YouthSave
Research Brief

Colombia Ghana Kenya Nepal

Youth Savings Patterns and Performance in Colombia, Ghana, Kenya, and Nepal

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Introduction

If provided an opportunity to save, will youth in developing countries participate? This is one of the key questions being asked in YouthSave, a savings initiative implemented in four developing countries targeted for young people ages 12 to 18 predominantly from low-income households.

Created in partnership with The MasterCard Foundation, YouthSave investigates the potential of savings accounts as a tool for financial inclusion and youth development in developing countries by co-designing tailored, sustainable savings products with local financial institutions (FIs)[1] and assessing their performance and development outcomes with local research partners.[2] The project is an initiative of the YouthSave Consortium led by Save the Children (SC) in partnership with the Center for Social Development (CSD) at Washington University in St. Louis, the New America Foundation (NAF), and the Consultative Group to Assist the Poor (CGAP) associated with the World Bank.

Young people below age 25 make up approximately one third of the world's population and half of the population in many developing countries, but less than 10% have access to a secure place to store and save their money. Why does this matter? Research suggests that giving young people tools for accumulating savings not only creates economic opportunity but also improves developmental outcomes, including school enrollment, academic achievement, and health (Chowa, Ansong, & Masa, 2009; Deshpande & Zimmerman, 2010; Sherraden & Ansong, 2013; Ssewamala & Ismayilova, 2009). Unfortunately, youth often face barriers and lack access to safe and affordable financial products and services (Demirguc-Kunt & Klapper, 2012; Porter, Blaufuss, & Owusu Acheampong, 2007; United Nations Capital Development Fund, 2011).

Savings Demand Assessment

The Savings Demand Assessment (SDA) tracks youth account uptake and savings patterns among YouthSave account holders in Colombia, Ghana, Kenya, and Nepal. This brief highlights first-year findings based on accounts opened between February 2012 and February 2013. The full report is available at http://csd.wustl.edu/Publications/Documents/RR13-18.pdf.

Research method

SDA data, periodically collected by the four FIs, come from account holders who consented to participate in the study. They include account holder and household demographics and savings transaction records. Researchers also collected information on financial capability program activities (e.g., financial education and financial services offered outside of bank branches).

Findings

A total of 19,953 accounts were opened between February 2012 and February 2013. We present data on the 10,710 with study consent.

YouthSave account holders have saved more than half a million dollars. In less than one year, youth have saved 519,127 US dollars[3] (USD) across all four countries. On average, accounts have been open for six months and have the following average savings balances:

- 307,059 Colombian pesos (USD 248)
- 3,074 Nepalese rupees (USD 91)
- 23.45 Ghanaian cedis (USD 26.38)
- 381 Kenyan shillings (USD 9.61)

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YouthSave is contributing to financial inclusion of youth. Despite the early stage of product rollout, first-year findings are positive. YouthSave is moving toward its goal of youth financial inclusion, attracting low-income youth between the ages of 12 and 18 years.

For most youth, the YouthSave account is their first experience with formal savings. With a reported 17% of household heads having no prior formal banking experience, YouthSave appears to be reaching a portion of unbanked households.

Not fully represented are the very poor, girls, and out-of-school youth. A large proportion of youth signing up for accounts are low income, living below $2.50 per day. Nevertheless, the YouthSave population has a higher percentage of nonpoor youth than the general population in each country. Because commercial financial products generally serve people from diverse income levels, this finding is not surprising but signals the importance of further refining products and delivery to attract low-income clients.

Colombia and Ghana have equal representation of boys and girls, while boys outnumber girls 3:2 in Kenya and Nepal. This gender disparity may reflect (a) social norms that limit girls' access and (b) marketing by FIs that has been focused more on boys' schools. In terms of savings, there is no significant difference in amount saved by gender—or poverty level—in any of the countries.

On average, 2.4% of out-of-school youth are represented across all four countries. This likely reflects the difficulty of reaching this population and the outreach strategies used by the FIs, which often target youth in schools. Reaching out-of-school youth is challenging because there is no single location to easily deliver services to them.

How youth learned about the account matters. When opening accounts, youth in Ghana, Kenya, and Nepal were asked how they learned about the account. (Data for Colombia are not included because the question was not included on BCS's account opening form.) In Ghana and Kenya, youth who learned about the account through mass media saved more. In Ghana, they also deposited more frequently.

In Kenya and Nepal, youth who learned about the account through financial education workshops or youth clubs deposited more frequently and withdrew less. One possible explanation is that these educational activities included opportunities to open accounts and—in Nepal—make deposits outside of bank branches.

Financial capability participation is linked to account uptake. In Ghana and Nepal, participation in financial capability program activities—including financial education, account enrollment, and depository services outside the branch—is positively associated with account uptake. In these two countries, FIs are involved in the delivery of financial education and depository services outside of the branch, whereas in Colombia and Kenya, financial capability program activities outside the branch have been limited.

Financial institutions continue to develop products and services. FIs continue to evaluate and refine product features and marketing strategies to provide attractive savings accounts for youth and retain them as long-term customers. Focusing on youth as a strategic market in the financial sector is a relatively new approach for many FIs. As part of this process, educating FI staff is necessary to build support for youth financial products and services.

Figure 1. Estimated poverty rates among the YouthSave population

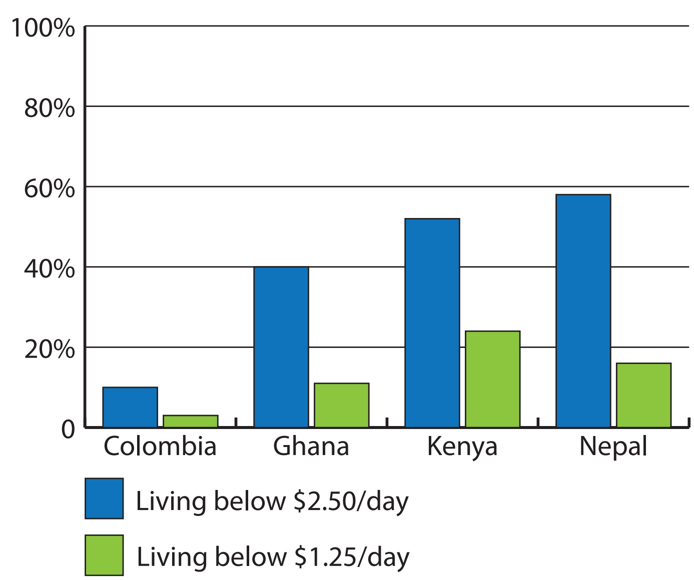


Figure 2. Accounts opened by gender

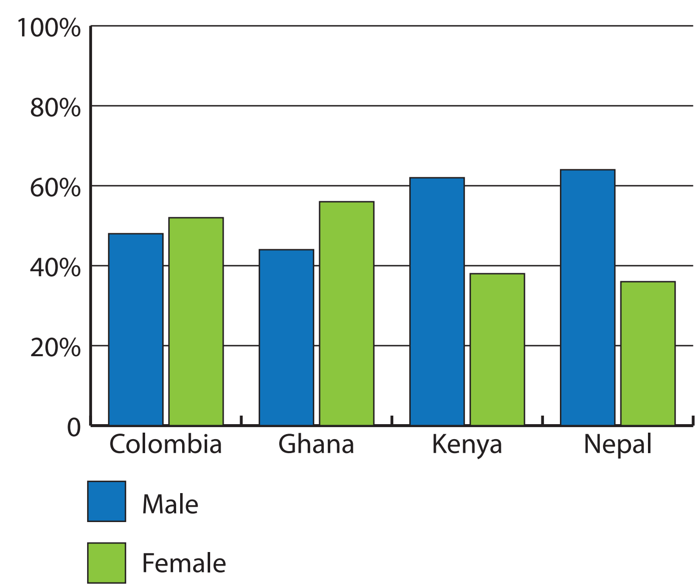
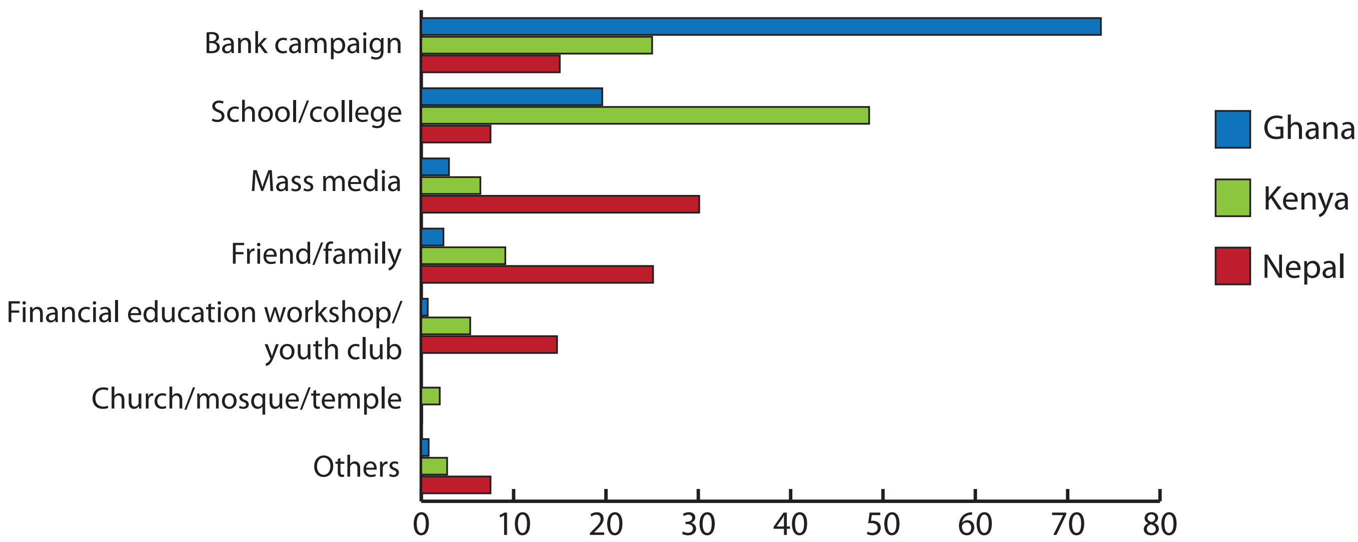


Figure 3. Source for learning about the account



Conclusions

YouthSave is moving toward its goal of youth financial inclusion. Initial results suggest that low-income youth will use formal financial savings products tailored to their needs. Intentional efforts may help to include more girls, the very poor, and out-of-school youth.

Access continues to be a key issue in all four countries. Findings suggest that taking the bank to the youth may result in higher account uptake rates and more savings, cultivating delivery channels where the youth are. This might involve providing banking services in markets, at apprenticeships, through technology, or in schools, ideally at grade levels when school is mandatory. Reaching the poorest youth may necessitate targeted, direct services in communities where youth from low-income households live, go to school, or work.

Going forward, FIs have adjusted efforts to serve schools more effectively and target more girls' schools, especially low-income schools in Kenya and Nepal. In Ghana, linking savings data to the experiment in progress (i.e., the Ghana Experiment) (Chowa et al., 2012) will contribute to understanding account offering and youth development outcomes. In Colombia and Kenya, additional experiments will test the effect of financial education text messages on savings performance. Reports on results will continue to be published over the next two years.

Endnotes

1. Financial institutions include Banco Caja Social (BCS) in Colombia, HFC Bank in Ghana, Kenya Post Office Savings Bank (Postbank) in Kenya, and Bank of Kathmandu Ltd. (BOK) in Nepal.

2. Local research partners include Universidad de los Andes in Colombia, Institute of Statistical, Social and Economic Research (ISSER) at the University of Ghana, Kenya Institute for Public Policy Research and Analysis (KIPPRA), and New ERA in Nepal.

3. For comparison purposes, financial values are reported in USD using purchasing power parity (PPP). Researchers use the PPP conversion rates for 2011 drawn from the IMF World Economic Outlook (WEO) dataset (http://www.imf.org/external/pubs/ft/weo/2012/01/index.htm).

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