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Youth Savings Patterns and Performance in Colombia, Ghana, Kenya, and Nepal: Key Findings¹

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Background

Youth aged younger than 25 years make up approximately one-third of the world's population and half of the population in many developing countries, but the percentage of those aged between 15 and 24 years with formal savings ranges from 3% to 26% (The World Bank, 2014). Fewer still are youth aged younger than 15 years with savings accounts.

Why does this matter? Research suggests that 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).

Created in partnership with The MasterCard Foundation, YouthSave has investigated the potential of savings accounts as a tool for financial inclusion and youth development through tailored, sustainable savings products with local financial institutions (FIs)² and assessed saving performance and development outcomes in cooperation with local research partners.³ The project was an initiative of the YouthSave Consortium led by Save the Children (SC), 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).

When provided an opportunity to save via formal financial services, do youth in developing countries

participate, save, and accumulate assets? This was one of the key questions asked in YouthSave. Savings accounts were created in four developing countries, targeting youth aged 12 to 18 years from predominantly low-income households. This brief highlights research findings on account uptake and savings.

Savings Demand Assessment

The Savings Demand Assessment (SDA) tracked youth account uptake and savings patterns among YouthSave account holders in Colombia, Ghana, Kenya, and Nepal. Data include account holder and household demographics and individual savings transaction records of account holders who consented to participate in the study. Researchers also collected information on financial education and financial services offered in schools and through youth clubs by the FIs and community organizations participating in YouthSave.

Context matters in understanding the findings. Each country has unique socioeconomic and political characteristics, and each FI also has unique attributes and regulatory policies. In addition, the YouthSave products vary in product features such as deposit and withdrawal rules, interest rates, incentives, and electronic access. Despite such differences, account uptake and savings patterns emerge across countries.

Account uptake

A total of 98,485 youth opened accounts between 2012 and 2014. Research findings reflect the 69,247 account holders who granted study consent. During this time, accounts had been open for an average of eight months in Ghana, 11 months in Kenya, and 13 months in Colombia and Nepal.



YouthSave has moved forward its goal of youth financial inclusion, attracting low-income youth aged between 12 and 18 years to open formal savings accounts. About 85% of the youth reported no previous experience with formal banking, and an estimated 48% of account holders live below a consumption expenditure level of USD 2.50 per day.⁴ Figure 1 compares estimated poverty rates of the YouthSave population with that of the national population. With an average of 13% of heads of households having reported no prior formal banking experience, YouthSave also reached a portion of unbanked households.

In terms of gender, account opening was equal in Colombia, girls opened more accounts than boys in Ghana, and boys opened more accounts than girls by a margin of 3:2 in Kenya and Nepal (Figure 2). The gender disparity in Kenya and Nepal may reflect social norms that limit girls' freedom of movement and school restrictions on FI marketing at girls' schools.

Factors associated with account uptake

Two key factors are associated with account uptake: (1) the direct marketing outreach strategy by FIs and (2) regulation of account ownership.

Across all four countries, findings show that the FI's direct marketing outreach strategy to schools and youth clubs (i.e., "taking the bank to the youth") facilitated account uptake. Financial institution branches that visited schools to open accounts,

Figure 1. Estimated poverty rates among the YouthSave population

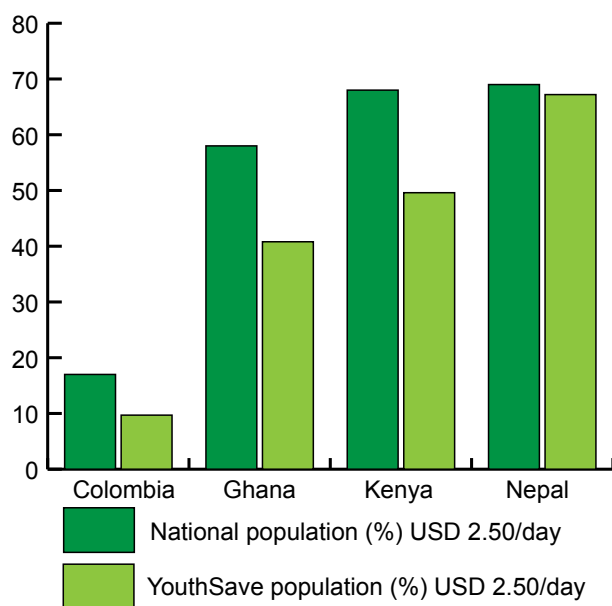
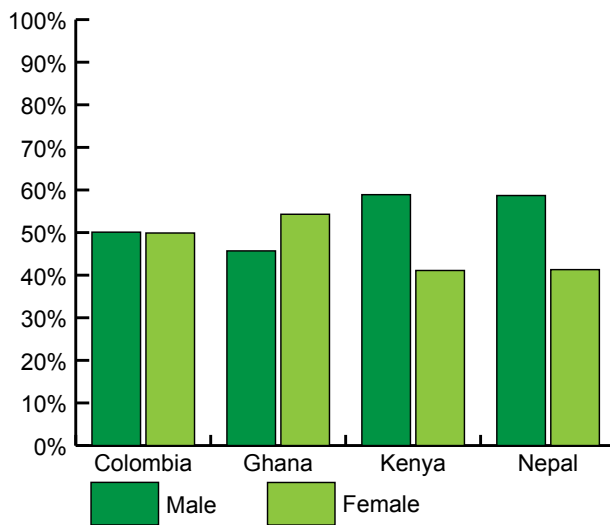


Figure 2. Accounts opened by gender



take deposits, and participate in financial education opened a statistically significant higher number of accounts than FI branches that did not. This finding has important implications for financial inclusion. The FIs were able to leverage the school setting to expose large groups of youth to savings accounts and the direct marketing strategy facilitated account opening by low-income youth and girls, typically underrepresented populations.

The regulatory policy on account ownership in each country also affected account uptake. In Nepal, the age of majority (and account ownership) is 16 years, and a greater percentage of account holders (42%) were aged 16 years or older compared to the other countries. In Colombia, where youth aged seven years are allowed to own and operate an account, the majority of the YouthSave population was aged 12 years or younger. In Ghana and Kenya, where "trusted adults," such as teachers, were allowed to cosign a youth's account instead of the parent or guardian, nearly 50% of accounts opened with trusted adults as cosigners.

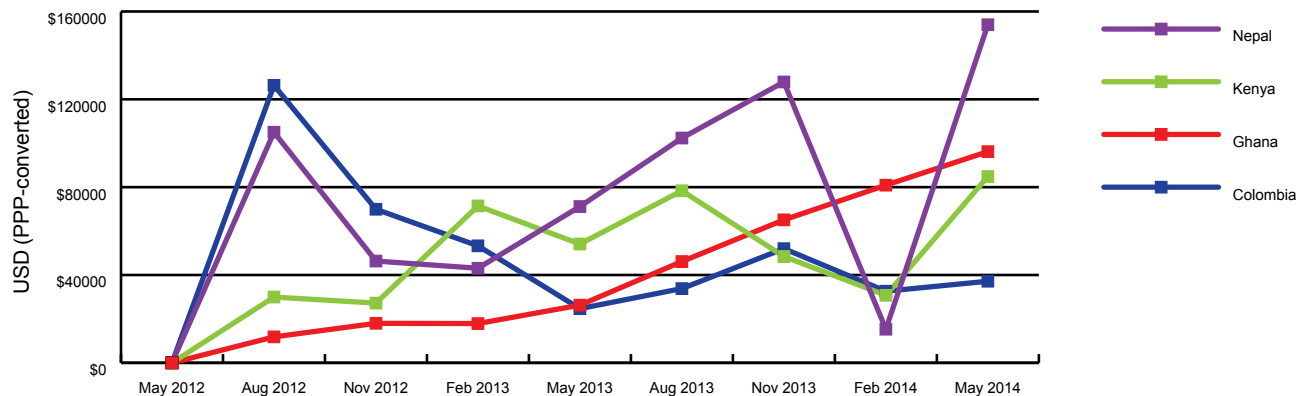
Savings

YouthSave account holders saved a net total of USD 1,882,431⁵ across the four countries. Figure 3 shows net savings by quarter. As of May 2014, account holders had the following average savings balances:

- 323,879 Colombian pesos (USD 262)
- 3,855 Nepalese rupees (USD 114)
- 33 Ghanaian cedis (USD 27)
- 349 Kenyan shillings (USD 9)

Researchers also assessed average monthly net savings (AMNS) to account for time by measuring

Figure 3. Net savings by quarter



savings based on the number of months an account was open. The AMNS per YouthSave account was COP 28,305 (USD 22.89) in Colombia, NPR 423.56 (USD 12.54) in Nepal, GHS 3.61 (USD 4.51) in Ghana, and KES 41.23 (USD 1.04) in Kenya.

The percentage of youth who increased their savings over one year's time (between June 1, 2013 and May 30, 2014) was 59% in Colombia and Nepal, 41% in Ghana, and 12% in Kenya. Across the life of the account, the percentage of accounts that increased in net savings (regardless of when they opened their account) was 76% in Colombia, 69% in Nepal, 38% in Ghana, and 28% in Kenya. (These two analyses exclude closed accounts and accounts opened in the last month before data collection.) Youth not only saved but many continued to increase their savings over time, though by modest amounts.

Factors associated with savings performance

Consistent across all four countries, younger youth saved significantly more than older youth. The fact that older youth withdrew more than younger youth partially accounts for this finding. Family members may have been more likely to help their younger children save than they were to help their older children. Over time, however, savings differences by age decline. Longer-term tracking of account holders in Ghana reveal a gap in savings of youth aged between 13 and 16 years, suggesting the importance of particular savings strategies by age group (Johnson et al., 2015).

In terms of gender, girls save about the same as boys and in Nepal girls save significantly more. Given the lower number of accounts opened by girls in Kenya and Nepal, this finding suggests that access to FIs may be more of a barrier to asset accumulation than gender issues in saving.

Parental involvement was an important factor for minors who required account cosignatory. In Ghana and Kenya, youth account holders with parent cosignature saved significantly more than youth who obtained cosignature from someone else, despite the fact a nonrelative was cosignatory on about half of the accounts. The importance of parental involvement is also reflected in the words of the youth who were interviewed about their YouthSave savings experience (Zou et al., 2015).

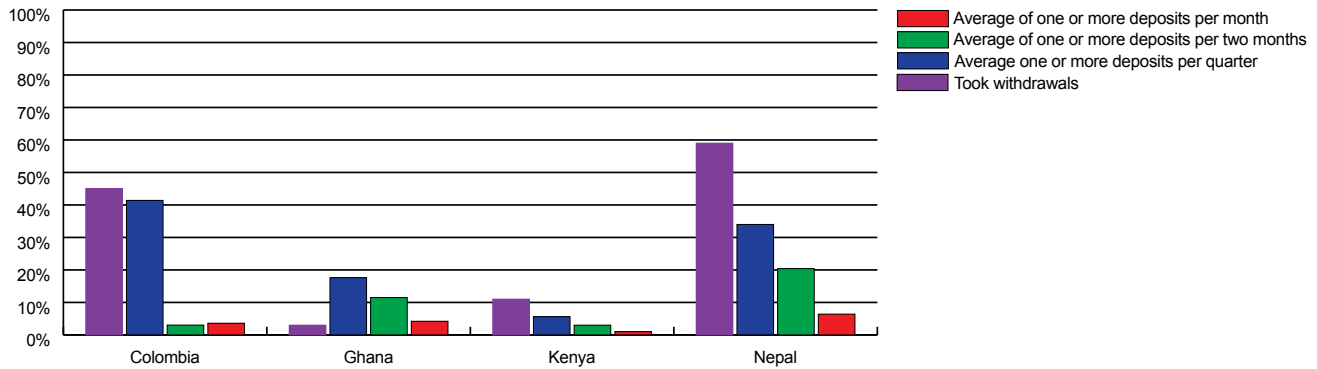
In terms of product characteristics, financial incentives and electronic access show positive association with savings performance. Youth who took advantage of the savings incentive scheme offered by the Nepal FI saved significantly more than account holders who did not. In Nepal and Kenya, average monthly net savings was significantly higher for account holders (or their parents) who could use automatic teller machines (ATMs) and phone banking (through M-PESA) in Kenya.

Transaction patterns

Deposit and withdrawal activity differed by country (Figure 4). Only a few youth deposited monthly, ranging from 6% in Nepal, to 4% in Ghana, 3.6% in Colombia, and 1% in Kenya. A greater number of account holders deposited quarterly. The highest percentage was youth in Colombia (41%), followed by Nepal (34%), Ghana (17.6%), and Kenya (5.6%).

Factors that appear to affect account usage include product and service features, which differ by country. Account holders in Colombia, for example, have the highest deposit frequency compared to other countries. Though other factors may also play a role, it is the only FI to set monthly deposit goal amounts with account holders when they opened their account, which may have spurred deposit activity. The FI in Colombia also had a higher number of closed accounts than the other FIs, but

Figure 4. Transaction activity



about 25% of these youth had reached their deposit goal. In addition, the Ghana YouthSave experiment results show that FI services at schools significantly increased the number of deposits and the amount of savings of youth account holders compared to schools that did not offer FI services (Lee et al., 2015).

In terms of withdrawals, more Nepalese youth account holders took withdrawals (59%) than those in Colombia (45%), Kenya (11%), or Ghana (3%). These findings may reflect the fact that the FI in Nepal had the least restrictive withdrawal policies. In contrast, youth account holders in Ghana had the lowest withdrawal rates but also the most restrictive withdrawal policies. Across the four countries, boys were more likely to withdraw than girls.

Transaction access can also affect usage. For example, in Colombia and Nepal, one can own and operate an account at a younger age than in Ghana and Kenya, which may explain some of the transaction pattern differences between countries.

Though it is not possible to assess causality, these transaction patterns suggest that financial policies, product features, and product services play an important role in youth savings.

Overall, withdrawal activity increased over time and monthly savings declined. This pattern may be a function of monetary needs as the youth become older, youth reach savings goals, or the reduction in YouthSave financial services as the project neared completion. Regardless, this finding points to the need for strategies to encourage and sustain deposits over time.

Conclusion

YouthSave has contributed to the project goal of youth financial inclusion. The research results show that low-income youth use formal financial savings products that are tailored to their needs. The next

steps are to make access to such products widely available and encourage more savings.

The research revealed that access is a key issue, and findings indicate that “taking the bank to the youth” at schools and youth clubs results in higher account uptake rates. Other promising delivery channels, especially to those not in school, might be banking services offered in markets and through employment apprenticeships. Allowing account ownership or greater participation in account operation at a younger age should also be considered. Reaching the poorest youth may require targeted, direct services in communities where youth live, go to school, and work.

Once access to quality savings products are available, the next step is to encourage savings. Strategies such as educating and involving parents, setting savings goal amounts, and offering financial incentives may increase savings balances. Electronic access offers a potentially cost-effective strategy for conducting transactions, which could be used by all age groups, perhaps coupled with deposit reminders (Rodriguez & Saavedra, forthcoming) and restrictions on withdrawals.

An important question going forward is at what age youth should start with a savings account? Pushing this question to its limit, what is the potential, and what would be the outcomes, of starting all low-income children with a savings account and initial deposit at birth? This is the larger research agenda on savings, asset building, and child development.

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Endnotes

1. This brief highlights findings based on accounts opened between February 2012 and May 2014. Findings emphasize patterns across countries unless otherwise specified. The full report is available at <http://csd.wustl.edu/Publications/Documents/RR15-01.pdf>.
2. 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.
3. 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.
4. Adapted from poverty scoreboards using household characteristics to assess the likelihood that per capita household expenditures are below a given poverty line (<http://www.microfinance.com>).
5. 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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