The Banking on Change Proposed Youth Savings Group Model

From saving and learning to banking and earning

Contents

Definitions:

Youth, young people: Banking on Change has adopted the UN definition of youth as people between the ages of 15-24 but accepts definitions used in countries where governments have established a higher age limit (usually up to 29 years old but sometimes up to 35 years old). Within Banking on Change, Youth Savings Groups targeted members up to the age of 35 but with a focus on those under 25 years old.

Savings groups/Village Savings and Loans Associations (VSLAs): Savings Groups are a strategy employed by several international NGOs and a growing number of local development organisations to enhance economic security and resilience and achieve economic and social empowerment for members and their households. They have been recognised as an effective tool for economic development by some governments in sub-Saharan Africa too. They are simple in set-up and management: groups of people come together to pool their savings in a joint savings box. Group members save small amounts of money together regularly, often weekly, and this money not only builds their own savings (giving a safety net in times of need) but is used to make loans to other group members. These loans are typically for income generating purposes, or paying for health and education costs. Interest or a 'service charge' is paid on the loans at rates determined by the group itself. At the end of the savings cycle (which typically lasts 12 months) the members receive a 'share-out' of their savings including dividends from interest paid on loans. Most VSLAs also have a 'social fund' which acts as a small insurance fund; members make small weekly contributions into the fund and the group can vote to give an emergency grant to any of its members from the fund. Plan UK and CARE UK use the VSLA methodology as set out in the VSLA Programme Guide, but have made some adaptations to the methodology for Youth Savings Groups, as detailed further below.

Financial inclusion: Access for all to a wide range of financial services — savings, credit, insurance, and payments — provided responsibly and sustainably by a range of providers in a well-regulated environment (UN Capital Development Fund (UNCDF) definition). Financial inclusion efforts seek to ensure that all households and businesses, regardless of income level, have access to and can effectively use the appropriate financial services they need to improve their lives. The global financial inclusion agenda recognises the importance of financial literacy, building consumer financial capabilities, and consumer protection regimes that take the conditions and constraints of poor families in the informal economy into account. (Consultative Group to Assist the Poor (CGAP).[1]

1. Introduction

Banking on Change is currently one of the largest programmes working with Youth Savings Groups (YSGs). In Phase 1 of Banking on Change, from 2009 to 2012, the focus was on savings groups more broadly; in Phase 2 of the programme we have focused on YSGs. To date, from June 2013 to June 2015 the programme, working in Egypt, Ghana, India, Kenya, Tanzania, Uganda and Zambia, has established 11,300 YSGs with over 230,000 members, of whom 120,000 are under age 25. The core objectives of the programme are to provide youth members with financial education so they can better manage their money; and to provide a subset of youth with entrepreneurship skills and employability skills, to support them to start and grow income generating activities. Banking on Change also aims to link mature informal village savings groups to formal banking products and services. This linkage is always savings-led, encouraging disadvantaged people, and particularly youth, to begin their path to financial inclusion by saving collectively.

1.1 Globally, millions of young people lack access to financial services and skills, limiting their economic and social empowerment prospects

There are currently 3.1 billion young people (aged under 25) in the world, which represents 43% of the global population – but 89% of these young people live in less developed countries. In developed countries, 72% of the population is over 25 years old while in sub-Saharan Africa, 63% of the population is under 25.

Further, over the next decade, more than one billion children will transition through adolescence into adulthood and almost 90 per cent of them will come from developing countries[2]. This demographic shift may create economic opportunities but it will also create multiple challenges as the young people in the 'youth bulge' seek education, livelihoods and economic security.

Young people's lack of access to basic financial services and skills is a part of this challenge. Today, two billion people lack access to financial services, with youth significantly less likely to have access than adults. Furthermore, young people are increasing their access to financial services more slowly than adults; between 2011 and 2014, the gap for adults closed by 5.7% while for youth, it closed by just 3.5%[3]. Yet having access to basic services such as savings, bank accounts and credit, along with the skills to use them well, can transform the lives of the world's poorest communities, reducing poverty, increasing social equality and encouraging economic growth.[4] Access to financial services and skills could particularly help young people realise their potential as they transition into adulthood and need to invest in their future and that of their households, whether through education, enterprise or both.

Youth are also disproportionately disadvantaged in the labour market. The ILO reports that: "Youth, especially young women, continue to be disproportionately affected by unemployment. The youth unemployment rate is practically three times higher than is the case for their adult counterparts."[5] The Solutions for Youth Employment coalition estimates that the global economy will need to find five million new jobs every month simply to keep pace with the one billion young people who will enter the job market over the next decade.[6] Where formal job opportunities are few, running a small business or being self-employed is a key way to support oneself and one's household. In this context the absence of appropriate financial services to start or grow a business is a huge barrier to young people, as is their lack of relevant skills.[7]

Therefore, the challenge is finding effective, scalable ways to overcome these barriers. How can we give young people access to the financial services and skills they need to be able to support themselves economically? This issue has been recognised in the Sustainable Development Goals (SDGs). Addressing youth financial inclusion will be key to realising Goal 8 of the SDGs: 'Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.' While Youth Savings Groups alone will not be able to achieve SDG 8 nor to address all of the constraints faced by young people in accessing the financial services and skills they need to achieve economic security, they can be a key tool in tackling the challenge.

1.2 Youth savings groups as a tool to increase access to financial services, skills and social and economic empowerment for young people

Savings groups are a useful element of the informal economy upon which many people in the developing world rely. Globally, as at August 2015, there were over 11 million active savings group members in 73 countries, primarily women, and with the large majority living in sub-Saharan Africa.[8]

However, traditional savings groups struggle to reach those under 25. A survey by the SEEP Network in 2013 found that out of 103 organisations that promote savings groups in 43 countries, only 22% include youth- or child-focused groups while just 38% report participation of youth in mainstream.[9] A random sample of savings groups programmes in India, Ghana, Uganda, Malawi and Zanzibar showed that the mean age of members was between 32 and 40.[10]

It is clear from the graph below that while young people are less likely to access informal financial services such as savings groups they are saving: almost half of all young people in sub-Saharan Africa hadsaved (50%) or borrowed (48%) in the past 12 months. Therefore, there is clearly demand for savings and credit for young people, which is not being met by either the formal or the informal sector.

Informal savings groups can also be a stepping stone to accessing formal financial services. A group savings account can give individual members exposure to the formal financial system and, having been introduced to the formal financial system and gained financial literacy through a savings group, some members go on to open individual accounts. So there is a double opportunity in forming Youth Savings Groups: not only do they support the promotion of savings, they can also help to tackle financial exclusion by acting as a bridge to formal financial services.

Finally, savings groups offer several other benefits besides financial services: the solidarity of belonging to a group; the increased financial literacy that comes from regular saving, borrowing and record-keeping; access to encouragement and advice on how to invest savings; access to networks which can help savings group members to start and grow a business; and access to training provided by an NGO as part of its savings group programming, or by a third party (often another NGOs).

These factors – the exclusion of young people from formal and informal financial services (such as savings groups), the scale of the youth unemployment challenge and young people's greater need for additional training and for support networks – means there is now momentum to better understand how the principles of savings groups can be applied to youth and how Youth Savings Groups (YSGs) can contribute to youth economic empowerment. Banking on Change, a tri-partite partnership between Plan International UK, CARE International, and Barclays, is aiming to do just this.

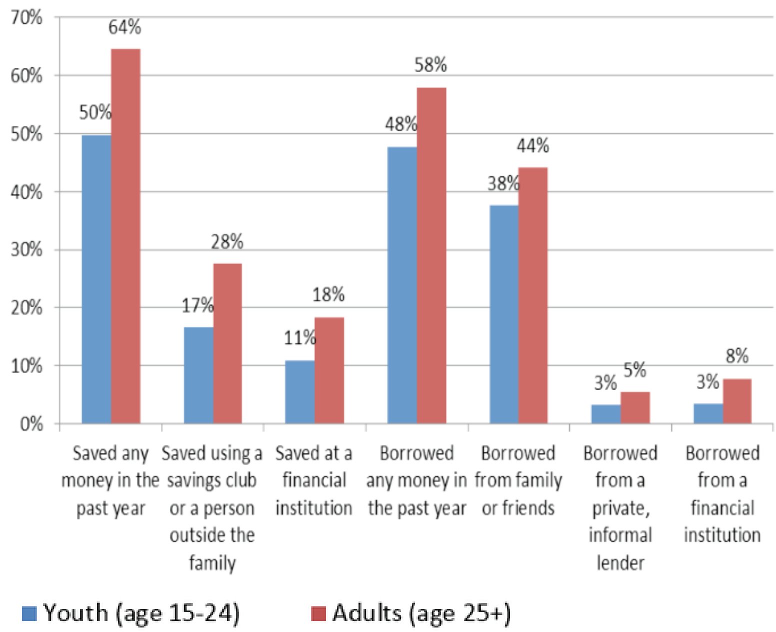

Figure 1: Youth in sub-Saharan Africa are more excluded from informal financial services (percentage of young people and adults in sub-Saharan Africa who save and borrow, comparing the vehicles they use. (Source: Global Findex 2014)

1.3. The Banking on Change proposed Youth Savings Group Model

As part of the Banking on Change programme, Plan International UK, CARE International and Barclays are working to develop a youth savings group model to drive increased financial inclusion, financial education and skills building for young people. The model will outline good programming principles for youth savings groups and, moving beyond simple financial inclusion, provide insight into their relation to youth economic empowerment . We believe that the scale of this challenge requires a concerted global effort, and that youth savings groups have a role to play in this. The aim of the model is to encourage others – international NGOs, local NGOs, funders and policy-makers – to integrate youth savings groups in their work.

The youth savings groups model has been developed over a three year period through the programme experience of Banking on Change Egypt, Ghana, India, Kenya, Tanzania, Uganda and Zambia, as well as through consultation with peer NGOs and with young people, and through independent primary research commissioned by Banking on Change. This research is being conducted by the Institute of Development Studies (IDS) during 2015 and aims to explore how young people in four Banking on Change countries engage with youth savings groups and what effect the different features of youth savings groups (access to informal savings and loans products, financial education and business skills training, support networks and social capital) have on the financial behaviour of young people.

As well as extensive data collected throughout Banking on Change and by IDS, the model incorporates evidence from practitioners and other specialists interviewed from Plan International, CARE International, Freedom from Hunger, the MasterCard Foundation, World Vision, the Mothers' Union, Opportunity International, and Catholic Relief Services (CRS); from webinars with young people, in partnership with Child and Youth Finance International (CYFI); and from roundtables with partner staff and young people as part of Banking on Change.

The result is the findings set out in this interim paper, which we will be presenting for interrogation by peers at the Global Youth Economic Opportunities Conference (October 2015) and the SEEP Savings Groups Conference (November 2015). Following these conferences and further consultations, we will finalise and launch the youth savings group model in early 2016.

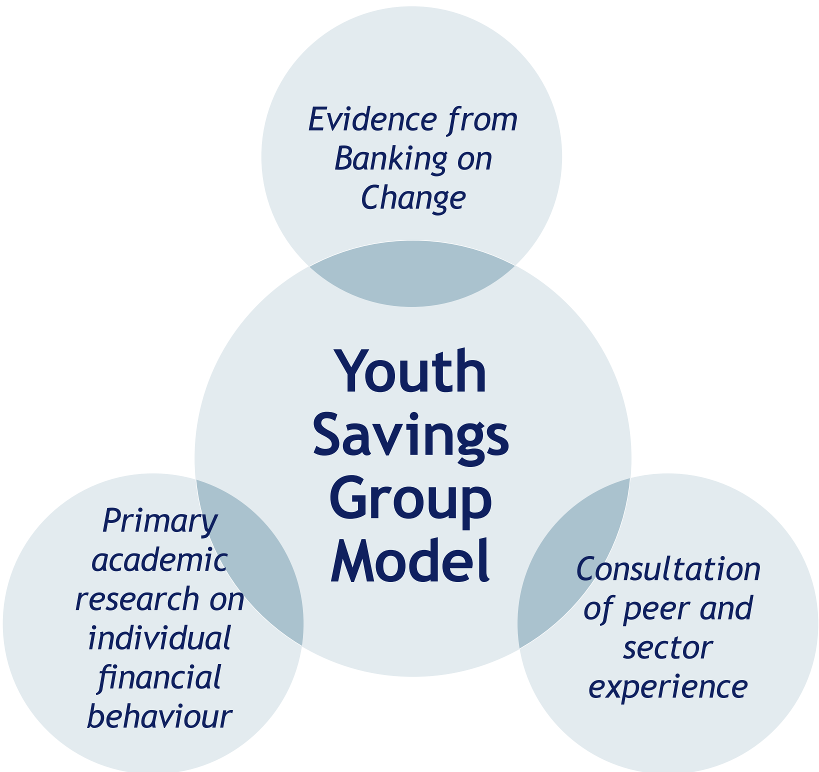

Figure 2: How the Banking on Change proposed youth savings group model is being developed.

2. Youth Savings Group Model key findings and proposed principles

2.1 Proposed principles

The principles fall into three sections: targeting and forming youth savings groups; supporting youth savings groups for social and economic empowerment; and scaling and sustaining youth savings groups.

Summary of Banking on Change Youth Savings Group Model principles and programming implications.

TARGETING & FORMING YSGS

Principle 1. *"Young people have their own spaces; reach them where they are."*
Programming implication: Plan to invest more time and resources in youth-friendly, peer-based and gender sensitive outreach. To identify and attract youth beneficiaries to a YSG programme, involve young people themselves in the targeting; Youth Village Agents should be recruited from existing successful YSGs where possible. Do not forget community and parental outreach.

Principle 2. *"Young people in YSGs may have very different needs, reflecting their different backgrounds and life stages; consideration must be given to the composition of the group"*
Programming implication: The core VSLA principle that groups should be self-selecting should not be compromised with YSGs, but facilitators should consider that group formation, management and quality can in some cases be strengthened by focusing on more homogenous (age, life-stage, goals) membership. Care should be taken not to exclude particularly marginalised young people and to integrate the most vulnerable youth.

Principle 3. *"YSGs can be just as successful as VSLAs – but standard VSLA practices may need to be adapted to meet the needs of young people."*
Programming implication: Carry out a scoping exercise or initial needs analysis followed up by further consultation at regular intervals as young people gain more experience as YSG members and can identify their (evolving) preferences and needs more clearly with time – then adjust the VSLA methodology accordingly.

Principle 4. *"Both saving and borrowing involve risk, especially for young people; protection is essential."*
Programming Implication: Protect YSG members, particularly the most vulnerable, by ensuring risk management – including child protection - is considered at every stage of the programme.

SUPPORTING YSGS FOR SOCIAL & ECONOMIC EMPOWERMENT

Principle 5. *"YSGs can be a strong platform for the provision of tailored training and support to build the skills and capacity of young people."*
Programming implication: Complement group formation with financial education training and enterprise, vocational and life skills training, to support the birth and growth of sustainable livelihoods. Ensure training is youth-friendly, interactive, effectively delivered and supported by refresher training as necessary. Consider including mentoring and coaching for young people too.

Principle 6. *"YSGs can strengthen members' welfare and resilience."*
Programming implication: The retention of a social fund by YSGs (perhaps earmarked by the groups for specific purposes e.g. school fees, health emergencies, funeral expenses) should be strongly encouraged to provide an additional buffer for the group and a safety net for individual members.

Principle 7. *"Linking to a formal financial institution can be a logical and attractive next step. Where there is demand, link responsibly."*
Programming implication: Where there is demand for linkage by young people and YSGs, programmes should engage with formal financial institutions to ensure that products and services are appropriate and that linkage is undertaken with adequate bank literacy training and support for YSGs' needs and rights. Linkage should be carried out in accordance with the Linking for Change Savings Charter Principles.[11]

SCALE & SUSTAIN SUSTAINING YSGs

Principle 8. *"YSGs should foster youth governance, leadership and representation at group level and beyond".*
Programming implication: Ensure young people take on a participatory, lead role in designing, YSG programmes, as well as subsequently implementing and managing them. Where possible, connect mature savings groups to wider youth-governed networks and bodies at district, regional and national levels, to represent yong people's voice and interests in society. Youth's growing citizenship and advocacy power can open the door to influencing public stakeholders in favour of YSGs' replication and scaling up support broad youth economic empowerment.

Principle 9. *"Continuous learning is critical to enhance the quality and sustainability of YSGs and YSG programmes"*
Programming implication: Embed rigorous monitoring and evaluation tools into all elements of the programme, and ensure that the data collected can be disaggregated by age, gender and disability at a minimum. To enhance ownership and sustainability, include young people in the development and delivery of monitoring and evaluation systems and build in regular reviews to take account of beneficiary feedback and adapt programming accordingly.

2.2 Targeting and forming youth savings groups

Principle 1. "Young people have their own spaces; reach them where they are."

As shown in the introduction, young people are less likely than adults to join a traditional savings group – but there is demand from youth for YSGs.

Given the demand and popularity of YSGs, why don't young people join traditional VSLAs? Experience from Banking on Change suggests one reason is that the outreach methods used by traditional VSLAs do not reach young people. Within Banking on Change, youth group formation was slower in the first six months of the programme; 44,293 new members were recruited during the six-month period from July to December 2013 compared to 89,937 new members recruited during the period from January to June 2014 and 70,671 new members during the period from July to December 2014.

Local field officers realised that their traditional outreach methods (for example, through community meetings) were not working. The mobilisation of young people needed a different approach and so field officers began doing outreach through existing youth groups, through sports centres, churches and mosques, through youth social spaces, through house-to-house mobilisation and through using youth-oriented media. They worked around school hours and arranged meetings at evenings and weekends.

Banking on Change field staff found that as well as reaching youth in their own spaces and times, youth responded well when outreach and sensitisation was carried out by their peers. Banking on Change thus used Youth Village Agents (YVAs) in the field and organised peer exchange visits so that youth who were sceptical about joining a YSG could visit an already-established, successful group. One peer NGO told us that their Youth Village Agents, who were all volunteers, outperformed their paid field staff. Banking on Change Ghana introduced a Youth Community Volunteer (YCV, or Youth Village Agent) policy to ensure their effective role in the programme.

It was noted that additional sensitisation can be required with parents and community leaders to allow young women to join and remain in groups. Using female role models and mentors such as female village agents and trainers also tends to improve their participation. Adjusting meeting times to fit around household responsibilities and providing some form of child care for young mothers can also support both attendance and retention of women in groups.

A key factor of youth-friendly and gender-friendly outreach is engaging with parents and caregivers:

"We do trainings with parents and teachers first. We had to do a lot of sensitisation with parents"
"At first we were concerned parents would not allow the girls to come to meetings. But when we did awareness creation to mothers, it was very popular."
"Getting buy-in from household members and elders first was important."
[Peer consultation]

Engaging parents is particularly important for YSGs whose members are all still in full-time school as often these members have no source of income and rely on their parents

PROGRAMMING IMPLICATION: Plan to invest more time and resources in youth-friendly, peer-based and gender sensitive outreach. To identify and attract youth beneficiaries to a YSG programme, involve young people themselves in the targeting; YVAs should be recruited from existing successful YSGs where possible. Do not forget community and parental outreach.

Principle 2. “Young people in YSGs may have very different needs, reflecting their different backgrounds and life stages; consideration must be given to the composition of the group.”

A crucial principle within the traditional VSLA methodology is that groups should be self-selecting to make sure there is sufficient social capital and trust among members for groups to function properly. This is equally important for YSGs, but given the rapid changes that young people in different contexts go through, both Banking on Change and peer NGOs found it can be worthwhile to customise this approach slightly and segment or cluster groups by shared characteristics such as gender or life stage.

“We began our YSG programme with groups open to members aged 5-20 but we soon realised it would be better to segment groups by age brackets; 5-11 years old, 12-18 years old and over18 years old. Those aged 5-11 were savings-only groups; those aged 12-18 wanted occasional access to credit but most were still in school, whilst those over 18 wanted more training on income-generating activities (IGAs) and more access to credit.”
[Peer consultation]

Banking on Change found that there were significant differences between groups with a majority of younger members, who were more likely to be in school, and those with a majority of members who had left school. In-school youth were often encouraged to join a YSG by their families, schools or the YVAs so that they could increase their financial skills and in several cases to facilitate saving money for their education. They could often only save small weekly amounts and often relied on their families and wider households for savings. Out-of-school youth, in contrast, already had some sources of income and wanted to save and borrow more. Where groups were too mixed and there were large disparities in savings potential, it could create tensions or even lead to those members who did not feel able to save as much to skip meetings. It can therefore be more effective to focus in-school youth on building savings and positive financial behaviours (in part to support their education), whereas with out-of-school youth there may need to be more emphasis on borrowing, investment and building business skills.

“A 26-year old woman used to be in another [adult] savings group but said she prefers her current group because she feels she has more in common with the other members; they share similar challenges and goals.”
[IDS research: qualitative interviews]

A more homogenous approach to group formation also helped the Banking on Change programme to address issues of time constraints for example, with in-school youth typically needing to meet after school hours or at weekends, as opposed to out-of-school youth who often needed to arrange meetings around their business activities. One NGO deliberately formed its YSGs in schools so that all members were part of the same class, enabling them to meet regularly in a structured environment with the teacher’s support and supervision. Another NGO working with particularly vulnerable and at-risk youth (young girls who had become pregnant and were often forced to leave school and ostracised in the community) found that the solidarity of girls working with others in a similar position was helpful.

However, encouraging homogeneity in a YSG could mean that the most marginalised young people remain excluded; if a majority of group members are from a particular socio-economic, ethnic or other background, they may be less willing to accept members into the group from a different background. Further, three NGOs in our consultation expressed a concern that targeting young women exclusively risked ostracising young men, and two had adapted their programmes based on this to allow young men to join the YSGs. Moreover, some YSGs in Banking on Change preferred to have a small number of older members in the group to act as mentors and role models, to encourage younger members to save regularly, and to share their experiences in income-generating activities.

PROGRAMMING IMPLICATION: The core VSLA principle that groups should be self-selecting should not be compromised with YSGs, but facilitators should consider that group formation, management and quality can in some cases be strengthened by focusing on more homogenous (age, life-stage, goals) membership. Care should be taken not to exclude particularly marginalised young people and to integrate the most vulnerable youth.

Principle 3. "YSGs can be just as successful as VSLAs – but standard VSLA practices may need adapting to meet the needs of young people."

A key finding from Banking on Change, as well as from projects included in the Youth Savings Group Model consultation, is that young people are highly capable of saving regularly and borrowing responsibly. Average savings per member and loan size per member has been gradually increasing over the course of Banking on Change, just as it does with adult groups. This will not surprise many who have worked with YSGs but there is still a perception in some quarters that youth can't or won't save, that they are too 'flighty,' impatient or prone to migration to make YSGs viable.

Overall, Banking on Change has found that variations in attendance or retention are greater between countries than between age groups. So where adult attendance and retention is high, youth attendance and retention is also typically high. Even in countries where retention is somewhat lower overall, it is well above 90% for youth groups.
We also found that youth (in aggregate) were able to save as consistently as adult members. IDS research and evidence from webinars with young people showed that some groups become stronger in their second cycle once young people have more trust in YSGs and have experienced a share-out. A slow beginning, therefore, should not be seen as a sign of failure.

Table showing that performance in YSGs is comparable with adult groups.

Project	Banking on Change Phase 1 adult VSLAs (median results from 7 projects)	Banking on Change Phase 2 adult VSLA (median results from 19 projects)	Banking on Change Phase 2 youth savings groups (median results from 23 projects)
Attendance rate (%)	91.6	86.5	90.9
Member retention rate per cycle (%)	99.6	98.9	99.2
Average savings per member ($)	48.8	43.5	27.3
Women members (%)	74.8	77.8	69.7
Loan fund utilization rate (%)	66.0	62.3	73.3

Source: Data from www.savingsgroups.com. (Banking on Change Phase 1 ran from 2009 – 2012; the programme formed traditional VSLAs with no age targeting. In Banking on Change Phase 2, the programme is working with both traditional VSLAs 'carried over' from Phase 1, and new Youth Savings Groups which have been deliberately formed).

"I am currently attending university but I have appointed one of my siblings to attend the YSG on my behalf."
[Banking on Change YSG member]

"Young women are more likely to migrate to their husband's village when they marry and this can cause them to leave their YSG. But we have some evidence of new YSGs forming spontaneously in the villages these women have married into."
[Peer consultation]

Despite this evidence that the core VSLA methodology works for young people, Banking on Change found that some adaptations were usually required, beyond those to outreach methods (see Principle 1). YSGs were creative in their own adaptations; for example, while migration was higher in YSGs (young people being more likely to move due to work opportunities, education or marriage), migration was not always the stumbling block to sustainability that had been anticipated because young people found their own solutions. Some YSGs wanted shorter cycles (e.g. six months rather than 12 months) so that the share-out came sooner; some (e.g. in-school groups) chose to focus on savings only; many met after school hours and chose to have blocks of training in the school holidays when they had more time, rather than at weekly meetings.

PROGRAMMING IMPLICATION: Carry out a scoping exercise or initial needs analysis followed up by further consultation at regular intervals as young people gain more experience as YSG members and can identify their (evolving) preferences and needs more clearly with time - then adjust the VSLA methodology accordingly.

Principle 4. "Both saving and borrowing involve risk, especially for young people; protection is essential."

In any savings group programme, there are risks deriving from the presence of money, the opportunity for credit, and the potential for poor governance or 'capture' of the group by some members. These risks are exacerbated when the members are young.

To manage these risks and ensure that young people are protected, most NGOs with YSG programmes whose members are minors have ensured there is always an adult present at YSG meetings. The risk of 'capture' is one reason why one NGO segmented its YSGs into different age brackets; they found that as young children could not express themselves with the same fluency or confidence as older children, they risked not being able to take part in group discussions and decisions.

In the early stages of Banking on Change, some YSG members also took loans before receiving the full complement of financial education and business skills training, and were unable to repay the loan. To tackle this, one country re-structured its financial education training manual in order to make sure modules on borrowing (for example) were taught at the right stage of the group cycle.

Banking on Change also had some reports of YSG members taking loans on behalf of family members.

"There are a number of cases where members are using the funds of other individuals (spouse, parent, sibling) to save and repay loans. Members are also passing their share-outs and/or loans on to others. In effect, YSGs can be a family affair."
[IDS research: preliminary findings from qualitative interviews]

In itself, this need not be a risk; IDS research so far suggests that the family member contributing to the savings each week and/or taking a loan from the YSG is doing so to benefit the whole household (eg purchase of household assets) or the YSG member him/herself (e.g. to cover school fees). However, programmes will need to ensure that YSG members do not come under undue peer or familial pressure to take loans, particularly for any purposes which do not benefit the member or household, or where there is a risk of non-repayment.

Finally, girls need particular protection too. In Banking on Change, particularly in countries where single sex groups were more appropriate, meeting places were chosen with a view to the safety of the girls. In another dynamic, one NGO told us:

"Girls may be at risk of sexual exploitation because sex is their only way to get money. We did fear that girls might engage in sex to get money to participate in saving in YSGs, so we monitored for this, but did not find it. This does not of course mean it did not happen, although other studies have found that girls are less likely to engage in risky behaviour once they belong to a savings group."
[Peer consultation]

PROGRAMMING IMPLICATION: Protect YSG members, particularly the most vulnerable, by ensuring risk management - including child protection - is considered at every stage of the programme.

2.3 Supporting youth saving groups for social and economic empowerment

Principle 5. "YSGs are a strong platform for the provision of tailored training and support to build the skills and capacity of young people."

Building on experience from Banking on Change Phase 1 (2009 – 2012) and on initial scoping exercises, Banking on Change Phase 2 delivered a comprehensive suite of financial education, enterprise skills and employability skills training to young people. This training was book-ended by pre/post assessments, measuring members' level of knowledge before and after the training, as well as focus group discussions to measure application of the knowledge and changes in behaviour. Training was tailored for young people; financial education was delivered through financial learning games and pictorial manuals and the enterprise skills were delivered through a dedicated manual developed in partnership with Making Cents International, featuring games, pictures, interactive learning and coaching. These methods were popular even in YSGs with higher literacy levels.

The results of the monitoring and evaluation of trainings to date show both an uplift in knowledge and in the application of it. Young people improved their financial literacy scores by 15% after receiving training. In focus group discussions, they said:

"I have been in many savings associations before, but the Youth Saving Group has more additional training which enables me to know how to manage my expenses and also keep separate records of all my businesses. This helped me know which of my businesses is making more profits or loss. I used not to keep records and put all my monies into one bag without separating them."

"Since my participation in further financial education training I have been able to help my mother, who has a provision shop, to keep records and monitor sales, to know which products are making losses. I have also advised my mother to be more cautious about selling on credit."

Banking on Change Focus Group Discussions]

IDS qualitative interviews, alongside youth webinars held by Banking on Change, also found that having a savings goal (as advocated by the financial education) was a great motivator for young people. Some Banking on Change countries have found that it is better to deliver financial education training before saving and loaning takes place at each weekly meeting rather than at the end of the meeting, to ensure better attendance. Others have delivered it in two to three day 'chunks' (in the school holidays, for example) but have found that refresher training may be needed in this case. There is also some evidence that integrating the different modules of financial education training at the appropriate time in the group cycle is more effective; for example, offering training on credit once the group is ready to begin taking loans.

The 'Enterprise Your Life' (EYL) youth enterprise skills training showed the greatest improvement to date with members increasing their scores by 47% on average; the average score was 7 out of 12 before the training and 10.3 out of 12 after the training. We believe that this EYL training showed the most impressive results of all Banking on Change training because the base levels of enterprise skills were lowest and because the curriculum was developed deliberately for youth, incorporating youth-friendly activities and a coaching approach which seemed to be particularly effective and engaging.

It is worth noting that some adult groups began requesting the EYL training for themselves because they found it so engaging.

Starting business training for young members had the added effect of increasing attendance at meetings in some YSGs, and, alongside increase in knowledge, some youth reported improved self-esteem and more confident attitudes towards launching or expanding their own IGAs to generate more profits. In Kenya, youth groups requested training in proposal writing and business plan development courses in order to apply for government loans. To date, YSG members in Banking on Change have set up 38,000 IGAs during the course of the programme.

"Before, I had no plan for my business. I did not think about the risk and opportunities ahead. Now after receiving the training I have good business plan and budgeting."
[Banking on Change case study, after receiving EYL training]

Vocational skills training was also in demand, as was refresher training. In addition, there was demand for mentoring, which may be one reason for including more experienced, older members in YSGs (see Principle 2). The opportunities offered through savings groups to access finance, essential business management training and coaching can be a powerful recipe for the removal of the main barriers to establishing entrepreneurial livelihoods[12].

"A 33-year-old woman felt that project staff should provide more support by visiting members in their businesses."
[IDS research: qualitative interviews]

Finally, Banking on Change experienced demand for life skills and soft skills training. For example, in Egypt, India and Zambia, Banking on Change has seen youth groups used as a platform for young people to discuss and share information on sexual and reproductive health and rights, HIV/AIDS, gender-based violence including domestic mistreatment and child marriage, alcohol and drug abuse, etc. Some young women in the programme said that the YSG brought them together and created a safe space where they could to discuss these issues: something which they did not have anywhere else.

However, Banking on Change, and other programmes we consulted, have found that because YSGs can be such a good platform for the delivery of additional trainings, there can also be a risk of over-burdening Youth Village Agents (YVAs) with heavy workloads. Banking on Change introduced regular refresher-trainings for YVAs and in some countries teamed them up with 'Super VAs', who would offer mentoring, support and supervision to the YVAs.

PROGRAMMING IMPLICATION: Complement group formation with financial education training, enterprise, vocational and life skills training, to support the birth and growth of sustainable livelihoods. Ensure trainings are youth-friendly, interactive, effectively delivered and supported by refresher trainings as necessary. Consider including mentoring and coaching for young people too.

Principle 6. “YSGs can strengthen members’ welfare and resilience.”

Group membership and savings build funds, networks and skills for increased resilience, welfare and social investment.

Young people have many reasons for joining YSGs, although not surprisingly, chief amongst them is the desire to save and to borrow, whether for education, enterprise, land purchase, home improvements, to support family needs or for emergencies. Interviews with peer NGOs as well as Banking on Change case studies and focus group discussions show that YSG members use funds saved and borrowed to invest in their education, as well as in healthcare and meeting daily household needs.

“Young members and parents of members said they were better able to care for their children’s needs (not just schooling) since their child joined the group, as they were able to use the loans/share-outs to invest in their businesses and to cater for the children and household’s expenses.”

“Members said their ability to save came from the training they received which helped them to develop and reach savings goals, but also simply from joining the group and observing others.”
[IDS research: qualitative interviews]

Beyond this, there is some evidence that the traditional VSLA social fund is valued by YSGs too:

“A 21-year old woman received [c.$23] from the social fund when her daughter fell sick.”
[IDS research: qualitative interviews]

Banking on Change also has some evidence of YSGs using the traditional VSLA social fund to further the social impacts of the programme. Some YSGs, for example, renamed their social fund as an ‘education fund’ so that it could be used to support school fees, whilst IMAs (Intermediary Associations or ‘clusters’ of savings groups) in Tanzania have invested their social fund in support of maternal health programmes, care of orphans and vulnerable children, and promoting access to National Social Security Funds (healthcare and pension provision).

PROGRAMMING IMPLICATION: The retention of a social fund (perhaps earmarked by the groups for specific purposes e.g. school fees, health emergencies, funeral expenses) by YSGs should be strongly encouraged to provide an additional buffer for the group and a safety net for individual members.

Principle 7. "Linking to a formal financial institution can be a logical and attractive next step. Where there is demand, link responsibly."

The Banking on Change programme, and other peer NGOs consulted, have sometimes seen an interest in linkage to formal financial services emerge among some youth groups, particularly in urban areas and towards the end of the cycle when group funds have accumulated and members may begin to be concerned about the safety of funds.

"Initially the girls had savings boxes with padlocks like a VSLA. But there was one case of fraud and it was not always easy to keep the box safely in the school."
[Peer consultation]

"We have been finding we do need to do linkage [to formal financial institutions]. There can be a risk to security if the money is lying idle in the savings box. We want to encourage the government to allow group accounts, for the security of their funds."
[Peer consultation]

Not all YSG programmes choose to promote linkage, but where linkage is requested by groups and occurs spontaneously, precautions should be taken to make sure it happens responsibly and in the best interest of youth members. Banking on Change has developed a series of Linkage Tools including a Linkage Readiness Assessment tool; a due diligence questionnaire; a template MoU and guidelines for programmes to use when engaging with new formal financial institutions; training materials for programmes to help educate bank staff on the needs and nature of savings groups; a product comparison table to help savings groups determine which products are right for them; and a monitoring tool to enable Field Officers to evaluate the success of linkages in the programme.

Bank literacy training for YSG members has been particularly important in supporting members make good choices and avoid linking with predatory institutions.

"There is value in equipping youth with bank literacy skills – how to ask the right questions of the bank and how to protect their PIN etc. If youth are migratory, we should equip them as individuals not just as groups. It's a very teachable moment for youth as they begin to need to interact with banks more."
[Peer consultation]

Banking on Change has also observed some wider benefits of bank literacy training for young women, who said before the training they had felt intimidated by banks but now they had confidence not only to enter banks but to transact with them.

The good practices around linkage which have emerged from Banking on Change have been synthesised in the Linking for Change Savings Charter, which comprises six international principles that enable organisations to effectively and responsibly link informal groups of savers to formal banking products and services.

PROGRAMMING IMPLICATION: Where there is demand for linkage by young people and YSGs, programmes should engage with formal financial institutions to ensure that products and services are appropriate and linkage is undertaken with adequate bank literacy training and support for YSGs' needs and rights. Linkage should be carried out in accordance with the Linking for Change Savings Charter Principles.

2.4 Scaling & Sustaining Youth Savings Groups

Principle 8. "YSGs should foster youth governance, leadership and representation at group level and beyond."

Banking on Change has strong evidence of the impact of YSG membership on young people's confidence and ambitions:

"I am saving and will surely achieve my goal of completing University in the next 5 years."

"My aspiration now is to open an internet café to serve…particularly the youth in this community and its environs since we do not have one in this community. I know that I will be able to achieve this aim because being a member of this group will enable me to access loan and also be able to save towards this goal."
[Banking on Change Case Studies]

"A number of members said they felt community members gave them more respect since joining the group, due to their accomplishments (e.g. acquisition of assets such as livestock)."
[IDS Research: Qualitative Interviews]

The positive impacts young people gain from participating in and 'owning' YSGs reflect a core part of the Savings Group methodology which can be particularly beneficial for young people who have had fewer opportunities to gain leadership skills, confidence and participatory practice.

Banking on Change has also found that YSGs can be an effective vehicle for the wider promotion of youth-led governance and advocacy. For example, Banking on Change Ghana has a Youth Governance Framework which provides for district, regional and national youth networks where representatives from youth groups participate in programme review and planning meetings, facilitate exchange visits between savings groups and advocate for the value of YSGs. In Zambia, young people formed committees in which they share feedback on the BoC programme and also advocate on wider issues such as accessing youth opportunities from government and other providers. Tanzania has successfully advocated for the government to recognise savings groups within its National Microfinance Policy and Ghana has advocated with District Assemblies such that some have included YSGs in their own Development Plans.

PROGRAMMING IMPLICATION: Ensure young people take on a participatory, lead role in designing, as well as subsequently implementing and managing YSG programmes. Where possible, connect mature savings groups to wider youth-governed networks and bodies at district, regional and national levels representing youth's voice and interests in society. Youth's growing citizenship and advocacy power can open the door to influencing public stakeholders in favour of YSGs' replication and scaling up to support broad youth economic empowerment.

Principle 9. "Continuous learning is critical to enhance the quality and sustainability of YSGs and YSG programmes."

Banking on Change has implemented a rigorous M&E framework combining quantitative and qualitative baselines and endlines, quarterly MIS reports, 6-monthly narrative reports, pre/post assessments and FGDs for every training, Linkage Monitoring Tools, longitudinal case studies, an IGA tracker and independent research by the Institute of Development Studies. Each Country Office has explored its own learning theme through the course of Banking on Change, and Banking on Change has held learning calls and events bringing together all country programme teams to share learning and experiences. Each Country Office has also held annual participatory programme reviews for all stakeholders (including beneficiaries) within a programme, seeking to adapt programming according to the results. Even so, it has not always been possible to pilot all training manuals before their wider roll-out. When working at scale, it will be particularly important for programmes to build in time for youth scoping and piloting at the beginning of the programme, with regular periods for participatory monitoring and evaluation, reflection and adaptation. Programmes should also ensure that young people are effectively involved throughout the monitoring and evaluation processes. As the introduction to Plan Canada's Youth microfinance project Most Significant change stories: Voices of Youth says:

"As the project aims to empower youth, it is important they see themselves as part of the M&E process, to identify with and take ownership of the results that are being documented."

[Youth Microfinance Project: Most significant change stories: Voices of Youth][13]

PROGRAMMING IMPLICATION: Embed rigorous monitoring and evaluation tools into all elements of the programme, and ensure that the data collected can be disaggregated by age, gender and disability at a minimum. To enhance ownership and sustainability, include young people in the development and delivery of monitoring and evaluation systems and build in regular reviews to take account of beneficiary feedback and adapt programming accordingly.

3. Conclusion

The Banking on Change partnership shows that young people can save as regularly and consistently as adults and can be just as credit-worthy as adults. Moreover, the partnership shows that Youth Savings Groups can be an effective platform for delivering financial education, enterprise skills and employability skills, and lead to effective youth participation and governance.

Banking on Change thus believes that Youth savings groups can play an effective role in meeting Sustainable Development Goal 8 and helping to achieve the economic and social empowerment of young people. Specifically, Youth Savings Groups should be seen as a vehicle to give young people access to the financial services and skills which will be required to achieve targets 8.3 (Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services"); 8.6 ("By 2020, substantially reduce the proportion of youth not in employment, education or training"); and 8.10 ("Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all").

Banking on Change also believes that the scale of the barriers to achieving youth social and economic empowerment – the exclusion of young people from formal and informal financial services, the increasing youth unemployment challenge and young people's greater need for additional trainings and support networks – calls for a hugely increased global response. The aim of the Youth Savings Groups Model is therefore to encourage and support other bodies – international NGOs, local NGOs, funders and policy-makers – to integrate youth savings groups into their work.

The Banking on Change partnership is keen to receive comments and further evidence to prove or disprove the principles set out in this paper.

Please email Kerry Smith at bankingonchange@plan-uk.org by 31st December 2015 to share your feedback.

For more information on Banking on Change, please visit www.barclays.com/bankingonchange.

Notes

[1] http://www.uncdf.org/en/means-end-post-2015-future-financial-inclusion; http://www.cgap.org/about/faq/what-financial-inclusion-and-why-it-important; http://www.cgap.org/topics/financial-inclusion

[2] United Nations, Department of Economic and Social Affairs, Population Division (2015) World Population Prospects: The 2015 Revision, custom data acquired via website. http://esa.un.org/unpd/wpp/

[3] The latest data from the World Bank shows that 33% of adults (aged 25+) in Sub-Saharan Africa have a bank account at a formal financial institution compared with 20% of young people (aged 15 – 24) – although of course in some countries, it is not legal for young people under the age of 18 to have an account.

[4] Members of savings groups formed in Uganda during Banking on Change Phase 1, for example, saw their household income rise from $60 to $95 per month over three years, while 63% of female members felt their husbands now respected them compared with 48% at the baseline: http://insights.careinternational.org.uk/media/k2/attachments/Connecting_the_Worlds_Poorest_People_to_the_Global_Economy.pdf

[5] ILO(2015) World Employment and Social Outlook: Trends 2015 (Summary), p3 http://www.ilo.org/wcmsp5/groups/public/—dgreports/—dcomm/—publ/documents/publication/wcms_337070.pdf

[6] Solutions for Youth Employment Strategic Plan 2015-2020: https://www.s4ye.org/sites/default/files/S4YE_StrategicPlan_FINAL.pdf

[7] Plan International, Markel & Panetta (2014), Youth Savings Groups, Entrepreneurship & Employment. http://www.plan-uk.org/resources/documents/how-youth-savings-groups-can-foster-entrepreneurship-and-employment.pdf/. Reviewing the constraints affecting youth employability and entrepreneurship, Markel and Panetta identify the following: limited asset base; limited access to finance; household underinvestment in essential services: education and health; unfavourable cultural and social norms; limited social networks; lack of employability and entrepreneurship skills; and non-conducive regulatory frameworks.

[8] Allen, H. (2015) INGO Global Outreach, VSL Associates http://www.vsla.net/ : This figure covers only savings groups run by INGOs which use the VSLA.net MIS; there will be many millions more members in groups which have self-replicated and groups set up by national and local NGOs which do not use the MIS.

[9] Markel and Panetta, op. cit.

[10] https://www.nabard.org/Publication/VoluntarySavingsinSHGsH.pdf http://www.ruralfinance.org/fileadmin/templates/rflc/documents/1170692105268_VSLA___experience_from_Zanzibar.pdf http://www.seepnetwork.org/filebin/pdf/savings_led_working_group/library/VSLA_Impact_Final_Report_September_2012.pdf

[11] Banking on Change has created Linking for Change Savings Charter which sets out international principles for effectively and responsibly linking informal groups of savers to formal banking products and services. http://www.plan-uk.org/assets/Documents/pdf/Linking-for-Change-Savings-Charter.

[12] Schoof (2006), Stimulating Youth Entrepreneurship: Barriers and Incentives to Enterprise Start-ups by Young People, Geneva: ILO, p.55

[13] Plan Canada and MasterCard Foundation 2014 Youth MicrofinancePproject. Most Significant Change Stories: Voices of Youth. http://plancanada.ca/downloads/mcf/VoicesofYouth_PlanCanada2014.pdf