Emerging guidelines for linking youth to financial services

LARA STORM, BETH PORTER and FIONA MACAULAY

Access to appropriate financial services can play a critical role in enabling young people to navigate the challenges and opportunities they face, regardless of their employment or educational status. This paper discusses: 1) the results of a global survey conducted in 2009 by Making Cents International; and 2) findings of leading NGOs and financial institutions which are pioneering youth-inclusive and youth-specific financial products. The outcomes of the survey findings and lessons learned have been synthesized into six 'Emerging Guidelines' for linking young people to financial services. Existing concerns are explained regarding defining and achieving impact, sustainability, scale and a favourable regulatory environment as it relates to youth-inclusive financial services. The paper concludes with practitioners' visions for this nascent field by 2020.

Keywords: Youth, young people, children, savings, credit financial product development, non-financial products

The current global youth population is the largest in history. Of the world's 3 billion people estimated to be under the age of 25, approximately 1.3 billion are between the ages of 15 and 24. Just under half of these young people live on less than two dollars a day, as estimated by the UN (YouthSave, 2010).

Financial services – whether a safe place to save or an appropriately structured loan for investment in an enterprise or education – play an integral role in building the lives of young people. Providing young clients with financial services at the right times in their lives and with the right support network can help them improve their livelihoods in the short term, and position themselves for more sustainably productive lives in the long term. Moreover, the provision of financial services to young people can help ensure that the vulnerability faced by so many young people today does not turn into a crisis (Making Cents International, 2009). Three specific indicators that children and youth need improved financial services are:

Lara Storm is the Director of the Youth-Inclusive Financial Services Linkage Program (YFS-Link) at Making Cents International. Editorial contributions were provided by Beth Porter, Policy Coordinator for Financial Inclusion at the United Nations Capital Development Fund (UNCDF) and former Director of YFS-Link, and Fiona Macaulay, Founder and President, Making Cents International. *Making Cents International would also like to acknowledge The MasterCard Foundation for its strategic partnership in expanding access to and increasing the scope of financial services for youth via the YFS-Link programme.*

doi: 10.3362/1755-1986.2010.028, ISSN: 1755-1978 (print) 1755-1986 (online)

Most young people aged 14–25 in developing countries are already economically active

Young people may need access to credit to start a business or pay for school fees

- *Young people are economically active*. Many believe that youth who are not formally employed are inactive or engaged in unproductive activities, and therefore do not require financial services. However, research indicates that most young people aged 14–25 in developing countries, no matter the location, are already economically active. Most youth contribute to household income 'through work in the informal sector, in household-based enterprises, or in family-based farming, fishing and petty trading activities' (James-Wilson, 2008). Thus, by increasing access to appropriate financial services, youth may be able to reach their full economic potential.
- *Young people borrow money*. Youth may need access to credit to start a business, build a home, or pay for school fees as they enter various transition phases. In Uganda, for example, Equity Bank and Banyan Global provide young people with access to credit to help students pay term fees, which are one of the key barriers to enrolment for potential nursing students aged 17–24 (Chandani and Twamuhabwa, 2009). Camfed, a Zambian NGO, promotes development of young women through mentoring, loans and grants so that they are able to build houses, engage in farming or run small businesses. Twenty per cent of their youth clients use profits made from their businesses to further their own education (Making Cents International, 2008: 79). Thus, not only is it important for youth to have access to credit, it is also critical to design credit products tailored to their critical life transitions (i.e. entering the workforce, moving into higher education, getting married, etc.).
- *Young people need savings*. Savings can help youth manage their consumption and their emergency, educational and basic family needs, and can also help them cover the costs of such important life events as marriages and funerals. Experience to date shows that young people do save, and research suggests that saving can be even more important than credit as it promotes positive habits related to planning and goal-setting. In a recent USAID *MicroReport*, it was noted that youth demand for savings services is similar to what is required by low-income adults – convenient access, relative security, liquidity in case of emergencies, and a secure place to accumulate larger sums (Hirschland, 2009).

Appropriate and inclusive financial services for young clients can play a critical role in assisting their transition from childhood to adulthood by equipping them with the resources and support needed to become productive and economically active members of their households and communities (Making Cents International, 2009).

While demand exists, the supply of financial products and services targeted to young people is only recently beginning to emerge. In order to encourage greater experimentation in the sector, Making Cents is working to build the body of evidence supporting the business case for youth-inclusive financial services. Interviews with pioneering institutions such as Hatton National Bank in Sri Lanka, K-Rep Bank and Equity Bank in Kenya and Banco Adopem in the Dominican Republic, reveal that children and youth present a tremendous business opportunity. One practitioner noted 'Our bank serves 150,000 women who have an average of three children per client. That means we have 450,000 potential new clients'. These young clients may not bring immediate returns; however, the long-term promises of building a loyal clientele, and cross-selling products and services to parents and other family members are beginning to build the business case for investing in this nascent sector.

State of the practice

As part of The MasterCard Foundation-funded Youth-Inclusive Financial Services Linkage Program (YFS-Link), Making Cents International conducted a global survey in August 2009, which looked at the state of the practice and future perspectives from suppliers. The 183 organizations who responded comprised financial services providers (FSPs) and youth-service organizations (YSOs) from around the world. From this self-reported and unverified data, analysis revealed that half of the FSPs were already providing financial services to young people, with many others seeking to provide such services in the future. More than a quarter of the overall respondents acknowledged that young clients were part of their market, although they did not segment their clients by age. Nearly three-quarters of FSPs indicated that building their client base and increasing their market share were motivations for serving the youth market and the same proportion indicated that serving young people with financial services would build long-term customer loyalty.

> Half of the financial service providers were already providing financial services to young people

Only a quarter of YSOs were actually linking young clients to financial services; another third of YSOs were exploring linking youth to financial services, while 13 per cent indicated that they were providing financial services directly (Making Cents International, 2009: 164). The motivations of YSOs were driven primarily from concerns about widespread youth unemployment, but they were also driven to some extent (about a quarter) by a desire to attract more young clients to their programmes and increase the loyalty and satisfaction of those that they were serving.

Respondents indicated that non-financial services, especially business training and financial education, are particularly valuable to youth when compared with other market segments. This is the locus of collaboration between YSOs and FSPs, as it is assumed that young people, given their lack of life and working experiences, need a range of financial and non-financial services to fully realize their potential. The greatest challenge for expanding access to financial services, according to the survey, is prejudice of staff against the youth segment; young people are still considered a high-risk market. A better understanding of this market and how to design and deliver products and services that meet their needs can minimize real risks and help dispel misperceptions held by staff about youth. A number of respondents also cited legal and regulatory barriers as a challenge.

Young people are still considered a high-risk market

Analysis of the key challenges to expanding and improving youth-inclusive financial services indicated areas where capacity building is necessary to design and deliver appropriate financial services and to forge partnerships with organizations that can provide needed supporting non-financial services. It is also important to document and share the knowledge and experience gained from pilot projects in order to generate data for building the business case for offering youth-inclusive financial services. Additionally, there is a clear need to dispel some of the myths about young people as a market segment so that financial services providers will be willing to enter the market. This will help enable young clients to access and utilize financial services so that they can build assets and create a secure and successful future.

Capacity building is necessary to design and deliver appropriate financial services

Emerging guidelines

During Making Cents International's 2007 Global Youth Enterprise & Livelihoods Development Conference, practitioners and other stakeholders identified the need to incorporate financial services into their programming, but recognized the lack of information and capacity building available to help best link young people to appropriate financial services. To address this gap, Making Cents added a Youth-Inclusive Financial Services (YFS) track to the 2008 Global Youth Enterprise & Livelihoods Development Conference's learning agenda, and invited 25 leading practitioners to a workshop where they shared their strategies and lessons learned around YFS pilot initiatives. These preliminary lessons learned contributed to the development of 15 emerging principles of youth-inclusive financial services. At the following conference in 2009, Making Cents held the first ever half-day *Focus on Youth-Inclusive Financial Services* event where, in addition to sharing the latest experiences in YFS, leaders in the sector formed the Making Cents YFS Curricula Consultative Group. Through consultation from this group of experts, the aforementioned 15 principles of youth-inclusive financial services were distilled into the six emerging guidelines that are detailed in Box 1.

Box 1. Emerging guidelines for design and implementation of youth-inclusive financial services

To achieve desired impact on youth and be able to offer quality integrated financial services at scale and on a sustainable basis, financial services providers should:

1. Involve youth in market research and product development
2. Develop products and services that reflect the diversity of youth
3. Ensure that youth have safe and supportive spaces
4. Link youth to complementary non-financial services
5. Focus on core competencies by utilizing partnerships
6. Involve community

Experiences in the nascent sector of youth-inclusive financial services have suggested that by following certain practices, institutions will have a greater chance of offering relevant and effective financial services to young clients, in a sustainable manner and at scale. The Emerging Guidelines for Design and Implementation of Youth-Inclusive Financial Services are the result of collaborative input, review of case studies and technical discussions shared by and among stakeholders from key organizations working with young people and/or providing them with financial services. They serve as foundational principles and, over time, as more experience is accumulated in this nascent sector, we expect that they will evolve into sound practices for youth-inclusive financial services.

Emerging guideline 1: Involve young people in market research and product development

Attention to the particularities of the youth market and involvement of young people in the development processes may result in simple, yet important changes to existing – and in critical elements for new – products and delivery channels.

Financial services providers, particularly those in the microfinance sector, have increasingly recognized the importance of using qualitative and participatory methods of market research to better understand their clients' wants and needs – and to delve more deeply into relevant aspects of their clients' or prospective clients' situations. This is all the more important when we are talking about youth because of the stereotypes about the wants and needs of this market segment. Simply replicating products and systems into different market niches may not work and are likely to be sub-optimal at best. We have learned that poor product performance, client dissatisfaction and client dropouts are generally a result of inappropriately designed products, delivery channels or marketing. By engaging in a thorough

It is important to consult young people because of the stereotypes about the needs of this market segment and participatory market research and product development process, many of these problems can be avoided. Investing appropriately in research up-front can save time, expense and problems later on.

It is important, of course, to begin with a thorough understanding of the context in which the product will be made available in terms of the social, political, economic, financial and regulatory environment, with particular attention to those factors that would affect a youth-oriented financial product. Once these contextual factors are understood, additional market research that uses participatory approaches will enable researchers to collect more detailed qualitative information. The process of market research should involve young people, not just as subjects, but ideally participating in the design of the market research plan and tools, the data collection itself, and the analysis of the results.

There are a number of participatory tools that are particularly well adapted to use with young clients. Primary amongst them are focus group discussions (FGDs) that have been implemented with groups of six to eight respondents with a duration of approximately one hour. Groups should be segregated according to specific characteristics such as gender, age, marital status, educational level, professional situation, and/or socio-economic status so that details of each group can emerge. For example, young girls could be grouped together while older girls would be part of a different group. By organizing homogeneous groups for FGDs, more details of the wants, needs, behaviours and attitudes of a particular sub-segment can be understood, which can then later be used to develop products that take into consideration the specifics of each of the sub-segments. This does not mean that each sub-segment necessarily needs its own product, but the deeper understanding that comes from this approach to market research can help product designers take those preferences into consideration in order to build into the product design appropriate flexibility to meet the needs of the market segment and its constituent sub-segments.

> Groups should be segregated according to specific characteristics such as gender, age and socioeconomic status

These discussions should not only look at availability and access, but also usage. It is important to understand what barriers exist to usage of products that may be currently available – for example in terms of costs, returns, eligibility, conditionality – and how they affect the use of available products. FGDs also provide a useful setting in which to begin exploring potential product features, such as product maturity, nature of deposits/repayments, liquidity, ease of access to savings/speed of disbursement of loan and other access issues.

> Focus groups can begin to explore potential product features

In addition to understanding the perspective of the target youth market, ideally FGDs should be organized with other groups of stakeholders as well, such as parents/guardians, teachers/religious leaders and community leaders. These groups will have important insights into the context.

Emerging guideline 2: Develop products and services that reflect the diversity of young people

The youth market contains sub-segments related to age (legal age), life-cycle stage (marital and parental status), gender, education, employment status and vulnerability. These differences, when taken into consideration in product design and delivery, allow for a more targeted and effective product.

We know from experience that people who are at the limits of current financial reach need a range of financial services just as those at the centre do. Twenty-five years ago, when attention was first being paid to providing financial services to the poor, this clientele had fewer options in terms of products and services. Much of that has changed today, although there are still providers who offer a 'one size fits all' approach to financial services for the poor. As one of the latest frontiers of finance, children and youth often continue to have no or limited choices in products. However, with all the experience that exists in reaching new markets, we should be able to move much more rapidly to a wide array of appropriate financial services.

Youth-inclusive financial services can be intentionally designed or adapted to meet the needs of young clients, taking into consideration the diversity within that category. One particularly useful concept is matching the life-cycle needs of the target market to the products and services that can address those needs. From birth to death, there are milestones that require certain financial services – credit, savings, insurance, remittances, etc. – with features that render them appropriate for people in that stage. Sound market research can help product

Box 2. Ryada's financial products for young people

In the West Bank/Gaza, Making Cents International is currently working with CHF International's microfinance institution, Ryada, to develop a youth-inclusive financial product with the goal of reaching both sustainability and scale. Ryada, which means pioneer in Arabic, is one of the largest microfinance providers in the West Bank and Gaza, and has a portfolio of US$12 million and over 5,000 active loans, the majority of which are to youth clients. As a result of conducting youth-inclusive market research and segmenting the market, products are being designed that meet the needs of the different types of youth that fall into Ryada's clientele, particularly nascent entrepreneurs. Preliminary analysis from the market research conducted in Palestine demonstrates that access to savings allows younger clients to save for aspirational endeavours such as training, higher education, social work and travel, whereas older youth use informal savings as a means to build capital for business start-up ventures. In response to these findings, Ryada plans to develop a loan product that serves to augment start-up capital needs of young entrepreneurs; it also plans to launch a savings campaign in partnership with a regulated financial institution as well as contract a third party to provide business counselling services to its young clients.

Source: CHF International et al. (2010)

designers understand what clients in a target segment are experiencing and expecting and for what purpose they need liquidity or lump sums of money: for example, education, working capital or capital assets for their business, marriage ceremony, or health investments for a young family. Age segmentation alone does not always provide enough information, as products and features will vary based on characteristics such as gender, marital status, urban or rural domicile, employment status or school situation. Youth are a heterogeneous group with diverse financial needs and wants that are best served by commensurately diverse products and features.

These diverse services driven by diverse needs in the lifecycle are depicted in Figure 1. The services for each phase in the life-cycle around the circle and for ongoing financial needs within the circle include savings, credit and insurance.

There is a wide array of tools available – many of them adapted from general product design approaches – that can be easily adapted to designing youth-friendly financial products. MicroSave, for example, has effectively utilized its Product Concept Design Matrix and the 8 Ps (product, price, physical evidence, positioning, promotion, people, process, place) to design market-led products for specific segments such as adolescent girls.

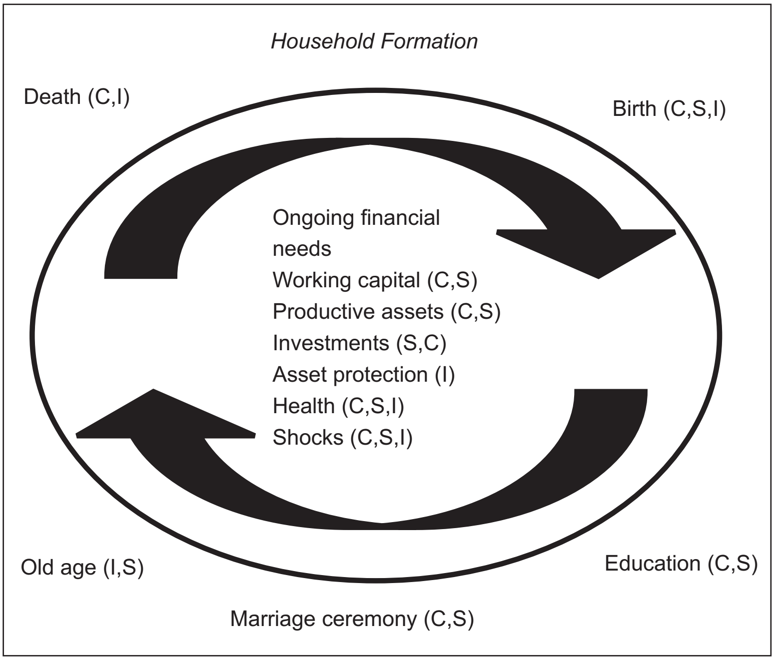

Figure 1. Diverse services driven by diverse needs (S – savings; C – credit; I – insurance)
Source: Monique Cohen, Microfinance Opportunities

Box 3. Panabo Multi-Purpose Cooperative

Panabo Multi-Purpose Cooperative (PMPC) in the Philippines carried out informal market research as well as a formal market survey to gain a better understanding of the youth market that they segment further into 'Youth Savers Club' (12 years old and under) and 'Power Teens Club' (13–18 years old). Youth financial products were designed using the results from the market research and an analysis of financial products being offered by competitors. In general, working with both children and youth requires similar interventions, but with different dynamics. PMPC has observed that children at the primary level save more than the older children and a larger portion of their allowances goes to savings. In addition, 'Youth Savers' respond well to rewards, with the motto 'the more you save, the more rewards you get.' Primary school teachers encourage savings through contests. In secondary school, 'Power Teen Savers' like the glamour of print and media. In addition, they respond to recognition more than rewards. The highest savers receive the title of 'youth ambassadors' and have the opportunity to represent youth at credit union events.

The product characteristics of the Youth Savers Club and Power Teen Savers Club are compared with the Standard Adult Cooperative Savings products in Table 1.

Source: Making Cents International (2009)

Table 1. PMPC youth and adults savings products characteristics

	Youth Savers Club, 'Kiddies' (YS)	*Power Teens Saver Club (PT)*	*Standard adult Coop savings account*
Membership category	Associate	Associate	Regular/Associate
Requirements	Membership application with parent/guardian consent/signature	Membership application with parent/guardian consent/ signature (for 13–16 year olds)	Membership application
Account management	Guardian as cosigner/ required to withdraw savings	13–16 year olds require guardian consent on withdrawals17–18-year-old savers are independent	Independent
Initial deposit	\$2	\$3	\$10
Interest bearing minimum balance	\$5	\$5	\$10
Withdrawals	Unlimited	Unlimited	Unlimited
Interest rate	2.5% (tax free)	2.5% (tax free)	2.5% (tax free)
Add-on advantages	Free accident insurance reimbursement	Free accident insurance reimbursement	Free accident insurance reimbursement, mortuary aid, leverage savings to get loans
Rewards for savings	Yes (i.e. school supplies **for** saving a minimum of \$1 ten times)	No	No
Loan eligibility	No	No	Yes

Source: Making Cents International (2009)

Working with both children and youth requires similar interventions, but with different dynamics

At times, the product differentiation to accommodate the preferences of sub-segments of the youth market is minimal and easy to manage. For example, a young person's savings product may differ from an adult product in terms of lower minimum balance requirements and lower transaction fees. Marketing and branding may differ in terms of colour and design choices and incentive schemes. While small, these changes can make all the difference in generating demand for youth-inclusive financial products.

Emerging guideline 3: Ensure that young people have safe and supportive spaces

Creating safe and supportive spaces helps build young people's confidence, enables them to take advantage of opportunities and protect their money. This may involve infrastructure considerations, delivery mechanisms and social networks. It also includes appropriate protections through codes of conduct that are age appropriate.

Owing to their lack of life experiences and their cognitive, emotional and social developmental stage, children and youth are more vulnerable and need more support than adults. In order to be able to fully benefit from financial or other services, it is important that young people have safe and supportive spaces where they can gather, share experiences and concerns without feeling outside pressures from their community. Depending on the local context, this may mean taking advantage of schools, churches or youth centres to set up meeting areas for young people. Market research should illuminate what these vulnerabilities might be for a particular market segment or sub-segment, which should be taken into consideration when designing products, as in the example of street children in Box 4.

Having a safe place to save means ensuring the funds are controlled primarily by the young account holder

Having a safe place to save also means ensuring the funds themselves are safe, in a bank account or held in a locked box, and that funds are controlled primarily by the young account holder rather than by a parent or guardian. Regulatory constraints to this end still exist in many countries; however, financial institutions are finding

Box 4. Padakhep

Padakhep, an NGO in Bangladesh, provides street children aged 8–18 with drop in centres, satellite centres, and a day- and night-time shelter to provide them with the physical safe space to get off the streets. Within these spaces, it provides them with counselling, life skills education, STI/HIV/AIDS awareness training and other supports to help equip them to make choices and take actions to improve their lives. Financial services are provided via groups and working with guardians, if any, to provide additional social support, security and transparency as the children complete their financial transactions.

Source: Making Cents International (2009) ways to work around existing regulatory constraints such as creating joint accounts between caregivers and minors, requiring joint signatures on withdrawals and restricting withdrawals to specific purposes such as school fees (Hirschland, 2009: 22–23).

Emerging guideline 4: Link or provide young people with complementary non-financial services

Additional complementary non-financial services can be particularly beneficial for young people with little life and work experience. These may include mentoring, financial literacy, cultivation of a savings culture and life-skills training.

Adolescence is a critical time of transition from childhood to adulthood, and a significant part of this transition is the shift from economic dependence to economic independence. Some youth, particularly young women in certain cultural contexts, street children, or orphans and vulnerable children (OVC), are even more vulnerable and require training and support in areas beyond business or finance including life skills and health education in order to take full advantage of financial services. A well-designed and carefully selected package of priority non-financial services can ensure that young clients are able to better navigate the challenges involved with learning to save, managing their own money, starting a business and managing the risks, health or otherwise, that might prevent them from achieving their goals. While some institutions choose to deliver these services directly, the vast majority does so via partnerships with other organizations.

Many institutions offer a package of priority non-financial services

As with a financial product, any accompanying non-financial services should be a direct result of strong market research. Once an institution defines the package of financial and non-financial services it will provide to its youth market, it must then determine whether it has the capacity internally to provide non-financial services or whether it should deliver them via partnerships. This will be discussed further in the next guideline.

Box 5. Catholic Relief Services (CRS)

Although CRS in Rwanda found that its standard Savings and Internal Lending Communities (SILC) methodology works for youth, even for OVC, it made some key adaptations to be more appropriate to a younger clientele: primarily the inclusion of vocational training and apprenticeship programmes. The participants also benefit from a start-up kit, and additional training in business skills and basic accounting. This intervention has led to improvements in nutrition, a reduced school dropout rate, and contributions to the national insurance scheme by OVCs participating in SILC, all while maintaining high repayment rates.

Source: Catholic Relief Services (2009)

Emerging guideline 5: Focus on core competencies through partnerships

Partnerships can be an effective and efficient way of providing the additional support and non-financial services that young clients might need to fully realize their potential in using tailored financial services. This includes collaborating with YSOs, schools, training institutes and other entities, particularly for safe spaces and non-financial services.

Partnerships enable each institutional type to focus on its core competencies

Partnerships enable each institutional type to focus on its core competencies and yet bring additional benefits to the young clients they are serving. Deliberate, well-designed and well-managed partnerships can be efficient, useful and cost-effective.

Partnerships can involve two or more partners, from the public, private or civil society sectors, each playing a specialized role. For example, Aflatoun is a programme implemented around the world to develop social skills and financial literacy of children between the ages of 6 and 14. Aflatoun offers its curriculum via schools and informal education channels while it links with financial institutions to collect deposits. It has developed such partnerships in Africa, Asia, Latin America and Europe.

Box 6. Hatton National Bank

In Sri Lanka, Hatton National Bank (HNB) approached the Ministry of Education in 1990 with a plan to adopt schools in order to assist in their infrastructure development (including construction of science laboratories, libraries, and support of sports programmes) and capacity building of school personnel. HNB requested access to establish a Student Banking Unit within the premises of the school. The student banking programme provided a means to inculcate the habit of saving, expose the students to banking and provide financial education. While HNB focused on its core competency of providing financial services and education, the government partner offered improved infrastructure and capacity that facilitated the HNB programme and the overall well-being of the school community.

Source: Making Cents International (2009)

Emerging guideline 6: Involve community

Involve the community – starting with the family, but also including schools, teachers and other local groups – to mutually reinforce and enhance the effectiveness of financial and non-financial services.

Given young people's relative lack of life and business experience, as well as financial management experience, it is critical to involve the community when extending financial services to young people. Market research with parents and the extended community can reveal the opportunities and constraints that the target youth clientele face

Without these webs of supporting networks, it will be difficult for young clients to sustain improved financial management

in terms of adopting good financial habits and healthy lifestyles. This can inform the product design as well as indicate what other services and supports might be needed to achieve the desired outcomes. The community support structure will differ depending on the country and culture and for different types of children and youth. Without these webs of supporting networks, it will be difficult for young clients to adopt and sustain improved financial management. This is particularly true in societies in which the ability of certain groups to achieve their full potential is limited by the existence of harmful views or practices.

Box 7. BRAC

In Bangladesh, adolescent girls can be confronted with early marriage, dowry or even physical abuse. Without also engaging the community, educating girls about these challenges or providing them with financial services is unlikely to be sufficient. Establishing clubs for girls in the community is a first step. BRAC engages the community to ensure that the club has its moral, operational and financial support, so that it can continue to be a platform for activities for girls long into the future. A second and more difficult step is getting family and community support for girls to save and take out loans. It is mandatory that one of the girl's parents is present to sign the loan contract along with the member. This indicates that the member has already spoken to her family and has convinced them that she is capable of utilizing the loan, and it sets off the process of empowerment of the adolescent girl. A girl in Bangladesh is seen as a burden on her parents because she cannot go out like their son to earn money and will eventually be married off to another family (along with a dowry that is often demanded by the groom's family). Therefore, with every bit of cash she earns herself, with every instalment she pays herself, with every new loan she takes, this adolescent girl enters a new dimension of independence. It makes her believe in herself and it makes her family believe in her, and ideally gives her more authority over her life decisions.

Source: Making Cents International (2009)

Next steps

The future of youth-inclusive financial services will depend on: 1) demonstrated positive impact on young clients; 2) sustainability of the services; 3) potential to be offered at significant scale; and 4) a regulatory environment that permits minors independent access to their money. Although there is anecdotal evidence emerging from the development community, we are still in the early stages of collecting data that confirms opinions on the viability and impact of youth financial services. Below is a discussion of where we are and what would assist advances across these four dimensions as well as our ability to measure progress on each front.

Impact

Whether youth-inclusive financial services make a meaningful difference in the lives of young people still remains to be proven. We have some anecdotal evidence, but even that is scant. We need more evidence that these services can and do have a positive impact on younger market segments in terms of improved livelihoods. Conclusive and widespread proof across a range of contexts will require donor investment. Prior to investing in this research, donors may need to be sufficiently convinced that youth want and need these services, that the services are sufficiently promising in terms of intended impacts, and that there is enough interest on the part of the providers to take these approaches to scale. In the meantime, additional research on demand could lend itself to building greater awareness around the diversity of financial services required by different youth segments.

Sustainability

Making the business case to financial services providers is challenging without hard evidence

Making the business case to financial services providers to offer products to younger clients can be challenging as we do not have hard evidence of overall effects on institutional sustainability and profitability. Beyond a simple product profitability analysis, conducting in-depth, life-of-the-client profitability analysis may help institutions determine the long-term pay-offs in recruiting clients while they are young. Experience to date does indicate that they are likely to be consumers of one or more savings, credit or insurance product, and will probably require transfer and payment services, or remittance facilities as they mature. However, further data is needed on how much it costs to attract and retain youth clients, profitability over time, the actual time frame to reach sustainable returns, and so on.

Scale

From the experience to date, it appears that simple and flexible products that are responsive to young people's needs have the best chance of being scaled up. Using technology such as mobile banking may also increase scale through significant cost savings in outreach and service management. Funding may be an issue for some institutions in deciding to scale up, while others will make the investment directly, anticipating a long-term return. Ensuring the commitment of senior management to serving young clients will also help an institution achieve scale by dispelling any staff reticence over working with young people. Few institutions, if any, have achieved significant scale in YFS to date. There are, however, institutions working towards scaling up of both savings and lending products for young clients. Making Cents will continue to track the progress of these pioneering

Few institutions, if any, have achieved significant scale in YFS to date

Box 8. Equity Bank

In Kenya, 75 per cent of the population are under the age of 30 and approximately 32 per cent of the entire population are defined as young people, between the ages of 15 and 30 (Ministry of Youth Affairs and Sports, 2010).

With 50 per cent of the population living under the international poverty line, millions of Kenyan youth struggle to earn a daily income (Central Intelligence Agency, 2010). Equity Bank saw this as an opportunity to transform the lives of Kenya's youth and to cultivate a future generation of customers. The Bank's leadership decided to use mobile banking in order to manage costs as well as a means to attract young people who tend to be more tech-savvy than their adult counterparts. Within the next 5 years Equity hopes to reach between 10 and 15 million clients, of whom 30–50% should be youth.

Source: Equity Bank (2010)

organizations in the different stages of product development and roll-out.

Regulation

While the importance of proving financial services to young people increasingly gains footing in the microfinance community, unfriendly regulatory environments may inhibit the ability of financial institutions to serve youth segments with the appropriate products and services. In rare cases, such as in India, young people may open independent bank accounts starting at age 10. However, the vast majority of regulatory systems restrict bank accounts to those of legal age. As previously mentioned, practitioners are finding ways to work within policy limitations. Nonetheless, targeted advocacy at the policy level can contribute to the creation of more child-friendly banking legislation. Institutions such as Aflatoun and CGAP are in the process of studying these issues, surveying regulatory environments in each country and coming up with policy approaches that facilitate greater access to financial services in countries where minors are currently restricted from independently managing a bank account.

The vast majority of regulatory systems restrict bank accounts to those of legal age

Conclusion: A 2020 vision for youth-inclusive financial services

The 'Focus on Finance' portion of Making Cents International's 2009 Global Youth Enterprise & Livelihoods Development Conference concluded with the 2020 Vision for Youth-Inclusive Financial Services. The vision put forward is bold but achievable if the various stakeholders commit to improving and expanding access to quality financial services to young people, and to working together to share knowledge, improve the practice and remove the barriers. This 2020 vision includes the following targets:

- Young people have options to choose the products and services that work best for them.
- Financial services providers are offering profitable youth-inclusive financial products and market-driven services.
- These products and services are being offered on a massive scale and are being used by tens or hundreds of millions of young clients around the world.
- Appropriate complementary non-financial services are being offered in partnership with youth-serving organizations and other specialized institutions.
- A solid base of evidence exists that demonstrates the social and economic impact of these financial services on youth and that proves the business case for financial services providers.
- A robust enabling environment exists in many countries, with the elimination of structural and cultural barriers to the availability and utilization of youth-inclusive financial services.

We need evidence demonstrating the social and economic impact of these financial services on young people

To make this a reality, we not only need the vision, but also the implementers to make it happen. Leadership is required at all levels, from the young people who need financial services to improve their lives and contribute to the development of their communities, to the financial service providers and youth-serving organizations that are developing and providing the services; from the technical assistance providers and funders that are supporting these efforts, to the policy-makers and government bodies that are setting policies and allocating resources to facilitate improved access to youth-inclusive financial services.

The 2009 Focus on Finance event set the agenda for practitioners, funders and policy-makers to advance experimentation in the nascent field of youth-inclusive financial services. If we are to achieve our individual and collective 2020 vision for youth-inclusive financial services, we must continue to seek innovative solutions, identify synergies across programmes and partners, engage and expand partnerships to achieve scale and sustainability, and openly and regularly share knowledge.

Online resource

Making Cents International, with support from the MasterCard Foundation, provides an online platform for financial services providers and youth-serving organizations to gather, learn and share experience about youth-inclusive financial services. This is available at www.yfslink.org.

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