STUDY SUMMARY

Starting a Lifetime of Saving: Teaching the Practice of Saving to Ugandan Youth

Improving financial literacy and access to bank accounts may help youth save, allowing them to meet current financial needs and invest in their futures. In Uganda, researchers evaluated whether offering financial education or group savings accounts to church-based youth groups increased savings. One year after the intervention ended, they found that total savings and income had increased among youth who were offered financial education, group savings accounts, or both education and group accounts. Three years after the intervention ended, youth who had been offered both education and group accounts still had higher savings levels and income (both business and informal) than those in the comparison group. Business incomes was higher for those those who had been offered financial education only, and informal income was higher for those who had been offered only group accounts.

Policy Issue

Promoting financial literacy and providing access to bank accounts have become popular approaches to help the poor save. Increased savings may help individuals meet day-to-day financial demands and invest in their futures. Furthermore, increasing the savings rate in the general population may help promote large-scale changes in a country's economy by allowing increased investment in productive resources. In order to maximize the benefits of increased savings at both the individual and country level, it may be most effective to encourage youth to save. Young people may be more likely to adopt new habits, and they have many working years ahead of them. A growing body of literature investigates whether either financial education or bank access affect the savings behavior of youth.

RESEARCHERS
Julian Jamison, Dean Karlan, Jonathan Zinman

COUNTRY
Uganda

PARTNERS
Church of Uganda, FINCA Uganda, Straight Talk Foundation

PROGRAM AREAS
Education, Financial Inclusion, Financial Capability

TOPICS
Access to Finance, Financial Capability, Savings, Training & Mentoring, Youth

TIMELINE
2009-2015

Evaluation Context

Uganda has a very young population: in 2006, 52 percent of the country's population was under 15 years old and 29 percent of the country's adult population was between 15 and 34.[1] In addition, Uganda has extremely low savings rates, even relative to its neighbors. Between 2001 and 2003, the average savings rate among Ugandan households was 5.2 percent, compared with an average rate of 12.7 percent in neighboring Kenya.[2]

Researchers partnered with the Foundation for International Community Assistance (FINCA) and the

Church of Uganda in this evaluation. FINCA, whose mission is to provide financial services to the world's lowest-income entrepreneurs, has worked in Uganda since 1992. The Church of Uganda is an Anglican church, representing the second largest religious group in the country. As of the 2002 census, 36 percent of the population considered themselves affiliated with the church. The Church maintains a large network of youth fellowship groups, based at village churches around the country. The youth groups participating in this study had an average of 40 members. The average age was 24.5 and 40 percent of members were female.

Details of the Intervention

Innovations for Poverty Action worked with researchers to evaluate whether offering financial education or group savings accounts to Ugandan youth groups increased savings. The study involved 240 Church of Uganda youth groups, which were randomly assigned to receive financial education, a group savings account, both financial education and a savings account, or neither intervention. There were 60 youth groups in each arm of the study.

The curriculum for the financial education intervention was designed in partnership with Straight Talk Foundation and Freedom from Hunger. The ten-session, fifteen-hour curriculum taught concepts and skills for improving savings behavior, including role-playing the differences between saving and borrowing to achieve a goal, how to keep a budget, and strategies for successfully discussing sensitive topics around money.

Researchers partnered with FINCA to design a group savings account without fees and with simple account-opening procedures, which minimized common barriers to opening accounts. Each club had only one account and was responsible for maintaining a ledger with individual members' savings. Clubs were also required to make a deposit within thirty days of opening the account and to maintain a minimum balance of 50,000 UGX (US$20).

Results and Policy Lessons

Short-term impacts (9-12 months after financial education ended):

- Financial literacy: Members of youth groups receiving financial education had higher levels of financial knowledge, awareness, and numeracy. Youth in groups receiving financial education only scored 0.04 standard deviations higher than the comparison group on an index combining questions relating to financial literacy. Youth in groups receiving both financial education and group accounts scored 0.06 standard deviations higher than the comparison group. Youth in groups receiving account access only did not score any better than the comparison group.
- Bank savings: Using administrative bank data on the group accounts offered in the intervention, researchers found that offering financial education in addition to account access increased savings more than offering the account alone. Averaging across groups receiving account access only and groups receiving account access plus financial education, only 14 percent of members used the account. However, those who did use the accounts saved non-trivial amounts: an average of 15,000 UGX (US$6) in the account-only group and an additional 4,000-7,000 UGX (US$1.60-2.80) among those who also received financial education.
- Total savings: All three interventions designed to promote savings increased participants' total savings. This measure included saving by storing at home, by having another person hold the

money, or by buying durable goods that could later be sold, in addition to savings held at a formal bank. In contrast to the administrative bank data, these results did not show that financial education and account access work together to promote savings, but rather that each approach can encourage increased savings on its own.
- Income: Individuals in all three treatment groups reported earning 10-15 percent more income than individuals in the comparison group. However, researchers were unable to determine whether this effect resulted from individuals working more in order to increase their savings or from individuals using savings to make investments that generated income.

Preliminary results from the long-term follow-up, about three years after the financial education ended, suggest that impacts on earned income persisted. Income from informal employment increased among the two groups that received a savings account. Income from formal employment increased among the two groups that received financial education (though the impacts were stronger in the group that received financial education and the savings account). The increase in savings found in the short term persisted through the long term only for those who received both financial education and the savings account.

Sources

[1]Uganda Bureau of Statistics (UBOS) and Macro International Inc. 2007. *Uganda Demographic and Health Survey 2006*. Calverton, Maryland, USA: UBOS and Macro International Inc. Page 11.

[2] Bank of Uganda research department, Sept. 14, 2005. Found in “Savings Habits, Needs and Priorities in Rural Uganda.” Prepared by Richard Pelrine, Olive Kabatalya. Rural SPEED and Chemonics International. Produced by USAID, September, 2005.