BUILDING THE BUSINESS CASE FOR YOUTH SERVICES

INSIGHTS OF THE YOUTHSTART PROGRAMME

The MasterCard Foundation

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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 June 2013, YouthStart FSPs opened almost 200,000 youth savings accounts and trained over 200,000 youth on financial literacy. For more information, visit http://www.uncdf.org/YouthStart/.

ABOUT UNCDF

UNCDF is the UN's capital investment agency for the world's 49 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 catalyse 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/.

ABOUT THE MASTERCARD FOUNDATION

The MasterCard Foundation is an independent, global organization based in Toronto, Canada, with more than $6 billion in assets. Through collaboration with partner organizations in 50 countries, mostly in Africa, it is creating opportunities for all people to learn and prosper. The Foundation's programs promote financial inclusion and advance youth learning. Established in 2006 through the generosity of MasterCard Worldwide when it became a public company, the Foundation is separate and independent from the company. Its policies, operations, and funding decisions are determined by its own Foundation Board of Directors and President and CEO. For more information on the Foundation, please visit http://mastercardfdn.org/.

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Besides the main authors, Laura Muñoz and Maria Perdomo, UNCDF staff and other external reviewers were involved in providing technical feedback and reviewing the paper at different stages. This is, thus, a truly joint effort.

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ACRONYMS

FSP	financial service provider
GDP	gross domestic product
NFS	non-financial services
OSS	operational self-sufficiency
PAR30	portfolio at risk over 30 days
UNCDF	United Nations Capital Development Fund
US$	United States dollar
YSO	youth serving organization

ACRONYMS AND LOCATIONS OF YOUTHSTART PARTNERS

ACSI	Amhara Credit and Saving Institution (the Federal Democratic Republic of Ethiopia)
FUCEC	Faîtière des Unités Coopératives d'Epargne et de Crédit (the Togolese Republic)
FCPB	Fédération des Caisses Populaires du Burkina (Burkina Faso)
FINCA DRC	FINCA (the Democratic Republic of the Congo)
FINCA Uganda	FINCA (the Republic of Uganda)
OIBM	Opportunity International Bank Malawi (the Republic of Malawi)
PAMECAS	Partenariat pour la Mobilisation de l'Epargne et le Crédit au Sénégal (the Republic of Senegal)
PEACE	Poverty Eradication and Community Empowerment (the Federal Democratic Republic of Ethiopia)
UFT	Uganda Finance Trust (the Republic of Uganda)
UCU	Union des Coopecs Umutanguha (the Republic of Rwanda)

EXECUTIVE SUMMARY

Many that work in the field of inclusive finance envision a world where financial service providers (FSPs) serve massive numbers of youth to ease their transition from childhood to adulthood and ultimately reduce their risks and facilitate achievement of their life needs and aspirations such as completing their education, starting or expanding their own business; and increasing soft assets such as knowledge and skills and hard assets such as housing, land, tools, savings, etc. However, very little has been written that makes the business case for serving youth. This paper seeks to start that process and demonstrate that youth are a viable market.

The paper is based on the following overarching rationale:

- In many developing countries there is a youth bulge that represents both a commercial and a developmental opportunity for FSPs and donors.
- FSPs will obtain the greatest returns from youth over the long term as they become loyal clients with enhanced financial capabilities who access a wide array of financial services. Overall, serving youth represents a long term strategy. However, not enough time has elapsed to measure these returns among the YouthStart partners.
- FSPs would ultimately enter the youth segment based on the long term strategic objective of gaining youth loyalty but they may also need to consider how to achieve profitability of youth services in the short to medium term.
- Therefore, it is also important to estimate the effort needed to achieve profitability of youth services in terms of time and resources, and the essential variables to achieve the break-even point.

Under this rationale, the objective of the paper is twofold:

- For FSPs: To assess the effort needed to achieve the profitability of youth services and recommend how FSPs can improve the pathway towards profitability of youth services.
- For donors: To show how the support of donors impacts the pathway towards profitability of youth services and fosters youth financial inclusion.

To achieve this objective the authors analyze three FSPs (PEACE in Ethiopia, UCU in Rwanda and UFT in Uganda) that began offering youth services under the YouthStart programme in 2011 and have already shown promising results in terms of youth uptake and usage of savings accounts. To assess the profitability of offering youth savings, the authors analyzed if the marginal costs of serving youth are lower than the income FSPs would obtain from on-lending youth savings to other clients. This analysis is measured by three variables:

1. Operating expenses and cost structure
2. Savings volume
3. Returns from youth

The authors conclude that there is a business case for serving youth if FSPs follow three pathways to profitability of youth services.

Pathway #1: Optimizing expenses

The authors analyzed the cost structure of the youth programmes within each FSP and clustered expenses into salaries, marketing, costs of delivering Non financial services (NFS), interest paid on youth savings accounts, and others. Among the 5 main categories, staff salaries are the main cost driver for the three FSPs studied. As in the case of adult small savers, new technologies such as automated teller machines, point-of-sale devices or mobile banking have the potential to reduce the operating costs of serving youth. However since staff salaries are essential to ensure uptake and usage and the FSPs analyzed are not using these new technologies, they should rethink their cost structure by optimizing variable costs such as marketing activities and the expenses related to the delivery of NFS.

The authors also examined the impact of the costs of the youth programme on the Operational Self-Sufficiency (OSS) of the selected FSPs.[1] Findings suggested that the impact on OSS is greater for small FSPs than for big FSPs due to their lower institutional capacity to launch and implement a new product. However, impact on OSS in later years normally improves as FSPs get closer to their breakeven point within a three to five year period.[2]

Pathway #2: Increasing savings volume

When examining savings volume of the FSPs, the authors validated the assumption that over time youth, like adults, increase their average savings balance. The authors also found that FSPs will achieve more profitability through increasing youth average savings deposits (a key indicator of usage) than through increasing the number of youth clients (a key indicator of uptake).

A key variable to increasing savings volume is to include young adults in their youth portfolio as opposed to exclusively targeting minors. This is due mainly to the fact that older youth typically have higher average savings balances than minors. Minors not only require more time to increase their savings capacity, but the regulatory constraints to open and independently transact on their accounts, result in higher costs for the institutions to reach them and to collect their savings. This cross-subsidization among youth savers will increase the savings volume of an FSP and therefore will also decrease its timeframe to break even.

Pathway #3: Increasing returns from youth

The authors were not able to test the assumption that an FSP can obtain additional revenues through cross-selling to help offset the high operating expenses of serving youth. However, anecdotal data gathered from the FSPs supports the idea that serving youth can generate more business around their environment, for example increasing loyalty and reputation in the community and cross-selling to youth and their families over time. It is also important to remember that one of the main strategic objectives of FSPs offering youth services should be to build a life-long relationship with youth and their families.

1 See *Annex 1: Definition of indicators* for the definition of OSS.

2 See *Annex 2: Glossary of terms* for the definition of breakeven point.

In addition, it was difficult to test the assumption that higher fees on savings accounts will generate additional returns to also help offset high operating costs of serving youth. Youth savings accounts of most YouthStart partners charge minimal if any fees resulting in low or no revenues, to meet the characteristics that youth desire in savings accounts (which may not be different to those desired by adult small savers) and to respect the child and youth friendly banking principles promoted by Child and Youth Finance International. As a result we anticipate that fees on savings accounts will not become a major revenue driver for FSPs offering youth savings.

These findings provide valuable input for both FSPs and donors. Given that youth is still a rather new market segment, support from donors seems crucial to tip the balance and incentivize hesitant FSPs to serve youth. Donors can provide funding for technical assistance to help FSPs design an appropriate model that ensures break even is achievable and youth receive adequate services. Donors can also provide grants to shorten the break even period of FSPs and to serve more youth, given the unprecedented demographic growth. Grants from donors seem particularly relevant for small FSPs, as they have lower financial capacity to launch youth services, while bigger FSPs may have the capacity to absorb these initial expenses. This variance implies that donors could tailor different instruments based on the developmental stage and other relevant characteristics of FSPs, ranging from technical assistance to smaller grants and soft loans to smooth the initial investment.

This paper will be the first of a series of three papers on the business case for serving youth. A second paper will continue examining the business case for youth as clients of both savings and loan products. A third paper will further examine the cost and benefits of providing these services in tandem with NFS.

INTRODUCTION

'The hopeful continent: Africa rising,' the cover story featured in the December 3, 2011 issue of The Economist does little to shed light on whether a rising private sector in Africa will be able to provide enough opportunities to the more than 95 million youth living on US$1 a day, of which 30 percent have not even completed primary education, 11.8 percent are unemployed and 40 percent are under the level of working poverty.[3] [4] In Senegal, for example, an estimated 200,000 youth are ready to enter the job market every year. Yet, the private sector provides just 250,000 formal jobs in total.[5] In addition, it remains unclear whether these opportunities can be sustained so that over time they ease the transition from childhood to adulthood and ultimately reduce poverty and inequality on the African continent.

Box 1 Current YouthStart FSPs	
ACSI (Ethiopia)	FUCEC (Togo)
FCPB (Burkina Faso)	FINCA DRC
FINCA Uganda	OIBM (Malawi)
PAMECAS (Senegal)	PEACE (Ethiopia)
UFT (Uganda)	UCU (Rwanda)

UNCDF, the lead United Nations agency on financial inclusion, recognizes that access to financial and social assets, such as savings, and to educational and economic opportunities is essential to helping youth make their own economic decisions and reduce their vulnerability.[6] However, it also recognizes that, despite the developmental reasons for serving youth, the reality is that only few FSPs do so because they are either not equipped to serve youth or the business proposition for capturing the next generation of clients is not compelling enough to start serving this market segment in a targeted manner.[7] Of the 2.7 billion people around the world that have no access to formal financial services, 800 million are youth.[8] [9] This gap is due mainly to legal restrictions, high transaction costs and negative stereotypes about youth. Youth are regarded by many as risky due to their mobility, their apparent willingness to take more risks and their perceived desire to spend money on 'wants.' Members choose other members in savings and credit groups to facilitate the group guarantee, and most adult members often see youth as immature.[10]

3 United Nations Educational, Scientific and Cultural Organization, Education for All Global Monitoring Report 2012—Youth and skills: Putting education to work, 2nd edition (Paris: UNESCO, 2012).

4 International Labour Organization, Global Employment Trends for Youth 2013: A generation at risk.

5 Office of the Presidency of Senegal at UNDP's 2013 regional workshop on youth unemployment in sub-Saharan Africa.

6 See *Annex 2: Glossary of terms* for a definition of financial inclusion.

7 Madeline Hirschland, 'Youth Savings Accounts: A Financial Service Perspective—A Literature and Program Review.'

8 Consultative Group to Assist the Poor, 'Global Standard Setting-Bodies and Financial Inclusion for the Poor: Toward Proportionate Standards and Guidance,' A White Paper Prepared by CGAP on Behalf of the G-20's Global Partnership for Financial Inclusion (Washington, DC: CGAP, 2011).

9 Bridgitte Helms, Presentation at the Aga Khan Foundation, October 2010.

10 Danielle Hopkins and Maria Perdomo, 'Listening to Youth: Market Research to design financial and non-financial services for youth in sub-Saharan Africa.'

UNCDF inclusive-finance global thematic initiatives are designed to address these kinds of gaps. In an intensified effort to reach youth between 12 and 24 years of age that will be—or already are—invested in local economies, UNCDF partnered with The MasterCard Foundation to launch YouthStart in 2010.[11] [12] The US$11.9 million programme has supported ten strong FSPs in eight countries in sub-Saharan Africa (see box 1) in developing, piloting and rolling out youth-focused financial products, especially savings, and NFS such as financial education. YouthStart advocates that providing financial education in tandem with financial services is crucial to building the financial capabilities of youth.[13] As of June 2013, YouthStart FSPs opened over 192,000 youth savings accounts (of which 41 percent for young women and girls), trained 206,431 youth on financial literacy, entrepreneurship or reproductive health; and collected almost US$7 million in savings.

As very little has been written that makes the business case for serving youth, this paper can serve as a starting point towards demonstrating that youth are a viable market that is rather similar to other segments of clients, particularly the one of adult small savers.[14] The paper is based on the following overarching rationale:

- In many developing countries there is a youth bulge that represents both a commercial and a developmental opportunity for FSPs and donors.
- FSPs will obtain the greatest returns from youth over the long term as they become loyal clients with enhanced financial capabilities who access a wide array of financial services. Overall, serving youth represents a long term strategy. However, not enough time has elapsed to measure these returns in the YouthStart partners.
- FSPs would ultimately enter the youth segment based on the long term strategic objective of gaining youth loyalty but they may also need to consider how to achieve profitability of youth services in the short to medium term.
- Therefore, it is also important to estimate the effort needed to achieve profitability of youth services in terms of time and resources, and the essential variables to achieve the break-even point.

Under this rationale, the objective of the paper is twofold:

- For FSPs: To assess the effort needed to achieve the profitability of youth services[15] and recommend how FSPs can improve the pathway towards profitability.
- For donors: To show how the support of donors impacts the pathway towards profitability of youth services and fosters youth financial inclusion.

11 The UN definition of youth is 15 to 24 years. However, YouthStart starts working with youth, in particular girls, as early as 12 years old, because evidence suggests that when young girls at age 12 start accumulating economic and social assets, they will be more prepared economically and socially to avoid falling into a generational poverty tramp by the time they turn 15. The majority of African countries defined youth from 15 to 35 years of age. However, YouthStart considers someone to be young until the age of 24 because youth between 24 and 35 years of age are more likely to already have access to financial services, than those between 18 and 24.

12 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 June 2013, YouthStart FSPs opened almost 200,000 youth savings accounts and trained over 200,000 youth on financial literacy. For more information, visit http://www.uncdf.org/YouthStart/.

13 See *Annex 2: Glossary of terms* for a definition of financial capabilities.

14 See *Annex 2: Glossary of terms* for a definition of business case.

15 For clarity purposes every time the authors refer to youth services they are referring to the combination of youth savings and non-financial services such as financial education or reproductive health education.

The paper is divided into the following three sections:

1. The first section frames the study by describing the methodologies used, the FSPs selected and their youth programmes.
2. The second section analyses the three pathways to profitability of youth services.
3. The third section analyses the business case for serving youth.

Conclusions from this paper are preliminary because it is based on:

- Early evidence from three FSPs that began rolling out youth services in late 2012 or early 2013.
- Performance projections to 2014 based on targets each FSP established under the YouthStart programme.

As a result of these preliminary conclusions, this paper will be the first of a series of three papers on the business case for serving youth. A second paper will continue examining the business case for youth as clients of both savings and loan products, building on the conclusions drawn in this paper with additional data and over a longer period of time. A third paper will further examine the cost and benefits of providing these services in tandem with NFS.

CONTEXT OF THE PAPER

This first section introduces the methodologies used, the FSPs selected and the characteristics of the youth programmes implemented as the starting point of the analysis.

METHODS

The paper assumes FSPs will on-lend youth savings to other clients, either adult or youth clients. To assess the profitability of offering youth savings, we analyzed if the marginal costs of serving youth are lower than the income FSPs will obtain from on-lending youth savings to other clients.[16]

Serving youth is embedded in a long term strategy of building a relationship with this new client segment over time, which goes beyond the mere objective of getting the cheapest source of funds. Therefore, we decided not to compare the opportunity costs of mobilizing deposits from youth against other sources of funding.[17]

Although the paper analyzes the narrow return on investment of one or another youth products, the authors argue that the scope of the profitability analysis should also consider all the returns generated from youth clients and their families over time, such as cross-sales to youth and their families and the returns over a long-term relationship. However, these strategic returns may take time to materialise as youth grow older and FSPs gain experience with this client segment. Gathering the necessary data and developing projections of these 'indirect' returns was challenging given not only the early stages of the programmes, but also the limitations of the FSPs management information systems. Nevertheless, we will present some trends related to the market potential of youth clients based on anecdotal data gathered from the FSPs.

The paper compares youth with adult small savers. Taking as a reference the CGAP paper by Westley and Palomas 'Is There a Business Case for Small Savers?, the paper tests the following three assumptions to better understand the three pathways to profitability of youth services:

1. It is important to design a cost structure where marginal costs of youth services are optimized by identifying and reducing those costs that will not jeopardize uptake and usage.
2. Youth like adult savers will increase their average savings balance over time.
3. Cross-selling other products and increasing fees on savings accounts can offset the high operating costs of small savings accounts.

The three FSPs in this study were selected based on the following three reasons:

1. They are among the best performers of the ten FSPs participating in YouthStart, as they have met all the targets set in the grant agreement signed with UNCDF. These targets include number of youth accounts, number of youth trained, percentage of young girls in programme, OSS, portfolio at risk over 30 days (PAR30) and cost per client.[18]
2. Based on their excellent performance, we could argue that they will likely meet their 2014 targets, which legitimizes the projections made in this study.
3. They have already succeeded in establishing a systematic model for delivering youth services.

16 See *Annex 2: Glossary of terms* for the definition of marginal costs. The study followed the recommendation of considering marginal costs when analyzing profitability of a client segment from the CGAP paper by Glenn D. Westley and Xavier Martín Palomas, 'Is There a Business Case for Small Savers?'.

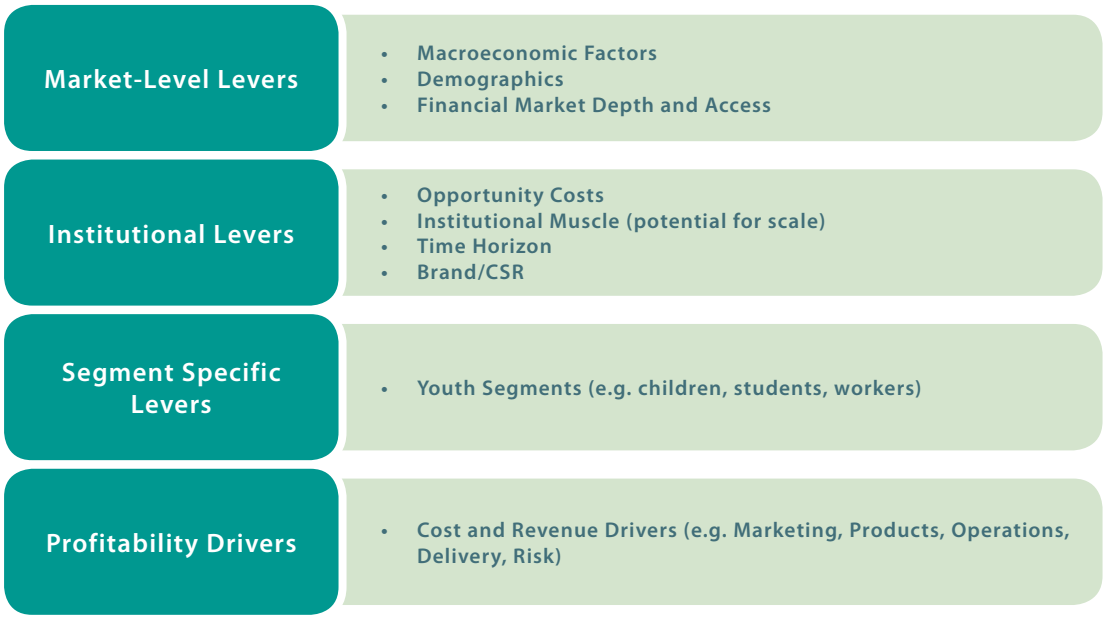
17 See *Annex 2: Glossary of terms* for the definition of opportunity costs.

18 See *Annex 1: Definition of Indicators* for a definition of OSS and PAR30.

INSTITUTIONAL AND MARKET CHARACTERISTICS OF THE SELECTED FSPs

The institutional and market characteristics of the selected FSPs are similar in some respects while vastly different in others. It is important to examine them as they play an integral role in the business case for youth. CGAP has developed a framework for FSPs to examine these different characteristics and to make a business decision about whether or not to enter the youth market based on projected profitability and returns (see figure 1).

Figure 1
CGAP framework for business case for youth financial services



This section will use certain components of the CGAP framework to present the FSPs such as market level levers (e.g. environment in which the FSP operates), institutional levers (e.g. institutional 'muscle' or potential for scale), and youth segment specific levers. Section 2 will analyze the profitability drivers (e.g. costs and revenues) of the selected FSPs.

At the market level, some macroeconomic indicators, such as annual GDP growth and inflation rates, represent levers that may have a great impact on a country's savings rate. Throughout the past five years, the economy in all three countries where the FSPs operate experienced growth above 5 percent. However, in 2012 the GDP of Ethiopia and Rwanda increased at a quicker rate of 8.5 and 8 percent respectively, while the GDP of Uganda increased at a rate of 3.4 percent. In terms of inflation rates, in 2012 Rwanda showed the lowest rate at 6.3 percent, followed by 14 percent in Uganda and 23.4 percent in Ethiopia.[19] Taking these two indicators into account, Rwanda had the best macroeconomic scenario for saving in 2012 with high GDP growth and low inflation rates.

The market context in which the three FSPs operate is similar when examining their regulatory environment. The three selected FSPs are regulated FSPs, authorised to intermediate deposits, which indicates they have the capacity and experience with adult savings products that will enable them to launch a youth savings product. PEACE and UFT are non-bank financial institutions and UCU is a credit union network. The regulatory frameworks of the countries in which they operate (Ethiopia, Uganda and Rwanda) impose similar age restrictions for youth to open and independently manage a savings account (see table 1). Rwanda has the most youth friendly regulatory environment.

19 Statistics from the World Bank database.

Table 1
Minimum age restrictions to open and manage savings account

COUNTRY	MINIMUM AGE TO OPEN AND MANAGE SAVINGS ACCOUNT
Rwanda	16
Ethiopia	14 for non-working youth; 18 for working youth
Uganda	18

The market context is vastly different when examining the financial markets of the three selected FSPs and their positioning in relation to the competition. Table 2 provides a comparative snapshot of the markets in which the three FSPs operate.

The Ethiopian microfinance sector has grown rapidly over the last few years. According to the MIX Market, the industry is currently serving over 2.6 million clients with a total outstanding loan portfolio of about US$468 million. In general, FSPs serve both urban and rural areas. However, the industry is heavily concentrated among three large FSPs (ACSI, ADCSI and Aggar) that have affiliations with regional governments. Most of the remaining FSPs, such as PEACE, are linked to indigenous or international NGOs and have made great efforts to increase their outreach. However, PEACE is still not considered a market leader as it is ranked 11th in terms of portfolio size, 14th in terms of number of borrowers, and 13th in terms of volume of savings.

In Rwanda, approximately 96 licensed FSPs are regulated by the National Bank of Rwanda which also regulates and supervises commercial banks and other formal FSPs. Of the 96 regulated FSPs, 12 are commercial banks which account for about 76 percent of the economy's total financing, but only 10 percent in terms of clients. Other FSPs serve 88 percent of depositors and 90 percent of borrowers but only account for 25 percent of total deposits and loans volume.[20] According to FinScope, the percentage of adults formally served by an FSP increased from 21 percent in 2008 to 42 percent in 2012. Despite the increase in uptake of formal financial products, many Rwandans still use informal mechanisms to manage their money and use of informal financial services increased from 39 percent in 2008 to 58 percent in 2012. According to the MIX Market, the industry is currently serving nearly 400,000 clients, with a total outstanding loan portfolio of about US$130 million. UCU is ranked among the top ten Rwandan FSPs in terms of number of clients, loan portfolio and volume of savings, but it is ranked 3rd in terms of number of depositors.

The Ugandan market is the most sophisticated of the three countries and it is generally regarded to be evolved and competitive, especially in urban markets. According to FinScope, 70 percent of the population aged 16 years and above are financially served with most of them using informal services (only 21 percent use formal services). The Association of Microfinance Institutions in Uganda (AMFIU) has 79 members, collectively reaching nearly 800,000 clients with a total outstanding loan portfolio of approximately US$355 million, and a total savings volume of US$350 million. In addition, there are over 1,000 non-member FSPs that do not comply with AMFIU's minimum standards, which reach an additional 330,000 borrowers and 800,000 savers. Finance Trust is a market leader as it is ranked by the MIX Market as one of the top five FSPs in Uganda in terms of portfolio size, number of clients and volume of savings.

20 FinScope financial sector assessment 2008.

Table 2
Market characteristics of FSP study participants

MARKET CHARACTERISTICS	ETHIOPIA	UGANDA	RWANDA
Number of clients (MM)	2.6	0.8	0.3
Outstanding loan portfolio (MM US$)	468.6	355.3	130
Volume of savings (MM US$)	254	354 .1	54
Percentage of adults formally served by FSPs (%)	N/A	21	42
Ranking of FSP in relation to the competition	Not a market leader	Among the top 5	Not a market leader, but among the top 10

Data from FinScope and MIX Market as of December 2012

The institutional characteristics of the selected FSPs also differ quite substantially. However they all share in common the following four characteristics:

1. More than 15,000 depositors.
2. A positive return on assets, and an OSS above 100 percent.[21]
3. A solid loan portfolio quality.
4. The majority of their clients are low income.

Table 3 highlights the institutional characteristics of each FSP. UFT is much bigger than the other 2 FSPs in terms of total assets, number of borrowers and depositors. Another important difference is their geographical coverage. Whereas UFT clients are mainly in urban areas, PEACE and UCU's clients are mainly concentrated in rural areas. Finally the yield on gross loan portfolio is very different among the three FSPs (PEACE- 18 percent, UCU-37 percent, UFT- 53 percent).[22] UCU and UFT closely mirror the median portfolio yield in their respective countries (Rwanda: 30.9 percent and Uganda 50.4 percent) while PEACE falls far behind the median portfolio yield in Ethiopia (27.8 percent).

Table 3
Institutional characteristics of FSP study participants

INSTITUTIONAL CHARACTERISTICS	PEACE (ETHIOPIA)	UFT (UGANDA)	UCU (RWANDA)
Rural/urban coverage	Rural	Urban	Rural
Total assets (MM US$)	3.9	24.8	2.6
Number of depositors	27,536	184,330	25,153
Number of borrowers	19,981	32,958	3,281
Average deposit/GDP per capita (%)	10	13	3
Average loan/GDP per capita (%)	42	157	81
Portfolio at risk over 30 days (%)	0.3	2.5	5.0
Operating expense ratio (%)	14	45	22
OSS (%)	131	104	120
ROA (%)	4.5	1.9	3.9
ROE (%)	10.4	12.1	8.0
Yield on gross portfolio, nominal (%)	18	53	37
Average portfolio yield in respective countries	27.8	50.4	30.9

Data from YouthStart quarterly reports and the MIX Market as of December 2012

21 See *Annex 1: Definition of indicators* for the definition of return of assets and OSS.

22 See *Annex 1: Definition of indicators* for the definition of yield on gross portfolio.

DESCRIPTION OF YOUTH PROGRAMMES

After undertaking an intensive market research process the three FSPs designed youth savings accounts that allow youth to deposit and withdraw flexible amounts of savings at low or no cost.[23] [24] As table 4 depicts, these features of youth savings accounts are more attractive than those offered to adults, with the exception of PEACE. This is due mainly to the fact that PEACE's adult savings accounts are already quite affordable for both youth and adults.

Table 4

Features of youth savings accounts against adult savings accounts at FSP study participants

	PEACE		UFT		UCU	
	Youth accounts	Adult accounts	Youth accounts	Adult accounts	Youth accounts	Adult accounts
Minimum opening amount US$	0.3	0.3	1.3 < 18 yrs. 2.6 >18 yrs.	3.8	1.5	5.5
Minimum balance US$	0.3	0.3	0.8 <18 yrs. 2.2 >18 yrs.	3.8	1.5	1.6
Opening fee US$	0.0	0.0	0.0	5.7	3.0	4.0
Managing fee US$	0.0	0.0	0.0	0.7	0.0	0.0
Withdrawal fee US$	0.0	0.0	0.0	0.0	0.0	0.0
Interest rate (%)	6.0	6.0	2.0-3.0	2.0-3.0	0.0	0.0

One of the main differences between the youth savings products and adult savings products is the marketing strategy and delivery channels used to target each segment. The marketing strategy to reach youth is based on 'below the line' activities and unconventional distribution models (see box 2 for examples of unconventional distribution models).[25] Under this approach staff typically travel to where youth congregate (e.g. schools, churches, community centres), and seek out the parents to convince them of the benefits of the programme for their children and to secure their consent when the youth is a minor. This approach is ideal to reach both in-school youth and out-of-school youth. The marketing strategy to reach adults is based more on traditional marketing approaches of promoting products at branches through banners and flyers. Of the selected FSPs, UCU based its marketing strategy solely on below the line activities, while PEACE and UFT combined it with a traditional marketing approach.

Box 2 Unconventional distribution models for reaching youth used

- The 3 FSPs use youth mobilisers to reach out youth at schools and churches every day. In the case of UFT, youth mobilisers also collect deposits at schools.
- UFT's youth mobilisers attend parents' meetings at schools to gain their trust to open their children's accounts and to secure their consent.
- PEACE mobilisers visit rural communities and meet with girls' groups to open accounts and collect deposits.
- PEACE organises 'market days' on weekends, which involve setting up a tent in the middle of the market to promote youth financial products to young microentrepreneurs.

When examining the business model of the three FSPs it is also important to consider the model used to deliver NFS, in particular financial education, as a complement to youth savings. PEACE and UFT use a unified model to integrate financial and NFS which means that the same staff offer financial and NFS to its clients. UCU builds the capacity of youth peers to replicate NFS to other youth, which may be considered a hybrid between the unified and the parallel model.[26]

23 See Danielle Hopkins and Maria Perdomo, 'Listening to Youth: Market Research to design financial and non-financial services for youth in sub-Saharan Africa.'

24 See Annex 3 for more information on product features.

25 See *Annex 2: Glossary of terms* for the definition of 'below the line' activities.

26 Typical models to integrate financial services and NFS include the following: Linked: An FSP partners with another

As of December 2012, the three youth programmes of the FSPs have shown promising results (see table 5). Combined they have opened 20,294 youth savings accounts (of which young women and girls account for 46 percent), trained 19,093 youth in financial education or reproductive health; and collected US$312,699 in savings. UCU has opened the highest number of youth savings accounts, followed by UFT and PEACE. Both PEACE and UCU have reached more minors than youth above 18 years of age. Only UFT's youth portfolio is comprised mainly of young adults above the age of 18. UFT has collected the highest volume of savings and has the highest average savings balance.

Table 5
Characteristics and results of Youth programme in FSP study participants

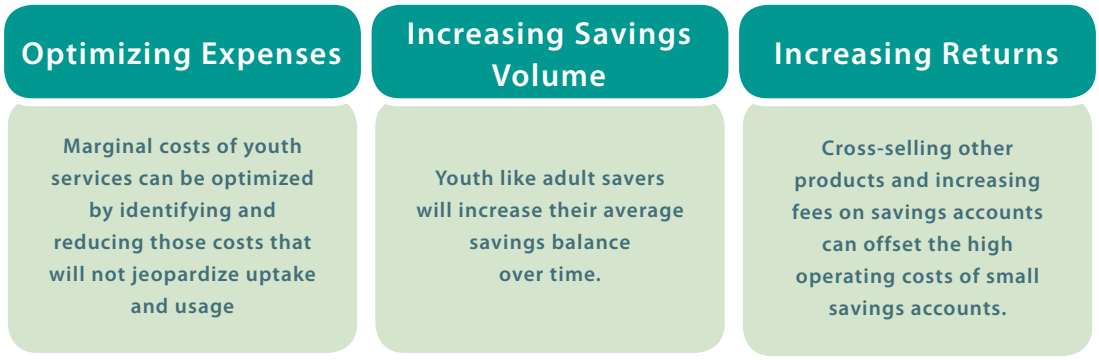
	PEACE (ETHIOPIA)	UFT (UGANDA)	UCU (RWANDA)
Number of youth savings account holders	4,172	5,966	10,156
Youth savings account holders above 18 yearls old (%)	40	75	42
Young women and girls (%)	40	49	51
Number of youth trained	8,613	4,661	5,819
Youth savings volume (US$)	34,472	191,713	86,511
Av. youth savings balance (US$)	8	17	9
Profits from on-lending (youth savings volume x FSP portfolio yield)	6,231	53,505	32,077
Operating costs	91,644	161,641	136,711
Year net profit/loss (profits from onlending – operating costs)	-85,413	-108,137	-104,634
Cumulative profit-loss/savings volume (%)	-248	-106	-121
YouthStart products offered	Individual savings account	Individual savings account, Loan (youth over 18)	Individual savings account, Loan (youth over 21 as per regulation)
Fees on youth savings account (US$)	None	None	3 (credit union share)
Marketing	Banners, flyers Promotion at schools and markets Incentives to youth	Banners, flyers Promotion at schools and markets Incentives to youth	Flyers, Promotion at schools and markets Incentives to youth
Delivery channels	Branches	Branches ATM (youth over 18) Deposit collection at schools	Branches
Financial education model	Unified: Officers as trainers	Unified: Mobilisers and mentors as trainers	Hybrid (parallel and unified): Youth peers as trainers

Data from YouthStart quarterly reports as of December 2012

independent organization. In this model, the independent organization is often a YSO that offers training, non-formal education and/or mentoring, while the FSP focuses on providing financial services. Parallel: An FSP has a separate education department and uses it to provide NFS to its clients. Unified: An FSP uses the same staff to offer both financial services and NFS to its clients. Christopher Dunford, 'Building Better Lives: Sustainable Integration of Microfinance with Education,' Chap. 2 in Pathways Out of Poverty: Innovations in Microfinance for the Poorest Families (Bloomfield, CT: Kumarian Press, 2002).

ROAD MAP TO PROFITABILITY OF YOUTH SERVICES

Figure 2
Pathways to profitability of youth services



This section will focus on the profitability drivers (costs and revenues) of providing services to youth. The authors attempt to quantify the costs and revenues of serving youth and examine the following three pathways to profitability of youth services, based on the assumptions noted in figure 2: [27]

1. Optimizing expenses
2. Increasing savings volume
3. Increasing returns

The projections in this section are based on two scenarios (standard and optimised) and do not take into account the grant the FSPs received from YouthStart. The authors made this decision to provide a more relevant analysis for both funders and practitioners looking to invest in youth. The projections developed for the 'standard' scenario assume youth will continue increasing their deposits balances at the same rate they did over 2012, and youth outreach figures will mirror the targets that the FSPs established at the onset of the YouthStart programme. The projections developed to illustrate different 'optimized' scenarios assume a 25 percent decrease in costs; 25 percent increase in outreach; 50 percent increase in savings balances.

PATHWAY #1: OPTIMIZING EXPENSES

When examining the costs of youth savers it is important to consider both the marginal costs and cost structure of the FSP.[28] As of December 2012, the cost per youth saver was US$22 at PEACE, US$27 at UFT and US$13 at UCU. These marginal operating costs are similar to those found by Westley and Palomas for adult small savers at ADOPEM in the Dominican Republic (US$23) and Centenary Bank in Uganda (US$19).[29] As the savings balances for both youth and adult small savers are generally low, optimising expenses becomes critical to pave the road towards profitability of youth services.

To help FSPs gauge to what extent they can optimize costs based on their own business models, the authors analyzed the cost structure of the FSPs. Although, in general, YouthStart FSPs have similar budget lines, each FSP has its own business model that leads to a different cost structure. Figure 3 shows five main categories in which we clustered costs: salaries, marketing, costs of delivering NFS, interest paid on youth savings accounts, and other.[30] The authors also analyzed the impact of the youth programme costs on the OSS of the selected FSPs.

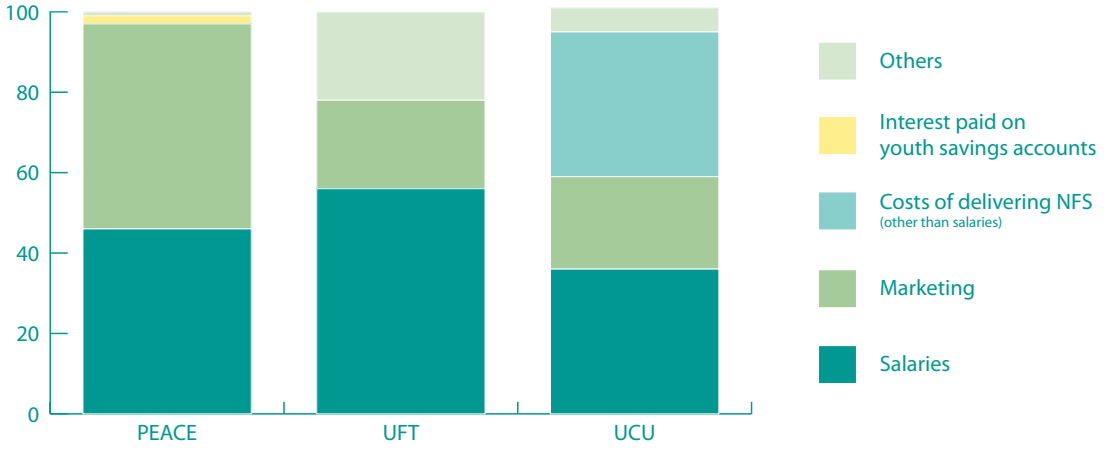
27 Most of these assumptions are based on the paper Glenn Westley, Xavier Palomas. 'Is there a Business Case for Small Savers?'. CGAP. September 2010.

28 See *Annex 2: Glossary of terms* for the definition of marginal costs.

29 Cost per client calculated by dividing operating costs by the number of small savers, from data presented in table 3 of Westley and Palomas paper on 'Is there a business case for small savers?' CGAP, 2008.

30 See *Annex 4: Cost structure* for information on the cost structure.

Figure 3
Cost structure of FSP study participants



Data provided by FSPs as of December 2012

Staff salaries

Staff salaries are the main cost driver for the three FSPs studied comprising nearly 50 percent of total annual costs. This may be due to the use of unconventional distribution models (e.g. encourage staff to get out of the branch and travel to where youth gather, get parental consent, etc.) to reach youth in an adequate manner. In addition, staff must also typically deliver the NFS in places where youth convene. They must also follow up with youth in these places especially in the absence of new technologies such as mobile banking or point-of-sale devices, to ensure usage of their savings accounts. All of these activities are time and labour intensive and therefore represent high operating costs for FSPs.

Staff salaries represent a rigid cost, as FSPs will not hire additional staff until a certain level of productivity is achieved. At the same time, it is very difficult to cut this expense as FSPs need a working force to reach and serve youth. To optimise staff-related costs an FSP must raise staff productivity, which implies increasing the number of youth reached per staff member and streamlining the time staff members need to devote to each youth. Westley and Palomas point to new technologies as a key pathway to smoothing transaction costs and increasing account uptake and usage. Unfortunately, as none of the selected FSPs were equipped with these new technologies at the moment of launching the youth programme, the authors could not analyse their impact on youth services.

Another important profitability driver across all the FSPs studied are marketing costs which represent a variable cost related to the number of youth reached. The marketing costs will depend on the marketing strategy and activities (e.g. below the line/unconventional vs. traditional) and the market in which the FSP operates. Given that UCU operates in Rwanda, the least competitive environment of the three FSPs and that its marketing strategy focuses solely on below the line activities and unconventional distribution models, it is not surprising that it spends only US$2 to reach one youth. UFT which operates in Uganda, the most competitive environment, spends US$5 while PEACE spends US$5.8 to reach one youth. These results suggest PEACE and UFT may have room for optimising costs by rethinking their marketing strategy. However, this cost-cutting strategy will only make sense for PEACE, as close to 50 percent of their costs is allocated for marketing activities while UFT allocates only 15 percent of its total costs for these types of activities.

Interest paid on youth savings accounts

As of December 2012, interest paid on youth savings accounts for the FSPs were too low to be considered significant (see figure 3). Of the FSPs selected, only PEACE offers a direct interest rate on all youth savings. In contrast, UFT offers it only above a savings balance threshold while UCU offers it on long-term deposits but not on current accounts. As the number of savers and their deposits grow, the contribution of interest rates to total costs will also rise in those FSPs that allow all accounts to accrue interest. FSPs could eventually decide to lower or increase the remuneration according to market conditions provided there is no possibility that a youth account can be overdrawn and the youth will not see their savings diminish.[31] Remunerating savings coupled with financial education may also nudge savings behaviour of youth and enable the FSP to increase the average youth savings balance.[32]

Delivery of NFS

Figure 3 suggests that among the three FSPs studied, UCU is the only one incurring direct costs for the provision of NFS. This is due to the fact that it is the only FSP paying dedicated youth peers to deliver financial education (hybrid business model of unified and parallel). In addition, it pays rent for the venue where the education is delivered and a small stipend to youth participants to cover costs to attend the financial literacy sessions (e.g. transportation costs, food, etc.). In contrast, the staff at PEACE and UFT who deliver the education is also responsible for opening the accounts and providing follow up (unified model). In addition, both FSPs deliver the education through their own branches or community centres and do not pay a stipend to youth participants.

An additional explanation for the limited impact of delivering NFS on the cost structure of the FSPs is the 'critical minimum' approach that they have adopted.[33] This approach entails using a curriculum with a maximum of three-30 minute sessions containing the key necessary messages to nudge youth savings behaviour (see table 6). Limiting the length of the sessions allows an FSP to train more youth in a shorter period of time, thus benefitting both the youth and the FSP. In addition, the sessions utilize basic training materials keeping the costs of delivery low. Finally, trainers who may not be technically savvy in financial education are easily able to deliver the simple sessions that follow a similar structure.

Table 6
Critical minimum approach of YouthStart FSPs

SESSION TITLE	ACHIEVEMENT BASED OBJECTIVES (By the end of the session participants will have...)
Setting and reaching savings goals	- Identified a personal savings goal. - Developed a savings plan.
Comparing places to save	- Compared different places to save. - Decided what place is best for them to save their money to reach their savings goals.
How to open a savings account	- Reviewed the requirements to open a savings account and the benefits of the savings account. - Made a commitment to start saving in the best place for them.

31 UNCDF-YouthStart considers this condition a principle of youth client protection. For more information on this topic, please see the UNCDF-YouthStart technical note 'Client Protection for Youth Clients.'

32 See section Pathway #2: Increasing savings volume, youth average savings balance for how this will have a positive impact on the business case for YFS.

33 See *Annex 2: Glossary of terms* for the definition of critical minimum. Reach Global, the technical assistance provider of most YouthStart grantees recommends this approach.

The cost structure analyzed by Westley and Palomas did not take into consideration the delivery of NFS. Yet, the marginal operating cost per adult saver is very similar to the marginal operating cost per youth saver. Since ADOPEM delivers NFS through a separate NGO (parallel business model), the cost of delivery of the NFS has minimal impact on the financials of the FSP. If these costs would have been taken into consideration, the marginal operating cost per adult saver for ADOPEM may have been higher.

The different business models used to deliver NFS have different cost implications for the FSP (see table 7). For example the unified model used by PEACE and UFT may explain to a certain extent why staff salaries represent the main cost line for both FSPs. Staff at these institutions must spend a greater part of their time to deliver financial education than staff at UCU. However, if an FSP set up a new department and hired specialized staff to deliver NFS, the costs would increase (parallel model). If an FSP partnered with another institution to deliver NFS (linked model), the contribution of staff salaries to total costs may decline but the costs of outsourcing this service would most likely be higher.

Table 7
Financial implications of NFS models

MODEL	FINANCIAL ADVANTAGES AND DISADVANTAGES
UNIFIED	- The FSP does not need to hire additional staff for the delivery of NFS. - The FSP needs to invest in developing new modules or adapting adult modules to youth. - The FSP needs to invest in continuing staff training to ensure staff can fulfil their roles as trainer and as financial field officer.
PARALLEL	- The FSP needs to set up a new department (or expand an existing department) for the delivery of NFS, which means hiring staff, buying computers, etc. - The FSP needs to invest in developing new modules or adapting adult modules to youth. - If the FSP is delivering NFS through groups, the FSP needs to pay for transportation costs for two staff members. - The FSP needs to hire specialized staff.
LINKED	- The FSP needs to pay fees to a youth serving organization (YSO) to deliver the education to its youth clients; however, depending on the YSO market, these fees may be quite high and the FSP may have little control over the quality of the education being delivered. - Depending on the sophistication of the YSO market, the FSP may need to invest in developing new modules or adapting adult modules to youth, which will be delivered by the YSO partner.

Optimizing expenses

By analysing their business model, FSPs can identify how to optimize expenses. However, since staff salaries represent the highest share in their cost structure and they are quite rigid expenses, the margin for optimizing them is limited. FSPs should focus on optimizing variable costs such as marketing activities and expenses related to the delivery of NFS (e.g. rental for facilities, economic compensation for attendance). Technology might also help FSPs reduce staff salary costs, by reducing the time devoted to operations (e.g. mobilizing and collecting deposits).

When comparing the expected returns by 2014 from on-lending youth savings with and without a 25 percent cost reduction, the benefits from cost optimization become apparent (see table 8). This strategy will increase the expected returns of all three FSPs but will only be sufficient for UFT. PEACE and UCU will need to look for additional pathways to achieve profitability of youth services.

Table 8

Returns from on-lending youth savings (US$) with/without cost reduction of 25 percent for FSP study participants by 2014 (projected returns)

	PEACE		UFT		UCU	
	Standard projections	25 % costs reduction	Standard projections	25 % costs reduction	Standard projections	25 % costs reduction
1.Number of youth savings account holders and NFS participants	26,407	26,407	35,160	35,160	19,672	19,672
2. Savings volume	310,926	310,926	993,360	993,360	326,736	326,736
3. Profits from on-lending (1 x FSP portfolio yield)	56,200	56,200	522,542	522,542	121,149	121,149
4. Operating costs	88,706	66,530	239,521	179,641	76,661	57,496
5. Year net profit/ loss (2–3)	-32,506	-10,329	283,021	342,901	44,488	63,653
6. Cumulative profit-loss/ savings volume (cumulative 4/1) (%)	-58	-44	18	24	-21	-9

Impact of expenses on operational self-sufficiency

As with any new product or service, it may take several years until youth services become a profitable activity for a particular FSP. As a result FSPs must determine the necessary resources to support the start up investment and whether or not they have the capacity to do so with their own financial resources. To quantify the financial capacity needed to launch the youth savings product, the authors examined the impact of the youth programme costs on the OSS of the selected FSPs (see table 9).

The analysis suggested a correlation between the size of the FSP and OSS: during the early years, smaller FSPs suffer a bigger decline in their OSS than do bigger FSPs. This larger impact for small FSPs on OSS may be due to their lower institutional capacity to launch and implement a new product.[34]

For example at UFT, the biggest FSP studied, the costs of designing and implementing a new product for youth, including the upfront investment to launch the services, resulted in a slight decrease of 2 percent in OSS. At smaller FSPs, such as at PEACE and UCU, the effect on OSS is greater when considering both operating and launch costs (between 25 percent and 40 percent). However when taking into account only running costs, OSS decreases by around 10 to 20 percent. It is important to note that impact on OSS for smaller FSPs usually improves as FSPs get closer to their breakeven point within a three to five year period.

Table 9

Comparison of the impact of launching youth services on OSS of FSP study participants

IMPACT ON OSS	PEACE	UFT	UCU
OSS 2012, including start up and running costs of youth services (%)	132	104	114
OSS 2012, excluding start up and running costs of youth services (%)	157	106	155

Data from YouthStart quarterly reports and MIX Market reports as of December 2012

34 CGAP Webinar 'Exploring the Business Case for Youth Savings. July 2, 2013.

PATHWAY #2: INCREASING SAVINGS VOLUME

In addition to rethinking their cost structure, FSPs can increase the youth savings volume either through increasing the number of youth clients (uptake) or their average savings deposits (usage) to improve the profitability of youth services. This strategy will allow FSPs to generate greater profits from on-lending, provided the return of on-lending is greater than the cost of attracting more youth savers. In this section we will examine the impact of uptake and usage on the profitability of youth services and test assumption #2 that youth like adult savers will increase their average savings balance over time.

To date UFT has collected the highest volume of youth savings due mainly to a higher average youth savings balance. UCU grew mainly by increasing the number of youth savers. While PEACE's average savings balance is very similar to that of UCU, it reached a much lower number of youth (see table 10).

Table 10
Youth savings of FSP study participants

YOUTH SAVINGS	PEACE (ETHIOPIA)	UFT (UGANDA)	UCU (RWANDA)
Number of youth savings account holders	4,172	5,966	10,156
Youth savings volume (US$)	34,472	191,713	86,511
Av. youth savings balance (US$)	8	17	9

Data from YouthStart reports as of December 2012

Number of youth:

As can be seen in table 11, the impact of a 25 percent growth in the number of youth (uptake) has minimal impact on the profitability of youth services in the three FSPs. The effect is particularly low for PEACE and UCU, FSPs using a model where variable unit costs are high. Therefore these two FSPs should work to optimize variable costs before rolling out youth services. At UFT, where rigid costs, mainly staff, represent the main cost driver, the impact of increasing the number of youth on the profitability of youth services is slightly greater.

Table 11
Returns from on-lending youth savings (US$) with 25 percent higher number of youth served for FSP study participants by 2014 (projected results)

	PEACE		UFT		UCU	
	Standard projections	25 % higher Nº youth	Standard projections	25 % higher Nº youth	Standard projections	25 % higher Nº youth
1. Number of youth savings account holders and NFS participants	26,407	33,009	35,160	43,950	19,672	24,590
2. Savings volume	310,926	388,658	993,360	1,241,700	326,736	408,420
3. Profits from on-lending (1 x FSP portfolio yield)	56,200	70,250	522,542	653,177	121,149	151,437
4. Operating costs	88,706	129,694	239,521	283,471	76,661	107,153
5. Year net profit/ loss (2–3)	-32,506	-59,444	283,021	369,706	44,488	44,284
6. Cumulative profit-loss/ savings volume (cumulative 4/1) (%)	-58	-57	18	23	-21	-18

Youth average savings balance

Increasing the average youth savings balance will make youth savers more profitable in future years. Both the average youth savings balance and the annual increase of savings are greater at UFT than at UCU or PEACE (see table 12). This difference may be due mainly to the fact that both PEACE and UCU mainly operate in rural areas, making it more difficult for the FSP to collect deposits in the absence of technology. In addition, more than 50 percent of their youth portfolio is comprised of minors. Targeting minors requires a longer time frame for the FSP to achieve profitability of youth services as they not only need more time to increase their savings capacity over the years, but it costs more for the FSP to reach them and collect their savings due to the regulatory constraints to open and independently transact on their accounts.

Table 12

Average youth savings balance and annual increase in FSP study participants

AVERAGE YOUTH SAVINGS	PEACE	UFT	UCU
Average youth savings balance (US$)	8.3	17	9
Increase of average youth savings for one year (%)	37	82	55

Data from YouthStart reports as of December 2012

The authors tested assumption #2 which states that the average savings balance of youth savers will increase over time like adult savers. Westley and Palomas found that the average size of small adult savers in ADOPEM increased by 50 percent during the first year and 30 percent the second year. This growth proved essential to turning today's unprofitable adult small savers into future profitable savers. Similarly, the average savings balance of youth increased after one year in all three FSPs by a range of 37 percent to 55 percent (see table 12 for a comparison of average savings balance and annual increase). This finding indicates that the usage of accounts by youth is likely to increase over time and may do so even more for older youth. Since youth just started opening accounts in 2012, not enough time has elapsed to analyse the savings from those that become adults after their participation in the programme and that may have the potential to accumulate higher savings balances.

As in the case of adult small savers, the business case for serving youth will become stronger as youth savings grow. Table 13 depicts a scenario where FSPs increase the youth average savings balance by an additional 50 percent. This scenario does not take into consideration the additional expenses in marketing materials and staff time that FSPs should spend to nudge savings behaviour of youth and increase account usage. If these were taken into consideration, the profitability would be lower. Results indicate that increasing the average savings balance by encouraging usage and accumulation of savings will have a positive impact on the business case.

Table 13

Returns from on-lending youth savings (US$) with an additional 50 percent increase in average youth savings balances for FSP study participants by 2014 (projected results)

	PEACE		UFT		UCU	
	Standard projections	+50 % growth in av. savings balances	Standard projections	+50 % growth in av. savings balances	Standard projections	+50 % growth in av. savings balances
1. Number of youth savings account holders and NFS participants	26,407	26,407	35,160	35,160	19,672	19,672
2. Savings volume	310,926	370,768	993,360	1,179,000	326,736	408,420
3. Savings average[a]	12	16	28	34	17	19
4. Profits from on-lending (1 x FSP portfolio yield)	56,200	67,017	522,542	620,195	121,149	151,437
5. Operating costs	88,706	92,575	239,521	239,521	76,661	76,661
6. Year net profit/ loss (2–3)	-32,506	-25,558	283,021	380,674	44,488	74,775
7. Cumulative profit-loss/savings volume (cumulative 4/1) (%)	-58	-45	18	31	-21	-5

[a]The increase of 50 percent in average savings was applied to average initial balances and average balances after one year, to reflect the accumulation of savings over time. The different projections for youth outreach in each FSP leads to different total average savings balance by 2014.

Cross-subsidizing among different youth segments

It is important to define the various youth segments as well as the characteristics of 'small' savers when examining the impact of average savings balance on the profitability of youth services. For example Westley and Palomas defined small savers as the half of all savings clients with the smallest deposit balances.[35] This definition allowed them to calculate the savings balance threshold that defines small savers in each particular FSP and avoid country differences (e.g. Gross national income per capita). Using this same definition, we calculated the threshold for small savers at the selected FSPs and found that 17.5 percent of youth at UFT and 7 percent at UCU are not small savers.[36] This small group of youth who are not small savers held 88 percent of youth savings volume at UFT and 90 percent at UCU.[37] This finding indicates that YouthStart FSPs are unintentionally cross-subsidizing transaction costs related to accounts with a lower balance.[38]

Cross-subsidizing among youth savers is the key variable to achieving the necessary savings volume and to reducing the time frame to break even. For example, if YouthStart FSPs did not have a small proportion of youth with an average savings balance above US$100, none of the three FSPs studied would have achieved sustainability in their youth services during a reasonable time-frame (three to five years) and they would all be very far from the breakeven point (see table 14).

It is important to identify the socioeconomic characteristics of youth with higher savings balances. In the three FSPs studied these youth are primarily older youth (e.g. 23 or 24 years of age), either women or men, who develop an entrepreneurial activity. This finding supports the positive effect of targeting older youth in the short term on the business case to achieve profitability of youth services.

35 See Westley and Palomas 'Is There a Business Case for Small Savers?' CGAP. 2010.

36 The threshold defining small savers was US$8 at UFT and US$3 at UCU. Information for PEACE was not available.

37 See *Annex 5: Youth savings distribution* for more information about the youth savings distribution in each FSP.

38 See *Annex 2: Glossary of terms* for the definition of cross-subsidization.

Table 14

Returns from on-lending youth savings (US$) excluding youth with a deposit balance over US$100 for FSP study participants by 2014 (projected returns)

	PEACE		UFT		UCU	
	Standard projections	Accounts >US$100 excluded	Standard projections	Accounts >US$100 excluded	Standard projections	Accounts >US$100 excluded
1. Number of youth savings account holders and NFS participants	26,407	26,407	26,000	26,000	19,672	19,672
2. Savings volume	310,926	234,463	993,360	322,699	326,736	176,997
3. Profits from on-lending (1 x FSP portfolio yield)	56,200	42,379	522,542	169,751	121,149	65,628
4. Operating costs	88,002	88,002	239,521	239,521	76,661	76,661
5. Year net profit/ loss (2–3)	-32,506	-45,623	283,021	-69,770	44,488	-11,033
6. Cumulative profit-loss/savings volume (cumulative 4/1) (%)	-58	-87	18	-96	-21	-107

PATHWAY #3: INCREASING RETURNS FROM YOUTH

Assumption #3 in the analysis of the business case states that similar to adult savers returns generated from loyalty and cross-selling to youth and their families over time can offset the costs of serving youth savers.[39] This is in fact the overarching rationale and main strategic objective for FSPs to serve youth, in addition to developmental objectives. However, it is important to recognize that these returns may take some time to materialise as FSPs gain experience with this new client segment and youth grow older. It is also important to consider that the potential for cross-selling to youth and their families will depend on the level of competition in the market where FSPs operate and their leadership position within the market. For example in highly competitive markets where most people are already clients of an FSP, convincing parents to open an account at another FSP may prove more difficult. However, a good image or reputation of an FSP within a community may help persuade parents to make this transition.

Unfortunately it was impossible to gather data and develop projections to support this assumption due to the early nature of the programme and the limitations of the FSPs' management information systems. However the authors have some anecdotal information that helps reveal the full potential of serving youth.

Serving youth can offer opportunities to cross-sell financial services to adult relatives. In the case of UFT, nearly one thousand adult relatives of youth became clients of UFT nine months after the pilot test started. These relatives were mainly adult family members that learned about the YouthStart programme, allowed their young relatives to join the FSP and then decided to join as well. This promising result suggests that 17 percent of youth clients bring their relatives to UFT, and that these relatives may access more profitable products and services thus increasing the return for the FSP.

Marketing activities designed for youth may also result in cross-selling financial services to adult relatives. PEACE organized 'market days' as part of its marketing strategy. During these events staff travel to the weekly market and promote youth savings accounts onsite. When PEACE began offering youth savings accounts in December 2011, it registered an increase in account openings by 40 percent of all client types, including adults, compared with the previous year.

39 See Westley and Palomas 'Is there a Business Case for Smaller Savers?' 2010. CGAP.

Providing savings accounts to youth can also result in cross-selling loans and other products and services to them as they grow older and can access these products. For example, in 2012 UCU earned US$13,300 from fees and interest for 152 loans granted to young adults. These revenues represent 15 percent of operating expenses for the year. UCU expects to increase its youth loan portfolio as does PEACE and UFT.

The three selected FSPs claim that another benefit of serving youth is an improvement of their image and reputation in the communities where they work, as people perceive them as friendly and engaged FSPs. This positive perception is an intangible benefit that is difficult to measure, but offers greater potential for growth and loyalty in a community.

Box 3 Child- and Youth-Friendly Banking Principles

1. Availability and accessibility of banking products for children and youth
2. Maximum control to the child and youth
3. Positive financial incentive to the child and youth
4. Reach unbanked youth
5. Employment of child and youth friendly communication strategies
6. Financial education
7. Child and youth client satisfaction surveys
8. Internal control

In addition to cross-selling to youth and their relatives, Westley and Palomas identified charging higher fees on savings accounts to adult small savers as another source of additional revenue, thus improving the pathway to profitability of youth services. It is difficult to test this assumption with youth savers as savings accounts of most YouthStart partners charge minimal if any fees resulting in low or no revenues.

This is due mainly to the characteristics that youth desire in savings accounts (which may not be different to those desired by small savers) and to respect the child and youth friendly banking principles promoted by Child and Youth Finance International (see box 3). As a result we anticipate that fees on savings accounts will not become a major revenue driver for FSPs offering youth savings. Charging higher fees on savings accounts to youth may be acceptable as long as it is a strategy that helps the FSP to achieve profitability of youth services, the returns to youth are always positive and their balances do not diminish over time due to fees.[40]

Lastly another source of revenue for youth savings is the income FSPs will generate from on-lending youth savings to any adult or youth borrower. This income must be enough to cover the running costs of serving youth. To assess this income, the authors considered the indicator of yield on gross loan portfolio.[41]

Although this variable is external to the youth programme, it is important to note the large disparity between the three selected FSPs when examining the yield on gross loan portfolio. The yield on gross portfolio of PEACE is much lower than that of UFT and UCU (see table 15). This explains in part why UFT and UCU may find it easier than PEACE to achieve profitability of youth savings. As a result PEACE may need to look for alternative ways to increase revenue or optimize expenses to maximize its efficiency in serving youth.[42]

Table 15

Spread between yield on gross loan portfolio and projected running costs of youth savings of FSP study participants

	PEACE	UFT	UCU
Yield on gross loan portfolio (%)	16	53	37
Projected running costs/youth saving (%) by 2014	26	16	23
Spread	-10	37	14

40 UNCDF-YouthStart considers this condition a principle of youth client protection. For more information on this topic, please see the UNCDF-YouthStart technical note 'Client Protection for Youth Clients.'

41 See *Annex 1: Definition of indicators* for the definition of yield on gross portfolio.

42 It is important to note that PEACE is a very efficient FSP as evident from an operating expense ratio that has remained below 15 percent since 2010. These high efficiency levels allow staff to offer low prizes to their clients (adult and youth) which may be critical given the environment in which they operate.

IS THERE A BUSINESS CASE FOR SERVING YOUTH?

The business case for serving youth should be primarily based on the strategic objectives of building a long-life relationship with youth as they grow older, improving their financial capabilities and providing access to a wide array of financial services. The greatest returns from serving youth should materialise over the long term. However, FSPs are also concerned about the time and resources needed to reach the break-even point of youth services. This section describes the scenarios to break even and the way forward for both YouthStart FSPs and the YouthStart programme.

Scenarios to break even

It is important to examine characteristics of the current business models of the selected FSPs and compare them with desired characteristics (optimized model) to determine any necessary changes in the existing models and thus shorten the FSPs' pathways to profitability of youth services. Table 16 summarizes these characteristics and compares the current model with an optimized model. The proposed optimized model is characterized mainly by a decrease in variable costs and an increase in average savings balance. It does not include other returns from youth, because as noted before, only anecdotal data was gathered around the issues of cross selling.

When examining the current models, UFT is the only FSP that would achieve profitability of youth services within three years in the absence of the YouthStart grant. PEACE and UCU will require at least five years to break even given their current model. The difference in time period for the FSPs to break even is due mainly to the higher youth savings volume mobilized by UFT.

Similar to the findings of Westley and Palomas for adult small savers, today's unprofitable youth will become profitable in future years. When examining the optimized models, all of the FSPs will achieve profitability of youth services within a three- to five-year period. For example if UCU reduced its variable costs from 60 to 35 percent and increased its average youth savings balance by US$2, it would achieve profitability of youth services within a similar time frame as UFT. For UCU to reduce its variable costs to 35 percent, one option could be to eliminate the subsidy it pays youth for participating in the financial education sessions, provided they conclude it is not cost and impact effective. It will need to either increase the portfolio share of youth that are prone to have greater savings balances (e.g. older youth with an entrepreneurial activity) or develop strategies to increase usage of savings accounts and savings accumulation to increase the average balance per youth saver by US$2 (e.g. prizes to highest savers, regular visits to collect deposits in places where youth convene, etc.).

To achieve profitability of youth services, PEACE could reduce its variable costs from 50 to 25 percent and increase its average youth savings balance by US$6. PEACE will need to reduce its marketing costs by 50 percent to reduce variable costs to 25 percent. However, even if PEACE modifies its business model as recommended, it will need five years to achieve profitability of youth services. This is due mainly to the lower yield on its loan portfolio, resulting in lower returns from on-lending. PEACE will have to focus on the volume of business that youth has the potential to generate (e.g. cross-selling, expanding the client base for long-term growth, etc.) if it wants to shorten the pathway towards profitability of youth services.

The profitability of youth services should also increase in the coming years for all the FSPs through generating additional returns from youth such as cross-selling to both youth and their families. It is important to take into account that one of the main strategic objectives for serving youth of all selected FSPs is to build a life-long relationship with youth and their families.

Table 16

Comparisons of the current and optimized model at FSP study participants by 2014 (projected results)

	PEACE		UFT		UCU	
	Current model	Optimized Model	Current model	Optimized Model	Current model	Optimized Model
INPUTS						
Variable costs (%)	50	25	20	No changes	60	35
Total youth clients	26,407	No changes	35,160	No changes	19,672	No changes
Youth average savings balance (US$)	13	19	28	No changes	17	19
Yield on gross loan portfolio (%)	16	No changes	53	No changes	37	No changes
OUTPUTS						
Time to achieve profitability without grant	No feasible	5 years	3 years	No changes	5 years	3 years
Time to achieve profitability with grant	5 years	3 years	2 years	No changes	3 years	2 years

To analyse how the YouthStart grants shortens the timeframe of the break even period, the authors looked at the year when annual profit/losses were positive, and did not take into account the cumulative losses from the start up investment and initial running costs covered by the grant. Results indicate that the time period to achieve the breakeven point for all FSPs selected is shortened when supported with a grant to cover the start up investment and initial running costs. This finding has implications for donors that will be discussed in the conclusion.

The way forward

Time still remains for YouthStart FSPs to prove and consolidate the profitability of youth services. To build the business case for youth, YouthStart FSPs will try to optimise their business models, will offer loans to older youth and will make efforts to spur cross-selling to youth and their families.

We will also further complement the analysis of the business case for youth in the following papers of this business case series:

- A second paper that will continue examining the business case for youth as clients of both savings and loan products, building on the conclusions drawn in this paper with additional data and over a longer period of time. Specific projections on the contribution of cross-selling to the business case will be addressed.

- A third paper that will examine further the cost and benefits of providing these services in tandem with NFS.

Despite the early stages of the programmes, there is enough evidence to indicate that there is indeed a compelling business case for FSPs to serve youth, helping youth make their own economic decisions and reduce their vulnerability. YouthStart is hopeful that the existing and forthcoming evidence will encourage other FSPs and stakeholders to start providing youth with access to financial and non financial services.

CONCLUSION

The findings in this study have different implications for stakeholders such as FSPs, technical assistance providers and donors who are involved in providing or supporting the provision of financial and non-financial services for youth.

The business case for serving youth is not so different from that of small savers many FSPs already serve. Similar to adult savers, youth savers can increase their savings over time, making them a good target market for both the present and the future. The marginal costs of providing services for both youth and adults are high. Both cross-selling and technology have a great potential to offset these expenses. However, an FSP must be far enough along in its developmental stage to overcome the fixed costs of implementing these systems. In this context, FSPs should expect the greatest returns from youth over the long term as they become loyal clients with enhanced financial capabilities who access a wide array of financial services. It is important for an FSP to remember that cross selling may take time to materialise, thus increasing the time period to achieve profitability of youth services. The necessary time frame to break even will depend on the following factors:

1. The business model used to serve youth
2. The market in which FSPs operate (e.g. competition, position in market)
3. The target age segment of youth
4. The institutional capacity of the FSP

These variables mirror the ones identified in the CGAP business case for youth framework, and will condition the capacity for FSPs to increase account usage, generate additional returns from cross-selling and determine the extent to which they can optimize costs .This study mainly focused on how to optimise the business model so that youth services contribute to the sustainability of the FSP.

Implications for FSPs

FSPs with a commitment to serving vulnerable populations such as youth may be willing to take on the challenge and assume the initial costs on their own of launching youth services with the expectation to recover their investment in a three- to five-year period.

When an FSP is in the process of deciding whether or not to develop and launch youth services, it must determine if it has the necessary technical and financial capacity to do so on its own. This capacity may depend on the developmental stage of the organization or the size of the organization. For example smaller FSPs may initially suffer a larger decline in their OSS than bigger FSPs when launching youth services.

If an FSP decides to serve the youth segment, it must first clearly define its youth target segment, as this choice will have implications on the time frame to achieve profitability. Targeting older youth (e.g. working young adults) can shorten the break-even point period, whereas working with minors increases it. As a result FSPs may decide to mobilize a small share of older youth clients with higher savings balances as a strategic compromise to achieve profitability of youth services, while still fulfilling their developmental mission by providing youth-inclusive financial services to youth of all ages.

Alternatively, FSPs may choose to accept that profitability of youth services will occur more in the long term, when the greatest benefits from loyalty and cross-selling are expected. This implies that an FSP will need to cross-subsidize youth savings and financial education with their own financial resources over a longer period of time.

Implications for donors

In the field of youth financial inclusion, different donors are currently supporting programmes and initiatives aimed at increasing youth access to appropriate financial products and services that are protective of their rights. Since youth are a new market segment, evidence is still needed to better understand where the contribution from donors may be most effective to catalyze the market without distorting it. The concerns for donors include what type of support to provide, to which FSPs, and for conducting what activities.

This study demonstrates that FSPs can build the business case for youth with an adequate business model over a three to five year period and that subsidies from donors can shorten the learning curve and time horizon to achieve profitability of youth services. A grant can tip the balance and incentivize FSPs hesitant to serve this new market segment to actively serve youth. Moreover, given the unprecedented demographic growth of youth, in particular in Africa, using a subsidy as a means to shortening the pathway to youth profitability and to serving greater numbers of youth seems to be a good approach.[43] In addition, providing technical assistance funding to FSPs for designing and implementing appropriate services for youth can represent a value-added support, given that FSPs are not used to actively working with youth and having an appropriate business model is key to achieving profitability of youth services.

Donors may also need to tailor their funding strategy to the size of the FSP as size is directly correlated to an FSP's financial capacity to launch a youth programme. Smaller FSPs have lower financial capacity to cover the start up investment on their own while larger FSPs have the capacity to cover these expenses, provided they are strong and solvent. As a result donors may need to provide a grant to cover the start up investment and initial expenses for small and promising FSPs to ensure that youth services do not affect their stability. Although some may argue that small FSPs may not be prepared to launch youth services, the authors believe that as long as their business model allows them to reach the break-even point within the expected time frame, small FSPs can take advantage of the support from donors to build their share of youth clients. Donors could then provide funding for technical assistance to build the capacity of larger FSPs to offer youth services adequately. Donors could also provide soft loans, or smaller grants, to smooth the initial investment of larger FSPs.

This study indicates that FSPs have enough incentives to serve older youth on their own, as their savings capacity is greater. The business case for serving minors is more challenging in the short term, as their savings capacity is lower, and FSPs must make greater efforts to approach relatives and obtain parental consent. Therefore, donors can smooth the financial costs FSPs would incur from serving minors and thus focus on inducing responsible finance from childhood by supporting FSPs to serve this market segment and accompany them into adulthood. However, in the short term, donors may want to focus on both minors and older youth to ensure cross-subsidization between segments, thus making the business case stronger.

43 The African population is projected to grow from 1.0 billion in 2010 to peak at 1.6 billion in 2030. One in every three children in the world will be born in sub-Saharan Africa, according to statistics from the African Development Bank statistics.

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ANNEXES

ANNEX 1: DEFINITION OF INDICATORS

DEFINITION OF INDICATORS	
Cost per youth saver	Marginal operating costs of running youth services/ Total number of youth savers
Operating expense ratio	Operating expense / Average gross loan portfolio
Operational self-sufficiency	Financial revenue / (Financial expense + Net impairment loss + Operating expense)
Portfolio at risk > 30 days	Outstanding balance, portfolio overdue > 30 Days + Renegotiated portfolio / Gross loan portfolio
Return on assets	(Net operating income - Taxes) / Average total assets
Return on equity	(Net operating income - Taxes) / Average total equity
Yield on gross loan portfolio	Financial revenue from loan portfolio / Average gross loan portfolio
Youth average savings balance	Youth savings portfolio/Total youth clients

ANNEX 2: GLOSSARY OF TERMS

- **Below the line strategy:** An advertising strategy that promotes products through channels other than radio, television, billboards, print, film and the internet. Below the line marketing advertising seeks to reach a consumer (instead of a mass audience) directly rather than through an intermediary and tends to be less expensive and more focused. To reach youth, it promotes youth products in places where youth convene, such as schools and churches.
- **Breakeven point:** The point at which gains from youth services equal losses.
- **Business case:** A business case is defined as a decision making tool that an institution uses to make a decision about profitability and returns. This decision could be about whether to enter a new market, invest in a product, etc. In this paper, it refers to the effects that serving youth will have on the profitability of FSPs.
- **Critical minimum approach:** To devote the minimum economic and human resources necessary to delivering non-financial services without hampering the quality of the services.
- **Cross-subsidizing:** To support financially a business or activity out of the profits of another business or activity. In this paper, it refers to FSPs offering financial services to minors by ensuring sustainability out of the profits from older youth.
- **Financial capabilities:** The combination of knowledge, skills, attitudes, and behaviors necessary for wise financial management and the ability to apply knowledge and put it into practice.
- **Financial inclusion:** To ensure access to financial services for everyone, most particularly to vulnerable excluded populations such as youth, women, etc.
- **Marginal costs:** The cost that comes from introducing a new unit. In this paper, it refers to the additional costs a FSP would incur if it introduces youth services.
- **Opportunity cost:** The cost of an alternative that must be forgone in order to pursue a certain action. In this paper, it refers to the costs of funding through youth savings as compared to other sources of funding such as external loans.
- **Uptake of savings accounts:** Number of new youth who open a savings account.
- **Usage of savings accounts:** Usage can be measured by average number of deposits and/or average savings volume. In this paper we use the average savings balance as the main indicator of usage.

ANNEX 3: PRODUCTS DESCRIPTION

PEACE	
Product: Savings account	
Target segment	12-24 years old in school and out-of schools in rural areas
Conditions	
Opening fee	None
Minimum opening balance	Birr 5- US$0.3
Minimum on-going balance	Birr 5- US$0.3
Minimum deposit	Birr 5- US$0.3
Interest rate	6 percent for savings accounts and 7 percent for 1 year term deposits above Birr 5,000- US$300
Fees	None
Withdrawal restriction	None- For minors, presence of guardian required for amounts above Birr30- US$1.6
Marketing	
Banners, flyers, T-shirts, etc.	
Field officers promote youth products at schools.	
Market days: staff promote youth products at weekly markets with tent, loudspeakers, etc.	
Monthly incentives to best savers.	
Delivery channels	
Branches	
Youth can get a piggy bank to save before coming to the branch at no extra cost.	
Non-financial services	
Financial education and entrepreneurship training	
Unified model: sessions delivered by field officers	
Curriculum consists of 1 session per group	

UFT	
Product: Savings account	
Target segment	12-24 years old in school and out of school in urban areas
Conditions	
Opening fee	None
Minimum opening balance	UGX 3,000 – US$1.3 for youth below 18 UGX 6,000 – US$2.6 for youth above 18
Minimum on-going balance	UGX 2,000 – US$0.8 or youth below 18 UGX 5,000- US$2.2 for youth above 18
Minimum deposit	None
Interest rate	From US$19- 188 youth receive 2 percent annual interest rate; from US$188-377 annual interest rate of 2.5 percent; above US$355 annual interest rate of 3 percent
Fees	None
Withdrawal restriction	None *Minors need a mentor to open account and withdraw
Marketing	
Banners, flyers, T-shirts, etc.	
Youth mobiliser promote youth products at schools and markets	
Delivery channels	
Branches	
ATM – debit card for youth above 18	
Youth mobilisers collect deposits at schools	
Non-financial services	
Health reproductive and financial education training	
Unified model: sessions delivered by youth mobilisers	
Provided to groups of youth	

UCU	
Product: Savings account	
Target segment	12-24 years old in school and out of school in rural areas.
Conditions	
Opening fee	FRW 2,000- US$3 (FRW 1,000 credit union share and FRW 1,000 passbook)
Minimum opening balance	FRW 1,000- US$1.5
Minimum on-going balance	FRW 1,000- US$1.5
Minimum deposit	FRW 100- US$0.15
Interest rate	0 percent
Fees	None
Withdrawal restriction	None
Product: Term deposit account	
Target segment	12-24 years old
Conditions	
Opening fee	FRW 2,000- US$3 (FRW 1,000 credit union share and FRW 1,000 passbook)
Minimum opening balance	FRW 3,000- US$4.6
Minimum on-going balance	N/A
Minimum deposit	N/A
Interest rate	6 percent
Fees	None
Withdrawal restriction	Not possible before term
Marketing	
Flyers	
Youth officers promote youth products at schools, churches, etc.	
Incentives to youth bringing in new youth clients	
Delivery channels	
Branches	
Non-financial services	
Financial education and entrepreneurship training	
Unified model: sessions delivered by young peer trainers	
Curriculum consists of three sessions per group	

ANNEX 4: COST STRUCTURE (%)

(Data as of December 2012)

	PEACE	UFT	UCU
Salaries	46	56	36
Marketing	51	22	23
Administrative costs	1	22	6
NFS (other than salaries)	0	0	36
Interest paid on youth savings accounts	2	0.4	0

ANNEX 5: SAVINGS DISTRIBUTION

(Data as of December 2012)

PEACE					
Total savings portfolio[a]					
Savings accounts balance	Number of savers		Savings volume		Average savings US$
	Number	%	Volume US$	%	
TOTAL	27,536	100	1,054,025	100	38
YouthStart savings portfolio					
Savings accounts balance	Number of youth savers		Savings volume		Average savings US$
	Number	%	Volume US$	%	
US$0–10	3,767	90.3	6,974	20.2	2
US$11–30	235	5.6	4,295	12.5	18
US$31–100	115	2.8	5,817	16.9	51
Over US$100	55	1.3	17,388	50.4	316
TOTAL	4,172	100	34,472	100	8
YouthStart savings portfolio (youth that have been saving for one year)					
Savings accounts balance	Number of youth savers		Savings volume		Average savings US$
	Number	%	Volume US$	%	
US$0–10	191	95.0	1,910	86.4	10
US$11–30	10	5.0	301	13.6	30
US$31–100	0	0.0	0	0.0	n/a
Over US$100	0	0.0	0	0.0	n/a
TOTAL	201	100	2,211	100	11
US$0–100	201	100	2,211	100	11

[a] The management information system PEACE uses does not allow for a breakdown of deposits by its balance, therefore PEACE cannot provide these data. The breakdown of youth deposits was completed manually.

UFT

Total savings portfolio

Savings accounts balance	Number of savers		Savings volume		Average savings US$
	Number	%	Volume US$	%	
US$0–100	168,551	91.4	1,420,198	11.8	8
US$101–500	12,447	6.8	2,474,958	20.5	199
US$501–3,000	2,819	1.5	3,155,685	26.2	1,119
Over US$3,000	513	0.3	5,015,409	41.6	9,777
TOTAL	184,330	100	12,066,250	100	65

YouthStart savings portfolio

Savings accounts balance	Number of youth savers		Savings volume		Average savings US$
	Number	%	Volume US$	%	
US$0–10	4,923	82.5	12,938	12.7	3
US$11–30	428	7.2	6,848	6.7	16
US$31–100	412	6.9	21,006	20.7	51
Over US$100	203	3.4	60,921	59.9	300
TOTAL	5,966	100	101,713	100	17

YouthStart savings portfolio (youth that have been saving for one year)

Savings accounts balance	Number of youth savers		Savings volume		Average savings US$
	Number	%	Volume US$	%	
US$0–10	708	77.0	2,838	10.1	4
US$11–30	106	11.5	2,165	7.7	20
US$31–100	71	7.7	5,244	18.6	74
Over US$100	35	3.8	17,921	63.6	512
TOTAL	920	100.0	28,168	100	31
US$0–100	885	96.2	10,247	36.4	12

UCU

Total savings portfolio

Savings accounts balance	Number of savers		Savings volume		Average savings US$
	Number	%	Volume US$	%	
US$0–100	42,660	89.0	117,119	13.4	3
US$101–S$1	4,363	9.1	302,152	34.7	69
US$501–S$505	809	1.7	324,171	37.2	401
Over US$3,000	112	0.2	128,293	14.7	1,145
TOTAL	47,908	100	871,734	100	18

YouthStart savings portfolio

Savings accounts balance	Number of youth savers		Savings volume		Average savings US$
	Number	%	Volume US$	%	
US$0–10	9,436	92,9	8,445	9,8	1
US$11–30	287	2,8	4,982	5,8	17
US$31–100	269	2,6	15,294	17,7	57
Over US$100	164	1,6	57,790	66,8	352
TOTAL	10,156		86,511		9

YouthStart savings portfolio (youth that have been saving for one year)

Savings accounts balance	Number of youth savers		Savings volume		Average savings US$
	Number	%	Volume US$	%	
US$0–10	900	87.9	588	4.0	1
US$11–30	38	3.7	491	3.4	13
US$31–100	47	4.6	2,078	14.2	44
Over US$100	39	3.8	11,462	78,4	294
TOTAL	1,024	100	14,619	100	14
US$0–100	985	96	3,157	22	3

ANNEX 6: YOUTH SAVINGS PROJECTIONS[44]

YOUTH SAVINGS	2012	2013	2014
PEACE			
Number of savers	4,172	11,714	26,407
Savings volume US$	34,472	108,491	336,990
UFT			
Number of savers	5,966	15,000	35,160
Savings volume US$	101,713	338,524	993,360
UCU			
Number of savers	10,156	15,112	19,672
Savings volume US$	86,511	186,788	326,736

44 Projections of savers are based on targets set by FSPs for the YouthStart programme. As of December 2012, the three FSPs are complying with their targets and UNCDF-YouthStart believes they are feasible. Projections of savings volume are based on the number of savers and the average deposit balance of youth that have saved for over one year.

NOTES

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