Center for Social Development

GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK

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

Ten Key Findings

1. Youth will open savings accounts if financial institutions make safe and affordable accounts available. Almost 100,000 youth across four countries opened accounts between 2012 and 2014, of which about 70,000 are included in the research study.

2. Youth will save in the accounts—as evidenced by the $1.8 million saved across the four countries.

3. Youth younger than 13 save more than older youth, in part because younger youth withdraw less than older youth. This result highlights the importance of starting to save early in life.

4. Female youth save as much and sometimes more than male youth. This finding and the lower female account uptake rate of 41% in Nepal and Kenya suggests that access to financial institutions may be a bigger gender barrier than saving itself.

5. Direct outreach from financial institutions to locations where youth congregate (e.g., schools, youth clubs) facilitates overall account uptake. Direct outreach at low-income schools and girls' schools facilitates low-income (48%) and female youth (43%) opening accounts. Additional efforts are required to reach out-of-school youth.

6. About 39% of youth were actively using their account during the last six months of the study, which suggests the importance of focusing on ways to increase deposit activity. Deposit frequency is highest in Colombia where monthly deposits are part of a programmed savings goal. Youth receiving cash incentives in Nepal saved significantly more than other Nepalese account holders. These findings indicate possible directions for encouraging deposits.

7. Financial institution policies influence the number of accounts opened. In Nepal, where the age of majority is 16, 42% of the account holders own and operate their accounts. In Kenya, flexibility in banking policies allowed "trusted adults" to be cosignatories on minors' accounts, a policy already allowed in Ghana. In these two countries, nonrelatives are cosignatory on 56% and 47% of accounts, respectively. In Ghana, the Central Bank approved use of custodial accounts rather than trust accounts, which allows minors greater control of their account. Greater flexibility in banking policies may facilitate greater youth financial participation.

8. When parents are the cosignatory, youth save significantly more. The majority of the youth (84%) indicated that savings would likely come from family. Engaging the parent in the savings process is important to help youth save and accumulate assets.

9. Account restrictions affect account uptake and savings performance. Stringent withdrawal restrictions hindered uptake in Colombia but facilitated stable savings in Ghana. No withdrawal restrictions or fees enabled use of savings accounts more like transaction accounts for account holders of majority age in Nepal.

10. Products and product features should be clearly defined and tailored to the development stage of the youth. A lifelong savings account accompanied by other products as the youth reaches employment age may satisfy both the need to save and the need to manage expenditures.

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Created in partnership with The MasterCard Foundation, YouthSave investigates the potential of savings accounts as a tool for youth development and financial inclusion in developing countries by co-designing tailored, sustainable savings products with local financial institutions (FIs) and assessing their performance and development outcomes with local researchers. 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, and the Consultative Group to Assist the Poor (CGAP).

In-country research partners in YouthSave: Universidad de los Andes in Colombia, Institute for 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. Participating financial institutions: 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.

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