



# The Impact of Financial Education for Youth in Ghana



James Berry<sup>a</sup>, Dean Karlan<sup>b</sup>, Menno Pradhan<sup>c</sup>

<sup>a</sup> University of Delaware, Innovations for Poverty Action, and Abdul Latif Jameel Poverty Action Lab, USA

<sup>b</sup> Kellogg School of Management, Northwestern University, Innovations for Poverty Action, and Abdul Latif Jameel Poverty Action Lab, USA

<sup>c</sup> VU Amsterdam, University of Amsterdam, Tinbergen Institute, and AIGHD, The Netherlands

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## SUMMARY

Governments and non-governmental organizations promote school-based financial literacy programs as means to instill financial behaviors that can persist through adulthood. We conduct a randomized trial of two financial literacy education programs in government-run Ghanaian primary and junior high schools. The first integrated both financial and social education, while the second included only financial education. Our study finds that after nine months, both programs had positive impacts on self-reported savings at school relative to the control group, but there were no statistically significant increases in aggregate savings nor in hypothesized mechanisms such as attitudes, preferences, or knowledge. The financial education-only treatment led to a weakly statistically significant increase in child labor relative to the control group, although the difference in impact between the two treatment groups was not statistically significant. The lack of short-term effects of these programs on financial behaviors and attitudes indicate that alternative program designs should be evaluated to understand whether and how these outcomes can be influenced among students in this age group.

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## 1. Introduction

Governments and donors often support policies to promote financial literacy with the aim of improving households' financial decisions. Financial literacy is defined as one's ability to understand financial concepts, plan one's finances, and understand financial services and products. While financial literacy is correlated with more prudent financial decisions and the use of formal savings and insurance products (Xu & Zia, 2012), this correlation does not imply that teaching financial literacy will lead to more prudent financial behavior. Perhaps as a result of a presumed causal relationship, a multitude of financial literacy programs have emerged over the past several decades spanning a variety of content and delivery mechanisms.

Many of these programs target youth. Even though children are under the financial umbrella of their parents, the hypothesis is simple: teaching financial literacy to children rather than adults may more effectively shape long-term behaviors than teaching such skills later in life. Although there are a number of studies of financial literacy training for adults, there is limited evidence that such training affects financial behavior, such as increased savings (Fernandes, Lynch, & Netemeyer, 2014; Karlan, Ratan, & Zinman, 2014). This may be because some habits that shape financial deci-

sions are hard to change for adults. Moreover, it is hard to reach adults, and many programs are plagued with low take up rates. Children, on the other hand, are easier to reach through schools, and there is evidence that financial socialization by parents during childhood (e.g., teaching children to save) positively affects financial behavior later in life (Buccioli & Veronesi, 2014; Grohmann, Kouwenberg, & Menkhoff, 2015). As children in middle and high schools have limited exposure to money compared with adults, the short-run effects of financial literacy programs on total savings would likely be modest. If, however, such programs can change attitudes toward financial decision making that last into adulthood, they offer a potentially cost-effective way to achieve long-lasting impacts on financial decision making.

There is, however, a potential downside of introducing children to the world of finance too early: Financial inclusion programs may lead children to prioritize income-generating activities at the expense of schooling (James-Wilson et al., 2008). This may occur, for example, when programs promote entrepreneurship among children (Canadian International Development Agency, 2007). Several studies have found a negative effect of early socialization with the world of work and money with financial behavior later in life (Grohmann et al., 2015; Webley & Nyhus, 2013). This concern has led some youth financial education programs to also include

social values and other such material in their curriculum, to mitigate unintended negative consequences (UNICEF, 2012).

Despite this potential tradeoff, financial literacy programs for children are common. For example, the Banking on Our Future program in South Africa promotes financial literacy, entrepreneurship, and youth empowerment through school programs (Operation HOPE, 2016). In Peru, the Financial Education Program for Secondary Students focuses on training teachers to disseminate knowledge of financial services to their students who are subsequently expected to transmit that knowledge to their families at home (OECD International Gateway for Financial Education, 2013). In Somalia, financial literacy programs targeting youth rely on mass media, soap opera broadcasts, and mobile phones to teach children about saving and other aspects of finance (Xu & Zia, 2012).

Although there is significant policy interest in youth financial education, little is known about its impact, particularly in developing countries, or about effective approaches for mitigating the potential consequence of reduced school attendance. We address this knowledge gap by testing the impact of two school-based financial literacy programs in Ghana. The first program followed a curriculum developed by Aflatoun. Aflatoun is a large, international non-governmental organization (NGO) that has developed school-based curricula for financial literacy training and provides technical assistance to local partners, usually NGOs or ministries of education, to implement these curricula.<sup>1</sup> As of 2015, its program had been implemented in over 100 countries in more than 40,000 schools and centers, reaching 4.1 million children. The program is either integrated into the regular curriculum or conducted as an after-school activity and includes financial education, social education, and a school savings club.<sup>2</sup> The social education component focuses on personal exploration and children's rights and responsibilities, while also highlighting the pitfalls of youth labor, such as forgoing school for work and the risk of dangerous working conditions. Key outcomes in Aflatoun's theory of change include increased savings (primarily from reductions in expenditures rather than increases in labor supply), more favorable attitudes toward savings, and increased financial literacy.

We compare the impact of Aflatoun's program against a second program, the Honest Money Box (HMB), which was designed for this evaluation and is directly modeled after the financial components of Aflatoun's program, while omitting the social components. HMB thus focused strictly on improving financial skills and savings behavior. This treatment design allows us to evaluate the marginal benefits of the social component of the Aflatoun program when added to the financial literacy component.

We conducted the study during the 2010–11 school year in 135 primary and junior high schools in southern and eastern Ghana. Our study focused on students in grades 5 and 7 who were, on average, 13 years old. Schools were randomly assigned to receive either the full Aflatoun program (45 schools), the Honest Money Box program (45 schools), or to a control group (45 schools). We measured a variety of outcomes, including financial decision-making, support for savings at home, labor, risk and time preferences, financial literacy, consumption, confidence, and academic performance.

Membership data suggest that around 20% of the children in schools joined the savings clubs of the Aflatoun and HMB program. Unfortunately, these membership data are only available for a subset of schools. Our results are intent-to-treat estimates, which do not rely on club membership data.

We find positive and statistically significant impacts on savings held at school but no impact on the percentage of children who save nor on the total amount saved. This suggests that the programs led students to shift existing savings into school. We also find no evidence for impacts on the secondary outcomes of savings attitudes, support for savings at home, risk aversion, time preference, financial literacy, expenditures, confidence, or academic performance.

Although we find no evidence for impacts on savings, we do find that the HMB program, but not the Aflatoun program, led youth to work more, although the difference between the two estimates is not statistically significant. School attendance did not change, which suggests a possible shift away from leisure or home production instead; however, we do not have direct evidence of a reduction in these alternative activities.

Our results have several implications. From a policy perspective, the main lesson is that while there are signs of some process changes occurring that are part of the theory of change, the intended systematic changes did not materialize. Children did not save more or change other attitudes or behaviors which could be associated with improved financial decision making during adulthood. These results are important because the programs evaluated utilize a common method of scaling up financial education for youth: As described above, the Aflatoun program has reached over 40,000 schools, and many governments and donors continue to promote such curricula. As such, the treatment effect on the full set of targeted students that we estimate are important policy parameters to understand. We speculate that the lack of impacts on savings could be a result of the program's reliance on voluntary enrollment in after-school groups. Further research is necessary to understand whether interventions with higher take-up (for example, ones that integrate the curriculum into regular teaching practices) could have impacts on the target population of students.

The marginally significant increase in paid work as a result of the HMB intervention, which did not include Aflatoun's social component, lends support to those who argue that financial and social education must be combined to mitigate potential impacts on child labor. However, because the increases in child labor did not displace schooling and because we cannot statistically distinguish impacts between the Aflatoun and HMB treatments, these results should be taken with caution.

From a methodological perspective, our limited attendance data highlight the importance of collecting monitoring and management data as part of impact evaluations (see Gugerty, Karlan, & Welsh, 2016). In retrospect, additional monitoring data would have helped to provide a richer understanding of the programs' functioning and the mechanisms underlying the observed results, both positive and null.

Studies on the effects of financial literacy programs on primary and middle school children—the groups targeted in our study—are especially scarce. Several non-experimental studies have found positive impacts of financial literacy training in primary and middle schools using comparisons of participants with non-participants, or using before-after comparisons of participants (Hagedorn, Schug, & Suiter, 2012; Harter & Harter, 2007; Sherraden, Johnson, Guo, & Elliott, 2010). Among experimental evaluations, Alan and Ertac (2014) report on a randomized controlled trial in Turkey in which elementary schoolchildren were provided a program that encouraged forward-looking behavior. The program leads to an increase in patience and decreases in reported behavioral problems. In the United States, Hinojosa et al. (2009) use a randomized controlled trial to evaluate a financial literacy program for children in grades 4–10 and find positive impacts on mathematics scores and financial knowledge, although the analysis does not account for substantial attrition and non-compliance in the sample.

<sup>1</sup> See <http://aflatoun.org/>.

<sup>2</sup> Providing access to a safe place to save, through bank accounts or through providing a safety box to groups has been shown to increase savings in various programs focusing on adults in developing countries (Dupas & Robinson, 2013; Jamison, Karlan, & Zinman, 2014; Prina, 2015).

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