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Exploring Frontiers in Inclusive Market Development

YOUTH SAVINGS SERVICES: ARE THEY WORTH IT?

AUDIO TRANSCRIPT

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PRESENTATION

Kristin O'Planick: Good morning, everyone. I'm Kristin O'Planick from USAID's Bureau of Economic Growth, Environment, and Education. Welcome to this month's edition of the Microlinks seminar. This is our first fully webinar event, which is an exciting milestone for us. We're thrilled to have so many of you joining us from around the globe.

Today, we will be delving into the subject of youth savings services and the business case behind them. As we seek to achieve financial inclusion, targeting youth explicitly is an important piece of the puzzle. These services can be a useful step for youth to pursue entrepreneurial activities, further education, or buffer economic shocks, but we need to make sure these services are compelling for the financial providers as well. Today, our panel will address this issue based on specific cases they've studied.

So I'm going to introduce our panel. Joining us from Women's World Banking is Ryan Newton. Ryan is a savings specialist on the micro-finance products team. She delivers technical assistance to network members in product and channel design, business case development, and financial capability strategies. She manages product deliverables and positions Women's World Banking services savings work across the industry. In this role, she has collaborated with financial institutions in Ethiopia, Mongolia, the Dominican Republic, India, Nigeria, and Tanzania. Welcome, Ryan.

Then we have Jessie Tientcheu from Freedom from Hunger. Jessie is the manager of product development. Jessie works with the product development team to support development and implementation of innovative products. Jessie coordinates and manages the development of training and education solutions, leveraging technology and traditional media in the development of innovative pro-poor products and services. Welcome, Jessie.

Also from Freedom from Hunger is Christian Loupéda. Christian is the director of financial inclusion and has 20 years of experience in international development, most of which has been in financial services for the poor, including integrated services and various self-help group methodologies and social performance management. Mr. Loupéda is currently leading Freedom from Hunger's efforts in leveraging existing mobile money offerings for programmatic work.

I'd also like to mention that Celina Kawas, the manager of Women's World Banking's research team, will be helping to respond to your questions in the chat pod, so ask away.

Now I'll hand it over to Jessie to get us started.

Jessie Tientcheu: Thanks, Kristin. We've seen over the past few years now that a number of different organizations have been experimenting with financial services, usually savings services, for youth and young people. And we're starting to get to a place where we have enough data and enough evidence to be able to go back and look at the business case for youth services.

So we're going to dive into some experiences of Freedom from Hunger and Women's World Banking to look at the business case for youth saving services, by starting out with looking at what the organization is trying to achieve, what are the profitability levers, how the organizations can optimize costs, what is the role of the subsidies, and how to design the sustainability long-term.

As we look at these different questions, we'll draw from concrete experiences of Freedom from Hunger and Women's World Banking partners. In the case of Freedom from Hunger, that would be Cooprogreso and San José Cooperative in Ecuador, and the Nyèsigiso Credit Union Federation in Mali. In the case of these organizations, they wanted to help youth begin to accumulate assets. They wanted to have a positive impact on the financial behavior of youth, and then they were looking to the longer term, and trying to foster better clients in the future.

And with that, I'll turn it over to Ryan so she can introduce the Women's World Banking partner.

Ryan Newton: Thank you, Jessie, and welcome, everyone. So Women's World Banking worked with Banco ADOPEM in the Dominican Republic, and Banco ADOPEM, this is part of the Nike Foundation Girl Effect Initiative in 2010, is when the launched their Mía youth savings program. And they were interested in youth savings because they wanted to introduce the next generation of clients to the bank, so thinking about the future of the bank. They also wanted to promote brand loyalty by deepening relationships with existing clients, and they wanted to really at a broader level advance financial inclusion for low income Dominicans, which was consistent with their overall mission as an institution.

And again, their account is for 0 to 24. It's actually 2 accounts, 0 to 15 and 16 to 24, offered to both girls and boys. And we had an opportunity this year to go back about – from the start of the program to look at what the impact was on the institution, and just to be clear, we're looking really at the impact on the institution, not at the clients. We're – the purpose of this webinar and our study. And so to see really if it was a viable program for the bank. And Freedom from Hunger will tell you a bit more about theirs as well, but I'm going to look – take you through a little bit about what we mean when we talk about the impact on the institution.

First of all, when – it's important when we define what a successful business case for youth savings is, it really requires a balance between profitability and social objectives. It's not just a pure break-even point of is this profitable or not, but really is it profitable, but also is it sustainable with the social objectives that the institution puts forth? For example, wanting youth to save on their own, financial inclusion objectives, and really having products that are accessible to you. And so it's important really to define that from the start, what we mean by profitability.

And then it really should consider an entire client relationship approach. This is an approach that also CGAP has worked on in their business case work, and it's really where we think about not just the direct revenues from the product, but also indirect revenues from cross-sales to both youth and parents who may serve as guardians on the accounts. And so looking at the entire picture of the client, not just direct revenues from the product itself, is very important when looking at profitability.

Some of the key revenue drivers that we considered when we were analyzing the Banco ADOPEM case, as I mentioned, were cross-sales for youth and parents. Also on lending, so really looking at balance growth and how that can in turn be lent out for the institution, and again, it's not a direct revenue. It's really the spread, and it's indirect savings from that spread.

And then we also looked at any fee income. In the case of ADOPEM, they do have a dormancy fee, which is isn't a long-term sustainable source of income, because the balances can decrease over time, but it is a fee income that was considered.

And then some of the key cost drivers were we considered up front product develop costs. So as you know, there can be a lot of costs around research and product design and marketing design and development. But then there's – going forward, we really focused more on the variable costs, because a lot of the fixed costs would have been there regardless. So really focusing on marketing, financial education, so looking at all the materials and administrative costs around that, and some specific discrete staff time, and then also the interest on savings accounts, so – and that is something that also is factored into the on-lending calculation.

So these are some of the key revenue and cost drivers. I'm going to pass it to Christian, who will also share some – the perspective of Freedom from Hunger.

Christian Loupéda: Thank you, Ryan. Let me point out first that these – the findings are based on the cost and revenues analysis that Freedom from Hunger conducted with the three organizations mentioned, and that included an analysis of their growth anticipation, based on their current performance. So we challenged them into looking into the future, based on what they know today, what – how this – the delivery of this service would be evolving.

So a lot of what Ryan just said applied to Freedom from Hunger's partners. And let me just raise two points here. The first one is the importance of the market levers. We are – we've been working in two countries, Mali and Ecuador, which are countries where there is a high proportion of youth. And in the case of Mali, for example, we have 47 percent of the population who are below 15 years old, but yet very few of them have bank account or have some sort of relationship with a formal financial institution.

In Ecuador, we have 23 percent of young adults that have a bank account in 2011, and in Mali, it's just 5 percent. The other thing is the importance of the competition on the market that the organizations are operating in. Particularly, we've seen that in Ecuador, where they came up with a more business-oriented business model to deliver youth savings.

The other point that I'd like to make here is that both cost and revenue drivers are intimately linked to the business model adopted by the – by the institutions, and also how well this business model is adapted to the market. Let me take two brief examples here.

The first one is in the area of salary costs. It is important to adopt a business model that ensures an efficient and effective use of field staff. In the case of Mali, Nyèsigiso, so because they have been offering a group-based account or group savings account, meaning that they have to work with youth, going around the community, getting them into groups, and then helping them to save and open an account, this takes time.

So they – to do that, they choose to have 100 percent devoted staff to this service, which of course involves a higher cost. Within the operating cost, staff cost or salary cost is the most important, as opposed to Cooprogreso and San José in Ecuador, who choose to use existing staff, which helps them to keep – to control salary cost.

The other example I wanted to take is the – in the area of transportation cost. In the case of Mali, where we have a very weak public transportation system, Nyèsigiso choose to equip the field staff with motorcycles, and this is also part of their traditional way of handling these things. So with motorcycles come fuel costs, maintenance costs, that make transportation costs quite high in the overall operating cost.

So this shows how it is important really to make sure that the business model that is adopted is really – is based on the context, taking into consideration the different constraints that they are – that they are facing.

Let me turn it to Ryan to discuss the smart choices to optimize costs.

Ryan Newton: Thank you. So we have just reviewed some of the different cost drivers that go into youth savings, and a key part of profitability is really optimizing these costs. In – what we found in our work is the first one that is key to that is leveraging alternative channels for youth, and especially if they're already existing for adult clients.

In the case of ADOPEM, these channels actually did not exist at the time of – when we piloted, but they're now under development, and they're exploring how to use these channels going forward. But when the channel's just a branch channel, that can be quite expensive operationally for the institution to process transactions at the branch. Also, it can be hard for youth to get to the branch because of time or mobility constraints or distance from the branch.

And so really, leveraging those alternative channels with agents and mobile banking can be a great way to optimize costs, and also another effect is to reach youth more effectively, and I think we haven't really explored enough of that in the field.

The second way to optimize costs is to develop strategic partnerships. In the case of ADOPEM, we worked with ADOPEM's sister NGO, which has more of an expertise in reaching youth and delivering financial education. And they in turn developed partnerships with schools. Schools, for youth savings, can be a great way to really reach more youth at once, to reach them in a setting that they trust, and they have – they feel comfortable in, and really getting buy-in from teachers can be a great way to reinforce the concept over time. And so ADOPEM did a TOT, a training of trainers approach with teachers, who in turn delivered it to the students, the financial education.

The third would be the sensitivity to the – testing sensitivity to interest rates, on the one hand. In the case of youth, Women's World Banking has found in its research that interest rates, though important, youth do understand the value of interest, there isn't a – as clear of an understanding of the range of interest rates or what it should be.

And so youth definitely know that there should be an interest rate, but aren't as sensitive to what that interest rate is. And so of course it's important to always test different prototypes and different rates. However, I think this has been an area – we've found that lowering the interest rate to a point that's still within regulation, that's still beneficial for the client, of course, but you can have potentially significant savings through reducing that. So – and Christian will add more to that as well from their experience.

And the second is testing sensitivity to different types of incentives. And so there is a lot of talk in this field of kids like a lot of gifts or incentives, or they need to have something when they open the account. While a lot of that has been true, we've found it doesn't have to be very complicated incentive schemes or super expensive fancy gifts. It's really – I think there's been a lot of research showing even here in the States and other places of the value of just giving something that's – a small gift that's symbolic, and that's really what creates that relationship with the client and helps to retain them.

And so Banco ADOPEM did test different incentives schemes, and for different – they – some were more complicated for the branches to implement. Some were complicated for the clients to understand, or what they were getting from the incentives. And so being able to test those up-front really got them to a place where they could both afford the incentives, but also get the response from clients that they wanted.

And the last piece should be engaging youth through low-cost marketing, such as social media and mobile internet channels. We've learned that big TV and print campaigns aren't really necessary and aren't as effective for youth. Really, going through not only social media and mobile internet channels, but also through word of mouth, through teachers, through schools, can be more effective than more traditional marketing campaigns.

So it's very important to think about those different channels. Of course, they have to be adapted to the local context. In the Dominican Republic, these channels are effective, but in other work Women's World Banking has done, for example in Ethiopia, the internet penetration is not as high, so school channels and word of mouth and going through the community ended up being more effective. But finding – through your research findings, those channels that are most effective and really leveraging those, instead of just turning to more expensive traditional campaigns. I'll pass it now to Christian.

Christian Loupéda: Thank you. I think leveraging existing channels or engaging with youth in more – in low-cost marketing channels or cost optimization strategies that we have been discussing with our partners. Let me add a couple here.

The first one is regarding the salaries cost. Something that we've been discussing or experimenting with is increasing field staff productivity or setting up an incentive system to push and encourage staff to perform well, better. And this is something that is particularly important for Nyèsigiso, who has been showing the highest cost, staff cost, in their operating cost.

In Ecuador, the use of mobile devices to collect savings has been experienced, and field staff will go around in the communities to really direct the…youth to save while the education, the financial education, is still being delivered in schools.

Around the marketing cost, a strategy that has been discussed is the bundling of savings with education service with other services that the organizations, the institutions, are offering, particularly youth, targeting more productive youth, those above 18 years old, that are – most of the time, they're more interested in starting a business and looking for loans to grow their – to either start or grow their businesses.

Interest cost, as Ryan said, this is a very important area, because a lot of organizations believe that offering higher interest rates would encourage youth to save more. It is important to be very cautious about that in the use of this type of incentive, because that may not yield the results that organizations are expecting. And research showed that there is a low, very low elasticity between interest incentives and saving more.

So it would be better to really bet on working in better adapting the product that is offered which would be a better deal for the organization, as well as for the – for the youth, and help to increase the product pickup.

Education cost is also an area of consideration, which is to reduce the time spent in providing and delivering this education to youth…having discussed is to leverage mature clients or tutors, because in Mali, they have in the youth group, there are adults assigned to each group that are helping to really to go through the whole process and begin saving.

So ideas about using those tutors that would be reminding key messages to the youth, and helping them to really to – to keep the most important…of empowering messages. In – Cooprogreso has been experimenting, the use of SMS to channel financial education content to their – to the youth.

Moving on to the next slide, cost optimization strategies are important, but it is important to look at also the other side of the equation. Cost optimization strategies should be implemented in parallel with revenue maximizing strategies, like enhancing the organization's opportunities for cross-selling or for using or lending – I mean, using savings collected to lend, as revenue – future revenue.

In the case of our Ecuadorian credit unions, they have – they show pretty high average balance on savings accounts, and it amounts around $130.00, $135.00 US. And their anticipation in terms of future revenue is really to use that to on-lend the…that they are collecting and turn them into loans, and are expecting a significant return from that, as opposed to Nyèsigiso, who really has been targeting very poor youth, and the average balance on Nyèsigiso account is as low as $3.00 US. So really, they are betting on the financial inclusion vision.

So their revenue maximization strategy is consisting really to enhance their cross-selling opportunity, so that they can – they can get revenues that they – that they need.

Moving on to the next slide, I'd like to talk now about the role of subsidies. Yes, subsidies are important, and Freedom from Hunger has provided external funding to their – to our partners, and primarily to cover product development costs, the purchase of motorcycles, in the case of Nyèsigiso in Mali, and also covering some operating costs, such as salaries.

We conducted an analysis to show what would be the impact in terms of …in the actions of external funding, and what we found was that in the case of Cooprogreso in Ecuador, profitability is – would be delayed for a year, about a year. And in Nyèsigiso, that would be for more than two years, probably because Nyèsigiso has received a higher amount of subsidies.

But the point is that the question is would all that be feasible, possible, without this external funding? So Cooprogreso probably may be able to absorb it without external funding in a risk reasonable period of time. But in the case of Nyèsigiso, it's going to be much more difficult.

So it is very important, and this is the takeaway for me on this slide, is really it is important to make sure that when using external funding, it – we have to do it, use it in a way that we don't create disruption in the management decisions of the organization, and in the case of Nyèsigiso, probably the amount of subsidies that we have provided have probably played a role in their – in the definition of their business model that is less business-oriented in comparison to Cooprogreso and San José in Ecuador.

Let me turn it to Ryan now to pursue the discussion on the subsidies. Thanks.

Ryan Newton: Thank you, Christian. So a big question in the field is, so if you get funding for youth savings, how can you really use them in a smart way? And this is a question that's really important, not only for the financial institution, but also for funders, who want to know that the funds can be used in a way that's beneficial for the institution, and can promote long term sustainability once the funds are no longer available.

And so this is a question that we really looked at as well in our study of the Banco ADOPEM case, and wanted to understand what would have happened without the subsidy and with the subsidy, and the impact on the institution, and we'll actually have more information about it in an upcoming publication.

But I'm going to focus here on how to use them in a smart way. First of all, there is an argument that subsidies may lead to institutions using more expensive marketing tactics or buying more expensive gifts, or using more – doing more expensive financial education intervention. However, we found that on the flip side, it actually – that subsidies can help you to test and evaluate strategies that the institution might otherwise not have had the budget to explore.

So a lot of times to launch a product can be very expensive, and institutions will really pick and choose what to do because of limited resources. But subsidies can come in and really allow an institution to explore and test, which is a great way to use subsidies. And in our – in the case of ADOPEM, for example, with non-financial services, we were able to really work with ADOPEM to develop a curriculum, a financial education curriculum, test it in the field, tweak it, really see what works, see what was – works for the – not only for the youth, but also the facilitators, the time that they had, and really prioritize what should be in the curriculum. And so it allowed several pilot phases to understand what would work best.

The second piece was the innovative marketing. In Banco ADOPEM, we really were able to create a splash with Mía to have – do a lot of testing around what colors, what designs, what logos did youth respond to best, and it's a product that's very visible in the branches, to this day. You know, there's Mía corners. There's a lot of awareness of the brand. And that whole branding exercise was something that was different for the institution, and a very innovative approach that I think without the subsidies, may have not been able to justify spending on that. And so it has been a key part of the brand that has remained.

Another – as Christian had mentioned in terms of equipment and infrastructure costs, it can help – subsidies can help for those high up-front costs. In this case, there wasn't a huge infrastructure cost, in the case of Banco ADOPEM, that needed to be covered, but this really covered more design cost, the – you know, the monitoring and evaluation at the beginning really to design the program, to design the logo, research, and things like that. So these are, again, linking to the other two high up-front costs that maybe wouldn't have happened without the subsidies.

The other way to really use subsidies in a smart way is to develop cost-sharing models when possible to ensure continuity, and this, what I mean is to use external funds – unless it's a fixed cost that isn't just up front, if we're talking about costs like salaries or financial education delivered over time, to really as an institution commit to putting resources into it, as well as the funder. We found in ADOPEM, if funds were going towards the discrete costs of one person's salary, then once the funds were transitioned out, it was really hard to justify continuing that activity, because that person's salary was not covered.

And so if the institution commits to pay a portion of it, and the funder as well, then there's more chances that that program and that facilitator's responsibilities will continue. Of course, on one side, there has to be an evaluation of whether the program even worked, and to see – but assuming that it was valuable and they want to continue that work, then the institution has to commit those resources and put…in the same as well.

And so – and I think that kind of analysis has to happen not only – actually, to move to the next slide, that analysis in terms of transitioning away from subsidies has to happen at the beginning of a funder relationship, during the funder relationship, and at the moment of transition, to really understand what the impact of the funds have been on the institution, what has worked, what hasn't, so the program can be modified accordingly, or lessons learned can be – can be implemented.

And then really having that institutional commitment to go forward without the funds, and understanding what will need to be covered going forward based on what the institution has decided has worked, and what they want to continue. At ADOPEM, we did find, similar to what Freedom from Hunger said, is that with the funder subsidies, we were able to shorten that break even timeline by at least a couple of years, and that for the institution, especially an institution with a low-income focus, is a huge benefit.

But then as the – now we're looking at funds that have already transitioned out, and really want to make sure that the program is still set up in a way that will lead to that longer-term sustainability. In the case of ADOPEM, the institution has completely absorbed the cost of the program. It's offered in branches. It's continuous. And now it's just constantly analyzing and re-looking at what are those profitability levers, so that it can ensure that long term sustainability while still balancing, as I mentioned at the very beginning of the webinar, still balancing the social objectives of the program to ensure that there isn't that drift in the objectives.

So we're getting towards the end, and we're going to start looking now at bringing everything together, what Christian and I have talked about, of really what are the elements of a successful, sustainable business case for youth savings. What does it mean to an institution, and to really answer that broader question of is it worth it.

First, as I had mentioned at the beginning was to take a client relationship approach. So again, not just measuring the direct revenue from a product, but also considering the indirect revenue from cross-sales, both to youth and to parents, and this helps you to balance that short and long term payoff. So youth is more of a long term investment. You really want to realize their potential in the longer term, and you may not get as much profitability in the short term. But then parents, through cross-sales and – to parents, who tend to have higher balances, maybe are also taking out more profitable types of loans, then that can contribute to the real profitability, if you're taking a client relationship approach.

And that is the approach that we took in our analysis, which will be, again, will be released in the next month. And so that's really important, to look at the client relationship.

There's another piece to it as well, is that when looking at parents, many institutions make a common mistake of lumping together parents' needs and youths' needs, and calling, for example, a junior account, where parents are saving for their kids, and youth are saving for themselves in the same account. And while the parents – the funds in those accounts saved by parents can also contribute to the profitability, it's important that your products meet the direct needs of the segment. And so we have found that having in some cases a dual value proposition is very important.

In the case of ADOPEM especially, the younger kids were – their accounts were mostly being managed by parents, and that – in that case, an account directed directly to parents would have been more effective. So it's really looking, on one side, where the profitability is coming from, and considering all of the parents and the youth, but also making sure the products meet their needs and are segmented appropriately.

And then the third point here, the migration plan, is in order to really realize that long term development potential of youth, you know, we always hear we invest in youth because they're the future of our bank, and they're the long term potential of the bank. Well, to really be able to realize that, and to stay true to that statement, there has to be a migration plan set in place in the institution.

And what I mean is that when youth start to age out of the product, there's a clear next product or – for them to migrate to, and there's a plan in place for the institution to really reach out to them and to actively try to retain those clients so they stay with the bank, because that's at the point when they're becoming 18, and they can take on loans, or they're becoming labor force, and having access to more capital and more income, that they will become more profitable potential clients for the bank. And it's really important to keep them.

And that's a strategy that banks around the world us, is really trying to address clients at their entire life cycle. And so – and to be able to really migrate clients appropriately, you have to have the right tracking mechanisms in your institution. So knowing who your clients are, when they're aging out, what kind of products they're using, what is their savings profile, and being able to track them so you can address them at the right time and in the right way is very important.

We have some challenges with MIX, and that's something that we're addressing now in ADOPEM, and that's something that could be a higher cost, up-front cost at the beginning, but it's worth it to get it right from the start. I'm going to pass it Christian, who's going to address the other three.

Christian Loupéda: Thank you, Ryan. The next one is the importance of institutional commitment. This is very important to do this, to offer such a product, and looking at the more or less long time to break even, it takes a strong institutional vision and commitment to serve the youth to do that.

And in the case of Cooprogreso and San José in Ecuador, and in the case of Nyèsigiso in Mali, those organizations are credit unions, and so very much rooted into their communities, and really concerned in providing services to all segments of their communities. So youth is perceived as an important segment for them to serve. So this has played an important role, really to take the time, develop that product, market them, and really – and then work hard to ensure the sustainability of it.

The other element is the strategic use of non-financial services, and this is really to emphasize here the importance of financial education, which is a powerful way to empower youth, to understand the context – the financial context, the services that are being provided to them, offered to them, and make an informed choice.

Last but not the least is the ability to put in place an effective cost optimization and revenue maximization strategy. So this is something that we have talked about, and this can take several forms, but really, the heart of this is to adopt a multi-segment targeting approach, allowing financial service providers to ensure short term financial bottom line, such as providing in the short term loans to more productive youth. At the same time, to prepare the better informed future clientele through financial education to younger youth.

So this takes the – it takes for the organization to really, as Ryan was saying earlier, to have a clear migration plan, and really have a good balance of what to offer their clients, and at the same time, making sure that their organization survives financially. Thank you. Let me stop there and pass it to Jessie to complete. Thanks.

Jessie Tientcheu: Thanks, Christian. So when financial service providers, in the case of what we're focusing on here primarily, formal institutions, are thinking about offering youth savings services, what we think that they should consider is starting off with what they're trying to achieve. What are their motivations, and what do they want to get out of the service offering, both for themselves as an institution, as well as what they're trying to achieve for the youth clients themselves.

And then they need to dig deep into understanding the specifics of their youth market. Most of these institutions are really familiar with the specifics of their adult market, but they all need to look at some of the specific characteristics of the young people they'd like to serve.

And then based on that, they should consider the approach to services, and that's going to include both the financial service, as long as any non-financial service offered with that, and try and do some projections around the cost and revenues, and then think about how they'll be evaluating the rollout of services as well.

We've pulled together a few different resources that can help people take – help organizations take the next step. One of them is an online module, and we should have that link up in one of these pod boxes somewhere, Microlinks, and that is at YouthFinancialInclusion.org. And this is an online, self-paced, interactive module. It's free to register for and to use. It's available in English, French, and Spanish, and it can help organizations think through how to design their approach to serving youth.

And there's also a paper called "Show Me the Money" that is available from Freedom from Hunger, and this is – synthesizes the information that Christian has been drawing from, from Freedom from Hunger's experiences with our partners in Ecuador in Mali. And then Women's World Banking also has a really amazing interactive guide called "Banking On Youth" that can help organizations think about developing youth savings programs.

There are a number of other papers that are coming on. We've actually had some of these – we mentioned already in the chat box at the right, and we should be able to get links up there. Thanks for adding that link in. And we should be able probably on the resources page for this webinar to be able to get some of these links to these other papers as well.

I think with that, we should be able to wrap up and go over to questions. Kristin, should I turn that over to you to manage the Q&A period?

Questions and Answers

USAID Microlinks: Great. Thank you to everyone who's joining us, and thank you for a great presentation, Christian, Jessie, and Ryan. This is Microlinks speaking. I'm going to read out some questions from the chat pod. We thank you for – all of the participants who have submitted questions. Please keep those coming. Also, thanks to everyone who's sharing their experience and some great resources. We encourage you to continue doing that as well.

So with that, we will turn to our first question, and this one comes from Angela Wambugu from Microsave, and I apologize if I mispronounce a name. This question is what really is the business case for youth savings? For FSPs we have worked with that are strongly profit-oriented are not keen, but we have found that those with a social inclination are interested, but likely to consider it as a CSR activity. What is the overall anticipated outcome that we hope to achieve by promoting YSS?

And just before I sign off, I want to remind everyone, if we don't get to your question now, we will be responding to these in the coming days, and we will post those on Microlinks, so stay tuned for that. Thank you.

Ryan Newton: This is Ryan. I actually responded to Angela a little bit in the chat box, to her question, and it's a great question. We have also seen kind of the reverse, where you'll see a lot of big banks were interested in serving youth, but really see it as a CSR initiative, that youth aren't…so let's just do some financial education and leave it at that, while smaller institutions with a mission focus do consider it a viable strategy. So we've seen both situations.

But we actually are starting to work with a large commercial bank in Nigeria who really is committed to serving youth as a key retail strategy, and they're interested in serving low income communities, which is not their traditional market. And so we're excited about this type of engagement, because the infrastructure and potential for scale of commercial banks is very promising and can really reach a larger – a larger market of financially excluded population, especially youth, which is – in some places can be close to 50 percent of the population.

And so the interest of commercial banks to reach this market is very promising.

Christian Loupéda: If I may jump in here, this is Christian, I think there is a business case, but it needs to be articulated. And at this point in the industry, we don't have the data, benchmarking data, really to say with much 100 percent confidence that there is a business case. And this business case is perceived differently from different types of organizations.

In the case of credit unions who are very socially oriented organizations, it makes sense to them really to target these segments, and by doing so, they work really to make it work, and…the business case kind of is pretty natural to these types of organizations.

For the more business, private business oriented organizations, such as banks, it's – it is more difficult. Few of them are really – understand the potential. But the point here is that it is a process, a long process that really takes for the organization the understanding of that there is a need there, and it takes also for the organization to come up with the right business model to really target and serve that segment in a way that it can become profitable in the future. Thanks.

Ryan Newton: Can I add also – sorry, one more thing. Thank you, Christian. I think it's – we do need a longer-term time horizon. As Christian mentioned, the data is limited, and to really see that long term profitability potential of youth, in "Child, Youth, and Finances" publication, which is on the last page, it's called – "Banking on Youth," excuse me – they highlighted a MasterCard analysis that was done in Europe, and of course, it needs to be adapted to other markets, that kind of study, where they looked at a life cycle of youth, and really found that if you acquire someone at a young age, it's less expensive to your institution, and you can realize more profits over the long term. So the whole lifetime of products that they'll take out, again, if you retain them as a client, can be much more than if you acquire a client at an older age.

And so there is some studies, but they need to be replicated, and there needs to be a commitment to doing longer time horizons and longitudinal studies to really realize the full business case.

USAID Microlinks: Okay. Christian, Ryan, Jessie, any last comments on this question? Nope? Okay. Well, we'll move on to the next one. This is from Scarlett Aldebot-Green. She is with New America, which is part of the Youth Save project. Her question is: could you please address the issue of uptake, opening accounts, versus usage, which is frequency and amount of deposits into the accounts, in terms of how the range of stakeholders would measure success? FIs, funders if that relationship exists, implementing or partner NGO, as one example. Thank you.

Ryan Newton: This is Ryan. Oh, go ahead. Go ahead, Christian.

Christian Loupéda: Okay. Thanks. This is an important question, and one thing is as the question – there's a difference between uptake and usage, and really, what we are aiming for here, what we would like to see, is youth using their accounts to do whatever they need in terms of financial services. So usage is the bottom line.

So – but to get there, you have to ensure the uptake, and to me, the bridge between the two is really poorly addressed by financial education. That's why I think that this is a very important element, the strategic use of financial education to really – to keep them – keep feeding them about the importance of being…to financial institutions.

And also, once they open an account, this provides them the opportunity to look at the other products that are available at the level of this financial institution, and really takes them as – as they need to. So usage is important, but it has to be prompted.

And the other thing that – the last thing that I would like to say about this is really the adaptation of the product, how well the product is adapted, is this product is providing values, social values, to them, is the key question. That's why it is important to really be monitoring the uptake, how people are using it, understanding the issues, and adjusting along the way. That's how we can ensure the usage. Thanks.

Ryan Newton: Thank you, Christian. And Scarlett, that's a great question about uptake and usage. I think in the case of ADOPEM and some of our other partners that we work with, uptake is usually the easy part, but then you don't really have a product or a business case if there's no usage, and how you – not only usage of the account, but cross-sell, too. And I think as a sector, we've done a really great job of promoting market research and client-centered approaches, and really designing products that meet the needs of youth, and especially low income youth. And we've come a really long way in that.

But now we're coming against issues with usage, so we now have the take-up, but then a lot of clients aren't using the products. They're going dormant. And the institution might lose sight of these clients as they age out.

And so I think it's really trying to encourage activity on the accounts, through incentives, through marketing, through continuous engagement. So Christian's point about financial education is really important, but I think it's not only before they open the account, so definitely have it before opening the account so they can learn how to use it, so they learn what savings is, and have all of the background and can be responsible clients, but also on – in a continuous way throughout the – throughout their time, so at key moments or at holidays, for example, you get a message, or you're reminded to save, or you get tips on good savings habits, so that it's a continuous relationship with the bank. It's not just a one-time thing.

So that continuous engagement with clients is key, so that for the business case, they build balances, and they – over time balances grow, because the balance growth is key to on-lending and to overall profitability, as well as cross-sales. So those two factors are really key. So in the end, you really want to build that balance, growth and activity.

And while you want them to be active, you need to minimize operating costs as well. So have many channels to deposit into, make it as easy as possible, and so that they're still active, but it's still profitable to the bank. Thank you.

USAID Microlinks: Thank you, Ryan and Christian. Our next question comes from Alexi Grosman with Making Cents. Alexi says, Making Cents is working with Al-Amal Bank in Yemen and Al Barid Bank in Morocco to expand their youth services and products to rural populations, which has additional costs. Can you speak to the business case of serving this further marginalized population?

Christian Loupéda: This is Christian. I'm not sure I get the question. Can you repeat it? Ryan, if you have thoughts you can go ahead.

USAID Microlinks: I'll go ahead and repeat the question once. Making Cents is working with Al-Amal Bank in Yemen and Al Barid Bank in Morocco to expand their youth services and products to rural populations, which has additional costs. Can you speak to the business case of serving this further marginalized population?

Ryan Newton: This is Ryan. I think, Christian, with your experience, I'll let you answer it, because you have more experience with the rural.

Christian Loupéda: Yes. As I said before, there's a business case, but it needs to be articulated and more clearly perceived by the organizations. Rural areas, as we all know, are the most difficult – I mean, rural segments are one of the most difficult to reach out to, and it takes more resources to serve people in rural areas.

So I think it is important that the organization be committed to serve that segment. I think it is key. This institutional commitment is key here, and that would really make them – make the decision that really this is a segment for us to serve, and let's do what – let's develop the business model that will help us to serve them, and still remain profitable.

So that's the question. So it is about to define the right business model to reach out to them, and use different channels that are adapted to do that.

And we in the – in the example, we discussed the use of existing delivery channels. Let's say if the organization is – has already a delivery channel in rural areas used for other products, they can piggyback on that, or get into a collaboration with other organizations there, and collaborate to use their existing delivery channels. Those are ways to reach out to hard to reach segments in rural areas, and doing it in a cost effective way.

So it takes a lot of creativity to do that, and more – and more importantly, to work on some projections with very clear assumptions, based on what they know at this point, and to help them to make – to make decisions and also be refining this business model along the way. So monitoring the access, the usage, and everything is very important. Thanks.

USAID Microlinks: Thank you, Christian. The next question is from Emilie Gettliffe with Market Shares Associates. It would seem that mobile banking platforms can really help minimize costs and expand access. What are the biggest challenges getting these types of products and services off the ground? Are there some studies showing how this impacts profitability?

Ryan Newton: Thank you. Thanks for your question.

Oh – I'll quickly answer and then pass it over. But we, again, like I mentioned, in the Dominican Republic, we had – we weren't able to use mobile banking because it hadn't been incorporated yet. However, it's now being tested at the bank, and they look forward, leveraging it for youth. I would say that Women's World Banking experience, where we have done mobile banking in other places, it's important to I think develop it for a broader market first, so for adult populations, for the entire bank, and then leverage it for youth, just because of the scale and the infrastructure costs.

And so just the same way with savings. It's advised to start with adult savings and then really get the experience under your belt and then go to youth savings. So I would – that would be the first point.

And then the second, in terms of studies, we have been doing in Nigeria a mobile-based product called BETTA, which has been very successful, and increased account activity and deposit growth among the clientele that just wasn't able to go to the branch, that do have a capacity to save. And we'll be having more research coming out of that, but it – we did do a lot of projections and modeling around the cost of the service, and defined a business case for it, which is why the bank moved forward with it.

But because the branch costs are so high, it really reduced the overall cost of the product. And so in that case, it was worth the investment for the bank. Christian?

Christian Loupéda: Thank you. Yes. I would say that mobile banking is an interesting strategy to use to reach out to youth, but really in the remote areas, and this is an element of answer for the previous question as well. But the use of mobile banking or mobile money platform that are existing takes to get into a partnership with a mobile network operator, and work as well on adapting that product that is offered.

Freedom from Hunger has some experience in doing that, particularly in Burkina right now, where we are linking savings groups, including youth as well, to a saving – to a formal savings product with Ecobank in Burkina.

So this takes a lot of time kind of to develop the partnership, and this is something to keep in mind as a cost, to really set up a partnership and get everyone on the same page to provide that – the service.

And the other area, as I said, is the adaptation of the product. Most of the time, the mobile money services are designed really to target a wide variety of people, of segments, and not specifically youth or rural populations or any specific segment. So you need to work with the mobile network operator to really make it work for your segment, and this may take some time as well. And also, this is technology, and quite new in some rural areas in some countries, so financial education is important here.

So yes, mobile money is – can help us reach out to more people, to more youth, in more cost effective manner, but we have to keep in mind that there are some costs to invest in there up front. Freedom from Hunger will be working in the coming months to better understand the business case from the financial institutions' perspective, as well as of the mobile network operators' perspectives, understanding their business case in doing that, and the work that we are doing – we are currently doing in Burkina would help us to get the data we need to better approach this question. Thank you.

USAID Microlinks: Thank you, Christian. We have time for about one more question. Before we get into that, I wanted to change the pod, the layout. We have a few end polls. These are questions about the presentation. We'd appreciate your feedback and thoughts on what was presented here today. We thank you also for joining us. I wanted to let you know that the presentation and the slides will be available on Microlinks in about a week after this presentation. If you're registered for the event, you will also receive an email alerting you to this – to when they are available.

In the meantime, please feel free to continue chatting in the chat pod. So our final question comes from Gloria Almeyda. Her name – she's from Georgetown University, the Center for Intercultural Education and Development. She says, I would like to know if there is any institution that is conducting research on youth, disaggregating data of clients, savings credit, other financial services, vary by age, by income generating activity, by gender, by place of work, residence, such as rural versus urban, et cetera. Do you think we need to learn about youth and then go deeper and listen to them, or do we need more bottom up research conducting more qualitative research on youth?

Ryan Newton: Well, Gloria, that's a great question, and as I mentioned before, I think actually as a sector, we're really doing a great job right now on conducting research on youth, and that being a part of any product introduction, is first starting with market research, and that's where – with our partners being technical assistance, provide really – support them on the research to ensure that products that are designed aren't just adult savings products with a nice logo, which some institutions will do. It actually is a product that's designed with the needs of youth; for example, minimum opening balances, understanding sensitivity to fees and interest rates, knowing what they're saving for, what their aspirations are, deciding whether it should be a programmed account or a liquid savings account.

So those are all very important areas that we explore in market research, and then as you asked, we also – so I'm just taking a look at your question. We also disaggregate our data. Once we've done the research and we find out what the clients need, then we – as the product is offered, we do a lot of data analysis to disaggregate the data, gender being a really important component for Women's World Banking, to ensure that products are designed with women – the needs of women and girls in mind, and then to understand if they're actually taking up the accounts and using them, and if not, tailoring strategies accordingly.

We also looked at age, place of work, residence, as you mentioned, rural and urban. It really depends on the segmentation that was decided upon in the market research phase. But as you said, these are all very important key points that you've addressed, and we're definitely taking them into consideration. And I would say Freedom from Hunger as well, and our other partners in the field, are taking this approach. I'll send some links. Even UNCDF is doing a lot about client research. SEEP actually just released a publication that consolidated a lot of the client research that has been done in the field, and I'll put that into the chat. And my colleague Celina as well may add some to the chat space as well. Thanks.

USAID Microlinks: Christian or Jessie, do you have any additions to add?

Christian Loupéda: Actually, no. I think what Ryan said is really – it's – I 100 percent concur to that. Yes, we need to research deeper on the youth, understand their needs. And right now, in the industry, we have been doing – we have been making a lot of progress in doing that, in understanding that youth as a segment is a distinct segment to understand, and so to have the right products, the right service, to serve them, and based on the right service, find the right delivery mechanism to get the service to them, and to get there, it's really – it is about understanding better their needs, and again, we are learning and increasing our knowledge in this area. Thanks.

Ryan Newton: I think that's a great point, and I also think that it's important to consider that youths' needs change over time, so it's important to do that thorough assessment of your market, but that also that organizations keep their eyes on that, because as youth age and turn to adulthood, their financial needs can change, oftentimes more frequently than adults' financial needs can change.

USAID Microlinks: All right. Thank you very much. And I think we have time for one more question. This one comes from Marcel Newsome with CRS. He says, I'm wondering about successes, experiences, and considerations with youth focus group VSL programs. And can you also just say what VSL is as well, for anyone who is wondering?

Ryan Newton: Is that question addressed to Christian? Or to Freedom from Hunger generally?

USAID Microlinks: I think anyone can answer if it's available. Christian, do you want to –

Ryan Newton: Yeah, go ahead and take it, Freedom from Hunger, because we actually don't work with savings groups, so go ahead.

Jessie Tientcheu: Okay. Well – oh, go ahead, Christian.

Christian Loupéda: Jessie, would you like to take it, or – go ahead, and I can add.

Jessie Tientcheu: Okay. In this presentation, we focus on our experience with our partners who are working in the formal financial services sector, but under the same larger youth savings and financial education project, we also worked with two partners in Mali who were delivering savings groups to youth.

I think we've begun to have some information coming out from the broader sector. There's been some great conversations happening in the chat box about this. So you can – anyone who's interested can skim through that and look for some experiences coming from PLAN, Making Cents, and other organizations.

I think what I found particularly interesting in our work is that I think that we sort of assumed at the beginning that youth really needed – the VSLA model, or the savings groups model, really had to have a lot of adaptation to serve youth, and having gone through this couple of year experience of forming youth groups and observing them and watching them function, and again, we're not really looking at children in the Freedom from Hunger example. We're looking at sort of like 13 to 24 year olds, so youth, adolescents really on that transition into adulthood, many of them with very adult responsibilities.

And the savings group methodology is pretty easily transferable to youth. We do see that they save smaller amounts, but that works fine with the methodology. We see that there's not as much use of loans, but they are actually using their resources available for income smoothing and consumption smoothing, just as adults do. And it really can still function as a fantastic platform to link in additional services that youth may need.

In our case, we linked in some financial and life skills education, but there's a – I think there's a lot of potential there for entrepreneurship, livelihood training, work preparedness, so they can serve a great platform as youth are in this sometimes risky transitional period between childhood and adulthood.

USAID Microlinks: All right. Thank you, Jessie. If there's nothing further to add, I'd like to thank our presenters, Jessie, Ryan, and Christian for their wonderful presentation today on "Youth Savings Services: Are They Worth It?"

Thank you to all of our participants as well. We appreciate you joining us, and I hope you found this enjoyable. I want to just add one more reminder to please complete the poll questions you see on your screen if you have not already. Also, the post-event products will be emailed out if you registered for this event in about a week. They will also be available on the Microlinks website at that time as well. We thank you for joining us today, and for further events, please visit Microlinks, and we hope you have a good day. So thank you, Jessie, Ryan, and Christian.

Jessie Tientcheu: Thank you so much for inviting us. Thanks, everyone, for joining.