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Finance for All

Bangladesh: Imperatives for Financial Inclusion of Youth

In Bangladesh, the young people face great difficulty and uncertainty during their transition to adulthood. The situation is particularly difficult for adolescent girls and young women. The young population is disproportionately affected by high unemployment rates (12.3 per cent for youth labour (aged 15-24) compared with 4.2 per cent for the general labour force in 2017). The generation also faces a very difficult transition from childhood to adulthood as they become heads of household.

The number of the country's youth population is peaking up with the onset of the demographic transition; and this is expected to continue over the next twenty years. This unprecedented demographic growth provides great opportunities for Bangladesh but, in view of poverty and limited opportunities for the youth, this may represent a major threat to the future of these youth if their strategic needs are not addressed. The failure to acquire marketable skills or capabilities for lifelong learning may put many of them into persistent and deepened poverty.

Over the next decades, in order to realise its goal of becoming a high income country by

2041, Bangladesh needs to explore new approaches to support the vulnerable youth to proactively realise their full economic and social potential. One key aspect in this context is to ensure access to financial and social assets to help these youth to take their own economic decisions and escape poverty. Ensuring financial inclusion of the young people—whether in terms of formal savings or through providing appropriately designed loan product for investment for pursuing education and in an enterprise for livelihood or access to insurance to face unexpected emergencies— can promote new entrepreneurship and asset building and generate sustainable livelihoods for these vulnerable youth. The financial inclusion can be made more effective for youth when complemented with measures for financial literacy, entrepreneurship training and mentorship opportunities.

While there are significant benefits, financial inclusion of the youth is extremely low in the country as they face many barriers to access financial services. Few financial service providers (FSPs) such as banks and microfinance institutions (MFIs) understand and adequately serve the youth market, and regulatory frameworks are not designed to be youth inclusive or protective of the youth rights.

At present, Bangladesh is well placed to address these challenges and support youth financial inclusion in a number of ways with the formal adoption of the National Financial Inclusion Strategy (NFIS) and creation of the NFIS Administrative Unit (NAU) as a new department of the Bangladesh Bank in September 2021. The NAU may explore the possibilities of launching a nationwide programme towards increasing access to financial and non-financial services for low-income youth. To begin with, it can work with FSPs to pilot and roll out sustainable financial and non-financial services tailored to young people. The NAU may also work with both government and nongovernment organisations to promote curricula that facilitate youth learning in the areas of social responsibility and financial competency. It may also design Youth Finance Programmes as a collaborative effort with financial institutions and networks, NGOs and other relevant stakeholders to promote responsible finance principles and practices as well as responsible and sustainable financial services for the youth. The key will be to adapt financial services to their characteristics and needs.

Youth in Bangladesh face many barriers in accessing financial services, including restrictions in the legal and regulatory environment, inappropriate and inaccessible products and services, and low financial capabilities. Overcoming these barriers and achieving successful youth financial inclusion requires a multi-stakeholder approach that would engage the government (including policymakers, regulators and the line ministries), FSPs, youth organisations and other youth stakeholders. Youth, of course, need to be at the centre of this partnership.

The need will be to enact legislation that is both youth friendly and protective of youth rights in financial inclusion. The policymakers should develop legislation that facilitates the development of innovative, cost effective and convenient delivery channels to increase low-cost access of financial services for youth. The legislation should enable FSPs to bank through agents, mobile phones, schools, etc. The relevant organisations should invest in these innovations and support policies or regulatory measures. To help FSPs design and deliver appropriate financial services, the policymakers should explicitly make building the capacity of FSPs aiming to enter the youth financial service market a priority area along with giving appropriate incentives for entering the market.

Another priority area for intervention is to develop the financial capability of the youth in terms of knowledge, skills, attitudes, and behaviours needed to take sound personal finance decisions suited to social and financial circumstances of specific groups of youth. To address the challenge of low financial capabilities of youth and to equip the youth with the confidence to make sound financial decisions and effectively manage financial services, the NAU needs to develop national financial literacy strategies for youth, as well as entrepreneurship programmes that increase the financial capabilities of youth.

The priority will be to adopt a multi-stakeholder approach to overcoming the barriers and increase the opportunities of youth financial inclusion and capability, attract resources to invest in these opportunities and share learnings across all youth and other relevant stakeholders to increase the impact of these investments.

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