



# Access to Finance Action Research



December 2020 | Summary

*This publication summarizes findings of the access to finance action research commissioned for the Opportunities for Youth Employment (OYE) project in Zimbabwe that is implemented by SNV in partnership with Swiss Agency for Development and Cooperation (SDC) and Embassy of Sweden in Zimbabwe.*

## Conclusion and recommendations

- With the notable risks and challenges that are evident in the youth sector, financial and development institutions would do well to appreciate the importance of supporting young people as their future clientele and the drivers of the economic engine, more so given the burgeoning youth population in Zimbabwe.
- Products that are designed for this sector should seek to address the heterogeneity of the youth as well as addressing the unique hurdles that youth venturing into business face. The study suggested usage of concessional financing with products like blended loans, guarantee facilities and matching grants as a means of meeting the identified financial needs. Such products should be complemented by promoting saving and lending among the youth, which can also contribute to strengthening their financial skills and competencies. The study revealed that youth programmes require a more holistic and integrated approach, combining both financial and non-financial support. In addition, it will be imperative to institute policies that genuinely seek to encourage investments by banks in banking systems to cover rural areas as well.
- The currently increasing trend towards use of digital money is an opportunity to be explored and channeled towards improving the coverage of financial services in the previously unbanked areas – both rural and urban. This may offer good prospects of responding to the growing impetus for usage of digital financial platforms such as mobile money. Such a move may help to lower the bar for access to finance by young people and ultimately raise the numbers of youth customers and increase the availability of suitable financial products.
- Finally, the research noted the importance of strategic collaborations between the various institutions that have an interest in providing effective support to young people. This approach could eliminate distortions created by information asymmetry and provide efficient financial products that respond to youth needs. This aligns with the OYE approach, which is based on commitment to market-based youth financial inclusion and strategic engagement of relevant actors and stakeholders in the ecosystem for longer-term scale and impact.

## Background and Purpose of Research

Acknowledging the importance of access to finance to youth enterprise development and recognizing the debilitating effects of the challenges that youth face in accessing finance, SNV commissioned an action research on access to finance for young people in Zimbabwe. This is one of the strategic priorities in the the Opportunities for Youth Employment (OYE) project SNV is implementing in Zimbabwe and Zambia, funded by the Swiss Agency for Development Cooperation (SDC).

The research was undertaken in the districts of Goromonzi and Umguza and sought to understand the key issues that lead to limited access to finance by youth – both on the supply as well as the demand side. The research areas were deliberately selected because they both have a mix of rural and urban youth populations and are as such representative of the different parts of the country. The methodology used in this research was a blend of extensive desk top review, key informant interviews with stakeholders with an interest in youth and focus group discussions held with young people in the two districts.



## Findings

On the supply side Zimbabwe has a broad spectrum of banking and microfinance institutions (MFIs) and other specialized institutions in the financial sector. However, there are only a few institutions and programs with a specific focus on youth. Most institutions provide youth with products that are simply an extension of products designed for adults. Very few of these institutions provide non-financial business support to the youth to reduce the risk associated with youth lending which was noted to be critical by this study. On the demand side, the youth need their creativity and innovations to be supported with access to financial services if they are to maximise on opportunities. While the demand for financial products is high, young people have no collateral to back up their loan requests, can hardly fulfill onerous requirements demanded by banks, and generally lack information and business support. These impediments constitute a major hindrance for young people running viable enterprises, and this underscores the importance of OYE's work in engaging young women and men in concretely identified opportunities for (self-) employment in the focus sectors of agriculture and green enterprise.

The study noted the heterogeneity of young people, both in terms of gender and age range. These differences must be taken into consideration when financial institutions design youth-centric products.

*SNV is determined to build sustainable relationships between Zimbabwean young people and the employment ecosystem particularly financial institutions for ease of access to finance for the young people's development*

## Way Forward

### i. **Promotion of digital finance in improving youth access to finance**

Engage in discussions with selected banking institutions and mobile money networks to improve product reach and value to the youth. Enhance the depth and breadth of financial services made available to the youth through digital financial solutions.

### ii. **Youth-friendly financial products**

Deepen engagement with financial institutions to ensure that the impediments faced by youth in accessing relevant financial services is addressed. Intensify the engagement of other financial service providers to explore alternative financing products for youth. Promotion of concessional financial products such as blended finance, guarantee facilities and matching grant schemes pivotal in improving youth access to finance.

### iii. **Supporting gradual formalization of youth enterprises**

Develop and roll out initiatives to promote the gradual formalization of youth enterprises – ultimately supporting or encouraging financial institutions and private sector companies to formally deal with these enterprises.

### iv. **Policy development and strategic collaborations**

Support the development and implementation of policies that support improved youth access to financial services e.g. the National Financial Inclusion Strategy and lowering entry levels towards formalization of youth enterprises. Promote strategic collaborations with youth-focused institutions to ensure that the voices of the youth are heard while rightly elevating the youth demographic as key in current and future national development initiatives.

### v. **Youth and gender**

Develop and support initiatives that seek to address gender disparities amongst the youth, improve gender sensitivity amongst youth and communities, promulgate policies that help close the gender gap within the youth, and developing tailored financial and non-financial products that help improve young women's participation in economic development.