



In Brief THE YOUTHSAVE PROGRAM: NEPAL

Youth in Nepal at the conclusion of a financial education workshop.

YouthSave Nepal: country context and partner bank

Nepal is one of the poorest and least developed countries in the world, with an economy that relies heavily on remittances, many sent by the thousands of youth who migrate abroad for work every year. There is increasing awareness of the need to address youth-related issues in the country, reflected in initiatives such as Nepal Rastra (Central) Bank's financial education program for children and youth and the Government of Nepal's Youth Self-Employment Program.

The financial sector has grown rapidly during the past two decades, but still has limited outreach, due in great part to the difficult topographical terrain of the country and resulting costliness of operating bank branches.¹ In the mid-1980s, financial liberalization led to a rapidly increasing number of banks and financial institutions. As a result, the financial system now consists of 30 commercial banks, 84

development banks, 53 finance companies, and 37 micro-credit development banks (as of July 2014). Furthermore, more than ten thousand cooperatives conduct financial transactions. The vast majority fall outside of Central Bank supervision and present risks to the financial system's stability.² According to the Global Findex database, financial inclusion (measured by all adults with formal financial institution accounts) has increased from 25 percent to almost 34 percent over the past four years. During that same period youth financial inclusion increased only 2 percentage points to 25.4 percent (Chart 1).³

In Nepal, YouthSave chose Bank of Kathmandu (BoK) as its partner bank. Launched in 1995, by April 2014 BoK had almost 300,000 customers across its 50 branches, making it a mid-sized Nepali bank. BoK's strategy of reaching out to low-income clients, emphasis on financial inclusion of all Nepali citizens, and experience offering savings products to children and youth, provided a strong strategic fit

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 one 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.

with YouthSave's goals. In particular, its number of branches in the Western and Far Western provinces, Nepal's most marginalized regions, was among the highest of any Nepali bank.⁶

An effective collaboration between YouthSave's partners in Nepal - including BoK, research partner New ERA, and Save the Children - set an example in the field for what could be accomplished when strong working relationships were forged across organizations in different sectors. For instance, 90 percent of all youth who opened savings accounts through YouthSave also participated in the research component of the project, the Savings Demand Assessment (SDA), which assembled and analyzed a database of demographic and transactional data on youth savers. This could not have happened without the combined and energetic efforts of staff from all three partner organizations. The high participation rates resulted from the collaborators' partnership model, including explaining the rationale for and importance of the research component of the project, facilitating participation, and carrying out data collection throughout the project. This partnership and collaboration were key project success factors.⁷

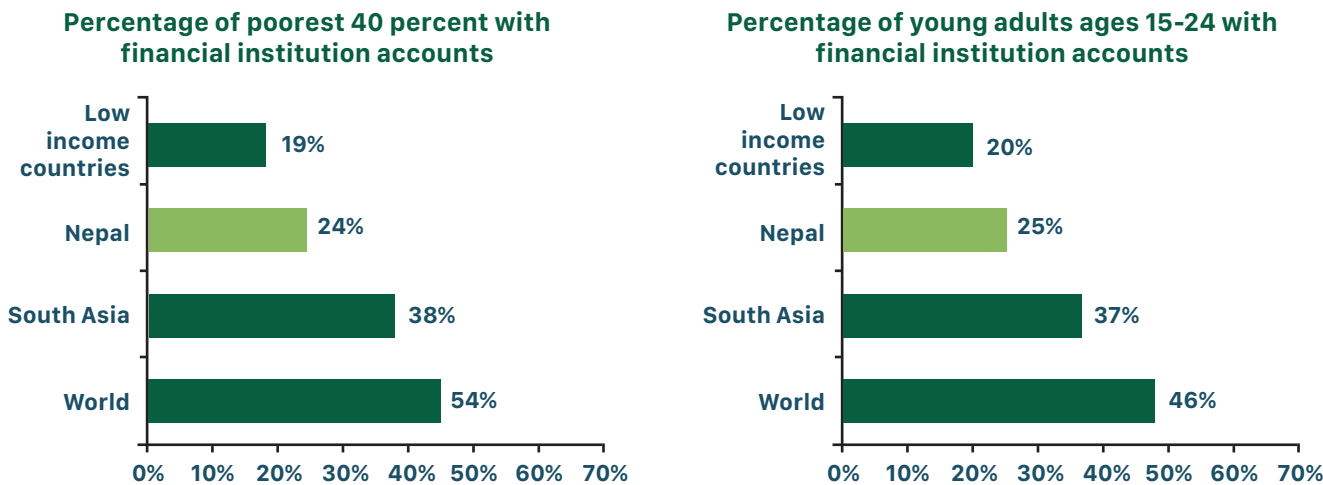
Box 1: New ERA⁸

New ERA is a private institution specializing in development research. Its main goal is to provide an independent Nepali perspective in the design, implementation, and assessment of development policies and programs by employing a wide range of quantitative, qualitative, and participatory rural appraisal methodologies. It has experience carrying out feasibility studies, baseline surveys, impact studies, case studies, participatory research, and needs assessments.

Regulation influenced youth savings account uptake

The YouthSave product CYBY (*Chetanshil Yuva Bachat Yojana*, meaning "conscientious youth savings scheme") was introduced in 2012 as a tactic in BoK's strategy to increase youth participation in the financial sector, especially among marginalized youth (Tables 1 and 2).⁹

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*, 2015.¹⁰

Although BoK made significant efforts to offer in-school banking services, only eight percent of surveyed YouthSave participants said they opened an account with BoK, while 34 percent opened an account in another bank or cooperative. Challenges related to regulation and competition influenced where and when youth opened accounts. Financial cooperatives that operated under looser supervision were also common in the areas where YouthSave was working in Nepal, and often offered easier access to accounts for youth, especially if their parents were members. For youth who did not open a savings account, the lack of personal identification documents was the most frequently cited reason, reported by 29 percent of respondents. To facilitate the process, BoK allowed youth under 16 who opened a CYBY account to use a school registration certificate as an identity document in lieu of a birth certificate.¹¹ The third largest obstacle to opening an account, cited by 15 percent of respondents, was the inability to get an adult co-signer. This was often related to the inability of parents to accompany their children for opening an account during working hours. In Nepal, only parents or other legal guardians may co-sign on a youth account for minors, while, for example, in Ghana regulation allowed for other trusted adults, such as teachers.¹²

Age, gender, incentives, and transaction channels influenced how CYBY account holders saved¹³

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. Below are some of the key findings from the two-year study that tracked account uptake, savings performance, and saving patterns in BoK's CYBY accounts.

Account holder characteristics:

- More male youth opened CYBY accounts (58.7 percent) than female youth (41.3 percent).
- Average account holder was aged 16 years.
- 94.3 percent were enrolled in school when they opened their account, out of which 72.8 percent were at secondary level.
- 67.2 percent of account holders lived on less than \$US 2.50 per day (2005 PPP).
- Only 15 percent of account holders reported having a formal bank account in the past.
- 82.6 percent funded their savings with money from parents; 15.4 percent used earned income.

SDA key findings

- When asked about reasons for saving, 62.1 percent of youth indicated they were saving for their own

Table 1: BoK YouthSave account features¹⁴

CYBY account features	
Age restrictions	Ages 10-22 (Age 16 and above are considered to be adults).
Deposit/withdrawal requirements	Minors can deposit but adult and child presence and signature required for withdrawal. Of age youth or ages 16 and above can deposit and withdraw independently.
Transaction restrictions	Transactions (deposits and withdrawals) are capped at NPR 5,000 per transaction at aggregation points (e.g. schools, youth clubs). No transaction limits in branches.
Interest rate	4.25%
Incentives	Account holders are given a free piggy bank. Of age youth have the option to receive a Visa debit card instead with first year issuance charge waived. All youth receive a free customer ID card.
Fees	Account opening: NPR 100 Operating: NPR 100 Account closure: NPR 100 (Charge waived for accounts open \geq two years.)
Delivery channels	Branches and periodic service at aggregation points (e.g. schools, youth savings clubs) in certain locations.
Balance required to earn interest	NPR 1
Minimum opening balance	NPR 100
Conversion upon majority	Once youth turn 16, withdrawals are frozen until they submit a citizenship certificate to continue account operations. Account can be retained.

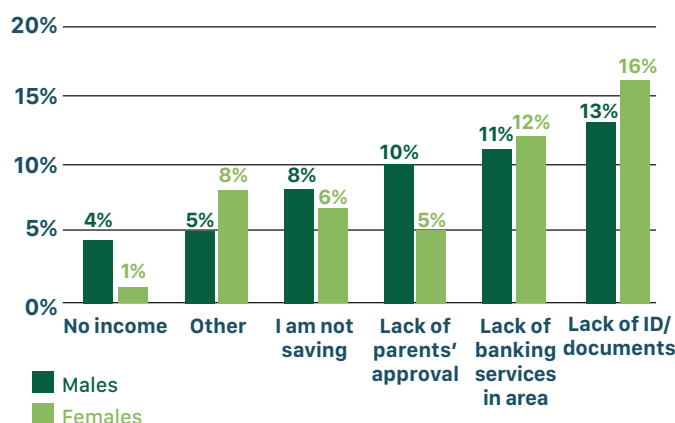
Table 2: CYBY accounts summary

Final project results, May 2015 (all accounts) ¹⁵	
Total number of accounts	7,775
Total country net savings balance (nominal)	\$US 268 K
Average savings balance per account, (nominal)	\$US 35
Final project results, May 2014 (all accounts) ¹⁶	
Average savings balance per account (nominal)	\$US 41
Figures from Savings Demand Assessment (May 2014, research accounts only) ¹⁷	
Average savings balance per account (PPP-adjusted)	\$US 114
Average length of account holding in months	13.0
Median length of account holding in months	12
Percent active accounts	52%
Average number of deposits per account	3.8

education. This suggests the possibility of other developmental impact related to youth savings.

- Although fewer in number, female account holders saved more than male youth, suggesting that access to the account may have been a bigger gender barrier than saving itself. Save the Children, BoK and the youth-serving organizations attempted to reduce this uptake differential with more intentional outreach to girls' schools and youth clubs. These efforts were successful with an increase in female participation from 35 percent in June 2012 to 44 percent in May 2014.
- Youth receiving cash incentives saved significantly more than other account holders. As part of a BoK promotion, youth who made a deposit in their accounts during a period of seven months received a cash incentive. Approximately 25 percent of all Nepali youth account holders took advantage of the cash incentives to open their accounts during this time period. These account holders had statistically significant higher average monthly savings than those who did not, net of the incentive received. These findings suggest that incentives have positive effects on account uptake

Chart 2: Reasons for youth not opening a bank account¹⁸



and youth savings. Further, these findings indicate possible directions for encouraging deposits when targeting poorer youth segments.

- Because CYBY accounts had no withdrawal restrictions or fees, account holders aged 16 and over were able to use them like current accounts. For example, approximately 37 percent of Nepali account holders withdrew quarterly, compared to approximately three percent in Colombia and Kenya, and less than one percent in Ghana.
- The SDA data allowed for analysis of transactions through electronic transaction channels such as debit cards and ATMs. The number and amount of deposits and withdrawals made by account holders using these types of transactions were significantly higher than for other account holders. However, only those using an ATM showed significantly higher average monthly net savings. These findings occurred regardless of age, but usage was higher among older youth, likely reflecting their need for flexibility in accessing funds. These findings reinforce the value of technology in providing accessible transaction mechanisms.

Youth reported improved attitudes and technical knowledge after financial education¹⁹

The YouthSave project included a financial education component to complement account ownership with the knowledge and skills necessary to make the

best use of it. Financial education content included discussion of basic money management skills (e.g. distinguishing needs and wants, budgeting), safe and healthy ways to save, and financial institutions and products. The content was delivered through workshops and shorter “booster” activities, described in Table 3. BoK staff attended both workshops and booster activities to facilitate account opening and to collect deposits. In addition to face-to-face financial education, YouthSave further increased its reach through lighter-touch/lower-cost activities such as street drama performances focusing on financial education topics. To reach areas where YouthSave implementation partners were not physically present, the street drama content was adapted into a four-part serialized radio program.

To examine the effect of financial education trainings on knowledge, attitudes, and behavior related to saving, YouthSave assessed youth who had participated in the workshops through administering pre- and post-tests. (All changes reported below were statistically significant.)

Knowledge

- Youth gained knowledge on specific technical issues - e.g. budgets, interest rates, and bank accounts - while maintaining a high level of understanding of the general principles about savings and budgeting. For example, the proportion of Nepali youth who knew the general purpose of a budget was already 93 percent before the workshops, and did not change dramatically afterwards. However, the proportion who knew that one could save by controlling expenses increased from 84 percent to 92 percent.

Attitudes

- Before the workshops, pre-tests revealed that Nepali youth already appreciated the importance of saving for the future with 92 percent saying that saving was important or very important.
- Changes in attitude regarding values-focused questions about safe and healthy ways to save were statistically significant over time, with the highest increase - from 40 percent to 72 percent - found among youth who understood that one should not save by skipping meals.

Table 3: Nepal financial education outreach²⁰

Financial education	Outreach
Workshops: One-time financial education 3-hour workshops at schools and youth clubs, delivered by local partner NGOs. A comic book with signature characters imparting financial literacy messages distributed to each youth at workshops. Follow up bi-weekly or monthly booster activities of approximately 45 minutes.	20,820 youth
Street drama: Youth club performances to raise community awareness, held at schools and community/village venues.	20,197 youth
Radio drama: Serialized 4-part recorded adaptation of street drama in local languages, aired on radio in areas with no financial education programming.	660,000 estimated listeners

- The number of youth who understood that it was not only the guardian in the family who has the duty to save increased from 58 percent to 76 percent.

Behavior

- In Nepal almost 42 percent reported opening savings accounts after the financial education training. Only eight percent of respondents said they had opened an account with YouthSave partner BoK, while 34 percent said they had opened an account in another bank or cooperative.

While not all questions on the pre-/post-tests registered statistically significant increases, testing has nevertheless shown significant and lasting improvements in attitudes, knowledge levels, and behaviors related to saving among youth who participated in YouthSave's financial education trainings. Refinement of the financial education component and more rigorous impact analysis could expand on these and other findings. The results were even more compelling given that these changes were documented immediately after the workshops and then again between one and 18 months later, suggesting that the changes persisted over time.

In their own words

Watch the story of 13-year-old Pramod, a YouthSave participant from Bhaktapur, Nepal.
<https://vimeo.com/97327086>.

Endnotes

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13. Johnson et al (2015).
14. Ibid.
15. Save the Children Federation (2015). Internal data.
16. Ibid.
17. Only accounts with explicit permission to be included in the research were analyzed as part of the Savings Demand Assessment. Of the 6,147 accounts open as of May 2014, 5,892 were included in this research. Source: Johnson et al (2015).
18. Kosmyrnina, D. (2015).
19. Ibid.
20. Ibid.

All photos courtesy Save the Children.