Stimulating the Development of Child-friendly Financial Products Through Financial Education and School Mentoring

INTRODUCTION

Children and young persons are the future economic actors of any economy. At some point, their financial decisions will dictate the strength of the economy. Providing them with an enabling economic and social environment to prosper, including the competencies to thrive, therefore, has a meaningful impact on their lives and that of the communities in which they live.

All children and youth have a right to safe and accessible financial services needed to empower them to grow into productive economic citizens.

One of the most effective ways of improving the financial literacy levels of youths is through the mentoring program. Financial literacy topics such as saving, investment, budgeting etc. are taught during such programs. Speakers at such events also pay attention in more detail to encouraging the pupils and young persons to inculcate the habit of savings amongst other financial virtues.

It is important to state that financial institutions, in collaboration with the public and social sector, have a key role to play in laying the groundwork for youth to realize their economic opportunities.

By offering child and youth friendly financial services in combination with economic citizenship education, banks and other financial institutions offer children and young persons a safe place to save money.

Therefore, investing in sound financial education and products for young persons is a good business. Financial institutions have the ability to provide safe, secure and responsible financial products and services which can support young people to accumulate capital or take loans to pursue goals such as higher learning and entrepreneurship. The right tools can improve livelihoods and the overall development of the young person.

Children and young persons are given the opportunity to believe in themselves, save for a better future, build a savings record, make payments and access other essential financial services; to manage their own resources and develop the necessary life skills, needed for employment or entrepreneurship.

Changing a young person's life can be simple. As leaders in finance and economics, financial institutions are able to create the fundamentals for a generation of entrepreneurs, business leaders, and responsible economic citizens through financial inclusion in combination with economic citizenship education (financial, life skills, and livelihoods education). Financial inclusion for these groups is a key to unlocking inter-generational opportunities and nips in the bud the vicious cycle of poverty, indebtedness, school dropout and unemployment. Financial institutions that decide to address these issues broaden their playing field while addressing their social responsibility.

BENEFITS OF CHILD FRIENDLY FINANCIAL PRODUCTS (LONG TERM CUSTOMER RELATIONSHIPS)

Customers who have banked with a financial services provider throughout their teenage years are far more likely to extend this relationship into their student days and beyond when profit contribution increases significantly. This existing relationship delivers a clear advantage when financial institutions are attempting to access friends and family of their existing account holders.

From a financial perspective, by starting with children and young adults, financial institutions have the opportunity to build customers for life.

There are essentially two choices in acquiring new customers:

Nurture involves acquiring customers at a young age, developing and maintain the business relationship.

Attract Switchers where older customers are acquired from competitors.

It becomes clear that a retail bank can generate the highest shareholder value by focusing its acquisition resources on 'nurturing' the teen segment which is the optimum point of market entry. However, these young adults will only be contributing significantly to profitability in the medium to long term.