

YOUTH ENTREPRENEURS ENGAGING IN THE DIGITAL ECONOMY

THE NEXT GENERATION

BACKGROUND AND METHOD

Understanding to what degree young entrepreneurs in South and South-East Asia rely on digital financial services and digital business solutions and how they are benefitting from them can improve youth entrepreneurship and financial inclusion. This study offers an up-to-date and comprehensive regional picture based on 52,582 Findex surveys, World Bank Enterprise Surveys, Global Entrepreneurship Monitor data, and a Youth Co:Lab survey of 64 young entrepreneurs in Asia.

INSIGHTS



THE YOUTH FINANCE GAP IS CLOSING BUT REMAINS

From 2014 to 2017 all but two countries across South and South-East Asia saw **significant growth in the percentage of youth who started using formal financial services**. But young people are still 9 percent less likely than older adults to access formal finance. This means youth's full potential as an engine of inclusive growth remains untapped.

ACCESS TO FINANCE IS A BARRIER TO YOUTH-LED ENTREPRENEURSHIP

Two-thirds of youth-led enterprises in South and South-East Asia **struggle to access finance for their business**. Few young people borrow (4 percent) or save (20 percent) via the formal sector when starting, operating or expanding their business. Most young people in the region rely on informal financing to fund their businesses.



INCREASED USE OF DIGITAL PAYMENTS

Youth in South and South-East Asia are **increasingly using digital payments**. Between 2014 and 2017, the percentage of youth using digital payments increased in SAARC countries from 13 percent to 21 percent and in ASEAN countries from 24 percent to 32 percent. Digital payments enable the rise of new business models that can accelerate youth entrepreneurship.

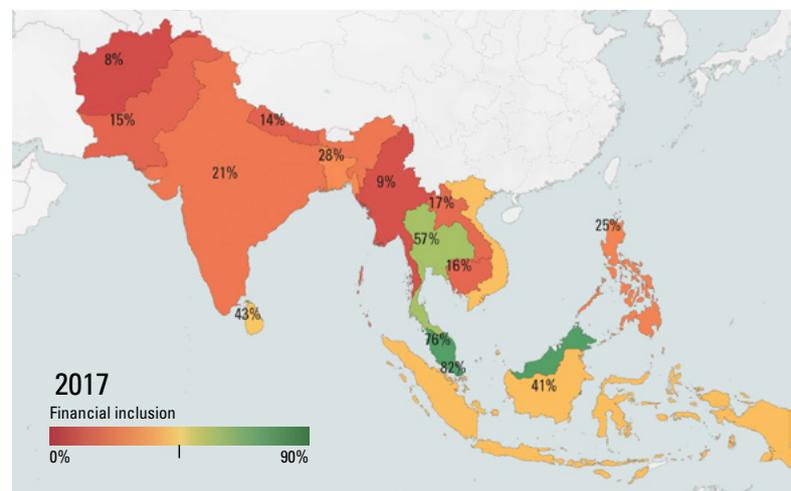
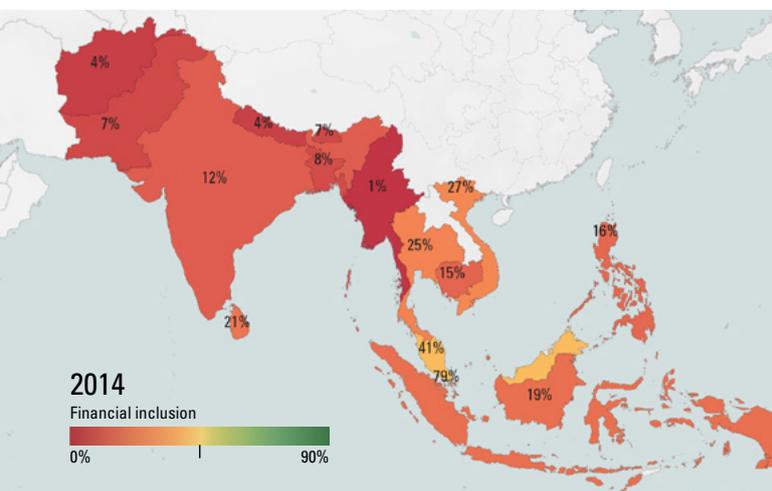


Figure 1 Percentage of Youth Accessing Digital Payment Services in ASEAN and SAARC countries, 2014-17

GROWTH IN ACCESS TO DIGITAL PAYMENTS IS NOT EVENLY DISTRIBUTED

There is a **31 percent gap in ASEAN countries** and a **21 percent gap in SAARC countries** in digital payment use between youth with tertiary education and youth with primary education. Unsurprisingly, youth with lower income, lower education levels and youth who are out of the workforce have lower access to digital payments in South and South-East Asia.



THERE IS A TROUBLING GENDER GAP IN YOUTH ACCESS TO DIGITAL PAYMENTS IN SOUTH ASIA

From 2014 to 2017, South Asia experienced a **widening gender gap in access to digital payments** between young women and young men from **8 percent in 2014 to 15 percent in 2017**. Young women are significantly less likely to make digital payments than young men in Sri Lanka (-19 percent), Bangladesh (-14 percent) and India (-8 percent). Conversely, in South-East Asia young women's access to digital payments is slightly higher (4 percent) than men.

LOWER ENTREPRENEURSHIP AMONG YOUNG PEOPLE

Rates of entrepreneurship in South and South-East Asia are **consistently lower among young people compared to older adults** yet there has been some improvement over time, particularly in emerging economies such as India, Indonesia, the Philippines and Viet Nam.



USING DIGITAL PLATFORMS AND SOCIAL MEDIA

Slightly **over half of the young entrepreneurs** responding to our survey mentioned using digital platforms for marketing, communication or customer support services, often in combination with social media.

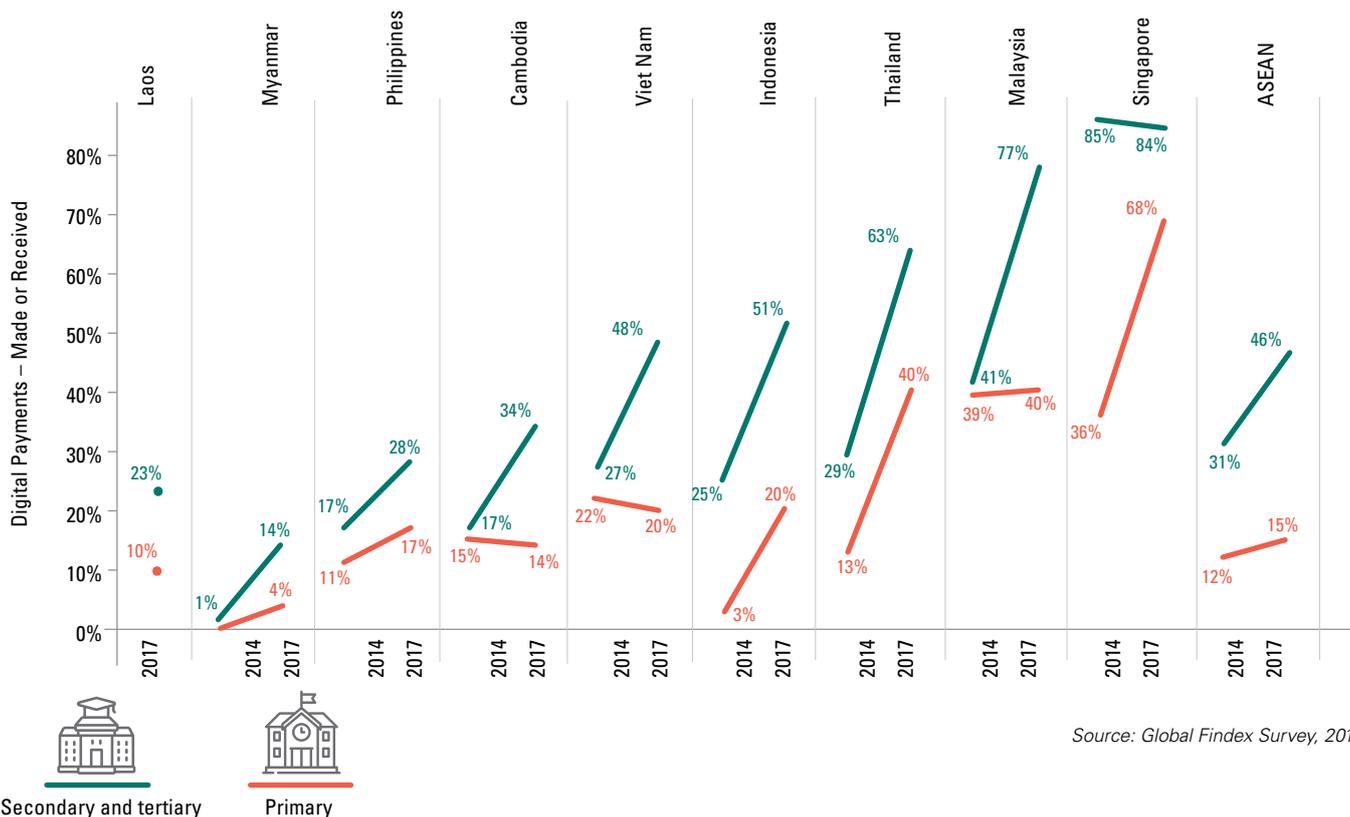


Figure 2 Percentage of Access to Digital Payment Services by Youth in ASEAN Countries, by Education Level, 2014-17



New business models, digital platforms and fintech solutions are emerging that can accelerate youth financial inclusion and entrepreneurship in South and South-East Asia.



Alternative credit scoring using big data that can reduce lending risk by scoring youth talent and entrepreneurial capability.



Mobile wallets and digital banking services with delivery channels tailored to millennials.



Linking digital platforms with digital financial services.



Promoting digital financial literacy and capability.



Advancing youth social enterprise and business funding platforms.

Policymakers and regulators have vital roles to play in enhancing young people's access to financial services, to address digital divides and ensure that the most vulnerable groups are not left behind in the digital economy.



Set ambitious and actionable targets for improving access to financial services among youth and young entrepreneurs under national financial inclusion strategies.



Formulate policy and regulatory frameworks that are conducive to digital finance and fintech solutions that have been effective in improving youth financial inclusion.

To learn more access the full report [here](#). Visit [UNCDF](#), [UNDP](#) and [Youth Co:Lab](#). Follow us on social media at [@UNDP](#) and [@UNCDFDigital](#).