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SERVING YOUTH WITH MICROFINANCE

Perspectives of Microfinance Institutions and Youth
Serving Organizations



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SERVING YOUTH WITH MICROFINANCE

Perspectives of Microfinance Institutions and Youth Serving Organizations

Accelerated Microenterprise Advancement Project

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CONTENTS

EXECUTIVE SUMMARY	1
INTRODUCTION	7
Overview Of Research	7
Survey Process And Methodology	8
DO MICROFINANCE SERVICES REACH YOUTH?	11
Prevalence Of Microfinance With Youth.....	11
Factors Influencing Youth Access To Microfinance.....	12
Microfinance Products Accessible To Youth	15
Adaptations To Microfinance Products For Youth Clients	17
Do Age Cohorts Matter?.....	18
Does Gender Matter?	19
SERVING YOUTH WITH NONFINANCIAL SERVICES.....	21
SERVING YOUTH WITH MICROFINANCE IN CONFLICT- AFFECTED AREAS.....	23
CONCLUSIONS AND IMPLICATIONS	25
Key Findings	25
Implications And Suggestions For Further Research	26
ANNEX 1: LIST OF RESPONDENTS	29
ANNEX 2: INITIAL QUESTIONNAIRE.....	31
ANNEX 3: FULL QUESTIONNAIRE FOR MF PROVIDERS.....	33
ANNEX 4: FULL QUESTIONNAIRE FOR YSOS NOT PROVIDING MF	41

EXECUTIVE SUMMARY

OVERVIEW OF RESEARCH

This microREPORT is part of the Microfinance, Youth and Conflict research initiative under the USAID-funded Accelerated Microenterprise Advancement Program (AMAP) Indefinite Quantity Contract (IQC) Financial Services-Knowledge Generation Task Order 1 and the USAID-funded EQUIP3 (Education Quality Improvement Program) mechanism, in association with USAID's EGAT/EDU project. The objective of the research initiative is to investigate the applicability of microfinance to youth in conflict-affected areas. The knowledge generated is intended to provide guidance to development professionals, including donors and microfinance and youth practitioners, for making sound decisions for youth and microfinance programming in conflict-affected areas. The Youth, Microfinance and Conflict research initiative is a partnership between Chemonics, Education Development Center, Inc., and USAID's Office of Microenterprise Development.

After an initial literature review and virtual conference involving a number of microfinance and youth professionals from around the world, the research team found that there was little knowledge or guidance for donors, practitioners and organizations as to when and how to appropriately support young entrepreneurs with microfinance in conflict-affected settings. To begin filling this knowledge gap, a set of working hypotheses were developed for testing and two research components were designed:

1. The team planned to undertake field-based case studies to gather both supply-side data on microfinance providers to youth and demand-side information relating to the needs of youth microfinance clients and potential youth clients.

2. An electronic survey was designed and conducted to gather supply-side data from a broad range of microfinance providers to youth, including both microfinance institutions (MFIs) and youth-serving organizations (YSOs) from all regions of the world.

This microREPORT presents the findings of the electronic survey of MFIs and YSOs. The objective of the electronic survey was to examine the collective experience of microfinance providers to youth to better understand the supply-side perspective on key issues relating to the overall Microfinance, Youth and Conflict research initiative. The research questions the survey attempted to address include the following:

- Is there a commonly accepted definition of youth among relevant organizations, and, if not, how does it differ across regions and organization types?
- How prevalent is microfinance with youth?
- What are the supply-side perceptions of youth as microfinance clientele? Do these perceptions limit youth access to microfinance?
- Are adaptations required to serve youth with microfinance? If so, what are they?
- Can both MFIs and YSOs effectively serve youth with microfinance?
- Do youth age cohorts and gender matter?
- Does servicing youth require a holistic approach?
- What are the appropriate financial and non-financial products? What is the appropriate sequencing for effectively servicing youth?
- Does conflict influence the above issues?
- In conflict areas, are there any essential conditions to initiate microfinance for youth compared to adults?

SURVEY PROCESS AND CAVEATS

To gather relevant information, the research team developed a set of structured questionnaires for completion by MFIs and YSOs.¹ These questionnaires primarily consisted of both multiple choice and open-ended queries related to perceptions of the respondents. The

¹ The questionnaire templates are included in Annexes 2, 3 and 4.

questionnaires were electronically mailed to 81 MFIs and YSOs around the world, the team received a total of 32 responses.

Forty five percent of the respondents operate in Sub-Saharan Africa, 25% in the Middle East & North Africa (MENA) countries, and 16% in Eastern Europe and Central Asia. About 60% of the respondents are organizations primarily focusing on microfinance, while nearly 30% focus primarily on youth development, and 10% on both microfinance and youth development services in roughly equal proportions. Of the 32 respondents, 21 (66%) are operating in a conflict-affected environment, which includes areas of post-conflict, on-going conflict or where potential conflict could erupt at any time.

The survey is an initial attempt at gathering critical information from both MFIs and YSOs on serving youth in conflict-affected areas with microfinance and is not intended to be comprehensive. There are a number of caveats that should be noted in interpreting the results from the survey. The two most important are (i) the sample size is too small to allow for robust conclusions or comparisons between sub-groups (i.e., between regions), and (ii) the responses should be interpreted as estimates and perceptions rather than fact-based statements, since most respondents do not track clients by age.

KEY FINDINGS

The e-survey findings provide insight into supply-side issues such as (i) how microfinance providers view youth as clients, (ii) how MFIs and YSOs serve youth with microfinance and non-financial services, and (iii) whether conflict affects the products, services and costs of serving youth with microfinance. Some of the key findings of this microREPORT are:

- **Definitions of youth can vary greatly depending on the type of organization.** Most MFIs define youth within the range of 15 – 24 years of age, but YSOs define youth with a variety of age ranges.
- **Both MFIs and YSOs serve youth with microfinance.** Among MFI respondents, youth represent approximately 24% of total clients. 40% of the YSO respondents serve youth with microfinance.
- **Loans are the most commonly offered products to youth.** Less than half of microfinance providers for youth offer savings products, and only a quarter offer life insurance. No respondents offer health insurance. About three-quarters of microfinance loans to youth are used for starting up or expanding their businesses, while some are used for education-related expenses such as tuition. Other loan uses mentioned are contingencies, family obligations and weddings. While most microfinance providers offer individual loans to youth, they are

generally only provided to youth who have an established business rather than to start-ups.

- **Youth access to microfinance is affected by a number of external and supply-side factors**, including lack of human capital among MFIs and YSOs, the perception that youth are riskier clients and/or lack business experience, the type of collateral required, and legal and political barriers.
- **Supply-side perceptions of youth are correlated with youth access to microfinance.** A majority of organizations serving youth with microfinance do not believe that administrative costs for youth are higher or that repayment levels for youth are lower. However, most organizations not serving youth with microfinance believe that youth are either riskier or more costly to serve.
- **Most MFIs and YSOs have not made product adaptations for their youth clients**, suggesting the possibility that many MFIs and YSOs do not see a need for special adaptations to microfinance products for youth. The few adaptations reported have been made to individual and group loan products to minimize the perceived higher risk of youth clients.
- **Product adaptations for age cohorts and gender are not common.** The majority of microfinance providers do not perceive the need to adapt their products for different age cohorts. Also, most MFIs and YSOs do not perceive the need to adapt their products according to the youth client's gender.
- **Most microfinance providers feel that youth require a holistic approach; however, aside from loans and business training, microfinance products and non-financial services accessible to youth are limited.** A number of respondents cited the need to accompany financial services with business training and other non-financial services, particularly since most youth lack the business experience of their adult counterparts. Many also emphasized that training should be provided before credit.
- **Youth as a percentage of the total microfinance client portfolio in conflict-affected areas is similar to that in non-conflict areas.** However, because conflict can greatly reduce the overall supply of microfinance services, youth access to microfinance may be limited.
- **The products offered to youth in conflict-affected areas are not noticeably different than those in non-conflict or stable areas.** However, the survey responses do not provide any findings on what microfinance providers feel are the most appropriate products.

- **Most microfinance providers feel that the essential preconditions for initiating microfinance for youth in conflict-affected areas are no different than those for adults.** Essential preconditions include reasonable security and revival of markets. However, many consider the availability of training or BDS services to accelerate the access of microfinance for youth.

FURTHER RESEARCH AND IMPLICATIONS FOR DONORS AND PRACTITIONERS

To complement the findings from this survey and to improve donor and practitioner guidance, the microREPORT recommends a number of areas requiring further research, including:

- *Is there more to be learned from the supply-side?* Since many MFIs and YSOs have several years experience providing microfinance to youth, continued efforts should be made to tap into their institutional knowledge.
- *How can MFIs and YSOs exchange their respective experiences in serving youth with microfinance?* It is critical that youth-serving and microfinance professionals share their knowledge to integrate knowledge from both fields.
- *If youth require a more holistic approach, what next?* The lack of available information on programs involving non-financial services for youth makes it difficult to assess which services are most appropriate for actual and potential youth microfinance clients and how non-financial services can be better linked to microfinance programs. Qualitative data from in-person interviews and focus group discussions may help bolster the limited information
- *Is there a gap between supply and demand?* When the findings from this microREPORT are combined with the demand-side information from the field-based case studies, the first steps can be taken toward measuring how well microfinance services are responding to the demand among youth, and whether there is unmet demand in the first place.

While this microREPORT expands the current knowledge on a range of supply-side issues, it does not provide conclusive answers to immediately help donors and practitioners in program design and implementation. However, when combined with the lessons from the field-based case studies conducted under the *Microfinance, Youth and Conflict research*, the e-survey findings help expand the knowledge base from which programming guidance can be provided.

The findings presented in this report suggest the need for expanding the range of products and non-financial services accessible to youth. However, given the need for more demand-side information on the

needs of youth, special targeting of youth with microfinance in conflict situations can be an inappropriate and potentially harmful intervention. If demand-side research shows that youth and youth sub-groups such as age cohorts and gender require adaptations to standard products, more resources could be invested in (i) designing and implementing adapted products and/or (ii) tailoring marketing for standard products to serve the untapped potential youth clients.

INTRODUCTION

OVERVIEW OF RESEARCH

In microNOTE 4, our research team emphasized that serving youth with microfinance is challenging and is even more difficult in conflict-affected areas. In addition, there is little knowledge or guidance for donors, practitioners and organizations as to when and how to appropriately support young entrepreneurs with microfinance in conflict-affected settings.² This microREPORT, which is based upon the results of an electronic survey of microfinance institutions (MFIs) and youth-serving organizations (YSOs), examines the collective experience of microfinance providers to youth to better understand the supply-side perspective on some key issues that include the following:

- Is there a commonly accepted definition of youth among relevant organizations, and, if not, how does it differ across regions and organization types?
- How prevalent is microfinance with youth?
- What are the supply-side perceptions of youth as microfinance clientele? Do these perceptions limit youth access to microfinance?
- Are adaptations required to serve youth with microfinance? If so, what are they?
- Can both MFIs and YSOs effectively serve youth with microfinance?
- Do youth age cohorts and gender matter?
- Does servicing youth require a holistic approach?

² Nagarajan, Geetha. 2005. microNOTE 4: Microfinance, Youth and Conflict: Emerging Lessons and Issues. Washington, DC: Chemonics & USAID. www.microlinks.org

Summary of Key Findings

Both MFIs and YSOs serve youth with microfinance. Youth's share in total clients are similar in both conflict and non-conflict areas.

Youth access to microfinance is affected by the supply side perception that youth are riskier clients and lack business experience, the type of collateral required, and legal and political barriers.

Most MFIs and YSOs have not made product adaptations for their youth clients. Adaptations for youth age cohorts and gender are also not common.

Most microfinance providers feel that youth require a holistic approach; however, the range of microfinance products and non-financial services accessible to youth are narrow due, in part, to limited human capital among the providers.

The microfinance products offered to youth in conflict-affected areas are not noticeably different than those in non-conflict or stable areas.

In conflict areas, most microfinance providers feel that the essential preconditions for initiating microfinance – reasonable security and revival of markets - for youth are no different than those for the general adult population. However, some perceive that the initiation of microfinance for youth can be accelerated through training and business development services.

- What are the appropriate financial and non-financial products? What is the appropriate sequencing for effectively servicing youth?
- Does conflict influence the above issues?
- In conflict areas, are there any essential conditions to initiate microfinance for youth?

The findings presented here will help compliment the more demand-side focused country case studies being conducted separately under the AMAP KG Microfinance, Youth and Conflict research initiative. A summary of the key findings is presented in Box 1.

SURVEY PROCESS AND METHODOLOGY

To learn about the supply-side perceptions of microfinance with youth in conflict-affected areas, the research team developed a set of “structured” questionnaires for completion by MFIs and YSOs.³ First, the team designed a brief questionnaire to gather basic information on the respondent’s organization, including whether it serves youth with microfinance and/or non-financial services and whether it operates in a conflict-affected environment. Then, two different follow-up questionnaires were designed, one for use with microfinance providers and one for YSOs not serving youth with microfinance. These questionnaires primarily consisted of both multiple choice and open-ended queries related to perceptions of the respondents. Few queries were directed at gathering quantitative information. The questionnaires were electronically mailed to about 81 MFIs and YSOs around the world. The sample for the survey was drawn from the MixMarket’s membership list, background research conducted for the study, and the suggestions of USAID experts, and microfinance and youth practitioners.⁴ The team also collected information using the questionnaires during country case studies conducted in Uganda and the West Bank. The team will continue to conduct additional surveys in the final country case study.

TABLE 1: RESPONDENTS BY ORGANIZATION TYPE

ORGANIZATION TYPE	NO. OF RESPONDENTS
Microfinance	19 (59%)
Youth	11 (31%)
Youth and Microfinance	3 (9%)
% of total responses in parentheses	

³ The questionnaire templates are included in Annexes 2, 3 and 4.

⁴ See forthcoming microREPORT on Methodology for a more detailed discussion of sampling strategies.

The research team received 32 total responses,⁵ representing a 40% response rate. As shown in Table 1, the majority of respondents are organizations primarily focusing on microfinance,⁶ while nearly a third focus primarily on youth development.⁷ Responses from organizations that provide microfinance and youth development services in roughly equal proportions were extremely low.

Of the 32 respondents, 21 (66%) are operating in a conflict-affected environment, which includes post-conflict areas as well as those with on-going conflict or where potential conflict could erupt at any time. For the study, non-conflict areas are defined as having no major conflicts or violence in last five years, but may include areas with at-risk youth.⁸

TABLE 2: RESPONDENTS BY REGION

REGION OF ORGANIZATION'S LOCATION	NO. OF RESPONSES
Africa, Sub-Saharan	14 (44%)
Asia	1 (3%)
Europe & Central Asia (ECA)	5 (16%)
Latin America & Caribbean (LAC)	3 (9%)
Middle East & Northern Africa (MENA)	8 (25%)
Worldwide Operations*	1 (3%)

% of total responses in parentheses
 * Worldwide refers to organizations with operations in multiple countries

As shown in Table 2, the responses are not equally balanced across regions. Therefore, the proceeding discussion focuses on regions only when variations are significant.⁹

CAVEATS IN INTERPRETING THE FINDINGS

This e-survey is not intended to be a rigorous, comprehensive survey. Rather, it represents an initial attempt at gathering critical information from both MFIs and YSOs on serving youth in conflict-affected areas with microfinance. The following caveats should be noted:

- The survey sample is not a random sample of MFIs and YSOs.
- Since the survey was conducted electronically, there is a selection bias in favor of organizations that operate using computers and email systems. This systematically excludes smaller and/or less technologically-oriented organizations.

⁵ A list of responding organizations is included in Annex 1. Nine respondents were from Uganda, and two were from the West Bank.

⁶ Up to 30% of their total activities could also include youth development.

⁷ Up to 30% of their total activities could also include microfinance.

⁸ Youth at risk are those whose lives are exposed to vulnerabilities but cannot respond adequately or appropriately to counter the vulnerability.

⁹ Sub-Saharan Africa has the most responses, largely due to the fact that the research team gathered nine additional surveys from Uganda during the case study.

- Opportunities for making robust comparisons between sample sub-groups (i.e., between MFIs and YSOs or between regions) are greatly limited due to the small number of responses.
- Since 86% of the respondents do not track clients by age, the responses should be interpreted as estimates and perceptions rather than fact-based statements.
- Not all questionnaires were completed by the same type of staff at the organizations. For example, not all respondents at MFIs were loan officers, and not all respondents at YSOs were program managers.
- MFIs do not include credit unions, cooperatives, commercial banks providing microfinance, microfinance banks or informal financial arrangements.
- Definitions of youth can vary greatly depending on the regional context and type of organization. As shown in Table 3, the majority of respondents define youth within the range of 15 – 24 years of age, which is the UN definition of youth. On average, MFIs consistently define youth according to the UN definition, while YSOs tend to define the age range for youth more broadly. While the respondents defined youth in a variety of ways, the research team requested that, for the purposes of the survey, they respond to the questions using the UN definition of youth (15-24 years).

TABLE 3: DEFINITION OF YOUTH BY ORGANIZATION TYPE (% OF RESPONDENTS)

ORGANIZATION TYPE	< 15-24 range	Within 15-24 range	18-24+	Other
MICROFINANCE	28%	64%	4%	4%
YOUTH	9%	37%	27%	27%
TOTAL	22%	56%	11%	11%

DO MICROFINANCE SERVICES REACH YOUTH?

PREVALENCE OF MICROFINANCE WITH YOUTH

Access to finance is considered one of the primary challenges youth face in trying to increase their employability or expand their business.¹⁰

The survey results show that both MFIs and YSOs serve youth with microfinance services. Approximately 75% of the survey respondents serve youth with microfinance.¹¹ Among MFI respondents, youth represent approximately 24% of total clients, and 40% of responding YSOs serve youth with microfinance services. Whether MFIs and YSOs are effectively serving youth, and which might be serving youth more effectively, is not addressed in the survey but merits future research.

Some of the survey respondents noted that youth often obtain access to finance through a variety of informal sources, such as family, friends, selling labor, and informal money lenders. Since microfinance is only one of several mechanisms through which youth access financial resources, it is important to assess whether an adequate market for microfinance among youth even exists. The AMAP KG research is conducting a series of case studies to assess such demand-side considerations. However, it is worth noting that, *among the survey respondents that do not serve youth with microfinance, none of them listed “inadequate market size” as a reason they do not serve youth.*

Serving youth and pursuing the double-bottom line

“The youth groups we lend to are already mature enough to be responsible citizens. Since our objective is to alleviate poverty, we believe this can be achieved through the youth.”

-- MFI in southern Sudan

¹⁰ Nagarajan (microNOTE 4).

¹¹ For MFIs, this typically means they include youth as a part of their overall clientele.

FACTORS INFLUENCING YOUTH ACCESS TO MICROFINANCE

Many youth access microfinance services. However, external and supply-side factors may create a gap between potential demand and actual supply, leading to limited access to microfinance for youth. The survey results provide insight into supply-side perceptions of what factors limit youth access to microfinance.

TABLE 4: REASONS FOR NOT SERVING YOUTH WITH MICROFINANCE

	High risks	High costs	Inadequate market size	Legal/political barriers	Others
% of Respondents	33%	27%	0%	13%	27%

An examination of responses from those that do not service youth with microfinance (8 respondents) revealed that legal barriers and the perception that youth are high risk and/or high cost clients (Table 4) are two of the factors that limit the supply of microfinance for youth. We also examined the responses from organizations that service youth with microfinance to test whether these perceptions are shared industry wide.

Legal barriers. The survey results indicate that a key determinant of youth access to microfinance is the policy environment. For example, in many countries a minimum age requirement of 18 for eligibility to enter into a legally binding contract prohibits many MFIs from issuing loans to adolescents. In the survey, of the 21 organizations that provide microfinance to youth, only one – a YSO in Afghanistan – provides loans to clients under the age of 18.

Youth access to group loans in Cambodia

“Cambodian tradition dictates that young married couples live with one of their parents when they get married. MFI policies forbid group members to be part of the same household. Thus, young couples need to prove that their livelihood is independent from the livelihood of their parents, which is difficult to do.”

-- *Cambodian MFI*

TABLE 5: EXPERIENCE SERVING YOUTH WITH MICROFINANCE

PRODUCT	AVG. YEARS OFFERED TO YOUTH
Group Credit	7.1
Individual Credit	7.0
Compulsory Savings	5.5
Voluntary Savings	5.1

Lack of knowledgeable staff. Experience has shown that servicing youth with microfinance effectively requires multifunctional, skilled staff. However, such staff is in very limited supply in most contexts and, even when hired, is difficult to retain.¹² This lack of human capital may reduce the supply of effective microfinance services, thus limiting youth access to microfinance. The survey was not comprehensive enough to measure human capital at MFIs and YSOs. *The findings,*

¹² Nagarajan (microNOTE 4).

though, do suggest that an accumulation of institutional experience serving youth with microfinance could exist at some MFIs and YSOs. Table 5 shows that the responding organizations have on average several years of experience offering microfinance products to youth. While the respondents are by no means a random sample of MFIs and YSOs, their experience with youth suggests that they could possess a wealth of institutional knowledge that further research could tap into.

Collateral. Several MFIs and YSOs noted that, since many youth work informally, it is difficult for them to provide acceptable confirmation of their earnings. Therefore, some collateral or collateral substitutes are required to make loans to youth. The type of collateral required, however, can be a potential barrier for youth in accessing microfinance. Examples of collateral for individual loans include a mortgage, deed or vehicle. One MFI required a compulsory deposit of two times the loan amount. While group guarantees suffice for group loans, one MFI noted that many youth find it difficult to find groups that are willing to accept them, since they tend to have less business experience and may be perceived to be less dependable or “serious” about their obligations.

FIGURE 1: ARE ADMINISTRATIVE COSTS TO SERVICE YOUTH HIGHER THAN THOSE OF ADULTS?

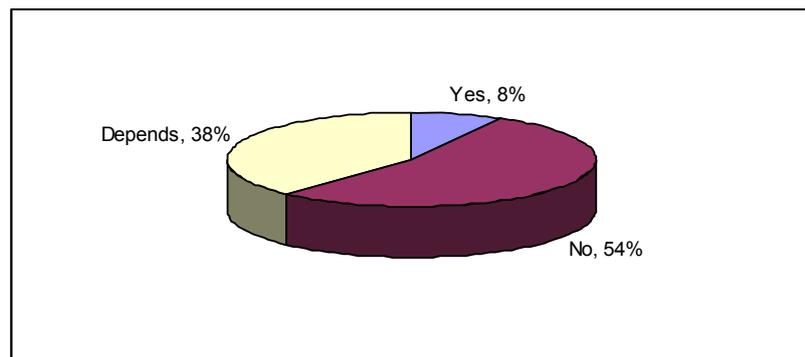
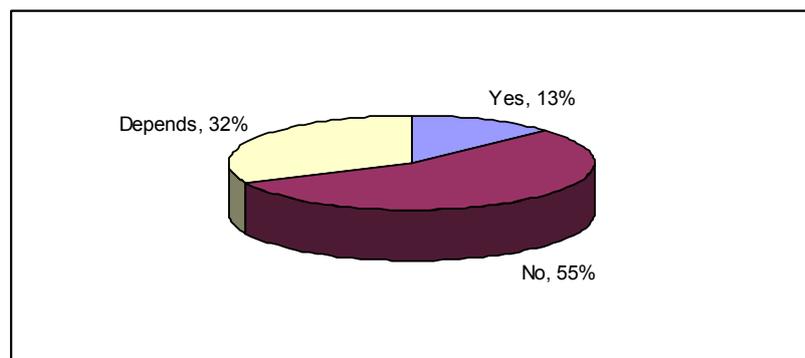


FIGURE 2: ARE REPAYMENT LEVELS LOWER THAN THOSE OF ADULTS?



High cost clients? An important supply-side consideration in determining the viability of serving youth with microfinance is whether costs to service youth are higher relative to adult clients, thus resulting in lower profit margins. While the survey does not allow for a quantitative measure of this, the findings do provide information on

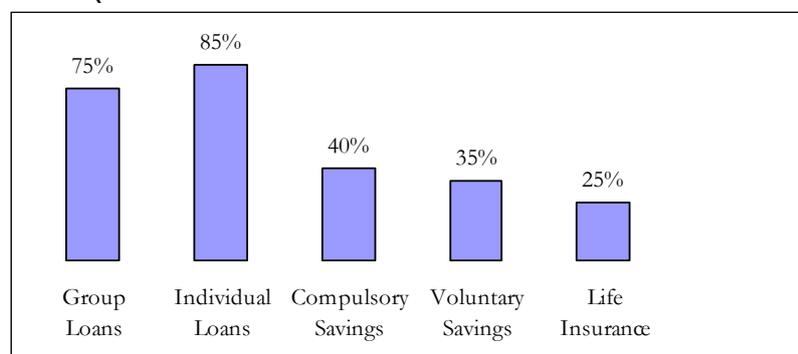
supply-side perceptions of how costly youth clients are compared to adults. A portion (27%) of MFIs and YSOs that do not serve youth with microfinance say they avoid serving youth because youth are more costly. They cite the higher costs of mobilizing typically smaller deposits and lending small, short-term loans. However, as Figure 1 demonstrates, *only 8% of organizations that do serve youth with microfinance believe that administrative costs for youth are higher.* In addition, most (54%) believe that the costs of serving youth do not vary by other factors, such as gender or youth age cohort. These other factors will be discussed further below.

The survey results also show that none of the responding organizations charge a higher interest rate on loans to youth. While this result does not allow for any direct conclusions, it does point to some possible hypotheses that would require further research if they were to be tested. These hypotheses include (1) MFIs and YSOs that are committed to sustainability do not believe that the cost of servicing loans to youth is higher, and, therefore, do not need to recover the higher costs through higher interest rates; (2) MFIs and YSOs that aren't as committed to sustainability might believe that loans to youth are more costly but are cross-subsidizing them with more profitable loans from other market segments; or (3) since they do not track clients by age, MFIs and YSOs are unable to determine whether loans to youth are more costly.

High risk clients? Another important consideration is whether MFIs and YSOs perceive youth as riskier clients than adults. Although the MFIs and YSOs surveyed do not track clients by age, and can not compare whether loans to youth are more or less costly than to loans to adults, Figure 2 demonstrates that a majority of respondents do not believe that repayment levels for youth are lower compared to adults. In addition, a majority of respondents (55%) perceive that repayment levels may not significantly vary based on gender or youth age cohort. The few respondents that believed repayment rates were lower for youth compared to adults cited reasons such as higher mobility among youth, less business experience and a greater propensity to divert loans to non-productive uses.

MICROFINANCE PRODUCTS ACCESSIBLE TO YOUTH

FIGURE 3: % OF RESPONDENTS OFFERING MF PRODUCTS TO YOUTH (OF RESPONDENTS OFFERING ANY MF SERVICES TO YOUTH)



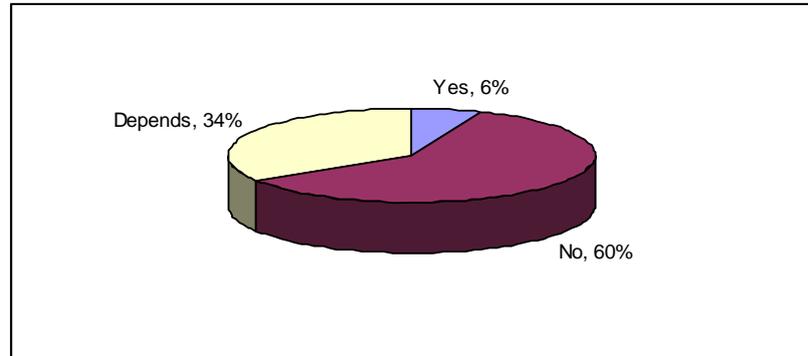
Youth require access to a variety of microfinance products. Figure 3 shows that, among those respondents that provide microfinance to youth, loans are by far the most commonly offered products to youth. Less than half of microfinance providers for youth offer savings products, and only a quarter offer life insurance. No respondents offer health insurance. Although not probed in the survey, the high prevalence of loans could be caused by a range of factors: (i) legal limitations on MF providers to take deposits, (ii) credit-biased microfinance providers, and (iii) low demand from youth for other microfinance products from MFIs due in part to the availability of informal arrangements, such as RoSCAs and family.

TABLE 6: PURPOSE OF MF LOANS TO YOUTH

BUSINESS	EDUCATION	OTHER
71%	18%	10%

One might hypothesize that youth are more likely to be interested in loans for education and to learn a trade than older groups. However, the MFIs and YSOs indicated that nearly three-quarters of microfinance loans to youth are used for starting up or expanding their businesses, as shown in Table 6, while some are used for education-related expenses such as tuition. Other loan uses mentioned are contingencies, family obligations and weddings.

FIGURE 4: DO YOUTH REQUIRE DEPOSIT SERVICES MORE THAN CREDIT SERVICES?



For business loans, experience shows that both group and individual loan products are appropriate for youth. However, individual loan products are more flexible in adjusting to the frequent life cycle changes of youth.¹³ These products are also offered to adolescent youth with adult supervision and/or with guarantors. The survey findings show that *while most microfinance providers offer individual loans to youth, they are generally only provided to youth who have an established business rather than to start-ups*. This is their standard policies for all clients, youth clients being undifferentiated.

Whereas not all youth are entrepreneurial and able to repay loans, experience shows that all youth can potentially benefit from having access to savings accounts as a way to instill financial discipline and prepare for the future. However, Figure 4 shows that *only 6% of respondents believe that youth require deposit services more than credit services relative to adults. More research is needed to determine the source of this perception among MFIs and microfinance-providing YSOs*. One possible source could be that many microfinance providers simply do not have an accurate perception of the need and/or demand for deposit services among youth. Most responding microfinance providers do not or cannot provide deposit services is it at all – or to youth only? Or is it to clients only and since only 24% of their clients are youth, they don't know?, and, consequently, might have limited knowledge of the youth market for such services. Even those that do provide savings products have, on average, less experience with these products relative to loan products. Regardless, the perception that youth do not require deposit services more than credit services relative to adults should certainly be informed by solid market research and experience. This perception, then, could indicate a lack of demand for, or lack of exposure to, formal deposit services among youth. Findings from our case study research should help address this question more fully.

The survey results provide no evidence that MFIs and YSOs that are not legally allowed to mobilize savings are linking with formal financial institutions to promote youth savings.

¹³ Nagarajan (microNOTE 4).

ADAPTATIONS TO MICROFINANCE PRODUCTS FOR YOUTH CLIENTS

One of the key questions the survey attempts to address is whether MF providers have had to adapt standard microfinance products to meet the particular needs of their youth clients. It should be noted that, since most respondents do not track clients by age, the below analysis is based on qualitative responses and not on any substantive evidence of adaptations for youth that they have or have not made.

More than two-thirds of the respondents (68%) have not made adaptations to their microfinance products for youth, since they feel confident that their standard products are suitable to the youth clients they serve. While a higher percentage of MFIs relative to YSOs reported making no adaptations, the difference is not statistically significant.

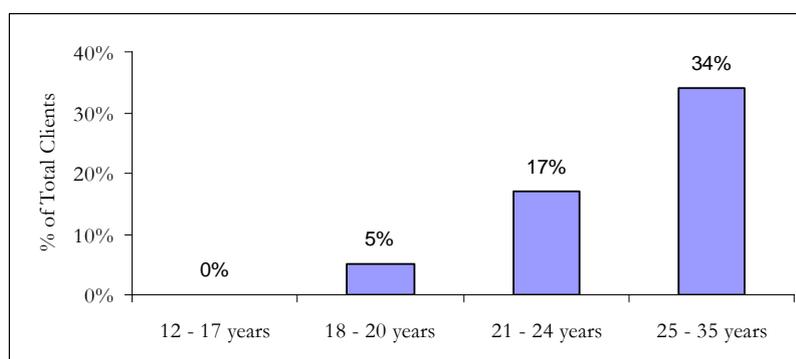
These findings suggest the possibility that many MFIs and YSOs do not see a need for special adaptations to microfinance products for youth. However, this evidence only provides one side of the story. It is also necessary to collect information on the demand side to examine (1) whether standard microfinance products are actually meeting the needs of youth clients and (2) whether there are untapped potential youth clients for whom standard microfinance products are not appropriate.

Of the few adaptations cited by respondents, most have been made to individual and group loan products to minimize the perceived higher riskiness of youth clients. These adaptations include decreasing the initial loan size and requiring third-party guarantors, such as a parent or guardian.

While some adaptations for youth could be considered beneficial to the long-term viability of serving youth with microfinance, adaptations that do not adhere to microfinance best practices could severely damage such efforts. A tentative but somewhat encouraging survey finding is that *the responses do not provide any clear evidence that MFIs and YSOs are substantially bending microfinance best practices for their youth clients.* For example, of the 10 organizations indicating that they have made adaptations for youth, only one – a YSO operating in a conflict-affected area – charges a lower interest rate on loans for youth than the market rate.

DO AGE COHORTS MATTER?

FIGURE 5: MFI CLIENTS BY AGE COHORT



Note: % shares estimated by respondents; does not include YSOs

The majority of youth and young adults served with microfinance are between the ages of 21 and 35. Figure 5 illustrates the breakdown of MFI clients by age cohort as an estimated share of total clients.¹⁴ The share of youth clients between 18 and 20 is small but not insignificant, representing an average of 5% of total clients.¹⁵

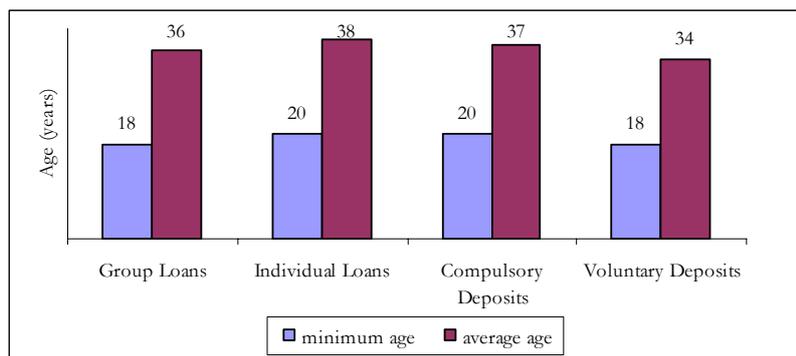
Since life cycle changes occur rapidly during youth, product design may ideally be driven by youths' frequently changing needs. Savings services to accumulate assets as well as basic life skills training may be required at earlier youth stages than credit.¹⁶ Among the various microfinance products offered to youth, minimum and average age, respectively for group loans and voluntary deposits, were 18 and 35 years, while they were 20 and 36 years for individual and compulsory deposits (Figure 6). The differences, however, are not statistically significant to conclude that various microfinance products are currently offered based on youth age cohorts. In addition, these results should be cross-checked with the demand-side research currently being conducted by the research team.

¹⁴ No YSOs responded to this question.

¹⁵ While the share of microfinance clients appears to increase with age, this should be interpreted with caution, since the standard cohort intervals are not equal in number of years (i.e., 18-20 years vs. 25-35 years).

¹⁶ Nagarajan (microNOTE 4)

FIGURE 6: DIFFERENT PRODUCTS FOR DIFFERENT AGE COHORTS



Many MFIs and YSOs do not appear to distinguish between age cohorts among youth above 18 when considering the client’s riskiness or costs. Only 8% of respondents said that administrative costs are higher for youth than adults based on the youth age cohorts. Only 8% said that youth repayment levels depend on the youth age cohorts.

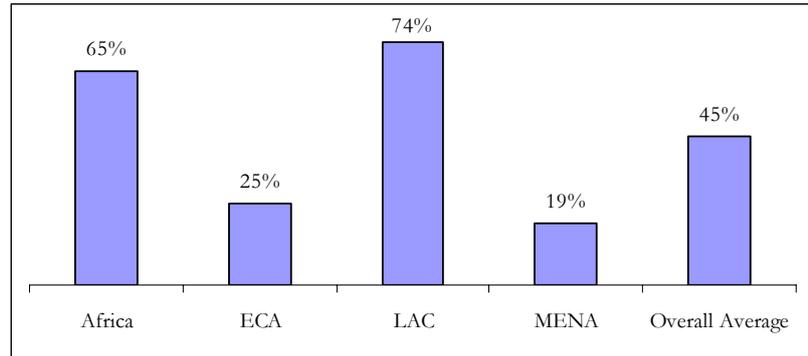
Similarly, the majority of respondents do not perceive the need to adapt their products for different youth age cohorts. Of those MFIs and YSOs that have made adaptations to their standard microfinance products for their youth clients, only 38% said that the adaptations vary by age cohorts (i.e., adolescents vs. young adults).

DOES GENDER MATTER?

Among respondents, female youth clients account for an estimated 45% of total youth client. However, as Figure 7 shows, there is large variation between regions. Responding organizations in Sub-Saharan Africa and Latin America & Caribbean (LAC) regions serve a much higher percentage of female youth than those in the Middle East & North Africa (MENA) and Eastern Europe & Central Asia (ECA).¹⁷

¹⁷ Most respondents in the ECA region are located in Afghanistan.

FIGURE 7: FEMALE YOUTH CLIENTS AS % OF TOTAL YOUTH CLIENTS



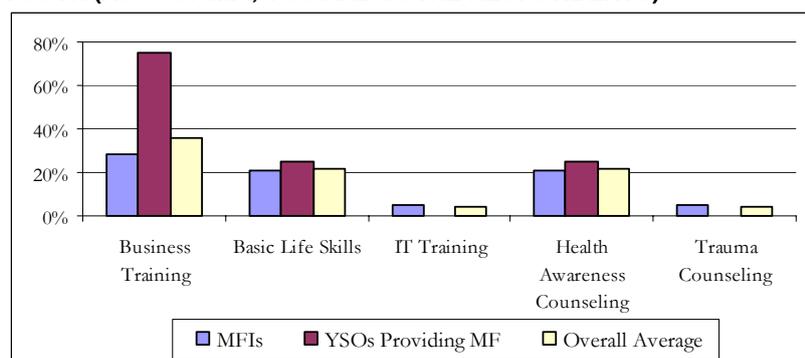
The survey findings allow for a degree of insight into supply-side perceptions of female youth clients. *Many MFIs and YSOs do not appear to distinguish by gender when considering a given youth client's riskiness or costs.* Only 8% of respondents said administrative costs depend on the gender of the youth, and just 5% said youth repayment levels depend on gender. One MFI in Uganda did note that, in their experience, repayment rates are higher among young females than young men.

Among those who have made adaptations for youth of their standard microfinance products, only 25% say the adaptations vary by gender. Within this small group, more adaptations are made for female youth clients (17%) than for men (8%).

SERVING YOUTH WITH NONFINANCIAL SERVICES

Many microfinance and youth specialists support a holistic approach to effectively serve youth that combines entrepreneurial skills training with basic life and financial education, particularly for youth below the age of 20.¹⁸

FIGURE 8: NON-FINANCIAL SERVICES PROVIDED DIRECTLY TO YOUTH (AS % OF MFI, YSO AND TOTAL RESPONDENTS)



¹⁸ Nagarajan (microNOTE 4).

Providing Financially Sustainable and Interlinked Services to Youth Affected by Conflict

In the conflict-affected areas of Sierra Leone, youth are slowly recovering from over a decade of intense conflict involving some of the most widespread use of child soldiers in history. Until ARC's MFI Finance Salone opened a three-year pilot project in these areas, there were no available business support services. The BDS services offered by the program will likely be initially subsidized through a modified voucher program, but will be designed to reach full cost recovery after sufficient market development.

There will be no pre-requisite training for obtaining a loan. Through relationships with the MFIs in the areas, as well as farmers associations and cooperatives, other NGOs and trader's organizations LINKS will assist their local partners to promote the training.

ARC is already providing fully supported BDS to 607 individuals host-community villages through its Income Generation Programs in adjacent refugee camps. The high level of interest in these trainings has shown that market for BDS does exist within this highly traumatized population, even when not linked directly to credit. Through the LINKS program, ARC will be able to expand the access to BDS to other chiefdoms and slowly move to a more sustainable system.

The survey findings provide insight into how YSOs and MFIs are integrating non-financial services to offer youth a more holistic package of services. As Figure 8 shows, business training is the most commonly offered non-financial service by MFIs and YSOs serving youth with microfinance. A much higher percentage of responding YSOs (75%) provide business training directly to youth than do MFIs (28%). A number of YSOs and MFIs also offer basic life skills training as well as health awareness counseling. A very small portion of respondents also offer IT training and trauma counseling for youth clients.

Among the survey respondents, a smaller share of YSOs and MFIs provide non-financial services through linkages than directly. For example, 11% of MFIs provide non-FS through linkages, while 28% do so directly. One interesting link is that selected graduates of the YSO's vocational training become eligible for a loan.

A number of respondents cited the need to accompany financial services with business training, since most youth lack the business experience of their adult counterparts. Most of the microfinance providers that offer business training to youth include it as a prerequisite for accessing loans. 60% of MFIs that offer business training do so as a prerequisite for loan access, while 67% of YSOs do so.

Virtually all MFIs and YSOs providing non-financial services to youth do not charge clients for the services, with the exception of business training. Significantly, the majority of MFIs charge clients 100% of the costs of business training, while none of the YSOs charge clients for business training. This could suggest a greater focus on financial sustainability among MFIs compared to YSOs.

The survey results demonstrate that at least a portion of MFIs and YSOs are providing non-financial services to youth. Provision of services, however, does not equate to effective provision of services. For example, job skills training is not effective unless training providers know the market and can identify and provide appropriate training to match both youth needs and job market demands. Unfortunately, the lack of available information on programs involving non-financial services for youth makes it difficult to assess how effective the provision of such services is.

In terms of appropriate sequencing, prior research by our team revealed that many youth specialists believe training and basic education pave the way for youth to later access microfinance loan products.¹⁹ While the limited survey responses don't reveal robust information on sequencing, they are consistent with the "training before loans" hypothesis. The most common recommendation by respondents is that training should be offered before credit and savings.

¹⁹ Nagarajan (microNOTE 4).

SERVING YOUTH WITH MICROFINANCE IN CONFLICT- AFFECTED AREAS

The survey responses confirm that young entrepreneurs do exist in conflict-affected environments and that microfinance with youth in such contexts is possible.

The 15 responding MFIs operating in conflict-affected areas estimated that, on average, youth represent 22% of their total clients. Two of the four YSO respondents operating in conflict areas also serve youth with microfinance. *The survey results show that the share of youth of total clients in conflict-affected areas is similar to that of non-conflict affected areas. However, several respondents point out that, because conflict can greatly reduce the overall supply of microfinance services, youth access to microfinance may be limited.* This observation requires further exploration through detailed case studies.

There is a general consensus among microfinance practitioners on the essential preconditions for initiating microfinance in conflict-affected situations: low intensity of conflict, emerging economic activity, and relative stability of the client population, which can include longer-term

displacement.²⁰ Through the survey, the research team sought to gain information from the supply-side on whether preconditions vary between adults and youth. Nearly two-thirds of the respondents reported essential preconditions similar to the provision of microfinance for the general population in conflict areas. The remaining 36% considered the availability of training or BDS services as an added precondition for initiating microfinance for youth in conflict-affected areas (Figure 9). This finding indicates that not all microfinance providers may agree with the assertion that, for youth affected by conflict, holistic training and preparation should be provided before microfinance.

Young people often engage in short-term savings activities through informal mechanisms immediately after conflicts to accumulate funds for investing in small businesses.²¹ These savings, such as livestock, are generally less liquid. Thus, access to deposit services that improve liquidity could be a significant improvement upon available informal savings mechanisms for youth in conflict-affected areas. The survey findings, however, were not consistent with this hypothesis. *However, when asked about the appropriate sequencing of products for youth affected by conflict, none of the responding organizations mentioned that savings should be offered to youth before credit.* This could indicate a potentially hazardous emphasis on dispersing credit rapidly in post-conflict situations, where economic regeneration is more urgent and access to credit is limited. This finding should be interpreted with caution, though, since most of the respondents do not provide deposit services and would not be likely to recommend products that they do not or cannot provide.

Special youth war victims, such as widows, refugees, and child soldiers, present perhaps the most difficult challenges for MFIs and YSOs providing microfinance. Despite these challenges, 38% of MFIs and YSOs operating in conflict-affected areas report that they provide microfinance to such clients. Of the few respondents who serve youth war victims, two-thirds report that serving these clients has increased costs of operation but has allowed them to increase their client base. More research is needed to examine in detail the impact that serving youth war victims has on microfinance providers, the needs of such clients, and the specific adaptations that microfinance providers have made for each sub-group of youth war victims. To understand the true costs and benefits of including youth war victims, it is also important to consider the indirect benefits of providing them with economic opportunities (i.e., a reduction of their involvement in and vulnerability to conflicts).

²⁰ Doyle, Karen 1998. *Microfinance in the wake of conflict: challenges and opportunities*. Bethesda, Maryland: Microenterprise Best Practices (MBP) Project, DAI & USAID.

²¹ Wilson, Tamsin. 2003. "Microfinance in War-affected Countries: Challenging the Myths," *Humanitarian Exchange*, No. 24. London: Overseas Development Institute.

CONCLUSIONS AND IMPLICATIONS

KEY FINDINGS

The following is a summary of the key survey results as they relate to the primary research questions:

- **Definitions of youth can vary greatly depending on the type of organization.** Most MFIs define youth within the range of 15 – 24 years of age, but YSOs define youth in a variety of age ranges.
- **Both MFIs and YSOs serve youth with microfinance.** Among MFI respondents, youth represent approximately 24% of total clients. 40% of the YSO respondents serve youth with microfinance.
- **Youth access to microfinance is affected by a number of external and supply-side factors,** including lack of human capital among MFIs and YSOs, the perception that youth are riskier clients and/or lack business experience, the type of collateral required, and legal and political barriers.
- **Supply-side perceptions of youth are correlated with youth access to microfinance.** A majority of organizations serving youth with microfinance do not believe that administrative costs for youth are higher or that repayment levels for youth are lower. However, most organizations not serving youth with microfinance believe that youth are either riskier or more costly to serve.
- **Most MFIs and YSOs have not made product adaptations for their youth clients,** suggesting the possibility that many

MFIs and YSOs do not see a need for special adaptations to microfinance products for youth. The few adaptations reported have been made to individual and group loan products to minimize the perceived higher riskiness of youth clients.

- **Product adaptations for age cohorts and gender are not common.** Despite the fact that different age cohorts have different microfinance needs, the majority of microfinance providers do not perceive the need to adapt their products for different age cohorts. Also, most MFIs and YSOs do not perceive the need to adapt their products according to the youth client's gender.
- Most microfinance providers feel that youth require a holistic approach; however, aside from loans and business training, microfinance products and non-financial services accessible to youth are limited. A number of respondents cited the need to accompany financial services with business training and other non-financial services, particularly since most youth lack the business experience of their adult counterparts. Many also emphasized that training should be provided before credit.
- Youth as a percentage of the total microfinance client portfolio in conflict-affected areas is similar to that in non-conflict areas. However, because conflict can greatly reduce the overall supply of microfinance services, youth access to microfinance may be limited.
- The products offered to youth in conflict-affected areas are not noticeably different than those in non-conflict or stable areas. However, the survey responses do not provide any findings on what microfinance providers feel are the most appropriate products.
- Most microfinance providers feel that the essential preconditions for initiating microfinance for youth in conflict-affected areas are no different than those for adults. However, many consider the availability of training or BDS services to accelerate the initiation of microfinance for youth.

IMPLICATIONS AND SUGGESTIONS FOR FURTHER RESEARCH

The current knowledge base on serving youth in conflict-affected areas with microfinance is extremely limited, and efforts to support such activities should be undertaken with caution. While this microREPORT expands the current knowledge on a range of supply-side issues, it does not provide conclusive answers to immediately help donors and practitioners in program design and implementation. However, when combined with the lessons from the field-based case studies conducted under the Microfinance, Youth and Conflict research, the e-survey

findings help expand the knowledge base from which programming guidance can be provided.

The findings presented in this report suggest the need for expanding the range of products and non-financial services accessible to youth. However, given the need for more demand-side information on the needs of youth, special targeting of youth with microfinance in conflict situations can be an inappropriate and potentially harmful intervention. If demand-side research shows that youth and youth sub-groups such as age cohorts and gender require adaptations to standard products, more resources could be invested in (i) designing and implementing adapted products and/or (ii) tailoring marketing for standard products to serve the untapped potential youth clients.

To complement the findings from this microREPORT and to improve donor and practitioner guidance, the following issues require further consideration.

- *Is there more to be learned from the supply-side?* Since many MFIs and YSOs have several years experience providing microfinance to youth, continued efforts should be made to tap into their institutional knowledge.
- *How can MFIs and YSOs exchange their respective experiences in serving youth with microfinance?* It is critical that youth-serving and microfinance professionals share their knowledge to integrate knowledge from both fields. The AMAP project has taken the initial steps toward bridging the gap by holding a virtual conference with microfinance and youth-serving experts, and by adapting MicroSave and PRA tools developed for MFIs for research on microfinance with youth in both normal and conflict-affected areas.
- *Are youth clients riskier and costlier than the general population?* Organizations that serve youth with microfinance tend to answer “no,” while those not serving youth tend to answer “yes.” Testing perceptions against reality would require more quantitative data on youth clients. However, this data are extremely difficult to collect, since most microfinance providers are not tracking their clients by age.
- *If youth require a more holistic approach, what next?* The lack of available information on programs involving non-financial services for youth makes it difficult to assess (i) how effective the provision of such services is, (ii) which services are most appropriate for actual and potential youth microfinance clients, and (iii) how non-financial services can be better linked to microfinance programs. Qualitative data from in-person interviews and focus group discussions may help bolster the limited information gathered by structured questionnaires.

- *How do youth needs vary across different conflict environments?* For example, do at-risk youth resemble youth in conflict situations?²² While the research team attempted to examine the supply-side perspective on this issue through the survey, limited responses and insufficient information limit the ability to draw any robust conclusions.
- Is there a gap between supply and demand? The findings from this microREPORT should be combined with the demand-side information from the research team's case studies. This will allow us to better see how well microfinance services are responding to the demand among youth.

²² Nagarajan (microNOTE 4).

ANNEX 1: LIST OF RESPONDENTS

ORGANIZATION/PROJECT NAME	COUNTRY	ORGANIZATION TYPE*
Agency for Finance in Kosovo**	Kosovo	MF, Conflict
Al Majmoua (LAD)	Lebanon	MF, Conflict
Angkor Mikroheranhvatho Kampuchea Ltd. (AMK)	Cambodia	MF, Normal
Arab Center for Agricultural Development (ACAD)	West Bank/Gaza	MF, Conflict
American Refugee Committee (ARC)/Guinea	Guinea	MF, Conflict
ARC/Sierra Leone LINKS MED	Sierra Leone	MF, Conflict
ARC/Sierra Leone Finance Salone**	Sierra Leone	MF, Conflict
Asian Credit Fund	Kazakhstan	MF, Normal
BancoSol	Bolivia	MF, Conflict
Beselidhja/Zavet Microfinance (BZMF)**	Kosovo	MF, Conflict
Chemonics Agricultural Enterprise Finance Program (AEFP)	Sudan	MF, Conflict
Chemonics Rebuilding Agricultural Markets Program (RAMP)**	Afghanistan	MF, Conflict
CHF International - Iraq	Iraq	MF, Conflict
Child Fund Afghanistan (CFA)	Afghanistan	Youth, Conflict
Compartamos	Mexico	MF, Conflict
Egyptian Assoc. for Initiative and Development**	Egypt	MF, Conflict
FATEN (Palestine for Credit and Development)	West Bank/Gaza	MF, Conflict
Feed the Children Uganda	Uganda	Youth, MF, Conflict
Finance Trust for the Self Employed (FITSE)**	Malawi	MF, Conflict
Fond-Vida**	Ecuador	Youth, MF, Conflict

Fundación Mundial de la Mujer Bucaramanga (WWB)**	Colombia	MF, Conflict
Iganga Royal College	Uganda	Youth, Normal
International Rescue Committee (IRC) - Afghanistan	Afghanistan	Youth, Conflict
International Youth Foundation (IYF)	Worldwide	Youth, Conflict
Jamii Ya Kaputanisha (JYAK)	Uganda	Youth, Conflict
Jordan Micro Credit Company (JMCC)	Jordan	MF, Normal
Kawempe Youth Center	Uganda	Youth, Normal
Kosovo Enterprise Program**	Kosovo	MF, Conflict
Lift Above Poverty Organisation (LAPO)	Nigeria	MF, Conflict
MEDA Egypt Youth and Microfinance Project**	Egypt	MF, Youth
Microenterprise Development Network	Uganda	Youth, MF, Normal
Microcredit Organization Mikra	Bosnia – Herzegovina	MF, Conflict
Mengo Youth Development Link (MYDL)	Uganda	Youth, Normal
Nakalamases School	Uganda	Youth, Normal
Namugongo Youth Allied Projects	Uganda	Youth, Normal
Nations Trust**	South Africa	MF, Youth, Normal
Oportunidad LatinoAmerica Colombia	Colombia	MF, Conflict
Partner Microcredit Organization	Bosnia – Herzegovina	MF, Conflict
Pastoral Social Caritas Bolivia**	Bolivia	Youth, Conflict
Plan Uganda	Uganda	MF, Normal
Swammah Technical Engineering Company	Uganda	Youth, Normal
Uganda MF Union (UMU)	Uganda	MF, Conflict
UNRWA Microfinance and Microenterprise Program	West Bank/Gaza	MF, Conflict
YMCA Extension Services Unit	West Bank/Gaza	Youth, MF, Conflict

* Organization type definitions:

MF primarily focused on microfinance; however, up to 30% of their total activities could also include youth development.

Youth: primarily focused on youth-serving activities; however, up to 30% of their total activities could also include microfinance.

MF, Youth: at least 30% of their total activities (as a percentage of their objectives and total allocation of funds) involve microfinance, and 30% of their total activities involve youth development.

Conflict: includes post-conflict areas as well as those with on-going conflict or where potential conflict could erupt at any time.

Normal: areas with no major conflicts or violence in last five years, but may include areas with at-risk youth.

** Organizations/programs that responded to the initial, brief questionnaire but did not complete the full, follow-up questionnaire. In most cases, these respondents are programs that fund or work with MFIs or YSOs and, therefore, were not in a position to respond to the full questionnaire. Most referred us to their relevant MFI or YSO partner(s)

ANNEX 2: INITIAL QUESTIONNAIRE

PLEASE ANSWER THE FOLLOWING QUESTIONS TO THE BEST OF YOUR KNOWLEDGE.

A. Please complete the following information in the grey text fields below:

1. Name of your organization:
2. Year organization started:
3. Country of operation:
4. Your name and position:
5. Corresponding address:
6. Telephone number:
7. Email address:

B. Major activities of your organization

Activity	Month and year started	Approximate % share of total activities		
		Based on your objectives	Based on your total allocation of funds	Based on your total number of clients
1. Microfinance (Credit, savings, credit insurance, life insurance, health insurance, remittances, money transfer, leasing)				
2. Youth Development (Basic life skills training of youth, Business training of youth, Trauma counseling, Health counseling on HIV/AIDS, pregnancy etc.,)				

C. Degree of conflict in your major areas of operation (please check all that apply):

- Operate in normal areas (no major conflicts in the past 5 years).
- Operate in normal areas (no major violence in the past 5 years).
- Operate in post-conflict areas (peace accord has been signed less than 5-7 years ago).
- Operate in areas with on-going conflict.
- Operate in currently peaceful areas but conflict / violence may erupt any day.
- Operate in areas with youth-at-risk youth

D. Approximate range of ages for your clients and/or beneficiaries:

1. Maximum age:
2. Minimum age:
3. Average age:
4. Approximate age range of the majority of your clients:

E. Do you or will you serve clients/beneficiaries of all ages? Yes No

If No, please state the age(s) that may be excluded:

F. What is your definition of “youth”? Please check only one.

- Younger than 16 years of age
- Younger than 18
- Population between 15 and 24
- Population between _____ and _____
- Unmarried
- Other

G. Would you be interested in participating in a follow-up survey that would allow our research project to collect more relevant details? The survey is estimated to take about 30 minutes of your time and would be kept confidential. Yes No

H. If you are interested, would you or another relevant colleague be able to complete the survey in English?

Yes No

If No, please indicate your first, second and third language preferences with 1, 2 and 3.

- English
- Spanish
- French

I. If there is another colleague who would be more appropriate to contact for the follow-up survey, please provide their information below:

Name:

Email:

Telephone number:

STOP

ANNEX 3: FULL QUESTIONNAIRE FOR MF PROVIDERS

PLEASE ANSWER THE FOLLOWING QUESTIONS TO THE BEST OF YOUR KNOWLEDGE.

SECTION I. GENERAL INFORMATION

Please complete the following information:

1. Name of your organization:
2. Your name and position:

SECTION II. MICROFINANCE ACTIVITIES

A. General institution/program information

1. Please provide a brief summary of your program's mission, objectives, and major activities (in about 10 lines):

2. Staff and infrastructure: Please complete the following information:

Item	Number as of (please insert date)
Total no. of offices (head office & branches)	
Total no. of staff	
No. of loan officers	

3. Client and portfolio information: Please provide the following information for each type of service listed in the columns:

Current as of (insert date)	Group loans	Individual loans	Compulsory deposits	Voluntary deposits
No. of active loan clients / depositors				
Volume outstanding / deposit balance (US\$)				
Minimum age of clients (approximate)				

Maximum age of clients (approximate)

Average age of clients (approximate)

B. General youth-related information

4. What is your definition of "youth"? Please check only one.

- Younger than 16 years of age
- Younger than 18
- Population between 15 and 24
- Population between and
- Unmarried
- Other

5. Does your organization include youth clients, according to your definition of youth? Yes No

6a. If you **do not** serve youth, why not? (please check all that apply)

- High risks
- High costs
- Legal/political issues
- They are a small market
- Other (please specify):

If you **do not** serve youth, what other sources of microfinance are available to young people in your community (family, informal, formal)?

6b. If you **do** serve youth:

- What is your approximate share of youth clients as a percentage of total number of clients?
- What is the approximate share of female youth clients as a percentage of total youth clients?
- What are the age range groups for youth clients you serve (i.e., 12-18; 18-20, 20-24, 24-35)?
- What is the approximate percentage share in total number of clients for each age range above?

7. In your opinion, for what purpose(s) do young people use the microfinance services (i.e., start up business, savings for school)?

8. In your opinion, what are some limitations young people face in accessing microfinance services in your areas of operation?

C. Microfinance products for youth

9. Please fill in the table below with information on each of your microfinance products offered to youth. (If actual data are not available, please approximate)

Product	Characteristics of youth clientele *	Length of time product has been offered to youth (years)
Credit - group lending		
Credit - individual loans		
Savings (compulsory)		
Savings (voluntary)		
Loan / Life / Health insurance (directly or through linkage)		

* Please include only the most applicable characteristics of youth clientele, such as adolescents, young adults, at-risk youth, street kids, girls/boys, school children, etc.

10. What were the organization's main reasons to serve youth (please state most important ones first)?

11. What are the terms and conditions for your microfinance contracts offered to youth? Please fill in the below where applicable:

a. Loan products:

Terms	Group loans	Individual loans
Loan size for first time borrowers (US\$)		
Interest rate (% / year)		
Typical Length of the loan (months)		
Type of collateral / security required		
Other terms (please specify)		

b. Savings products

Terms	Compulsory deposits	Voluntary deposits
Initial deposit required for first time depositors (US\$)		
Interest paid (% / year)		
Frequency of collection (daily, weekly, etc.)		
Collection mode – (at client doors/business place; at group meetings; etc.,)		
Accessibility of funds (eg. Can withdraw any time; times of emergency; time of membership termination)		
Other terms (please specify)		

c. Insurance products

Terms	Life	Health
Premiums required (US\$)		
Who pays (eg. youth clients; parents)		
Frequency of premiums collected		
Collection mode (at client doors/ business place; at group meetings; etc.)		
Other terms (please specify)		

13. If yes, please answer the following questions:

a. Which of the products have required adaptation to better serve youth? (check all that apply)

- . Group loans
- . Individual loans
- . Deposit services
- . Insurance
- . Other (please specify):

b. Why were the adaptations required?

c. What adaptations have been made?

- Youth charged lower interest rate than adults
- Youth charged higher interest rate than adults
- Youth provided with shorter term loans
- Other (please specify):
- Other:
- Other:
- Other:
- Other:

d. Do adaptations vary by the youth's age cohorts?

Children: Yes No

Adolescents: Yes No

Young adults: Yes No

e. Do adaptations vary by gender?

Female: Yes No

Male: Yes No

f. If they vary by age and / or gender, how? (check all that apply)

- Adolescent youth require 3 guarantors
- Adolescent youth require parents who are good clients
- Young adults require 2 guarantors
- Females must be married
- Young male adults must be married
- Adolescent girls must live with parents
- Adolescent girls must live with husband
- Other (please specify):
- Other:
- Other:
- Other:
- Other:

g. In your opinion, have there been any adaptations that you actually required, but were hindered by legal, political, social barriers? Yes No

h. If yes, please describe these restrictions?

- Can't charge higher interest rates needed for youth because of usury laws
- Can't enforce contracts on loans made to youth under 18 years old;
- Socially unacceptable to mobilize daily/weekly deposits from adolescents enrolled in schools
- Other (please specify):
- Other:
- Other:

14. Please react to the following statements based on your experience with youth clients:

a. Youth require deposit services more than credit in comparison with adult clients (please check all that apply):

- Yes
- No
- Not all the time
- Depends on age of the youth
- Depends on gender of the youth
- Depends on other factors (please specify):

b. Administrative costs to service youth is high compared to adult clients (please check all that apply):

- Yes
- No
- Not all the time
- Depends on age of the youth
- Depends on gender of the youth
- Depends on other factors (please specify):

c. If you say yes, administrative costs are high, what are the major reasons (i.e., need to provide non-financial services; small loans; small deposits)?

d. Youth repayment levels are low compared to adult clients (please check all that apply):

- Yes
- No
- Not all the time
- Depends on age of the youth
- Depends on gender of the youth
- Depends on other factors (please specify):

e. If you say yes, youth repayments are low, what are the major reasons (i.e., high levels of business failures; not serious; etc.)?

15. Do you track costs and repayment performance of your clients by age ranges? Yes No

If no, what are the main reasons? (please check all that apply)

- Time consuming
- Youth are a very minor part of clientele
- Do not need this information for managerial/financial decisions
- Others (please specify):

STOP! PLEASE READ INSTRUCTIONS IN THE BOX BELOW.

Please complete "Section IV" below only if YOUR organization provides non-financial services to your youth clients, either directly or through linkages with other organizations. If not, you have completed the questionnaire. Thank you!

SECTION III. CONFLICT-RELATED MICROFINANCE

1. In your opinion, are there certain conditions that need to be in place before microfinance can successfully be offered to youth (i.e., expectation that conflict is coming to an end, increasing economic opportunities, trainers and mentor availability, etc.)?

2. Which microfinance products have you found to be most suitable for youth in the context in which you are working (i.e., credit, savings, insurance, remittances, etc.)?

3. Have you found any sequencing of microfinance products to be successful or not successful (i.e., savings first and then credit; training first followed by savings and credit; credit first; etc.)?

For all types of clients:

For youth in particular:

4. Has your project exclusively targeted special youth war victims, such as internally displaced persons, refugees, returnees, demobilized soldiers, or widows? Yes No

If yes, what effect has this had on your program? Please be specific (i.e., costs went up, attracted more clients, etc.).

5. Do you have any interesting anecdotes relating to getting around information problems for youth in comparison to adult clients (e.g., collateral, "handout" mentality, dealing with volatile situations, etc.)?

6. Are there any reports or other project documents that address or elaborate further on the above issues? If so, we would appreciate it if you could provide these documents.

STOP! PLEASE READ INSTRUCTIONS IN THE BOX BELOW.

SECTION IV. NON-FINANCIAL PRODUCTS (PROVIDED DIRECTLY BY YOU OR THROUGH LINKAGES)

1. Basic product information: In the below table, please provide the information requested in each column for each type of product:

YOUTH CLIENTS					
Product Type	Directly provided by you? (Yes / No)	Provided through linkages with others? (Yes / No)	Name of the partner(s)	Sponsors for the service (donor, gov't, etc.)	Pre-requisite for financial service? (Yes / No)
Business training					
Basic life skills					
Information Technology training					
Health awareness and counseling (i.e., HIV/AIDS, pregnancy counseling)					
Trauma counseling					
Other (please specify):					

2. What prompted you to provide non-financial services?

3. Client payment information: In the below table, please indicate (for all services provided by your organization) whether or not the client pays for all or a portion of the costs:

Product / service	Does client pay all or portion of costs? (yes or no)
Business training	
Basic life skills	
Information Technology training	
Health awareness and counseling (i.e., HIV/AIDS, pregnancy counseling)	
Trauma counseling	
Other (please specify):	

If yes, the client does pay at least a portion of the costs, what approximate percentage share does the client pay?

4. If non-financial products are linked in any way to financial services, please briefly describe how the financial and non-financial services are linked.

THANK YOU!

ANNEX 4: FULL QUESTIONNAIRE FOR YSOs NOT PROVIDING MF

SECTION I. GENERAL INFORMATION

A. Please provide the following information:

1. Name of your organization:
2. Your name and position:

SECTION II. YOUTH EMPLOYMENT RELATED ACTIVITIES

B. General institution/program information

3. Please provide a brief summary of your program's mission, objectives, and major activities (in about 10 lines):
4. Staff and infrastructure: Please complete the following information:

Item	Number as of (please insert date)
Total no. of offices (head office & branches)	
Total no. of staff	

Client information

What is your definition of "youth"? Please check only one.

- Younger than 16 years of age
- Younger than 18
- Population between 15 and 24
- Population between and
- Unmarried
- Other

Basic product information: In the below table, please provide the information requested in each column for each type of product offered to youth:

YOUTH CLIENTS ONLY

Product Type	Directly provided by you? (Yes / No)	Provided through linkages with others? (Yes / No)	Name of the partner(s)	Sponsors for the service (donor, gov't, etc.)	Pre-requisite for financial service? (Yes / No)
Business training					
Basic life skills					
Information Technology training					
Health awareness and counseling (i.e., HIV/AIDS, pregnancy counseling)					
Trauma counseling					
Microfinance					
Other (please specify):					

Client information: In the below table, please provide the approximate number of youth using each type of service per year, the approximate cost of the service or training and the percentage of costs paid by the youth client. (If actual data are not available, please approximate) Product Type

YOUTH CLIENTS ONLY

	No. of youth clients receiving services/ year	Total costs involved (US\$ / youth client)	% Paid by youth client
Business training			
Basic life skills			
Information Technology training			
Health awareness and counseling (i.e., HIV/AIDS, pregnancy counseling)			
Trauma counseling			
Microfinance			
Other (please specify):			

If you do not serve youth with MICROFINANCE either directly or through linkages, why not? (please check all that apply)

- No expressed demand from our clients
- High risks
- High costs
- Legal/political issues
- No financial partner available
- Youth do not require finance from outside sources
- Family and friends can provide finance
- Other (please specify):

If you do not serve youth with microfinance, what other sources of microfinance are available to young people in your community (family, informal, formal)?

In your opinion, for what purpose(s) do young people may use the microfinance services (i.e., start up business, savings for school)?

In your opinion, what are some limitations young people may face in accessing microfinance services in your areas of operation?

STOP! PLEASE READ INSTRUCTIONS IN THE BOX BELOW.

Please complete "Section III" below only if YOUR organization operates in a conflict-affected setting. If not, you have completed the questionnaire. Thank you!

SECTION III. CONFLICT-RELATED INFORMATION

11. If you are operating in a conflict affected area, in your opinion, are there certain conditions that need to be in place before youth can be serviced with employment programs?

12. In your opinion, are there certain conditions that need to be in place before youth can be serviced with finance (i.e., expectation that conflict is coming to an end, increasing economic opportunities, trainers and mentor availability)?

Yes No

If yes, please list the most important conditions in your opinion:

13. In your opinion, is the demand for finance from youth low due to conflict situations?

Yes No

14. In your opinion, is provision of finance to youth risky and costly due to conflict situation?

Yes No

THANK YOU!

Please send by email any relevant documents such as your mission and vision statements and recent annual report to help us better understand your organization, its objectives and activities.

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