Child and Youth Financial Inclusion

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Takeaways

- Not going to hear “do this and all will be solved”
  - If problems were that easy, we wouldn’t have such gatherings…
- Two main hoped-for takeaways:
  - Get ideas on best ideas, inspired by theory, tested in practice
  - Answer is often in the process
    - The “how” is as important as the “what”
    - Lesson for the high-level:
      - Setup the right process for a learning program

When to translate research to action?

- How do you translate lessons from place A to B?
  - Good theory
  - Good evidence

Session Overview

1. Policy Challenges
   – Youth unemployment
   – School financing for households
2. Case studies
3. Conclusions & Way Forward

Big Picture: Two Policy Challenges

- Youth unemployment
  - Regulatory
  - Labor market frictions
  - Human capital: vocational, basic skills and character
  - Access to finance (for both education & entrepreneurship)
- School finance for households
  - Take Egypt as an example
    - Financing for tutoring, school supplies, fees, exams.
    - Low access to savings
    - Similar issues around the world.

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Translating research to action

Step One: What is the theory of change?

- “Economic” failures
  - Perfect information??
    - High search costs or information acquisition costs
  - Zero transaction costs??
    - High transaction costs for bank accounts
  - Both?
- “Behavioral” failures
  - Disciplines, time inconsistency, attention
  - Youth: Perhaps “behavioral” failures can be addressed, but before habits and behavioral patterns are formed?
  - Commitment: how to structure?

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Translating research to action: Step two: Tinkering

- One key lesson:
  - Subtle variation: savings account withdrawal in cash or voucher?
  - Tinkering matters!
  - Sometimes the “idea” isn’t what matters so much.
  - But the “how” is what matters very much.

New Evidence in Child and Youth Finance

THREE EXAMPLES

SaLSa

The Policy Problem

- Youth (16-28)
  - Forming long term habits
  - Entrepreneurship/labor: need money to make money, facilitate savings
- The specific challenge:
  - Education alone sufficient?
  - Account access alone sufficient?
  - Or need both?

Access to Accounts Theory of Change

Access to Savings Accounts → Exposure to services → Awareness of what's available → Trust services → **Improved savings behavior**

Financial Education Theory of Change

Financial Education → Precise financial knowledge → Understand financial self → Trust financial services → Informed financial decisions

1. SaLSa – Uganda

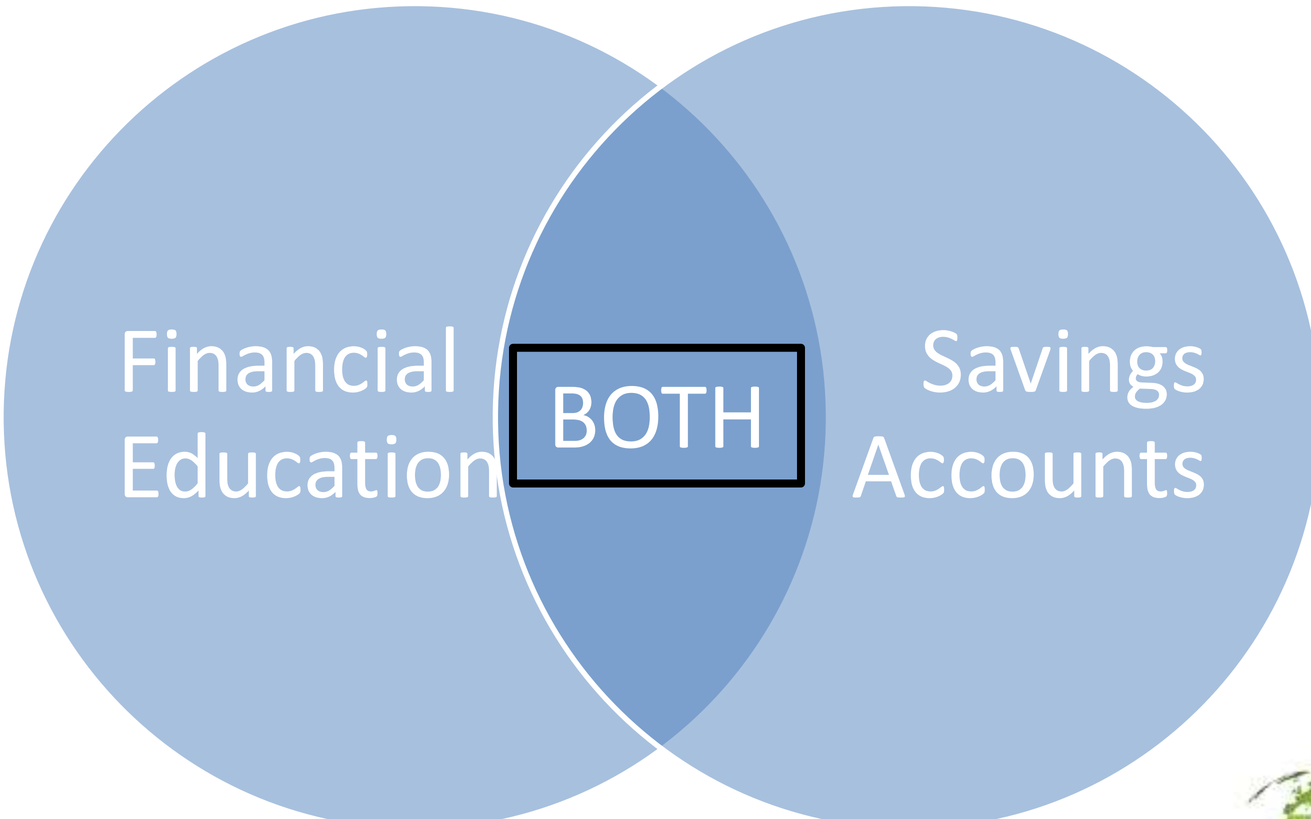
Relative impacts of 2 programs:

Financial education and **Group savings account**

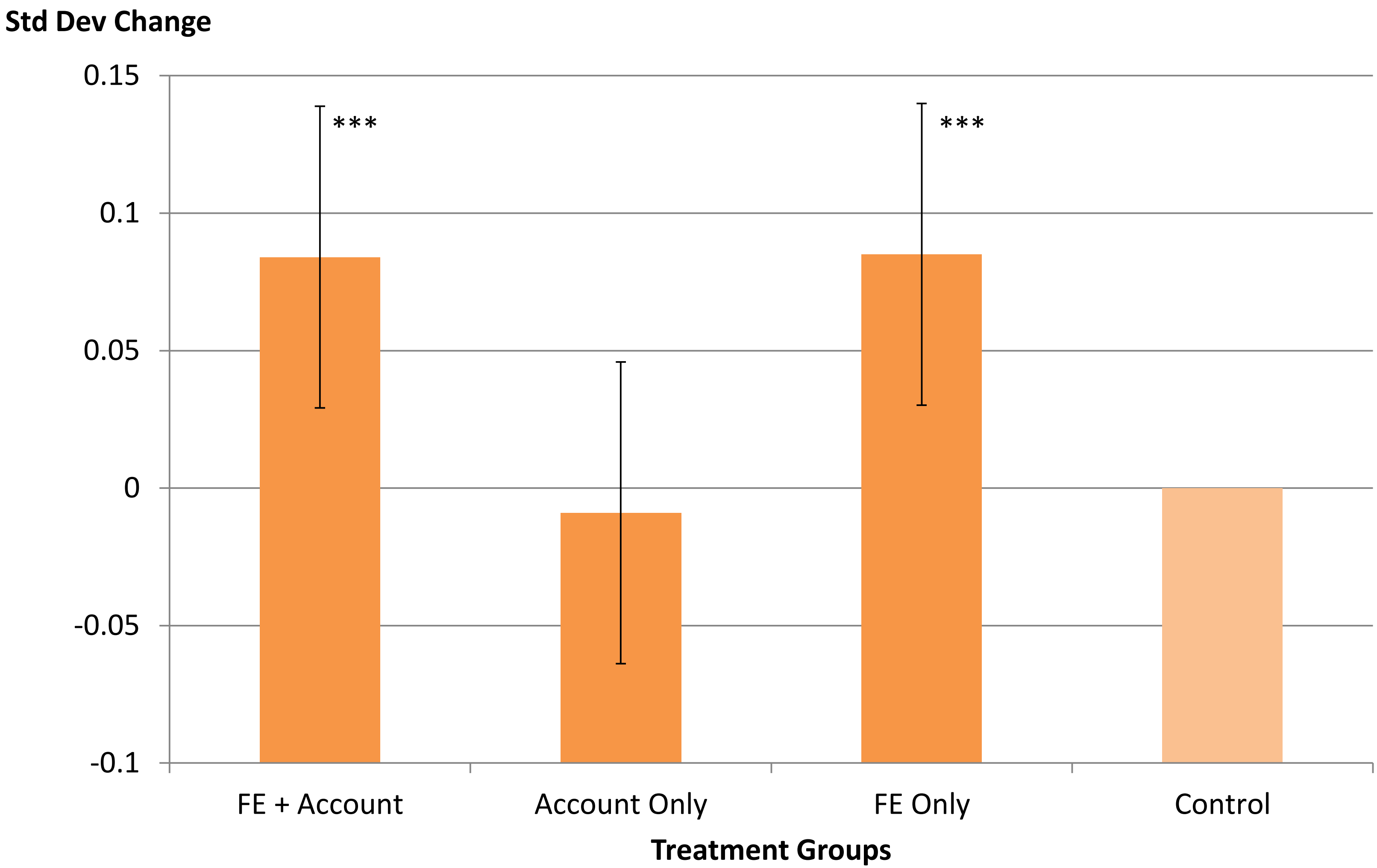
- Church of Uganda youth groups (16 – 28 years)
- May 2010 – August 2011

Research Questions

Intersection of Programs

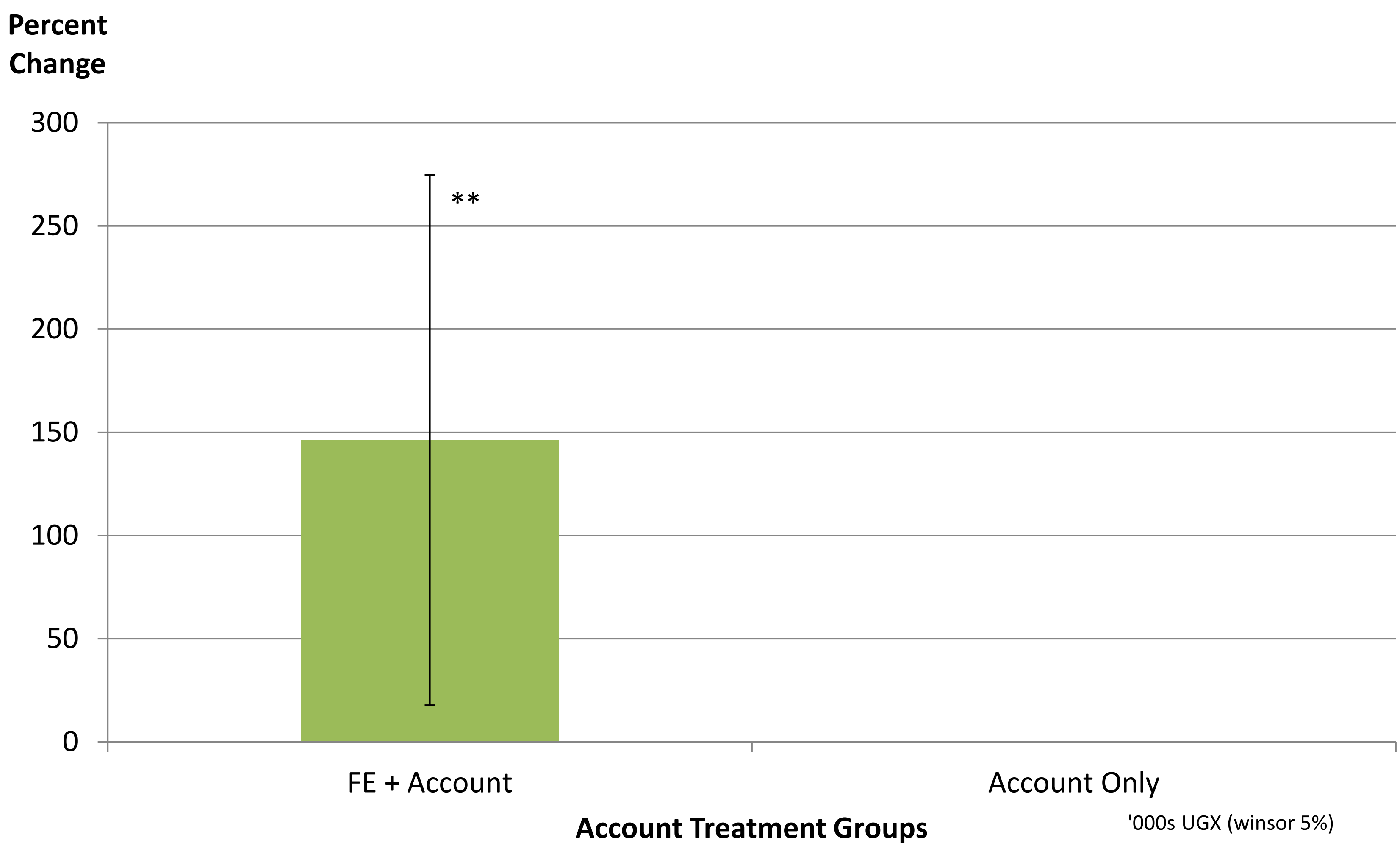


SaLSA: Financial Knowledge Index

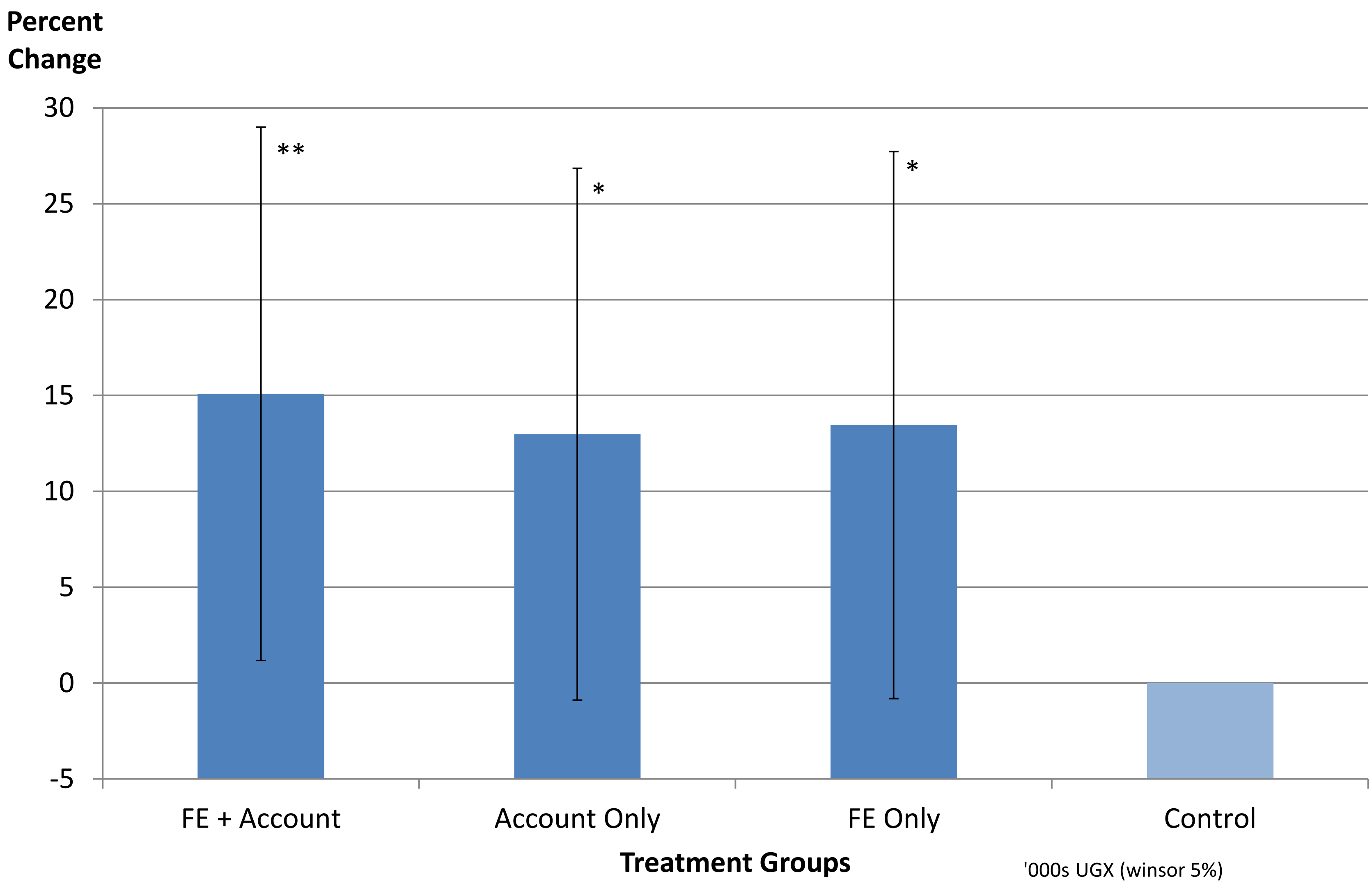


SaLSA: Total Self Reported Savings

SaLSa: Final Balance of Deposits, Admin



SaLSa: Total Earnings



Super Savers

Policy Challenge

- Households report lacking funds for education expenses

- Many choices:
  - Subsidize school expenses more
    - Budget
    - What to subsidize?
  - Improve school quality, training, etc.

- Tinkering matters!

Basic theory

- Basic problem: no cash for school expenses
- Yet stated desire to have savings

- We all make plans
- And fail
- And regret

- And do it again

Super Savers – Uganda

Variations on savings accounts:

Cash payout vs **Voucher payout**

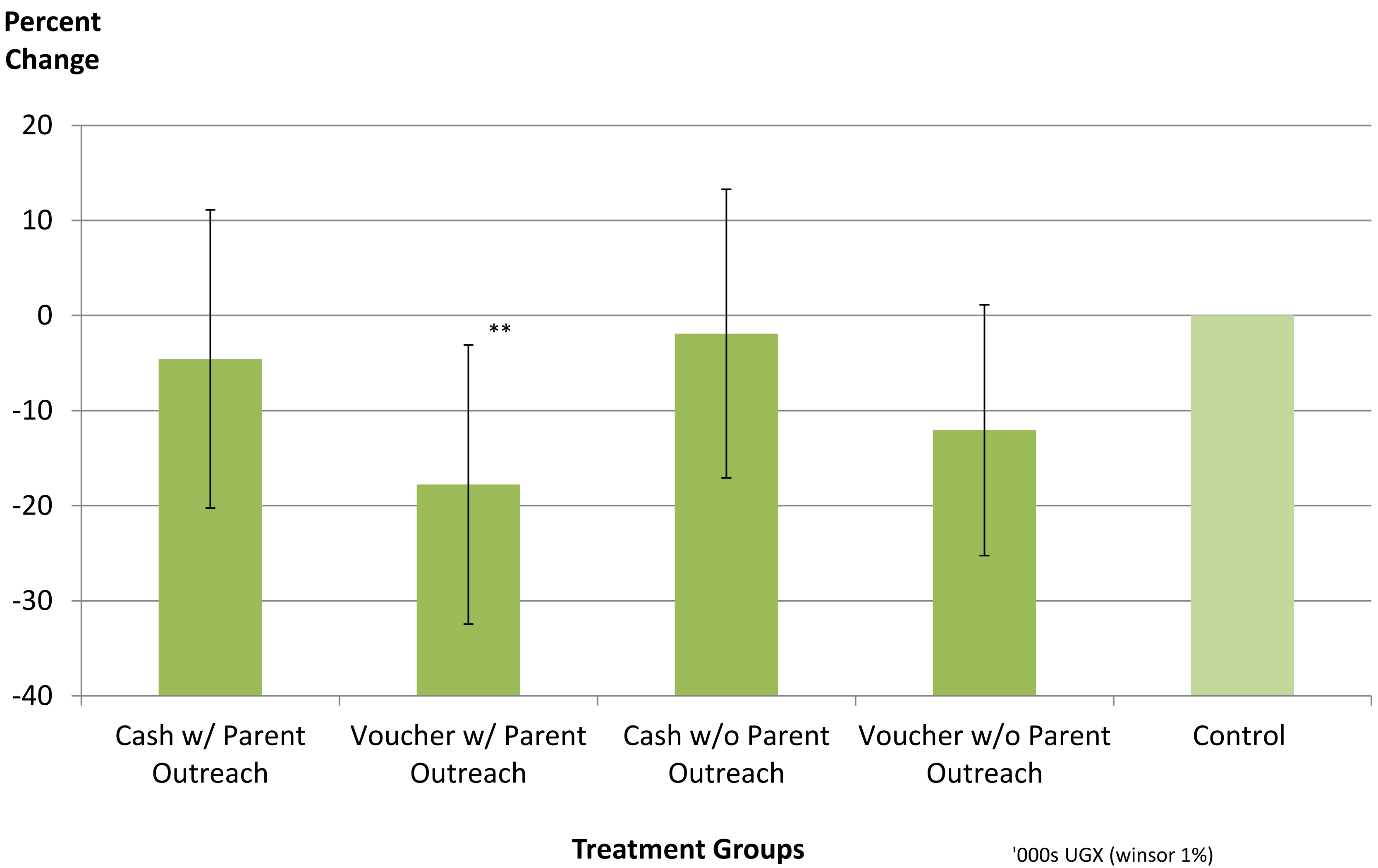
- Variation on parent participation
- Primary schools (10 – 15 years)
- September 2009 to September 2011

Outcomes of Interest

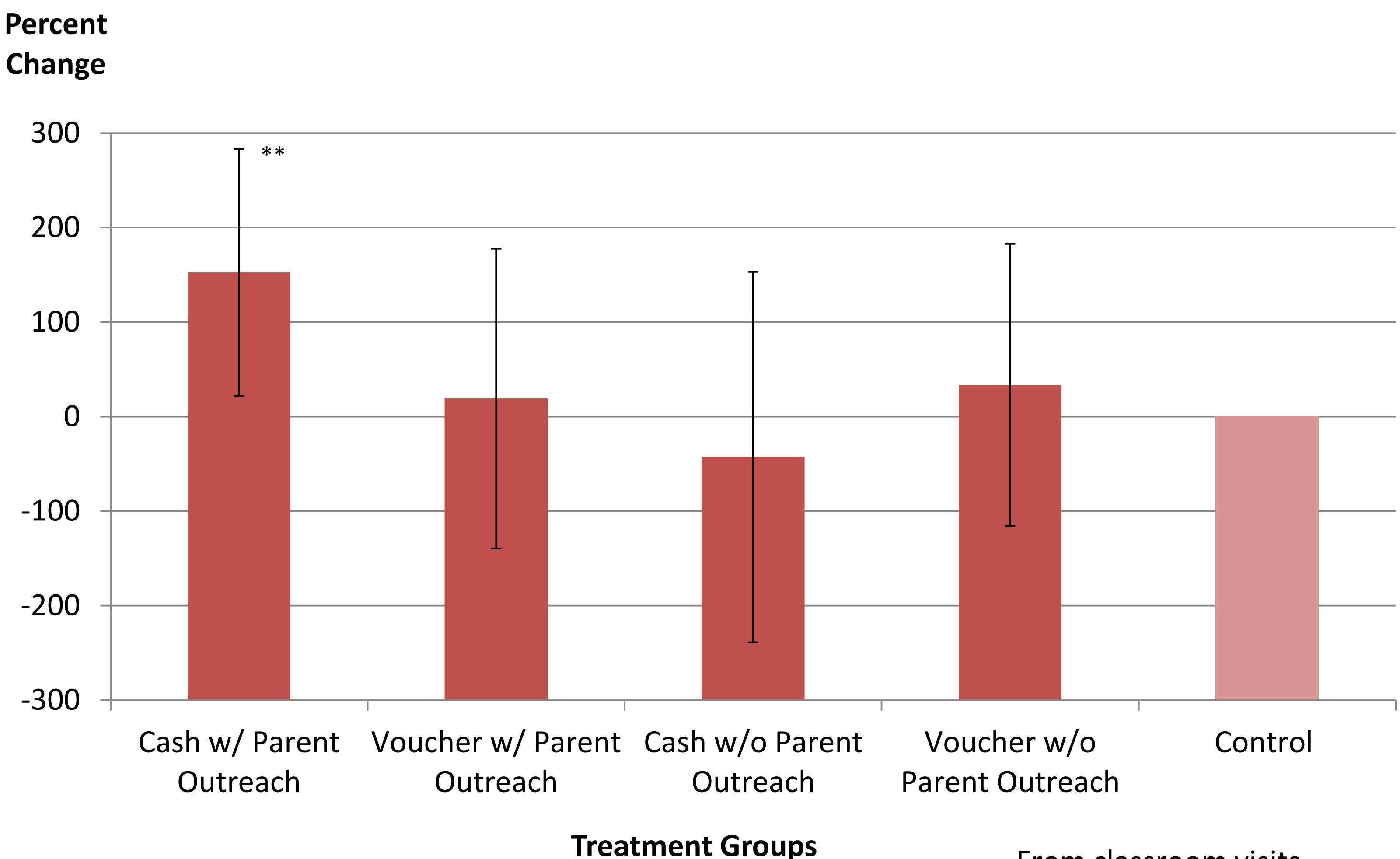
- Savings behavior
  - Self-reported behavior
  - Administrative data (Super Savers)

- Also interested in process outcomes, to understand
  - Intermediate outcomes/process outcomes
  - Results on savings

Super Savers: Self Reported Savings

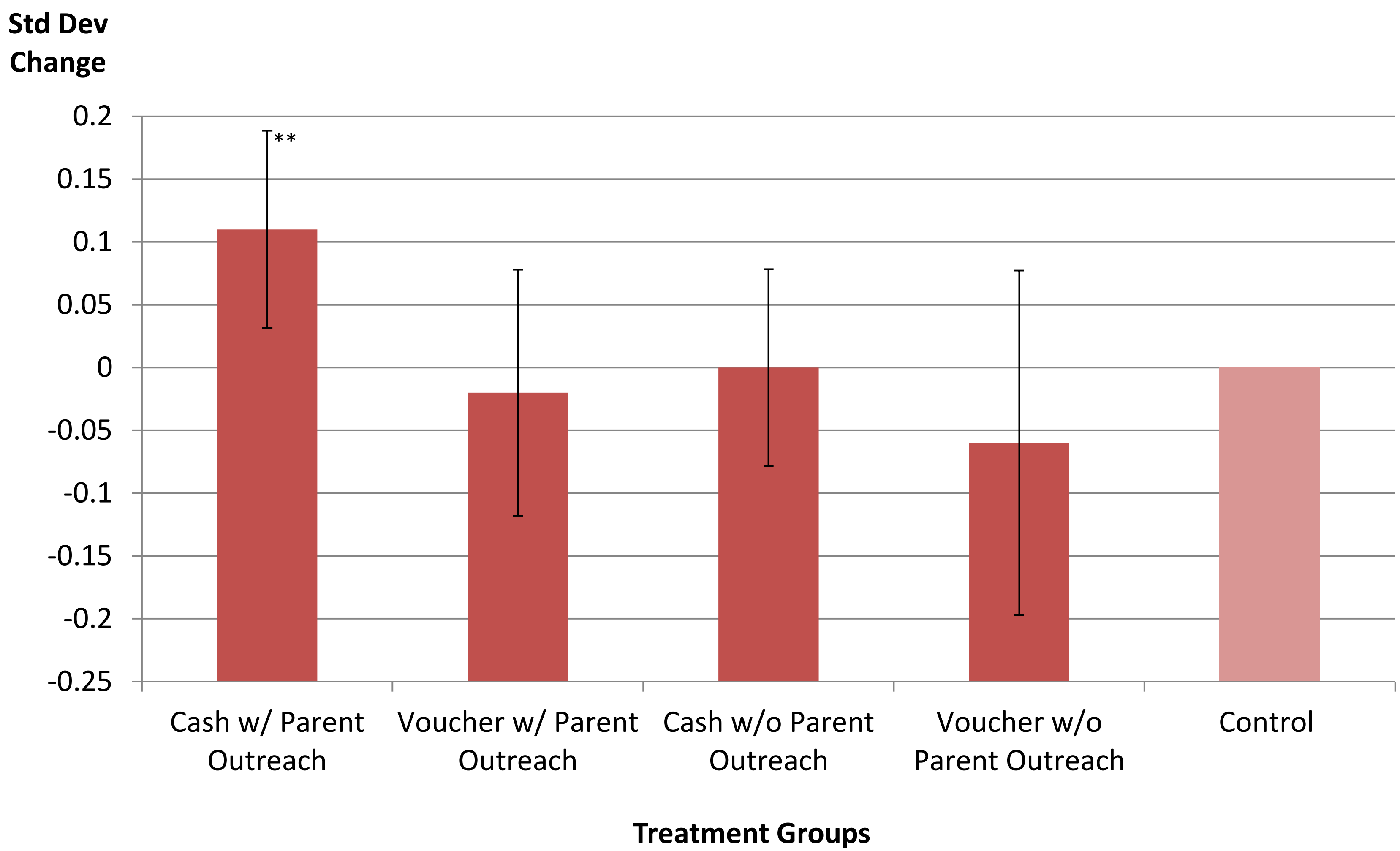


Super Savers: 2011 School Supplies Index



From classroom visits

Super Savers: Normalized Test Scores



Aflatoun

3. Aflatoun – Ghana

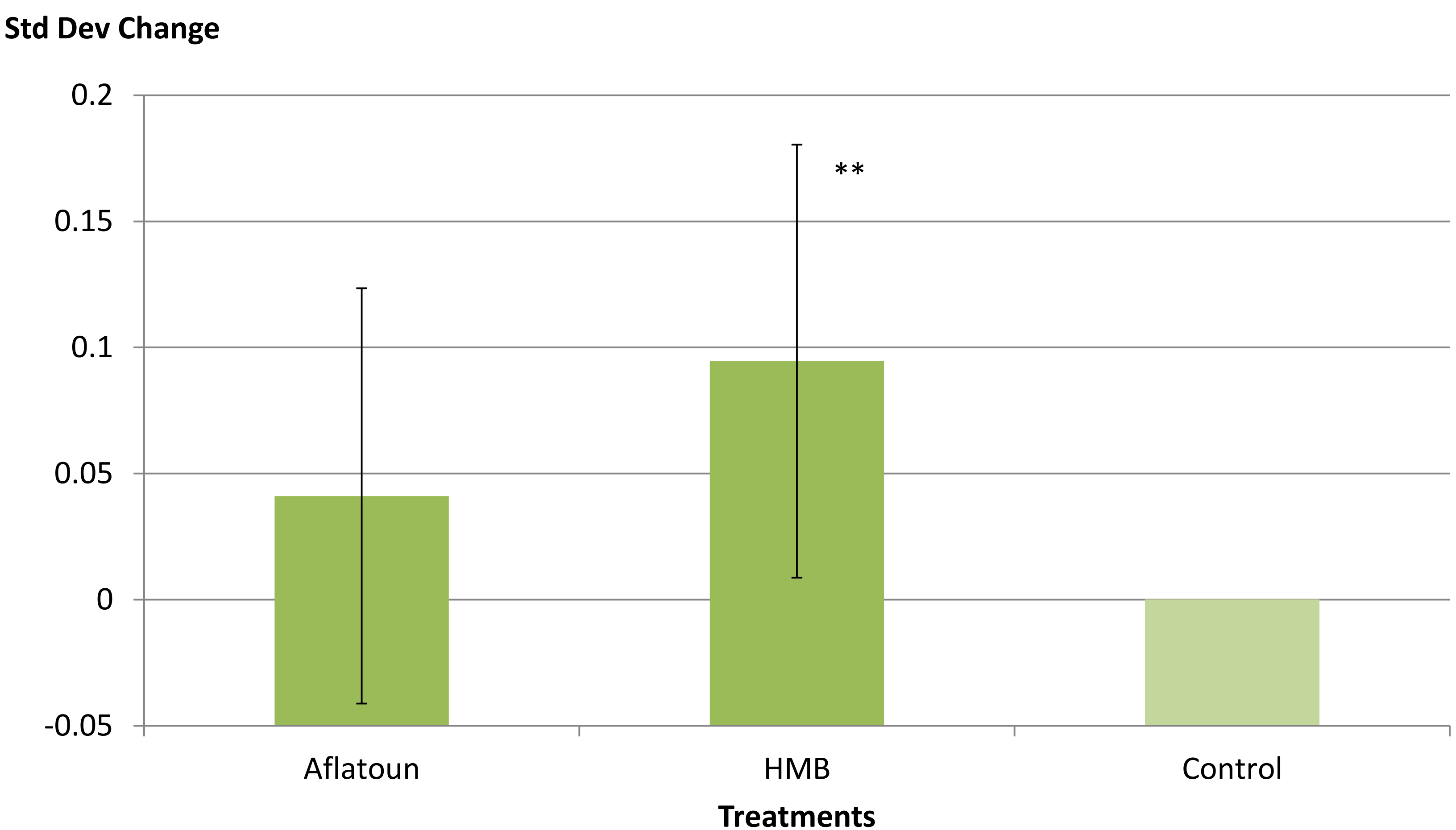
Variations on financial education:

Social & financial education vs

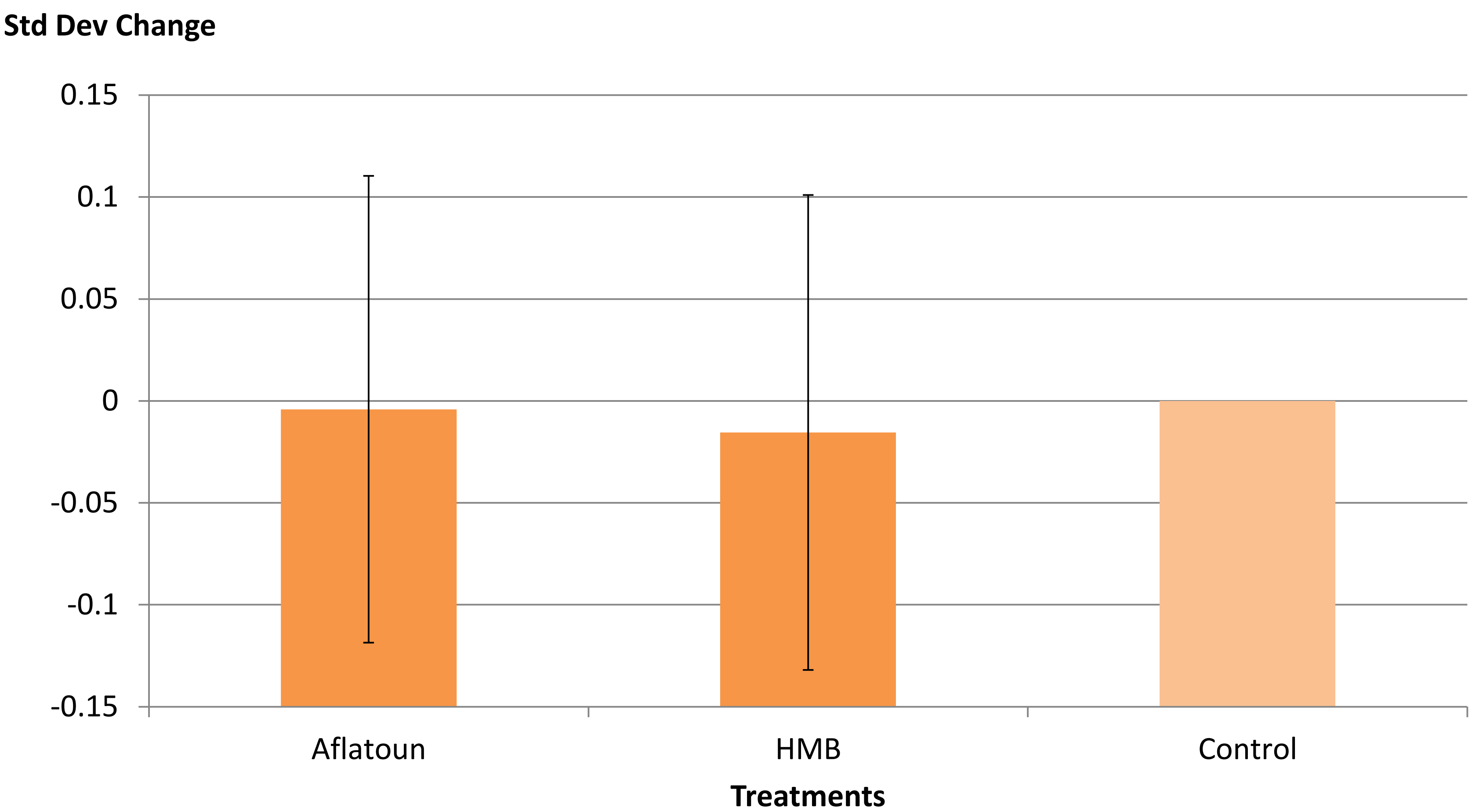
Financial education only

- With school savings club
- Primary and junior secondary schools (6 – 14 years)
- August 2010 to July 2011

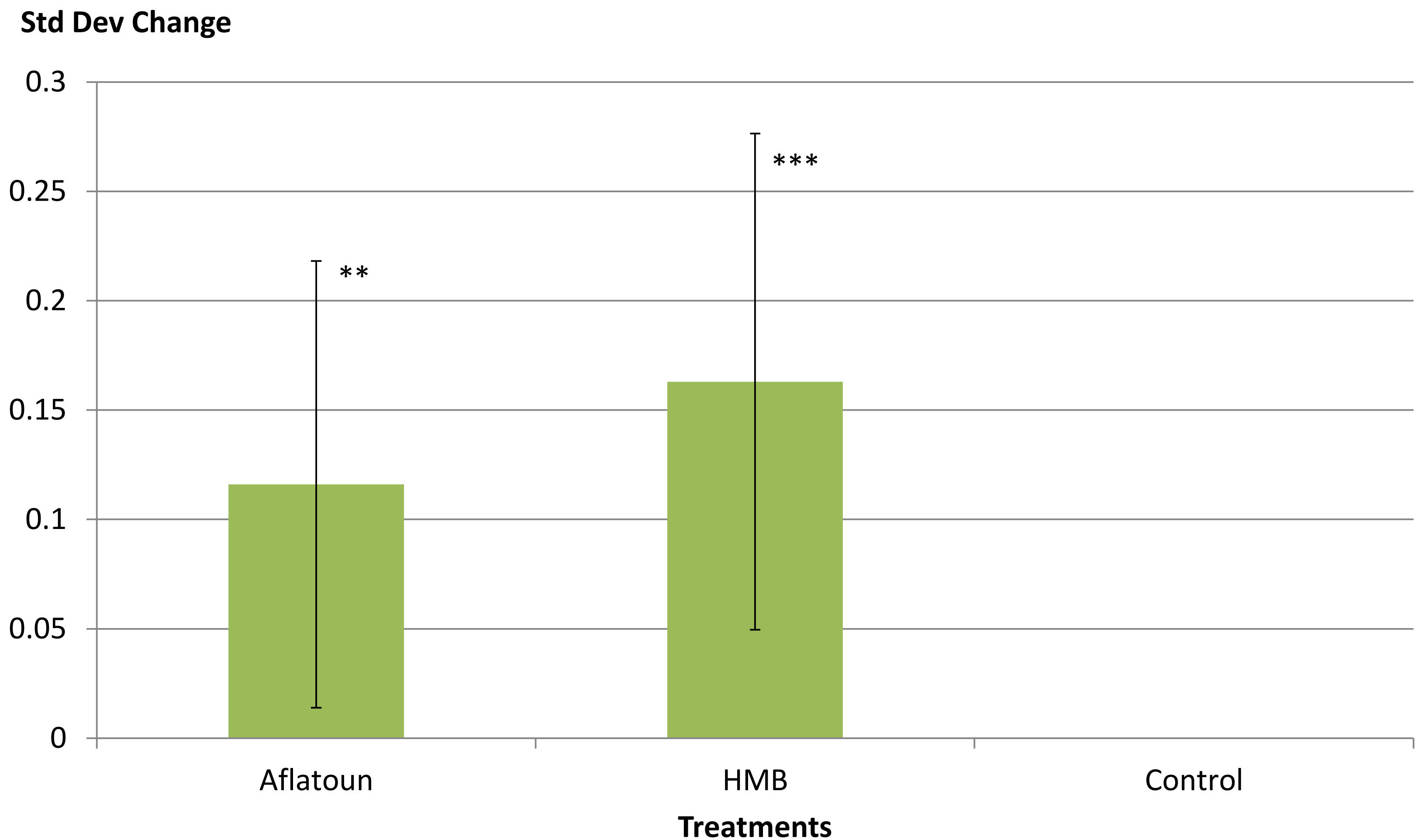
Aflatoun: Savings Attitude Index



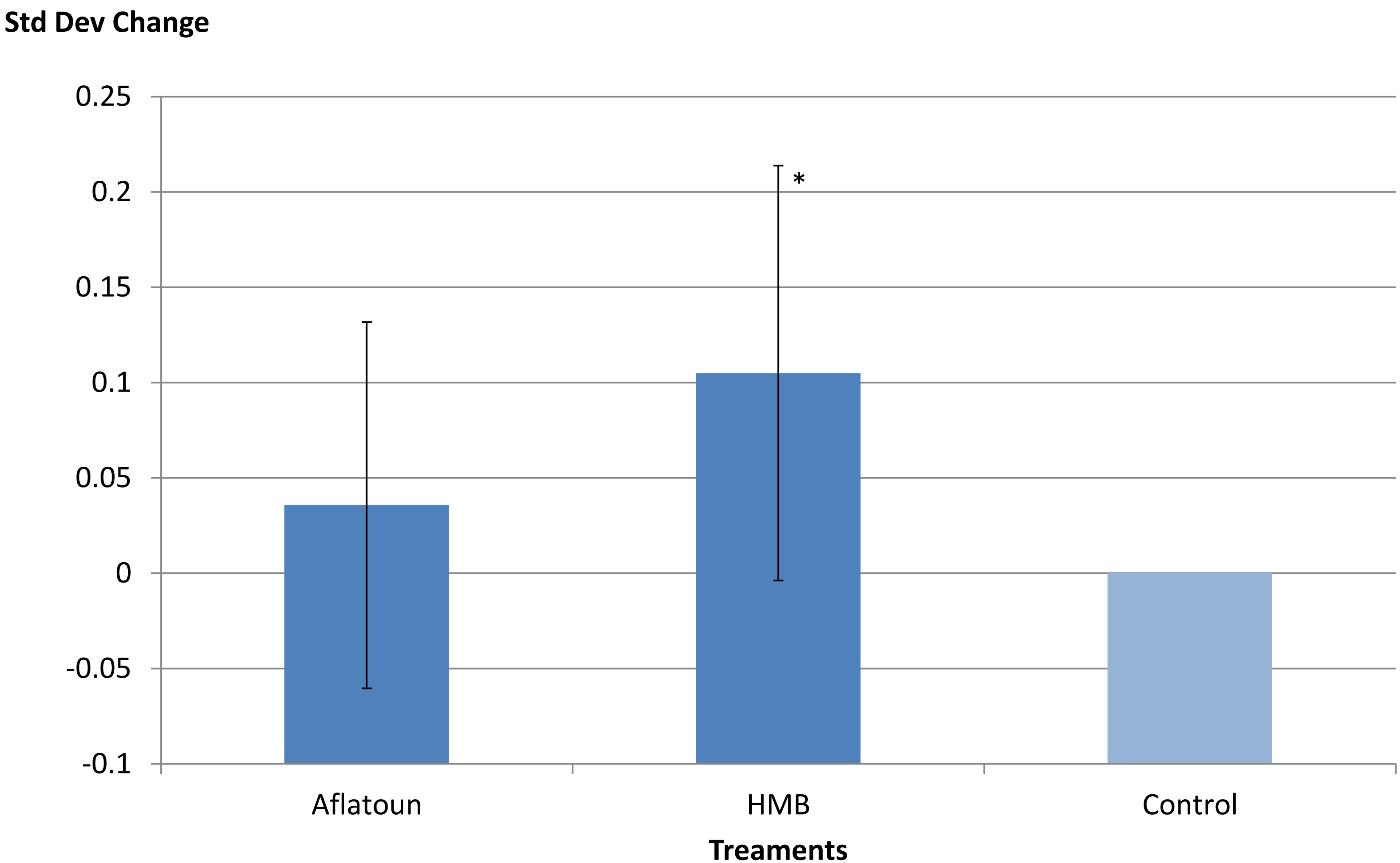
Aflatoun: Financial Literacy Index



Aflatoun: Savings Behavior Index



Aflatoun: Work Index



New Evidence in Child and Youth Finance

CLOSING

Takeaways

- Youth:
  - Access to savings and financial education → positive change
  - Complements? If not, tradeoffs! Which is cheaper?
- Inconclusive results on financial knowledge
- Impacts non-financial outcomes too
  - Education spending
  - Participation in workforce
- Tinkering matters….

An Opportunity:
Role of NGOs in Financial Access

- Innovation
- Unreached
  - Too young
  - Too poor
  - Too rural
- Trust

Way Forward

- Guiding principles
  - Access matters
  - Make it easy
- Evidence from elsewhere
  - Context appropriate?
  - Politically viable?
- Evidence from within
  - Does it work?
  - How to make it work best?

Thank you!

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