YouthStart

UGANDA FINANCE TRUST CASE STUDY

UNCDF Microfinance • Capital Development

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Segmenting the youth market to deliver age-appropriate savings and training services in Uganda

Youth programme summary	
Types of youth services	Savings, financial education and non-financial education
Age groups of clients	12–17 and 18–24 years old
Year of launch	2009, with scale-up in 2011
Number of clients*	7,432 (60% female and 60% below 18 years old)
Youth savings volume*	$112,885
Youth loan volume*	n/a
Non-financial services model	Unified
Number of youth receiving Non-financial services	3,669 (60% female and 60% below 18 years old)
Partner organizations	UNCDF, The MasterCard Foundation and youth serving organizations

Data as of August 2012

Rationale for serving youth

Uganda Finance Trust Ltd (UFT) is one of the oldest microfinance institutions in the Republic of Uganda, providing financial services to low- and medium-income, economically active Ugandans. UFT is incorporated under the laws of Uganda and licensed and regulated by the Bank of Uganda as a microfinance deposit taking institution. The company is recognised as a key player in Uganda's formal financial sector. Since starting operations in 1984, UFT has expanded its outreach and now serves over 150,000 depositors and borrowers, who access a variety of savings and loan products via 30 interconnected branches all over the country. Thirty percent of UFT clients are youth below 24 years old.

UFT made the decision to specialise in youth-specific products in pursuit of its institutional vision, "Access to affordable financial services for all," as well as for business and social reasons. UFT gained appreciation of youth as a viable market segment for savings mobilisation through its experience with an initial youth-oriented product, the Girls' Choice savings account (summary of programme data provided on page 4). With support from Population Council and *MicroSave* and sponsorship by the Nike Foundation, UFT designed Girls' Choice for girls aged 10 to 19 both in and out of school. In 2011, with support from the UNCDF-YouthStart initiative, UFT scaled up Girls' Choice and expanded its youth programme by adding two new youth products: Teen Classic and Youth Progress. Based on its experiences with these products, UFT shares in this case study lessons learned and recommendations to design, test and scale up youth-oriented products.

Overview of youth programme

The three youth products developed by UFT—Girls' Choice, Teen Classic and Youth Progress—are youth-driven, youth-specific and youth-friendly. The main features of the products are as follows.

Beneficiaries

The Girls' Choice product continues to focus on girls aged 10 to 19, while the two new products are aimed at both boys and girls in and out of school. The Teen Classic savings account targets youth aged 12 to 17,[1] while the Youth Progress savings account targets older youth aged 18 to 24. Thus the two new products support the expansion of services to both genders and Youth Progress to youth 18 and over.

UFT objectives for the UNCDF-YouthStart initiative

- Expand low-income youth's access to appropriate, demand-driven youth financial and non-financial services.
- Increase UFT outreach to youth aged 12 to 24 in both rural and urban areas.
- Build life-long clients from this market segment.
- Document lessons learned and share best practices with others serving the youth market.

Advantages

The three products offer youth the opportunity to open a savings account, specifically designed for them, with a formal, regulated financial institution. As compared to savings products for adults, the youth products have more flexible documentation requirements,[2] lower fees for opening accounts, lower minimum balance requirements, and no maintenance or withdrawal charges.

Girls' Choice and Teen Classic account holders are provided with financial and social mentors (more details provided below).

Youth Progress account holders (18–24 years old) have ATM cards, which allow them to access their savings 24 hours a day. They also have the possibility of taking out a loan after saving for one year and participating in financial literacy sessions.

All three youth financial products have an integrated non-financial component, which equips the youth with practical knowledge and skills related to financial literacy and other disciplines that influence saving and spending behaviour and promote a smooth transition into adulthood. These non-financial services are accessed by youth in weekly or biweekly group meetings of one to two hours, depending on the availability of the youth. The training aims to increase the financial capability of the youth.[3]

Organisation and delivery channels

UFT staff is trained to deliver the youth products and services both from UFT branches and in the field. The staff is supported by youth field officers who work to increase community and stakeholder buy-in. Youth are mobilised through parents, local leaders and trusted members of the community.

The positive effect of parents' involvement in the programme is multilayered. First, the knowledge that parents gain can lead them to provide greater emotional and financial support: parents encourage their children to save, as well as make their own contributions to their children's savings. Second, the parents can help safeguard youth, in particular minors, against risky behaviour while using financial products. Third, un-banked parents often become banked once they observe the benefits the programme gives their children. Fourth, the parents become 'ambassadors' of the programme as they encourage other youth and members of the community to try the products. Fifth, the parents' involvement improves UFT positioning and visibility in the community and gives UFT an opportunity to better understand the financial-service needs of both youth and adults.

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1 With the awareness and consent of a parent/guardian as well as the support of a financial mentor to fulfill legal and regulatory requirements, youth under 18 may legally hold savings accounts in Uganda.
2 UFT accepts more than nine different forms of identification, ranging from passports to school identification cards to letters from an adult, in order to address the difficulty that some youth face (especially minor and out-of-school adult youth) in obtaining government-issued identification.
3 "Financial capability is a broad concept, encompassing people's knowledge and skills to understand their own financial circumstances, along with the motivation to take action. Financially capable consumers plan ahead, find and use information, know when to seek advice and can understand and act on this advice, leading to greater participation in the financial services market." Source: HM Treasury, Financial Capability: the Government's Long Term Approach (London: HM Treasury, 2007), p.19.

Beyond involving parents, the programme also provides financial and social mentors to account holders under 18. The mentors are drawn from a pool of local volunteers. Financial mentors support minor youth during account opening and withdrawals, while social mentors work with them during the education sessions. Financial mentors are selected by the youth themselves, according to agreed-upon criteria, while social mentors are identified and trained by UFT with the support of local leaders. The mentors' work is not remunerated, but social mentors receive useful training as incentive.

Mentors do a remarkable job in bridging the gap between youth, parents and field officers. They play an important role in group formation and group activities (both group financial transactions and education sessions). They also support those whose literacy levels are not advanced enough for them to fully understand the terms and conditions of the youth offerings.

Integration of non-financial services

Emerging best practices suggest that youth receive the most benefit from financial services when they are offered in tandem with non-financial services such as mentoring, financial education, internship opportunities and social asset building. UFT is partnering with two youth serving organizations (YSOs), while working towards greater internal staff capacity, to offer non-financial services that include entrepreneurship and financial literacy training, health tips, career guidance, internships and apprenticeships. UFT plans to complement its own technical team with staff from these YSOs and trained mentors as it scales up youth non-financial services.

UFT leverages its group model for financial services to deliver non-financial services as well. Groups of 10 to 15 youth are formed according to gender, age and schooling status (in or out of school), allowing UFT to organise the education sessions and adapt the content according to the specific characteristics of each group. This model worked well for the Girls' Choice education sessions and thus is being used for the two new products as well.

The sessions are delivered by youth field officers, trained social mentors and patrons in the communities where the youth live or study. They are held in a safe place where youth can meet regularly and feel comfortable.[4] Meetings usually take place on Saturdays or Sundays, during school holidays and/or in the evenings, in order to accommodate the youth's schedules.

Challenges and sustainability

It is still too early to gauge the sustainability of UFT youth products, but UFT views its work with youth as an investment in the future and is making efforts to compile reliable projections and useful data.

Some elements that contribute to financial sustainability of the youth programme include the following:

- The programme is expected to result in substantial youth savings deposits during the pilot test and rollout, leading to savings growth at the institution.
- The programme creates good opportunities for cross-selling other UFT products to parents and relatives of the target youth market.
- The programme helps to establish long-term relationships with youth leading to better client loyalty and retention in the future.

One of the key challenges to achieving sustainability of the programme is delivery of the non-financial services. UFT currently relies on youth field officers, trained mentors and other mobilisers, some of whom work with the YSOs, for the delivery of the training. The fees that UFT pays to YSOs for these services may jeopardise the financial sustainability of this important

4 A 'safe place' is described by the Population Council as one that is considered safe and appropriate by the youth as well as their guardians. Source: K. Austrian and D. Ghati, Girl-Centered Program Design: A Toolkit to Develop, Strengthen and Expand Adolescent Girls Programs (Population Council, 2010).

component of the programme. Therefore, for the effective scale-up of its youth programme, UFT will use an alternative, more cost-effective business model: the 'unified approach.'[5] Based on this model, UFT will train their own staff to deliver non-financial services during the youth group meetings and will likely use 'youth ambassadors,' to whom they will pay a small fee, for recruiting and training new youth groups.

Results

The two youth products developed with the support of the UNCDF-YouthStart initiative are currently at an early stage of implementation, while the Girls' Choice product has reached the point of expansion. The table below shows some of the key results.

Results of youth products

Girls' Choice product (October 2009–August 2012)	**YouthStart products** (January 2012–August 2012)
• 4,388 girls reached • 97% frequently use the savings account and remain loyal to UFT • 926 additional accounts from guardians, parents, etc. opened • Other services (ATM, Mobile Money, transfers, etc.) used by some girls • 3,280 participants in non-financial services • $50,563 (U Sh 123,878,377; exchange rate US$1: U Sh 2,450) total saved	• 3,044 total youth clients served • Teen Classic (12–17 years): 682 youth reached (25% female[6]) • Youth Progress (18–24 years): 2,362 youth reached (30% female) • 352 additional accounts from guardians, parents, etc. opened • 389 participants in non-financial services • US $62,322 (U Sh 152,689,058; exchange rate US$1: U Sh 2,450) total saved

Another important result of UFT youth products is that they have improved the institution's image and positioned it as a youth-friendly financial institution.

Lessons learned and recommendations

The main lessons learned and recommendations from the experiences of UFT to date are the following:

- ***Youth segmentation:*** During the planning and design phase, it is crucial to segment youth according to sex, age and school status since it helps in designing appropriate financial and non-financial services. For UFT, segmentation proved particularly useful in designing the group activities, which differ according to the participants' profile.
- ***Youth involvement during initial stage:*** From market research until rollout, it is very important to engage youth in all steps in order to align all programme activities with the youth's needs and availability and to effectively plan for resources. In the experience of UFT, bringing the services closer to the youth and their communities made the youth feel honoured. From there, it was easy to direct them to the branches to conduct transactions.
- ***Community involvement:*** Exploring and leveraging existing social or political structures is very important to success. In Uganda, involving communities worked well because of the traditional communal system that has been used for community development and local government structure for centuries.

5 Christopher Dunford, Pathways out of Poverty: Innovations in Microfinance for the Poorest Families (Bloomfield, CT: Kumarian Press, 2002), "Building Better Lives: Sustainable Integration of Microfinance with Education," pp.75–131.
6 The Girls' Choice product attracted a lot of attention from boys, but the product only targeted girls. As a result, when UFT launched the two YouthStart products, many boys opened accounts. However, the goal of UFT for both YouthStart products is to have at least 60% of clients be girls or young women.

- ***Partnerships:*** Working with a range of stakeholders—including parents and guardians, community members, local leaders and authorities, and YSOs that have a direct link to youth—helps to create awareness, support and community buy-in and, most importantly, to ensure that everyone contributes. Partnerships can be formal or informal. However, in either case, expectations of both parties need to be clear from the beginning. And, for more formal, technical partnerships, specific timelines and deliverables need to be established.
- ***Outreach:*** Focusing on a small number of branches to offer youth products is an effective means to achieve sufficient scale and to draw lessons for the rollout phase. During initial implementation, youth financial and non-financial services should be limited to the areas around the pilot branches to ensure close financial and activity monitoring. Having a limited initial focus helps to build a strong foundation for assessment and decision-making regarding product efficiency, effectiveness and eventual roll-out to other areas.
- ***Institutional buy-in:*** Obtaining buy-in from institutional staff is very important for enabling quick decision-making as well as for ensuring they embrace the new interventions as a team. Without staff comprehension and endorsement of the youth strategy and products at every level—from leadership down to the field—the coordination of activities and achievement of positive results is not possible.
- ***Specific expertise:*** It is important for the institution to recruit staff specifically for the youth programme and to train them in both the social and financial aspects of the job. In contrast, many banks and bankers focus solely on the financial side. The need for broad expertise calls for significant investment in staff training and development to build awareness and buy-in.
- ***Proper planning and flexibility:*** As in the development of any new product, youth programming requires careful planning of activities to allow room for inevitable changes during implementation. The vital involvement of a variety of stakeholders such as parents, local leaders and other authorities also requires built-in flexibility in order to keep the delivery of the products responsive and on-track.

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ABOUT YOUTHSTART

YouthStart, a UNCDF programme in partnership with The MasterCard Foundation, aims to reach 200,000 youth in sub-Saharan Africa with demand-driven financial services and non-financial services, in particular savings and financial education, by 2014. As of July 2012, US$7.8 million has been awarded to 11 financial service providers. Of that amount, US$2.3 million has so far been disbursed to design, deliver and scale up demand-driven youth financial services and youth-centric programmes in partnership with youth serving organizations. For more information, visit http://www.uncdf.org/YouthStart/.

ABOUT UNCDF

UNCDF is the UN's capital investment agency for the world's 48 least developed countries. It creates new opportunities for poor people and their communities by increasing access to microfinance and investment capital. UNCDF focuses on Africa and the poorest countries of Asia, with a special commitment to countries emerging from conflict or crisis. It provides seed capital – grants and loans – and technical support to help microfinance institutions reach more poor households and small businesses, and local governments finance the capital investments – water systems, feeder roads, schools, irrigation schemes – that will improve poor peoples' lives. UNCDF programmes help to empower women, and are designed to catalyze larger capital flows from the private sector, national governments and development partners, for maximum impact toward the Millennium Development Goals. For more information, visit http://www.uncdf.org/.

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ABOUT THE MASTERCARD FOUNDATION

The MasterCard Foundation advances microfinance and youth learning to promote financial inclusion and prosperity. Through collaboration with committed partners in 48 countries, The MasterCard Foundation is helping people living in poverty to access opportunities to learn and prosper. An independent, private foundation based in Toronto, Canada, it was established through the generosity of MasterCard Worldwide at the time of the company's initial public offering in 2006. For more information, visit www.mastercardfdn.org.

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