Regional Landscape of Youth Financial Inclusion in Central & Eastern Europe – Mapping of youth bank accounts

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Studies on youth financial inclusion – what do we know on demand and supply side?

• Various tools to identify the level of financial inclusion - incl. Global Findex, the FinScope Survey, Financial Inclusion Tracker Surveys etc.

• There are also supply side surveys – accesss, quality and usage e.g. IMF Financial Access Survey (FAS), GSMA Mobile Money Adoption Survey, Word Bank’s Global Payment Survey etc.

• BUT: There is very limited data on the availability of financial services for children and youth – especially of savings products for those younger than 18.
Importance of Youth Savings Products

- Less than 50% of youth aged 15-24 has **bank account** at a formal FSP, and only **18%** saved in the past year (2014) – and there is no statistics on a younger age group;

- Having a **savings account** has **positive impact** on the **savings behavior** throughout life, school performance for low-income youth, financial literacy levels, among other factors (Sherradon & Ansong, 2013 etc)

- In many countries a large percentage of **youth younger 18 aready has to work** and provide for a family, earn livelihood, receive and manage remittances from parents-migrants

- **Practical tool** to practice education about savings, acquaintance with financial system

- But how **accessible** are these products for youth? And do FSPs actually invest in creating such products?
Background

- CYFI undertook the first of its kind research on availability of youth bank accounts and savings products offered in 5 countries of Central and Eastern Europe

- There were respondents from 62 financial service providers from:
  - Armenia,
  - Belarus,
  - Croatia,
  - Czech Republic and
  - Moldova
Background

Objectives:

• **Understand the landscape** of supply side of youth bank accounts in the countries of the region;

• Availability of *financial education component/programs* linked to these products;

• Perceived **barriers** by FSPs in serving the youth segment;

• **Compliance** of available **banking products** with Child & Youth Friendly Banking Principles.
Methodology

- Quantitative survey/mapping tool developed for FSPs;

- Data collection: September 2014 – May 2015

- Distribution to banks via CYFI network partners:
  - National Bank of the Republic of Belarus;
  - Croatian National Bank;
  - Ministry of Finance of Czech Republic;
  - Union of Banks of Armenia;
  - National Bank of Moldova.

- Uneven distribution of responses across countries.

<table>
<thead>
<tr>
<th>Country</th>
<th>Responded</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belarus</td>
<td>21</td>
<td>22</td>
</tr>
<tr>
<td>Moldova</td>
<td>14</td>
<td>16</td>
</tr>
<tr>
<td>Armenia</td>
<td>17</td>
<td>21</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>10</td>
<td>37</td>
</tr>
<tr>
<td>Croatia</td>
<td>3</td>
<td>19</td>
</tr>
</tbody>
</table>
State of the region – FI rates (Findex 2014)

- Account at formal institution 15+
- Account at formal institution 15-24
- Saved at formal institution 15+
- Saved at formal institution 15-24
## Policies and Regulation in selected countries

<table>
<thead>
<tr>
<th></th>
<th>Armenia</th>
<th>Belarus</th>
<th>Croatia</th>
<th>Czech Republic</th>
<th>Moldova</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Strategy for Financial Education</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>In draft</td>
</tr>
<tr>
<td>National Strategy for Financial Inclusion</td>
<td>X</td>
<td>In draft</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Youth is part of Consumer Protection policy</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Minimum age to open the bank account</td>
<td>14</td>
<td>14</td>
<td>18</td>
<td>18</td>
<td>14</td>
</tr>
</tbody>
</table>
Findings – availability of youth accounts

• 83% of all financial institutions in the sample answer to have available a product for young people as well. In the single-country sample:

  - Armenia, 76%,
  - Belarus 81%,
  - Czech Republic 90%,
  - Moldova 70%,
  - Croatia – all 3 FSPs.

Highlights a general interest of FSPs in all countries to work with the youth segment.
Perceived barriers by FSPs to invest in youth accounts

- **Regulatory barriers** were mentioned by the vast majority of FSPs, particularly in Croatia and Czech Republic, where children below 18 y.o. cannot open/operate a bank account.

- Other popular barriers mentioned include low level of financial literacy (Armenia, Czech Republic) and the lack of disposable income/money by young savers (Belarus).

Main barriers to serve youth:

- Regulatory & legislative barriers
- Low level of financial literacy of youth
- Lack of disposable income
- Low interest of youth for the financial system
Compliance with Child & Youth Friendly Banking Product Principles.
Training of staff & Financial Education

- **45%** provide training to staff (more in Czech Rep, and only one Armenian bank)

- **28%** of banks (after correction) provide financial education to young clients and link it to the banking product

- Substantial sample of banks indicated that FE component exists in the form of marketing material and/or information on the website!

- Indicates the lack of understanding of the essence of financial education by FSPs
Compliance with Child & Youth Friendly Banking Product Principles.
Collaboration & Financial Education & Features

• **43%** of FSPs report to **collaborate** with other stakeholders
  
  *This percentage is not evenly divided over countries, as Armenian and Belarusian financial institutions report higher levels of collaboration in comparison with the other countries, particularly with the national authorities on financial education.*

• **34%** of FSPs reported to be involved in rolling out effective **marketing-free financial education**

• **80%** track the youth **usage** of products

• **63%** offer **financial incentives** to young savers

• **88%** of FSPs do not allow **overdraft** on the account

• **69%** - **costs** involved in **opening the account**

• Only **40%** of FSPs track young customers’ **satisfaction** with the product
Observations & recommendations

- Big **gap between youth and adult** financial inclusion in all countries of the region
- General **interest in youth bank accounts** by financial institutions in the region but regulation seems to be the main barrier;
- Less than 1/3\(^{rd}\) of FSPs that have youth bank products report to provide **“marketing-free” financial education** to their young clients
- Most FSPs **do not collaborate** with other stakeholders on financial education. *In countries where national authorities actively involve private sector in the national policies on financial education, this percentage is much higher! (e.g. Armenia, Belarus)*
- Lack of understanding by FSPs on the essence and their **role in providing financial education** to young customers
- **Education is regarded as marketing materials** or information on the website by a large proportion of banks in the region.
  - Need for promotion of **international/national standards** and **guidelines** (e.g. OECD Guidelines for private and non-profit stakeholders involvement in financial education, 2014).
  - Need for more **integrated financial services** for youth, combining access to formal means of savings and a financial educational component in all the countries in the region (e.g. Schoolbank).
Thank you!

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