inferences could be drawn from the findings presented in this report in terms of the project’s impact on the project population. All information collected through the financial diaries was self-reported by the youth sample, which could result in the data being misleading in some cases. The data were collected for one year on a monthly basis, which could increase the possibility of exclusion of day-to-day financial transactions that are not significant for the youth. Respondents’ concerns in providing sensitive information should also be taken into consideration.

The data were collected through structured questionnaires and reviewed on a monthly basis. Submission and specific feedback of general data errors were identified and fixed. The financial diaries were pilot tested with the youth sample, so they had a clear understanding of the questions asked and the data collection process. The first month of data collection helped them get acquainted with the questionnaire, and therefore it could be assumed that they responded knowledgeably. However, an assessment of the integrity and validity of respondents and information was not done, as this would have required significant time involvement from the youths.

While the collected data were carefully analyzed for trends and patterns of the transactions, there is still scope for further exploration into the financial behavioural patterns of youth, triangulating with other data collected by the project using different tools.

External events, illness of the respondents, and respondents travelling out of their respective communities did pose some challenges in terms of timely data collection. Any delays in data collection were coordinated with the concerned project managers and enumerators on a case-by-case basis, depending on the situation in each of the project countries. Late entry of data was allowed for those who missed the timeline of interview due to unavoidable circumstances. Despite delays in data collection and entry for some of the youths, monthly data collection and entry for all respondents were ensured. After consolidation of each month’s data, the consultant reviewed the data for accuracy, consistency, and errors. In the case of errors or inconsistencies, the concerned Project Managers were consulted for explanations and necessary corrections in the database were made when needed. Based on the feedback received from the project managers, further actions were taken, including returning to the respondents to cross-check the data and seeking explanations on any unusual amounts reported by the respondents.
3. Analyses and findings
3.1. Demographic profile

As mentioned in the methodology section, youth respondents were mostly taken from urban areas with the assumption that urban youth are economically more active than their rural counterparts. The project defines youth as those who are 15 to 25 years of age and for the purpose of this research the same definition was taken into account. At the time of the research, the project was in its third year of implementation, therefore, there were some youths who were found to be beyond 25 years of age. Older respondents, who have been more involved in the Youth Microfinance (YMF) Project, were purposely chosen to look at how YSLAs have contributed towards shaping the financial behaviours of these youths. The youth respondents were taken only from those YSLAs with a strong performance track record to ensure that more financial information could be gathered for analysis of their financial behaviour.
3.1.1. Rural and urban distribution

As determined during the finalization of the methodology, most of the respondents in all three countries were from urban areas. In Niger and Sierra Leone, all of the respondents lived in urban area, whereas in Senegal, 40% of the respondents lived in rural areas.

3.1.2. Sex and age distribution

In Senegal and Sierra Leone, more than 80% of the respondents were female and in Niger no males were included in the process. The majority of the respondents ranged in age from 19 to 25 years. In the urban areas, at least 40% of the respondents from all three countries were between 23 and 25 years, while 65% of the rural participants of Senegal were in the age range of 23 to 25 years.

Table 3: Rural and urban distribution

<table>
<thead>
<tr>
<th>Country</th>
<th>No. and percentage of respondents</th>
<th>Location</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Urban</td>
<td>Rural</td>
</tr>
<tr>
<td>Niger</td>
<td>No. of respondents</td>
<td>30</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Urban/rural breakdown</td>
<td>100.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Senegal</td>
<td>No. of respondents</td>
<td>30</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Urban/rural breakdown</td>
<td>60.0%</td>
<td>40.0%</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>No. of respondents</td>
<td>30</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Urban/rural breakdown</td>
<td>100.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>No. of respondents</td>
<td>90</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Urban/rural breakdown</td>
<td>81.8%</td>
<td>18.2%</td>
</tr>
</tbody>
</table>

Figure 3: Age range (n=110)
3.1.3. Academic qualification

More than 50% of participants in the urban areas of all three project countries had received at least primary education. In rural Senegal, 47% of respondents reported being illiterate. In urban Senegal, more than 50% of both male and female respondents reported having primary education, while in Niger, 40% of the respondents possessed primary-level education. Respondents with higher secondary or undergraduate degrees were very low, i.e., less than 10%, except for the respondents in Sierra Leone. Over 75% of male respondents and 50% of female respondents in Sierra Leone were enrolled in higher secondary or further studies.

Figure 4: Academic qualifications (n=110)
3.1.4. Primary occupation

Petty trading (shown as “Business” in Figure 5) was the main occupation among the respondents in Niger and Senegal, while in Sierra Leone, 63% of the respondents were students. In urban areas, 30% of respondents in Senegal and 10% in Sierra Leone also worked as service providers, while 8% of female respondents in Sierra Leone were involved in agricultural activities. Service jobs, agriculture, and mining in the following graph are referred to as employment, as youths reported that they were employed and receiving payment for their labour in these sectors.
3.1.5. Marital status

Of the female respondents in Niger and rural areas of Senegal, 83% and 63% were married, respectively. In urban areas of Senegal and in Sierra Leone, over 70% and 60% of the female respondents, respectively, were single. All male respondents were single.

Figure 6: Marital status (n=110)
3.1.6. Household size

Typically, the household size of the respondents in this project was large, varying from four to 12 members in each household. Only a negligible number of participants reported having a household with three members or less. In Niger, 40% respondents each reported having family members between four and six persons and between seven and nine persons. In urban Senegal, one-third of the respondents reported having family members between seven and nine members, while 53% of all male and female respondents had over 10 family members. Similar to the urban areas, in rural Senegal, over 50% of all male and female respondents reported having more than 10 members in the family. In Sierra Leone, 73% of the respondents had between four and six family members. Most of the households had at least seven members, although in Senegal, over half of the participants had 10 or more members in their household.

Figure 7: Household size (n=110)
3.2. Patterns of financial behaviour

3.2.1. Income

Poor households around the world tend to depend on more than one source of income (Collins et al., 2009; Rutherford, 1999). The respondents of the Financial Diaries research also reported earning a varying range of income from diversified sources.

In Niger, only one respondent (3% of the Nigerian youth respondents) reported earning less than USD 10 per month, while one another (accounting for 3% of the Nigerian youths) earned more than USD 500. The range of income, as reported by the youths, was predominantly between USD 10 and USD 50 (37% of responses), followed by 33% reporting earnings between USD 100 and USD 500, and 24% earning between USD 50 and USD 100. The financial diaries data from Senegal indicates that 64% of all the respondents earned less than USD 10 per month, with percentages of respondents from rural and urban areas at 55% and 70% respectively. No respondent in the urban area earned more than USD 100 per month, while three respondents in rural Senegal reported earning more than USD 100. In Sierra Leone, most of the respondents’ incomes varied from USD 10 to USD 100, with 43% reporting between USD 10 and USD 50 and another 33% reporting income between USD 50 and USD 100.
According to the financial diaries data from Niger, 70% of respondents reported that their main source of income was petty trading. The remainder reported service jobs (17%) and handicrafts (13%) as their primary source of income. Similarly to Niger, in Senegal petty trading was reported as a primary source of income by 50% of respondents. Respondents from urban areas of Senegal also reported service jobs (33%) as their main source of income, and respondents from rural Senegal reported handicraft as the second-largest income source (40%). Petty trading was also the major source of income for respondents from Sierra Leone, as reported by 47% of respondents. Of all respondents in Sierra Leone, 13% mentioned service jobs as their primary source of income and 33% reported receiving remittances from another district/province of the country as their primary source of income.
3.2.2. Expenditure

Youths reported a variety of expenditures, and in order to meet their expenditure needs, they accessed diverse sources of money. These sources of money include savings kept at home and income from business. On average in the three project countries respondents mentioned that their highest area of expense was food items, as shown below (Figure 10), with 36% of responses, followed by 26% of responses for petty trades, asset and capital expenses, 16% of responses for ceremonies and entertainment and 11% of responses each for health- and education-related expenses.

In Niger, the data showed that respondents spent their funds primarily for food, with a stable monthly average of USD 105 throughout the year. Another major area of expenditure was buying merchandise for their petty trades, on average, USD 28 per month. The financial diaries data show that the total expenditure of the respondents from Niger was relatively low during the last six months of the data collection period, i.e., from December 2012 to May 2013, which shows a reduction of 12% from the period of June to November 2012. In October, the expenditure on entertainment was relatively higher than other months as a result of Eid al-Adha (The Festival of Sacrifice), which is the second-largest annual religious festival for Muslims. The respondents from Niger had relatively low overall expenditures for ceremonal purposes, however in the months of September and October the ceremonial expenditure increased due to Eid al-Adha (see Figure 19 for more detail on ceremonal expenses). During that time, some youths reported purchasing goats for ceremonal purposes, with an average spending of USD 140 in September and October, in comparison to USD 38 on an average for the other months of the year. In Niger, 54% of the youth respondents reported that income earned from business was used as the key source of money for meeting expenditures. They also reported using money kept at home and taking loans from YSLAs (11% and 9% respectively). Money received as a gift from family and friends was reported by 20% of respondents as a source used to meet expenditures.

In Senegal, respondents reported spending on food as the key area of expenditure, irrespective of rural or urban location. Similar to Niger, the expenditure on food was relatively higher in October than the other months due to Eid al-Adha. Average food expenditure for the one year
data collection period was USD 240 with increased average monthly expenditure reported for October with USD 313 for the urban respondents. Similar responses were received from the rural respondents, who reported an average spending of USD 325 throughout the year, with an average amount of USD 457 during October. The respondents from the urban areas of Senegal reported trade-related expenses as the second-highest spending area. Approximately one-fifth of their total expenditure went toward buying raw materials or merchandise (13% and 7% respectively). This picture was similar for Niger, while in Sierra Leone the youths responded that they spent more on expenses related to their petty trades over any other expenditure areas.

The urban youths of Senegal contributed significant amounts to support their families, with a monthly average of USD 127, illustrating their abilities to assist with family expenses. While the urban youths depended mostly on money saved at home to meet their expenditures, the rural respondents capitalized predominantly on their business income, followed by money kept at home and loans taken from YSLAs in times of need. For urban respondents, 57% reported using money kept at home to cover their expenses, while 33% reported using business income. For rural respondents, 30% reported using money kept at home, while 33% used income from business. Overall, a relatively small portion of respondents reported using YSLA loans (2% in urban and 5% in rural areas) to meet expenditures. Cash received as a gift from family and friends was also found to be a key source of money to meet expenditures, both in urban and rural areas of Senegal, with eight percent of responses from urban respondents and 31% responses from rural respondents.

In Sierra Leone, food and the purchase of merchandise for petty trading were the major expenditures reported by respondents. The data indicated that expenditures on food gradually increased over the year, with some fluctuation during December to March. Expenditures on merchandise fluctuated significantly throughout the year (see Figure 12), but the overall amount of money spent on merchandise increased over the year (from USD 2 in June 2012 to USD 129 in May 2013). This may indicate that over time the petty trades taken up by the youth matured and required additional investments. Unlike Niger and Senegal, in Sierra Leone, 45% of respondents reported that they depended on cash received as gifts from family or friends to meet their expenditures. This
could either be a result of them living as dependents of someone senior within the family, or still being students and not earning enough income on their own. A notable percentage of respondents (27%) reported using money saved at home\textsuperscript{17} to meet their expenditures, while approximately 20% reported income from business as a key source to pay for their expenditures.

\subsection*{3.2.3. Detail of food-related expenses}

In the urban areas of Senegal, a comparatively steady pattern was observed for food-related expenses, as reported by the respondents. However, it was observed that the average amount of money spent for protein-rich food was relatively higher than that of other types of food. Respondents reported spending 33\% of their overall food expenditure to buy protein-rich food. Spending in protein-rich food rose significantly in the month of October. In rural areas, the patterns showed similar spending in protein-rich food and had a similar fluctuating run in October. This was due to the Muslim festival Eid al-Adha, when animals are sacrificed. The rural respondents reported spending just over 32\% of their overall food expenditure on protein-rich food. Irrespective of location, energy-rich food\textsuperscript{18} was the category of food in which the second-highest expenditure was made (30\% in urban and 26\% in rural).

In Sierra Leone, respondents reported the lowest amount of expenditure on all types of food during the early months of data collection (i.e., June and July), but this amount increased suddenly in August, and then climbed steadily throughout the rest of the year (with periods of slight decline). In June 2012, reported food expenditure was as low as USD 9, on average, by all respondents, while in July 2012, it was USD 26 on average. During the other months, i.e., from August 2012 to May 2013, the average amount spent on food was over USD 76. Respondents reported spending primarily on energy-rich food (with 41\% responses).

As shown above in Figure 14, in all three project countries the three major sources of money used to pay for food-related expenses were income from petty trade (35\%), gifts from family or friends (35\%) and savings

\textsuperscript{17} The sources of money for saving at home varied from income from business, money received as gift from relatives and selling assets. Sometime youths used their saving at home to save with YSLA or formal financial institution. Further details on sources of money for savings can be found in section 3.3.1.1.

\textsuperscript{18} Energy rich food refers to food (rice, wheat, maze etc.) that contains carbohydrates and fats, which are the major sources of energy in diets. Protein-rich food refers to meat, eggs, milk, and lentils that contain protein. Proteins also contribute energy, but their more important role is to provide amino acids to promote growth (in children) and to repair body tissues.
kept at home (29%). However, there were unique patterns within these data in each country. In Sierra Leone, the respondents mostly used money received as a gift from family or friends (71%); in Senegal the urban respondents reported savings at home (56%) and income from business (36%) as the key sources. The rural respondents from Senegal reported savings at home, income from business, and money received as a gift from family or friends almost equally (33%, 35%, and 32% respectively). In Niger, 59% of respondents reported that they used their income from business to purchase food. This shows that respondents across all three project countries generally use their business income, gifts from family/friends and savings at home to spend for day-to-day food-related expenditure.

3.2.4. Detail of health-related expenses

In Niger, respondents reported that health expenditures, particularly for doctor visits, were significant. In Sierra Leone and Senegal, respondents indicated minimal spending for check-ups and transportation to access health services. In August 2012, the average spending on health-related expenses by all Nigerien respondents was higher than other months, with an average spending of USD 124.

Both rural and urban respondents from Senegal reported spending regularly on medicine and visits to the doctor. While the amount spent on doctors’ fees was relatively lower than spending on medicines by both urban and rural respondents, urban respondents reported spending for medical check-ups during every month of the Financial Diaries research. Generally, money spent by urban respondents for health purposes was on average 46% higher than that of rural respondents. Respondents from Sierra Leone also had a similar pattern of health-related expenses as those from Senegal; it was found that the most frequent area of expenditure was to pay the doctors’ fees and for medical check-ups. One respondent reported spending USD 200 in July, resulting in an upshot of average monthly spending for medical check-ups for all Sierra Leonean respondents. In November, a similar case was found, in which only one respondent reported spending USD 60 to buy medical supplies, resulting in an average of USD 73 for that month. Apart from these two cases, health expenditures followed a steady trend throughout the year.

19 i.e., 46% higher without calculating the outlier of USD 600 that was paid by one rural respondent for a surgical operation in June 2012.
As shown in Figure 16 below, in all countries health-related expenses were paid mostly from money saved at home (36%), cash received as a gift from family or friends (33%), and income from petty trades (29%). Respondents in Niger depended mainly on income from business, while savings at home were the main source of money for respondents in both rural and urban areas of Senegal. In Niger, 54% of respondents reported using income from business to pay for health expenses, while 12% reported using money kept at home. Irrespective of location, in Senegal, over half of the respondents reported using money kept at home for health expenditure (60% in urban and 55% in rural). In all countries, respondents reported that money received as a gift from family or friends played a key role in paying for health expenses. As a source of money in Sierra Leone, this registered as 60% of responses, which is significantly higher than Niger (29%) and Senegal (14% in urban and 28% in rural).

3.2.5. Detail of education-related expenses

The school year cycle in Niger and Senegal is from October to June, therefore, most school expenditures are incurred from August to October. This is reflected in the data collected through the financial diaries, as most of the key expenditures for school were made by the respondents during that timeframe. Expenditure on education in Niger did not show any common pattern except for a relatively higher spend in March when the highest amount of money was spent on school fees (USD 120) and on lunches (USD 15). There was no spending for school-related expenses in July because the school year ended in June. However, in urban areas of Senegal, payment for school fees and private tuition rose and fell throughout the year, with the highest level of school fees paid in September and the lowest in February. Respondents from urban areas of Senegal spent an average of USD 65 in September, while in February this had eased to less than USD 1. The spending on schooling in September is a result of spending on school fees, new school supplies (USD 42 on average), and school uniforms (USD 50 on average). Payment for private tuition was high in October and lowest in August (USD 62 and USD 7, respectively). Payment for lunches followed a consistent pattern, due to the practice of taking similar food every month. The rural respondents of Senegal reported having no specific pattern for paying school fees, except a sharp decline during November.
2012 to May 2013 (with no spending reported in May). Similar to urban areas, the rural respondents in Senegal also reported having the highest spending for school in September, when they had to pay for school fees (USD 64) and for new uniforms (USD 83).

The Sierra Leonean school year cycle is from September to July. Expenditure for schooling did not follow a common pattern and the nature of the expenditure was different depending on the month. While the school fees paid from July to September had a steady flow, they sharply declined to zero in November and then showed a large increase to USD 42 on average in April. All expenditure areas for schooling had frequent occurrences, with differences in amount spent and fluctuations in different months. Average annual spending for uniforms (USD 147) and school supplies (USD 98) were the two highest categories after school fees (USD 155).

**Figure 18: Source of money for school expenses (n=110)**

In Niger, respondents mobilized money for school expenses primarily out of their income from business (54%). In some cases, respondents mentioned taking YSLA loans (3%) to finance their school expenditures. The respondents also used money kept at home (12%) and cash received as a gift from family or friends (29%) to meet the school expenditures.

Irrespective of location, the majority of the respondents from Senegal reported using money saved at home to finance their school expenditures (60% in urban areas and 55% in rural areas), while a small fraction mentioned using business income (26% in urban areas and 17% in rural areas) or gifts from their family or friends (14% in urban areas and 28% in rural areas) to meet the same expenditure.

In Sierra Leone, respondents mainly used cash gifts received from family or friends to make their school expenditure (60% of respondents). They also reported using money saved at home (19%) or business income (18%) frequently. In Sierra Leone, 0.7% of the respondents indicated they took a loan from a YSLA to finance their education.
3.2.6. Detail of expenses incurred during ceremonies/festivals

Respondents in Niger had relatively low expenditures on ceremonies throughout the year, with 29% of the total ceremonial expenditures used to purchase clothes. Spending increased in the months of September and October for Tabaski\textsuperscript{20}. During that period, respondents reported purchasing goats, which accounted for 39% of their total ceremonial expenditure.

Respondents in urban areas in Senegal spent money mostly on clothes, gifting in cash, buying gifts, paying for transportation, and buying food. Expenses for food during festivals averaged at USD 60 due to higher amount spent to buy food items to host friends, relatives, neighbours or families during festivities. One respondent reported spending USD 400 to support family during a ceremony, resulting in a hike in the overall average spent by all youth from urban Senegal in July. The rural respondents, however, reported a discreet expenditure pattern during ceremonies. Except for gifting in cash during each month of data collection (monthly average USD 7), spending for other categories was not very regular and the amount spent for these purposes varied widely from no spending to USD 140.

In Sierra Leone, respondents reported a steadier pattern in spending for ceremonies, with regular low spending for most of the expenditure criterion. The average amount spent by the respondents per month to buy clothes (as one of the expenditure criterion for ceremonial expenses) registered erratic numbers, increasing to USD 18 in July from USD 2 in June and then rising from USD 8 in February to USD 42 in March.

To meet the expenses for festivals, respondents from all three countries reported spending money saved at home, income from business, and cash received as a gift from family or friends. In Niger, the main source of money for ceremonial expenditure was business income (47%), while in Sierra Leone and urban Senegal respondents reported using money saved at home (39% and 46% respectively). In Niger, 15% of the respondents mentioned using YSLA savings, with another 10% accessing YSLA loans. In rural Senegal, 52% of respondents reported using money that came as a gift from family or friends. Respondents in both Sierra Leone and urban Senegal reported using income from business to pay for ceremonial expenses (22% and 43% respectively). Figure 20 shows that most of the youths depended on their income from business to pay for ceremonial expenses, along with other sources like savings at home and gifts from family or friends. The expenses also had a seasonal pattern in terms of occurrence.

\textsuperscript{20} The term “Tabaski” is the local term used to refer to the second-largest religious festival of the Muslims, i.e., Eid al-Adha (the Festival of Sacrifice).
Figure 20: Source of money for ceremonial expenses

Source of money for ceremonial expenses: Niger
- Savings at home 16.40%
- Income from business 47.00%
- YSLA savings 14.60%
- MFI savings 1.00%
- YSLA loan 10.40%
- Gift from family/friends 10.60%

Source of money for ceremonial expenses: Sierra Leone
- Savings at home 38.50%
- Income from business 22.10%
- YSLA savings 3.80%
- MFI savings 1.30%
- YSLA loan 1.30%
- MFI loan 0.20%
- Borrowing from family/friends 0.20%
- Borrowing from moneylenders 0.20%
- Gift from family/friends 32.50%

Source of money for ceremonial expenses: Senegal (urban)
- Savings at home 46.10%
- Income from business 42.80%
- YSLA savings 0.90%
- Sale of assets 0.40%
- Gift from family/friends 9.80%

Source of money for ceremonial expenses: Senegal (rural)
- Savings at home 22.7%
- Income from business 25.50%
- Gift from family/friends 51.90%
3.2.7. Detail of spending for asset accumulation

In both Niger and Sierra Leone, most respondents reported investing in livestock as asset accumulation. Purchases of assets were irregular and in relatively small amounts. The respondents from urban areas of Senegal reported spending money to buy electronic goods during every month of data collection, which may be a result of more livelihoods available in urban Senegal compared to urban area of Niger and Sierra Leone. The purchase of assets by Niger respondents was infrequent in comparison to that of the other two countries, reflecting either the respondents’ inabilities to buy assets or their lack of awareness about accumulation of assets over time.

For all three countries, the major source for purchasing assets was income from business, with 67% of responses in Niger, 34% of responses from urban Senegal, 50% of responses from rural Senegal, and 30% of responses from Sierra Leone. A notable amount of respondents in urban Senegal (51%) and Sierra Leone (23%) also used money saved at home to buy assets. Approximately 30% of the youths from Sierra Leone reported accessing cash gifts from family or friends to buy assets.
Figure 21: Source of money to buy assets

**Source of money to buy assets: Niger**
- Income from business: 66.70%
- Bank Savings: 33.30%

**Source of money to buy assets: Sierra Leone**
- Savings at home: 23.00%
- Income from business: 29.50%
- YSLA savings: 1.60%
- MFI savings: 8.20%
- Bank savings: 1.60%
- Business capital: 1.60%
- YSLA loan: 1.60%
- MFI loan: 3.30%
- Gift from family/friends: 29.50%

**Source of money to buy assets: Senegal (urban)**
- Savings at home: 50.50%
- Income from business: 34.00%
- Sale of assets: 4.90%
- Gift from family/friends: 10.70%

**Source of money to buy assets: Senegal (rural)**
- Income from business: 50.00%
- YSLA savings: 15.00%
- Gift from family/friends: 35.00%
3.2.8. Detail of petty trade-related expenses

The Financial Diaries research data show that respondents from all three countries were, to a major extent, involved in different petty trading. Collins et al. identified in Bangladesh and India that, in the investment category, money is mostly used to buy inventory for petty trades taken up by the poor households.\(^{[2]}\) It is seen from the data collected from the youth through the financial diaries that the respondents reported approximately 80% of their total petty trade-related payments were made for buying inventories (see Figure 22 below).

Most of the petty trade-related expenditure was centred on buying merchandise and raw materials for the petty trade, as almost all the youth respondents were small traders depending mostly on arbitrage; i.e., buying merchandise that is inexpensive, selling it elsewhere for a relatively low profit and cashing out the investment made. Apart from this, the most dominant area of petty trade-related expenditure was travel from one place to another for trading purposes. This was also related to arbitrage, as youth would move around to capitalize on immediate business opportunities.

The petty trades run by the youth respondents were operating on the working capital of the businesses. Only about one-third of the urban respondents in Senegal used savings kept at home to manage trade-related expenditure. Of the respondents, 23% from Niger, seven percent in urban Senegal, 33% in rural Senegal, and nine percent from Sierra Leone reported accessing YSLA loans for petty-trade related expenditures.

\(^{[2]}\) Collins et al., 2009. Portfolios of the Poor. Chapter Four, Page 102.
Figure 24: Source of money for petty trade-related expenses

Source of money for petty trade-related expenses: Niger
- Savings at home 0.50%
- Income from business 65.80%
- YSLA savings 8.60%
- MFI savings 0.30%
- YSLA loan 23.00%
- Gift from family/friends 1.80%

Source of money for petty trade-related expenses: Sierra Leone
- Savings at home 11.50%
- Income from business 67.80%
- YSLA savings 2.10%
- MFI savings 2.80%
- Bank savings 1.70%
- Business capital 0.70%
- YSLA loan 8.70%
- MFI loan 1.70%
- Borrowing from family/friends 0.70%
- Gift from family/friends 2.10%

Source of money for petty trade-related expenses: Senegal (urban)
- Savings at home 36.30%
- Income from business 48.90%
- YSLA savings 0.60%
- MFI savings 0.20%
- Business capital 0.20%
- YSLA loan 7.30%
- Bank loan 0.60%
- Sale of assets 0.80%
- Gift from family/friends 5.20%

Source of money for petty trade-related expenses: Senegal (rural)
- Savings at home 0.90%
- Income from business 45.20%
- YSLA savings 3.90%
- MFI savings 0.40%
- YSLA loan 33.30%
- Gift from family/friends 16.20%
How Saadi from Niger shaped her business through financial support from the YSLA

Saadi is a YSLA member from Niamey, Niger. Before joining the project, Saadi’s family members used to advise her not to take risks but rather to concentrate on small income-generating activities such as selling cookies. After she got involved with the YSLA, she discussed with other members in her group the comparative advantages of different businesses and made a decision to try starting a small business. Since it was winter when she asked for a loan from the YSLA, Saadi decided to start selling firewood for cooking.

Saadi started taking suggestions from Godiamu, a local NGO that facilitates her YSLA group, on how to manage money and how to save money to increase her business capital. She also received training on life skills and orientation on how to strengthen her relationships with family members and others around her community.

Saadi’s business had a specific seasonal behaviour. It was negatively affected from October to April, earning less profit due to the change in season, while she could earn better from May to September. With the support from Godiamu staff and the knowledge she gathered from the YSLA meetings, she followed this seasonal pattern of her business. She took a loan (USD 150) in July to buy and supply more wood, while the loan amount reduced (USD 20-30) during the following months. She was able to repay her loan regularly. She also accumulated some savings. Saadi said, “I can satisfy my needs around clothing and ceremonies and also can bear all necessary expenses for my children.”

Saadi learned that, “cautious management of money and avoidance of unnecessary wastage of money can make a better business in terms of investment.” She can now order more wood in one purchase and her purchase capacity has increased since she started her business.

“I can also help my husband as I am financially independent,” Saadi added. She can buy goods on her own without seeking money from her family. Most importantly, as she said, “we learned how to manage money better in terms of spending and to how invest more – things we didn’t know before joining the YSLA.”

Figure 25: Loan taken from YSLA and investment in trade by Saadi from Niger
3.3. Financial management strategies of youth

Good money management strategies at the household and individual levels are crucial to manage economic risk, smooth consumption, (Matin et al., 2000) and invest efficiently. However, good financial management depends on the availability of and access to financial tools and knowledge. Financial Diaries researchers recognized that, if poor households enjoyed assured access to a handful of better financial instruments, their chances of improving their lives would be much higher (Collins et al., 2009). Financial diaries data revealed how youths used various types of financial instruments and mechanisms available to them. However, their limited access to formal and demand-driven financial instruments and mechanisms forced them to use informal ones frequently to manage their scarce money. The financial diaries showed that youth used as many available instruments as possible to manage their money even though informal sources provided them with limited options. This section describes how the youths used different savings and credit tools to manage their money, while Section 3.2 on expenditure shows how youth used various instruments to manage their financial needs and investments.

We believe that increased youth access to improved financial tools and mechanisms will strengthen their financial management capacity and improve their economic conditions.

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22 Financial needs are categorized as (1) consumption smoothing, (2) risk management and (3) raising lump sums for investment and/or asset accumulation. Consumption smoothing refers to poor people’s strategy to manage infrequent cashflows in such a way to meet day-to-day needs using limited financial resources. Risk management, on the other hand, refers to the strategies taken to cope with unforeseen emergencies, i.e., disasters, severe illness, death of a key income earner for the family, and so on. Poor people also seek opportunities to invest for different purposes like business activities, or for buying assets for their families. (Rutherford, 2002; Collins et al., 2009.)
3.3.1. Savings as a tool for financial management

3.3.1.1. Savings instruments used

In all three countries, a YSLA was exclusively the most commonly-used saving instrument. In some cases, respondents reported accessing multiple instruments. Nine respondents (33% of youths) in Sierra Leone were found to deposit savings at banks. The deposits made into the bank accounts were random and the amounts varied from USD 1 to USD 8. The respondents reported infrequent access to their bank accounts.

In Niger, respondents typically saved from less than USD 1 to USD 12 in YSLAs. Although the frequency for home saving was less than YSLA saving, the average amount saved at home was higher. Respondents reported saving an average of USD 330 at home for the whole data collection period (one year), or around USD 27 on average per month, while at YSLAs they reported saving USD 4 on average per month, or an average of USD 48 per year. In Niger, the average saving in YSLAs was almost the same throughout the year, but in the case of saving at home, the mean amount of savings was higher from November 2012 to May 2013. Savings data from Niger clearly show that most youths saved with YSLA on a regular basis and more frequently (327 instances), but when it came to the amount of savings, youths preferred to save more amounts at home with less frequency (198 instances).

In urban Senegal, respondents saved from less than USD 1 to USD 80 in YSLAs with an average savings of USD 9. The frequency of savings transactions using other instruments was very low compared to YSLAs. Over the whole data collection period (one year), an average amount of USD 9 of savings with YSLAs was recorded in 317 instances, with another 30 instances for an average savings of USD 25 in Osusu groups. In rural Senegal, respondents saved in a range of less than USD 1 to USD 62, with an average of USD 5 with YSLAs.

Although the savings ran the risk of being stolen or lost, savings at home was popular among the respondents because it remained under the total control of the user and provided a high level of flexibility for withdrawal. There was no restriction in the amount for saving or for withdrawal, while savings with YSLAs or banks could be limited by different rules, i.e., the number of transactions
and limits for deposits and/or withdrawals. Additionally, no paperwork was required to deposit savings or withdraw from the amount kept at home. Saving is an important tool of ex ante risk management strategy and ex post coping strategy. Users could save in order to accumulate a certain amount to spend for any future life cycle event, while maintaining the flexibility to withdraw from their savings to face any incidence that could not be predicted earlier.

The comparison between saving at home and saving using YSLA is an interesting one to explore, by looking at not only the amount being saved, but also the frequency in using these two instruments. 26 and 27 show that, irrespective of having bank accounts, a YSLA is the most frequently-used savings instrument as reported by the respondents.

In Sierra Leone, the highest number of respondents used YSLAs to save their money. They saved from less than USD 1 to USD 75 per month. The frequency of accessing the YSLAs was also found to be higher than that of the other alternatives. A total of 323 instances was recorded for savings in YSLAs, with an average amount of USD 5, while in cases of savings at home, a total 110 instances were registered, also with an average of USD 5 (meaning the respondents saved the same amount faster by saving at home compared to saving with YSLAs. In other words, youth have higher amount of savings at home, with fewer instances of savings compared with YSLAs).

There were another 77 instances, with an average of USD 2, of placing savings in Osusu groups. The presence of Osusu groups was found in all three project countries; however, in terms of use of these groups, the respondents from Senegal and Sierra Leone were using them more regularly than in Niger. Dual membership in YSLAs and Osusu groups was also reported by the respondents.

Generally, it was seen that the respondents used income from business and money received from family or friends to make their savings deposits. However, in Sierra Leone, a higher percentage of youths reported using disposable funds available at the household level (31% against less than one percent for Niger and 7% for Senegal), along with business income and monetary gifts. In Niger, 80% of the money for savings came from business income, while in Senegal savings from business income was 73% and 86% respectively for urban and rural youths. In the case of the level of savings, amounts saved at YSLAs

![](image.png)

Figure 28: Source of money for savings by all respondents (n=110)

- **Savings at home**: 12.72%
- **Income from business**: 62.51%
- **Business capital**: 0.31%
- **Borrowing from family/friends**: 0.05%
- **Sale of assets**: 1.29%
- **Gift from family/friends**: 23.11%
were almost the same throughout the year, which was also identical to the savings pattern at Osusu groups. In the case of saving at home, the amount was relatively high in the last two months of the data collection period (April and May), while in the other months the savings were more or less the same. The frequency of saving at a bank fluctuated throughout the whole year.

3.3.1.2. Withdrawal from savings instruments and purpose of withdrawal

In both Niger and Sierra Leone, most of the respondents tried to meet their daily necessities by using the money kept at home as savings, which were easily accessible by the respondents. As savings at home could be withdrawn without any hassle, the use of home savings was relatively more frequent than any other savings instrument in the case of withdrawal. In Senegal, both in urban and rural areas, respondents mainly withdrew from the money they saved at the YSLAs, despite their claim of home savings to be more accessible. This is a rather interesting trend, as withdrawal is typically not allowed from YSLAs during the savings cycle, and yet respondents reported instances of such transactions. This flexibility in utilization of YSLAs emerges as an innovative approach taken by the youths to better adapt to their needs. These findings also emphasize the need for both formal and informal savings instruments for youth where YSLAs serves as a short-term commitment savings option. Frequent withdrawals from YSLAs reduce the as the loan capital that challenges its financial viability. However, it is inevitable that young people need other safe and formal places to save like banks, post-offices, or microfinance institutions and other informal places like home where they can get easy access.

While respondents from Niger and Sierra Leone were found to be withdrawing quite regularly from savings they had at home, the Senegalese youths depended more on the savings they had with the YSLAs. The withdrawals were mostly infrequent, as could be expected, but there were some outliers reported withdrawing large sums, especially to use for their petty trades. Ndeye, a respondent from Senegal, withdrew USD 150 in February and again in April to invest in her petty trade. Another respondent from Senegal, Awa, reported a withdrawal amount of USD 600 from a person with whom she deposited the money to be used in case she needed it. Awa stated that she spent the funds for petty trade purposes.
In Niger, 70% of youths (21 respondents) reported withdrawing from home savings, with amounts varying from USD 2 to USD 50. There were 121 instances of savings withdrawals from YSLAs, ranging from USD 4 to USD 76. In Sierra Leone, the frequency of accessing home savings was highest with 79 instances, but the amount of withdrawal was higher from YSLA savings. From home savings, respondents mentioned withdrawing an average of USD 1, while from YSLAs they withdrew an average of USD 13 with a range of USD 1 to USD 150. In urban Senegal, respondents withdrew from USD 1 to USD 200 and in rural areas the range was USD 2 to USD 60 from YSLAs. Throughout the data collection period, no respondents from rural Senegal mentioned withdrawing money from their home savings, while in urban Senegal, 43% of youth respondents reported accessing home savings for withdrawal in case of need.

In all three countries, the main reason for withdrawal was to meet petty trade-related expenditures, to help friends or family, or to pay for festival expenses. In Sierra Leone, one-fifth of the respondents accessed their savings to pay school fees (19%), while a similar number withdrew savings to purchase food (20%). In Niger, respondents saved money at home and used YSLA savings very frequently and in a flexible way. They deposited and withdrew from these two instruments throughout the year and the withdrawal amount fluctuated little over the time period. In Sierra Leone, respondents mentioned using disposable savings at home very frequently, as they deposited and withdrew from the disposable home savings throughout the year. The withdrawal from YSLA savings fluctuated a great deal in Sierra Leone and the savings withdrawals were relatively high in April and May. In these two countries, respondents also mentioned accessing Osusu groups and bank savings for the withdrawal of money, but the frequency of using these two instruments and the amount of withdrawal followed different trends in different months.

3.3.2. Credit as a tool for financial management

Although savings remain to be a fundamental component of YSLAs, all respondents in the three project countries used YSLAs as a source of credit as well. Some respondents also reported taking loans from their family members. Two respondents from Niger reported taking loans during every month of the data collection period, while another two respondents reported taking...
loans every month for 11 months from their respective YSLAs. The loan amounts ranged from USD 2 to USD 150 and were used generally for petty trade-related purposes. Figure 33 illustrates the borrowing pattern for four youths from Niger.

In July, Saadi borrowed USD 150 for the purpose of medical treatment and petty trade. Saadi was highlighted earlier in the report as a successful case study; Figure 34 provides an interesting comparison between Saadi’s borrowing patterns and those of three other females. In Niger, a total of 21 respondents (70% of Nigerian youth respondents) reported taking four loans from their respective YSLAs during the year-long Financial Diaries research.

Among the respondents in all three countries, a YSLA was the major source of loans. In Niger, respondents reported taking loans amounting from USD 2 to USD 150, with a monthly average of USD 16. Urban respondents in Senegal took loans from USD 3 to USD 230 from YSLAs, while in rural Senegal the range of loan amounts was between USD 2 and USD 100. In Sierra Leone, respondents reported taking loans from YSLAs in the range of USD 1 to USD 100.

The frequency and amount of the loans taken from YSLAs clearly shows that the youths appreciated the maximum flexibility and access to this source. The respondents from Niger mentioned accessing YSLA loans more frequently than the other two countries, with most of them accessing this facility more than five times throughout the year.

Only one respondent in Sierra Leone reported borrowing from a bank, although it was a very small amount (USD 2) to pay for medical expenses. Two respondents from Senegal each accessed cooperatives for borrowing once during the yearlong data collection period. The amounts borrowed by them were USD 100 and USD 120 respectively, and were used for petty trade-related purposes. The interest rate charged by the cooperatives, as reported by those two respondents, was 10% per month. Another three respondents from Senegal reported that they borrowed from MFIs, once each, during the data collection period. The borrowed amounts were USD 40, USD 32, and USD 100, with monthly interest rates up to 7%. No seasonal pattern could be identified from such scattered borrowing from different sources, so it could be assumed that the youth accessed these sources based on their convenience.
The highest amount borrowed from Osusu groups was recorded for one respondent in Senegal, for an amount of USD 100 borrowed at 10% monthly interest. Only one respondent from Sierra Leone reported that she borrowed from a moneylender in June and this was the only case in which a moneylender was mentioned as the source of a loan. This might indicate that either the moneylenders did not consider the youths to be credit-worthy, or that youth access to moneylenders was very limited. The interest charged by the moneylender was reported to be 10% per month.

The majority of the respondents reported that they took the loans primarily to cover petty trade-related expenses. The exception was in rural Senegal, where respondents gave almost equal responses for taking loans for the purpose of paying school fees/supplies (19%), paying for medical purposes (13%), visiting relatives (19%), going to movies/concert/party (17%), and buying gifts during festivals (14%).

In all project countries, the majority of the respondents reported that they used the profit they earned from their petty trades to repay their loans. In Niger, 58% of respondents reported repaying their loans from business profits. In urban Senegal, 30% reported the same source for repaying loans; in rural Senegal, 45%; and in Sierra Leone, 49%. This again reiterates the dependence of the youth on their petty trades, which could also be considered an indirect contribution of the YSLAs in improving their financial behaviour.

It is interesting to note that most of the respondents from all three countries reported that their major source of income was from petty trading, which indicates that they largely depended on it for their livelihood. This information is also validated by the data that shows the respondents taking loans for the purpose of petty trading to ensure smooth operation of their trades and also for gradual expansion. The data show that much of the youth’s financial behaviour revolved around their petty trades.

Figure 35: Reasons for taking loans by all respondents (n=110)
3.4. Analysis of financial behavioural patterns

3.4.1. Youth Financial Management

The YMF Project also shows savings groups can be provided to youth at scale; the project surpassed the 70,000 target by 28%, reaching 89,721 youth as of March 31, 2014. The differences in the youth versus adult products are essentially seen in the areas of promotional activities, marketing strategies, channelling the product to the target clients, and delivery mechanisms. Scaling up products for youth requires special consideration for all of the above-mentioned areas.

As described in the following section, through the Financial Diaries research, it was observed that:

- Like adults, youth use a range of financial instruments to manage their money creatively.
- The financial instruments available to youth are dominated by informal sources.
- There is a lack of access by youth to formal financial services.
- Youth have high capacities and propensity to save, and display a tendency to save at home (which may reflect their need to have easy access to funds).
- Seasonality factors in terms of life cycle needs play a big role on how youth manage their money.

Youth save in small amounts, and take small loans, but have a high level of savings withdrawal tendency with regular frequencies. The diaries have shown that youth are following a general trend in which they maintain a comparatively similar pattern of expenditure, savings, and credits. There were months when their expenditure and credit seeking behaviour rose comparatively higher than the other months of the year, and it also eased in specific months. This can be an interesting area in which to focus further strategic interventions.

Rural youths reported spending more in all expenditure areas in comparison to urban youths, but for savings-related withdrawals and credit behaviour, there was no common pattern. It was also observed that youth have a
consistent tendency to invest in their petty trades year-round, irrespective of YSLA location.

Amounts saved and withdrawn by the Sierra Leonean youth were lower than those of the youth from Niger and Senegal. One contributing factor could be many of the youth in Sierra Leone are students, and therefore may have less time to spend on economic activities to generate funds for savings. In Niger, the trend in accessing different savings instruments during the early months of the research slowed over time, as the respondents increased their savings at home and with YSLAs. Youths from Senegal showed an increasing savings behaviour, but also had the highest level of withdrawal tendency in comparison with the other two countries.

3.4.2. Ranges and variations in use of financial services by youth

Rural youths exhibited greater diversity in their financial behaviour compared with their urban counterparts. The financial behaviour of urban youths was more structured than that of rural youths due to their comparatively more stable economic engagement and higher level of income. A variety of home savings mechanisms used by the youths could be considered as an area for further exploration. Youths made their expenditures to buy food and to bear health and education-related expenses, which indicates that they contribute towards household expenses in ways similar to the adults. The financial services from YSLAs, along with other financial instruments, helped youths to manage money better to meet their needs for spending on education and health services; this is the kind of financial behaviour that can also be seen in the adult population (Collins, D. et al., 2009). For example, all responding youths under this research spent 28% of their annual consumption expenditure on food, 3% each on health and entertainment, 4% each on schooling and clothes, and 5% each on house rent and utility bills.

Figures 36 and 37 show a set of financial service instruments used by two respondents from Sierra Leone. They clearly illustrate the variety of financial services youth tend to access to manage their financial resources.

The financial diaries showed that the participating youths had diverse behaviours in terms of savings, withdrawals from their savings, and in borrowing money. Evidence

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showed that youths also accessed as many available financial instruments as possible. They continuously and frequently saved money, withdrew their savings from YSLAs, and took loans, and at the same time accepted cash gifts from their friends and families.

Youths showed consistency in terms of investing in their petty trades and expressed interest in expanding them further. They were more focused on their petty trades and expansion of those trades than on spending for other purposes. Some met their petty trade expenditures through gifts from family or friends. Considering that many of the responding youths remained partially dependent on their parents and/or relatives, this enabled them to concentrate more on the petty trades they had taken up. For their other expenses, they depended primarily on the income of their petty trading activities. It was observed that, during the early months of the yearlong Financial Diaries research, the respondents took more credits but slowly got accustomed to taking out smaller loans in times of need.

Development initiatives usually target adults and focus on the household as a unit with the assumption that any benefit extended towards the adults trickles down to households with youth members. However, the financial diaries show that youth also contribute to their households and support their family members. The research emphasizes the fact that development benefits for youth can trickle down to the family members, and direct development support to youth may strengthen their capacity to extend their support to the family to fight against poverty and vulnerability.

3.4.3. How youth varied their financial behaviour

The seasonal variation in accessing different financial service instruments by these youths demonstrates that seasonality issues are indeed related to youth-specific and lifecycle factors (i.e. school cycle, festivals, business cycle, etc.). On one hand, lifecycle events such as admission to school for the youths themselves and for their siblings resulted in increased expenditure that was met by either withdrawal from savings or by borrowing from different sources. On the other hand, youth reported earnings and saving more during the religious festival due to increased sales proceeds from their petty trades. The financial diaries data have shown that seasonal variations played a significant role in how youth adapted their patterns of incomes, expenditures, savings, and credit. The data show a consistent behavioural pattern among youth in how they used savings and credit to deal with the seasonal impact of their income and expenditure. The monthly average incomes of all respondents were reported at USD 132, with the lowest (USD 94) in July 2012 and the highest (USD 146) in April 2013. The yearlong data, as reported by the respondents, showed that the respondents spent an average of USD 287 per month, with a sharp rise in October 2012. This rise was a result of Eid al-Adha when average monthly expenditure of all respondents from the three project countries was approximately USD 378. In August 2012, the respondents reported spending an average amount of USD 325. Apart from this, throughout the year, average monthly expenditure followed a steady trend. The following Figure 38 shows how youth used saving and credit instruments differently to deal with seasonal variations of expenditure and income.
Respondents also reported saving between USD 14 and USD 19 per month on average, with the exception of September and November through January. While the annual average amount of money saved by the respondents stood at USD 13, money saved in September was only USD 9. On the other hand, the higher average amount of money borrowed by the respondents was reported in April at USD 33 and USD 30 in September. This was due to the respondents’ spending on schooling for themselves and their family members. They also spent more money in preparation for the religious festival in October, causing them to save less in September. They managed their available financial resources (i.e., savings and credit instruments) to pay for expenses. The average annual amount borrowed per month was reported at USD 23.

3.4.4. Contribution of access to youth savings and loan association services

As youths started to get more involved with YSLAs, the frequency of using them for savings and credit increased among the respondents in all countries, irrespective of geographical settings. For the youths who participated in the Financial Diaries research, 85 out of the 110 reported having regular savings with YSLAs. However, while the youths used YSLAs most frequently (1,200 instances of savings with YSLA compared with 350 instances of savings at home in one year), the average savings amounts were higher in the other savings instruments (i.e. USD 62 average savings YSLAs compared with USD 75 average savings at home in one year). The reason for higher-volume savings at home was due to easier withdrawal options than those provided by the YSLAs. Some youths reported withdrawing savings from their YSLAs, which was not a regular, formal practice for these groups. The data on expenditures from the financial diaries showed little or no usage of YSLAs to meet the youths’ expenditure needs due to the YSLAs’ restrictive rules on savings withdrawal. Therefore, youths preferred to save more money through other sources, such as their homes, where they could access the money whenever needed. The figure below shows the frequency and volume of savings with YSLAs.

Figure 39: Frequency of access and amount saved with different savings instruments (n=110)
The scenario for loans from YSLAs was different than saving, as the major source of credit for youth was in the form of YSLA loans. Cumulatively throughout the 12-month period, youth respondents took 533 loans from YSLAs, with an average amount of USD 28. Only 40 respondents reported borrowing from family members (USD 32 on average). The relationship, as explored through the earlier analysis, clearly indicated that the youth accessed YSLAs for savings, but more importantly for credit needs. More than half of the respondents (56%) invested money in their petty trades from the income they earned from the trades. The second-largest source of money for petty trade investment was loans from YSLAs, with 19% of responses, while the next most commonly used source was disposable savings kept at home (14%).

Figure 40: Frequency of access and amount borrowed from different credit instruments (n=110)
Astou’s retail cosmetics shop

Astou is a 21-year-old from Dakar, Senegal who has been married for almost a year. Astou is a seamstress and her husband is a mason who works for a company in Dakar. Her father is a carpenter. Her uncle, a tailor, lives with them and also contributes financially to the family. Astou also earns income from tailoring to help the family, but she has a dream to start a small retail cosmetics shop.

Before Astou joined a YSLA, family income was approximately USD 450 per month, from which they spent 58% on food and saved 22%. The total income they had to spend for health, education, and clothing (equal proportions) was 13%, while 7% was spent on utilities. This income was not regular and did not come from each source at regular intervals. They faced serious difficulties in distributing the money for their necessities and in making choices to reallocate the money from one area of expenditure to another.

Each month, Astou and her family made regular expenditures for food, but their health cost was higher from June to October because of malaria. Their education cost was always high from October to June, when the family had to pay for clothes almost every month. Spending for ceremonies was another key area of expenditure for the family, but they managed to save for those occasions. During the vacations, relatives also used to come to their house, which increased their food spending.

Once she joined the YSLA, Astou started her cosmetics shop. With this additional source of income, she could start to prioritize and manage her needs accordingly. With her consumption needs being better met than before, she could also concentrate on making decisions to help herself to increase her income. Astou contributed to household decision-making and said, “our income has improved as my father now owns a metal workshop and rented two motorbikes to run a small transportation business.” She is happy with the financial support and knowledge she is receiving from her YSLA. Astou expressed her feeling that her opinions are valued more than before, particularly when she offers suggestions to her mother, and she has also started influencing the overall decision-making process of her family.

Astou said: “I can keep track of the decisions I make, and for every step I fixed a result to be achieved and also set a timeframe and allocated financial resources to achieve it.” She also follows the local newspapers to learn about issues that are relevant and tries to identify the issues that may affect her business. She thinks that her decision-making ability has improved through her access to information and knowledge, and she believes the YSLA was a key contributing factor in this process. Says Astou: “the project has supported me a lot to understand the process of decision-making.”
A common trend of the expansion of petty trade was found among all who invested in petty trade with loans taken for this purpose. The amount of loans taken varied and started from USD 1; it could not be determined how the loan-taking behaviour changed over time in terms of the amounts taken, but a pattern emerged indicating that the youths also took loans for buying gifts. This indicates the accessibility as well as ease in seeking loan services from YSLAs.

For both savings and credit behaviour, it was also found that, during the last months of data collection, the frequency of savings withdrawals and taking of loans followed a flexible pattern; the youths were more comfortable in withdrawing money from their savings and also taking loans. They also had savings at their household level but the availability of a YSLA enabled them to plan with alternative thought processes, which also enabled them to afford and manage their credit behaviour. As an example, Figure 42 shows the trend of accessing savings and credit instruments by all respondents from Niger. This shows that, over the year of data collection, the respondents gradually saved more and depended more on withdrawals from those savings, while dependence on loans gradually decreased. This picture is similar for the other two project countries.

The dependency level displays another trend: in the first months of data collection, the youths took loans at a higher frequency, which slowed over time. In the early months, when the Financial Diaries research first started to collect data, the youths were seeking more loan services to invest more on petty trade and to manage other necessary expenditures. Over time, the economic resilience enabled them to plan better without loan services. This planning capacity can also be considered as an achievement by the YSLAs in terms of empowering youth and building their confidence to manage their economic activities and financial instruments. It was also observed that, at the completion of the data collection, savings behaviour changed frequency. Some of the respondents in Senegal saved as much as USD 80 with the YSLAs during particular months at the beginning of data collection, and later reported continuing to save a smaller but consistent amount of money during the other months.
4. Conclusion
The Financial Diaries research revealed a full set of financial behaviours among a selection of youths. The data of the financial diaries, however, did not show any special or unique set of youth financial behaviour compared to an adult population. Youth are in a phase of their life cycle where typically, they are still dependent on their family. However, the Financial Diaries research shows that at the same time, these young people are also inclined to support their family when they have funds available. The data confirmed that youth manage their money creatively and have a high demand for savings and loans. Despite having somewhat limited access to formal financial services, the youths still engaged in multiple mechanisms for savings and loans. The research also revealed the diversity of financial behaviours from one youth to another and from one location to another. Due to the high proportion of women in the sample, the diaries data could not draw major conclusions on financial behavioural differences between male and female youths based on gender issues. Each individual youth (regardless of sex) demonstrated changing financial behaviour from time to time by adapting to their needs, capacities, and willingness to use a variety of instruments and options available.
The youths’ financial behavioural patterns were heavily influenced by their financial market accessibility. While access to formal financial sources was scarce, their access to informal sources was also limited (i.e., youth having no access to moneylenders). Their lack of access to formal and demand-driven financial instruments and mechanisms forced them to frequently use informal and sometimes ineffective and limited instruments to manage their scarce funds. With increased capacity to manage individual financial mechanisms as a result of the training and support they received from the YSLAs, the youths were more intent on investing in their petty trades and increased their savings to meet situations at times of need. Their credit behaviour showed that they followed repayment patterns, complying with the set procedures. The financial data clearly illustrated that youth will use multiple financial services if given user-friendly, flexible, demand-driven products with a variety of product options.

Access to savings provided the youths with the opportunity to manage emergency situations. It was found that they used their savings mostly for food, health, support to family, and business purposes. In all three countries, youths tended to use more accessible instruments for savings and withdrawal, i.e., savings at home were always available in times of need and youths were found to use this option to manage their needs throughout the year. However, savings at home do not earn interest and they risk being stolen or lost. Therefore, for future programming, the delivery mechanisms currently in place for accessing the YSLA financial services could be reviewed to further strengthen youth attitudes towards depositing their idle income into the YSLAs or other institutions, rather than keeping it at home.

We believe the YSLA methodology is a very good starting point to provide basic financial services to youth and the financial diaries have fostered many good observations and lessons. However, youth would benefit highly from more flexible and accessible savings and credit products that could enable them to manage their money more effectively. Youth could be provided with better access to formal financial services (i.e. MFIs, cooperatives, and banks) with flexible repayment schedules for loans and access to withdrawal facilities for saving. The YSLA method could also look at flexible withdrawal systems as part of the product innovation. By including demand-based savings products with withdrawal facilities will make YSLA more flexible, and could encourage youth to save more with their own groups, which in turn will increase the groups’ available capital to provide loans to the members to meet their growing needs.

Through the Financial Diaries research, it was determined that seasonality related to youth specific and life-cycle factors plays an important role in youth financial behaviour. To develop youth-friendly financial products, better understanding of the seasonal factors that affect youth’s financial behaviour is critical. Formal financial product strategies should include offering seasonal products (for both savings and loans with repayment) and withdrawal options aligned with seasonal realities.

The need among youth for demand-driven credit and savings products was evident through their financial behavioural trend. It is important to note that appropriate financial services will certainly facilitate more consumption smoothing by youth, giving them the opportunity to build their social assets and the motivation to get involved in more productive businesses, or to expand their existing businesses. By providing youth with access to appropriate financial services can lead to economic empowerment, and help shape youth into social change agents in their communities. Moreover, supporting youth to invest in the future increases their economic and social resilience, which in turn can promote social cohesion and harmony as they are provided with the necessary tools and support to successfully transition into adulthood.
### Appendix 1: Indicators to measure group performance

<table>
<thead>
<tr>
<th>Topic title appearing on graph</th>
<th>Topic question</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attendance</td>
<td>Did at least 80% of the members attend the meeting?</td>
</tr>
<tr>
<td>Non-committee keyholders</td>
<td>Were the keys held by three members who were not on the management committee?</td>
</tr>
<tr>
<td>Beginning balances</td>
<td>Did members recall loan fund and social fund balances at the start of the meeting?</td>
</tr>
<tr>
<td>Savings orderly</td>
<td>Were the savings procedures orderly and complete?</td>
</tr>
<tr>
<td>Savings record accuracy</td>
<td>Were passbook savings records complete and accurate?</td>
</tr>
<tr>
<td>Lending orderly</td>
<td>Were the lending procedures orderly and consistent?</td>
</tr>
<tr>
<td>Loan record accuracy</td>
<td>Were passbook loan records complete and accurate?</td>
</tr>
<tr>
<td>Meeting procedures</td>
<td>Did the group and the management committee follow standard procedures?</td>
</tr>
<tr>
<td>Ending balances</td>
<td>Did the secretary announce ending balances in the loan fund and social fund?</td>
</tr>
<tr>
<td>Use of passbooks</td>
<td>Were passbooks the primary record of transactions?</td>
</tr>
<tr>
<td>Chairperson's effectiveness</td>
<td>Did the chairperson lead the group effectively?</td>
</tr>
<tr>
<td>Secretary effectiveness</td>
<td>Did the secretary perform his/her role effectively?</td>
</tr>
<tr>
<td>Money Counters’ effectiveness</td>
<td>Did the money counters perform their roles effectively?</td>
</tr>
<tr>
<td>Constitution</td>
<td>Did the members and managers display knowledge of the constitution?</td>
</tr>
<tr>
<td>Member participation</td>
<td>Were members engaged in all aspects of the meeting?</td>
</tr>
</tbody>
</table>
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