December 2015

In Naivasha, Kenya, thirteen-year-old Mercy is saving to continue her studies and become a lawyer someday.

In Brief

THE YOUTHSAVE PROGRAM: KENYA

Kenya: country context and partner bank

The expansion of financial inclusion has been brisk in Kenya over the past several years. While the proportion of all adults with access to formal financial services was only 42.3 percent in 2011, one year before YouthSave began, by 2014 55.2 percent of all individuals aged 15 years and above had an account at a bank or other financial institution. Youth, however, continued to have limited access to accounts. According to Global Findex data, the proportion of 15-24 year-olds with financial institution accounts rose from 40.3 percent in 2011 to 48.2 percent in 2014 and to 66.4 percent when mobile accounts are included. But it may be inferred that the majority of the latter increase occurred among those aged 18 and over, as younger youth are not allowed to own their own SIM cards and therefore cannot register for their own mobile accounts in Kenya.[1]

Youth savings grew sixfold faster than Postbank's deposit growth

In Kenya, YouthSave chose Kenya Post Office Savings Bank (Postbank) as its bank partner because of its extensive branch footprint, banking services provided through post offices and agents, and its demonstrated interest in serving youth. A public bank, Postbank is mandated to mobilize savings for national development, encourage thrift, and provide the people of Kenya with the means and opportunity for saving. As of 2015, Postbank had 100 branches across the country, more than 850 agents, and over 1,000 ATMs. Customers also have access to mobile banking.[2]

Postbank launched its first two youth products in 2006: the *Bidii* Junior Account (for those aged 18 and younger) and the STEP (Smart, Trendy, Electronic, and Portable) Account for young adults between ages 18 and 28. Postbank added the YouthSave product,

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]

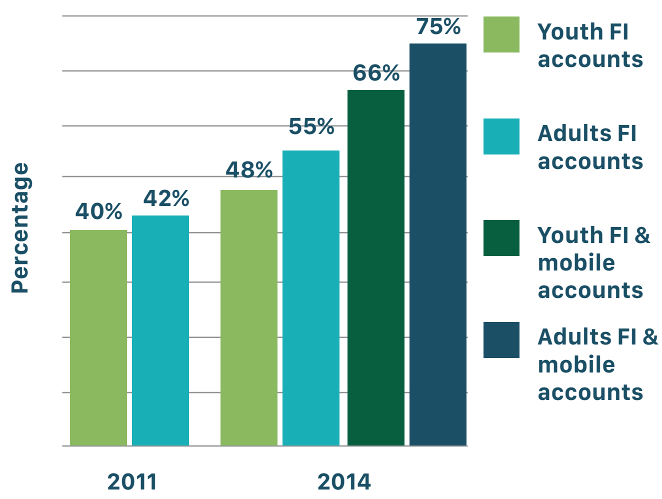
Access to financial services is a key link between economic opportunities and outcomes for young people, enabling them to manage emergencies, invest in their education or start a business. A safe and effective means of saving can be particularly beneficial, as the habits integral to saving can improve 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.

Chart 1: Financial inclusion (FI) accounts in Kenya 2011 - 2014



Source: World DataBank, Global Findex (Global Financial Inclusion Database)[5]

SMATA (a local idiom for "smarter"), to its portfolio in response to Kenya's growing youth population, a desire to revitalize its aging customer base, and to advance its broader strategic objectives of expanding financial access generally and mobilizing savings.[6] SMATA accounts (features and summary may be found in Tables 1 and 2) were opened in 92 of Postbank's 100 branches. Notably, between 2008 and 2012, deposits in Postbank youth products (*Bidii* Junior, STEP, and SMATA accounts) grew 670 percent compared to overall deposit growth of 113 percent in the same period. As of April 2014, SMATA accounts comprised approximately eight percent of Postbank's total active accounts. Postbank allowed trusted adults to act as account cosignatories, and marketed and sometimes offered transaction services at schools, all of which greatly facilitated account uptake.[7]

A well-developed and well-funded pilot scheme and internal bank commitment were crucial to SMATA's successful rollout and subsequent results. An energetic, committed pilot test team led the process and provided ongoing support to branches, which helped to communicate that SMATA was an integral part of the bank's core business. The pilot test team also provided face-to-face training to pilot branch staff, which was particularly important in imparting a better understanding of the product and achieving buy-in.[8]

Table 1: SMATA YouthSave account features[9]

Account Features		
Age restrictions	Ages 12-18	
Deposit/withdrawal requirements	Youth can deposit independently. Adult co-signatory and youth must be present to make a withdrawal (although not legally required for youth to be present).	
Withdrawl restrictions	None	
Interest rate	0.75% for KES 20,000 ≤KES 100,000 1.00% for KES 100,000 ≤KES 500,000 2.00% for KES 500,000 ≤KES 5,000,000 2.50% for KES 5,000,000 and above	
Incentives	Account holders are given a free money wallet for use as piggy bank, savings diary, and debit card.	
Fees	Withdrawal – KES 30 Account closure – KES 50	Replacement: debit card – KES 350 money wallet – KES 100 savings diary – KES 100
Delivery channels	Branches for deposits and withdrawals Postbank agents for deposits only Mobile phone for deposits only	
Balance required to earn interest	KES 15,000	
Minimum opening balance/ deposit	KES 50 each	
Conversion upon majority	No automatic conversion. Youth can continue to operate account for one year after turning 18 while awaiting adult ID and transition to adult account thereafter.	

Table 2: SMATA accounts summary

Final project results, May 2015 (all accounts)[10]	
Total number of accounts	107,253
Total net savings balance (nominal)	$US 431 K
Average savings balance per account (nominal)	$US 4
Final project results, May 2014 (all accounts)[11]	
Average savings balance per account (nominal)	$US 3
Figures from Savings Demand Assessment (May 2014, research accounts only)[12]	
Average savings balance per account (PPP-adjusted)	$US 9
Average length of account holding in months	11
Median length of account holding in months	12
Percent active accounts	31%
Average number of deposits per account	1.6

Flexible bank policies, transaction channels, age, and parental involvement influenced how SMATA account holders saved[13]

To understand how young people saved over time and what influenced their savings behavior, YouthSave assembled the Savings Demand Assessment (SDA), the largest known database of demographic and transactional data on youth savers. KIPPRA, a Kenyan research institute, was integrally involved in the SDA's design and execution. Below are some of the SDA's key findings regarding account uptake, savings performance, and saving patterns in Postbank's SMATA accounts.

Account holder characteristics:

- On average, males comprised 58.9 percent of account holders versus 41.1 percent female.

Box 1: Kenya Institute for Public Policy Research and Analysis (KIPPRA)[14]

KIPPRA is a semi-autonomous think tank whose primary mission is to provide quality public policy advice to the government of Kenya and the private sector to contribute to achievement of national development goals. KIPPRA played a major role in the development of Kenya's Economic Recovery Strategy (2003-2007) and Kenya Vision 2030, and has participated in many policy working groups, appointed by the government. KIPPRA also has experience in both large-scale data collection and advanced analytical techniques.

- Average age was 16.
- Ninety-eight percent were enrolled in school.
- The majority of youth (82.9 percent) funded savings with money from their parents.
- Only 8.24 percent of youth indicated receiving work income.
- Less than eight percent of youth previously held a formal account.
- Fifty-two percent lived on less than $US 2.50 per day (PPP 2005).

SDA key findings

- Initially, **more males signed up for accounts** (58 percent) than females (42 percent). Save the Children, partner youth-serving organizations, and Postbank attempted to reduce this discrepancy with more intentional outreach to girls' schools and youth clubs. These efforts were successful with an increase in female participation from the initial 42 percent in the first quarter to 57 percent female account openings between March and May 2014.
- **No statistical differences were found between female and male average monthly net savings** (AMNS). When analyzed together with the initial lower female account uptake rate, this suggests that access to financial institutions may be a bigger gender barrier than the ability to save. This is further discussed below when examining the main reasons for not opening an account.
- **Financial institution policies influenced the number of accounts opened.** Flexible Postbank policies allowed "trusted adults" to be cosignatories on minors' accounts. As a result, nonrelatives were cosignatory on 56 percent of accounts.
- **Postbank opened significantly more accounts than other YouthSave banks** and, as of May 2015, had exceeded its targets by almost 50 percent. Periodic spikes in account uptake across time point to a variety of factors, including promotional campaigns, collaboration with community youth organizations, and participation in financial education youth clubs. The most closely correlated factor that led to its uptake success was bank branches' staff competitions and incentives for opening accounts. In contrast, account usage was not incentivized for staff, resulting in a low percentage of active accounts (31 percent) and meager average number (1.6) of deposits per account holder.
- **The SDA also provided insight into use of technology in financial transactions.** Although overall usage of mobile phone and ATM banking was very low (one percent of SMATA account holders), the number and amount of deposits and withdrawals, as well as AMNS, were significantly higher than for other SMATA account holders. These findings emphasize that alternative channels moved relatively large amounts of funds relative to SMATA branch transactions in and out of savings accounts. These findings reinforce the value of technology in providing accessible mechanisms for transactions (Table 3).
- **Youth aged less than 13 years saved more than older youth, in part because they withdrew less.** This finding provided strong evidence that youth can begin building assets at an early age if provided sufficient access through a secure mechanism.
- **Parents play a role in savings.** When a parent was cosignatory on the account, the youth saved more

Table 3: Account transaction via mobile phone banking and ATM versus branch transactions[15]

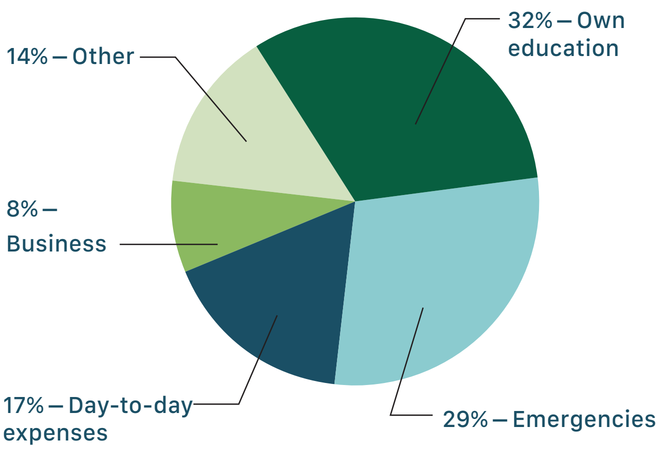
Monthly averages ($US in 2011 PPP)	M-PESA[16] and ATM	Branch transactions
Number of accounts	533	47,737
Amount of deposits	$US 15.95	$US 1.62
Amount of withdrawals	$US 10.92	$US 0.59
Net savings	$US 4.75	$US 1.00
Number of deposits	0.48	0.20
Number of withdrawals	0.13	0.02

than if a non-parental adult was cosignatory. Non-relative cosignatories facilitated account opening, but parent participation as cosignatory increased the likelihood of savings. This finding has important policy and program implications. The former suggests the need for regulatory policy to address account ownership; the latter highlights the importance of engaging parents in their child's savings process.

Youth reported increased savings and technical knowledge after financial education[17]

As part of YouthSave, Save the Children and partner NGOs implemented financial education to complement account ownership with the knowledge and skills necessary to make the best use of it. Financial education and community outreach targeted youth, parents and other trusted adults

Chart 2: Savings goals[18]



(Table 4). To document the impact of financial education training on knowledge, attitudes, and behavior related to saving, YouthSave administered pre- and post-tests to a randomly selected group of youth financial education training participants, returning 9-11 months later to administer a second post-test to 400 of them. The results below highlight statistically significant changes between the pre- and second post-test.

Table 4: Kenya financial education outreach[19]

Financial education	Outreach
Youth financial education training: Clubs or camps followed a 10-14 session curriculum on personal financial management, emphasizing savings.	16,190 youth
Adult financial education training: Community outreach program for adults consisting of a two-hour financial education session.	1,862 individuals
Community buy-in sessions: Short sessions with community stakeholders to increase support for savings for young people in their households and community.	26,443 individuals

Knowledge

- Youth had a good understanding of the general principles of savings and budgeting. Comprehension of the general purpose of a budget was already high before taking the workshop, with 93 percent of youth knowing that budgeting could help one better plan with their money.
- Significant improvements in knowledge were found in more technical issues. The proportion of youth able to identify what did not belong in a budget doubled from 15 percent to 30 percent.

Attitudes

- The number of respondents who said it was always important to budget increased by 12 percentage points from 68 percent to 80 percent.
- Financial education resulted in a change in youth attitudes toward banks, with a decrease in the number of youth who viewed banks as for adults only from 21 percent to 12 percent.

Behavior

- There was an increase in the number of youth who claimed they were saving, from 76 percent before the training to 89 percent afterwards.
- Gender analysis revealed that the proportion of females and males who reported saving before the training was not significantly different (78 percent versus 74 percent respectively). However, after the training, the number of females who claimed they were saving was higher than the number of males (94 versus 85 percentage points). The increase in female savings was greater at 17 percent, whilst that of males was 11 percent.
- Thirty-nine percent of youth reported opening savings accounts after financial education training. Eighty-one percent of those who said they had opened accounts said they did so with Postbank.

Despite flexible bank policies, regulatory identification requirements remain a significant obstacle to account opening[20]

Postbank, which is not regulated by the Central Bank of Kenya, was not stringent in its required documentation needed for youth to open accounts. Valid identification documents for the SMATA account included any one of the following: birth certificate, birth notification, baptism card, school leaving certificate, or for youths without adequate identification, a letter of introduction from the provincial administration. Nevertheless, 36 percent of youth surveyed cited the lack of personal identification documentation as the most common reason they did not open a youth account. A lack of banking services in the area was the second greatest obstacle to opening an account, cited by 34 percent of youth. Finally, lack of parental approval was cited as a reason by 12 percent of youth who said that they had not opened a savings account.

These challenges affected females more than males. More females cited lack of ID as a reason for not opening accounts, and females more frequently than males reported that obtaining parental approval was difficult. This may explain why approximately three males opened accounts for every two females, and suggests that greater social intermediation for females - e.g. assistance obtaining IDs or engagement with families to explain the importance and implications of opening a savings account — may be needed to achieve gender-equitable financial inclusion.

In their own words

Watch the story of 13-year-old Mercy, a YouthSave participant from Naivasha, Kenya – and future lawyer – here: https://vimeo.com/109502652.

Endnotes

1. http://databank.worldbank.org/data/reports.aspx?source=1228.
2. Johnson, L., Lee, Y., Sherraden, M., Ansong, D., Chowa, G., Ssewamala, F....Saavedra, J. (2015). *Youth Savings Patterns and Performance in Colombia, Ghana, Kenya, and Nepal*. Washington University, Center for Social Development. http://csd.wustl.edu/publications/documents/rr15-01.pdf.
3. United Nations Population Fund (2014). *The Power of 1.8 Billion: Adolescents, Youth, and the Transformation of the Future*. New York, NY: UNFPA. https://www.unfpa.org/sites/default/files/pub-pdf/EN-SWOP14-Report_FINAL-web.pdf.
4. http://www.advocatesforyouth.org/publications/publications-a-z/455-youth-and-the-state-of-the-world.
5. http://databank.worldbank.org/data/reports.aspx?source=1228.
6. YouthSave Consortium (2015). *YouthSave 2010-2015: Findings from a Global Financial Inclusion Partnership*. Washington, DC: YouthSave Initiative, Ch. 2. https://static.newamerica.org/attachments/10169-youthsave-2010-2015-findings-from-a-global-financial-inclusion-partnership/YouthSave_2010_2015.38ee0cee091e-4050a823413b6d0b9b09.pdf.
7. Johnson et al (2015).
8. Ngurukie, C., & Deshpande, R. (2013) *Kenya Postbank Pilot Experience*. Washington, DC: YouthSave Consortium. https://www.newamerica.org/youthsave/kenya-postbank-pilot-experience/.
9. Johnson et al (2015).
10. Save the Children Federation (2015). Internal data.
11. Ibid.
12. Only accounts with explicit permission to be included in the research were analyzed as part of the Savings Demand Assessment. Of 77,421 accounts open as of May 2014, 49,797 were included in this research. Source: Johnson et al (2015).
13. Unless otherwise noted, all content is from Johnson et al (2015).
14. YouthSave Consortium (2010) *Kenya*. https://www.newamerica.org/youthsave/kenya/.
15. Johnson et al (2015).
16. A mobile phone-based money transfer and microfinance service. M-Pesa allows users to deposit, withdraw, transfer money and pay for goods and services easily and cheap with a mobile device.
17. Unless otherwise noted, all content in this section is from Kosmynina, D. (2015). *Towards Financially Capable Youth*. Washington, DC: Save the Children Federation. https://static.newamerica.org/attachments/9608--178/Toward%20Financially%20Capable%20Youth.57df83f39d4d41bea6946797f612d589.pdf.
18. Johnson et al (2015).
19. Kosmynina, D. (2015).
20. Ibid.

All photos courtesy Save the Children.

Save the Children | Washington University in St.Louis | The MasterCard Foundation | NEW AMERICA | CGAP