Exploring the financial capability of secondary and tertiary students in Addis Ababa (Global Money Week Event)

Financial inclusion is a pivotal pathway for achieving many of the 17 Sustainable Development Goals, such as No Poverty, Gender Equality, Reduced Inequalities and Life on Land. This type of inclusion results in more capacity for investment in various forms of capital (human, financial, social etc.), in an increased ability to absorb financial shocks and an heightened capability to grow assets[1]. Financial inclusion means facilitating the active and effective use of formal financial services – such as deposit and savings accounts, payment services, loans and insurance- in order to address the specific needs of the poor and vulnerable[2].

Since, over 25% of the world's population (7.4 billion) is under 15 years old[3], including youth in financial inclusion is an essential strategy to ensure that these important goals are met. And such an approach is particularly important in a developing country such as Ethiopia, where 45 percent of the population is under 15 and 71 percent is under the age of 30[4]. In this context, financial inclusion for youth can be a decisive factor in breaking out of the cycle of poverty through investment in education or a business and by diminishing the impact of an unexpected yet significant expense.

Nonetheless, the financial capabilities of the world's youth, and in particular, Ethiopia's youth, defined as the combination of knowledge, skills, attitudes, and behaviors that lead to financial decisions, is still a mystery. Further research is needed to gain understanding of financial behaviors within this important demographic. With more information and clarity on the financial behaviors, the more likely that sustainable development efforts will include this important demographic.

As part of the Global Money Week event (14-20 March 2016) and as an effort to understand the financial capabilities of the Ethiopia's youth the research company L-IFT (Low Income Financial

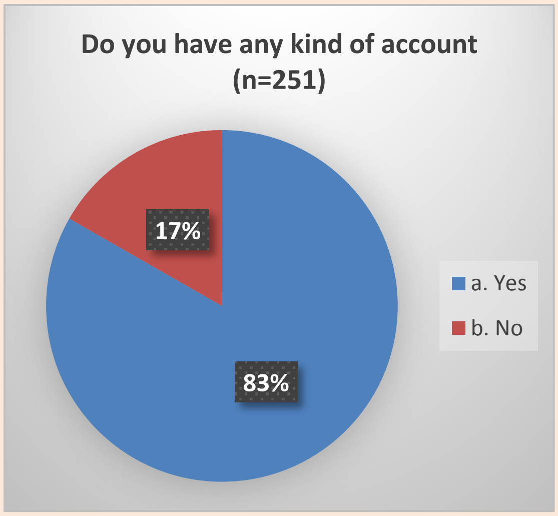
[1] Klapper, Leora, Mayada El-Zoghbi, and Jake Hess. "Achieving the Sustainable Development Goals." (2016).
[2] GPFI (Global Partnership for Financial Inclusion). 2011. "Global Standard-Setting Bodies and Financial Inclusion for the Poor. Toward Proportionate Standards and Guidance." Washington, D.C.: CGAP.
[3] 2016 World Population Data Sheet, Population Reference Bureau
[4] Ethiopia's Key: Young People and the Demographic Dividend, Population Reference Bureau; December 2014.

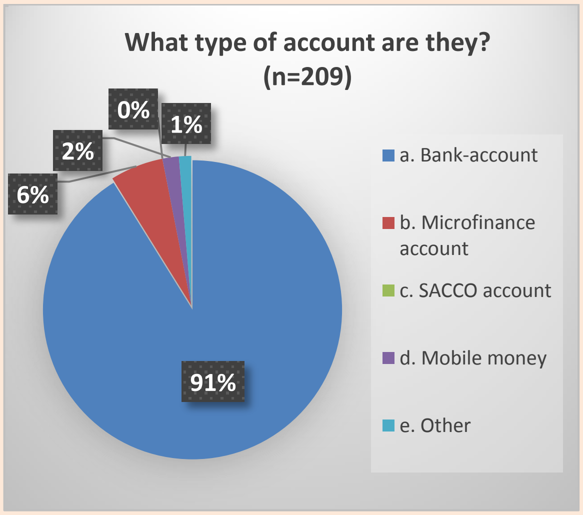
Transformation) interviewed 251 students in 4 higher institutions in Addis Ababa. The study sought to evaluate saving behaviors among youth. Specifically, the objectives were to understand youth opinions on saving strategies; to get a grasp of how financing savings might play a role in long term, future goals, and to identifying specific methods of how respondents' save money.

The results of this study aim to help fill in some of the existing information gaps on youth financial inclusion in Ethiopia, and in particularly, financial savings behavior, and to serve as a foundation for further work lifting Ethiopia's youth out of poverty.

The interview findings provided insight to saving behaviors and planning for the future. Below are the interview findings summarized by five results.

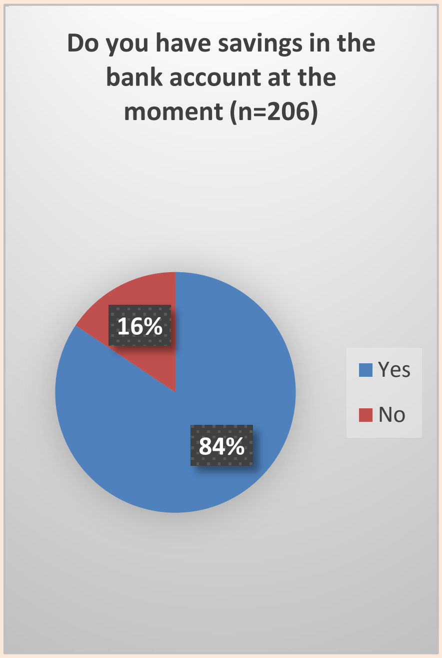
Result #1: The vast majority of students have some kind of engagement with formal financial institutions. The most common type is a bank account.

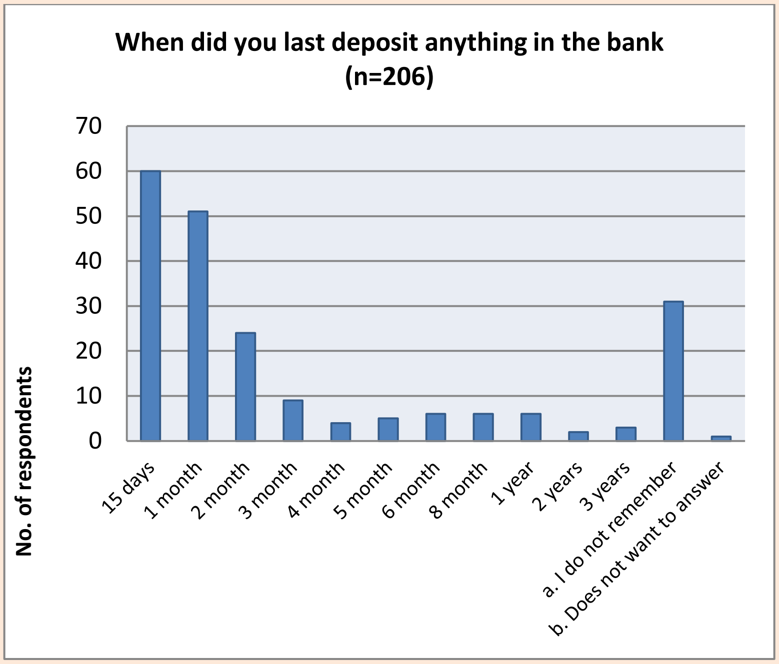


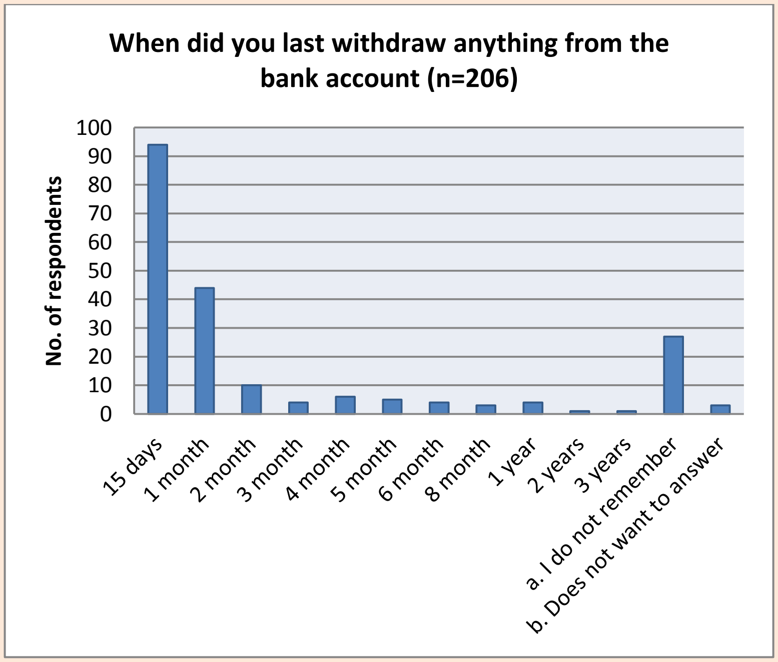


As the graph above shows, 83% have some kind of an account with a formal financial institution. Of those students who have an account with a formal financial institution, 91% have a bank account.

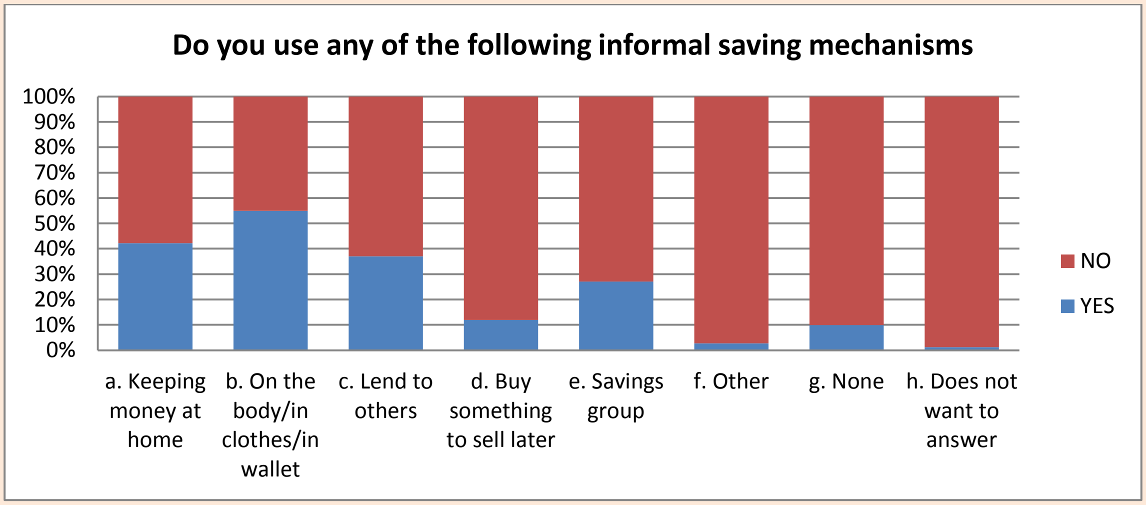
Result #2: The vast majority of students in the study have funds in their bank account. Also, the time frame between last deposit and last withdrawal is between 15 days to 30 days, which shows that on average the bank accounts are active and likely play a significant role in the respondents' financial behavior.



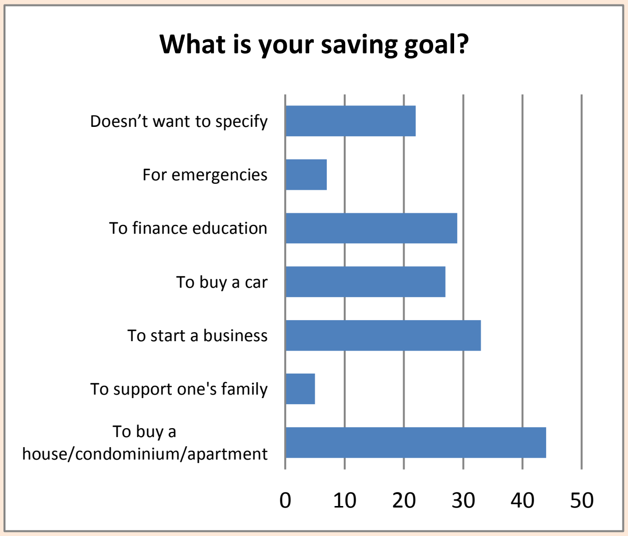


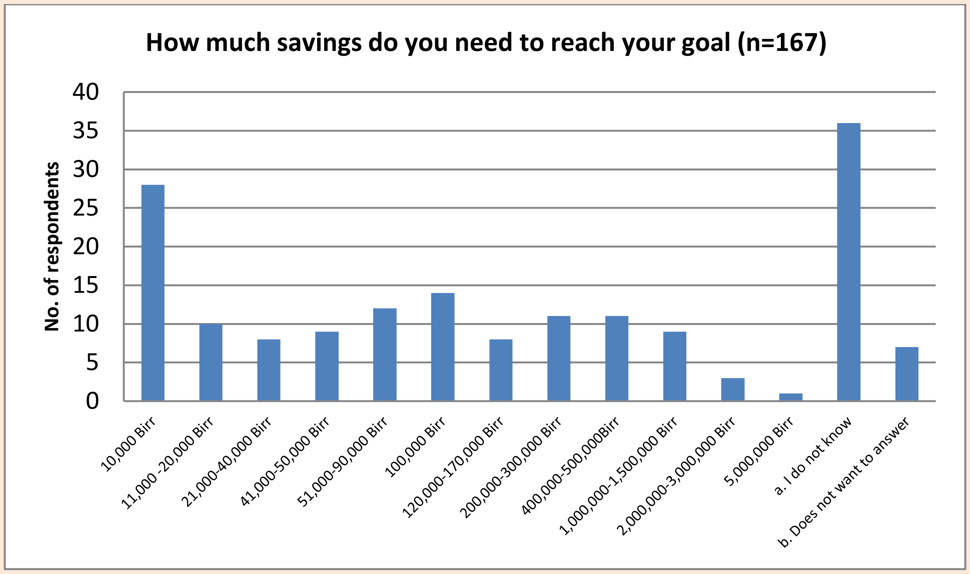


Result #3: In terms of informal saving methods, 'keeping savings at home'; 'on the body/in clothes/in wallet' and 'lending to others' are the most common ways of saving for the surveyed youth.

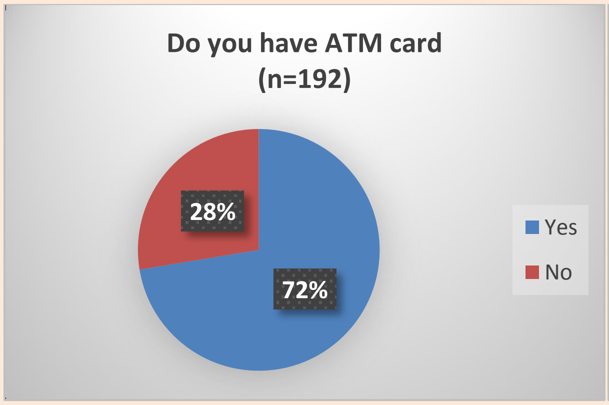


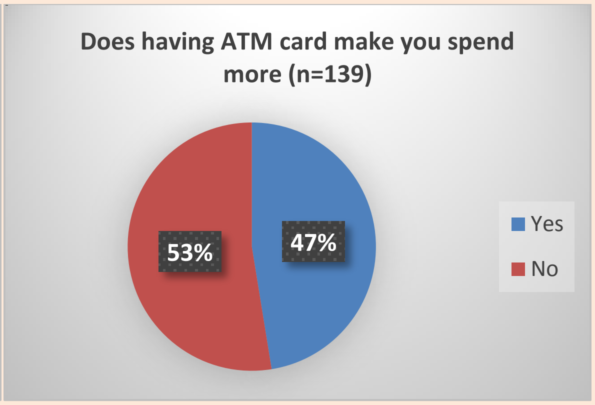
Result #4: Most surveyed youth state that they want to save money to own a house and to start their own business. In the six months after the time they were interviewed, they expect to achieve their preliminary saving objectives. However, most of them do not even know the amount they need to reach their saving goals. Thus, the timeline might be a little under-estimated.





Result #5: Majority of the respondents acknowledged having an ATM card. Of those who own an ATM card, the majority stated that having an ATM card does not make them spend more, but a considerable number of respondents (47%) said owning an ATM card increases their spending.





In a summary, this small study has provided some insight on the savings behavior of university students in Addis Ababa, Ethiopia. In the future, hopefully others will add to this insight and contribute to this important body of knowledge shedding light on the relationship of Ethiopia's youth to financial decision-making.