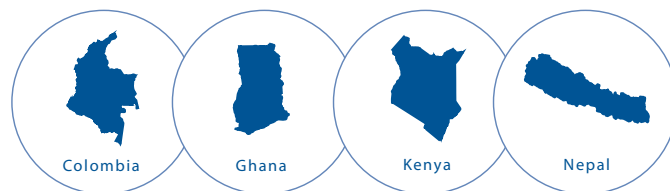


YOUTHSAVE RESEARCH BRIEF



Youth Saving Patterns and Performance 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 saving attitudes and behavior of youth in the YouthSave Ghana Experiment. Many youth in Sub-Saharan Africa (SSA) save or try to save part of their income—usually for school materials and fees, clothing, entertainment, and emergencies—by using informal methods such as cash boxes and hiding places (UNCDF, 2011). When given access to savings products, incentives, and support, youth in SSA are also able to save using formal methods (Chowa & Ansong, 2010; Erulkar & Chong, 2005; Mason, Nam, Clancy, Kim, & Loke, 2010; Ssewamala & Ismayilova, 2009). Still, little is known about the saving attitudes and behavior of

youth in SSA. Research in YouthSave is anticipated to fill some of these gaps.

Methods

The 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 the treatment condition and another 50 schools were randomly assigned to the 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 through June 2011 by our partners at the Institute of Statistical, Social and Economic Research (ISSER) at the University of Ghana.



Washington University in St. Louis

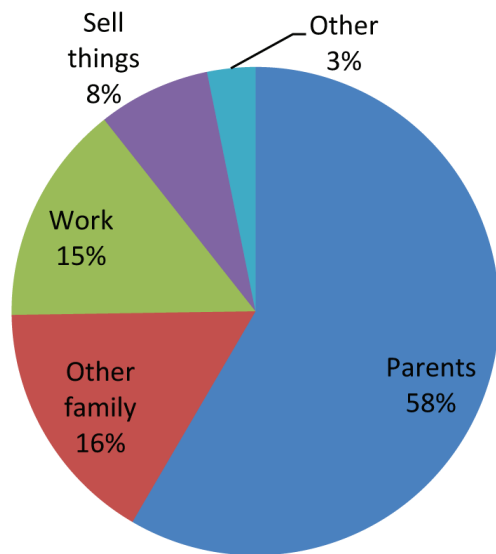
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Findings

Amounts and Sources of Money

Youth were asked how much money they had in their possession at the time of the survey. Most youth (72%) have at least some money that belongs to them. The average amount is 15.38 GHS (10.15 USD),¹ but the median is much lower at 5.00 GHS (3.30 USD), indicating that most participants have modest amounts of money, while a relatively small number have larger amounts. Most youth (74%) report receiving money from their parents or other family members, and nearly a quarter (23%) report earning income. Other sources of money include gifts from family members, friends, and boyfriends (Figure 1). Boys have significantly more money than girls (18.02 GHS vs. 12.80 GHS or 11.89 USD vs. 8.45 USD, $p < .001$). The greatest difference in amount is by whether participants have earned income. Those who work or sell things for money, in addition to other sources, have a significantly higher average amount of money than those who only have money from other sources (30.17 GHS vs. 10.78 GHS or 19.91 USD vs. 7.11 USD, $p < .001$).

Figure 1. Sources of Money



Of the money they have in their possession, participants indicate that most (60%) is saved. This finding differs little by gender, grade level, or age. However, participants with earned income consider² a greater proportion of their current money to be saved (67%) than participants without earned income (55%). This difference is statistically significant at $p < .001$.

Saving Behavior

Saving behavior was operationalized in the survey as setting aside money to use later. Participants were asked about multiple dimensions of saving behavior, including frequency, duration, amount, intended uses, and saving

vehicle (i.e. where they actually keep their saved money).

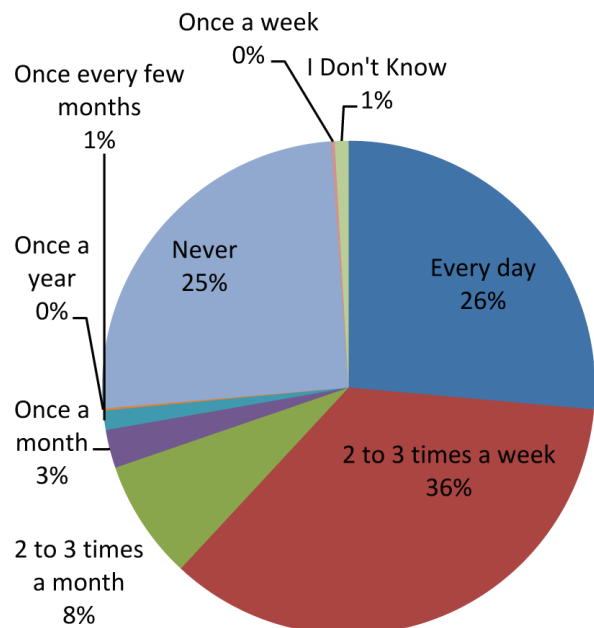
Most participants (74%) report that they save, though as shown in Figure 2, the frequency of saving varies. A majority of participants (62%) report that they are frequent savers, setting aside money on a daily or weekly basis. Only 25% say that they never save money.

The frequency of saving differs little between girls and boys, by grade level, or by age (Figure 3). However, a clear difference in saving frequency is seen between those who have earned income and those who do not. Participants with earned income are more likely than participants without earned income to be daily or weekly savers (78% vs. 59%, respectively) and much less likely to say that they never save (4% vs. 33%, respectively). This difference is statistically significant ($\chi^2 = 191.60$, $p < .001$).

Though most participants report that they are frequent savers, relatively few participants (17%) intend to retain their savings for three months or longer, as seen below in Figure 4. Saving duration differs very little by gender, age, grade level, and receipt of earned income.

Among participants who report that they save money, the average amount reported for a typical month is 13.82 GHS (9.12 USD). However, the median value is lower at 10.00 GHS (6.60 USD), indicating that a smaller number of participants report saving larger amounts, while most report saving lesser amounts. The average amount of savings below the 75th percentile is 6.01 GHS (3.97 USD), while the average amount at and above the 75th percentile is 31.02 GHS (20.47 USD).

Figure 2. How Often Do You Set Aside Money to Use Later?



Note: Parts of graph marked "0%" represent values of less than 0.01%.

Figure 3. Saving Frequency by Earned Income

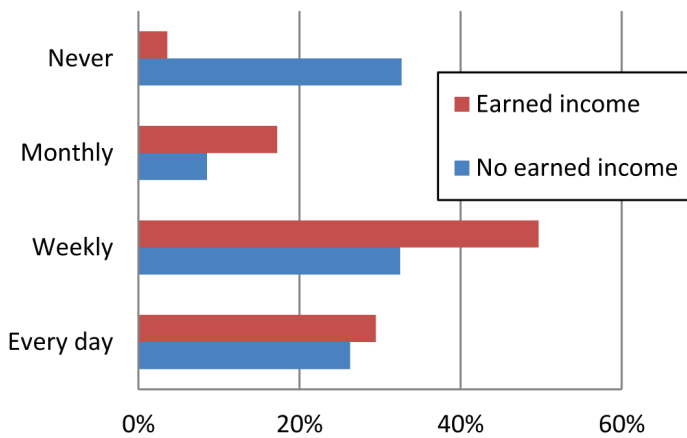


Figure 4. Saving Duration: How Soon Youth Plan to Use Savings (% of Youth)

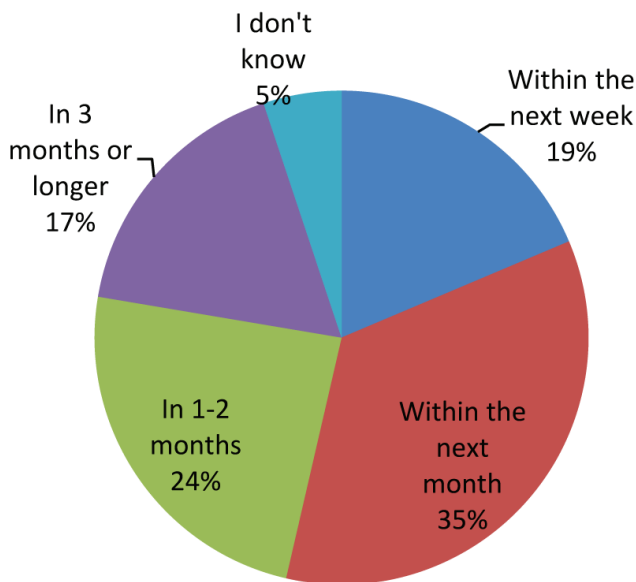
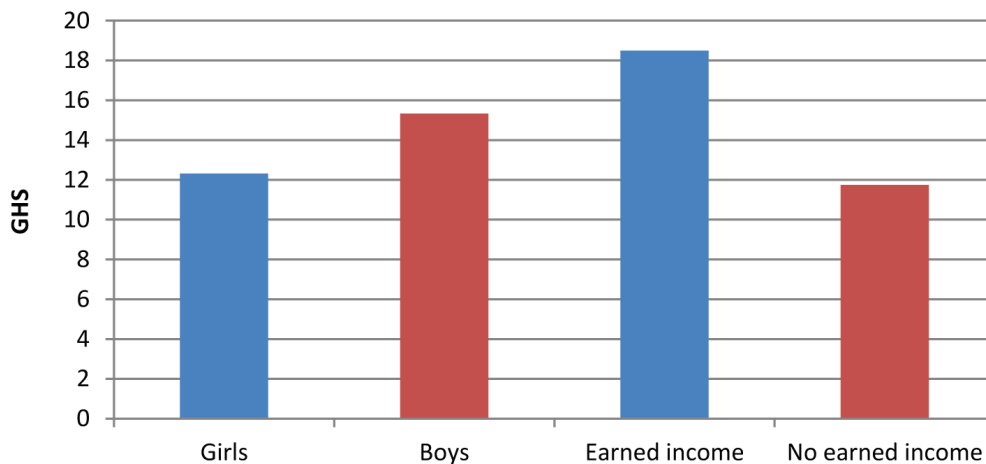


Figure 5. Average Monthly Savings



As seen in Figure 5, the difference between boys (15.33 GHS or 10.12 USD) and girls (12.32 GHS or 8.13 USD) in the amount saved in a typical month is statistically significant ($p < .001$). An even greater difference is found between participants who have earned income (18.49 GHS or 12.20 USD) and those who do not (11.75 GHS or 7.76 USD) ($p < .001$). Also, the amount saved in a typical month increases with each increase in grade level.

Of the youth who report that they save money, 91% say that they have goals for how to use their savings. A greater percentage of participants who have earned income say that they have savings goals (95%) than those who do not (89%), a statistically significant finding ($\chi^2 = 37.86$, $p < .001$). However, youth have very short-term plans for using their savings, such as buying necessary items like clothing, shoes, and sanitary items, and paying school-related costs. Relatively few participants say that they plan to use their savings to go to college or start a business.

There are few differences between girls and boys, except that many more boys (17.5%) than girls (6.6%) plan to use their savings to buy things to have fun. Also, a greater percentage of girls (6.5%) than boys (4.9%) intend to use their savings to start a business one day ($\chi^2 = 8.01$, $p < .01$).

In summary, most youth appear to regularly set aside money, hold on to their set aside money for short periods of time, and use this money mostly for short-term, consumptive purposes. These observations suggest that youth are not saving money in the classic sense, i.e. to accumulate assets to use for productive investments and/or to meet consumptive needs at a future point in time.

Savings Methods

If most youth are saving money, albeit for short durations and mostly short-term purposes, where are they actually setting aside their money? Do any participants use banks to deposit their savings? Do they use informal mechanisms, like susu collectors?³ Table 1 shows the various ways that youth use to set aside money:

Participants mostly rely on informal methods, like using friends or family members as safe-keepers or hiding money, while few youth make deposits with a formal financial institution. Low usage of savings accounts among youth is not surprising, as one must be age 18 or older to open and operate a bank account in Ghana. Still, 77% of those who say they save money in an account with a formal financial institution (N=113) are under the age of 18.⁴ The most common “other” saving method is keeping money in their school bag.

More girls (N=1,039) than boys (N=927) say that they depend on friends or family members to safeguard their savings. There is a statistically significant difference in this dependency ($\chi^2=8.68$, $p<.01$), but in other respects girls and boys differ very little in their savings methods.

Attitudes about Formal Savings

Youth were asked whether they agree with various statements about having a savings account with a formal financial institution such as a bank. Youth provided answers on a 10-point scale with a range of 0 (strongly disagree) to 10 (strongly agree).

Youth have favorable attitudes about formal saving, with an average response of eight or higher on the following statements:

- Having a savings account with a bank can help kids like me save for education.
- Having a savings account with a bank can help kids like me save to start a business.
- Banks are a safe place for kids like me to keep their money.

Table 1. Savings Methods

Method	N	%*
Secret hiding place	2130	46%
Susu or savings club	2011	44%
Friends or family members	1966	43%
Savings accounts	153	3%
Other	120	3%

*This is a percentage of the total sample. The total exceeds 100% because participants could select more than one response.

Conclusions

This brief offers a glimpse into saving patterns and performance of a large sample of in-school youth in Ghana. Findings from the baseline surveys in the YouthSave Ghana Experiment highlight the fact that these youth are active savers. However, they tend to save small amounts using informal methods over short periods of time, and for mostly consumptive purposes, such as school fees. Nonetheless, youth have very favorable attitudes about using formal financial institutions to save.

Analysis of the YouthSave Ghana Experiment at endline survey, which will take place in 2014, will investigate whether having structured savings accounts will change youth savings patterns and performance. Research findings may inform products, services, and policies that may make youth saving more inclusive.

Endnotes

1. The exchange rate used is 1 GHC=0.66 USD, approximately the rate during the time the baseline survey was conducted.
2. After stating how much money they had, participants were then asked, “Of this amount, how much have you set aside to use sometime later?”
3. Susu collection is an informal system of savings mobilization in west Africa (mostly Ghana) in which a collector visits a home every day to collect a small amount of money, which is returned at the end of the month less a fee.
4. Possible explanations include measurement error (i.e. youth did not understand the question) and youth whose parents or guardians save money with a formal financial institution on their behalf.

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Acknowledgements

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