Center for Social Development

GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK

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

Executive Summary

Washington University in St. Louis

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TEN KEY FINDINGS

The following ten key findings summarize highlights and may signal to the reader topics that merit closer attention:

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 the years of 2012 and 2014, of which approximately 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 (comparability based on 2011 purchasing power parity conversion rates).
3. As measured by average monthly net savings, younger youth (i.e., youth aged younger than 13 years) 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.

EXECUTIVE SUMMARY

If offered an opportunity to save via formal financial services, will youth in developing countries participate, save, and accumulate assets? This is one of the key questions in YouthSave, a savings initiative implemented in four developing countries, targeting youth aged 12 to 18 years, from predominantly low-income households.

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). Research partners (RPs) in the field 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. Participating FIs 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.

Many youth save informally and may participate in formal banking services if given the opportunity (United Nations Capital Development Fund, 2011). However, such opportunities are limited for some groups, particularly youth, because of barriers inherent in regulatory policy, geographic access, identity verification, financial product information, financial service fees, affordability of deposit services, required documentation, lack of trust and transparency in banks, and lack of independent youth products (Aggarwal & Klapper, 2013; Child & Youth Finance International, 2014; Demirguc-Kunt & Klapper, 2012; Karlan, Ratan, & Zinman, 2013; Porter, Blaufuss, & Owusu Acheampong, 2007). The value of removing these barriers is evident in research that demonstrates the important effects financial inclusion has on youth development (Chowa & Ansong, 2010; Deshpande & Zimmerman, 2010; Elliott, 2012; Prina, 2014; Scanlon & Adams, 2009; Sherraden & Ansong, 2013; Ssewamala & Ismayilova, 2009). These findings deserve greater study.

This report summarizes key findings from a two-year study that tracks account uptake, savings performance, and saving patterns in youth savings accounts in four countries: Colombia, Ghana, Kenya, and Nepal. The research aims to determine whether offering a youth-friendly formal savings account at an FI leads to account uptake and savings, and for whom. Data collection began with product launch in 2012 and continued through May 31, 2014.

This *savings demand assessment* (SDA) is ambitious in its attempt to include systematic data on as many youth savers as possible. The result is a very large dataset that enables us to report in detail on who saves, how much they save, and characteristics associated with savings. Although the report is not intended to analyze the business case, the findings help to understand how youth savings performance relates to financial product design and outreach.

Project Implementation

Development of youth-friendly savings products began with market research and product piloting. The FIs chose product features based on findings from market research with low-income youth. Youth indicated that they wanted a product that would allow greater control in account management, facilitate access to deposits and withdrawals, ensure a secure account, and offer incentives for long-term saving (Deshpande, 2012).

The youth savings product features in each country also reflected the country's context. For example, account ownership is dependent on the country's regulatory policy. In Colombia and Nepal, youth aged seven and 16, respectively, can open accounts on their own, whereas in Ghana and Kenya, youth require cosignatory until aged 18 years. Interest rates vary, ranging from 0.25% to 4.5%. Account rules are strictest in Colombia and Ghana, though some withdrawal restrictions were lifted after the first year of product rollout. Colombia is the only country that requires the youth to set a monthly savings goal amount although there is no penalty if the goal is not met. In all countries, youth are provided free savings kits such as piggy banks, wallets, and savings diaries when they open an account. The FI in Nepal also provided cash incentives to youth for a short period of time.

In 2012, FIs in YouthSave officially launched the youth-tailored saving products. In Colombia, Banco Caja Social (BCS) began offering the product in late February, followed by Bank of Kathmandu Ltd. (BOK) in Nepal in April. Ghana's HFC Bank and Kenya's Post Office Bank (Postbank) launched their products in May. Product rollout dates depended on product and marketing readiness. Reporting is based on data from each country's rollout date through May 31, 2014. Accounts have been open for an average of 13 months in Colombia and in Nepal, 11 months in Kenya, and eight months in Ghana.

In addition to the YouthSave savings product, SC, FIs, and community partners offer financial education (FE) and outreach through visits to schools and youth clubs. Product features and outreach vary by country. Generally, the banks in Colombia and Ghana began with stricter product withdrawal procedures compared to Kenya and Nepal. From the outset, the participating banks in Ghana, Kenya, and Nepal offered account opening services at schools and youth-serving organizations. The bank in Colombia began offering account opening services at schools in the second year after product rollout. In Ghana and Nepal, the banks participate in FE and offer opportunities to open accounts and make savings deposits.

After the four FIs officially launched their YouthSave financial products, SDA researchers began collating account holder information the FIs collected at account opening, and the transaction data. The researchers also received data on FE and outreach from FI branches, including participation in SC-sponsored FE workshops or youth clubs, and school visits to inform youth about the YouthSave product, open accounts, and take deposits.

This study captures data through the end of May 2014, but youth account holders continue to open and save in the accounts, hopefully well into the future.

Research Methods for Savings Demand Assessment

During the planning stage of YouthSave, the research team reviewed existing savings account applications from each FI and determined that very little demographic information was being collected. Therefore, we added key youth and household demographic questions to account-opening applications. The YouthSave Research Advisory Council and all YouthSave partners were consulted and provided input on the selection of questions.

The research team vetted the new questions with the FIs to determine whether they were clear and understandable and whether the FIs would be interested in the results. With data collection across four countries, the questions also had to be refined to ensure consistency and cultural compatibility. The research team then pilot-tested and revised the questions to increase comprehension and reduce the length of time needed to complete data collection. Pilot-testing occurred over a six-month period and resulted in product and process modifications designed to increase account uptake and question completion.

In Ghana, Kenya, and Nepal, FIs submitted responses from individual-level demographic questions and savings-account transaction records to researchers. In Colombia, BCS chose not to include the research questions with its savings account application form; therefore, BCS collected a more limited set of youth and household information on Colombian YouthSave account holders.

In all four countries, the FIs obtained permission from the youth and cosignatory (if the youth were a minor) to provide identifying account information for participation in the study. Because permission was not obtained for all 98,485 account holders, the resulting dataset is a subset of total accounts opened and identified in this report as "research accounts," which include 69,247 account holders.

The research team cleaned the data for quality control and merged transaction records with demographic records for analyses. Transaction records were restructured so that each account holder had a monthly transaction record with variables of monthly, quarterly, and total cumulative amounts of deposits, withdrawals, fees, and interest. Original savings outcomes based on the national currency for each country were converted from the national currency amounts into comparable USD using 2011 purchasing power parity (PPP) conversion rates. [1]

The key dependent variable of the analysis is average monthly net savings (AMNS), defined as net savings per months an account has been open (Schreiner et al., 2001). Independent variables include youth and household characteristics collected at the time of account opening. Youth characteristics include gender, age, school enrollment, income in the past six months, previous formal account held by youth, source of savings, source for learning about the account, and reason for saving. Household characteristics include relationship of the head of household (HOH) to the youth, previous formal account held by the HOH, education level of the HOH, employment status of the

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[1] Researchers used the purchasing power parity (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). Rates from 2011 were used to maintain comparability with findings from previous years.

HOH, whether the HOH is employed in the agricultural sector, number of household members, mode of transportation ownership, relationship of the cosignatory on the account to the youth account holder, and estimated consumption-based poverty rate.

The estimated poverty rate measure has been specified from poverty scoring techniques in developing countries (similar to credit scoring) wherein poverty scorecards use household characteristics to assess likelihood that per-capita household expenditure is below a given poverty line (Caire, Schreiner, Chen, & Woller, 2009; Schreiner, 2012; Schreiner, 2011; Schreiner & Woller, 2010). The scoring measure is constructed from national expenditure survey data matched with responses to the savings demand assessment (SDA) account opening questionnaire, and linked to commonly used poverty lines. The measure for each account holder indicates the percentage likelihood that the individual lives at or below a particular poverty line.

In Colombia and Kenya, youth can open accounts without an initial deposit. However, some of these accounts continue to remain open without ever receiving a deposit. To reflect all accounts that the FIs define as open, account holder demographics include all research accounts (69,247). However, accounts with no transaction activity for the life of the account are excluded in the savings analysis to ensure comparability of savings measures across countries. The resulting savings analysis sample size is 66,606.

Results of the SDA research method include descriptive information on the number of youth clients who adopted the savings product and all of their savings account transactions. Statistical analyses assess which youth and household characteristics are associated with savings performance. We present patterns and correlations rather than causal linkages because there was not a control condition to serve as a counterfactual. Where possible, analyses also examine how product design and FI participation in financial education and financial services may affect account uptake and savings performance.

Limitations

The SDA has introduced a new process to the FIs for collecting information on their account holders. In addition, each FI is operating within a unique country context with their own set of products and services. These factors can introduce challenges in data collection and analysis. Though the research team controls for many of these differences through analysis, and highlights differences where relevant throughout the full report, the reader is advised to consider context when comparing results across countries.

The SDA dataset affords a unique opportunity to identify factors associated with saving patterns and performance over time, but it is not possible to assess causally which product features influence savings patterns most because there was not a control condition to serve as a sound counterfactual. (YouthSave does have a full experiment in Ghana, which is examined in a separate report.)

Despite these limitations, the study offers a unique opportunity to explore patterns of account uptake and youth savings in four developing countries.

Findings

What matters in increasing youth financial inclusion? The countries participating in YouthSave each have particular characteristics and contexts that have led to divergent financial products and services. Nevertheless, the SDA data highlight common themes in account uptake, transaction activity, and savings performance that can inform design and implementation of financial products and services, as well as governmental policies and regulations.

Account uptake

When offered the opportunity, many youth open savings accounts.

The participating four FIs launched new youth products in 2012. By May 2014, these FIs reported more than 98,000 youth accounts opened, of which 69,247 were research accounts (i.e., accounts with consent to use data for this report). Ghana's HFC Bank and Kenya's Postbank exceeded their account-opening goals, and BOK in Nepal reached approximately 70% of its goal. Colombia's BCS reached less than 20% of its goal, in part because of the presence of an existing BCS youth transaction product that was competing with its own YouthSave product.

The FIs reached their target population of low-income youth aged between 12 and 18 years, most of whom had no prior formal bank account. However, most youth the FIs reached were neither out-of-school youth nor from the very poorest households in their respective countries. Percentages vary by country but across the four countries, an estimated 48% of YouthSave account holders live below a consumption expenditure level of USD 2.50 per day (in 2005 PPP) and 1.6% are out-of-school youth. What attracts each youth to open an account may include a variety of personal and cultural factors, but the data suggest that regulatory policy, product design, and product outreach play important roles as summarized below.

Flexible regulatory policy can increase account access.

Regulatory policy regarding client age and account ownership differs in each country. In Colombia, the opportunity to own a savings account is offered at a much younger age (seven years) than in Ghana, Kenya, and Nepal and is reflected in the younger age of the average Colombian YouthSave account holder. In Nepal, youth aged 16 years, the age of majority, can own an account, and these independent account owners comprise over 40% of the Nepal YouthSave accounts. In Ghana and Kenya, youth must be aged 18 years to independently open an account. In Ghana, the Central Bank approved use of custodial accounts rather than trust accounts, which allows minors some control to operate their account. In Kenya, flexibility in banking policy allowed "trusted adults" to be cosignatories on minors' accounts, a policy already allowed in Ghana. This alternate cosignatory frees the youth from having to rely solely on parents who might not be living in the same town or are otherwise unavailable. Approximately half of the YouthSave accounts in Ghana and Kenya were opened with a nonrelative as cosignatory.

Changes in product design and outreach affect account uptake.

In Colombia, researchers had a unique opportunity to study changes in product design and services one year after rollout. Because of low account uptake and competition with its more popular transaction-oriented youth product, BCS altered its product design and services in the second year by reducing withdrawal restrictions, equalizing bank staff incentives, and attending school assemblies to inform youth about the savings product and open accounts (with or without an initial deposit). The changes resulted in a 124% increase in the number of accounts and a 9% increase in younger-aged youth who opened the accounts. Though it is not possible to isolate which factor played a larger role, these institutional changes contributed to a noticeable increase in opened accounts as well as a shift in the population characteristics of who opened accounts.

Direct outreach increases account uptake.

To open a savings account and make deposits, access to the bank is critical. In YouthSave, FIs facilitated opportunities to open accounts, and sometimes also deposit services, where the youth were located (e.g., schools, youth clubs, youth organizations). The data reflect this emphasis on outreach to schools with over 98% of account holders reporting attending school at time of account opening. In most cases, the youth (and parent or "trusted adult" in the case of a minor) had to go to the branch to verify legal information. When the FI could facilitate the process, youth could open accounts and make deposits more quickly. The data confirm that branches that "take the bank to the youth" to provide alternate offsite financial services opened significantly more accounts than branch counterparts that did not.

Direct outreach encourages inclusion of low-income youth.

By the end of the YouthSave study, all of the FIs were using dual strategies to increase account uptake. All of the FIs used mass media (e.g., television, radio, newspapers) to reach the broader youth population. To ensure that low-income youth and families knew about the product offering, FIs used a second strategy of intentional and direct outreach in low-income communities and schools, often in partnership with SC or its youth-serving partner organizations offering FE. Their efforts appear to be effective, with approximately 48% of total accounts opened by youth living below USD 2.50 per day. In Ghana, for example, over 80% of account holders reported learning about the account through the HFC bank program, the outreach effort targeting low-income schools, and these youth tend to have a higher poverty likelihood than other Ghana account holders. The YouthSave population is not as poor as the national percentage of those living in poverty in each country, but the products attracted a substantial proportion of poor households. The data demonstrate the efficacy of this approach in yielding a more inclusive portfolio of both lower- and higher-income account holders.

Direct outreach encourages inclusion of females.

Although there were no targets based on gender, the FIs were conscious of potential disparities. In countries where females are limited in moving freely in public spaces, FI outreach provides a greater opportunity for their participation. Gender participation was nearly equal in Colombia, and more females (54%) than males (46%) opened accounts in Ghana. In Kenya and Nepal, however, more males signed up for accounts (59%) than females (41%). Save the Children, youth-serving organizations, and FIs in both countries attempted to reduce differences with more intentional outreach to girls' schools and youth clubs. These efforts appear to be successful with an increase in female participation in Nepal from 35% in the first quarter of rollout in 2012 to 44% in May 2014, and in Kenya from 42% in the first quarter to 57% in May 2014.

Account holder incentives can improve account uptake and savings performance.

All of the FIs provided account holder incentives in the form of gifts such as piggy banks and money wallets at time of account opening. In addition, Nepal's FI offered an attractive 4.5% interest rate, the highest of the four FIs. It is not clear whether the youth were attracted by the favorable interest rate, but the total amount of interest earned is higher than the total amount of fees and taxes on accounts, whereas in Ghana and Kenya, the amount of taxes and fees is higher than interest accrued. In Colombia, the total interest is higher than the total fees and taxes even though fees are similarly applied and the interest rate is similar to the rates in Ghana and Kenya. A question for further study is how taxes and fees are applied and can be adjusted for youth accounts, and to what extent the interest rate can offset these costs.

The FI in Nepal is the only one that offered small cash incentives to account holders. For a period of seven months, the FI offered cash incentives to new and existing account holders to provide an opportunity to assess whether cash incentives increase account uptake and improve savings performance. Approximately 25% of all Nepal youth account holders took advantage of the cash incentives to open their accounts during this time period. In terms of savings, youth who received the incentives have statistically significant higher average monthly savings than those who did not receive the incentives. These findings suggest that incentives have positive effects on account uptake and youth savings. However, implementation of incentives was limited. The degree of influence, controlling for other possible factors, cannot be determined with this study. Further research is necessary to test effects of incentives on account uptake and savings performance.

Sales incentives for bank representatives boost account uptake.

Incentives to the FI representatives for reaching account sales targets were not hypothesized to boost account uptake. However, providing such incentives appears to increase account uptake across all countries. In Colombia, bank representatives received cash incentives to sell the YouthSave product. In Ghana, Kenya, and Nepal, branches had competitions among themselves and received cash and other prizes when account uptake targets were met. When tracking the timeframe of these activities, the number of accounts increased in parallel.

These findings on account uptake suggest that youth will open accounts if provided an opportunity that encourages saving, is easy to access, and is relevant to their needs. In all four countries, the decline in the number of accounts opened within the last few months of the study (prior to May 2014 data collection) may reflect attainment of target goals as set by the YouthSave project or a decrease in focus with project end approaching. This decline raises potential concerns regarding ongoing outreach efforts to support youth financial inclusion in the absence of a subsidized project initiative. However, based on feedback from final project meetings, the FIs will continue to evaluate youth account activity and review business and corporate social responsibility strategies that can serve youth clients.

Transaction activity and patterns

In the first two years of product rollout, FIs focused more on opening accounts to reach target goals than on increasing savings. The level of account activity may reflect this focus with an average of 61% of accounts across countries having no transaction activity in the previous six months (between November 2013 and May 2014). In addition, average monthly savings declined in all countries between the first year and second year of product rollout, though Ghana had the most stable level. Declines reflect withdrawal activity, some of which were due to closing accounts, and lower deposit frequency, which may reflect a lull in motivation to save as time passes, or simply no money to deposit.

Deposit and withdrawal rules play a critical role in transaction patterns and savings performance. Findings reflect treatment of initial deposits, presence of monthly deposit goals, and withdrawal restrictions.

Initial deposit

To facilitate the account opening process in Colombia and Kenya, FIs allow youth to open accounts without an initial deposit, particularly at non-branch locations. In Colombia's case, 40% of account holders who opened accounts have not made any deposits. These accounts tend to stay dormant, perhaps reflecting account holders who are less motivated to save, have limited access to the bank, or simply have no money to save. Facilitating account uptake is important, but ensuring that the initial deposit can be made, even if the account has to be opened at a later time, may be more beneficial. Otherwise, accounts may continue to lay dormant, potentially incurring costs that benefit neither the account holder nor the FI.

Monthly deposit goal

Account holders in Colombia deposit most frequently, likely because opening the account includes committing to a monthly deposit to reach a savings goal. This feature appears to encourage deposits although a third of those who reached their goal subsequently closed their account. A savings goal may boost savings behavior, but for some may also have the opposite effect of limiting the potential to save more for a longer period of time.

Withdrawal restrictions

Accounts with greater withdrawal restrictions, such as in Ghana, have the fewest withdrawals. The steady increase in quarterly net savings over time and relatively stable average monthly savings reflect use of the Ghana savings product as it was intended. In contrast, the savings product in Nepal has no withdrawal restrictions or fees; the average monthly number of withdrawals is up to seven times higher than in the other countries. Many of the Nepal account holders, whether high or low savers, treated the account more like a transaction account, with both high withdrawals and high deposits relative to the other countries. Given the high number of Nepalese youth who independently own and operate their account, the differences in account use may be not only a response to the product's flexibility, but also an indication of Nepalese youths' different needs. Youth who are of majority age may be more self-sufficient, require funds for daily needs, and therefore need greater flexibility to deposit and withdraw funds.

Savings performance

Youth save in formal savings accounts.

Simply put, youth, including low-income youth, do save as evidenced by the USD 1.8 million (PPP-converted) accumulated by 66,606 account holders who made savings deposits across the four countries. Total accumulation is notable but, not surprisingly, average balance per account in each country is much smaller. The average balance per account is USD 262 in Colombia, USD 114 in Nepal, USD 33 in Ghana, and USD 9 in Kenya (PPP-converted). The FIs have articulated their commitment to the youth segment to build their portfolio of current and future clients, especially because youth are the majority population. In addition, the value these accounts may have on youth development, being tested in YouthSave, has important implications for public welfare strategies and fits with FI corporate social responsibility.

If provided an opportunity, female youth also save.

In all the countries except Kenya, females save more than males, although the difference is statistically significant only in Nepal. This finding and the lower female account uptake rate in Nepal and Kenya suggests that, for females, a focus on access is more important than a focus on savings behavior.

Age matters.

Across all four countries, younger youth tend to save more than older youth. A key reason is that younger youth are less likely to withdraw, a factor the data show contributes to lower amounts of net savings by older youth. In addition, most of the youth account holders report that savings will come from parents or gifts, so younger youth may be receiving greater financial support from parents and other adults than older youth. These findings, though unanticipated, may not be negative for older youth. As youth get older, their expenses rise, as do expectations for them to make money and pay for their expenses, whether for education or daily needs. Beginning to build savings early in life may enhance education, enterprise, or other opportunities that increase well-being.

Parents matter.

In Ghana and Kenya, where custodial accounts are required until age 18, a nonrelative "trusted adult" designated by the youth and approved by the FI can be the cosignatory. Although youth opened almost 50% of accounts with a nonrelative in Ghana and Kenya, savings is associated with a parent as cosignatory. YouthSave case studies confirm that parents provide not only funds for the account, but also other forms of support, such as encouraging their children to save, facilitating access to make deposits at the FI or schools, and helping to build trust in formalized saving (Zou, et al., 2014). These findings signal the importance of parental involvement in the savings process.

Electronic transactions facilitate savings.

The Kenya and Nepal data provide some insight into use of technology in financial transactions. In Kenya, a total of 455 account holders made deposits and 74 made withdrawals through mobile phone banking (Safaricom's M-PESA). Though usage is very low overall, the number and amount of deposits and withdrawals, as well as average monthly net savings (AMNS), is significantly higher than for the other Kenyan account holders. These findings emphasize that this process is moving relatively large amounts of funds (relative to other SMATA transactions) in and out of these savings accounts. In Nepal, the data allow us to analyze transactions that use point-of-sale (POS), ATM, Visa debit card, and direct deposit of salary into YouthSave accounts. Similar to Kenya, the number and amount of deposits and withdrawals made by Nepal account holders using these types of transactions are significantly higher than for the other Nepal account holders. However, only those using the ATM show significantly higher AMNS. In both Kenya and Nepal, these findings indicate higher account usage with higher amounts of funds flowing in and out of these accounts using these types of transactions. These findings hold regardless of age, but usage was higher among older youth, likely reflecting their need for flexibility in accessing funds. Furthermore, these findings reinforce the value of technology in providing accessible mechanisms for transactions.

Multifaceted outreach strategies maximize results.

Consistently across Ghana, Kenya, and Nepal, youth who said they learned about the account through friends, family, or mass media save more than those who learned about the account through some other means, such as information at school, a bank campaign, or a financial education workshop. The majority of youth in Ghana and Kenya, and 40% in Nepal reported learning about the account through these other means, indicating that media and personal contacts may attract fewer but higher savers, and other strategies may increase financial inclusion. These findings suggest that multifaceted outreach strategies may be required to achieve the dual outcomes of increasing financial inclusion and improving the business case with higher savings balances.

Implications of Savings Demand Assessment Findings

Based on the findings in this report, we point to product design and outreach features that may increase youth financial inclusion in developing countries.

Access

When the opportunity is offered, many youth will open savings accounts and save in them. If offered earlier in their lives, they may save more. Across the four countries, younger children accumulate more savings than older youth, regardless of custodial or independent account ownership. This finding argues for earlier savings account opening, whether the parent, some other adult, or the child owns the account. Stakeholders from both the public and private sector should consider policy initiatives that can benefit both the FIs and their clients in starting formal savings early, perhaps as early as birth, and strategies for encouraging savings over a lifetime (Sherraden, 1991). As the data show, parents play an important role in helping their children to save. However, the systems and policies must be put in place first to provide the vehicle for secure saving, to give children experience in formal savings, and to allow participation if a parent is not available. As children grow older, other types of accounts can be introduced. For example, transaction accounts are likely to be more relevant to working youth or students needing to pay for school expenses. Such accounts could complement their lifelong savings accounts. Expanding services in parallel with youth developmental stages can benefit both the youth and the FIs (Kilara, Magnoni, & Zimmerman, 2014).

Facilitation

At each stage of youth development, key stakeholders should facilitate the savings process. Two institutions that are important in YouthSave are schools and financial institutions. Schools offer FIs an efficient way to reach more young people in one setting, and for incorporating FE into youth education. The data from all four countries suggest that more youth will open accounts if FIs partner with schools to offer financial education and financial services. Partnerships between FIs and youth-serving organizations or apprenticeship programs may also facilitate account uptake with out-of school youth. However, such partnerships may require government ministry-level approvals, central bank approval, and approvals by local school officials. Some national governments have stated a commitment to financial education. Establishing a national set of standards or program to integrate FE and financial services by "taking the bank to the youth" could be one way to reach the greatest number of youth in building youth financial capability.

In terms of savings performance, the data from Kenya and Nepal on M-PESA and ATM transactions suggest that electronic banking could help to increase savings amounts. Expanded partnerships with schools to house ATMs, become retail banking outlets (or integrated into a nationally structured program such as described above), or partner with mobile payment systems (e.g., M-PESA, mobile wallet) might facilitate the deposit process for youth and reduce FI outreach costs. However, there are age constraints on use of M-PESA and phone access issues with mobile banking. With any model, the data in this study indicate that engaging parents in the savings process is a key component to facilitate savings.

Information

The high number of accounts opened and the divergent responses to how youth learned about the account indicate that using a multipronged outreach strategy—whether through mass media, bank campaigns, or directly via financial education and outreach to schools and youth organizations—has been effective in informing youth about the opportunity to save in an FI and how to open a savings account. This strategy should continue to ensure that all youth know about the opportunity, and government campaigns or central bank initiatives may be best positioned for maximum reach. Informally, FIs can contribute to educating the youth by providing information about the types of accounts available and guidance on which product features may facilitate or hinder savings performance when the youth is ready to open an account.

Incentives

Incentives for account holders may encourage savings but research findings are limited and relevant only to Nepal, the only country to offer small cash incentives to new and existing account holders. While it is not possible to isolate the effect of the incentive among other possible variables, periodic incentives may boost savings performance. Given the second year decline in average savings in all four countries, one strategy is to offer incentives annually, perhaps via an interest rate increase, which would serve the dual purpose of encouraging savings and reminding youth to save.

Incentives for bank representatives to sell the YouthSave products were not considered in hypotheses about account uptake or savings performance. However, the data show a correlation in account uptake when such incentives are applied. To encourage youth financial inclusion, incentives may be necessary as a strategy to remind both bank staff and youth that a youth savings product is a viable financial product. In developing business strategies that serve youth, FIs that offer incentives for selling other account products should also consider offering incentives for selling youth savings accounts, thus equalizing emphasis on any particular product and more fairly representing each product’s features to help the youth decide what product best meets his or her needs.

Restrictions

In the YouthSave financial products, withdrawal rules play an important role in savings but can also have an adverse effect on uptake. In the first year of Colombia’s product, when withdrawal rules were stricter, savings was higher. However, the strict withdrawal rules may have also been part of the reason for low account uptake. In Ghana, where withdrawals are also restricted, average monthly savings across the two years of the study was more stable compared to the other three countries. Of all the product characteristics, determining the appropriate balance of control of the account between account holder and FI may be the most difficult. For the FI, this process may be determined by the business strategy for its youth segment; the rate of uptake by account holders will reveal whether the appropriate balance was met. While this study cannot establish what works best, one alternative to the FI restricting control may be setting expectations and goals.

Expectations

When opening a YouthSave account, youth in Ghana, Kenya, and Nepal were asked to identify what they were saving *for*. When opening the Colombia YouthSave product, however, youth were asked to identify and commit to a savings goal *amount* with monthly deposits. Although fewer youth opened this account compared to the number who opened accounts in the other three countries, deposit frequency and average monthly savings is higher. In addition, one-third of the youth closed their account after reaching their savings goal, suggesting that they were motivated to save to the goal. In this study, findings are limited to one country, but the data suggest that setting savings targets with youth may increase savings performance. Establishing monetary savings goals that reflect resources needed at different life stages (e.g. education, business development, land) may encourage both short- and long-term savings.

Recommendations for Future Inquiry

Based on the current findings and planned implementation changes, this section offers brief recommendations for additional research questions, testing, and continued learning.

- Does account ownership matter? A major policy question is whether youth should be able to independently own and operate their account at a younger age. The data do not point to a particular answer, and in fact offer both pros and cons. Whether the parent, the child, or some other adult owns the account, stakeholders should consider and test opportunities for opening accounts early and facilitating the deposit process over time.
- The data from YouthSave highlight the important role of parents in account access and usage. Further studies may identify ways to engage parents more effectively. For example, in younger years, youth may depend on parents more for financial support and education about savings and access mechanisms to make deposits. Older youth may need advice when choosing financial products and services that can best serve their needs, and how they can be used to support further education or employment.
- The FIs were not able to attract many out-of-school youth. This result may have been mostly a function of the direct outreach strategy to youth at schools, or it may be that the products and services were not well-tailored to the needs of out-of-school youth. Future research should explore effective strategies of reaching out-of-school youth, whether through NGO programs or publicly funded initiatives.
- Incentives may play an important role for account holders, but this study was not designed to test the effects of cash incentives or interest rates. Studies should systematically test the impact of account holder incentives—including different levels of top-ups and interest rates—on account uptake and savings performance. Similarly, studies should test the impact of disincentives, such as service fees and taxes on account uptake and savings. As a key part of this research agenda, it will be important to document the extent to which youth understand incentives and disincentives.
- The findings indicate that YouthSave is reaching youth who had no prior experience with formal banking, as well as some HOHs who also did not have prior experience with formal banking. The effect of a youth's account on these HOHs is unknown. Further research on how youth savings affects the entire household may be worthwhile for expanding financial inclusion at all age levels.
- Results from this study suggest how product design and outreach activities can influence who opens accounts and saves. So much more can be learned to continue refining and improving youth financial products and services. For example, future studies should test effects of deposit and withdrawal rules on savings performance.
- In this study, we were able to track account uptake by the level of branch participation, but not deposits that occurred at schools. Instead, most transactions were recorded as a branch transaction even though the bank representative may have collected the deposits at a school or youth club. To better understand the effect of outreach on savings performance, future research should test proximity of bank access (whether a nearby branch, branch agent,

branch representative collecting deposits at a school, or other means) on transaction activity and savings performance. Financial institutions might also consider adding transaction codes to their management information systems that represent these locations to facilitate data analysis.

Findings from the SDA have contributed to understanding youth participation in the financial sector of four developing countries by identifying youth and household characteristics, tracking transactions, and identifying savings patterns of almost 70,000 youth account holders. The study offers insights on account uptake and savings patterns within and across countries. Findings common across countries suggest relevance despite differences in socioeconomic or political environments.

Overall, youth can and will save, but the structure must be in place for them to do so. This includes accounts that are easy to understand, easy to access, affordable, relevant to youth goals, and motivate saving. Evidence is growing, but there is much more to learn, especially on ways to increase savings. Continued research is critical because it can inform interventions that affect both the demand and supply side—youth savings and development, youth financial capability, and public and private sector commitment to sustainable youth saving products and services.

To read the full report, visit:
http://csd.wustl.edu/Publications/Documents/RR15-01.pdf

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