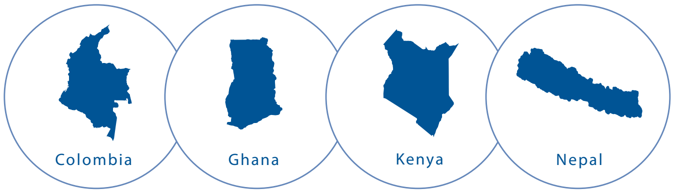
YOUTHSAVE
RESEARCH BRIEF



Financial Knowledge and Attitudes of Youth in Ghana

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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 is a pioneering project designed to increase savings and development among low-income youth in Colombia, Ghana, Kenya, and Nepal. The goals of YouthSave research are to measure the uptake, savings outcomes, experiences, and impacts of Youth Savings Accounts (YSAs) on clients and financial institutions.

In Ghana, a rigorous research design that includes a control group, with quantitative and qualitative evidence, has been implemented to assess the impact of savings accounts on youth development and asset accumulation.

This research brief focuses on the financial knowledge, attitudes, and socialization of youth in the YouthSave Ghana Experiment as well as the financial knowledge of the youth's parents and guardians. Financial knowledge refers to the understanding one has of important personal finance concepts, like budgeting and saving. Financial attitudes refer to one's beliefs and values related to various personal finance concepts, such as whether one believes it is important to save money. Financial socialization refers to different ways that one may develop financial knowledge and attitudes, such as through classroom-based education or mass media.

Youth financial capability refers to youth's financial knowledge, skills, and access to financial services (Child and Youth Finance International, 2010; Sherraden, 2010). Studies in the United States reveal that youth often have low levels of financial knowledge (Lusardi, Mitchell, & Curto, 2010; Mandell, 2008). Research shows that parents also influence their children's financial literacy, attitudes, and behaviors (American Savings Education Council, 1999; Bowen, 2002; Danes, 1994; Moschis, 1985; Serido, Shim, Mishra, & Tang, 2010; Shim, Barber, Card, Xiao, & Serido, 2010). Little research has been conducted to understand the financial knowledge, attitudes, and socialization experiences of youth in Ghana and other Sub-Saharan African (SSA) countries. Research in YouthSave is anticipated to fill some of these gaps.

Methods

The YouthSave Ghana Experiment uses a cluster randomized design, with 100 schools randomly selected from eight of Ghana's ten regions. Fifty-schools were randomly assigned to treatment condition and another 50 schools were randomly assigned to control condition. Sixty students were randomly selected from each school for a total of 3,000 youths in the treatment and 3,000 in the control condition with oversampling to take attrition into account. This process yielded a sample of 6,252 youth.

Data from this brief are from baseline surveys with 6,252 youth and 4,576 parents and guardians of these youth. The youth are from three grade levels, Primary 6 (equivalent to grade 6 in the US), Junior High School 1 (equivalent to grade 7 in the US), and Junior High School 2 (equivalent to grade 8 in the US). Nearly equal numbers of girls (51%) and boys (49%) were interviewed. Youth were also fairly evenly divided by grade level, including Primary 6 (36%), JHS1 (32%), and JHS2 (32%). The average age of youth is 15.4 years. Seventy-three percent of youth surveyed at baseline have a parent or guardian who was also surveyed at baseline.

The youth survey included questions about demographics, education, health, financial capability, asset ownership, living conditions, and future aspirations and expectations. The parent or guardian questionnaire included questions on household information, education, outlook and expectations, health, and financial well-being. Data were collected from May 2011 through June 2011 by our partners at the Institute of Statistical, Social and Economic Research (ISSER) at the University of Ghana.

Findings

Financial Knowledge and Attitudes

Studies in the United States reveal low levels of financial knowledge among youth (Charles Schwab & Company, 2011; Lusardi, Mitchell, & Curto, 2010; Mandell, 2008). A better understanding of youth financial knowledge and attitudes in SSA and whether such knowledge and attitudes are associated with youth's financial behaviors may support a case for offering youth financial education. However, despite the conventional wisdom that financial knowledge is a prerequisite for positive financial behavior (Hathaway & Khatiwada, 2008), the empirical relationship between financial knowledge and behavior is not well established. It may be that savings behaviors are associated with factors other than, or even excluding, knowledge and attitudes.

In the YouthSave Ghana Experiment baseline survey administered by ISSER, questions were intended to assess understanding of the concept of interest. For example, youth and their parents or guardians were told to imagine having 100 Ghana Cedis (about 66 USD) in a savings account with a bank that offered a certain interest rate and asked how much money they would have after one year. Youth and their parents or guardians were asked a nearly identical question about receiving a bank loan and being charged interest. Survey respondents were given credit for a correct answer if they provided the correct figure for each question based on a simple interest rate calculation.

Only 8% and 11% of youth could correctly answer two questions about savings and loan interest, respectively. These results differ little among youth based on gender, receipt of earned income, grade level, or age. Similar results are found among parents and guardians; only 13% and 12% could correctly answer the questions about savings and loan interest, respectively. However, because the questions require a simple calculation, these results may reflect limited numeracy skills and not necessarily a lack of understanding of interest.

Fathers and other male guardians are more likely than mothers and female guardians to correctly answer the questions concerning saving (23% vs. 8%; $p<.001$) and loan (22% vs. 7%; $p<.001$) interest. This may be because men have more opportunities and experience with formal financial services.

Youth and their parents or guardians were also asked the following question to assess hyperbolic discounting: "Would you want a prize of 100 Ghana Cedis now or a prize of 150 Ghana Cedis in one month?" Most (62%) youth report that they would wait a month for the bigger prize. This finding differs little by gender, grade level, or whether participants have earned income. A similar percentage of parents or guardians would wait a month to receive a larger reward (55%), and there is no difference by gender. These findings suggest that the majority of youth may be willing—at least in theory—to delay gratification and defer consumption in order to save money.

Parents and guardians were also asked how they felt about their children's financial knowledge and behaviors by stating their agreement or disagreement with certain statements. Because parents and guardians guide the behavior of their children, it is important to understand whether they favor and hence may be likely to support their children's financial learning and capabilities. Thus, parents and guardians were asked how important it is for their children to make careful spending decisions, learn how to save money, and use formal financial institutions. If parents and guardians feel that these things were not important for their children, they may not provide the support and encouragement that children may need to save money. Also, parents and guardians were asked how important it is that their children help support the household financially. This question was included because expecting children to make household financial contributions may suppress or offset support for saving.

As seen below in Table 1, parents and guardians generally have favorable attitudes concerning their children's financial learning and capabilities.

Table 1. Parent/Guardian Attitudes

Statement	Mean*
It is important for my child to learn to make careful spending decisions.	9.46
It does not matter whether my child learns how to save their money	2.51
It is important for my child to learn about financial institutions and banking.	9.10
It is important for my dependent child [study participant] to help pay for things people in our household need.	3.72

* Agreement with each statement was indicated on a scale with 0="strongly disagree" to 10="strongly agree."

How Youth Learn About Money

Schools are an increasingly important source of financial education for youth. In the US, the number of states with personal finance content standards for K-12 curricula has risen from 21 in 1998 to 44 in 2009 (Council for Economic Education, 2009). Governments in several other countries including Ghana, Kenya, Brazil, Indonesia, and Estonia are planning and/or implementing large-scale efforts to incorporate school-based financial education. Parents are also an important source for youth to learn about money (Bowen, 2002; Danes, 1994; Moschis, 1985; Serido, Shim, Mishra, & Tang, 2010). To better understand youth's financial behaviors, it is important to know whether these behaviors are associated with having received financial instruction from various sources such as school and parents.

Figure 1. Sources of Financial Education

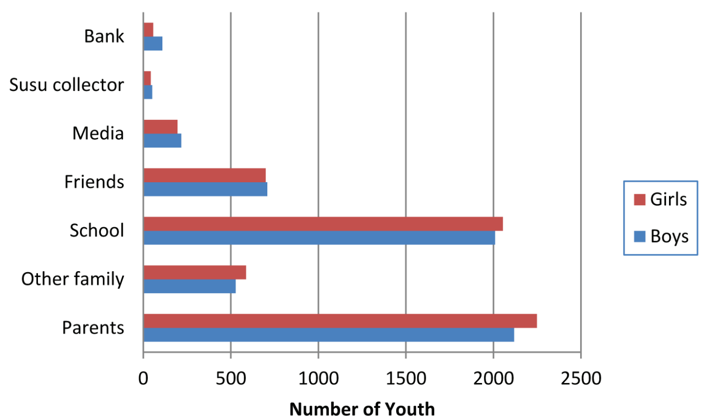


Figure 1 reflects what research evidence shows: parents and schools are the two main sources from which youth learn about money, and this is true for both girls and boys. Seventy-four percent of youth report that they have received financial education in school. This result varied considerably between regions, which may reflect different levels of access to and use of public education. Most of the youth (86%) who have received financial education in school report *less than five hours* of instruction.

Youth report learning most about the following three topics:

- How to save
- Why it is important to save
- How to make good choices in spending

The finding that most youth report that they have received financial education and that the focus of the education has been on savings can help to explain why youth have favorable savings attitudes.[1]

The Role of Parents and Guardians

Parents are the primary sources for how youth learn about money and can affect how their children's financial attitudes and behavior develop (American Savings Education Council, 1999; Danes, 1994; Employee Benefit Research Institute [EBRI], 2001; Sallie Mae, 2009). Serido, Shim, Mishra, and Tang (2010) found that college students who perceived that they could discuss financial topics with their parents had lower levels of financial stress. In a qualitative study of 49 African-American high school students, Slaughter (2006) found that parents and other family members had a strong impact on students' financial knowledge, attitudes, and behavior. Shobe and Christy-McMullin (2005) described how discussing money and observing the financial behaviors of parents and other family members shaped the financial knowledge and attitudes of low-income African-American women participating in an Individual Development Account (IDA) program.[2] Cooper and Luengo-Prado (2009) found that low-income children whose parents saved more were more likely to move out of the lowest income quintile as adults than low-income children whose parents saved less.

While the studies mentioned above were conducted in the US, they all indicate that parents and guardians may influence the financial lives of their children. Therefore, parents and guardians in YouthSave were asked about their financial interactions with their children to see whether these influences may be present in Ghanaian families as well.

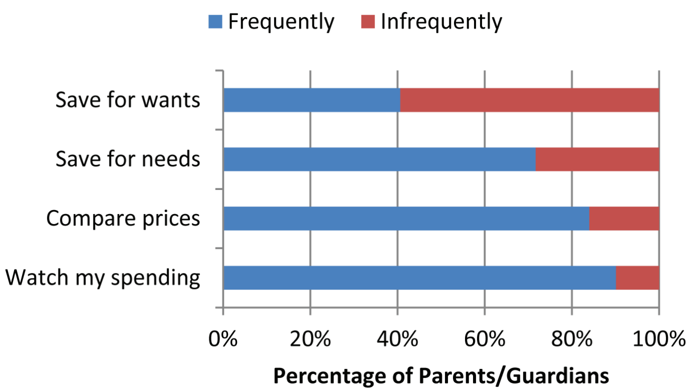
Table 2 shows the frequency with which parents and guardians talk with their child about different financial topics. "Often" means that parents or guardians talk with their child at least once a month and as frequently as almost every day.

These findings vary little by gender, grade level, or age. Smaller percentages (21%, 30%, and 22%) of parents and guardians talk with their children almost every day about how to earn money, how to save money, and how family financial decisions are made, respectively. Another finding from the baseline is that 49% of parents and guardians never talk to their children about how they make financial decisions.

Table 2. Parent-Child Interactions

Topic	Often	Never
How my child can earn money	45%	46%
How my child can save money	62%	29%
How we manage and make financial decisions in our family	42%	49%

Figure 2. Parent/Guardian Money Management



As seen in Figure 2, most parents and guardians report frequently engaging in behaviors like careful spending that their children might observe and emulate.

The most common reason why parents and guardians save is for unexpected expenses (42% of all possible responses), followed by paying for their children's school needs (28%). Fewer responses were given for future-oriented savings purposes such as buying a business asset (10%), paying for children's future education expenses (9%), and retirement (4%).

Parent/Guardian and Youth Participant Savings

The average amount that parents or guardians say their child has in savings—including money the parents have saved on their behalf—is greater (130.13 GHS or 85.89 USD)[3] than the average amount that participants consider to be savings (14.41 GHS or 9.51 USD). This finding suggests that youth maintain control over a fairly small portion of their total financial assets.

Interestingly, while 55% of youth say that they have savings, only 24% of parents or guardians agree that this is true. However, across all youth subgroups, youth set aside money for short durations and mostly consumptive purposes. Thus, it may be that youth and their parents and guardians think about saving in different ways. Youth focus on near-term uses of money they set aside, while parents and guardians think about longer-term purposes and may be setting aside larger amounts accordingly.

Financial Socialization and Saving Behaviors

Youth can have different social interactions—types of financial socialization—that may be associated with various savings behaviors. How much youth say they save each month was examined in relation to three types of financial socialization: receiving financial education, talking to parents or guardians about money, and visiting a bank.

As seen in Table 3, the average monthly amount that youth report that they save is greater when they report having each of the socialization experiences. However, these greater amounts are statistically significant only for having received financial education ($p<.05$) and having visited a bank ($p<.001$).

Conclusion

This brief offers a first glimpse into the financial knowledge and attitudes of Ghanaian youth in the YouthSave Ghana Experiment and their financial socialization experiences. Youth learn about money

Table 3. Average Monthly Savings By Financial Socialization Experience

Topic	N	Average Monthly Savings (GHS)	*p**
Parent explains financial decisions			
Sometimes, most of the time or always	2270	12.14	ns
Never or once in a long time	2305	13.52	
Ever received financial education classes			
Yes	3461	14.16	.05
No	1090	12.70	
Financial education hours			
More than 5 hours	304	16.30	ns
Less than 5 hours	2979	13.87	
Ever visited a bank with a parent or other family member			
Yes	1925	15.56	.001
No	2624	12.55	

*$p<.05$, two-tailed independent samples t-test

mostly from school and parents, with an emphasis on saving. Parents feel that saving and using formal financial institutions are important for their children, though youth and their parents or guardians likely have different ideas about what saving means. About half of youth talk to their parents or guardians about money at least some of the time, while the other half do so very infrequently or never. How much parents and children interact about money appears to vary widely. Financial socialization experiences are generally associated with greater youth savings, suggesting that both schools and parents may be important sources of guidance for youth.

Endnotes

1. See the YouthSave Research Brief: Chowa, G. A. N., Despard, M., & Osei-Akoto, I. (2012). *Youth saving patterns and performance in Ghana* (YouthSave Research Brief 12-37). St. Louis, MO: Washington University, Center for Social Development.

2. Individual Development Accounts are matched savings accounts. For every $1 that a participant saves, a program sponsor commits $1 or more in savings matches to be used for qualified asset purchases, such as buying a home or starting a business.

3. The exchange rate used is 1 GHC=0.66 USD, approximately the rate during the time the baseline survey was conducted.

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