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RESEARCH BRIEF

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Youth Savings around the World: Youth Characteristics, Savings Performance, and Potential Impacts

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Youth, ages 15 to 24, will rise in number from just under 500 million in 1950 to 1.2 billion by 2050. Almost 90% will live in developing economies, and over 80% will live in either Africa or Asia (Population Reference Bureau, 2009). As these young people assume adult economic roles and responsibilities, they will increase interactions with informal and formal financial institutions. A bank savings account may be one of the most secure ways for youth to protect their savings and asset accumulation.

Youth saving initiatives have been implemented by governments (e.g., in Canada, Hong Kong, Singapore, South Korea, Thailand, and the United Kingdom), financial institutions (e.g., in Guatemala, Malaysia, Mexico, the Philippines, and Sri Lanka), and nonprofit organizations, including universities (e.g., in India, Kenya, Uganda, and United States). Youth savings programs have been successful in mobilizing youth participation and positive savings performance. Evidence suggests that there is demand for youth savings products and services. Additionally, evidence suggests that youth—regardless of income, gender, age, religion, parental status, and marital status, and other personal characteristics—want to and do save. Even low-income, disadvantaged, and vulnerable youth are making savings deposits in programs that provide structures and incentives to encourage participation.

While financial institutions, nonprofits, and governments have initiated youth savings products in many countries, youth savings has received relatively little scholarly attention. A key question about youth savings is the potential impact on youth development. Examples and evidence from children and youth savings programs around the world suggest positive effects.

To assess impacts, a study must have evidence that youth savers have different outcomes from those who are not savers. Only a few programs, particularly in developing countries, have been studied scientifically and rigorously. These studies find some evidence that saving may have positive economic, social, and health outcomes for youth development.

» *Economic and financial well-being:* In Kenya, research finds a positive association between participation in a youth savings program and higher income, savings, and household assets (Erulkar & Chong, 2005). In Uganda, research finds a positive association between higher savings levels and participation in an economic intervention program that includes youth savings accounts (Ssewamala & Ismayilova, 2009).

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» *Mental health:* In India and Uganda, research finds a positive relationship between youth savings and higher levels of self-esteem and participation in a social group (Mensch, Grant, Sebastian, Hewett, & Huntington, 2004; Ssewamala, Han, & Neilands, 2009). Another study in India suggests that having control over one's savings is associated with greater decision-making and formation of specific savings goals (Kalyanwala & Sebstad, 2006).

» *Reproductive and sexual health knowledge and behavior*: Two prominent studies, one from Kenya and one from Uganda, suggest that there is a positive association between youth savings and improved reproductive and sexual health knowledge and behavior. Participants of the savings programs demonstrated development of more empowered gender attitudes (Erulkar & Chong, 2005), lower approval rates of risky sexual behaviors (Ssewamala et al., in press), and improved HIV prevention scores (Ssewamala, Alicea, Bannon, & Ismayilova, 2008).

» *Educational attainment and attitude*: An experimental study conducted in Uganda suggests a positive relationship between youth savings and higher grades, test scores, and improved attitudes on education (Curley, Ssewamala, & Han, in press). To our knowledge, research has not assessed impact of youth savings on other key education indicators (e.g. level of educational attainment and school attendance) in a developing country context.

These examples suggest that youth are interested in participating in savings initiatives around the world. So far, however, the number of youth savings programs is relatively small and therefore does not permit conclusions about demand within disadvantaged youth populations.

Systematic research is required to understand what types of youth savings products and services spur positive savings performance among various populations of youth. The better we understand youth and their savings preferences and performance, the more effectively financial institutions and public policy can create savings products and services that meet current and future demand.

This review of available evidence also suggests that youth savings has the potential to improve the well-being of low-income and vulnerable youth, especially in economic development, mental health functioning, reproductive and sexual health knowledge and behavior, and educational attitudes and attainment. However, at this time, results are only suggestive because relatively few initiatives have been studied rigorously. Carefully designed research that includes control and comparison groups, with quantitative and qualitative evidence, can better assess impacts of savings programs and asset accumulation on youth development.

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