Frequently Asked Questions

About Youth Savings Accounts

As development analysts and practitioners increasingly look to savings as a potential tool to spur development and financial inclusion among low-income youth[1] in developing countries, this FAQ is meant to provide a basic overview of a relatively new area of inquiry and practice: youth savings accounts (YSAs).

What are Youth Savings Accounts (YSAs)?

Simply put, YSAs are savings accounts that are targeted at or designed to be easily accessible to youth.[2] More broadly, YSAs tend to exist—either in whole or as a core component—in one of three operational forms: as products, programs, or policies. A YSA's design can vary widely, dependent largely upon operational form and intended function.

Who offers YSAs?

Most commonly, financial institutions (FIs) offer stand-alone YSA products. Youth savings programs and policies are typically offered through partnerships between non-profits, private, and/or public institutions. For example, many youth savings programs are led by non-profits in conjunction with FIs. Youth savings policies are implemented by governments in collaboration with FIs and/or non-profits.

Why are YSAs offered?

Financial institutions, non-profits, and governments cite a wide variety of often-overlapping motivations for offering YSAs. This section highlights the most common objectives of YSAs by each operational form.

Products

Generally, FIs offer YSAs to fulfill corporate social responsibility and/or commercial objectives, the latter by cultivating clients at an early age. Cultivating young clients might increase FIs' client base (through also cross-selling financial products to relatives), improve client retention, and lead to long-term profitability by using the YSA as a "gateway product" to other financial services, such as insurance or credit. Offering YSAs (to poor and/or vulnerable youth) as corporate social responsibility can benefit FIs by building a positive reputation and setting it apart as a responsible business.

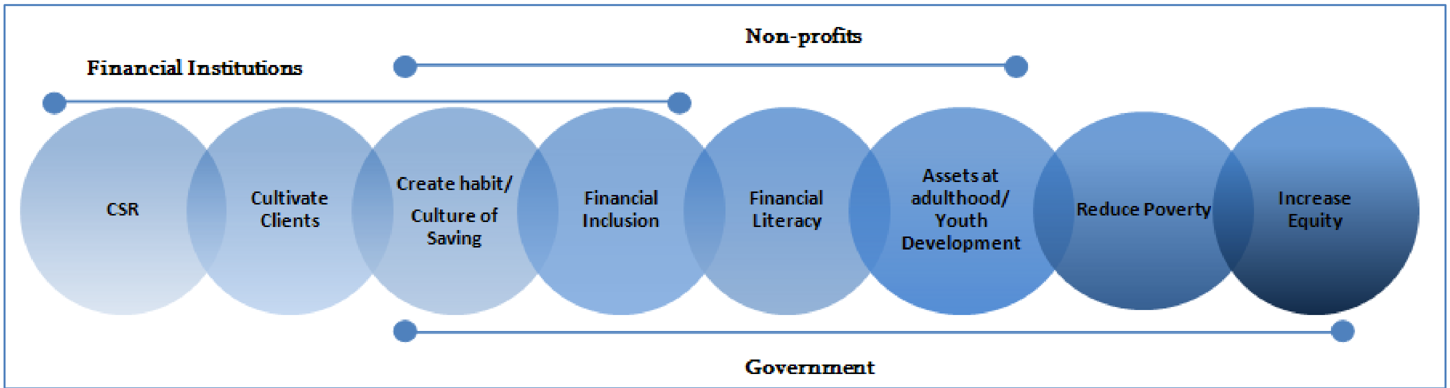
Programs

In youth savings programs, YSAs are frequently intended as a vehicle to achieve asset building for low-income or vulnerable youth. Additionally, non-profits that offer youth savings programs often have a mission orientation aimed at achieving development goals, including increasing financial literacy, expanding economic opportunity, improving health-related decisions, and empowering young women.

Policies

Like programs described above, government-led youth savings policies aim to promote asset building among youth, while also achieving broader social or economic development goals, such as alleviating poverty, accelerating financial inclusion, and/or increasing equity within society.

Figure 1: Objectives of institutions offering YSAs

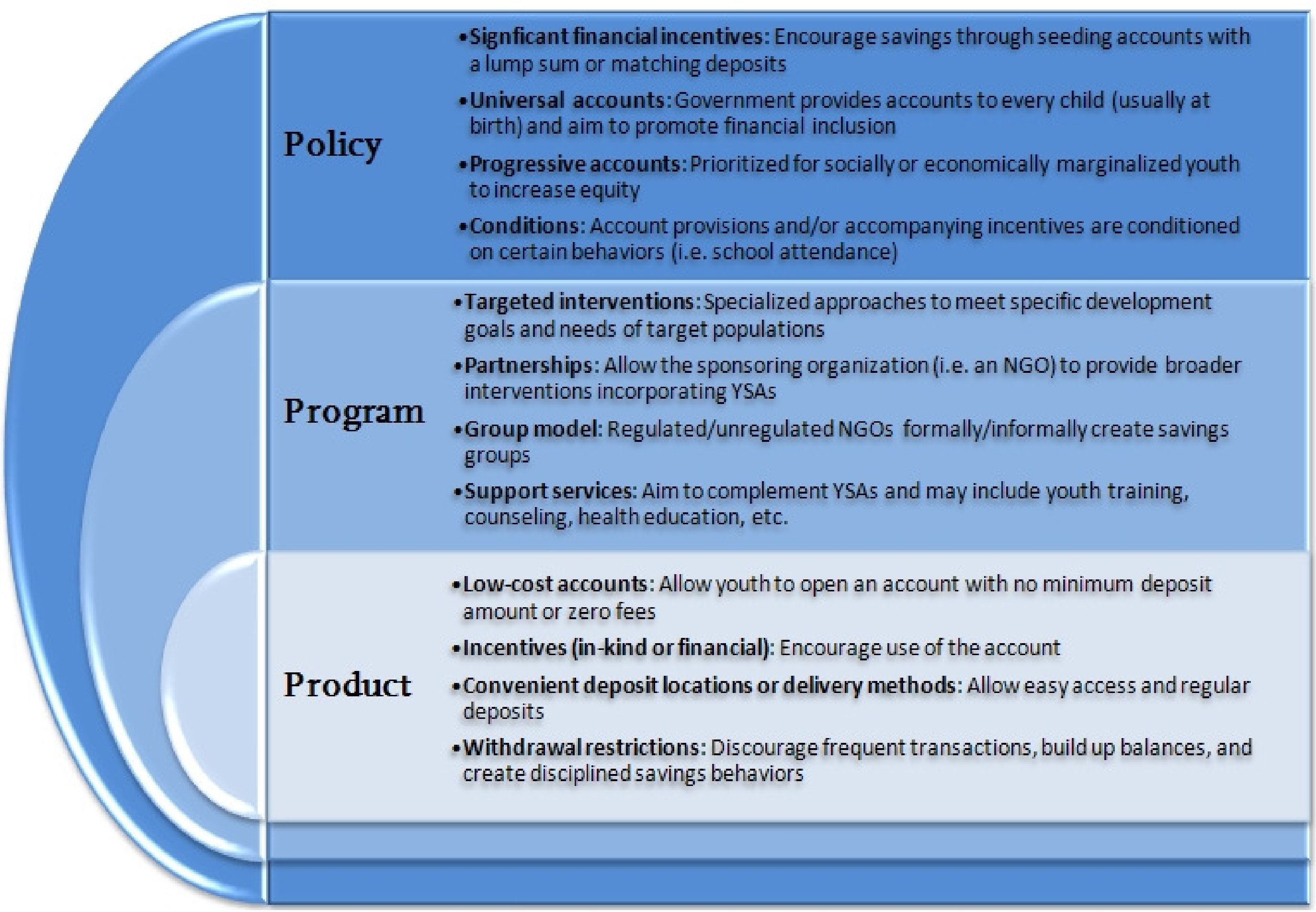


This diagram illustrates a range of often-overlapping reasons why FIs, non-profits, and governments choose to offer YSAs (there may be institutions that deviate from this typology). The colors in the gradient become darker, signifying increasing developmental intentionality of YSAs targeted at low-income youth (the lighter circles signifying more market-driven approaches for offering YSAs). This is based on the results of a 2008 study conducted by the New America Foundation.[3]

How are YSA initiatives designed to meet their various objectives?

Since YSA program and policy objectives *tend* to be more socially oriented, their design features are broader, including incentives, services, *and* features typically found in YSA products. Figure 2[4] provides an illustrative list of the varying design features that can accompany youth savings products, programs, and policies.[5]

Figure 2: YSA design features



What are examples of YSA Initiatives?[6]

Institution Name	Institution Type	Initiative Name	Initiative Objective	Key Features
PRODUCTS				
Equity Bank (Kenya)	Commercial Bank	Super Junior Investment Account	Cultivate clients; financial literacy; create a habit of saving	No opening deposit or minimum balance needed; withdrawal limitations to only four times per year; incentives of free banker's checks for school fees and access to school fees loan
Hatton National Bank (Sri Lanka)	Commercial Bank	Singithi; Microfinance-Focused Youth	CSR; cultivate clients	Tiered incentives and interest 1% above normal rate; school-based banking centers; limited withdrawal before the age of 18 unless approved; no withdrawal maintenance or deposit fees
PMPC (Philippines)	Cooperative Bank	Youth Savers Club; Power Teens Club	Create a habit of saving[7]	Interest-bearing minimum deposit; in-kind incentives of school supplies for saving a minimum of USD 10; withdrawal restrictions unless approved by guardian
PROGRAMS				
Save the Children	NGO	YouthSave Project	Youth development; financial inclusion	Bank-based savings accounts in four countries; design based on market research with low-income youth; complementary financial capability programming. Accounts and programming to roll out in late 2011
BRAC (Bangladesh)	NGO	Employment and Livelihood for Adolescents	Youth development; create a habit of saving[8]	Group accounts comprised of rural, adolescent girls; groups are called village organizations and meet weekly where savings installments are collected by staff; livelihoods issues are discussed at meetings and topics include: reproductive health, early marriage, and dowry
SUUBI Project (Uganda)	NGO	SUUBI	Youth development; asset-building; experiential research	Individual accounts for orphaned youth; accounts are restricted for educational and/or small business development; savings accounts matched by 2:1; match is conditioned whereby the participant must have saved and must be attending school to receive it
POLICIES				
Bayelsa State (Nigeria)	Government	Bayelsa Child Development Accounts: Saving, Training, and Rewarding Savers Project	Financial inclusion; increase equity; youth development; financial literacy; create a habit of saving	Progressive accounts (targeted at 1,000 youth); significant financial incentives include a seeded account and 2:1 match; withdrawal restrictions whereby government funds are only to be used for skills acquisition, continued education, or microenterprise investment; withdrawals from youth's contribution are not restricted
Oportunidades (Mexico)	Government	Jovenes con Oportunidades	Incentivize continued education	Progressive accounts; significant financial incentives where annual rewards are deposited into accounts every year that youth remain in school; no withdrawals until graduation from secondary school or until the age of 22
Government of Bogotá (Colombia)	Government	Bogotá School Attendance Educational Subsidy	Decrease students' drop-out rates in Bogotá schools; incentivize attendance	Two types of conditional payments: type 1 (for students in 9^{th} – 11^{th} grade) is a payment of USD 36 made every two months to prepaid cards; type 2 (for students in 6^{th} – 8^{th} grade) is a total payment of USD 36 (USD 26 is available immediately and USD 10 is deposited directly into a savings account in the name of the beneficiary)

Information presented in this FAQ was derived from the work of the YouthSave Project. It was prepared by Jamie Zimmerman, Director, and Payal Pathak, Program Associate, of the Global Assets Project at the New America Foundation.

Supported by The MasterCard Foundation, YouthSave investigates the potential of savings accounts as a tool for youth development and financial inclusion in developing countries, by co-creating tailored, sustainable savings products with local financial institutions and assessing their performance and development outcomes with local researchers. The project is an initiative of the YouthSave Consortium, led by Save the Children in partnership with the Center for Social Development at Washington University in St. Louis, the New America Foundation, and the Consultative Group to Assist the Poor (CGAP).

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[1] The United Nations defines youth as individuals between the ages of 15 and 24.

[2] YouthSave Consortium, "Youth Savings in Developing Countries: Trends in Practice, Gaps in Knowledge," ed. Rani Deshpande and Jamie M. Zimmerman (Washington, D.C.: New America Foundation, 2010).

[3] Jeff Meyer, Jamie Zimmerman, and Ray Boshara, "Child Savings Accounts: Global Trends in Design & Practice," (Washington, D.C.: New America Foundation, 2008).

[4] YouthSave Consortium, "Youth Savings in Developing Countries: Trends in Practice, Gaps in Knowledge," ed. Rani Deshpande and Jamie M. Zimmerman (Washington, D.C.: New America Foundation, 2010).

[5] For additional information on child savings policies see: Vernon Loke and Michael Sherraden, "Building Assets from Birth: A Global Comparison on Child Development Account Policies," (University of Missouri – St. Louis: Center for Social Development, 2010).

[6] These examples aim to illustrate the practical application of some of the various features and objectives of youth savings products, programs, and policies highlighted in this FAQ. Unless otherwise noted, the details presented in this table were derived from a combination of desk research, field research, interviews, and surveys conducted by the YouthSave Consortium between 2009-2010, and the majority of which is presented in the paper: "Youth Savings in Developing Countries," a product of the YouthSave Project.

[7] Retrieved from http://www.yfslink.org/resources/presentations/youth-finance

[8] Retrieved from http://www.brac.net/content/economic-development-empowering-adolescents