Savings accounts for young people in developing countries: Trends in practice

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Recently, savings initiatives for young people have been garnering increasing attention within the development community for their perceived potential to promote both youth development and financial inclusion. This paper surveys current practice to better understand the diverse range of youth savings initiatives under way in developing countries, and the actors promoting them in a range of forms for various objectives. It also gathers the little evidence available on the extent to which such savings initiatives are fulfilling their perceived dual development potential. The paper ends with key questions that must be answered with further research and practical experimentation, before this development potential can be confirmed.

Keywords: youth, children, savings products, savings programmes, government policies

A THIRD OF THE GLOBAL POPULATION today is under age 19. With 90 per cent living in developing countries, and 45 per cent living on less than two dollars per day, there are more young people than ever who need support, tools and opportunities to become productive, contributing adults. In the search for such tools, scholars and practitioners have focused increasingly on savings and asset building. Research and practice linking young people to savings opportunities suggest that youth-owned savings accounts (YSAs) could benefit low-income children and youth in at least two ways.

Savings accounts can facilitate economic, social, psychological and behavioural changes

First, YSAs can facilitate 'asset effects' – economic, social, psychological and behavioural changes caused by asset ownership – which can improve multiple development outcomes for vulnerable youth. Over the last 20 years, a growing body of evidence has shown that building assets, and specifically savings, can bring a range of benefits to individuals and households, including those with low incomes (Sherraden, 1991; Schreiner and Sherraden, 2007; Shanks et al., 2010; Chowa et

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al., 2010, and 2009). Recent experiments in developing countries – the subject of this paper – have begun to show links between YSAs and development outcomes including mental health functioning, education, and health behaviours (Ssewamala et al., 2009).

Second, youth-owned savings accounts have the potential to promote financial inclusion. At the most basic level, this would occur by bringing more people into the formal financial system at an earlier age, and giving them access to more diverse strategies for household economic management as they begin their adult lives. But substantive financial inclusion encompasses more than simple access to financial services; it requires the educated and savvy use of these services, or financial capability, among clients. Promoting savings could enhance this type of substantive financial inclusion by increasing young people's knowledge of and experience with financial services, inculcating good habits when they are relatively easy to form.

Promoting savings can increase young people's experience with financial services

Yet despite the growing attention to youth savings from the social development and microfinance sectors, there is neither comprehensive information on how and why savings initiatives are being implemented, nor conclusive evidence that they actually can achieve both goals. In light of this, the YouthSave Consortium set out to survey current practice on YSAs to advance a more comprehensive understanding of the actors offering them, the objectives they serve, and as a result, the unique forms they take. We focus on YSAs aimed at those aged 12–18 because this is often a period of pivotal life choices (such as dropping out of school, initiating sexual activity and managing earnings) that emerging evidence indicates savings may be able to affect positively. The next section highlights the findings of this survey, followed by a review of the current limited evidence on the dual development potential of YSAs. We conclude with a discussion of what critical questions must be answered by research and experimentation before the perceived dual potential of savings for young people can be confirmed, and therefore, achieved.

Trends in practice

Savings initiatives for young people tend to exist in one of three forms depending on both their purpose and the type of stakeholders sponsoring them. The first and most common type of youth savings initiative is a *product geared to young people*. Such savings products are offered by and held at a financial institution, generally on a stand-alone basis. Such accounts may be offered for a mix of purely commercial and corporate social responsibility reasons, but rarely involve additional support services. Second and increasingly common are *programmes to encourage and support savings:* YSAs offered as a result of initiatives by a non-profit institution to promote specific social

Increasingly common are savings products geared specially to young people outcomes, often in partnership with a financial institution. This type of savings initiative almost always involves additional support services offered alongside the account. The third and rarest type of savings initiative for young people occurs *at the policy level*; that is, YSAs offered as a result of an act of government, covering either all youth (in a few developed-country examples) or else, in the case of developing countries, all youth in a certain category. Policies are designed to encourage asset building or other positive behaviours, and typically feature both direct financial incentives/subsidies and restrictions on the withdrawal or use of funds.

Policies have been designed to encourage asset building and typically feature financial incentives

The following overview illustrates current trends in the provision of savings services to young people in developing countries by reviewing each of the three types of approach in greater depth, illuminating both their commonalities and differences. This review is not intended as an exhaustive list of all relevant savings initiatives but rather as a representative cross-section. Information discussed in this section is based on:

- a comprehensive review of the existing literature on youth-focused savings initiatives;
- a new survey administered by the authors to approximately 35 developing-country institutions currently offering savings products and services to young people aged 12–18;
- a matrix with product features, client demographics and other detailed information included in the original paper from which this article has been adapted;
- in-person and telephone interviews conducted by Consortium staff between August 2009 and April 2010 with representatives from dozens of institutions offering youth savings.

Savings products for young people

MFIS, cooperatives, and postal and commercial banks are all experimenting with YSAs

A variety of financial institutions, from microfinance institutions, to cooperatives, to postal and commercial banks, are experimenting with or offering YSAs. Regardless of the type of institution, the motivation is generally a mix of commercial objectives and corporate social responsibility. On the commercial side, attracting new and long-term clients is often viewed as the first step in a ‘cradle to grave’ strategy to offer appropriate products to clients at each stage in their life-cycle. Some institutions also feel that YSAs can broaden their customer base by not only adding new clients but also bringing in their families and other community members.

Corporate social responsibility, on the other hand, affects both customer perceptions and employee engagement. It can also generate goodwill among other important stakeholders such as regulators. One common objective financial institutions cite for offering YSAs

From a business perspective, savers who accumulate balances are more attractive

– inculcating a habit or culture of savings among young people – perfectly exemplifies this mixed motivation. From a business perspective, savers who accumulate balances are more attractive to these institutions. But developing a savings habit is seen to benefit children and youth as well.

These fairly consistent motivations have given rise to a number of different types of savings product. The most basic type is a regular savings account open to all minors. It may be held in the young person's name or jointly with a parent/guardian (depending on local laws), generally features some kind of withdrawal restriction, and is delivered through the same channels as the institution's other products. However, there are many examples of innovation along dimensions such as target age, product terms and features, and marketing techniques. Below is a review of a selection of such savings products in order to illustrate this diversity.

Target age. Most financial institutions offer one basic account that does not distinguish between children and youth, targeting those anywhere from birth to 18 years old. However some segment the younger age group into finer categories, offering them separate accounts with different features. One example comes from the Philippines, where Paglaum Multi-Purpose Cooperative (PMPC) offers accounts both for children under 13 years old (Youth Savers Club) and minors aged 13–18 (Power Teens Club). While for Youth Savers, parents are usually co-depositors, Power Teens products are mostly managed by the young clients themselves (Gepaya, 2009).

Age-appropriate branding is another tactic

Age-appropriate branding is another tactic. The Philippine Banco de Oro and the Guatemalan cooperative MICOOPE both employ differentiated imagery and marketing collateral to appeal to children under 13 versus those aged 13–17, for what is essentially the same account.

Several financial institutions reported a 'roller coaster' phenomenon, where savings behaviour falls off during adolescent years after initial enthusiastic uptake during childhood. To combat this, some institutions emphasize a seamless transition between products aimed at different age segments. Colombia's Bancolombia and Ghana's HFC Bank, for example, both offer separate products for clients at different life stages (e.g. children, young adults, older adults). Although specific account features differ, both institutions provide for automatic conversion of a younger-focused account to the next product in the life-cycle continuum.

Delivery channels. The vast majority of these savings products appear to be delivered through the same channels as other products: mainly branches. However, some financial institutions have experimented

Financial institutions cite the effectiveness of school-based delivery

with off-site product delivery, most often at schools. Financial institutions cite the effectiveness of school-based delivery not only for deposit collection but also to engage and build relationships with young clients.

For example, the Government Savings Bank in Thailand (GSB) and Hatton National Bank (HNB) in Sri Lanka operate deposit centres in schools. GSB provides savings services at 169 primary, secondary and vocational schools across the country, reaching more than 512,000 youth (WSBI, 2007a). At HNB, students are trained to manage Student Banking Units, or school-based bank branches. Since its inception in 1990, HNB has opened more than 500,000 accounts at 200 Student Banking Centers across the country, representing 18 per cent of the bank's savings accounts and 6 per cent of its total volume of deposits.

Paglaum Multi-Purpose Cooperative found that partnering with schools was the most effective way to recruit young clients. Across 20 partner schools it has attracted more than 7,000 young savers. In an effort to build relationships with its young clients, it has also initiated a Youth Officers programme for its Power Teens (13–18-year-olds) account holders (Gepaya, 2009).

Basing transactions in schools does entail cash-transport risks as well as costs for deploying bank staff off-site. Green Bank in the Philippines discontinued its school-based delivery of savings accounts because of these factors. Other financial institutions offering school-based delivery acknowledge its expense, but justify it as part of a longer-term strategy to cultivate and maintain customer relationships.

One solution is to delegate school-based deposit collection to teachers, parents or community volunteers

One solution to this dilemma is to delegate school-based deposit collection to teachers, parents or community volunteers, who then deposit the funds with the financial institution. Bangko Kabayan in the Philippines and GSB Thailand feature such intermediated collection. However, this creates risk of loss through theft. Debit cards or mobile phones offer one potential solution to the risk issue, but accessible transaction points are still relatively limited in the developing world.

Most YSA products studied had some kind of restriction on withdrawals

Withdrawal limitations. Most YSA products studied appeared to have some kind of restriction on withdrawals. Such restrictions are most commonly used to discourage frequent transactions and reduce administrative costs for the financial institution. To the limited extent that they can also be used to encourage the build-up of balances, such limitations have the potential to benefit both the client and the institution.

YSA withdrawals are limited either directly – through caps on their number, frequency or timing – or indirectly, through positive or negative incentives. Equity Bank in Kenya and Barclays Bank in Ghana, for example, both impose withdrawal caps – Equity at one per quarter and Barclays at one per month (Meyer et al., 2008). Withdrawal incentives or disincentives often take the form of interest rate awards or fees. BancoEstado in Chile allows clients two free withdrawals per year, and provides a 10 per cent bonus on interest to clients who do not make any withdrawals over a 12-month period (Ibid.). In Malaysia, Bank Simpanan Nasional (BSN) offers clients a preferential interest rate if they make no more than one withdrawal per month (Ibid.). And at Barclays Bank in Uganda, clients receive double the normal amount of interest if they make no withdrawals in a quarter (Ibid.).

Some financial institutions block withdrawals altogether until the young client turns 18

Some financial institutions offer YSAs as commitment or fixed-savings products, with withdrawals blocked altogether until the young client turns 18. This restriction can encourage long-term asset building and guard against potential expropriation of funds by parents/guardians. However, it may also block access to resources in times of emergency, which could be especially risky for low-income youth.

In Sri Lanka, where the government prohibits withdrawals in all accounts held by those under 18, financial institutions mitigate this risk by offering sanctioned exceptions to the policy. The SANASA Primary Society, Sri Lanka's 8,400-member credit union system, allows withdrawals from its YSAs (which account for 23 per cent of its total voluntary deposits [WOCCU, 2006]) to pay for school fees or education. Hatton National Bank (HNB) permits withdrawals for 'necessities of the minor acceptable to the Bank', such as school fees or medical expenses. HNB ensures the stated use of restricted funds by paying them directly to the school or hospital.

Other financial institutions explicitly design their YSAs to help low-income clientele save for shorter-term expenses – most often school fees. Instead of monitoring the use of withdrawn funds, they offer services that facilitate specific uses. Equity Bank in Kenya, for example, offers free banker's (certified) cheques to pay school fees with funds from a YSA. Such features may offer young clients and their families more flexibility and privacy than outright limitations on the timing and use of withdrawals, while still influencing behaviour toward a desired end.

Co-operative Bank in Kenya organizes annual holiday parties for young clients, with prizes for the highest savers

Incentives for balance accumulation. Much more intentional than limiting withdrawals, many financial institutions offering YSAs use a range of promotional techniques to directly encourage use of the account and/or accumulation of balances. These techniques generally utilize two kinds of incentive: in-kind and financial.

In-kind incentives are much more common and can include premiums/prizes, lotteries/raffles, shopping discounts, promotional events, and even different types of insurance. Co-operative Bank in Kenya, for example, organizes annual holiday parties for youth clients, with prizes for the highest savers. This and other features designed to be appealing and accessible to youth – such as discounts for account holders at popular retailers, bookstores, uniform distributors and children's hospitals – have helped make this YSA a market leader in Kenya.

Some financial institutions offer prizes, of everything from colouring books, wristwatches and plush toys, to school bags, crayons and dolls, for reaching different savings levels or goals. While these promotions do seem to have an effect on young savers' engagement, interviews with financial institutions suggest that such programmes can be costly and complicated to administer.

It is unclear whether the in-kind incentives actually increase average savings balances

Other financial institutions offer incentives through lotteries and contests, which may be simpler to run. In Malaysia, Bank Simpanan Nasional (BSN) gives away more than US$30,000 in prizes during its annual national savings competition among its 60,000 Young Saver's Club members (WSBI, 2007b). Within MICOOPE, a network of cooperatives in Guatemala that reaches 217,000 young people, for every 10 quetzals saved, these clients receive a coupon for drawings of various prizes. While such promotions might make YSAs particularly attractive for young savers, it remains unclear as to whether they actually increase average savings balances.

Few financial institutions offer YSAs with financial incentives to directly accelerate asset accumulation

The second type of incentive, financial, are much less common than in-kind incentives; relatively few financial institutions offer YSAs with financial incentives that directly accelerate asset accumulation, such as preferential interest rates, complementary initial (seed) deposits, or savings matches. Among those that do offer financial incentives, preferential interest rates appear to be the most common form. In Ghana, both Barclays and ProCredit offer relatively high interest rates compared with their other accounts with similar terms (Meyer et al., 2008). Opportunity International Bank Malawi also offers a preferential interest rate for its school-fees account. And at the Kenya Post Office Savings Bank, interest earned on the Bidii Junior account is tax-free (so the incentive is technically offered by the Kenyan Government, of which the bank is a part).

Matches and seeds are much rarer but do exist: National Savings Bank in Sri Lanka makes an initial deposit of $1.7 into each of its nearly 400,000 YSAs, which can be opened with a minimum deposit of $0.04 (Masa, 2009). Hatton National Bank will match at 50 per cent any initial deposit up to $9 made by clients who open YSAs upon beginning school. Sri Lankan banks' ability to offer larger financial incentives may partly be a function of the strict withdrawal limitations attached to these accounts.

Given their cost, direct financial incentives are much more common among the second type of savings initiative: *programmes*. Savings programmes for young people go beyond stand-alone products, generally by adding a range of services designed to provide intensive support to particularly vulnerable youth.

Savings programmes for young people

Savings programmes tend to be organized by NGOs

Savings *programmes* are distinguished from stand-alone savings *products* by a number of characteristics. First, while products are generally offered independently by financial institutions, savings programmes tend to be organized by NGOs, often in partnership with those institutions. Second, while products typically seek to maximize outreach to a broader cross-section of young savers, NGOs' mission orientation means that their programmes target the more vulnerable.

Savings programmes focus on goals including financial literacy, economic opportunity, healthy decision-making, and empowering young women. In these programmes, YSAs are therefore frequently a vehicle to reach some other goal in addition to asset building.

Targeted interventions. Just as the financial needs of women are a priority concern for many microfinance NGOs, so too are girls a frequent focus of savings programmes for young people. For example, Save the Children's work in Bangladesh and Women's World Banking's project with XacBank in Mongolia both aim to empower adolescent girls. Save the Children offers girls a three-part programme in which girls receive financial literacy training, then join informal savings and credit groups, and finally are connected with formal financial services. Women's World Banking worked with XacBank to develop a formal savings account for low-income girls, which is offered in conjunction with Microfinance Opportunities' Global Financial Education Program youth module. Their varied approaches reflect market research that each organization undertook in order to design YSAs and other development activities that meet the needs of girls in specific contexts.

Catholic Relief Services (CRS) in Rwanda and World Vision in Ethiopia have both incorporated YSAs into their work with orphaned and vulnerable children (OVCs). CRS provides more than 6,000 YSAs to OVCs between ages 12 and 18 through its Savings and Internal Lending Communities programme (an informal group savings and lending model) in order to encourage financial asset accumulation and enable microentrepreneurship. World Vision in Ethiopia is currently providing 15,000 OVCs between ages 4 and 14 with matched-savings accounts – in which deposits are matched by some predetermined amount or ratio – held at their affiliated microfinance institution (MFI), Wisdom. Under this programme, savers can only use their match for specific asset-building purposes, such as education or microenterprise.

Another common target population is street children

Another common target population is street children. Padakhep provides savings services to nearly 5,000 street children in urban Bangladesh as a tool to encourage self-sufficiency and income-generation through microenterprise (Ahammed, 2009). Through its Children's Development Bank in India, the NGO Butterflies reaches more than 8,000 street children aged 9 to 18 with savings and credit services. The bank also aims to increase financial capability through a 'learning by doing' approach: under the guidance of adults, the children and youth themselves manage the bank and its branches.

Programmes offer YSAs as part of a broader intervention

Partnerships. Because they offer YSAs as part of a broader intervention, programmes very often feature partnerships between the sponsoring organization, a financial institution, and other implementing and supporting stakeholders. Aflatoun, an NGO that promotes social and financial education, partners with financial institutions in numerous countries to provide youth savings accounts, while its implementation partners deliver its financial education curriculum through schools. Similarly, in Morocco, MEDA is partnering with Banque Populaire to provide YSAs and with local NGOs to provide life skills, entrepreneurship, and financial literacy training, through its YouthInvest project. Indeed, it is not uncommon for youth savings programmes to involve a constellation of three or more partners.

Group models. The use of group models is common among savings programmes, and generally occurs in two forms. First, some NGOs – generally not regulated to provide financial services themselves – organize savings-and-credit groups such as village savings and loan associations (VSLAs). In this arrangement, the NGO organizes groups to provide a savings 'product' amongst themselves. The NGO PLAN International in West Africa has conducted one of the largest VSLA pilots for youth. By the end of the project pilot phase in September 2009, PLAN had mobilized nearly 4,000 savers aged 15–24 into YSLAs (youth savings and loan associations) in Senegal, Sierra Leone and Niger, with plans to increase their membership to 70,000 within four years (Schiller, 2009).

CARE International and Freedom from Hunger have also initiated informal savings-and-credit groups for adolescents and young adults. CARE's *Ishaka* project in Burundi aims to empower 10,000 girls, aged 14–22, through a combination of VSLAs and support services. In December 2009, Freedom from Hunger launched 'Advancing Integrated Microfinance (AIM) for Youth' in Mali and Ecuador, combining community-based financial services and financial education for 37,000 youth aged 13–24.

In the second scenario, the sponsoring NGO is structured to provide individual financial services itself, yet still prefers to use groups with

Though BRAC could offer savings on an individual basis, using groups allows it to achieve other, non-financial goals

youth clients. In this case, the NGO plays multiple roles: it provides a formal financial product as well as other targeted support services. In Bangladesh, for example, the NGO MFI BRAC provides savings and credit to nearly 430,000 adolescent girls, aged 15–25 through its Employment and Livelihoods for Adolescents (ELA) programme. Though BRAC has the capacity to offer savings on an individual basis, using groups allows it to achieve some of the other, non-financial goals of the project (Kashfi, 2009).

Other savings programmes report that young savers appreciate groups because of the social interaction they afford – groups make the YSA more attractive. For this reason, even some programmes that partner with formal financial institutions for the provision of individual accounts, use groups to further their social/development goals.

Support services. The group model may also be popular for NGOs because it is a convenient vehicle to deliver complementary services, which are often a core component of the programmes. Though topics vary, all cover financial literacy in some way. Other common subjects include life skills, entrepreneurship, and sexual and reproductive health.

Most youth savings programmes have required significant donor funding and so far have benefited relatively few

The cost of these supports means that youth savings programmes have required significant donor funding and, at least as of yet, have benefited relatively small numbers. The one exception among programmes studied was BRAC, which as an MFI may have the structural capacity and incentives to achieve scale (e.g. broader targeting and a revenue stream from credit). Still, even BRAC acknowledges that while it expects its ELA programme to reach sustainability, it will require a significant amount of subsidy in the early years (Kashfi, 2009).

Table 1. Examples of training and support services offered by youth savings programmes

Organization	*Training or service(s)*
TRY (Kenya)	Training on sexual and reproductive health, business management, entrepreneurial skills, life skills, and gender roles
PLAN (West Africa)	Financial management skills, livelihoods training
BRAC (Bangladesh)	Vocational and income-generating skills training; discussions on issues such as health, child marriage and dowry
Padakhep (Bangladesh)	Training on vocational skills, nutrition, personal hygiene, HIV/STD prevention, basic literacy, and financial literacy; group entertainment and social activities
Butterflies/Children's Development Bank (India)	Education on life skills, financial management, democratic institutions, collective action, and small business development; self-esteem enhancement
CARE (Burundi)	Life skills, financial and business management training

Next we review government attempts to deliver the potential benefits of savings to wider segments of the youth population, and how that has impacted the design of savings policies and policy pilots targeted at young savers.

Savings policies for young people

Currently, the few youth savings policies and policy pilots in the developing world aim to enable and subsidize asset accumulation and productive investments, particularly targeting the low-income or vulnerable.

The Colombian Government's Oportunidades Rurales, for example, uses savings and financial education to promote entrepreneurship among approximately 4,000 youth in rural Colombia. In Nigeria, the Bayelsa State Government (BYSG) is testing matched-savings accounts for at least 1,000 low-income children in a historically conflict-prone region of the country. The BYSG hopes this pilot will combat a history of unemployment and frustration (which have contributed to militancy in the state) by providing boys and girls with a means to continue their education, acquire vocational skills, and/or start microenterprises.

> These pilots aim to test the value of YSAs in enabling the setting up of microenterprises or funding education

The goal of both these pilots is to test the value of YSAs in enabling or prompting certain outcomes, such as setting up microenterprises or funding future education. In other countries, account provision is explicitly conditional on certain behaviours. Mexico's Jovenes con Oportunidades and Bogotá's School Attendance Education Subsidy (SAES) in Colombia, for example, both offer YSAs as part of a conditional cash transfer (CCT) social protection programme. Account provision is not automatic, but offered as an incentive for ongoing 'good behaviour', namely, staying in school.

Major incentives and major restrictions. Incentives or subsidies offered by governments through savings policies targeted at young people tend to be far greater than those offered by either financial institutions or NGOs through savings products or programmes. On the other hand, such savings policies also feature significant restrictions on when and how savings can be withdrawn and used, including in some cases loss of the subsidy/incentive for early withdrawals.

> Matched amounts are deposited into the account to encourage savings accumulation

Savings incentives may come in the form of a seed deposit, a periodic savings match, or bonus transfers into the account. The most common savings incentive – the match – is intended to encourage saving accumulation by making periodic deposits into the account, in fixed amounts or in proportion to the amount saved. Initial seed contributions are intended to provide a headstart toward asset accumulation, and are sometimes offered progressively (lower-income clients receive more), while matches aim to accelerate asset accumulation and incentivize positive savings behaviour. Finally, bonus transfers are often designed to encourage behaviours other than saving, such as academic achievement.

The BYSG pilot is the only YSA policy pilot, to our knowledge, in a developing country to feature both a seed and a match (deposited quarterly at a 2:1 ratio), in addition to bonuses for regular school attendance and high scores on standardized exams. The government also restricts withdrawal and use, but only of *its* contributions, allowing account holders access to their own funds in the case of an emergency. In addition, the government attempts to incentivize asset accumulation by discouraging withdrawals: pilot participants must forgo the associated government contribution of any withdrawn funds.

The South African Government's FUNDISA pilot does not provide a seed, but does offer an annual match of up to $74 for each of its approximately 10,000 accounts (as of April 2010). The accounts are incentivized with periodic matches, and withdrawals are blocked until the client reaches 18, and even then may only be used for educational purposes. While uptake has been slower than anticipated, between October 2008 and October 2009, the total volume of FUNDISA accounts increased 313 per cent, from approximately $312,000 to $1.3 million (Fild, 2009).

Oportunidades Rurales in Colombia also imposes restrictions on withdrawals and usage. Over the course of the three-year programme, the government provides a 50 per cent match to all savings deposited into basic, no-fee accounts at Banco Agrario. Beneficiaries can only withdraw up to 50 per cent of the match incentive. Savings can be used only for productive projects, such as starting a microenterprise, or for health or education expenses.

Savings-linked cash transfers have been used to promote school attendance

To decrease dropout rates in secondary school, Bogotá's SAES policy offered a savings-linked conditional cash transfer to qualifying low-income schoolchildren. The students received a bimonthly cash transfer as well as a $10 deposit into a savings account, which accumulates and is made available at the beginning of the following year.

Similarly, Jovenes con Oportunidades – currently reaching more than 300,000 children and youth in Mexico – opens an account at Bansefi bank for students in the 8th grade and contributes points for every year of completed schooling, up to five years. Points accumulate at a faster rate in the later years of high school, thereby encouraging continued education. Once the young person completes high school, the points are converted into money and made available for withdrawal.

Highly supportive account features such as the major incentives and restrictions described above have helped some individuals and

Such features may also provide an incentive for financial institutions to participate

households save and build assets. For instance, research indicates that major incentives such as matching deposits can attract people to an account as well as play a critical role in helping households amass the amount of capital required to obtain an asset or make a productive investment (Boshara, 2005; Sherraden, 2008; Beverly et al., 2008). At the same time, such features may also provide an incentive for financial institutions to participate. Financial incentives, withdrawal restrictions and other features encourage maximum savings accumulation that can potentially transform a YSA from a tiny balance account with frequent transactions into a product with higher, more stable balances and lower transaction costs, making it more commercially attractive. Unfortunately, none of the aforementioned savings policies has been evaluated for its impact on youth development or the financial sector.

YSAs and development impact: What is known?

As illustrated above, YSAs are currently being promoted for both commercial and social purposes and take an accordingly vast variety of forms, from stand-alone mass-market products, to components within more holistic development interventions, to schemes established through acts of law. But what is known about the extent to which any of these types of YSA is fulfilling either side of their perceived 'nexus' potential – promoting either youth development or financial inclusion? The answers at this point are emerging and tentative.

Evidence on youth development

Few of the initiatives described above have been rigorously tested for youth development impact – although there are some exceptions. One recent study from Uganda (Ssewamala et al., 2009), for example, examined SUUBI, a project which offers life-skills training to more than 300 adolescent orphans aged 12–16 along with the opportunity to open a matched-savings account whose use is restricted to education or self-employment. One study showed that SUUBI participants saved an average $6.33 per month before the match. Equal to 20 per cent of Ugandan GDP per capita, this is a significant sum, especially for this vulnerable population. Participants also experienced improved educational outcomes compared with peers, higher reported self-esteem and goal-setting, and positive changes in attitudes around sexual risk-taking.

Participants made significant savings and achieved more in education than their peers

Another well-known study (Erulkar and Chong, 2005) from Kenya examined TRY (Tap and Reposition Youth), a programme launched in 1998 offering young women aged 16–22 from diverse religious backgrounds an integrated programme of savings, credit, business and life-

Savings may be associated with positive social behaviours

The studies evaluated a package of interventions, without separating out the effect of savings

skills training, and mentoring. The study found that TRY participants showed significantly higher income, savings and household asset levels versus non-participants with whom they had been comparable at the baseline. They also showed more positive attitudes and behaviour shifts than non-participants with regard to gender issues, including a greater willingness to decline unwanted sexual activity and insist on condom use.

Studies from India (Mensch et al., 2004) have found similarly encouraging results. In Allahabad in 2001, the Population Council and CARE India jointly launched a programme combining deposit savings services with vocational training. A programme evaluation found that, compared with non-participants, subjects scored significantly higher on indices measuring social skills, self-esteem, and health and safety awareness. A later Population Council study, this one with SEWA, also provides evidence that savings may be associated with positive social behaviours. Young women in the SEWA study (Kalyanwala and Sebstad, 2006) with control over their savings accounts were more likely to set their own goals and make their own decisions than those who did not have such control.

Promising as these studies are, they still leave numerous gaps in terms of guidance for those who would design similar savings initiatives to promote development. For one, the studies above all evaluated the effectiveness of 'package' interventions including both YSAs and other support services. The relative effect of the savings accumulation vs. the training, mentoring, information and other services provided, cannot therefore be evaluated. The extent to which current initiatives are reaching low-income youth within their country contexts is also not known. The number of rigorous studies is extremely limited, as is understanding about how development impacts of YSAs may vary between geographic contexts. Much further work thus remains to produce solid guidance on the design of quality initiatives in this field.

Evidence on financial inclusion

Assuming that YSAs' success in promoting financial inclusion can be measured at least in part through the number of people brought into the formal financial system, examining the scale achieved by current initiatives would shed some light on the extent to which they have achieved this potential. Table 2 summarizes outreach information available on the initiatives described above.

The data in Table 2 do not allow firm conclusions as they are far from comprehensive; however, they do suggest some preliminary observations. First, in terms of youth reached, products at large financial institutions tend to dominate, although the products themselves

Table 2. Numbers of young people participating

Initiative	*Accounts*
Products	
Bancolombia, Colombia	600,000[1]
Hatton National Bank, Sri Lanka	500,000
GSB, Thailand	513,000
National Savings Bank, Sri Lanka	390,000
MICOOPE, Guatemala	217,000
Bank Simpanan Nasional, Malaysia	60,000
PMPC, Philippines	8,400
Cantilan Bank, Philippines	4,500
ProCredit, Ghana	3,000
Kenya Post Office Savings Bank	2,600[2]
Bangko Kabayan	500
Programmes	
BRAC, Bangladesh	430,000
World Vision, Ethiopia	15,000
Butterflies, Children's Development Bank, India	8,000
CRS, Rwanda	6,200[3]
Plan International, multiple countries in Africa	4,000
Padakhep, Bangladesh	4,800
WWB/XacBank, Mongolia	2,500
Safe and Smart Savings Products (Population Council and MicroSave), Kenya	1,050
MEDA YouthInvest, Morocco	1,000
SUUBI, Uganda	983[4]
TRY, Kenya	535
Policies	
Jovenes con Oportunidades, Mexico	300,000
Bogotá SAES, Colombia	60,000[5]
Fundisa, South Africa	10,000
Oportunidades Rurales, Colombia	4,000
Bayelsa State Government, Nigeria	1,000[6]

Notes: [1]All youth products; [2]Bidii Junior product only; [3]Orphaned and vulnerable children (OVC) only; [4]Total of first- and second-phase participants; [5]Cumulative beneficiaries; includes a portion whose subsidy is not linked to savings account; [6]Target minimum for pilot

> Large financial institutions may be best equipped to reach large numbers of young people

are very diverse. There are open-access and fixed-deposit products, varying restrictions as to permitted withdrawals and uses of funds, different approaches to reaching the older and younger segments of the youth market. If anything, the similarity is among the institutions themselves: they were relatively big to begin with, suggesting that large financial institutions may be best equipped to reach large numbers of young people; that is, institutional scale breeds product scale – for YSAs as for any other financial product.

This appears to hold true for savings *programmes* as well as *products* – it is interesting to note that, while the former category is dominated by small-scale initiatives, the high outlier is BRAC, a large financial institution (though not a purely commercial one). Even for *programmes*, then, attaching complementary services to an institution with already massive scale would appear to be a promising strategy for achieving significant outreach. The size of the delivery network also seems to matter for *policies*; for example, the massive outreach of Mexico's *Jovenes* is at least partially due to use of a large-scale delivery system for conditional cash transfers (Zimmerman and Moury, 2009).

Do MFIs reap the long-term customer retention and cross-selling benefits upon which the business case for YSAs rests?

Scale is one pillar of financial inclusion, but not the only one. If increasing the outreach of sustainable financial institutions is the most efficient way to achieve financial inclusion, YSAs must contribute to this sustainability. And while scale can contribute to product sustainability, it is not the only ingredient. How to deliver YSAs at a reasonable cost, and how to reap the long-term customer retention and cross-selling benefits upon which the business case for YSAs rests, are open questions. Nor do existing resources illuminate the issue of how YSAs can best strengthen young people's financial capability, which would render simple financial inclusion more substantive.

Conclusions

The preliminary evidence outlined above suggests that savings initiatives for young people may hold the potential to enhance both their financial inclusion and development outcomes. For this reason and others, including increasing recent attention in the microfinance industry to savings, youth savings are a hot topic.

In the face of the increase in and diversity of current practice on YSAs, financial institutions, donors, NGOs and governments have little empirical data upon which to base decisions regarding whether and how to invest resources in savings initiatives for children and youth. The types of question highlighted above – on how to design and deliver sustainable, age-appropriate savings accounts that have a positive impact on young clients – warrant serious attention. In particular, the YouthSave Consortium supports a rigorous learning agenda on youth-owned savings accounts that would more conclusively address the following questions:

Which client and product characteristics are associated with increased savings?

- What combinations of product and service characteristics and marketing strategies can lead to profitability, sustainability and commercial adoption of YSAs by different types of financial institution?
- Which youth client, household and savings product characteristics are associated with positive savings outcomes?
- What are the impacts of YSAs on developmental outcomes for youth and household finances, and well-being more generally?

- How do the implementation and functioning of youth savings inform its potential as a social and economic development strategy in each country?

An industry-wide commitment to experimentation and rigorous research on these topics, widely shared, would provide an opportunity to promote children and youth savings in a much more effective, systematic way than has been the case with earlier innovations. Fortunately, the growing interest in children and youth savings is spurring a corresponding increase in the level of intellectual and financial resources devoted to the subject. Deliberate, coordinated learning strategies among practitioners, donors, policy-makers and other stakeholders could go far towards channelling this enthusiasm for the ultimate benefit of disadvantaged young people.

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