

Building Sustainable Business Models for Youth Financial Services

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case study

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Cover Photo: FINCA Uganda

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Table of Contents

Abstract	2
Acronyms	2
Introduction	3
Key Definitions and Concepts	3
A. Business Model	3
B. Sustainability	5
C. Building Sustainable Business Models for Youth Financial Services— Six Considerations	5
Case Study 1: FINCA Uganda	7
A. Background	7
B. FINCA Uganda’s Business Model	8
Case Study 2: Catholic Relief Services and Enlace	10
A. Background	10
B. Enlace’s Business Model	11
Building Sustainable Business Models for Youth Financial Services	13
A. FINCA Uganda’s StarGirl Youth Product	13
B. Enlace’s Youth Products	15
Integrating Youth Products into Sustainable Business Models: Addressing the Six Considerations	19
Conclusions and Lessons Learned	22
About Catholic Relief Services and Enlace	24
About FINCA Uganda	24
About the Innovations in Youth Financial Services PLP	24

Abstract

This comparative case study was developed as part of The SEEP Network's *Innovations in Youth Financial Services Practitioner Learning Program (PLP)* in partnership with The MasterCard Foundation. It examines the experiences of Catholic Relief Services (CRS)-El Salvador, Enlace and FINCA Uganda as they work to scale up their youth financial products through incorporation into sustainable business models. For many financial institutions, youth financial products and services are not fully integrated into organizational business models since they are often a part of a corporate social mission and generate little initial financial return. However, in order to effectively reach more youth clients at scale, it is important for financial institutions to carefully evaluate their youth financial products to determine where they might fit into the organizational mission and whether they currently are (or ever will be) financially sustainable. In this document, CRS-El Salvador, Enlace and FINCA Uganda explore considerations around offering mission-driven and sustainable financial products to youth clients.

Acronyms

CRS	Catholic Relief Services
CSR	Corporate Social Responsibility
FSP	Financial Service Providers
MFI	Microfinance Institutions
PEDN	Private Education Development Network
PLP	Practitioner Learning Program
POS	Point of Sale
SILC	Savings and Internal Lending Communities
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme

Introduction

Approximately 18 percent of the world's population, or 1.8 billion youth, fall between the ages of 15 and 24.¹ While youth currently represent one of the fastest growing segments of the world's population, a large majority of young people, especially in developing countries, do not have access to appropriate financial services. This limits their ability to save in a secure place, to obtain loans to pursue goals and to send or receive money safely. Sustainable and scalable delivery of financial services to youth, especially in the developing world, is an ongoing challenge. In order to provide long-lasting financial services to the large numbers of youth who are currently excluded, institutions must be able to incorporate such products into a sustainable business model. To do this, financial institutions could adjust their business models to incorporate youth initiatives or simply better understand how youth products can fit into their existing models.

Globally, youth financial services are still at a nascent stage, and while many institutions have begun experimenting with products and delivery systems, there is little consensus on how best to reach scale. A number of success stories have emerged though, illustrating that it is possible to provide sustainable youth financial products at scale. This early evidence indicates that youth products are sufficiently different from mainstream financial services and warrant specific examination. Scaling up products for youth requires special consideration, particularly in connection to timeframe since it may take longer for organizations to create and deliver sustainable youth products. In parallel, while youth products may take longer to achieve profitability, there are significant long-term social and economic benefits to providing such services. The YouthSave Consortium emphasizes the value of reaching young clients when new habits are easier to form and points to the dual benefits of youth development and economic inclusion that can be achieved with youth savings accounts: "Where it exists, evidence suggests that initiatives that enable low-income and vulnerable youth to accumulate assets may have the potential to improve the well-being of this population."²

Drawing on the experiences of FINCA Uganda, CRS-EI Salvador and Enlace, this case study explores two different business models currently being utilized by practitioners working in youth financial services and illustrates ways to effectively integrate youth products as a way to scale up.

Key Definitions and Concepts

A. Business Model

Although there is little consensus on what constitutes a business model in the financial services industry, for the purposes of this discussion, it is conceptualized as the connection between an institution's strategy, its structure and its processes.³ In the simplest terms, a business model describes what a business does and how it plans to make money doing these things.⁴ It also includes both the *creation* of value and the *capture* of value. In the case of youth financial services, a financial institution may create value (both quantifiable and

A business model is the connection between an institution's strategy, structure and processes that clearly outlines how the organization will create and capture value.

1 UN Department of Economic and Social Affairs Population Division, n.d., "Detailed Population Indicators," UN, New York, http://esa.un.org/unpd/wpp/unpp/panel_indicators.htm, (accessed October 25, 2011).

2 Youth Savings in Developing Countries: Trends in Practice, Gaps in Knowledge. *Youth Save Consortium*, May 2010.

3 Mayson, S. Business Models in Legal Practice. *Georgetown University*, 2010. Accessible at: <http://www.law.georgetown.edu/LegalProfession/documents/Mayson.pdf>

4 Herman, G., D'Urso, V., Malone, T., Weill, P. & Woerner, S. Do Some Business Models Perform Better than Others? A Study of the 1000 U.S. Largest Firms. *Sloan School of Management, MIT*. Accessible at: <http://ccs.mit.edu/papers/pdf/wp226.pdf>

unquantifiable) through the development and delivery of new products and services, such as savings accounts for youth or financial education. Offering youth financial services also allows organizations to capture value in a variety of ways. Quantifiable captured value can include financial profit for the organization and larger numbers of clients, including uptake of new customers through cross selling products to family members of youth clients. Non-quantifiable value may include the improvement of the institution's reputation in the community. A viable business model allows an organization to balance core internal elements (products/services, resources and strategy) with the external environment in which the business operates.

A business model can be further defined by three interconnected elements:

1. Strategic considerations and objectives:

- Which client segments does the organization target?
- How is it positioned in the market?
- What types of products and services does the organization offer?
- How are new products developed and priced?

2. Resources required:

- What knowledge, skills and resources does the organization need in order to create value for its clients and achieve its objectives?
- Are these resources internal or external?
- Does the organization partner in order to access these resources?
- How does the organization build and finance activities in the short and long term?
- What is the organization's funding streams?

3. Financial and social outcomes:

- How does the organization attain sustainability over time?
- Does the organization require each product to break even or are some initiatives subsidized by more profitable products?⁵
- How satisfied are clients?⁶
- Does the organization measure social impact? If so, does the organization accept lower returns due to its social mission?
- Is the organization capturing additional value beyond the direct impact of the youth products, for example with cross selling or improved reputation in the community?

Using the framework above, this case study will outline CRS-El Salvador, Enlace and FINCA Uganda's business models. It will focus on how their development and delivery of youth financial services fit into these models and how this has contributed to their strategies for scaling up.

5 The SEEP Network's Social Performance Management glossary defines breakeven point as the point at which the volume of sales or revenues exactly equals total expenses—the point at which there is neither a profit nor loss—under varying levels of activity. The breakeven point tells the manager what level of output or activity is required before the firm can make a profit; reflects the relationship between costs, volume and profits.

6 Client satisfaction attempts to measure the extent to which clients' wants, needs and expectations are being met.

B. Sustainability

Definitions of sustainability vary, but most microfinance practitioners include measures of financial self-sufficiency balanced with social responsibility to deliver services to clients. Financial sustainability is vital in order for organizations to offer sustained services without dependency on donors or governments.⁷ There are varying degrees of sustainability, ranging from financially sustainable to unsustainable.

For any financial product to make business sense for an institution, the revenue it generates must be sufficient to cover all its related costs. However, for products that require innovation, such as the use of a new delivery methodology or outreach to a new target market, additional time may be required for the product to reach financial sustainability.

Institutions define sustainability differently depending on their business model. For-profit institutions, such as selected MFIs or banks, must generate enough profit from their portfolio of products to meet all operating costs as well as generate returns for shareholders. Non-profit organizations, on the other hand, depend on external funding and may be able to offer products that do not entirely cover costs. Arguably, these products are not financially sustainable in the long run, as they rely on external revenue to subsidize costs.

The SEEP Network's Social Performance Working Group defines sustainability as the capability of an organization to sustain its activities over the long term, having taken due account of its environmental, social, and human impacts.

The SEEP Network Social Performance Working Group, "Social Performance Glossary," October 2006

Many for-profit financial service providers also offer products that are not financially sustainable on their own. These products may fulfill part of the organization's social mission, creating avenues of goodwill in the community or region to attract future clients. Alternatively, such products may be designed to reach a target group that will be more financially viable in the future, such as youth.

For the purposes of this paper, an organization has reached sustainability when all costs are covered by revenue generated and operations can continue into the future. Profitability, on the other hand, is more time-bound and provides a snapshot of a point in time. Whereas an organization may be profitable at a defined point in time, sustainability is measured over a longer time horizon, which is often not defined.

C. Building Sustainable Business Models for Youth Financial Services—Six Considerations

Organizations wishing to scale up youth financial services must consider how these products will fit into their organizational business model, ideally from the beginning of the product development phase. Financial service providers should keep in mind certain considerations to ensure long-term sustainability of youth financial services:

CLIENT-LEVEL CONSIDERATIONS:

1. **Segmentation:** Many financial institutions target youth with the intention of securing life-long customers. However, young people's life stages are characterized by change, including changing work conditions, geographic locations and household dynamics. Such changes can alter the financial service needs of youth, requiring financial institutions to respond with flexible products or a suite of appropriate services. Targeted market research, product development and regular modifications (all of which require additional resources) may be necessary to counteract the increased mobility and changes that youth experience. Further, regulatory barriers

⁷ Quang Vinh Evans Luong. Sustainable Microfinance: The balance between financial sustainability and social responsibility. *19th EDAMBA Summer Academy*, 2010. Accessible at: <http://www.microfinancegateway.org/gm/document-1.9.45560/sustainable%20microfinance--.pdf>

may restrict the types of products that can be offered to different age segments and must be taken into consideration during the product development stage.

- 2. Costs of acquiring and retaining clients:** Financial service providers working with youth clients often have higher-than-normal costs of mobilization and retention due to the inclusion of unique stakeholders such as parents, community leaders and school officials combined with competing priorities for youth clients. In addition, institutions targeting youth often perceive this group as a higher risk market and, as a result, require young clients to receive training or mentorship. These additional services require increased staff time and, therefore, increase the overall cost of the financial products.

PRODUCT-LEVEL CONSIDERATIONS:

- 3. Product design and features:** During the adaptation or creation of youth financial products, organizations must consider the implications of special product features such as preferential interest rates, longer loan repayment periods or other modifications in order to make products more accessible or attractive to youth clients. Market research may indicate that such modifications are necessary for youth but they also must be balanced against the costs to the organization.
- 4. Complementary activities:** Because youth are seen as a higher risk market by many financial institutions, complementary services such as training or mentorship are often offered to better prepare young people to make informed decisions about financial services. These services may incur direct or indirect costs, depending on whether they are offered by existing staff, new staff or partner institutions and, as such, must be evaluated from a cost perspective during product development.

INSTITUTIONAL CONSIDERATIONS:

- 5. Timeframe:** Youth are largely regarded as small volume customers. With savings products, youth generally have very low average balances coupled with small transaction amounts in limited numbers over a given period. Youth loan clients often choose or are eligible for relatively small amounts of credit, meaning that their cost to the institution is high in relation to their share of the loan portfolio. As a result, organizations may need to build in more time for these youth products to reach sustainability.
- 6. Scale up:** In alignment with scale up targets, organizations should evaluate how the eventual allocation of necessary scale up resources (financial, operational and human) will affect the sustainability of the product. Although youth financial products are typically viewed as having a higher per-client cost, scaling up can also potentially result in selective cost savings as it may provide the opportunity to reduce costs if economies of scale can be identified.

Case Study 1: FINCA Uganda

A. Background

1. Operational Context

Uganda has one of the youngest populations in the world, according to the World Bank's *Africa Development Indicators*.⁸ The under 15 population makes up 49 percent of the total, and youth 10 to 24 years of age comprise 34 percent of the population.⁹ Uganda has a population growth rate of 3.2 percent annually, which translates into approximately 1.2 million new citizens every year. The national percentage of the population living below the poverty line is 31 percent with considerable regional variations (between 30 and 65 percent in different regions in the country¹⁰).

According to the *Africa Development Indicators*,¹¹ unemployment among youth in Uganda between the ages of 15 and 24 is as high as 83 percent, one of the highest in the world. The Ugandan Ministry of Gender, Labour and Social Development noted that 380,000 new graduates compete for an estimated 90,000 jobs available each year.¹² In addition, legal and institutional factors often exclude Ugandan youth from access to financial services. The minimum legal age for signing contracts is 18, which often forces financial service providers (FSPs) to target youth through their parents, preventing them from designing specific products tailored to the needs of the growing youth population.¹³ In addition, many financial institutions and informal lending groups perceive youth as risky and, as such, institute policies to limit their access. In *Microfinance, Youth and Conflict: Central Uganda Case Study*, authors found that adult microfinance (MFI) clients often excluded youth from lending groups because of perceived risks associated with youth's mobility, willingness to take risks, lack of discipline in spending and maturity levels.¹⁴

2. FINCA's StarGirl Youth Product

FINCA Uganda has been providing financial services to youth since 2009, initially through their FINCA Junior product targeted at parents and guardians wishing to start savings accounts for their children. In 2009, FINCA Uganda also introduced the StarGirl youth pilot product specifically targeted to teenage girls aged 10 to 19. In addition, FINCA Uganda is currently in the process of developing new products for youth clients, focusing on youth in school (FINCA Super Savers), teenage boys and older youth. This case study explores the business case for the StarGirl product since it was the first product specifically targeted to youth clients.

FINCA Uganda's StarGirl product utilizes a voluntary savings methodology and is offered to girls both in and out of school who are part of self-managed groups. StarGirl was originally piloted in two peri-urban branches outside of Kampala, but recently it has expanded to two additional branches in rural areas. Groups are typically comprised of 10 girls and meet approximately once a week. In addition to facilitating savings activities, StarGirl groups also serve as forums for the delivery of complementary services such as financial education, peer support and social activities like drama, games and sports.

8 2008/2009

9 Population Reference Bureau, 2008.

10 GCAP Uganda; Learning Brief, 2009.

11 2008/2009

12 MDG 1: Eradicating Extreme Poverty and Hunger: Youth Efforts to Achieve MDGs in Rural Uganda. *Uganda Youth Network*, July 2010

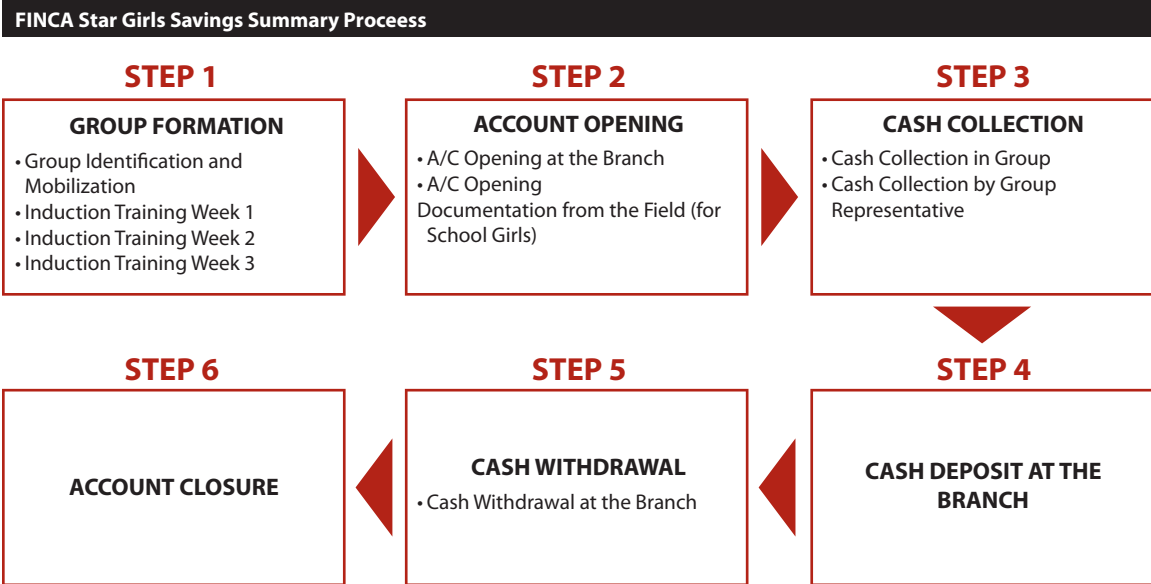
13 Morrison, D. National Strategies for Successful Youth Financial Inclusion, Accessible at: <http://www.yfslink.org>

14 Donahue, J., James-Wilson, D. & Stark, E. Microfinance, Youth and Conflict: Central Uganda Case Study. microReport #38, Accessible at: www.equip123.net/docs/e3-UgandaCaseStudy-FINAL.pdf

The StarGirl product is implemented utilizing a community-based approach. Community leaders, parent advocates and school teachers are mobilized prior to the formation of a StarGirl group. By doing this, FINCA Uganda helps to ensure the long-term sustainability of the groups by obtaining buy-in from key stakeholders. In addition, FINCA has allocated four staff members and 10 youth mobilizers to implement StarGirl during the pilot phase.

For girls under 18 years of age, savings accounts are managed by co-signers, mentors or guardians, because of Ugandan regulatory requirements. StarGirls are trained on how to select a trustworthy mentor with criteria provided by FINCA Uganda Field Officers during training and induction. However, even though mentors often accompany clients under the age of 18 to branches for transactions, they have no access to the client’s account details. Mentors are also required to participate in regular trainings conducted by FINCA Uganda to ensure that they understand their role in the program. Before individuals are officially approved as mentors, FINCA Uganda conducts a thorough background check through requested documentation, similar to the process of opening up an account.

Figure 1: Steps for Creating a StarGirl Group



B. FINCA Uganda’s Business Model

Strategic Considerations and Objectives

FINCA Uganda is a wholly owned subsidiary of FINCA International, a network of microfinance providers founded in 1984. FINCA Uganda operates on the same principles and general business model as FINCA International. With a mission to support sustainable livelihoods to vulnerable populations in Uganda through provision of financial services, FINCA Uganda’s social mission supports working with youth. Additionally, one of FINCA Uganda’s organizational objectives is to become more widely relevant in communities where they currently operate. FINCA Uganda sees youth not only as a present client base but also as potential long-term customers. FINCA International has recently become interested in the StarGirl product and has begun developing a network-wide strategy for serving youth. Though adolescent girls are not

Serving youth is supported by FINCA Uganda’s mission and also provides the following long-term benefits:

- Increased community relevance
- Enhanced institutional brand and reputation
- Access to expanded adult markets through cross-selling

necessarily a profit-making market segment for FINCA, serving them is a clear realization of the mission to target vulnerable groups.

As mentioned in the section above, FINCA Uganda currently offers two products targeted directly to young people: StarGirl and FINCA Junior. FINCA Junior is marketed to existing adult clients, offering them the opportunity to open and administer a savings account for a child, often for the payment of education fees. Launched in 2009, FINCA Junior is now offered in all of FINCA Uganda's 26 branches. By contrast, StarGirl is marketed directly to youth, specifically teenage girls. Currently, StarGirl is offered in four of FINCA's branches. But by 2013, FINCA Uganda hopes to roll out a number of youth financial products (including StarGirl) to all 26 branches.

Resources Required

A variety of human and financial resources have been committed by FINCA Uganda for the implementation of the StarGirl product. Staff members from a variety of departments including senior management officials, finance officials, marketing officers, branch managers, field officers and community mobilizers all currently work on StarGirl. Funding for product operations is provided with profit from operations as well as income from investments. In addition, as part of their mission, FINCA Uganda provides all branches with a limited corporate social responsibility budget with which branches can determine how to spend. Finally, FINCA Uganda partners with different organizations including local schools, communities as well as other organizations such as the Private Educational Development Network (PEDN) to reduce institutional costs while benefiting from external expertise.

Financial and Social Outcomes

FINCA Uganda's youth products currently account for a very small percentage of their entire savings portfolio (0.2 percent for StarGirl and 1.2 percent for FINCA Junior). While FINCA Junior currently covers its implementation costs,¹⁵ StarGirl does not. FINCA Uganda hopes to increase revenue from StarGirl by increasing volume (through more accounts and larger savings amounts) through the eventual roll-out to additional branches. In addition, FINCA Uganda sees StarGirl as contributing to financial and organizational sustainability on a longer timeframe through the cross-selling of products and the establishment of youth as long-term customers. However, financial sustainability is not FINCA Uganda's only objective. By providing guidance and direction for youth through their products and services, FINCA Uganda sees itself as also fulfilling a social mission to educate future generations about how to engage in financial services responsibly. More information about the specific costs of FINCA StarGirl and current financial sustainability will be provided in "Building Sustainable Business Models for Youth Financial Services."

¹⁵ Implementation costs for FINCA Junior are lower due to the fact that it is operated solely out of FINCA Uganda branches. Additional costs such as savings group formation and management as well as complementary services are not incurred through the FINCA Junior product. Furthermore, savings volumes are higher because FINCA Junior is offered at all of FINCA Uganda's branches.

Case Study 2: Catholic Relief Services and Enlace

A. Background

1. Operational Context

In 2010, the population of El Salvador was 6.2 million with 33 percent of the total under the age of 15.¹⁶ According to UNICEF's 2011 *State of the World's Children* report, Salvadoran youth are often exposed to increased economic vulnerability because of high rates of domestic violence and broken families. Forty percent, or 2.4 million, of El Salvador's population is under the age of 18 and, of these, 43 percent live with only one parent.¹⁷

Youth unemployment is a critical problem in El Salvador, where approximately 33 percent of people aged 20 to 24 are out of work. Furthermore, it is estimated that 25 percent of youth aged 15 to 19 are out of school and unemployed. Poor youth, in particular, face significant barriers to employment opportunities, with nearly half of them dropping out of school before completing sixth grade.¹⁸ Unemployment has been linked to increased gang activity in El Salvador, primarily affecting young men between the ages of 13 and 25. Gang members are often poor and cite social exclusion as a main reason for gang participation. CRS and Enlace have found, through informal conversations with youth, that many potential youth entrepreneurs fear starting a business because it will attract gang activity.

2. CRS and Enlace's Youth Products

Enlace currently offers savings and lending services to youth between the ages of 12 and 24. Enlace's work with youth began through its community bank methodology that facilitates loans to groups of 7 to 25 people based on group solidarity guarantees. In community banking, the group organizes a board of directors who requests loans from Enlace. If approved, money is disbursed to the group and divided among the members. The group then collects the payment for the loan and repays Enlace. Enlace began offering mixed community bank groups of youth and adults in 2006 and youth-exclusive savings groups in 2010.

CRS and Enlace: A Partnership for Youth

Enlace began partnering with CRS in 1997, when CRS created Enlace. Although both organizations have different missions and structures, the partnership has been successful because of each organization's commitment to working with underserved groups including youth. To ensure cohesion in the development of their youth financial services, CRS and Enlace conducted market research together to ensure that both the financial and social elements of the product would be well understood and agreed upon by each organization. Since Enlace's core strength is financial product delivery, they have been responsible for the design and roll-out of the loan products while CRS's role has been the transfer of technical knowledge to Enlace.

For the purposes of the PLP, SEEP focuses on Enlace's financial services as the main point of intervention with clients. However, CRS provides valuable technical assistance to Enlace and brings a long history of active community development and economic empowerment work in El Salvador. CRS's positive reputation brings prestige and legitimacy to the youth work, and the partnership with Enlace facilitates access to financial services that would otherwise be unavailable for poor entrepreneurs, including youth.

¹⁶ Population Reference Bureau. 2011 World Population Factsheet. Accessible at: www.prb.org/pdf11/2011population-data-sheet_eng.pdf

¹⁷ UNICEF, State of the World's Children. June, 2011. Accessible at: www.unicef.org/.../SOWC_2011_Main_Report_EN_02242011.pdf

¹⁸ La Prensa Grafica El Salvador (August 12, 2010). Ministerio de Economica, Direccion General de Estadistica y Censos. Situational Diagnosis of Youth Employment in El Salvador.

In 2009, Enlace combined its community bank methodology with CRS's savings and internal lending community (SILC) methodology (please see accompanying text box) and adapted the services for young people. Later in 2009, Enlace began organizing and running their own savings groups, with technical support from CRS. The groups meet regularly and deposit money into a lockbox (similar to SILC groups), since Enlace is not yet able to mobilize savings. In parallel, Enlace has begun offering loans to youth by incorporating young people into existing loan groups. The savings groups may also offer internal loans, but these do not compete with Enlace's loans, as the amounts are considerably smaller and target a different client segment. Although Enlace is not yet able to capture the financial value created through these savings groups (since they cannot mobilize savings), the groups allow Enlace to increase their contact with young people and identify promising entrepreneurs for future investment. In addition, the groups allow Enlace to deliver informal financial education and skills training, creating more informed future customers for the MFI.

CRS's SILC Methodology

Savings and internal lending communities (SILC) bring together self-selected groups to learn how to save money, develop leadership skills and make internal loans within the group. Groups set their own lending and management rules, including interest rates, loan amounts and lending criteria. The savings group organizations operate for approximately one year with the support of an external promoter, after which they graduate and ideally continue operating without external support.

Outside of the youth clients in savings groups, Enlace is also currently providing loans to 1,800 young people with prior business experience. In an effort to link youth activities, Enlace is now trying to incorporate these youth borrowers into savings groups to act as mentors to the less experienced youth.

Figure 2: Enlace's Youth Savings and Loan Process and Timeline



B. Enlace's Business Model

Strategic Considerations and Objectives

Enlace's current activities with youth help them to fulfill a social responsibility mandated in its mission. Due to the current state of youth unemployment and gang activity in El Salvador, Enlace sees itself as a positive force that can help to provide youth with viable alternatives. Specifically, Enlace hopes to impact youth on a social level by:

- Promoting youth solidarity through organizational activities
- Developing enterprising activities for youth clients
- Improving the self-esteem of youth
- Developing leadership capabilities in youth clients
- Improving youth clients' quality of life
- Contributing to the eradication of youth unemployment by generating new opportunities

Enlace also sees its work with youth as a way to obtain new clients for future financial activities. As of 2011, Enlace was the only financial institution specifically targeting youth in El Salvador, giving them the opportunity to develop products with little competition.

Resources Required

Additional resources were allocated by Enlace for the implementation of youth initiatives including increased engagement of offices and employment of new promoters to work specifically with youth. Enlace worked intensively with branch officers, staff members and promoters to refine targets, incentives and processes for youth activities—all of which required additional staff time and resources. Additional time, personnel and resources were also required to gain the support of local communities and stakeholders such as school administrators, teachers and local organizations. The partnership between Enlace and CRS helped to facilitate community sensitization and mobilization, primarily as a result of CRS's extensive experience in youth work and its reputation in El Salvador. CRS also assisted Enlace with refining the processes and activities for the youth savings groups and continues to provide technical assistance to Enlace as they move from a pilot phase to roll-out.

Financial and Social Outcomes

Enlace did not originally envision that their youth products would be immediately financially sustainable, especially for youth under the age of 15. However, Enlace believes that, through incorporation of youth-specific initiatives with existing Enlace products and services such as community banks and loans, activities with youth over the age of 15 can eventually become sustainable. Enlace management hopes for youth products to be profitable within two years, at which point youth loans would be made more widely available through the branch offices. More information about the specific costs of Enlace's youth products and current financial sustainability will be provided in the next section.

Building Sustainable Business Models for Youth Financial Services

Before launching their youth initiatives, CRS-El Salvador, Enlace and FINCA Uganda conducted extensive market research indicating that youth products would make positive additions to their portfolios by contributing to long-term social and financial sustainability. The organizations envision that financial sustainability can be achieved through a combination of product revenue, creation of long-term clients with financial capabilities and increased goodwill for the organization in the community.

Although FINCA Uganda and Enlace currently evaluate the financial sustainability of their youth products differently, they both examine input costs compared with financial return over a designated period of time. In the sections below, both organizations have examined the current and future financial sustainability of their youth products and share thoughts on how they are working towards achieving sustainability.

A. FINCA Uganda's StarGirl Youth Product

Currently, FINCA Uganda's StarGirl product does not generate a profit or cover operational expenditures, costing approximately three dollars for every dollar mobilized. This is due to a number of factors including small sizes of client deposits in combination with high implementation costs. Eventually, FINCA Uganda hopes to reduce the gap between product investment to only four cents for every dollar mobilized through a number of different ways, including: (1) establishing more mobile banking access points for youth clients; (2) scaling up to reach more clients; and (3) encouraging youth to save in greater volume. As StarGirl accounts and volumes increase, FINCA Uganda expects that costs will be easier to meet. In addition, the longer that StarGirl is offered within FINCA, the greater the amount of savings that will be realized on operational expenditures:

- Staffing costs will reduce as training and mobilization activities become more systematized;
- Standardized curriculum will be rolled out more efficiently; and
- Equipment, such as point of sale (POS) machines, can be leveraged to reduce costs as they become more mainstream within FINCA Uganda.

Currently, StarGirl activities are cross-subsidized within FINCA Uganda, utilizing funding through retained operational earnings, commercial borrowing and income from investments. In addition, FINCA Uganda has utilized external funding for the scale up of StarGirl through donors such as the United Nations Capital Development Fund (UNCDF) and The SEEP Network.¹⁹ Each branch has a budget of 2.5 million Ugandan shillings (approximately USD \$875²⁰) from FINCA Uganda's CSR budget and can allocate it as they choose. To access these funds, branches send proposals to the sales and marketing departments at FINCA Uganda, and allocation decisions are made on an annual basis. The four branches currently piloting StarGirl have chosen to focus on youth as a way to reach more vulnerable clients and spent approximately 80 percent of their CSR budget on youth activities in 2011.

As a point of contrast, FINCA Uganda's other youth product, FINCA Junior, currently covers its implementation costs, though it still accounts for a relatively small proportion of FINCA's entire savings portfolio.²¹ FINCA Junior is able to recover its costs because overall expenditures are lower than for products like StarGirl because no specialized staff is required and no complementary services are offered.

¹⁹ Through The MasterCard Foundation

²⁰ All numbers were converted using an exchange rate of 2,825.59 UGX for US 1.00 as of October 5, 2011 (source: www.oanda.com)

²¹ FINCA Junior is only 1.2% of FINCA Uganda's entire savings portfolio.

Table 1: FINCA StarGirl Product Costs

	Quantity	Months/ Frequency	Unit Cost (\$)	Total (\$)	Per Brance (\$) (x4)
Staff Salaries	4	12	240.91	11,563.73	2,890.93
Support Staff (wages)	10	12	71.40	8,567.67	2,141.92
Staff Benefits	4	12	83.22	3,994.74	998.69
Marketing materials					
Design & translation of posters	1		100.00	100.00	25.00
Printing of posters	2		569.43	1,138.85	284.71
Design & translation of brochures	1		100.00	100.00	25.00
Printing of brochures	2		1,795.88	3,591.77	897.94
Training & Promotion activities					
In-school and out-of-school sensitisation events	4	3	525.62	6,307	1,576.87
Youth community mobilization meetings	4	6	262.81	6,307.49	1,576.87
Community stakeholders meetings	4	12	65.70	3,153.75	788.44
Product Incentives					
Savings card & pocket holders	4	400	2.19	3,504.16	876.04
Piggy Banks		1000	10.95	10,950.50	2,737.63
Inter-community youth events	4	1	2,190.10	8,760.40	2,190.10
CSR activities	4	1	1,095.05	4,380.20	1,095.05
Monitoring & evaluation activities	4	6	78.84	1,892.25	473.06
Product Costing Totals				74,313.01	18,578.25

Reaching Sustainability

FINCA Uganda foresees StarGirl becoming financially sustainable in the future but does not currently have a specific timeframe for this. FINCA estimates that StarGirl will recover more costs through continued roll out to more branches, systematization of implementation processes and establishment of standard financial education curriculum. However, recognizing that FINCA Junior and StarGirl meet very different client needs and contribute differently to their mission, FINCA Uganda ultimately plans to calculate sustainability in terms of their entire portfolio of youth products (including future projects), rather than considering the sustainability of each product individually.

Even though StarGirl is not currently financially sustainable, FINCA Uganda has found that the youth product has already enhanced its image in communities and increased its profile as a savings institution. Though FINCA has not calculated the level of financial return for this outcome, StarGirl is expected to generate a multiplier effect where products can be cross-sold to adult family members. FINCA staff have heard anecdotally that StarGirl demonstrates to community members that the institution offers a wide range of services: *"We are surprised that FINCA offers credit and savings products, we only knew it for giving credit to rural women."*²² In addition, FINCA considers such youth products to be investments in long-term client loyalty, with previously unbanked populations becoming and remaining clients through their early contact with FINCA.

22 Community leaders in Katwe and Kawempe during a community sensitization workshop/meeting.

StarGirl: Enhancing FINCA Uganda's Reputation in the Community

"It is really a good thing as FINCA is now known for offering services to mainly low-income people to improve their standard of living. FINCA coming to teach our girls how to save is going to help a lot in the development and empowerment of the young girls within our community in Katwe."

Felisters Nassaka, Katwe Community Support Mentor

"Youth programs have always been introduced but there has never been any that introduced the youth to financial institutions in a creative and supported way as FINCA Uganda has done! I will continue to work with all youth (girls and boys) and encourage them to access various programs as well as FINCA Uganda savings and credit services as it provides financial education, which is essential in our fight against poverty in our community."

Steven Mungi, Kawempe Youth Empowerment Scheme Director and Kawempe Community Councilor

B. Enlace's Youth Products

Enlace estimates that it has cost them \$107,444 to form the existing 244 savings groups over a period of 18 months²³ This translates to approximately \$10,744 per branch office and includes salary costs and incentives for branch staff working on the youth project, training activities for youth, mobilization costs and toolkits for youth. Transportation and communication costs are included by Enlace as incentives for youth promoters.

Table 2: Actual Costs for Enlace's Youth Savings Groups

Item	Unit Cost	Months	Quantity	Total	Total Per Branch
Staff Salaries ²⁴	\$1,700	18	n/a	\$30,600.00	\$3,060.00
Staff Benefits	24%	18	n/a	\$7,344.00	\$734.40
Training for Promoters	\$150	n/a	10	\$1,500.00	\$150.00
Incentives for Promoters	\$200	18	10	\$36,000.00	\$3,600.00
Training for Youth	\$504	n/a	10	\$5,040.00	\$504.00
Seed Capital for Youth Savings Groups	\$50	n/a	244	\$12,200.00	\$1,220.00
Tool Kits	\$40	n/a	244	\$9,760.00	\$976.00
Audit	\$5,000	n/a	1	\$5,000.00	\$500.00
TOTAL:				\$107,444.00	\$10,744.40

(Note: These costs are actual costs for 244 savings groups with 3,821 clients at 10 branches for an 18-month period. Training costs above include the trainer's salary, food and materials.)

Enlace does not yet have authorization to take deposits, therefore the savings groups do not currently generate income for Enlace but function as a way for them to develop relationships with potential youth loan clients and to screen their financial attitudes and capabilities. Additional revenue from youth activities, in the form of income from youth loans outside of the savings groups, is minimal since the number of youth receiving these loans as well as the loan size (average of \$50 to \$75) are both small.²⁵

Reaching Sustainability

Over the past year and a half, Enlace has examined the financial sustainability of their youth products and has developed the following plan to reach sustainability within the next one to one-and-a-half

²³ As of the end of June 2011

²⁴ Staff Salaries include: Project manager (\$1,500 per month for 18 months) and Project Assistant (\$200 per month for 18 months).

²⁵ As of June 2011, Enlace had provided external loans to 30 youth clients with a net income per loan of \$1.38.

years through a combination of recruiting more youth clients into savings groups, increasing the number of external loan clients within the saving groups and increasing loan amounts.

The following budget is similar to the budget above but is estimated for 12 months and is based on the assumption that Enlace will maintain at least 3,000 active youth in their savings groups (or 300 per branch) and that 900 youth in these savings groups will access external loans with Enlace (30 percent or 60 clients per branch office).

Table 3: Estimated Annual Costs for Enlace’s Youth Savings Groups

Item	Unit Cost	Months	Quantity	Total	Total Per Branch
Salary: Project Manager	\$1,500	12	1	\$18,000.00	\$1,800.00
Salary: Project Assistant	\$200	12	1	\$2,400.00	\$240.00
Salary: Youth Project Assistant ²⁶	\$500	12	1	\$6,000.00	\$600.00
Staff Benefits	24%	12	n/a	\$6,336.00	\$633.60
Training for Promoters	\$150	n/a	10	\$1,500.00	\$150.00
Incentives for Promoters	\$200	12	10	\$24,000.00	\$2,400.00
Training for Community Youth Promoters ²⁷	3,360.00	n/a	1	\$3,360.00	\$336.00
Training to Youth Savings Groups	\$50	n/a	200	\$10,000.00	\$1,000.00
Tool Kits	\$40	n/a	200	\$8,000.00	\$800.00
Audit	\$5,000	n/a	1	\$5,000.00	\$500.00
TOTAL:				\$84,596.00	\$8,459.60

Based on this budget, Enlace estimates that administering savings groups will cost approximately \$28 per group member. With 30 percent, or 900 of the youth from savings groups also becoming Enlace loan clients, the cost of administering the savings groups is calculated at \$94 per loan client. In order to recover this investment, Enlace examined different options for their youth loan products by varying the average loan amount. If youth clients take loans averaging the current amount of \$50, the investment in creating and running the savings groups would take over 68 months to recover. However, as the loan size increases, the interest earned²⁸ increases and the cost of administering the loan decreases.

Table 4: Youth Loan Scenarios

	CASE 1	CASE 2	CASE 3	CASE 4	CASE 5
Loan per youth	\$50.00	\$100.00	\$200.00	\$300.00	\$400.00
Monthly interest rate (%)	4.33%	4.33%	4.33%	4.33%	4.33%
Operational cost (% of the loan amount)	-0.92%	-0.92%	-0.92%	-0.92%	-0.92%
Financial cost (% of the loan amount)	-0.67%	-0.67%	-0.67%	-0.67%	-0.67%
Income from interest	\$2.17	\$4.33	\$8.67	\$13.00	\$17.33
Total cost	-\$0.79	-\$1.58	-\$3.17	-\$4.75	-\$6.33
Net Income	\$1.38	\$2.75	\$5.50	\$8.25	\$11.00
Investment recovery time for cost per client (\$94)	68.4 mo	34.2 mo	17.1 mo	11.4 mo	8.5 mo

²⁶ This is a new position in Enlace.

²⁷ This is a new activity for Enlace.

²⁸ Interest rates for youth clients are comparable to annual rates charged to Enlace’s adult clients.

The optimum loan size was determined by Enlace to be \$300, an amount large enough to provide clients with sufficient loan capital but not so large that it was likely to create dangerous levels of indebtedness. The clients who would be accessing this larger loan amount would be older youth, between the ages of 18 and 24, who already have businesses or entrepreneurial experience. Enlace feels comfortable piloting this larger loan amount based on market research conducted in 2010 that showed that there was demand for larger loan amounts for youth fitting this profile. By adjusting their loan strategy and target group, in just over 11 months, Enlace would recover its investment in the savings groups. In addition, Enlace's new youth loan clients would gain financial capabilities and an established relationship with the financial institution through involvement in the savings groups.

However, to increase the average amount of clients accessing loans within the savings groups, Enlace determined that the current savings group structure must be strengthened by including more young people with entrepreneurial skills and business experience. Enlace has found that some youth who are currently members of Enlace's community banks are interested in forming savings groups. Linking current youth loan clients with savings groups is a key element of Enlace's strategy for scaling up the loan component to cover the costs of the savings groups.


In addition to adjusting their youth loan product and methodology, Enlace is also working to decrease the cost of mobilizing and administering savings groups. In order to do this, Enlace has determined that it must complement the actions of the savings group promoters (who currently receive a salary plus incentives) with the support of community leaders (who currently work on a voluntary basis). One way that this can be done is to create an incentive plan for community leaders. Having incentives for promoters and community leaders could result in an increase in the savings group branch targets while lowering the cost of mobilization.

Enlace's strategy for growing the youth loan portfolio will involve a combination of the steps in the diagram below. First, at least 6 percent of the youth currently in savings groups have been identified as possible loan clients and will be assessed by loan officers for eligibility (Step 1). In addition, current loan clients who are under the age of 25 will be linked to savings groups or encouraged to form new groups (Step 2). At the same time, eligible youth with existing businesses will be linked to savings groups when they access loans (Step 3). By modifying the profile of the savings groups, Enlace will create a link between the savings group methodology and its youth credit activities, which will streamline Enlace's youth products while generating more revenue for the organization.


Enlace will continue to work with youth in existing savings groups who do not qualify for loans. Although formal training will not be provided to these groups after graduation (after one year according to the SILC methodology), Enlace will continue to monitor their progress through community volunteers and clients. Additionally, since many parents of the savings group members are involved in Enlace's community banks, Enlace will encourage youth in savings groups to consider joining their neighborhood community banks (typically made up of parents, friends and neighbors) to apply for loans in smaller amounts. This way, youth can continue to access smaller loans but without increased cost for Enlace. It is important to note that Enlace is currently piloting these adjustments to their youth products and plans to monitor results closely before full roll-out.

Figure 3: Steps to Achieve Financial Sustainability


Step 1		Step 2		Step 3	
Client Segment: Youth savings groups with no links to loans/credit		Client Segment: Current youth loan clients²⁹ without links to the savings groups		Client Segment: New youth clients eligible for loans who can form new savings groups	
Total number of youth (actual): 3,821		Total number of youth (actual): 1,746		Total number of youth (target): 2,400	
Age	Less than 12 years old	Age	Between 18 and 24 years old	Age	Between 18 and 24 years old
	Between 12 and 24 years old				
	Older than 24 years old				
Occupation	Student	Occupation	Own business	Occupation	Own business
	Employed				Engage in business activities



Link eligible clients to loans



Encourage to become part of youth savings groups



Link to loans/credit and youth savings groups

²⁹ These loan clients are currently participating in Enlace’s Community Banks and Solidarity Groups.

Integrating Youth Products into Sustainable Business Models: Addressing the Six Considerations

Six key considerations that should be taken into account for the attainment of financially sustainable youth products were examined earlier in this document. Using the experiences of FINCA Uganda and Enlace, strategies to address these six considerations will now be evaluated as ways that both organizations have attempted to address the issue of business model compatibility and sustainable youth products.

CLIENT-LEVEL CONSIDERATIONS:

1. Segmentation

Both Enlace and FINCA have designed their youth financial products with the issue of segmentation in mind. In market research conducted prior to the development of the StarGirl product, FINCA Uganda found that the Ugandan youth market is subdivided into different sub-segments with varied aspirations, savings practices, preferences and needs. As a result, FINCA Uganda has already developed two products (FINCA Junior and FINCA StarGirl) and is in the process of developing two to three more to respond to market demand. This has initially cost them more investment up front but will hopefully engage youth through different life stages to become long-term customers of the organization.

Enlace targets its youth services (savings groups and loans) to different client segments based on age and occupation. For younger youth in school and not eligible for loans, Enlace engages them in savings groups and provides financial education training to develop positive financial behaviors. For older youth who already have loans or are eligible to receive them, Enlace provides skills training (through partnerships) and will also begin linking these clients with savings groups. Although Enlace provides different services for different youth segments, they have also found that mixing different segments in a group setting can have positive outcomes since older youth can teach younger youth important entrepreneurial and business skills.

2. Cost of acquiring and retaining clients

Both FINCA Uganda and Enlace depend on *partnerships* to mitigate against the high cost of mobilizing youth clients. For FINCA, partnerships with community development organizations help to increase outreach to youth while reducing administrative costs for youth group formation and mobilization. Partner organizations also increase community buy-in and are key contributors to the StarGirl financial education curriculum. FINCA Uganda plans to partner with the Ugandan NGO Private Education Development Network (PEDN), using the Aflatoun financial education model to scale up the StarGirl product to their in-school market segment.

Whereas FINCA cultivates a range of partnerships with NGOs and community organizations, Enlace has one main partnership with CRS. The partnership between CRS and Enlace is key to integrating youth in the business model of both organizations by allowing each organization to focus on their core strengths, with Enlace providing financial services and CRS bringing experience with youth and a reputation for economically and socially empowering communities.

PRODUCT-LEVEL CONSIDERATIONS:

3. Product design and features

Group-based products: To make mobilization of youth depositors cost effective and reduce the transaction costs of small and variable deposits, FINCA Uganda utilizes a group methodology. At each Star-Girl meeting, money is collected, and mentors and group leaders take the deposits to a FINCA branch, accompanied by the youth client. To realize additional cost savings, FINCA has proposed streamlining its youth accounts through the use of Point of Sale (POS) technology and an agency model near schools or youth centers. It is currently awaiting approval from the Central Bank of Uganda.

Enlace's business model is also based on working with groups. Group-based products reduce delivery costs and allow the organization to have greater market visibility. The savings group methodology has also become an important tool for Enlace to build relationships with youth clients before disbursing loans. Screening and preparing youth for entrepreneurship is resource-intensive, but the longer term relationships that Enlace staff form with youth through the savings groups allow them to assess youth informally, identifying promising potential entrepreneurs in a low-risk environment. The group methodology is extended to Enlace's loan products, and youth who receive loans are currently incorporated into mixed-age groups through the Solidarity Groups and Community Bank products where they receive informal mentorship from experienced business people.

Pilots: The pilot is a critical part of the scale up process, identifying successful practices and potential problems while conserving resources. A pilot can help to save costs in the long run by allowing an organization to test out methodologies and make adjustments on a smaller level before scaling up. Both FINCA Uganda and Enlace engaged in pilot testing before full roll-out of their youth products and services. The specific objectives of Enlace's pilot were: (1) to understand the costs and financial returns that the product was likely to generate; (2) to test delivery mechanisms; and (3) to determine the most effective division of labor between CRS, Enlace and local partners. FINCA Uganda refined a number of components of their StarGirl product based on results from the pilot. Specifically, they adjusted the required qualifications of Field Officers to include more of a social/youth background and are also currently in conversations with potential partners to assist with their financial education activities.

4. Complementary activities

Complementary services such as financial education and skills training are activities supported by the business models of both organizations. For Enlace's clients, complementary training focuses on book-keeping, basic financial administration and group leadership to facilitate effective management of savings groups, which are part of the MFI's long-term growth strategy. CRS delivers additional financial education, mainly focusing on the value of savings and how to set savings goals.

FINCA Uganda provides a range of complementary services for its StarGirl clients including financial education and life skills education and training. The financial education material teaches the youth in the savings groups how to manage their money and how to organize business activities to increase their savings, such as raffles and sales activities. Life skills training can encompass a variety of topics (depending on the interest of the clients) including social issues, health and skills training for income generating activities. For both organizations, providing complementary services in groups that already meet for financial activities reduces the cost and time involved in providing these core activities. In addition, groups can build on the knowledge and skills of group members, engaging in peer-to-peer learning. Although complementary services often cost an organization more in the short term, they provide essential skills to youth clients, ultimately making them better long-term clients.

INSTITUTIONAL CONSIDERATIONS:

5. Timeframe

Both FINCA and Enlace consider youth a key future market for their adult products and have built their youth products around long-term retention. Both organizations provide an educational component, teaching the new clients about services available to them and how to best utilize them. In addition, the products provide an element of mentorship on both business skills and financial capabilities that will serve youth in the future. Finally, youth are exposed to realistic financial products (i.e., products with market-appropriate terms and conditions) to facilitate long-term relationships with the institutions.

While FINCA Uganda does not expect StarGirl to be financially sustainable as a stand-alone product, it is seen as increasing the institution's reputation in the community and prepares adolescent girls, through training and financial experience, to be valuable adult clients. Enlace, on the other hand, is planning to modify its youth services to move towards financial sustainability within a minimum of 12 months.

6. Scale up

Technology: FINCA Uganda is currently working to develop and refine technologies that reduce the cost of client outreach and transactions. Currently, authorized officers can carry out transactions remotely with Point of Sale (POS) machines. Though these are not yet used for reaching youth clients, such tools are currently being rolled out with adult clients and their applicability to youth clients—particularly those 18 and over—is being investigated. FINCA has also signed an agreement with MTN, a mobile money provider, to enhance account access options. This will not only reduce costs to FINCA but also shorten the distance that youth must travel to access services.

Regulatory change for wider outreach: Although Enlace cannot currently mobilize savings, it plans to transform into a deposit-taking institution in 2013. In the meantime, informal youth savings groups allow the MFI to develop a culture of savings among future deposit clients, preparation that will be vital to their transformation process. Client relationships based on savings require significant trust from the client, whereas credit requires institutions to place trust in their clients.

Conclusions and Lessons Learned

Traditionally, youth financial services have not been fully incorporated into many organizational business models due to some key differences between youth products and traditional financial products including:

- Timeframe for financial sustainability
- Product design and features
- Mobilization costs
- Complementary activities
- Segmentation
- Scale up

Youth financial products do not typically generate a financial return in the short term, are designed with unique product features to make them relevant to a highly segmented client group and often cost more to implement due to an increased number of stakeholders and the addition of complementary activities. However, from Enlace and FINCA Uganda's experiences, it is clear that there is a place for youth financial services in a traditional business model as long as organizations recognize and discuss these considerations early in the product development process.

The importance of business model integration and financial sustainability are especially important prior to the scale up process since scale up requires additional commitments of resources (both human and financial) and buy-in from key stakeholders associated with the financial service provider. Organizations should closely evaluate how the unique characteristics of youth products in their current state as well as at projected scale up levels fit into their business model by looking closely at their mission, resources and overall financial sustainability—in addition to market demand. Particularly the definition of sustainability should be closely evaluated by financial service providers working with youth to address the longer time period in which it usually takes youth products to recover organizational input costs.

In order to effectively integrate youth financial products into a sustainable business model, the following key lessons learned should be considered:

- **Although youth products might not be financially sustainable in the short-term, they can contribute to an organization's long-term scale-up strategy.**

Youth financial products can create both quantifiable and unquantifiable value for an organization. As demonstrated by Enlace's sustainability exercise, youth products can be financially sustainable and generate revenue for the organization. However, the timeframe in which sustainability occurs may be longer than for conventional financial products due to the unique characteristics of both youth clients and youth products. Youth products can also create value and ensure long-term sustainability for an organization by engaging lifelong clients at an early age, increasing visibility and securing a positive reputation of the financial provider in the community.

- **Conduct market research to ensure product usage and growth possibilities.**

Market research will help institutions determine how to segment the target population, what product features are necessary to attract clients, how to market the product and what pricing is appropriate. This is especially important for business planning and scaling up. In the case of both FINCA and Enlace, market research led them to create group-based youth products that not only benefited them through cost savings but allowed the integration of essential complementary activities such as financial education, life skills and business training.

Market research also led both organizations to the creation of appropriate financial products for different groups of youth. FINCA's market research led to further segmentation of the youth market into distinct products, each of which addresses different client needs and aspirations. Enlace's market research revealed that most youth clients found out about savings and loan products from friends and family, so their marketing strategy shifted to maximize word-of-mouth publicity. Ensuring that the financial products that will be developed are not only appropriate, but also scalable, can help organizations look at long-term sustainability more clearly.

- **Engage in partnerships to lower mobilization and implementation costs for scale up.**

Since youth products can cost more to start-up as well as to implement, organizations should look into the possibility of engaging in strategic partnerships to assist with project activities. Partnerships can be particularly effective for scaling up youth services due to the addition of complementary services (including financial and social education and life and business skills training) and increased number of stakeholders typically associated with a youth financial product. FINCA Uganda and Enlace's partnerships have allowed both organizations to concentrate on their strengths—financial service provision—while also offering essential components to round out their comprehensive youth products.

- **Although complementary services require initial financial and human resources, they can positively impact a youth product's ultimate sustainability.**

Offering additional services, such as financial education, will add to the per-client cost of a youth financial product. However, such components may be critical for the product's short- and long-term success. Enlace's financial training to participants is critical to the success of the savings groups: the bookkeeping and budgeting support allows youth to run the groups effectively with less and less supervision from staff. FINCA leverages partnerships to reduce the cost of providing complementary services, delegating responsibility for administration and mobilization to organizations for which training is a core competency.

Scale up should be an active and deliberate process that is effectively represented in an organization's business model and examined through the lens of financial sustainability. Although FINCA Uganda and Enlace have different definitions and approaches to sustainable scale up of their youth financial services, they are examining these issues in relation to their business models and missions. Since both organizations are currently in the initial stages of scale up, further research will be needed to better understand the relationship between youth financial products, sustainability and scale up. However, based on the experiences of FINCA Uganda and Enlace, youth financial services can potentially work within a sustainable business model.

About Catholic Relief Services and Enlace

Catholic Relief Services (CRS) is the official international humanitarian agency of the Catholic community in the United States. Currently working in approximately 100 countries worldwide, its mission is to alleviate suffering and provide assistance to people in need. CRS has been working in El Salvador for 40 years helping people to improve their livelihoods with a focus on food security, the environment, family relationships and human rights.

Enlace is a Salvadoran microfinance institution established in 2002 with a mission to improve the lives of entrepreneurs by offering specialized financial services, focusing its attention on poor clients and specifically targeting women who are heads of households. Enlace has identified youth financial services as an important niche in the Salvadoran market and in 2010 partnered with Catholic Relief Services to implement the “Jovenes para el Progreso” (Youth for Progress) program. This comprehensive program seeks to design, develop and implement suitable financial services including savings and credit to youth aged 12 to 24.

About FINCA Uganda

FINCA Uganda is a Microfinance-Deposit Taking Institution (MDI) located in Uganda and an affiliate of FINCA International based in Washington, D.C. FINCA-Uganda’s mission is to provide financial services to Uganda’s lowest-income entrepreneurs so they can create jobs, build assets and improve their standard of living. FINCA-Uganda began providing financial services to youth in 2009. Currently, FINCA-Uganda offers two youth financial products including the “FINCA Junior” savings account for youth under 18 and the “StarGirl” savings product offered to adolescent girls aged 10 to 19. In addition to FINCA Junior and Stargirl, FINCA is currently in the pilot and research phase for two new youth products.

About the Innovations in Youth Financial Services PLP

The Practitioner Learning Program (PLP) methodology was developed by SEEP as a way to engage microenterprise practitioners in a collaborative learning process to document and share findings and to identify effective and replicable practices and innovations that can benefit the industry as a whole. The PLP combines a small grant program with an intensive small group-facilitated learning process, usually over a period of one or more years.

PLPs focus on learning at three levels: the individual organization, the PLP group, and the industry at large. At the individual level, organizations have the opportunity to share with other organizations and to revise their individual work plans. At the group level, all participants involved in the PLP share experiences and ideas. Participants decide by consensus the common themes that they want to explore as a group, which is called the learning agenda. At the industry level, PLP participants produce learning products documenting their lessons learned, challenges, and promising practices to benefit the microenterprise and microfinance industries.

The SEEP Practitioner Learning Program (PLP) on Innovations in Youth Financial Services is an action learning project bringing together key stakeholders to explore innovations in youth financial services to help microfinance and microenterprise institutions better respond to the growing need for appropriate and accessible products for young people (ages 12-24 inclusive). The PLP, implemented in partnership with The MasterCard Foundation, focuses on reaching scale with youth financial services by exploring viable models as well as seeking to understand critical stages organizations must move through to achieve scale. The envisioned impact of this PLP is to expand the number of youth clients served by appropriate financial services, and improve the quality and breadth of service provision to youth.



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