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In Brief

THE YOUTHSAVE PROGRAM: KEY FINDINGS FOR DONORS

A YouthSave participant and her mother pose with the piggy bank she received as part of HFC Bank's *Enidaso* account offering.

Main findings of the YouthSave program

The results of YouthSave generated a great deal of useful learning for a broad range of stakeholders. Several key lessons, specifically relevant for the donor community are: 1) Youth saving and financial education in developing countries makes a positive difference for youth financial inclusion and capability; 2) Saving should engage schools and families - and start early on; 3) Investing in large-scale research can continue to yield knowledge beyond the project life; 4) Program success depends upon a well-developed partnership strategy; 5) Regulatory requirements can create obstacles or facilitate youth financial services; and 6) Subsidies may be necessary to incentivize commercial providers to serve a new market, but can be structured to encourage long-term product sustainability.

1) Youth saving and financial education in developing countries makes a positive difference for youth financial inclusion and capability

Market research conducted by YouthSave found that the majority of low-income young people in developing countries are already handling money as a routine matter, and informally saving small amounts. These savings are often hidden around the house or given to others for safekeeping. As such, youth are very aware that their savings are vulnerable to theft, loss, or simple temptation.[1] Therefore, it should not come as a surprise that, if offered the opportunity, youth will save with formal institutions.[2] Rigorous evaluation of various YouthSave outreach strategies indicated 10 - 20 percent savings account uptake rates, which could have a large impact on financial inclusion if implemented at scale.[3]

THE IMPORTANCE OF YOUTH SAVINGS

The global population of young people between the ages of 10 and 24 has reached 1.8 billion,[4] 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.[5]

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.

"YouthSave research shows that a meaningful proportion of youth - including low-income youth - in developing countries can save, which has the potential to make a positive difference in their lives. This finding is YouthSave's most important contribution."
– YouthSave Consortium 2015[6]

YouthSave's financial education program was a combination of face-to-face workshops, assemblies, clubs, camps, and other modalities that took place after school or through youth clubs. Participants were informed about YouthSave savings accounts through the trainings and offered an opportunity to open them, but not obliged to do so. Pre- and post-testing of participants at two points in time after the trainings suggested that these programs were effective in improving financial knowledge and attitudes, and that these changes persisted over time. Moreover, participants reported positive changes in savings behavior after the trainings.[7] Key financial education programming results were:[8]

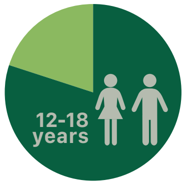
- Whilst youth already had a high level of understanding of general principles about savings, they gained knowledge on specific technical issues - e.g. budgets, interest rates, and bank accounts.
- Before the training, youth attitudes were already highly positive in terms of general notions of saving and budgeting. Most change was observed in values-related questions (e.g. about safe and responsible ways to save) and in positive views about banks.
- More youth opening savings accounts and engaging in saving was the major behavior change youth reported after financial education training.

In Ghana, YouthSave implemented an experimental impact study that evaluated how the opportunity to open savings accounts affected key youth development outcomes. The partner bank used two approaches: 1) providing transaction services in

Box 1: Youth profile

YouthSave participants

Over 80 percent of those who opened accounts were aged between 12 and 18 years; 89% had no prior formal bank account.



80%

An estimated 48 percent lived below a consumption expenditure of $US 2.50 per day (in 2005 PPP).

48%

However, most youth reached were not from the very poorest households in their respective countries, and only 1.6 percent were out-of-school youth.[9]

schools, or 2) marketing outreach. A third control group was not exposed to any intervention. The Experiment demonstrated that the opportunity to open a savings account had a positive impact on savings account uptake, average savings, cumulative savings, and postponing consumption among students. In addition, the Experiment revealed modest non-financial impact on education and health, which although positive, sometimes fell short of statistical significance.[10]

> *"Now parents give more money to take to school, so we can save."* – Female Nepali YouthSave participant in upper primary (junior secondary) school

2) Saving should engage schools and families - and start early on

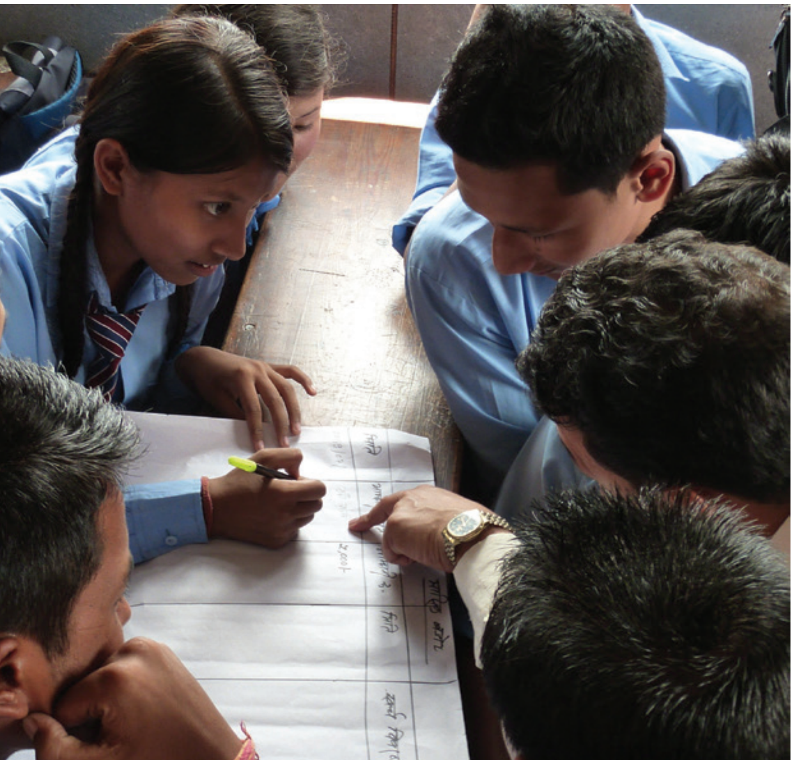
"Taking the bank to the youth" was a major reason for YouthSave's success. Although resource-intensive for financial institutions, marketing and especially providing banking services at schools was shown to result in significant account uptake. Internet-based or mobile technology could make future access to and usage of savings accounts even easier, more efficient, and cheaper for both financial institution and youth clients.[11]

Parents played a strong role in facilitating youth savings as well. The majority of the youth (84 percent) indicated that savings would likely come from family. This may also explain why the research showed that younger youth saved more than older ones, as younger children often received more financial support from their families and had less pressure or temptation to spend.[12] Savings innovations should therefore include strategies to start youth savings early and engage families at the onset, and then keep both youth and their families excited and committed.[13]

The earlier a young person begins the savings habit, the more time those savings have to accumulate into a useful amount. Larger sums in turn translate into greater likelihood for positive outcomes (e.g. to pursue education). Further, the earlier a youth starts to save, the larger the possibility will be for the youth to develop and strengthen positive habits related to saving.[14]

3) Investing in large-scale research can continue to yield knowledge beyond the project life[15]

YouthSave significantly contributed to the learning agenda through initiating two large research objectives as an integral part of the program. There are also continuing pay-offs beyond the formal boundaries of the project.



Nepali students complete an exercise as part of a financial education activity.

Savings Demand Assessment (SDA). To understand how young people save over time and what influences their savings behavior, YouthSave assembled the largest known database of demographic and transactional data on youth savers. The SDA was unique for its accurate measures of account holding, deposits, and net savings; the ability to assess savings in a robust experimental context; and the ability to identify factors (such as age and gender) associated with savings performance. Future researchers will use this data set for additional informative analyses and insights.

The Ghana Experiment. The project 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. The established partnership with the Institute for Statistical, Social and Economic Research (ISSER) in Ghana can facilitate ongoing follow-up to see whether, and to what extent, YouthSave continues to demonstrate positive effects on education, employment, and future well-being.

4) Program success depends upon a well-developed partnership strategy

YouthSave was a large-scale and multi-faceted project with many complex partnerships. Because of the diverse set of project goals and required competencies to achieve them, YouthSave was established as a consortium, with very different members performing distinct roles. Partner banks in four implementation countries - Banco Caja Social in Colombia, HFC Bank in Ghana, Kenya Postbank, and Bank of Kathmandu in Nepal - offered youth savings accounts. Researchers at the Center for Social Development at Washington University in St. Louis, in partnership with colleagues at Universidad de los Andes in Colombia, ISSER in Ghana, Kenya Institute for Public Policy Research and Analysis (KIPPRA) in Kenya, and New ERA in Nepal, worked with banks to document outcomes and impact. Save the Children provided technical assistance to banks, conducted financial education for marginalized young people, and managed the project. CGAP analyzed the business case for youth savings accounts at financial institutions. New America disseminated project-generated knowledge and used it to advance relevant policy issues, as well as to connect policymakers, practitioners, and other stakeholders.[16]

In projects with this number and diversity of partners, sponsors and other stakeholders must devote as much attention to nurturing the partnerships as they do to executing the explicit project deliverables.[17]

5) Regulatory requirements can create obstacles or facilitate youth financial services[18]

Donors should engage with regulators to address issues that could negatively influence youth account uptake and usage, which in turn directly affect the scalability and overall success of a youth savings initiative. Specifically, two areas foster a more supportive regulatory environment for youth savings at financial institutions: age and accountholder identity.

Minimum age requirements for independent account ownership and transactions restrict the number of youth who can access and control savings accounts on their own. Youth should have the maximum control over their accounts while benefiting from age-appropriate protections, meaning that regulators will need to balance the benefits of youth financial inclusion and the potential pitfalls of exposing youth too young to understand the potential risks of banking transactions or entering into contracts generally. To achieve this balance in YouthSave, partner banks required the youth's presence and signature for withdrawals, even though neither was legally binding. This served to signal to all involved to whom the funds really belonged - a clarity that was much valued by youth account holders - while still respecting the regulatory and sometimes practical need for adult involvement.

Regarding ID requirements, donors can advocate for regulators to allow for more flexible forms of identity verification for youth, and particularly minors, as a way to create a policy environment in which youth savings in financial institutions will more readily flourish. Policymakers have a range of policy options to implement this recommendation, including issuing an exemption for low-balance accounts or creating tiered know-your-customer (KYC) account frameworks. Alternatively, central banks or financial institutions could interpret existing regulations or legal frameworks to allow a wider range of forms of identification to open an account. Several YouthSave partner banks implemented some or all of these measures while still complying with existing country regulations.

6) Subsidies may be necessary to incentivize commercial providers, but can be structured to encourage long-term product sustainability

Since margins can be thin on youth savings, financial institutions need to be properly incentivized to incorporate youth into their overall strategy. YouthSave partner banks were therefore subsidized to offer youth accounts; however, the project was keenly aware of the need to encourage product sustainability in the long term. As a result, subsidies were structured to defray up-front costs and risks associated with entering a new and unproven market, covering expenses such as market research and initial marketing, but not ongoing operational costs. The intention was to encourage a cost structure that would be viable for the bank in the long term, increasing the likelihood that youth accounts would continue after project end.[19] Indeed, one year after project operations concluded in most countries, all four banks were still offering the youth accounts.[20]

Donors should explore both commercial and other approaches to including the most marginalized youth

Policymakers have embraced financial inclusion as an important development priority on a global and national scale. The Group of 20 made the topic one of its pillars. Through the work of the Alliance for Financial Inclusion, national-level policymaking and regulatory bodies from over 90 countries have committed to financial inclusion strategies. The World Bank Group developed 2020 Universal Financial Access goals and the United Nations incorporated financial inclusion in its post- 2015 development agenda.

Whilst these efforts are very promising, purely commercial financial inclusion initiatives have so far not proven effective in reaching more vulnerable populations including youth. The imperatives of financial sustainability do not motivate financial institutions to target more vulnerable clients. In YouthSave, for example, the need for long-term

Colombian students and facilitators play an interactive financial education game.

product viability encouraged banks to focus on the largest actionable segment of clients: in-school youth, who were relatively less costly to serve due to their physical aggregation. By contrast, out-of-school youth proved more time- and labor-intensive to reach. YouthSave recorded only a very small percentage of out-of-school account holders despite concerted efforts to reach them. In two countries, project funds were used to create NGO-bank partnerships in which the NGOs conducted community outreach and acted as the liaison between the bank and out-of-school youth - a form of social intermediation necessitated by account holders' greater physical dispersion and social marginalization.[21] Such extra costs are not likely to be shouldered by banks. Donors can therefore play a valuable role in supporting the costs of reaching the most marginalized populations, which cannot be absorbed by current business models.

Donors can also support efforts to find lower-cost ways to reach more marginalized youth. Alternative delivery channels such as mobile phones and point of sale (POS) devices, for example, have the potential to reduce the net costs of offering youth savings accounts. In fact, YouthSave's partner banks in Kenya and Nepal showed significant increase in net savings balances when youth had access to alternative channels.[22] However, youth access to these channels is blocked by regulation in some countries. Donors may be able to facilitate regulatory experimentation in this area.

Banks also face high costs in opening accounts for clientele such as marginalized youth, who require greater social intermediation. YouthSave demonstrated that financial education can encourage more youth to open accounts, but the accompanying costs put further pressure on product margins. How to reduce these costs warrants further research and experimentation.

Though the gap between financially excluded adults and youth has been decreasing over the past years,[23] youth below the legal age of majority are still overwhelmingly excluded from formal financial services. Donors should understand the importance of youth financial inclusion and not be discouraged by the long road to commercial success, but rather facilitate focused experimentation and innovation, particularly around business models and delivery mechanisms. Donors can also fruitfully support non-commercial, social protection, and policy mechanisms to ensure financial inclusion for the most vulnerable youth. Ensuring that youth do not remain marginalized requires a collaborative approach with the donor community proactively pushing forward this agenda.

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All photos courtesy Save the Children.