Unlocking the Power of Finance for Youth: An Introductory Training on Youth-Inclusive Financial Services Design and Delivery

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About Making Cents International

- Social Enterprise that increases economic opportunity worldwide
- Provides training and capacity building technical assistance to international and local institutions
- Focuses on youth, women, farmers, and growing enterprises
- Builds Youth Economic Opportunity field through conferences, research, and hosting of on-line learning platform.
By the end of the course, participants will be familiar with:

• The demand for financial services among youth and how it changes depending on the age cohort

• Seven sound practices for providing financial services to youth

• Tips for conducting market research, designing products, and delivering youth inclusive financial services

• The role of and strategies for providing non-financial services to targeted youth
<table>
<thead>
<tr>
<th>Timing</th>
<th>Session</th>
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<tr>
<td>9:00-9:15</td>
<td>1. Introduction to objectives of course</td>
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<td>9:15-10:15</td>
<td>2. Youth financial and non-financial needs</td>
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<td>10:15-10:45</td>
<td>3. Product Design Process</td>
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<td>10:45-11:00</td>
<td>Break</td>
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<td>11:00-11:40</td>
<td>4. Practicum</td>
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<td>11:40-12:00</td>
<td>5. Wrap Up</td>
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Bringing out the youth in you

• First job
  – How old were you?
  – What was the job?
  – How much money did you earn?

• First time you visited a financial institution
  – How old were you?
  – What were you there to do?
  – What was your impression of the FI?
How do youth gain from YFS?

• Build assets
• Contribute to the household
• Develop positive habits and skills
• Facilitates education and employment
• Maintain Employment
## Youth Segments and Demand for FS?

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<th>Youth Segment</th>
<th>Demand for Financial Services</th>
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<td>Savings</td>
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<td>Late adolescence (Ages 18-24)</td>
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<td>Moderate</td>
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<td>Late adolescence (Ages 18-24)</td>
<td>High</td>
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<td>High</td>
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* Age range is contextual
** Parenthood accelerates transition to Young Adulthood
*** Gender also impacts segments
Current State of Access

- Youth are 33% less likely to have an account at a formal financial institution.
- Youth are 40% less likely to have saved at a formal financial institution.
Key Issues – Client Level

Opportunities

• Youth demand FS to manage risks, plan for the future, and transition through life phases
• Youth are tech savvy and can be comfortable with modern banking methods.
• Parental support can encouraged access

Challenges

• Perception that FIs are not for them
• Accessing FIs
• Financial Illiteracy
• Collaterals
Making Cents surveyed 150 financial institutions to learn what they perceived to be the opportunities and challenges to serve youth...
What motivates financial services providers to deliver YFS?

- Build client base and increase market: 73%
- Build long term customer loyalty: 73%
- Address high youth unemployment: 60%
- Corporate social responsibility: 47%
- Differentiate from the competition: 40%
- New technology brought cost down: 13%
- Able to cross-subsidize costs: 10%
- Fulfilling government requirements: 7%
- Change in regulation made it possible: 7%
- Fees make youth loans profitable: 3%
- Other: 20%
Perceived Challenges of YFS

- Prejudice of staff against youth: 45% Major Challenge, 37% Somewhat of a Challenge, 13% Not a Challenge, 10% Not Applicable
- Youth are a high risk market: 42% Major Challenge, 41% Somewhat of a Challenge, 15% Not a Challenge, 10% Not Applicable
- Legal and regulatory barriers: 41% Major Challenge, 34% Somewhat of a Challenge, 21% Not a Challenge, 14% Not Applicable
- Lack of market information: 38% Major Challenge, 45% Somewhat of a Challenge, 15% Not a Challenge, 12% Not Applicable
- Lack of human resources: 35% Major Challenge, 40% Somewhat of a Challenge, 20% Not a Challenge, 15% Not Applicable
- Cost of managing small balances: 33% Major Challenge, 43% Somewhat of a Challenge, 20% Not a Challenge, 14% Not Applicable
- Do not know how to attract or retain: 32% Major Challenge, 36% Somewhat of a Challenge, 26% Not a Challenge, 12% Not Applicable
- Cultural barriers to serving youth: 27% Major Challenge, 50% Somewhat of a Challenge, 21% Not a Challenge, 12% Not Applicable
- No partners for linking: 26% Major Challenge, 45% Somewhat of a Challenge, 25% Not a Challenge, 14% Not Applicable
- Physical location and accessibility: 19% Major Challenge, 38% Somewhat of a Challenge, 39% Not a Challenge, 14% Not Applicable
- Highly competitive market: 14% Major Challenge, 24% Somewhat of a Challenge, 57% Not a Challenge, 5% Not Applicable
- Lack of sufficient demand: 12% Major Challenge, 33% Somewhat of a Challenge, 53% Not a Challenge, 10% Not Applicable
Key Issues – Enabling Environment

Challenges
- Age of Majority
- Identification and documentation requirements
- Inadequate consumer protection regimes

Opportunities
- Growing interest in serving youth among central banks
1. Establish Institutional Readiness (Commitment needs to go beyond CSR)
2. Involve youth in market research and product development
3. Develop products and services that reflect diversity (age group, gender and income level) of youth
4. Ensure that youth have safe and supportive spaces
5. Provide or link youth to complementary non-financial services
6. Focus on core competencies through partnerships
7. Involve community
Case Study— Plan Egypt

Institution: International and local NGOs
Target Populations: Youth (16-27)
Geographic Areas: Urban and Rural Egypt
Financial Products:
• Informal savings group of youth provides savings and credit to members;
• Linkages to formal financial institutions
Non-Financial Services: Enterprising Life Skills and Financial Literacy
Results (in 2 years):
• 10,784 members
• $182,196 savings mobilized
• $100,000 in loans disbursed to 2,709 members
Plan Egypt’s Lessons for Serving Youth

• **Involve Youth**
  – In-depth assessment
  – Resulting focus on NF services

• **Supportive spaces**
  – Facilitator as “coach”
  – Youth-only environment

• **NF services**
  – Enterprising Life skills focus as/more important for youth

• **Partnerships**
  – Links to formal financial institutions for prepared youth

• **Involve community**
  – Adults engaged at beginning to ensure buy-in
YFS Product Development Cycle

Source, Women’s World Banking
YFS Product Development Cycle

Source, CGAP
Young People’s Capacity to Co-Invest

The use of “money flow” or “asset mapping” focus group tools are an effective way of gaining insight into the kinds of financial and non-financial assets young people manage. A microfinance institution in Morocco that was interested in developing livelihood programming for youth was amazed to see the multiple sources of funds that passed through “poor” young people’s hands.

- Recruit a diverse team, including Youth experts
- Use process oriented activities that help youth process and depersonalize data
- Mix of data gathering techniques
- For customers, conduct research at household level to determine youth and parent views
- Use research to segment market
Roll Out:
• Adjust product based on pilot
• Similar process to pilot plan, but on scale of full FI
• Preparation, training and marketing critical to success

Evaluation:
• On-going analysis of business case
  – Direct profit/loss
  – Cross-selling
  – Loyalty
  – Demonstrate CSR
• Impact on clients
  – Financial knowledge
  – Financial Behavior
  – Financial Status
Institution: MF Bank
Target Population: adults and youth
Geographic Areas: Urban and Rural Yemen
Financial Products: Full suite of credit and savings products
Non-Financial Services: Financial Literacy and Technical Skills Training (rural areas only)

Overall Portfolio:
- 39,644 clients (22% youth)
- $13 million (12% youth)

Rural Portfolio:
- 11,000 clients (32%)
- $1.66 million (18% youth)
Al Amal’s Lessons for Serving Youth

• Differentiate Products
  - Youth savings product (18-25)
  - Youth start-up Loan (25-35)

• Supportive spaces
  – Training for all staff on how to engage with youth

• Non-financial services
  – Financial Literacy in urban and rural areas
  – Enterprise Development and Technical Training in rural areas

• Partnerships
  – Established separate Non-financial services arm

• Institutional Readiness
  – Rural expansion strategy including specific activities/expectations for youth outreach
• You are a consultant. You’ve been hired by a microfinance bank called “New Hope.”

• New Hope has just designed a youth program and would like you to help them evaluate the initial design and suggest changes.

Read the Case study – then use your knowledge of the 7 principles of inclusive design to advise New Hope.
Challenges
- The Business Case
- Financing Programs that Build Financial Capability
- Developing regulations and practices that balance access with protection
- Developing a suite of products that “grow” as youth do
- Scaling up products to reach large #s of youth
- SME Finance
- Start-up lending

Solutions
- Behavioral economic models providing promising approaches
- Technology may be enabler, though how to use it effectively for youth remains a question
- Mainstreaming youth into financial service provision strategies for households provides promising strategy
- Integrated approaches using incubators or accelerators
- Crowd-funding
Inclusion Pathways – through Adults?

Increased rural youth financial inclusion will require FSPs to become both more rurally inclusive (more efficient and appropriate products offered for rural livelihoods) and more youth inclusive (adapt marketing and outreach channels, deliver savings and credit services, offer NFS). This implies that serving more rural youth will likely involve serving greater numbers of rural adults (and urban youth as well).
Learn and Continue the Conversation

• Youtheconomic opportunities.org

• Global Youth Economic Opportunity Conference
• Youthpower Learning Program (USAID)
A Last Word from the Clients:

Timothy H. Nourse
President,
Making Cents International
Tim@makingcents.com
Some Successful Programs

Hatton National Bank
• School banking program
• 503,000 youth savers

Equity Bank – Kenya
• Business loan and youth savings product
• 74,000 loan clients, 140,000 savers

Xac Bank – Mongolia
• Adolescent girl savings account
• 8,000 clients