



GiveDirectly

Youth Enterprise Grants (YEG) for the Informal Economy

YEG Pilot Project Interim Report on Findings

November 2019

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Executive Summary

The report summarises interim findings of the Youth Employment Grant (YEG) pilot programme targeted at youth (aged between 18-35 years) in the Mathare slum area of Nairobi. The programme has registered just over 1,000 young people who are receiving grant payments and a smartphone. The purpose of the pilot is to test whether cash grants are a feasible and effective tool to improve the economic outcomes of urban youth and the informal economy. YEG recipients are being monitored using a range of qualitative and quantitative tools over the lifetime of the project. This report highlights some of the evidence to date on the impact of the intervention on the lives and livelihoods of the selected young people. The project is providing interesting insights into how urban youth in Africa; manage and invest cash, start and operate businesses; utilise smartphones – in particular, how they access and use the internet, social media and digital financial services.

The youth have been split into two groups that receive similar amounts of cash but with differences in the size and frequency of transfers:

- 1) Lump Sum (LS) recipients – receiving large, one-time lump sum transfers totalling ~\$1,200/individual delivered in 3 transfers over a 3-month period.
- 2) Monthly Payment (MP) recipients – receiving small, regular cash transfers of ~\$50/month for a period of 2 years (total cost \$1,200).

The recipients have completed surveys at registration and after payment rounds, plus participated in a range of ongoing focus group discussions and individual interviews. The project has an Evaluation and Research Framework that has identified six research questions and associated hypotheses. Data collected to date has been analysed to answer these questions. Initial findings are set out in this report and summarised below.

RESEARCH QUESTION 1

It is feasible to transfer significant cash grants efficiently and effectively to poor, urban youth in low income 'slum' environments?

Implementation to date has shown that transferring cash and a smartphone to urban youth in this context is feasible. There is no evidence of increased levels of insecurity, fraud or violence as result of the project. The number of youth unable to access the project due to a lack of ID was minimal. Locally appropriate selection and targeting criteria are required, but possible, in this context. The project has piloted the selection of youth by working with local partners to identify existing group structures. This has generally worked well given the broad selection criteria but limited resources the project necessarily excludes many eligible youth.

RESEARCH QUESTION 2

Do urban youth spend cash transfers to improve their income generation prospects, and how do transfers affect their lives?

Recipients report investing nearly one third of their transfers on new or existing businesses including agriculture. There is no indication the cash is 'misused' with the vast

majority being used to support daily needs, invested in education or income generating / business activities. Approximately 75% had spent some proportion of their transfers to improve their income generation / employment prospects. There is strong evidence that the project encourages entrepreneurial behaviour. This is evidenced by a marked shift in economic activity from casual labour into self-employment. The proportion of youth reporting their primary economic activity as 'working for self' has almost doubled - up from 37% to 64% of recipients.

There is an increase in the number of sources of income from businesses or 'side hustles'. Recipients report marked improvements in their perceptions of their financial wellbeing. Over 75% of recipients have reported improvements in their income aside from the cash transfer. The proportion of youth who report being better able to meet their needs has increased from 29% to 80%. The proportion of respondents reporting to have a current loan or debt has reduced from 71% to 39% and the average size of loans has reduced by 30%. The proportion of youth that now pay for all or most of their rent has increased from 45% to 78%.

RESEARCH QUESTION 3

Does access to digital money management, business knowledge and skills platforms via a smartphone enhance productive investments for cash transfer recipients?

The pre-installed money management app (Touch Doh) has not been widely used. However, the youth business Facebook page (Hustle Fiti) to which recipients were connected has been visited by the majority of recipients and actively used by some. However, there are strong indications that access to the internet (particularly social media) via smartphones is playing an increasingly important role in expanding users' access to markets and their business and technical skills and knowledge. There are numerous recipients reporting use of social media to access clients and market goods or services. Expenditure on airtime has risen by 37%. However, the cost of data / lack of wifi does limit youths' access to streamed video content. Access to capital and direct experience of running business has helped youth better understand their gaps and limitations with regard to financial and business skills. Although the Touch Doh app had limited appeal, the concept of 'compartmentalising' money was popular.

RESEARCH QUESTION 4

Do cash transfers lead to greater use of digital financial services?

Utilisation of mobile money in Kenya is extremely high, even at registration 99% of recipients had used mobile money to send or receive cash. Follow up surveys shows mobile money remains the most widely (and increasingly) used method of managing and saving money. The high density of agents and other mobile money users mean it is an easy, convenient and safe way to transfer or liquidate money. There seems to be a small but steady increase in the proportion of youth using various mobile money services more frequently e.g. mobile banking, on-line loans, bill payment services. Whilst virtually all recipients report saving, the number with outstanding loans and debts has reduced by 24%. However on-line loans have emerged as an increasingly important source of credit for those with debts, but the amounts borrowed are small. Overall YEG youths seem reluctant to take loans or increase debt levels.

Both payment groups report increased savings since the start of the pilot with LS recipients reporting nearly twice the level of savings of MP recipients (\$240 versus \$120). Women also save more of their transfer than men. The desire for illiquidity i.e. mechanisms which enable youth to 'lock' their money away emerges strongly. Mpesa's Mshwari service – which offers this function - emerges as a very popular way to save money. It enables savers to put away money for fixed periods so as to save for school fees and keep money out of their Mpesa account where it is too easy to spend. It is one of the key reasons why informal groups still remain an important saving location. This is particularly true for women who are twice as likely to use groups to save money than men.

RESEARCH QUESTION 5

How do recipient characteristics and circumstances (e.g. age, gender, group membership, social capital) affect their spending decisions and reported impact?

Initial analysis of survey data shows that gender is the primary characteristic showing the most obvious differences in how recipients reported using the transfer. Men tend to invest slightly more than women on productive investments, and somewhat more on housing, clothing and household items. Men operate an average of 1.2 businesses / hustles compared with 1 for than women. There has been a marked increase in male self-employment. The number of men who now work for themselves has increased from 29% to 57%. Meanwhile women spend somewhat more on education and save an average of 5% more of the transfer than men. Women and men show differences in how they save and borrow money with men favouring the use of digital platforms such as mobile money, mobile banking apps and on-line loans over informal groups. Women still favour informal groups as their most likely source of savings and credit.

RESEARCH QUESTION 6

How does the cadence of transfers (monthly payments vs lump sums) affect recipient spending decisions?

The different level of transfer received by lump sum (LS) and monthly (MP) recipients has resulted in relatively different uses of the cash particularly in terms of the scales of expenditure and saving. MP recipients use a greater proportion of their transfers on daily and recurrent costs such as food, housing and education. By comparison LS recipients report higher productive investment (33.5% of the transfer) than MP recipients (27.9%) and more LS recipients (86%) reported making productive investments than MP recipients (66%). LS recipients also spend more on education for themselves.

Survey responses show LS recipients report slightly higher financial and wellbeing outcomes with 82% of LS recipients reporting their income (beyond the transfer) has increased little or a lot compared with 69% of MP recipients. However, these are relatively small given the marked difference in the level of transfers provided to date. The vast majority of both groups feel they are able to cover their needs and / or have extra cash left (95% of LS and 92% of MP). At the most recent follow up LS recipients report average savings of over Ksh24,000 report, double the average reported by MP recipients (Ksh12,000).

Recommendations Going Forward

The programme is still ongoing and action learning will continue with the collection of the following additional data:

- Post payment surveys – for MP recipients;
- A final end line survey with LS recipients;
- Registration, enrolment and follow-up survey data on an additional 142 recipients (LS);
- A further round of focus group discussions;
- Touch Doh and Hustler MBA utilisation data from WTS.

It is clear the pilot project is generating large amounts of data, particularly from the post-payment telephone surveys. The project findings straddle a wide range of topic areas including; social safety nets; urban youth employment and training; micro-entrepreneurship; mobile phone use and digital learning; youth social networks and group structures in urban environments; financial services for low income men and women. The project partners recognise the value of the current research and the datasets in answering the original research questions but also the opportunities for wider learning.

1. Introduction

The Youth Enterprise Grant (YEG) pilot project is a two-year intervention, implemented by cash transfer specialists GiveDirectly (GD) with additional funding from MasterCard Foundation, Financial Sector Deepening Africa (FSDA) and the Google Impact Challenge (GIC) Fund. The pilot project is providing enterprise grants and a smart phone to, primarily, young people (aged 18-35 years) living in Mathare, a low-income (slum) settlement in Nairobi. The youth were identified and selected as part of existing group structures with appropriate geographic and gender representation. The payments, totalling approximately \$1,200 per beneficiary are made via mobile money. Half the beneficiaries are receiving the payments as three lump sum payments within three to four months of enrolment on the programme. The other half are receiving them as monthly payments of approximately \$50 for two years.

The project does not dictate how young people use or invest the money – but they are being ‘nudged’ or encouraged to invest or expand their existing engagement with the informal economy. To support their propensity to invest in economic activities the recipients have been given a low-cost smartphone onto which a range of business and money management apps have been loaded. This pilot is expected to deliver impact under three broad objectives;

- I. Direct Impact - To improve the lives and livelihoods of an initial 1,000 young people living in urban slums;
- II. Learning and Knowledge - To provide directional evidence on the use and impact of cash investments combined with digital financial services (DFS) to youth in this context;
- III. Policy and Advocacy - To use the findings to develop policy and advocacy messages for stakeholders with a focus on youth un / under-employment; Small and Medium-size Enterprise (SME) development; DFS and scalable digital solutions; the informal sector; social protection and poverty reduction.

The learning and knowledge objective of the programme is guided by the YEG Research and Evaluation Framework. This was developed by project partners with the involvement of some academic researchers¹, prior to commencement of the project. The Framework set out six specific research questions to be examined as part of the pilot. It also defined a range of qualitative and quantitative data and information to be collected over the lifetime of the project. This Interim Report summarises some of the emerging findings during the first year of the YEG pilot.

This includes data from registration surveys with all participants; follow up surveys after payments; focus group discussions; and individual testimonies. The research will be useful to inform future programming in this area and debates on cash transfers and the economic empowerment of urban youth.

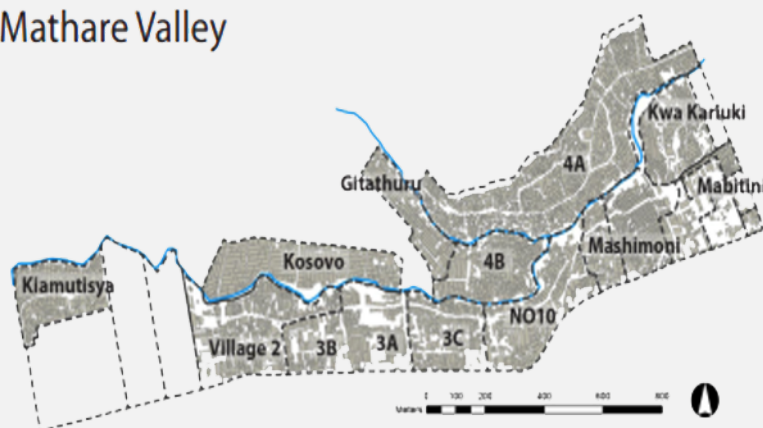
¹ Research questions developed by an Advisory Panel which includes; Heads of Research with GD and FSD, Naomi Van Stapele, Assistant Professor, Urban Governance and Development Policy ISS Amsterdam; ISS/EUR | International Institute of Social Studies: Senior Management with Mastercard Foundation.

2. Project Activities to Date

Projects activities

GD began operations in 13 'villages' of low-income district of Mathare in August 2018 (Figure 1 below). Given limited resources it was not possible to select all villages in Mathare. Therefore, GD worked with several local NGOs to select these villages to avoid inadvertent ethnic or other bias. The NGOs were able to identify and map youth groups operating in these villages. This approach was taken to ensure only local youth already resident and registered with existing community-based organisations would be selected. The methodology was also chosen for security and social support reasons ensuring youths received money alongside peers in a relatively insecure environment.

Mathare Valley



Map 1: 13 Selected Villages in Mathare

An initial census survey was undertaken of all members of identified youth group selected from a long list provided by the local NGOs. The initial eligibility criteria were simple; 1) youth aged between 18-35; and 2) proven residency in one of the selected 13 villages. The initial census data revealed that in many groups there were often several members that fell outside the identified age range of 18-35 years (mostly older). Following the census process GD agreed to expand their criteria to include some older (>35 years) recipients to ensure all members of a group could be enrolled. This was judged important to support group cohesion. At this stage 803 youth (age 18-35) and a further 93 older individuals were enrolled onto the programme. GD provided additional funds to the original budget to cover payments to these older individuals.

Following the census questionnaire, selected recipients were then enrolled onto the programme and completed a second survey tool (the registration form). At this point they were also issued with their smart phone and a Safaricom sim card². This enabled them to receive their transfers via the Mpesa (mobile payment service), and access Facebook. They were introduced to the Hustle Fiti Facebook page and had the Touch Doh app uploaded³. At this point recipients were informed whether they were to receive lump sum

² Recipients that did not already have a smart phone (the majority) were provided with a Techno Spark 2 phone from which Ksh13,000 was deducted from their transfers. They were also provided with a Safaricom sim card if they did not already have one.

³ This is a site support young people to start and develop their businesses operated by Well Told Story, comms and digital media specialists: www.welltoldstory.com

(LS) or monthly (MP) payments. Individuals in the same group all receive the same type of payment. In December 2018 additional funding from the Google Impact Challenge (GIC) Fund was awarded to GD and a further 139 youth were enrolled onto the programme. This brings the total of project recipients to 1,035

Payments to the first cohort of 896 recipients began in early December 2018 via the Mpesa service on their smart phones. LS recipients were provided with three transfers of Ksh 20,000 (US\$200), Ksh 50,000 (US\$ 500) and KSh 50,000 (US\$ 500) at bi-monthly intervals. MP recipients also started receiving their monthly payments of Ksh5,000 (~\$50). As mentioned, deductions to pay for the phone were deducted from payments for those accepting a GD supplied phone.

Research activities

Research is a primary objective of the YEG project. In line with the YEG Research and Evaluation Framework, a range of quantitative and qualitative data is being collected over the lifetime of the project. This data and information will be used to answer the project's six research questions – set out below.

- 1) Is it feasible to transfer significant cash grants efficiently and effectively to poor, urban youth in a low income 'slum' environment?
- 2) Do urban youth spend cash transfers to improve their income generation prospects, and how do transfers affect their lives?
- 3) Does access to digital money management, business knowledge and skills platforms via a smartphone enhance productive investments for cash transfer recipients?
- 4) Do cash transfers lead to greater use of digital financial services?
- 5) How do recipient characteristics and circumstances (e.g. age, gender, group membership, social capital) affect their spending decisions and reported impact?
- 6) How does the cadence of transfers (monthly flow payments vs lump sums) affect recipient spending decisions?

The main sources of research data include:

- a) Enrolment and registration questionnaires: Administered to all recipients by GD staff in person prior to receipt of smartphone or any transfers. Surveys collected basic information on the recipient and survey questions on a range of topics including; education levels, views on finance; economic activity; mobile phone access and usage; financial services etc.
- b) Post-payment telephone surveys: Undertaken by GD from their Nairobi call centre. LS recipients receive a follow-up telephone survey after each payment. Responses to the three survey rounds are referred to a P1, P2 and P3 respectively. MP recipients receive a follow-up telephone survey every four months. This means one quarter of MP recipients are called by the GD survey team each month. The responses are combined every four months for analysis. Two rounds of MP responses have been analysed and are referred to here as M4 and M8. The post-payment follow-up surveys include many of the same questions asked at registration but also include detailed questioning on use of the cash received.

Who Surveyed	Survey Point	Survey Responses Analysed
All participants	At registration	896
Lumpsum payees	After first payment (P1)	431
	After second payment (P2)	430
	After third payment (P3)	338
Monthly payees	During months 1-4 (M4)	443
	During months 5-8 (M8)	424
A total of 873 beneficiaries were followed up		

Table 1: Surveys to Date

Survey data was recorded digitally onto the GD Segovia data system and exported for basic analysis into excel.

- c) Focus Group Discussions (FGDs): Undertaken in-person by GD staff and locally trained facilitators in Mathare. Two rounds of FGDs were held in Mathare with project recipients in November 2018 (prior to payment) and May 2019 (after six months of transfers to MP and all to LS). GD Segovia census data was used to generate lists of potential participants based on criteria related to age, gender and payment type. Six FGDs were held in each round with between 4 - 11 youth in each session. FGDs were recorded, transcribed into English and summarised into written reports.
- d) Case studies interviews: Undertaken in-person by locally trained facilitators in Mathare. A set of case study interviews were undertaken with 12 recipients at the start of the programme. The initial interviews were taped and transcribed. Several were followed up for further interview in May 2019.
- e) Individual testimonies: When undertaking registration interviews and follow up telephone surveys each recipient is encouraged to make statements about their lives, hopes for the project and the actual impact of the project. Such responses are optional, and consent is gained from recipients to post their comments on the GD live website⁴. These testimonies provide continuous, real time feedback from recipients.
- f) App usage data: Provided in aggregate by app developers. The project is trialling the use of the money management app Touch Doh and business skills support app Hustla MBA (both discussed further below). The app developers Well Told Story (WTS) are able to provide some 'back office' data on level and frequency of their utilisation.

Full details of the data tools used and summary reports of survey and FGD findings are included as Annex 1.

⁴ <https://live.givedirectly.org/recipients/09f22d68-21d5-4a2f-a1a7-6ae30a22794a>

3. Interim Analysis and Findings

The large amount of data collected to date has been analysed and used to systematically address each of the six research questions and their associated hypotheses. Each is discussed in turn in the rest of this section.

RESEARCH QUESTION 1 - FEASIBILITY

It is feasible to transfer significant cash grants efficiently and effectively to poor, urban youth in low income 'slum' environments.	
Hypothesis	Findings
Mobile money infrastructure (mobile network, agent liquidity) will be sufficient;	1.1: The provision of cash payments to large numbers of youth via mobile money is highly feasible in this context
Youth will have / be able to source IDs;	1.2: The number of youth unable to access the project due to a lack of ID was minimal
Safety and adverse events can be managed through engagement with local NGOs / stakeholders;	1.3a: The incidents of theft, fraud and other adverse events have been low 1.3b: Locally appropriate selection and targeting criteria are required, but possible, in this context.

Summary Findings

Implementation to date has shown that transferring cash and a smartphone to urban youth in this context is feasible. There is no evidence of increased levels of insecurity, fraud or violence as result of the project. The project has piloted the selection of youth by working with local partners to identify existing group structures. This has generally worked well given the broad selection criteria but limited resources the project necessarily excludes many eligible youth.

Detailed Findings

Experience in implementing the project to date would indicate it is highly feasible to transfer cash grants to large numbers of youth in this context. The pilot has provided an important opportunity to trial the methodology and understand the feasibility of such an approach. Some key findings to date include:

1.1a The provision of cash payments to large numbers of youth via mobile money is very feasible in this context

Analysis of the post-payment telephones surveys shows that over 97% of transfers were collected without reported issues and no recipient reported a delay longer than two days in collecting their payment. There is a high density of mobile payment agents within and around Mathare therefore recipients found it easy to access cash via Mpesa. Some minimal network problems were experienced by 41 recipients (4.9% of all

followed-up) that had their accounts frozen by Safaricom during an audit - but all accounts were unfrozen after Safaricom spoke to GiveDirectly.

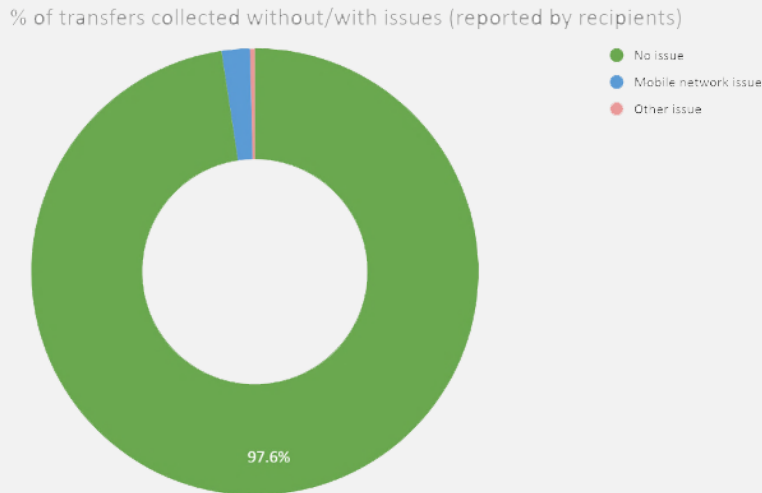


Figure 1: Problems experienced in collection of Cash

1.2a The number of youth unable to access the project due to a lack of ID was minimal

The proportion of youth in Nairobi with national ID cards (issued at age 18) is high. Only about 4% of youth did not have IDs at registration however all were able to produce documentation to show that they had applied for one. This enabled them to continue with the enrolment process; virtually of them were later able to get the ID within a few months after registration which was essential in order to receive payments.

1.3a The incidents of theft, fraud and other adverse events have been low

Mathare is one of the largest low-income (slum) areas in Nairobi with a widespread reputation for crime and insecurity. Prior to the programme there were concerns that transferring cash to youth in this environment could make them targets for theft or other crimes. Post-payment monitoring indicates there is has been limited incidence of theft, crime and bribery. In follow up surveys, GD asks all recipients if they had been asked for, or had paid, a bribe. Only one respondent (0.1%) reported to paying a bribe although seven (0.8%) were asked for one.

% of recipients reporting that they were a victim of theft

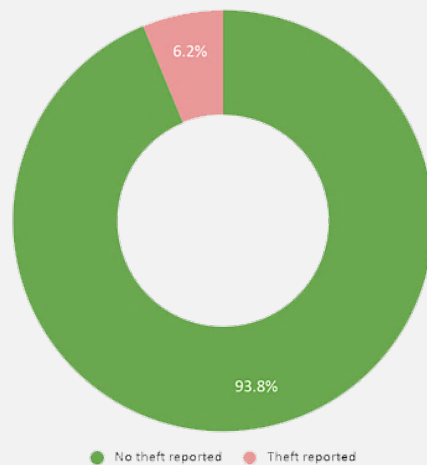


Figure 2: Incidents of Theft

Only 6.2% of respondents to all telephone surveys reported experiencing of theft. Of the 66 incidents of theft reported by 57 recipients, the majority said their smartphone was the main item stolen. 11 (1.4%) recipients reported having cash stolen, the average amount stolen was Ksh 17,286. Other research on crime levels in similar informal / slum settlements⁵ have suggested that there is a 40% chance of being a victim of crime in such locations in any one year.

Efforts were made to minimise security risks. GD has sublet working space within the offices of the Ghetto Foundation who are based in Mathare. Given a wide range of youth use these offices every day it does not immediately identify any youth as YEG recipient This NGO is run for and by local youths and has been able to provide community-based guides offering a level of security for GD staff when working around Mathare. Additionally, smartphones were issued in brown paper bags to avoid drawing attention to YEG youth.

When questioned about security during the FGDs youth were not concerned about any increased risk of crime and insecurity as a result of the project. As residents in Mathare they felt relatively safe there and all agreed mobile money is the most secure way to transfer money. In the initial FGDs it was also mentioned that given so many youth now had a smartphone (from GD) there was less incentive to steal them.

1.3a Locally appropriate selection and targeting criteria are required, but possible, in this context.

It was clear from the outset that the project was a pilot and would not have the resources to target all youth in this densely populated area. Therefore, the project piloted a bespoke methodology to select the 1,000 youth for the project. To date this has proved a relatively effective approach with high levels of community acceptance.

As part of project planning, four established local NGOs were identified that have worked in Mathare for some time and particularly with youth. These NGOs supported

⁵ Ndungu (2011), “Crime differentials in metropolitan slum areas” and Kubende (2018), “Factors influencing crime in the urban informal settlements”

the initial selection of the 13 target villages within Mathare to ensure these included a fair balance of ethnic groups and other local interests. It had been agreed to enrol youth into the programme via group structures to ensure they had peer support for security and solidarity. Three of the four NGOs already worked through and with many group structures. They provided lists of all groups with which they worked in Mathare to GD for an initial screening exercise. Many groups operated as some form of informal savings group, but each varied in the nature and range of activities carried out. All groups had to show their registration with the Ministry of Public Service, Youth and Gender Affairs before members went forward for screening.

Therefore, the local NGOs were not directly involved in the selection of youth⁶ and could not be accused of bias or favouritism. GD staff used these lists to identify youth that met the selection criteria i.e. youth had to demonstrate residency in one of the 13 selected 'villages' of Mathare and prove (via national ID) they were between 18-35 years old. These were simple and categorical criteria which are relatively easy to apply and were accepted by the community.

The selection approach was discussed in the first round of FGDs. At this point participants were all broadly supportive of this approach and saw GD's selection process as initially very impartial. The use of multiple NGOs provided an effective short cut in accessing a long list of potential recipients that would have been much more difficult for GD to undertake individually in a new (and insecure) environment.

Some problems have emerged however, in particular the fact that many groups had members that were either; a) over the 35-year age limit; and / or b) lived outside the target area. This meant the whole group was not always selected which caused some complaints. For some groups GD used their own resources to include the overage members⁷ but group members outside the target area remained excluded. During the initial selection process youth were not aware of the selection criteria however a second round of selection has since been undertaken for recipients under the Google Impact Challenge (GIC) fund. This has raised complaints around individuals 'gaming' the system by forming sham groups and individuals from outside the target area claiming to live there. A clear process of addressing complaints and grievances on targeting and selection is required.

The implications of proving geographic residency in such a dense urban area is something that requires further examination.

⁶ An exception to this approach was a list of 23 Youth from a very small NGO called Tushinde that provided a list of youth from the very poor households it has been supporting for sometime. These youth were not registered as belonging to any group.

⁷ An additional 83 recipients over 35 years were enrolled in the programme.

RESEARCH QUESTION 2 - LIVELIHOODS AND INCOME

Do urban youth spend cash transfers to improve their income generation prospects, and how do transfers affect their lives?	
Hypothesis	Findings
Recipients will use transfers to improve their income generation / employment prospects	<p>2.1a: To date, recipients have invested around a third (~31%) of their transfers in expanding existing businesses and/or starting a new one to improve their income generation / employment prospects. Approximately 75% had spent some proportion of their transfers to improve their income generation / employment prospects.</p> <p>2.1b: Recipients have invested around 1/7th (14%) of their transfers on education or training for themselves or others</p>
Recipients will report using transfers to expand existing businesses and/or start new ones	<p>2.2a: The proportion of youth reporting their primary economic activity as 'working for self' has almost doubled - up from 37% to 64% of recipients;</p> <p>2.2b: There has been an increase in the average number of businesses / side hustles operated by recipients.</p> <p>2.2c: Business investments to date have been concentrated in certain sectors; street trading (non-food and food) and retail are the most popular.</p>
Recipients will report that transfers have improved their economic situation, and that they are better able to meet their needs	<p>2.3a: The majority (>75%) of recipients have reported improvements in their income aside from the cash transfer</p> <p>2.3b: The proportion of youth who report being better able to meet their needs has more than doubled from 29% to 80%</p>
Recipients will report greater financial independence and security	<p>2.4a: The proportion of respondents reporting to have a current loan or debt has reduced from approximately 71% to 39% and average loan size has reduced by 30%.</p> <p>2.4b: Over 59% of respondents report saving some of the transfer in the post-payment surveys</p> <p>2.4c: The proportion of youth that now pay for all or most of their rent has increased from 45% to 78%.</p>

Summary Findings

Recipients report investing nearly one third of their transfers on new or existing businesses including agriculture. There is no indication the cash is 'misused' with the vast majority being used to support daily needs or invested in education or income generating / business activities. There is strong evidence that the project encourages entrepreneurial behaviour. This is evidenced by a marked shift away from casual labour into self-employment and growth in the number of sources of income from businesses or 'side hustles'. Recipients report marked improvements in their financial status and over 75% report their income has increased beyond the value of the transfer.

Detailed Findings

2.2a To date, recipients have invested around a third (~31%) of their transfers in expanding existing businesses and/or starting a new one to improve their income generation / employment prospects.

YEG recipients are spending a substantial proportion of their transfers on livelihood investments. Both FGDs and analysis of the post-payment surveys indicate most youth (approximately 75%) had spent some proportion of their transfers on an existing or new business / IGA and / or an agricultural investment such as livestock. Figure 3 below shows that on average, recipients reported using over 33% of the transfer on productive investments. The figure shows a roughly equal split between investments in new and existing businesses. It is interesting to see how many youth made agricultural investments given the urban context. In FGDs many youth reported using the payments to purchase livestock via family members in rural areas or to hire labour or machinery to plant or harvest family land out of Nairobi.

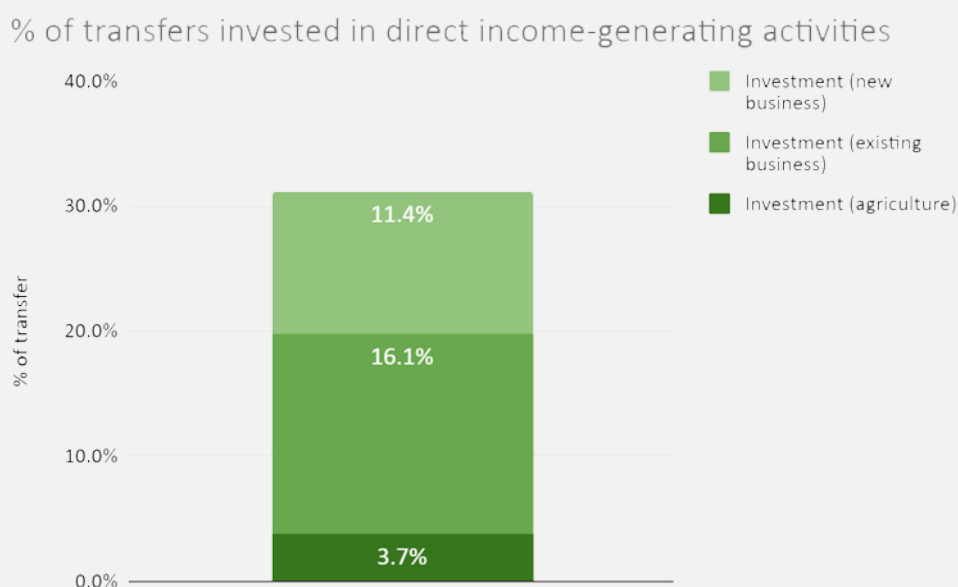


Figure 3: Investment Expenditures

Although the transfers to youth are unconditional, 'nudges' were provided in the form of the pre-installed smartphone apps (see below) and in recipient briefings on the project purpose. In focus groups the vast majority of participants expressed an interest in using the money for business purposes. The extent to which the nudges encouraged

this is unclear given that many youth (77%) had mentioned using the cash for a new or existing business as one of their top three priorities upon registration into the programme.

2.1b Recipients have invested around 1/7th (14%) of their transfers on education or training for themselves or others

Further analysis of expenditure patterns also shows that the majority of all recipients (59%) spend some of their transfers on education. This is often also classed as a productive investment in that it improves the human capital of an individual or household. This proportion is notably lower than feedback from the group discussions would suggest, where almost all respondents reported using payments to pay school fees for someone in or related to their household. The YEG transfers also coincided with the start of the school year in Kenya (January) when the burden of fees and other education expenses is highest.

Using cash transfers to pay school fees is very common⁸. However, in this case over one third of expenditure on education was spent on the recipient's own education or training. Although the proportion of respondents using the transfer for their own education / training purpose is lower (~15%), the amount spent per recipient who does invest in their own education is far higher than the amount spent per recipient who invests in the education of others (see Table 2 below). In the FGDs some youth explained they had used the transfer to pay off outstanding school fees in order that schools would release their graduation certificates. Others reported using the cash to undertake training courses such as hairdressing, driving or IT skills.

Spending Category	All Recipients		
	# citing	Minimum ⁹	Maximum
Education for others	454	10,740	89,000
Education for Self	125	21,549	116,800

Table 2: Range and Average Expenditure (Ksh) on Education

If the expenditures on education are added to the other livelihood investments shown in Figure 3 above the proportion of the total transfers to date used for productive investment rises to nearly 45%.

⁸ Bastagli et al: ODI, July 2016

⁹ This is the average only for those reporting an expenditure in this category

% of transfers invested in businesses, agriculture, or education [LS+MP]

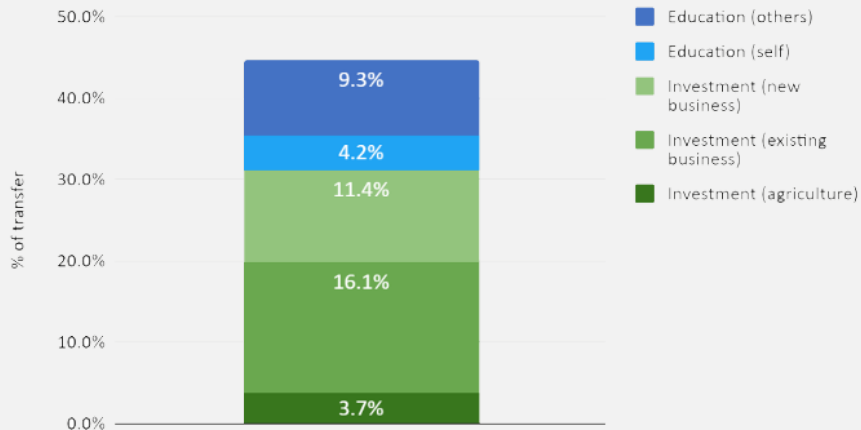


Figure 4: Total Expenditure on Productive Investments

2.2a The proportion of youth reporting their primary economic activity as ‘working for self’ has almost doubled - up from 37% to 64% of recipients

The investment in livelihoods is reflected in how YEG recipients define their economic activity. Figure 5 below shows youth moving out of casual labour (‘working for others’) into self-employment over the course of the program. Since registration, the proportion of all YEG youth describing themselves as self-employed has risen from 37% to 64%. Further analysis of this shift by gender and payment type is explored in research questions 5 and 6 below. The Baseline Recipient Profile Report, found that only a tiny proportion (3%) of youth in this context are engaged in any formal employment.

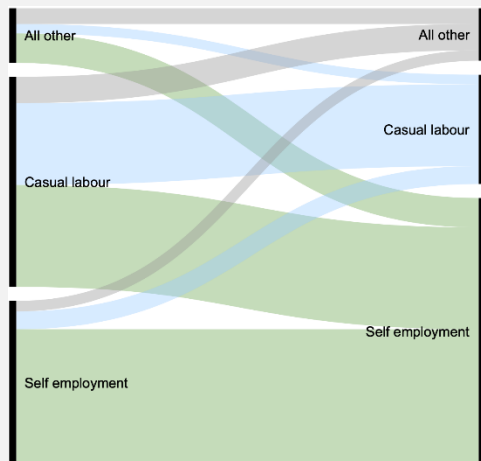


Figure 5 – Shifts in Economic Activity

This shift would seem to indicate that working for oneself is seen as preferable to working for others on a casual / informal basis, which concurs with existing

research¹⁰. For men the most common types of casual labour cited were construction workers; janitors / porters; and in transport, whereas for women it was domestic labour and cleaning. Interviews with individuals and discussions in focus groups back up this finding with many youth reporting that starting their own business has always been a goal or ambition. Casual labour is seen as the fall-back option with work found some days but not always, wages are low given high supply of labour and locations may involve travelling long distances. Most explained that before the project they lacked the capital to attempt investing in working for themselves. Working for oneself is seen as offering the potential for higher income and greater control and autonomy of one's life as these statements illustrate;

"I have my own business. I do not depend on casual jobs like selling water which was unreliable. I have learned to manage it in terms of the variety that the customer needs and how to lure them to buy the clothes which I sell. I can never compare it with the past casual jobs that I have ever done."

Round 2 FGD participant

"Personally, I feel the hassle of having to be employed to survive in Nairobi will have ended. I believe my agri business will have grown enough by then".

Round 1 FGD participant

"In two years time I don't see myself being employed by someone again. I will have employed myself and my life will be running fine my children will learn without worrying about school fees"

Round 1 FGD participant

Recipients who were self-employed prior to the project were also reported spending a somewhat higher proportion of their payments into productive investments (see figure 4 below). This makes sense given they would already have existing business activities to expand or 'top-up'.

¹⁰ [Davione et al. 2019](#) The Household and Individual-Level Productive Impacts of Cash Transfer Programs in Sub-Saharan Africa - American Journal of Agricultural Economics, Volume 101, Issue 5, October 2019, p. 1401–1431

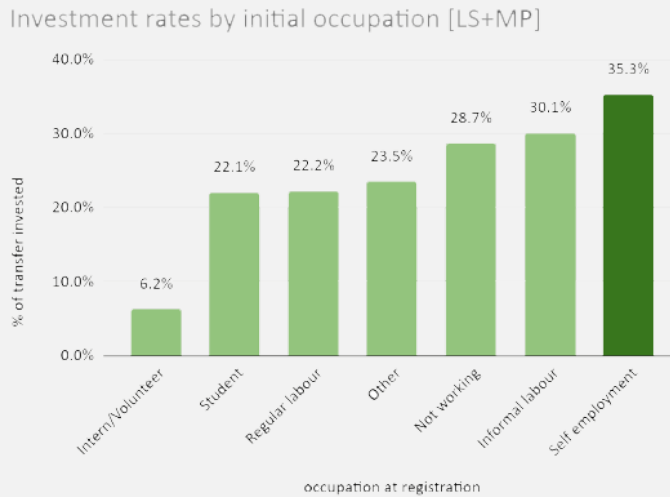


Figure 4: Investment Rates by Initial Occupation

2.2b There has been an increase in the average number of businesses / side hustles operated by recipients.

Post-payment surveys also asked; 'currently how many businesses /side hustles do you operate that make you money regularly or sometimes?'. The average number of businesses / side hustles per recipient has increased from 1 to 1.1. There are some marked differences in gender that are explored under research question five below. However, it is hard to assess this signification or compare with the situation at registration when as this question was not asked. An increase in the number of businesses operated by individuals would be logical given the high level of investments reported (above) in new and existing businesses and the shift towards self-employment.

2.2c Business investments to date have been concentrated in certain sectors; street trading (non-food and food) and retail are the most popular.

Youth moving into self-employment have engaged in a wide range of business activities. The survey questions offered a range of sectors against which business activities were categorised. The proportion in each sector (for those reporting being self-employed at registration) are show in figure 7 below. This shows that street trading of food and non-food as well as retail are the most popular.

Sector breakdown of self-employed recipients [LS+MP]

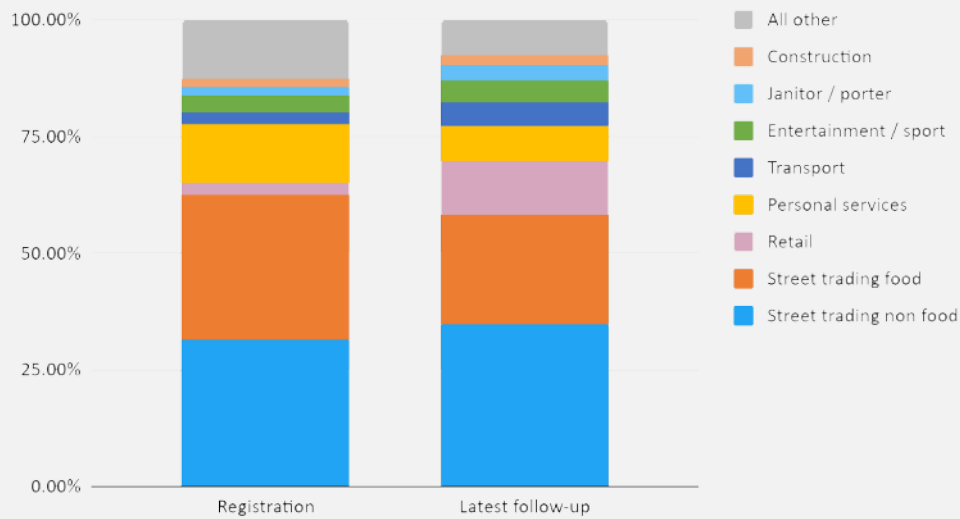


Figure 7: Change in Top Cited Sectors for Self-Employed since Registration

The range of activities within these sectors is often diverse. This reflects the vibrant nature of the Nairobi economy compared with rural areas. The list below summarises some of the businesses which were mentioned in the FGDs.

- Purchase of motorbikes
- Selling clothes and shoes
- Shops selling general goods, fruit, vegetables and juices
- Purchase of refrigerator to sell ice
- Expanding M-pesa float
- Cafes (selling tea, snacks etc.)
- Beauty salons / barber shops
- Spare parts shop (for vehicles)
- Milk vending machine
- Photographic; filming and recording equipment and services
- Farming – livestock or agriculture.

The use of social media (accessed via their smartphone) for buying and selling items particularly shoes and clothes was mentioned several times and reflects the changing nature of ‘street trading’. Recipients reported using WhatsApp and Instagram to market very specific clothes (and other items) to a wider range of potential customers rather than sitting at a street stall. The phone also seems to be a factor in enabling businesses categorised under entertainment e.g. using phone to make music or videos for events or uploading onto Youtube. This is explored further in findings on research question 3 below.

“Sometime when I go to Gikomba [second hand clothes market], I promised a client I will get them something, I can take a photo and upload a photo on WhatsApp and tell them I brought whatever it is I sent in the photo and they can come for it.

"The phone I had before wasn't helping me at all, sometimes it use to go off, I lost clients or clients asking for pictures with hairstyle ideas and I couldn't take a photo of a client's hairstyle because of the phone I had. At least with this phone, I have samples of my work to show to clients".

"I sell shoes in town, so there are people who give me their numbers and tell me if I find shoes their size, I should take a picture and send on WhatsApp with this phone. I do that and deliver to their offices".

There are clear indications that the economic situation of YEG recipients has improved. A high proportion of youth report increases in income; improvements in their financial circumstances; reduced debt; higher savings and increased responsibility for paying their rent.

2.3a The majority (>75%) of recipients are reporting improvements in their income aside from the cash transfer

In follow up surveys recipients were asked 'since you were enrolled in the programme, apart from the payments from GD do you feel your other income (from your work, business etc) has increased (a lot or a bit), decreased or stayed the same?'. Figure 8 below shows that nearly 75% of all recipients felt their other income had increased a lot or a bit. It should be noted recipients were not asked to quantify any increases in income in anyway and therefore responses are based on their perception of change.

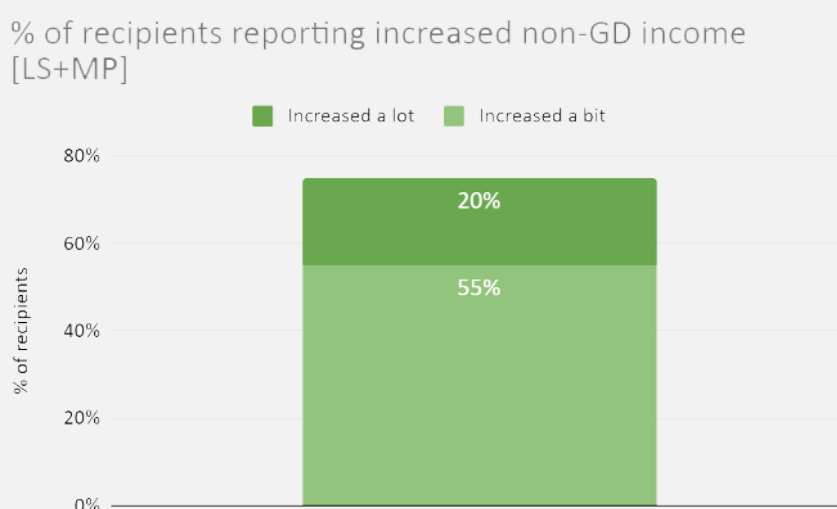


Figure 8: Change in Income beyond the Enterprise Grant

In FGDs there were several discussions around how recipients used their transfers to boost their incomes. Although several participants mentioned an increase in income (beyond the transfer) it was not clear that recipients would have been able to quantify exactly how their regular income has changed. Discussions with individuals in case

study interviews also highlighted the variability of business revenues and expenses with many struggling to provide an average and consistent figure for their monthly income. In FGDs several recipients mentioned the issue of variable business income with activities generating good incomes sometimes but the need to subsidise them at others

“There are times the driver will come and say that a tyre had some problems and needs to be fixed. So, from the money I had set aside, I will need to get some of it for repairs. If no repairs need to be done then not a lot of money is spent. So, the income keeps increasing”.

Woman running shoe selling business: “I see myself as progressing, and I am also saving in my savings group. When I notice that the business is not doing so well, I go and take a loan to boost the business and get it to move forward.”

Man running fried fish shop: “My sister who runs the [fish shop] business. I have another job so I support the business with some of the money that I get from work; to make sure that it does not fail.”

Woman running motorcycle business

2.3b The proportion of youth who report being better able to meet their needs has increased from 29% to 80%

At registration and in follow up surveys recipients were asked for to rate how they felt about their finances generally by choosing one of the following responses to the statement “Most days how do you feel about your finances?”.

- a) I don't even have enough for food;
- b) I only have enough for food and maybe transport but not much else;
- c) I have just enough to cover my needs today;
- d) I can cover my needs and have little extra left that I can set aside, or help others, or buy things I like etc.

Figure 9 below show how perceptions on financial circumstance have changed quite markedly over the first eight months of the programme from 29% at registration to 80% at latest interview. The split between LS and MP recipients is explored further under research question six below.

Self-perceived finances [LS+MP]

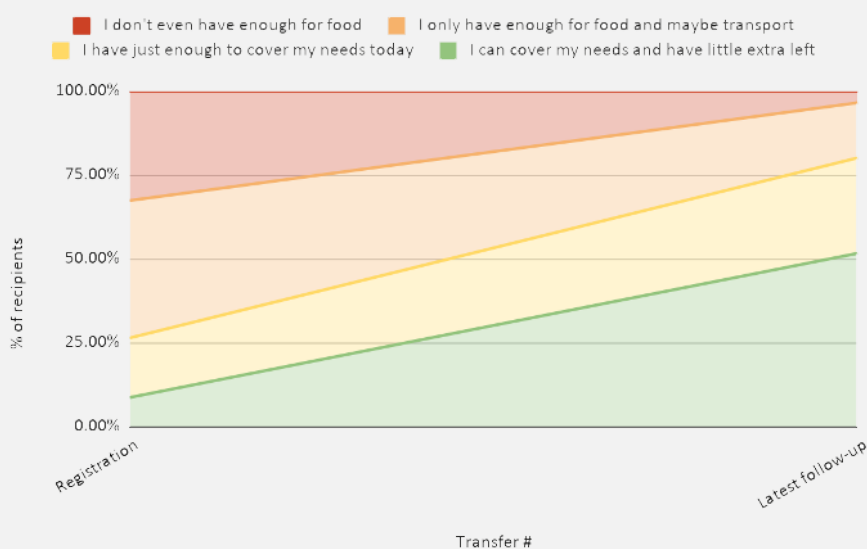


Figure 9: Changes in Perceptions in Financial Circumstances

2.4a The proportion of respondents reporting to have a current loan or debt has reduced from approximately 71% to 39% and average loan size has reduced by 30%.

Survey data indicates that debt levels have reduced of debt has dropped by over 30% with the overall average amount reported debt falling from KES 9,559 at registration to Ksh 6,550 at latest follow-up¹¹. Additionally, the proportion of respondents reporting to have a current loan or debt has reduced from approximately 71% to 39%. There are more pronounced variations in debt between genders and payment patterns that are discussed under research questions 5 and 6 below. Interestingly although debts levels seem to have reduced significantly debt repayment only accounted for 3% of the use of the transfers in the follow up surveys. It is not clear why debt repayment amounts were so low given the ability to repay debts was mentioned regularly by recipients in interviews and the FGDs;

"I do not have any fear of watching my business collapse. I had been using all the money to repay the debt I had and I knew that I would close it after some time since I would run out of stock. [...] Having these debts had always disturbed my mind and was giving me sleepless nights".

"I received the first amount when I had very many debts so I sorted them out. The second amount helped me with school fees. I no longer pay rent – because I bought a house in Mathare; a house that was not very costly and did some renovations".

2.4b Over 59% of respondents report saving some of the transfer

Over 59% of respondents report saving some of the transfer in the post-payment surveys and 81% of respondents report having savings. Much of this saving is from the

¹¹ This figure excludes one individual reporting debts in excess of Ksh1.3 million which skewed the mean average so as to be unrepresentative.

transfer however in FGDs some youth reported also saving or putting aside some of their business income. As a result, figure 10 shows the average amount of reported savings has been increasing in each round of post-payment surveys¹².

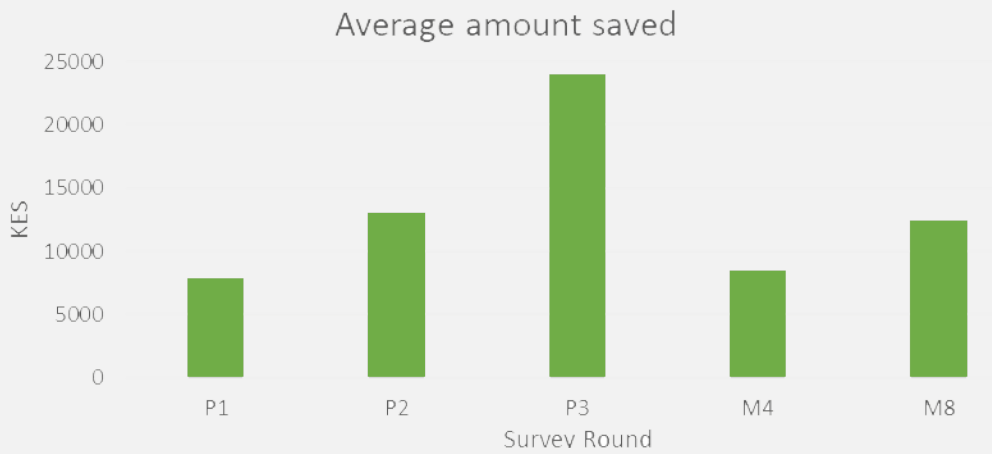


Figure 10: Average Reported Saving by Recipients

2.4c The proportion of youth that now pay for all or most of their rent has increased from 45% to 78%.

In surveys recipients were asked about their responsibility for the payment of rent and school fees. Their contribution to these expenses was deemed to be a broad proxy for the income level of the individual (rather than the household which is better reflected in rental levels). Their contributions to rent and school fees is an attempt to gauge financial independence and security.

The change in responses to the question about responsibility for rent show a marked change with the number of recipients reporting that they were responsible for the all or most rent every month. (see figure 11 below).

¹² Recipients were not asked to report their savings at registration.

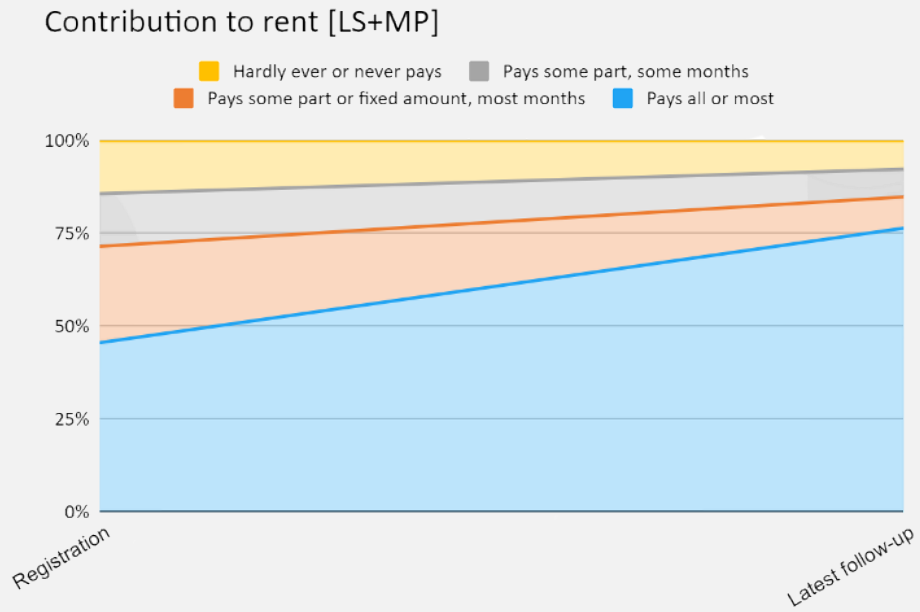


Figure 11: Change in Contribution to Rent Expenses

Responses to the similar question on contribution to school fees shows somewhat similar trends with an increase in the proportions paying some or most/all school fees. However, analysis of this data revealed that only 60% of recipients were asked this question at registration which has somewhat skewed the data.

RESEARCH QUESTION 3 - SMARTPHONE AND DIGITAL TECHNOLOGY

Does access to digital money management, business knowledge and skills platforms via a smartphone enhance productive investments for cash transfer recipients?	
Hypothesis	Findings
Recipients will use the installed apps	3.1a: Utilisation of the Touch Doh app was very low. However the concept of 'compartmentalising' money was popular 3.1b: The Hustle Fiti facebook page has been visited by the majority of recipients and actively used by some;
<ul style="list-style-type: none"> Recipients will find the apps useful Recipients will report that app usage has influenced their spending / business decisions 	3.2a: The apps have not been particularly useful. However, access to the internet via the smartphone was important for business purposes; 3.2b: Expenditure on airtime has risen by 37%. However, the cost of data / lack of wifi limits participants' access to streamed content.
Recipients will report improved business knowledge / money management skills	3.3a: As recipients gain greater access to capital and experience of running businesses, they report greater gaps in their business and money management skills and knowledge rather than improvements.

Summary Findings

The pre-installed smartphone apps have proved of limited interest to recipients. However, there are strong indications that access to the internet (particularly social media) via smartphones plays an increasingly important role in expanding users' access to markets and their business and technical skills and knowledge. The cost of data / lack of wifi limits youths' access to streamed data. Direct experience of running business has helped youth better understand their gaps and limitations with regard to financial and business skills.

Detailed Findings

Part of the theory of change that this pilot is seeking to test is the value of access to a smartphone alongside the cash grants for this target group. In particular, to ascertain the value of digital technology in building money management and business skills and knowledge. Participants were issued with phones at registration at which point GD staff uploaded the Mpesa, Touch Doh and Facebook applications on each phone. The Mpesa (Safaricom mobile money app) is the modality via which cash is transferred it is therefore used by all recipients. However, even at registration 99% of recipients reported having used Mpesa. This included most of the 11% of recipients who reported having no phone prior to the project.

The Touch Doh app is a money management app developed by Well Told Story using animated characters talking in street slang (Sheng). The Facebook app was also installed.

Participants who did not already have a Facebook account were supported by GD staff to create one and become member of the Hustle Fiti page (business advice and chat group). Findings on the use of these apps and other internet services or platforms are described below.

Recipients were asked about the type and frequency of various uses of their phone at registration and at follow up interviews. Some new categories were added at the follow up stage. Figure 12 below indicates some of the changes in frequency of certain uses.

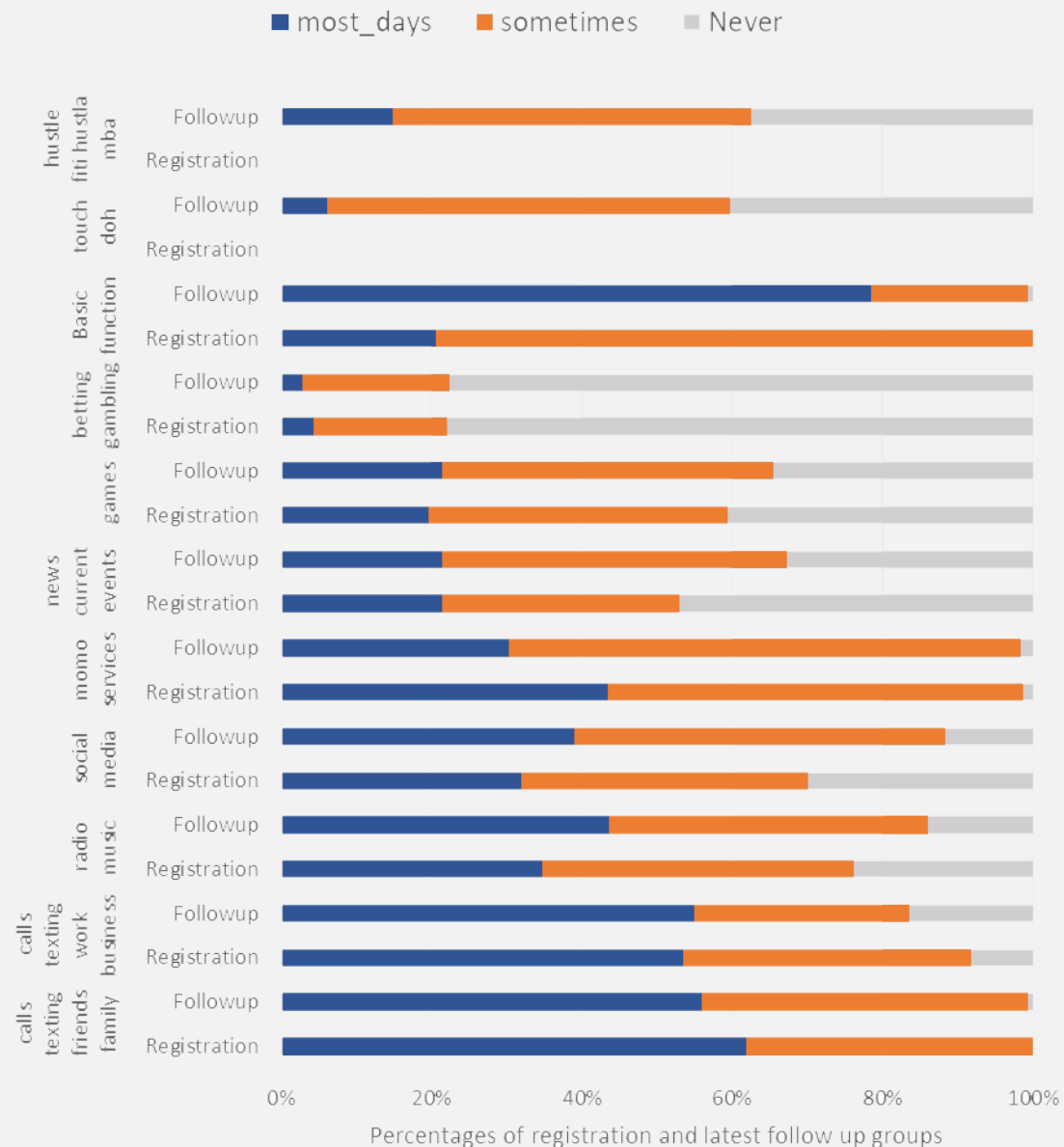


Figure 12: Changes in Phone use between Registration and Latest Follow-up

Analysis show that most uses of the phone have stayed the same or slightly increased even though only 28% of recipients had a smart phone upon registration. This may account for the increases seen in use of phones for social media, games, music and news has increased. There was almost no change in phone use for keeping in touch with

friends / family and betting. However, the use of the phone for work or business some or most days has declined slightly from 94% to 84%.

3.1a Utilisation of the Touch Doh app was very low however the concept of 'compartmentalising' money was popular.

It would appear the Touch Doh app has had very little take up by recipients. In follow up surveys 29% claimed to have never used it with only 6.1% reporting to use it most days by latest follow up interview. Although 54% reported using it sometimes, this seems to refer to attempts to try to use it rather than any regular use. Tracking data on utilisation provided by the developers WTS confirms this. Their monthly tracking data shows that peak usage was in December / January and even then, there were only 62 active users (out of over 893 recipients).

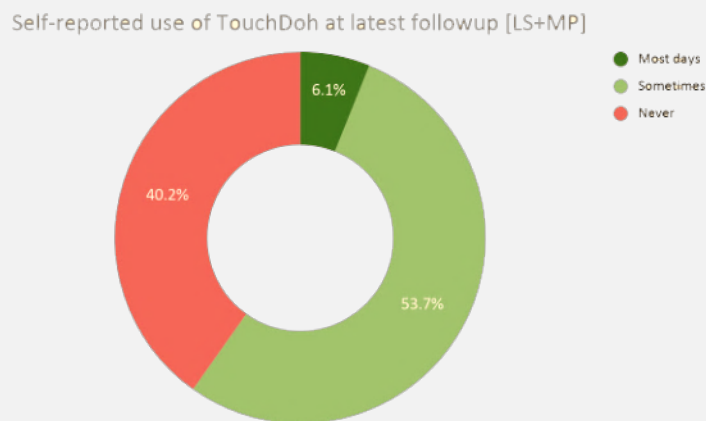


Figure 13: Reported use of Touch Doh

This concurs with focus groups discussions where most people had not used TouchDoh more than once, or said they found it too difficult. Some had received additional training from GD staff but still found it difficult to use. A couple of participants said they found it useful however only one person claimed to use it on a regular basis:

"I have used it a lot. I have used it to such a point where I plan according to it. Since I know that I get 5,000 shillings from GiveDirectly, and I need to save, maybe 300 or 400 shillings. It guides me and I know how much I need to set aside for food etc... Now I know how to plan for my money".

Male monthly payment recipient

However, discussions on Touch Doh found users like the idea of having different 'pockets' to compartmentalise cash but that they wanted that in reality not just notionally on the app. Several recipients mentioned how they wished Touch Doh enabled them to actually save or put away their money where it could not be easily accessed. There were requests for it to be linked to Mpesa or Mshawiri.

"Touch Doh is not saving my money. It's just like writing in a book about your expenses and savings but if it could like lock some amount of money for a certain period of time that would help. But now, it doesn't stop Impulse buying, if I had budgeted money for saving and I saw something nice that I had no plans of buying, I will go ahead and buy and Touch doh will not help."

Female recipient

3.1b The Hustle Fiti Facebook page has been visited by the majority of recipients and actively used by some

In follow up surveys a higher proportion of respondents reported visiting the Hustle Fiti Facebook page (15% most days and 48% sometimes) than using Touch Doh. The surveys did not ask about the frequency of visits and therefore it is hard to assess the quality and level of interaction. In FGDs more participants reported looking at it sometimes or a lot compared with Touch Doh. Some appear very active and have joined spin-off What's App groups. One even claimed to have been visited by JB – the moderator of the Hustle Fiti page.

"They [Hustle Fiti stories] motivate me when I see ideas that the youth can take up to improve their lives. It opens my eyes to certain things that I can do in my life".

Male monthly recipient

"It is helping me because I use it twice a week and it gives me tips on how to talk to my customers, it also helps me to find ways of getting feedback from my customers on whether they are happy with my products".

"Yes, I usually watch videos by people talking about the challenges they are facing in their businesses. In the WhatsApp group, people also talk about their businesses. Sometimes people will also let you know when there are some trainings for making mats and such things so it also helps to gain skills".

Female monthly payment recipient

Initially the project had proposed to include another WTS application – the Hustler MBA (HMBA) on recipients' phones. Due to delays in development and its heavy reliance on streamed video content it has not be possible to upload this app onto all phones. Instead approximately 10 youth groups have been selected to access the HMBA platform by enabling wifi access. This trial is ongoing, and no findings are available at this stage.

3.2a The apps have not been particularly useful. However, access to the internet via the smartphone was important for business purposes;

Even at registration, the value of phones for work or business emerged as already very high for YEG participants. Upon registration 28% of recipients already had a smartphone and 91% reported using a phone sometimes or most days for work or business. However, as highlighted above, there was a reduction of 10% in the proportion of recipients using their phone sometimes for work. Nonetheless, at 84% this is still one of the highest reported uses of the phones (Figure 12 above).

Given the high rate of phone usage for business found at registration, follow up surveys explored this use further. Respondents that reported using their phone for work or business were asked how they used their phone using the following categories:

- a) Calls and messages about work opportunities;

- b) Marketing business or services via WhatsApp, Facebook or other social media;
- c) Getting knowledge, information, ideas or advice;
- d) Other (specify);

Analysis of these responses to follow-up surveys shows that calls and messages are most frequently cited but that there is a steady and marked increase over time in internet-based uses of phones such as marketing items, on-line trading and seeking information and ideas (see figures 14 and 15 below). This increase is more marked for LS recipients who have generally made larger productive investments which may account for greater demand / interest in marketing and knowledge to support their business ventures and activities.

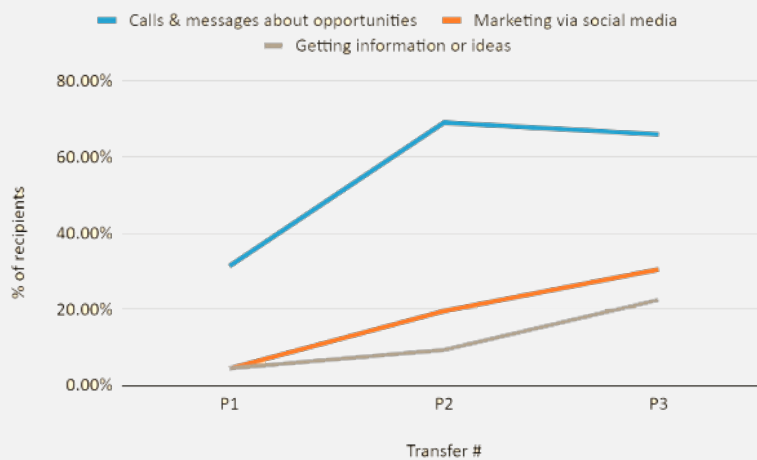


Figure 14: % LS Recipients reported use of phone for type of business activities

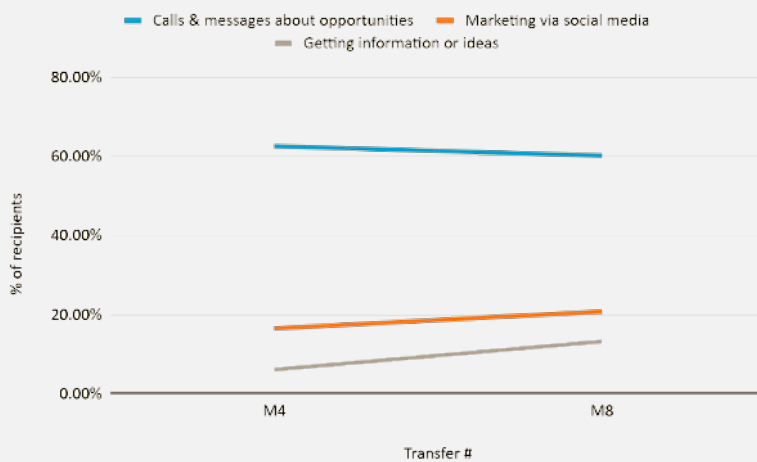


Figure 15: % MP Recipients reported use of phone for type of business activities

This finding reflects conversations on phone use in the FGDs. Participants were prompted to mention any apps or internet sites (other than Touch Doh and Hustle Fiti) that were helpful in getting business skills, knowledge or advice. The following were mentioned;

- WhatsApp
- Instagram;
- Alibaba;
- Google;
- Youtube university;
- Government of Kenya e-citizen site (re permits and traffic rules etc.);
- Apps for learning hairstyles – Black Boy Hair, Cool Black Men, Fade Black etc.
- Apps for editing photos, producing videos and music.

The internet generally, rather than the apps trialled by the pilot, emerged as increasingly important in enhancing YEG participants' productive investments. When asked "what is the best thing you can do on/ with the new phone that you couldn't do before?" and "how is the phone useful in helping you to make money?" comments included the following;

"I use it to post photos of the t-shirts [I design] to sell on Facebook, customers also call me to find out whether I have new stock."

"I have an Instagram group where I post new hair shaving styles so it helps with getting creative. I also run searches for cool hair shaving styles using the phone."

"As a businessman, I sell clothes and shoes. When I tell my friends that I have shoes of a certain type, they ask me to post photos of what I have in stock and then they call to place orders. I post them on Facebook and Instagram".

"I take photos of items for sale. When I get home, I post the photos on Facebook. From my Facebook page, my friends ask how much the items are and others ask for the location of my shop."

"I really love this phone. I actually used this phone to get my motorcycle. Someone posted the motorcycle on Instagram, including its cost and so I bought it."

"I check Alibaba for new trends. You might find out that you bought some things and you do not know what they are, so you just run a search to find out what it is and how much it is worth".

3.2b Expenditure on airtime has risen by 37%. However, the cost of data / lack of WIFI limits participants' access to streamed content.

Although the value of the smart phone in expanding participants' access to the internet is clear, there are limitations. At registration the average amount spent on airtime / data bundles each week was estimated at KES 165. By the final follow up surveys this had risen 37% to a weekly average of KES225 per participant. Even with this increase, downloading large amounts of data or streaming content is generally avoided by participants given the cost of airtime / data bundles.

As highlighted in figure 13 above, internet usage has increased with higher proportions of youth access social media, news and current affairs via their phones. In FGDs many recipients reported using streaming sites such as Youtube for business purposes e.g. watching videos to learn skills such as hairstyling. At the same time many recipients mentioned how they avoided clicking on videos on Facebook or Instagram to avoid using up data. This comment from an FGD participant on the Hustle Fiti page illustrates the point;

"I usually check out the [Hustle Fiti] page whenever I log into Facebook. I check out the feeds and quotes but I do not watch the videos. It gives ideas on how to manage businesses.....the videos consume a lot of data. One's data can get exhausted after watching a video for just a short amount of time"

Male monthly recipient

It seems that when participants use internet sites or apps that they know have value to them and their businesses, they are prepared to buy and use data accordingly. However, they are more reluctant to 'waste' airtime by randomly browsing video content or downloading data that may be of no use or value. Without wifi they have less opportunity to stream lots of content and identify sites or content that is most relevant in building their money management and business skills.

The lack of wifi access and reluctance to use data/ phone storage on streamed content has emerged as major barrier to the take up of the Hustler MBA platform that offers over 270 business orientated videos. Hence piloting this platform has involved enabling access to wifi for a limited number of test groups.

3.3a Access to capital and greater experience of running businesses means youth are more likely to report gaps in their business and money management skills and knowledge rather than improvements.

One of the project research hypotheses was that participants' access to the trialled apps (and internet generally) will result in improved money management and business skills. As highlighted above, the trialled apps appear to have had limited impact in this regard although the widespread and regular use of mobile money services is likely to have improved the mobile money management skills of some participants (see analysis under research question 4 below).

During both rounds of FGDs youth were asked whether they felt they have enough business skills or experience to make sure their business ideas or investments succeed. In the first round of FGDs this question did not generate much discussion. On the whole, most groups felt quite confident about their business skills and were not looking for any additional training or support. This may have been due to concerns that admitting to lack of skills would have affected payments. Confidence may also have arisen from the large number (>50%) reporting having attended some form of business or financial training such as budget preparation at registration. Although the duration of this training varied widely from half an hour to nine months.

Follow up surveys have not included questions on such training but when the question of business skills and experience was raised in the second round of FGDs some eight months into the project the topic generated much more debate. Participants raised more concerns about the need for training and business skills and were more specific about the topics and skills where they feel they have gaps.

"I need to be trained on how to balance expenses and income"

Female LS recipient

"I know how to shave, but I also need to know how to make the latest styles that I am not used to"

Male LS recipient

"I would like to learn how to run a business...how to calculate losses and profits"

Male LS recipient

Customer service came up as an issue in several groups. Several participants mentioned how they find it hard to control their temper with difficult customers.

"I need to know how to talk to customers and make them come to my M-PESA shop and not go to another".

Male LS recipient

"I get annoyed very fast. Sometimes even when I ask the motorcycle rider where he is...I feel like telling him to return the motorcycle to me. So, the training I would need would be on how to control my temper and my business will run smoothly"

Female LS recipient

"There are times when I might go to claim money from someone who had not made full payment for a product and upon getting there, they do not give me the full amount they owe, or they talk to me rudely. Sometimes I get angry.

"We need skills; just a bit more to what we have – to deal with customers and the like. If you have any ideas, do share with us".

"At times, some customers can be very rude, and this can easily annoy a businessperson".

"I think that when someone is getting into business, they should be ready for such things – rude customers, insults, and even getting beaten and so it is important for them to know how to protect themselves from such things".

As more of the participants are now actively engaged in running businesses their initial confidence in their business skills is being challenged, often in ways they had not anticipated. Consequently, rather than reporting an improvement in their skills many were becoming clearer about their weaknesses and the support or training they feel they need. The most commonly mentioned source of help and advice in FGDs was someone doing a similar type of activity. However, several mentioned the role of the internet in providing business advice and skills.

"In my neighbourhood, there is a certain unique barbershop that I admire, and I would like my barbershop to attain such uniqueness. I often go and talk to the owner – seeking advice and tips from him since he has been in the business for a long time and he can offer good advice. I also search online for mentors".

Male monthly recipient

"I go to the people who have succeeded in businesses similar to mine. Those people are more experienced than me".

Male monthly recipient

"Personally, there is a certain old man who is my neighbour; I usually go to him. He usually advises me and challenges me when he notices that my business is not doing very well".

"My business depends very much on pricing, so I seek ideas from others and try to find out how they have priced their products".

Female monthly recipient

RESEARCH QUESTION 4 - FINANCIAL SERVICES

Do cash transfers lead to greater use of digital financial services?	
Hypothesis	Findings
Recipients will continue to hold some of their transfer in their mobile money account after transfers are complete	4.1a: Mobile money appears to be the primary method for holding transfers
Recipients will use DFS beyond mobile money	4.2a: There has been a small but steady increase in proportion and frequency of recipients using mobile money to save and some other mobile money services; 4.2b: Mobile money platforms and informal groups remain the most important ways to save money
Recipients will use transfers to leverage additional capital (loans) from DFS providers	4.3a: There has been an increase in the number of recipients accessing on-line loans 4.3b: Overall there is a reluctance to take loans or increase debt levels.
	Other Findings
	4.4a: There is an unmet need to enable this target group to compartmentalise and/or 'lock' money for different purposes

Summary Findings

Mobile money remains the preferred form of any financial service and is used by virtually all recipients to send and receive money at least sometimes. The majority also use mobile money to pay bills, buy goods and services, save and borrow money at least sometimes. There seems to be a small but steady increase in the proportion of youth using various mobile money services more frequently. However, use of informal groups for saving and credit remains important. There is some growth in the use of on-line loans, but the amounts borrowed are small. At this stage there is very little evidence to suggest the transfers are being using to leverage additional formal finance or loans.

Detailed Findings

There were several changes made to questions on savings, credit and digital financial services between registration and follow up surveys. The registration survey asked about mobile money usage but did not ask about a wide range of mobile money services and mobile banking. Since transfers are made via the Mpesa mobile money services and registration data showed that nearly all participants (99%) claimed to use mobile money, these questions were broken down further. Consequently, it is not easy to make direct comparisons between registration and follow up data however some trends do emerge.

4.1a Mobile money appears to be the primary method for holding transfers

Given recipients receive the transfer via Mpesa there is 100% usage of mobile money. More detailed questions on mobile money usage show that the majority of recipients use a mobile money service most days or sometimes. Mobile money is seen as a very

safe method to hold money compared to cash and even at registration 99% of recipients reported having used mobile money 'sometimes' or 'most days'. The high density of agents and other mobile money users mean it is an easy and convenient way to transfer or liquidate money. Figures 17 and 18 below indicate that by latest follow up at least 80% of recipients were saving using mobile money sometimes or most days. Anecdotal reports and FGD discussions backed this up with almost all indicating how important their phone was in managing their money. Most youth indicated they kept money on their phone until they needed it to make payments.

This is in contrast to cash transfer programmes in rural areas where distance to agents means recipients often withdrawn all cash as soon as it is received¹³. A few FGD recipients did mention they with prefer to withdraw their money from Mpesa and give to someone else to stop themselves from using it.

"I withdrew all of it because I had already planned on how to use the money. I did not want to incur transaction costs every time I needed the money. I needed to be able to have my money whenever I needed it – I did not want to keep going to M-PESA shops"

Male LS recipient

"As you were entering, you saw an M-PESA agent, right? So, I would withdraw the money and leave it with them, because I trust them. I would withdraw the money and tell them to keep it, and that I would come for it later...I did not take it to any bank. Also, I do not know how to keep money in M-PESA because in case I see something I like, I will spend the money to buy it. So, I just told my friend to keep the money and that whenever I would need it, I would get it from them"

Female LS recipient

"I did not save my money in a bank or in M-PESA. I withdrew the money and gave it to my mother to keep for me and told her that I whenever I would need it, I would let her know."

4.2a There has been a small but steady increase in the proportion and frequency of recipients using mobile money to save and some other mobile money services;

At registration the use of mobile money was recorded in responses on the use of their phone and as a source of savings as a single generic category. One follow-up question asked about the use of mobile money to pay bills. Follow up surveys expanded questions and category options on digital financial services. This included questions on a wider range of mobile money services, specifically the use of mobile money to:

- Send / receive money;
- Buy goods and services;
- Pay bills;
- Save money;
- Borrow money.

¹³ Monitoring of Government of Kenya cash transfer programmes generally show over 90% of transfers are withdrawn in cash as soon as they are received (NDMA 2018)

Figures 16 and 17 show the percentage of responses for LS and MP payees after each survey round. This shows that the use of all types of mobile money services is growing slightly for LS recipients but not so clearly for MP recipients. The key area where there is growth for both groups is in saving using mobile money where over 80% save sometimes and approximately 20% saving on mobile money most days. In almost all areas the majority use mobile money. The use of mobile money to pay bills sometimes or often is nearly 90% as significant increase from 65% at registration.

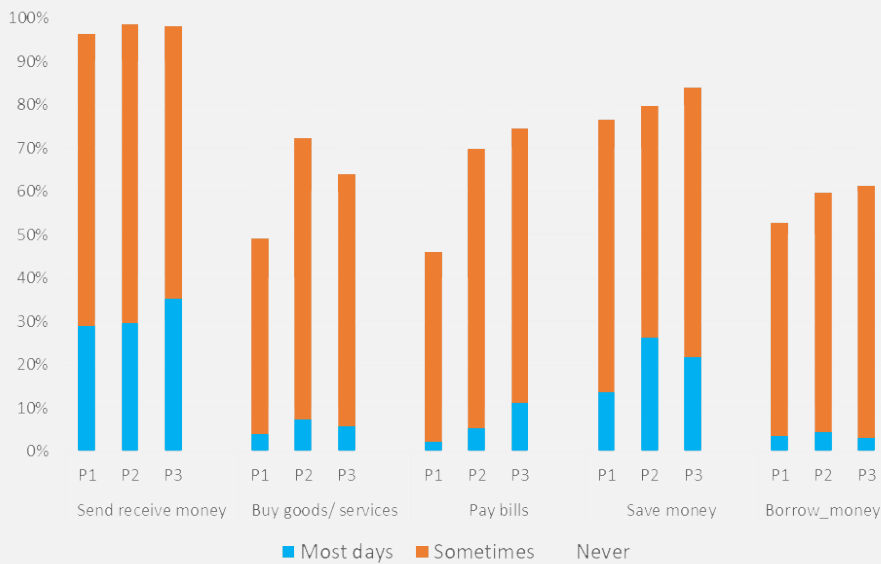


Figure 16: Use of Mobile Money Services for Lump Sum (LS) Recipients

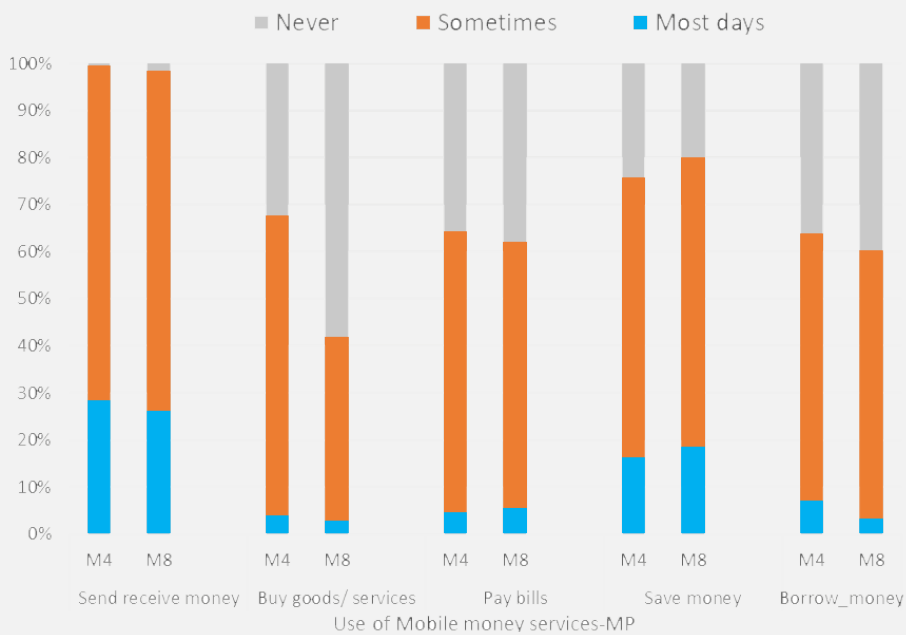


Figure 17: Use of Mobile Money Services for Monthly Payment (MP) Recipients

4.2b Mobile money platforms and informal groups remain the most important ways to save money

There has been little change in the general locations where recipients report saving money. Mobile money and informal groups remain the most important sources. However, follow up surveys included more category options for digital saving locations which has enabled a breakdown between respondents citing the use of mobile banking apps; mobile money balance; and 'locked' mobile savings platforms. It should also be noted that at registration respondents were asked where they had ever saved money whereas follow up surveys just asked about where current savings were held. This means these responses cannot be directly compared but give an indication of the relative importance of different saving locations.

% of Saving Locations Cited - Registration

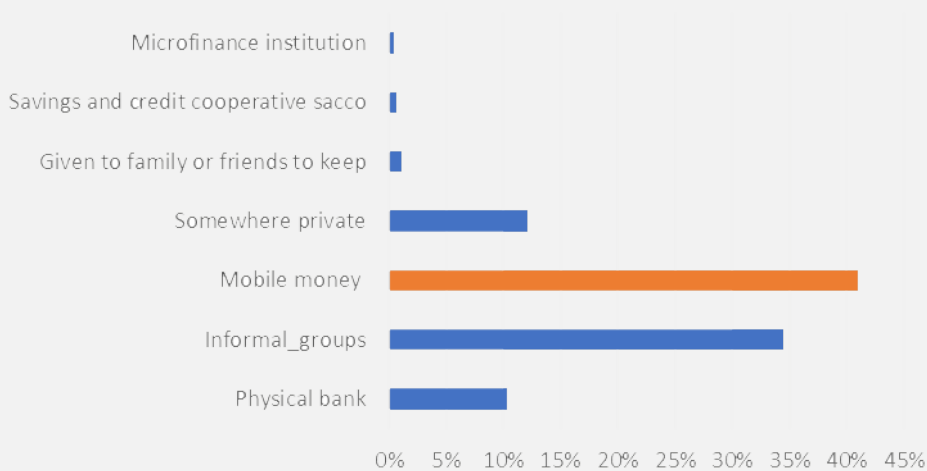


Figure 18: Saving Locations cited as ever used by all recipients at Registration

% of Saving Locations Cited - Latest Follow-up

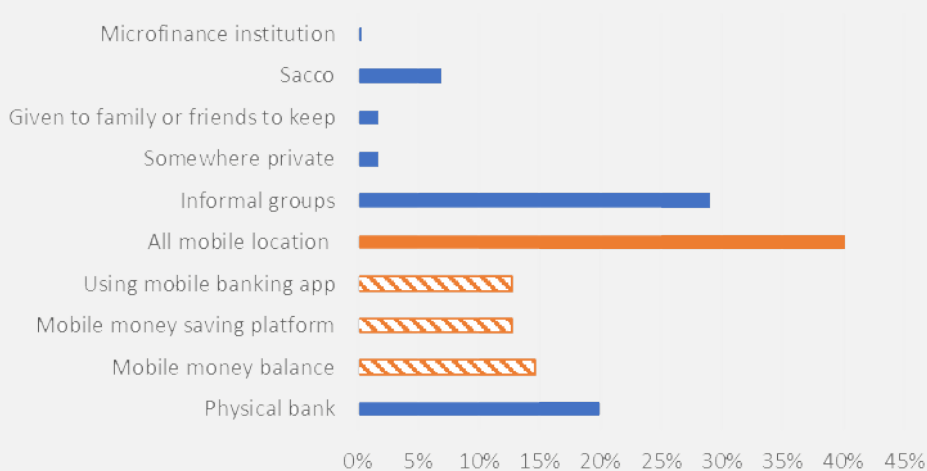


Figure 19: Saving Locations currently used by Recipients at latest Follow-up

Between digital saving locations there is a relatively equal split between mobile money, mobile saving apps and mobile banking¹⁴. The numbers using ‘somewhere’ private to save money has reduced with some increase in the use of SACCOs. Although the proportion citing use of a physical bank account appears to have doubled but actual number of respondents reporting having a physical bank accounts remains very similar (152 at registration and 158 at follow up). Having cash does not seem to be encourage many youth to open a physical bank account. In FGDs, participants felt they were costly in terms of charges. During FGDs the use of Mpesa’s Mshwari¹⁵ service emerged as a very popular way to save money. The ‘lock’ function which enables savers to put away money for fixed periods is seen as a valuable way to save for school fees and keep money out of their Mpesa account where it is too easy to spend.

“In December, I saved the money in an M-Shwari locked account. In January and February, I did the same. When it got to 15,000 shillings... earlier, I had applied for a loan somewhere and they had told me to wait for 3 months and this worked out as per my plan not to spend the 3-payments. So, I got a 30,000 shillings loan and added onto the 15,000 shillings to start a business”

4.3a There has been an increase in the number of recipients accessing on-line loan

4.3b Overall there is a reluctance to take loans or increase debt levels.

Recipients were asked about debts and loans in both surveys and in FGDs. As highlighted above the number of recipients reporting having a current debts or loans has reduced significantly (see figure 20 below) with only 298 respondents reporting to have a debt at latest follow up compared with 630 at registration. The debt amounts are also smaller. This is discussed further under research questions five and six.

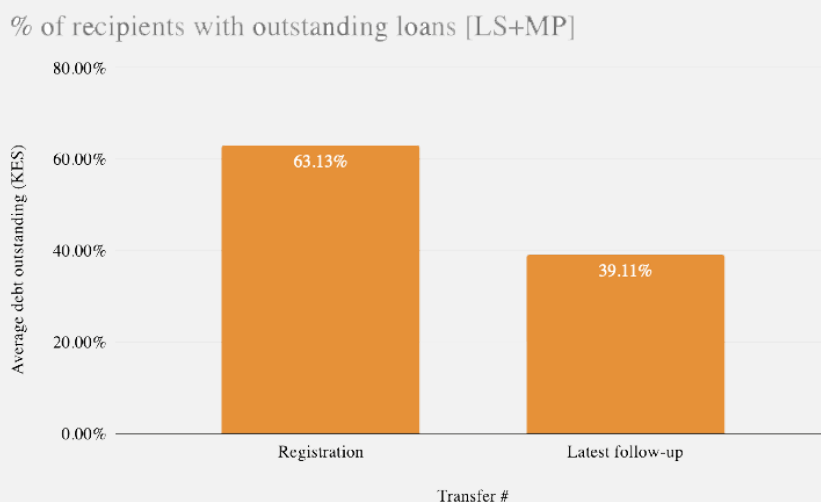


Figure 20: Recipients reporting an outstanding debt / loan

¹⁴ The mobile money sub-categories used here refer to; 1) Mobile banking app refers to apps operated by banks that enable users to access their accounts via their mobile phone e.g. the KCB app or Equity Bank’s Eazzy Banking app. 2) Mobile money balance refers to money held on an account(s) operated by the mobile phone provider e.g. Mpesa by Safaricom or Airtel Money operated by Airtel. 3) Mobile money saving platforms refers to saving platforms operated by mobile phone operators with the most widespread being M-Shwari which is a dual-credit/savings product for M-PESA / Safaricom users.

¹⁵ Other such services mentioned included a similar services by KCB.

In each survey respondents with a current loan were asked about; the total amount; sources; and reason for loans. Figures 21 and 22 below show the responses to source of loans at registration and latest follow up survey. Again, the numbers cited at registration were much higher as they refer to any previous loan up to that time whilst the follow up surveys only refer to current loans. This shows some shifting trends in where recipients are getting loans. There has also been a significant reduction in the use of family and friends as the recipients now have their own income source from the project. Mobile money and informal groups remain important but there has been a rise in the numbers reporting on-line loans compared with registration where hardly any respondents mentioned this option. Loans via mobile banking emerge as much more popular (or accessible) than those from physical banks.

Cited Sources of Loans as % - Registration

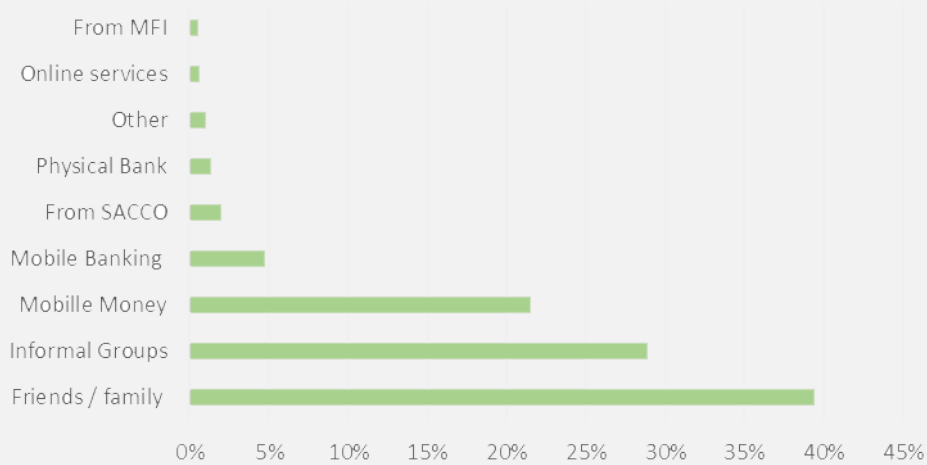


Figure 21: Reported Sources of Loans – Registration Stage (#630 with loans)

Cited Sources of Loans as % - Latest Follow up

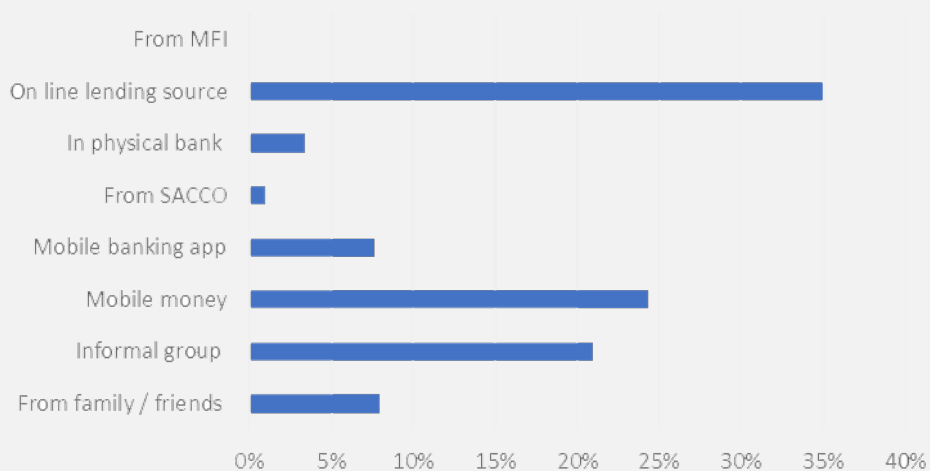


Figure 22: Reported Sources of Loans – Latest Follow-up (#298 with loans)

In FGDs, almost all recipients were wary of taking loans or getting into debt. Generally, it was felt that saving groups or friends and family were the safest sources of credit. Saving groups (and merry-go-rounds) were regularly mentioned as the most popular way to access significant levels of capital. In FGDs most youth reported receiving regular texts offering loans but these were not tempted given an aversion to being in debt.

In focus groups, a few of those that used Mshwari to save mentioned using it to access loans and those that did borrowed very small amounts (< 1,000 Ksh). Only about six participants mentioned any other source of loans. One woman had accessed a loan from a SACCO and five (mostly men) mentioned the on-line loan services Tala and Branch. The amounts mentioned in relation to on-line loans was also small i.e. less than 2,000 ksh. It seems that digital loans are mostly utilised for small loans to tide people over until other sources of income arrive. In comparison informal groups are a way to access larger sums for investing in 'goals' such education or business. No one reported any personal loans from banks although a couple of people did report using the KCB-Mpesa service. One recipient said her group had taken a loan from Equity Bank to expand the group poultry business.

"I prefer borrowing from my group because the interest is brought back into the group. If you borrow 1,000 shillings, you might just repay 1,200 shillings".

Male LS recipient

"From what I have observed with M-Shwari, they seem to be in a hurry to have you pay back the loan... and sometimes you are not able to pay within the time they expect you to. It is better to borrow money from the savings group because they give you ample time to repay the loan and the interest rates are not very high."

Female monthly recipient

4.4a There is an unmet need to enable this target group to compartmentalise and 'lock' money for different purposes

The need for mechanisms that enable youth to 'lock' cash for savings or other purposes has emerged an interesting finding from both the qualitative and quantitative data. This issue has emerged in several findings of the project research such as; the use of the cash; the Touch Doh app; savings and credit options; business and money management skills. Youth living on low incomes face continual temptation or pressure to spend any money they have. Therefore, digital financial services (DFS) that enable them to access money easily such as mobile banking platforms only exacerbate this problem. Giving money to savings groups or a trusted friend or parent is still seen as an important way to keep oneself away from one's cash to amass the capital required for meaningful investments. Such approaches make sure the money is out of their control and will not be spent. The increasing use of Mshwari 'locked' accounts goes some way to providing this service.

However, comments on Touch Doh and business skills gaps (mentioned above) show that youth do not just want services that help them save (or borrow) but that help them

to control and manage their money better. The Touch Doh concept of having multiple 'accounts' or 'pockets' into which they could budget or allocate various expenses from what are often multiple and variable cash flows was highly valued. However, the app is notional and does not actually provide accounts into which money is transferred from their Mpesa balance. Such a service would be extremely valuable for youth running businesses (the majority) enabling them to separate business and personal income and expenses. The majority are currently reliant on a single Mpesa account (and cash) for all activities meaning their ability to track the profitability of their business activities is highly compromised.

RESEARCH QUESTION 5 - GENDER

How do recipient characteristics and circumstances (e.g. age, gender, group membership, social capital) affect their spending decisions and reported impact?	
Hypothesis	Findings
<p>Recipients may spend money differently dependent upon key characteristics including:</p> <ul style="list-style-type: none"> ○ economic situation; ○ gender; ○ education level; ○ age; ○ # dependents ○ social capital / peer support 	<p>5.1a: Gender is the characteristic for which differentiation in expenditures is most obvious;</p> <p>5.1b: Men operate an average of 1.2 businesses / hustles compared with 1 for than women;</p> <p>5.1c: There has been a marked increase in male self-employment. The number of men who now work from themselves has increased from 29% to 57%.</p> <p>5.1d: Women and Men favour different sources of saving and credit.</p>

Summary Findings

Initial analysis of survey data shows that gender is the primary characteristic showing the most obvious differences in how recipients reported using the transfer. Men tend to invest more than women on productive investments, housing, clothing and household items. Women spend more on education and save more. Men report income from an average of 1.2 businesses or hustles compared with an average of 1 each for women. Women and men show differences in how they save and borrow money with men favouring the use of digital platforms such as mobile money, mobile banking apps and on-line loans over informal groups. Women still favour informal groups as their most likely source of savings and credit.

Detailed Findings

The registration and post-payment survey data has been analysed to examine any evidence of patterns in how different recipients spend money and / or use their smart phones. A simple analysis of factors such as age, education levels and number of dependents have shown no discernible differences in the use of the cash or other patterns of behaviour. Some of these issues were backed up in FGDs where participants were adamant the education makes no difference to how youth would use of benefit from money. Indeed, youth that had spent too much time studying were considered ill-prepared for life in Mathare or "on-the-hustle".

"Education doesn't matter, in fact those people with low levels of education thrive more in business. And educated people only think of employment they don't think of have their own business."

In the time available to date the only variable which shows any discernible differences in some areas relating to the use of cash was gender.

5.1a Gender is the characteristic for which any significant differentiation in expenditures can be detected

Analysis of how the cash was used split by gender (figure 23 below) shows that there are some clear differences in how men and women prioritise the use of cash.

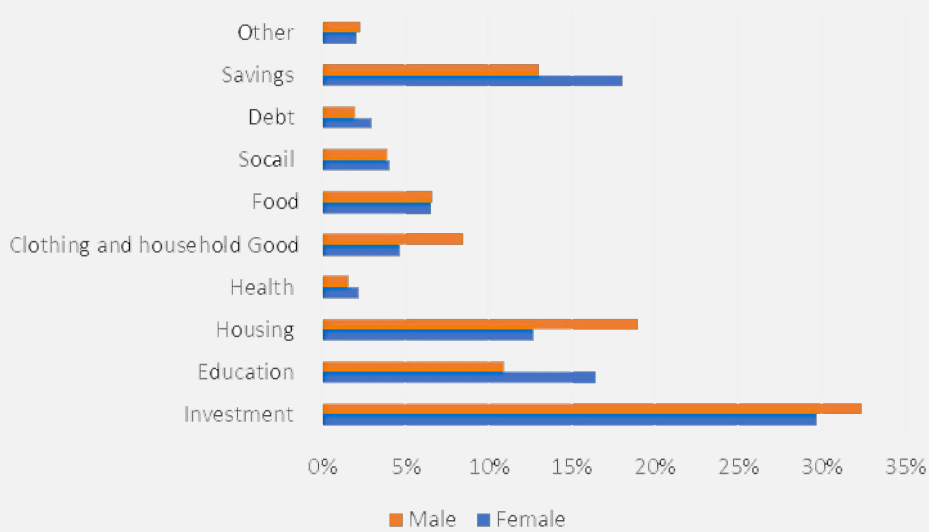


Figure 23: Reported Use of Transfers by Gender

This shows that on the whole men have allocated slightly more of the cash to productive investment than women (see Finding 5.1b below) and housing costs (19% for men again only 12.7% for women). Conversely, women spend more on education. The gender difference on housing and school fees was identified at registration¹⁶ where 55% of men reported they 'never or hardly ever' paid school fees but the same proportion said they paid 'all or most' of the rent. This reflects the fact that less than 38% of male recipients lived in households with children, compared with over 90% of women. This leaves women with a far greater responsibility for children's educational expenses. Men also spend more on clothing and household goods whilst women spend five per cent more than men on saving.

5.1b Men operate an average of 1.2 businesses / hustles compared with 1 for than women

Analysis of survey data seems to show that men report a higher number of income sources / businesses (average of 1.2) than women (average of 1). This is interesting given at registration, a greater proportion of women (47%) were found to have an existing business compared to men (29%). The higher figures for men particularly in the LS group would back up the view that men are prepared to take more entrepreneurial risks more quickly whereas women build businesses more slowly or prioritise investment in a single or existing business. Figure 24 below show that the number of sources of business income reported by women is increasing over time.

¹⁶ See Youth Employment Grants for the Informal Economy - Wave 1 and 2 Recipient Profile Report: Jan 2019



Figure 24: Average # of Businesses / Side Hustles by Gender and Payment Type

Anecdotal evidence from the FGDs and case studies do seem to back up this trend with several male youth describing a diversified portfolio of investments, however this aspect was not discussed explicitly in the second round of FGDs.

"I used the first amount I... sent some amount to the village and they bought me a cow. I am a mechanic in Eastleigh and I used the second amount to buy a machine for painting cars – which I used to have to borrow. I also bought a machine for shining and buffing. So, now I have two machines that I hire out to the owner of the garage and he pays me. When I received the 50,000 shillings, I took a 10,000 shillings loan from my group and that became 60,000 shillings I then got an M-PESA shop opposite Dallas club – I get money every month"

Male FGD participant

5.1c There has been a marked increase in male self-employment. The number of men who now work from themselves has increased from 29% to 57%.

As discussed under Finding 2.2a. the number of recipients who self-identify as 'working for self' has increased considerably since registration for all recipients. However, figure 25 below shows that this is particularly marked for men where self-employment rates have nearly doubled from 29% to 57%. The figure has also increased by 20% for women meaning there are still more self-employed women than men. The shift to self-employment away from casual labour is also higher for LS than MP recipients indicating that the higher payment enables individuals to move into self-employment sooner as they have the capital to invest.



Figure 25: Shift to Self-Employment by Gender

5.1d Women and Men favour different sources of saving and credit / loans.

Survey data shows little difference between how men and women use DFS except in relation to saving and credit. Figures 26 shows that men are more likely to use mobile money and formal saving locations such as banks and SACCOs whilst women still rely heavily on informal groups.

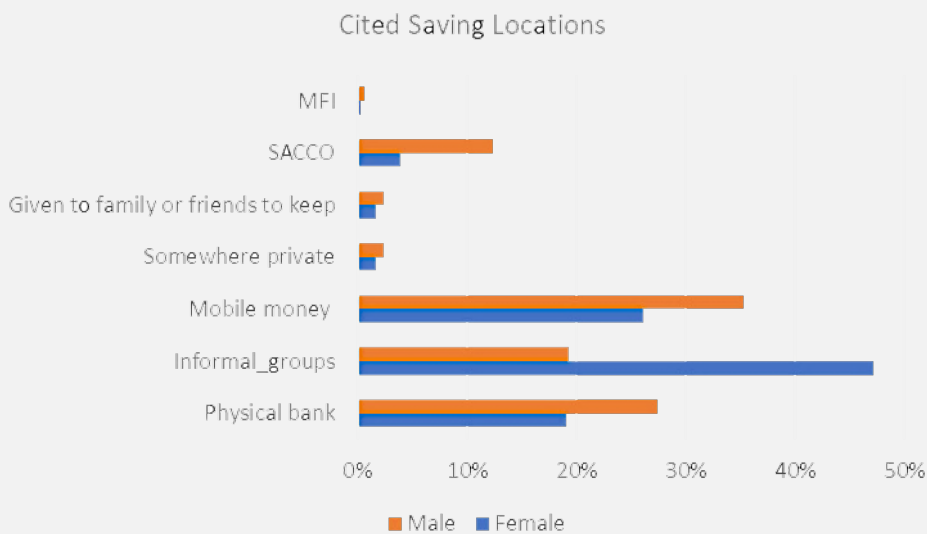


Figure 26: Saving Location by Gender at Latest Follow up

Similarly figure 27 below shows a similar bias when it comes to accessing loans or credit. Again, men are much more likely to use digital sources such as mobile money and on-line loans rather than the informal groups favoured by women.

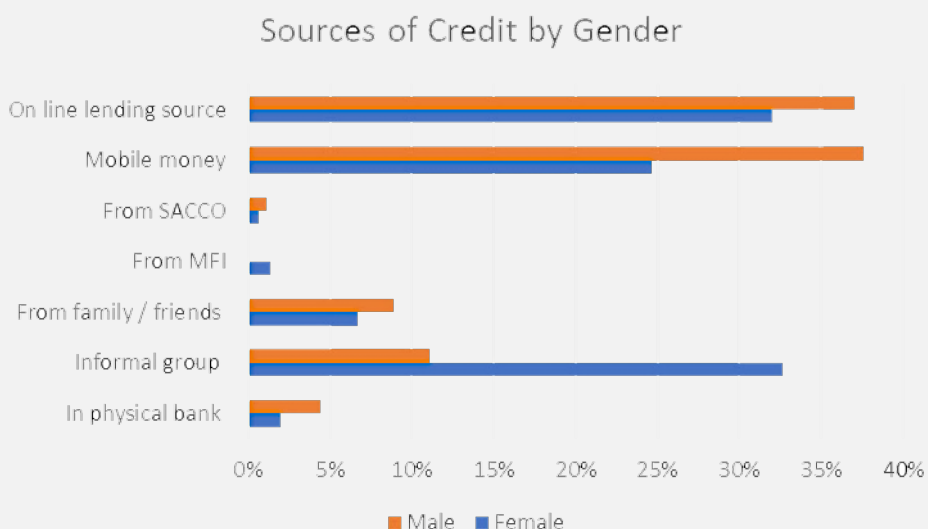


Figure 27: Sources of Credit by Gender at Latest Follow-up

Other Issues: The value of group membership is unclear– very mixed experiences. Long term benefits or impacts on groups and individuals is not clear at this stage.

It appears that almost all youth in Mathare are in some form of group¹⁷ however the strength and cohesion of these groups varies. Some groups have a well-established membership that meet regularly to undertake a range of group-based activities including income generating activities. FGDs and interviews with individuals have highlighted the importance of group membership for some youth. Others report that the payments have strengthened groups or their activities by enabling members to save and borrow greater amounts and / or invest more in existing or new group IGAs.

"In my group we are good, we are saving some money in the group to set up a group business, currently we rear rabbits so we want to expand that so yeah being in a group helps"

"..it depends on the group, there are groups that are contributing five or ten per cent, in fact there is a group that want to buy a car, they are contributing 20 per cent per person but that means the amount [the individual] gets will reduce".

"..we act as each brother's keeper, and it will help to hold people accountable to the businesses that they said they will set up, like if I said I'll be selling shoes and the money already came but there is no shoe business to show, group members will hold me accountable and ask, why haven't you set up the shoe business".

"I think [our group] has become stronger. There were people who were struggling in their lives and there were those others who were capable. The grant levelled the playing field in the sense that we could all start running businesses. The good thing was that we had grown from girls to women so we are free and frank with each other. Now I see that the group is doing quite well!"

¹⁷ These groups usually include some form of informal saving and credit function but may undertake a wide range of economic, social, cultural, sporting or other reasons e.g. prayer / church groups or football teams etc.

Female LS recipient

"Some people initially wanted to leave but realized that they can benefit more in a group. Most groups only benefit the officials only. When everyone in a group has the opportunity to benefit, people see the importance of groups".

Male LS recipient

Conversely other groups are very 'weak' and barely meet. The value of group membership was discussed during both FGDs but the impact of the YEG payments on these groups is hard to ascertain. In some cases, it was reported the pilot has weakened the group but in others it has strengthened them. In FGDs some reported conflict particularly where some members were not selected or that the group was weak to start with.

"Even before GiveDirectly came into the picture, people in the group were operating individually. You must have also noticed when you first visited us. It was the chairman who called us. Nobody even wanted to come. There are some who came and filled a certain form and left to attend to other things. We were not united. We were just there because of the money we had saved. We just wanted to share out our savings and leave the group. So, when the 20,000 shillings came through, no one could ask the other whether they had received the money. Everyone was minding their own business. Even now, when we meet in the streets, we pretend that we do not know each other".

Female LS recipient

"My group has not helped me, because in my group, when someone gets some money, they cannot tell anyone– because they do not want people asking for loans".

The value and contribution of group structures is something that requires further examination.

RESEARCH QUESTION 6 - TRANSFER STRUCTURE

How does the cadence of transfers (monthly payments vs lump sums) affect recipient spending decisions?	
Hypothesis	Findings
Recipients receiving lump sum transfers may make different investments to those receiving monthly payments	<p>6.1a: Lump-sum recipients report higher investment rates, and are also more likely to report higher income gains (though MP recipients are still receiving transfers so this may change)</p> <p>6.1b: There are some variations between LS and MP recipients in the proportions of transfers spent on different expenditures.</p> <p>6.1c: There are some slight difference between how LS and MP recipients use DFS but these need to be tracked further</p>
Recipients receiving lump sum transfers will report positive impacts (e.g. greater financial independence) 1 yr+ after final payment	<p>6.2a: MP recipients report relatively similar levels of financial wellbeing to LS recipients</p> <p>6.2b: LS recipients report markedly higher level of savings than MP recipients</p>

Summary Findings

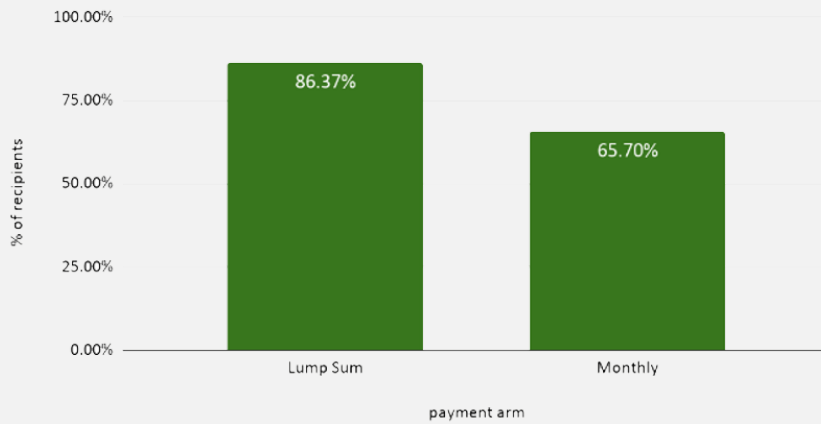
The different level of transfer received by lump sum (LS) and monthly (MP) recipients has resulted in relatively different uses of the cash particularly in terms of the scales of expenditure and saving. MP recipients use a greater proportion of their transfers on daily costs such as food, housing and education. LS recipients have been able to make greater productive investments. In particular, they invest a greater proportion in new businesses and education for themselves. Survey responses show LS recipients report slightly higher financial and wellbeing outcomes however these are relatively small given the marked difference in the level of transfers provided to date.

Detailed Findings

6.1a Lump-sum recipients report higher investment rates, and also are more likely to report higher income gains (though MP recipients are still receiving transfers so this may change)

LS recipients have been able to invest more in productive activities (33.5% of the transfer) than MP recipients (27.9%). Figure 28 shows that a greater proportion of LS recipients (86%) made productive investments than MP recipients (66%). This expanded investment appears to have translated into higher income gains (see Figure 29) with 82% of LS recipients reporting non-transfer income increasing a little or a lot compare with 69% of MP recipients.

% of recipients who have invested in direct income generating activities



Figures 28: % of Recipients reporting Productive Investments by Payment Type

% of recipients reporting increased non-GD income

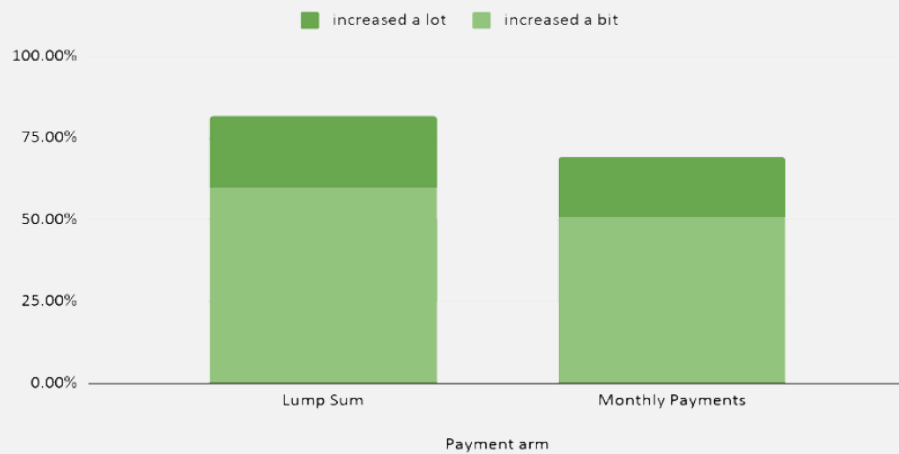


Figure 29: % Recipients reporting Increased Income beyond GD Transfer

6.1b There are some variations between LS and MP recipients in the proportions of transfers spent on different expenditures.

Figure 30 below shows how the proportions of transfers spent on productive investment varies between LS and MP recipients. LS recipients spend proportionately more on all productive investments except existing businesses and education for others. This makes sense given the costs of education for others e.g. school fees and expenses would be similar for both groups but represent a much larger proportion of the monthly transfer. Additionally, the smaller payments would enable MP recipients to make small investments in existing businesses but would (at this stage) be insufficient to invest in a new business.

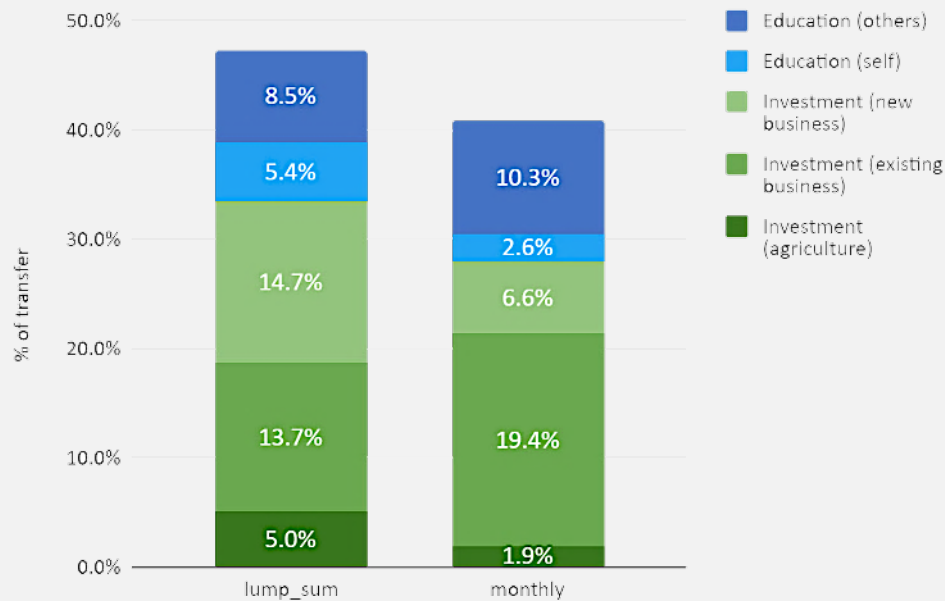


Figure 30: Differences in the Proportion of Transfer Invested in Business, Agriculture or Education

This was confirmed In FGDs, when MP recipients described their business investments as primarily buying more stock or expanding current activities. For some it is was clear this was increasing their turnover and income however others described using the payment or savings to ‘top-up’ or add to their business when it was not doing well. This seems to reflect the inherent variability of income from such micro-enterprises. It is hard to assess whether such businesses are likely to become more stable or profitable as they grow and are not dependent on the transfer.

“My business was not doing so well, so I used the money to boost the business, when I realized that I could also use the money to start another business. I was only selling mandazis, so then I started selling beans, tea and chapatis. I also saved some so that whenever I face a certain problem and I need some money, I withdraw the money and sort things out.I used to save 500 shillings a week, but now I am able to save about 2,000 shillings”.

Female monthly recipient

“With the second payment I bought a second-hand oven at 5,000 shillings and I was very happy with that because I used to buy cakes that had already been baked and sell those. Now I bake my own cakes and sell them..... I used to get 700 shillings only. Now that I know how to bake them, I am earning up to 1,500 shillings”.

Female monthly recipient

“Before I got the money, I was running my own business, but it was not stable. I then thought about starting a smaller business... such as making tops with graffiti writing like the one I am wearing. Sometimes I buy them for 100 or 150 shillings and sell them at 250 shillings. Nowadays I buy very many of them; I can even buy 50 of them. So, I get profits and I am also in a sugar group where we give 100

shillings which and I contribute the money from the money I make when I sell these tops."

Male monthly recipient

MP recipients that had not made livelihood investments usually explained they were saving (often by contributing to a form of merry-go-round) until they had sufficient capital to realise their business plans.

Figure 31 below shows the main differences in the proportion of transfers reported as spent on different items. Interestingly both are saving the same proportion (in contrast with the gender difference highlighted above).

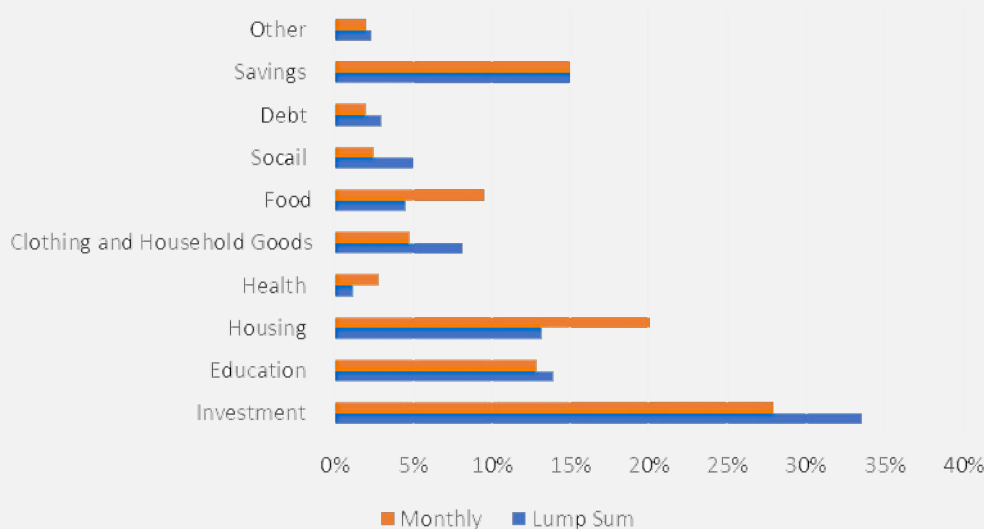


Figure 31: Differences in the Proportion of Transfers Spent by Payment Type

The chart also shows that MP recipients spend proportionately more on housing, food and health. Given the smaller transfer it is expected that higher proportions would be taken up by routine expenditures such as rent and food. Indeed, many focus group participants described earmarking an element of the Ksh5,000 each month for rent.

"I divide my money into two; I use three-quarters of it on rent and the other quarter I use to boost my business. That is how I use the money"

Female MP recipient

The first payments also coincided with the start of the school year and hence the need to pay school fees and other educational expenses. The proportion spent on education by both types of recipient is quite similar. However, as Figure 30 (above) shows LS recipients spent approximately double the proportion on 'education for self' than MP recipients. The greater expenditure on social events is not so clear but could also arise from the initial payments falling over the Christmas period and many LS recipients allocating the initial payments to these costs.

6.1c There are some slight difference in the utilisation of DFS by LS and MP recipients, but these need to be tracked further

There appears to be little difference in the way the two payment groups use DFS. LS recipients report slightly higher and more frequent use of certain activities such as sending/ receiving money, buying goods and services and paying bills. This is as would be expected given this group were dealing with much larger amounts of cash during the survey periods.

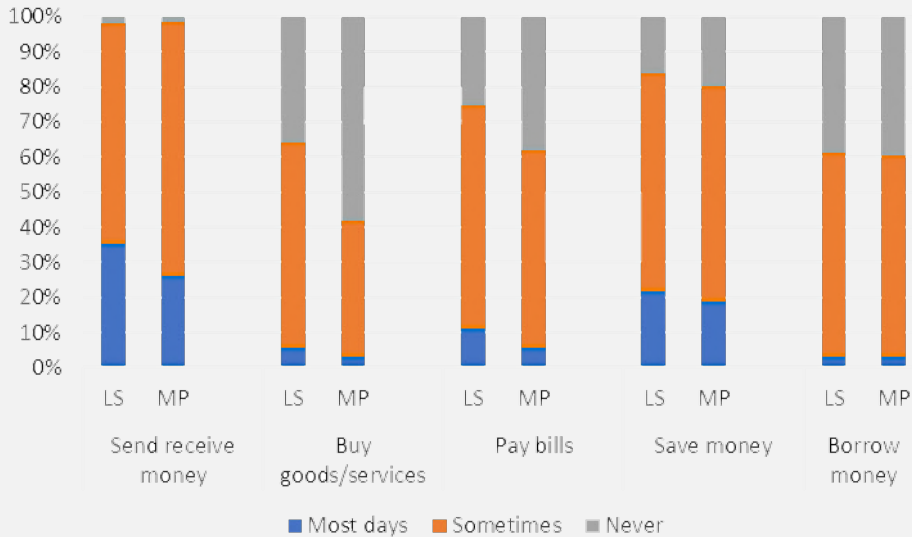


Figure 32: Difference in the use of Mobile money services by payment arm

There is also little difference in how the two groups report saving and borrowing money (figures 33 and 34 below). Both groups rely heavily on mobile money and informal groups to save. MP recipients seem to be more likely to use SACCOs to save given the longer-term nature of their transfers.

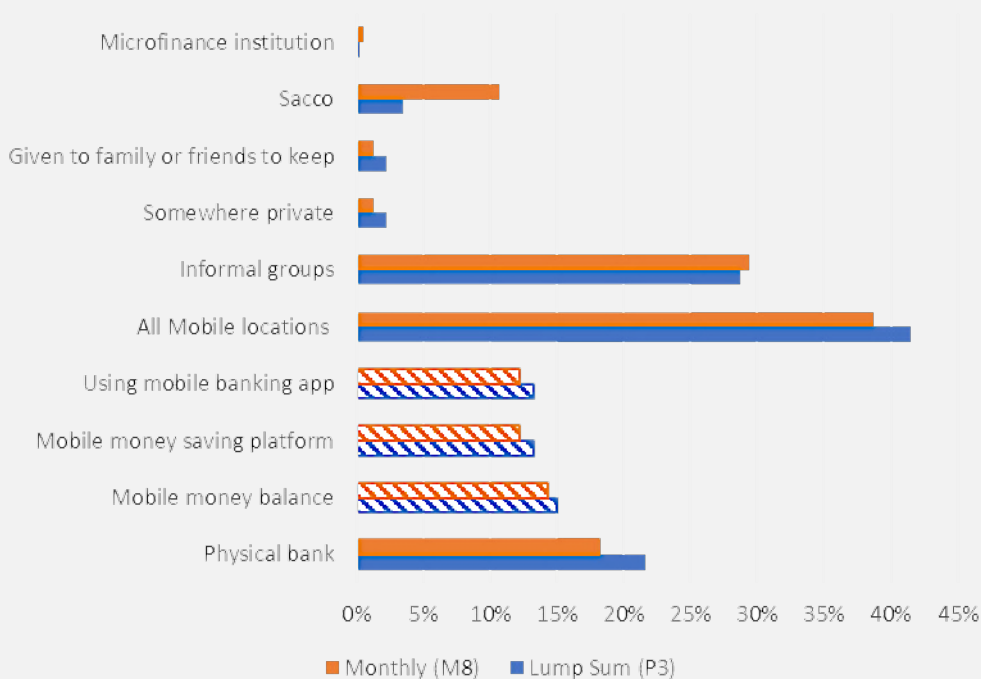


Figure 33: Saving Locations cited by Payment Arm (Latest Follow-up)

Both groups make use of on-line loans and mobile money for borrowing. A far greater proportion of the LS group have used informal groups to borrow money at this stage. Given all members of a group receive the same types of payments¹⁸, LS groups would be able to save and hence borrow larger amounts more quickly than MP groups where members are still likely to be saving to accumulate a sufficient level of capital to achieve 'goals' such as a new business. Therefore, such groups are able to lend less, or to fewer individuals.

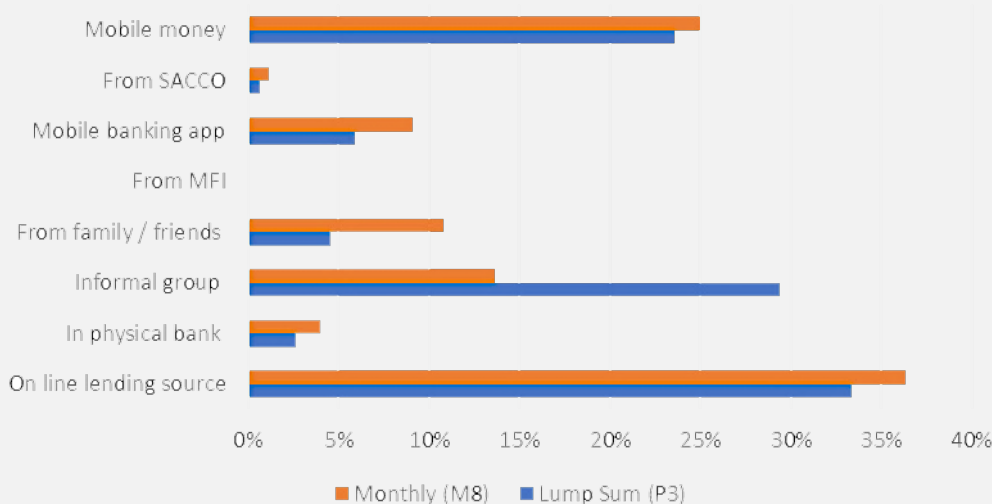
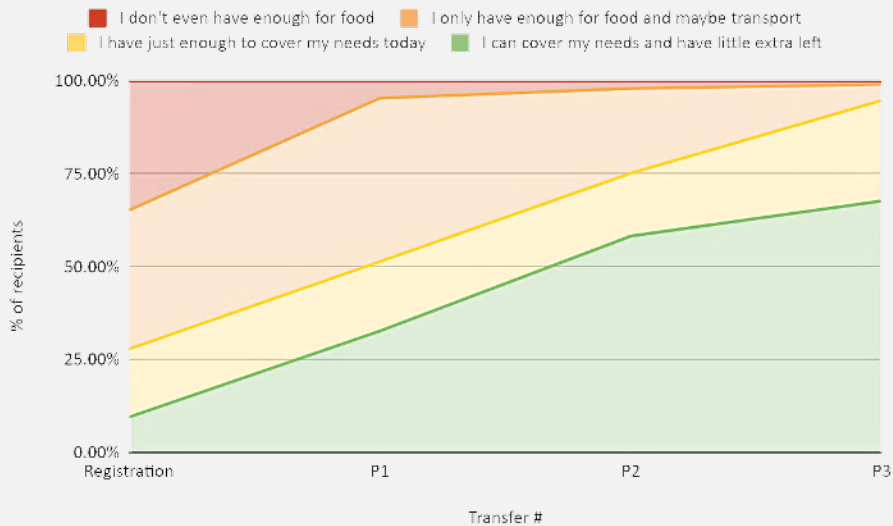


Figure 34: Sources of Credit Cited by Payment Arm (Latest Follow-up)

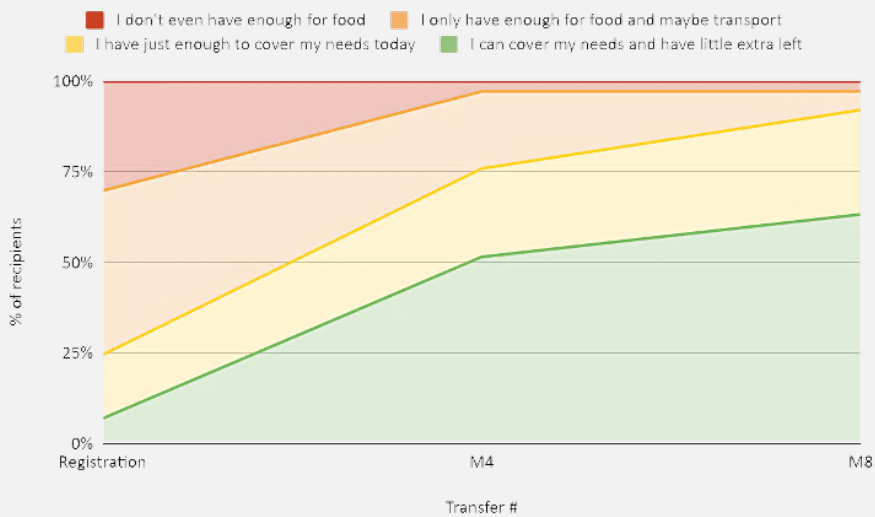
6.2a MP recipients report relatively similar levels of financial wellbeing to LS recipients

LS recipients report higher levels of increased income than MP recipients (see figure 29 above). This may reflect the larger returns from LS recipients making large business investments e.g. boda boda drivers. Such investments would not be so possible for MP recipients at this stage of the project. Nonetheless the differences are not particularly large given the significant difference in the levels of transfers received at this stage (see figures 35 and 36). Furthermore, when recipients were how they viewed their finances the vast majority of the two groups were almost equally positive. Figures 35 and 36 below show that 95% of LS recipients and 92% of MP recipients felt they were covering (or more than covering) their needs. This figure was 27% for all recipients upon registration into the programme.

¹⁸ Assuming they were selected for enrolment on the programme.



Figures 35: Perceptions of Financial Circumstances by LS Recipients



Figures 37: Perceptions of Financial Circumstances by MP Recipients

This is interesting as FGD participants (particularly the first round) were very pessimistic about the extent to which monthly payments could change their financial circumstances. Five thousand per month was considered too low and would be consumed by monthly expenses making meaningful business investment very difficult.

"For me I am very grateful for [the 5,00ksh], but mainly that money will be going to rent, because it comes in at the end of the money and you don't want to be evicted. It's very difficult to save that 5k per month with the daily problems that we have.

Male MP recipient

"[the monthly payment] wouldn't have helped me personally because that is for rent and shopping and it's done, I couldn't even budget for it something else. But

when you get the money in lump sums you don't even want to touch a single cent of it without an absolute plan".

Female LS recipient

"When you get the monthly payments and you receive the money at the end of the month, it is very likely that you will have to use all of the money for your own needs and maybe debts".

LS recipient

"...for us it will be very tricky to set up a business. Like now we are in December, do you think you are going to use that 5k to open a business, no. You will just spend the money".

Male MP recipient

"The 5,000 shillings is not much...I would prefer the lump sum amount because I would not have to take a loan. This amount requires someone to save and save because it is not a large amount. With the lump sum, once you have gotten 50,000 shillings, you can source for another 50,000 shillings and buy a motorcycle. You really have to plan for the 5,000 shillings or just "lock" it and forget about it until it accumulates."

MP recipient

6.2b LS recipients report markedly higher level of savings than MP recipients

There is a marked difference in the amount of savings reported by LS and MP recipients. Clearly the larger payments have enabled LS recipients to set aside more than the MP recipients. However, an average of 81% of all recipients report that they are saving with little variation in either payment type and the average amounts reported as saved has increased at each survey stage. It is likely many MP recipients will to continue save some of their transfer over the lifetime of the project.

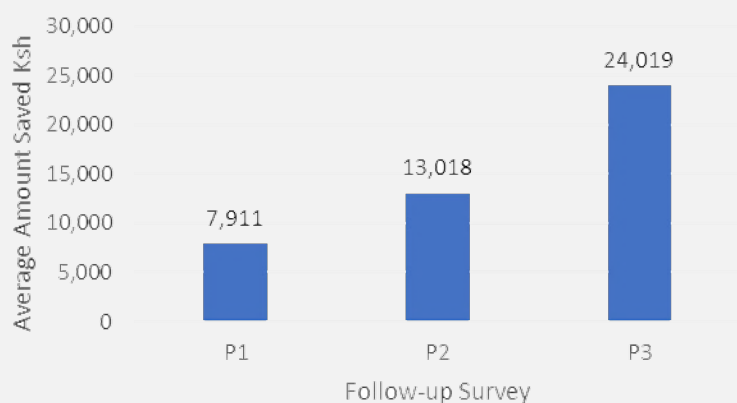


Figure 38: Average Level of Saving Reported – LS Recipients

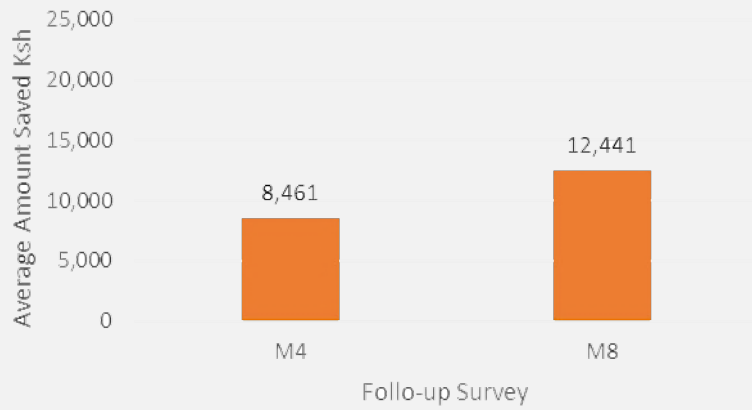


Figure 39: Average Level of Saving Reported – MP Recipients

Similarly, LS recipients (particularly men) seem to have reduced their debts by a greater margin than MP recipients. This is would make sense given the larger transfer would enable greater debt repayment.

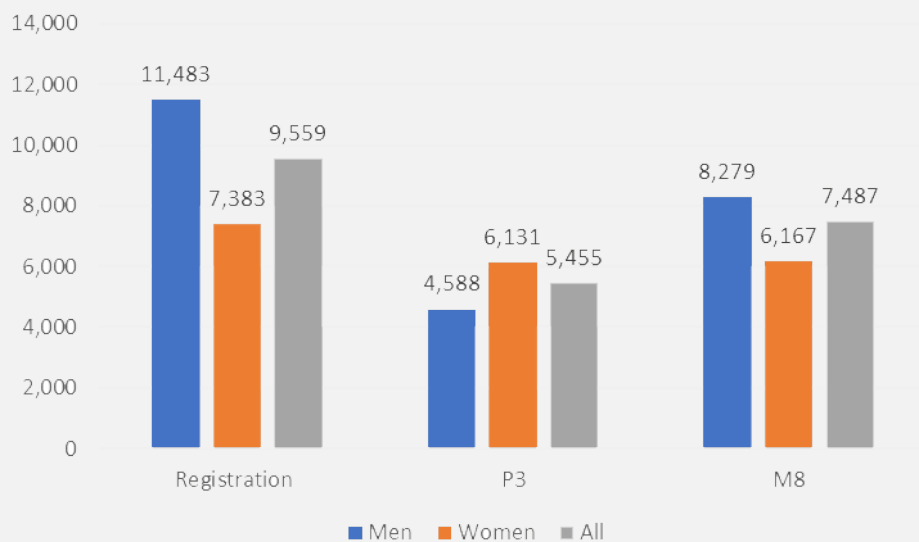


Figure 40: Average Levels of Debt Reported – By Gender and Payment Type

4. Conclusion and Recommendations Going Forward

Conclusions

This report has set out a range of initial findings on the YEG pilot project's operational feasibility and emerging impacts on the target group. Key findings at this stage can be summarised as:

- Cash transfer programming to urban youth in this context is feasible. There is no evidence of increased levels of insecurity, fraud or violence as result of the project;
- There is no indication that the cash is 'misused', with the vast majority being used to support daily needs or invested in education or income generating / business activities;
- There is strong evidence that the project encourages entrepreneurial behaviour. This is evidenced by a significant shift away from casual labour into self-employment and investment of over one third of the transfers into new or existing urban or agricultural businesses;
- Recipients report marked improvements in their financial status and over 75% report their income has increased beyond the value of the transfer;
- There are indications that smartphones play an ever more important role in expanding users' access to markets and their business and technical skills and knowledge;
- Mobile money remains the preferred form of DFS with the additional cash appearing to encourage increased frequency and scope of use of related mobile money services. However, use of informal groups for saving and credit remains important, particularly for women;

At this stage there is very little evidence to suggest the transfers are being using to leverage additional formal finance or loans. Instead recipients are more likely to use transfers to reduce debt levels and increase savings. There has been an increase in the reported use of on-line loan services amongst those that do take loans.

It is too early at this stage to formulate any clear policy or advocacy implications from the findings. The programme is still ongoing and action learning will continue with the collection of the following additional data:

- ⇒ Post payment surveys – for MP recipients;
- ⇒ A final end line survey with LS recipients;
- ⇒ Registration, enrolment and follow-up survey data on an additional 142 recipients (LS);
- ⇒ A further round of focus group discussions;
- ⇒ Touch Doh and Hustler MBA utilisation data from WTS.

This data will enable the project to track impacts over time to monitor how LS recipients fare now their transfers are complete, and the MP recipients as smaller payments continue. This data (on up to 1,035 participants) provides a rich data set from which to continue to track and monitor any changes in some of the findings outlined in this report. The interim findings, however, advance knowledge and understanding of the behaviours and attitudes of low-income urban youth when provided with cash and access to digital technologies.

The interim findings have been reviewed by the YEG research advisory panel (RAP) comprising researchers and academics who agree that this programme is breaking new ground in exploring the feasibility and effects of providing cash transfers and digital technology in this context. In line with the original proposal the YEG project is generating important preliminary evidence to achieve its action learning objectives:

Direct Impact - To improve the lives and livelihoods of the selected 1,035 young people living in urban slums.

Learning and Knowledge - To provide directional evidence on the use and impact of cash investments combined with digital financial services to youth in this urban, informal context.

Policy and Advocacy - To use the findings to develop policy and advocacy messages for a wide range of relevant stakeholders.

The RAP members recognise the action research undertaken by the pilot is already generating much learning. However, it is also throwing up many additional research questions in a wide range of related areas. The project findings straddle a wide range of topic areas including; social safety nets; urban youth employment and training; micro-entrepreneurship; mobile phone use and digital learning; youth social networks and group structures in urban environments; financial services for low income men and women. It is beyond the scope of the initial action research for FSDA to analyse YEG findings from all these perspectives. Nonetheless the project provides a valuable opportunity to examine these issues as the project evolves.

Recommendations

The RAP members recognise the value of the current research and the datasets in answering the original research questions but also the opportunities for wider learning. Consequently, it is important to establish the core research questions to be explored and documented by the FSDA/GD teams and the potential additional issues for collaborative research with specialists in these fields. Going forward the following recommendations are proposed:

Revision of the Research Framework from Six to Four YEG Research Questions

The current research framework should be reduced to four research questions with the understanding that the current questions five and six (recipient characteristics and payment cadence) are cross-cutting issues. Thus, further analysis of these issues will be an inherent element of research on the first four areas. The hypotheses to be examined by the current YEG programme will be simplified and focus on what can be demonstrated by existing data collection tools. The original YEG Research and Evaluation Framework should be revised accordingly.

Revised YEG Research Framework		
#	Research Question	Hypotheses
1	Is it feasible to transfer significant cash grants efficiently and effectively to poor, urban youth in a low income 'slum' environment?	<p>1.1 Mobile money infrastructure (mobile network, agent liquidity) will be sufficient;</p> <p>1.2 Youth will have / be able to source IDs;</p> <p>1.3 Safety and adverse events can be managed through engagement with local NGOs / stakeholders;</p> <p>1.4 Context-specific and group-based processes for recipient targeting and selection can be developed and implemented successfully*.</p>
2	Do urban youth spend cash transfers to improve their income generation prospects, and how do transfers affect their lives?	<p>2.1 Recipients will use transfers to improve their income generation / employment prospects;</p> <p>2.2 Recipients will report using transfers to expand existing businesses and/or start new ones;</p> <p>2.3 Recipients will report that transfers have improved their economic situation, and that they are better able to meet their needs;</p> <p>2.4 Recipients will report greater financial independence and security;</p> <p>2.5 There will be variations in the use of cash and its impact dependent upon recipient characteristics (such as gender) and type of payments received*.</p>
3	Does access to digital money management, business knowledge and skills platforms via a smartphone enhance productive investments for cash transfer recipients?	<p>3.1 Recipients will use the installed apps;</p> <p>3.2 Recipients will find the apps/ internet useful and will report access has influenced their spending / business decisions;</p> <p>3.3 Recipients will report improved business knowledge / money management skills;</p> <p>3.4 There will be variations in how smartphones are used and its impact dependent upon recipient characteristics (such as gender) and type of payments received*.</p>
4	Do cash transfers lead to greater use of digital financial services?	<p>a. Recipients will continue to hold some of their transfer in their mobile money account after transfers are complete;</p> <p>b. Recipients will use expand the range and frequency of DFS beyond mobile money;</p> <p>c. Recipients will use transfers to leverage additional capital (loans) from DFS providers;</p> <p>d. There will be variations in access to and utilisation of DFS dependent upon recipient characteristics (such as gender) and type of payments received*.</p>
*additional hypotheses or incorporated from earlier research questions five and six.		

Identify a wider range of stakeholders interested in undertaking potential collaborative research on issues and topics emerging from interim YEG findings

It is recommended that interim findings are shared with relevant stakeholders, particularly academics and research professionals with an interest in the wide range of topics touched on by the project. The aim being to identify stakeholders with a specialism and interest in undertaking potential collaborative research in any related areas. The involvement of Kenyan academic and research institutions should be a top priority, particularly the Institute of Development Studies in Nairobi. However, other institutions with specialist interests in the identified areas e.g. World Bank, ILO, Brookings, British Institute of East Africa, International Institute for Social Studies, CGAP, ODI etc. could also be approached.

Table 3 overleaf sets out some potential research questions that are emerging from the findings to date. These are set out against the four revised research questions and a summary of interim findings.

Research Question 1: It is feasible to transfer significant cash grants efficiently and effectively to poor, urban youth in low income 'slum' environments.

Key Interim Findings	Potential Areas for Collaborative Research
<ul style="list-style-type: none"> • The provision of cash payments to large numbers of youth via mobile money is highly feasible in this context • The incidents of theft, fraud and other adverse events have been low • Modified selection and targeting criteria are required but feasible. 	<p>Operationalising Cash Transfers (CTs) in this Context Document lessons learned for implementing CT programmes in densely populated informal urban settlements, particularly;</p> <ul style="list-style-type: none"> ○ Identification and selection via group structures; ○ Registration and targeting; ○ Monitoring and evaluation ○ Complaints and grievances

Research Question 2: Do urban youth spend cash transfers to improve their income generation prospects, and how do transfers affect their lives?

Key Interim Findings	Potential Areas for Collaborative Research
<ul style="list-style-type: none"> • Recipients are investing a large proportion (nearly one third) of their transfers to expand existing businesses and/or start new ones • Men and LS recipients make bigger productive investments than women and MP recipients • There has been a major shift towards self-employment as a result of the transfers which has particularly marked for men • The majority (>75%) of recipients are reporting improvements in their income aside from the cash transfer • A range of positive financial welfare gains reported including increased saving and reduced debt levels. 	<p>Investment Expenditure</p> <ul style="list-style-type: none"> ⇒ How and why do the levels of productive investment compare with other CT programmes in low-income contexts? ⇒ How and why do business formation / failure / success rates differ from other contexts? ⇒ Will productive investment levels increase for MP recipients as transfers continue? ⇒ Can data be used to segment or create typologies of investors within this target group? ⇒ Who made/ makes most productive investments and why? Were these successful? ⇒ What are the barriers to SME growth in this context? What are the coordination/organising functions important for inclusive growth in this local economy? <p>Identifying Entrepreneurs?</p> <ul style="list-style-type: none"> ⇒ Is it possible to identify or differentiate between necessity versus growth entrepreneurs? ⇒ In what ways do men and women invest and operate businesses differently in this context and why? ⇒ In what ways do LS and MP recipients invest and operate businesses differently? ⇒ Can data be analysed to develop markers that identify successful entrepreneurs? ⇒ Who and what defines success? ⇒ What are the factors in success? <p>Income Gains and Resilience</p> <ul style="list-style-type: none"> ⇒ Will income gains be sustained? If so by who and why?

	<p>⇒ Does cash undermine, enhance or otherwise alter social capital and networks important for resilience? E.g. Chamas and other informal saving and loan platforms.</p> <p>⇒ Which groups are recording income gains? In what way are these significant? How are the impacts of the pilot influenced by the fact that all beneficiaries are in groups? How well is groups and individual performance linked?</p> <p>⇒ What non-financial benefits are being reported and their relative importance</p>
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Research Question 3: Does access to digital money management, business knowledge and skills platforms via a smartphone enhance productive investments for cash transfer recipients?

Key Interim Findings	Potential Areas for Collaborative Research
<ul style="list-style-type: none"> • Access to the internet via a smartphone is emerging as increasingly important for business and income generation purposes; • The internet is increasingly important as a source of business and technical knowledge and information. • The cost of data / lack of wifi limits youths' access to streamed data; 	<p>Hustler MBA Trial</p> <p>⇒ Develop a research framework to understand the value and impact of this type of learning platform comparing youth in trial with others.</p> <p>Use and Value of Smartphones for BDS this target group</p> <p>⇒ How to measure use and impact of internet in enhancing business skills and knowledge? Given individual and bespoke nature of internet usage.</p> <p>⇒ How does the internet and social media overcome barriers to growth?</p> <p>⇒ Do men and women use phones differently, particularly for business and learning?</p> <p>⇒ Is there a link between profitability / business success and increased utilisation of internet for business purposes? How could that link be measured?</p> <p>⇒ Which sites / apps / platforms offer best impact and why?</p> <p>Enhancing Digital Knowledge Transfer and BDS</p> <p>⇒ Can internet alone build skills how does complementary mentoring / peer support matter?</p>

Research Question 4: Do cash transfers lead to greater use of digital financial services?

Key Interim Findings	Potential Areas for Collaborative Research
<ul style="list-style-type: none"> • Access to DFS was already high • There has been an increase in the frequency and depth of use of DFS; • Mobile money is more popular than mobile or physical banking 	<p>Comparison with Wider Population</p> <p>⇒ How does research compare with wider trends in use of DFS in Kenya?</p> <p>⇒ Are there specific behaviours and need for DFS associated with low-income urban youth? How far do they mirror other 'urban aspirational youth'?</p>

<p>particularly 'locked' mobile money services;</p> <ul style="list-style-type: none"> • Overall there is a reluctance to take loans or increase debt levels but use of on-line loans has increased. • There is an unmet need to enable this target group to compartmentalise and/or 'lock' money for different purposes 	<p>⇒ What DFS do micro-entrepreneurs require in this environment and what are the barriers and incentives for use?</p> <p>DFS - Mobile Money</p> <p>⇒ Do larger (LS) or longer (MP) transfers affect the uptake of DFS?</p> <p>⇒ Which services are most used and why?</p> <p>⇒ How best to address the unmet need for 'illiquidity' and compartmentalisation?</p> <p>⇒ How is usage segmented by age, gender, marital status, dependency etc?</p> <p>⇒ How do groups use DFS? Are there unmet needs?</p> <p>Informal Finance</p> <p>⇒ What is the continued value of informal finance over DFS? Why does it serve women better than men?</p>
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Host a seminar with existing RAP members and interested academic / research partners to develop a strategy for wider YEG research, advocacy and dissemination

It is recommended FSDA convene a seminar for existing RAP members and the identified potential research partners. The aim will be to fully explore the opportunities to enhance the learning provided by the project and develop clear plans (both technical and financial) for supplementary or additional research. The seminar will review the current research questions, and examine:

- I. How current data collection tools can be used to better answer the original research questions;
- II. What additional research questions stakeholders could be addressed in the second year of the pilot project (and potentially beyond);
- III. Who and what resources would be required to undertake additional / spin-off research;
- IV. The strategy for sharing individual or collective learning from the project.

The overall objective of this process, to be led by FSDA, would be to develop a wider action research plan for the YEG project that would set out:

- Core research outputs (from the original project proposal) i.e. final report and associated advocacy or policy briefs;
- Additional complementary research papers or studies;
- Possible combined research outputs – encompassing core and additional research in a single output or compilation;
- Timescale for the generation of evidence and write up of findings;
- The respective roles and responsibilities of partners;
- The amount and sources of resources and funding required to ensure the wider action learning plan is achieved.