Youths & Savings

Case for Youth Savings in Kenya and beyond

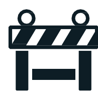
Globally, numbers of youth are soaring high. In Africa and Kenya, the numbers are even higher. Recent statistics from the 2019 population census indicate that 75% of 47.6 million population of Kenyans is under 35 years. Development practitioners argue that the youth population bulge presents both opportunities and challenges. Focusing on the opportunities that a youthful population can bring to a country such as Kenya is the accumulation and building of assets in the form of 'savings' that can enhance economic development.

Savings services can influence youth development. A growing body of research has proven that building assets, specifically savings, can have a range of positive social and economic impacts on individuals and households, especially those with low incomes. Recent evidence from developing countries has begun to show links between youth-owned savings accounts and positive changes in income, assets, attitudes, and behaviors, especially among low-income and socially disadvantaged youth. For example, participation in savings groups has shown increases in livestock assets and financial assets for youth and their households. A study done on youth and savings in assets showed positive and statistically significant changes in financial assets, total wealth, and net worth for youth in the treatment group (age 15–35). The paper also indicated that the training and support offered to youths contribute to asset building success. Thus youth participation in savings is an important dimension to advocate for in unlocking individuals, households, and the country's potential economic development.

Despite high levels of financial inclusion in Kenya, savings and uptake of savings products are generally low. Data from the World Bank shows Gross Domestic Savings (GDS) has been dwindling over the last three years. Such a trend points out to the broader problem of savings in Kenya and in addition to the levels of debt the country is currently experiencing. However, the 2014 Financial Diaries study by Financial Sector Deepening (FSD) Kenya points out that Kenyans, especially the low-income earners (less than 2$ per day), save more than they borrow. The Financial Diaries acknowledges most savings in Kenya, especially among low-income earners, which happens in informal institutions and devices. Among those who save informally is the youth, since they are still financially excluded. The Retirement Benefits Authority indicated in a 2009 report that the demographic group that is mostly affected by poor income savings is the youth, especially those aged between 18 to 24 years, who form over 50 % of the non-savers in Kenya.

Savings Trends Among the Youth in Kenya

- According to United Nations Capital Development Fund (UNCDF) youth saving -accounts penetration in Africa rates are low compared to other geographical regions, ranging from 12% in Africa to 50% in East Asia and the Pacific.
- Also, the youth are 33% less likely to have a savings account than adults and 44% less likely to save in a formal institution.
- As per YouthSave in Kenya, despite the low account uptake rate among female youth, they save as much or more compared to male youth.
- Younger youth save more than the older, as evidenced by a measure of average monthly net savings of younger youth (i.e., youth aged younger than 13 years). This result is because younger youth withdraw less than older youth.
- Youths are attracted to financial institutions that reach out to them. YouthSave indicates direct outreach programs by financial institutions in locations where the youth gather (e.g., schools, youth clubs) facilitates overall account uptake. Statistics show that these direct outreach programs at girls and low-income schools promote low-income (48%) and female youth (43%) opening accounts.
- Youths are most likely to save only once in a month.
- Most income saved by the youth is irregular, low, and emanates from the household (such as allowance money from parents)
- Financial Sector Deepening (FSD) Kenya notes young Kenyans are exposed to financial lessons by their parents as early as age four or five years. By 18, almost a third have mobile money accounts. Also, research conducted in other regions posits that parents significantly influence their children's future financial behaviors.



Barriers to Youth Savings

- Low disposable income among youth.
- Inadequate financial capabilities, including financial education among the youth.
- Regulatory and Institutional barriers such as legal tender age, minimum balances, unfavorable returns, operating, and withdrawal fees.
- Undesirable financial/saving product features for the youth.

Suggested Remedies for Youth Barriers to Savings

- Investing in the youth's marketing and financial education to expose them to formal financial services, become better savers.
- Building retention strategies for youth savers and develop financial products that suit their different life stages.
- Increase the usage of IT in financial/saving products for young people. Youth is likely to embrace technology-savvy saving products than others.

Lack of savings leads to many adverse consequences for the youth. Such as the inability to handle financial shocks, insufficient funds for investments and to create self-employment, etc.

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