Promoting Women and Youth Financial Inclusion for Entrepreneurship and Job Creation: Comparative Study of Selected Sub-Saharan African Countries

SIERRA LEONE COUNTRY POLICY BRIEF: AUGUST 2019
Promoting Women and Youth Financial Inclusion for Entrepreneurship and Job Creation: Comparative Study of Selected Sub-Saharan African Countries

SIERRA LEONE COUNTRY POLICY BRIEF: AUGUST 2019

Table of Contents

Executive Summary .............................................................................................................. ii
Lists of Tables and Figures ................................................................................................... vii
List of Abbreviations and Acronyms .................................................................................... ix
Chapter 1: Introduction ........................................................................................................ 1
  1.1 Background .................................................................................................................... 1
  1.2 Objectives and scope of the study .................................................................................. 1
  1.3 Methodology and Conceptual Framework .................................................................... 1
Chapter 2: Situational analysis of Sierra Leone .................................................................... 4
  2.1 Socio-economic and demographic characteristics ....................................................... 4
  2.2 Profile of the sampled population ................................................................................ 5
Chapter 3: Access to financial services ................................................................................ 6
  3.1 Policy, Regulatory and Institutional Overview: Initiatives, Issues and Measures .......... 6
  3.2 Supply-side issues ........................................................................................................ 9
  3.3 Demand-side observations ......................................................................................... 11
  3.4 Summary of gaps .......................................................................................................... 13
Chapter 4: Usage and Quality ............................................................................................. 14
  4.1 Institutional, Regulatory and Policy issues .................................................................... 14
  4.2 Supply Side .................................................................................................................. 15
  4.3 Demand Side .............................................................................................................. 17
Chapter 5 Welfare ................................................................................................................ 19
  5.1 Institutional, Regulatory and Policy Issues .................................................................... 19
  5.2 Supply-side Issues ...................................................................................................... 19
  5.3 Demand-side Opportunities ....................................................................................... 19
Chapter 6: Summary of findings and Recommendations ................................................... 22
  6.1 Summary ..................................................................................................................... 22
  6.2 Opportunities ............................................................................................................. 24
  6.3 Recommendation ......................................................................................................... 24
Appendix ............................................................................................................................ 31
References .......................................................................................................................... 31
Annex I: Methodology and Field Research Overview .......................................................... 32
Sierra Leone, a country of roughly 7.5 million people with a bank account penetration rate of 20 percent as of 2017, has made modest gains in reducing financial exclusion since 2011. A disproportionate number of the unbanked are women, youth and rural dwellers and there is a 9 percentage point account ownership gap between men and women. Only 10.2 percent of the youth have an account at a formal financial institution, compared with 12.4 percent for the entire population. The failure to close the gender and youth gap represents a massive loss of output and potential, which, for the youth in particular, undermines lifetime productivity, earnings potential and ability to escape poverty.

With funding from the International Development Research Center (IDRC), Canada, the African Center for Economic Transformation (ACET) conducted a three-country study to assess the effectiveness of initiatives for financial inclusion of adult women and youth. The objective was to draw lessons for policymakers, regulators, and service providers to enhance entrepreneurship and job opportunities for women and youth. The study sampled women aged over 35 and youth (following the African Union definition of youth, these were individuals between the ages of 15 and 35 years). It developed an analytical framework (based on the Alliance for Financial Inclusion framework) to gauge the extent of financial inclusion among women and youth with four indicators: Access, Usage, Quality, and Welfare improvements. Data collection involved a survey of rural and urban women and youth in three target categories. The study team met with experts from regulatory bodies and government ministries and the private sector – including commercial banks, microfinance institutions, mobile network operators (MNOs) and other non-bank financial institutions – to document their experiences and perspectives. The research outcome is an extensive report that presents and makes a detailed analysis of the findings and identifies the gaps within the system in dire need of attention from the regulatory agencies and the private sector.

Key Findings

ACCESS:

The government remains committed to building a robust financial sector. As part of that commitment, in 2009, Sierra Leone joined the Alliance for Financial Inclusion (AFI), signed the Maya Declaration on financial inclusion in 2012 and made commitments to the Better than Cash Alliance (BTCA) in 2015. The recently launched National Financial Inclusion Strategy (2017-2020) aims to make financial services accessible and affordable to all Sierra Leoneans and support inclusive and resilient private-sector led growth, particularly through micro, small and medium-sized enterprises (MSMEs). Development partners have helped craft a financial inclusion policy Know-Your-Customer (KYC) and minimum deposit requirements hamper financial inclusion of women and youth. The Mobile Money Guidelines require customers to present for verification “at least one of the following documents … valid passport, driving permit, identity card, voter’s card, financial card, local administration letter or business registration certificates”. The Anti-Money Laundering and Combating of Financing of Terrorism Act (2012) additionally requires a verifiable address. Stakeholders interviewed noted that national identity cards had not been issued for two or so years (due to a reorganization of government departments). The voter’s card was therefore widely used instead but excluded youth below voting age. Addresses were also a challenge. Minimum deposit requirements in commercial banks are a major hurdle. To open an account, most banks require a minimum deposit of around Le100,000 ($11.76), which limits access. The Sierra Leone Financial Inclusion Strategy (2017-2020) aims to reduce this minimum balance requirement to zero.
Digital financial services are fast improving access to formal financial services. Sierra Leone has 1,811 financial access points but access is concentrated in big towns and cities. About 75 percent of the finance access points (1,356) are mobile money operators, while microfinance institutions (MFIs) comprise 7 percent (125). Banks provide only 6 percent (110) of access points. About 86 out of 191 Chiefdoms have no form of financial services access points.

High transaction costs, waiting time and limited access points remain barriers to financial inclusion for women and youth. Transaction costs are a big deterrent for at least 25 percent of both rural and urban male youth. The other key concerns are waiting time and location/proximity to financial services. Transaction costs are also important for rural and urban women but transportation costs (25%) and location/proximity (30%) were found to be more critical in influencing access to financial services for female youth in rural areas. There has been an increase in the number of local FinTech organizations that aim to provide essential financial services to the unbanked with mobile-based products.

The scarcity of bank branches outside major cities is a major challenge. Bank and microfinance institution (MFI) branch presence in rural areas remains sparse, which affects patronage. In contrast, a mobile money agent is the most common financial access point for women in urban areas (23%) and for female youth in rural areas (37%) due to mobile money’s near ubiquity, ease of use, convenience, and trust. With the exception of male urban youth, the second most common channel used by the rural and urban youth cohort is the mobile phone, accounting for between 22 and 28 percent of usage respectively.

Traditional banks are not reaching the unbanked. Reasons for this include the small size of markets, poor financial literacy and low-income levels of the unbanked, of whom a disproportionate number are women and youth. Regulations are weak and banks still rely on the traditional model of branch networks and expensive technology. As of 2017, only seven of the 14 commercial banks in the country had automated teller machines (ATMs) or Europay, Mastercard and Visa (EMV) cards.

Media coverage and advertising heavily influence decisions of women and youth on type of account to open. The two factors combined account for 24.0 percent (rural women) and 44.4 percent (rural female youths) of reasons for opening an account. One’s own previous experience accounted for between 40 percent (urban male youths) and 27.8 percent (female urban youths). Advice from friends accounted for 44 percent for rural elder women. This shows that for future sales and marketing, types of media used are influential and important for different social groupings.

Culture and local traditions hinder the financial inclusion of women. Sierra Leone has a highly patriarchal society with institutionalized gender biases and inequalities such that in some parts of the country, husbands must approve women’s personal and business transactions. Generally, women have limited access to assets, which could be used as collateral for credit.

**USAGE and QUALITY:**

The dearth of gender- and age-disaggregated data precludes the formulation of targeted policies and the development of innovative products. The Bank of Sierra Leone (BSL) does not collect disaggregated data from banks, although it does from MFIs. Few financial service providers (FSPs) and MNOs indicated they collected or tracked gender-, age- and location-disaggregated transaction data. This means that unique insights on women and youth are lost and nuanced policies cannot be developed for this cohort.

The lack of interoperability of mobile payments raises product and service pricing. At the time of authoring this report, BSL was working with the US Treasury to resolve what is considered one of the major barriers by providers, as it adds to their operating costs, which are ultimately passed on to consumers, thereby affecting the economics and user experience of mobile financial services.

Regulatory barriers impede financial product innovation. Sierra Leone is one of the few African countries where there is a “regulatory sandbox” to test financial innovations. However, there are still limits on the products MNOs are allowed to offer (for example, digital credit; paying interest on savings; and international outward remittances) and collateral requirements are still high for women and youth.

MFIs are the most women- and youth-focused of all FSPs, but there tends to be a gap in product quality and product-user fit. The lack of quality products is due mainly to the MFIs’ limited funding, poorly segmented data and limited geographic footprint. Commercial banks have set rules for accessing loans irrespective of gender. However, women are disadvantaged because they mostly operate under-capitalized micro-enterprises.
There is a wave of financial innovation in the microfinance industry: Some MFIs address women’s collateral shortcomings with special products such as group loans. They have also introduced salary loans, fixed asset lending, leasing, microinsurance and transfers. The average loans are small as is the repayment period.

More financial education is needed among this cohort, particularly with regard to product security, disclosure of consumer rights and dispute resolution. The study found that there is great need for targeted sensitization focused on account security, device handling and interpreting SMS alerts. Another issue was the low number of agents in rural areas and the limits some put on cash transactions.

Credit repayment risk remains a primary concern for most FSPs in dealing with the youth. For MFIs, women had a better loan repayment history than their male counterparts and this encouraged them to continue lending.

A significant number of respondents are not confident in using mobile money. Awareness of mobile money (MM) was 89.5 percent for male youths, 94.4 percent for female youths and 69.4 percent for women over 35 years. This shows there is already a base for up-scaling in communities. However, 33.3 percent of these male youths and 40 percent of women above 35 said they did not feel confident in using it or know how to use it well, which points to a knowledge gap.

High transaction costs were identified by many as a barrier to use of financial accounts. The top two issues restricting the use of financial accounts by urban male youths are transaction costs (24.6%) and queues (21.5%). For rural male youths, it is transaction costs (27.6%) and proximity (26.3%). Transaction costs are most important (32.7%) for urban female youths followed by transportation costs (18.2%).

Agent malpractices were singed out as major disincentives to usage. Some of the mobile money agents placed limits on how much money can be withdrawn; there were also disputes about deduction of charges. All these point to gaps in security, product knowledge and consumer protection.

WELFARE:

There is no clear set of indicators that FSPs monitor the welfare impact of their products and services. Institutions did not monitor the women and youth contribution to business growth. Some institutions had clients who had been with them for over 10 years, which would have allowed them to see changes in their personal and business accounts. And although women are a significant market for MFIs, there is still virtually no analysis of the impact of the finance provided.

Since lack of access to finance is a major constraint to entrepreneurship and job creation, most youth respondents resort finding a job rather than starting a business after school. Limited access to finance is by far the largest constraint for enterprises in Sierra Leone (40% compared to 22% for SSA), with small businesses (5-19 employees) even higher at 44 percent. The survey found that on completing their education or training, 54 percent of male youth respondents and 53 percent of female youth respondents wanted to find a job. Only 20.8 percent of male youth and 21.3 percent of female youth wanted to go into business.

Urban female youth are more risk averse than women over 35 years old but generally, more females than males used loans for business needs. Most respondents (47.7%) used loans to start or grow a business or farm. Next came loans for family emergencies (20%), school fees (14%) and daily household consumption (11 percent). Of those who took loans to finance their businesses, 40 percent were female youths, 37 percent were women over 35 and 22 percent were male youths.

Generally, urban and rural male youths have fewer businesses than women. About 52 percent of the population are women, of whom 70 percent are economically active. Of this economically active female population, about 70 percent participate in micro and small businesses. Around 29.3 percent of urban male youths own a business compared with 81.6 percent of women over 35 and 55 percent of urban young women. Most (51%) business owners said their main source of funding was personal funds or savings, followed by loans from family and friends (20%) and from commercial banks (10%).

Financial literacy and education should be prioritised for women and youth. Many participants in the target groups expressed the need for education, training and prompt follow up. To be effective, this training and education has to balance general financial knowledge with product-specific knowledge for a given target group.
Recommendations

ACCESS

The government should expedite the issuance of ID cards to enable youth and women to access financial services with semi-formal IDs. BSL should accelerate its proposal to create a three-tier Know-Your-Customer (KYC) scheme, featuring lower requirements for people in villages and progressively higher requirements for those in the middle-income and high-income categories.

Regulations for agency banking need to be completed. The government should work with other stakeholders, such as the US Treasury to fast-track regulations for inclusive finance, particularly agent banking. This includes crafting policies to address specific constraints facing this cohort such as lower levels of asset ownership, and to improve the financial infrastructure with credit bureaux and collateral registries to lower the barriers for women and youth to access credit.

Access to land and capital in rural areas needs to be addressed urgently. The issue of access to land and title to use as collateral is crucial for enabling young people to go into farming or other self-employment. Promoting digital product innovations can reduce the need for such collateral, using alternative scoring and other reputation collateral to broaden access to credit.

DFS Working Group terms of reference should be reviewed. This should be able to enhance market development for DFS with clearly defined relationships with regulators and stakeholders. It could also help create a regional forum on DFS among West African Monetary Zone regulators.

The government can accelerate technology use and expansion. It could incentivise infrastructure investment through grants, loss guarantees and technical assistance and lower import duties on DFS devices like smart phones. MNOs could share towers to reduce initial capital outlay and improve coverage. NATCOM should consider tiering the cost of USSD licenses so that smaller fintechs can use this channel at a reasonable cost.

USAGE AND QUALITY

Regulator experience in DFS and mobile money should be developed. State agencies need continuing capacity building through workshops and regional exchanges on the payments system; MNO interoperability; alternative delivery channels; consumer financial capabilities and due diligence.

The private sector should strongly consider forming strategic partnerships with other service providers and NGOs to improve the business case for serving underserved populations like women and youth. Good examples of such collaborative efforts are MNOs sharing towers to improve the business case for network expansion, or partnerships where NGOs de-risk the initial cost of private sector investment through grants, loss guarantees, and technical assistance.

Regulators and providers need to disaggregate data by gender and age. It is imperative for the government and the private sector to prioritise the collection and analysis of gender- and age-aggregated data on matters relating to financial inclusion. Production of disaggregated data must be imposed on financial and key non-financial entities (such as MNOs, FinTechs, women and youth associations, etc.) through government or industry-led regulation. This is a necessary first step for both government and the private sector to understand the unique circumstances and behaviour of this important cohort.

More research is required on agency network management. Field respondents called for more agents, better infrastructure, fewer network outages and greater agent liquidity. These ideas should be tested by stakeholders working on financial inclusion for women and youth.

MFIs and FSPs should adopt a customer-centric approach to product development for women and youth. FSPs should engage women and youth much more in the design and development of financial products to ensure that their unique insights and circumstances are factored into the product development process.

Women and youth need higher levels of technical education. The government recognises the need to empower women and girls through education. NGOs should expand support to business development service providers; empower entrepreneur networks; and expand research. Fintechs can help deliver training and apprenticeship, particularly in rural areas.

Providers should also strive for higher quality product offerings by taking customer quality and security concerns into account. Specific suggestions provided by respondents on how security should be improved included better sensitization and education on account security issues, and the introduction of biometric and SMS alerts. Increased demand for products can be achieved through educative programmes on TV, or via radio and flyers. Greater demand for mobile money products could be achieved through publicity and
customer education, potentially in local languages. Providers should also ensure that feedback mechanisms for their products are streamlined and that key underserved segments like women and youth are able to easily express their grievances and concerns through these response channels.

**WELFARE**

Public-private partnerships should increasingly support the enhancement of business development support service providers, empower entrepreneur networks among this cohort, and expand research into the needs of women and youth to inform the development of targeted products and programmes that enhance their inclusion. It is important that financial and skills training and apprenticeship opportunities are extended to rural areas, where disadvantage is greatest. Finally, more support should be given to youth cooperatives which have proven successful in promoting youth livelihoods in rural areas.

Develop financial products to meet short-term financing needs: Financial service providers should meet the needs of women and youth by developing appropriate business products such as short-term financing for businesses and no-frills savings accounts that allow for low to zero minimum balances.
Lists of Tables and Figures

Table 1: Key Socio-Economic Indicators ................................................................. 4
Table 2: Monthly Household Income..................................................................... 5
Table 3: Financial Service Providers...................................................................... 9
Table 4: Access Points, by Category..................................................................... 10
Table 5: Channels of Access to Financial Services.............................................. 11
Table 6: Digital Financial Services Landscape.................................................... 15
Table 7: Use of Loan Proceeds, by Category of Respondent................................. 20
Table 8: Business Ownership and Financing........................................................ 21

Figure 1: Research Conceptual Framework ......................................................... 3
Figure 2: Analytical Framework .......................................................................... 3
Figure 3: Post-Education Intentions..................................................................... 20
Acknowledgements

This report was funded by the International Development Research Center (IDRC), Canada and prepared by an African Center for Economic Transformation (ACET) team led by Edward K. Brown (Senior Director, Policy Advisory Services) and including Richmond Commodore (Project Engagement Manager) and David Darkwa (ACET Consultant).

Our thanks go to Dave Sessions and Adadzewa Otoo, for their valuable comments and inputs into earlier drafts of the report. We appreciate the efforts of our associates, Ayani BV, who conducted the country fieldwork and authored the initial drafts of the report.

We are also grateful to all stakeholders for their time, knowledge and insights, particularly all the people that we met during our fieldwork and the country validation workshop in Freetown, Sierra Leone.

Disclaimer: All views expressed and any errors in the study are the sole responsibility of the authors and should not be attributed to ACET or its management, or its other scholars.
List of Abbreviations and Acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACET</td>
<td>African Center for Economic Transformation</td>
</tr>
<tr>
<td>AfDB</td>
<td>African Development Bank</td>
</tr>
<tr>
<td>AFFORD-SL</td>
<td>African Foundation for Development – Sierra Leone</td>
</tr>
<tr>
<td>AFI</td>
<td>Alliance for Financial Inclusion</td>
</tr>
<tr>
<td>AfP</td>
<td>Agenda for Prosperity</td>
</tr>
<tr>
<td>A2F</td>
<td>Access to Finance</td>
</tr>
<tr>
<td>ATM</td>
<td>Automated Teller Machine</td>
</tr>
<tr>
<td>BSL</td>
<td>Bank of Sierra Leone</td>
</tr>
<tr>
<td>BTCA</td>
<td>Better than Cash Alliance</td>
</tr>
<tr>
<td>CBS</td>
<td>Community Banks</td>
</tr>
<tr>
<td>CGAP</td>
<td>Consultative Group for Assistance to the Poor</td>
</tr>
<tr>
<td>DFS</td>
<td>Digital Financial Services</td>
</tr>
<tr>
<td>FAO</td>
<td>Food and Agriculture Organization</td>
</tr>
<tr>
<td>FinTech</td>
<td>Financial Technology</td>
</tr>
<tr>
<td>FSA</td>
<td>Financial Services Association</td>
</tr>
<tr>
<td>FSDA</td>
<td>Financial Sector Deepening Africa</td>
</tr>
<tr>
<td>FSP</td>
<td>Financial Service Provider</td>
</tr>
<tr>
<td>GoSL</td>
<td>Government of Sierra Leone</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>KII</td>
<td>Key Informant Interview</td>
</tr>
<tr>
<td>MFI</td>
<td>Microfinance Institution</td>
</tr>
<tr>
<td>MM4P</td>
<td>Mobile Money for the Poor</td>
</tr>
<tr>
<td>MNOs</td>
<td>Mobile Network Operators</td>
</tr>
<tr>
<td>MoFED</td>
<td>Ministry of Finance and Economic Development</td>
</tr>
<tr>
<td>MSME</td>
<td>Micro, Small and Medium Enterprises</td>
</tr>
<tr>
<td>MM</td>
<td>Mobile Money</td>
</tr>
<tr>
<td>NATCOM</td>
<td>National Telecommunications Commission</td>
</tr>
<tr>
<td>NSFI</td>
<td>National Strategy for Financial Inclusion 2017-2020</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
</tr>
<tr>
<td>OWNERS</td>
<td>Organization of Women’s Networks for Entrepreneurs</td>
</tr>
<tr>
<td>POS</td>
<td>Point-of-Sale terminals</td>
</tr>
<tr>
<td>SLAMFI</td>
<td>Sierra Leone Association of MFIs</td>
</tr>
<tr>
<td>SLCB</td>
<td>Sierra Leone Commercial Bank</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprises</td>
</tr>
<tr>
<td>SSA</td>
<td>Sub-Saharan Africa</td>
</tr>
<tr>
<td>UNCDF</td>
<td>United Nations Capital Development Fund</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
</tr>
<tr>
<td>YMF</td>
<td>Youth Microfinance Project</td>
</tr>
</tbody>
</table>
The latest round of global findex data shows that two particular groups—women and youth—consistently have lower economic and financial representation than adult and youth male.
1.1 Background

In sub-Saharan Africa (SSA), technological innovations are making it possible to provide low-cost and convenient financial services to the financially excluded, with secure transactions that boost confidence in the payment system. Emerging research – notably from the African Development Bank, Alliance for Financial Inclusion, Women’s World Banking and the World Bank – is exploring the extent of women’s and youth’s exclusion and efforts to empower them by closing the exclusion gaps. Researchers, policymakers and development experts agree that failing to develop the human capital of women and youth represents valuable lost output and potential, and especially for youth, undermines their lifetime productivity and earnings potential.

From the supply side, women’s financial inclusion deepens the current client base with potential increase in savings and lending opportunities. Youth financial inclusion represents a broader client base in future and comes with greater risk. Financial inclusion can help create jobs and businesses. While women may resort to informal mechanisms to address their unmet savings and credit needs, the youth tend to save less and could remain outside the formal financial system.

1.2 Objectives and scope of the study

This study identified and evaluated the effectiveness of existing financial inclusion initiatives in Sierra Leone and their relative success or failure in achieving desired goals; tracked progress, compared approaches, gauged the impact of successes and failures of different approaches in Sierra Leone, and drew lessons for policymakers, regulators, and service providers. Specifically, the study sought:

- a. On the regulatory side, to take stock of the scope of public policy initiatives and regulatory environment in Sierra Leone to accelerate progress towards advancing women and youth access to financial services;
- b. On the supply side, to take stock of the process and product innovations that are taking place in the country intended to deepen and to broaden financial inclusion beyond the traditional male clients;
- c. On the demand side, to document the experiences of women and youth financial inclusion through four different lenses: access, quality, usage, and welfare; and how entrepreneurship opportunities, especially micro-enterprise start-ups, are being made more accessible through financial inclusion for women and youth; and
- d. Finally, to identify and evaluate the effectiveness of the existing financial inclusion initiatives and their relative success or failure in achieving desired goals.

These objectives are useful for policymakers, regulators and service providers because they highlight gaps, opportunities and at the same time highlight the potential loss of output and employment if the financial exclusion of women and youth are not addressed comprehensively. For women and youth, who tend to be the most disenfranchised, the study is particularly useful as it will attempt to glean insights on the impact that increased access to financial services has had on their livelihoods.

1.3 Methodology and Conceptual Framework

The study aimed to: (a) analyse the regulatory framework for access to finance for women and youth; (b) explore the product innovations focused on the target groups; (c) document the financial experiences of women and youth; and (d) assess how friendly the regulatory, macro and supplier landscape is for women and youth seeking finance.

The African Center for Economic Transformation (ACET)’s Policy Engagement Model (APEM) was adopted for this study. It engages multiple stakeholders in addressing key policy issues to ensure that conclusions and recommendations emerge from healthy debate and rigorous analysis of different perspectives. The project began with a country inception report, which featured desk research and analysis of quantitative and qualitative data from secondary sources. It discussed the macro/ regulatory environment, financial services and...
related innovations, best practices, key issues, and challenges and suggested solutions to expanding access to finance (A2F) in Sierra Leone. Following the project inception meeting – which was held in Accra, Ghana – researchers embarked on data collection in Sierra Leone covering three broad categories of stakeholders:

a. **Regulators and policymakers:** Institutions consulted in the process included the National Telecommunications Commission (NATCOM); the Bank of Sierra Leone; the ministries of Finance and Economic Development, and Social Welfare; the National Youth Commission and two policy advocacy institutions, Afford and Market Women Association.

b. **Supply-side actors:** Providers interviewed included: three non-bank associations (Support Credit Union Development Sierra Leone; St Joseph Savings Club; and Yoni Community Bank); three commercial banks: Union Trust Bank (UTB), Guaranty Trust Bank (GT Bank) and Zenith; four microfinance institutions; and two mobile money operators (MMOs).

c. **Demand side:** More than 300 young women, young men and adult women were consulted. The study followed the African Union definition of a youth as any individual between the ages of 15 and 35 years of age. Adult women were 35 years and above.

Three main tools were deployed for the data collection process: structured one-on-one interviews, focus group discussions (FGDs) and surveys. Regulatory and supply-side actors were interviewed in person. Ahead of the interviews with the providers/suppliers, data was sought from each FSP regarding: deposit-taking and lending instruments; the types of businesses they support; average loan amounts; credit application processes; and other information segmented by gender and age. Unfortunately, some of the data was not easily forthcoming from a number of the players.

To obtain information from the demand perspective, FGDs and survey interviews were used. The interviews with representative associations helped to triangulate stated facts with user experience on the ground. In all, FGDs were organised for about 57 youth and women in the capital, Freetown and Mile 91 (about 146 km from Freetown). Surveys were also conducted with 261 respondents distributed by geography, youth and gender. Feedback and information gathered from the interviews and surveys were collated and analysed, and the issues and findings were synthesised in line with the study objectives to produce the report. A validation workshop was then held in Freetown to present the key findings and recommendations to stakeholders and provide a platform for stakeholders to give inputs and exchange experiences and knowledge on inclusive development finance. The report was then revised to incorporate the feedback from the validation meeting. This report duly reflects the inputs from these engagements. See Annex 1 for a detailed description of the methodology adopted for this study.

### 1.3.1 Conceptual Framework

The study is based on the conceptual framework depicted in Figure 1 below. It has four main objectives: (a) analyse the regulatory framework for access to finance for women and youth; (b) explore product innovations focused on the target groups; (c) document the financial experiences of women and youth; and (d) diagnose how friendly the regulatory, macro and supplier landscape is for women and youth seeking finance.

### 1.3.2 Analytical Framework

The analytical framework for this study is derived from the Alliance for Financial Inclusion's policy paper on defining and measuring financial inclusion. The paper assesses the extent of financial inclusion through four lenses: access, usage, quality and welfare improvements.

- **Access** measures the ability of women and youth to access financial services and products. It gives insights into potential barriers to opening and using financial accounts. Key factors that affect this indicator include proximity of financial access points; type, number and quality of delivery channels; and legal or cultural limitations.

- **Usage** measures the actual use of financial products among women and the youth. It includes the combination of products and services, and the behaviour and usage patterns of this cohort, paying particular attention to frequency and duration of specific uses.

- **Quality** is the measure of relevance of financial services or products to client needs. One aspect is the extent to which available services meet their needs. The other determines the fit of financial products by assessing the provisions to address their unique circumstances such as dispute and grievance resolution mechanisms and consumer protection.

- **Welfare** gauges how access, quality and usage have helped clients in starting up and scaling businesses, created jobs, and contributed to general household wellness. For the youth, what is important may be more of their enhanced...
capability and getting started than just having a deposit account. It matters what credit instruments are available to them, the accessibility of these instruments and how these facilities have helped to stimulate their entrepreneurship.

The above indicators for each of the four perspectives, and how policies, regulation, supply-side and demand-side issues affect them, are depicted in Figure 2 below.

### Figure 1: Research Conceptual Framework

<table>
<thead>
<tr>
<th>OBJECTIVES</th>
<th>STAKEHOLDERS</th>
<th>TOOLS</th>
<th>OUTPUTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>REGULATORY SIDE</td>
<td>Assess the regulatory landscape and take stock of public policy initiatives and business practices designed to advance women and youth financial inclusion</td>
<td>Ministry of Finance, Central Bank, Financial service providers at the forefront of financial innovation</td>
<td>In-person expert interviews, 3 Country Reports, Validation Workshop, Synthesis Report, Policy Learning Event</td>
</tr>
<tr>
<td>SUPPLY SIDE</td>
<td>Explore the process and product innovations spearheaded by service providers to deepen financial inclusion beyond traditional male clients</td>
<td>Financial service providers at the forefront of financial innovation</td>
<td>Focus group discussions, Quantitative survey</td>
</tr>
<tr>
<td>DEMAND SIDE</td>
<td>Document the experiences of youth, women, group institutions and other stakeholders from 4 lenses: access, usage, quality, and welfare</td>
<td>Regulators and macro actors, Private sector players (financial institutions, MNCHs, etc.)</td>
<td>Institutional data, Household data, Country-level data</td>
</tr>
<tr>
<td>DESK RESEARCH</td>
<td>Diagnose the policy, regulatory, institutional and provider landscape on how women — friendly and youth — friendly the financial systems are</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Figure 2: Analytical Framework

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>INDICATOR CATEGORY</th>
<th>REGULATORY</th>
<th>SUPPLY SIDE</th>
<th>DEMAND SIDE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACCESS</td>
<td>Ability to access tailored financial services</td>
<td>Proximity</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Channels</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Barriers (legal, cultural, economic)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>USAGE</td>
<td>Actual use of financial services</td>
<td>Products (combination of products/services in use)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Patterns (frequency, duration)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Behavior</td>
<td></td>
<td></td>
</tr>
<tr>
<td>QUALITY</td>
<td>Appropriateness of financial services for peculiar circumstances of women and the youth</td>
<td>Security</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Products (attributes, fit with customers’ needs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Consumer Protection</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WELFARE</td>
<td>How access, usage and quality have impacted the livelihoods of customers in areas such as entrepreneurship and personal / business productivity</td>
<td>Individual consumption levels/productivity</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Business productivity</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

= Primary Data Source  = Contributory Data Source

To find out more, visit ACET at www.acetforafrica.org
Chapter 2: Situational Analysis of Sierra Leone

2.1 Socio-economic and demographic characteristics

Sierra Leone, considered a fragile country, has been largely democratic and stable since 2002. It made a peaceful transition to independence with its first elections in 1962 and was a democracy until 1978, after which it became a one-party state until 1985. For most of the 1990s the country endured a vicious civil war resulting in over 50,000 deaths and half a million displaced. Peace was restored in early 2002 and Sierra Leone has had an uninterrupted democracy since. In April 2018, Julius Maada Bio of the Sierra Leone People’s Party won a run-off to become president.

Table 1: Key Socio-economic indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (Est.)</td>
<td>7.4 mn</td>
</tr>
<tr>
<td>Human Development Rank 2016 (out of 188)</td>
<td>179</td>
</tr>
<tr>
<td>% Rural Population</td>
<td>60%</td>
</tr>
<tr>
<td>% Under Poverty Line</td>
<td>60%</td>
</tr>
<tr>
<td>GDP per Capita (Current Prices)</td>
<td>$505</td>
</tr>
<tr>
<td>Literacy Rate</td>
<td>41%</td>
</tr>
<tr>
<td>% Access to Financial Services (2017)</td>
<td>20%</td>
</tr>
<tr>
<td>Bank Branches per 100,000 Inhabitants</td>
<td>2.97</td>
</tr>
<tr>
<td>ATMs per 100,000 Inhabitants (2016)</td>
<td>0.37</td>
</tr>
</tbody>
</table>

Source: UNDP; Global Economy; Global Findex (2017); Borgen Project; Better than Cash Alliance

Poverty remains widespread. After growing at an average annual 7.8 percent over the period 2003 to 2014, the rate plummeted to 4 percent in 2015. Growth picked up in 2016 after one of the two iron ore companies resumed operations, then slowed again to 4.3 percent in 2017, largely due to a weak recovery in mineral production. The country is typically described as a “fragile state” where poverty is about 20 percent higher than for countries with comparable levels of development. Such fragility affects the country’s capacity to provide basic financial services through formal and informal channels. An International Monetary Fund (IMF) study ranked Sierra Leone 35th in terms of fragility among 178 countries in 2018.

About 52 percent of the population are women; 70 percent of them are economically active. Of this 70 percent, an estimated 70 percent have micro and small businesses. However, the latest Findex data (based on a survey of 1,000 people in Sierra Leone) indicate that: (a) Only 9.8 percent have an account at a formal financial institution (compared to 12.4% of the total population); (b) 45.3 percent of women borrowed money (compared to 49.0% of the whole population); but (c) 6.1 percent borrowed from a financial institution or used a credit card (against 5.2% of the total population). With 95 percent of the economy in the informal sector, about 84 percent of rural women and 63 percent of urban women engage in small-scale farming and fishing, table-top trading and artisanal mining. Avenues by which small business owners can acquire much needed business skills, loans and other financial services are not well developed; demand for business management skills also goes unmet.

Less than a third of the population has access to formal financial services and a significant gender gap exists in terms of access to finance. The Global Findex (2017) indicates that only 20 percent of the population has an account in formal financial institutions; whether a bank, credit union, cooperative, post office or microfinance institution (MFI), compared with 32.8 percent for the entire continent and 69 percent globally. The 2017 Bank of Sierra Leone (BSL) Geospatial Data Analysis and Financial Inclusion study estimated that about “6.3 million Sierra Leoneans are financially excluded” and only about 500,000 Sierra Leoneans received a loan from a formal financial institution. Women and youth are worse off in terms of financial inclusion than other groups, with women trailing men in account ownership by nine percentage points.

The youth are worse off on many indicators. Employers perceive people aged between 18 and 24 as being less reliable, less trustworthy, less hard working, less cooperative and less skilled than adults. Partly as a result, more than 50 percent of young people in urban areas are unpaid workers. Another study indicates that 17 percent of urban youth aged...
15-35 are unemployed and only nine percent of those working are in formal employment. The National Strategy for Financial Inclusion (NSFI) states that 60 percent of youth are under-employed or unemployed. The Global Findex (2017) reports that among the youth (15 to 24 years): (a) only 10.2 percent have an account at a formal financial institution (compared to 12.4 percent of the total population); (b) 46.6 percent of youth were able to borrow money from any source (compared to 49.0% for the whole population); and (c) 3.5 percent borrowed from a financial institution or used a credit card (against 5.2% of all people in Sierra Leone).

2.2 Profile of the sampled population

This section profiles the women and youth cohorts engaged during the primary data collection exercise. The areas covered during the surveys were Kalaba Town, Wellington, Kissy, Brookfields, Aberdeen, Lumley, Goderich, Regent, Congo Town, Bassa Town, Semma Town, Fulla Town, Lumpa, Monkey Bush, Water Kroo, Bengazie, Kingston Water, Maroon Water, Quarry, Makama, Masuba, Ropololom, Rogbana Road and Magburoka Road. In all, 261 respondents were engaged in a quantitative survey, of which male youth constituted 36.8 percent and female youth 31.4 percent with the remaining 31.8 percent being women over the age of 35 years.

Over 23 percent of all respondents have a minimum of senior secondary education; over 25 percent of women respondents were uneducated. The National Household Survey of 2017 showed that 55.9 percent of the population has pre-primary, nine percent have primary and 11 percent have junior secondary. About 13.5 percent of male youth completed university compared with 2.4 percent of female youth and 7.2 percent of women over 35. The survey shows that 11 percent of female youth and 3.1 percent of male youths have no formal education. Furthermore, although urban dwellers have better access to formal education, rural dwellers receive more vocational training than their urban counterparts.

Most respondents (76%) had monthly household income of under 800,000 leones. About 83 percent rural youth and rural women are under that threshold. Currently the minimum wage is Le500,000 and 34 percent of respondents are below that. Rural female youth and rural women are worse off. For urban and rural male and female youth, the top three sources of household income are casual work; business trade; and family and friends. For rural female youth, support from husband was also high (33%). For rural and urban adult women, husband’s income is among the top three sources of income. Farming is not in the top three in all categories, showing that most rural dwellers see themselves as traders and not subsistence farmers. About 53.7 percent of urban male youths are the main breadwinners in their households and 56.4 percent for rural male youths. Among rural women over 35 years, 40.0 percent were the main breadwinners, while 51.1 percent of rural men were the main breadwinner compared to 33.3 percent in urban areas.

Mobile phone penetration is about 95 percent. Only 3.5 percent of male youth respondents did not have phones, compared with 8.3 percent and 12.2 percent for female youth and women respectively. Thus, there are no hardware limitations for mobile money usage. The study found that 43.5 percent of respondents had smartphones, 41.7 percent had basic phones while only 14.8 percent had feature phones. Rural dwellers have a slight edge in ownership of smartphones. With feature phones the most common among them also, there is already a base for upscaling such a service in rural communities.

<table>
<thead>
<tr>
<th>Monthly Household Income (Le)</th>
<th>Male Youth Urban</th>
<th>Male Youth Rural</th>
<th>Female Youth Urban</th>
<th>Female Youth Rural</th>
<th>Female Over 35 (Urban)</th>
<th>Female over 35 (Rural)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 400,000 ($51.55)</td>
<td>36.6%</td>
<td>32.7%</td>
<td>35.0%</td>
<td>40.5%</td>
<td>15.8%</td>
<td>44.4%</td>
</tr>
<tr>
<td>400,000 to 800,000($51.55- $103.09)</td>
<td>22.0%</td>
<td>50.9%</td>
<td>42.5%</td>
<td>45.2%</td>
<td>47.4%</td>
<td>40.0%</td>
</tr>
<tr>
<td>800,001 to 2,500,000($103.09-$322.16)</td>
<td>22.0%</td>
<td>12.7%</td>
<td>7.5%</td>
<td>9.5%</td>
<td>15.8%</td>
<td>11.1%</td>
</tr>
<tr>
<td>2,500,000 to 5,000,000 ($322.16-$644.33)</td>
<td>2.4%</td>
<td>3.6%</td>
<td>2.5%</td>
<td>4.8%</td>
<td>0.0%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Above 5,000,000 ($644.33)</td>
<td>17.1%</td>
<td>3.6%</td>
<td>12.5%</td>
<td>0.0%</td>
<td>21.1%</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

Source: ACET Fieldwork (2018)
Chapter 3: Access

This chapter examines three key issues of access to financial services for women and youth in Sierra Leone: (a) policy and regulatory initiatives—implications and impact; (b) supply-side issues, such as proximity, channels and barriers to services (cultural and economic); and (c) demand-side issues (with stakeholder views and responses. The chapter concludes by summarising the shortcomings of the financial services landscape in providing access to women and youth.

3.1 Policy, Regulatory and Institutional Overview: Initiatives, Issues and Measures

3.1.1 Policy, legal and regulatory issues:

Sierra Leone adopted a comprehensive strategy for financial sector reform in 2008 to strengthen banking supervision, enhance competition, increase access to credit and improve the payment system. The central bank (BSL) has also been adjusting minimum capital requirements to strengthen system stability. The major legislation and regulations are as follows:

<table>
<thead>
<tr>
<th>Bank of Sierra Leone Act, 2011 states that the BSL shall be responsible for the regulation, licensing, registration and supervision, “including the imposition of remedial measures and administrative sanctions, of commercial banks and other financial institutions in accordance with this Act or any other enactment.”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking Act, 2011: This law applies to institutions that accept deposits from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order, or by any other means; and “using the funds, whether in whole or in part, to make loans or investments for the account, and at the risk, of the person doing the business.” With support from the IMF, BSL is reviewing this Act and the Bank of Sierra Leone Act so that “the revised Bank of Sierra Leone Act will articulate more visibly, a three-tiered mandate with a revised governance structure.”</td>
</tr>
<tr>
<td>Other Financial Services Act, 2001: BSL licenses, regulates and supervises the APEX Bank, under this Act. The Apex Bank’s mandate is to serve as a “central bank” for the community banks, offering a “central clearing service and performing first level regulatory and supervisory duties.”</td>
</tr>
<tr>
<td>Guidelines for Other Deposit-taking Institutions, 2011: This covers deposit-taking microfinance institutions, community banks, savings and loans and any institution accepting deposits from the general public other than commercial banks, using such deposits to grant loans and conducting other activities as prescribed by BSL.</td>
</tr>
</tbody>
</table>
| Telecommunications Act, 2006, as amended in 2009: This mandates the formation of the National Telecommunications Commission (NATCOM), which is to establish “an effective, sound and dynamic licensing regime that is responsive to industry demands; the regulation of the activities of telecoms operators aiming at promoting efficiency and fair competition; ensuring expansion in investment in the sector; and adopting rules and procedures that guarantee and protect the rights of users of telecoms services”.

Mobile Money Guidelines (2015): BSL issued mobile money guidelines for the first time in November 2015 and has been recently active in the digital finance ecosystem. Prior to the Ebola crisis, there was no legal framework for mobile money. Digital financial services (DFS) is one of six key areas identified in the NSFI.
The government remains committed to building a robust financial sector. As part of that commitment, in 2009, Sierra Leone joined the Alliance for Financial Inclusion (AFI) and in 2012 signed the Maya Declaration on financial inclusion. The government also made commitments to the Better than Cash Alliance (BTCA) in 2015 to broaden digital access to the formal financial sector. In May 2018, the Minister of Finance and Economic Development restated the importance of “strengthening regulation and supervision of financial institutions” through the BSL. He supported the setting up and strengthening of microfinance institutions as well as the development of a digital financial services ecosystem to expand access to financial products and services. He supported public-private partnerships to enhance private investment in ICT infrastructure, “establish a thorough electronic governance system” and with other stakeholders, implement key government policies such as the “Government-to-People (G2P) initiative to digitise payment of subsidies to key sectors and social welfare payments to beneficiaries and ensure fiscal consolidation.”

New National Strategy for Financial Inclusion 2017-2020 (NSFI) launched. The national strategy aims to make financial services accessible and affordable to all Sierra Leonians and micro, small and medium-sized enterprises (MSMEs), and support inclusive and resilient private-sector-led growth. One of its six objectives is to “enable financial services and delivery channels to leverage technology to design and deliver services for a cross-section of the population including women, youth, rural dwellers and MSMEs”. The NSFI will develop innovative and sustainable training programmes with consistent messaging targeting the same four groups.

The urgent need to facilitate cash payments during the Ebola crisis sparked the beginning of mobile money. Prior to the Ebola crisis, there was no legal framework for mobile money (MM). However, BSL issued Mobile Money Guidelines in November 2015. MNOs are not allowed to give credit, pay interest or offer international outward remittances, so they do not compete with commercial banks and increase outward flows of funds. This means mobile wallets are limited to internal payments and directing savers to banks and/or MFIs. Using West African and East African models, NATCOM is working on pricing for technological channels such as USSD with tiered costing to enable flexibility in prices depending on the supplier, be it a bank, MFI, or a fintech.

Know-Your-Customer (KYC) requirements hamper financial inclusion. The Mobile Money Guidelines require customers to present for verification “at least one of the following documents ... valid passport, driving permit, identity card, voter’s card, financial card, local administration letter or business registration certificates”. The Anti-Money Laundering and Combating of Financing of Terrorism Act (2012) additionally requires a verifiable address. Stakeholders interviewed noted that national identity cards had not been issued for two or so years (due to a reorganisation of government departments). The voter’s card was therefore widely used instead but excluded youth below voting age and addresses were also a challenge. In order for KYC not to hinder financial inclusion, BSL is working on a three-tier system: (a) 1st tier will be mostly for those in villages/rural areas, a letter from a herdsman or chief to suffice; (b) 2nd tier: those in the “middle-income” category demonstrating basic literacy will use a voter’s card or other more formal identification; and (c) 3rd tier: all other requirements, such as passports, driving license, and utility bills will be applicable.

Agency banking regulations could improve access and drive down prices. Financial institutions are wary of establishing costly brick-and-mortar branches to serve remote customers. Agency banking regulations allow FSPs to use relatively inexpensive, non-bank third parties – retail outlets, kiosks, supermarkets, or pharmacies – to offer some banking services. Consumers benefit from accessing basic financial offerings from familiar and nearby outlets.

Development partners have helped craft financial inclusion policy. Collaboration between the Bank of Sierra Leone and the United States Agency for International Development (USAID), World Bank, United Nations Capital Development Fund (UNCDF) and the African Development Bank (AfDB) variously includes:

- A review of the Other Financial Institutions Act, 2001, with the US Treasury Office of Technical Assistance (OTA), to promote more diversity “in the provision of financial products and services” especially for non-bank financial institutions.
- Promoting financial technology (FinTech) through a Financial Sector Development Program. According to the BSL Governor, the youthful population and high ownership of mobile phones makes the future of FinTech in Sierra Leone exceedingly promising.
- In 2017, also working with Financial Sector Deepening Africa (FSDA), BSL enabled FSPs to introduce innovative products on trial basis while it develops its regulatory framework to mitigate potential risks from the use of these products. This is referred to as the Regulatory “ Sandbox” framework.

To find out more, visit ACET at www.acetforafrica.org
BSL is finalising the Financial Literacy Strategy Framework to ensure a well-informed and adequately-protected public. The first week in November 2017 was the second annual Financial Literacy Week, after which it has become a continuing initiative.

In June 2017, BSL, IFC and other stakeholders launched the collateral registry to enhance credit underwriting and expand lending to the private sector, especially MSMEs.

Recent collaboration between UNCDF, UNDP and Kiva may accelerate the process for introducing a credit bureau. The centrepiece of the partnership is a national digital identification system using distributed ledger technology.

National Youth Programme Blueprint for Youth Development (2014-2018). It states that Sierra Leone has 1.7 million young people, 75 percent below the age of 35, with 60 percent of young people unemployed, only 37 percent of the school-age population in education, and half of all young people illiterate. It adds that barriers for the youth include low access to capital, general and financial illiteracy and limited opportunities for skills training.

National policy documents do not adequately address gender issues. After reviewing Sierra Leone’s Financial Sector Development Plan (2009), National Micro, Small and Medium Enterprise Development Plan (2013); and the Private Sector Development Strategy for Sierra Leone, the International Finance Corporation (IFC) found a “glaring absence of the word ‘gender’ or ‘women’ either in explicit use or in principle in any of the listed documents”. Despite government commitment to reducing gender disparities, discriminatory customary practices affect personal and business transactions, property rights and marriage, preventing women from acquiring the skills and resources to access credit. In partial recognition, the NSFI 2017-2020 has specified women and youth in one of its six objectives and interventions.

3.1.2 Institutional framework

The three key players in financial policy and regulation are BSL, the Ministry of Finance and Economic Development (MoFED), and to a limited extent the National Telecommunications Commission (NATCOM). The Ministry of Social Welfare, Gender and Children’s Affairs and the Ministry of Youth Affairs are responsible for women’s and youth’s issues.

Bank of Sierra Leone: The central bank is responsible for financial sector regulation, licensing, registration and supervision, “including the imposition of remedial measures and administrative sanctions, of commercial banks and other financial institutions in accordance with this Act or any other enactment”. It has a Financial Inclusion Secretariat in the Office of the Governor. The BSL mandate covers commercial banks and MFIs. It regulates Community Banks (CBs) and financial service associations (FSAs) through the Apex Bank, which serves as their “central bank”, offering a “central clearing service and performing first-level regulatory and supervisory duties.” The Apex Bank administers an Agricultural Finance Facility (AFF) and investment in the CBs by outside shareholders to improve access to rural finance. It also provides technical assistance and support (including training)” but it was undercapitalised and unable to support the CBs.

Prior to the Ebola crisis, the Bank of Sierra Leone had a closed stance toward mobile money (MM) – MNOs and third-party providers could only operate in partnership with a licensed bank partner—when in reality, third parties and/or MNOs were actually driving digital payments activity. NATCOM had been licensing MNOs and third parties to provide mobile financial services as a value-added service. Due to the Ebola crisis and the need for urgent action, BSL allowed digitizing of payments through mobile wallets without approvals. Non-bank players were advised to commence service and then apply to the BSL to be issued with “letters of no objection.”

NATCOM and BSL roles yet to be streamlined for mobile money regulation. NATCOM was set up by the Telecommunications Act, 2006 (as amended) to “license and regulate the activities of telecommunications operators and other related communications service providers.” A roadmap was drafted in 2016 for an MOU between BSL and NATCOM defining their roles. NATCOM would take care of MNO technical problems while BSL addressed financial issues, with continuous communication between both regulators. The relationship is yet to be fully worked out. NATCOM’s role may be limited to evaluating and approving MM technical platforms and supporting MNOs to share network infrastructure to reduce cost of expansion in remote areas. A new telecoms law to accommodate digital financial services (DFS) was expected in 2017.

Ministry of Finance and Economic Development (MOFED): MOFED formulates and implements economic policies and public financial management but it has played a marginal role in boosting financial inclusion. The ministry has a focal point who leads the Better than Cash Alliance (BTCA) work, but it lacks any unit, department or division working on financial inclusion. The Ministry’s role has been
limited to: contribution to emerging issues on the BTCA Platform; representation at the DFS Working Group; and collaboration with BSL on drafting policies and regulations. With the recent decoupling of development planning from the Ministry of Finance, the BTCA focal person is now in the Ministry of Planning and Economic Development (MoPED).

The following bodies also play a critical role in advancing financial inclusion.

- The Digital Financial Services (DFS) Working Group is mandated by the National Strategy for Financial Inclusion 2017-2020. Its members are BSL; MOFED; NATCOM; commercial banks, MFIs, MNOs; Apex Bank; and the Sierra Leone FinTech Association.

- The UN Capital Development Fund (UNCDF) representative for the West Africa Digital Financial Inclusion Programme supports the group as resident technical advisor to BSL.

- The Ministry of Social Welfare, Gender and Children’s Affairs promotes the rights of women, children, the aged, persons with disability and other vulnerable groups through policy drafting, review and monitoring, advocacy coordination and capacity building.

3.2 Supply-side issues

3.2.1 Traditional banks

Commercial banks dominate the financial system with assets of around 20 percent of GDP. Sierra Leone has 14 commercial banks; 17 community banks supervised by the BSL-regulated Apex Bank; 13 microfinance institutions (MFIs), three mobile money operators (MMOs), and 59 financial services associations (FSA), which together serve about one million clients across the country. This is less than 25 percent of the economically active population of 3.8 million people. The commercial banks have 108 branches and some 850,000 accounts in total, and a banking penetration rate (bank accounts per total population) of merely 11 percent. From 14 in 2012, the total number of ATMs is now 43. The top three areas of borrowing are: commerce and finance (35%); construction (20%); and services (17%). The largest bank is the Sierra Leone Commercial Bank (SLCB) and it is also the “most profitable – with the largest asset base and customers” in 2017.

Credit Unions and MFIs play active roles in the financial landscape: There are 30 Credit Unions currently operating. The amount invested in savings and shares is 5.5 billion leones, with 5.2 billion leones in loans. There are also small informal CBOs but no data are available on them. There are now 13 MFIs, five of which are deposit-taking. Their challenges include poor infrastructure, restrictive policies and lack of funds for on-lending. Out of the 115,138 borrowers, 87 percent are female, according to the Sierra Leone Association of MFIs (SLAMFI).

Digital financial services are fast improving access to formal financial services. Sierra Leone has 1,811 financial access points but access is concentrated in big towns and cities. About 75 percent of the finance access points (1,356) are mobile money operators, while MFIs comprise seven percent (125). Banks provide only six percent (110) of access points. About 86 out of 191 Chiefdoms have no form of financial services access points. The North and North-West Provinces rank bottom with 51 Chiefdoms lacking any financial services operators. According to a paper

Table 3: Financial Services Providers as of September 2018

<table>
<thead>
<tr>
<th>Provider</th>
<th>Commercial Banks</th>
<th>Microfinance Institutions</th>
<th>Community Banks</th>
<th>Financial Service Associations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total no.</td>
<td>14</td>
<td>13 (5 deposit-taking; 8 loans only)</td>
<td>17</td>
<td>59</td>
</tr>
<tr>
<td>Total branches</td>
<td>108</td>
<td>104</td>
<td>17</td>
<td>59</td>
</tr>
<tr>
<td>Clients</td>
<td>855,021</td>
<td>115,138</td>
<td>16,500</td>
<td>70,500</td>
</tr>
<tr>
<td>Loan portfolio</td>
<td>855,021</td>
<td>170 billion</td>
<td>15 billion</td>
<td>17 billion</td>
</tr>
</tbody>
</table>

Source: Bank of Sierra Leone and SLAMFI
by Mahdi (2015), “80% of microenterprises surveyed were reliant on savings or credit as part of their Osusu groups” for repayments towards their MFI loans.

The BSL geospatial mapping report shows Western Urban with the highest number of access points, while there is a high concentration of Community Banks and FSAs in the rural areas, which clearly shows the demand in those areas.

**Commercial bank branches are concentrated in the cities.** A key issue raised by the banks is the lack of financial capacity and incentive to expand into rural areas. Of the 14 commercial banks, four are locally owned (two government and two private) and 10 are subsidiaries of foreign banks, meaning that decisions are often made outside the country. In rural areas, there is a clear need for an IT network for community bank branches, enabling access for clients at any branch. According to Power Africa, Sierra Leone has a national electrification rate of five percent about 11 percent in urban areas and under one percent in rural areas in 2017. The limited transmission and distribution network and high upfront cost of connection and wiring were cited by some banks as disincentives to expand their outreach. Only seven of the 14 commercial banks had ATMs or EMV cards and customers without smartphones and such cards had to rely on branch network to conduct transactions.

**Minimum deposit requirements in commercial banks are a major hurdle.** To open an account, most banks require a minimum deposit, which limits access. The Sierra Leone Financial Inclusion Strategy (2017-2020), aims to reduce the opening savings account balances from Le 100,000 ($11.76) to “no cost for opening a savings account with a minimum balance”.

### 3.2.2 Digital Financial Services

**DFS are the second largest provider of financial services.** There are now about 2.9 million people with mobile phones (43% of the population), 17,000 fixed lines (0.2% of population) and over 700,000 internet users (12% of the population). Mobile network coverage is about 95 percent, but mostly urban and peri-urban. As of 31 December 2017, there are only two active GSM operators – Africell (SL) were Orange (SL) – and one CDMA operator – SIERRATEL – which was in the process of rolling out a 4G network at the time of the study. Africell has approximately 69 percent of the market and Orange 31 percent. Mobile money penetration is about 72 percent, mostly person-to-person transfers and airtime purchases. Besides the core mobile money providers, financial institutions are trying to tap into this market, either by integrating their platforms with those of MNOs to link their accounts to e-wallets (bank-to-wallet), such as Zenith Bank and Ecobank, or aiming to develop their own mobile banking solutions at group level (e.g. Ecobank MF).

**There has been an increase in the number of local FinTech organisations.** They aim to provide essential financial services to the unbanked with mobile-based products. However, at the time of the study, only four were licensed to operate under the regulatory ‘sandbox’. The Sierra Leone FinTech Association (SLFinTech) was formed in 2017 for advocacy and to attract foreign investors. The Sierra Leone FinTech Challenge 2017, an initiative of the UNCDF Mobile Money for the Poor (MM4P) programme, in partnership with BSL and FSDA, was set up for start-ups to test new ideas for financial inclusion. In the initial round, three start-ups were selected from 20 applicants in November 2017 to receive investment capital and be granted licenses to operate through the first Sandbox Framework for Financial Inclusion. They were: Check-up by Data Pool, a local FinTech; Ca$htr by ACE Sierra Leone, another local FinTech; and Mosabi (formerly InvestED), a Ghana-based social enterprise. None is focused on women or youth but

---

Table 4: Access Points, by Category

<table>
<thead>
<tr>
<th>Access Points</th>
<th>Frequency</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile Money Agents</td>
<td>1,356</td>
<td>75%</td>
</tr>
<tr>
<td>Microfinance Institutions (MFIs)</td>
<td>125</td>
<td>7%</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>110</td>
<td>6%</td>
</tr>
<tr>
<td>Foreign Exchange Bureaux (FEB)</td>
<td>103</td>
<td>6%</td>
</tr>
<tr>
<td>Financial Services Associations (FSA)</td>
<td>57</td>
<td>3%</td>
</tr>
<tr>
<td>ATMs</td>
<td>43</td>
<td>2%</td>
</tr>
<tr>
<td>Community Banks</td>
<td>17</td>
<td>1%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,811</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: ACET Fieldwork (2018)
both categories can benefit. InvestED, with three other FinTechs – iCommit, which helps farmers save between harvests; MyPay, a payments platform via a network of POS terminals; and Noory, which improves interoperability – will participate in the sandbox by linking financial literacy performance to loans in a live environment under central bank supervision.

### 3.3 Demand-side observations

The most popular point of access for cash is mobile money agents. This was the case for 31.5 percent of respondents, followed by bank branches (21.2 percent), mobile money accounts (20.5 percent) and village savings and loans (7.5 percent). Only 4.5 percent of respondents accessed cash via an ATM. According to the Global Findex (2017), mobile money is accessible and useful for women and youth (16 to 24 years) but only about seven percent of all adults had a mobile money account. The survey suggests a higher number. In general, people expressed the view that they feel secure in using mobile phones and mobile money as a means to access finance and also that there is ease and convenience due largely to the presence of lots of branches/kiosks. The provision of mobile money services ranged from 22.5 percent for women over 35 in urban areas to 37.3 percent for female youths in rural areas. However, rural women over 35 years use bank branches slightly more. The reason for this channel’s use is mostly ease, convenience, trust and security. For rural and urban youth – with the exception of male youth in urban areas - the second most common channel is the mobile phone, accounting for between 21.6 and 27.5 percent of usage (see Table 5 below). Again, the main reason for usage is trust and ease of use and convenience. For urban male youths and women over 35, their second most favoured channel is bank branches due mostly to trust and security. Village savings and loans associations as well as savings cooperatives in the locality are most commonly used among women, be they rural or urban. It is interesting to also note that not a single respondent among female youth used an ATM. The table below displays the channels by order of popularity, with some chosen more than once. The analysis shows that more rural dwellers across the groups access a bank branch more than their urban counterparts who would rather access a bank agent. Rural groups also indicated more utilisation of mobile money agents and village savings and loans associations.

Inadequate number of rural mobile money agents limits financial inclusion for this cohort. Rural FGD participants complained of lack of agents and of agents limiting how much money could be given out. This is mainly because agents have to serve clients on different networks and keep a minimum balance on each network (which affects their paid-in capital). In one case, some participants stated that their local agent imposed a cap of just 500,000 leones ($58.82). If the amount was higher than that, clients were referred to the nearest business center, which involved incurring transportation costs as well as time.

About half of respondents did not own formal bank accounts. Some 46 percent indicated that they do not have accounts, while 37.5 percent said they had accounts in formal financial institutions. About 16.5 percent said they used to have accounts, but not at the time of the survey. About 41.5 percent of urban males had no account as opposed to 55 percent and 36.8 percent of female urban youth and urban

---

**Table 5: Channels of Access to Financial Services**

<table>
<thead>
<tr>
<th>Provider</th>
<th>Male Youth</th>
<th>Female Youth</th>
<th>Women</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile money agent</td>
<td>34%</td>
<td>35%</td>
<td>26%</td>
<td>32%</td>
</tr>
<tr>
<td>Bank branch</td>
<td>21%</td>
<td>16%</td>
<td>25%</td>
<td>21%</td>
</tr>
<tr>
<td>Mobile phone</td>
<td>22%</td>
<td>22%</td>
<td>16%</td>
<td>20%</td>
</tr>
<tr>
<td>Bank agent</td>
<td>6%</td>
<td>5%</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>ATM</td>
<td>9%</td>
<td>0%</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>Savings cooperative in the locality</td>
<td>3%</td>
<td>6%</td>
<td>11%</td>
<td>7%</td>
</tr>
<tr>
<td>Village Savings and Loans Association</td>
<td>2%</td>
<td>12%</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>Debit card (swipe)</td>
<td>1%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Other</td>
<td>0%</td>
<td>1%</td>
<td>2%</td>
<td>1%</td>
</tr>
</tbody>
</table>

*Source: ACET Fieldwork (2018)*
women over the age of 35 years respectively. About 45 percent of male youth had formal bank accounts against 27 percent of young females. The majority of respondents (44%) used commercial banks, followed by mobile money (25%), village savings groups (11%) and microfinance institutions (10%). The bulk of the accounts for male youths are with a commercial bank and mobile money. For female youths, it is a commercial bank, village savings group and mobile money. Some FGD participants stated that they were required to open an account when they started working so that their salary could be deposited into that account, an approach that promotes financial inclusion.

Women and youth use banks more in urban areas due to accessibility. In the urban groups, only 30 female youths had a bank account but all had loan accounts with an MFI. Almost all the women over 35 had borrowed either from banks or MFIs and were also involved in Osusu. For the rural groups, education levels were appreciably lower, which helps explain why none of them had a bank account. The others said they were students or did not have money or did not have an idea about how to go about it. The urban youths surveyed indicated that they have accounts with MM providers, savings and credit cooperatives and commercial banks only, as compared with the other groups who have accounts at a broader range of financial institutions. Again, accessibility in urban areas would explain the usage of banks, with the higher tech savvy of the youth explaining the use of mobile money.

The FGDs showed that all urban participants had experience with mobile money, some for paying bills, some as frequently as weekly, despite network challenges. Some women over 35 were looking into using mobile money or even becoming agents so they would themselves handle the Osusu money – after some agents “disappeared” with the money. Rural usage was lower but virtually all respondents knew of mobile money. One male youth was sending mobile money to Freetown for someone to buy and send him goods. Most young and adult women were involved in Osusu which helped in raising money for their businesses as well as for emergency funds.

Media coverage and advertising influence decisions on type of account to open. The two factors combined account for 24.0 percent (elderly rural women) and 44.4 percent (rural female youths) of reasons for opening an account. One’s own previous experience accounted for between 40 percent (urban male youths) and 27.8 percent (female urban youths). Advice from friends accounted for 44 percent for rural elder women. This shows that for future sales and marketing, types of media used are influential and important for different social groupings.

The preference for commercial banks’ accounts is fairly evenly spread across the six target groups. Of the reasons given for opening a mobile account, managing personal expenses and tracking income were common in all categories. Other common reasons were for managing business finances and to insure the future. The largest users of mobile money were male youths in urban and rural areas and showed a great desire to save for the future (38.5% and 35.7% respectively).

Clients expressed few difficulties with opening an account with MFIs. However, most MFIs are still credit only and few have applied for or been granted a BSL deposit-taking license.

Culture and local traditions also hinder the inclusion of women. The only study looking in detail at gender-related issues in the country identified an inherent cultural gender bias. Sierra Leone has a background of a highly patriarchal society with institutionalised gender biases and inequalities e.g. discriminatory customary practices require husbands to approve personal and business transactions. Generally, women have limited access to assets, which could be used as collateral, for accessing credit.
### GAPS (ACCESS)

<table>
<thead>
<tr>
<th>Transaction costs, waiting time and limited access points restrict access to financial services.</th>
<th>Transaction costs are a big deterrent for at least 25 percent of rural and urban male youths as well as for women in both groups. For rural female youths, transportation (25%) and proximity (30%) were more critical in influencing agency banking.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency banking legislation needs to be completed to enable expansion to remote rural areas.</td>
<td>Financial services in rural areas remain limited, despite the growth in number of community banks, financial services associations and commercial bank branches. This limits the size of savings mobilised to stimulate growth and development. Finalizing legislation and operational support will encourage banks to experiment with agency banking.</td>
</tr>
<tr>
<td>Banking products and services are still largely limited to deposits, loans and foreign exchange dealings.</td>
<td>The main source of income for banks is investment in Treasury Bills. However, growing competition among financial institutions has forced banks to move towards providing more sophisticated products such as non-cash payments. MFIs also need to develop innovative products, even though they have a better focus on the target groups.</td>
</tr>
<tr>
<td>The Know-Your-Customer (KYC) regime slows down financial inclusion.</td>
<td>Identity cards have not been issued for two years. Voters’ cards have, therefore, been widely used for youth to open an account but this excludes youth aged under 18 who are not eligible or have not registered to vote. ID documents and proof of address are also an issue for banks and MNOs. In order to address the KYC issue, BSL is creating a three-tier system, with a lower level of requirement for people in villages and a medium requirement for those in a “middle income” with some literacy.</td>
</tr>
<tr>
<td>There are limits to the products MNOs are allowed to offer.</td>
<td>The regulatory environment prohibits MNOs from offering credit, paying interest on savings or making international outward or inward remittances.</td>
</tr>
</tbody>
</table>
This chapter reviews policies and regulations that shape the usage and adoption of financial services, as well as products and services offered by the financial services providers (FSPs) for their clients, particularly women and youth, that promote usage. It also explores the shortcomings in the regulatory, supply and demand sides of the country’s financial services landscape.

4.1 Institutional, Regulatory and Policy issues

Failure to collect and use gender and age disaggregated data remains a major challenge. At the time of the study, BSL was not collecting gender- or age- disaggregated data as part of reporting from banks and community banks, but this is being looked at seriously, with an NFSI Data Measurement Working Group due to hold its maiden meeting. Without disaggregated data, policies and regulations lack specific gender and youth focus and little basis in evidence.

There is no national financial switch for interoperability of payments. Enabling interoperability among providers improves the ease of mobile money transactions across all platforms and often reduces transaction costs. It also enables MNOs to increase digital transaction volumes and contributes towards an open digital ecosystem, which promotes financial inclusion. There is currently, a switch that allows limited applications and BSL states that a national financial switch will be in place in first-half 2020. NATCOM has liberalised the international gateway and quality checks on services have also been done and fines imposed on operators.

The BSL Payment Systems Unit has been elevated to an independent department. Other progress includes BSL adoption of International Financial Reporting Standards (IFRS) implementation.

NATCOM has certified and awarded cash prizes to young Sierra Leoneans who took part in an innovation competition organised by the Commission. In November-December 2016, NATCOM and the International Telecommunications Union (ITU) held three workshops on "Telecoms/ICT Laws, Spectrum Management and Assessing the Efficiency of Operators", which benefitted key players such as the Bar Association, security agencies and the Law Officer’s Department.

BSL and partners are aggressively rolling out initiatives to boost financial literacy. The fourth key objective of the National Strategy for Financial Inclusion (2017-2020), which relates to financial literacy, prioritizes financial education and consumer protection. The UNCDF is supporting drafting of a framework for monitoring and evaluation of financial education and consumer protection programmes to determine their effectiveness in improving the financial well-being of Sierra Leoneans. BSL is in the process of imposing regulations, of which compliance will be mandatory for banks. Sierra Leone has instituted a financial literacy week, in November each year. Finally, in 2017, the BSL partnered with Africa Youth Coalition against Hunger-Sierra Leone (AYCAH-SL) to set up 28 school savings clubs as part of financial literacy efforts.

BSL has set up a consumer protection unit. Located in the Banking Supervision Department, the unit is charged with the responsibility of policy development and oversight of consumer interests.

Guidelines for the Operation of Credit-only Microfinance Institutions, 2011: By this law, any institution wishing to carry out a “microcredit” business must register with BSL and provide monthly, quarterly, bi-annual or annual reports. The monthly reports must disclose information disaggregated by gender but not by age. Exempted institutions include informal community-based organisations such as Rotating Savings and Credit Associations.

Anti-Money Laundering and Combating of Financing of Terrorism Act, 2012: This Act criminalises terrorist financing (and the failure to report such financing), introducing requirements such as “Know Your Customer”, other verification checks, and specific record keeping. The Act also establishes the Financial Intelligence Unit (FIU), “which has wide investigatory powers in respect of money laundering and suspicious transactions.”
The central bank plans to increase banking supervision instead of leaving compliance to each institution. Other functions of the unit include conducting research on challenges affecting consumers and helping with dispute resolution. New payment uses, such as P2P and G2P, as well as bank-led and other non-bank led initiatives, are being encouraged by donors and other stakeholders to ensure improved usage. The US Treasury is helping the government to strengthen its anti-money laundering and countering the financing of terrorism (AML/CFT) regime. Capacity building also began in 2017 to strengthen the financial intelligence unit (FIU). The table below sets forth some of the regulations and laws enacted to regulate the financial sector and ensure its efficient functioning for all levels of society:

### 4.2 Supply-side issues

**Few financial service providers collect or prioritise disaggregated data.** No commercial bank interviewed was able to provide data disaggregated by gender or age but some were able to give an idea of how many women were being served. MFIs do have gender-disaggregated data reporting obligations set by BSL. Although age was also captured, no further analysis was done. MFIs also had specific products for women or youth so it is possible to analyse outcomes of these products.

**Digital financial services show promise in terms of access but product usage is low:** Despite the high number of registered customer accounts (4.2 million),

| Table 6: Digital Financial Services Landscape |

<table>
<thead>
<tr>
<th>Provider</th>
<th>Orange Money (formerly Airtel)</th>
<th>Africell Money</th>
<th>GTBank</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Solution &amp; launch</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>● E-wallet solution</td>
<td>● E-wallet solution piloted in 2014 for ERW payments</td>
<td>● GT Simpay (SIM skin solution)</td>
</tr>
<tr>
<td></td>
<td>● Piloted in 2009 as Zain</td>
<td>● Revamped solution to be launched</td>
<td>● Launched in February 2016</td>
</tr>
<tr>
<td></td>
<td>● Launched in 2012 as Airtel Money</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Technology</strong></td>
<td>● USSD</td>
<td>● N/A</td>
<td>● SMS-based</td>
</tr>
<tr>
<td></td>
<td>● SIM toolkit</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Customers</strong></td>
<td>● 365,000 total clients</td>
<td>● N/A</td>
<td>● N/A</td>
</tr>
<tr>
<td></td>
<td>● 119,000 active (30 days)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Services offered</strong></td>
<td>● Airtime top-up</td>
<td>● Plans to offer</td>
<td>● Access to GTB accounts through m-phone for:</td>
</tr>
<tr>
<td></td>
<td>● Bill payment</td>
<td>● Airtime top-up</td>
<td>● Account-to-account transfers</td>
</tr>
<tr>
<td></td>
<td>● Merchant payments (supermarkets, schools)</td>
<td>● P2P</td>
<td>● Merchant payments (to be developed)</td>
</tr>
<tr>
<td></td>
<td>● Bank-to-wallet (link to bank accounts)</td>
<td>● Bill/merchant payments</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>● Loan disbursement/repayment</td>
<td></td>
</tr>
<tr>
<td><strong>Agents/distribution</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>● 3,500 total agents</td>
<td>● Own agent network (2nd step)</td>
<td>● GTBank ATMs</td>
</tr>
<tr>
<td></td>
<td>● 1,500 active (30 days)</td>
<td></td>
<td>● Selected merchants</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>● Airtel Money agents</td>
</tr>
</tbody>
</table>

*Source: PHB Development. 2016. The original table included Splash, which has been removed as it is no longer active.*
product usage is low. Field data revealed that only 385,000 customers (9% of the total) were active in the previous 90 days. However, usage grew over the previous 12 months along with average transaction amounts.

The Ebola crisis offers important lessons on leveraging digital payments: During the 2014-2017 period, more than 14,000 people were infected with the Ebola virus, and nearly 4,000 people died as a result. Medical assistants were vital amidst this large-scale loss of life, human suffering and economic devastation, and they had to be paid. Aided by 95 percent mobile network coverage, about 5,000 mobile money agents plus the staff of the 13 community banks were able to overcome the limited infrastructure with geographic coverage and adequate liquidity to get cash payments to the Response Workers. This demonstrates the potential of digital payments to improve humanitarian response capabilities, save lives, and advance financial inclusion.

However, broad partnerships are needed to develop an inclusive digital payments ecosystem. When digitization began, MNOs, agent networks and banks saw each other as competitors, rather than as peers. By recognizing their shared interests, they began to collaborate from a regulatory and technical point of view. With better regulation, cooperation and investment, DFS can strengthen the financial sector in a fragile state such as Sierra Leone, providing liquidity and propelling development of the financial services infrastructure necessary for resilient growth.

A number of DFS products or process innovations have been deployed. GT Bank has set up GT-SIMPAY, which enables underserved populations to conduct banking transactions without wireless internet in real time. Only mobile internet, powered by the SIM card, is required for complete activation and operation. GT Bank also has WiFi hotspots around Freetown for its clientele. Rokel Commercial Bank offers its Sim Korpor platform, which allows smartphone and basic phone users to access its services. The bank is also teaming up with agents, who can cash out and receive payments for merchants, who can then buy goods with their phones.

Some banks are improving their technology to provide better service to clients. Currently, seven commercial banks issue smartcards and operate ATMs while only four have operational point-of-sale (POS) machines. Interswitch Nigeria provides switching services for six of the 14 commercial banks. Of the fewer than 50 (POS) terminals in the country, 30 are deployed by Ecobank alone, and most are in hotels and supermarkets (in Freetown and a few urban centers) “not readily accessible by low-income groups.” Internet banking is increasingly available but is mostly used for checking statements and making transfers within one’s own account. Lessons can be drawn from Kenya where banks and MNOs use three main models: (a) Direct competition over a mobile channel, such as through Equity Bank’s Equitel; (b) Collaboration with MM providers to offer services, such as through Commercial Bank for Africa’s M-Shwari; and (c) Industry coordination to create alternatives to MM products, such as the PesaLink, which was spearheaded by the Kenya Banker’s Association and offers a “real-time payments system that enables small-value transfers between institutions.”

A lot remains to be done to improve customer service and interest rates in commercial banks. Almost all FGDs in urban areas noted poor customer service at banks. Some respondents also complained about low interest rates on savings, with some preferring to put money in their business than keep it in the bank. To improve customer engagement, some banks are introducing ATMs along with internet banking. One bank enables clients to phone in once a month and chat with the Managing Director during a two-hour window. Another has piloted banking extension services (like a bank-on-wheels but with its own staff) along with a mobile app and an XpressCash product.

Commercial banks have set rules for accessing loans irrespective of gender. However, women are disadvantaged because they mostly operate under-capitalised micro-enterprises. The IFC found that MFIs have a negative image – even among women, their largest clientele – for their rigid conditions, issues also brought up by study respondents. Still, when asked about the source of funds for a new business, 69 percent of those who had borrowed (80% of respondents) had done so from MFIs, highlighting the importance of MFIs in access to finance.

There is a wave of financial innovation in the microfinance industry too: Some MFIs address women’s collateral shortcomings with special products such as group loans. They have also introduced salary loans, fixed asset lending, leasing, microinsurance and transfers. The average loans are small, as is the repayment period. Target markets include market women or youth (e.g. loans for tricycles). Many MFIs are upgrading their MIS systems, including using tablets and mobile phones to secure clients and increase financial literacy.

Most MFI products are geared to people with low incomes, especially women. While branch networks remain the main avenue for delivery of services, field repayment collections are done for some group borrowers, especially during client meetings, to lower the risk of theft. Collections and repayments are
made at group meetings at their marketplaces to loan officers, thus providing convenience.

There is an effort to ensure tailor-made MFI products to meet client needs. Each loan has an assigned Loan Officer who monitors the client’s situation. An assessment is also done at household and individual level, to determine income, expenditure and ability to repay. The MFI also looks at loan history, if any. Some FGD respondents felt that interest rates were prohibitive. However, this is due to small loan size and the cost of reaching remote areas. Mobile money technologies would assist field collections, which still rely on the old and risky method of writing receipts. Higher literacy will help clients understand security issues arising from new products.

Innovations within Community Banks and Financial Service Associations: Their target market includes peasant farmers, petty traders, and rural workers. The CBs operate like commercial banks but are located in large rural centers. Their products include salary loans, mobile money or money transfers to mobile phones, and local money transfers, for agriculture and support to farmers. CB cheques are now recognized by commercial banks and CBs are fully absorbed into the wider network of banking. Products offered by CBs and FSAs include safekeeping of liquid cash, house plans, and car log books as well as various types of loans.

Some banks said lending was a challenge, especially to those with no land title. The main form of land ownership, especially up-country, was mostly leasehold. Women were the most disadvantaged in getting an asset to secure borrowing as most of them did not own the land. One bank official stated that “the volume of women who have loans is less than men… as most assets are owned by men.” Some banks are addressing this shortcoming. One of the banks interviewed stated that it had recently received USD3 million as a loan from the African Development Bank to focus specifically on women and modalities were being implemented to operationalise the facility.

Credit repayment risk of youths remains a primary concern for most FSPs in dealing with the youth. Another issue for FSPs is credit repayment risk. For MFIs, women had a better loan repayment history than their male counterparts and this encouraged them to continue lending. Some banks offer group loans to mostly women as a way of addressing security shortcomings. However, some women do not want their husbands to know about their borrowing because the husbands can take the money from them. Therefore, women tend to favour more informal lenders such as MFIs.

4.3 Demand-side observations

Cash is still the dominant means of payment for bulk expenditure. This applies to over 95 percent of foodstuffs, over 96 percent of transportation and 76 percent of school fees. Where the cash payment was lower than 80 percent, the respondent did not pay for that expenditure. Examples include rent (60% minimum across male youths, over 35 years old), lifecycle events (79% minimum across the three groups), remittances (40% minimum across the three groups) and utilities (59% minimum across the groups). The use of cash as the main medium is corroborated in other studies such as the World Bank report on the financial sector of Sierra Leone. Challenges encountered include being paid in counterfeit notes, problems with smaller denominations and payment delays.

A significant number of respondents are not confident in using mobile money. Awareness of mobile money (MM) was 89.5 percent for male youths, 94.4 percent for female youths and 69.4 percent for women over 35 years. This shows there is already a base for up-scaling in communities. However, 33.3 percent of these male youths and 40 percent of women above 35 said they did not feel confident in using it or know how to use it well, which points to a knowledge gap. To encourage use of MM, suggestions included putting in more agents with more liquidity, and better network quality. On the question of what channel people like to use more, assuming they have money, more than half indicated bank branches, mobile phones and mobile money agents. There is no clear distinction between women and men or urban and rural on these preferences. However, some respondents stated that they did not have much information about an ATM or bank branch, for example.

Mobile money accounts used most for airtime recharge. While airtime recharge was the most popular MM transaction, many respondents also use MM to receive and send money, pay utility bills, school fees, loan repayments and savings. 34.4 percent of male youths buy airtime more than three times a month and this compares to 30.5 percent of female youths and 27.7 percent of females over 35. Urban women used their MM accounts more to pay utility bills. Some respondents mentioned the security aspect of MM. “When I go to buy goods in the provinces or upcountry, I don’t have to carry cash! I can’t be a victim of theft,” said one female FGD
respondent. MM is also used for payroll payments and money can be sent to all networks, even to people without a phone.

**High transaction costs were identified by many as a barrier to financial accounts.** The top two issues restricting the use of financial accounts by urban male youths are transaction costs (24.6%) and queues (21.5%). For rural male youths, it is transaction costs (27.6%) and proximity (26.3%). Transaction costs are most important (32.7%) for urban female youths followed by transportation costs (18.2%). For rural women over 35, the main barrier is proximity (29.5%) and transportation costs (24.6%) - and 27.9% each for rural female youths – while for their urban counterparts it is transportation costs (25%) and transaction costs (23.1%). With the female youths in rural areas, it is transportation costs and proximity (both).

The main means for account security is with a PIN. About 54 percent of respondents used a PIN or password to protect their accounts while about 17 percent used fingerprints (to protect their phone and inherently, their mobile money accounts). Up to 20 percent of respondents did not use any form of protection. Meanwhile, 24 percent of rural male youth and 59 percent of urban male youth had no security concerns. Respondents said security should be improved through sensitisation and education, and introduction of biometric and SMS alerts.

**Agent malpractices were called out as major disincentives to usage.** Some of the agents put limits on how much money can be withdrawn. There are also disputes about deduction of charges. The issues boil down to security, product knowledge and consumer protection. However, the fact of the tariff burden being proportionally heaviest on lower amounts than the higher bands serves as a major disincentive.

---

### GAPS (USAGE & QUALITY)

**The absence of disaggregated data constrains the formulation of effective legislation and policies.** BSL collects disaggregated data from MFIs but not from banks and community banks. The Central Statistical Office could help by breaking down statistics by region/area. It would be ideal if some of the data could capture numbers on women and youth with savings accounts and borrowings. More data on agency management, customer experiences and buyer trends would contribute to achieving a key NSFI objective, namely to “build a robust financial inclusion measurement system … that will encourage and support evidence-based policy making.”

**Policy making and regulation in DFS and mobile money is still developing.** A multi-stakeholder and collaborative approach is a key part of the NSFI and capacity building for regulators and policymakers should continue.

**MFIs are the most focused on women and youth among FSPs but product-user fit and quality are problematic.** The lack of quality products is due to limited funding and geographic footprint, and poorly-segmented data.

**There is still no national financial switch that allows interoperability of transfers and payments.** FSPs say this adds to operating costs, which are passed on to consumers and limit their transfers and payments. A national switch is expected soon. Meanwhile, some banks are issuing ATM cards usable locally and abroad, but at a fee. MNOs also enable two-way transfers from bank accounts and mobile wallets, but at high cost.

**Poor IT infrastructure negatively affects services and accessibility.** Frequent power cuts limit operations of under-capitalised FSPs and poor network coverage in remote areas usually lowers service quality. Improving automation and networking among FSPs will lower the costs of serving clients and increase accessibility, particularly for community rural banks.

**The number and liquidity of mobile money agents remains an issue.** Some agents limit how much money customers can get. The alternative is the nearest business center, which can be expensive and far away.

**Women and youths need more education on product security, disclosure and dispute resolution.** The survey revealed a great need for targeted education on account security, device handling and interpreting SMS alerts.

To find out more, visit ACET at www.acetforafrica.org
This chapter discusses the impact of the legal, policy and institutional framework of the financial sector on the livelihoods of women and youth in particular, in terms of entrepreneurship, job creation and business productivity. It also highlights the shortcomings in the regulatory and supply sides of financial services in creating jobs and spurring entrepreneurship for women and youth.

5.1 Institutional, Regulatory and Policy issues

The government has enacted laws to promote women and children's rights. These laws include the Anti-Human Trafficking Act (2005); the Sierra Leone Citizenship Amendment Act (2006); the Prevention and Control of HIV/AIDS Act (2007); the three Gender Acts (2007) on domestic violence, customary marriages and divorces and the devolution of estates; the Child Rights Act (2007); and the Sexual Offences Act (2012). However, implementation has met many challenges, even though the Gender Acts have helped the push towards constitutional reform.

The de facto situation of women’s land rights falls short of the protective legislation. The Women’s Partnership for Justice and Peace says most women live in rural areas and deliver 60 to 80 percent of agricultural output but “have never had full access or control of land or property in Sierra Leone” despite the Covenant on Civil and Political Rights: Articles 2, 3 and 23(4) and 26. Thus, “in many parts of the country women can access land only through their husbands or other male family members,” and can lose their access to land in cases of divorce or widowhood.

Some gains have been made in youth empowerment and job creation. With funding from UNDP, the government launched a programme to provide business development and career guidance for youth. It also implemented small-scale job-creation projects through youth entrepreneurship. Further measures included streamlining business registration procedures, eliminating export permits and introducing pre-arrival processing. Another effort is the Youth Microfinance (YMF) project, which include components such as savings and lending associations (YSLAs); linkages with MFIs; and training on life skills and financial education with a focus on gender equality. The project helped youths to manage personal, business and household expenditures through the YSLAs, but the pilot linkage with an MFI failed to draw youth into the formal financial sector: less than one percent of youth respondents reported borrowing from banks or MFIs.

5.2 Supply-side issues

There is no clear set of indicators that FSPs monitor. Institutions did not monitor the women and youth contribution to business growth. Some institutions had clients who had been with them for over 10 years, which would have allowed them to see changes in their personal and business accounts. And although women are a significant market for MFIs, there is still virtually no analysis of the impact of the finance provided.

5.3 Demand-side observations

Lack of access to finance is a major constraint to entrepreneurship and job creation. Only one percent of SMEs’ sources of financing for purchase of fixed assets comes from banks, compared to 10 percent for SSA. Limited access to finance is by far the largest constraint for enterprises in Sierra Leone (40% compared to 22% for SSA), with small businesses (5-19 employees) higher at 44 percent. Only about 500,000 Sierra Leoneans received a loan from a formal financial institution. Lack of access to finance for starting or supporting a business is the most common reason given by 56 percent of the population for not working. It is lower for youth (52%) and higher for women (66%).

Most youth respondents look to finding a job rather than starting a business. The survey found that on completing their education or training, 54 percent of male youth respondents and 53 percent of female youth respondents want to find a job. Only 20.8 percent of male youth respondents and 21.3 percent of female youth respondents want to go into business. This is a challenge for the country given the high unemployment levels.
Urban female youth are more risk averse than women 35 years and above. About 58 percent of respondents had applied for loans in the past. Those that applied for a loan for a business or family issues ranged from 17.5 percent for urban female youth to 90.9 percent for rural male youth. For those who had never applied for loans, the two main reasons were high interest rates and tough repayment terms. Though women older than 35 years were the most entrepreneurial, they had major challenges in accessing credit. The latest Findex data suggest that women are worse off than the population average on most indicators.

More females than males used loans for business needs. Most respondents (47.7%) used loans to start or grow a business or farm. Next came loans for family emergencies (20%), school fees (14%) and daily household consumption (11%). Of those who took loans to finance their businesses, 40 percent were female youth, 37 percent were women over 35 and 22 percent were male youth.

Generally, urban and rural male youths have fewer businesses than women. About 52 percent of the population are women, of whom 70 percent are economically active. Of this economically active female population, about 70 percent participate in micro and small businesses. Around 29.3 percent of urban male youths own a business compared with 81.6 percent of women over 35 and 55 percent of urban young women. Most (51%) business owners

Figure 3: Post-Education Intentions

Table 7: Use of Loan Proceeds, by Category of Respondent

<table>
<thead>
<tr>
<th></th>
<th>Male Youth</th>
<th>Female Youth</th>
<th>Females Aged Over 35</th>
</tr>
</thead>
<tbody>
<tr>
<td>To start, operate or grow</td>
<td>32%</td>
<td>58%</td>
<td>53%</td>
</tr>
<tr>
<td>business/farm</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To pay school fees</td>
<td>18%</td>
<td>12%</td>
<td>13%</td>
</tr>
<tr>
<td>For a family emergency</td>
<td>24%</td>
<td>12%</td>
<td>24%</td>
</tr>
<tr>
<td>For a funeral</td>
<td>2%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>For marriage</td>
<td>2%</td>
<td>3%</td>
<td>0%</td>
</tr>
<tr>
<td>For daily household</td>
<td>15%</td>
<td>12%</td>
<td>7%</td>
</tr>
<tr>
<td>expenditure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To repay a debt</td>
<td>3%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>For childbirth</td>
<td>2%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: ACET Fieldwork (2018)
said their main source of funding was personal funds or savings, followed by loans from family and friends (20%) and from commercial banks (10%). Many female youths (29%) borrowed from family and friends to start their businesses while 14 percent borrowed from a bank or MFI. No male youth reported borrowing from MFIs for their business.

All urban female youth FGD participants took an informal loan to do business. The quantitative data from the rural FGDs revealed that mostly the women, both youth and adults, were involved in Osusu and this helped in raising money for businesses and for emergency funds. Many are acutely aware of the risk of fraud by the thrift collector. Among recent innovations, some participants want to use mobile money instead of the thrift collector. Embracing such new channel technologies to collect and make payments can help address the concerns.

Many participants in the target groups wanted training and education. A 2017 survey by Sierra Leone Opportunities for Business Action (SOBA) found that 94 percent of entrepreneurs cannot afford to pay for business support and 51 percent seek support from family or friends, while 14 percent rely on themselves. Some respondents said they had previously received training on financial literacy but no follow up had been done. To judge the inclination towards entrepreneurship, respondents were asked what they would do if they were given $200. More than half (53%) said they would invest in their business – particularly urban male (80%) and female (55.9%) youths. The next most frequent answer (21% of respondents in each category) was to save in a bank or group. Only one percent said they would invest in the capital market.

Table 8: Business Ownership and Financing

<table>
<thead>
<tr>
<th></th>
<th>Male Youth</th>
<th>Female Youth</th>
<th>Females Aged Over 35</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans from commercial bank</td>
<td>10%</td>
<td>7%</td>
<td>13%</td>
<td>10%</td>
</tr>
<tr>
<td>Loans from MFI</td>
<td>0%</td>
<td>7%</td>
<td>12%</td>
<td>7%</td>
</tr>
<tr>
<td>Loans from family and friends</td>
<td>15%</td>
<td>29%</td>
<td>14%</td>
<td>20%</td>
</tr>
<tr>
<td>Loans from SACCOs, savings groups</td>
<td>0%</td>
<td>4%</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>With personal funds or savings</td>
<td>64%</td>
<td>44%</td>
<td>46%</td>
<td>51%</td>
</tr>
<tr>
<td>Sale of assets</td>
<td>8%</td>
<td>5%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
<td>4%</td>
<td>7%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: ACET Fieldwork (2018)

Women older than 35 years were the most entrepreneurial but had major challenges in accessing credit. Women had the highest business ownership rates: 81.6 percent in urban areas and 64.4 percent in rural areas. But the highly patriarchal society and institutionalised gender biases hinder the development of women. The overarching issue is what can be done to meet their unique needs in terms of access to land and collateral requirements.

Literacy levels are low, particularly among poor women. Many respondents acknowledged that banks were a safer place to save, but lack of knowledge and low accessibility remain major challenges. Some organisations, such as Afford, are educating people in business, setting up companies and opening accounts. The BSL financial literacy week, held every November, is an example of NSFI activities to ensure all Sierra Leoneans are able to better utilise financial services available, and ensure consumers are protected. However, much more needs to be done for financial exclusion.

Technological literacy of the population is low. Despite the high national penetration of mobile phones, there are few in rural areas and low-income households. Even where phones are available, most people are still wary of non-cash payments, especially by phone. Wider marketing and publicity for such products is clearly needed.

More information is needed on youth and women's financial behaviour. While the survey conducted as part of this study is helpful, more can be done to provide insights on target group needs and preferences.
Chapter 6: Summary of Findings & Recommendations

Summary of Findings

ACCESS:

The government remains committed to building a robust financial sector. As part of that commitment, in 2009, Sierra Leone joined the Alliance for Financial Inclusion (AFI), signed the Maya Declaration on financial inclusion in 2012 and made commitments to the Better than Cash Alliance (BTCA) in 2015. The recently-launched National Financial Inclusion Strategy (2017-2020) aims to make financial services accessible and affordable to all Sierra Leoneans and support inclusive and resilient private-sector-led growth, particularly through micro, small and medium-sized enterprises (MSMEs). Development partners have helped craft financial inclusion policy.

Know-Your-Customer (KYC) and minimum deposit requirements hamper financial inclusion of women and youth. The Mobile Money Guidelines require customers to present for verification “at least one of the following documents ... valid passport, driving permit, identity card, voter’s card, financial card, local administration letter or business registration certificates”. The Anti-Money Laundering and Combating of Financing of Terrorism Act (2012) additionally requires a verifiable address. Stakeholders interviewed noted that national identity cards had not been issued for two or so years (due to a reorganisation of government departments). The voter’s card was therefore widely used instead but excluded youth below voting age. Addresses were also a challenge. Minimum deposit requirements in commercial banks are a major hurdle. To open an account, most banks require a minimum deposit of around Le100,000 ($11.76), which limits access. The Sierra Leone Financial Inclusion Strategy (2017-2020) aims to reduce this minimum balance requirement to zero.

Digital financial services are fast improving access to formal financial services. Sierra Leone has 1,811 financial access points but access is concentrated in big towns and cities. About 75 percent of the finance access points are mobile money operators, while microfinance institutions (MFIs) comprise seven percent, commercial banks six percent and Foreign Exchange Bureaux (FEB) six percent of access points. About 86 out of 191 Chiefdoms have no form of financial services access points.

High transaction costs, waiting time and limited access points are barriers to financial inclusion for women and youth. Transaction costs are a big deterrent for at least 25 percent of both rural and urban male youth. The other key concerns are waiting time and location/proximity to financial services. Transaction costs are also important for rural and urban women but transportation costs (25%) and location/proximity (30%) were found to be more critical in influencing access to financial services for female youth in rural areas. There has been an increase in the number of local FinTech organisations that aim to provide essential financial services to the unbanked with mobile-based products.

The scarcity of bank branches outside major cities is a major challenge. Bank and microfinance institution (MFI) branch presence in rural areas remains sparse, which affects patronage. In contrast, a mobile money agent is the most common financial access point for women in urban areas (23%) and for female youth in rural areas (37%) due to mobile money’s near ubiquity, ease of use, convenience, and trust. With the exception of male urban youth, the second most common channel used by the rural and urban youth cohort is the mobile phone, accounting for between 22 percent and 28 percent of usage respectively.

Traditional banks are not reaching the unbanked. Reasons for this include the small size of markets, poor financial literacy and low-income levels of the unbanked, of whom a disproportionate number are women and youth. Regulations are weak and banks still rely on the traditional model of branch networks and expensive technology. As of 2017, only seven of the 14 commercial banks in the country had automated teller machines (ATMs) or Europay, Mastercard and Visa (EMV) cards.

Media coverage and advertising heavily influence decisions of women and youth on type of account to open. The two factors combined account for 24.0 percent (rural women older than 35 years) and 44.4 percent (rural female youths) of reasons for opening an account. One’s own previous experience
accounted for between 40 percent (urban male youths) and 27.8 percent (female urban youths). Advice from friends accounted for 44 percent for rural elderly women. This shows that for future sales and marketing, types of media used are influential and important for different social groupings.

**Culture and local traditions hinder the financial inclusion of women.** Sierra Leone has a highly patriarchal society with institutionalised gender biases and inequalities such that husbands must approve women’s personal and business transactions. Generally, women have limited access to assets, which could be used as collateral for credit.

**USAGE and QUALITY:**

The dearth of gender- and age-disaggregated data precludes the formulation of targeted policies and the development of innovative products. The Bank of Sierra Leone (BSL) does not collect disaggregated data from banks, although it does for MFIs. Few financial service providers (FSPs) and MNOs indicated they collected or tracked gender-, age- and location-disaggregated transaction data. This means that unique insights on women and youth are lost and nuanced policies cannot be developed for this cohort.

The lack of interoperability of mobile payments raises product and service pricing. At the time of authoring this report, BSL was working with US Treasury to resolve what is considered one of the major barriers by providers, as it adds to their operating costs, which are ultimately passed on to consumers, thereby affecting the economics and user experience of mobile financial services.

**Regulatory barriers impede financial product innovation.** Sierra Leone is one of the few African countries where there is a “regulatory sandbox” to test financial innovations. However, there are still limits on the products MNOs are allowed to offer (for example digital credit, paying interest on savings and international outward remittances) and collateral requirements are still high for women and youth.

**MFIs are the most women- and youth-focused of all FSPs, but there tends to be a gap in product quality and product-user fit.** The lack of quality products is due mainly to the MFIs’ limited funding, poorly-segmented data and limited geographic footprint. Commercial banks have set rules for accessing loans irrespective of gender. However, women are disadvantaged because they mostly operate under-capitalised micro-enterprises.

**There is a wave of financial innovation in the microfinance industry:** Some MFIs address women’s collateral shortcomings with special products such as group loans. They have also introduced salary loans, fixed asset lending, leasing, microinsurance and transfers. The average loans are small, as is the repayment period.

More financial education is needed among this cohort, particularly with regard to product security, disclosure of consumer rights and dispute resolution. The study found that there is great need for targeted sensitisation focused on account security, device handling and interpreting SMS alerts. Another issue was the low number of agents in rural areas and the limits some put on cash transactions.

Credit repayment risk of youths remains a primary concern for most FSPs in dealing with the youth. Another issue for FSPs is credit repayment risk. For MFIs, women had a better loan repayment history than their male counterparts and this encouraged them to continue lending.

A significant number of respondents are not confident in using mobile money. Awareness of mobile money (MM) was 89.5 percent for male youths, 94.4 percent for female youths and 69.4 percent for women over 35 years. This shows there is already a base for up-scaling in communities. However, 33.3 percent of these male youths and 40 percent of women above 35 said they did not feel confident in using it or know how to use it well, which points to a knowledge gap.

High transaction costs were identified by many as a barrier to use of financial accounts. The top two issues restricting the use of financial accounts by urban male youths are transaction costs (24.6%) and queues (21.5%). For rural male youths, it is transaction costs (27.6%) and proximity (26.3%). Transaction costs are most important (32.7%) for urban female youths followed by transportation costs (18.2%).

Agent malpractices were called out as major disincentives to usage. Some of the mobile money agents placed limits on how much money can be withdrawn; there were also disputes about deduction of charges. All these point to gaps in security, product knowledge and consumer protection.

**WELFARE:**

There is no clear set of indicators with which FSPs monitor the welfare impact of their products and services. Institutions did not monitor the women and youth contribution to business growth. Some institutions had clients who had been with them for over 10 years, which would have allowed them to see changes in their personal and business accounts. And although women are a significant market for MFIs, there is still virtually no analysis of the impact of the finance provided.
Since lack of access to finance is a major constraint to entrepreneurship and job creation, most youth respondents resort to finding a job rather than starting a business after school. Limited access to finance is by far the largest constraint for enterprises in Sierra Leone (40% compared to 22% for SSA), with small businesses (5-19 employees) even higher at 44 percent. The survey found that on completing their education or training, 54 percent of male youth respondents and 53 percent of female youth respondents wanted to find a job. Only 20.8 percent of male youth and 21.3 percent of female youth wanted to go into business.

Urban female youth are more risk averse than women over 35 years old but generally, more females than males used loans for business needs. Most respondents (47.7%) used loans to start or grow a business or farm. Next came loans for family emergencies (20%), school fees (14%) and daily household consumption (11%). Of those who took loans to finance their businesses, 40 percent were female youths, 37 percent were women over 35 and 22 percent were male youths.

Generally, urban and rural male youths have fewer businesses than women. About 52 percent of the population are women, of whom 70 percent are economically active. Of this economically active female population, about 70 percent participate in micro and small businesses. Around 29.3 percent of urban male youths own a business compared with 81.6 percent of women over 35 and 55 percent of urban young women. Most (51%) business owners said their main source of funding was personal funds or savings, followed by loans from family and friends (20%) and from commercial banks (10%).

Financial literacy and education should be prioritised for women and youth. Many participants in the target groups expressed the need for general financial knowledge with product-specific knowledge for a given target group.

Opportunities

The study revealed several opportunities available to key stakeholders, particularly the private sector, to broaden and deepen women and youth financial inclusion and empowerment:

Agency banking enables FSPs to expand and offer convenience to clients. Location of branches and transaction costs were the most common access barriers identified by survey respondents. A 2016 M-PESA study in Kenya confirmed that “client proximity to the nearest service point is key to whether a client will use DFS. Service points make for smoother marketing and client onboarding and support.” Current players, such as banks, can compete with MNOs using agency banking by leveraging their existing touch points (agents, merchants, outlets, etc.) to deliver financial services at a fraction of the cost incurred by traditional branches.

Technology-related developments offer opportunities for innovation. The FinTech population is growing and BSL has established a Regulatory Sandbox to increase testing of innovative financial services but, to date, only four Fintechs have been licensed to operate in it. Technological advances can enable financial innovation through improved bandwidth, cheaper handsets, the spread of smartphones, chip card technology and cardless ATMs. Private companies that are not FSPs can work through, for example Pay-As-You-Go (PAYG) solar, mWater applications and education finance opportunities, to which youth and women can relate. The boom in technology can help young men and women to find work such as operating POS devices, remote sales and marketing.

There are still opportunities to expand the uptake of traditional products. Banks are likely to continue to lead in formal markets due to market position and regulatory privilege, but to do so, they will need to pursue greater innovation at each link in their operating value chains.

Recommendations

ACCESS

The government should expedite the issuance of ID cards to enable youth and women to access financial services with semi-formal IDs. BSL should accelerate the creation of a three-tier system of ID requirements, which will bring consistency between the rules for banks and MNOs. This three-tiered KYC scheme should ideally have flexed requirements to match the risk profile of individuals, with lower requirements designed for people in villages and progressively higher requirements for those in the middle- and upper-income categories.

Regulations for agency banking need to be completed. The government should work with other stakeholders such as the US Treasury to fast-track regulations for inclusive finance, particularly agent banking. This includes crafting policies to address specific constraints facing this cohort such as lower levels of asset ownership, and to improve the financial...
infrastructure with credit bureaux and collateral registries to lower the barriers for women and youth to access credit.

**Access to land and capital in rural areas needs to be addressed urgently.** The issue of access to land and title to use as collateral is crucial for enabling young people to go into farming or other self-employment. Promoting digital product innovations can reduce the need for such collateral, using alternative scoring and other reputation collateral to broaden access to credit.

**DFS Working Group terms of reference should be reviewed.** It should be able to enhance market development for DFS with clearly defined relationships with regulators and stakeholders. It could also help create a regional forum on DFS among West African Monetary Zone regulators.

### USAGE AND QUALITY

**Experience in DFS and mobile money is still developing.** State agencies need continuing capacity building through workshops and regional exchanges on the payments system; MNO interoperability; alternative delivery channels; consumer financial capabilities and due diligence.

**The private sector should strongly consider forming strategic partnerships** with other service providers and NGOs to improve the business case for serving underserved populations like women and youth. Good examples of such collaborative efforts are MNOs sharing towers to improve the business case for network expansion, or partnerships where NGOs de-risk the initial cost of private sector investment through grants, loss guarantees, and technical assistance.

**There are regulatory limits on the products MNOs can offer.** Consideration should be given to allowing MNOs to launch remittance services through the regulatory sandbox.

**Regulators and providers need disaggregated gender and age data.** It is imperative for the government and the private sector to prioritise the collection and analysis of gender- and age-disaggregated data on matters relating to financial inclusion. Production of disaggregated data must be imposed on financial and key non-financial entities (such as MNOs, FinTechs, women and youth associations, etc.) through government or industry-led regulation. This is a necessary first step for both government and the private sector to understand the unique circumstances and behaviour of this important cohort.

The government can accelerate MNO network expansion. It could incentivise infrastructure investment through grants, loss guarantees and technical assistance and lower import duties on DFS devices like smart phones.

**More research is required on agency network management.** Field respondents called for more agents, better infrastructure, fewer network outages and greater agent liquidity. These ideas should be tested by stakeholders working on financial inclusion for women and youth.

**MFIs should consult more on their products for women and youth.** Despite their lack of funding and limited footprint, MFIs should hold workshops for women in particular to provide insights that can inform the redesign and development of existing and new products.

**Mobile network coverage and quality is poor, particularly in rural areas.** MNOs could share towers to reduce initial capital outlay and improve coverage. NATCOM should consider tiering the cost of USSD licenses so that smaller fintechs can use this channel at a reasonable cost.

**Women and youth need higher levels of technical education.** The government recognises the need to empower women and girls through education. NGOs should expand support to business development service providers; empower entrepreneur networks; and expand research. Fintechs can help deliver training and apprenticeship, particularly in rural areas.

**There is a need to improve the quality and security of mobile money products.** Respondents called for sensitisation and education on account security and agent fraud; and for biometric and SMS alerts. Greater demand for mobile money products could be achieved through publicity and customer education, potentially in local languages.

Providers should ensure that feedback mechanisms for their products are streamlined and that key underserved segments like women and youth are able to easily express their grievances and concerns through these response channels.

**Providers should also strive for higher quality product offerings by taking customer quality and security concerns into account.** Specific suggestions provided by respondents on how security should be improved included better sensitisation and education on account security issues, and the introduction of biometric and SMS alerts. Increased demand for products can be
achieved through educative programmes on TV, or via radio and flyers.

**WELFARE**

Public-private partnerships should increasingly support the enhancement of business development support service providers, empower entrepreneur networks among this cohort, and expand research into the needs of women and youth to inform the development of targeted products and programmes that enhance their inclusion. It is important that financial and skills training and apprenticeship opportunities are extended to rural areas, where disadvantage is greatest. Finally, more support should be given to youth cooperatives that have proven successful in promoting youth livelihoods in rural areas.

**Develop financial products to meet short-term financing needs:** Financial service providers should meet the needs of women and youth by developing appropriate business products such as short-term financing for businesses and no-frills savings accounts that allow for low to zero minimum balances.
Appendix

References


Bank of Sierra Leone, 2018. State of the Digital Financial Services Market in Sierra Leone, presentation by UNCDF MM4P project, June 2018


Conteh, Dr. Patrick Saidu. 2018. Promoting Inclusive Growth Through Financial Inclusion. Speech at Governor’s Annual Dinner, 2 February 2018, Bintumani Conference Centre, Freetown


Mahda, I. May 2018: Informal finance in Sierra Leone: Why and how it fits into the financial system


PHB Development. 2016. DFS Ecosystem Assessment in Sierra Leone. UNDP and UNCDF. New York: UNCDF

Restless Development. 2012. Youth in Sierra Leone Today. Sierra Leone: DFID

UK DFID. 2008. Private Sector and Youth Employment Mapping. Sierra Leone: DFID

UNCDF. 2018. State of the DFS Market in Sierra Leone. Sierra Leone: UNCDF MM4P.


To find out more, visit ACET at www.acetforafrica.org
ANNEX I

The field research comprised: (1)—One-on-one interviews with key stakeholders with knowledge of financial services and women- and youth-related issues from the government and regulatory side; supply side; and demand side; and (2)—FGDs with end users and a quantitative survey on the demand-side perspective of rural and urban women and youth. All field research, tools and interview guides were in English, building on the desk research and presented to ACET for approval and adaptation.

Government and Regulatory Bodies consulted included NATCOM and BSL, the ministries of Finance and Economic Development, and Social Welfare; National Youth Commission and two policy advocacy institutions – Afford and Market Women’s Association.

Supply Side Suppliers/providers interviewed included: three non-bank associations; three commercial banks; four MFIs; two MNOs and mobile money operators. The interviews used an ACET-approved questionnaire. Ahead of the interviews, data were sought from each FSP on: deposit-taking and lending instruments; types of businesses supported; average loan amount; credit application processes; and other information, preferably segmented by gender and age. Some of the data were not easily forthcoming.

Demand side FGDs and survey interviews were used, to enable sufficient time with respondents.

Focus Group Discussions: Seven FGDs took place using different questionnaires with young women, adult women and young men in Freetown and Mile 91 (146 km from the capital Freetown):

Since the first group in the rural female youth FGD did not have any account, it was necessary to hold an extra FGD even though this second group comprised only four female youths with accounts. The Evaluator provided the moderation needed to ensure research quality, while a local assistant dealt with language issues. The overarching goal was to measures the extent of financial inclusion with four indicators: access, quality, usage, and welfare improvements.

Surveys (In-depth Interviews): A survey was conducted with 261 interviewees distributed by geography, youth and gender. Using tablets, nine agents approached the interviewees with questionnaires containing over 85 questions in various areas of the country.

The Local Researcher and the Lead Researcher were in constant communication to ensure harmonisation of data collection and tabulation, preliminary data analysis, triangulating findings and formulating recommendations. Ayani applied lessons learned from the field work in Sierra Leone to that in Guinea and vice versa.

Limitations of the methodology The main limitation is that the study relied primarily on key informant interviews (KIIs) and FGDs with selected respondents and a 261-person survey. AfriqInsights, which oversaw the survey and the selection of participants indicated that the study is statistically significant with a margin of error of 6.2% at a confidence interval of 95%. Applying the same questionnaire to all interviewees rather than tailoring them to their specific institution or division limited the value obtained. To address this, interviewers had frank discussions with respondents based on the study objectives. This approach generated rich feedback. One traditional and two non-traditional donors declined to be interviewed.
## ANNEX II: Participants of the Country Validation Workshop

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization/Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Patricia N. Laverley</td>
<td>Deputy Minister of Finance</td>
</tr>
<tr>
<td>Fatmata Kebbie</td>
<td>Youth Welfare Development Organisation</td>
</tr>
<tr>
<td>Yatta Sama</td>
<td>Moawoma Women's Association</td>
</tr>
<tr>
<td>Dr. Walton Gilpin</td>
<td>Rokel Commercial Bank</td>
</tr>
<tr>
<td>Michael Kamara</td>
<td>GGEM Microfinance</td>
</tr>
<tr>
<td>Keziah Salankole</td>
<td>Rokel Commercial Bank</td>
</tr>
<tr>
<td>William Conteh</td>
<td>IFC, World Bank</td>
</tr>
<tr>
<td>Fatmata E R Ansumanaa</td>
<td>MSW GCA</td>
</tr>
<tr>
<td>Solomon Mwongyere</td>
<td>Support Credit Union Development Sierra Leone</td>
</tr>
<tr>
<td>Memuna Bangura</td>
<td>MOPED</td>
</tr>
<tr>
<td>Rosaline Laundeh</td>
<td>Bank for Innovation and Partnership (BIP)</td>
</tr>
<tr>
<td>Momodu Woodie</td>
<td>National Youth Commission</td>
</tr>
<tr>
<td>Joseph Kpakiwa</td>
<td>National Youth Commission</td>
</tr>
<tr>
<td>Isha Bangura</td>
<td>National Youth Council</td>
</tr>
<tr>
<td>Fatima Yenbeneh</td>
<td>Women’s Movement Dev. Org</td>
</tr>
<tr>
<td>Moshe Roberts</td>
<td>Capitol Finance</td>
</tr>
<tr>
<td>Momoh L Sesay</td>
<td>Bank of Sierra Leone</td>
</tr>
<tr>
<td>Catherine Harding</td>
<td>Young Women’s Christian Association</td>
</tr>
<tr>
<td>Joseph Pious Batindor</td>
<td>SLUP</td>
</tr>
<tr>
<td>Kelvin Lewis</td>
<td>Awoko</td>
</tr>
<tr>
<td>Jusu Jaka</td>
<td>ARD</td>
</tr>
<tr>
<td>Buntina Conteh</td>
<td>Orange Money SL Ltd</td>
</tr>
<tr>
<td>Isaac Appiah Kubi</td>
<td>Empire Solutions</td>
</tr>
<tr>
<td>Sherilla K Williams</td>
<td>LAPO</td>
</tr>
<tr>
<td>Mohamed B. Koroma</td>
<td>National Youth Commission</td>
</tr>
<tr>
<td>Precious Conteh</td>
<td>CPSM</td>
</tr>
<tr>
<td>Tamba Deen</td>
<td>Calabash Newspaper</td>
</tr>
<tr>
<td>Murata M. Kamara</td>
<td>Salone Jambore</td>
</tr>
<tr>
<td>Sam Mathole</td>
<td>Ayani</td>
</tr>
<tr>
<td>Fransess Kondoh</td>
<td>Ayani</td>
</tr>
<tr>
<td>Edward K Brown</td>
<td>ACET</td>
</tr>
<tr>
<td>Richmond Commodore</td>
<td>ACET</td>
</tr>
<tr>
<td>David K. Darkwa</td>
<td>ACET</td>
</tr>
</tbody>
</table>
ENDNOTES

1. The Global Findex 2017

2. The study team comprised researchers from Ayani and ACET.


17. A basic phone has only voice, SMS, and sometimes US$D capabilities, but no data or General Packer Radio Service (GPRS) capabilities. Feature phones have data connectivity in addition to basic features and can connect to the Internet or run mobile applications. A smartphone is a minicomputer, any phone that has advanced capability and can perform complex computations.

18. AFI’s members are central banks and other financial regulatory institutions from more than 90 developing countries, where the majority of the world’s unbanked reside


20. Ibid


22. Ibid


24. Ibid


28. Ibid

29. Ibid page 15


33. BSL Act, 2011


36  https://awoko.org/2016/05/25/sierra-leone-news-apex-bank-is-undercapitalized-finance-minister/


42 Economically Active Population are those within the age group of 15-64 and represent 54.4% of the population of 6.9 million as per Sierra Leone Census Report 2015


44 Ibid

45 http://www.findevgateway.org/sites/default/files/publication_files/informal_finance_in_sierra_leone-working_paper_i.m_final_160718_1.pdf

46 SLAMFI Sept 2018 report


48 The National Strategy for Financial Inclusion 2017 – 2020 quotes figures of 90%, 4% and 5% respectively.

49 Mahda, I. May 2018: Informal finance in Sierra Leone: Why and how it fits into the financial system


51 Ibid

52 http://www.bsl.gov.sl/Banking_Supervision.html


54 https://awoko.org/2017/01/24/sierra-leone-business-7-banks-operate-atm-master-card/


56 The GSMA 2017 report (using 2016 numbers)


59 PHB Development. 2016. DFS Ecosystem Assessment in Sierra Leone. UNDP and UNCDF. New York, NY: UNCDF.

60 https://idtlabs.xyz/FinTech-coffee-morning-discussion-future-FinTech-sierra-leone/

61 Ibid

62 Global Findex 2017


64 Ibid

65 http://sierraexpressmedia.com/?p=83311


67 The theme for 2017 was: “kip u koror nar koror ose wai de komba bank de look oba” (save your money with a financial institution that the central bank oversees). The one for 2018 was postponed to early 2019.

68 Ibid

69 Ibid

70 bid

71 Ibid


76 Ibid


78 http://www.bsl.gov.sl/NationalPayments_System_Landscape.html
79 https://reliefweb.int/sites/reliefweb.int/files/resources/Better_Than_Cash_Alliance_Ebola_Case_Study_May_2016.pdf
80 the-M-PESA-Age-Sep-2017.pdf
81 World Bank. Page 17
83 Sierra Leone Needs Assessment Report, World Bank, June 2018, page 12
85 Ibid
86 Ibid
87 http://www.refworld.org/pdfid/5448a86d0.pdf
88 Ibid
89 http://www.doingbusiness.org/Reforms/Overview/Economy/sierra-leone
100 https://www.ifc.org/wps/wcm/connect/4e45d83f-e049-41d3-8378-2e388fffc1594/
Promoting Women and Youth Financial Inclusion for Entrepreneurship and Job Creation: Comparative Study of Selected Sub-Saharan African Countries

Sierra Leone Country Policy Brief: August 2019