Youth Save Ghana: Testing Impacts of Savings on Youth Financial Capability and Development

2010 - 2015

Background:

Youth in developing countries are able to save and accumulate financial assets if they have access to formal savings products, as well as the encouragement and support to save (Chowa & Ansong, 2010; Ssewamala & Ismayilova, 2009). The Global Financial Index indicates that in 2013, only 44% of the world's youth aged 18 to 25 years had a bank account, and 18% had saved the previous year (Demirguc-Kunt, Asli, Leora Klapper, Dorothe Singer, & Peter Van Oudheusden, 2015). Access to formal financial services leads to higher financial capability, which positively affects economic and financial transitions to adulthood (Johnson & Sherraden, 2007; Lusardi, Mitchell, & Curto, 2010) and other economically enabling behaviors such as future planning (Scanlon & Adams, 2009). However, access and use of formal financial services remain out of reach for youth in resource-limited settings, particularly among lower income families. In addition, youth from many resource-limited countries have low levels of financial literacy (Lusardi, Mitchell, & Curto, 2010). The combination of poor financial literacy and lack of access to financial services poses a substantial risk to the economic future and financial stability of youth.

Youth Save Ghana was a longitudinal cluster-randomized research project. The primary research objective of this project was to investigate the potential of savings accounts as a tool for youth development and financial inclusion in low- and middle-income countries.

Project Award:

$4,000,000 US Dollars

Principal Investigator(s):

Gina Chowa, PhD

Co-Principal Investigator(s):

Isaac Osei-Akoto, PhD

Research Partner(s):

Center for Social Development at Washington University
Institute of Statistical, Social and Economic Research at Univeristy of Ghana

Implementation Partner(s):

HFC Bank
New America Foundation
Save the Children, U.S.
CGAP

Funding Partner(s):

Mastercard Foundation

Research Core(s):

Economic Security
Financial Inclusion

Study Design:

The Ghana experiment used a cluster randomized, longitudinal treatment and control design with a pretest and post-test. The sampling framework included all districts in eight of the 10 regions of Ghana where HFC Bank, the financial institution (FI) partner, operates. We randomly selected 100 Junior High Schools from the 54 districts of HFC's catchment area. The Ghana experiment targeted young people between 12 and 18 years. Using simple random assignment, we assigned 50 schools to treatment and 50 schools to the control. The intervention in the experiment was an experiential financial inclusion program that included a school-based savings program for 25 treatment schools and a marketing outreach savings program for the other 25 treatment schools. We used a list of students compiled from class registers to randomly select 61 to 63 youth from each school using simple random selection. The intervention in the treatment schools provided an opportunity for youth to open savings accounts into which they could deposit small amounts. The savings product was called Enidaso, which means "hope" in Twi, one of the two dialects that make up the Akan macro language in Ghana. The Enidaso account included a free photo automated teller machine (ATM) card that could be used only to check account balance. Withdrawals were restricted for the first three months and could only be made with an adult, although this restriction was later waived for boarding school students, who needed consistent access to their funds. However, youth could make deposits by themselves.

Findings:

Because of the randomization used in the study, we used simple differences between treatment and control groups as estimates of program impacts or treatment effects. Results from both the bank transaction data and survey indicate that greater proportions of youth who received in-school banking had heard of, opened, and deposited into Enidaso accounts compared to youth who only received marketing and the control group. Differences across these three groups regarding who had heard of and deposited into Enidaso accounts were statistically significant ($p < .001$), yet differences regarding those who opened an account were not statistically significant. The difference in Enidaso account uptake between treatment and control groups was statistically significant ($p < .001$). Across four groups (above- and below-average in-school banking, marketing, and control), differences were statistically significant for having heard of Enidaso accounts ($p < .001$) and having made deposits ($p < .001$), but not for having opened an account ($p = .24$). In terms of savings outcomes, treatment youth performed better than control youth. Youth saved an average of GHS 14.09 ($SD = 42.47$) at baseline, increasing to GHS 46.04 ($SD = 224.43$) at endline. Boys reported having more money ($M = 58.82$, $SD = 297.80$) at endline than girls ($M = 33.37$, $SD = 109.88$, $p < .001$). Overall, treatment youth were more likely to be oriented toward success and less likely to be uncertain of the future than control youth. For educational outcomes, findings showed nuanced positive trends for aspirations for higher education, academic self-efficacy and commitment to school. On health outcomes, modest but positive effects on attitudes toward condom use and HIV prevention were seen for treatment group.

Next Steps:

The findings of the Ghana experiment demonstrate the impact of early savings on youth development outcomes. Though in-school banking had the largest impacts, both in-school banking and marketing outreach interventions had impacts on account uptake, usage, savings, awareness of financial services, postponing consumption. These findings indicate how youth savings programs can provide an opportunity for young people to experience hands-on learning on spending choices and the value to save, which in turn increase young people's self-efficacy and confidence and overall well-being. These youth development outcomes could translate into well-being outcomes and economic inclusion for their families and communities. Integrating financial capability programs in youth development policies could be a way to employ cost-effective interventions that have multidimensional impacts on youth. This is attractive to governments in resource-limited countries.