



Center for Social Development

GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK

RESEARCH BRIEF

| SEPTEMBER 2009 | CSD PUBLICATION NO. 09-52 |

Innovations in Youth Saving and Asset Building around the World

By *Rainier Masa*

More than 1.2 billion people in the world are between the ages of 10 and 24. The economic and financial potential of this very large group of youth has led to innovations in youth savings products, services, and policies.

Potential impacts of savings on the development of young people have informed and spurred the emergence of youth saving and asset building in many countries.

This brief on youth saving provides an overview of the growing number and encouraging results of innovations in youth savings around the world.

Developed economies

Several developed economies have recently implemented or are proposing policies that promote saving and asset building for every child starting from birth, known as Child Development Accounts or CDAs (Loke & Sherraden, 2009). CDAs are savings or investment accounts for children that provide a structured opportunity to save and accumulate assets as early as birth (Sherraden, 1991). CDAs allow parents and children to accumulate savings for purposes such as education, homeownership, or business initiatives. In many cases, public and private matching funds are deposited into these accounts to supplement savings for the child. Canada, Hong Kong, Singapore, South Korea, and the United Kingdom have CDA policies. In

the United States, a research initiative known as Saving for Education, Entrepreneurship, and Downpayment (SEED) is leading the way to test the efficacy of and inform a national CDA policy.

Canada (6.5 million youth)¹

The Canada Education Savings Grant (CESG) provides low-income families a vehicle to encourage savings for a child's post-secondary education. As of June 2007, over three million children have received government contributions amounting to 3.5 billion CAD (3.1 billion USD). Prior to the launch of CESG, only 700,000 accounts had been opened (Loke & Sherraden, 2009).

Hong Kong, SAR (1.3 million youth)

The government of Hong Kong officially launched the 300 million HGD Child Development Fund (CDF) in November 2008. Over 13,600 children aged 10 to 16 from low-income families are expected to benefit from the CDF. The monthly savings target for each participating child is 200 HKD (26 USD) (Sherraden & Zou, 2009).

Singapore (0.9 million youth)

Singapore has three CDA programs: the Baby Bonus scheme (birth to age 6), Edusave (ages 6 to 16), and Post-Secondary Education Account (ages 7 to 20). As of January 2007, 420 million SGD (292 million USD) had been disbursed to 133,000 newborns, and 89,000 post-



Washington University in St. Louis

secondary education accounts had been co-funded with government matches totaling 270 million SGD (187 million USD). In addition, the Singapore government transferred 125 SGD million (87 million USD) into 440,000 Edusave accounts (Loke & Sherraden, 2009).

South Korea (10.2 million youth)

The South Korean government started its CDA program by targeting 41,500 children in the welfare system. Since its launch in 2007, the Didim (“stepping stone”) Seed Savings Account has opened over 31,000 CDAs. Almost every child (98.1%) made at least one deposit during the first nine months of the program. In addition, the majority of participants expect that their savings will be helpful when they grow up and reported that their savings had increased after their accounts were open (Kim, Kim, & Hong, 2007). On average, each account received deposits of 36,000 KRW (29 USD) per month (Nam & Han, 2009). Plans are underway to expand coverage to children born into low-income families.

United Kingdom (11.7 million youth)

The Child Trust Fund (CTF) is a savings and investment account for all children living in the UK born on or after September 1, 2002. The CTF aims to encourage people to develop a saving habit, understand the benefits of saving and investing, and engage with financial institutions. As of January 2009, more than 4 million Child Trust Fund (CTF) accounts have been opened since 2005. In addition, 72% of low-income households opened accounts or had initiated contact with the CTF. During 2007-2008, 24% of all CTF accountholders, including 14% of low-income families, made additional contributions (HM Revenue and Customs, 2008). Furthermore, 31% of accounts opened by parents of low-income children made regular contributions via monthly direct deposit into CTF accounts (The Children’s Mutual Fund, personal communication, November 24, 2008). CTF was also found to have a positive impact on savings, particularly parents’ intention and expectation to save more for their children. Seven in ten parents (70%) anticipated saving more into their child’s CTF account, while 56% of low-income households that opened CTF accounts believed that CTF would encourage them to save more for their children (Kempson, Atkinson, & Collard, 2006). Furthermore, half (50%) of the parents with older children intended giving savings equivalent to the CTF endowment to their older children, while three quarters (77%) of parents who

planned to save money into the CTF anticipated saving a similar amount for their other children as well (Kempson, Atkinson, & Collard, 2006).

United States (64.4 million youth)

Saving for Education, Entrepreneurship, and Downpayment (SEED) is a policy, practice, and research initiative to test the efficacy of and inform a national Child Development Account (CDA) policy in the United States (Sherraden & Clancy, 2005). SEED participants are primarily children and minority youth in low-income families. As of December 31, 2007, 1,171 participants at 10 community-based programs accumulated almost 1.8 million USD through a combination of SEED incentives, their own deposits, and earnings. On average, each child received 1,518 USD in “seed” deposits as an investment for the future (Mason, Nam, Clancy, Loke, & Kim, 2009).

Developing economies

Nearly 90% of the world’s 1.2 billion youth are in developing countries. By 2050, about nine in 10 youth will live in developing economies (UN Population Division, 2008). The huge potential impact of youth on the future has led stakeholders—including non-governmental organizations, financial providers, social researchers, and policymakers—to develop and implement programs that will prepare young people to take part in building their country’s economy and society. One initiative is children and youth savings programs. Savings initiatives for children and youth in Guatemala, Kenya, Malaysia, Mexico, Sri Lanka, Thailand, and Uganda have shown encouraging results. These programs and their results may inform a national platform of more inclusive and progressive savings programs and CDA policies in developing economies.

Guatemala (4.3 million youth)

The Guatemalan credit union system conducted market research, introduced youth savings, and launched a full-fledged marketing campaign for youth savers in 1996. By end of 2001, youth savers made up 21.7% of the 406,074 member clients in 28 credit unions. Total youth deposits reached 6.4 million GTQ (780,000 USD) the same year (WOCCU, 2001).

Kenya (12.2 million youth)

The Tap and Reposition Youth (TRY) project in Kenya tested youth savings accounts for out-of-school adolescent girls and young women aged 16 to 22

residing in low-income and slum areas of Nairobi. On average, participants doubled their savings from 1,700 to 3,300 KES (23 to 44 USD) from 2001 to 2004. TRY participants had significantly more savings than non-participants. In addition, they were more likely to keep savings in a safer place, compared to non-participants who were more likely to keep savings at home where they were at greater risk of being stolen or confiscated by parents, guardians, or husbands (Erulkar & Chong, 2005).

Malaysia (7.4 million youth)

Bank Simpanan Nasional (BSN), a development bank in Malaysia, is actively promoting its Young Savers Club (YSC), a program that promotes savings activities among children and youth ages 6 to 20. As of 2007, BSN had 60,000 YSC members, with total savings of 49 million MYR (13.9 million USD) (WSBI, 2007). In addition, BSN also participates in a "School Adoption Program" that educates schoolchildren on the importance of saving and sound financial decision making.

Mexico (31.7 million youth)

Caja Popular Mexicana, the largest credit union in Mexico, and its partners (World Council of Credit Unions and California and Texas credit union leagues) implemented new product developments and financial education programs to attract more youth savers. As of June 2005, CPM held more than 183,795 youth savings accounts. The number of youth savings accounts increased tremendously from only 2,336 in 2001 to almost 200,000 in 2005 (WOCCU, 2005). In addition, Oportunidades, Mexico's conditional cash transfer program, has a youth savings component that encourages beneficiaries to complete secondary education. The program gives 4,500 MXN (336 USD) in a savings account upon completion of high school or grade 12. Oportunidades covers approximately 5 million poor households (Fiszbein & Schady, 2009).

Senegal (4.1 million youth)

PosteFinances, a postal savings bank in Senegal, made an agreement with the National Agency for the Welfare of Young Children for opening free savings accounts for underprivileged children ages 0 to 6 years. Children's sponsors commit themselves to deposit at least 2,300 CFA (5 USD) a month (WSBI, 2007). Savings may be used to pay for educational expenses.

South Africa (14.8 million youth)

The Government of South Africa and the country's private sector launched a three-year pilot project known as the Fundisa Fund program. Fundisa is a savings account that rewards children and their families and friends for saving for education. It offers low-income families the opportunity to save for their children's college or university education for as little as 40 ZAR (5 USD) a month. A savings match of up to 600 ZAR (74 USD) per year can be added to the account (Fundisa, n.d.). The accounts are available at any Absa Bank, Nedbank and Standard Bank branches, as well as South African Post Offices.

Sri Lanka (5.4 million youth)

Hatton National Bank (HNB) and National Savings Bank (NSB) are two leading financial institutions in Sri Lanka that have been recognized for their children and youth savings efforts. As of June 2007, Sri Lanka's HNB held more than 400,000 savings accounts, opened for children in over 150 school banking units. These products account for 18% of HNB's 2.2 million regular savings accounts, and the total volume of these accounts amounts to 4 billion LKR (35.3 million USD), or 6% of the bank's total volume of regular savings accounts (De Montesquiou, 2007). In addition, NSB's youth savings program reached nearly 390,000 youth with total savings of 3.4 billion LKR (30 million USD) by the end of 2005 (WSBI, 2007). SANASA, Sri Lanka's credit union system, also provides youth access to savings accounts. In 2004, youth savings made up 23% of voluntary deposits in more than 8,400 credit unions (WOCCU, 2006).

Thailand (16.1 million youth)

In 1998, the Government Savings Bank (GSB) in Thailand launched a school-based banking scheme offering savings accounts to young people. As of August 2007, GSB opened more than 510,000 accounts with a total amount of 213 million THB (6.25 million USD) (WSBI, 2007).

Uganda (10 million youth)

The SEED/SUUBI-Uganda project tested youth savings accounts for 286 HIV-AIDS orphans ages 12 to 15 who are enrolled in primary school. One hundred and thirty-two participants in the program saved 7.4 million UGX (3,729 USD) not including the 2:1 match; with the match, participants saved a total of 25.3 million UGX (11,187 USD) (Curley, Ssewamala, & Han, in press). Participants saved an average

of 12,700 UGX (6.33 USD) monthly per family. With a match rate of 2:1, the average participant accumulated 38,000 UGX (19 USD) per month or 457,000 UGX (228 USD) per year (Ssewamala & Ismayilova, in press). In addition, participants are more likely to experience increased levels of self-esteem, (Ssewamala, Han, & Neilands, 2009); have a more positive opinion about using HIV prevention methods (Ssewamala, Alicea, Bannon, & Ismayilova, 2008); have a higher level of confidence in their future educational plans; and are less likely to skip school than non-participants (Curley, Ssewamala, & Han, in press).

Conclusion

These examples demonstrate that millions of youth in both developed and developing economies are accumulating assets in savings initiatives around the world. Low-income, disadvantaged, and vulnerable youth and their families are making savings deposits in programs that provide structures and incentives to encourage participation.

Sponsors of youth saving and asset building include governments, public and private banks, credit unions, other financial institutions, non-governmental organizations, and schools. Some youth saving products are simple accounts, while others include seed deposits and savings matches. Some youth saving projects and services include financial education.

This brief review also suggests that youth saving and asset-building programs have the potential to improve the well-being of low-income and vulnerable youth, especially in educational attainment, and also in health and enterprise development.

However, as youth saving and asset-building products, services, and policies continue to expand in many countries, thorough research will be required to understand better what can make these saving products successful, and what their potential impacts may be.

Endnotes

1. Population figures for each country are for youth ages 10-24 in 2006 (Population Reference Bureau, 2006).

References

- Curley, J., Ssewamala, F. M., Han, C.-K. (in press). Assets and educational outcomes: Child Development Accounts (CDAs) for orphaned children in Uganda. *Children and Youth Services Review*.
- Erulkar, A., & Chong, E. (2005). *Evaluation of a savings and microcredit program for vulnerable young women in Nairobi*. Nairobi: Population Council.
- De Montesquiou, A. (2007). *Highlight on savings: Banking on the future*. Retrieved June 12, 2008, from <http://www.microfinancegateway.org/gm/document-1.9.29510/49615.pdf>
- Fiszbein, A., & Schady, N. (2009). *Conditional cash transfers: Reducing present and future poverty*. Washington, DC: the International Bank for Reconstruction and Development/the World Bank.
- Fundisa. (n.d.). *Save for a child's education with Fundisa Fund*. Retrieved May 27, 2009, from http://www.asisa.co.za/fundisa/downloads/fundisa_brochure.pdf
- HM Treasury. (2009). *Four millionth Child Trust Fund milestone reached*. Retrieved July 12, 2009 from http://www.hm-treasury.gov.uk/press_02_09.htm
- HM Revenue and Customs. (2008). *Child Trust Fund detailed distributional analysis 2008*. Retrieved Nov 24, 2008, from http://www.hmrc.gov.uk/stats/child_trust_funds/child-trust-funds.htm.
- Kempson, E., Atkinson, A., & Collard, S. (2006). *Saving for children: A baseline survey at the inception of the Child Trust Fund* (HM Revenue and Customs Research Report No. 18). London: HM Revenue and Customs.
- Kim, M., Kim., H, & Hong, M. (2007). *Effective operation of Child Development Accounts in Korea* (KIHASA Policy Report 2007-85) [in Korean]. Seoul, Korea Institute for Health and Social Affairs.
- Loke, V., & Sherraden, M. (2009). Building assets from birth: A global comparison of Child Development Account policies. *International Journal of Social Welfare*, 18, 119-129.
- Mason, L. R., Nam, Y., Clancy, M., Loke, V., & Kim, Y. (2009). *SEED account monitoring research: Participants, savings, and accumulation* (CSD Research Report 09-05). St. Louis, MO: Washington University, Center for Social Development.

- Nam, Y., & Han, C.-K. (2009). *A new approach to promote economic independence among at-risk children: Child Development Accounts (CDAs) in Korea* (CSD Working Paper 09-02). St. Louis, MO: Washington University, Center for Social Development.
- Population Reference Bureau. (2006). *The world's youth 2006 data sheet*. Washington, DC: Population Reference Bureau.
- Sherraden, M. (1991). *Assets and the poor*. Armonk, NY: M.E. Sharpe.
- Sherraden, M., & Clancy, M. (2005). *SEED universal policy model and research*. St. Louis, MO: Washington University, Center for Social Development.
- Sherraden, M. (2009). *Savings and educational attainment: The potential of college savings plans to increase educational success* (CSD Research and Policy Brief 09-29). St. Louis, MO: Washington University, Center for Social Development.
- Sherraden, M., & Zou, L. (2009). *Asset-based policy in Hong Kong: Child Development Fund* (CSD Policy Brief 09-06). St. Louis, MO: Washington University, Center for Social Development.
- Ssewamala, F. M., Alicea, S., Bannon, W., & Ismayilova, L. (2008). A novel economic intervention to reduce HIV risks among school-going AIDS-orphaned children in rural Uganda. *Journal of Adolescent Health, 42*(1), 102-104.
- Ssewamala, F. M., Han, C.-K., & Neilands, T. (2009). Asset ownership and health and mental health functioning among AIDS-Orphaned adolescents: Findings from a randomized clinical trial in rural Uganda. *Social Science and Medicine, 69*(2), 191-198
- Ssewamala, F. M., & Ismayilova, L. (in press). Integrating children savings accounts in the care and support of orphaned adolescents in rural Uganda. *Social Service Review*.
- United Nations, Department of Economic and Social Affairs, Population Division (2009). *World population prospects: The 2008 revision, highlights* (Working Paper No. ESA/P/WP.210). New York, NY: United Nations.
- World Council of Credit Unions. (2001). *A technical guide to savings mobilization: Lessons from credit union experience* (WOCCU Technical Guide No. 1). Madison, WI: WOCCU.
- World Council of Credit Unions. (2005). *Wegner award to recognize international partnerships: WOCCU, California and Texas leagues with Mexico's largest credit union*. Retrieved July 12, 2009, from <http://www.woccu.org/press/releases?p=pf&id=1031>
- World Council of Credit Unions. (2006). *A technical guide to increasing citizen participation: How credit unions strengthen democracy* (WOCCU Technical Guide No. 6). Madison, WI: WOCCU.
- World Savings Bank Institute. (2007). *Best of WSBI member trainings on savings mobilization: Ten years of sharing innovations in the savings market*. Brussels: WSBI.
- World Savings Bank Institute. (2007). *Examples of WSBI members' initiatives in the field of financial education*. Brussels: WSBI.
- World Savings Bank Institute. (2007). *Savings banks' socially responsible activities, a wealth of experience: Insights from WSBI members in Africa, Asia, and the Americas*. Brussels: WSBI.

Authors

Rainier Masa
rmasa@wustl.edu

Contact Us

Li Zou, International Director
lzou@wustl.edu
(314) 935-3469

Center for Social Development
George Warren Brown School of Social Work
Washington University in St. Louis
Campus Box 1196
One Brookings Drive
St. Louis, MO 63130

csd.wustl.edu



CENTER FOR SOCIAL DEVELOPMENT

George Warren Brown School of Social Work
Campus Box 1196
One Brookings Drive
St. Louis, Missouri 63130-4899