



**Youth Enterprise
Grants (YEG)**
Pilot Project in
Mathare, Nairobi



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Executive Summary

This report documents the findings of the Youth Employment Grant (YEG) pilot project targeted at youth (aged between 18-35 years) in the Mathare slum area of Nairobi. YEG ran for two years, and provided grant payments and a smartphone to just over 1,000 recipients. The project sought to test whether cash grants and smartphones were feasible and effective tools in improving economic outcomes for urban youth in this context. YEG recipients were monitored using a range of qualitative and quantitative tools over the lifetime of the project. This report highlights some of the key findings, providing insights on: low-income youth in Africa; the urban informal sector; youths' management and use of cash; how micro and small businesses operate; smartphone utilisation – in particular, use of social media and digital financial services.

All recipients received a smartphone and similar amounts of cash via mobile money, but they were split into two groups that differed in the size and frequency of the transfers:

1. Lump Sum (LS) recipients

received larger lump sum transfers totalling ~\$1,200 per individual, delivered in 3 transfers over a 3-month period.

2. Monthly Payment (MP) recipients

received small, regular transfers of ~\$50/month for a period of 2 years (total transfer ~\$1,200).

The recipients were surveyed at registration and after payment rounds. Some were selected to participate in focus group discussions (FGDs) and individual interviews. The project had an evaluation and research framework that identified four research questions and associated hypotheses. This report analyzes data collected over the lifespan of the project 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.

Key Findings

- The provision of cash payments to large numbers of youth via mobile money is highly feasible in this context due to the prevalence of mobile money and comprehensive coverage of national ID cards.
- The targeting and selection process proved to be successful in this urban 'slum' context, and was replicated and scaled up during the Covid-19 crisis by GiveDirectly.
- The incidence of theft, fraud and other adverse events was low.

Research Question 2

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

Key Findings

Economic activity and use of the cash

- There has been a sizeable and sustained shift to self-employment among the recipients - the proportion of youth 'working for themselves' rather than 'working for others' increased from 37% to 79%. This was particularly marked for men. Working for oneself emerges as a primary aspiration for many youth, and the YEG transfers provided the opportunity to fulfil this.

- Recipients invested approximately 34% of their transfers on business ventures and 47% in productive investments overall. Lump Sum recipients spent more on new businesses and other productive investments than Monthly Payment recipients (50% of their transfers vs. 38%, respectively), however the welfare gains reported by both were similar.

Financial wellbeing and resilience

- Improvements in financial well-being were marked and appear sustained. Prior to YEG, only 28% of recipients reported being able to meet their daily expenses. More than two years after YEG began, this figure had risen to 82%. This finding held for Lump Sum recipients, whose payments had ceased over 22 months earlier.
- A large majority of recipients (averaging 80%) consistently reported that their income beyond the cash transfer had increased since the start of the project.
- Other indicators of financial wellbeing also improved, such as increased saving levels, reduced amounts of debt and increased ability to pay higher rents.
- Recipients appeared resilient to the economic impact of the Covid-19 crisis. The findings on financial wellbeing appear relatively unaffected by the economic impact of the Covid lockdown measures in place in Mathare for much of the second year of the project (2020).
- YEG recipients viewed the economic shock of Covid as significant but temporary and only one of multiple other shocks and challenges cited that undermine their business success in this environment.
- Group structures were found to play an important role in building and maintaining individual and community resilience to shocks.

Research Question 3

Does access to a smart phone enhance digital money management, business knowledge and skills enhancing the use of cash?

Key Findings

- Smart phones were popular and ownership increased but nearly half of the recipients reported that the phones they received through YEG were lost, stolen or damaged by the end of the project.
- Average weekly expenditure on airtime saw limited change although men spend more than women. The cost of data / lack of wifi limits participants' access to streamed content
- Specific apps and platforms trialled in the project to increase financial management and business skills had mixed results in terms of take up and popularity.
- Smartphones play an increasingly important role in enhancing livelihoods and business opportunities for many youth – wit up to 61% of respondents using the internet for ideas and infor or marketing good and services..
- Smartphones have a limited role in developing financial management or business skills but the internet is a valued source of technical skills, business information and ideas.

Research Question 4

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

Key Findings

- Use of mobile money services was already high among this group and has changed little during the project.
- Mobile money platforms and informal groups remain the most popular ways to save money.
- There is an unmet need among this target group for financial services that compartmentalise and/or 'lock' money for different purposes, particularly saving – saving emerged as more highly valued the access to credit or loans.
- There is limited evidence that recipients used the transfers to leverage significant additional capital or loans.
- There has been an increase in the number of recipients accessing on-line loans since the beginning of the project but this is generally for small amounts.
- Overall, there is a strong reluctance among recipients to take loans or increase debt levels from any source.

Key Issues for Policy and Programming



Grant payment programmes for this group via mobile money are highly feasible and further programmes of this nature are encouraged. Youth spend cash wisely to meet their basic needs and advance their livelihoods.



Using local community organisations to identify and verify youth as part of the selection process worked well. This should be incorporated into programme design.



The role of **self-initiated group structures** in empowering and supporting individuals and their communities means they **offer a valuable conduit or engagement point for partners** for this, and potentially many other, types of project/ intervention.



Findings suggest the grants of the level provided resulted in sustained, real and perceived improvements in their financial circumstances and wider wellbeing in terms of confidence and agency. YEG participants appear very resilient to the Covid-19 crisis, even those not receiving payments through the crisis. The Lump Sum approach seems to provide similar benefits to the Monthly Payment approach and is less operationally intensive.



Livelihood empowerment projects should recognise that youth in these contexts have a strong aspiration to work for themselves but lack the capital required. Grants, rather than loans, are preferred in enabling them to make business investments. This group struggles to save and amass sufficient capital to start or expand businesses – but they are reluctant to borrow large amounts for business purposes for fear of indebtedness.



Digital inclusion is increasingly important for running small and micro business – facilitating access to wifi or cheap data is just as valuable as providing phones or developing bespoke apps. Further research would be required to ascertain how far the financial and other benefits reported can be attributed to the smartphone in addition to the cash.



Micro and small businesses in this context are subject to multiple external / idiosyncratic shocks and challenges – this can create a short-term survivalist approach to business and undermines a long term, growth-orientated mindset. Urban livelihoods projects should recognise the value of reliable, affordable basic services, universal health care, secure property rights and security in facilitating business success for micro-entrepreneurs in this context.



Business skills and financial literacy are rarely the most critical threats to success. Tailored and mediated support in this area is appreciated. However, support in this area should not overstate its importance vis-à-vis other factors inhibiting business success and growth.



There is an unmet need for DFS that enable youth to lock and/ or compartmentalise cash to split business and personal expenditure.

1. Introduction

The Youth Enterprise Grant (YEG) pilot project was a two-year intervention, implemented by cash transfer specialists GiveDirectly (GD) with funding from the MasterCard Foundation, Financial Sector Deepening Africa (FSD Africa) and the Google Impact Challenge (GIC) Fund. The pilot provided 'enterprise' cash grants and a smartphone to 1,018 individuals living in Mathare, a low-income (slum) settlement in Nairobi. The recipients were primarily young people (aged 18-35 years) resident in the area, identified and selected as part of existing community-based group structures. The payments, totalling approximately \$1,200 per recipient, were made via mobile money. Half the beneficiaries received the payments in three lump sums whilst half received them as monthly payments of approximately \$50 for two years.

Generating learning through research was the primary objective of the pilot project and a large volume of quantitative and qualitative data was collected before, during, and after the payments. This report documents the findings of the research together with the implications for policy and future programming for low-income urban youth. The research element of the programme was guided by the YEG Research and Evaluation Framework. This was developed by project partners and academic researchers. It established key research questions to be explored. These focus on: i) the feasibility of cash distributions in this context; ii) their impact on lives and livelihoods; iii) the value of the smartphone; and iv) the impact in use of digital financial services (DFS).

Project Rationale

In common with most of the continent of Africa, Kenya is a very youthful country with the median age estimated at 19 years and about 80% of the population being under 35 years¹. The youth population (15-25 years) of Africa is expected to double by 2050 to 452 million people over half of whom are expected to live in urban areas². Although there are better economic possibilities for young people in cities than in rural areas, it will be a struggle to ensure that the economic growth generated by cities keeps pace with their growing populations. In Kenya, some 800,000 young people enter the labour market each year but only a fraction of these can expect to find a formal job – in 2018, Kenya's economy grew by 6.3% but only produced 78,000 new formal jobs³.

Consequently, the informal economy in Kenya is big. A 2012 report by the Kenya Institute for Economic Affairs (IEA) estimated the informal economy accounted for 34.3% of GDP but represents up to 77% of all employment⁴. Traditionally governments and international organisations see the informal economy as a development failure offering low wages, limited or no tax revenues and poor job security. However, as populations and cities grow, it seems the informal sector will continue to play a central role in providing livelihoods for young men and women in Africa.

At the same time the digital revolution is working to transform the operation and productivity of the informal economy. Africa's youth are increasingly educated and embracing modern technology, communications, the internet and social media. Kenya has been leading the field in terms of mobile money and other digital financial services. However, it is not yet clear if such trends represent an asset for the continent or a threat. Africa's population may be youthful and increasingly educated but there could be negative consequences should government's fail to harness their drive, ambition and potential.

To date, there is relatively little examination of how young urban women and men use cash and mobile phones in the informal sector in Africa's cities in the digital age. The YEG pilot was conceived

¹ Alex O. Awiti and Bruce Scott (2016) The Kenya Youth Survey Report

² <https://population.un.org/wup/Country-Profiles/>

³ Kenya National Bureau of Statistics

⁴ Informal Sector and Taxation in Kenya; IEA; 2012

as a variation on typical cash transfer programming through the provision of enterprise grants and improved access to digital technologies via smartphones. The project did not dictate how recipients were to use or invest the cash – but they were ‘nudged’ or encouraged to invest or expand their existing engagement with the informal economy. Smartphones were provided, with some pre-loaded business and money management apps, but there was no requirement to use these. The research was undertaken to broaden understanding in three areas:

 <p>Direct Impact</p>	 <p>Learning and Knowledge</p>	 <p>Policy and Programming</p>
<p>How the intervention influenced the lives and livelihoods of an initial 1,000 young people living in urban slums.</p>	<p>To provide directional evidence on the use and impact of cash transfers combined with a smartphone and expanded access to digital financial services (DFS) for youth in this context.</p>	<p>How findings inform policy debate and programming 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.</p>

Report Outline

This report is structured as follows:

<p>Section 2</p>	<p>YEG Pilot Project Description</p>
<p>Section 3</p>	<p>Mathare Context and Background.</p>
<p>Section 4</p>	<p>Research Findings – overall and detailed findings from the research linked to the four key research questions:</p> <ol style="list-style-type: none"> 1. Project Feasibility 2. Income and Livelihoods 3. Value of the Smart Phone 4. Use of Digital Financial Services (DFS)
<p>Section 5</p>	<p>Implications for Policy and Programming – This section highlights key findings and some issues for consideration by policy makers and other stakeholders.</p>

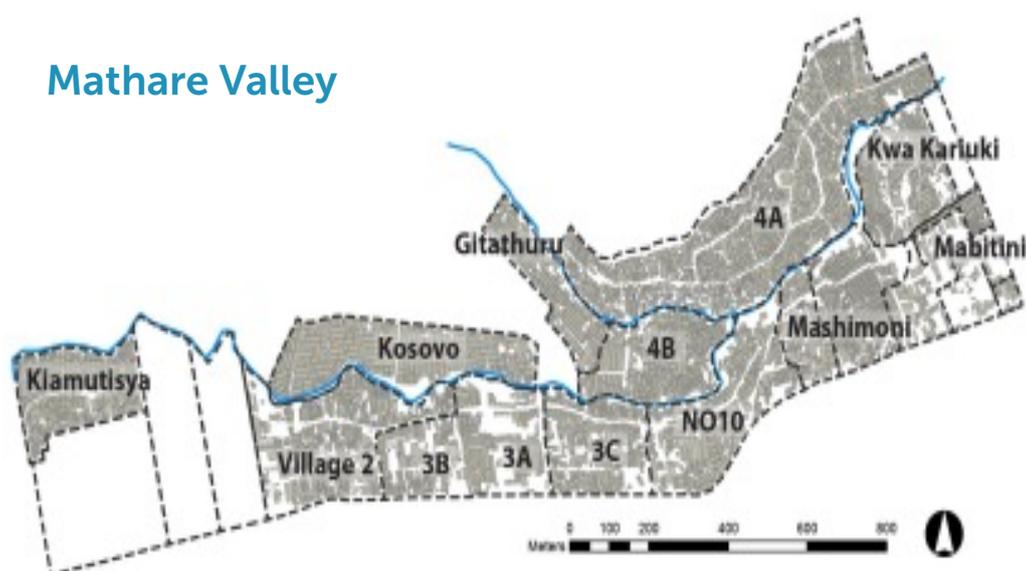
2. YEG Pilot Project Description

YEG Pilot Project Activities

The project was implemented by Give Directly (GD) in the Mathare valley, a collection of low-income, 'slum' settlements just north east of Nairobi's city centre. GD undertook the following activities in implementing the project.

Recipient Selection and Registration: The Mathare Sub-County has an estimated population of 206,550⁵ and is sub-divided into multiple, densely populated 'villages'. The identification and selection of approximately 1,000 eligible youth within this large population was the first project activity.

Figure 1: 13 Selected Villages in Mathare



The selection of youth was undertaken in conjunction with the input of four established local NGOs which have worked in Mathare for some time: SHOFKO; Ghetto Foundation; Spatial Collective; and Tushinde. These NGOs supported the initial selection of the 13 target villages within Mathare to ensure these included a fair balance of ethnic groups and other local interests. Youth were enrolled 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 structures⁶. They provided lists of all groups with which they worked in Mathare to GD for an initial screening exercise. Many groups operated 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 using an initial census survey. Therefore, the local NGOs were not directly involved in the selection of youth⁷ and could not be accused of bias or favouritism.

⁵ Kenya Population and Housing Census 2019

⁶ Initial mapping showed that multiple groups exist in this context. Some were purely for youth and included many savings and credit groups but often encompassed many other social, sporting or religious functions.

⁷ An exception to this approach was a list of 23 Youth from the Tushinde NGO which provided a list of all youth in the age range from the very poor households they had been supporting for some time. These youth were not registered as belonging to any group.

GD staff then undertook a face-to-face census survey of members of all youth groups in the lists provided by the local NGOs. GD used these lists to identify youth that met the selection criteria. 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. In total 1,018 group members were selected for enrolment into the project of which 113 were over 35 years. GD provided additional funds to the original budget to cover payments to these older individuals.

Enrolment for Payment and Smartphone: Following the census questionnaire, selected recipients were then enrolled onto the programme and completed a second survey (the registration form). Recipients were enrolled in two cohorts. The first cohort of recipients (#896) were enrolled in November - December 2018 with a second group of 150 enrolled in early 2019. Upon enrolment recipients were issued with their smartphone⁸ and a Safaricom sim card. This enabled them to receive their transfers via the Mpesa mobile money service. They were also supported to access Facebook and introduced to the Hustle Fiti Facebook page. Finally the Touch Doh app was uploaded⁹ on the phone and some advice provided on how to use it. At this point recipients were informed whether they were to receive lump sum (LS) or monthly (MP) payments. Broadly half were allocated to each payment time and individuals in the same group all received the same type of payment.

Payment of Youth Enterprise Grants: The YEG payments, totalling approximately \$1,200 per beneficiary were all made via Mpesa. The first payments to recipients began in November 2018. LS recipients were provided with three transfers of Ksh 20,000 (US\$200), Ksh 50,000 (US\$ 500) and KSh 50,000 (US\$ 500) received within three to four months of enrolment. Upon enrolment MP recipients also started receiving 24 monthly payments of Ksh5,000 (~\$50). Virtually all recipients took up the offer of the smartphone hence Ksh 13,000 was deducted from the first LS payment whilst MP recipients could have the payment taken in monthly instalments or miss final payments.

YEG Research Activities

The YEG project was designed with research being a primary objective. Project research activities were undertaken by GD and a consultant working for FSDA who developed research tools in line with the YEG Research and Evaluation Framework, developed at the start of the pilot. This identified an initial six research questions two of which were later modified into cross-cutting themes. In mid-2020 the framework was further revised to consider the impact of the Covid-19 pandemic and the associated lockdown (see context below) on all existing research questions. The research framework is summarised in Figure 2 below.

⁸ Recipients that did not already have a smartphone (the majority) were provided with a Techno Spark 2 phone from which Ksh 13,000 was deducted from their transfers. They were also provided with a Safaricom sim card if they did not already have one.

⁹ 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

Figure 2: YEG Pilot Project Research Framework



A wide range of quantitative and qualitative data collection activities were undertaken over the lifetime of the project. The main sources of data are recipient surveys, focus group discussions and case study interviews.

Recipient surveys: These were administered to all recipients by GD staff in person (upon registration and enrolment) or by staff based in their Nairobi call centre (follow up and end line). The number of surveys and response rate is summarised in Table 1 below.

Table 1: YEG Surveys Undertaken and Responses

Who Surveyed	Survey Point	Survey Responses Analysed	Response Rate
All participants	At registration	1,018	100%
Lumpsum payees	After first payment (P1)	562	100%
	After second payment (P2)	561	99.8%
	After third payment (P3)	496	88.3%
	End line survey LS	344	61.2%
Monthly payees	Post payments 1-4 (M1)	456	100%
	Post payments 5-8 (M2)	454	99.6%
	Post payments 9-12 (M3)	449	98.5%
	Post payments 13-16 (M4)	437	95.8%
	Post payments 17-20 (M5)	424	93.0%
	End line survey MP	327	71.7%

Three rounds of Focus Group Discussions (FGDs): 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) and in March 2020 (after 15 months of transfers to MP but prior to Covid-19 lockdown). A total of 16 group discussions were held over the course of the project. All FGDs were recorded, transcribed into English and summarised into written reports.

Case studies interviews: These were 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. Six of these recipients were interviewed again in October 2020, towards the end of the project along with three others. The additional three recipients had taken part in the Shujaaz Hustla Hub trial (see below).

These activities were used to produce the following reports and research documents:



3. Mathare

– Project Context and Background

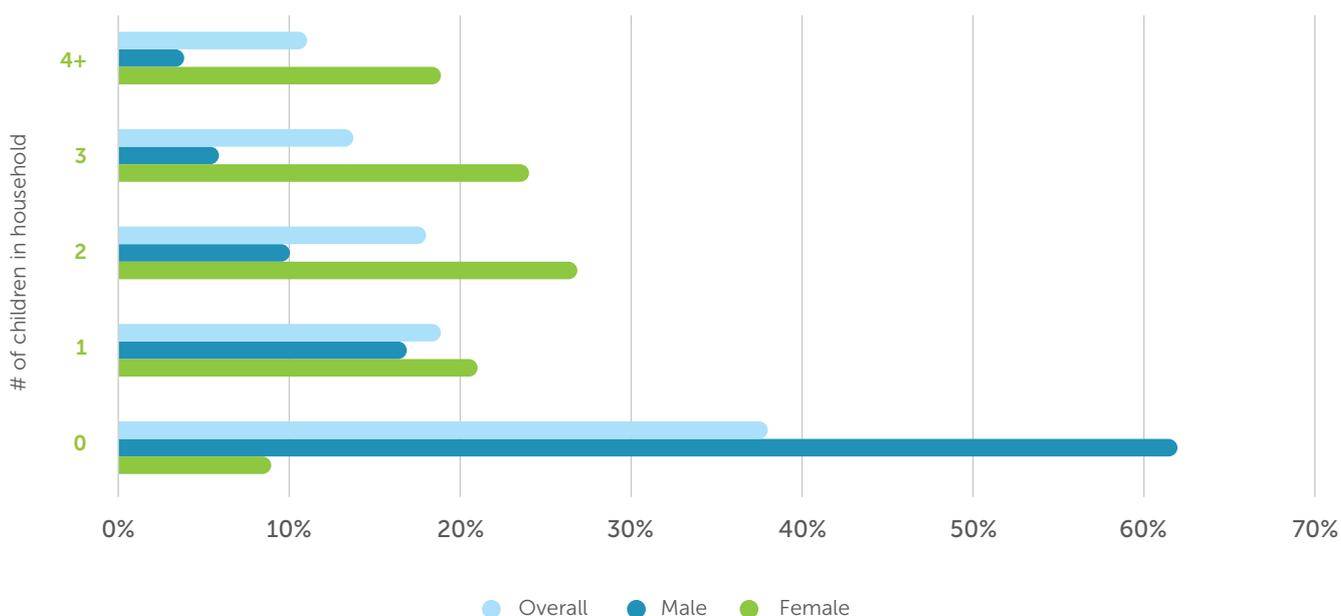
Living Conditions

Like other informal settlements across Africa, Mathare is characterised by high population density, unplanned and crowded housing, and a lack of infrastructure. Most roads are inaccessible to vehicles, there is limited sewerage and drainage channels which are often blocked with uncollected garbage¹⁰. A 2013 study¹¹ reported that only 1% of respondents owned the dwelling they lived in, with 85% renting their housing. 70% of those respondents were living in informal shacks made of mabati (corrugated iron roofing), and 14% were living in high-rise flats of stone and cement. Surveys of YEG recipients as part of selection and enrolment onto the project concurred with these other studies. It found that over 90% were living in accommodation with only one habitable room. Although 98% had electricity only 51% had a concrete floor and 25% had any source of water in their accommodation.

Household Composition

Given the predominance of single room accommodation, household composition in Mathare differs greatly from that found in rural areas. Figure 3 below shows that at registration 38% of the youth registered reported having no children in the household. This reflects the high levels of migrant (mostly male) workers, often living away from families. Even for families in Mathare, it is considered normal for young men to leave and live in their own household as teenagers. Consequently, there are large numbers of young men living alone or together with other young men whilst women remain primarily responsible for childcare and rearing. Figure 3 shows that there is a clear gender breakdown in terms of the households containing children.

Figure 3: Number of Children in YEG Recipient Households by gender



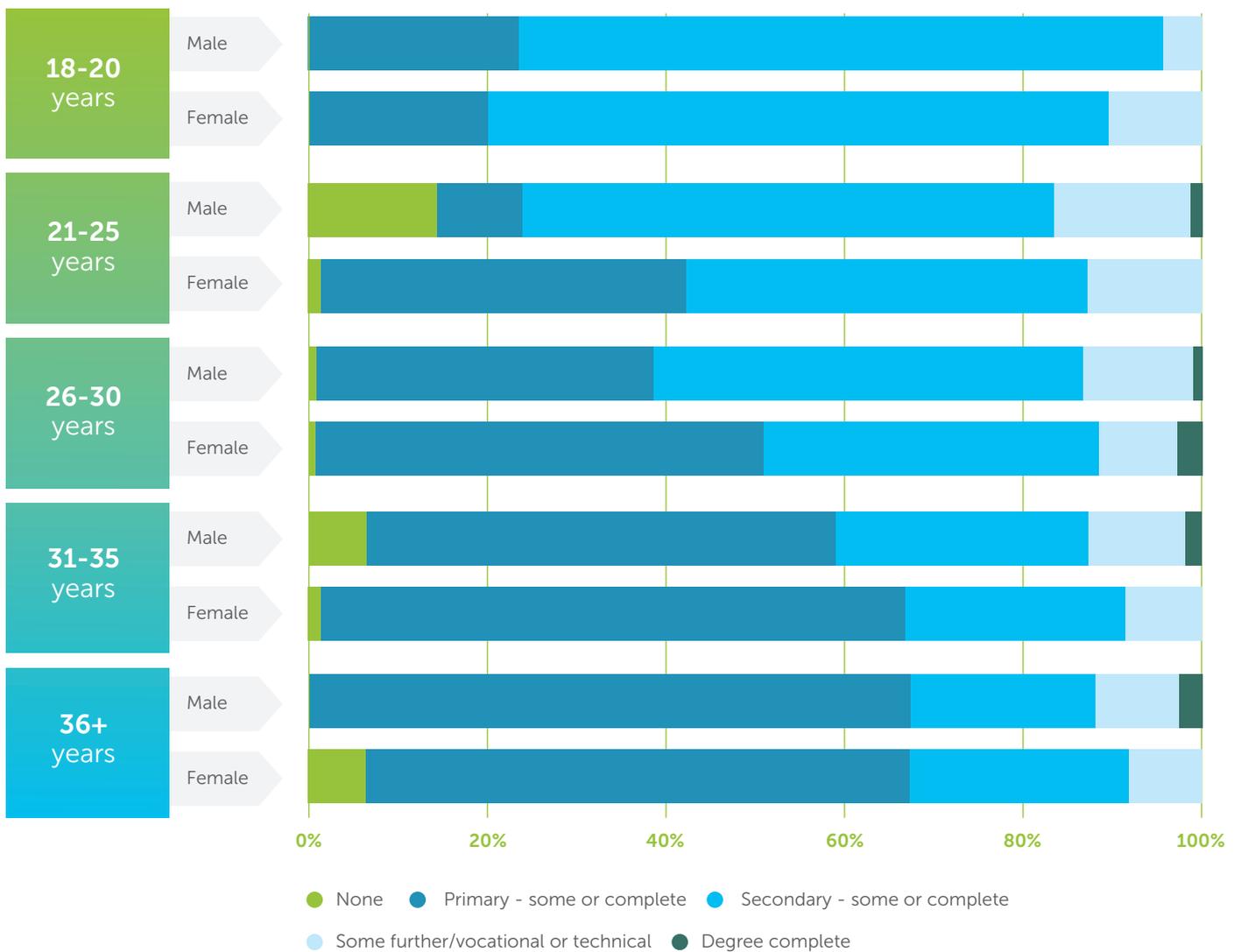
¹⁰ Kenya Slum Upgrading Programme (2007). Retrieved 7th April 2021 from: <https://unhabitat.org/sites/default/files/download-manager-files/UN-HABITAT%20and%20Kenya%20Slum%20Upgrading%20Programme%20%28KENSUP%29.pdf>

¹¹ Kamal-Raj (2013) 'A Study on Quality of Life in Mathare, Nairobi, Kenya' *Journal of Human Ecology*, 41 (3): 207-209.

Education

Education levels in Kenya have been rising in recent decades and urban youth are generally better educated than the national average. This was reflected in the education levels reported by the youth enrolled on the project. Recipients with no schooling were all in the older age categories. Analysis of registration data also showed that men are more likely to attend or complete secondary school than females, particularly in the 21-25 year cohort which was the largest sample group.

Figure 4: Education Levels of YEG Participants by age and gender



Incomes

The majority of income in Mathare is earned in the informal sector. This is discussed in some detail in the findings in Section 3. There is limited reliable data on the level of individual or household incomes in Mathare and detailed quantitative assessments were not part of this project. Some detailed discussions were undertaken with case study participants during the research. This and the FGD findings highlight the variable and inconsistent nature of income levels in Mathare. Monthly expenditures/incomes cited ranged from Ksh9,000 (\$90) to Ksh150-200,000 (\$1,500 - \$2,000) per month, although the average was probably about Ksh15-20,000 (\$150-\$200). Livelihoods in Mathare are primarily earned daily and although youth were aware of income on a 'good' or a 'bad' day they are rarely tracking the number of good and bad days in each month and hence able to provide a reliable monthly average. Expenditures reflect income and are therefore incurred when income allows and not necessary according to monthly averages.

Crime and Insecurity

Crime is prevalent in the area. In the 2013 study¹², 88% of respondents reported that street fights were a problem in the area, with political/ethnic conflict (73%) and alcohol/drug-induced violence (63%) also cited as prevalent issues. Distrust of the police is high; in the opinion of many residents in informal settlements, the police are generally slow, inept, corrupt and unlikely to properly investigate criminal cases for successful prosecution.¹² Human-rights activists have observed an upward trend in extra-judicial killings since the 1990's, with a major increase during and after the 2013 elections.¹³

Covid-19 Pandemic

In March 2020, the Kenyan government instigated a range of sweeping lockdown measures in order to control the Covid-19 pandemic. This included closure of schools, a nationwide curfew and major restrictions in the movement of people and goods, nationally and internationally. Overnight many Mathare residents saw their daily incomes disappear or become significantly reduced. At the same time restrictions resulted in food shortages and price hikes in many staple foods and other basic items such as fuel. GD sourced funding to expand temporary, emergency cash transfers to over 30,000 additional individuals in Mathare during this period. On enrolment, 99% reported a reduction in income following the Covid measures. Over 90% reported skipping meals and 74% reported having run out of food at some point since the crisis started¹⁴. The initial lockdown measures were eased somewhat in July and August 2020 with travel restrictions and curfew hours reduced. Many schools and offices remained closed until January 2021; however most retail, bars, restaurants etc were operating normally.

¹² ibid

¹³ Naomi van Stapele (2016) 'We are not Kenyans': extra-judicial killings, manhood and citizenship in Mathare, a Nairobi ghetto' *Conflict, Security and Development*, 16:4 301-325

¹⁴ GD Mathare Covid emergency response – project data.

4. Research Findings

The large amount of data collected by the project has been analysed and used to systematically address each of the four key research questions and their associated hypotheses. The impact of the Covid-19 lockdown is highlighted where relevant and data provides some insight. Each is discussed in turn in the rest of this section.

4.1 Feasibility of Project Activities

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

Issues Examined	Findings
Receiving / accessing cash (mobile network, agent liquidity)	1.1: The provision of cash payments to large numbers of youth via mobile money is highly feasible in this context.
Youth without IDs	1.2: No youth unable to access the project due to lack of a national ID.
The targeting and selection process	1.3: The targeting and selection process trialled proved a successful approach in this context.
Crime, insecurity and adverse events	1.4: The incidents of theft, fraud and other adverse events were low (and may even have reduced) given context.

Research Question 1: Feasibility – 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 with limited resources the project necessarily excluded many eligible youth.

Research Question 1: 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 below.

Receiving / Accessing Cash

Finding 1.1:

The provision of cash payments to large numbers of youth via mobile money is highly feasible in this context.

Analysis of the post-payment telephone 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 physically access cash. The number of Mpesa agents also means liquidity was not a problem.

Some minimal network problems were experienced by 41 recipients (1.6% of all followed-up) that had their accounts frozen by Safaricom during an audit - but all accounts were unfrozen after Safaricom spoke to GiveDirectly.

Youth IDs

Finding 1.2:

No youth were excluded from the project due to lack of national ID.

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; all of them were later able to get the ID within a few months after registration which was essential in order to register their mobile phone and receive payments. This compares favourably with some rural areas where the lack of an ID can pose a barrier to registration on such programmes.

Targeting and Selection Approach

Finding 1.3:

The targeting and selection process trialled proved a successful approach in this context.

The feasibility of selecting a relatively small number of youth to participate in the pilot from a much larger eligible target population was a key project activity. In urban areas, standard approaches to community-based targeting (CBT) are harder to apply given the density, transience, and anonymity of populations. Normally CBT exercises ask communities to assess the relative poverty or vulnerability levels of different individuals or households. This was not required for YEG as selection criteria were simple and categorical. Age was proved by national ID and residency in 13 selected villages in Mathare was taken as sufficient categorisation of 'low-income'.

The selection approach was discussed in the first round of FGDs and also came up in some of the second round of FGDs. Participants were all broadly supportive of this approach and saw GD's selection process as quite impartial, with simple and categorical selection criteria. The use of multiple, local NGOs provided an effective shortcut 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.

The initial census survey interviews were undertaken at the individuals' homes which meant residency was automatically verified. As such, the residency requirement proved a useful filtering criterion – indeed so much so that GD had to go back to NGOs for more names to meet the target numbers of males. This was because the initial NGO lists included a high proportion of women's savings groups (a typical NGO activity) which was initially skewing the selection towards women. By the time the second registration process took place the residency criterion was better known among applicants and GD staff had to be more aware of prospective youth 'pretending' to live in the selected villages.

The main complaints raised by recipients related to the fact that many groups had members that were either: a) over the 35-year age limit; and/or b) lived (just) outside the target area. When youth were surveyed in the initial census, none was aware that residency in the 13 villages was a key selection criterion. 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 members¹⁵ but group members outside the target area remained excluded. During the second round of selection the selection criteria was much more widely known. This generated accusations that some individuals were 'gaming' the system by forming sham groups or that individuals from outside the target area were pretending to live there. GD investigated all such accusations and with some input from the local NGOs, a couple of groups were excluded.

¹⁵ An additional 83 recipients over 35 years were enrolled in the programme.

Although the exclusion of group members generated most initial complaints, the blanket application of a simple criteria meant it was ultimately accepted. There were concerns that treating group members differently could cause tensions in the groups or result in their break-up, however these seem to be unfounded. In later FGDs participants mentioned that those not registered on the project were disappointed but that did not affect wider group activities. Data from the end line survey shows 96% of respondents reported being in the same group they were at the time of enrolment.

Crime, insecurity and adverse events

Finding 1.4:

The incidents of theft, fraud and other adverse events have been low (and may even have reduced) given the context.

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 result in increased criminality.

Post-payment monitoring indicates there has been limited incidence of theft of cash, fraud or bribery. In follow up surveys, GD asked all recipients if they had been asked for, or had paid, a bribe. Only one respondent (0.1%) reported paying a bribe although seven (0.8%) were asked for one. Only 19 recipients in all follow up interviews reported having cash stolen, these were all MP recipients. A much higher proportion (#142 or 14%) of recipients reported the theft of the smartphone by the time of the end line survey (see section 4.3 below). Despite this, the general levels of crime experienced by recipients is relatively low given the context. Other research on crime levels in similar informal/slum settlements in Nairobi¹⁶ suggests that there is a 40% chance of being a victim of crime in such locations in any one year. GD did receive some reports of fraudulent inclusion of certain individuals and groups – claiming to be from the selected locations when they were not. These were resolved using due process but were not, in their view, any different to similar issues experienced in their other, rural cash transfer programmes.

When questioned about security in FGDs and other interviews, youth were not concerned that the project resulted in any increased risk of crime and insecurity for them. 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 youths now had a smartphone (from GD) there was less incentive to steal them. Groups also reported that crime reduced during the project, as they believed youth in the project were less likely to get involved with criminal activities during the pilot as they were busy running their own businesses. Most agree the relationship between crime and poor economic circumstances is strong.

Covid-19

Several case study participants felt crime went up during the Covid-19 lockdown when many businesses were forced to close or collapsed. Three of the nine interviewed had their smartphones stolen during this time (this discussed further in Section 4.3 below).

¹⁶ Ndungu (2011), "Crime differentials in metropolitan slum areas" and Kubende (2018), "Factors influencing crime in the urban informal settlements"

4.2 Impact on Income and Livelihoods

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

Issues Examined	Findings
Changes in income generation and economic activity	<p>2.1: There has been a sustained shift in the proportion of youth reporting their primary economic activity as 'working for self' (from 37% to 79% of recipients).</p> <p>2.2: The shift to self-employment by male recipients has been particularly marked.</p> <p>2.3: At the end of the project 68% of respondents cited income from self-employment as their main source of income.</p>
Use of the cash	<p>2.4: Recipients invested approximately 34% of their transfers on business ventures and 47% in productive investments overall.</p> <p>2.5: LS recipients spent more on new businesses and other productive investments (50%) than MP recipients (38%).</p> <p>2.6: There were differences between men and women on the proportion of transfers spent on rent, savings and education for others.</p> <p>2.7: Business investments included a wide range of activities and sectors.</p>
Changes in perceived financial well-being and economic circumstances	<p>2.8: Improvements in financial well-being were marked and appear sustained (82% can meet daily expenses or more up from 28% at registration).</p> <p>2.9: Recipients' reported levels of savings increased by 40% (despite Covid).</p> <p>2.10: The proportion of respondents with a loan or debt has reduced from approximately 84% to 55%.</p> <p>2.11: The average monthly rent paid by recipients increased by 26%.</p> <p>2.12: The proportion of youth that now pay for all or most of their rent has increased from 47% to 69%.</p>
Resilience to Covid and other shocks	<p>2.13: Recipients appear to be more resilient to the economic impact of the Covid-19 crisis.</p> <p>2.14: Recipients view Covid as only one of MANY factors affecting business success in Mathare.</p> <p>2.15: Group structures play an important role in building and maintaining individual and community resilience.</p>

Research Question 2: Feasibility – Summary Findings

The project has seen some marked and sustained changes in the economic activity and financial circumstances of YEG recipients since the beginning of the project. There has been a sustained shift towards self-employment with the 79% of youth reporting their primary economic activity as 'working for self'. This is a 42% increase from the start of the project when the majority of youth (55%) reported 'working for others' i.e. relying on casual or daily labour – this proportion had reduced to 13% by the end line survey, from 55% at registration, and was particularly marked for men. Recipients have spent approximately 34% of grant funds on a wide range of business ventures, and 47% in productive investments overall. LS recipients invested more on business and productive investments (~50%) than MP recipients (38%) who spent higher amounts on regular expenditures such as food and rent. Women report spending twice as much as men on education for others whilst men spend twice as much as women on rent. Women also report saving more from the transfer (14%) than men (10%).

Improvements in financial well-being were marked and appear sustained with 82% reporting being able to meet their daily expenses for more than two years after the project started, compared with 28% at registration. A large majority of recipients (74%-89%) have consistently reported that their income beyond the cash transfer had increased since the start of the project. Other indicators of financial wellbeing also report highly favourable results, such as an increased saving levels, reduced numbers with debt and increased ability to pay higher rents. These findings remain relatively unaffected by the economic impact of the Covid lockdown measures in place in Mathare for much of the second year of the project (2020). Recipients view the economic shock of Covid as significant but temporary and cite many other shocks and challenges that undermine business success in this environment. Group structures are found to play an important role in building and maintaining individual and community resilience to shocks.

Research Question 2: Detailed Findings

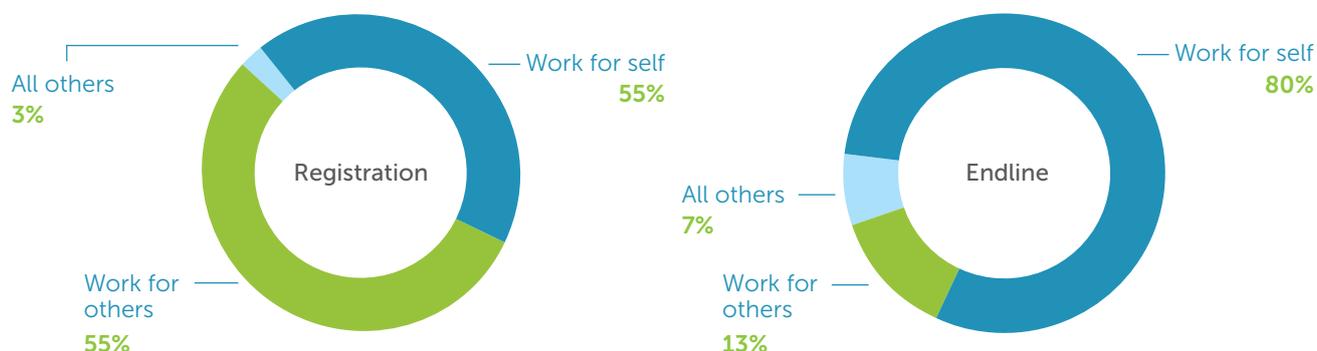
Changes in income generation and economic activity

Finding 2.1: *There has been a sustained shift in the proportion of youth reporting their primary economic activity as 'working for self' (from 43% to 79% of recipients)*

In all surveys, respondents were asked "How would you BEST describe what you were MAINLY doing in the last [state] months?". Several options were given, however the majority of recipients in all surveys mostly commonly fell into the two categories of 'working for myself' or 'working for others'. Working for self describes those that have their own business (informal and usually small scale) and actively decide on what they do to make a living. This would be the group most likely to be described as entrepreneurs or 'hustlers'. 'Working for others' also reflects informal employment and generally describes those that are hired on a daily or casual basis to work for others e.g. on construction sites or as domestic labour. These two categories highlight the importance of the informal sector as opposed to 'formal' employment to which only 3% of YEG respondents reported working in upon registration.

Following the receipt of payments, survey results show a striking change in the number of youth 'working for others' and 'working for self' between the registration and end line surveys.

Figure 5: Change in Economic Activity at Registration and End line Surveys (All recipients)



Time series analysis of follow up survey data showed that the shift occurred very soon after payments began and has been sustained even for LS recipients for whom the final payments were made between 18 – 23 months earlier.

Figure 6 - Changes in Economic Activity - MP Recipients

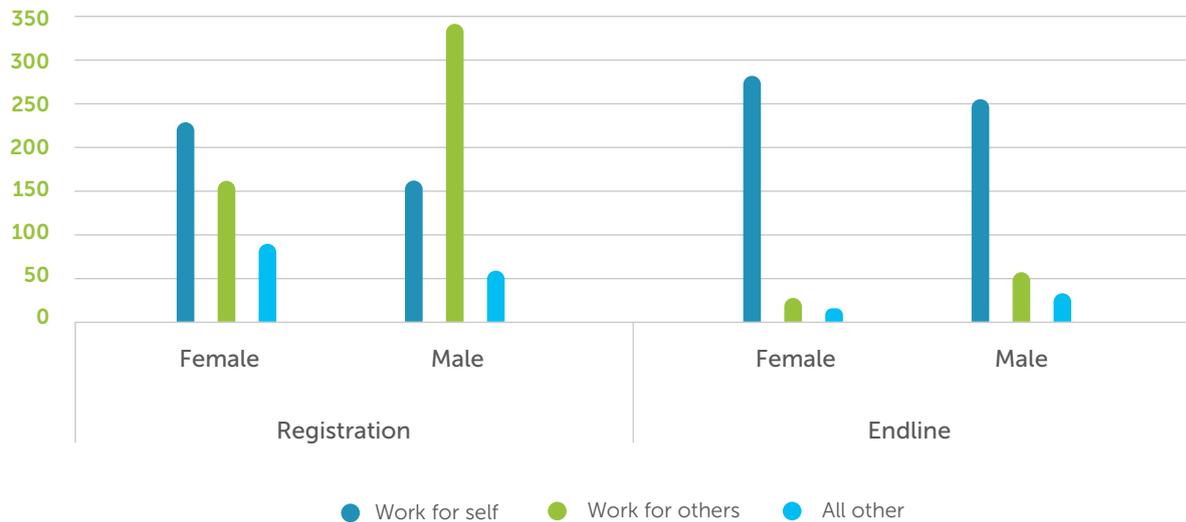


Finding 2.2:

The shift to self-employment by male recipients has been particularly marked.

The shift to self-employment has been particularly marked for men (see Figure 7 below). Analysis of the registration data showed women were already more likely to work for themselves, although there has been a marked increase for women also (from 57% to 85%).

Figure 7 - Changes in Economic Activity by Gender



Interviews with individuals and discussions in focus groups back up this finding, with many youth reporting that starting their own business had always been a goal or ambition (see ambitions for use of the cash below). Casual labour is seen as the fall-back or 'safety net' option. Work is found some days but not always, wages are low given high supply of labour, and the location of work 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 over 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.”
(FGD participant – May 2019)



“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”. (FGD participant – Nov 2018)



“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”
(FGD participant – Nov 2018)

Finding 2.3:

At the end of the project 68% of respondents cited income from self-employment as their main source of income.

The sustained nature of self-employment is a positive indication that many of the businesses established by recipients with the transfers are still operational. The end line survey also asked recipients about their sources of income. From multiple options respondents were asked to indicate which provided their main source of income and which provided income sometimes or never. Responses reinforce the occupation findings with 68% of respondents indicating that self-employment is their main source of income (see Figure 8 below). This was equally true for LS and MP recipients. Further analysis of responses to this question also show that most recipients report having between four to seven different sources of income as shown in Figure 9.

Figure 9: Number of (main or sometimes) Income sources reported at End Line survey

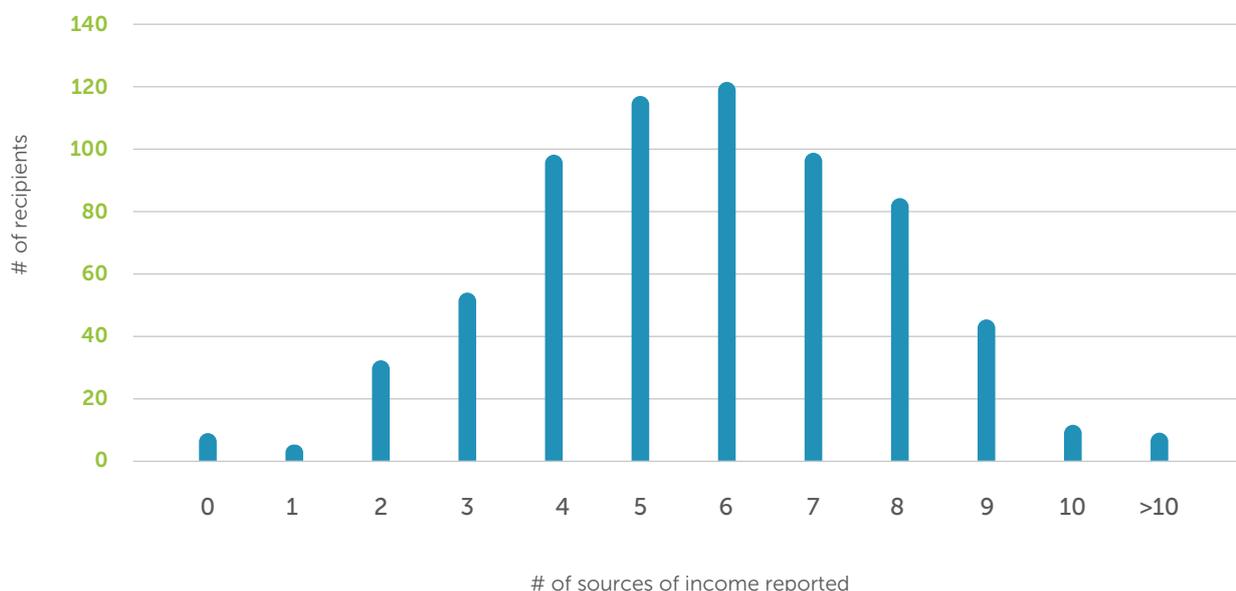
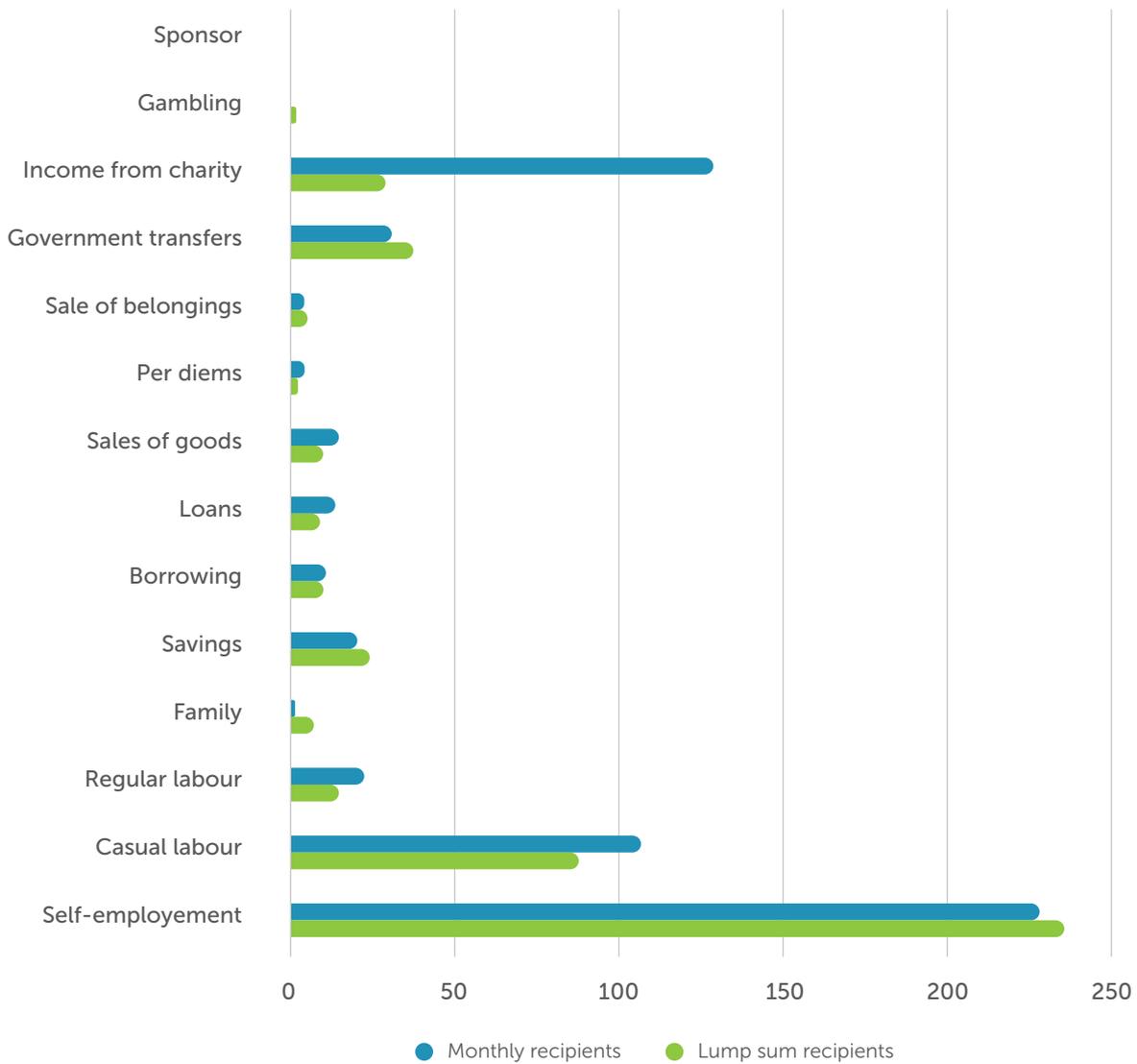


Figure 8: Main sources of Income at End Line survey by Payment Type



The shift towards entrepreneurship – or at least an entrepreneurial mindset was also reinforced in the follow up case studies. In these, several respondents indicated that even where the original business was no longer operational, they had started, or were planning to start, another business venture. The shift in confidence and self-perception of being a ‘business’ person with control over how they earn an income emerged strongly in many of the follow up case study interviews. This optimism was maintained despite the Covid crisis and even amongst LS recipients whose payments had ceased over 18 months previously.

“ During the last few months, I’ve survived on savings and parents and some odd pieces of casual labour. I need between 10-15k to re-start my business. I have no savings at the moment but feel very confident it will be ok. (Hellen LS recipient – case study interview Oct 2020)

“ I am still happy to get the LS – as it gave me the chance to start a new business. Even though this [business] has been damaged I feel sure it will start again. I learn more each time I start a business – I have more confidence and knowledge. I am sure I will stay self-employed. (Joe LS recipient – case study interview Oct 2020).

Use of the cash

In all follow up telephone surveys recipients were asked how they had used their latest transfer(s) . They were prompted using 17 different categories.

Finding 2.4:

Recipients invested approximately 34% of their transfers on business ventures and 47% in productive investments overall.

Figure 10 below shows that both groups report spending a substantial proportion of their transfers on productive investments overall. Productive investments include expenditure on livelihood or educational investments. Livelihood investments include expenditures on new or existing businesses as well as agricultural inputs, livestock and hiring labour. 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. Educational expenditures are considered as an investment in human capital and include expenditures on training, schooling etc., either for the recipient or others. Figure 8 below shows that on average, recipients reported using an average of 47% of the transfer on productive investments. Analysis of data shows that 77% (#780) of all recipients reported spending some proportion of their transfers on a new or existing business.

Figure 10: Proportion of Transfers spent on Productive Investments

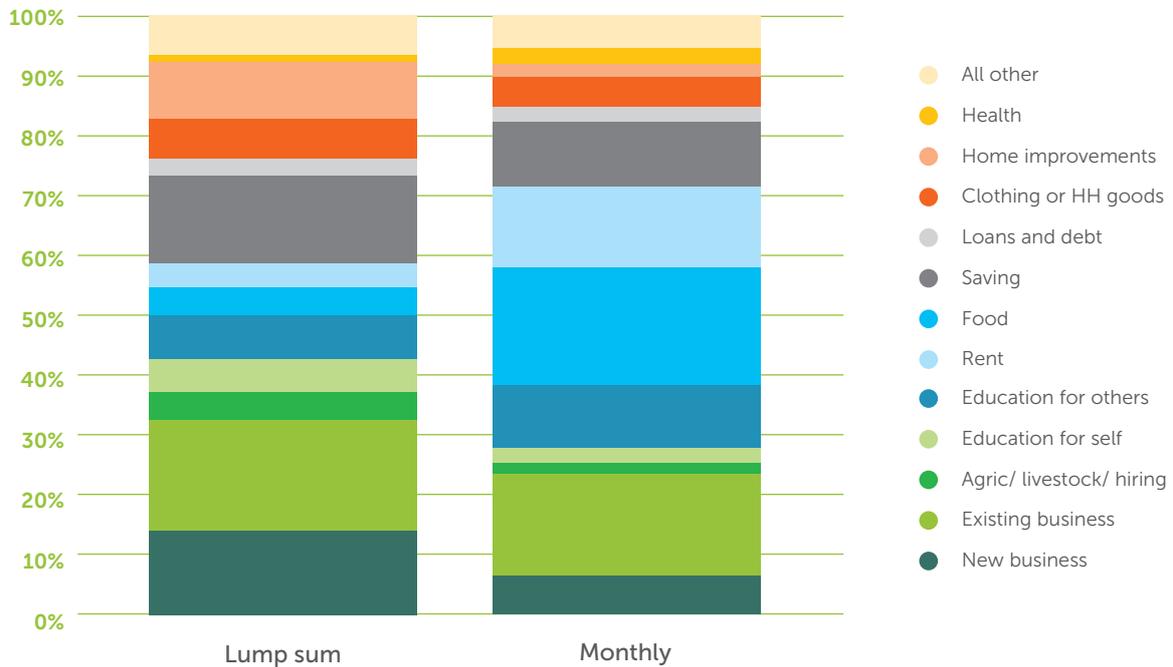


¹⁷ The actual amounts reported varied between respondents. MPs varied in reporting upon the last payment (circa Ksh5,000) or payments since they were last surveyed (i.e. up to KSh20,000). Therefore analysis has been done via % of transfer spent not actual totals.

Finding 2.5:

LS recipients spent more on new businesses and other productive investments (50%) than MP recipients (38%)

Figure 11: Reported use of all grant transfers by Payment Type



Figures 10 and 11 highlight some key differences in expenditure patterns between LS and MP recipients. LS recipients report spending twice the proportion of their transfers (14%) on new business than MP recipients. Overall LS recipients report spending 50% of all transfers on productive expenditures. MP recipients report spending much greater proportions on regular costs such as rent (20%) and food (14%). The proportion invested in existing businesses remains similar by both groups.

These differences make sense and were explored in the qualitative research. Youth explained that the size of the LS transfers was sufficient to make large investments in a new venture immediately whilst the smaller monthly payments only enabled recipients to make small investments in existing business or required dedicated saving to amass the level of capital required for a new business. In FGDs MP recipients described their business investments as primarily buying more stock or expanding current activities. For some, it was clear this was increasing their turnover and income however others described using the YEG payments 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 each and I contribute the money from the money I make when I sell these tops.” (male monthly recipient)

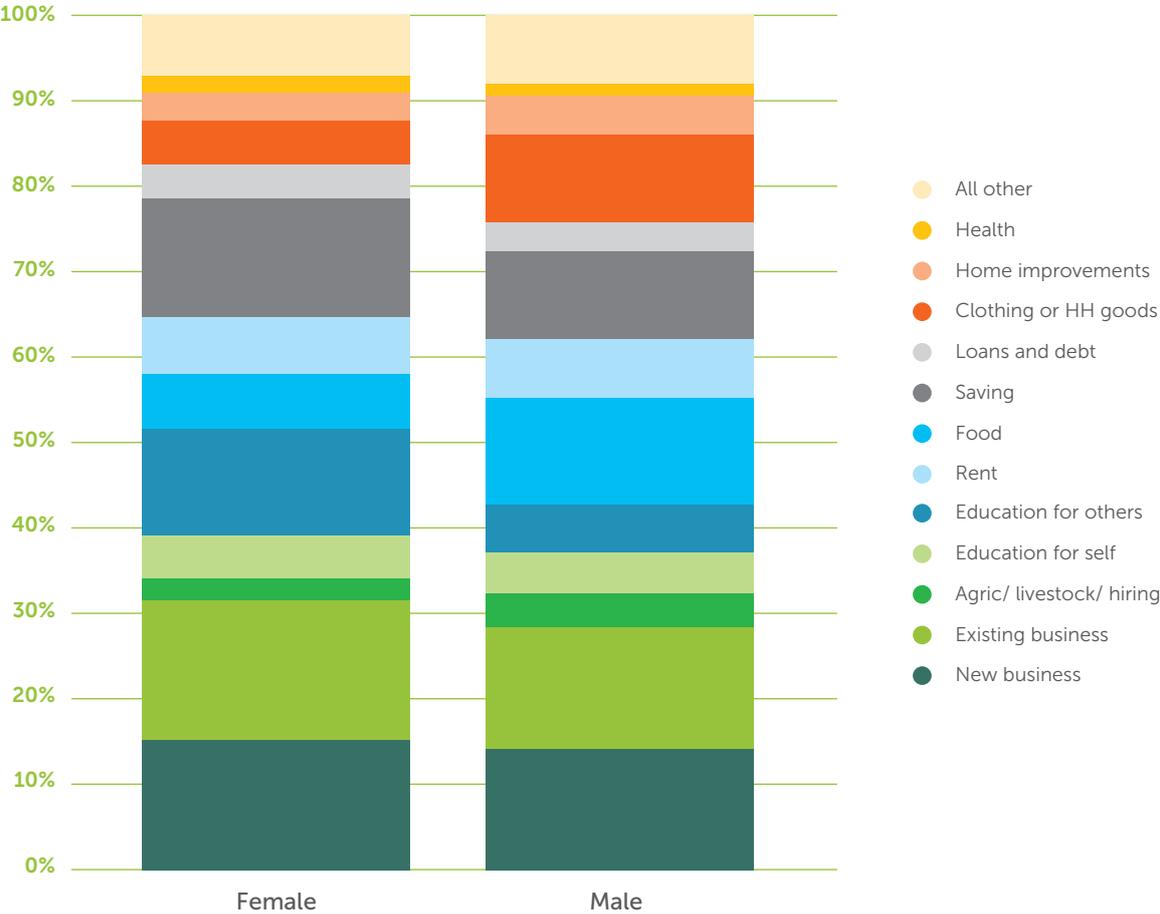
Finding 2.6:

There were differences between men and women on the proportion of transfers spent on rent, savings and education for others.

Analysis of how the cash was used, split by gender (figure 12 below), shows that there are a few notable differences in how men and women prioritise the use of cash. The most significant difference is responsibility for the payment of rent and school fees. Figure 10 below indicates that women spent roughly twice that of men on 'education for others' i.e. school fees whilst the opposite is found for rent. This reinforces survey findings noted upon registration which found the same. The registration survey also found that female recipients were far more likely to live in households containing children. This found that 62% of male recipients were living in households with no children. This reflects the culture of young men living alone or together with other young men whilst women remain primarily responsible for childcare and rearing.

Figure 12 also indicates that women are likely to save more of the transfer than men. Men also seem to spend more on clothing and household goods. However there is very little difference in the proportions spent on new or existing businesses.

Figure 12: Use of YEG transfer by Gender



Finding 2.7:

Business investments included a wide range of activities and sectors

Youth moving into self-employment have engaged in a wide range of business activities. Over 50% of those running a business fell into the categories of food or non-food street trading. These are wide categories and although described as 'street' trading, qualitative research indicated that the smartphone and social media play a growing role in buying and selling goods. This is discussed further under research question 3 below. The range of business activities mentioned in FGDs and interviews was diverse. This reflects the vibrant nature of the Nairobi economy and the market compared with rural areas. The list below illustrates some of the businesses which were mentioned by recipients:

 Purchase and operation of motorbike taxis	 Selling second-hand clothes and shoes	 Stalls or premises selling general goods, fruit, vegetables and juices	 Purchase of refrigerator to sell ice
 Becoming M-pesa agents	 Cafes (selling tea, snacks etc.)	 Beauty salons / barber shops	 Spare parts shop (for vehicles)
 Mobile phone repair	 Operating car washes	 Running pool/ video halls	 Poultry/goat/pig rearing
 Milk vending machines	 Photographic; filming and recording equipment and services	 Water vending	 Farming (in and out of Nairobi)

Changes in perceived financial well-being and economic circumstances

The research provides some clear indications that the financial well-being of YEG recipients was improved by the project and that this has been sustained. The research did not attempt to collect detailed expenditure or consumption data. Instead, respondents were asked a range of questions around perceived financial wellbeing, rent levels, ability to contribute to rent and school fees, savings and debts as proxies for financial well-being. The findings are consistently positive despite the several months of severe economic turmoil resulting from Covid-19 related lockdowns.

Finding 2.8:

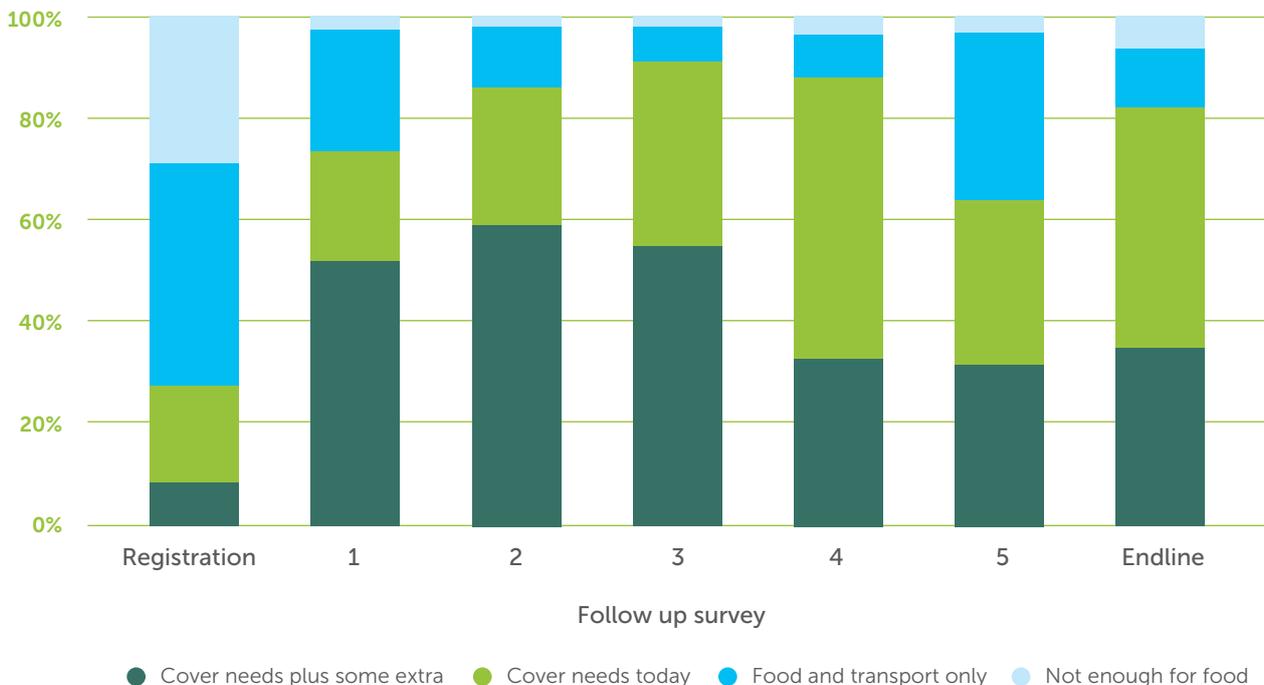
Improvements in financial well-being were marked and appear sustained (82% can meet daily expenses or more up from 28% at registration)

At registration and in follow up surveys, recipients were asked 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?”.



Figure 13 below summarises responses to this question at baseline, follow-up and end line surveys. This shows that perceptions on financial circumstance changed quite markedly in the initial follow up surveys, particularly the first three which includes responses from LS recipients. The proportion reporting having spare cash decreases in follow up 5 particularly, however these responses were from MP respondents only and mostly collected during the Covid-19 lockdown period. By the end line survey in January 2021, which included both LS and MP recipients 83% still felt able to cover their needs or more – an increase of 54% on the registration responses.

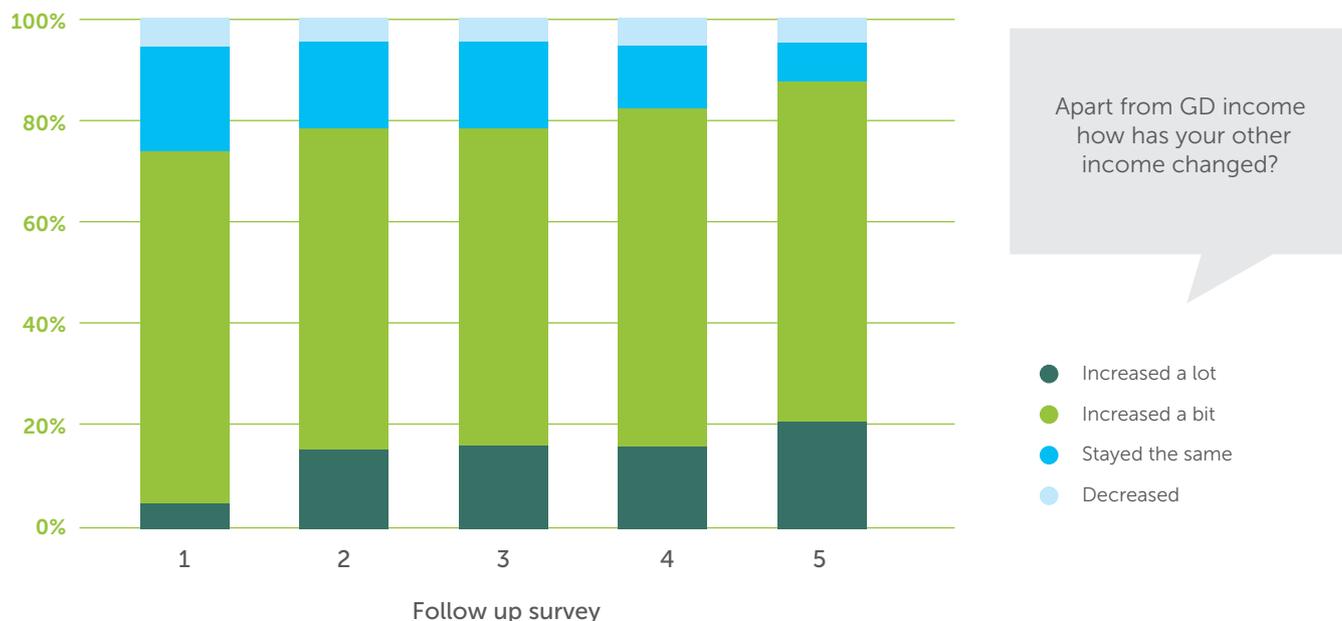
Figure 13 Changes in YEG Recipients Perceptions of their Finances¹⁸



¹⁸ Note that follow up surveys 4 and 5 only include Monthly Recipients as Lump Sum payments were complete.

In follow-up surveys recipients were also 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 changed?”¹⁹. Figure 14 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 and therefore responses are based on their perception of change. Nonetheless this remains a highly positive perception that was maintained even during the Covid-19 crisis (follow-up 5).

Figure 14: Recipient views on Change in Income beyond the YEG Transfer amount



Finding 2.9:

Recipients’ reported levels of savings increased by 40% (despite Covid)

Respondents were asked how much money they had set aside or saved at the current time in follow up and end line surveys. Figure 15 shows that after receiving payments recipients were steadily increasing savings in the first year of the project. In the second year (2020) of the pilot, follow-up surveys were only tracking MP recipients. This showed that initially this trend continued but was undermined by the Covid-19 lockdown which was in place when the round 5 follow up surveys were being conducted. Case study interviews revealed that the economic shutdown meant almost everyone stopped saving and most had to use some savings to cover basic costs.

¹⁹ Unfortunately the endline data collected on this question was minimal and could not be analysed for comparison.

Figure 15: Average Reported Amount Currently Saved by Payment Type



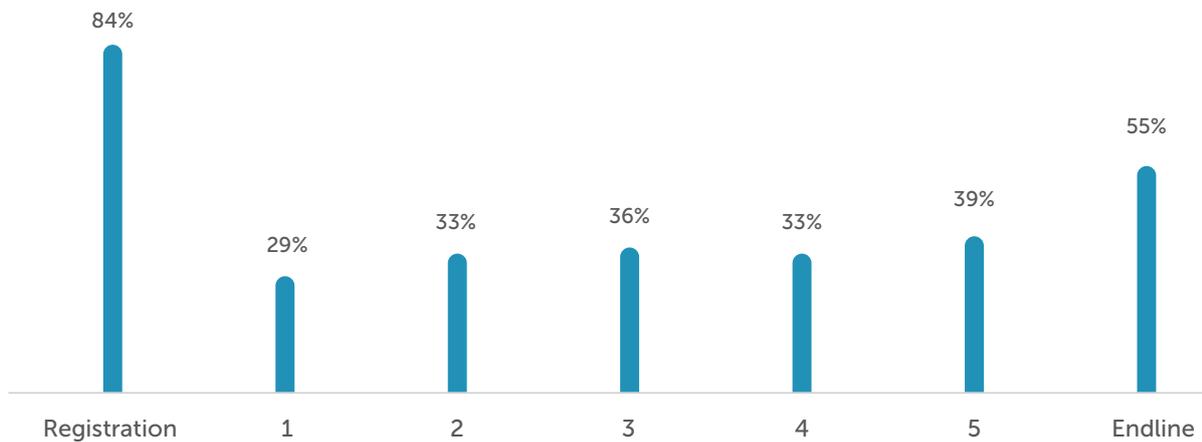
Note: Lump Sum recipients were only subject to three follow-up surveys and the end line

However, responses at the end line survey show that saving levels had rebounded well post-Covid and even LS recipients were maintaining healthy levels of savings.

Finding 2.10: *The proportion of respondents with a loan or debt has reduced from approximately 84% to 55%*

Follow-up and end line survey data indicate that the proportion of respondents reporting to have a current loan or debt has reduced from approximately 84% to 55%.

Figure 16: Recipients Reporting an outstanding Debt or Loan (% total respondents)



Loans and debts are discussed further in section 4.4 below.

Finding 2.11: *The average monthly rent paid by recipients increased by approximately 26%.*

Recipients were also asked about their rent levels upon registration and again in the end line survey. In urban areas rent represents one of the largest and often the only regular, fixed, expenditure and was chosen as a broad proxy for poverty or economic well-being. As a fixed expenditure, respondents

usually provide an honest answer with good recall, tracking other expenditures is difficult as incomes vary so widely on a daily, weekly and monthly basis. Figure 17 below shows a shift in rent levels with average monthly rent increasing from Ksh2,610 at registration to Ksh3,290 by the end of the project – an increase of 26%. The proportion paying below Ksh2,000 per month dropped from 18% at registration to less than 6% at end line and the proportion paying more than Ksh 4,000 increased from 19% to 40%.

Figure 17: Change in Reported Monthly Rent

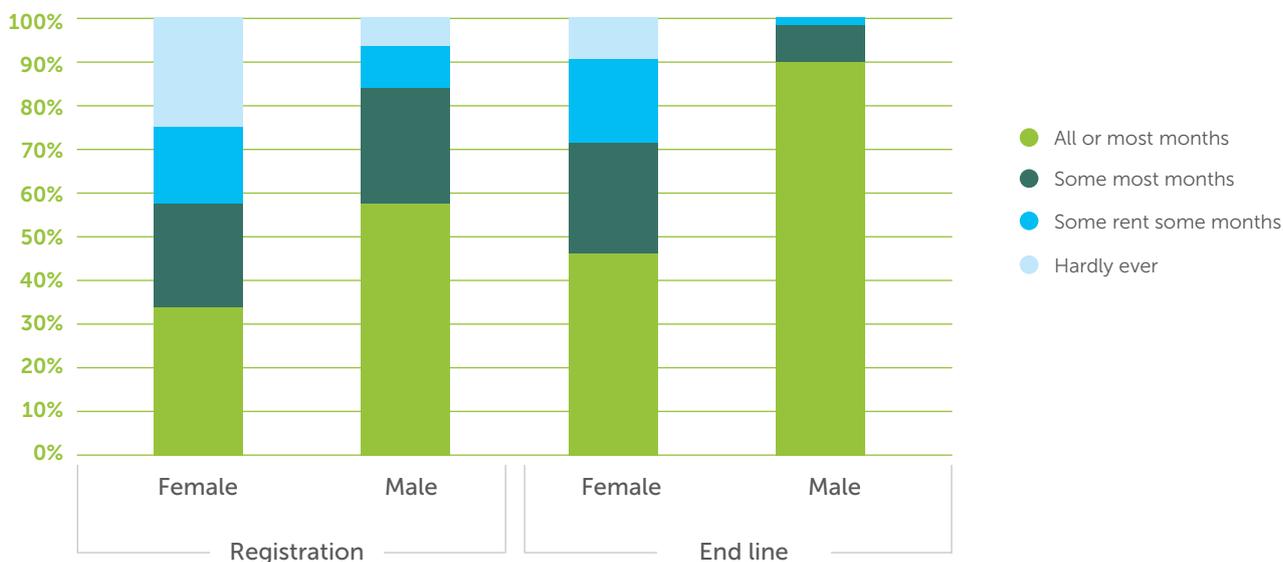


Finding 2.12:

The proportion of youth that now pay for all or most of their rent has increased from 47% to 69%.

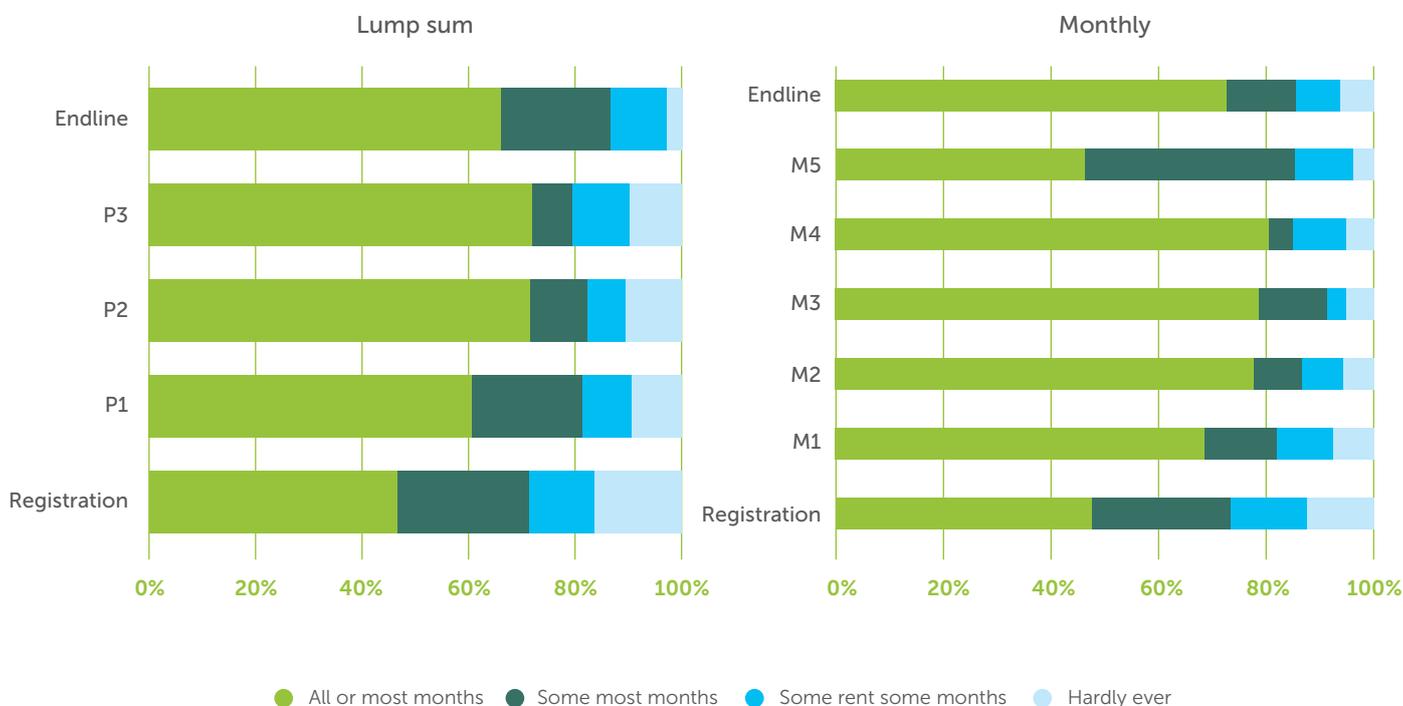
Recipients were also asked about their responsibility for the payment of rent and school fees. This was deemed to be a better proxy for the income level of the individual (rather than the household which reflects on rent levels). In each survey recipients were asked “how responsible are you for paying rent in this HH and/or elsewhere?”. There was a marked change in responses to this question following the receipt of payments which the end line data indicates has been sustained. The impact has been most significant for male recipients who are primarily responsible for the paying rent (see Figure 18 below).

Figure 18 Reported Responsibility for Monthly Rent by Gender (Registration and End line)



Further time series analysis by payment type is provided in Figure 19 below. This further illustrates how increased responsibility for payment of rent has been sustained by both groups. The graph for MP recipients also indicates the impact of the Covid-19 crisis on the responses given during that time (M5 survey round). This shows a drop in the number being able to pay all or most of the rent.

Figure 19: Reported Responsibility for Monthly Rent by Payment Type (at each survey)



The same question was asked in regard to school fees – however this found limited overall changes with variations. This appears to reflect the fact that school fees are paid cyclically and therefore responses varied depending on the time of the year the respondent was surveyed. Respondents reported greater responsibility for school fees when interviewed at the time they were due and less at other times.

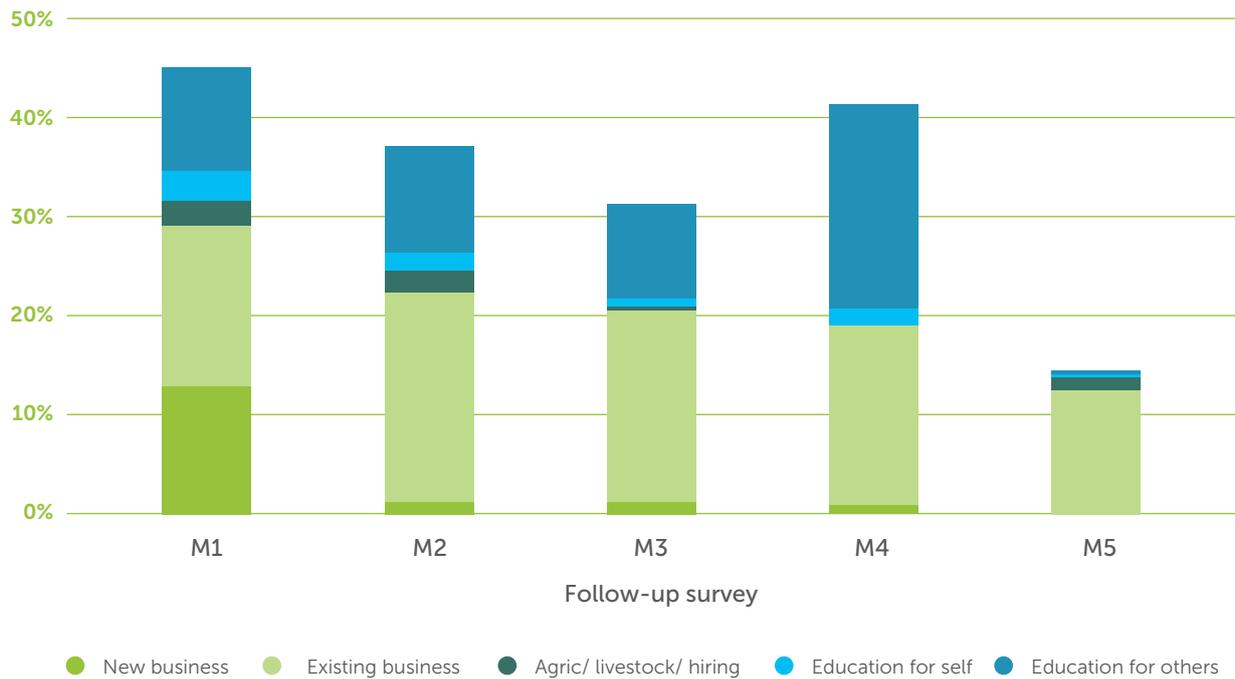
Impact of Covid

Finding 2.13: Recipients have shown high levels of economic resilience in the face of the Covid-19 crisis

As highlighted in Section 2 above, the stringent lockdowns imposed in Kenya between April and August 2020 had a significant economic impact nationally as well as locally. However, several of the findings cited above and the case study interviews undertaken in October 2020 indicate that YEG recipients have coped well with the economic impact of the Covid-19 crisis.

The MP recipients directly benefited from the monthly payments that continued throughout 2020 when the lockdown measures were at their height. This provided them with a valuable cushion against falling income from other sources. Analysis of MP follow-up survey data (see figure 19 above and 20 below) show that recipients clearly modified their use of the cash during this time with transfers re-prioritised to cover basic costs such as food and rent and to keep existing businesses afloat.

Figure 20: Change in Use of the Transfers for Productive Expenditure by MP Recipients



Findings from the end line data also indicate that the majority of respondents, including LS recipients have emerged from the Covid-19 crisis in a better financial situation than at the beginning of the project. This is evidenced by the following:

- The sustained shift to self-employment indicates most youth (79% - Figure 6) are still running viable businesses and have not had to return to casual or daily labour i.e. 'working for others' which is viewed as the default option when others fail.
- The sustained positive perception of finances with a marked increase in those meeting all their daily needs or more compared with registration (see Figure 13).
- A sustained increase in the proportions of all recipients paying all or most of their rent, very often at higher levels (see Figures 18 and 19).
- Recipients showing maintained and increased saving levels in the aftermath of a major economic shock.

The case study interviews undertaken in October 2020 soon after Covid-19 lockdown measures had been eased, reinforced some of these findings.

The nine individuals interviewed as case studies in October 2020 were all asked, or spontaneously mentioned, the Covid crisis and its impact on their lives and Mathare in general. All reported that the Covid lockdown had impacted their lives, however the impact varied as did the strategies used or available to different youth to cope, particularly during the intensive lockdown period. However, although most saw some or all their business activities/income reduce or stop altogether, no interviewee reported that Covid had caused their business to fail outright at that point. The operators of the businesses most directly affected by Covid tended to describe them as being 'on-hold' until demand picked up or the crisis ended. Certain businesses, particularly skills-based, are relatively easy to restart once demand increases e.g. hairdressing, construction or cleaning.

At the same time, a couple of businesses benefited during Covid-19. One recipient invested in a modem to sell wifi connections to households in his area. This saw an increase in demand as more people (including school children) were forced to stay at home and work on the internet. The recipient operating a cyber café in Mathare reported the same. Several reported using up all or large proportions of their savings during the lockdown period. One recipient decided to spend all his savings on furniture for his house as lockdown started rather than fritter it away on food and rent when things got hard. As he

was a MP recipient, he felt he “wouldn’t starve” and would not have the chance to get that much money saved again. For others, the group structures (through which they were enrolled) offered important support – several mentioned that groups used existing reserves to provide cash grants or buy food for members that were struggling. Some described how those left without an income during Covid relied on income generating activities operated by groups e.g. car washing or manning sanitation blocks.

Table 2 below summarises the status of all the business activities or investments undertaken by case study (CS) interviewees followed up in October 2020. All felt confident that business was picking up or had restarted although some indicated they would need some investments to re-start. For example, the hot food vendor (CS 8) estimated she would need Ksh10-15,000 (\$100-150) to get her street food vending stall back in operation. She admitted she had used up most of her savings during the crisis and had no obvious means of recapitalizing.

Table 2: Status of Livelihood Investments by Case Study Interviewees as of October 2020

Case Study (CS) Participant #	Business / livelihood Activity	Existing or New	Status of Business at time of follow up interview
CS 1 – Lump Sum Recipient	Face-painting	Existing	On hold due to Covid
	Cyber cafes	Existing	Operational
	Urban pig farming	Existing	Failed – non Covid reasons
	Urban dairy farming	New	Operational
CS2 – Monthly Payment Recipient	Water vendor	Existing	Operational
	Wifi sales	New	Operational
CS3 – Monthly Payment Recipient	Shoe seller	Existing	On hold due to Covid
CS4 – Lump Sum Recipient	Building houses for rent	New	Not yet complete
CS5 – Monthly Payment Recipient	Hairdressing	Existing	On hold due to Covid
CS6 – Lump Sum Recipient	Grocery stall	New	Failed – non covid reasons
CS7 – Lump Sum Recipient	Cleaning (casual labour)	Existing	On-hold during Covid
	Cow and milk sales	New	Operational
CS8 – Lump Sum Recipient	Hot food vending	New	On-hold during Covid
CS9 – Lump Sum Recipient	Fruit / fruit juice stall	Existing	Failed – non Covid reasons
	Pool hall	New	Failed – non Covid reasons

Table 2 also illustrates another finding to emerge from the qualitative research:

Finding 2.14:

The Covid crisis represented merely one of MANY factors affecting business success in Mathare

Table 2 shows that of the 15 business activities undertaken by the interviewees, five were described as ‘on-hold’ or reduced due to Covid but were not considered to have failed. Instead, the four business ventures that interviewees did describe as having failed were for reasons not related to Covid. This challenges the project partners’ initial concern that the Covid crisis represented such a significant shock it would wipe out any economic gains arising from the project to that point.

However, what both the quantitative and qualitative research have identified is that although Covid was a major covariate shock, its impact in Mathare appears less important (or on a par) with the myriad of other idiosyncratic shocks affecting small and micro-businesses. Of the four business failures cited in Table 2, only one was clearly down to poor business skills. The other three reflect the highly precarious nature of operating a business in Mathare. The urban pig farm (CS1) failed after his herd was infected with swine flu and the pool hall owner (CS9) had to close after it was raided by police who rendered the pool table inoperable. Another interviewee (CS5) reported having to use all the savings she had put aside to set up a hairdressing salon on funeral expenses for a family member (not Covid related).

These challenges echo comments made in focus groups when participants were asked about the challenges they faced running their businesses. Such questions were initially posed to explore participants' gaps in relation to business or financial management skills but instead responses cited a litany of other obstacles in operating in a place like Mathare.



"So I bought hair braids with the money. After that it's like thieves realized we have been given the money and they came and stole from me. They took everything. So I waited for the second bunch from GD and then I bought everything again and returned all that was stolen. I bought braids, seats, and blow dry everything became okay now."



"You know we don't have title deeds here so we are just risking, anytime we can be kicked out and I lose my rentals. Also, because we hear about slum upgrading so we must feel insecure about our business".



"Personally, I have a small kiosk, there are people who come to me pretending they are city askaris but they just want money, the chief, people just wanting to disturb you and your business".



"I had my machine stolen. I had already set up my business and then you find that the person stealing from you was just a fellow youth so I feel like if I was in a more secure place, I would not be afraid to even buy better machines."

Issues around crime, theft and corruption are not easy to resolve. Additionally some business owners operate illicitly, such as selling water or electricity by illegally tapping into mains supplies. Interviewees describe efforts to obtain official meters or permits to legalise these operations as being expensive, bureaucratic and ultimately futile. Another challenge mentioned was the unreliability of basic services.



"Challenges are like, when we don't have water in the community; you find that no money will come in [to the bio-block] that day. Also, when there is no power our video business suffers."

Medical costs and/or funeral expenses were mentioned by several recipients as having wiped out savings or undermining individuals' ability to keep businesses afloat. Running a business in such a precarious context means that many traders always feel any business is temporary and are merely seeking to make money whilst they can. Such thinking undermines the ability to take a long-term, growth-orientated approach to running a business.

¹⁸ Note that follow up surveys 4 and 5 only include Monthly Recipients as Lump Sum payments were complete.

¹⁹ Unfortunately the endline data collected on this question was minimal and could not be analysed for comparison.

Finding 2.15:

Group structures play an important role in building and maintaining individual and community resilience.

As outlined Section 2, membership of an existing and registered group was one of the criteria for selection for most of the youth in the YEG project. In common with many low-income communities Mathare contains many hundreds of group structures. Initially it was assumed most of these groups existed primarily to support savings and credit activities, hence an initial research hypothesis was to examine the role of groups in how (and how well) YEG participants used the transfers. The role and value of groups was discussed in all FGDs and explored in some detail in the third round of FGDs and case study interviews. An additional concern was that group function would be undermined where certain members had not received the transfer,²⁰ causing friction and possible dissolution of the group.

Qualitative findings suggest that the YEG transfers had no material effect on group cohesion. It seems almost all groups have a savings function and for some this it appears may be their primary or only activity. However, the majority of groups seem well established and undertake a wider range of activities. One participant reported that her group had completely disbanded since the project began but on balance such groups appear to be a minority. The end line survey seems to confirm this with 96% of respondents stating they were still an active member of the group in which they were enrolled. In discussions most statements on groups were extremely positive and many recipients described how their groups had pooled money for group-based investments or formed merry-go-rounds to access larger amounts of cash (primarily MP recipients). But for many the YEG transfer remained a private matter and groups' activities carried on separately.



"We are in the Mathare Mashimoni youth group and we have some kiosks/ stalls by the roadside in our neighbourhood. We renovated them and hiked the cost of renting them. So, we add that money to the GiveDirectly money". (male LS recipient)



"In my group, people started arguing because they did not want to risk members deserting the group after receiving the merry-go-round amount. For us now, we just agreed that each member would be contributing a packet of sugar and 200 shillings every Saturday".



"...even if I was not in a group, I would have used the money well. But being in a group I will get ideas or even experience from seeing people in the group do something that I could be interested to do".

Beyond saving money the YEG research has identified the important role groups play in empowering youth through building social capital, group and individual identity and a mechanism to achieve outcomes for themselves and their communities that would be impossible to do alone. This is reflected in the strong self-help ethos in their organisation and objectives which go far beyond that of a savings group:



"one of our major objectives was to create employment because there is a lot of unemployment. We even had football matches just to try and bring people together to keep them occupied and away from engaging in crime."



"[the group] brings people together and keeps them united. We do better as a group and I am so grateful for being a part of it."

¹⁸ Due to not meeting the age or residence criteria.

YEG recipients described how their groups undertook a wide range of income generating activities for example: garbage collection services, running toilet and sanitation blocks; car wash businesses; operating video halls; rearing poultry and other livestock; and buying properties for commercial or residential rent. In discussions, YEG participants explained how groups are important in keeping people busy in the face of a lack of jobs and to prevent people (particularly male youth) from being pulled into crime. The income generating activities operated by groups rarely provide significant individual incomes as revenues usually have to be shared across 20 or more members. However, activities such as manning toilet blocks or garbage collection require an ongoing rota of people to keep going and provide a low but steady income.



"the group keeps you busy; when you don't have anything to do you come here and find something to do."



"one of our major objectives was to create employment because there is a lot of unemployment. We even had football matches just to try and bring people together to keep them occupied and away from engaging in crime."



"The group will continue because members are committed, and we are having conversations about what new activities we could undertake to strengthen us even more as a group".

Additionally, other groups carried out many non-income generating activities such as counselling on HIV/AIDS, running dance troupes or football teams and taking a role in mentoring other youth or groups. Almost all have a social role supporting members in times of hardship. Youth in low-income urban areas are often very transient, with far higher proportions of individuals reporting to have no family or none locally. In such urban settings some felt their group replaced the role of family in the provision of social, economic and psychological support.



"to me the group is more important than family because when I am in need even financially I can get any support from them unlike my family".



"the football is voluntary; those who are trained, volunteer to train the children.... It's more of giving back to the community."



"If our member loses a loved one or a close family member we usually contribute 500 each and give it to her to aid in burial preparations. If someone is in the hospital and they need our help, we contribute two hundred each".

The role of groups was also cited in coping with the Covid crisis. Several case study recipients mentioned that groups used existing reserves to provide cash grants or buy food for members that were struggling. Others described how groups prioritised the neediest members for shifts on group enterprises such as manning sanitation blocks or washing cars. Lillian describes the impact of the Covid crisis on her group:



"I joined my group in 2014 as I wanted to have financial power and also to be stable financially. [group activities] include savings and loans and making and selling soaps. We had a separate chama for GD people in the group (15#) as we had more money to save. The whole group is saving to buy a plot in Mathare and start a baby care establishment. The group had 30 members at the beginning but is now 25. The group were very supportive to each other during Covid. We could no longer save much but provided emergency support to those that needed it – small payments for those that don't have food. Almost 20 members needed emergency support. The Covid crisis has weakened the group - if you don't have money you feel ashamed to come to the meetings – they turn off their phones as they have nothing to contribute."

4.3 The Value of the Smartphone

Research Question 1: Does access to a smartphone enhance digital money management, business knowledge and skills enhancing the use of cash?

Issues Examined	Findings
Phone ownership and airtime purchased	<p>3.1: Smartphones were popular and ownership increased but loss of project phones was high.</p> <p>3.2: Average weekly expenditure on airtime saw limited change although men spend more than women.</p>
Use of installed apps and HMBA	<p>3.3: Specific apps and platforms included/promoted by in project not highly utilised or popular</p> <p>3.4: Hustla MBA and Hustla Hub trials had mixed results in terms of take up and popularity</p>
Use of the phone to enhance business and money management skills	<p>3.5: Phones play a key role in enhancing livelihoods and business opportunities for many youth</p> <p>3.6: Smart phones have a limited role in developing financial management or business skills but the internet is a valued source of technical skills, business information and ideas.</p> <p>3.7: The cost of data / lack of wifi limits participants' access to streamed content</p>

Research Question 3: Smartphone and Digital Technology – Summary Findings

All recipients were offered a smartphone upon enrolment into the project although 89% already had a phone (and 28% had a smartphone). By the end line survey only 53% still retained the project phone due to a high level of theft, loss and damage. The smartphone was extremely popular and widened access to social media and other internet services. Expenditure on airtime/data increased for men but reduced for women. The apps and platforms trialled by the project were not highly utilised and business skills development was most popular when mediated by peers or in groups i.e. the Hustla Hub trial. 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, improving livelihoods and technical skills and knowledge. However, recipients' ability to browse and stream content is limited by the cost of airtime/data. Smartphone users are unwilling to 'waste' airtime on browsing streamed data if they are not completely sure of its value or interest to them.

Research Question 3: Smartphone and Digital Technology – Detailed Findings

A key research question of the pilot was to test 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 offered the opportunity to buy smart phones at registration with payment deducted from transfer. Upon enrolment 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 was transferred and was therefore used by all recipients. However, even at registration 99% of recipients reported having used Mpesa including those recipients who reported having no phone prior to the project.

The Touch Doh app is a money management app developed by Shujaaz²¹ (formally known as Well Told Story) using animated characters talking in street slang (Sheng). Participants who did not already have a Facebook account were supported by GD staff to create one and become members of the Hustle Fiti page (business advice and chat group).

Shujaaz has also been developing the Hustla MBA (HMBA) digital tool which was not ready for uploading at enrolment but was trialled with some YEG groups during 2019. A mediated iteration of the tool (Hustla Hubs) was trialled with two groups in early 2020 also. Findings on the use of these apps and trials platforms are described below.

Phone ownership and airtime purchased

Finding 3.1:

Smart phones were popular and ownership increased but loss of project phones was high.

Figure 21 shows that at registration only 11% of recipients had no phone and 28% already had a smartphone. This reflects the high penetration of mobile phone ownership in Kenya compared with much of the continent²². By the end line survey however 315 out of 680 respondents (46%) reported that they no longer had the smartphone issued by GD.

Figure 21 : Type of Phone Ownership at Registration

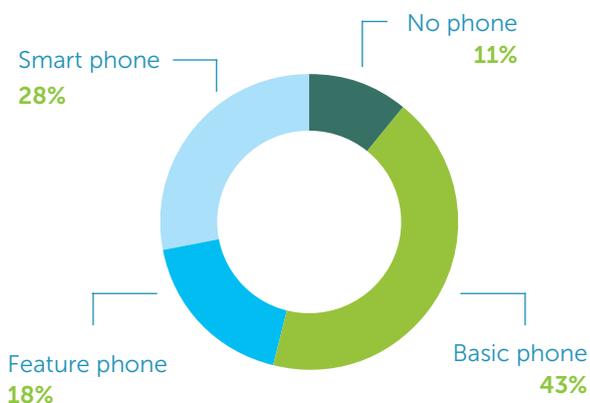
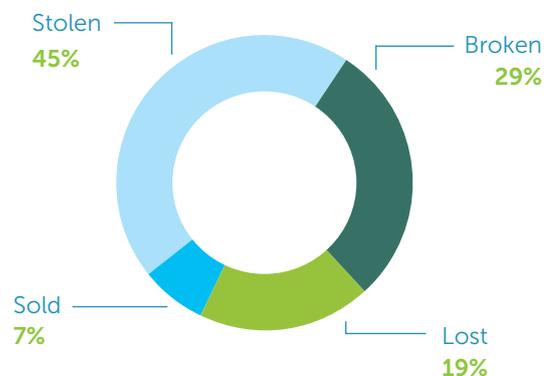


Figure 22: Reason for lack of GD smartphone at End line survey



²¹ A network for social ventures focussing on youth based in Nairobi and formally known as Well Told Story.

²² 79% of Kenyan adults have a mobile money account according to the 2019 Finances Report.

Figure 22 shows that theft accounted for nearly half of the lost phones. In the third round of FGD it seemed more men than women had lost phones, however survey data shows very little difference between men and women in the numbers without a phone or the reasons for their loss. It is not possible to identify when most recipients lost phones but interview data indicates crime did increase during the Covid lockdown.

Recipients were asked how frequently they used their phones for different activities. It is difficult to compare responses at registration with those at the end line survey as the number of responses are so different (#1,030 against #368²³), although there appears to be a rise in the numbers using phones most days to mobile money, social media and basic functions²⁴.

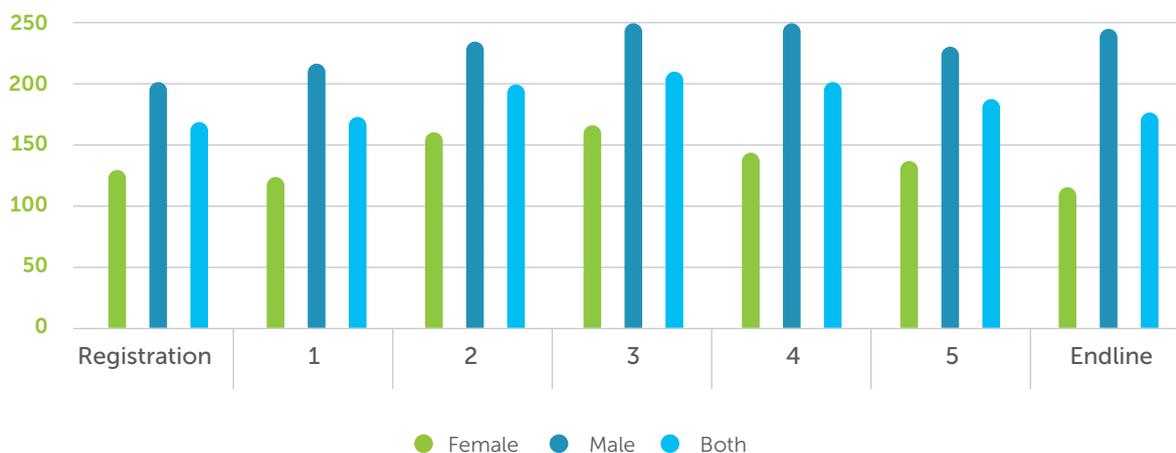
Finding 3.2: Average weekly expenditure on airtime saw limited change although men spend more than women.

At registration the average amount spent on airtime/data bundles each week was Ksh 168. Although this increased somewhat during the project period in the end line survey recipients reported average weekly expenditure only slightly higher at Ksh 177.

Figure 23 below shows there is a clear difference in the amount of airtime purchased by men and by women. In all surveys women spend less than men on airtime, however by the end of the project period men’s expenditure had increased by over 20% (to Ksh 254) whilst women’s had reduced by 10% (to Ksh 116). The reasons for the difference in expenditure were not explicitly explored in FGDs. A key factor could be time available to spend on the internet. With over 62% of males in households without children they are likely to have more time available for using the internet (reflected in higher proportions of males (19%) than women (9%) reporting using phone every day to follow news and current affairs). Several women mentioned lack of time as a reason for not using or downloading the various apps/platforms trialled as part of the project which likely reflects their multiple gender responsibilities for earning money and providing childcare.

“I look at the Hustle Fiti FB page from time to time but have lost the flash disc (from Shujaaz) with the[HMBA] videos. I didn’t look at them all – I can’t spend the whole day watching videos – I have to hustle!” (female case study interviewee)

Figure 23: Average Weekly Expenditure on Airtime by Gender



²³ Unfortunately, responses were only sought from those with a GD phone at the end line rather than any phone.
²⁴ This includes use of standard features such as camera, torch, clock, alarm, calculator etc.

The limited increase in expenditure on airtime may seem at odds with the expanded use of the phone and internet reported by recipients elsewhere. However, a smart phone would potentially enable greater and cheaper communication via social media and platforms such as Whatsapp than using prepaid call and text services on a basic feature phone.

Use of installed apps and HMBA

Finding 3.3:

Specific apps and platforms included/ promoted by in project not highly utilised or popular.

Analysis of phone usage from the end line survey found 11% of respondents (#39 of #368) reported using the Touch Doh app most days. Tracking data on utilisation provided by the developers (Shujaaz) after the first year indicated that even this low usage may be an exaggeration. Monthly tracking data collected in late 2019 showed that peak usage was in December 2018/January 2019 just after more recipients were enrolled, and even then, there were only 62 active users (out of over 893 recipients). Shujaaz are no longer supporting the Touch Doh app and it is no longer available to download – therefore actual utilisation cannot be ascertained.

In FGDs, most participants said they 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. Overall it does not appear the app has proved useful or popular with users.

However, discussions on Touch Doh found users liked the idea of having different ‘pockets’ to compartmentalise cash but that they wanted their cash to be actually, not notionally allocated by 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 Mshawri.



*“Touch Doh is not saving my money. It’s just like writing in a book about your expenses and savings but if it could 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)*

Finding 3.4:

Hustla MBA and Hustla Hub trials had mixed results in terms of take up and popularity

The Shujaaz Hustla MBA content was still in development at the start of the YEG project and went through several iterations over the project period. Hence upon registration all recipients were initially just linked with the Shujaaz Biz (previously known as Hustle Fiti) Facebook page. In follow up surveys a higher proportion of respondents reported visiting the Hustle Fiti Facebook page (15% most days and 48% sometimes). 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 reported being very active and having joined spin-off Whatsapp groups.

In August 2019, recipients from approximately 10 groups were given a sensitisation session on the wider Hustla MBA platform (also developed by Shujaaz) which had become available at that time. These youth were enabled to access a wifi connection at the Ghetto Foundation offices in Mathare so that they could stream the content at their leisure. FGDs held in February 2020 included some of the members of these groups and they were asked about this and how it compared with the Hustle Fiti / Shujaaz FB page.

Views were generally positive about both platforms however far fewer reported ongoing and continued use of the Hustla MBA. Many admitted to not having accessed it for months, if ever, after the session. No participant reported having taken advantage of the wifi connection provided. The lack of internet/cost of bundles was given as the main reason why they had not visited the HMBA platform (see finding 3.7 below). The women in FGDs seemed most enthusiastic and several mentioned how they told others about the platform and page. Although most comments seem to refer to the FB page. Men felt that it was only relevant for people who had capital to invest, this raised complaints from MP recipients that LS recipients would benefit more.



"We watched certain videos online of people and the businesses they have set up. And then we were taught how to follow online how the people are doing with their businesses and we started seeing ideas on FB. We saw that people had small capital but still set up businesses that are doing well."



"For me its hustle fiti I visit the FB page whenever I log in. You find things like someone was jobless but they started their business and its doing well. So well that he has now employed others to be working for him. It's encouraging."



"I love that daily, youths are having conversations about business on that app"



"I had actually started following up something on hustle fiti, but when I started getting 5K I realized that money wasn't going to help me execute the business plan".



"Also hustle fiti I could access it better here [GF offices] because there is WIFI, but back at home, if you don't have bundles you can't access it. So people who got lump sums must have made good use of hustle fiti".



"It takes up a lot of your Mbs. But if someone could like come here and access Wi-Fi we could still following up on stories on there. Also it's hard to get someone doing something in line with your 5K".

Shujaaz's own piloting of the HMBA encountered similar feedback. Hence Shujaaz developed the 'Hustla Hub' approach whereby several local youth are trained to facilitate access to and discussion on the HMBA content with a wider group. Two YEG groups were selected for this trial and two members from each received facilitation training by Shujaaz. HMBA content was provided to facilitators on a flash disc so that session could take place off-line. Some of facilitators were interviewed in the follow up case studies. Participation in the Hustla Hub sessions was high and feedback was generally very positive.

'The training really made me realize the value of saving, I realised that savings are evidence of profit and which shows that a business is doing well – you shouldn't be using capital or savings to subsidise your business on a daily/regular basis. It really stopped me spending my savings during Covid and I even managed to save even during the last few months to keep building the houses on my plot'.

'The project (and the course) has helped me a lot. Even though I have no business right now I still have the business idea and more confidence. The project made me realise that in business there is profit and loss and you have to recognise the difference. Before in a day if I made Ksh500 I would spend all of it

that day and think well tomorrow is another day. So now the training made me think I must save 200ksh for the business, 100ksh for personal use and 200ksh to restock’.

One criticism was that the youth portrayed in the HMBA videos were not really like them – ‘they show hustlers that are in better off areas and have a lot more capital than anyone me or my group know. It would be better if they make videos explaining how to start a business with KSh1,000’.

Unfortunately, the Covid-19 lockdown and ongoing restrictions limited any further trialling of the Hustla Hubs or FGDs with the trial groups. Shujaaz are progressing work on the HMBA platform as an interactive digital platform.

Use of the phone to enhance business and money management skills

Finding 3.5: *Phones play a key role in enhancing livelihoods and business opportunities for many youth*

Even before the YEG project, registration data showed that phones were already important for work or business purposes for this group. At registration 91% of recipients already reported using a phone sometimes or most days for work or business. This stayed the same at the end line however the number citing use of the phone ‘most days’ increased from 52% to 63%. 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:

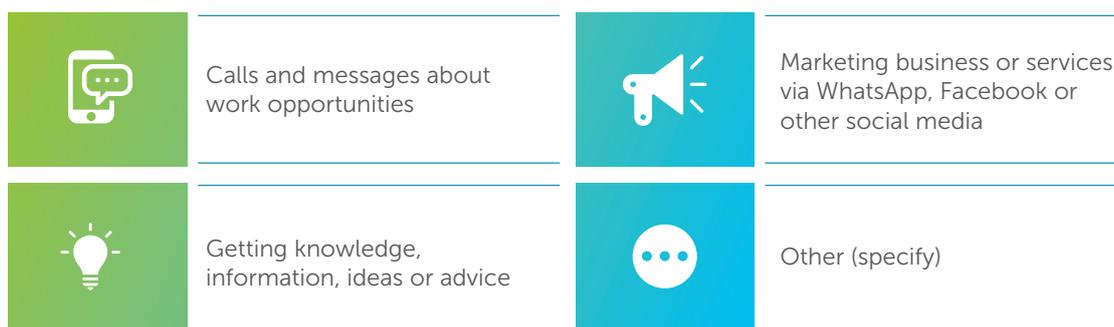
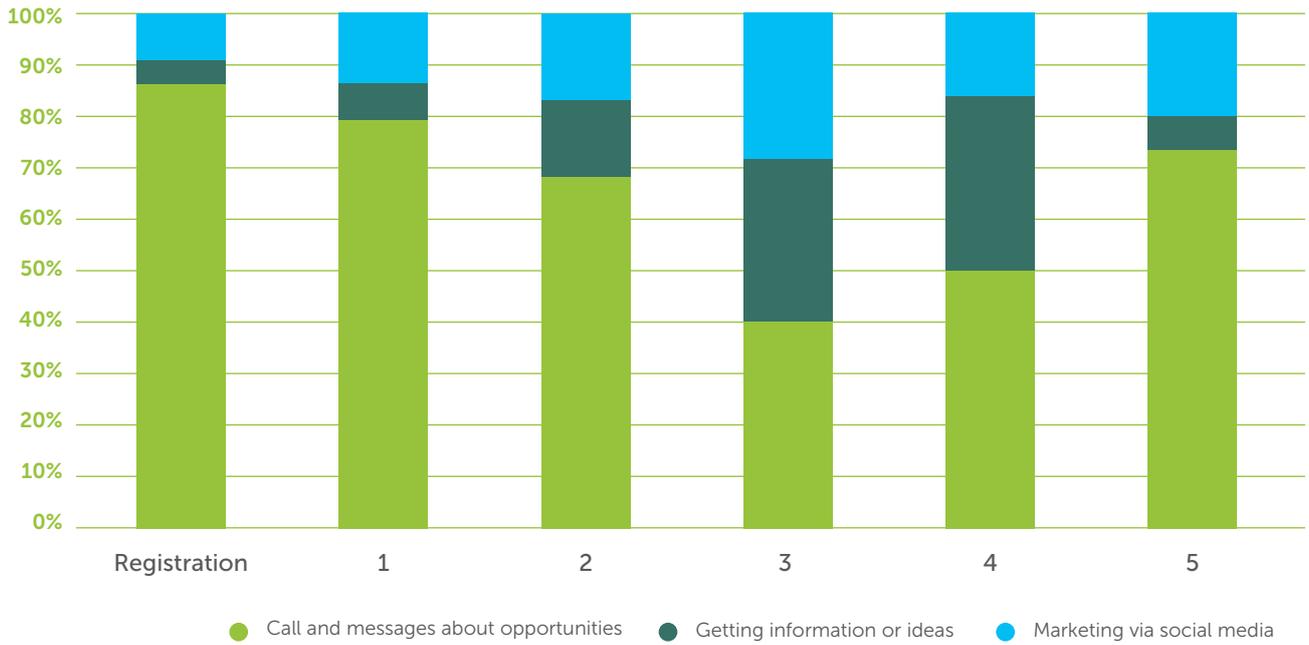


Figure 24 below shows the analysis of this follow up question – noting that not all recipients that reported using the phone for business answered the follow up question²⁵. The responses show that calls and messages are most frequently cited, but that there is a steady increase over time in internet-based uses of phones such as marketing items, on-line trading and seeking information and ideas.

Figure 24: Percentages Reporting Different Uses of Phone for Business (follow-up and endline surveys)



This pattern reflects conversations on phone use in the FGDs. Participants were asked 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/ FB	Alibaba	Google
Youtube university	Government of Kenya e-citizen site Re-permits, 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 and social media specifically, rather than the apps trialled by the pilot, emerged as increasingly important in enhancing YEG participants’ productive investments. Indeed, for many it was essential to their business and almost all used Mpesa to hold, send and receive money related to business activities (discussed below under research question 4 below). Several recipients explained how phones enabled them to operate a business from a distance, and very many mentioned the role of social media in being able to market products and access customers and ideas.

“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.”

²⁵ The response rate at the end line survey was low as it was only asked to respondents with a GD 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".



"With the GD cash I bought a cow up-country. The milk is sold to a local hotel everyday and they pay me via Mpesa – that is how I know the person who minds my cow is looking after it well."



"I advertise the face-painting business on Instagram - for 350Ksh per day you can get your firm boosted to the top of searches".



"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".

Finding 3.6:

Smart phones have a limited role in developing financial management or business skills but the internet is a valued source of technical skills, business information and ideas

One of the project research hypotheses was that participants' access to the trialled apps (and internet generally) would result in improved money management and business skills. As highlighted above, the trialled apps (particularly Touch Doh) appear to have had limited impact in this regard. The HMBA and Hustla Hub trials (described above) have shown that YEG recipients do not naturally see the internet as the primary way to improve their money management or business skills.

Initially, few recipients were concerned that a lack of business skills would be a challenge in running a business in Mathare. In the first round of FGDs, 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 and that very many were already running businesses. Additionally, this confidence may also have reflected the large number (>50% of recipients) reporting having previously attended some form of business or financial training such as budget preparation at registration. Various business trainings are offered widely and regularly by NGOs and government agencies in Nairobi, however the duration of the trainings received and reported in the registration survey by recipients varied widely from half an hour to nine months.

In later FGDs and interviews the issue of business skills and experience generated more comment and debate. This may have reflected the fact that more youth were actively running businesses at this time and were more aware of gaps in their skills. The most mentioned source of help and advice on business issues in FGDs was someone doing a similar type of activity. The use of HMBA or similar on-line options were hardly mentioned.



"I need to be trained on how to balance expenses and income" (female LS recipient)



"I would like to learn how to run a business...how to calculate losses and profits" (male LS recipient).



"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)

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.



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



"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".

Therefore, although the qualitative data indicates the smartphone or internet is not seen as a useful source of money management or explicit business skills, it was regularly cited as an important source of skills and knowledge – for business. Sometimes in unusual areas. One LS recipient reported *"I wanted to go to driving school, and before I went, I downloaded a certain game that I use to train me how to drive. When I went to driving school, at least I had an idea of what to do".*



"There are videos that I can download and learn how to knead dough for making chapati."



"I used to look up braids and hairstyles on the phone. In fact I learnt a lot of the phone about hairdressing. My original course was so short only 3 months so I still feel I have so much to learn. I spend about 50ksh a day on data."



"I still have the GD phone – I didn't have a smart phone before the project. I like to go online and look at Youtube videos of people running cafes and how they turned them in to hotels – there were clips in Uganda and India."

Finding 3.7:

The cost of data / lack of wifi limits participants' access to streamed content.

As outlined above, the smartphones were popular and internet usage appears to have increased with higher proportions of youth accessing social media, news and current affairs via their phones. However, it seems that even though they have greater access in theory, in practice recipients are reluctant to download large amounts of data or stream video content given the cost of airtime / data bundles. This was a key factor in the limited take up on the HMBA content (discussed above). In FGDs 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)

Despite this, as highlighted in Findings 3.5 and 3.6 many recipients reported using streaming sites such as Youtube for business purposes e.g. marketing products and watching videos to develop skills and ideas. 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 (and time generally) 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 which sites or content could be relevant or useful to them.

4.4 The impact on Digital Financial Services (DFS):

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

Issues Examined	Findings
Changes in use of mobile money services	4.1: Use of mobile money services is high among this group but has changed little during the project.
Changes in saving money	4.2 Mobile money platforms and informal groups remain the most used ways to save money. 4.3 There is an unmet need among this target group for financial services that compartmentalise and/or 'lock' money for different purposes, particularly saving – illiquidity is a greater concern than access to credit or loans.
Changes in borrowing money	4.4: There is limited evidence that recipients use the transfer to leverage additional capital or loans. 4.5 There has been an increase in the number of recipients accessing on-line loans. 4.6: Overall there is a reluctance to take loans or increase debt levels.

Research Question 4: Financial Services – Summary Findings

There was a high use of mobile money services among this group at the start of the project and this has not changed much. 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. Project youth have maintained saving levels and favour saving locations that are harder to access. They also lack tools

to track income and outgoings for business and personal use. Demand for illiquidity is greater than that for loans and credit. There is some growth in the use of on-line loans, but the amounts borrowed are small and used to bridge gaps in finances. This group is highly loan averse and there is very little evidence to suggest the transfers were used to leverage additional formal finance or loans for major productive investments.

Research Question 4: Detailed Findings

Recipients were asked several questions about saving and borrowing, in particular how far they used mobile money and other digital financial services (DFS) via the smartphone. 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 to include mobile banking and mobile saving platforms²⁶. Additionally, recipients were asked if they had ever used certain forms of saving or borrowing mechanisms, this garnered a large number of responses compared with follow up surveys when respondents were only asked about current savings and loans. There were also gaps in end line data on savings. Consequently, it is not easy to make direct comparisons between registration and end line data however some trends do emerge when analysing follow up data.

Changes in use of mobile money services

Finding 4.1:

Use of mobile money services is high among this group but has changed little during the project

In all surveys recipients were asked about how often they use their phone for the following mobile money services:

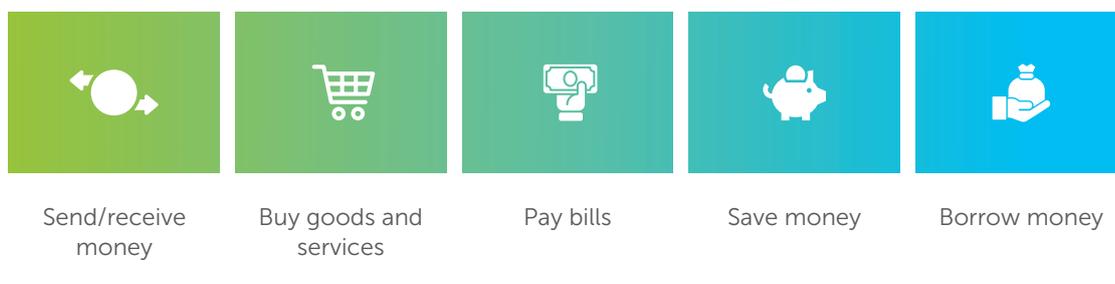
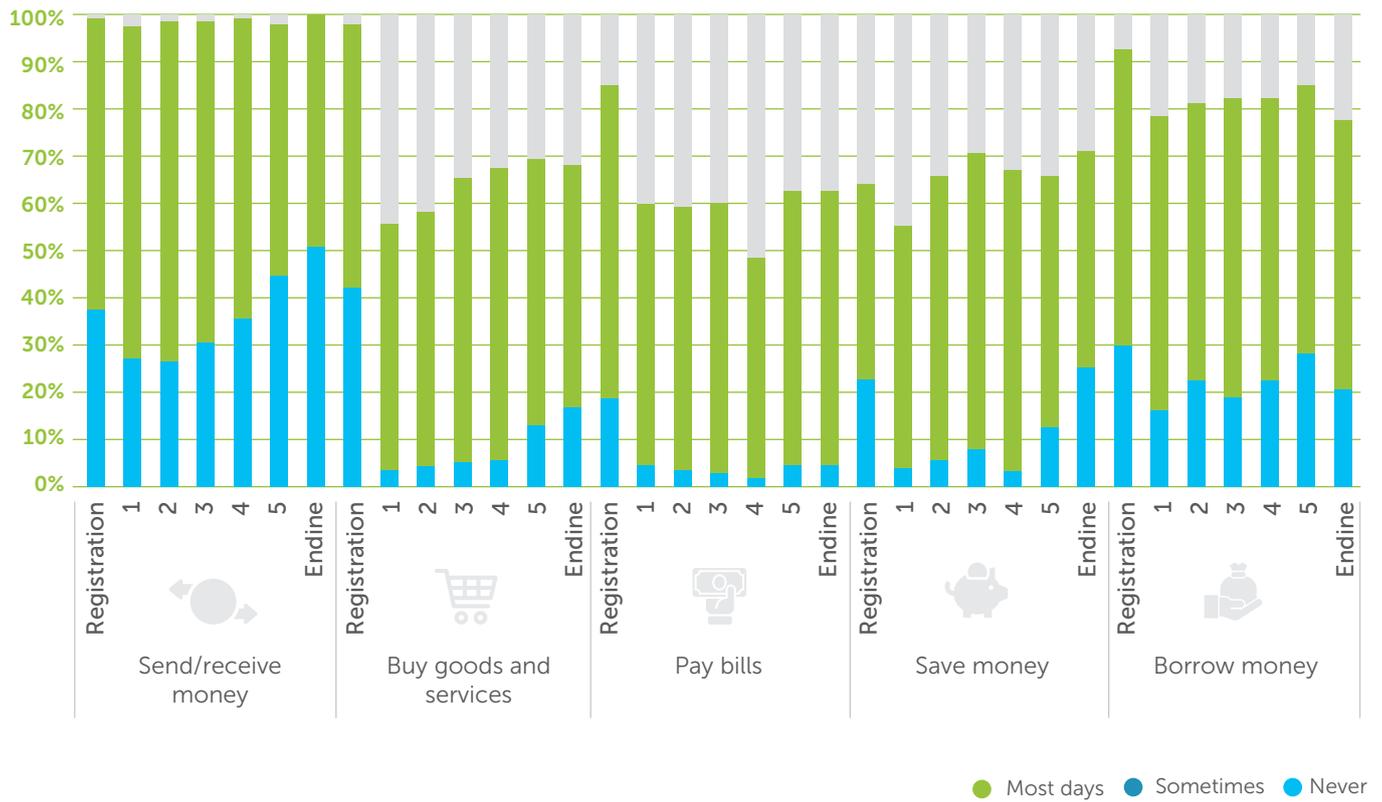


Figure 25 below shows that this target group are active users of mobile money services. Even at registration, the use of mobile money to send and receive cash was almost universal. Other services are used by the majority (>50%) of the respondents at least sometimes. By comparison, the Kenya 2019 FinAcces Report states that nationally only 35% of adults report using mobile money monthly or more frequently, however this rises to 88% of adults in urban areas. Although YEG survey results register slight changes in the various uses of mobile money over the course of the project, no major trends emerge.

²⁶ The mobile money sub-categories used in follow up surveys 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.

Figure 25: Changes over time in Use of Mobile Money Services

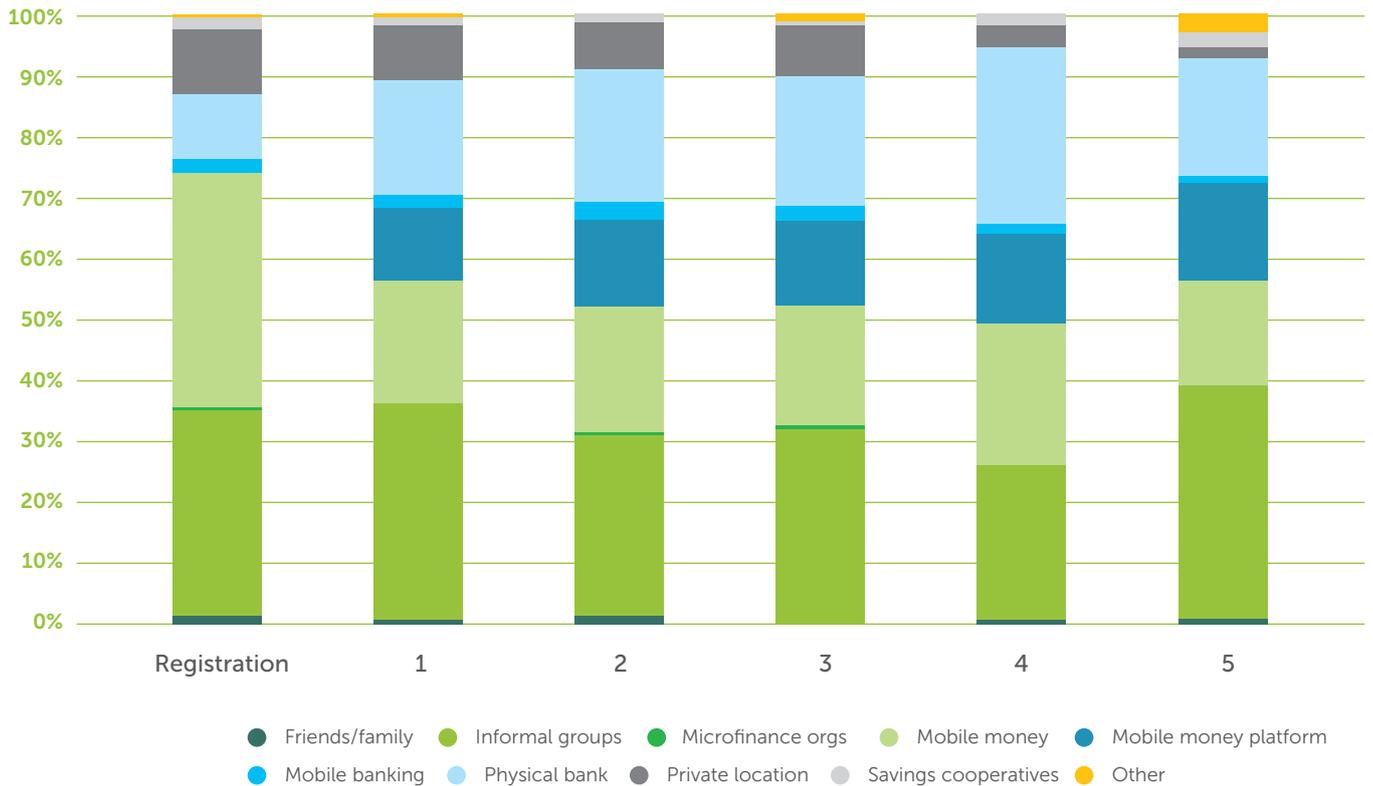


Changes in Saving Money

Finding 4.2: *Mobile money platforms and informal groups remain the most used ways to save money*

The majority of respondents (73% on average) reported having some savings at each follow up survey. Follow up questions asked where recipients saved money from a list of options. Figure 26 below shows that mobile money and informal groups remain the most cited saving locations. Following registration, the 'mobile money saving platform' option was added to understand what proportion were 'locking' money into specific saving platforms (primarily Mshwari). This shows a relatively high utilisation of these services, with it accounting for between a third to a half of all savings on mobile phones. There also appears to be an increase in the use of physical banks and reduced use of 'private locations'. At the end line survey 67% of respondents reported to have a physical bank account.

Figure 26: Location of Savings cited at Registration and Follow up Surveys



Conversations in FGDs confirm this with the use of Mpesa’s Mshwari²⁷ service mentioned by many as a 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.”

Finding 4.3:

There is an unmet need among this target group for financial services that compartmentalise and/or ‘lock’ money for different purposes, particularly saving – illiquidity is a greater concern than access to credit or loans.

The desire for illiquidity, rather than access to credit, emerges as a major priority for YEG recipients. Youth prefer saving mechanisms that enable them to ‘lock’ cash away for savings or other purposes. All individuals living on low incomes face continual pressure or temptation to spend any spare money they have. This makes accumulating larger sums for key investments such as school fees, business or household improvements extremely difficult. The inability to save given the pressure to cover daily expenses was a challenge raised by many MP recipients early on in the project.

²⁷ Other such services mentioned included similar services by KCB.



"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)



"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)

This seems to be a major reason why savings groups remain a highly popular way to save as money is given to the group and out of the individual's control. There may also be some peer pressure to use it wisely, this seems more common in women's groups where discussions on use of the cash seem more open. Savings groups were also seen as the best place to build up a credit rating and access significant cash. Several MP recipients described pooling monthly YEG transfers (of 5K) to enable each member to access a large sum in turn i.e. a form of merry-go-round.



"If I were to save in M-PESA or M-Shwari, I would not really save, but would use up the money. In the savings group, they can refuse to give me the money, so my savings will stay intact. It is very hard to have money and not spend it. In the group, I tell them to lend me money only when things are very tough for me and hence the borrowing is justifiable. If I am not in deep trouble financially, I tell them not to lend me any money. I cannot stay with money. I will spend it." (female LS recipient)



"..we [the group] 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 was also already in Mwangaza group where I usually save and this makes it possible for me to borrow from the group. The loan amount is usually dependent on how much money an individual has saved. If you have saved 50,000 shillings, you can get up to 60,000 shillings. After paying back the 60,000 shillings, you can get 120,000 shillings and you can pay the amount after a year." (male LS recipient)

Consequently, digital financial services (DFS) that enable individuals to access money easily such as mobile banking platforms do not help to keep money out of reach. In the case study interviews several recipients mentioned that physical bank accounts were their preferred way to save money as such accounts are harder to access. At least three interviewees mentioned that they had purposefully not downloaded the mobile banking apps associated with their accounts as it enabled them to access their money too easily.

Another challenge experienced by this target group is the inability to clearly calculate the profitability or viability of their business activities (discussed under Context in Section 2). This is because of the difficulty in compartmentalising personal or business expenditure, particularly hard if all cash is held on a single Mpesa account.

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;



"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." (FGD female participant running shoe selling business)



"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." (FGD participant running fish shop).

The comments on the Touch Doh app and business skills gaps (outlined 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, there was disappointment that Touch Doh could not actually take money from their Mpesa account and put it into different categories or accounts.

Some recipients mentioned using two phones to separate business and personal expenditure but only one reported using any other form of money management app.



"I have 2 Mpesa accounts – one for business and one personal but it was difficult to keep track especially with money coming and going for the different business ventures. About 3 months ago I downloaded the Homebook-keeping app. I am still learning it but it's very useful to keep tabs on how much I am spending and receiving from the different business ventures. It takes discipline to use it all the time." (case study interviewee)

Changes in Borrowing Money

Finding 4.4:

There is limited evidence that recipients use the transfer to leverage additional capital

Finding 4.5:

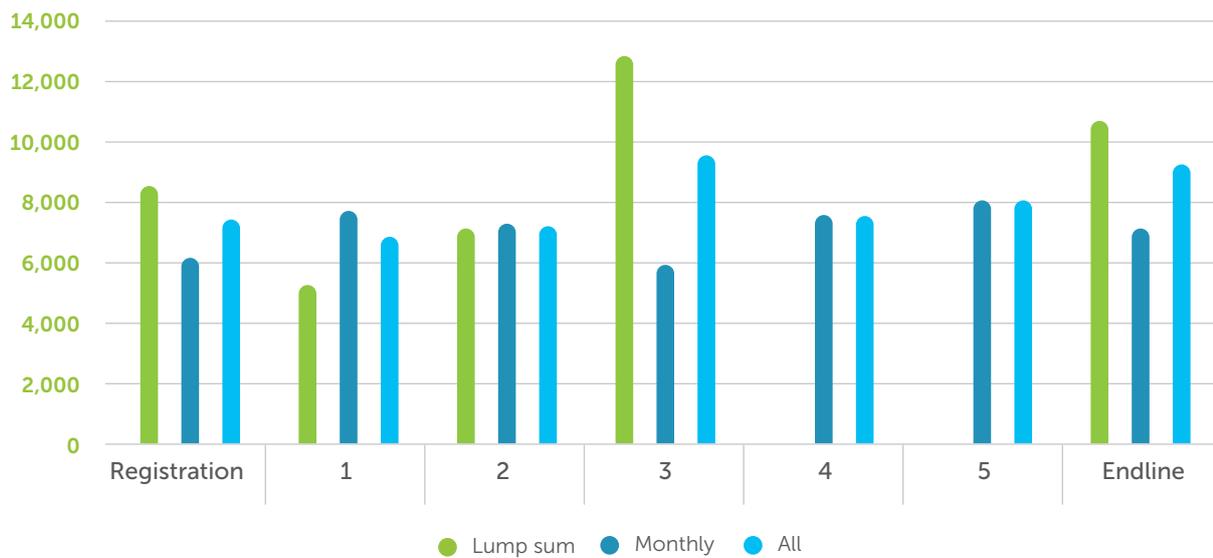
here has been an increase in the number of recipients accessing on-line loans

Finding 4.6:

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

Recipients were asked about debts and loans in all surveys, FGDs and interviews. As highlighted above, the number of recipients reporting having current debts or loans has reduced significantly from 84% to 55% (see figure 16 above). However, the overall average debt owed by those with debts has increased by 24% from a (mean) average of Ksh 7,463 to Ksh 9,290 (see figure 27 below). Analysis of the median size of loan shows an increase from Ksh2,500 at baseline to Ksh 4,000 by the endline.

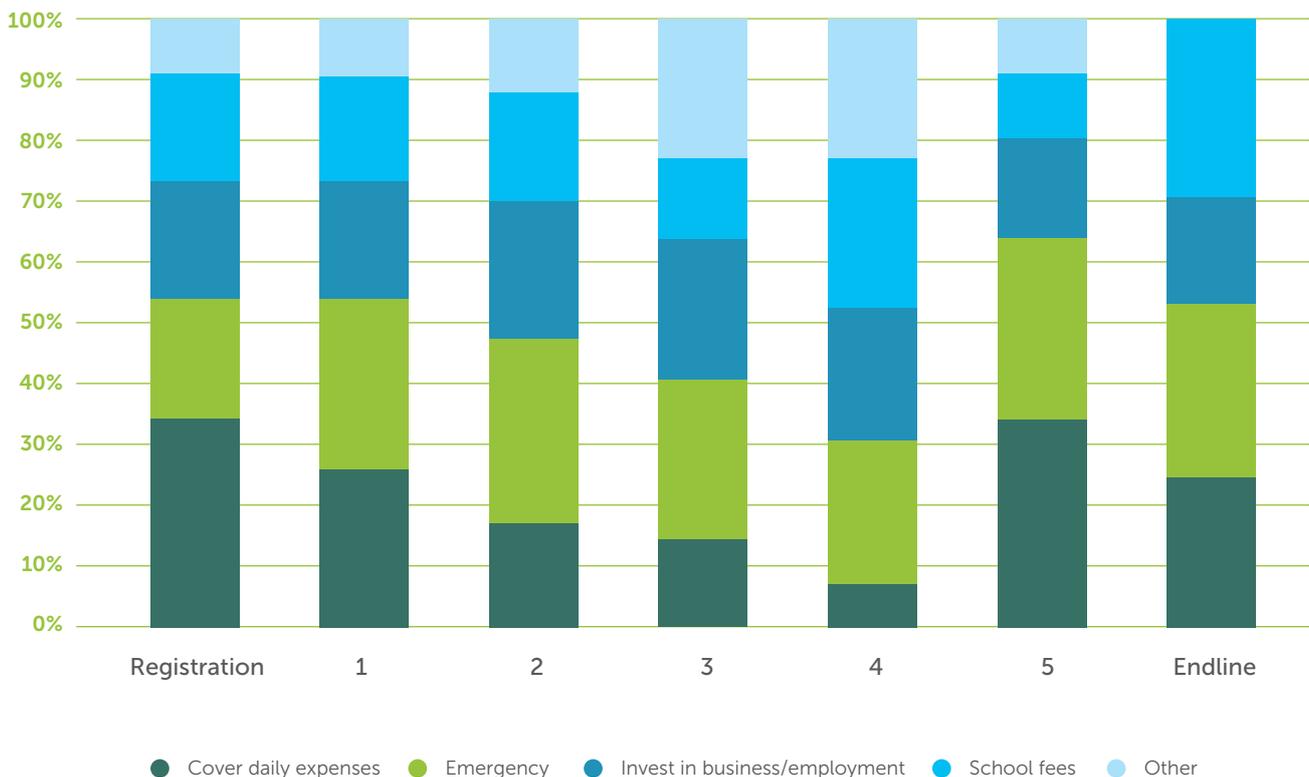
Figure 27: Average Amount of Debt Reported by Payment Type



Note: Lump Sum recipients were only subject to three follow-up surveys and the end line

Figure 27 also shows reported debt levels are higher for LS than MP recipients. This could indicate that the larger transfers were used to leverage more or higher loans. However, Figure 28 below shows reasons cited for borrowing. This indicates that loans for business and employment form a minority reason. As highlighted above it is not clear if borrowing for business or employment reasons represented actual investment for expansion or bridging capital to restock or 'top-up' cashflows.

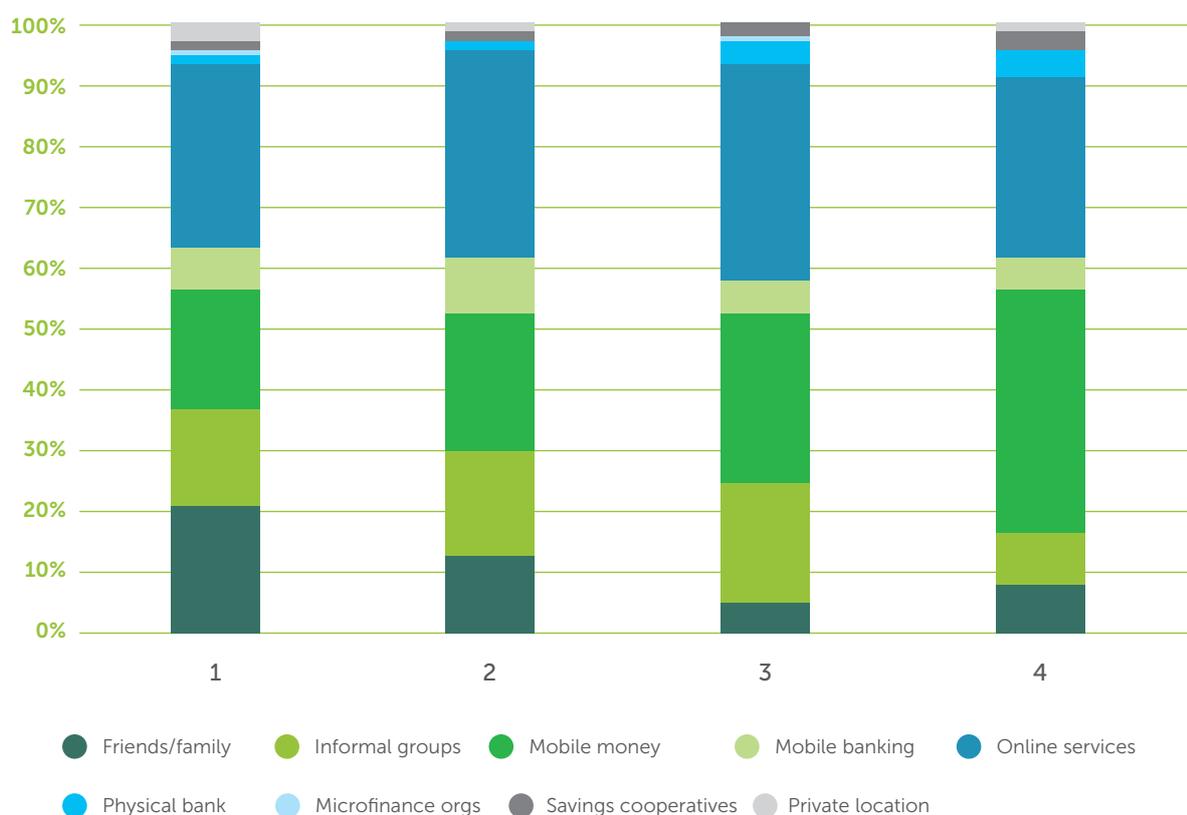
Figure 28: Reasons for Borrowing (% of all sources cited)



The majority of those that took loans indicated they were doing so to tide them over until other sources of income arrive, for emergencies or to pay school fees which require bigger payments. There was no difference between LS and MP recipients in the reasons cited for borrowing, however women cite school fees more often than men.

At registration, recipients were asked to cite all sources where they had accessed a loan. This generated a much higher response (#1,649) than in follow up surveys (max #364) where respondents were only asked about the source of any current loan. Figure 29 shows the sources of borrowing cited in the first four follow up surveys²⁸. This shows declining reliance on friends and family as well as informal groups and an increase in the use of mobile money and on-line loan services.

Figure 29: Sources of Borrowing Cited in Follow up Surveys



This shows some shifting trends in where recipients are getting loans compared with registration. At registration nearly 70% of respondents had cited friends and family (40%) and informal groups (29%) as regular sources of borrowing. Both these sources have reduced considerably compared with the proportion citing mobile money and on-line loans which are now proportionately much higher. These sources include mobile money services such as Fuliza²⁹ and Mshwari which offers small loans to regular savers. Phone users would also be targeted via text and social media adverts to access popular on-line loans from Tala and Branch.

The quantitative data citing on-line loans still represents a minority of recipients (maximum of #129 responses in any survey). In contrast the qualitative research found that for the most part YEG recipients were generally very reluctant to take on loans. Most youth reported receiving regular texts offering loans but they were not tempted given an aversion to being in debt. As one youth explained 'I wouldn't take a large loan – too much stress if I wasn't able to make repayments, I could end up in jail again'.

²⁸ Data on loans from subsequent surveys has too many gaps to be used for analysis.

²⁹ Fuliza is a credit function available to Mpesa clients – it enables them to complete Mpesa transactions beyond their balance up to a limit dependent on their creditworthiness.

In focus groups and interviews, those that reported having loans reported owing relatively small amounts (1,000 - 2,000 Ksh) which were often accessed from mobile or on-line loan services. This is because generally they only provide small amounts as lending is linked to an individual's mobile balance and/or credit history. Saving groups (and merry-go-rounds) were regularly mentioned as the most popular (or only) way to access significant levels of capital.

“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)

“I also borrow money, but I do not borrow anything close to 5,000 shillings; I borrow small amounts of money, say, 1,000 or 1,500 shillings. I avoid situations that will force me to spend all the money I receive to pay debts. I borrow money from Branch. Tala has refused to give me money”. (male monthly 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)

5. Key Findings and Implications for Policy and Programming

The YEG Pilot Project has yielded a wide range of findings on urban youth in the informal sector. Some of the key findings and issues with implications for policy makers and those looking to implement other projects in such environments are highlighted below.

Research
Question

1

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

Feasibility: The provision of cash payments to large numbers of youth via mobile money is highly feasible in this context and should be replicated. The high prevalence of mobile money and national ID coverage means electronic or mobile money payments are a highly efficient and effective means to make cash transfers in such contexts. This approach is recommended for other cash transfers programs in similar urban areas.

Targeting and Selection: The targeting and selection process trialled by the YEG project proved a successful approach in an urban 'slum' context. Urban contexts can present a challenge for traditional forms of targeting. In urban areas with dense, diverse and transient populations make it difficult to undertake the community-based targeting (CBT) common in rural areas where communities are more aware of each other's circumstances. Similarly, most poor urban households rely on multiple but highly variable cash incomes which means the use of (infrequent) PMT³⁰ survey tools may also be inadequate.

The YEG project used categorical geographic targeting based on 'slum' housing as a proxy to identify poor youth. The inherent assumption was that individuals with higher incomes or formal sector employment would not remain living in such settlements. This assumption seems validated by project data that showed less than 3% of participants had a formal job on registration. The selection of youth in groups that were already enrolled or registered in projects by existing NGOs also seems to have worked as an effective means of validating their residence. This would have been difficult and more time consuming to undertake using standard CBT approaches where community members would have been asked to verify others. Such an approach also helped to avoid 'crowding in' where youth could have claimed to be from the target area once project registration started.

The utility of this approach was validated during the Covid-19 crisis when GD used the approach to provide emergency mobile money payments to over 30,000 households during the 2020 national lockdown. The lockdown resulting from the Covid-19 pandemic caused major economic hardship for households in Mathare where the majority rely heavily on incomes earned daily. Social distancing requirements meant CBT meetings or PMT interviews would be unsafe to undertake, therefore the role of local NGOs and CBOs to refer existing beneficiaries or clients proved invaluable. GD worked with these groups to use their existing beneficiary /client data sets

³⁰ Proxy Means Tests – individual surveys that use selected questions or metrics to assess relative poverty.

to identify the most vulnerable households. These groups are also primarily staffed by local residents who have links with other local institutions e.g. faith groups or schools, who are also able to refer known vulnerable households. Given the high penetration of mobile money use in Kenya – GD was able to work with these agencies.

The incidents of theft, fraud and other adverse events reported during the project have been low and should not be viewed as a deterrent to implementing similar projects. Concerns that a cash transfer project in such an insecure location would exacerbate crime, or create friction with non-selected youth have, for the most part, remained unfounded. Indeed qualitative findings would seem to indicate that grants had the opposite effect by keeping youth busy and focused with less time or incentive to engage in criminal activities. Consequently, concerns that such programs increase crime and criminality appear unfounded.

Research
Question

2

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

Youth in Mathare view working for oneself i.e. running your own business as the only realistic way to improve one's economic circumstances. Youth have almost no expectation that they will ever have a formal job. The YEG project has provided recipients with an unprecedented opportunity for many to fulfil this aspiration. This is evidenced by the large and sustained shift in the proportion of youth 'working for themselves' (from 37% to 79% of recipients) which has been particularly marked for men.

Improvements in financial well-being were marked and appear sustained which may imply that the majority of those working for themselves are still operating viable income generating/ business activities. Larger enterprise grants seem to encourage greater investment in business and productive activities. Recipients invested approximately 34% of their transfers on business ventures and 47% in productive investments overall. Lump Sum recipients spent more on new businesses and other productive investments (50%) than Monthly Payment recipients (38%) whilst welfare gains reported by both were similar.

Cash transfer programs, providing payments of the levels provided to YEG recipients, lead to an increase in entrepreneurial behaviour that appears to provide sustained economic benefits. The Lump Sum approach seems to provide similar benefits than the Monthly Payment approach and is less operationally intensive.

YEG Recipients appear to be more resilient to the economic impact of the Covid-19 crisis. The project did not include any control group of youth, however the improvement in financial outcomes reported at the end of the project is in marked contrast to circumstances reported by YEG recipients at registration, despite the Covid-19 crisis hitting during the second year of the project. Given the severe and widespread impact of Covid-19, it was assumed that any gains from the project would be undermined or lost by this event – particularly for the LS recipients whose payments had ceased nearly one year before.

Micro and small businesses in this context are subject to multiple external / idiosyncratic shocks and challenges – this can create a short-term survivalist approach to business and undermines a long term, growth-orientated mindset. The role these external factors require further research and exploration. An inherent assumption of the YEG research was that grants combined with smartphones would provide a critical combination of capital and information to boost individuals' business success and growth. The research has not detected any key markers or factors that can be used to identify nascent growth entrepreneurs or 'star performers'. The research seems to indicate that the majority of YEG recipients are 'survivalist entrepreneurs' that merely struggle to maintain a viable business and avoid failure. Although all recipients value the role of the enterprise grant in enabling them to start or grow their business activity the ability to remain viable or profitable is more challenging. From YEG recipients' perspective, internal or intrinsic factors such as business acumen or money management skills are not seen as the major barriers to success. Instead, they highlight many external or extrinsic factors affecting their ability to run a profitable business e.g. lack of secure land, premises, trading sites, need to pay bribes and licences, death/illness of family members, crime and insecurity etc... Further research is required to fully understand the relative importance of different intrinsic and extrinsic factors in different contexts so as to focus responses on those that have greatest impact upon business success.

Group structures play an important role in building and maintaining individual and community resilience. The selection of youth through group membership has highlighted the widespread membership and value of groups for individuals far beyond simple saving and credit functions. Policy makers should consider the role and value of groups as a source of individual and community empowerment and effective conduit or entry point of engagement by external stakeholders.

Research
Question

3

Does access to a smartphone enhance digital money management, business knowledge and skills enhancing the use of cash?

The smart phones provided by the project were popular, and ultimately ownership increased from 28% to 53%. It is not clear how far the positive financial and other welfare gains reported can be attributed to the phone compared with the grant payments. Nearly half of the recipients reported project phones were lost, stolen or damaged by the project end. It is likely, but not clear, how many will or have replaced phones (albeit with simpler / cheaper models). Further research would be required to ascertain how far the financial and other benefits reported can be attributed to the smartphone in addition to the cash.

Policy makers need to be aware of the increasingly important role smartphones are playing in enhancing livelihoods and business opportunities for many youth. The project has identified many examples where phones have been critical in supporting recipients' ability to access customers, market goods and services, establish prices and get business information and technical skills. Digital communication, e.g. via Whatsapp or social media, is more cost-effective than calls and texting via mobile services and provides greater ability to connect with clients and customers.

The cost of data/lack of wi-fi limits participants' access to streamed content. Interventions to support cheap or free access to wi-fi would encourage greater access to and use of smartphones.

Smartphones appear to play a relatively limited role in developing financial management or business skills by themselves. The specific apps and platforms trialled in the project to increase financial management and business skills had mixed results in terms of take up and popularity. The lack of data / wifi plays a role in this. However, youth do not view business skills as a key factor affecting business success. Youth favour business development programmes that offer 'mediated' content i.e. direct interaction with a mentor /trainer and peers to discuss and apply principles in practice.

Research
Question

4

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

DFS providers should offer financial services that enable this group to lock away cash to facilitate saving are most popular. The research has found that mobile money platforms and informal groups remain the most popular ways to save money. Mobile money provides a secure way to hold and save money, the research highlights the popularity of mobile saving functions enabling users to 'lock' money away. The poor struggle to save money as pressures to spend money are great, therefore mechanisms that offer easy access to cash are avoided. This emerged as one of the main reasons for why informal savings groups remain popular (particularly with women) as money is handed over to a group so cannot be easily accessed. In some groups, members will vet or question an individual's use of savings or loans to prevent any unnecessary or frivolous spending.

DFS providers should consider the unmet demand for financial services that enable youth to compartmentalise money for different purposes. Qualitative research exposed the difficulty many youth have in keeping track of income and expenditures between personal and business uses. The Touch Doh trialled by the project saw limited take up, however youth were very positive about the 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. The Touch Doh app was not able to provide this service, however such a service could be extremely valuable for youth running businesses through a single Mpesa account. Services that enable micro-entrepreneurs to separate business and personal incomes and expenses would assist in tracking the profitability of their business activities.

Policy makers need to recognise the poor are reluctant to take loans or increase debt levels from any source. Illiquidity is a greater concern than access to credit or loans. The majority of recipients would not have been able to access the level of capital offered by the project via any other means. There is limited evidence that recipients use the transfer to leverage significant additional capital or loans. There has been an increase in the number of recipients accessing on-line loans but this is generally for small amounts. Most borrowing is undertaken to cover gaps in daily needs or emergencies. Therefore, DFS or other programming that focuses on expanding loan access are unlikely to see a big take up.

Annex 1:

Research and Evaluation Framework

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?	1.1 Mobile money infrastructure (mobile network, agent liquidity) will be sufficient; 1.2 Youth will have / be able to source IDs; 1.3 Safety and adverse events can be managed through engagement with local NGOs / stakeholders; 1.4 Context-specific and group-based processes for recipient targeting and selection can be developed and implemented successfully*.
2	Do urban youth spend cash transfers to improve their income generation prospects, and how do transfers affect their lives?	2.1 Recipients will use transfers to improve their income generation / employment prospects; 2.2 Recipients will report using transfers to expand existing businesses and/or start new ones; 2.3 Recipients will report that transfers have improved their economic situation, and that they are better able to meet their needs; 2.4 Recipients will report greater financial independence and security; 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*.
3	Does access to digital money management, business knowledge and skills platforms via a smartphone enhance productive investments for cash transfer recipients?	3.1 Recipients will use the installed apps; 3.2 Recipients will find the apps/ internet useful and will report access has influenced their spending / business decisions; 3.3 Recipients will report improved business knowledge / money management skills; 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*.
4	Do cash transfers lead to greater use of digital financial services?	4.1 Recipients will continue to hold some of their transfer in their mobile money account after transfers are complete; 4.2 Recipients will use expand the range and frequency of DFS beyond mobile money; 4.3 Recipients will use transfers to leverage additional capital (loans) from DFS providers; 4.4 There will be variations in access to and utilisation of DFS dependent upon recipient characteristics (such as gender) and type of payments received*.

*additional hypotheses or incorporated from earlier research questions five and six relating to characteristics of recipients (primarily gender) and type of payment (LS vs MP).



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