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In Brief

THE YOUTHSAVE PROGRAM:

KEY FINDINGS FOR FINANCIAL INCLUSION AND FINANCIAL EDUCATION POLICY MAKERS

A Nepali YouthSave participant fills out an account opening form while his mother looks on.

On a global scale, financial inclusion is receiving unprecedented attention. Global- and national-level policymakers have embraced financial inclusion as an important development priority. The World Bank Group, the United Nations, and a number of other international organizations and foundations are striving to achieve full financial inclusion. While these efforts are promising, they lack a specific focus on youth financial inclusion.

Policy makers also increasingly recognize that inclusive financial systems are a key component to ensure economic and social progress. A recent CGAP study identified empirical evidence that financial services such as credit, savings, insurance, payments, and mobile money are positively correlated with growth and employment. By empowering youth to take advantage of economic opportunities, financial inclusion can be a powerful agent for strong and inclusive growth. Financial inclusion has the potential to help youth manage their finances in the short term, and develop responsible financial habits in the long term, thus helping them realize their economic potential.

> *"Every young person has needs and wants…this is why we save."*
> — Ghanaian market research participant (male, 16-18 years, out of school)

To address the lack of focus on youth, it is particularly salient that YouthSave generated a great deal of useful learning for financial inclusion and financial education policy makers. Key lessons learned are: 1) Youth will take the opportunity to save

THE IMPORTANCE OF YOUTH SAVINGS

The global population of young people between the ages of 10 and 24 has reached 1.8 billion,[2] 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.[3]

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.

in financial institutions if high-quality, accessible services are offered; 2) Youth savings should be started early; 3) An enabling regulatory environment enhances youth financial inclusion, particularly savings; and 4) Financial education can strengthen financial capability.

1) Youth will take the opportunity to save in financial institutions if high-quality, accessible services are offered

Market research conducted by YouthSave found that the majority of low-income young people in developing countries are already handling money on a regular basis, and informally saving small amounts. Instead of accounts at formal financial institutions, youth 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.[4] Therefore, it should not come as a surprise that, if offered the opportunity, youth will save with formal institutions. For example, in Ghana, YouthSave saw 10 percent to 20 percent uptake rates depending on the type of school-based outreach and delivery mechanisms used.[5] An experimental impact study conducted as part of YouthSave Ghana demonstrated that offering youth the opportunity to open savings accounts through in-school banking services had a positive impact on savings account uptake, average savings, cumulative savings, and postponing consumption (Box 1).[6] These results indicate the potential for a large increase in financial inclusion by starting with youth.[7]

A harder-to-reach segment is out-of-school youth. Even though the YouthSave initiative only reached between one percent to 5.7 percent of this segment in each country, it is important to pay special attention to their savings participation. This group, as might be expected, has a higher proportion of earned income. 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. Interestingly, saving for school fees was the most common goal across all sub-segments.[8] Although they were out of school, these youth wanted to return to school, thus savings may be a desirable strategy for facilitating education.[9]

Box 1

In YouthSave's **Ghana** impact study, some schools were offered banking services while others received only in-school marketing of accounts; control schools received neither.

Among **youth receiving in-school banking services**, 21.1 percent opened accounts, while among **youth who received only marketing**, 11.4 percent did so.

21.1%  11.4%

Students who attended in-school banking programs and opened accounts had average monthly net savings of $US 2.06. On an annual basis, this would be about $US 25, or $US 100 over four years - a meaningful start in financing secondary schooling.

Students who opened accounts averaged three deposits per year.

Based on this asset building alone, one-fifth of children across the full school population are saving in amounts that have the potential to alter their educational trajectory.

2) Youth savings should be started early

Youth savings have been associated with vital youth development outcomes including financial capability, academic performance, and health.[10] To maximize impact, it may be particularly fruitful to promote savings among youth aged 13 and below. Measured by average monthly net savings, youth aged 13 and below saved more than older youth, in part because younger youth withdrew less, had fewer expenses, and received more financial support from their parents than did older youth. This highlights the importance of starting to save early.[11] The earlier a young person begins the savings habit, the more time those savings have to accumulate into a useful lump sum. Those larger sums in turn translate into greater possibilities for productive investments, such as for education. At the community level, the more youth savings becomes a normal and accepted practice, the more likely families and financial institutions will be to understand its value and to engage youth savers with the products and services young customers need at each stage of their journey towards adulthood.[12] Furthermore, the best time to create savings habits may be during youths' key transitional periods (e.g. the start of primary school or a first job) when new cues lead to new routines and rewards.[13]

Sixteen-year-old Regina, a YouthSave account holder in Ghana. See her story at https://vimeo.com/109502653.

3) An enabling regulatory environment enhances youth financial inclusion, particularly savings[14]

Regulatory and policy making bodies such as the Ministry of Finance, Central Bank, Ministry of Youth, and Ministry of Education can coordinate their efforts with financial institutions and youth development practitioners to create an enabling regulatory environment for youth financial inclusion, especially for savings. To do so, two key regulatory areas should be addressed: 1) accountholder identity and 2) account control.

Table 1: Age and documentation requirements to open YouthSave accounts, by country[15]

	Colombia	Ghana	Kenya	Nepal
Minimum legal age for independent account ownership	7	18	18	16
Eligible youth age range for YouthSave product	7-17	12-18	12-18	10-22
Documentation allowed for YouthSave product	Birth certificate, government child ID card, or passport.	Adult custodian must provide national ID, voter ID, passport, driver's license or health insurance card. Youth must present either national ID card, NHIS card, ID letter from local government, or letter from school.	Parent/guardian must provide ID. Youth ID must be birth certificate or notification, baptism card, school leaving certificate, or letter from provincial administration to introduce youth with no ID.	Under 16: request birth certificates but school certificates are accepted. Must provide parent or guardian's citizenship documentation and photograph of child and parent or guardian. Ages 16 and over: requires citizenship card or birth certificate.
Required co-signer	Not required.	Under 18, must have a parent or trusted adult co-signer; cannot solely own account.		Under 16, must have a parent/ guardian as co-signer; cannot solely own account.

Accountholder identity. Accountholder identity refers to the ability of a youth to prove his or her identity. Seventy percent of children in the least developed countries lack a birth certificate or other formal government-issued registration document.[16] Yet most regulators and financial institutions require some form of government-issued identification to open a bank account. Thus, a frequently cited obstacle for youth to open a savings account is lacking the required forms of identification. In Ghana, YouthSave partner HFC Bank let youth provide substitute IDs (student ID, letter from school authority, or for out-of-school-youth, an introductory letter from recognized community leader or organization). This was allowed under Ghanaian regulation, and resulted in greater ease in opening accounts, with Ghanaian youth opening over 15,000 YouthSave accounts. As was done in Ghana, regulators should create a policy environment that allows for a more flexible form of account identification for youth, and particularly minors, to address the lack of universal birth registration. This can include interpretation of existing regulations or legal frameworks to allow substitute forms of identification, tiered know-your-customer (KYC) account frameworks, as well as exemptions for low-balance accounts.

Table 1 illustrates additional or alternative identity documents that some YouthSave banks began to accept for youth savers, after a closer reading of the regulations revealed more latitude than the banks had originally perceived. Accountholder identity confirmation to open a youth account should also be sufficient to allow for a transition to an adult account at age of majority.

Account control. Governments and financial institutions can ensure that youth have maximum control over their accounts while benefiting from age-appropriate protections by supporting flexibility around account opening, account management, and account closure or transformation at the age of majority. These measures can be taken while still complying with all international anti-money laundering and combating of financial terrorism (AML/CFT) and KYC regulations.

Currently, the minimum age to work in most countries is younger than the legal age to own a bank account. Colombia is a noteworthy exception as youth can open and fully transact in a savings account with no adult co-signer needed starting at age seven.

Two of the most innovative approaches that YouthSave partner banks used to increase effective and affective youth ownership of the accounts despite being unable to change regulations around minimum age, were: 1) Financial institution required youth's presence and signature for withdrawals even though there was neither legal mandate nor validity to do so. This signaled to all involved that this was really the youth's account. 2) In Ghana, HFC Bank worked with regulators to create a new regulatory category of accounts called "custodial accounts" that allowed withdrawals before the age of 18. Previously, only trust accounts were available for youth. These allowed no withdrawals before age 18 and did not fulfill the desire youth expressed during market research to have emergency access to their funds.

To boost older youths' financial inclusion, two recommended policy options that can be combined to address both oversight capacity and financial institutions' needs are:

- Lower the minimum age of transaction to be consistent with what is used for other adult activities (e.g. employment), provided sufficient regulatory protections are in place.
- Allow some autonomous transactional control over withdrawals, while limiting the number of withdrawals or the minimum account balance to protect minors from "minimum balance" fees.

Regulators should also be aware that electronic transactions facilitate savings as well. Regardless of age, electronic transactions correlated with significantly greater YouthSave transaction accounts' activity and with higher amounts of deposits and withdrawals. YouthSave participants that used M-PESA in Kenya and ATMs in Nepal had significantly higher average monthly net savings. These findings reinforced the value of technology in facilitating transaction access for youth financial inclusion.[17]

4) Financial education can strengthen financial capability

Over 50 countries globally have recently developed a national financial education strategy with many others following suit. Prior studies of the effectiveness of financial education showed mixed results. Regarding youth financial education, the limited quantity of research conducted to date has noted the difficulty of improving youth financial capabilities through school-level financial education programs. Challenges faced include the fact that the information they deliver rarely sticks because it is neither relevant to imminent decisions, nor understood or reinforced. Few demonstrate positive impact on actual savings or other financial outcomes such as wealth accumulation.[18]

With this knowledge as background, YouthSave's financial education programs in Colombia, Kenya, and Nepal were designed and delivered as a combination of face-to-face workshops, assemblies, clubs, camps, and other modalities that took place after school or through youth clubs, and were connected to imminent decisions. These mechanisms were intended to reinforce financial education messaging using multiple communications channels, while also targeting other influencers in youths' ecosystems, including parents and communities. Financial education outreach levels are shown in Table 2. Pre- and post-analyses showed statistically significant improvements in participants' values related to saving, their attitudes towards banks, and their knowledge about the more technical aspects of saving and budgeting. Less improvement was observed in the budgeting questions that were of a more general nature and that could be learned through experience or reasonably inferred.[19] In terms of behavior after training, a greater number of youth reported saving, as well as saving larger amounts. Across YouthSave countries that carried out financial education, between 15 percent and 42 percent of financial education participants reported opening a savings account after the trainings. One caveat to these findings is that there was no counterfactual; more rigorous evaluation is needed in future research.[20]

A YouthSave sponsored "nudge" study in Colombia found that while cell phone text messages (SMS) reminding youth to save led to greater savings account balances, financial education SMS messages did not increase balances.[21]

Financial education policy makers may want to seek scalable ways to ensure youth financial literacy. Despite prior challenges, the most practical way to reach mass scale with youth financial education may still be via the school system. For example, Brazil implemented a large financial education trial through its school system that was successful.[22] Additional research on large scale school-based financial education is still needed. Nevertheless, school-based delivery will not address out-of-school youth who would benefit from financial education. Delivery to this youth segment can be accomplished via collaboration with youth serving organizations. In order to reach out-of-school audiences and lower costs, policy makers may also want to test effectiveness of "lower-touch" mechanisms or blended learning models that make more use of mass media, social media, or other electronic communications mechanisms.

Table 2: YouthSave financial education outreach[23]

Country and programs	Individuals reached
Colombia youth workshops	7,149
Colombia youth assemblies	6,095
Colombia youth SMS messages	8,839
Kenya youth clubs	16,190
Kenya adult seminars	1,862
Kenya community "buy-in" sessions	26,443
Nepal youth workshops	20,820
Nepal street drama	20,197
Nepal radio drama	660,000

In their own words

Watch how young people feel about savings accounts in "YouthSave - over 130,000 young people served" available at https://vimeo.com/135275621.

Endnotes

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All photos courtesy Save the Children.