

# ASSESSMENT OF THE EFFECTS AND BEHAVIOURAL CHANGES OF FINANCIAL AND NON-FINANCIAL SERVICES ON YOUTH



The MasterCard  
Foundation



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## LIST OF ACRONYMS

**ACSI** Amhara Credit and Savings Institution

**Br** Ethiopian birr (currency)

**BW** biweekly

**CFAF** CFA franc (currency)

**FGD** focus-group discussion

**FSP** financial service provider

**FUCEC** Faïtière des Unités Coopératives d'Épargne et de Crédit

**HDI** human development index

**MFI** microfinance institution

**SACCO** savings and credit co-operative

**UNCDF** United Nations Capital Development Fund

**US\$** United States dollar (currency)

**YS** YouthStart

**YSO** youth serving organization

# EXECUTIVE SUMMARY

**Y**outh in the developing world are faced with poor economic conditions and a lack of educational and employment opportunities. Of youth surveyed in 2012 by the United Nations Inter-Agency Network on Youth Development, 52% considered lack of access to financial services the major obstacle to entrepreneurship.<sup>1</sup> Although progress has been made in the field of youth-inclusive financial services, youth still face many barriers to access such as age and ID limitations to open a savings account or access a loan, inappropriate and inaccessible financial products and services, and low financial capability to manage and regularly use the products and services.<sup>2</sup>

As the lead United Nations agency in financial inclusion, United Nations Capital Development Fund (UNCDF)—in partnership with The MasterCard Foundation—launched YouthStart (YS) in 2010, a 4.5-year programme with the aim of bringing access to finance to 200,000 young people and contributing to solving the youth employment challenge in sub-Saharan Africa. As of December 2014, over 510,000 youth (46% young women and girls) had saved \$14.2 million either in the form of an individual savings account or a group-based savings mechanism; close to 72,000 had received an individual or a group loan to start up or expand their own business; and over 500,000 had participated in financial education sessions.

Through YS, UNCDF aims to demonstrate that i) when accessing the right combination of financial and non-financial services, youth—young women and girls in particular—are better equipped to make more informed financial decisions, build financial (e.g., savings), social (e.g., social networks) and human assets (e.g., skills and knowledge) for their futures and create sustainable livelihoods; and ii) youth financial services contribute to increasing outreach and sustainability of financial service providers (FSPs) over time.

This paper aims to add to the body of knowledge and understanding about the effects and impacts that access to financial services has on youth. It provides deeper insight into how youth manage their money, use financial services and plan ahead for their future.

The research, on which this paper is based, aimed to answer the following questions about participation in the YS programme:

- 1** How does it contribute to improved money management skills of youth?
- 2** How does it contribute to increased use of financial services by youth?
- 3** How does it contribute to youth planning ahead for their future?

These research questions allowed the following hypotheses regarding the effects of the YS programme to be tested (see table 1).

<sup>1</sup> United Nations, 'Report on the United Nations System-wide Action Plan on Youth (SWAP) Survey' (New York, 2012). Available from <http://www.un.org/esa/socdev/unyin/documents/ReportonSWAPsurvey.pdf>

<sup>2</sup> Danielle Hopkins and others, 'Policy Opportunities and Constraints to Access Youth Financial Services' (New York, UNCDF, 2012). Available from [http://www.uncdf.org/sites/default/files/Download/AccessToYFS\\_05\\_for\\_printing.pdf](http://www.uncdf.org/sites/default/files/Download/AccessToYFS_05_for_printing.pdf)

**TABLE 1**

**Research questions and hypotheses**

	 MONEY MANAGEMENT	 USE OF FINANCIAL SERVICES	 PLANNING AHEAD
<b>RESEARCH QUESTIONS</b>	How does it contribute to improved money management skills of youth?	How does it contribute to increased use of financial services by youth?	How does it contribute to youth planning ahead for the future?
<b>RESEARCH HYPOTHESES</b>	Youth develop good practices around money management such as tracking their money and spending it wisely.	Youth deposit savings on a regular basis. Youth increase the frequency and value of their savings over time. Youth develop good practices around savings such as saving frequently, saving automatically and keeping their savings in a secure place. Youth develop good practices around loans such as taking as few loans as possible and evaluating the costs of loans.	Youth set and achieve savings goals. Youth accumulate assets over time. Youth feel less stress about their future.

**DATA**

UNCDF collaborated with two of its strongest partners to conduct this study, Faïtière des Unités Coopératives d'Épargne et de Crédit (FUCEC) in Togo and Amhara Credit and Savings Institution (ACSI) in Ethiopia, FSPs that provide both saving and loan products for youth. A total of 280 youth between 18 and 24 years of age were selected in both countries to participate in the research. The youth participants in the study were segmented by geographic location, gender, marital status, occupation and by time in the YS programme (for the treatment group). This paper presents differences by gender but focuses

primarily on differences based on the length of time youth participated in the YS programme. This focus allows for comparison across time periods that extend beyond this study (i.e., six months), as some youth participated in the programme for one to two years or longer. The youth included groups that did not participate in YS (roughly 33% of the sample in both countries), those who recently joined the programme (less than two months prior to the study), and those who participated for two months to almost one year, one to two years, and two years or longer. The evaluation consisted mainly of a financial diaries study conducted

through biweekly interviews over a six-month period from September 2014 to February 2015, with youth tracking their formal and informal transactions. This transactional data provides insight into youth financial behaviour around three central themes: money management, use of financial services, and planning ahead for the future.

In addition to the financial diaries methodology, researchers used a number of validating qualitative research methods. For example, they conducted 15 focus-group discussions with youth and 8 in-depth interviews with parents.

**“ UNCDF COLLABORATED WITH TWO OF ITS STRONGEST PARTNERS TO CONDUCT THIS STUDY, FAÏTIÈRE DES UNITÉS COOPÉRATIVES D'ÉPARGNE ET DE CRÉDIT (FUCEC) IN TOGO AND AMHARA CREDIT AND SAVINGS INSTITUTION (ACSI) IN ETHIOPIA, FSPS THAT PROVIDE BOTH SAVING AND LOAN PRODUCTS FOR YOUTH. ”**

**FINDINGS**

The research began with the following three questions about the YS programme and a set of hypotheses for each of these questions:

- 1 How does it contribute to improved money management skills of youth?
- 2 How does it contribute to increased use of financial services by youth?
- 3 How does it contribute to youth planning ahead for their future?

The findings show positive effects for each of the three categories. In terms of money management, participants of the YS programme had nearly double the amount of net average income (average income – average expenses) as youth in the control group in Togo and more than double that of youth in the control group in Ethiopia. This result was most likely due to participation by the treatment group in financial education sessions that promoted better money management strategies, such as being more careful about how they spend their money (i.e., spending less on unnecessary expenses like food on the street, toiletries, alcoholic beverages, etc.), using self-control for impulse purchases, tracking income and

expenses, and tracking savings through a passbook.

In terms of use of financial services, YS participants in both countries saved nearly 50% of the time during the research period through their YS account (the most frequently used savings option), followed by other informal means (e.g., at home, on body/in clothes/in wallet). In comparison, youth in the control group in Togo saved almost entirely through informal mechanisms. Youth in the control group in Ethiopia also saved through a savings account in addition to informal options, indicating a more banked population than in Togo. YS participants in Togo saved more in value at home than in their YS account at FUCEC, while in Ethiopia they saved more in value through their YS account at ACSI. This finding indicates the continued use of informal savings even after opening a savings account.

Participation in the YS programme correlates with increased frequency of deposits across all savings mechanisms—particularly in the YS account—over time in addition to a higher ratio of number of deposits to withdrawals across all savings mechanisms and to the YS account. Participation in the YS programme can

also lead to an increase in the value of savings deposits over time and a surplus or positive net savings as youth deposit more than they withdraw across all savings mechanisms. YS participants adopted the practices of saving regularly, saving automatically and saving in a secure place. They also adopted the practice of taking as few loans as possible and evaluating the cost of the loan. In addition, newer youth clients of the FSP in both countries were more interested in accessing a loan than those who joined earlier, which may be due to the recent focus of both programmes on providing loans to youth.

Finally, participation in the YS programme encourages youth to plan ahead for their future and thus smooth the transition from childhood to adulthood and build financial capital. YS participants in both countries were able to develop a financial plan and set and achieve savings goals, mainly due to the financial education sessions they received as part of the YS programme and support from their parents. YS participants in both countries were also more confident about their future, less stressed and happier overall than non-programme participants. Participation in the YS programme in Ethiopia may also lead to the accumulation of assets.

## LIMITATIONS OF THE STUDY

The financial diaries methodology has the following constraints/limitations:

- Small sample size is not statistically significant and/or representative of the youth population at large
- Youth are not selected according to random sampling methods
- Sample may have self-selection bias (e.g., youth who participated in the programme may have some characteristics that make them different from the youth population at large such as being self-starters)
- Information is self-reported by the youth sample, which may result in data that is misleading
- Interview questions are repeated,

which may affect interviewees' responses

Other limitations of this study include the following:

- There was a lack of baseline data on knowledge, skills, attitudes and behaviours of youth in the programme
- Researchers recorded if youth made at least one deposit/withdrawal during the previous two-week period but not the exact number of deposits/withdrawals
- There was a small sample size of youth taking loans from the FSPs due to the initial savings-led focus of the programmes and of YS cohorts based on time

in programme

- There were challenges in the selection of a fully comparable control group in Ethiopia, and differences in some characteristics of the control and the treatment groups in both countries (e.g., occupation, living situation)

It is important to note that, given some of these limitations, the objective of this study was not to demonstrate or prove programme impact but to gain insights into youth financial behaviours and potentially their financial decisions as a result of their access to and use of the financial and non-financial services offered by the FSPs.

## IMPLICATIONS OF THE STUDY

Findings from this study may be helpful in the following way to these stakeholders:

- Policymakers, regulators and donors (e.g., Ministry of Finance, Ministry of Youth, Ministry of Education, Central Bank) can increase their awareness of financial strategies employed by youth to manage money, use financial services, and plan ahead, which could ultimately enable them to develop closely aligned policies and activities that support financial inclusion for youth (e.g., minimizing age and ID requirements for youth to open a savings account and to conduct transactions on their own) and to link these policies to agricultural

and rural transformation<sup>3</sup>

- Participating FSPs can use the findings to influence or modify the design of their financial and non-financial services for youth to make them more appropriate for different youth segments (e.g., gender, age)
- FSPs, NGOs and youth serving organizations (YSOs) that are in the process of evaluating the feasibility of offering youth financial and non-financial services can see that participation in a programme like YS can lead to improved money management skills and financial practices, an increase in the frequency and value of savings (both formal and informal), a higher

ratio of the number of deposits to withdrawals, and improvements in planning for the future through developing a financial plan and setting savings goals

- Other FSPs, NGOs and YSOs can determine the appropriateness of using financial diaries to gain insights into youth financial behaviour, develop or improve their offerings of youth financial services to particular market segments (e.g., gender, geographic location, age, etc.), analyse the potential outcomes and long-term profitability of non-financial services, and evaluate these financial and non-financial services

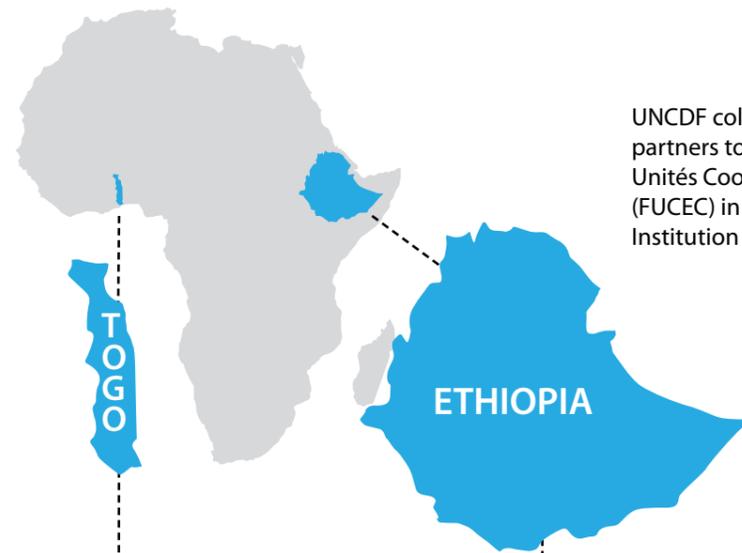


<sup>3</sup> Structural transformation is changing the economic opportunity structure for youth in Africa (especially girls) as it is pushing them off farms, and into non-agricultural activities and labour markets, and encouraging migration to urban settings. As a result, traditional social structures and norms regarding occupational choices, girls' education, gender and mobility are breaking down. Financial services are an important resource for young people to diversify into non-farm activities (e.g., service activities, trade activities) and urban labour markets. Source: Jennefer Sebstad, Senior Technical Advisor at United States Agency for International Development, comments to author on this paper, 19 October 2015.

# SUMMARY

## WHY?

**52%** of youth considered lack of access to financial services the major obstacle to entrepreneurship\*



UNCDF collaborated with two of its strongest partners to conduct this study, Faïtière des Unités Coopératives d'Épargne et de Crédit (FUCEC) in Togo and Amhara Credit and Savings Institution (ACSI) in Ethiopia.

## RESEARCH FINDINGS

## RESEARCH METHODS

## THE STUDY

### THE AIM

of this paper is to add to the body of knowledge and understanding about the effects and impacts that access to financial services has on youth.

### RESEARCH QUESTIONS

The research aimed to answer the following questions about participation in a YouthStart programme:

- 1 How does it contribute to improved money management skills of youth?
- 2 How does it contribute to increased use of financial services by youth?
- 3 How does it contribute to youth planning ahead for their future?

## RESEARCH HYPOTHESES

- 1 Youth develop good practices around money management such as tracking their money and spending it wisely.
- 2 Youth deposit savings on a regular basis, increase frequency and value of savings over time and develop good practices around savings and loans.
- 3 Youth set and achieve savings goals, accumulate assets over time and feel less stress about their future.

1 Participants of the YouthStart programme had nearly double the amount of net average income as youth in the control group.

2 YouthStart participants saved through their YouthStart account nearly 50% of the time, while the control group saved almost entirely through informal mechanisms. An increase in the frequency and value of savings deposits, positive net savings, good savings practices and good loan practices correlate with participation in the YouthStart programme.

3 YouthStart participants developed a financial plan and set and achieved saving goals. They were more confident about their future, less stressed and happier overall.

1 Participants of the YouthStart programme had more than double the amount of net average income as youth in the control group.

2 YouthStart participants saved through their YouthStart account nearly 50% of the time. The control group also saved through a savings account, indicating a more banked population than in Togo. An increase in the frequency and value of savings deposits, positive net savings, good savings practices and good loan practices correlate with participation in the YouthStart programme.

3 YouthStart participants developed a financial plan and set and achieved saving goals. They were more confident about their future, less stressed and happier overall. In Ethiopia, participation in the programme can also lead to the accumulation of assets.

- 280 youth between 18 and 24 years of age participated in the research.
- Researchers conducted a financial diaries study, through biweekly interviews over a six-month period.
- They also used a number of validating qualitative research methods, such as focus-group discussions and in-depth interviews.

## LIMITATIONS & IMPLICATIONS

- The study has several limitations, such as small sample size, possible self-selection bias of the sample and lack of baseline data. However, the objective of the study was not to demonstrate or prove programme impact but to gain insights into youth financial behaviours.
- Findings from the study may be helpful for stakeholders such as policymakers, regulators, donors, financial service providers, NGOs and youth serving organizations.

\* Data from youth surveyed in 2012. Source: United Nations, 'Report on the United Nations System-wide Action Plan on Youth (SWAP) Survey.'

# 1 INTRODUCTION

**G**lobally young people experience some degree of difficulty or uncertainty as they transition into adulthood, and this situation is exacerbated in countries where the majority of youth live on less than US\$2 a day.<sup>1</sup> In response to this reality and given that youth can become more active agents in their own future success, palliative approaches that support vulnerable youth with charity and reactive social services are giving way to approaches that focus more proactively on realizing the economic potential of youth. In this context, access to financial assets and resources is gaining attention as a key contributing factor to help youth make their own economic decisions and successful transitions into adulthood. In recent years, various youth programmes began integrating youth financial services into a broader portfolio of youth programming (e.g., economic development and youth development) while still seeking to advance the youth economic opportunities agenda. These efforts include the Youth Microfinance Project by Plan Canada, the Empowerment and Livelihood for Adolescents

programme by BRAC, the Advancing Integrated Microfinance for Youth project by Freedom from Hunger, the Ethiopians Fighting Against Child Exploitation project by Mennonite Economic Development Associates, the Yes Youth Can project by United States Agency for International Development, and work by Child and Youth Finance International and the Population Council.<sup>2</sup>

Another similar programme was launched in 2010 by the United Nations Capital Development Fund (UNCDF) in partnership with The MasterCard Foundation: YouthStart (YS) aims to increase access to financial services and alleviate the youth employment challenge for low-income youth in sub-Saharan Africa. YS supports financial service providers (FSPs) to design, test and scale up sustainable services tailored to the needs of young people, while helping to create an enabling regulatory environment for young people to access the right financial and other services they need to make sound financial decisions, build a strong asset base and create sustainable livelihoods for themselves.<sup>3</sup> As of December 2014, over 510,000 youth

(46% young women and girls) had saved \$14.2 million either in the form of an individual savings account or a group-based savings mechanism; close to 72,000 had received an individual or a group loan to start up or expand their own business; and over 500,000 had participated in financial education sessions. Table 2 is an overview of the aggregated key indicators of all the YS FSP partners.

In addition to its support of YS, The MasterCard Foundation has invested nearly \$54 million in initiatives to improve access to financial services for young people in 14 different countries, most of them in sub-Saharan Africa, where over 300 million young people between the ages of 15 to 24 reside. These initiatives have allowed practitioners around the world to gain a deeper understanding of the financial and complementary non-financial services youth need, value and use; whether a business case exists for delivering financial services to youth; how to create conducive regulatory and policy environments for greater financial inclusion of youth; and the preliminary impact that financial services can have on young people's lives.<sup>4</sup>

<sup>1</sup> According to the United Nation's Millennium Project, 48% of sub-Saharan Africa's youth live on less than US\$1 per day and 78% on less than US\$2 per day. Source: UN Millennium Project, *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals* (New York, 2005).

<sup>2</sup> Jennifer Denomy and Farah Chandani, *Effective Integration of Financial Services into Economic Opportunities Programming for Youth* (Arlington, Virginia, The SEEP Network, 2015).

<sup>3</sup> See <http://www.uncdf.org/en/youthstart>

<sup>4</sup> See Ruth Dueck-Mbeba and others, 'Financial Services for Young People: Prospects and Challenges' (Toronto, The MasterCard Foundation and The Boston Consulting Group, 2015).

**TABLE 2**

Aggregated key indicators of YouthStart programme  
PART I - Institutional indicators

	Baseline 2010	Expected 2014	Actual Dec. 2014	Change from baseline
Active borrowers	 1,294,593	—	 1,583,169	<b>CHANGE</b> 23%
Voluntary savers	 3,017,657	 4,652,961	 6,733,845	<b>CHANGE</b> 123%
Value of loans outstanding (US\$)	 513,300,219	—	 734,575,199	<b>CHANGE</b> 43%
Value of voluntary deposits (US\$)	 454,465,414	—	 795,020,404	<b>CHANGE</b> 75%
Percentage of women clients	 53%	 50%	 48%	<b>CHANGE</b> -1%
Portfolio at risk over 30 days	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>CHANGE</b> 0%
Operational self-sustainability	<b>133%</b>	<b>&gt;100%</b>	<b>107%</b>	<b>CHANGE</b> -2%

PART II - Youth programme indicators

	Baseline 2010	Expected 2014	Actual Dec. 2014	Change from baseline
Active youth clients <sup>a</sup>	 352,548	 803,624	 986,772	<b>CHANGE</b> 180%

PART II - Youth programme indicators (continued)

	Baseline 2010	Expected 2014	Actual 2014	Change from baseline
Active YouthStart clients	0	 388,300	 514,766	
Percentage of young women	0%	 >50%	 46%	
Percentage below 18	0%	—	<b>18</b> 26%	
Savings volume (US\$)	0	—	 14,299,945	
Borrowers	0	—	 71,706	
Volume of loans outstanding (US\$)	0	—	 7,347,496	
Youth portfolio at risk over 30 days	<b>0%</b>	—	<b>3%</b>	
Youth participants in financial education	 13,912	 363,095	 502,618	<b>CHANGE</b> 351%

<sup>a</sup> All youth clients opting for specific products and services designed under the YouthStart programme and those opting to use mass-market products

This paper aims to add to the body of knowledge about the positive impact and effects that access to financial services has on youth. It provides deeper insight into different financial capability indicators (e.g., money management, use of financial services, and planning ahead). By analysing changes in these financial capability indicators over time through financial diaries, this paper demonstrates the circumstances under which financial diaries can be used to evaluate the effects of an integrated, holistic youth programme that combines youth financial services with youth non-financial services.

The financial diaries generate quantitative data about youth financial behaviour over a longer period of time as well as qualitative understanding of the reasons for the behaviour. This study differs from 'normal' financial diaries studies in several aspects. First of all, research lasted six months rather than a full year or annual cycle. Therefore, seasonal fluctuations were not captured. Secondly, this study focuses on a specific age group, youth, while other financial diaries studies typically sample to get a reasonable overview of a community. Thirdly, this study focuses on individuals rather than households. As a result, transactions between the youth and the households (e.g., money received from the parents or contributions of the youth to the household) are recorded. Finally, the greatest departure from the main body of financial diaries research is that this research used the diaries methodology to understand,

inform and provide insights on the effects of programme interventions on developmental outcomes.<sup>5</sup>

Evidence from a limited number of studies shows that financial diaries can be used to assess the effect of youth programmes on desired outcomes:

- Freedom from Hunger used financial diaries in Ecuador and Mali to evaluate changes in financial knowledge, attitudes and behaviours over time from youth participation in integrated financial and non-financial services. Freedom from Hunger found that youth develop short- and long-term strategies for saving when they participate in a holistic programme that combines savings and financial education.<sup>6</sup>
- Plan used financial diaries to identify the financial needs and demands of youth, to explore their ex ante risk management strategies and ex post coping strategies, and to analyse the role of youth financial products (such as those through youth savings and loan associations) in their financial behaviour and strategies. Plan found that geographic location, individual demographic characteristics and seasonality all affect youth financial behaviour. Plan also found that accessibility of savings instruments (like youth savings and loan associations) has a strong role to play in uptake, but products need to be refined to better match the needs of youth.<sup>7</sup>
- Microfinance Opportunities used financial diaries to assess the impact of a financial education

programme in Uganda by comparing changes in knowledge, skills, attitudes and behaviours of adults in treatment and comparison groups. Microfinance Opportunities found differences between the two groups such as i) adults in the treatment group increased savings at home, in savings groups and in savings and credit co-operatives (SACCOs) while those in the comparison group did not; ii) adults in the treatment group were able to increasingly plan or stay within their budget through tracking their money while those in the comparison group did not; and iii) adults in the treatment group reported using savings groups and SACCOs to help manage bills while those in the comparison group relied on support from their family and friends.<sup>8</sup>

This paper explores the differences between youth in a control group and youth in a treatment group and, based on those differences, explores the potential effects of the programme on youth financial capability indicators (e.g., money management, use of financial services, and planning ahead).

The paper is divided into three main sections:

- I. Description of the youth programmes and their country context
- II. Research methodology
- III. Findings: Money management, Use of financial services, and Planning ahead

“ **THE FINANCIAL DIARIES GENERATE QUANTITATIVE DATA ABOUT YOUTH FINANCIAL BEHAVIOUR OVER A LONGER PERIOD OF TIME AS WELL AS QUALITATIVE UNDERSTANDING OF THE REASONS FOR THE BEHAVIOUR** ”



<sup>5</sup> An exception is the study previously mentioned that was conducted by Microfinance Opportunities to assess the impact of a Habitat for Humanity financial education programme in Uganda. See <https://www.microfinanceopportunities.org/3-approach/looking-for-something/how/financial-diaries/> for more information.

<sup>6</sup> Megan Gash and Bobbi Gray, *Advancing Integrated Microfinance for Youth (AIM Youth): Financial Diaries Research Report* (Davis, California, Freedom from Hunger, May 2014). Available from [https://www.freedomfromhunger.org/sites/default/files/documents/AIMyouth\\_FinancialDiaries\\_Eng.pdf](https://www.freedomfromhunger.org/sites/default/files/documents/AIMyouth_FinancialDiaries_Eng.pdf)

<sup>7</sup> Abu Saleh Mohammed Musa and others, *Counting Change: How youth manage their money* (Toronto, Plan International Canada, 2014). Available from [http://plancanada.ca/downloads/mcf/CountingChange\\_PlanCanada2014.pdf](http://plancanada.ca/downloads/mcf/CountingChange_PlanCanada2014.pdf)

<sup>8</sup> Guy Stuart, *Uganda Financial Education Impact Project: Final Report* (Washington DC, Microfinance Opportunities, December 2012). Available from <https://www.microfinanceopportunities.org>

# DESCRIPTION OF YOUTH PROGRAMMES AND COUNTRY CONTEXT

## OVERVIEW

This section presents the socioeconomic and financial context of Togo and Ethiopia, including financial inclusion data for youth aged 15–24. It also provides a description of the financial and non-financial youth services offered by the FSPs in both countries.

## COUNTRY CONTEXT - TOGO

**W**ith a population of 6.8 million in 2013, Togo was ranked 30th by population size in Africa.

In 2010, 60% of the population was 24 years old or below. Togo remains a relatively poor country with a GDP per capita of \$1,429 and 58.7% of the population living below the poverty line.<sup>9</sup> It has a very low human development index (HDI) of 0.484 and an HDI rank of 162 out of 188 countries.<sup>10</sup> Togo has a small economy, with 66% of the population depending on agriculture for their livelihood, mostly from small family farms.<sup>11</sup> Unemployment rates remain relatively high at 10.2%, as of 2014.<sup>12</sup> Togo has a poor, but steadily improving, business environment with a rank of 149 out of 189 countries by the World Bank's *Doing Business 2015* report.<sup>13</sup> Togo

has a concentrated formal financial system, with a handful of commercial banks accounting for most assets, in addition to 176 microfinance institutions (MFIs) in 8 networks with 454 points of service.<sup>14</sup> Figure I provides an overview of the country's socioeconomic and financial context.

Figure II shows financial inclusion data for youth aged 15 to 24 in Togo. The percentage of youth who have a savings account at a formal financial institution is 11.3%, while 9.4% saved money in the past year and only 1.5% saved at a formal financial institution in the past year. The percentage of youth who borrowed money in the past year is -2.0%, whereas only 1% borrowed from a formal financial institution.<sup>15</sup> These data indicates that youth in Togo are saving and borrowing more informally than formally.

<sup>9</sup> World Bank, 'Data: Togo.' Available from <http://data.worldbank.org/country/togo>

<sup>10</sup> United Nations Development Programme, 'Briefing note for countries on the 2015 Human Development Report: Togo,' in *Human Development Report 2015—Work for Human Development* (New York, 2015). Available from [http://hdr.undp.org/sites/all/themes/hdr\\_theme/country-notes/TGO.pdf](http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/TGO.pdf)

<sup>11</sup> World Bank, 'Data: Togo'

<sup>12</sup> World Bank, 'Data: Unemployment.' Available from <http://data.worldbank.org/indicator/SL.UEM.1524.MA.ZS>

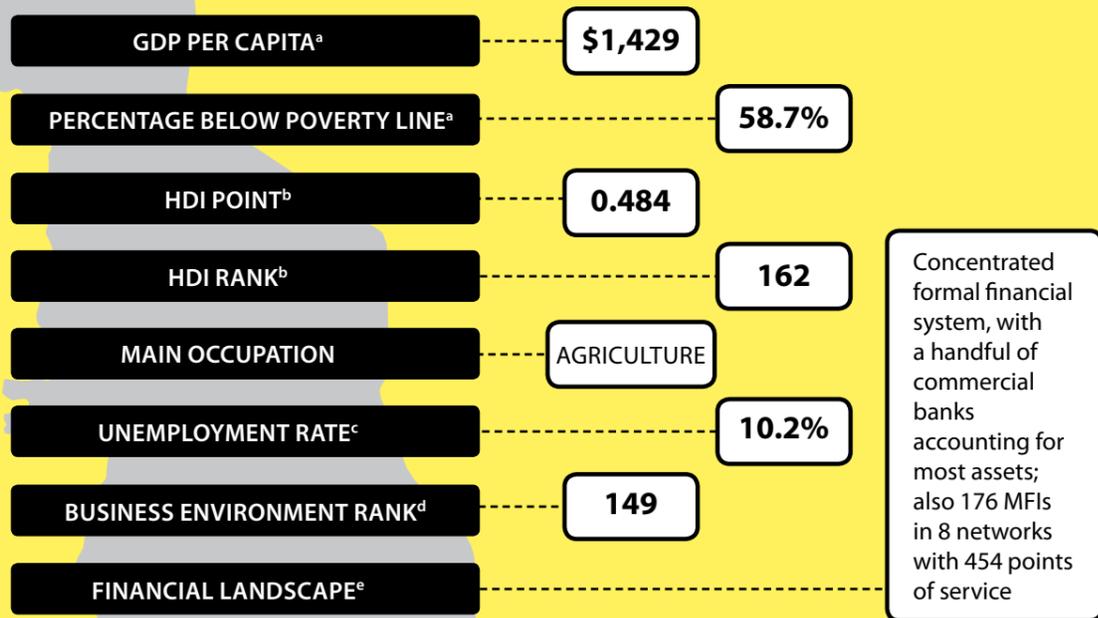
<sup>13</sup> World Bank, *Doing Business 2015: Going Beyond Efficiency* (Washington DC, 2014). Available from <https://openknowledge.worldbank.org/bitstream/handle/10986/20483/DB15-Full-Report.pdf?sequence=1>

<sup>14</sup> Microfinanza, 'Final Evaluation of the YouthStart Programme' (Vicenza, Italy, 9 September 2015).

<sup>15</sup> World Bank, 'Financial Inclusion Data / Global Findex.' Available from <http://datatopics.worldbank.org/financialinclusion/>

**FIGURE I**

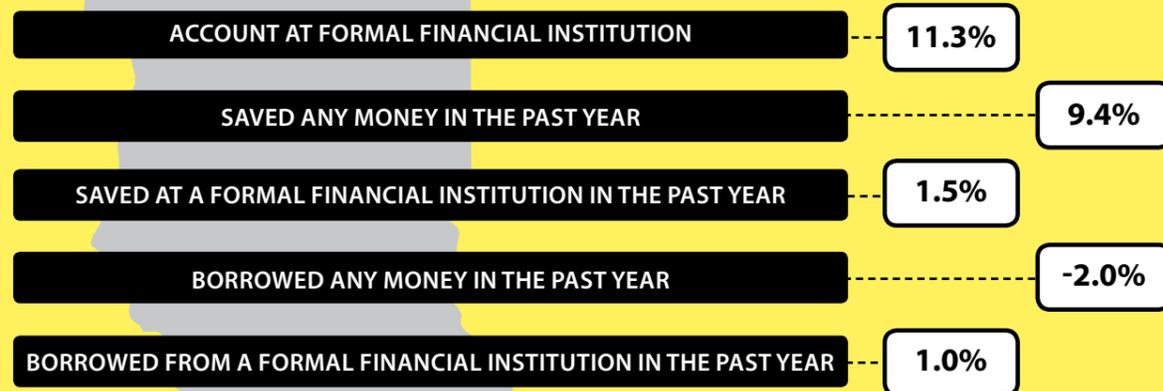
**Socioeconomic and financial context of Togo**



<sup>a</sup> World Bank, 'Data: Togo' <sup>c</sup> World Bank, 'Data: Unemployment' <sup>e</sup> Microfinanza, 'Final Evaluation of the YouthStart Programme.'  
<sup>b</sup> UNDP, 'Briefing note.' <sup>d</sup> World Bank, 'Doing Business 2015.'

**FIGURE II**

**Financial inclusion data for youth aged 15–24 in Togo (2014)**



Source: World Bank, 'Financial Inclusion Data / Global Findex.'

**YOUTHSTART PROGRAMME IN TOGO - FUCEC**

In Togo, YS partners with Faïtière des Unités Coopératives d'Épargne et de Crédit (FUCEC), the largest network of SACCO unions in the country, with over 500,000 members. The first credit union began operations in 1969, and the network was established in 1983. In 2012, with the support of UNCDF, FUCEC developed savings and loan products and a financial education programme for youth between the ages of 12 and 24. These products and services are now offered by 36 out of 40 FUCEC unions from 102 points of service. Table 3 provides an overview of FUCEC outreach and volume for these products as of December 2014.

**FUCEC youth savings product**

The passbook savings account is designed as a secure place for youth between the ages of 12 and 24 to keep their savings. To open an account, youth must make a social contribution of CFAF 500 (\$0.85)<sup>16</sup> and provide an ID or a person to verify their identity and age. If the youth is under the age of 18, s/he needs parental consent to open the account. Youth agents collect the savings daily at the place of employment, school or university. This door-to-door collection system (*Système de Collecte de Fonds sur Place*<sup>17</sup>) has been highly successful as it allows FUCEC staff to fine-tune

their understanding of how to meet clients' needs in the field. The savings can be withdrawn at any time from any FUCEC point of service. There are no minimum balance requirements or limits on the number of deposits. The interest rate is 3% per annum.

**FUCEC youth loan product**

FUCEC offers a group loan product to youth older than 18: *Credit Jeune*. In order to access this product, youth first need to attend financial education sessions, save with FUCEC for a period of three months in an amount that is one fifth of the amount requested, form a group of 5 to 15

**TABLE 3**

**FUCEC data (December 2014)**

	 <b>FUCEC data</b>	 <b>YouthStart</b>
Savings accounts	684,865	37,559
Savings volume	\$101,000,000	\$808,935
Loans outstanding	167,089	75
Loan volume	\$101,000,000	\$9,256
PAR30	11%	0%
OSS	128%	—
RoE/RoA	2.13% / 13.88%	—
Number of youth participants in FE	—	32,010

Note: The volume of youth loans was small because most of the YS clients were students who were more interested in savings than loans. In addition, some of the credit unions/branches were reluctant to provide loans to youth due to lack of awareness and the degradation of the loan portfolio in general. Acronyms: FE – financial education; OSS – operational self-sustainability; PAR30 – portfolio at risk over 30 days; RoA – return on investment; RoE – return on equity

<sup>16</sup> The currency symbol for Togo used by the United Nations is CFAF. The exchange rate at the time of the study was CFAF 500 to US\$1. This exchange rate was used throughout this report. Source: *MicroSave*, 'Financial Diaries Research Project: Assessment of the Effect and Behavioural Changes of Financial and Non-Financial Services on Youth' (n.p., June 2015).

<sup>17</sup> *Système de Collecte de Fonds sur Place* means onsite system for collections.

members, and provide the contact information of a reference who is preferably a parent or guardian. On a case-by-case basis, youth can also provide some form of collateral, use a portion of their savings, or be backed by another adult member of FUCEC to access a loan. Loans are granted for a maximum of 12 months and up to CFAF 300,000 (\$600). The interest rate is 1 percentage point cheaper than the interest rate for adults (i.e., 12% per annum instead of 13%). Loan

payments are made through a variety of delivery channels, such as through points of service and through agents who visit schools and places of business.

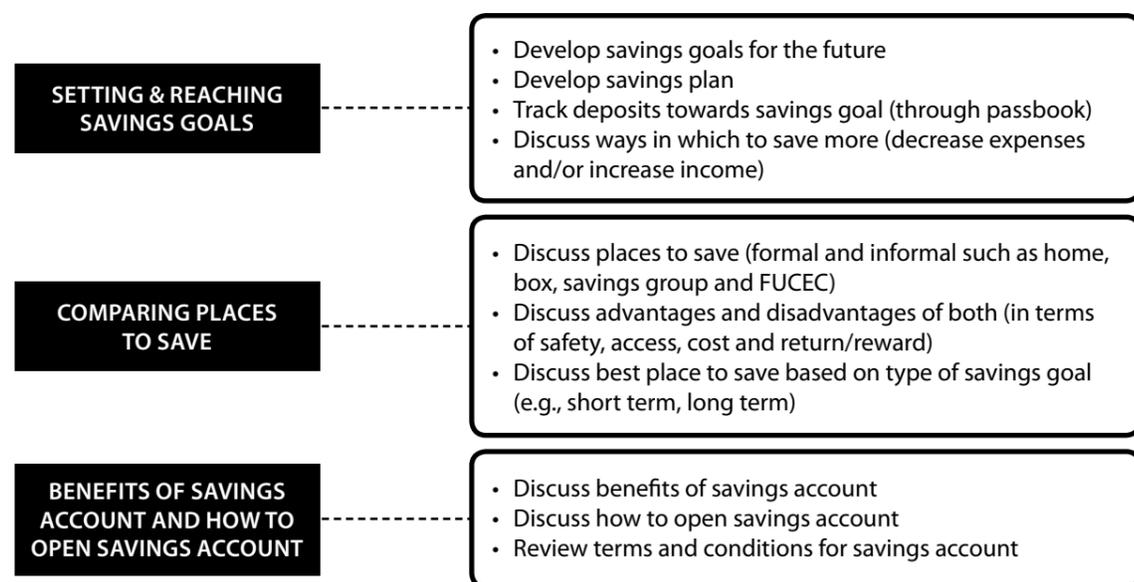
**FUCEC non-financial services**  
FUCEC delivers non-financial services using a hybrid model (unified + parallel).<sup>18</sup> In the hybrid model, youth peers are trained as trainers by FUCEC staff in order to deliver non-financial services to other youth.

Figure III provides a snapshot of the FUCEC financial education sessions focused on savings<sup>19</sup> and learning objectives for each session.

**FUCEC performance under YouthStart**  
FUCEC has been one of the top-performing FSPs participating in the YS programme. Table 4 demonstrates how FUCEC has met and/or exceeded most of its targets.

**FIGURE III**

**FUCEC financial education sessions and learning objectives**



<sup>18</sup> Unified model: FSP staff directly provide non-financial services, delivering sessions to youth at branches and schools. Linked model: FSP develops partnership with YSO that provides non-financial services to youth.  
<sup>19</sup> FUCEC also offers financial education on the topics of credit and entrepreneurship.

**TABLE 4**

**FUCEC outreach targets for 2014**

	Baseline, March 2012	Expected target, 2014	Actual, Dec. 2014	Change from baseline
Total number of active youth clients <sup>a</sup>	30,691	65,641	79,795	160%
Number of active YS clients	0	41,118	41,704 <sup>b</sup>	N/A
Percentage of young women	36%	50%	53%	17%
Number of YS savers	0	34,950	37,559	N/A
Number of YS borrowers	0	N/A	75	N/A
Youth participants in financial education <sup>c</sup>	13,405	48,355	32,010	139%

<sup>a</sup> All youth clients (15 to 24 years of age) opting for specific products and services designed under the YS programme and those opting to use mass-market products  
<sup>b</sup> FUCEC gives youth time to save for their entire membership fee, which explains why there are more active YS clients than active YS savers  
<sup>c</sup> FUCEC did not meet its target in this area due to the difficulties it had in bringing together youth, most of whom were in schools. Togo experienced a number of teacher strikes that resulted in several school closings

**COUNTRY CONTEXT - ETHIOPIA**

With a population of 94 million in 2013, Ethiopia had the second largest population in Africa. In 2010, 65% of the population was 24 years old or below. Ethiopia has a relatively large economy with robust GDP growth rates (averaging 10.6% from 2010 to 2014). It has high poverty levels, with 72.2% of the population living below the poverty line, and a GDP per capita of \$1,494.<sup>20</sup> It has a low HDI of 0.442 and an HDI rank of 174 out of 188 countries.<sup>21</sup> Ethiopia's economy is based mainly on agriculture, contributing 45% of GDP and 80% of

employment in 2013. It has a small, but growing, industrial sector.<sup>22</sup> Ethiopia ranks 132 out of 189 countries by the World Bank's *Doing Business 2015* report.<sup>23</sup> Its financial markets are primarily controlled by three state-owned banks but contain 32 MFIs and more than 8,200 SACCOs.<sup>24</sup> Figure IV provides an overview of the country's socioeconomic and financial context.

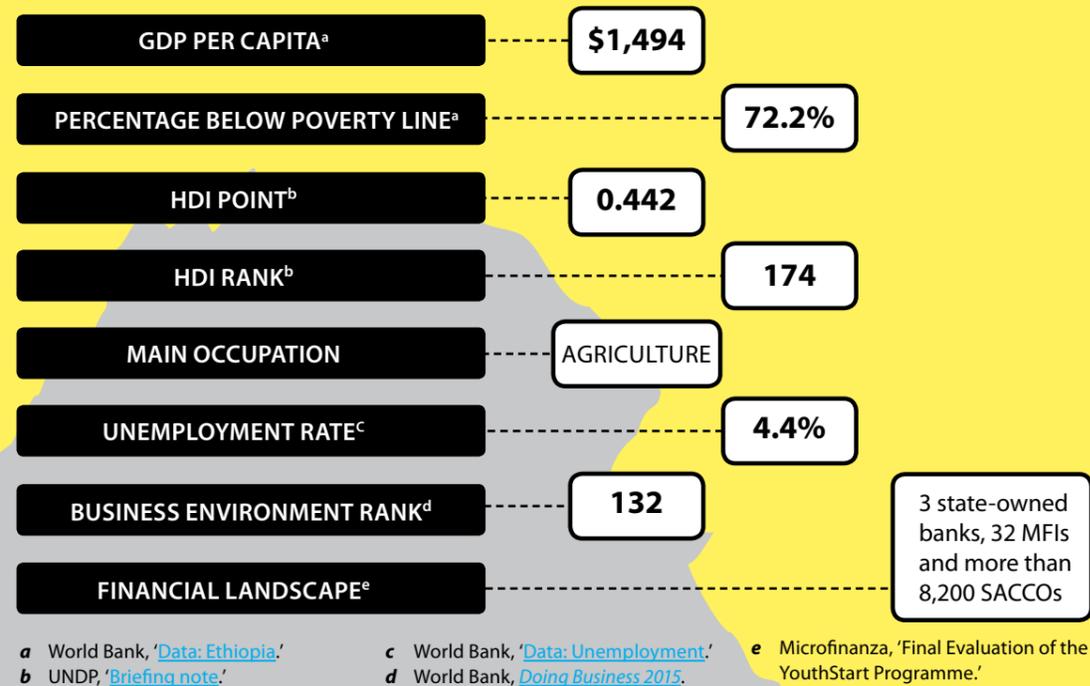
Figure V shows financial inclusion data for youth aged 15 to 24 in Ethiopia. The percentage of youth who have

a savings account at a formal financial institution is 14.3%, while a relatively large portion (38.4%) saved money in the past year and only 10.8% saved at a formal financial institution in the past year. The percentage of youth who borrowed money in the past year is 40.6%, whereas only 3.7% borrowed from a formal financial institution.<sup>25</sup> This data indicates that youth in Ethiopia, similar to youth in Togo, are saving and borrowing more informally than formally.

<sup>20</sup> World Bank, 'Data: Ethiopia.' Available from <http://data.worldbank.org/country/ethiopia>  
<sup>21</sup> United Nations Development Programme, 'Briefing note for countries on the 2015 Human Development Report: Ethiopia,' in *Human Development Report 2015—Work for Human Development* (New York, 2015). Available from [http://hdr.undp.org/sites/all/themes/hdr\\_theme/country-notes/ETH.pdf](http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/ETH.pdf)  
<sup>22</sup> World Bank, 'Data: Ethiopia.'  
<sup>23</sup> World Bank, *Doing Business 2015*.  
<sup>24</sup> Microfinanza, 'Final Evaluation of the YouthStart Programme.'  
<sup>25</sup> World Bank, 'Financial Inclusion Data / Global Findex.'

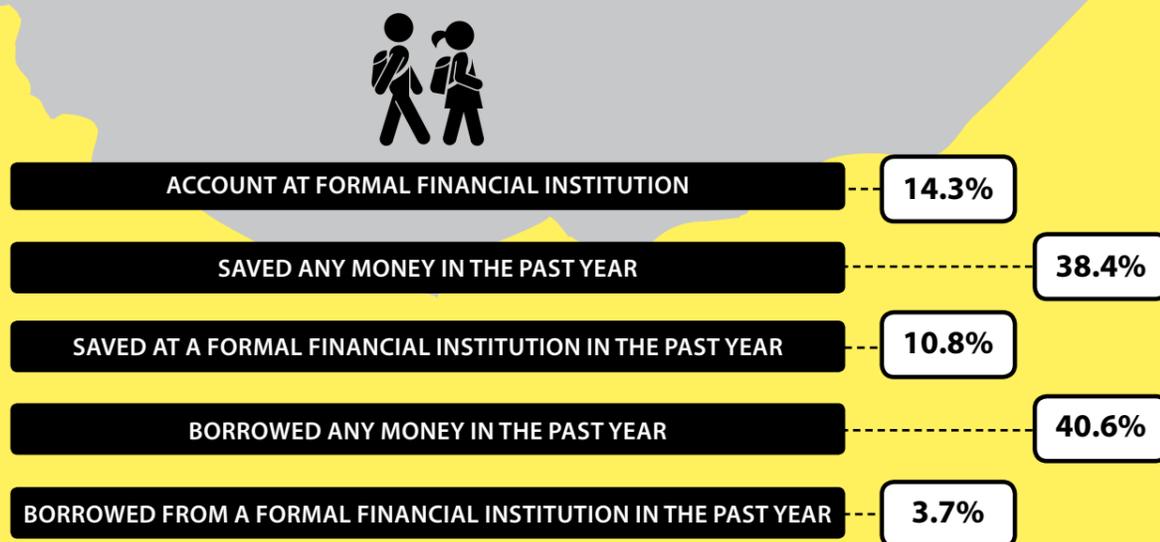
**FIGURE IV**

**Socioeconomic and financial context of Ethiopia**



**FIGURE V**

**Financial inclusion data for youth aged 15–24 in Ethiopia (2014)**



Source: World Bank, 'Financial Inclusion Data / Global Findex.'

**YOUTHSTART PROGRAMME IN ETHIOPIA – ACSI**

In Ethiopia, YS began partnering with Amhara Credit and Savings Institution (ACSI) in 2011 to develop financial and non-financial services for youth aged 12 to 24. ACSI emerged from a former NGO in 1995, and it is now one of the largest FSPs in Ethiopia. ACSI focuses mainly on clients involved in income-generating activities such as agriculture, handicrafts and micro- and small-enterprises. Table 5 provides an overview of ACSI outreach and volume for its financial and non-financial services as of December 2014.

**ACSI youth savings product**

ACSI offers one main savings account to youth between 12 and 18 years of age: the *Raey*<sup>26</sup> account. To open an account, youth must provide a minimum balance requirement of Br 5 (\$0.30)<sup>27</sup> and provide an ID or a person to verify their identity and age. If the youth is under the age of 18, s/he needs parental consent to open the account, unless s/he is employed.<sup>28</sup> The account interest rate is 5.5%, and there are no maintenance fees or limits on deposits and withdrawals. ACSI staff provide

a door-to-door collection service to their youth clients, visiting them at least once per week to collect their deposits.

**ACSI youth loan products**

ACSI offers an individual loan and a group loan to youth above 18. The value of the loan is based on the savings balance of the youth in the *Raey* account, up to 10 times the value of their savings. Youth must open a savings account for one month and make a minimum of three deposits and eight withdrawals to qualify for a group

**TABLE 5**

**ACSI data (December 2014)**

	 <b>ACSI data</b>	 <b>YouthStart</b>
Savings accounts	2,900,000	278,620
Savings volume	\$259,000,000	\$8,100,000
Loans outstanding	975,104	65,948
Loan volume	\$287,000,000	\$6,600,000
PAR30	0.5%	1%
OSS	228%	—
RoE/RoA	5.14% / 21.26%	—
Number of youth participants in FE	—	240,477

Acronyms: PAR30 – portfolio at risk over 30 days; OSS – operational self-sustainability; RoA – return on investment; RoE – return on equity; FE – financial education

<sup>26</sup> *Raey* means future vision.

<sup>27</sup> The currency symbol for Ethiopia used by the United Nations is Br. The exchange rate at the time of the study was Br 20 to US\$1. This exchange rate was used throughout this report. Source: *MicroSave*, 'Financial Diaries Research Project.'

<sup>28</sup> Youth who are 14 to 18 years old in Ethiopia must provide either a labour contract or an ID from their local administration to show proof of employment.

loan. ACSI requires youth to provide proof of a physical asset and guarantee to qualify for an individual loan. The interest rate is 13% for an individual loan and 15% for a group loan. The maximum amount for an individual loan is 1% of ACSI capital, while for a group loan it is Br 1,500 (\$71).

#### ACSI non-financial services

ACSI provides financial education on how to set and achieve savings goals, how to compare the pros and cons of different savings options and identify the best option for their goals, and how to open and use their account (e.g., passbook). Figure VI provides a snapshot of the ACSI financial education sessions focused on savings and learning objectives for each.

For the delivery of the financial education, ACSI uses a hybrid (unified + parallel) model. Through their hybrid model, ACSI staff trains young community leaders at the

branch level to become youth ambassadors to raise awareness during community meetings, market the youth product, encourage saving and usage of the account, and raise awareness among peers. This approach is an effective way to train out-of-school youth.

ACSI also develops partnerships with schools to help them form youth savings clubs and target in-school youth and with *kebeles*<sup>29</sup> to target out-of-school youth. In each school, the FSP identifies a youth ambassador to serve as a mentor and teacher of youth in the savings clubs and to promote and encourage saving among students. Youth can open savings accounts through the clubs, eliminating the need to travel.

For the delivery of other non-financial services, such as entrepreneurship training or more technical training, ACSI partners with vocational schools

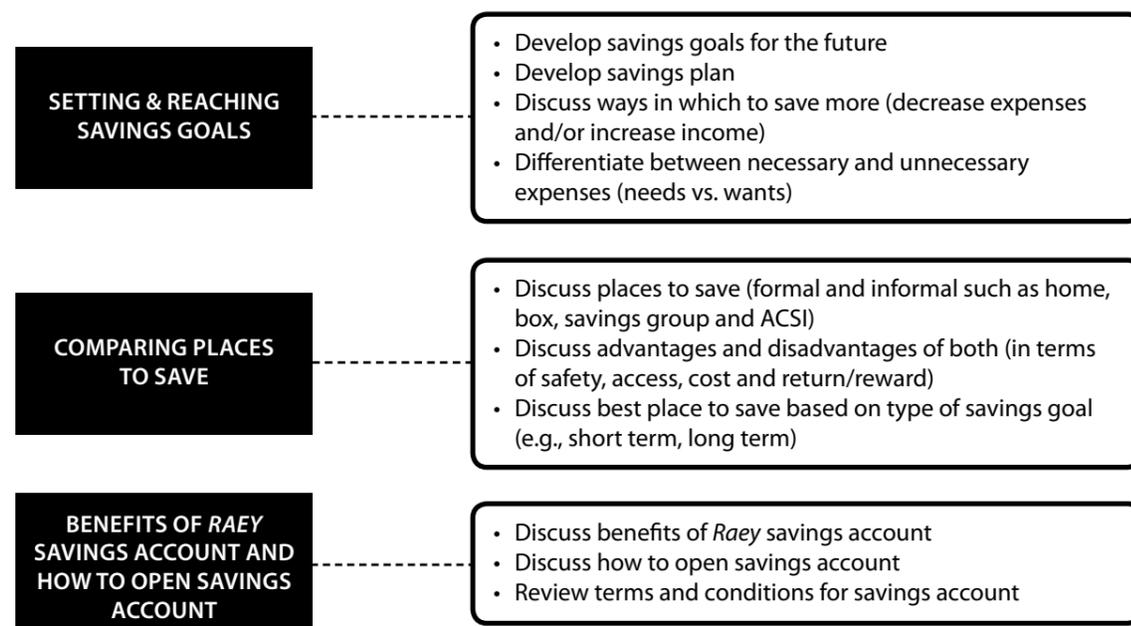
(such as the one at Bahir Dar University) and four youth serving organizations (YSOs) in the region. For example, ACSI partnered with agricultural vocational schools and was able to provide youth with savings accounts as they went through training to develop new skills. In addition, by the time some youth graduated from the vocational school, they had accumulated enough savings to apply for a loan with ACSI. ACSI also recently created a business development centre in partnership with Digital Opportunity Trust Ethiopia, creating a system to link trainings on life-skills, entrepreneurship and ICT with a dedicated offering of financial products.

#### ACSI performance under YouthStart programme

Table 6 demonstrates how the FSP has done a formidable job in recruiting youth clients and training them in non-financial services, exceeding all of its targets for 2014.

## FIGURE VI

### ACSI financial education sessions and learning objectives



<sup>29</sup> *Kebeles* are the smallest government administrative unit in Ethiopia.

“ **ACSI PROVIDES FINANCIAL EDUCATION ON HOW TO SET AND ACHIEVE SAVINGS GOALS, HOW TO COMPARE THE PROS AND CONS OF DIFFERENT SAVINGS OPTIONS AND IDENTIFY THE BEST OPTION FOR THEIR GOALS, AND HOW TO OPEN AND USE THEIR ACCOUNT** ”

## TABLE 6

### ACSI outreach targets for 2014

	Baseline, March 2012	Expected target, 2014	Actual, Dec. 2014	Change from baseline
Total number of active youth clients <sup>a</sup>	173,021	342,158	512,794	196%
Number of active YS clients	0	117,813	278,620	N/A
Percentage of young women	N/A	60%	54%	54%
Number of YS savers	0	66,266	278,620	N/A
Number of YS borrowers	0	70,688	65,948	N/A
Youth participants in financial education	0	147,919	214,188	N/A

<sup>a</sup> All youth clients (15 to 24 years of age) opting for specific products and services designed under the YS programme and those opting to use mass-market products

# RESEARCH METHODOLOGY

## OVERVIEW

The research methodology for this study is based on the YS theory of change, a results-chain framework that contains inputs from UNCDF/ FSPs, outputs, outcomes and impact. This section highlights the research questions, hypotheses and indicators that centre on three themes: money management, use of financial services, and planning ahead. It presents characteristics of the samples in Togo and Ethiopia, how youth were selected to participate in the research and how they were segmented. Finally, it explains how the financial diaries were carried out, and limitations of the diaries methodology and of the study itself.

**T**his paper is based on research commissioned by UNCDF and carried out by *MicroSave*<sup>30</sup> with 2 of the 10 YS FSP partners: FUCEC in Togo and ACSI in Ethiopia. Collaboratively, YS and *MicroSave* chose these two partners based on their strong performance that was measured by consistently achieving high scores during monitoring visits (e.g., rolling out programme as scheduled, addressing challenges proactively) and consistently meeting and surpassing their quarterly targets and overall programme goals as indicated through quarterly reports (e.g., percentage of female clients, number of active clients, savings volume, loan portfolio). In addition, it was important that the FSPs offered youth loans in order to understand youth loan behaviour in addition to savings behaviour.

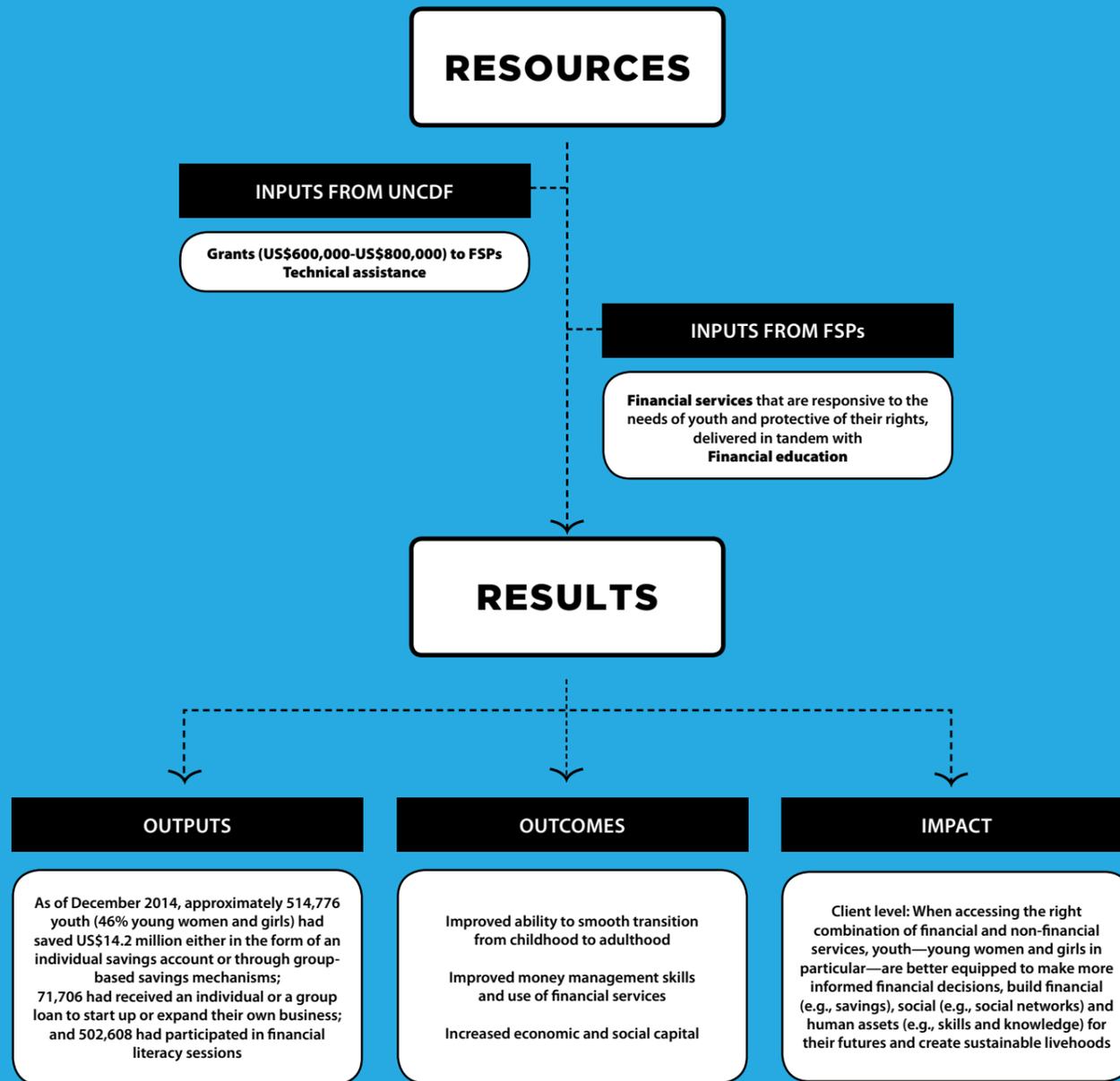
Researchers aimed to measure the short- and medium-term outcomes of youth clients of the two YS FSP partners, as hypothesized in the YS theory of change (see figure VII). The short- and medium-term outcomes included improved money management skills, increased use of financial services, improved ability to smooth transition from childhood to adulthood, and increased economic and social capital. The study focused primarily on the outcomes of improved money management skills and use of financial services. However, to a certain extent, it also examined the improved ability to smooth the transition from childhood to adulthood and increase economic and social capital by looking at how youth plan for their future (e.g., develop a financial plan, set and achieve savings goals, and accumulate assets).

<sup>30</sup> *MicroSave*, 'Financial Diaries Research Project: Assessment of the Effect and Behavioural Changes of Financial and Non-Financial Services on Youth' (n.p., June 2015).

## FIGURE VII

### Theory of change

## THEORY OF CHANGE



## RESEARCH QUESTIONS

The research aimed to answer the following questions about participation in the YS programme:

- 1 How does it contribute to improved money management skills of youth?
- 2 How does it contribute to increased use of financial services by youth?
- 3 How does it contribute to youth planning ahead for their future?<sup>31</sup>

It also tested some of the following hypotheses regarding changes in youth financial behaviour (see table 7):

**TABLE 7**

Research questions and hypotheses

	 MONEY MANAGEMENT	 USE OF FINANCIAL SERVICES	 PLANNING AHEAD
<b>RESEARCH QUESTIONS</b>	How does it contribute to improved money management skills of youth?	How does it contribute to increased use of financial services by youth?	How does it contribute to youth planning ahead for the future?
<b>RESEARCH HYPOTHESES</b>	<p>Youth develop good practices around money management such as tracking their money and spending it wisely.</p> <p>Youth develop good practices around loans such as taking as few loans as possible and evaluating the costs of loans.</p>	<p>Youth deposit savings on a regular basis.</p> <p>Youth increase the frequency and value of their savings over time.</p> <p>Youth develop good practices around savings such as saving frequently, saving automatically and keeping their savings in a secure place.</p>	<p>Youth set and achieve savings goals.</p> <p>Youth accumulate assets over time.</p> <p>Youth feel less stress about their future.</p>

<sup>31</sup> Research indicators for the theme of 'Planning ahead for the future' show the ability of youth to smooth the transition from childhood to adulthood in addition to building financial capital through asset acquisition (see 'Research indicators' section of this paper).

## RESEARCH INDICATORS

Table 8 illustrates the research indicators for each of the three themes (i.e., money management, use of financial services, planning ahead).

**TABLE 8**

**Research indicators**

THEMES	RESEARCH INDICATORS
 <b>MONEY MANAGEMENT</b>	<ul style="list-style-type: none"> <li>• Sources of income</li> <li>• Ranking of income sources by value</li> <li>• Types of expenses</li> <li>• Sources of income for types of expenses</li> <li>• Gender differences in income and expenses</li> </ul>
	<ul style="list-style-type: none"> <li>• Comparison of income and expenses (surplus vs. deficit)</li> </ul>
	<ul style="list-style-type: none"> <li>• Track income and expenses</li> <li>• Spend carefully</li> </ul>
 <b>USE OF FINANCIAL SERVICES</b>	<ul style="list-style-type: none"> <li>• Frequency of deposits<sup>a</sup></li> <li>• Comparison of deposits and withdrawals</li> <li>• Comparison of formal and informal savings mechanisms</li> <li>• Average value of deposits across different savings mechanisms<sup>b</sup></li> </ul>
	<ul style="list-style-type: none"> <li>• Frequency of deposits and withdrawals to savings account</li> <li>• Changes in frequency of deposits over time</li> <li>• Value of deposits and withdrawals to savings account</li> <li>• Changes in value of deposits over time</li> </ul>
	<ul style="list-style-type: none"> <li>• Save frequently</li> <li>• Save automatically</li> <li>• Keep savings in secure place</li> <li>• Take as few loans as possible</li> <li>• Evaluate costs of loan</li> </ul>
 <b>PLANNING AHEAD</b>	<ul style="list-style-type: none"> <li>• Develop financial plan</li> <li>• Set savings goals</li> </ul>
	<ul style="list-style-type: none"> <li>• Asset accumulation</li> </ul>
	<ul style="list-style-type: none"> <li>• Confidence about future</li> <li>• Levels of stress</li> <li>• Levels of happiness</li> </ul>
	<ul style="list-style-type: none"> <li>• Achieve savings goals</li> <li>• Achieve short-term savings goals in short time period</li> </ul>

<sup>a</sup> Frequency of deposits and withdrawals refers to youth making at least one deposit or withdrawal but does not track the exact number of deposits and withdrawals. See the section 'Limitations of the research' for further explanation of this indicator.

<sup>b</sup> As the number of youth in the treatment group is nearly double that of the control group for both countries, the most accurate level of comparison is the mean or average value of savings deposits. See the section 'Sample characteristics' for a description of the sample.

## SAMPLE CHARACTERISTICS

A total of 280 youth between 18 and 24 years of age participated in the research,<sup>32</sup> 139 from Togo and 141 from Ethiopia. The sample size in each country is a relatively large sample size for a financial diaries study. Most financial diaries studies that were conducted to assess a youth or financial education programme have been between 30 and 50 respondents per country (e.g., Freedom from Hunger,<sup>33</sup> Microfinance Opportunities,<sup>34</sup> Plan,<sup>35</sup> and Portfolios of the Poor).

The youth participants in the study were segmented by geographic location (i.e., urban/rural), gender, marital status, occupation and time in the YS programme (for the treatment group). In Togo, the sample was almost exactly half male and half female. In Ethiopia, there was a slight over-sampling of male youth. The sample was equally balanced between urban and rural youth in both countries, with just 4 percentage points more urban youth than rural youth. Most of the youth in the sample were single in both countries, with only 10% married informally. In Togo, the majority (two thirds) of youth respondents lived with their parents. However, the reverse was true in Ethiopia, with 41% of youth living independently and only 31% living with their family. Lastly, in Togo, the two largest groups for occupation were students (40%) and 'other' (40%), while the three largest groups in Ethiopia were self-employed (35%), formally employed (29%) and students

(20%). Figure VIII illustrates the sample characteristics in both countries.

A primary focus of the research was to assess the effects of the YS programme on youth. Though it was not deemed feasible to establish programme impact (particularly to prove that change was attributable to the programme), it was deemed useful to signal whether there were differences between a group of beneficiaries and a group of non-beneficiaries of the programme. To make this comparison possible, two thirds of the youth were clients of the FSPs participating in the study (treatment group) while one third of the youth had comparable socioeconomic parameters but lived in an area where the FSP did not offer its services to youth (control group). In Togo, it was relatively easy to identify areas where the FSP had not yet rolled out its services but with comparable accessibility and socioeconomic features. However, it proved to be more challenging in Ethiopia, as ACSI had already reached all accessible areas with the programme. Non-programme areas in Ethiopia were incomparable due to greater distance, less infrastructure and therefore a distinct population. Moreover, these distant areas could not practically be included in the research. Ultimately, youth in the control group in Ethiopia were selected from areas where branches only had a few YS participants because the youth officer had not yet been very active or effective. These youth did not

participate in the programme because they were unaware of the programme as opposed to being disinterested.

As depicted in figure IX, the control and treatment groups in Togo are comparable in terms of age, gender and urban/rural composition. There are some differences regarding living situation and marital status, with the control group being slightly more likely to be married and to be living away from parents, but the differences are not significant. The major differences are found in occupation, where the control group is more likely to be active in informal work and casual work while the treatment group has a larger component of students and includes some who are formally employed.

In Ethiopia, the control and the treatment group are fully comparable in terms of gender and urban/rural composition. Although some differences exist in regards to marital status, they are not significant. There are substantial differences between the two groups regarding living situation and age, with the control group being older and more likely to live independently. These two trends may be interrelated. In terms of occupation, the control group is more likely to be formally employed and self-employed whereas the treatment group is more likely to be composed of students and youth who are informally employed (see figure X).

<sup>32</sup> The research started with a total of 286 respondents. In the course of the research, six respondents dropped out. Some data is based on all 286 respondents, while some covers less than the final 280 respondents because some missed one or more of the BW interviews.

<sup>33</sup> Gash and Gray, *Advancing Integrated Microfinance for Youth*.

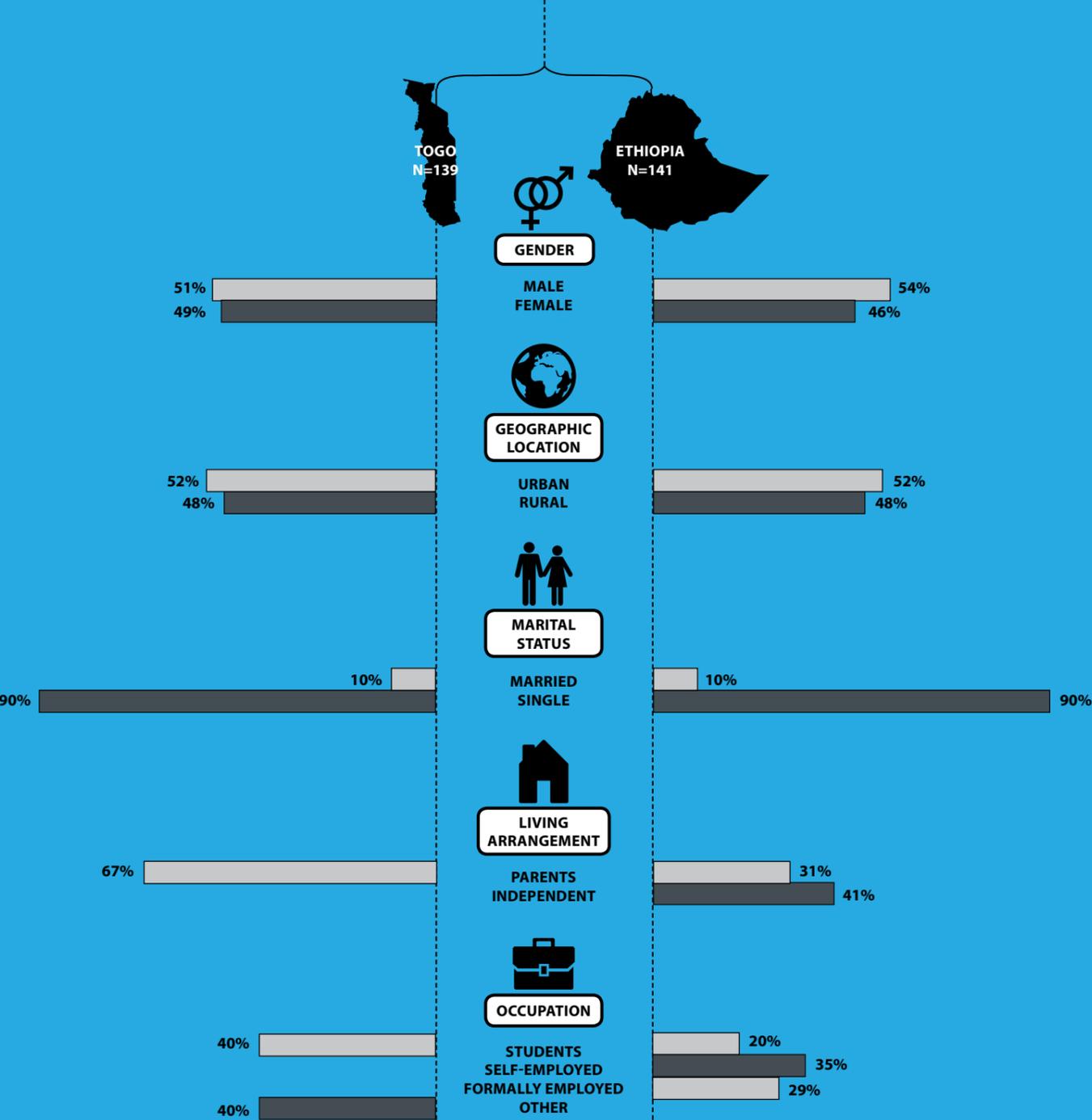
<sup>34</sup> Stuart, *Uganda Financial Education Impact Project: Final Report*.

<sup>35</sup> Musa and others, *Counting Change: How youth manage their money*.

**FIGURE VIII**

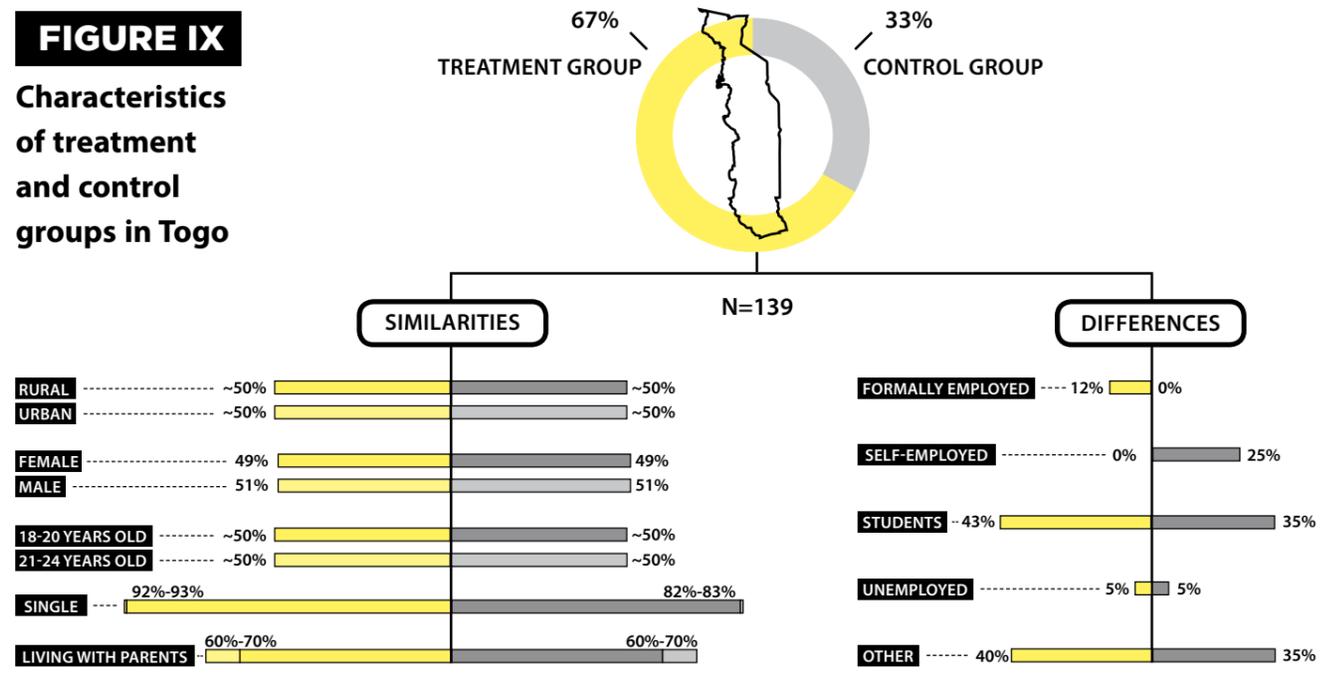
Sample characteristics

A total of 280 youth between 18 and 24 years of age participated in the research



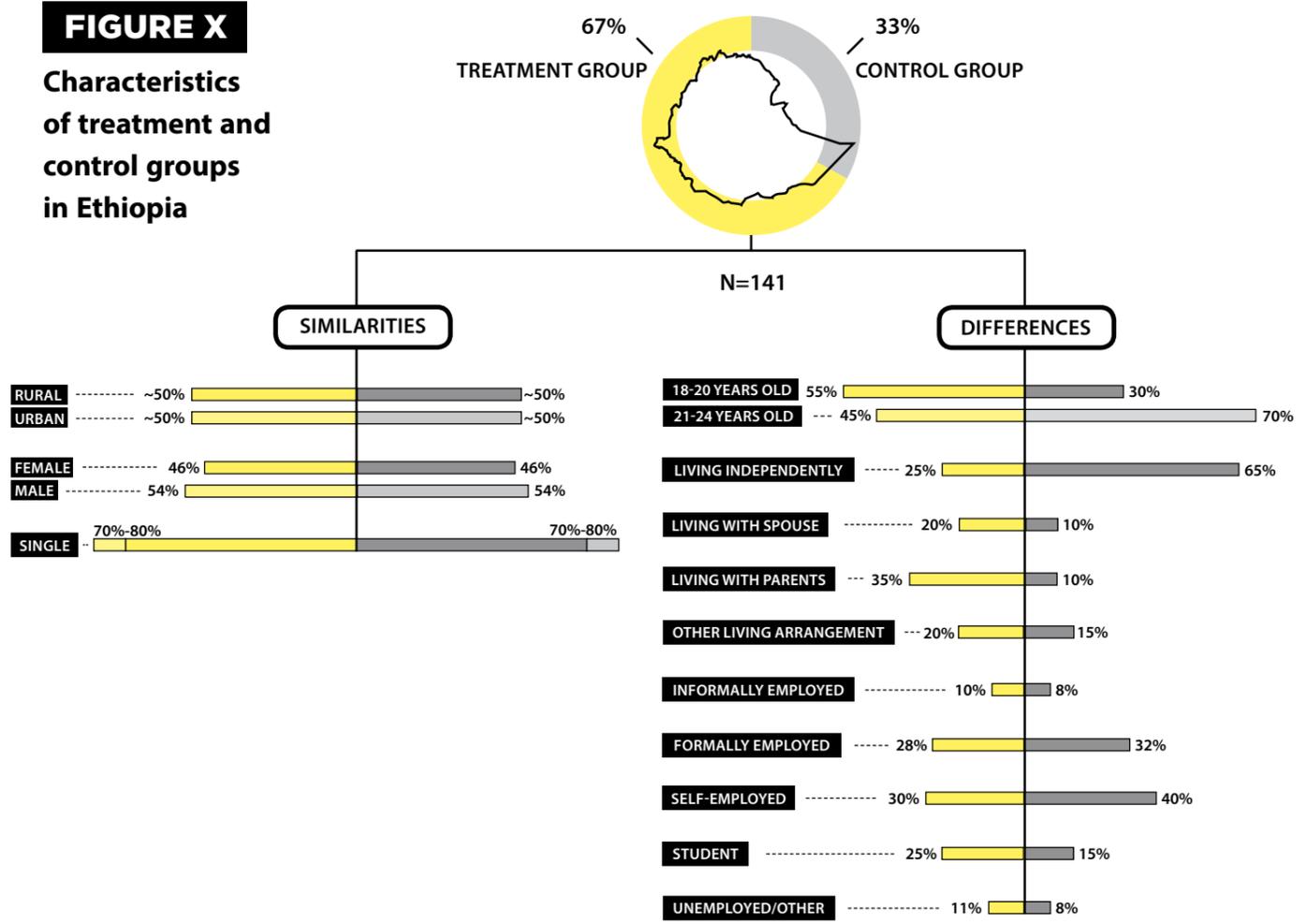
**FIGURE IX**

Characteristics of treatment and control groups in Togo



**FIGURE X**

Characteristics of treatment and control groups in Ethiopia



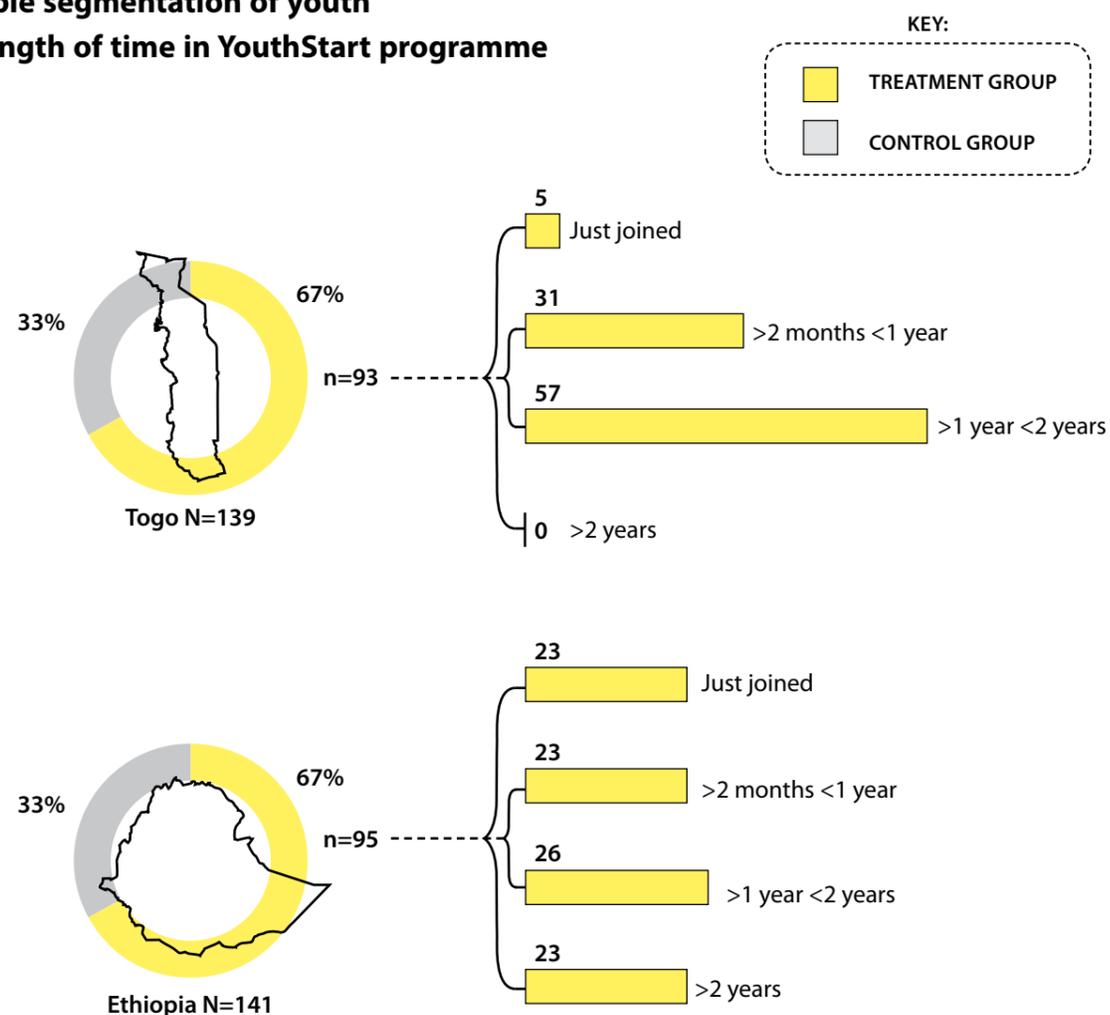
This paper presents differences by gender for the indicators. However, the focus is primarily on the differences noted based on the length of time youth participated in the YS programme in order to make comparisons across time periods that

extend beyond this study (i.e., six months), as some youth participated in the programme for one to two years or longer. The youth included groups that did not participate in YS (roughly 33% of the sample in both countries), those who recently joined the programme

(less than two months prior to the study), and those who participated for two months to almost one year, one to two years and two years or longer. Figure XI presents how these different groups were divided within the sample in both Togo and Ethiopia.

## FIGURE XI

Sample segmentation of youth by length of time in YouthStart programme



## FINANCIAL DIARIES

The assessment started with researchers collecting baseline information from participants to establish demographic information and explore global financial and livelihood questions. After collecting the baseline information, researchers conducted biweekly (BW) interviews with youth over a six-month period to track their formal and informal transactions. In addition to the questions asked during each BW interview, researchers

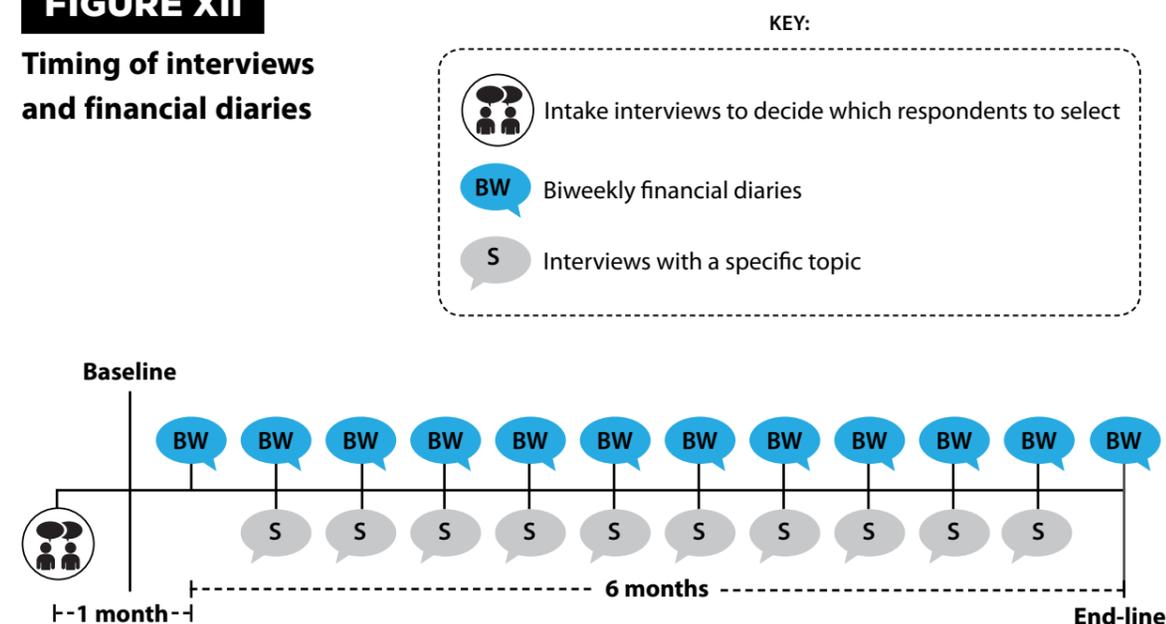
asked a series of special questions that examined a particular topic in greater depth (e.g., savings, loans, financial literacy). After the six months of BW data collection, the research culminated with an end-line questionnaire that gathered a second measurement on the full range of indicators collected at the baseline (see figure XII).

Researchers recorded BW interviews through computer-assisted personal

interviewing,<sup>36</sup> with each respondent in the control and the treatment group being asked about all the formal and informal financial transactions s/he conducted in the previous two weeks. The data included information about income, expenditures, savings, loans, emergencies and some other aspects that might fluctuate strongly from one BW interview to the next. The BW interviews took place over a six-month period from September 2014 to February 2015.

## FIGURE XII

Timing of interviews and financial diaries



## TRIANGULATION THROUGH FOCUS-GROUP DISCUSSIONS AND IN-DEPTH INTERVIEWS

In addition to the financial diaries methodology, researchers used a number of validating qualitative research methods. For example, they conducted 15 focus-group discussions

(FGDs) with youth and 8 in-depth interviews with parents. The FGDs took place towards the end of the data collection period, when a number of patterns and findings were already

known. These findings were explored further in the small focus groups, which were segmented by gender and participation in the YS programme (i.e., control/treatment group).

<sup>36</sup> Data collection based on computer-assisted personal interviewing entails entering each respondent's answers into a smart phone and then later transferring the data to a cloud-based database.

## LIMITATIONS OF THE RESEARCH

The main limitation to this study is the lack of baseline data on knowledge, skills, attitudes and behaviours of youth in the programme. As a result, it was not feasible to establish programme impact in the long term. However, by comparing participants and non-participants of the programme (control vs. treatment), several conclusions about the effectiveness of the programme could be drawn.

A second limitation relates to the interview questions on frequency of savings deposits and withdrawals to/from the different informal and formal savings mechanisms. Researchers asked youth if they made at least one deposit to the different savings mechanisms during the previous two-week period as opposed to the exact number of deposits and withdrawals.<sup>37</sup>

A third limitation is that, at the time of the research, there was only a small sample size of youth from both FSPs taking loans due mainly to the initial savings-led focus of both programmes. As such, researchers were able to

gather very limited information about the use of loans. Related to this limitation is the small sample size of YS cohorts based on their time in the programme.

Finally, as mentioned previously, there were challenges in the selection of a fully comparable control group in Ethiopia. In addition, some of the characteristics of the treatment and the control group in both countries weren't fully matched or comparable (e.g., occupation in both countries, and age and living situation in Ethiopia). It is difficult to determine how these differences in the two groups may have affected the findings. Difference in occupation may affect the sources of income and expenses and ultimately savings potential. For example, students (who made up a larger portion of the treatment group in both countries) may have less time to spend on economic activities to generate income for savings, but they also may receive more income from their parents than youth living independently. Students may also spend more on food

outside the home, while those living independently may spend more on toiletries, clothes and other personal items. These differences could be an additional area for exploration in future financial diaries studies.

The financial diaries methodology also has the following constraints/limitations:

- Small sample size is not statistically significant and/or representative of the youth population at large
- Youth are not selected according to random sampling methods
- Sample may have self-selection bias (e.g., youth who participated in the programme may have some characteristics that make them different from the youth population at large such as being self-starters)
- Information is self-reported by the youth sample, which may result in data that is misleading
- Interview questions are repeated, which may affect interviewees' responses

“ **THE MAIN LIMITATION TO THIS STUDY IS THE LACK OF BASELINE DATA ON KNOWLEDGE, SKILLS, ATTITUDES AND BEHAVIOURS OF YOUTH IN THE PROGRAMME** ”



<sup>37</sup> For the purposes of this paper, 'incidences' or 'frequency of deposits and withdrawals' is defined as 'making at least one deposit' instead of the exact number of deposits or withdrawals.

# 4 FINDINGS: MONEY MANAGEMENT



## OVERVIEW

Findings are presented separately for Togo and Ethiopia to provide insights for the benefit of policymakers, regulators, donors, YS partners ACSI and FUCEC, and other FSPs. The paper presents comparisons across countries when appropriate. In addition, findings are presented for the control and the treatment group, while comparisons and conclusions are drawn that may indicate potential effects of the youth programme. Findings are presented according to the three categories of money management, use of financial services, and planning ahead.

## MONEY MANAGEMENT

### OVERVIEW

This section contains the following findings:

- Sources of income and expenses
- Average income and expenses
- Sources of income for expenses
- Net income
- Good financial practices

### Sources of income

In Togo, youth reported a total of 1,727 cases of earning income in 1,701 questionnaires, which represents only about 1.1 sources of income reported per person per BW interview.<sup>38</sup> In Ethiopia, youth reported a total of 1,690 cases of earning income in 1,673 questionnaires, which represents only about 1.2 sources of income reported per person per BW interview.<sup>39</sup> This finding means that most youth did not have multiple income sources at one point in time, unlike most adults in other financial diaries studies who did have multiple sources of income.<sup>40</sup>

Given that many of the youth were also students, it should perhaps not be surprising that they had fewer sources of income.

Youth in Togo have a broad range of income sources (see figure XIII). The most significant income sources are parents (41% of total frequency of income sources), followed by own business (12%), casual labour (11%), employment (9%) and partners (7%). Unlike in Togo, youth in Ethiopia receive the majority of their income from their own business (54%), followed by employment (18%), parents (13%), casual labour and

### YOUTH WERE ASKED THE FOLLOWING QUESTION:

**“Which of the following income sources did you have during the past two weeks?”**

- They were given the following range of options:
- a. Employment (long term)
  - b. Own business
  - c. Casual labour
  - d. Parent(s)
  - e. Partner
  - f. Other people
  - g. Remittances
  - h. Taking from others
  - i. Lottery
  - j. Scholarship
  - k. Government subsidy
  - l. Other
  - m. Does not want to answer
  - n. None

partners (both 4%). The majority (76%) of the total frequency of income comes from money earned (own business, employment and casual labour) with little dependence on parents for income.

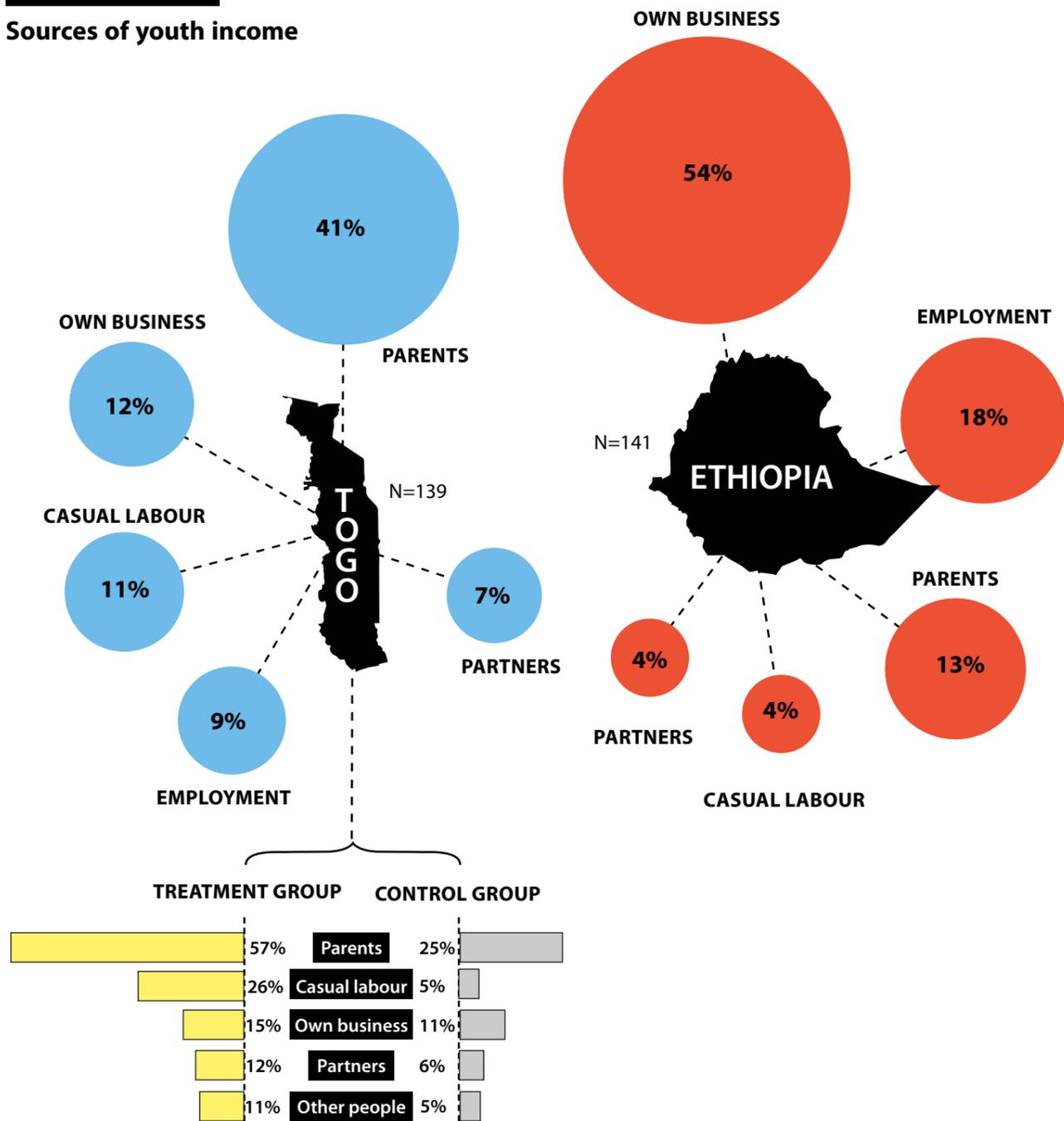
<sup>38</sup> After taking into account that 11% of the questionnaires contained the answer ‘no income’ or ‘doesn’t want to answer’

<sup>39</sup> After taking into account that 12% of the questionnaires contained the answer ‘no income’

<sup>40</sup> See Daryl Collins and others, *Portfolios of the Poor: How the World’s Poor Live on \$2 a Day* (Princeton, New Jersey, Princeton University Press, 2009).

**FIGURE XIII**

**Sources of youth income**



There were notable differences in terms of income sources for the control and the treatment group in Togo (see figure XIII again). The most significant difference involved the dependence on parents for income, with youth in the treatment group relying on their parents for more than half of their income (57% of total frequency of income sources), while youth in the control group

relied on them for just one quarter of their income (25%). This finding may be due to the fact that youth in the control group were more likely to be married and to be living away from their parents, whereas there were more students in the treatment group. In addition, youth in the treatment group earned a much higher portion of their income from casual labour than youth

in the control group (26% vs. 5%). Less significant differences included youth in the treatment group earning a higher portion of their income from their own business than youth in the control group (15% vs. 11%), while youth in the treatment group received more income from their partners (12% vs. 6%) and other people (11% vs. 5%) than youth in the control group.

There were only a few differences in the sources of income for the control and the treatment group in Ethiopia. A slightly higher proportion of youth in the treatment group had more income from their own business than youth in the control group (57% vs. 51%), while more youth in the control group had income from their partners compared to youth in the treatment group (12% vs. 6%). This result may imply greater comparability between youth in the control and the treatment group in Ethiopia than in Togo, where there

were greater differences in income sources between the two groups.

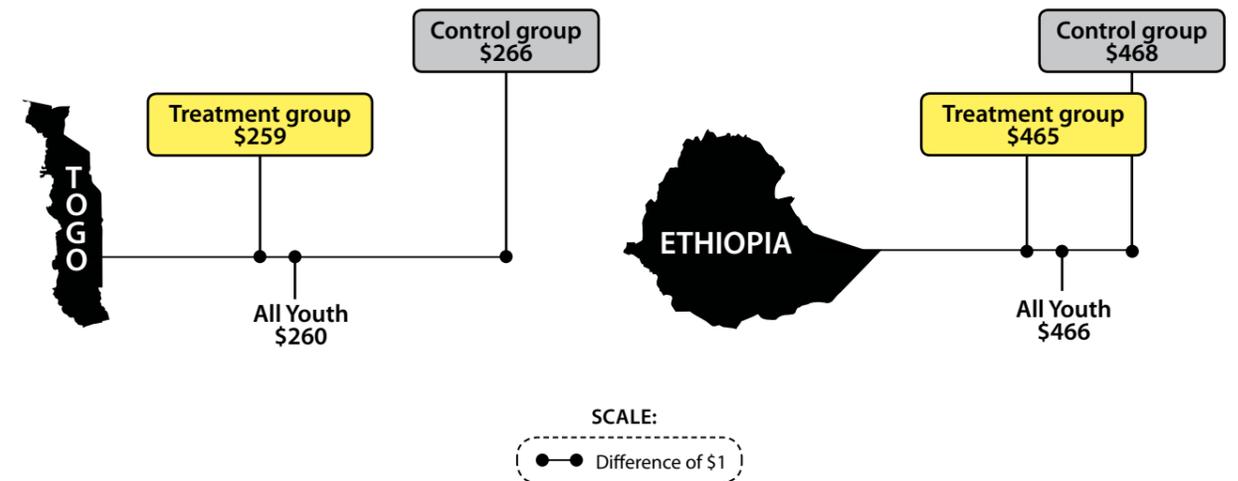
**Average income**

In Togo, the average income across all youth over six months was CFAF 130,258 (\$260, or \$520 annually). This amount is roughly one third of the GDP per capita (\$1,429). The amount corresponds to a monthly average of CFAF 21,710 (\$43). The average income over six months for the treatment group was CFAF 130,971 (\$259), while it was slightly higher for the control

group at CFAF 134,302 (\$266). In Ethiopia, the average income across all youth over six months was Br 9476 (\$466). This amount corresponds to a monthly average of Br 1,579 (\$76). The average income over six months for the treatment group was Br 9,461 (\$465), whereas it was slightly higher for the control group at Br 9,508 (\$468). Thus, the average income was slightly higher for the control group than the treatment group in both countries. Figure XIV summarizes the average income of the two groups.

**FIGURE XIV**

**Average income of control and treatment groups over six months**



In Togo, the lowest income for one person over the entire six-month period was CFAF 4,000 (\$8), which corresponds to just \$1.30 per month. The highest income was CFAF 2,093,500 (\$4,187) in a six-month period, or just under \$700 per month. In Ethiopia, the lowest income for one person over the entire six-month period was Br 1,196 (\$58.80), or just \$9.70 per month. The highest income was Br 39,220 (\$1927) in a six-month period, or almost \$321 per month.

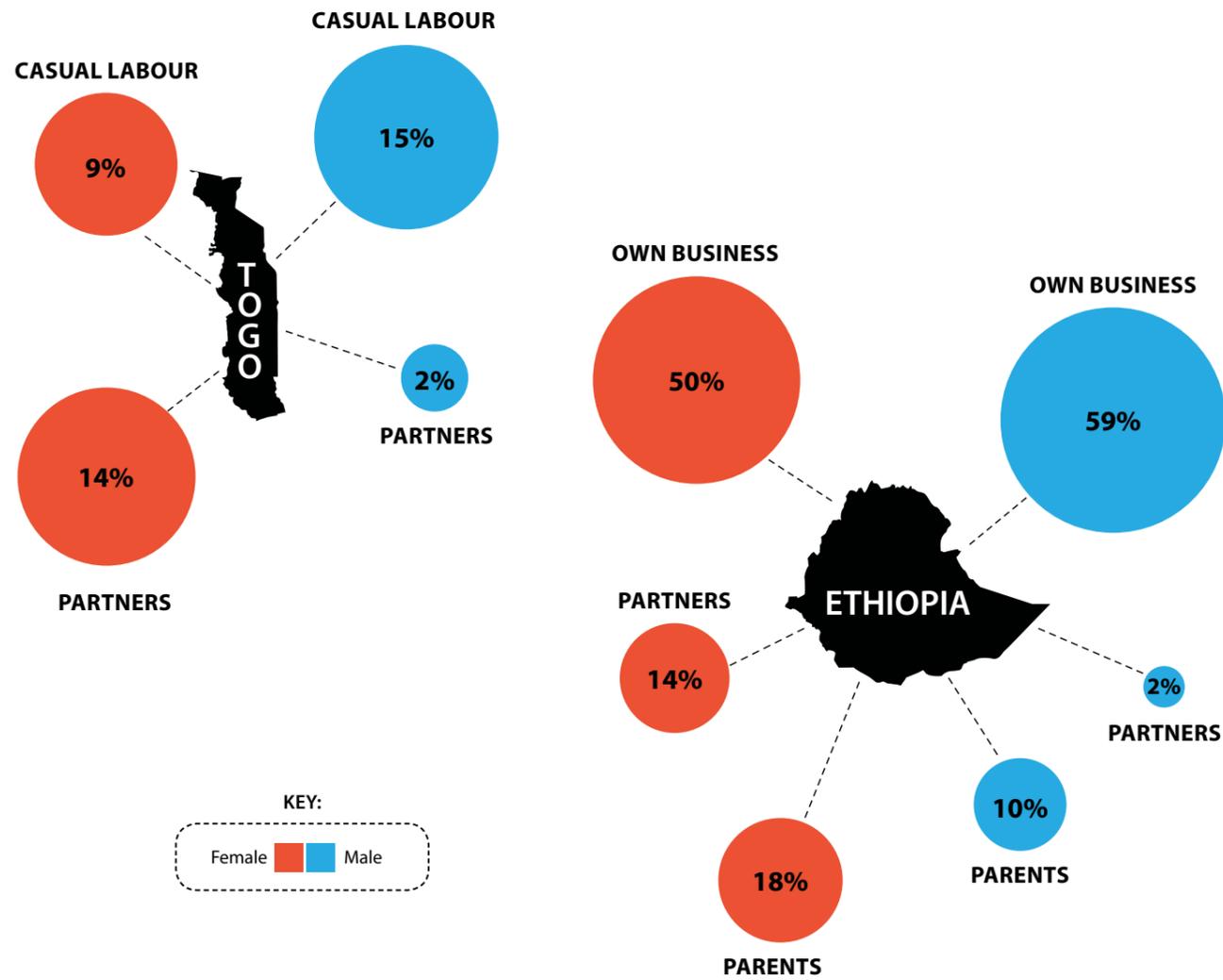
**Gender differences in income**

There are a few noticeable gender differences in the income sources for youth in both countries (see figure XV). In Togo, male youth earned more from casual labour than female youth (15% of total male youth vs. 9% of total female youth), while female youth received more income from their partners than male youth (14% of total female youth vs. 2% of total male youth). In Ethiopia, male youth earned more from their own business

than female youth (59% of total male youth vs. 50% of total female youth), whereas female youth showed a higher dependency on their parents (18% of total female youth vs. 10% of total male youth) and partners (14% of total female youth vs. 2% of total male youth) for income than male youth. Thus, in both countries, female youth received more income from partners and/or parents while male youth had more earned income (e.g., casual labour or business).

**FIGURE XV**

**Income sources for male and female youth**



There are some remarkable gender differences in the income structure for youth in Togo. In Togo, the income for male youth respondents is higher for all earned categories (employment, own business and casual labour) than for female respondents. For all three sources of earned income (employment, casual labour and

own business), male youth respondents have substantially higher income. For example, 34% of casual labour income for female youth is \$5 or below, while only 12% of casual labour income for male youth is that low. In addition, 37% of male youth have casual labour income of more than \$20 in a two-week

period compared to only 15% of female youth.

In Ethiopia, there are no significant gender differences in income structure. For all three sources of earned income (employment, own business and casual labour), male and female youth respondents have a similar proportion of income categories.

**“ DURING FGDs IN TOGO, YOUTH REPORTED THEIR MAIN EXPENSES TO BE BREAKFAST AT SCHOOL, CONTRIBUTION TO FOOD EXPENSES FOR THE FAMILY, SCHOOL AND TRAINING FEES, CLOTHES, AND SCHOOL AND TRAINING MATERIALS ”**

**Sources of expenses**

In Togo, youth reported a total of 4,580 expenditure cases during 1,701 interviews, which is an average of 2.7 expenditures per respondent per

two-week period. In Ethiopia, youth reported a total of 5,252 expenditures during 1,681 interviews, which is an average of 3.1 expenditures per respondent per two-week period.

**YOUTH WERE ASKED THE FOLLOWING QUESTION: “Which of the following type of expenses did you have over the past two weeks?”**

They were given the following range of options:

- a. Food at home
- b. Toiletry
- c. Food outside (snacks including soft drinks)
- d. Sweets
- e. Food on street
- f. Alcoholic beverage
- g. Clothing and shoes
- h. School fees
- i. School expenses
- j. Transportation
- k. Mobile phone
- l. House/Rent
- m. Water
- n. Electricity
- o. Other

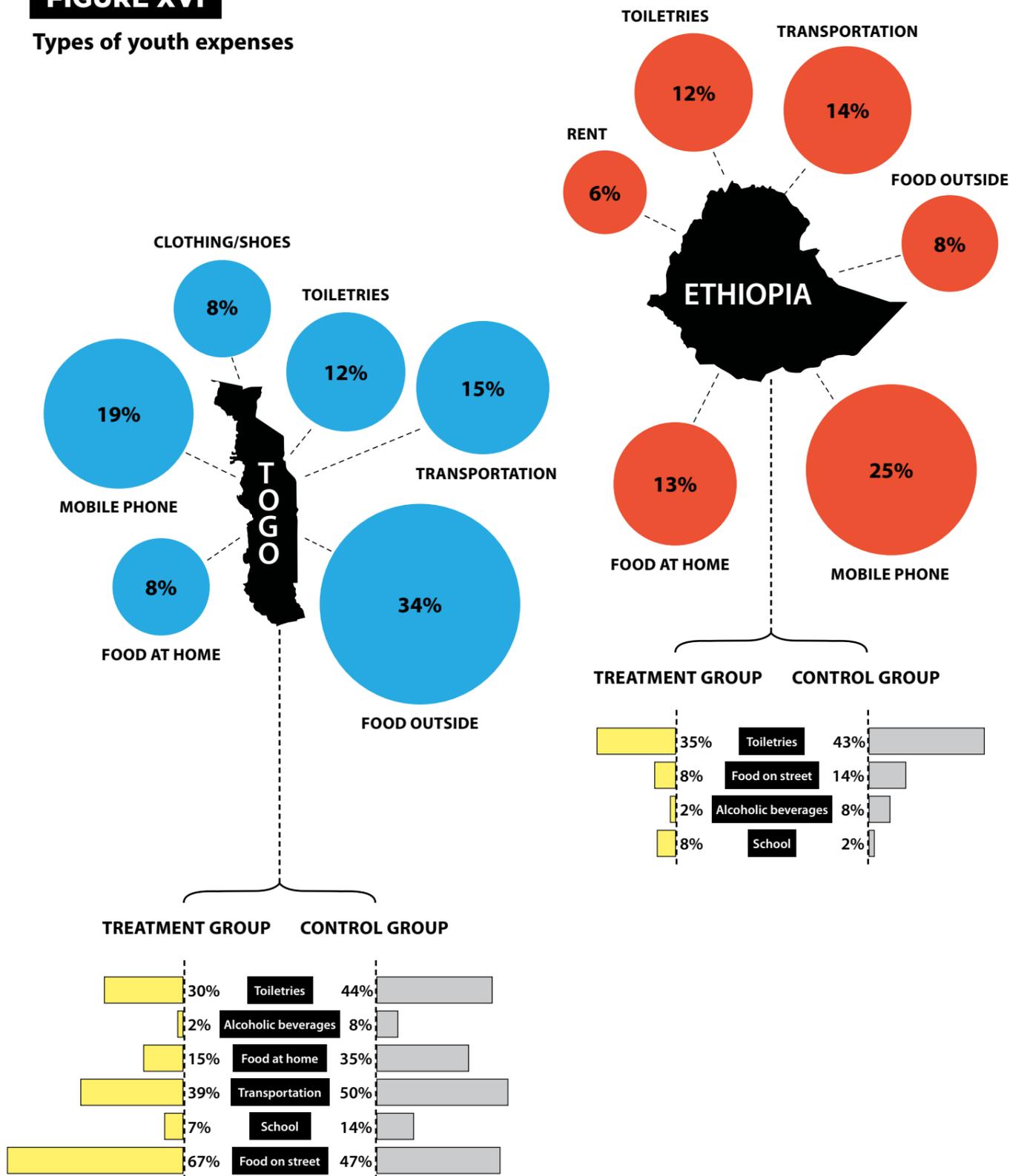
Figure XVI shows that, in terms of frequency, youth in Togo spent most of their income on food on the street/food outside (34% of total frequency), followed by mobile phone (19%), transportation (15%), toiletries (12%), clothing and shoes (8%) and food at home (8%). Youth in Ethiopia spent a quarter of their income on mobile phone (25%), followed by transportation (14%), food at home (13%), toiletries (12%), food outside (8%) and rent (6%).

There were noticeable differences in terms of types of expenses for youth in the control and the treatment group in Togo. For example, youth in the control group spent more on toiletries (44% vs. 30% of total frequency of expenses), alcoholic beverages (8% vs. 2%), food at home (35% vs. 15%), transportation (50% vs. 39%) and school (14% vs. 7%) than youth in the treatment group. Youth in the treatment group spent more on food on the street than youth in the control group (67% vs. 47%).

Differences in types of expenses for youth in the control and the treatment group in Ethiopia suggest that youth in the treatment group had better money management practices than youth in the control group, such as careful spending or spending more on necessary expenses (see section ‘Good financial practices: Money management’). For example, youth in the control group spent more on unnecessary or luxury expenses such as toiletries (43% vs. 35% of total frequency of expenses), food on the street (14% vs. 8%) and alcoholic beverages (8% vs. 2%) than youth in the treatment group. Youth in the treatment group spent more on necessary expenses such as school than youth in the control group (8% vs. 2%). The differences may be more striking in spending on necessary and unnecessary expenses between the control and the treatment group in Ethiopia than in Togo because the financial education programme added a session on distinguishing between needs and wants (see figure VI on page 14 for more on the financial education, and figure XVI for a summary of the differences in expense types just discussed).

**FIGURE XVI**

**Types of youth expenses**



**Average expenses**

In Togo, youth spent on average CFAF 87,651 (\$175) over the six-month research period, or \$29.20 per month. The minimum amount a respondent spent in six months was CFAF 5,850 (\$11.70, or less than \$2 per month), and the maximum amount a respondent spent was CFAF 940,300 (\$1,880, or over \$300 per month). The treatment

group spent on average CFAF 78,066 (\$156), while the control group spent on average CFAF 104,397 (\$209).

In Ethiopia, youth spent on average Br 4498 (\$221) over the six-month research period, or \$36.83 per month. The minimum amount a respondent spent in six months was Br 361 (\$17.70, or just under \$3 per month), and the

maximum amount a respondent spent was Br 16,935 (\$832, or \$140 per month). The treatment group spent on average Br 5,064 (\$249), while the control group spent on average Br 7,585 (\$373). Thus, in both countries, the control group spent more on average than the treatment group. Figure XVII summarizes the average expenses of the two groups.

**FIGURE XVII**

**Average expenses of control and treatment groups over six months**



**Sources of income for expenses**

Youth were asked which income source they use to pay for expenses. In Togo, parents' money is the main source of income to pay for school fees,

school expenses, house rent, water and electricity. In Ethiopia, income from parents is used mainly for house-related items (e.g., bills and food at home) and for school-related costs. In Togo and Ethiopia, youth's own

income sources (e.g., employment, own business and casual labour combined) are the main source to pay for mobile phone, clothes and shoes, toiletries, transportation, food at home, sweets and food on the street.

### Independence as determinant of types of expenses

FGDs and in-depth interviews in Ethiopia revealed that expenditures of youth vary greatly depending on whether youth are completely independent or still living with their parents. Youth living with their parents spent money primarily on their own needs such as purchasing mobile airtime, buying clothes and food on the street, and helping with household expenses such as food at home and rent. Youth living alone spent money mostly on rent, food, water and electricity, and some paid for their school expenses or helped their families pay for their sibling's school fees.

### Gender differences in expenses

Expenditure patterns vary somewhat according to gender. In Togo, male youth have higher median transportation costs per reported case, higher phone costs and a somewhat higher incidence of these two costs as well. Male and female youth have the same frequency of buying clothes and shoes, but male youth have a slightly higher cost per expenditure. Female youth have a slightly higher incidence of food at home, but the amounts of this type of expenditure are almost the same for male and female youth. Female youth spend more often on toiletries than male youth, but male youth spend a higher amount per case. Alcoholic beverages are primarily a cost for male youth (33 male cases vs. 5 female cases), but this expenditure was rarely reported. In Ethiopia, male youth have a higher incidence of expenditure in food outside, toiletries and alcoholic beverages, while female youth have a higher frequency of spending on food at home and water charges. Male and female youth have the same frequency for the rest of expenses.

### Net income

Figure XVIII examines the average net

income (after removing expenditures) of youth in the control and the treatment group for both Togo and Ethiopia. While the average income of the control group is slightly higher in both countries than that of the treatment group, so are the average expenses, resulting in a lower net income. The net income of the treatment group is nearly double that of the control group in Togo and more than double in Ethiopia.

### Good financial practices: Money management

Researchers asked youth different questions about good financial practices regarding money management. Table 9 shows two noticeable differences between the control and the treatment group in the way youth manage their money. In Togo, 25% of the treatment group reported never making an impulse purchase against 17% of the control group. In Ethiopia, 16% of the treatment group reported writing down everything they spend/earn against 9% of the control group. The ability of the treatment group to have more self-control in terms of impulse spending and to track income and expenses more than the control group may explain the higher average net income of the treatment group in both countries. The money management strategies of the treatment group are explored further in this section.

Results from FGDs and in-depth interviews in Ethiopia also showed that those in the treatment group reported better money management practices than the control group. For example, they reported being more careful about how they spend their money because they want to have some left over for their savings. Some youth tracked their income and expenses after receiving financial education, while others tracked savings through their passbook to help increase the frequency and the amount of their savings.

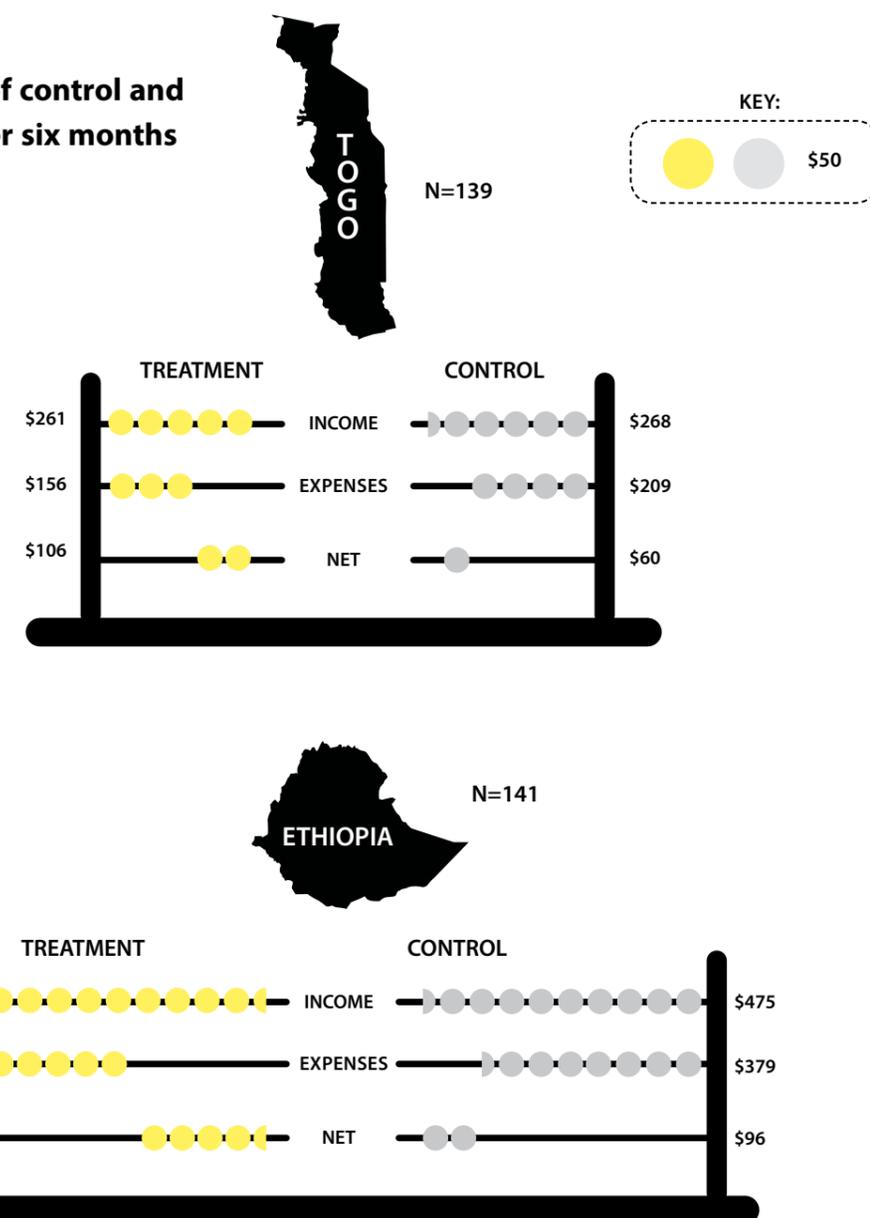
One interesting finding is that some participants of the study started tracking their income and expenses as a direct result of participating in the research, so they could more accurately report their income and expenses during the BW interviews.<sup>41</sup> For example, in Ethiopia some youth used block notes to record their income and expenses every evening and others solicited the help of their children to record income and expenses. In Togo, some participants stated that one of the most important benefits of the research was learning to keep track of income and expenses.

### Conclusions: Money management

- Youth rely on their parents for income more when they are students and less so when they are employed. In Togo, where the sample was composed more of students, youth rely on their parents for over half of their income (52%). In Ethiopia, where youth were employed more (either formally, informally or self-employed), the financial dependence on parents is much lower (only 5%).
- In Togo, youth from the treatment group showed a much higher dependence on their parents for financial support than youth in the control group, due most likely to the differences in occupation of the two groups (i.e., youth in the control group were more likely to be married and to be living away from their parents, while the treatment group consisted of more students). In Ethiopia, there were few differences in terms of income sources between youth in the control and the treatment group, indicating perhaps greater comparability between youth in the two groups than in Togo.

## FIGURE XVIII

### Average net income of control and treatment groups over six months



## TABLE 9

### Good financial practices in money management

FINANCIAL PRACTICES	Treatment		Control	
	Togo	Never make purchase on impulse	25%	17%
	Ethiopia	Write down everything I spend/earn	16%	9%

<sup>41</sup> This finding is known as the Hawthorne effect, or observer effect, where individuals modify or improve an aspect of their behaviour in response to their awareness of being observed. See [http://en.wikipedia.org/wiki/Hawthorne\\_effect](http://en.wikipedia.org/wiki/Hawthorne_effect) for more information.

**3** Youth in both Togo and Ethiopia primarily spend on their own needs, such as their mobile phone, transportation, clothes and, in Togo, particularly on food outside the home. In Togo and Ethiopia, youth contributed to the overall household costs, primarily food at home in both countries and rent in Ethiopia. However, items like electricity and water bills were rarely paid by youth unless they were living independently.

**4** Youth in the control group in both countries spent more on unnecessary expenses or 'wants' (e.g., toiletries, food on the street and alcoholic beverages) than youth in the treatment group, suggesting that participation in the YS programme—particularly when the financial education curriculum has a session on distinguishing necessary from unnecessary expenses—may lead to improved money management behaviours such as wise spending.

**5** There are noticeable gender differences in the income and

expenses of youth. In Togo, male youth earned more from casual labour than female youth (in terms of frequency of income sources), while female youth received more income from their partners than male youth. In Ethiopia, male youth earned more from their business than female youth, whereas female youth showed a greater dependence on their parents and partners for income than male youth. Female youth receive less income for the same type of earning activities in Togo than male youth. In Togo, female youth spend more often on food at home and toiletries, while male youth spend more often on transportation, mobile phone and alcoholic beverages. In Ethiopia, male youth spend more often on food outside, toiletries and alcoholic beverages, whereas female youth spend more often on food at home and water charges.

**6** Youth from the control group in both Togo and Ethiopia have a slightly higher average income

than youth from the treatment group but have higher expenses on average than youth from the treatment group, resulting in a lower net income. The net income of youth from the treatment group in Togo is nearly double that of the control group, while in Ethiopia it is more than double. This finding is most likely due to youth in the treatment group using better money management practices than youth in the control group, such as being more careful about how they spend their money, using self-control for impulse purchases, tracking income and expenses, and tracking savings through a passbook.

"Savings [have] changed my life and I have now reduced my expenses. My family is happy with this and my friends come to me for advice." ~Treatment group female respondent, Ethiopia

**“ MY DAUGHTERS HAVE CHANGED FROM SPENDING HABIT TO SAVING CULTURE. BEFORE THEY USED TO OVERSPEND AND ALWAYS ASK FOR MONEY. NOW FOR EVERY COIN THEY GET, THEIR PRIMARY PRIORITY IS SAVING. ~IN-DEPTH INTERVIEWEE (PARENT), TOGO**

**”**



# FINDINGS: USE OF FINANCIAL SERVICES



## OVERVIEW

This section contains the following findings:

- Overall frequency of savings
- Frequency of savings by different savings mechanisms
- Changes in frequency over time in YS account
- Value of savings: average savings deposit
- Comparison of deposits and withdrawals
- Changes in value over time of average savings deposit
- Good financial practices: savings and loans
- Sources of loans
- Interest in borrowing

## SAVINGS

### Overall frequency of savings

Researchers asked youth where they save money and if they made at least one deposit (to determine incidence of saving)<sup>42</sup> across the different savings mechanisms, including both formal and informal options (see figure XIX). In this section, the frequency of youth savings across the different mechanisms is examined.

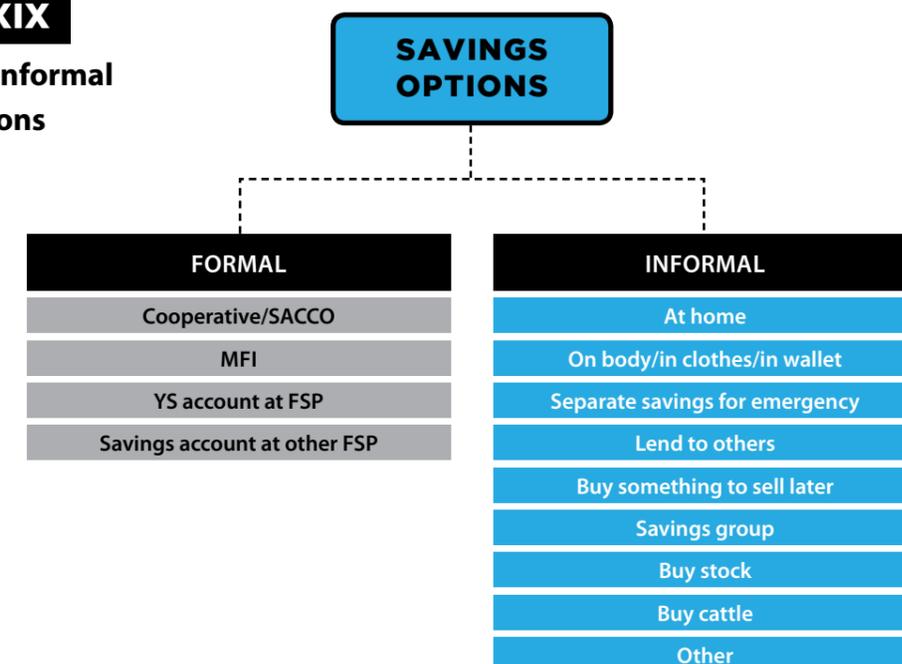
In Togo, youth from the treatment group deposited savings on average 8.43 times over 12 BW interviews (1.4 deposits per month), while youth from the control group deposited savings on average 6.07 times over 12 interviews (1.0 deposit per month). In Ethiopia, youth from the treatment group deposited savings on average 7.59 times over 12

interviews (1.3 deposits per month), whereas youth from the control group deposited savings on average 6.04 times over 12 interviews (1.0 deposits per month) (see figure XX).

Finally, when looking at the average percentage of youth who made at least one deposit, in either a formal or informal mechanism,<sup>43</sup> it was much

### FIGURE XIX

Formal and informal savings options



<sup>42</sup> For the purposes of this paper, 'incidence of saving' is defined as 'making at least one deposit through one of the informal or formal savings mechanisms.' For example, if a female youth made three deposits at home, one in the bank and none in savings groups, it was recorded as 1, 1, 0 or two total deposits.

<sup>43</sup> Formal savings mechanisms included the following: MFI, cooperative/SACCO, YouthStart account, and savings account (other FSP). Informal savings mechanisms included the following: at home, on body/in clothes/in wallet, separate savings for emergency, lend to others, buy something to sell later, savings group, buy stock, buy cattle and other.

higher for the treatment group in both countries (see figure XXI). In Togo, 51% of youth in the control group made at least one deposit during the research period, compared to 70% of youth in

the treatment group. In Ethiopia, 46% of youth in the control group made at least one deposit during the six-month period, compared to 57% of youth in the treatment group.

**Frequency of savings by different savings mechanisms**  
Previously in this paper, it was revealed how 48% of the youth in the treatment group in Togo and 37% of the youth in

the treatment group in Ethiopia have adopted the practice of saving in a secure place. The treatment groups in both countries were also shown to save relatively more frequently than the control group. This section will now explore how frequently youth in both countries save their money in different places.

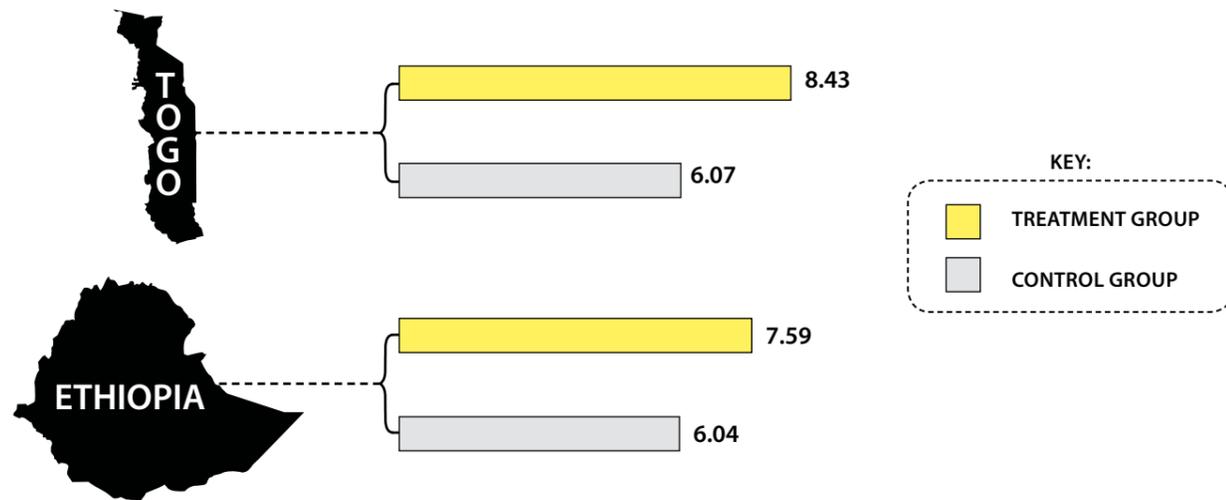
Figure XXII indicates the frequency of savings deposited across the different savings mechanisms, formal and informal, for youth from the control group and youth from the treatment group in Togo as a percentage of the total time (12 interviews over six months). The most common savings options for youth in the treatment group in Togo was in the FUCEC account (48% of the time) followed by at home (36%), on body/in clothes/in wallet (5%) and in a savings group (5%).

followed by on body/in clothes/in wallet (31%), in a savings group (7%) and buy something to sell later (2%), all of which are informal savings mechanisms.

Figure XXIII shows that the treatment group in Ethiopia saved more than half of the time in their ACSI savings account (55% of the time). The next most common forms of savings for youth in the treatment group were on body/in clothes/in wallet and at home

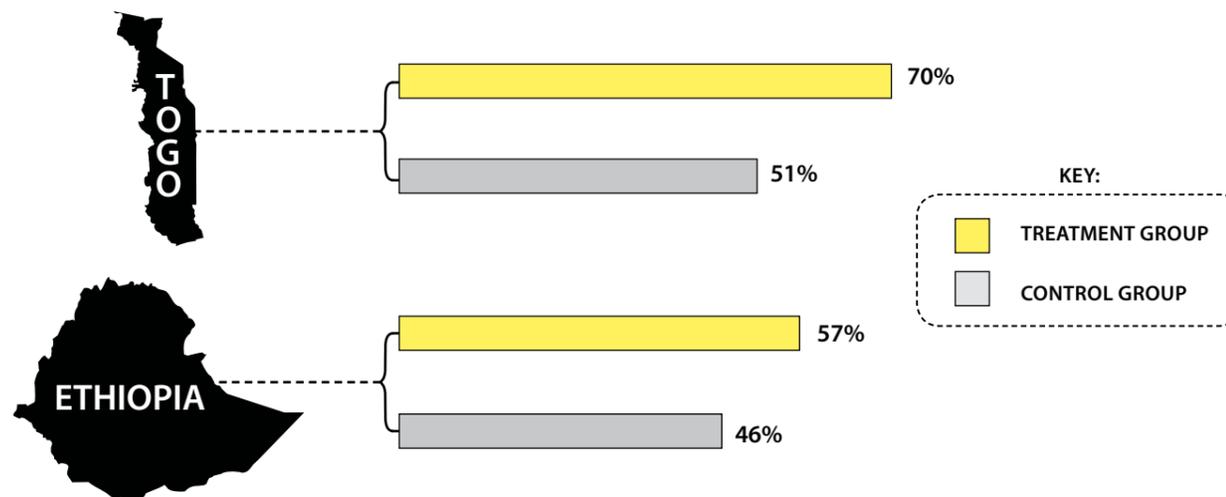
### FIGURE XX

Average number of deposits during the research



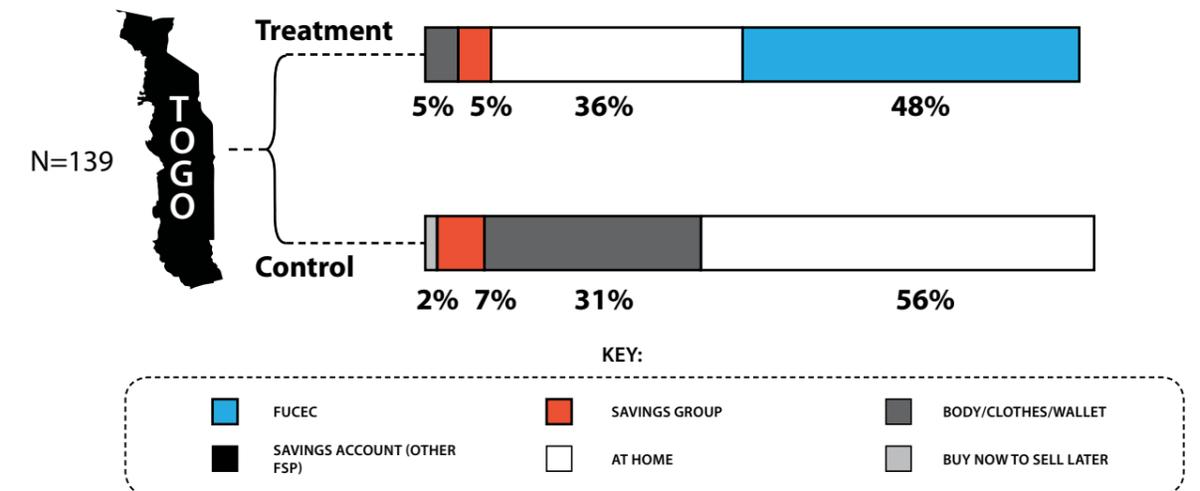
### FIGURE XXI

Percentage of youth who made at least one deposit during the research



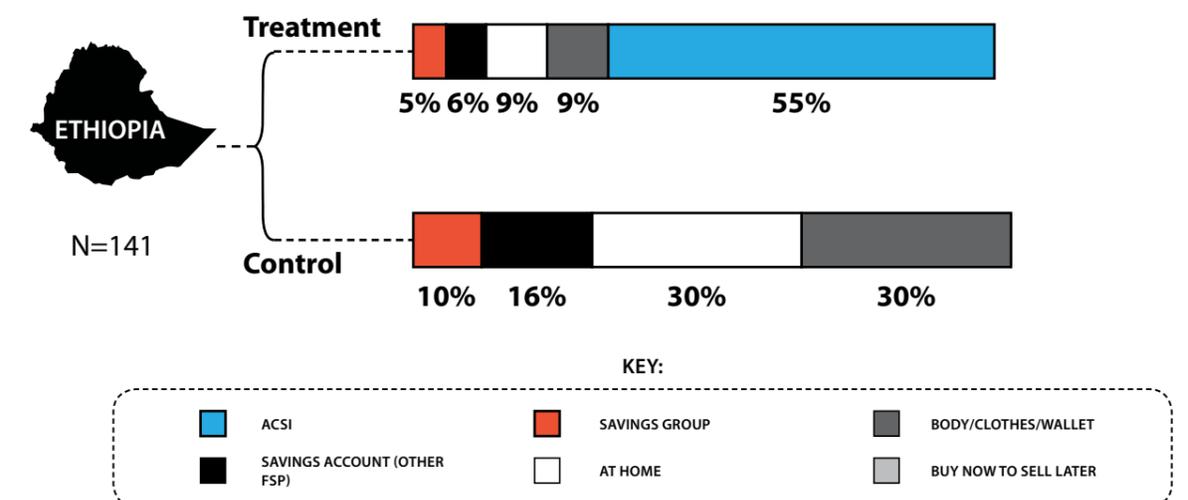
### FIGURE XXII

Usage of different savings mechanisms by youth in Togo



### FIGURE XXIII

Usage of different savings mechanisms by youth in Ethiopia



**CASE STUDY: ETHIOPIA**

Wondifraw is 23 years old and owns a shoe shine business. During the six-month period, he saved primarily in his ACSI account—83% of the time as compared to only 9% of the time when he saved money in his pocket/wallet and 8% of the time when he saved money in his Commercial Bank of Ethiopia account. During this period, he used money he kept in his pocket or in his wallet to meet his financial needs, rather than withdrawing money from his accounts.

(both 9%). The least common savings mechanisms were through a savings account (other FSP) and with a savings group (6% and 5%, respectively). Youth in the control group saved more informally: on body/in clothes/in wallet and at home (both 30%). However, the next most common savings mechanism for youth in the control group was through a savings account (other FSP) (16%), followed by through a savings group and at a cooperative/SACCO (10% and 5%, respectively). This finding indicates that youth from this group are more banked than youth from the control group in Togo, who saved mainly through informal savings options. The treatment group is comparable in both countries, saving primarily through a savings account at each FSP, followed by either at home or on body/in clothes/in wallet.

**Changes in frequency over time in the YouthStart account**

It is already clear that youth in the treatment group, in both countries, save more frequently than their counterparts in the control group and that they also prefer to save in their YS account. This section will now examine what variables influence the treatment group to save more frequently in their YS account. Is it gender? age? Researchers found a small correlation between the time youth spent in the programme and the frequency of savings.

For Togo, figure XXIV shows that a larger portion of youth in the group with the longest time in the YS programme (one to two years) made at least one savings deposit to their YS account during most of the BW interviews (BW interviews #1, 2, 3,

4, 6, 7, 9). In other words, 58% of the time (7 out of 12 BW interviews), this youth cohort had the largest portion of youth making one savings deposit. This cohort is followed by those that just joined the programme since, during 5 of 12 BW interviews (BW interviews #5, 8, 10, 11, 12, or 42% of the time), they had the largest portion of youth making one savings deposit. Thus, the groups with the shortest and longest time period participating in the YS programme had the largest portion of youth making at least one savings deposit to the YS account during most of the research as compared to youth in the middle time period (two months to one year).

In Ethiopia, since the programme started in 2011 as opposed to 2012 in Togo, researchers were also able to analyse the frequency of savings of

youth who have been clients of ACSI for more than two years. As figure XXV shows, a larger portion of youth in the group who have been clients of ACSI from one to two years made at least one deposit to their YS account during the majority of the 12 BW interviews (BW interviews #2, 5, 7, 8, 9, 10, 11, 12, or 67% of the time) than in the other groups. This cohort was followed by those who have been clients between two months to one year, as they made at least one savings deposit during 3 of the 12 BW interviews (BW interviews #3, 4, 6, or 25% of the time).

It is interesting to note that the group with the highest portion reporting at least one savings deposit to their YS account is the same for Togo and Ethiopia (i.e., youth who have been a part of the programme for one to two years) and that the group accounts for

more than 50% of the research period (58% in Togo and 67% in Ethiopia). This finding also supports the hypothesis that participation in the YS programme may lead to increased frequency of savings deposits over time among youth.

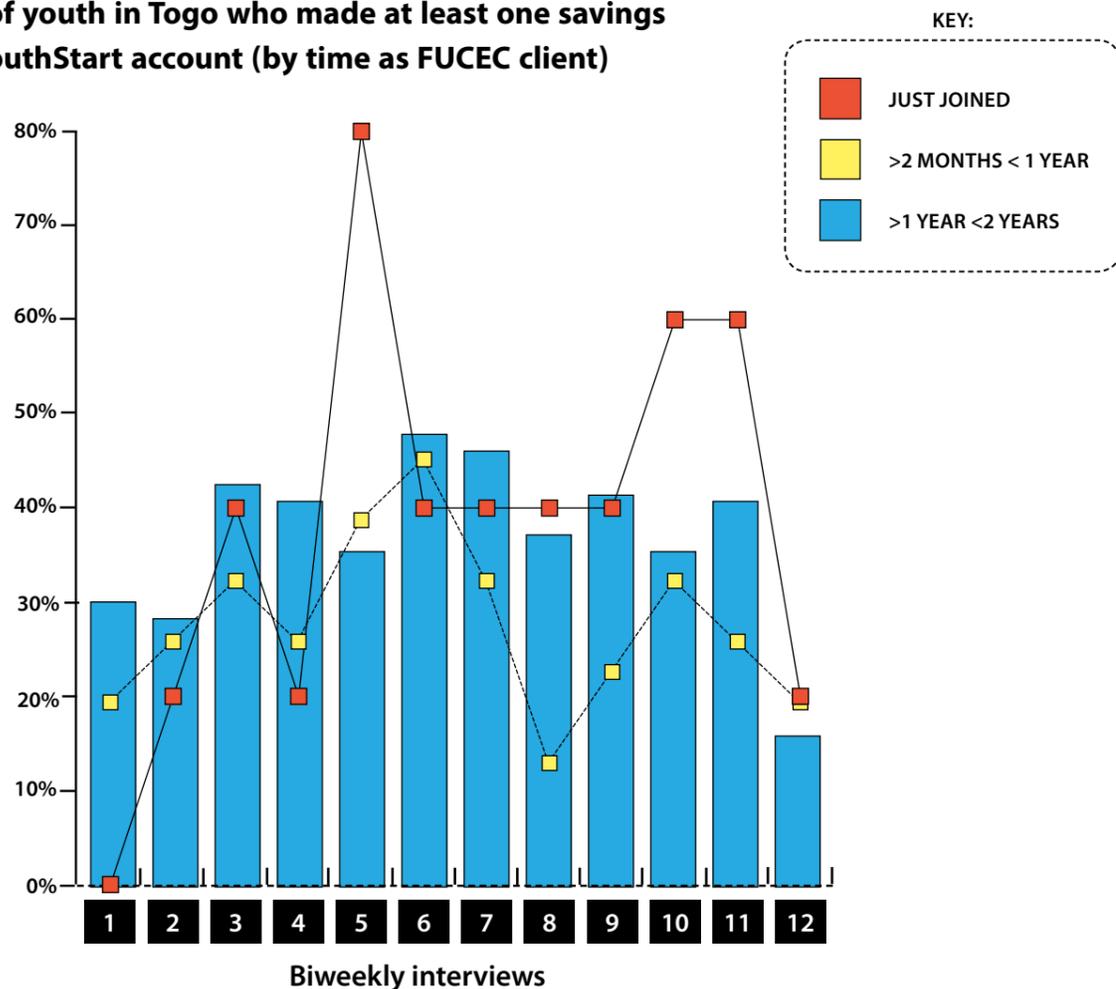
**Value of savings: Average savings deposit**

Researchers asked youth how much they save across the different savings mechanisms. As the number of youth in the treatment group is nearly double that of the control group for both countries, the most accurate level of comparison is the mean or average value of savings deposits.

As figure XXVI reveals, the three savings mechanisms with the highest average savings values for youth in the treatment group in Togo are saving

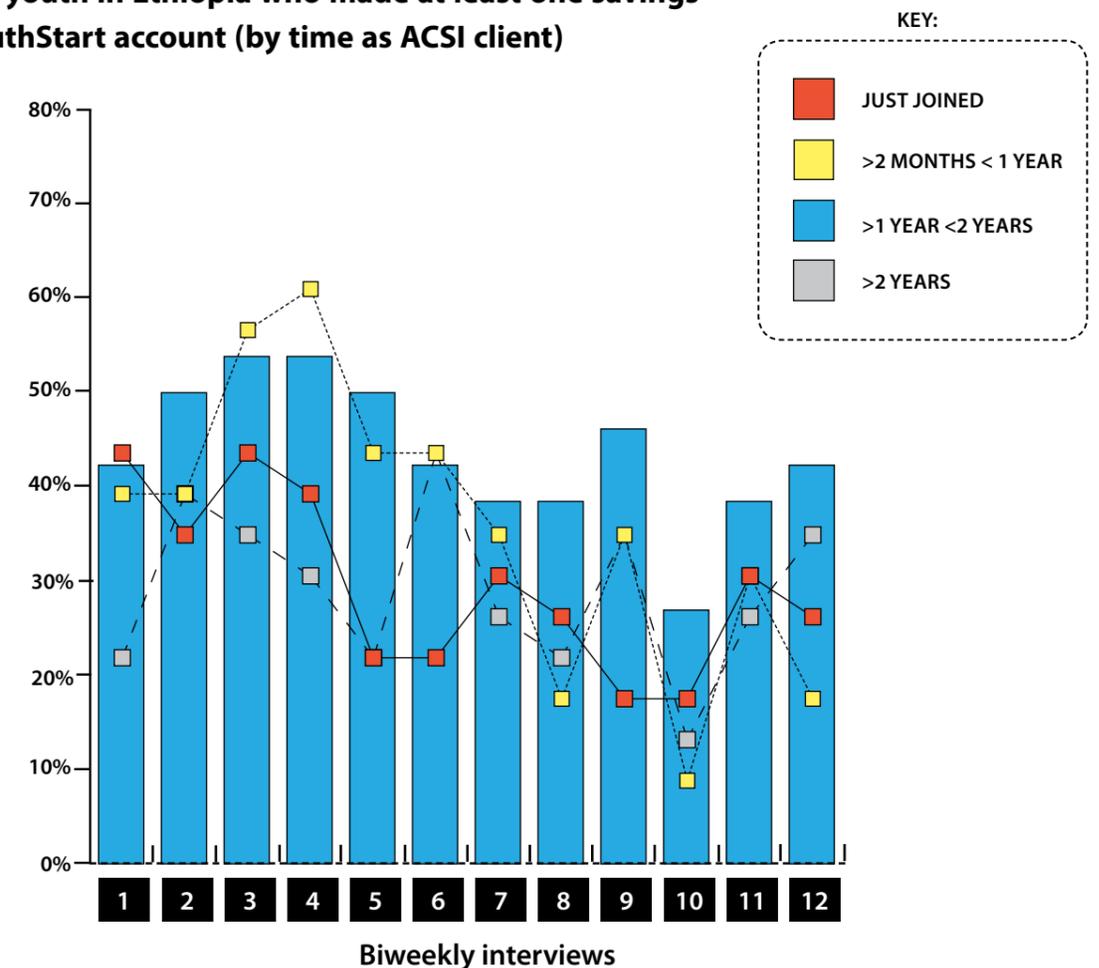
**FIGURE XXIV**

**Percentage of youth in Togo who made at least one savings deposit to YouthStart account (by time as FUCEC client)**



**FIGURE XXV**

**Percentage of youth in Ethiopia who made at least one savings deposit to YouthStart account (by time as ACSI client)**



at home, saving in the YS account and buying something to sell later. In comparison, for the control group, it is also saving at home followed by saving on body/in clothes/in wallet and with a savings group (all informal saving mechanisms). While youth in the treatment group in Togo saved more frequently in the YS account (see figure XXII on page 43), they kept larger amounts at home than in the YS account.

The five savings mechanisms with the highest average savings values for youth in the treatment group in Ethiopia are the YS account, at home, savings account (other FSP) and buy something to sell later, with saving on body/in clothes/in wallet a close fifth (again see figure XXVI). Youth in the control group saved the largest amounts on average through a savings account (other FSP), followed by saving at home, on body/in clothes/in wallet and through a savings group.

Youth in the control group saved more frequently at home and on body/in clothes/in wallet (nearly 30% of the time for both, or 60% of the total time) and only 16% of the time in a savings account (other FSP) (see figure XXIII on page 43). However, they saved higher amounts on average in a savings account than with any informal means. The savings mechanisms with the highest average savings deposits for youth in the treatment group in Ethiopia nearly mirror those with the highest frequency (i.e., YS account as the most frequent and highest average savings deposit mechanism followed by informal means).

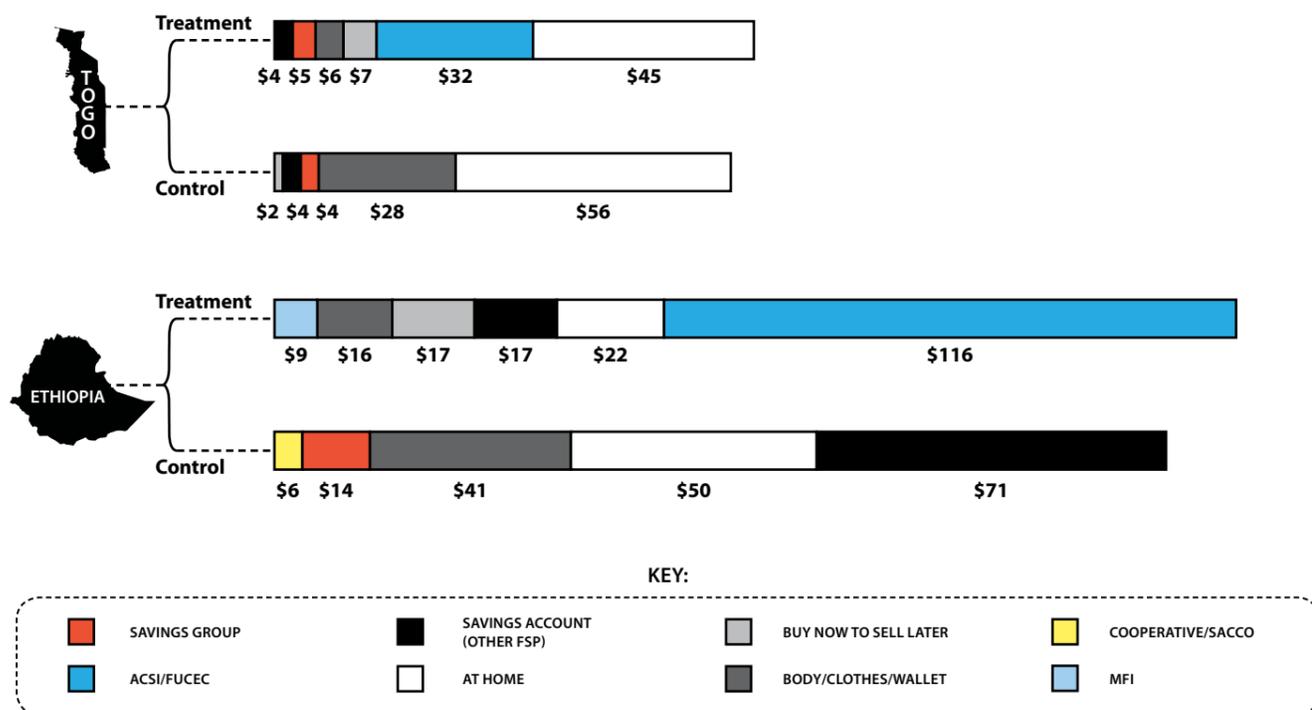
The main difference between the treatment groups in Togo and Ethiopia is that the treatment group in Togo saves higher amounts on average at home, while the treatment group in Ethiopia saves higher amounts on average through the YS account. When comparing the control group in both

countries, the control group in Togo saves higher amounts on average at home versus the control group in Ethiopia that saves more through a savings account, again indicating the banked nature of this group.

When comparing the total average savings deposited for youth in the treatment and the control groups in Togo and Ethiopia, youth in the treatment group saved slightly more than youth in the control group in both countries. Youth in the treatment group in Togo saved CFAF 49,532 (\$99), while youth in the control group saved CFAF 47,367 (\$95). In Ethiopia, youth in the treatment group saved Br 4,102 (\$205), whereas youth in the control group saved Br 4,058 (\$203). This finding supports the hypothesis that greater net income of the treatment group in both countries, in comparison to the control group, may contribute to both higher frequency and higher value of savings deposits.

**FIGURE XXVI**

**Average value of savings deposits to different savings mechanisms**



**Deposits in comparison to withdrawals**

After identifying the main savings patterns of youth (frequency, savings mechanisms and average value of savings), it is also important to examine trends in withdrawals. The treatment group in Togo reported 4.76 withdrawals on average during the 12 BW interviews (0.8 per month), while youth from the control group reported 6.57 withdrawals (1.1 per month). In Ethiopia, however, the difference between control and treatment group, was less significant (see figure XXVII).

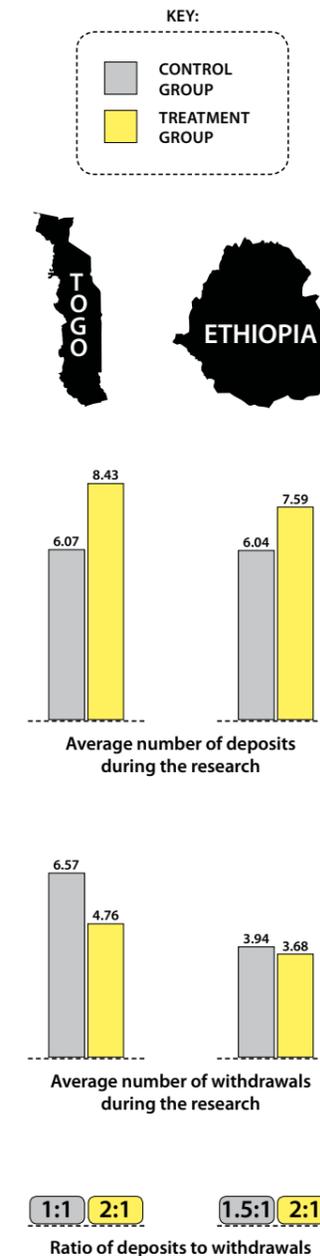
When these numbers are compared to the average number of times youth deposited across all the different mechanisms during the research, it is clear that youth in the treatment group demonstrate a higher ratio of deposits to withdrawals than youth in the control group (again see figure XXVII). Youth in the treatment group in both countries made nearly twice the amount of deposits than withdrawals, while youth in the control group in Togo made nearly the same amount of deposits as withdrawals and in Ethiopia they made 1.5 times the amount of deposits as withdrawals.

This finding is perhaps a reflection of the fact that the treatment group in both countries has a greater net income than the control group (see 'Money management' section). However, the treatment group could have made small frequent deposits during the research period, rather than large ones. To evaluate this hypothesis further, the value of savings must be examined.

When comparing the frequency of average deposits and withdrawals of the treatment group to/from the YS account in Togo and Ethiopia, it is very similar in both countries (see figure XXVIII).

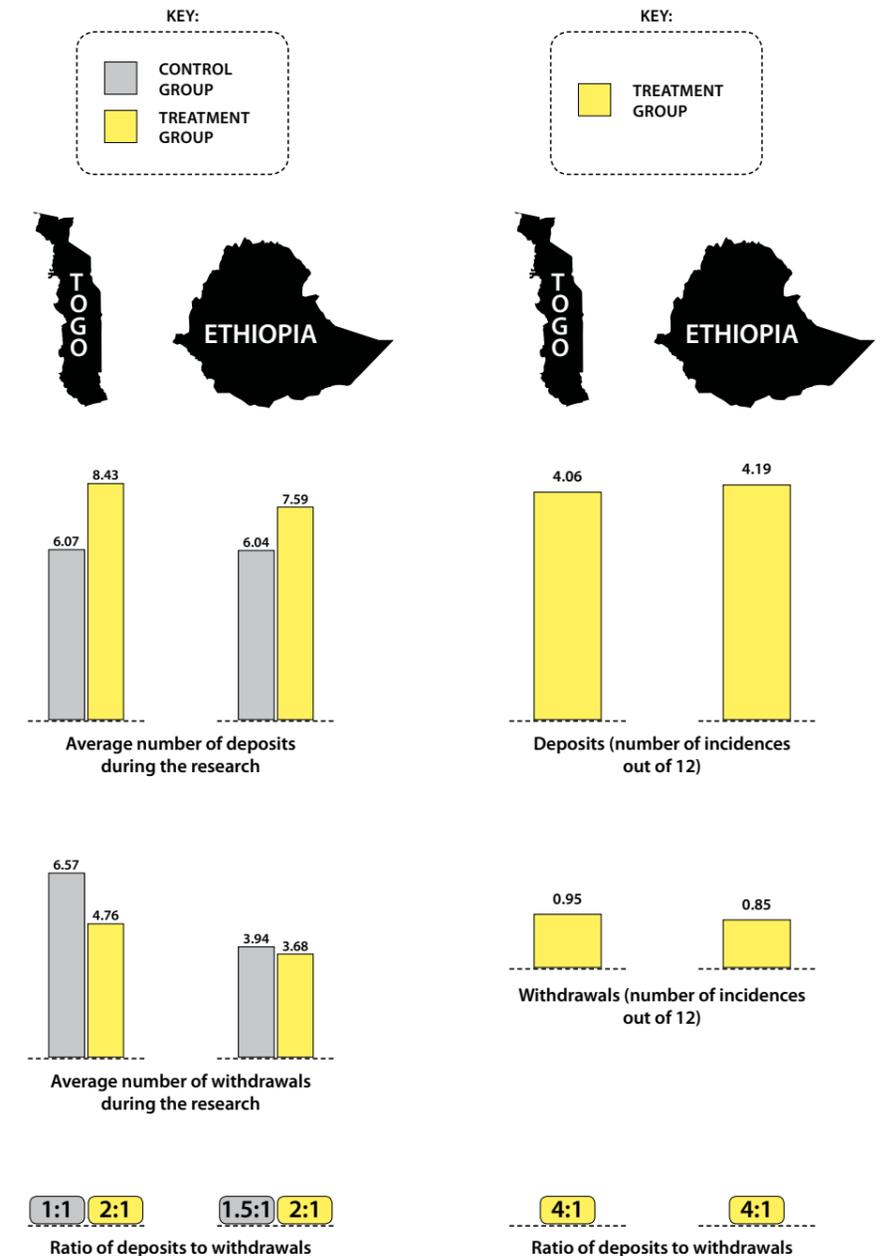
**FIGURE XXVII**

**Ratio of deposits to withdrawals in all mechanisms**



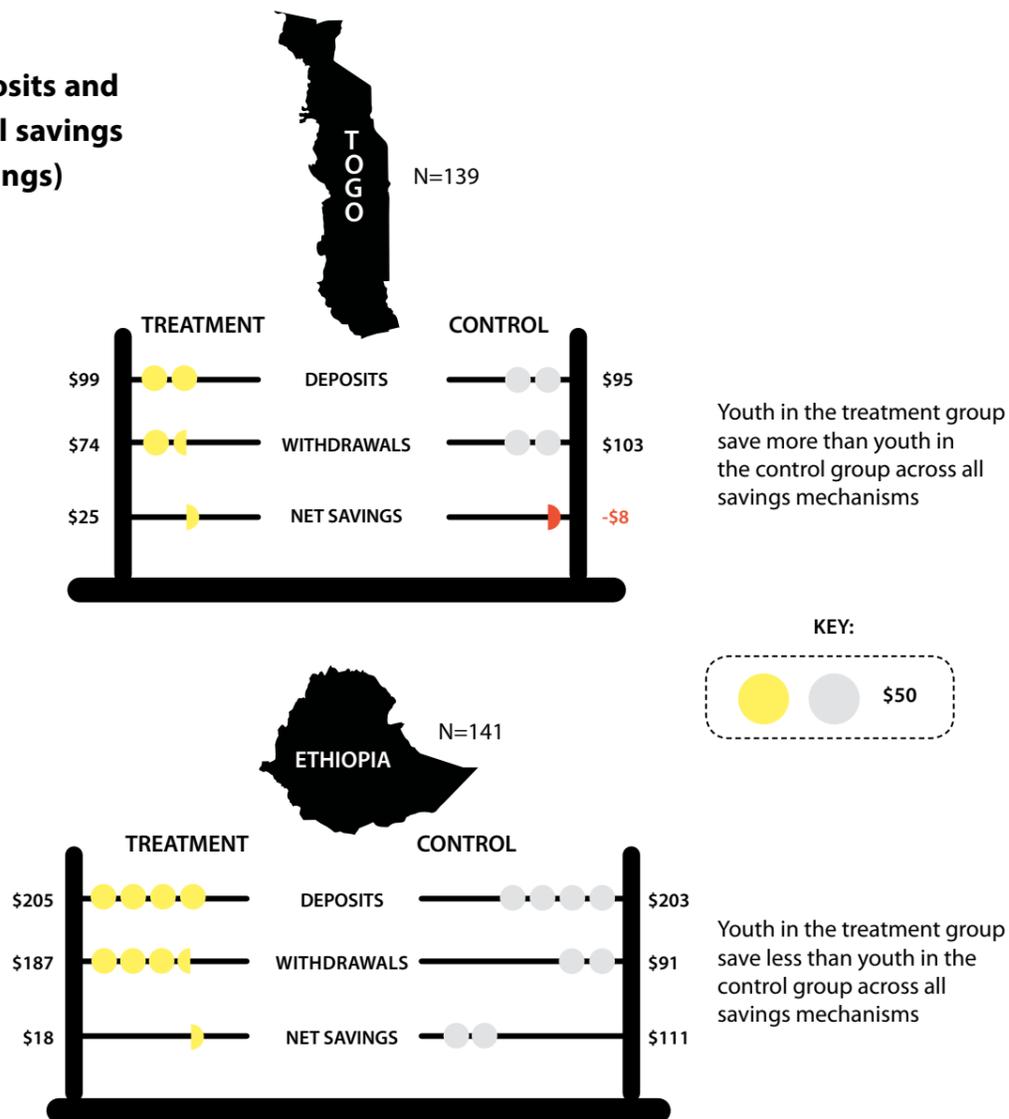
**FIGURE XXVIII**

**Ratio of deposits to withdrawals in YouthStart account**



**FIGURE XXIX**

**Average savings deposits and withdrawals across all savings mechanisms (net savings)**



Youth from the treatment group in Togo made 4.06 deposits on average to the YS account, while those in Ethiopia made 4.19 deposits (roughly one deposit every month and a half). Youth from the treatment group in Togo made 0.95 withdrawals on average from the YS account compared to 0.85 withdrawals in Ethiopia. In both countries, youth in the treatment group made more than four times the number of deposits than withdrawals to the YS account. This ratio is higher than across all savings mechanisms, again indicating they could be saving for medium- to long-term purposes through their YS account.

Figure XXIX shows that, when comparing the average savings deposited and withdrawn across all savings mechanisms between youth in the control group and the

treatment group in Togo, youth in the treatment group deposit more than they withdraw, resulting in a surplus or net savings of more than CFAF 12,300 (\$25), while youth in the control group withdraw more than they deposit, resulting in a shortfall of savings of nearly CFAF 4,200 (\$8). In Ethiopia, youth in both the control group and the treatment group deposit on average more savings than they withdraw. However, the difference/surplus in savings is greater for youth in the control group than youth in the treatment group—approximately Br 350 (\$18) for the treatment group and Br 2,200 (\$111) for the control group.

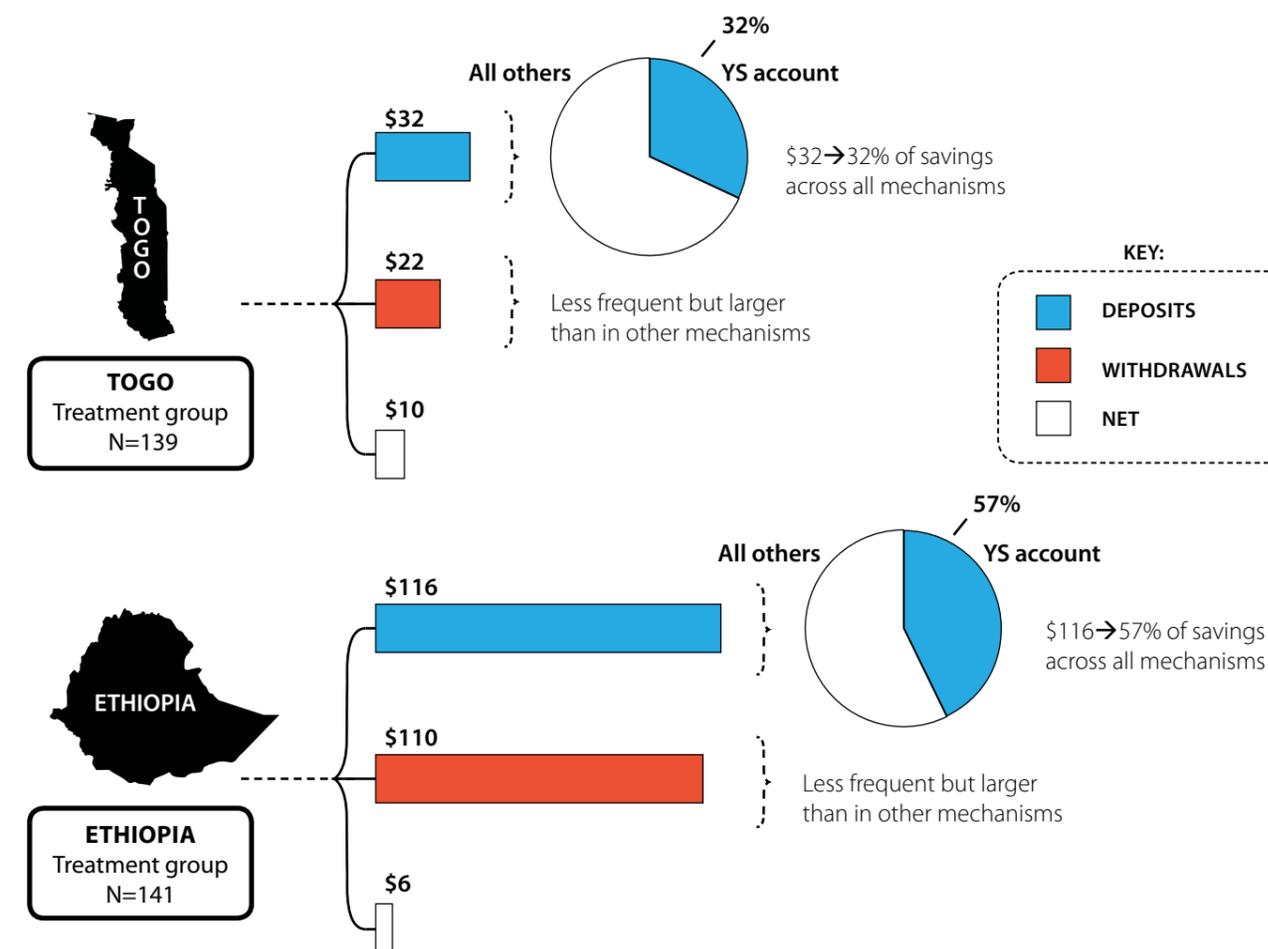
In Togo, youth from the treatment group deposited on average CFAF 16,058 (\$32) in the YS account and withdrew on average CFAF 11,093 (\$22),

resulting in a surplus or net savings of CFAF 4,965 (\$10) (see figure XXX). The deposits to the YS account were 32.4% of the overall savings value across all mechanisms, which was very similar to the frequency/incidences of savings (33.8%). Withdrawals accounted for a higher percentage of overall value (29.8%) than frequency (7.8%), indicating that although the withdrawals were infrequent they were larger in nature.

In Ethiopia, youth from the treatment group deposited on average Br 2,324 (\$116) in the YS account and withdrew on average Br 2,194 (\$110), resulting in a surplus or net savings of Br 129 (\$6) (again see figure XXX). The deposits to the YS account were 56.6% of the total value of all deposits and the withdrawals accounted for 58.5%

**FIGURE XXX**

**Average value of deposits and withdrawals of treatment group to YouthStart account (net savings)**



the total value of all withdrawals. Both deposits (56.6% for value, 34.9% for frequency) and withdrawals (58.5% for value, 7.2% for frequency) accounted for a higher percentage of overall value than frequency.

**Changes in value over time of average savings deposits**

In Togo, researchers found a similar correlation between value of savings deposits and the time youth spent in the YS programme as they did between frequency of savings and time in programme. When looking at figure XXXI of the average savings deposits to the YS account of the treatment group in Togo over time, one can see that youth who have had a savings account with FUCEC for more than one year but less than two years report higher average savings deposits to their

account during nine BW interviews (BW interviews #1, 3, 5, 6, 7, 8, 9, 10, 11, or 75% of the time) than other youth cohorts. This cohort is followed by youth who have just joined (BW interviews #4, 12).

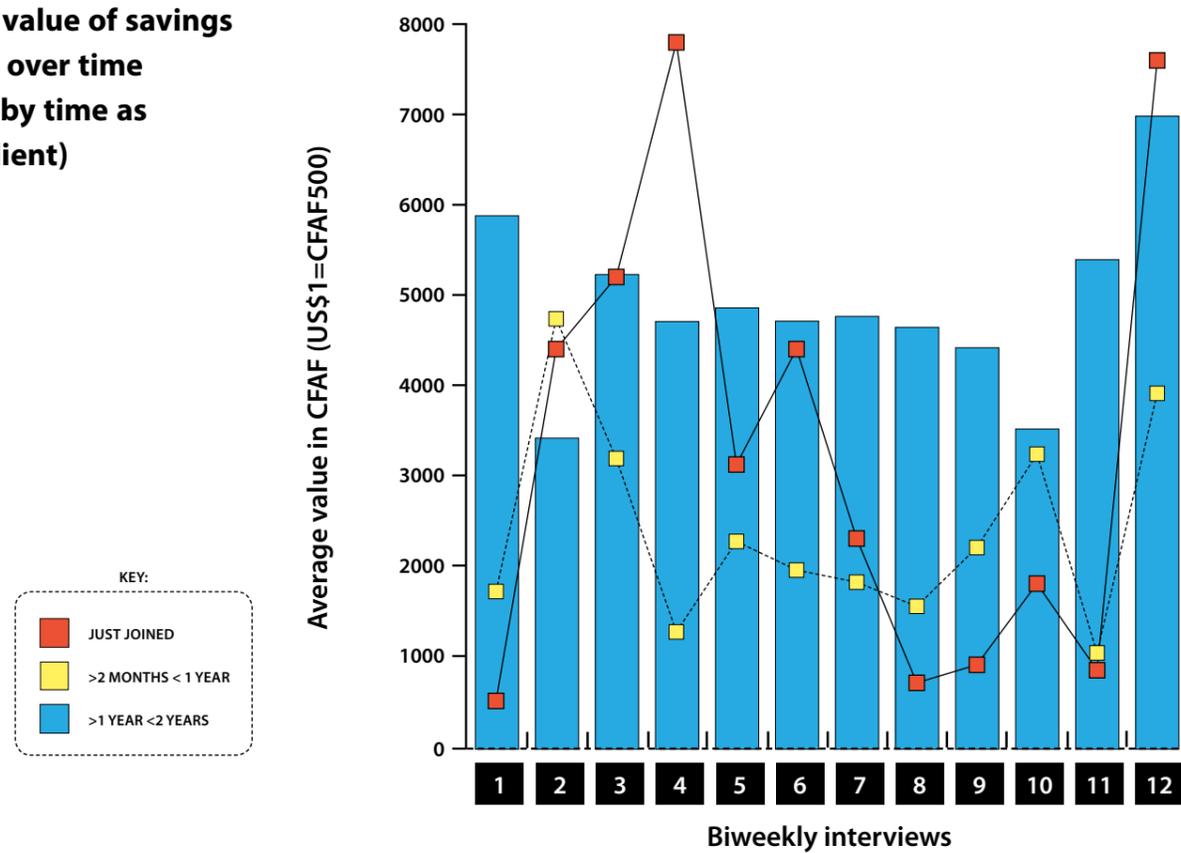
Figure XXXII shows that, if the findings for the two youth cohorts in Ethiopia are combined with the longest time in the programme (one to two years, and two years or longer), a higher value in savings deposits during five of the BWs (42% of the time) is seen (BW interviews #6, 9, 10 for youth cohort of one to two years and BW interviews #2 and 5 for youth cohort of two years or longer). Thus, findings from both Togo and Ethiopia support the hypothesis that participation in the YS programme may lead to an increase in the value of savings deposits over time.

**Gender dimension of savings**

There are some significant differences in savings behaviour between female and male youth in both Togo and Ethiopia. In both countries, female youth consistently save smaller amounts. In Togo, female youth withdraw smaller amounts than male youth across the different savings mechanisms. The frequency at which female and male youth in Togo save is virtually the same, while in Ethiopia not only the frequency at which they save but also the frequency at which they withdraw is nearly the same. Female youth from the treatment group in Togo withdraw significantly less than their male youth counterparts, not only from their FUCEC savings account but also from other forms of savings. For other savings mechanisms,

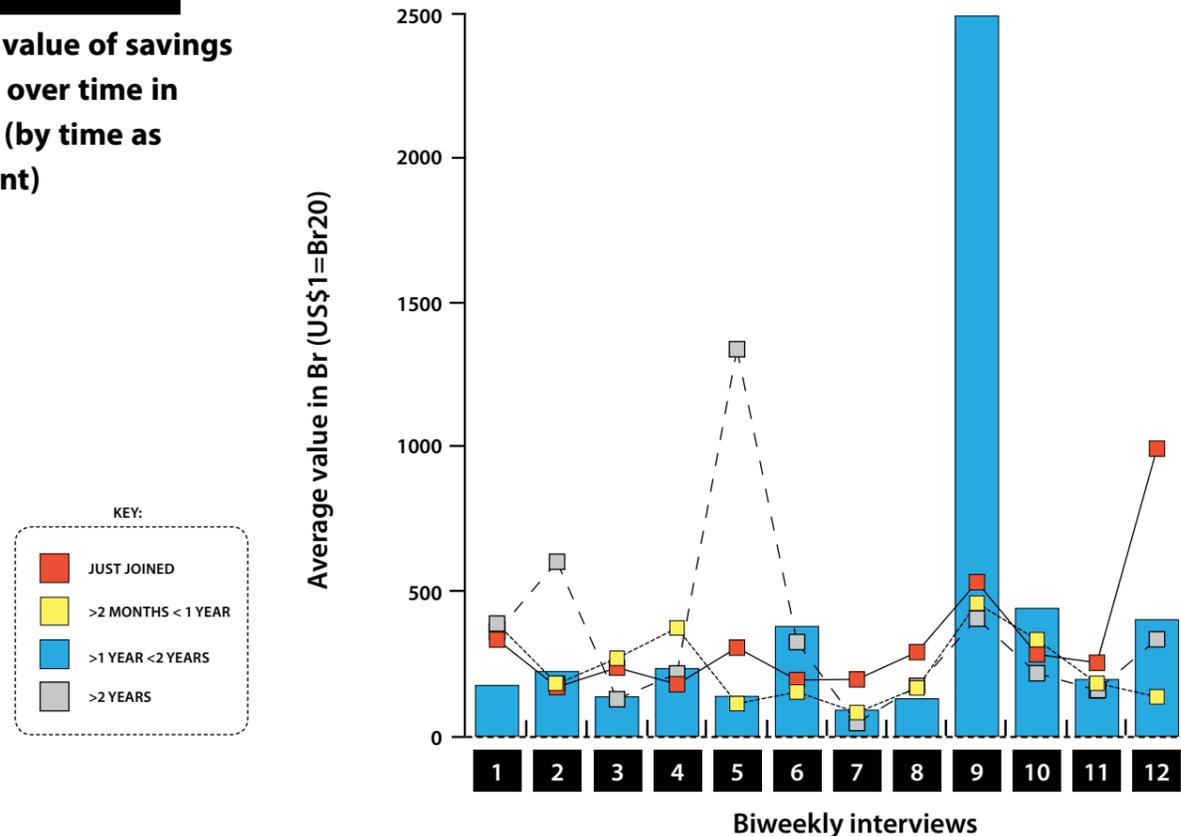
**FIGURE XXXI**

Average value of savings deposits over time in Togo (by time as FUCEC client)



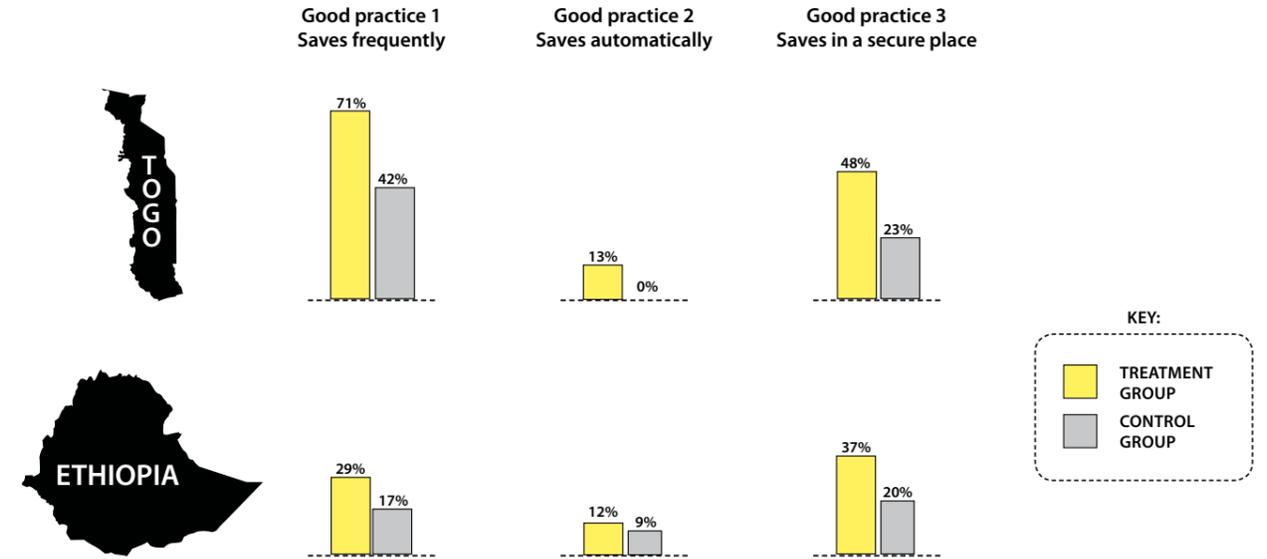
**FIGURE XXXII**

Average value of savings deposits over time in Ethiopia (by time as ACSI client)



**FIGURE XXXIII**

Good financial practices in youth savings



female youth withdraw marginally less frequently. Similarly, in Ethiopia, female youth from the treatment group withdraw marginally less from their ACSI account than male youth. Male youth in Ethiopia are more likely to state they are currently saving than female youth (80% of total male youth versus 70% of total female youth).

**Good financial practices: Savings**

Researchers asked youth what types of financial practices they follow that promote savings. Figure XXXIII indicates that a larger portion of youth in the treatment group in both countries has adopted one or more than one good financial practice in savings. In Ethiopia, 29% of the treatment group saves frequently as compared to 17% of the control group. In Togo, there

is a much larger disparity between the two groups for this same savings behaviour: 71% for the treatment group vs. 42% for control group. In Togo, 0% of the control group saves automatically compared to 13% of the treatment group. In comparison, 12% of the treatment group in Ethiopia saves automatically compared to 9% of the control group.

In Togo, more than twice the percentage of the treatment group saves in a secure place compared to the control group (48% for treatment group vs. 23% for control group). In Ethiopia, it is nearly double (37% for treatment group vs. 20% for control group). This finding is not surprising given that youth from the treatment group have a savings account in an FSP, which is not necessarily the case for youth in

the control group. It is interesting to note that only about half of the youth in the treatment group responded this way. This finding may be due to the fact that most youth in this group still keep some of their savings in places outside of the FSP that are considered less safe overall (e.g., at home, on body/in clothes/in wallet).

**“ Youth who opened an account at FUCEC stated they save more regularly, which is facilitated by the youth mobilizer who collects savings every week. ~FGD, Togo ”**

# LOANS

## Sources of loans

There were a total of 186 loans across all youth participants in Togo during the 12 BW interviews, while in Ethiopia there were 132. In Togo, the 186 loans were taken out by 83 out of 139 youth (59% of total). In Ethiopia, the 132 loans were taken out by 73 out of 141 youth (51% of total). In Ethiopia, 54% of the control group took out loans as opposed to 49% of the treatment group. In Togo, however, the difference was not very significant, with 58% of the control group accessing loans compared to 59% of the treatment group.

Those who did access loans obtained them more from informal than from formal mechanisms. In Togo, for example, youth who took loans primarily took 'buy-now-pay-later' loans (39% of total loans), loans from friends (33%) and loans from family (20%). Only 6% used moneylenders, and the other options were used by only a handful (see figure XXXIV). For example, only six youth from the treatment group had taken out a loan from FUCEC.

In Ethiopia, youth took out even fewer loans than in Togo and those who did so primarily took them from friends (64% of the loans), followed by family (13%), neighbours (8%), 'buy-now-pay-later' (5%) and savings group (5%). However, at end-line, a total of 45 youth had outstanding loans with ACSI. More youth could be accessing loans from ACSI than FUCEC due to the fact that

ACSI has been offering loans to youth since 2012, while FUCEC started only recently in 2014.

Young women in Togo were considerably more likely to take out loans than in Ethiopia. In Togo, for example, 66% of the loans were taken by women, while in Ethiopia, only 37% of those accessing loans were women. This finding does not necessarily mean that women in Togo are more financially included, since they accessed the majority of their loans from the informal sector—more specifically, from 'buy-now-pay-later' options. However, it may mean that women in Togo face greater challenges to manage their cash flow. In Ethiopia, the majority of young men accessed loans from their friends and from savings groups. While the loans from their friends may resolve a cash-flow challenge, loans from the savings groups may be invested in more sustainable ventures.

### Youth interest in borrowing

Participants in the study were in general hesitant to take out a loan from a formal mechanism. For example, in Togo, slightly more than half (52%) of those who have not accessed a loan also do not want to take a loan. The second most common response was 'Yes, I would like to but have not yet tried,' which was selected by 45% of the youth. In Ethiopia, well more than half (64%) of those who have not accessed a loan also do not

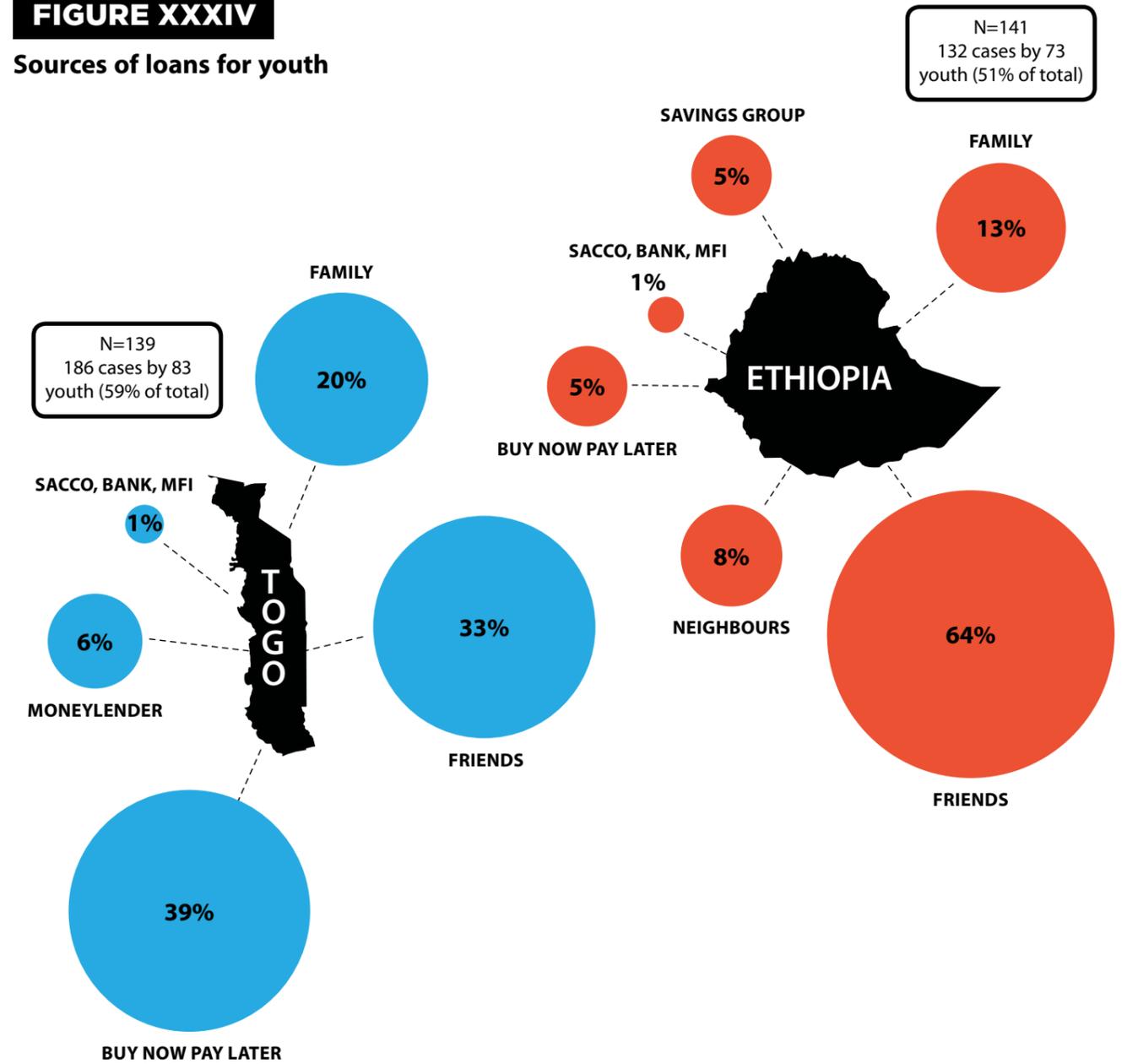
want to take a loan. The second most common answer was also 'Yes, I would like to but have not yet tried,' which was selected by 23% of the youth (see figure XXXV).

FGDs revealed that those who have never accessed a loan from a formal mechanism are hesitant to do so because it may be difficult for them to pay it back. Those in rural areas, who arguably have greater access to group loans, are afraid to share the risk with other group members, while others say that they will not meet what they believe to be the requirements of the FSP so they do not bother applying for a loan (e.g., proof of residence, savings as collateral, etc.).<sup>44</sup>

In both countries, a larger portion of male youth wanted to take out a loan in the past and/or still want to take out a loan when compared to female youth (44% of male youth vs. 35% of female youth in Togo, and 43% of male youth vs. 34% of female youth in Ethiopia).

When looking at the age group of 18–24-year-olds, researchers found a correlation between the age of the participant and his/her desire to take out a loan from a formal mechanism. In both countries, the older the youth the more likely they are to desire a loan. In Togo, 60% of 24-year-olds said they would like to get a loan but have not yet tried, while 20% said they

**FIGURE XXXIV**  
Sources of loans for youth



<sup>44</sup> These are not requirements for youth loans but for adult loans. For youth loans, they need to have compulsory savings of one fifth of the amount requested and to provide the contact information of a reference, preferably a parent or guardian.

wanted a loan but had been refused. A similar trend is seen with 21–23-year-olds, with the exception that 21- and 22-year-olds have not yet applied and consequently have not been refused a loan (see figure XXXVI).

In Ethiopia, 33% of 24-year-olds who have not accessed a loan said they have not tried yet, 33% said they would

like to have a loan but were refused, and 33% would like to have a loan but it is not available (see figure XXXVII).

None of the other age groups in both countries were refused a loan or demonstrated as much interest in loans. The FGDs confirmed the interest of older youth in loans, while younger youth were more inclined to prefer

savings even though they were old enough to access a loan (i.e., older than 18).

Another correlation relates to the time that youth have been clients of each FSP and their desire to take out a loan. In both countries, youth who recently joined FUCEC or ACSI (treatment group) are more likely to

want a loan than youth who joined earlier. This trend, however, is more significant in Ethiopia than in Togo (see figure XXXVIII). To a certain extent, this finding suggests that youth may join the programme to access loans and over time this interest diminishes because they are more confident in their own savings capacity. It could also be due to the fact that both FSPs

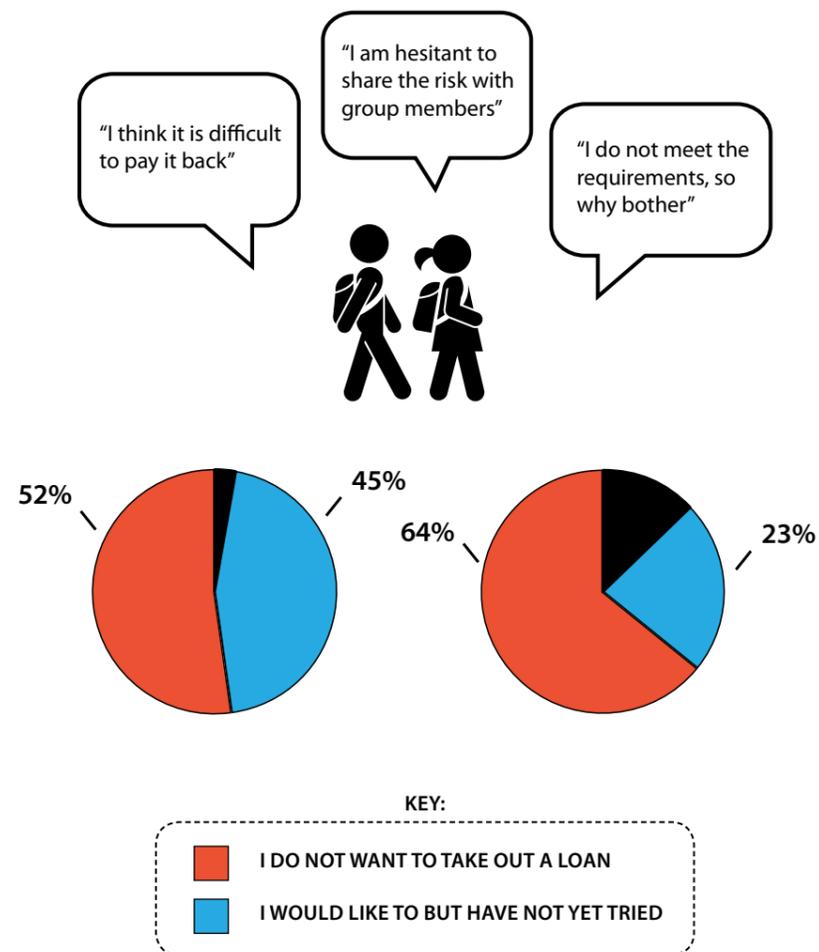
started offering youth loans later than savings, so youth who have just joined the FSP are more aware of the loans than those who joined earlier.

Finally, youth in the treatment group in both countries demonstrated better financial practices around loans than those in the control group. For example, 9% of the control group

in Ethiopia said they would take as few loans as possible against 21% of the treatment group, and 11% of the control group said they would look carefully at the cost of a loan versus 16% of the treatment group. In Togo, 8% of the control group stated they would look carefully at the cost of the loan as compared to 27% of the treatment group.

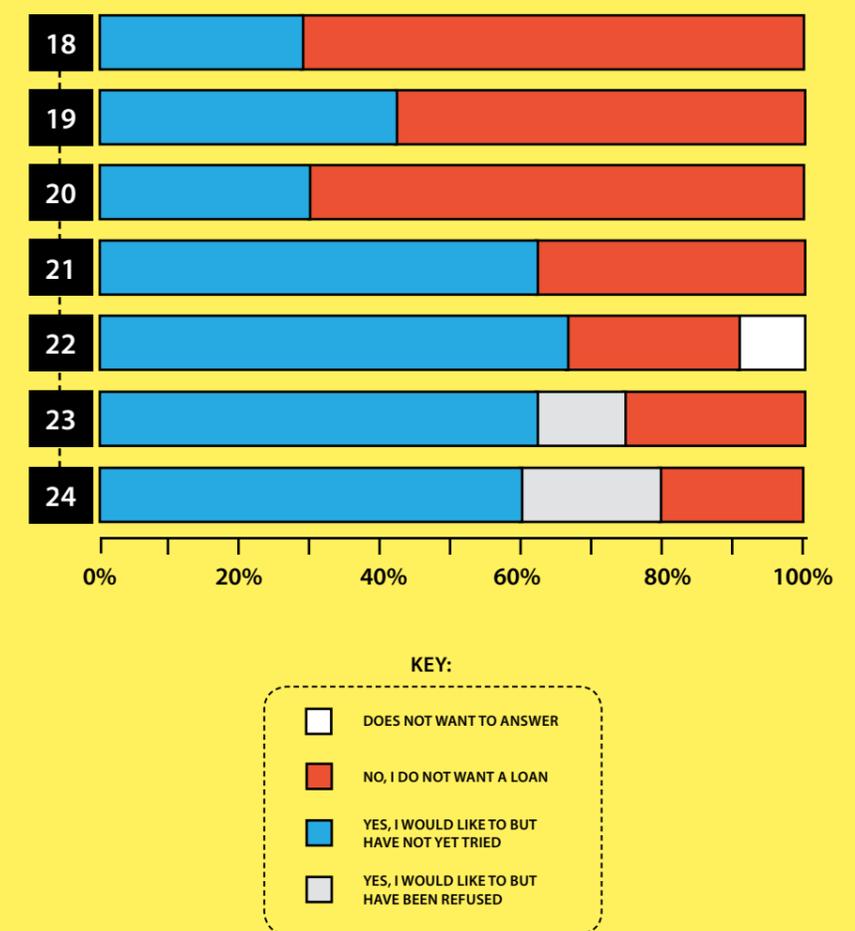
**FIGURE XXXV**

**Youth interest in borrowing from formal mechanisms**



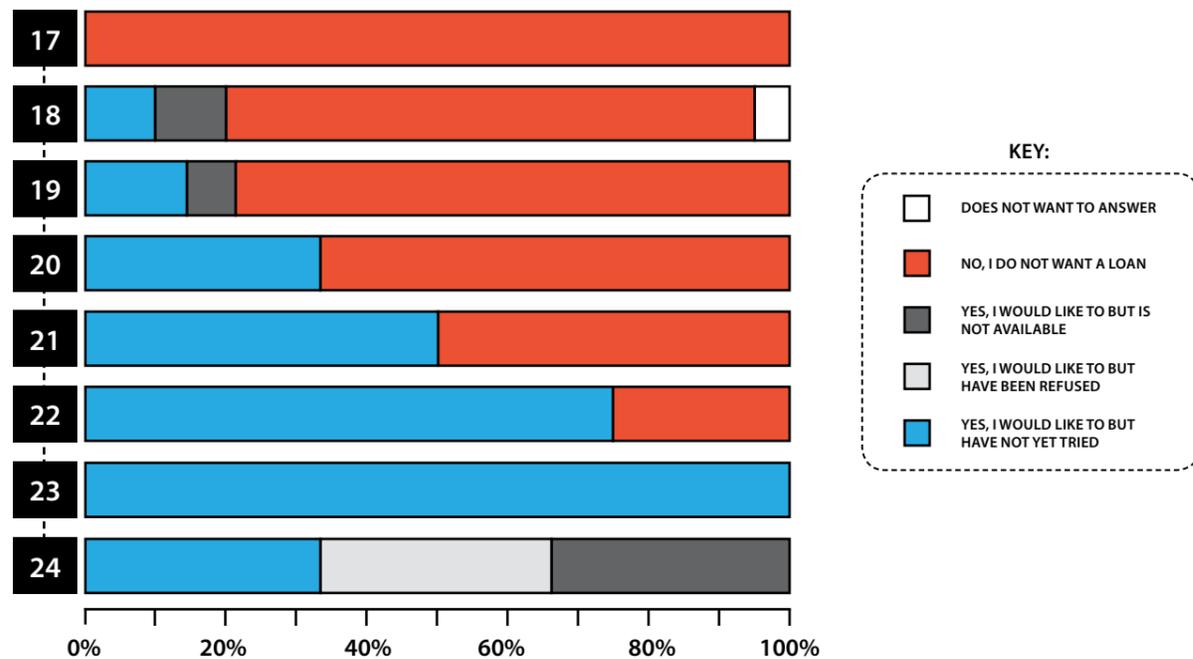
**FIGURE XXXVI**

**Desire for a loan by age in Togo**



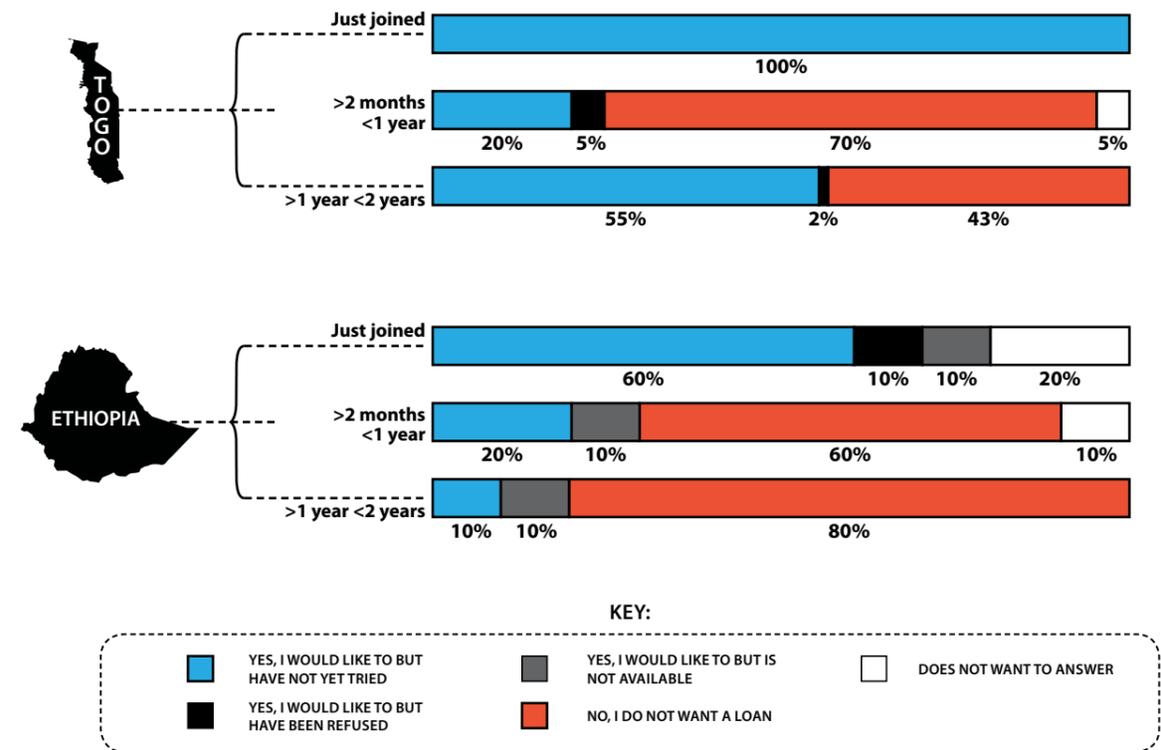
**FIGURE XXXVII**

Desire for a loan by age in Ethiopia



**FIGURE XXXVIII**

Desire for loan by time as client of financial service provider



**CONCLUSIONS: USE OF FINANCIAL SERVICES**

**1** Participants of the YS programme are more likely than non-participants to have adopted one or more of the following good financial practices regarding saving:

- a. Saving frequently
- b. Saving automatically<sup>45</sup>
- c. Keeping savings in a secure place

**2** Participants of the YS programme saved nearly half of the time through their YS account in addition to other informal means (e.g., at home, on body/in clothes/ in wallet). In contrast, youth in the control group in Togo saved almost entirely through

**3** Participation in the YS programme can lead to increased frequency of deposits to the YS account over time in addition to a higher ratio of deposits to

informal mechanisms and those in Ethiopia saved through a savings account in addition to informal options, indicating a more banked population than in Togo. YS participants in Togo saved more in value at home than in their YS account, while those in Ethiopia saved more in value through their YS account. This finding indicates the continued use of informal savings even after having an account.

withdrawals across all savings mechanisms (2:1) and to the YS account (4:1).<sup>46</sup> Participation in the YS programme can also lead to an increase in the value of savings deposits over time and a surplus or positive net savings as youth deposit more than they withdraw to/from their YS account.<sup>47</sup> However, it may take time to see the effects of the YS programme or an increase in the frequency and value of youth savings deposits as a higher frequency and larger deposits were observed more often among youth who had participated in the programme

**4** Overall, female youth save smaller amounts than their male counterparts in both countries and they withdraw their savings less frequently. Female youth from the treatment group in both countries withdraw less savings from their savings accounts than male youth in the treatment group.

**5** A little more than 50% of the youth in both countries (in control and treatment groups) took out not too many loans during the research period. However, those who did access loans seemed to have done so more from informal

than formal mechanisms. This finding is due mostly to their concern in paying back the loan, sharing risk with other group members or their inability to meet the loan requirements of the FSP.

**6** Young women in Togo were considerably more likely to take out loans (66% of the loans) than those in Ethiopia (37%). However, in both countries, a larger portion of male youth wanted to take out a loan in the past and/or still want to take out a loan than female youth.

**7** As youth get older, their interest in taking out a loan

increases. In addition, newer youth clients of the FSPs in both countries are more interested in accessing a loan than those who joined earlier. This finding may be due to the more recent focus of the FSPs on providing credit to youth or their increased confidence in their savings capacity.

**8** Youth in the treatment group in both countries demonstrated better financial practices around loans than those in the control group. These practices include taking as few loans as possible and evaluating the cost of the loan.

<sup>45</sup> Saving automatically refers to saving a portion of income.

<sup>46</sup> A higher proportion of youth in the treatment group in both countries made at least one savings deposit than youth in the control group (70% vs. 51% in Togo, and 57% vs. 46% in Ethiopia). In both countries, youth in the treatment group demonstrated a higher ratio of deposits to withdrawals (nearly 2:1) than youth in the control group (1:1 in Togo and 1.5:1 in Ethiopia). A higher percentage of youth who have been part of the YS programme for a long time (i.e., 1–2 years) made at least one deposit during more than half or two thirds of the interviews as compared to the other groups.

<sup>47</sup> Youth who have been a part of the YS programme for 1–2 years reported higher average savings deposits during 33% of the interviews in Togo and 58% of the time in Ethiopia. Youth who have been a part of the programme for two years or more in Ethiopia reported higher average savings deposits during 25% of the interviews.

# FINDINGS: PLANNING AHEAD



## OVERVIEW

This section examines how youth plan ahead to help them smooth the transition from childhood to adulthood through setting and achieving savings goals and developing a financial plan. It also examines how they increase their assets or economic/financial capital during the course of the study and explore their emotional well-being as it relates to their future (e.g., levels of stress, confidence and happiness).

### Financial plan

Having a financial plan that guides youth to earn more for their future and use their money to achieve their goals is considered a good personal finance practice. The research found significant differences between the control and the treatment group in both countries related to whether youth had a financial plan. In Togo, for example, 33% of the control group had a financial plan compared to 64% of the treatment group. In Ethiopia, however, the difference between the control and the treatment group was not as striking, but still 70% of those with a savings account at ACSI had a financial plan as compared to 61% of the control group (see figure XXXIX).

When looking in greater depth at youth in the treatment group, one can see that youth in Ethiopia have a financial plan independent of the time they have been clients of ACSI. In Togo, though, those who joined recently are more likely to have a financial plan than those who became clients of FUCEC two years ago. This finding may be due to the challenges FUCEC faced at the beginning of the programme to integrate the financial education with the product offerings. Arguably, those who recently joined the programme are more likely to have participated in the financial education and therefore have increased their knowledge and skills about how to create a financial plan as compared to

those who became clients two years ago.

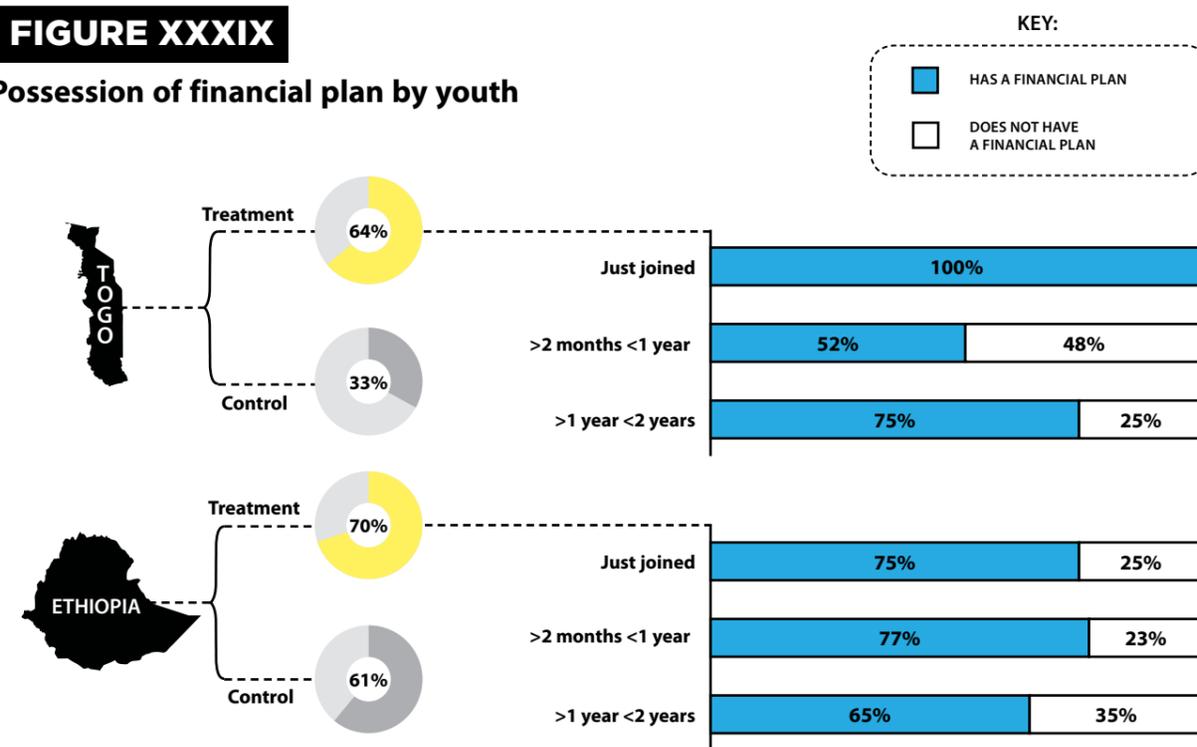
### Savings goals

The vast majority of youth in Togo (91%) stated they have a specific savings goal or goals. Of the treatment group, 85% reported having savings goals, while in the control group 100% reported having savings goals. However, 70% of the treatment group said they've had a savings goal in the past compared to 63% of the control group.

In Ethiopia, the majority of youth (71%) stated they have a specific savings goal or goals. Overall, the percentage in Ethiopia was not as

**FIGURE XXXIX**

Possession of financial plan by youth



**YOUTH WERE ASKED THE FOLLOWING QUESTION: "Are you saving for a specific goal?"**

They were given the following range of options:

- a. Emergencies
- b. Daily expenses
- c. Funeral
- d. Other life event (marriage, birth...)
- e. To make a large consumer purchase
- f. To make an investment/buy production goods
- g. An expected payment obligation
- h. School expenses
- i. Other
- j. Does not want to answer

high as compared to Togo (91% have a specific goal). Youth who are part of the treatment group are considerably more likely to have specific goals (79%) than youth in the control group (55%). In addition, youth who are part of the treatment group are

considerably more likely to have had specific goals in the past (54%) than youth in the control group (35%) Figure XL summarizes these findings.

**Gender differences in setting and achieving savings goals**

When looking at saving for a goal, male youth in Togo were slightly more likely to save for a specific goal as well as to have saved for a specific goal in the past than female youth (93% vs. 86% and 72% vs. 64%, respectively). Male youth were also more likely to have accomplished their savings goals than female youth (53% vs. 38%). On the other hand, when referring only to the FUCEC savings account, female youth were more likely to save for a specific goal through their account than male youth (80% vs. 65%). Comparing the youth by gender in Ethiopia, a somewhat higher percentage of female youth had specific goals than male youth (roughly 76% vs. 68%) whereas a larger portion of male youth had savings goals in the past than female youth (51% vs. 43%).

**Types of savings goals**

Figure XLI reveals that, in both countries, most of the youth from the

**“ All participants confirmed that, once you start saving, you want to do it fully. The majority of youth use different informal and formal savings mechanisms. Informal savings are used to address immediate needs, while formal savings are used for long-term projects. A parent stated that her daughter saved in her FUCEC account to open her own business selling bracelets. ~FGD and in-depth interviewee (parent), Togo ”**

control and the treatment group have similar savings goals. The savings goals consist of short-term goals (e.g., for daily and school expenses) to medium-term goals (e.g., for an expected payment/obligation) to

longer-term goals (e.g., to make a large consumer purchase, to make an investment, to start a business). The main difference is that youth in the treatment group, in both countries, save more for daily expenses than youth in the control group. This finding may be due to the fact that the

Sisay Worku is a 23-year-old barber living in the area of Abay Mado in the city of Bahir Dar, in Amhara National Regional State, Ethiopia who owns a barbershop. He was raised in a family of eight children. The main economic activity of his family was farming. He opened a savings account with ACSI in 2012. He is saving to open an internet café in the next couple of years. He is confident that a loan from ACSI will help him speed up the realization of his dream for an internet café.

treatment group is made up of more students who are living day-to-day with more limited income and shorter-term savings goals, while those in the control group live more on their own and are employed.

In Togo, for example, the four most common savings goals for the treatment group include paying for daily expenses, paying for emergencies, starting a business and making a large consumer purchase, while for the control group they include paying for emergencies, making an investment, starting a business and paying for daily expenses. In Ethiopia, the most common savings goals for the treatment group include paying for emergencies, starting a business and paying for daily expenses, whereas for the control group they include starting a business, paying for emergencies, making an investment and paying for daily expenses.

**Gender differences in types of goals**

Female youth in Togo save more

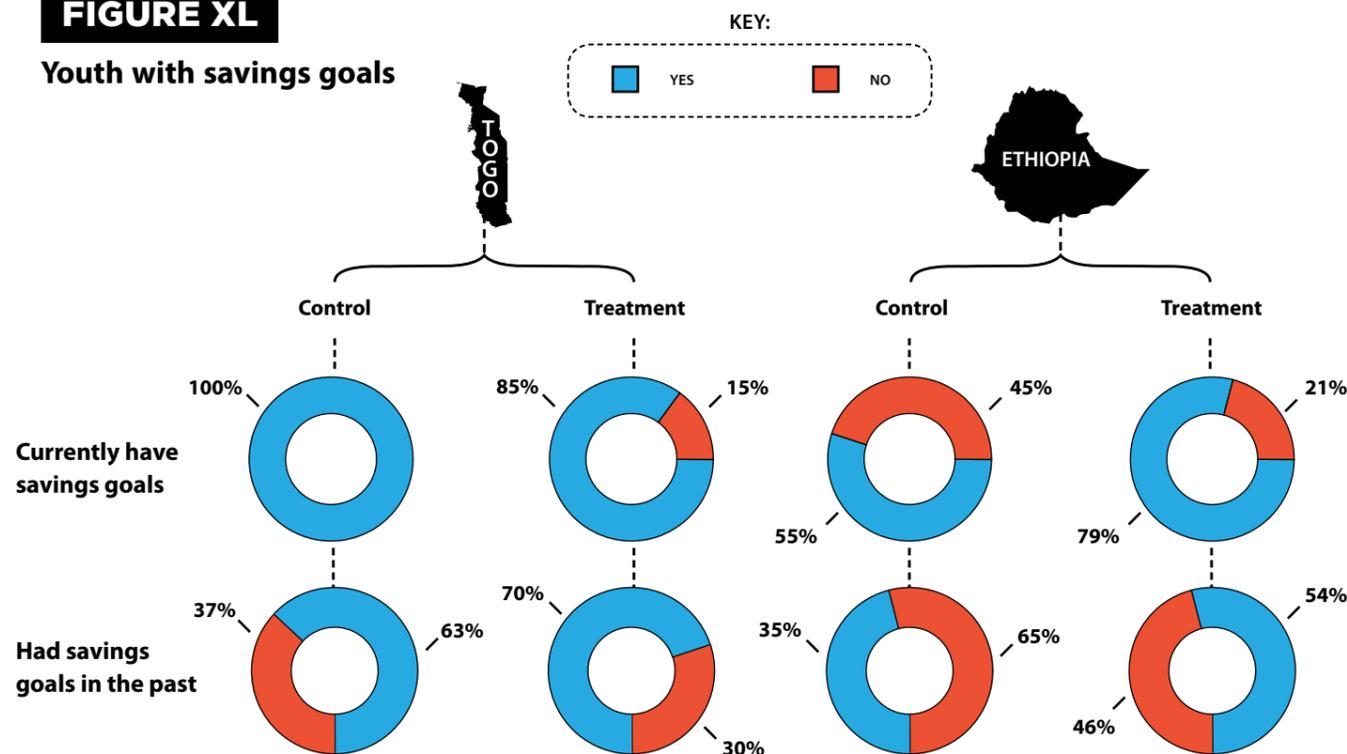
**“ My son recently bought a computer. I don't think I would have saved enough money to buy one for him.” ~In-depth interviewee (parent), Togo ”**

for covering regular expenses such as beauty items, as well as for buying an asset (e.g., a sewing machine) or starting a small business. Male youth mainly save for buying assets (e.g., a computer).

Male youth in the treatment group in Ethiopia reported saving for a variety of short- and long-term goals, including for a driver's license, school fees, business purposes (e.g., to buy a cart to transport goods, to buy a tailoring machine) and house construction. Female youth in the treatment group save primarily for education purposes, to start a business and to deal with future emergencies. A few of them also

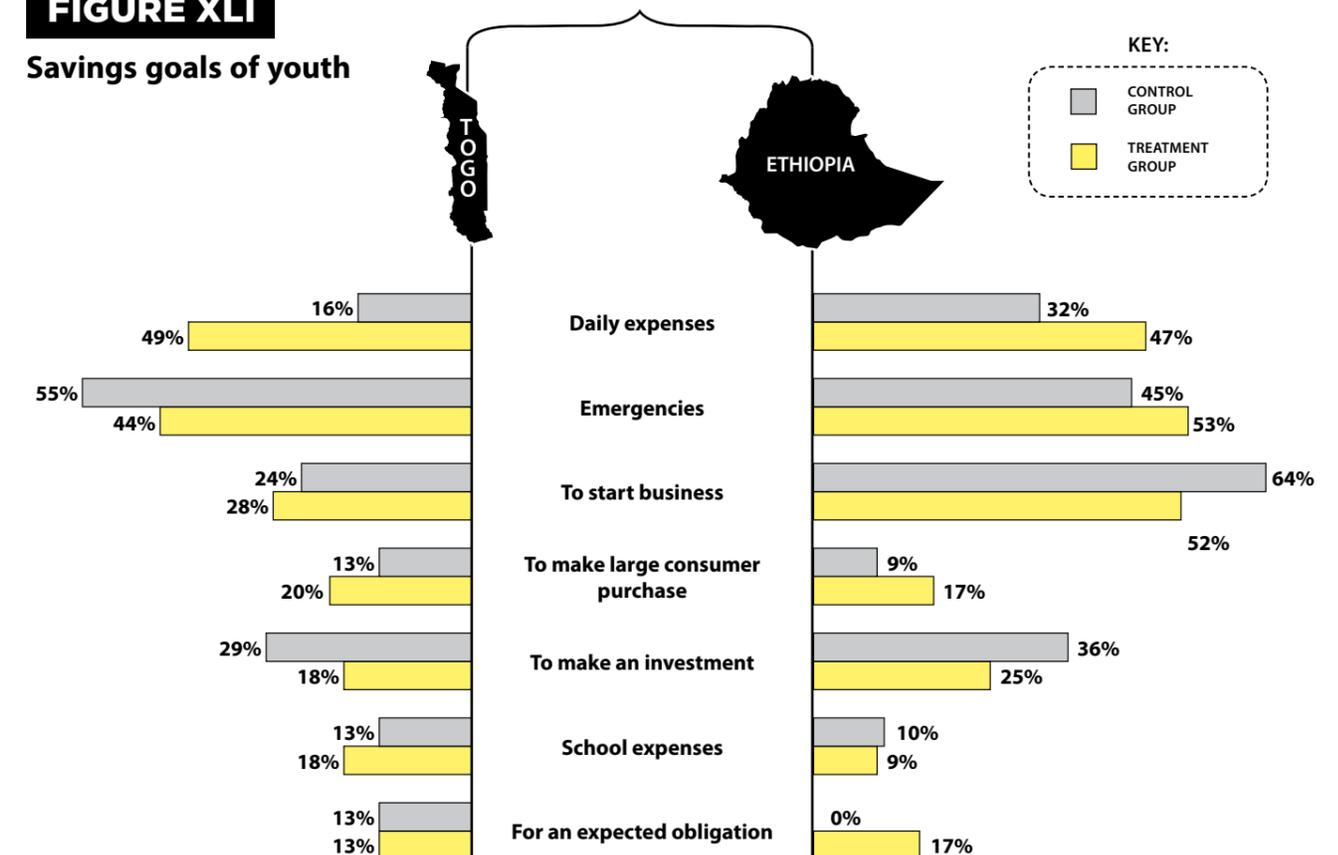
**FIGURE XL**

**Youth with savings goals**



**FIGURE XLI**

**Savings goals of youth**



**“ I saved to buy a sewing machine and I bought one without a loan.” ~Treatment group respondent, Togo ”**

One parent stated that her daughter used to spend all of her pocket money from her parents, but after opening an account with FUCEC, she used half of her pocket money for her expenses and the other half for savings. She used her own savings as start-up capital to start selling bracelets. ~In-depth interviewee (parent), Ethiopia

save to purchase clothes and beauty items.

**Good financial practices: Achieving savings goals**

While no major differences were found in regards to the types of savings goals of youth, researchers found major differences in regards to whether or not youth were reaching those savings goals (see figure XLII). In Togo, for example, the percentage

of the treatment group able to reach their savings goals was more than double the percentage in the control group (55% vs. 24%). Unfortunately, the opposite trend was found in Ethiopia, where a larger percentage of the control group was able to reach their savings goals as compared to the treatment group (43% vs. 32%).

The positive result in Togo may be related to the financial education sessions that, according to the FGDs, youth felt helped them to achieve their savings goals. They enjoyed learning about how to save for a specific goal in addition to how to save a small amount regularly and reduce unnecessary expenses.

Throughout the YS programme, the support of parents and other caregivers has been a critical component. Participants of the YS programme in Togo and Ethiopia mentioned the importance of support from their parents to achieve their savings goals. FGDs revealed that, when youth need money for immediate use, they may ask for help from their friends, but when they need a larger amount of money (e.g., to start a business), they tend to ask for support more from their family members or parents. This issue is cultural one, as parents are always

**“ Saving is easy when someone has a goal that they are saving for. It is also easy when you have people who support you to save. If your parents support you, then they encourage and even add money for you to save. However, if they do not support you, then the little money you save cannot grow.” ~Treatment group female respondent, Ethiopia ”**

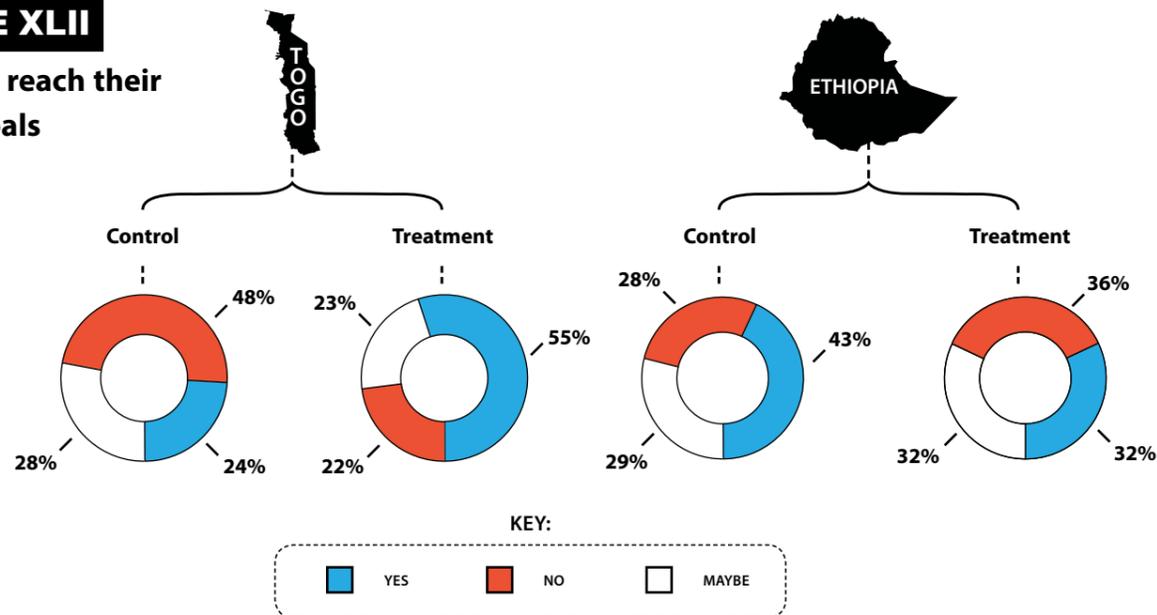
willing to help and improve their children’s future. They also want to invest in their children so that, in their old age, their children can support them better financially.

**Achieving short-term goals in a short time period**

On average, most youth in Togo and Ethiopia were able to achieve their savings goals within five weeks (see figure XLIII). This finding may be due to the fact that the majority of their savings goals (for both the control and the treatment group)

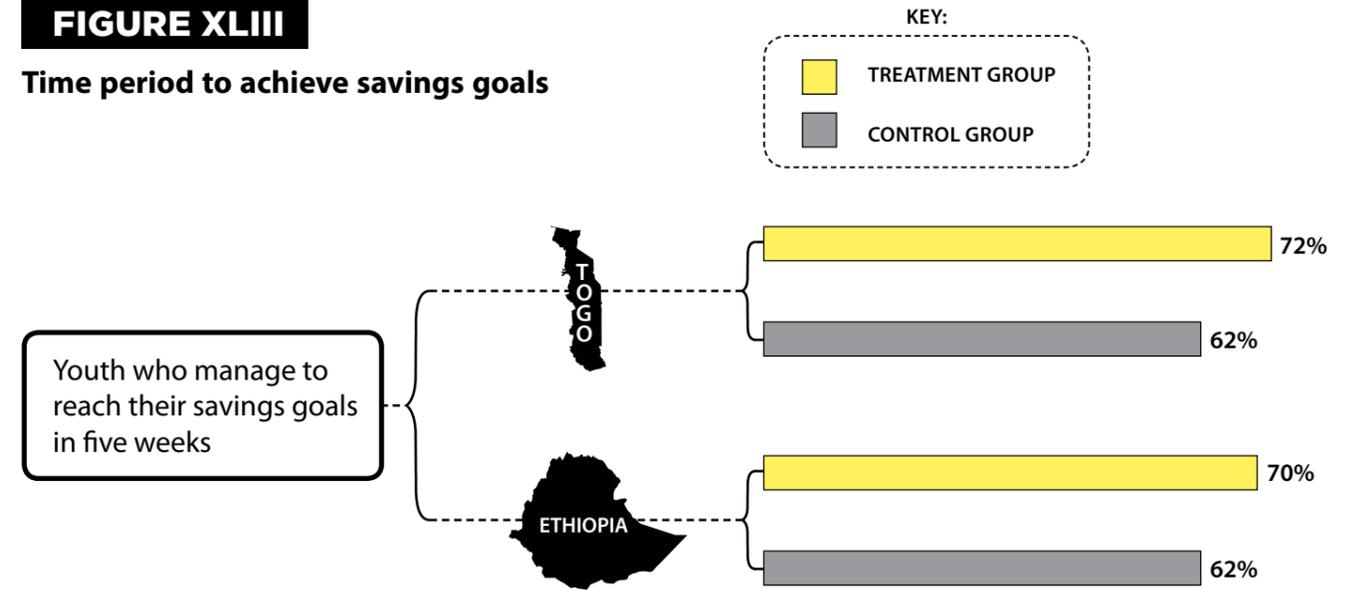
**FIGURE XLII**

**Youth that reach their savings goals**



**FIGURE XLIII**

**Time period to achieve savings goals**



were short- and medium-term goals. However, when comparing youth from the control group and youth from the treatment group in both countries, a slightly larger percentage of youth in the treatment group was able to achieve their goals within the five-week period than youth in the control group (Togo: 71.9% vs. 61.8%; Ethiopia: 70.4% vs. 61.9%).

**Asset accumulation**

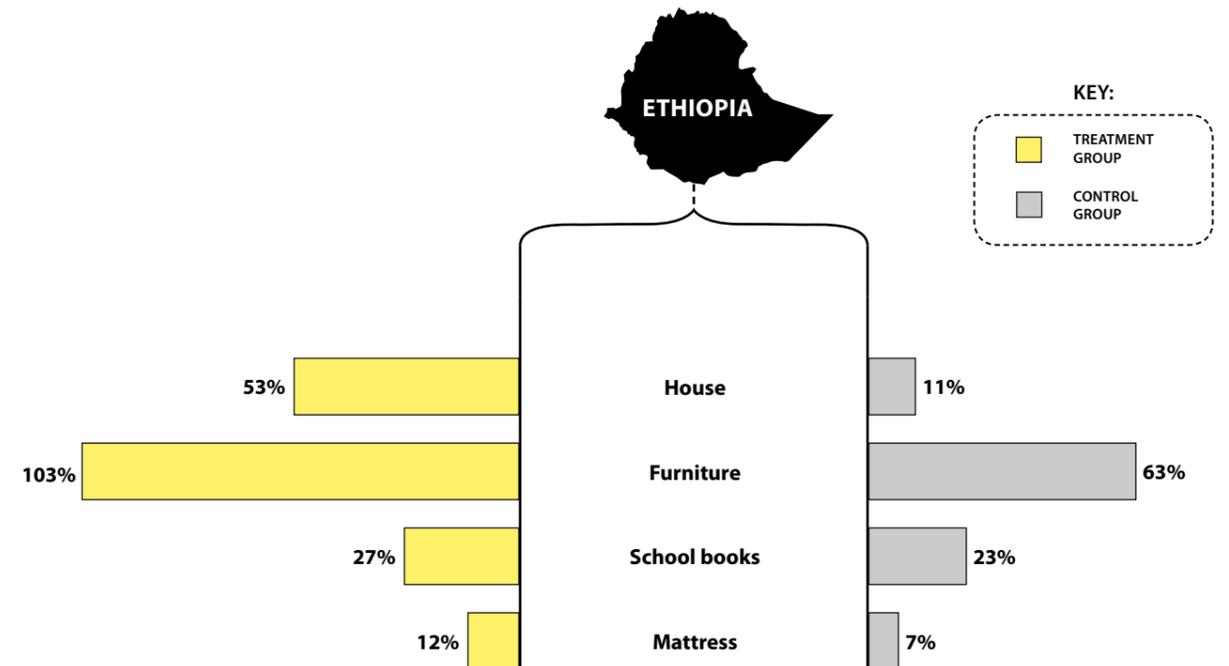
In order to test the hypothesis regarding the link between increased financial capabilities, asset accumulation and a smoother transition of youth into adulthood, researchers asked youth about the assets they own during the baseline and end-line. While in Togo there were no significant differences between

youth in the control group and youth in the treatment group in terms of asset acquisition, in Ethiopia the results were quite promising.

As figure XLIV shows, youth in the treatment group in Ethiopia show a higher percentage change over time than youth in the control group for assets such as a house, furniture,

**FIGURE XLIV**

**Change in assets from baseline to end-line in Ethiopia**



Youth cited different aspects affecting their happiness such as lack of family harmony, disputes between parents, sickness and death and interpersonal life events such as quarrels, breach of trust and intrigues between families and friends. ~FGD, Togo

schoolbooks and a mattress. Youth in the control group reported a change of 11.1% in terms of house purchase, while the treatment group reported a change of 53.3%. For the most popular asset acquisition of furniture, youth in the control group reported a change of 62.5% during the research period whereas youth in the treatment group reported a much higher change of 103.2%. Youth in the control group reported a change of 23.1% for schoolbooks while youth in the treatment group reported a slightly higher change of 27.3%. Finally, youth in the control group reported a change in purchasing a mattress of 6.7%, compared to youth in the treatment group who reported a change of 12.1%.

### Emotional well-being

Researchers asked youth questions regarding their levels of stress and happiness during each of the BW interviews. In Togo, youth in the treatment group were happier on average than youth in the control group during the research period. Figure XLV shows that 77% of youth in the treatment group reported being 'very happy' or 'a bit happy' compared to 54% in the control group. Youth were also asked open-ended questions regarding the reasons for their happiness or unhappiness.<sup>48</sup> Overall, the most frequently reported reason for their level of happiness was related to finances while other frequently cited reasons included those related to family, health and work (in order

of frequency). In the control group, 42% cited financial reasons for their unhappiness compared to 32% in the treatment group.

In Ethiopia, youth in the treatment group also expressed greater levels of happiness than youth in the control group (see figure XLVI) during the research period. In the treatment group, 71% reported being 'very happy' or 'a bit happy' compared to 63% in the control group. The most frequently reported reason for their level of happiness was related to work while other frequently cited reasons included those related to family, health and finances. This finding differs greatly from Togo, where finances represented the largest factor affecting level of happiness and work was only the third most-mentioned reason. Another difference is that a higher percentage of youth in the treatment group cited levels of unhappiness related to finances compared to youth in the control group (14% vs. 7%).

In Togo, 33% of the control group reported feeling 'very stressed' or 'a bit stressed' compared to 24% of the treatment group (see figure XLVII). Youth were also asked open-ended questions regarding their reasons for feeling stressed or relaxed. Overall, their reasons for being stressed included the following: 'lack of money,' 'work problems,' 'having debts,' 'tuition fees,' 'health problems,' 'exams,' 'not being able to get loan,' 'not being able to support their family,' 'not having a job,' 'being lonely,' 'conflict with spouse' and 'death of family member.' The most frequently cited factor related to stress was 'financial issues.' It is interesting to note that 39% of the control group reported being stressed due to no money/no income/no job compared to only 14% of the treatment group.

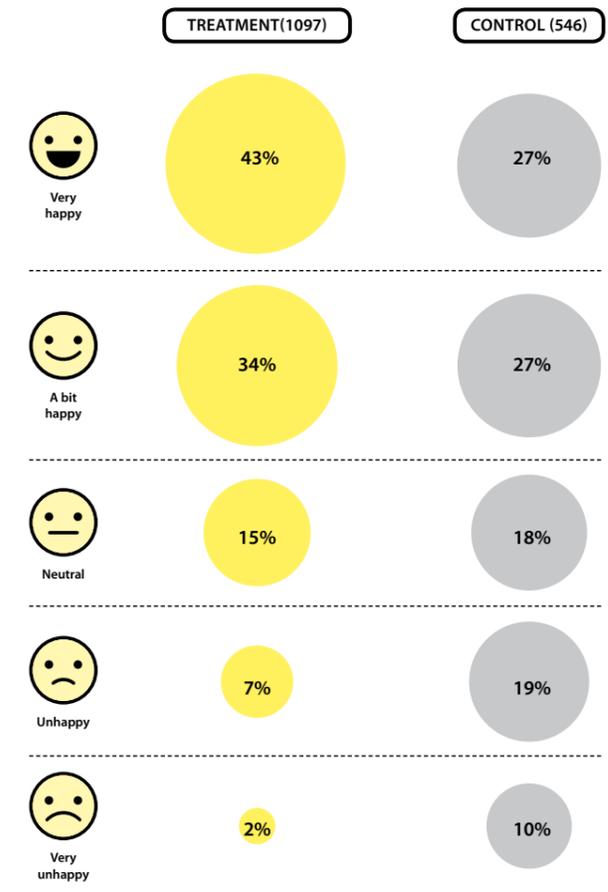
**“ When one is happy s/he thinks about the future and is able to save, but while one is sad, they lose direction and even engage in unlawful activities.”**  
~Female respondent, Ethiopia ”

In Ethiopia, 35% of the control group reported being 'very stressed' or 'a bit stressed' compared to 26% of the treatment group (see figure XLVIII). Overall, their reasons for being stressed included the following: 'poor health,' 'conflicts within family,' 'conflicts with spouse,' 'education/exam stress,' 'not having enough money,' 'not having an income source,' 'work problems' and 'too many responsibilities.' Unlike in Togo where the most frequently cited stress factor was finances, in Ethiopia it was related to work. Similar to Togo, a higher proportion of youth in the control group felt stress as a result of no money/no income/no job than youth in the treatment group (23% in the control group vs. 17% in the treatment group).

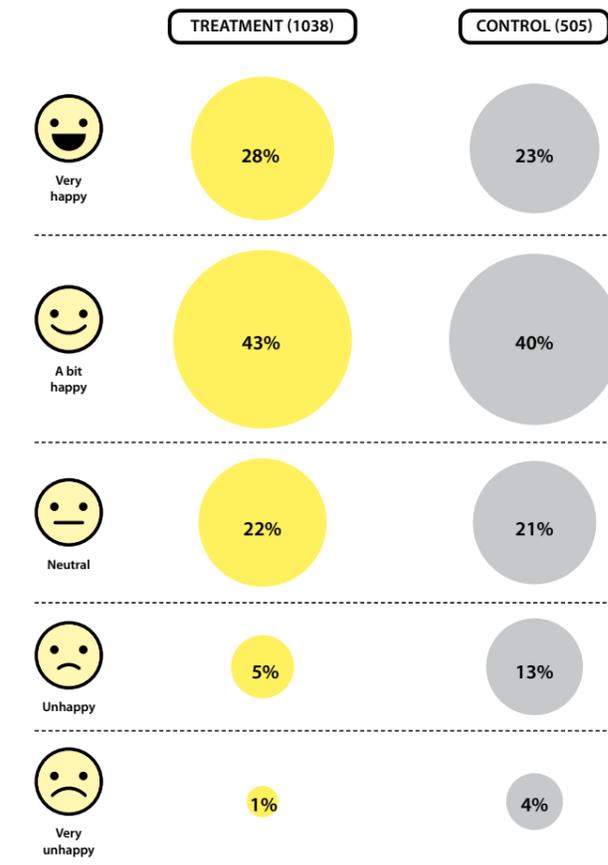
Another hypothesis that researchers tested was the correlation between confidence in the future and participation in the programme. This hypothesis was confirmed in both

Most male youth did not think levels of happiness affect savings. However, female youth felt that the two are closely related. They reported purchasing things they do not need when they are unhappy to lift their mood (e.g., food, clothes and jewelry). ~FGD, Ethiopia

**FIGURE XLV**  
Levels of happiness in Togo



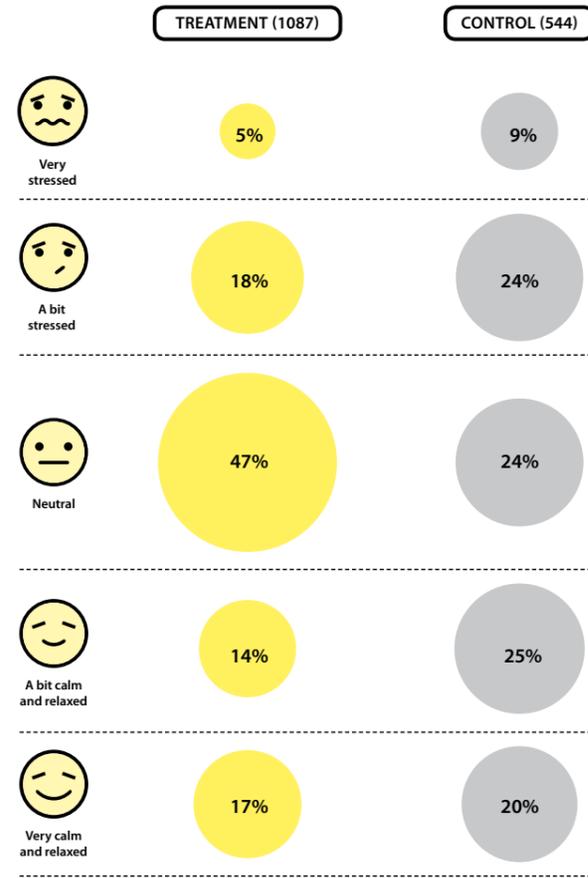
**FIGURE XLVI**  
Levels of happiness in Ethiopia



<sup>48</sup> Only those respondents who stated they feel 'neutral' did not get a follow-up question for the reason for the feeling.

**FIGURE XLVII**

**Levels of stress in Togo**



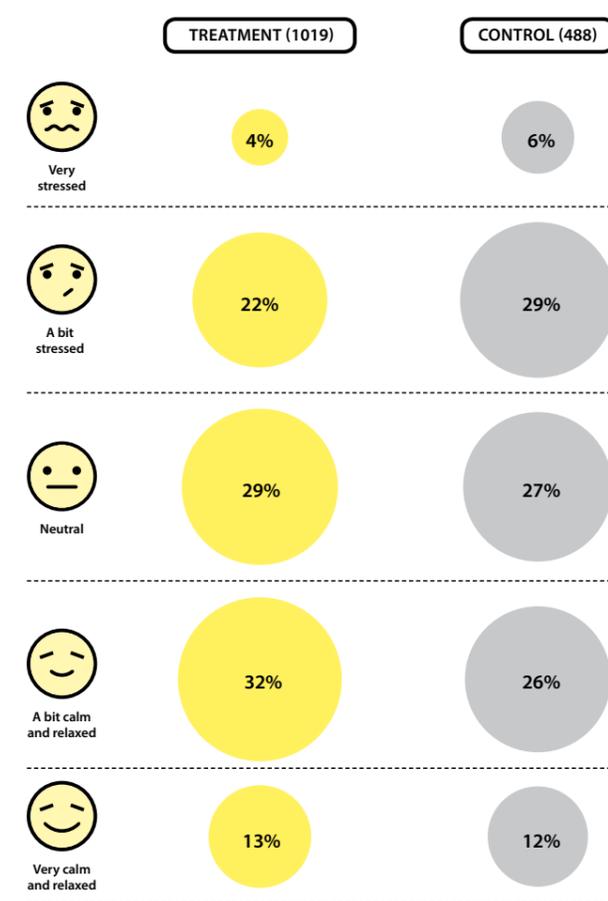
Youth feel stressed due to unemployment and also from lack of adequate planning for their future. They are also stressed by their inability to repay their loans. They relieve their stress by going to recreation centres or playing sports. ~FGD, Ethiopia

Youth feel stress mainly due to finance-related issues and family and interpersonal problems. ~FGD, Togo

- a five-week period.
- Gender differences for savings goals in Togo included male youth being more likely than female youth to save for a specific goal, to have saved for a specific goal in the past and to achieve their savings goal. However, female YS participants in Togo were more likely to save for a specific goal through their account than male YS participants. The reverse was true in Ethiopia, with a higher portion of female youth saving for a specific goal and with more male youth having saved for a goal in the past than female youth.
- Half of the participants of the YS programme in Ethiopia accumulated large assets such as a house, furniture, schoolbooks and a mattress during the six-month research period, indicating they are building their financial capital.
- Finally, participants of the YS programme in both countries reported overall better emotional health as it relates to their future. This finding includes lower levels of stress, higher levels of happiness and a greater change in being 'very confident' about their future from the beginning of the study compared to the end of the study.

**FIGURE XLVIII**

**Levels of stress in Ethiopia**



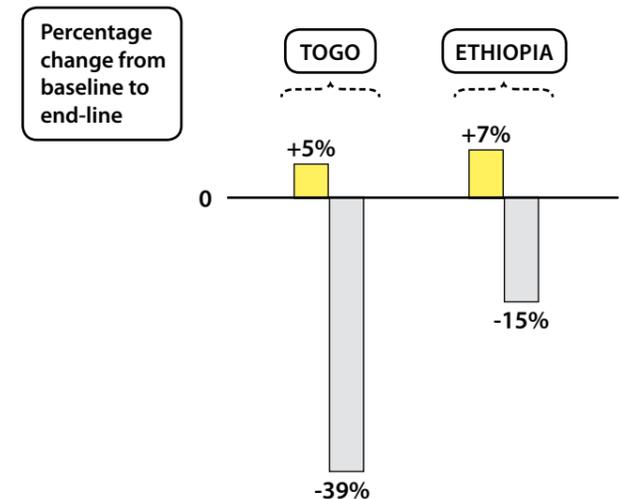
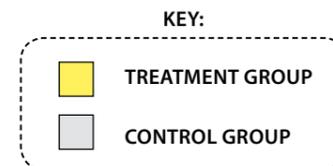
countries when comparing baseline and end-line data from both control and treatment groups. Figure XLIX indicates that, overall, youth in the treatment group in Togo and Ethiopia reported a positive and thus greater change in being 'very confident' about their future compared to youth in the control group. In Togo, youth in the control group reported a decrease of 39% in terms of being very confident about their future compared to youth in the treatment group who reported an increase of 5%. In Ethiopia, youth in the control group also reported a decrease of 15% in terms of being very confident about their future while youth in the treatment group reported an increase of 7%.

**Conclusions: Planning ahead**

- Participation in the YS programme encourages youth

**FIGURE XLIX**

**Confidence in the future**



# CONCLUSION

This paper began with three questions about the YS programme:

- 1** How does it contribute to improved money management skills of youth?
- 2** How does it contribute to increased use of financial services by youth?
- 3** How does it contribute to youth planning ahead for their future?

The findings for each of these three questions are listed in table 10 along with their corresponding implications. In addition, the differences by gender and their corresponding implications are highlighted in table 11. FSPs, NGOs and YSOs can use these findings to influence or modify the design of their financial and non-financial services for youth to make them more appropriate for different youth segments (e.g., gender, age).

**TABLE 10**

**Findings from study and implications**

	FINDINGS	IMPLICATIONS
 <b>MONEY MANAGEMENT</b>	<p>Participants of the YS programme had nearly double the amount of net average income (average income – average expenses) as youth in the control group in Togo and more than double that of youth in the control group in Ethiopia. This finding was most likely due to their participation in the financial education sessions that promoted better money management strategies such as being more careful about how they spend their money (i.e., spending less on unnecessary expenses such as food on the street, toiletries, alcoholic beverages, etc.), using self-control for impulse purchases, tracking income and expenses, and tracking savings through a passbook.</p>	<p>Youth programmes should ensure a strong linkage between youth financial services and youth non-financial services (e.g., disseminating financial education messages that promote careful and wise spending like distinguishing between necessary and unnecessary expenses).</p>
	<p>YS participants in both countries saved nearly half of the time through their YS account followed by other informal means (e.g., at home, on body/in clothes/in wallet). In contrast, non-programme participants in Togo saved almost entirely through informal mechanisms and those in Ethiopia saved through a savings account in addition to the informal options, indicating a more banked population than in Togo. YS participants in Togo saved more in value at home than in their account at FUCEC, while those in Ethiopia saved more in value in their account at ACSI.</p>	<p>FSPs should be aware that youth clients may still continue their use of informal savings even after opening an account. However, savings accounts should be linked to short- and medium-term goals of youth clients to provide incentives for them to save. These linkages can be promoted through marketing materials (e.g., designing a savings passbook that includes a savings plan template) and through financial education.</p>
 <b>USE OF FINANCIAL SERVICES: SAVINGS AND LOANS</b>	<p>Participation in the YS programme leads to increased frequency of deposits in the YS account over time in addition to a higher ratio of deposits to withdrawals across all savings mechanisms (2:1) and to the YS account (4:1).</p> <p>Participation in the YS programme also leads to an increase in the value of savings deposits over time and a surplus or positive net savings as youth deposit more than they withdraw across all savings mechanisms.</p> <p>YS participants adopted the practice of saving regularly, saving automatically and saving in a secure place.</p>	<p>FSPs should also recognize that, while the savings deposits of youth may be small, they will most likely increase over time and will result in positive net savings as youth typically save for short- to medium-term goals.</p>
	<p>Youth in the treatment group in both countries demonstrated better financial practices around loans than those in the control group. These practices include taking as few loans as possible and evaluating the cost of the loan.</p> <p>More recent clients of the FSP in both countries are more interested in accessing a loan than those who joined earlier.<sup>a</sup></p>	<p>FSPs should promote youth loans at an early stage in the programme. In addition, FSPs should link loans to financial education to build skills of youth to evaluate the costs and benefits of loans for a particular life stage and savings goal.</p>
 <b>PLANNING AHEAD</b>	<p>YS participants in both countries were able to develop a financial plan and to set and achieve short- to medium-term savings goals, mainly due to the financial education sessions they received as a part of the YS programme and the support from their parents. A majority (70% or more) of participants of the YS programme in both countries were able to achieve their savings goals within five weeks.</p> <p>Participation in the YS programme in Ethiopia also led to the accumulation of assets over the six-month research period (e.g., house, furniture, schoolbooks and a mattress).</p> <p>YS participants in both countries reported overall better emotional health as it relates to their future. This finding includes lower levels of stress, higher levels of happiness and more confidence in their future as compared to non-participants.</p>	<p>FSPs should promote the benefits of savings accounts to youth. For example, saving in an account can help youth reach their goals within a short time period (e.g., 4–6 weeks) and can help them save for productive assets (e.g., for a business), which will ultimately better prepare them for their future and increase their confidence, emotional well-being and skill-set as they make the transition from childhood to adulthood.</p>

<sup>a</sup> This finding may be due to the more recent focus of the FSPs on providing credit to youth or their increased confidence in their savings capacity.

**TABLE 11**

**Gender findings from study and implications**

	FINDINGS	IMPLICATIONS
 <b>GENDER</b>	<p>There are noticeable gender differences in the income and expenses of youth. In both countries, males earn more through casual labour or their own business whereas females rely more on income from parents or partners. In Togo, female youth receive less income for the same type of earning activities as male youth. In both countries, female youth spend more often on food at home, toiletries and water charges, while male youth spend more on alcoholic beverages, food outside, transportation and mobile phone.</p> <p>Overall, female youth save smaller amounts than their male counterparts in both countries, but they withdraw their savings less frequently. Female youth from the treatment group in both countries withdraw less savings from their savings account than male youth in the treatment group.</p> <p>There are mixed results regarding loans in Togo and Ethiopia, making it difficult to draw any conclusions about interest in loans (young women in Togo were considerably more likely to take out loans than in Ethiopia). However, in both countries a larger portion of male youth wanted to take out a loan in the past and/or still want to take out a loan than female youth.</p> <p>There are also mixed results on saving for a specific goal when comparing female and male youth in both countries, also making it difficult to draw any conclusions. However, female YS participants in Togo were more likely to save for a specific goal through their account than male YS participants.</p>	<p>FSPs should tailor financial and non-financial services for girls and young women. This tailoring may include using financial education to address the challenges they face (e.g., lower income than their male counterparts) in addition to other difficulties due to changing social and cultural norms (e.g., occupational choices, girls' education and mobility). Financial education messages should also include information on the costs and benefits of loans, how to set savings goals, and how to link them with saving through an account and informal means.</p>

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