



In Brief THE YOUTHSAVE PROGRAM: COLOMBIA

Participants at a financial education session in Colombia pose with their piggy banks.

YouthSave Colombia: country context and partner bank

YouthSave chose Colombia as one of its four countries for four main reasons: 1) a well-regulated and innovative banking structure that was already delivering youth savings products; 2) national interest in asset-based development policy and financial services expansion to unbanked populations; 3) excellent research capability; and 4) large potential impact of youth savings accounts in the country and region.¹ Although an upper middle income country, Colombia has low levels of financial inclusion below its region and socioeconomic cohort, as seen in Chart 1. The level of youth financial inclusion is low despite the fact that, unlike many countries, Colombian regulation allows children aged seven and above to open savings accounts and

“I don’t like it when other people have to pay for my things, instead I want to be able to pay with my own money.” –Julio, age 14, Colombia

does not require a co-signer to open or transact in a bank account. It does, however, require showing identification documents such as a birth certificate, government child identification card, or passport.²

In Colombia, YouthSave chose to partner with Banco Caja Social (BCS) which was founded by the Jesuit community in 1911 to address socioeconomic disparities and still focuses on the low- and middle-income market. BCS has the largest share of low income clients among all Colombian banks with the

THE IMPORTANCE OF YOUTH SAVINGS

The global population of young people between the ages of 10 and 24 has reached 1.8 billion,³ 90 percent of whom live in less developed countries. Approximately 238 million youth live in extreme poverty - that is, they live on less than \$US 1 a day. An additional 462 million youth survive on less than \$US 2 a day.⁴

Access to financial services is a key link between economic opportunities and outcomes for young people, enabling them to manage emergencies, invest in their education, or start a business. A safe and effective means of saving can be particularly beneficial, as the habits integral to saving can improve self-control, willpower, and future orientation. Research has associated youth savings with vital youth development outcomes including financial capability, academic performance, and health. Youth savings programs therefore have the potential to be high-leverage interventions with positive impact on multiple development priorities.

THE YOUTHSAVE PROGRAM

YouthSave was a five-year initiative to design and test the impact of youth savings accounts in Colombia, Ghana, Kenya, and Nepal. Between 2012 and 2015, over 130,000 youth aged 12-18 opened tailored savings accounts at YouthSave's four partner banks - accumulating almost \$US 1 million in savings. In addition, over 44,000 youth received direct financial education and 48,000 individuals were reached through community-level events. In Nepal, a radio drama on savings reached an estimated listenership of 660,000. The project was an initiative of the YouthSave Consortium, created in partnership with The MasterCard Foundation, and led by Save the Children together with the Center for Social Development at Washington University in St. Louis, New America, and the Consultative Group to Assist the Poor (CGAP).

To understand how young people saved over time and what influenced their savings behavior, YouthSave assembled the largest known database of demographic and transactional data on youth savers. The project also implemented the largest longitudinal, experimental study of its kind, examining the impact of the opportunity to open an account on the financial capability, cognitive functioning, health, and educational outcomes of young people. Additionally, YouthSave analyzed the results of its financial education work in terms of changes in participants' knowledge, attitudes, and behaviors related to saving, and used qualitative methodologies to explore young account holders' subjective experiences of saving in order to identify what facilitated savings or presented obstacles. Aside from the multiple benefits related to youth financial inclusion and development goals, YouthSave also examined the business case for youth savings accounts from the perspective of financial institutions.

exception of the government's rural bank.⁵ In 2013, just over half (51.6 percent) of BCS's 3.6 million individual clients earned less than Colombian minimum wage, and nearly 80 percent earned less than twice the minimum wage; it also has more savers than borrowers.

Prior to YouthSave, BCS had one transactional youth account launched in 1989, *Tuticuenta*, for youth aged 7-17 years; account features included an ATM card and no monthly fees. As of 2013, BCS was opening about 3,500 - 4,000 *Tuticuenta* accounts per month, most of them in Bogotá. Two thirds of new *Tuticuenta* account holders are children from low- to medium-low-income families, but only 4.7 percent have very low incomes as defined by the government's classification system.⁶

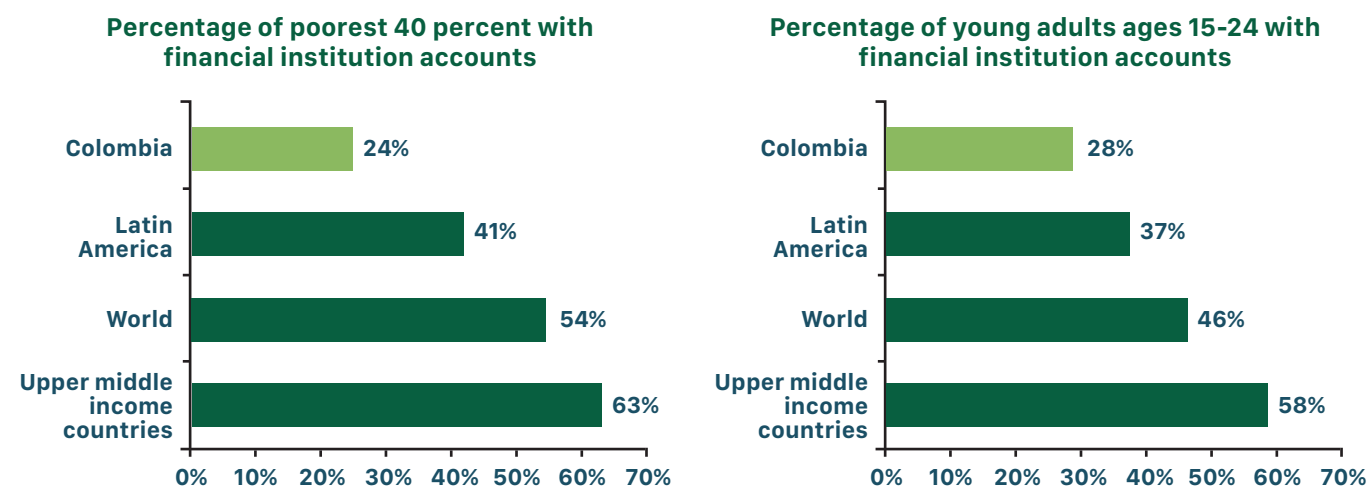
Box 1: Universidad de los Andes⁷

Universidad de los Andes is a private research university. YouthSave worked with two of its institutions: Centro de Estudios sobre Desarrollo Económico (CEDE), and Alberto Lleras Camargo School of Government, that have expertise in the areas of education, health, early childhood development, labor markets, poverty, and income distribution. The institutes undertake rigorous, policy-oriented research in areas relevant to the YouthSave initiative.

Cuentamiga para Jóvenes garnered lower uptake but higher balances than other YouthSave accounts⁸

BCS's experience with *Tuticuenta* led it to believe that there was large market potential for a new longer-term savings account than *Tuticuenta* to broaden financial participation among unbanked youth. As part of YouthSave, in February 2012, BCS established the *Cuentamiga para Jóvenes* (*Cuentamiga*), a programmed savings account for youth aged 7-17. A year after launch, due to low *Cuentamiga* uptake and competition from the more popular *Tuticuenta*, BCS altered its product design and loosened account restrictions, as well as equalized bank staff incentives for selling the two account types. Initial and updated product features are shown in Table 1.

Chart 1: Financial inclusion – poorest 40 percent and young adults with financial institution accounts



Source: World Bank Group, *The Little Data Book on Financial Inclusion*, 2015.⁹

To further increase *Cuentamiga* account uptake and usage, BCS and Save the Children initiated four outreach strategies starting in mid-2013: 1) savings assemblies; 2) account opening services at schools; 3) financial education text messages; and 4) gift campaigns. These changes resulted in a 124 percent increase in the number of accounts and a nine percent increase in younger-aged youth who opened the accounts. Despite these improvements, however, overall uptake results for *Cuentamiga* (presented in Table 2) were still below expectations. It is not clear if external product piloting would have pre-emptively identified and addressed some of the challenges encountered by the newer account.

Other key findings on the *Cuentamiga* accounts:

- *Cuentamiga* accounts were opened nearly equally by girls and boys, a trend consistent with BCS' overall proportions of male and female account holders.
- Average age of account holders was 12.7 years, with over half aged 12 years or younger.
- *Cuentamiga* account holders were on average more well off than Colombian average: nearly 10 percent of account holders lived on less than \$US 2.50 per day (PPP-adjusted), as compared with 17 percent of the general Colombian population.

- Fifty-nine percent of youth increased their savings over one year's time; across the life of the accounts, 76 percent increased net savings.
- Account holders in Colombia had the highest deposit frequency compared to other YouthSave countries, possibly because it was the only partner bank to set expectations and goals for monthly deposits with account holders when they opened their accounts.
- Approximately 45 percent of youth withdrew money, almost half when they closed their accounts. As compared with YouthSave accounts in other countries, *Cuentamiga's* "commitment" account format (with set monthly deposit goals) correlated with higher numbers of deposits, but also may have led to more account closures when goals were met. When youth in Colombia reached their savings goal, approximately 20 percent withdrew their money and closed their accounts.
- BCS facilitated account access by allowing youth to open the account without an initial deposit as part of the account's product design. However, this resulted in some youth never making a single deposit for the life of the account. This occurred in 40 percent of all opened accounts and reflects the challenge of offering flexibility in product access while at the same time ensuring cost-effective investment for both client and financial institution.

Table 1: BCS Cuentamiga para Jóvenes account features¹⁰

Account features		
Age restrictions	Ages 7-17	
Deposit/withdrawal requirements	Youth could deposit and withdraw with no co-signer needed. Monthly savings deposits had to total COP 20,000 minimum with no penalty for missing monthly goal.	
Interest rate	0.25% - 1% per annum based on account balance	
Incentives	Special kit with bracelet, card, and/or piggy bank offered at account opening.	
Fees	Withdrawal fee: COP 5,000	
Other features	Youth set up savings plans of 12-60 months and were to deposit at least COP 20,000 per month. Statements were sent by mail quarterly.	
Delivery channels	Branches for all transactions and agents for deposits only	
Marketing strategies	Event tickets were offered at promotional events in 14 Bogotá schools and 10 Medellín schools.	
Balance required to earn interest	COP 1	
Modified account features		
	February 2012	July 2013
Minimum opening balance	COP 20,000	COP 10,000
Minimum balance to make withdrawals	COP 60,000	COP 10,000
Withdrawal restrictions	One withdrawal per year	Unlimited
Account cancellation fee	COP 11,000	COP 5,000
Conversion upon majority	No automatic conversion. BCS offered adult products into which youth could migrate.	Automatic conversion to adult accounts began in April 2014.

- Despite the lower account uptake, *Cuentamiga* accounts had higher savings balances than *Tuticuenta*, accomplishing BCS's objective to promote savings.

Youth reported increased savings and technical knowledge after financial education¹¹

Financial capabilities among Colombian youth were comparatively low. Relative to youth in a pilot sample of other Latin American and OECD countries, Colombian youth scored poorly on dimensions such as saving, non-impulsivity, and future orientation.¹² The YouthSave project included a financial education

component. Financial education and savings account holders overlapped but did not represent the same group of youth. In Colombia, financial education training took place in schools in two different formats: workshops and assemblies, summarized in Table 3. Additionally, financial education and deposit reminder text messages were sent to account holders, further described in the "nudge" section below.

Assemblies and workshops covered similar topics and produced comparable overall pattern of results in terms of change in knowledge, attitudes, and behaviors. However, the magnitude of these changes was greater in workshops than in assemblies.

Table 2: Colombia: Cuentamiga accounts summary

Final project results, May 2015 (all accounts) ¹³	
Total number of accounts	2,496
Total country net savings balance (nominal)	\$US 257 K
Average savings balance per account (nominal)	\$US 103
Final project results, May 2014 (all accounts) ¹⁴	
Average savings balance per account (nominal)	\$US 121
Figures from Savings Demand Assessment (May 2014, research accounts only) ¹⁵	
Average savings balance per account (PPP-adjusted)	\$US 262
Average length of account holding in months	13.2
Median length of account holding in months	11
Percent active accounts	43%
Average number of deposits per account	5.6

These findings suggest that longer, deeper, or more personal engagement brought greater change, and was especially important for influencing girls to promote their financial inclusion. In addition, financial education appeared most effective when targeted at technical knowledge related to savings concepts and methods, rather than general insights youth could acquire on their own.

Knowledge

- Familiarity with how to open a bank account spiked from 19 percent to 79 percent after youth attended financial education workshops.
- Youth understanding of the definition of an interest rate nearly doubled from 29 percent to 53 percent; understanding that a budget consisted of income and expenses rose significantly from 58 percent to 67 percent.
- Those understanding that making a budget would help with saving increased from 66 percent to 80 percent.

Attitudes

- Before the workshops, pre-tests revealed that Colombian youth already appreciated the importance of saving for the future with fully 97 percent saying that saving was important or very important.
- Following the workshops, Colombian participants' view of banks as a safe place to save rose from 78 percent to 89 percent.
- Colombian youth who perceived banks as institutions designed only for those with large sums of money decreased from seven percent to three percent; youth who viewed banks as for adults only declined from five percent to three percent.

Behavior

- When a second post-test was administered two months after the workshops, thirty percent of youth claimed they had saved more since attending the workshop.
- Fifteen percent of the youth reported opening savings accounts following the training. While notable, this uptake was lower than in other YouthSave countries, which may have resulted from less involvement by BCS in the trainings as compared with partner banks in Nepal and Kenya.

Table 3: Colombia financial education outreach¹⁶

Financial education outreach	Number of youth
Workshops: One time workshops of 25-35 youth, approximately four hours long, delivered at schools via trained facilitators. Included group activities such as games and exercises.	7,149
Assemblies: One-hour assemblies of 100-200 youth each, delivered by Save the Children and BCS, coupled with <i>Cuentamiga</i> promotional activities.	6,095
SMS Messages: Text messages sent to account holders with either financial education content or reminders to deposit funds.	8,839

SMS deposit reminders proved effective at increasing balances¹⁷

YouthSave conducted a separate “nudging” study using SMS messages to deliver deposit reminders and financial education messages to 10,000 randomly selected account holders. Participants all held transactional *Tuticuenta* accounts, thus were not necessarily committed to longer-term savings, unlike *Cuentamiga* savings account holders. Participants were divided into four randomly selected groups that received one of the following: 1) 12 monthly financial education text messages; 2) 12 monthly savings reminders; 3) 24 semi-monthly savings reminders; or 4) a control group receiving no messages.

After twelve months, account balances of youth assigned to receive monthly and semi-monthly reminders increased by 28 and 43 percent, respectively, relative to those who received no SMS messages from BCS. At that time, account balances for those receiving reminders was about \$US 30 more than those receiving only financial education messages or those in the control group. Financial education messages did not lead to increased account balances. It was found that most of the net increase in account balances was chiefly the result of a significant decrease in the amount youth withdrew



Financial education participants discuss the advantages and disadvantages of different forms of saving.

from their accounts. On average, youth receiving any reminders withdrew \$US 38 less per month than the control group. None of the SMS reminders had a significant effect on the number of withdrawals, or the number and amount of deposits. Savings effects of reminders lasted eight months after youth stopped receiving messages, the longest observable time frame. Given how inexpensive SMS can be, future research to gain a deeper understanding of how technology use with youth can affect financial decision-making could be worthwhile.

In their own words

Watch the story of 14-year-old Nayid, a YouthSave participant from Santa Rosa, Colombia.
<https://vimeo.com/94984391>.

Endnotes

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All photos courtesy Save the Children.