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Design and Delivery of Youth Savings Accounts:

Five Lessons from YouthSave

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In 2010 the YouthSave Consortium and its partner banks set out to design, market, and deliver demand-driven savings accounts tailored to the needs of low-income youth.[1] This chapter presents lessons learned through the four YouthSave product deployments about critical issues financial institutions must resolve to successfully navigate this end-to-end process.

1 The main target age group for these products was 12-18. But some banks extended their target ranges, for example from 7-17 in Colombia or 10-22 in Nepal, for reasons pertaining to local regulations or business strategy.

Box 1: Summary
5 lessons for financial institutions

1. **An extensive body of global market research on youth savings accounts now exists. Take advantage of it.**
2. **Design youth savings accounts to make best use of adult involvement by:**
   - Expanding, to the extent allowed by law, the types of adults accepted as cosignatories
   - Requiring youths' signatures as well as adults' for withdrawals
   - Designing marketing and outreach to counter adult skepticism about youth saving
   - Educating youth and adults about safe youth savings practices
   - Building strong relationships with schools and youth-serving organizations
3. **Achieve high account uptake by:**
   - Providing face-to-face staff training on how to serve youth clients
   - Motivating staff—both psychologically and monetarily—to open youth accounts
   - Conducting direct sales in locations where youth congregate
4. **Ensure that transaction points are located where youth can easily access them and that customer service standards are high.**
5. **Nurture ongoing youth engagement with their accounts by:**
   - Implementing systems to ensure youth can track their deposits, withdrawals, and balances
   - Monitoring youth satisfaction with the accounts and reinforcing understanding of terms/conditions
   - Providing ongoing "nudges" to save, such as via SMS

Lesson 1: The Extensive Market Research That Now Exists Can Provide a Significant Head Start

YouthSave and other market research on youth savings accounts have identified some remarkable similarities with respect to youth needs, preferences, and constraints regarding saving. Broadly, youth want accounts that offer a useful combination of liquidity and illiquidity – accounts that help them save (by sheltering the funds from temptation purchases) but that also enable easy access in case of emergencies.[2] Youth are also willing to pay reasonable fees, but prefer these to be levied transparently and up-front, rather than being charged monthly. In addition, low opening and minimum balances are key; indeed low opening balances eventually became an important selling point of YouthSave accounts. Youth were also far more excited about premiums and giveaways (such as piggy banks, ATM cards, or bank ID cards) than account interest rates, although that preference may change as youth grow older or have more experience with savings accounts. Finally, research indicates that youth prize privacy and control over their savings.[3]

Market research must always be undertaken to account for the specificities of the local context and youth sub-segments to be addressed. But the global experience described above provides a strong hypothesis from which to begin product design efforts, allowing for a more rapid eventual move to the prototype testing phase.

Lesson 2: Product Design Must Optimize Adult Involvement

While the need to respond to youth preferences in account design is clear, the simultaneous need to manage adult involvement is often overlooked. For account holders under the age of majority, an adult must typically be the legal owner or custodian of the account, meaning that the adult must also be the one to make withdrawals (although depositing is more flexible). In some countries, this adult must be the legal parent or guardian of the youth account holder; in others, any legal adult will do.

The requirement for adult involvement complicates financial institutions' efforts to open youth savings accounts, as it requires adults' signatures and identification documents. Financial institutions must therefore arrange an opportunity for both youth and adults to be present together to open the account, which can be logistically complex given school and work schedules. Also, many adults (especially low-income adults) lack the required identification documents.[4] Often, this obstacle can be worked around if local regulations permit any "trusted adult" who has proper identification to act as cosignatory, but is a greater concern if only the parent or legal guardian can sign.

These requirements conflict with youth preferences for autonomy, privacy, and control over their savings, and potentially reduce their access to the funds. Anecdotal experience indicates that it is not uncommon for the adult signatory to be unavailable when

2 Given the contexts in which many low-income youth in our research lived—in which households are subject to frequent, unpredictable shocks with few safety nets—the consciousness of emergencies is understandable. In fact, "emergencies" ranked as the second most frequently cited reason for opening a savings account across the three YouthSave countries for which this data was available. See Johnson, Lissa, YungSoo Lee, David Ansong et al. 2015. *Youth Savings Patterns and Performance in Colombia, Ghana, Kenya, and Nepal*. CSD Publication 15-01.St. Louis, MO: Center for Social Development at Washington University. Available at http://www.newamerica.org/downloads/RR15-01.pdf.

3 These exercises involved over 2,000 young people and almost 400 adults. See Deshpande, Rani. 2012. *What Do Youth Savers Want? Results from Market Research in Four Countries*. Washington, DC: Save the Children. Available at http://www.newamerica.org/downloads/YouthSave-Market-Research-Report_FINAL.pdf. Market research by youth financial service initiatives in other countries has echoed many of these findings. See for example the excellent synthesis in Youth and Financial Services Working Group. 2013. *Understanding Youth and Their Financial Needs*. Arlington, VA: The SEEP Network. http://www.seepnetwork.org/understanding-youth-and-their-financial-needs-resources-1058.php

4 Requirements for youth identification documents can also be an obstacle to opening accounts, though some banks have re-examined their interpretation of regulations and begun to accept non-traditional forms such as school ID cards or letters from local authorities.

Box 2: Notable differences among youth sub-segments

Although many youth savings preferences are similar, a few key differences did emerge across sub-segments in YouthSave's research, for example by age group. The desire for autonomy appears to grow markedly more intense with age. Indeed, analysis of actual YouthSave customer behavior has indicated that if youth are able to open accounts by themselves, they will. On the other hand, the analysis also revealed that younger youth tended to save more. (This analysis, summarized in Chapter 3 and referenced below, can inform future product design efforts by shedding light not only on youths' stated preferences but their actual behavior.)

In- and out-of-school youth also differed along some dimensions. Out-of-school youth tended to work more and cited saving up for a business as a goal more often than did in-school youth—although interestingly, saving for school fees was the most common goal across all sub-segments. Another interesting point was the absence of major differences observed between boys' and girls' stated preferences for savings in the market research; nor did the behavioral analysis reveal major differences in amounts saved over time.

The clearest differences between both boys and girls and between in- and out-of-school youth emerged in the rate at which they took up accounts. In Kenya and Nepal, only approximately 40 percent of account holders were girls, and in no country did out-of-school youth make up more than 6 percent of account holders. Project experience indicates that bank access to these populations was a key obstacle to them opening accounts. All YouthSave partner banks chose to focus on marketing in schools in order to efficiently access youth; marketing to out-of-school youth proved more complex and time-intensive per youth reached. In Kenya, staff also had particular difficulties marketing to girls' schools, while in Nepal, the number of girls at higher school levels is relatively small. Girls in both countries also cited the lack of identification documents as a bigger obstacle than boys. All this points to structural obstacles to reaching more marginalized youth populations that must be compensated for in account design, marketing, and delivery.

Sources: Deshpande, Rani. 2012. What Do Youth Savers Want? Results from Market Research in Four Countries. *Washington, DC: Save the Children; Johnson, Lissa et al. 2015.* Youth Savings Patterns and Performance in Colombia, Ghana, Kenya, and Nepal. CSD Publication 15-01 *St. Louis, MO: Center for Social Development at Washington University.*

youth account holders need to withdraw, for example to pay school fees. All of this diminishes youths' effective and affective ownership over their savings. On the other hand, although limiting adult cosignatories to only parents or legal guardians may depress rates of account opening, for those youth who do open an account, such requirements have been associated with better usage and savings accumulation because their cosignatory parents take an active interest.[5]

Account design should therefore aim to optimize rather than eliminate adult involvement. YouthSave partner banks have done this in several ways. First, as a mechanism to signal account ownership, they have required not only the adult's signature on withdrawals but also that of the youth. Second, they have trained their staff to be vigilant for signs of distress among youth making withdrawals with adults, to inquire about any suspected coercion, and to escalate the matter to the branch manager or even to report it to national child helplines if required.

Marketing and outreach can also help optimize adult involvement. Market research showed that fears and misperceptions about youth saving abound among adults, especially about youths' lack of funds or about them potentially obtaining money through unhealthy or illicit means. Marketing should therefore aim to ease adult fears by explicitly noting that youth can and do save already.[6] Deliberate "community entry" strategies such as dialogues with community or administrative leaders, followed by presentations at PTA meetings or other community gatherings, can be very helpful in this regard. Thought should also be given to marketing messages about safe saving practices. For example, YouthSave partner banks developed flyers with safety tips directed at youth clients, for inclusion among the account opening materials.[7]

Still, some challenging aspects of adult involvement remain unresolved, including obstacles faced by youth who do not have parents or legal guardians or who do not live with them. In cases like these, product design workarounds may prove insufficient and regulatory changes might be more effective. Such regulatory changes could include establishing a threshold amount below which youth can make withdrawals themselves, or permitting their use of ATM cards for withdrawals with prior consent of the adult signatory.[8] In the meantime, financial institutions designing products for youth must make careful note of the legal, regulatory, and practical requirements of adult involvement, and design around those requirements.

5 Johnson, Lissa, YungSoo Lee, David Ansong et al. (2015).

6 Over half the participants in YouthSave's market research were already saving small amounts of the income received from parents/families and work. See Deshpande (2012).

7 Samples of such safety tips can be obtained by writing to livelihoods@savechildren.org.

8 See also Chapter 12 of *YouthSave 2010-2015: Findings from a Global Financial Inclusion Partnership*

Box 3: Optimizing school involvement with youth savings accounts

Adults at a youth's school can have influence as great or even greater than adults in the family in building youth financial capability. So creating strong relationships with schools can be key to ensuring account uptake and usage as well as youth understanding of, and satisfaction with, the accounts. YouthSave experience suggests a few promising practices in fostering these relationships:

1. Obtain the sanction of national or regional educational authorities before approaching individual schools; an official letter of introduction can be especially helpful.
2. Start with schools already doing business with the financial institution or where school staff have a good relationship with key branch personnel.
3. Be prepared to clearly articulate the benefits of a school-bank relationship for the school itself as well as for students. It is common for resource-poor schools to ask for stipends for the school staff administering the program, or alternatively some form of school-wide support, as part of the relationship.
4. Cultivate the understanding and support not only of top school officials, but also a critical mass of related adults, including teachers and the school's parent association.
5. Anticipate the need for flexibility in planning how bank staff will service students in each school. Schedules and other constraints often vary regionally if not by school.
6. Focus interactions with students on the benefits of saving rather than the benefits of a particular product. This orientation can ease concerns about the propriety of marketing in schools.

For more information, please see "*Working with Schools to Improve Youth Financial Capability: Tips from the Field,*" YouthSave Blog April 8, 2012, https://www.newamerica.org/asset-building/working-with-schools-to-improve-youth-financial-capability-tips-from-the-field-2/.

Lesson 3: To Convert Good Design into Account Uptake, Youth Savings Accounts Require Active Below-the-Line Sales Tactics Involving Knowledgeable and Motivated Staff

YouthSave experience indicates that above-the-line/mass media marketing is important for creating product awareness and credibility, but alone is unlikely to generate significant uptake. Given the limitations on their mobility and lack of familiarity with banks, youth—especially marginalized youth—are unlikely to walk into a branch and ask to open an account, even if they have heard of it. To convert awareness into uptake, YouthSave partner banks found direct sales critical. For example, all YouthSave partner banks sent sales representatives into schools to open accounts—though these institutional relationships had to be carefully built and managed (see Box 3).

As with any direct sales efforts, thorough staff training on the product, its features, and advantages proved crucial. Customer service training was also key, and in this case had to be tailored to the special needs of young people, who can be shy in unfamiliar bank surroundings. Making them feel welcome must be a mission shared by everyone from the branch manager to the security guards. YouthSave found that the most effective means of providing this training was face-to-face, for example through regional training of branch managers and key staff who could then train others.

In addition to *information*, staff need *motivation* to sell youth accounts successfully. Psychological motivation starts with an empowered, committed product champion in senior management, who can mobilize headquarter resources to monitor and support branches' sales efforts. Kenya Postbank found success with this approach when account uptake increased 42 percent within two weeks following a training and fact-finding mission to branches by members of the headquarters team.[9] Particular efforts should also be made to obtain the buy-in of branch managers, as their support has been observed to be one of the most determinative factors in differences in product uptake across branches.

For material motivation, several YouthSave partner banks instituted branch- or individual-level schemes to spur sales, which proved very successful. In Nepal, Bank of Kathmandu held several rounds of competitions whereby staff members who opened the highest numbers of accounts could win prizes ranging from trips to smart phones. The first such competition resulted in a 60 percent expansion of the youth account base. Similarly, Kenya Postbank put in place regional inter-branch competitions that succeeded in adding 9,000 to 14,000 youth accounts per quarter over an entire year.

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Lesson 4: Ensuring Effective Access is the First Step in Translating Uptake into Usage

YouthSave opened a significant number of accounts, but as the project came to a close, dormancy became a growing concern. So although design, marketing, and sales were critical for account uptake, they did not automatically translate into account usage.

A key determinant of usage, given youths' mobility constraints, will be the proximity of transaction points. Relying exclusively on branches to deliver services therefore has

9 Ngurukie, Corrinne. 2013. *Testing the Waters: YouthSave Pilot Results from Three Markets*. Washington, DC: Save the Children.

obvious limitations, both in terms of proximity and with opening hours that can sometimes overlap exactly with school hours. Where they are available, branchless solutions like mobile or doorstep banking therefore become all the more attractive. In Kenya Postbank's experience, for example, accounts with mobile-phone based transactions had significantly higher numbers of transactions and higher balances than those without.[10] However, these youth were obliged to use the mobile payments service of an adult, since in Kenya minors cannot be legal owners of a SIM card. Given the fraught nature of some youth-adult relationships, this solution may not be viable for all youth, especially the most marginalized.

Most YouthSave partner banks eventually adopted some form of doorstep delivery, typically at schools, in order to access large numbers of youth at once. For example, Bank of Kathmandu visited target schools every two to four weeks in order to enable students to conduct transactions. YouthSave project experience indicates that for many youth, school-based delivery will be their only opportunity to connect with banking services. For maximum benefit to both youth (in terms of satisfaction and safety) and the bank (in terms of reputation and deposits collected), such

10 Johnson, Lissa, YungSoo Lee, David Ansong et al. (2015).

doorstep service delivery must be conducted on a pre-announced, regular schedule, and bank representatives must be equipped to provide consistent, transparent service, including timely provision of account materials, receipts, and thorough information. Other considerations to keep in mind when crafting a bank service relationship with schools are outlined in Box 3.

Lesson 5: Account Holder Motivation and Engagement Must be Actively Nurtured

To fully capitalize on their investments in youth savings accounts, financial institutions cannot stop at designing and selling a good product. They must ensure that youth remain satisfied with the product and enthusiastic about continuing to use it. One important part of that effort is to establish transparent systems and practices that enable youth to keep track of deposits, withdrawals, and balances. An attractively branded savings booklet or folder is an effective way to enable youth, less familiar with bookkeeping and banking, to keep track of account documents and transactions, particularly in cases where off-site deposit collections (e.g., on school premises) mean there will be a delay before official receipts can be issued. Transparency can also be heightened by repeating and reinforcing product terms and conditions at every opportunity and in as entertaining a way as possible. YouthSave developed board games to gauge youths' understanding of product features and provide an opportunity to surface and discuss any challenges youth may be facing with saving.[11] Financial institutions should consider organizing periodic school visits, or branch "open houses" with focus groups, or other suitable activities to monitor youth clients' experience with and understanding of their accounts.

11 To obtain this game, please write to livelihoods@savechildren.org.

Retention and engagement efforts should include helping youth sustain their personal commitment to save. YouthSave witnessed examples of youth becoming discouraged over time, for example when changes in family circumstances have decreased the ability of parents to "top-up" their child's savings.[12] One tactic that has, in a randomized control trial conducted by YouthSave partners in Colombia, proven successful at increasing balances, is sending simple SMS-based messages reminding clients to save.[13] SMS messages have the advantage of being very cost-efficient and relatively simple to administer; however, their effectiveness may depend on the reliability and consistency of cellular service and user habits.

For the vast majority of YouthSave account holders, this account was their first at a bank.[14] However, their lack of experience does not necessarily mean a lack of standards. If the product does not meet their expectations, they will not keep using it – leaving them ripe for picking off by rival financial institutions in the future. To fully capitalize on their investments in youth savings accounts, financial institutions therefore cannot stop at designing, selling, and delivering a good product. The institution must sustain its own commitment to ensuring that youth enjoy a positive experience throughout the life of the product (and indeed their lifetimes as customers) – just as it would for any other client. ■

12 Otoo, Adadezwa and Christina Williams, May 11, 2015, "If You Build It, Will They (Continue to) Come?", YouthSave blog, www.newamerica.org/youthsave/if-you-build-it-will-they-continue-to-come

13 Rodriguez, Catherine and Juan Esteban Saavedra. 2015 (forthcoming). *Nudging Youth to Develop Savings Habits: Experimental Evidence Using SMS Messages*. (working title). St. Louis, MO: Center for Social Development at Washington University.

14 Johnson, Lissa, YungSoo Lee, David Ansong et al. (2015).

References and Background Reading

The YouthSave Consortium is grateful to all the scholars and practitioners whose writings have helped shape our project and the fields of youth financial services and youth wellbeing generally. Where possible, we have provided URLs where interested readers can download the works cited in this report. Please note that URLs were valid at the time of writing. We regret that, with the exception of YouthSave's own work products, we cannot be responsible for any links that may break or decay over time, nor can we ensure that downloads are or will remain free of charge. Works produced under the auspices of the YouthSave Consortium itself are indicated with an asterisk (*).

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