MicroSave Briefing Note # 117

Youth-Inclusive Financial Services (YIFS): Lessons & Key Considerations (Part I)

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> Ensuring that youth have access to the financial services is important because it helps them develop the financial capability to become financially responsible as young adults. It is also important however to have the right product and legal framework in place so that those youth are adequately protected.
> *Bryce Kam, "Legally, how young is too young to open a savings account?" CGAP Microfinance Blog, Jan. 10, 2011*

Background

There is growing interest around the world in extending financial services to youth as part of broader financial inclusion initiatives. But in most countries, youth under the age of 18 are not able to open and operate savings accounts as most banks require signed contracts for this. In most cases, accounts for such youth are held and managed by parents or guardians. This, however, limits the financial capability that would be gained from actively operating an account.

MicroSave and the Population Council have been managing The Nike Foundation's Safe and Smart Savings Products for Vulnerable Adolescent Girls (SSSVAGs) project implemented in Kenya and Uganda. The project, among other objectives, seeks to extend financial services and build financial capability amongst young girls 10 – 19 years of age.

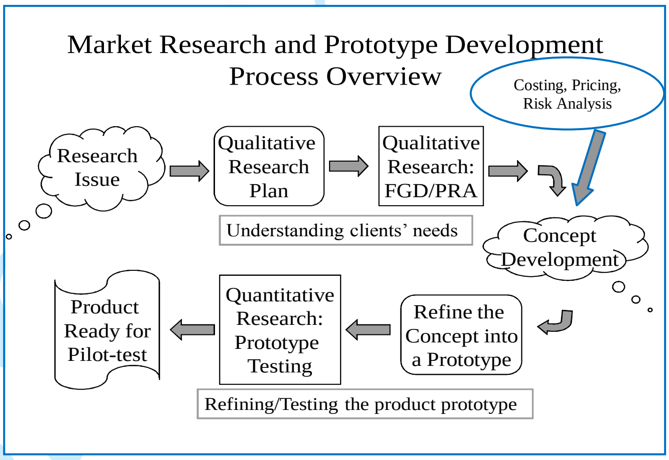
This Note presents key lessons learned from this project, on youth-inclusive financial services using the "8Ps of marketing" as a framework. The lessons, derived from the success and challenges experienced, offer an opportunity to inform future YIFS programmes.

MicroSave's 8Ps of Marketing	
• Product Design	• Place
• Price	• People
• Process	• Promotion
• Physical Evidence	• Positioning

Product Design

Careful product design is critical to ensuring product uptake and usage. Under this project, savings products were designed specifically for the adolescent girls using *MicroSave's* ***systematic product development*** approach which begins with market research to understand the target clients' current financial behaviour, needs, coping mechanisms, gaps and preferences.

This approach helps design products that are appropriate to the target group. Since the product responded directly to the needs of the girls, the uptake far exceeded expectations. As of October 2011, over 6,000 girls' accounts had been opened with savings totalling to slightly over $60,000. In addition, partner financial institutions (FIs) found the process of product development invaluable as it gave them a chance to understand this unique and new target market, and further use the approach to develop their other products.



Another success factor was the integration of ***non-financial services***, which included financial education, social and reproductive health training and fun days with activities such as plays, drama, and debates. These activities helped build financial capability and self-esteem amongst the girls while also motivating them to participate in the programme and continue saving.

However, while their importance was appreciated, these activities were costly, and the FIs felt that they went beyond their scope of operations and expertise. New approaches to manage this component were explored. These included forming strategic partnerships with school clubs and youth serving organisations that were then supported financially by the project.

One challenge for the product design, however, was the ***regulatory requirements***. The regulatory environment in both Kenya and Uganda states that no-one below the age of 18 years can open and transact an account on their own or enter into any formal contract. Furthermore, it requires that all children's accounts be operated by the parents and/or the legal guardian, with sufficient supporting documentation to identify both the child and the parent/guardian. This serves to minimise risk and to boost confidence that they will be acting in the best interest of the child while operating that account. This posed a challenge on several fronts, particularly in Kenya where KYC (Know Your Customer) requirements are more stringent.

First, the vulnerable children living in the slums, more often than not, did not have any sort of identification documentation such as a birth certificate, which delayed account opening.

Secondly, guardians living with orphaned children had no formal documentation showing that they were the legal guardians or foster parents to these children. Most such relationships are not formalised with the government and this meant excluding some of the most vulnerable children – the orphans. Thirdly, while the age restriction did not impact directly on making deposits, there was less convenience in making withdrawals as this was dependent on the adult's availability. This was however not a major challenge as most of the girls rarely made withdrawals.

Various options to overcome these challenges were explored. These included: parent's/guardian's written consent for the young person to use a financial mentor that she trusts and can be relied upon to help them make withdrawals; use of alternative identification documents for the youth such as immunisation and baptism cards; and obtaining letters from national authorities that confirm guardianship. This partly worked but in some instances, but FIs were reluctant to go against the norms.

The model adopted needs to conform to the regulatory requirements in each country. At the same time, deliberate effort needs to be made to ensure that YIFS programmes bring about change at policy level where real needs exist.

Price

The product was tailor-made as a social product for economic empowerment of the girls. This meant that they were not subject to any charges on the account, which in turn meant that the FIs did not get direct revenues from offering this account. The cost of delivering the account with the augmented services was also very high, but this was supported by donor funding for the project period.

Initially, all the FIs embraced the non-profit making product. Some took it up as part of community social responsibility and brand building, while others saw the potential of creating a loyal clientele for the future once the young people graduated to the adult products. There was also the opportunity to cross-sell existing products to the girls' parents/guardians. But, when it came to actually operationalising the product, some institutions, particularly those going through institutional restructuring, had a hard time focusing their energies on a product that would do little for their bottom lines, preferring to direct their energies towards other products.

The cost of running such a programme is high and donor money is helpful to underwrite the initial stage. However, any FI which wants to carry out such a programme in the long term must have a strategy for its sustainability in the post donor period. A costing exercise and careful analysis of institutional objectives are essential to ensure such products are priced right for them to bring in income and contribute to the bottom line, even if in a small way and on a marginal costing basis.

Process

The FIs struggled with the decision whether to mainstream the product or to have it handled as a special account. Most institutions chose not to mainstream it as a totally new product, but instead had it piggy back on an existing product on the MIS system. This brought about some unique challenges where other bank staff became confused about how to handle its various exclusions and special features. It was also subjected to the automated prompts of the "old" product, which made some of the girls' accounts go "dormant" and even subjected them to un-intended fees.

Another critical challenge was the account opening process. The main issue was obtaining the requisite documentation, in particular the birth certificates for the case of slum dwellers. Where this was a problem, a grace period has been provided whereby accounts were opened while the documentation was being prepared. The process of seeking legal guardianship however still remains a problem, leading to exclusion of orphans without legal guardians.

Physical Evidence

Girls who opened the accounts were provided with branded t-shirts, scarves, a home bank and a passbook. These items helped the girls to identify with the account and encouraged them to keep transacting on it.

Other items provided to the girls were in form of gifts (such as branded mugs, books, key holders, and sanitary pads) during the fun days as rewards to those who were regular savers and for regular attendance at group meetings.

This Briefing Note looked at the background and lessons learned under the first 4Ps - product design, price, process, and physical evidence. The next one (Briefing Note # 118) looks at lessons learned under 4 other Ps, namely, Place, People, Promotion and Positioning.