



# Financial Education and Access to Savings Accounts: Complements or Substitutes?

Julian Jamison (World Bank)

Dean Karlan (Yale)

Jonathan Zinman (Dartmouth)





# Motivation

- What is the value of “emergency savings” and avoiding high-cost credit products?
- International: microcredit → microsavings
- Can saving become a habit among youth?  
[Cf new 22-year-old UAE Minister of State for Youth Affairs]
- Obstacles to saving  
Access → information → preferences





# Previous literature

- Mixed results on financial literacy & education
  - Indonesia: Cole-Sampson-Zia (2011) find no more likely to open savings acct
  - India: Field et al. (2010) no impact on prob. of saving
  - Several recent review articles (Hastings-Madrian-Skimmyhorn 2013; Karlan-Ratan-Zinman 2013; Fernandes-Lynch-Netemeyer 2014) conclude that evidence is scant, mixed, and on the whole negative
  - But generally more positive for youth: Bruhn et al. (2013) in Brazil and Berry-Karlan-Pradhan (2013) in Ghana





# Previous literature

- Mostly positive results from access
  - **Subsidies:** Dupas-Robinson (2013) and others generally find more accounts and more usage
  - **Branches:** Burgess-Pande (2005) and Ashraf-Karlan-Yin (2006) find both increased saving and increased downstream outcomes such as income
  - Contrast to the mostly negative (neutral) evidence on access to microcredit, e.g. Banerjee (2013)

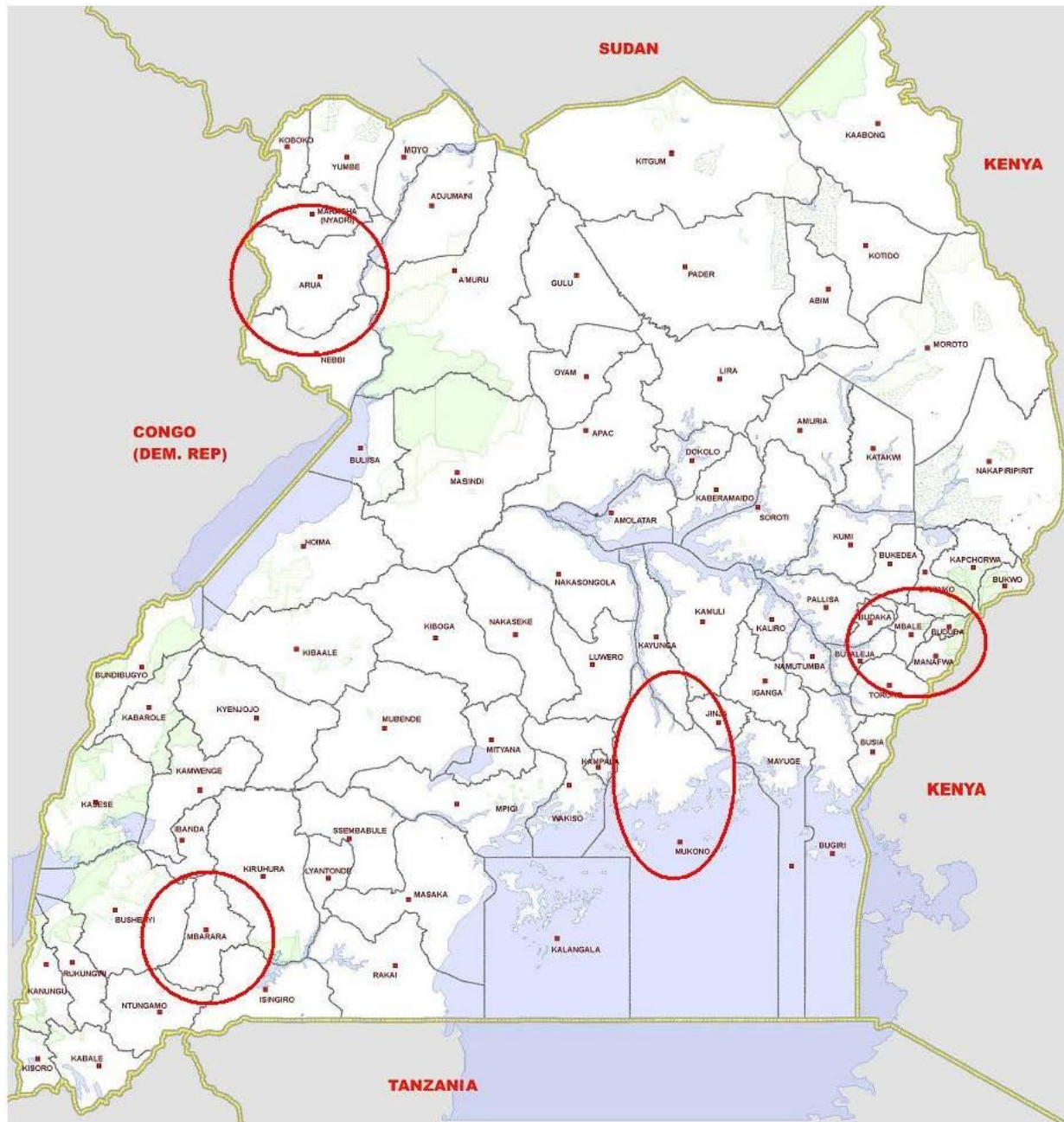
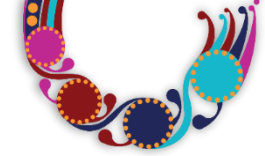




# Background

- Uganda has a very **young** population (52% under age 15); current actions may have a large effect
- Generally **low savings** rate (even compared to e.g. Kenya) – can 'move the needle' and develop habits
- **Small communities**, often no bank branches within 1-2 hours; usually expensive to maintain accounts







# Behavioral **RCT** Design

➤ What is the **impact** of education and access on these youth?



➤ Impact evaluation measures how have their behaviors and outcomes changed compared to **how they would have changed in the absence of the program?**

➤ Note this is different from “How have their lives changed?”





# Intervention

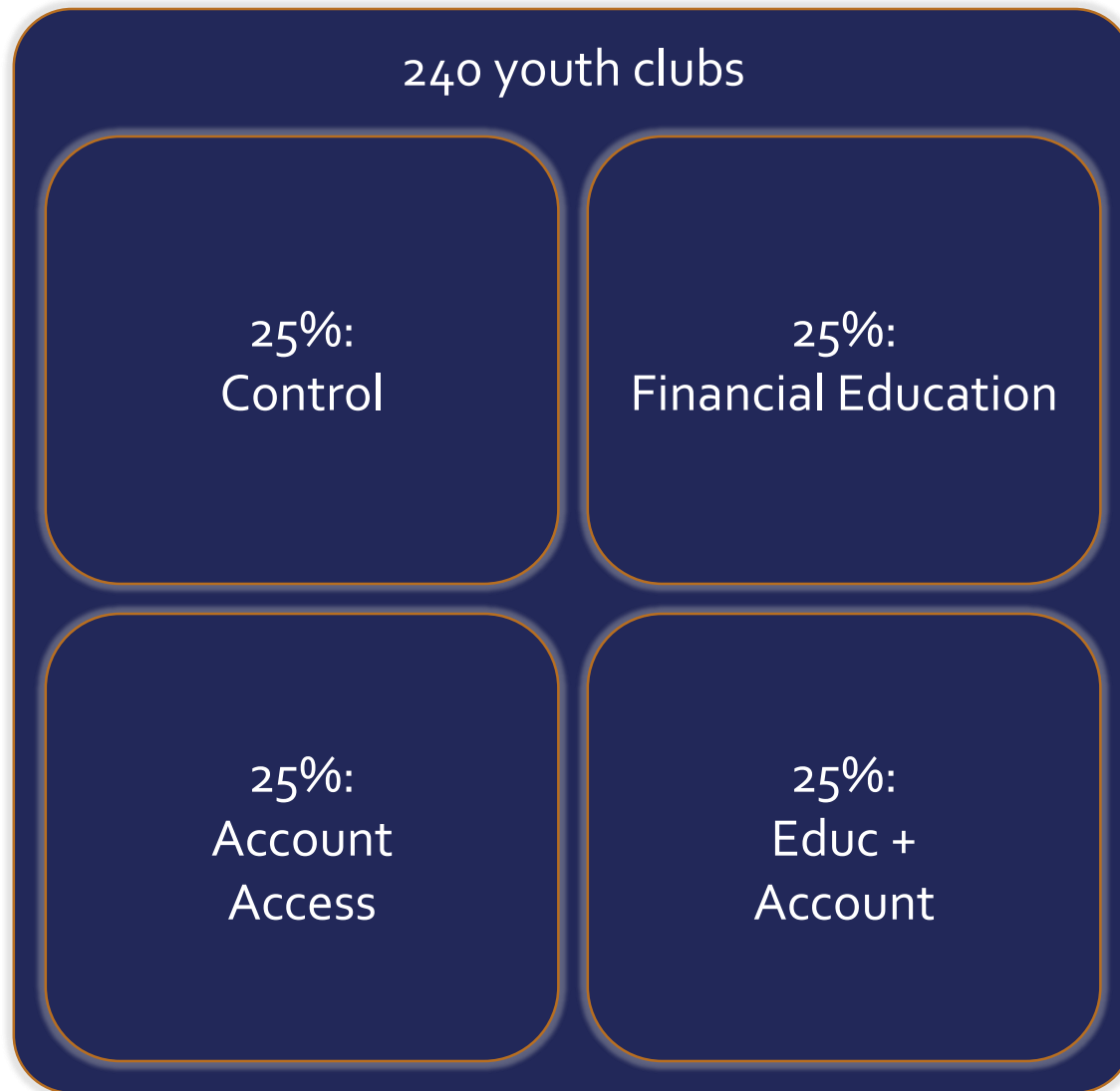
- Randomly assigned 240 Church of Uganda **youth groups** into four arms:
  - Control
  - Education only
  - Account only
  - Education + Account
  
- Each group has 15-40 members, although not all active, with an average age of 24.5







# Intervention



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# Baseline characteristics

	Account only	Educ only	Account + Educ	Control
Proportion female	43%	41%	42%	44%
Has formal account	12%	13%	17%	13%
Proportion in school	37%	39%	38%	39%
Income last 90 days ('000 USH)	147	146	169	141
Club has money	82%	70%	77%	83%
Club has account	7%	5%	8%	7%





# Financial education

- Developed by Innovations for Poverty Action, Freedom from Hunger, and Straight Talk Foundation
- One 90-minute session per week for 10 weeks
- Mean attendance 4.7 sessions (with 75%  $\geq 1$ )
  
- Focused on saving, but also general finance:
  - Myths about banks
  - Saving vs borrowing
  - Goal-oriented saving
  - Budgeting and spending
  - Challenges, including negotiating around money





# Group accounts

- Simplified opening procedure; no fees then or later
- Required to make a deposit within 30 days of opening, and to maintain balance of 50000 USH
- One account per group, with multiple co-signers
- This decreased transaction costs, but required more trust (one reason to use existing church groups)
- Everyone trained to read / use ledger for keeping track of individual balances
- 66% of treatment groups opened an account

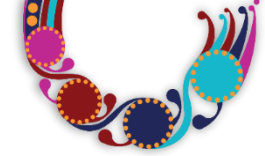




# Data and methods

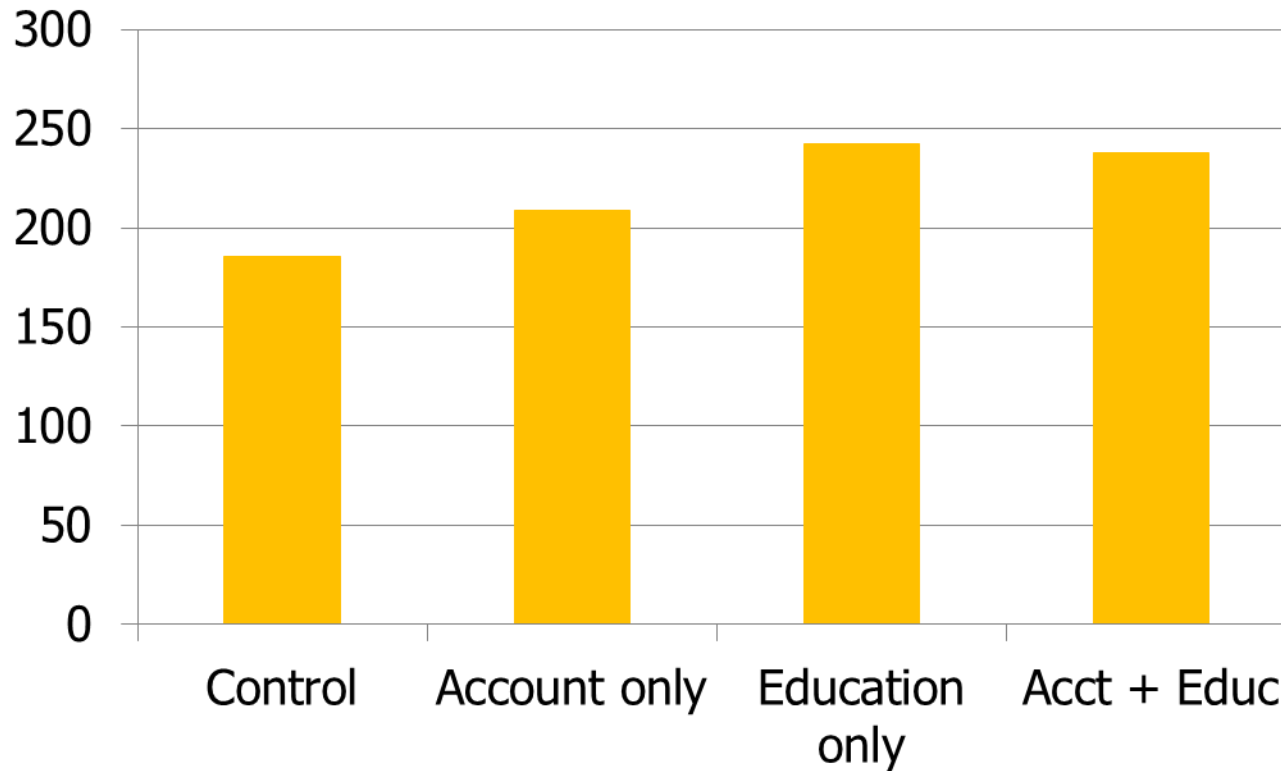
- Baseline ( $n=2810$ ) and endline ( $n=2680$ ) surveys include
  - Basic demographics; some risk, time, & social preferences
  - Work, income, and consumption measures
  - Financial knowledge
  - Borrowing, lending, and saving behavior
- Admin savings data from the two Account arms
- Estimate effects of each treatment (using dummy for assignment) on various outcomes
  - Controls: demographics; baseline values when possible
  - Fixed effects for region and initial club savings level, which were both used for stratification





# Results: saving

## Total saving ('000 USH)





# Results: saving

LHS:	Balance ('000 USH)	99% trim	Total saving ('000 USH)	99% trim
	bank admin data		survey data	
Acct only			52.8 (55.2)	22.8 (26.3)
Educ only			127.9** (62.0)	56.6* (30.0)
Acct+Educ	1.21 (1.02)	1.05* (0.45)	17.8 (46.0)	52.3* (27.9)
comparison mean	1.61	0.49	247.1	185.7
n	3775	3738	2678	2647

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## Results: saving & borrowing

- Financial education increases savings 1-2 years later!
- Account access also increases savings, although less significantly and robustly than education
- No significant changes in borrowing, other assets, or expenditures
- Hence increased saving is changing overall wealth

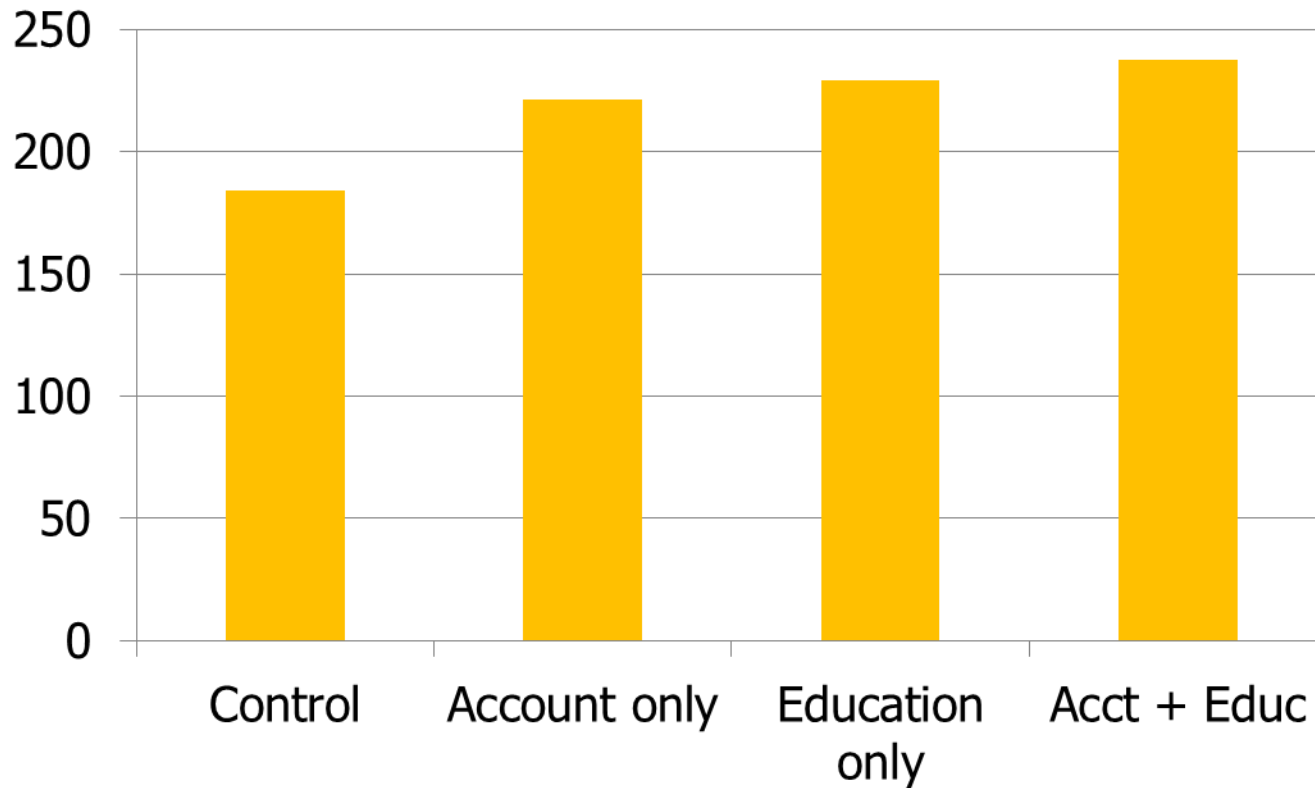






# Results: income

## 90-day earnings ('000 USH)





## Results: income

LHS:	Earnings in past 90 days ('000 USH)	99% trim
Acct only	30.7 (33.5)	37.0** (16.5)
Educ only	23.7 (30.7)	45.0*** (16.2)
Acct+Educ	34.1 (35.2)	53.3*** (18.0)
control mean	232.8	184.1
n	2679	2652





## Results: income & employment

- Earned income increases for all treatment arms, at roughly equal levels
- This implies there exist downstream effects of the interventions, beyond even savings behavior!
- We do not observe any significant effects on hours worked, business investment, or school attendance
- These are fairly imprecisely estimated, so difficult to distinguish mechanisms linking saving and income





## Conclusion

- Financial education impacts knowledge & behavior
- We do not observe significant differences in either savings or income between education and access
- Evidence suggests that they are **substitutes** rather than complements – and as a byproduct that knowledge may not be necessary for downstream outcomes
- At second endline, the combined intervention does perform relatively better than separate ones
- Policy recommendations depend on the cost-effectiveness of each intervention





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