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In Brief

THE YOUTHSAVE PROGRAM:
KEY FINDINGS FOR FINANCIAL INSTITUTIONS

A YouthSave account holder deposits money at Kenya Postbank. See her story at https://vimeo.com/109502652.

Youth are already saving informally, but are interested in formal savings

A common misperception is that youth are a financial blank slate with neither income nor knowledge of money matters. YouthSave found that the majority of youth respondents across all four countries handle money on a regular basis and are already saving money on their own, albeit in small amounts, over short time horizons, and through informal mechanisms. Youth cite accessibility and simplicity as the most desirable features of informal savings, yet recognize these funds are susceptible to theft or simple temptation. Financial institutions can improve upon the simplicity and accessibility of informal savings by offering accounts that keep savings safe and provide access to funds in emergencies, but help youth resist the temptation to access their savings too often, thus enabling them to build up balances for the future.[1]

Youth savings is compelling for a financial institution's medium- to long-term strategy

YouthSave examined the business case for youth savings accounts from the perspective of financial institutions. Since youth savings accounts are not high-margin products in the near term, financial institutions need to weigh the difficulties and costs of attracting and servicing many small account holders versus the benefits related to capturing a future client base early on, the possibility of cross-selling to young people's networks (i.e., family members and relatives) and fulfilling corporate social responsibilities.[2]

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

As such, from a purely financial perspective, there may not be an immediate business case for youth savings accounts. Just as with adult small-scale savers, per-product revenues may be low due to the low utilization and average balances typical

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 Foundation, 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.

of youth savings accounts. However, goodwill and potential brand loyalty generated from stakeholders such as parents, communities, and regulators can be immediate. Additionally, targeting youth across the income spectrum may result in those with higher balances cross-subsidizing those with lower balances, while increasing youth financial inclusion. Over time, youth can deliver higher customer lifetime value than older customers – with the important caveat that the financial institutions must retain these customers over the long-term. Over time, certain older youth may require more profitable loan, payments, insurance, or leasing products. Targeting youth can also bring diversity to the client base, especially valuable for financial institutions whose client base skews older.[5]

Overall, the strength of the business case for youth savings depends on key factors including:

- local regulations specifying when youth can independently own and operate accounts, and which identity documents are acceptable;
- the level of competition in the market;
- the financial institution's capacity and incremental costs to establish the infrastructure needed to sell and service youth savings accounts;
- the youth sub-segment selected (legal majors or minors, in or out of school);
- product-level cost drivers such as product features and delivery channels.[6]

Regulation fundamentally affects youth savings uptake and usage

Potential and current youth customers are affected by regulatory barriers that may limit their ability to open and transact in youth savings accounts.[7] As seen in Table 1, barriers to opening accounts include minimum age requirements, and identification documents that many youth may not have available. In some countries, a parent or trusted adult must be present both to open and transact in an account.[8] Youth prefer to operate savings accounts independently of adults when possible,[9] although many countries' regulations do not allow that.

Box 1: Common motivations for offering youth savings accounts reported by commercial financial institutions[10]

- Acquire and retain clients/broaden customer base
- Develop customer loyalty
- Mobilize deposits
- Improve the bank's image in the community
- Fulfill corporate social responsibility
- Achieve part of the institution's mission or mandate
- Bring youth into the formal financial system
- Promote a habit/culture of savings
- Increase financial literacy
- Inculcate a sense of responsibility in youth

Savings account design shapes savings behavior and balances

Account features can affect savings behavior in multiple ways. Not requiring an initial deposit can facilitate uptake, but was associated with higher dormancy rates. Withdrawal restrictions were linked with lower rates of uptake in Colombia, but were also associated with steadier savings, as was the case in Ghana. Conversely, a lack of withdrawal restrictions may encourage youth to use the accounts in a more transactional manner as opposed to purely for savings, as was the case in Nepal; however overall balance accumulation was still healthy. One reason may have been the savings matches offered in Nepal, which led to significantly higher savings (even excluding the value of the match). Another account feature associated with enhanced savings was the requirement to set a savings goal, which was pursued in Colombia. However, when youth in Colombia reached their savings goal, approximately

Table 1: Age and documentation requirements to open YouthSave accounts, by country[11]

	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.

Table 2: YouthSave — account and transaction activity by country

	Colombia	Ghana	Kenya	Nepal
Final project results, May 2015 (all accounts)[12]				
Total number of accounts	2,496	15,714	107,253	7,775
Total country net savings balance (nominal)	$US 257K	$US 138K	$US 431K	$US 268K
Average savings balance per account (nominal)	$US 103	$US 9	$US 4	$US 35
Final project results, May 2014 (all accounts)[13]				
Average savings balance per account (nominal)	$US 121	$US 9	$US 3	$US 41
Figures from Savings Demand Assessment (May 2014, research accounts only)[14]				
Average savings balance per account (PPP-adjusted)	$US 262	$US 33	$US 9	$US 114
Average length of account holding in months	13.2	8.2	11.1	13.0
Median length of account holding in months	11	6	12	12
Percent active accounts	43%	64%	31%	52%
Average number of deposits per account	5.6	2.3	1.6	3.8

20 percent withdrew their money and closed their accounts.[15] For details on YouthSave's account results, please see Table 2.

An experiment in Colombia also demonstrated that sending reminders to deposit via SMS conclusively increased savings balances.[16] Similarly, allowing youth to access their accounts via electronic channels encouraged balance accumulation. In Nepal and Kenya, average monthly net savings were significantly higher for account holders who used automatic teller machines (ATMs) and mobile banking (through M-PESA in Kenya). However, there are age constraints on the ownership of SIM cards in Kenya, which restricted youth usage of M-PESA — perhaps explaining why only a few hundred account holders made deposits using this channel, out of an account base of tens of thousands.

BoK staff count a youth deposit during an in-school banking session in Nepal.

In order to access M-PESA, youth savers had to go through their parents or another trusted adult — signaling the importance of optimizing adult involvement in youth savings. Engagement of parents appears to be particularly important, as youth whose co-signers were parents saved significantly more than those who co-signed with another type of trusted adult (regardless of the delivery channel used).

Finally, YouthSave results showed younger children had greater average monthly net savings than older children — so starting savings early could yield greater balance accumulation. Since more young children are typically in school, expanded partnerships with schools to house ATMs, become retail banking outlets, or partnering with families to utilize mobile payment systems such as M-PESA or mobile wallets might facilitate the deposit process and reduce transaction costs for both youth and financial institutions.[17]

Youth financial education can facilitate account opening and increase savings balances[18]

In Colombia, Kenya, and Nepal, YouthSave provided financial education via workshops, assemblies, clubs, camps, and other methods in addition to offering savings accounts. Based on pre- and post-test comparisons, financial education appears to have produced significant improvements in financial education participants' understanding of the mechanics of how to open a bank account, as well as increased account uptake and savings. In Colombia, familiarity with how to open a bank account spiked from 19 percent to 79 percent after youth attended financial education workshops. After financial education training, 42 percent of participants reported opening accounts in Nepal, and 39 percent in Kenya. And 30 percent of Colombian participants reported saving more after financial education workshops. In Kenya, girls particularly benefited: they reported saving following financial education training that increased from 77.5 percent to 94 percent, while boys' rate also increased, from 74 percent to 84.5 percent. In addition, financial education influenced youth in other important ways; in Nepal, participants' understanding that "one should not save by skipping meals" jumped from 40 percent pre-workshop to 72 percent afterwards.

To implement financial education, financial institutions may want to collaborate with youth development organizations that have strong connections within the community that can help to serve as an entry point to engaging the local youth.

Targeting youth through parents and taking the bank to schools can increase youth savings[19]

In YouthSave market research, the majority of young people said they learned to save by watching and listening to their parents - especially their mothers.[20] Financial institutions can leverage this type of parental influence to increase youth account uptake

School children in Colombia participate in a financial education event.

and savings.[21] When parents are already customers, it may be strategic to augment the customer base and promote youth financial inclusion by targeting their younger family members. Eighty-four percent of youth savers indicated that savings would likely come from family, so engaging the parent/caregiver(s) in the savings process is also important to help youth accumulate balances. And indeed, when parents were co-signatories on YouthSave accounts, youth saved significantly more.[22] Youth savings accounts should therefore include strategies to engage families during the start-up phase and then keep them excited and committed.[23]

In order to access large numbers of youth at once, YouthSave partner financial institutions used direct marketing strategies or "doorstep delivery," typically at schools. The branches of YouthSave partner banks that visited schools to open accounts, take deposits, and participate in financial education, opened a statistically significant higher number of accounts than branches that did not.[24] This approach also facilitated account opening by low-income youth and girls, typically underrepresented in youth financial inclusion.[25] Rigorous evaluation of different approaches in Ghana showed that approximately 10 percent of students opened accounts when offered in-school marketing of accounts, but that percentage doubled when transaction services were available at schools. By contrast, only 0.3 percent of students opened accounts at schools where neither service was available.[26]

Box 2: Five lessons for financial institutions[27]

YouthSave experience demonstrates financial institutions should keep five lessons in mind when designing and delivering youth savings accounts.

1) An extensive body of 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 co-signatories.
   - 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 materially - 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.

Endnotes

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All photos courtesy Save the Children.

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