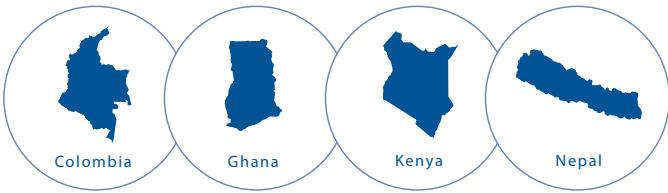


YOUTHSAVE RESEARCH BRIEF



Product Pilot Report: Youth Savings Performance in Ghana, Kenya, and Nepal

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Background

If provided an opportunity to save via formal financial services, will youth participate? This is one of the fundamental questions being asked by YouthSave, a four-country study targeted for young people ages 12 to 18 living predominantly in low-income households. Youth do save informally and, given an opportunity, may also participate in formal banking services (UNCDF, 2011). However, such opportunities are minimal. On the other hand, the limited research available suggests that financial inclusion has important youth development effects and deserves greater study (Chowa & Ansong, 2010; Deshpande & Zimmerman, 2010; Elliott, 2012; Scanlon & Adams, 2009; Ssewamala & Ismayilova, 2009).

YouthSave Pilot

The YouthSave project is a large-scale effort to investigate the potential of savings accounts as a tool for youth development and financial inclusion in developing countries. The project co-creates tailored, sustainable savings products with local financial institutions and assesses their performance and development outcomes with local researchers.

This brief presents findings on account uptake and savings from piloting (July to December 31, 2011) youth savings products in three of the four countries: Ghana, Kenya, and Nepal. The savings product in the fourth country, Colombia, was not pilot tested. These data are intended to provide an early indication of interest and uptake in a few designated branches prior to formal product launch. Based on pilot results, product features may be revised for product launch. Therefore, interpretation of results, comparison to national data,

and cross-country comparisons are limited and should be viewed with caution.

The participating FIs are HFC Bank Limited in Ghana, Kenya Post Office Savings Bank (KPOSB) in Kenya, and Bank of Kathmandu Limited/Ltd. (BoK) in Nepal. As shown in Table 1, HFC and BoK piloted at four branches, and KPOSB piloted at 12 branches. All pilot branches were located in low-income neighborhoods. Other factors for selection included geographic diversity (rural and urban settings), branch capacity, and areas of overlap with regional strengths of Save the Children.

Market research was led by Save the Children in collaboration with the financial institution (FI) in each of these countries to assess and develop product features that would be particularly appealing to lower-income youth (Deshpande, 2012). The product was established as a regular custodial savings account with features that allowed some control by the youth. For example, a minor could independently make deposits but must obtain the signature of a designated trusted adult to withdraw funds. A piggy bank is provided to all account holders at account opening for the youth to save at home. In Ghana and Kenya, a restricted ATM card is available, and in Nepal, the bank provides a free customer identification card.

Pilot product marketing was generally aimed at children in primary and secondary schools but with variation across countries. In Ghana, product marketing was done mainly through junior and senior high schools, where bank staff conducted presentations to publicize the account. In addition, a limited amount of marketing to reach out-of-school youth was conducted by bank staff at venues such as lorry parks and markets but the data



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Table 1. Financial Product Information

Country (Bank)	Ghana (HFC)	Kenya (KPOSB)	Nepal (BOK)
Product name	Enidaso (“Hope”)	SMATA (“Smarter”)	Chetanshil Yuva Bachat Yojana (“Conscientious youth savings scheme”)
Pilot start date	July 18	July 31	September 16
Number of pilot branches	4	12	4

Table 2. Days Since Account Opened

	Total pilot period	Mean	Minimum	Maximum
Ghana	167	98	2	166
Kenya	156	49	1	156
Nepal	107	45	3	105

suggest that they were not successful in this approach. In Kenya, the bank marketed the account through a variety of mechanisms including direct sales at primary schools by branch staff as well as fairs that featured edutainment interventions where youth participants received tips on how to save and manage their money better, and opportunities for account opening, to which both in-school and out-of-school youth were invited. In addition, some branches conducted other initiatives such as holding a stall at pre-existing community events as well as partnering with local youth serving organizations to facilitate account opening among youth. In Nepal, product awareness was generated almost exclusively through financial education activities held in and around primary and secondary schools within the catchment areas of the pilot branches. The activities included parent-teacher orientations, workshops at which students received information about the account and account opening process, and street dramas (Deshpande, 2012).

Method

At the time of account opening, youth were invited to answer additional individual and household demographic questions developed by the researchers (parents/guardians and bank staff may have assisted the youth in their responses). This information was collected on paper and entered electronically by the FIs. At the end of the product pilot period, the savings account transaction history was linked to the individual account holder’s demographic information for analysis.

Account Uptake

Number of accounts

A total of 1,306 youth signed up for accounts during the pilot period. Of those, 1,000 agreed to provide additional demographic information and participate in the YouthSave pilot study. These 1,000 account holders included 306 in Ghana, 384 in Kenya, and 310 in Nepal.

During the pilot period, one account was closed in Ghana.

Length of participation

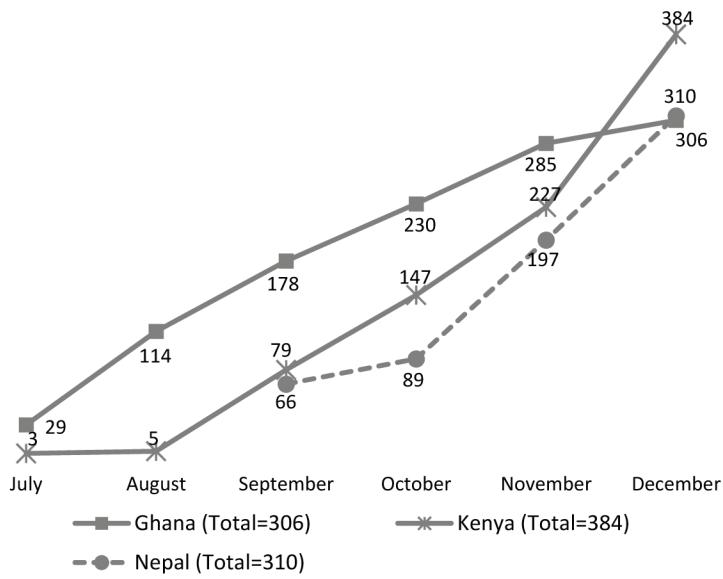
Length of participation in the YouthSave pilot study is defined as the number of days since an account was opened as of December 31, 2011. Due to differences in bank operations and procedures, pilot start dates varied by country (see Table 1). Within each country, pilot start dates also varied by branch. Table 2 shows the total number of days of the pilot study period. In Ghana, the total pilot study period was 167 days, and the average number of days accounts had been open was 98 days with a range of 2 to 166 days. In Kenya, the total pilot study period was 154 days, but the average time accounts had been open was only 49 days. In Nepal, the total pilot study period was 107 days, and average time an account was open was 45 days with a minimum of 3 days and maximum of 105 days.

Figure 1 presents account opening in the YouthSave pilot over time. In Ghana, accounts were opened more evenly across the months than in other countries. In Kenya, only five accounts were opened during the first two months; however, the numbers tended to gradually increase and 157 accounts (about 41% of total accounts opened) were opened in December. In Nepal, participation was highest in the last two months, November and December. Because this was a pilot test, only below-the-line marketing strategies were used, which could account for the slower uptake in some of the countries.

Who are YouthSave Account Holders?

Demographic characteristics of youth participating in the YouthSave pilot study are presented in Table 3. Note that characteristics of the youth and their household may reflect the demographics and geography of the branches participating in the pilot.

Figure 1. Accounts Opened by Month (cumulative)



Gender. Account take up was evenly distributed by gender in all three countries.

Age. YouthSave accounts were targeted to youth between 12 and 18 years of old. Although there were some below and above the range, the majority who signed up for an account were within the target population. Mean participant age was highest in Ghana (14.92), and lowest in Nepal (13.18).

Earned income in past six months. About one-third of the youth in Ghana and Kenya had received income from work in the past six months. In Nepal, only 8% indicated they had income from work.

Experience with formal bank accounts. The proportion of youth who had previously held a formal account was relatively low across the three countries (10% for Kenya, and 4% for Ghana and Nepal).

Reason for saving. When asked why they opened the savings account, most of the youth indicated they were saving for their own education (73% for Ghana, 54% for Kenya, and 82% for Nepal). In Kenya, the proportion of youth who were saving for emergencies (23%) or those saving for day-to-day expenses (12%) was higher, compared to the other two countries.

Characteristics across countries. The findings indicate that all youth demographic characteristics except gender were significantly different across the three countries.

School enrollment. Given the differences in school systems across countries, school enrollment data are presented separately for each country in Table 4.¹ In Ghana, 64% of the youth were enrolled in Junior High School (grades 7-9). In Nepal, the majority was enrolled in secondary school which includes grade 6 and above. In Kenya, 64% of youth were enrolled in primary school

(grades 1-8). Although school level categories vary, it appears that there is some clustering in the 6th to 8th grade level across countries. The proportion of youth who were not in school or who were enrolled in post-secondary education was very low across all three countries. This result likely reflects, at least in part, the choice of the FI to market the product to school children.

Demographic characteristics of households are presented in Table 5.

Head of household (HOH). In all three countries, the majority of youth lived in households whose heads were fathers (77% for Ghana, 75% for Kenya, and 85% for Nepal). The proportion of youth who lived in households headed by mothers was 17% for Ghana, 23% for Kenya, and 10% for Nepal. The number of youth indicating “other” or “self” as being HOH was negligible.

HOH experience with formal bank accounts. Generally, the HOH had experience with formal banking. In Kenya, about 82% of heads of households had formal accounts in financial institutions. The proportions were lower in Ghana (61%) and Nepal (68%). In general, Kenya has a higher percentage of adults who have experience with formal financial institutions than Ghana or Nepal (The World Bank, 2011).

HOH education. Education levels of household heads were highest in Kenya where only 1% of youth lived in households whose head did not have any formal education. In Ghana and Nepal, the percentage of heads of household without formal education was 18% and 25%, respectively. About 42% of youth account holders in Kenya lived in households whose heads completed post-secondary education, compared to 25% for Ghana, and 12% for Nepal.

Table 3. Youth Demographic Composition

Characteristic	Ghana (%)	Kenya (%)	Nepal (%)
	(N=306)	(N=384)	(N=310)
Age (at the time of account opening)			
Less than 12	6	10	23
12-13	21	28	37
14-15	31	27	26
16-18	42	23	10
19-24	1	6	3
24 or more	0	5	1
Mean	14.92	14.31	13.18
Gender			
Male	47	51	49
Female	53	49	51
Income in past six months			
Yes	32	31	8
No	68	69	92
Previous formal account (youth)			
Yes	4	10	4
No	96	90	96
Reason for saving			
For emergencies	9	23	13
For a business	6	4	1
For own education	73	54	82
For relatives' education	5	5	1
For day-to-day expenses	3	12	3
Other reasons	5	2	0

Note: All youth demographic characteristics except gender were significantly different across countries at an alpha-level of .05.

Table 4. School Enrollment in Ghana, Kenya, and Nepal

Ghana	%	Kenya	%	Nepal	%
School level		School level		School level	
Not in school	4	Not in school	2	Not in school	1
Primary (grades 1-6)	6	Primary (grades 1-8)	64	Primary (grades 1-5)	6
Junior high school (grades 7-9)	64	Secondary (grades 9-12)	30	Secondary (grades 6-10)	83
Senior high school (grades 10-13)	27			High secondary (grades 11-12)	9
Post-secondary (above grade 13)	0	Post-secondary (above grade 12)	3	Post-secondary (above grade 12)	0

Table 5. Household Demographic Composition

Household characteristic	Ghana (%)	Kenya (%)	Nepal (%)
	(N=306)	(N=384)	(N=310)
Head of household			
Father	77	75	85
Mother	17	23	10
Self or Other	7	2	5
Previous formal bank account			
Yes (this or other FIs)	61	82	68
No	39	18	32
Education level			
No formal education	18	1	25
Primary	14	21	25
Secondary	43	35	38
Tech school/College/University	25	42	12
Work in agricultural sector			
Yes	11	29	62
No	89	71	38
Employment status			
Salaried	22	38	28
Self-employed	69	49	33
Not employed	4	4	14
Other	5	9	25
Household income			
Strata 1 - less than minimum wage	6	33	27
Strata 2 - less than 2 times min. wage)	21	26	36
Strata 3 - less than 3 times min. wage	26	13	19
Strata 4 - less than 4 times min. wage	15	10	14
Strata 5 - less than 5 times min. wage	6	9	2
Strata 6 - 5 times or more min. wage	25	10	3
Household income mean	3.70	2.66	2.37
Household transportation			
No transportation	64	53	22
Non-motorized	6	21	66
Motorized	30	26	12
Who signed for the account			
Parents	56	79	79
Relatives or others	44	21	21
Mean number of household members	5.29	5.00	5.52

Note: All household demographic characteristics were significantly different across countries at an alpha-level of .05.

Table 6. Total Savings (in national currencies; PPP-converted US dollars in the parentheses)³

Account information	Ghana	Kenya (%)	Nepal (%)
	GCH (\$)	Ksh (\$)	NRS (\$)
Number of accounts	278 ^a	384	310
Total number of deposits	655	611	437
Total number of withdrawals	10	30	2
Total amount of deposits	12,984 (16,435)	405,206 (9,869)	71,701 (1,998)
Total amount of withdrawals	3,893 (4,927)	99,420 (2,421)	3,500 (98)
Total amount of interest	21 (26)	184 (4)	34 (0.95)
Total amount of service fees ^b	163 (207)	1,320 (32)	2 (0.05)
Total net savings ^c	8,948 (11,327)	304,650 (7,420)	68,234 (1,901)

a. Account holders (28) who did not make any transactions are removed from the Ghana sample

b. Service fees include taxes and debit card charges.

c. Net savings = deposits + interest - withdrawals - service fees

Table 7. Average Total Savings Per Account (in national currencies; PPP-converted US dollars in the parentheses)

Account information	Ghana	Kenya (%)	Nepal (%)
	GCH (\$)	Ksh (\$)	NRS (\$)
Number of accounts	278 ^a	384	310
Average number of deposits per account	2.36	1.59	1.41
Average number of withdrawals per account	0.04	0.08	0.01
Average amount of deposits per account	46.70 (59.12)	1,055.22 (25.70)	231.29 (6.44)
Average amount of withdrawals per accounts	14.00 (17.72)	258.91 (6.30)	11.29 (0.31)
Average amount of interest per account	0.07 (0.09)	0.48 (0.01)	0.11 (0.003)
Average amount of service fees per account ^b	0.59 (0.74)	3.44 (0.08)	0.01 (0.0002)
Average total net savings per account ^c	32.19 (40.74)	793.36 (19.32)	220.11 (6.13)

a. Account holders (28) who did not make any transactions are removed from the sample

b. Service fees include taxes and debit card charges

c. Net savings = deposits + interest - withdrawals - service fees

Table 8. Average Monthly Savings Per Account (in national currencies; PPP-converted US dollars in the parentheses)

Account information	Ghana	Kenya	Nepal
	GCH (\$)	Ksh (\$)	NRS (\$)
Number of accounts	278 ^a	384	310
Average monthly amount of deposits	11.30 (14.30)	539.19 (13.13)	123.45 (3.44)
Average monthly amount of withdrawals	2.65 (3.36)	90.42 (2.20)	5.24 (0.15)
Average monthly amount of interest	0.01 (0.02)	0.20 (0.005)	0.03 (0.0008)
Average monthly amount of service fees ^b	0.11 (0.15)	1.74 (0.04)	0.001 (0.00004)
Average monthly net savings per account ^c	8.54 (10.81)	447.24 (10.89)	118.23 (3.29)

a. Account holders (28) who did not make any transactions are removed from the sample

b. Service fees include taxes and debit card charges

c. Net savings = deposits + interest - withdrawals - service fees

HOH employment in agriculture sector. In Nepal, the majority of household heads (62%) were employed in agricultural sectors. Only 11% and 29% of household heads were employed in agricultural sectors in Ghana and Kenya, respectively. The difference between Nepal and the African countries is consistent with the locations and regional demographics of the pilot branches.

HOH employment status. Regarding employment status of household heads, the proportion of self-employed heads was highest in Ghana (69%), compared to Kenya (49%) and Nepal (33%). About 14% of youth in Nepal lived in households whose heads were not employed, and this proportion was higher than in Ghana (4%) or Kenya (4%).

Household income. Household income is based on the International Labor Organization's 2009 minimum monthly household income in each country (ILO, 2010).² The majority of the youth account holders in all countries identified themselves as living in households in the lower income strata. Mean household income strata was highest in Ghana (3.70), followed by Kenya (2.66), and Nepal (2.37).

Household transportation ownership. Most youth reported their family had no transportation or owned only non-motorized transportation (88% in Nepal, 74% in Kenya, and 70% in Ghana). This could reflect the majority of youth living in lower-income households and the geographic setting of the branch.

Who signed for the account. Predominantly, it was a parent who signed for the account with the youth. However, there was a relatively high number of relatives that signed for the account. For example, in Ghana 44% of the accounts were opened with a relative. In Kenya and Nepal, 21% of accounts were opened with a relative rather than a parent. Perhaps the relative has more time than the parent to take the youth to the bank.

Savings Outcomes

Several descriptive measures of savings outcomes are presented in Tables 6, 7, and 8. Table 6 presents overall measures of total savings outcomes during the entire pilot period for each country.

In Ghana, 278 participants made 655 deposits and accumulated \$16,435. There were only 10 withdrawals, and total amount of withdrawals was \$4,927. Total net savings in Ghana was \$11,327.

In Kenya, 384 participants made 611 deposits and 30 withdrawals. Total amount of deposits, withdrawals, and net savings were \$9,869, \$2,421, and \$7,420.

In Nepal, 310 participants made 437 deposits with a total amount of \$1,998. Total net savings during the entire pilot period were \$1,901.

Next, Table 7 presents measures of total savings per account during the entire pilot period for each country.

Total amounts of deposits per account during the pilot were \$59 for Ghana, \$26 for Kenya, and \$6 for Nepal. Total withdrawals per account were \$18, \$6, and \$0.31 for Ghana, Kenya, and Nepal, respectively. After considering interest earned and service fees, on average, each participant saved \$41 in Ghana, \$19 in Kenya, and \$6 in Nepal during the YouthSave pilot study.

Pilot periods were different across countries as were lengths of account holding. To adjust for savings performance over time, we calculated measures of average monthly net savings (Table 8). Average monthly net savings per account were about \$11 in Ghana and Kenya, and \$3 in Nepal.

Given the brief period of the study, it is not possible to draw conclusions about savings patterns. The large differences across countries can be explained by many factors including differences in per capita income. To account for such differences, we calculated average monthly net savings as a percent of monthly per capita GNI for each country. Youth in Ghana and Kenya saved about 8% of per capita GNI, and, in Nepal, account holders saved about 3% of per capita GNI.⁴ Other factors that could affect savings performance include variation in youth and household demographics, differences in pilot implementation, and other unobserved social, political, and cultural differences. These factors will be explored further during product rollout.

Conclusions

This brief offers a glimpse into initial account take up and savings performance of youth in Ghana, Kenya, and Nepal. Early findings suggest that low-income youth who have never participated in the formal financial sector will participate and save in formal financial savings products. Specifically, at this early stage we can say that:

- Youth are signing up for accounts. There were 1,306 accounts opened over an average of 143 days across 20 branches in Ghana, Kenya, and Nepal.
- The FIs are reaching the target population. The majority of youth account holders are in the lower income strata, although in Ghana 25% of the youth reported the highest income strata (five times or more minimum monthly wage). Across the countries, household income averages two times the minimum monthly wage with an average household size of five members.
- Youth are saving in small amounts. In Ghana and Kenya, average monthly net savings per account is \$11, and in Nepal the average per month is \$3.
- Few out-of-school youth are opening accounts, perhaps due to FI choice to focus on schools as the primary delivery channel during the pilot period.
- Approximately 70% of parents or guardians have had prior experience with a formal banking system but more than 90% of the youth have not.

These data are preliminary, based only on product piloting. Since official product launch in May 2012, these products are now available more widely across branches. Data collection and analysis will continue over the next few years and will provide a unique opportunity to learn whether youth, especially low-income youth, participate in formal savings accounts and if, over time, they are able to save.

Endnotes

1. For product rollout, we expect to obtain grade-level data to create more comparable categories across countries.
2. Six income strata were created for each country. The first income stratum includes households with less than minimum wage; the second includes households with minimum wage to less than 2 times minimum wage; the third includes households with 2 times to less than 3 times minimum wage; the fourth includes households with 3 times to less than 4 times minimum wage; the fifth includes households with 4 times to less than 5 times minimum wage; the last stratum includes households with 5 times minimum wage or more.
3. For all amounts, we use the purchasing power parity (PPP) conversion rates for 2011 drawn from the IMF World Economic Outlook (WEO) dataset (<http://www.imf.org/external/pubs/ft/weo/2012/01/index.htm>)
4. To account for different income levels across countries more accurately, average monthly net savings may need to be adjusted by average household income among YouthSave account holders in each country. For this initial pilot data, we did a simple calculation of average monthly net savings using monthly per capita GNI of each country; thus caution should be used in interpreting these findings.

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