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Exploring Frontiers in Inclusive Market Development

# MPEP SEMINAR SERIES | Exploring Frontiers in Inclusive Market Development

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## MPEP Webinar #16

# Youth savings services: Are they worth it?





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## **Ryan Newton**

### **Women's World Banking**

Ryan Newton is a savings specialist on the Microfinance Products team at Women's World Banking. She joined in 2011 and delivers technical assistance to network members in product and channel design, business case development, and financial capability strategies; manages project deliverables; and positions Women's World Banking's savings work across the industry. In this role, she has collaborated with financial institutions in Ethiopia, Mongolia, the Dominican Republic, India, Nigeria, and Tanzania. She has prior experience developing financially inclusive products and promoting financial capability in the nonprofit and private sectors.



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## **Jessie Christine Tientcheu**

### **Freedom from Hunger**

Jessie Christine Tientcheu is the manager of Product Development and joined Freedom from Hunger in 2008. Tientcheu works with the Product Development Team to support development and implementation of Freedom from Hunger's innovative products. Tientcheu 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. Prior to joining Freedom from Hunger, Tientcheu worked with the Imp-Act Consortium, a global association of organizations, promoting social performance management by microfinance institutions.



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## **Christian Loupéda**

### **Freedom from Hunger**

Christian Loupéda 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 (SPM). Loupéda is currently leading Freedom from Hunger's efforts in leveraging existing mobile money offerings for Freedom from Hunger's programmatic work. He joined Freedom from Hunger in 2000 and, through 2007, provided technical assistance to Freedom from Hunger's partners. He also led the work of the Impact Consortium, a global initiative involving organizations committed to promoting the practice of SPM in microfinance.

# Youth Savings Services: Are they worth it?



Women's World Banking

Ryan Newton, Women's World Banking  
Christian Loupéda, Freedom from Hunger  
Jessie Tientcheu, Freedom from Hunger



# Youth Savings Services: Are they worth it?

What is the organization trying to achieve?

What are the profitability levers?

How can the organization optimize costs?

What is the role of subsidies?

How to design for sustainability in the long term?

# What is the organization trying to achieve by serving youth?

**Cooprogreso and San José Cooperatives** (Ecuador);  
**Nyèsigiso Credit Union Federation** (Mali)

The institutions wanted to:

- Help youth begin to accumulate assets
- Have a positive impact on financial behavior of youth
- Foster better clients in the long term

**Banco ADOPEM**  
(Dominican Republic)

The institution wanted to:

- Introduce the next generation of clients to the bank
- Promote brand loyalty by deepening relationships with existing clients
- Advance financial inclusion for low-income Dominicans



# Balancing profitability with social objectives

Profitability



Profitability should consider an entire client relationship approach, not just product-based:

- Key revenue drivers
- Key cost drivers



# Profitability

Both cost and revenue drivers are intimately linked to the business model adopted by the Financial Service Provider (FSP) and to how well the business model is adapted to the market.



# Smart choices to optimize costs

## Optimizing Costs

- Leverage alternative channels (agent and mobile banking)
- Develop strategic partnerships
- Test sensitivity to:
  - Interest rates
  - Different types of incentives
- Engage youth through low-cost marketing, such as social media and mobile/internet channels

# Smart choices to optimize costs

## Optimizing Costs

- Increase field staff productivity and build the capacities of existing staff to serve youth or use of mobile technologies by field staff
- Leverage existing delivery channels
- Bundle savings, education and other products and promote as a package
- Adopt the right transportation policy
- Reduce field staff's time delivering education sessions

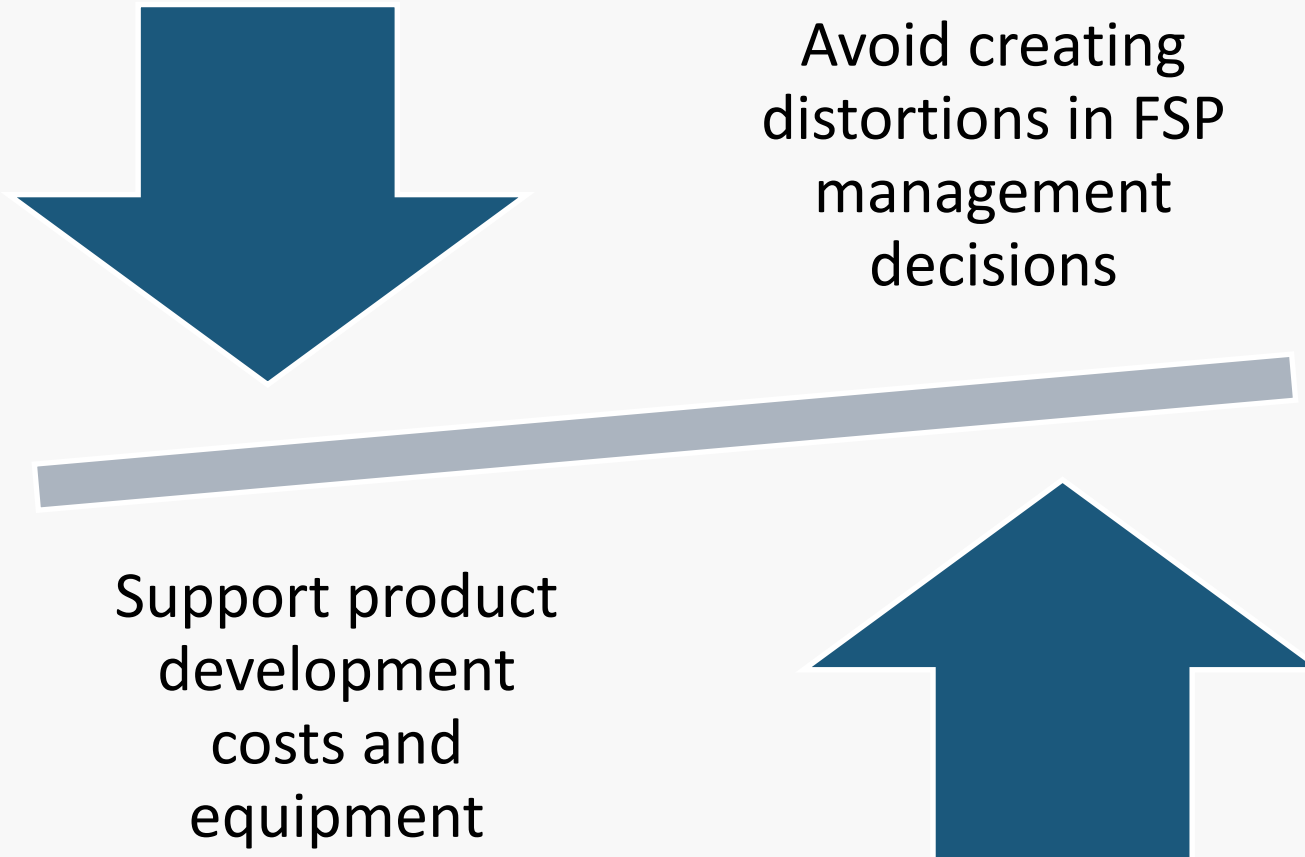


# Optimizing Costs

Cost optimization strategies should be implemented in parallel with revenue maximizing strategies.



# Role of Subsidies



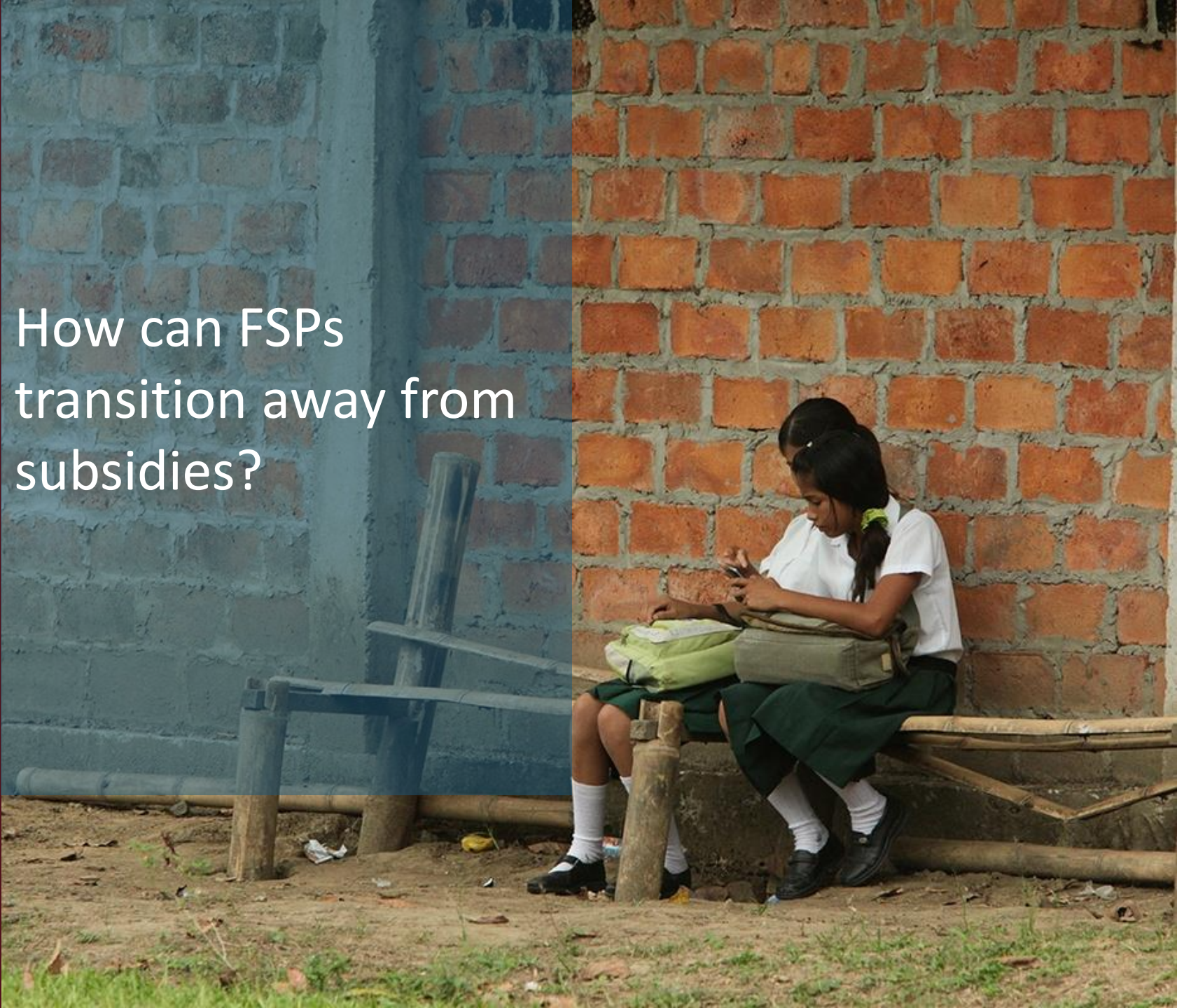
# Use subsidies in a smart way

- Test and evaluate strategies that institution might otherwise not have had the budget to explore, for example:
  - Non-financial services
  - Innovative marketing
  - High upfront fixed costs (if applicable)
- Develop cost-sharing models when possible to ensure continuity

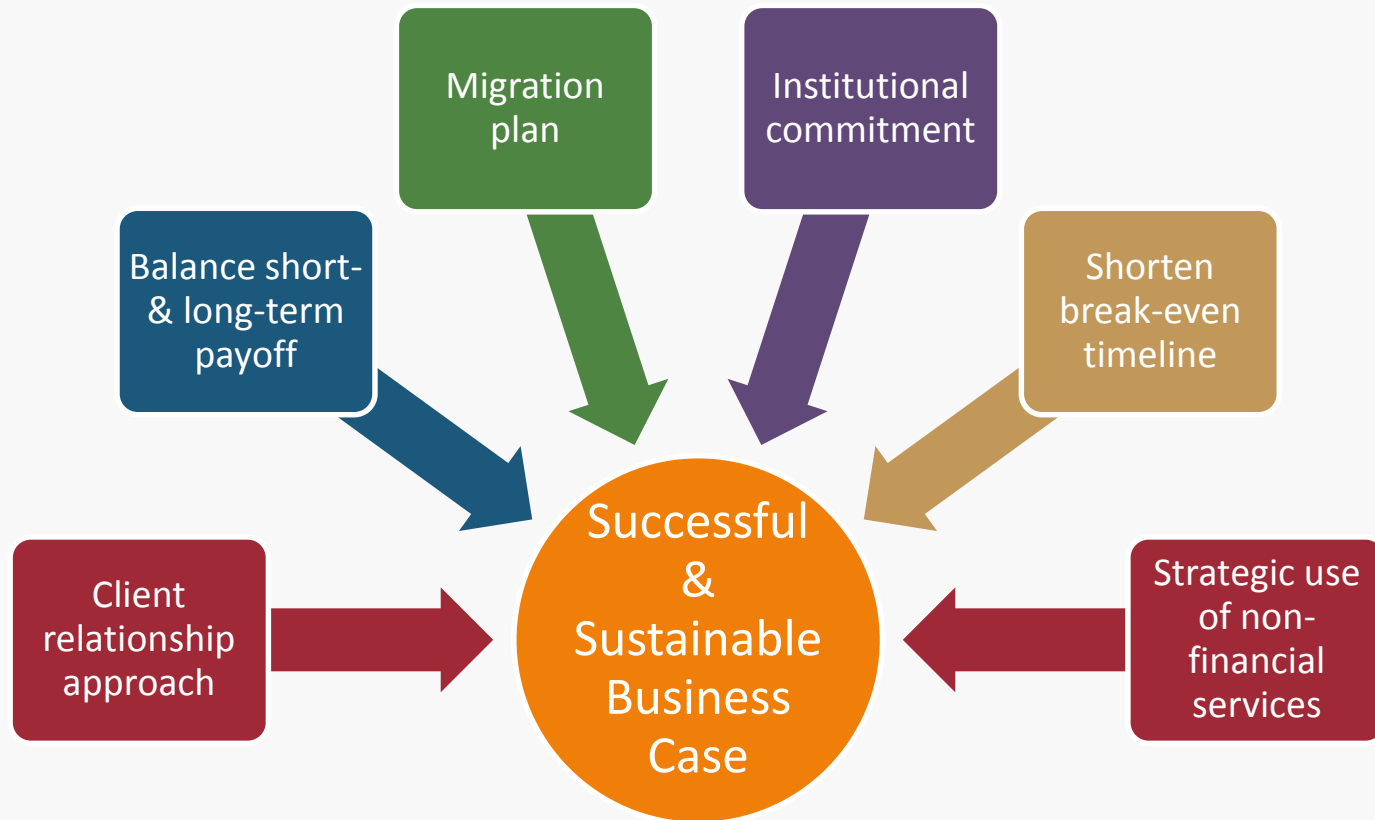


# Role of Subsidies

How can FSPs transition away from subsidies?

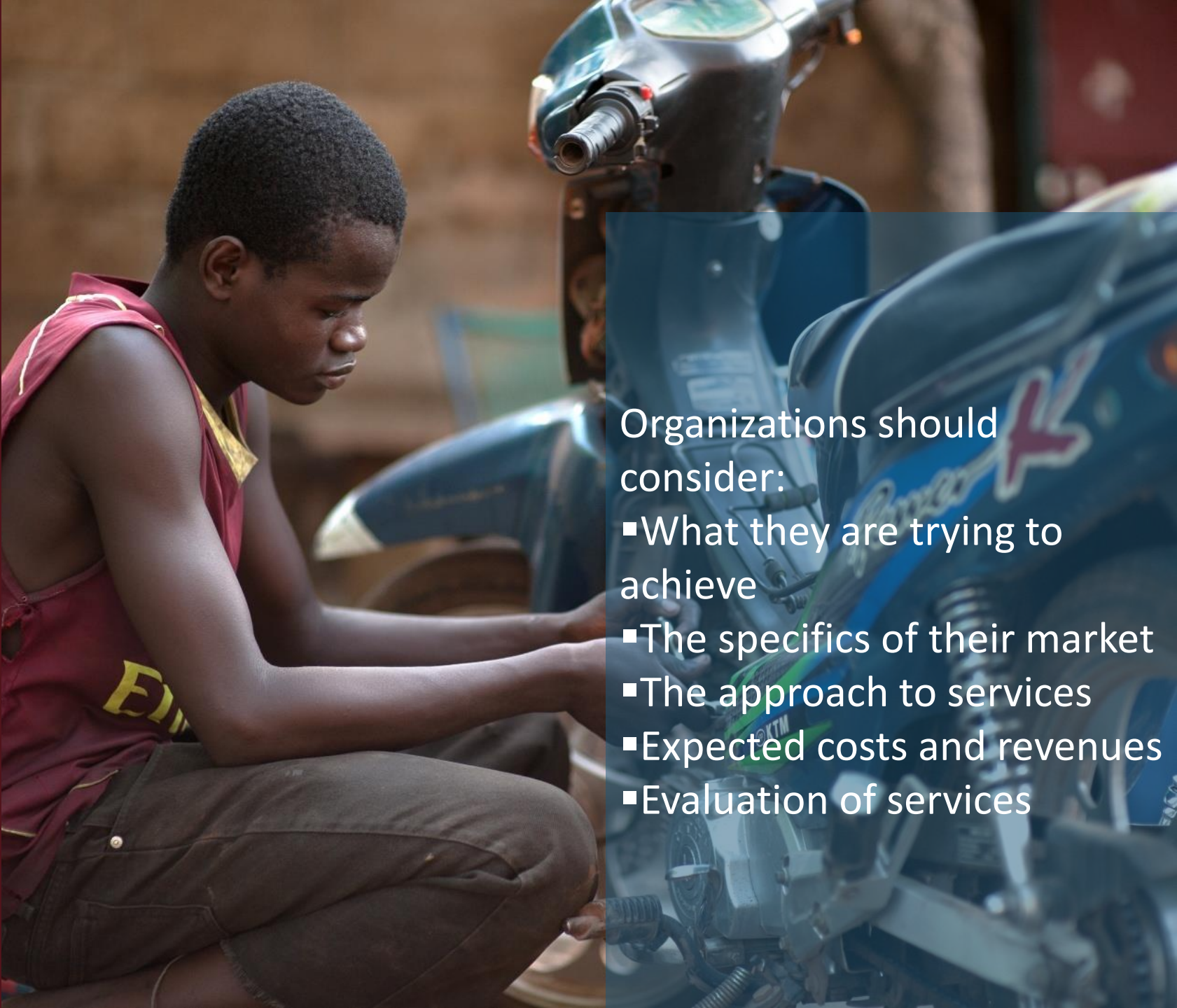


# Elements of a successful and sustainable business case for youth savings





# Getting Started



Organizations should consider:

- What they are trying to achieve
- The specifics of their market
- The approach to services
- Expected costs and revenues
- Evaluation of services



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## Advancing Financial Inclusion of Youth

Integrating financial services and financial education for youth

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### Approaches to integrating services

Determine which approach to use for delivering youth services

With personalized guidance based on your organization's priorities, this interactive module brings together resources in the fields of youth financial services and financial education to help your organization strengthen the financial capabilities of young people while building a strong future client base.

REGISTER TO:

- ACCESS COLLECTED RESOURCES
- COMPLETE ORGANIZATIONAL ASSESSMENTS
- SAVE YOUR PROGRESS

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### Show Me the Money

Cost and Revenues of Youth Savings and Financial Education Services Offered by Credit Unions in Mali and Ecuador



# BANKING ON YOUTH

A Guide to Developing Innovative Youth Savings Programs

This publication is a guide for deposit-taking institutions in any stage of youth savings program development—from those simply exploring the possibility of introducing youth savings, to those already offering youth products but looking for new ideas and strategies to improve performance.

INTRODUCTION

CHAPTER 1

Creating the Business Case for Youth Savings

CHAPTER 2

Program Design

CHAPTER 3

Implementation—Pilot and Roll-Out

CHAPTER 4

Program Evaluation



Women's World Banking

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## FOCUS NOTE

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and  
Emily Zimmerman

### The Business Case for Youth Savings: A Framework

Financial service providers (FSPs) should not ignore the financial needs of young people. Today, youth under age 25 represent nearly half of the world's population (UNFPA 2005); tomorrow, they will be adults in need of financial services. Offering youth formal financial services, especially savings accounts, is likely to pay off for FSPs in the long term as these youth become adults who need other services and who are comfortable in the formal financial services environment.

However, despite this potential, there are unique challenges to banking youth. Youth are harder to reach through traditional channels, they are price sensitive, and their accounts tend to have very low balances. In many countries, documentation requirements can be a barrier to youth entering into the formal financial sector. Given these challenges, many FSPs are wondering whether it makes sense to offer youth savings from a business case perspective, and if so under what conditions.

Currently, few FSPs in developing countries target youth specifically, and for those that do, youth often represent a small part of their overall operations. An exception is Kenya Post Office Savings Bank (Postbank), a large state-owned bank in Kenya. Postbank operates in a competitive market where 43 percent of the population is younger than 15.<sup>1</sup> Postbank's challenge was that its average customer profile was aging. Entering the youth market helped it to attract a younger customer base to the bank and keep Postbank relevant. Since launching its SMATA Account in 2012, Postbank opened approximately 70,000 new savings accounts directed explicitly at adolescents. However, Postbank notes that youth are difficult to bank, despite their large potential to become and remain customers. For example, many youth struggle with obtaining documentation. They are also price-sensitive, discouraged by even small fees on accounts, and their accounts tend to have very low balances. Despite these challenges,

the youth accounts in the bank are growing at an increasing rate.

While it is easy to argue the social value of extending financial services to youth, the business case question is more uncertain. As more FSPs have entered the youth market, the question has been whether they can offer youth savings products sustainably. In other words, is there a business case for offering youth savings products?

There is no single answer as to whether there is a business case that applies across different contexts at different points in time. A more practical approach is to determine what value for FSPs offering

savings products represents to FSPs, and how that value is influenced by the institutional environment. This framework provides a starting point for thinking about what products are most likely to be successful in different contexts, and how to design products that are more attractive to youth.

The state of the youth market is complex and dynamic. This note provides a literature and quality assurance review of the methodologies used in the YouthStart programme that will be used to evaluate the business case for youth savings products. The note also discusses how the findings can be used to inform the design and implementation of youth savings products.

<sup>1</sup> Kenya Population Data Sheet 2011 | Population Reference Bureau.  
<sup>2</sup> The institutions interviewed for the research include ADOFIM (Dominican Republic), A Bank of Kathmandu (Nepal), BRAC (Bangladesh), CARD Bank (Philippines), Cooperative Kenya, FHC Bank (China), Kenya Post Office Savings Bank (Kenya), Praxidis (China)



### BUILDING THE BUSINESS CASE FOR YOUTH SERVICES

### BANKING A NEW GENERATION

POSSIBLE RETAIL BANKING PRODUCTS FOR CHILDREN AND YOUTH



### INSIGHTS OF THE YOUTHSTART PROGRAMME





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