The Regional Financial Inclusion Landscape of Youth Bank Accounts: Selected country cases from Central and Eastern Europe

By Karina Avakyan, Bianca Isaincu & Floor Knoote
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Summary
Access to reliable financial services is a component of financial inclusion which has proven to be of vital importance for economic and social development and of critical importance in reducing extreme poverty, boosting shared prosperity, and supporting inclusive development. The lack of availability of accessible and suitable financial products is however, worldwide, a big barrier to achieving full financial inclusion. The younger generation faces even more challenges in accessing appropriate and affordable financial services than adults due to their social status, regulatory and other carriers. Several countries have already adopted child and youth friendly elements in their financial regulations. These new elements have been fundamental – being in some cases drivers – to the development and implementation of favorable national policies for financial inclusion and financial education for children and youth. This study therefore makes a first attempt to analyze the supply side of the available savings products and deposit accounts for children and youth, as well as the financial education programs offered by financial institutions in conjunction with such accounts in Armenia, Belarus, Croatia, Czech Republic, and Moldova.

In the current case studies, with exception of Czech Republic and Croatia, regulation allows those under the age of 18 to open and operate independently. However, banks still generally do not have available appropriate products for young people. Banking institutions have not responded to this market opportunity as yet. Causes related to this lie both on the demand as well as on the supply side (under-developed financial sector and lack of appropriate financial services as well as low levels of financial capability and demand for financial services).

The financial sector in the case studies has been actively involved in campaigns to promote financial capability, through organizing different activities, such as schools visits and workshops. Despite these efforts, the development of suitable financial products for the most vulnerable consumers is still needed; Taking into account the wide gaps between youth and adult financial inclusion rates in some countries (e.g. Belarus) it may be advisable for national authorities to include youth as a specific target group in the national financial inclusion policies and national strategies; Overall, there is a 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; Still, the topic of financial inclusion should be handled keeping clear safeguards and protection measures in mind. Guidelines, principles and rules should be created and respected, most importantly when working with vulnerable groups such as children and youth.

Acknowledgements
We would like to thank partners from Child & Youth Finance International (CYFI) network, who provided invaluable support for collecting the data from the banking institutions between September 2014 and May 2015 in Armenia, Belarus, Croatia, Czech Republic and Moldova – Union of Banks of Armenia, the National Bank of the Republic of Belarus, Croatian National Bank, Ministry of Finance of Czech Republic and the National Bank of the Republic of Moldova. We would also like to thank the Central Bank of the Republic of Armenia for their review of the respective country case. We also extend our deep gratitude to Ms. Olga Tomilova, Regional Representative for Europe and Central Asia of CGAP (the Consultative Group to Assist the Poor), who peer-reviewed this report and provided valuable advice and guidance on the structure, format and data analysis of the project.
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The Regional Financial Inclusion Landscape of Youth Bank Accounts: Selected country cases from Central and Eastern Europe

1. Introduction
Access to reliable financial services is a component of financial inclusion which has proven to be of vital importance for economic and social development and of critical importance in reducing extreme poverty, boosting shared prosperity, and supporting inclusive development. The lack of availability of accessible and suitable financial products is however, worldwide, a big barrier to achieving full financial inclusion. A basic financial product like a savings or current account at a formal financial institution can be of great value, providing individuals with a safe mean to save and a reliable payment channel for an employer, family or government. Yet only 62% of the population above 15 years old worldwide own a bank account, and only 27% saved at a formal financial institution in the past year according to the most recent Global Findex Data.

For youth, these numbers are lower. Only 46% of young adults between 15 and 24 worldwide own a bank account, and 18% saved at a formal financial institution in 2014. Close to 5% of the youth population worldwide has access to a savings account, though they represent around a sixth of the world population and together with children (below the age of 15) make up almost half of the world population. Tackling financial access and financial inclusion for this enormous number of young people can provide a unique chance to significantly advance economic and social empowerment overall. However, in spite of the increasing evidence on the benefits of early access to basic financial services like savings accounts, not many financial institutions are investing in developing child-friendly banking products and or ensuring that the experience of children with financial products is positive; linking it to financial education or ensuring that appropriate consumer protection laws are in place for them.

Access to basic financial services is particularly important for low-income youth – they are often forced to start working and earn an income at an earlier age, have higher probability of dropping out of school and are sometimes forced to support their families financially. Therefore, they also find themselves in situations where they have to engage in complex financial transactions from a younger age. In many transition economies, youth are additionally heavily reliant on remittances which migrant parents send back to their children and wider families, which could present an opportunity to save part of the received transfers. For instance, according to the 2014 World Bank estimates, more than 100,000 children are left behind by migrant-parents in the Republic of Moldova alone, and the size of remittances in the country is about one-quarter of the national GDP.

What kind of financial products, particularly bank accounts are being offered to young people, remains relatively unexplored in all regions of the world. To contribute to this field, this study therefore makes a first attempt to analyze the supply side of the available savings products and deposit accounts for children and youth, as well as the financial education programs offered by financial institutions in conjunction with such accounts in Armenia, Belarus, Croatia, Czech Republic, and Moldova. The report presents key findings, a cross-country analysis and a set of policy recommendations and observations.

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5Idem.
Text Box 1. Summary of Evidence on Financial Inclusion of Youth

Conceptual Framework & Current Evidence on early account ownership and use for young people

Findings on financial access, inclusion and youth over the last few years, suggest positive economic, social, and health outcomes for youth, falling in all into six broad categories: Economic and financial well-being; Financial knowledge and skills; Psychological health; Reproductive and sexual health; Academic achievement; Education attainment and expectations. Starting young pertaining to interaction with the financial system has shown some benefits. For example, research shows that by the age of 7, several basic concepts relating broadly to later ‘finance’ behaviors will typically have developed. Financial capability actually incorporates empowerment at the individual level and access and opportunity at the structural level. Essentially, financial capability occurs when children are personally empowered and simultaneously gain real access to appropriate financial products along with the opportunity to practice using those services. It is argued that the feeling of mastery in participating in “adult” activities, such as going to the bank, provides sufficient motive for young children and interventions should take advantage of such motivations. Children learn from observation, instruction, and practice. There is therefore a case to be made for the financial inclusion of also the younger segment of the population. Find below the key academic findings on early account access, combined with financial education.

Impacts of Financial Inclusion

Gradually, the body of evidence for family assets and savings, savings itself, development accounts and individual accounts for young people is growing. All in all, the results of these studies are positive and savings behavior and educational impacts are mentioned among key outcomes. It remains to be seen whether financial inclusion, in its many forms, may also be linked to increased confidence, outlook on the future, and employment for youth.

Impacts of Financial Education

Effects on financial knowledge appear to take place across the board, but reports on effects of financial education alone on financial attitude and behavior are still inconclusive. A range of situation specific features may be related to the impacts financial education, including location, voluntary nature and delivery method of courses, which may or may not affect the outcomes of treatment. There is still little confirming research on what encompasses effective financial education and whether increasing financial literacy in young people will lead to actual better financial outcomes and behavior.

Impacts on Financial Capability; Complementing Financial Access with Financial Education

Practice has long been seen as a key component in learning and needs to be taken into consideration. Although the evidence on the concept of “financial capability” is still in development, it has long indicated that teaching children financial capability in a “learning while doing” approach could generate benefits over teaching ‘financial’ knowledge alone.


2. Scope and Methodology

2.1 Scope and Audience

This paper aims to assess how banking products (current and savings accounts) offered by financial institutions in the region comply with the 8 Child & Youth Friendly Banking Principles; it additionally looks at what is the existing legislation and regulation in the countries, governing the access of youth to current and savings bank accounts. The study collected and analyzed unique data on the supply side of deposit banking products landscape in Armenia, Belarus, Czech Republic, Croatia and Moldova, keeping in mind the particularities of each financial and banking system and their respective regulation.

The present report is intended for a wide ranging stakeholder audience, including financial inclusion policy-makers, financial regulators, financial service providers in the region and beyond, as well as for financial education specialists and providers, international and multilateral organizations working in the field of financial education, financial inclusion and financial consumer protection.

2.2 Compilation

To put forth opportunities in the field of financial regulation, product development and financial education strategies the authors of this paper started the process of "mapping" the circumstances supporting or hindering youth financial inclusion, particularly access to bank accounts, around the world on national and regional levels, which can form the basis for the creation of new inclusion policies. Questions we aim to answer with this project are: What is the supply-side and availability of bank accounts for youth And, to what extent does the availability of "youth-friendly" regulation lead to the availability of "youth-friendly" products as services?

The contribution of financial regulatory authorities, financial institutions and researchers was key to the success of this initiative. A set of key process indicators was created and several "country mapping tools" which aim to give a complete picture of the country's framework regarding youth in finance and availability of child friendly banking products. Additional regulatory research was conducted.

The Financial Product Survey targets key financial institutions in the countries. It aims to collect data on accounts which are currently being offered to children and youth and explores their features as they relate to the Child and Youth Friendly Banking Product Principles (CYFBPP, see box 2). CYFI, in collaboration with (including but not limited to UNICEF, UNCDF and MasterCard Corporation), have developed Child & Youth Friendly Banking Principles in order to facilitate an international benchmark for safe and reliable banking products. The 8 developed Principles for Child & Youth Friendly Banking Products are based on the UN Convention on the Rights of the Child, and provide a lens through which financial institutions can determine whether their children and youth programs and products truly benefit the target audience. The suggested 8 Child and Youth Friendly Banking Product Principles are broken down into 20 testable features, and the Financial Product Survey included questions on most of these features. The figure presented on the side (figure 1) presents the 8 Banking Principles and the explanation of each Principle.

For this study, 62 financial institutions from 5 countries replied to the product survey. Central Banks, Ministries of Finance and banking associations acted as key project partners helped to disseminate the survey among their network of financial institutions in the countries.

In Belarus, Moldova and Croatia the central banks (National Bank of the Republic of Belarus, National Bank of Moldova and Croatian National Bank respectively) led the distribution of the surveys to banking financial institutions in their countries and encouraged institutions to fill them in. In Czech Republic the Ministry of Finance, supported in the distribution of surveys and collection of data from the national banking financial institutions, while in Armenia this role was taken by the Union of Banks of Armenia. The banking surveys were distributed by partners via emailing system or by mail to the marketing, retail banking or product development departments of the financial institutions in the countries. The percentage of financial institutions that responded to the survey differed per country, ranging from more than 95% in Belarus to just 15% of all banks in Croatia. The summary of received responses from financial institutions per country can be found below in Table 1.

Table 1. Number of banks participated in the survey of the total amount of banks

<table>
<thead>
<tr>
<th>Country</th>
<th>Responded</th>
<th>Total amount</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>
2.3 Limitations

The data collection methodology for the paper can still be considered a learning process for CYFI. As a network organization, CYFI collects data sets which have, for the most part, not been tracked by organizations thus far. Although the response rate to this survey was relatively high, for Croatia for example, only three banks responded.

CYFI has committed itself to laying this foundation for its network, allowing the entire CYFI network to reflect on what is working well and where there are opportunities for further improvement and collaboration. The survey data collection includes two key shortcomings: the number of programs that provide both financial inclusion and financial education programming for youth, and the number of such programs that conduct monitoring and evaluation. In addition, some institutions are not keen to share their data due to confidentiality considerations. Further metrics and records of children and youth’s financial activities and education must be developed to accurately assess the progress of policies and programs in the field.

<table>
<thead>
<tr>
<th>Figure 1. The CYFI 8 Child and Youth Friendly Banking Principles</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Availability and accessibility for children and youth</strong></td>
</tr>
<tr>
<td>• They are widely available and accessible to children and youth despite their economic, social, cultural or religious situation, gender, age, or ability.</td>
</tr>
<tr>
<td><strong>2. Maximum control to children and youth</strong></td>
</tr>
<tr>
<td>• They provide the maximum possible control to children and youth within the boundaries of local jurisdiction and ensure financial ownership.</td>
</tr>
<tr>
<td><strong>3. Positive financial incentive for children and youth</strong></td>
</tr>
<tr>
<td>• To build confidence as children and youth enter the financial system, positive financial incentives (e.g. no overdraft and relatively higher interest rates) are important.</td>
</tr>
<tr>
<td><strong>4. Reaching unbanked children and youth</strong></td>
</tr>
<tr>
<td>• The financial institution will proactively reach out to unbanked children and youth in vulnerable communities as part of a larger financial inclusion agenda, within the boundaries of local jurisdiction.</td>
</tr>
<tr>
<td><strong>5. Employing child and youth friendly communication strategies</strong></td>
</tr>
<tr>
<td>• The communication and marketing materials around the product will be child and youth centred, connecting to their needs, interests and level of comprehension. This will be complemented by the ability of all staff within a financial institution to interact in a child and youthy manner.</td>
</tr>
<tr>
<td><strong>6. A component of Economic Citizenship Education</strong></td>
</tr>
<tr>
<td>• In combination with the product, children and youth are offered a component of Economic Citizenship Education, with elements of financial, life skills, and livelihood education.</td>
</tr>
<tr>
<td><strong>7. Monitoring of child and youth satisfaction</strong></td>
</tr>
<tr>
<td>• The financial institution monitors the extent to which the product and relating services satisfy the needs and interests of children and youth.</td>
</tr>
<tr>
<td><strong>8. Internal control</strong></td>
</tr>
<tr>
<td>• The financial institution has internal controls in place on all these Principles.</td>
</tr>
</tbody>
</table>
3. By Country Analysis

The potential benefits of financial inclusion suggest that reliable and safe banking products such as savings accounts should be available for and accessible to children and youth, ensuring that they gain hands-on experience with the formal financial system. Children and youth then have the opportunity to use safe financial services through which to save their money and conduct banking operations. This section will provide a) An overall analysis on what national strategies, deposit products and their features are available for children in the surveyed countries - Armenia, Belarus, Croatia, Czech Republic and Moldova - and b) how these differ among these countries.

Figure 2 – Financial Inclusion Indicators (account at a formal financial institution and saved at a formal financial institution across countries (age 15-24)

3.1. The Overall Picture of Financial Inclusion

First, the five sample countries were mapped against general financial inclusion indicators based on the Findex (2014) indicators for financial inclusion – account ownership at a formal financial institutions, and the percentage of population that saved at the formal institution in the past year – for adult population above 15 as a whole, and for young adults from the age 15 to 24.

When comparing the countries in the sample with the region of Europe and Central Asia, and the OECD averages on these four indicators it shows that in all countries, these are lower than the average at OECD levels. Moreover, in all countries, account ownership of those aged 15-24 is lower than adult account ownership, which is in line with comparison of these indicators in most countries in the world, showing that young people are significantly less involved with the formal financial system than adults.

Armenia and Moldova prove lowest on all indicators for account ownership.

A lower level compared to Western European countries of ‘general trust’ in institutions in the ex-communist countries is widely discussed in the literature. It is anticipated that this may have led to a lower trust in and therefore lower demand for financial services and lower levels of financial inclusion as well.

Croatia and Czech Republic, both the only high-income countries in the sample, score highest on these indicators and on the youth account indicators. This is in spite of the fact that the minimum age to open a bank account is higher than in the other countries, with 18 years of age. This may be partially explained by the fact that the accounts are often opened by or jointly with parents and guardians.

All national authorities in countries in the sample have devoted close attention to the issues of financial education and financial inclusion in the past years, with all countries

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(with the exception of Moldova at the moment) already having adopted a national strategy aimed at raising the level of financial literacy of its population. While none of the countries has a separate financial inclusion strategy, in most the issue of inclusive finance is on the agenda of the governmental bodies and/or is being covered by the policies related to some other aspects of financial markets development (e.g. financial inclusion is part of microfinance sector development policy in Belarus).

For the purpose of this research, the difference in the countries' regulation to open and operate the bank accounts for young people is interesting – while in ex-USSR countries of Belarus, Armenia and Moldova children from 14 years old can open and independently operate a bank account without the supervision of the parent or guardian, in Croatia and Czech Republic it is 18 years old. For an overview of these regulations and policies, please see Figure 3.

The following chapter will examine whether and how these differences are reflected in the availability of bank products for those under 18 in different countries.

### 3.2. Availability of Youth Products

In order to draw a picture of the sample’s institutional focus on the younger age segment, the initial part of the analysis covers the availability of bank child accounts at the banking institutions in the countries. Findings indicate that 83% of all financial institutions in the sample answer to have available a product for young people. In the current sample, in Armenia 76%, in Belarus 81%, in Czech Republic 90%, in Moldova 70% and in Croatia all three respondents indicate to have a product available for those under 18. There thus appears to be a general interest in the younger segment by the financial service providers in these countries, and the potential of this segment as prospective clients.

When assessing the kind of control that the child has over her or his child account, Figure 4 shows that, 39% of total respondents report that those under the age of 18 have full control over the account, which means the child under 18 does not need permission of the guardian to operate on the account. This is opposed to 38% that reports that the child has partial control over the account, indicating the child needs permission of a guardian to operate it. Only 17% report that children have no access to the account indicating the account is only in the name of child who cannot transact upon it until 18 years of age.

In Belarus, Moldova and Armenia, out of the banks that offer an account for children, half of the banks in the sample report that children have full control over the account. Not enough information is provided to assess whether a child has complete autonomy to operate on the account from 14 years old.

![Figure 4 – Type of Control over Account](image-url)
the operation of the account in these three countries may be explained by a relatively favorable regulatory framework for young people to access basic financial services like savings and current account. According to the civil law, youth from the age of 14 can independently open and operate a bank account in their own name at a formal financial institution in all three countries.

In Czech Republic, 90% of the respondents indicate to have a product tailored for children and youth. But these accounts are mostly opened by the parents in the name of the child and operated by the child only when he or she has reached age of majority. Some of the financial institutions offer the child the possibility of operating the bank account independently, once parental approval has been given. In Croatia, although all three Croatian banks indicate to have a product for young people under 18, youth can open and operate these accounts only with the legal guardian before they reach 18 years old. Only one bank offers joint savings account with a parent or guardian.

3.3 Barriers to serve the youth segment
Overall, several barriers are mentioned by financial institutions in serving the youth segment. Regulatory and legislative barriers are mentioned as one by a vast majority of financial institutions in the sample, particularly from Czech Republic and Croatia; in these countries the minimum age to open a bank account independently, once parental approval has been given. In Croatia, although all three Croatian banks indicate to have a product for young people under 18, youth can open and operate these accounts only with the legal guardian before they reach 18 years old. Only one bank offers joint savings account with a parent or guardian.

3.4 Product Account Features for Children and Youth

3.4.1. Staff Training on Dealing with Young Customers
It is important, especially when children can completely or partially control transactions on their own account, to inform the young customer on how to use the account and how he or she may be protected from fraud or abuse, either through training of staff on how to communicate with the young client, through collaboration with other institutions working on financial education or through the administering of a financial education program themselves.

However less than half (45%) of respondents report to provide training to staff on dealing with those under the age of 18. Comparing data over countries, none of the Croatian banks and 1 of the Armenian banks report to provide training to staff on how to deal with children. As 83% of total respondents indicate to have a product for those under the age of 18 in their own name, we conclude that only a very small sample from the interviewed financial institutions provide specific instructions on how to deal with young customers.

3.4.2 Collaboration among stakeholders
A financial institution could work together with civil society or a national working group on financial capability and inclusion to rollout products and education programs, in line with, for example, a national strategy focus to create a savings culture. These collaborating institutions may also be able to provide more information on communication methods with young people, training of staff and the roll out of financial education programs.

In the current sample, 43% of financial institutions report to collaborate with other stakeholders. This percentage is not evenly divided over countries, as Armenian and Belarusian financial institutions report much higher levels of collaboration in comparison with the other countries.
For example, in Belarus close to half of respondents collaborate with the National Bank of the Republic of Belarus and participate in the national platform on financial education, while 17% of the Belarusian institutions in the sample work with NGOs on offering a financial education curriculum for young people. This finding points out the role that the national platform and the National Plan play in the country, and that the National Bank of the Republic of Belarus encourages and actively involves the private sector in the implementation of the national program.

Results from the overall sample show that there are three main ways to collaborate with other stakeholders. First, general collaboration on the issue of youth finance is often established through a national committee on the topic of financial capability. These national committees generally comprise a group of diverse stakeholders that were invited to partake in this committee. Every country has different governance models of the committee itself: in some, banks can partake directly, and in some they are represented by one institution or the banking association. This may be a reason why some financial institutions in the sample indicate not to collaborate on the issue of inclusive finance or youth.

Second, linked to the access to finance component, youth card organizations or scholarship and loan programs are mentioned occasionally as a key collaborator. And last, specific to financial education, universities or schools are often mentioned as a key collaborator, in rolling out a financial institutions’ financial education. Along the same lines, NGOs are frequently mentioned as a partner to roll out financial education programs in and out of school.

3.4.3. Roll out of Financial Education programs
Diving into the details of the financial education component that banks offer it becomes clear that the majority of financial institutions that report “yes” indicate to have a financial education component in the form of marketing material or publishing information on the website on the product. Taking this into account, the authors did not regard these as an existing educational component for the purpose of this report. After this data correction, 28% of responded banks report to have a financial education component linked to their financial product and none of the Croatian, 1 of the Armenian banks and 2 of the Czech banks report to link an educational component to their product. In contrast, in Belarus and Moldova, the majority of those banks with a product for young people link an education component to their product.

As highlighted by the OECD\textsuperscript{[23]} there are several benefits and risks related to financial institutions involvement in financial education programs. A benefit, for example, is reaching a potentially wide audience and exploiting

‘teachable moments’ when financial topics are more salient to consumers. However, a risk would be the conflict between educational and commercial activities. As seen above, the quality and effectiveness of some financial education activities may be biased by the commercial activities of for-profit financial institutions. Some of these negative consequences may vary depending on the degree of involvement, the mode of delivery and the nature of the institutions involved.\(^{24}\)

As shown in figure 7, 34% of respondents report to be involved in rolling out financial education programs. Several respondents report to collaborate with for example universities, and organizations involved in Savings Days, however a majority of those that are involved in rolling out programs do not report to collaborate with other actors. The majority of respondents, 40%, indicate not to be involved in any delivery of financial education programs.

*Figure 7 – Roll out of financial education programs*

![Figure 7](image)

**Text Box 2 – Collaboration in Financial Education Delivery**

It is recommended that the bank takes on a collaborative effort in rolling out financial education. This can be done in a *Parallel approach* where the bank delivers the financial services and financial education is delivered via its own non-profit department, such as the case of Al Amal Bank in Yemen and Banco Adopem in the Dominican Republic. It can also be done in a *Linked model* where the financial services are provided by the bank and the financial education is delivered by a partner organization such as an NGO or professional organization, such as in the case of FINCA Uganda or Micro Options in Pakistan.

### 3.4.3 Other Product Features\(^{25}\)

Alongside the important role of financial education in the promotion of children’s rights within the financial sector and of collaboration in doing so, there are several other product features that are proposed as being child friendly. The overall results of the features are presented in Figure 8. This analysis was based on a sample of 43 banks that have a child product in Armenia, Belarus, Czech Republic and Croatia.\(^{26}\) It was also observed that the frequency of occurrence of features is relatively similar across all five countries and across the overall sample. Results are therefore summarized in Figure 8.

**Tracking product use**

First, respondents were asked whether they track the use of products by those under the age of 18. 80% (34 banks) reported to track their product use, however, it is likely that this percentage is so high is because the under 18 segment falls within the general clientele product tracking. In-depth interviews that uncover whether some of these financial institutions may specifically track product use for younger clients may render some interesting results.

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\(^{24}\) CYFI & Mastercard (2013). Banking A New Generation, p. 60

\(^{25}\) Descriptions on the different product features in this section were taken from CYFI & Mastercard, *Banking A New Generation: Developing Responsible Retail Banking Products For Children And Youth*. Publication. Amsterdam: Child and Youth Finance International and Mastercard Incorporated International, 2014.

\(^{26}\) Moldovan banks in the overall sample did not answer these questions due to their response to an earlier version of the survey in 2014.
Incentives
To build confidence when children and youth enter the financial system, positive financial incentives are important. To the general question whether the child account offers positive incentives, 63% (27 financial institutions) of respondents answered yes. Positive incentives equal the insurance that children’s and youth’s costs for using the account are never higher than the revenue. An analysis of the specific positive incentives themselves indicated different results.

Overdraft
88% (38) out of 43 indicate that the child account does not allow for an overdraft, indicating that debt or irresponsible financial behavior is taken into account in designing most of the youth accounts in this sample.

Interest
79% (34) of respondents indicate that an interest rate was given on the child account. This is an important financial incentive in the form of high interest rates compared to average market rates. Interest rates should be sufficiently high to demonstrate tangible progress in savings to the child in order to encourage him or her. Further research may look into the details of these interest rates.

Cost of operating
69% (30) of respondents indicate that costs are involved in the opening of the account. This may appear as a given for adult accounts, however, children and youth should be able to open these accounts, regardless of any socioeconomic-demographic situation. This makes features such as no opening fee and the ability to choose a bank where the guardian does not have an account very important. Further research may be done into the exact costs of opening the account for the child, to assess whether these are minimal or more substantial, which may impede the access to the account for children from poorer households.

Minimum deposit
Similarly, 60% (20) of respondents indicate a minimum deposit was, in fact, necessary to open the account. The child should also be able to easily understand the mechanics of the account. Complicated rules around interest rates and deposit thresholds make it challenging for him or her. Small inconsistent deposits are to be expected from a young person; therefore no minimum deposit amount (or very low) is recommended. Further analysis of the height of the required minimum deposit indicates a range anywhere between 100 and 500 euros, which appears relatively high for those under the age of 18, especially the younger age segment.

Satisfaction Tracking
40% (17) of respondents indicate to track the satisfaction with the child product, as opposed to 47% that does not. The financial institution may monitor the extent to which the product and relating services satisfy the needs and interests of children and youth. This low percentage may indicate as not seen as full autonomous customers, but it needs to be further explored how this matches with the adult account satisfaction tracking.
4. Country Case Studies

**CZECH REPUBLIC**

The Czech Republic has been one of the first countries in the region to adopt a national strategy that promotes financial education, which includes a particular focus on those under the age of 18\(^1\). The National Strategy for Financial Education (NSFE) was approved by the government in 2010 although the financial education initiative in the Czech Republic overall started in 2006. The NSFE targets the Czech population overall though financial education was included into the school curriculum and is obligatory for all children of school age (that is primary and secondary education and includes approximately 1400000 children). The Czech national curriculum, moreover, has both financial and social education integrated in the primary and secondary curriculum while livelihoods education is only integrated in the national curriculum for secondary school (that is 12-18 years old)\(^2\).

The Financial Education strategy does not mention financial inclusion among its objectives. The Ministry of Finance has reported, however, that all children in the country *should* have access to formal bank accounts\(^3\).

Children are part of a general financial consumer protection policy and/or law applicable for the whole population and the consumer protection act which was adopted in 1992, while the Framework policy on consumer protection in the financial market has been efficient since 2007. There is no specific regulation or code of conduct that financial institutions have to agree, respect and follow when approaching children and youth\(^4\). However, the Czech National Bank governs supervision of financial consumer rights as such (including children) in an active way.

**ARMENIA**

Armenia is a developing country in Eastern Europe that has undergone a profound economic transformation since its independence from the Soviet Union in 1991, which started to be classified as a lower middle income country since 2002. However, currently Armenia faces some negative economic challenges as a result of the global financial crisis, along with challenges caused by the transformation of the Armenian economy to an open and more competitive market\(^5\). Young people are an increasingly vulnerable societal group in Armenia, particularly affected by the 2008 financial crisis, with a youth (aged 15-24) unemployment rate of over 48%\(^6\). Young adults also face big barriers in accessing basic financial services, with only 10.4% currently having access to a bank account at a formal financial institution, and only 1% of youth between 15 and 24 saved at a formal financial institution in 2014.

The Armenian government recognizes the importance of institutional change to increase financial capability of its population, and Armenia became one of the first countries in the region where the Central Bank of Armenia (CBA) adopted a mandate of “creating the environment that is necessary for the protection of financial sector consumers” in 2007\(^2\). The National Strategy of Financial Education (NSFE) led by the CBA was adopted in 2014 and is currently being implemented in the country. Schoolchildren and students are among the main target groups of the NSFE, along with women, farmers and the general public\(^7\). Although there is no separate national financial inclusion strategy, CBA is engaged in policies aimed at improving overall financial capability, financial consumer protection and access to digital financial services, and actively cooperates with international organizations like Alliance for Financial Inclusion.

According to the results of the banking survey, the majority of banks in Armenia have a product and/or a strategy that aims to create financial access and/or financial education for those under the age of 18, and those who do not noted that they are interested in the process. Only one financial institution indicated that youth is not a target age group for the bank. These results suggest substantial interest from the private sector to engage with young customers, which may be partly explained by a broader national agenda oriented towards increasing financial inclusion.
**BELARUS**

The Republic of Belarus has experienced some considerable success extending financial services to underserved segments of its population. Over the last decade the Government has introduced policies aimed at bringing more customers and small businesses into the formal financial system, and pursued cooperation with several international bodies like Alliance for Financial Inclusion (AFI) on increasing access to finance in the country. A comprehensive financial inclusion study was conducted in 2012 which measured the access to finance in Belarus, additionally providing a snapshot of evidence-based policy development and included a broad assessment of the supply of financial products and services in the country. The youth population, particularly those under the age of 18, have not been a target group in this research. Several studies, including Findex and the EBRD Transition Report 2013 found a large gap in the use of bank accounts and debit cards between youth and adult populations compared to neighboring countries and the region as a whole.

Still, Belarus is at the forefront of addressing the issue of access to finance on the national level compared to many other post-communist transition countries in Eastern Europe. Belarus is currently considering the development of a stand-alone national financial inclusion strategy for 2016-2020, in the framework of its cooperation with AFI and the issue is already addressed in a microfinance sector policy document titled “Concept of Microfinance Sector Development for 2015-2020”.

Belarus additionally devotes close attention to the enhancing of financial literacy among its population. The work is done systemically at the nation-wide level and is coordinated by the National Bank of the Republic of Belarus. In January 2013, the Government of the Republic of Belarus approved the Joint Action Plan of Government Agencies and Financial Market Participants on Enhancing Financial Literacy of the Population of the Republic of Belarus for 2013-2018 and a package of actions to implement it. Over 50 stakeholders are involved in the implementation of this Joint Action Plan, and children and young people are one of the focus groups in the Plan. In addition, 2014 the Ministry of Education and the National Bank adopted a long-term joint action plan to increase the level of financial literacy of children in the Republic between 2015 and 2018.

**MOLDOVA**

The Republic of Moldova, in its development plan for the next 5 years, has identified four main areas which require structural changes that will lead to increase in foreign investments and sustainable growth: one of these areas is the development of financial inclusion and financial access¹ as well as of the competition in the financial sector. Although the efforts that the National Bank of Moldova is putting into increasing the level of financial inclusion of the overall population, we find from the conducted research that only 4% of the children (below 18) have access to any form of financial product or service. In the Republic of Moldova, the regulation for financial access is particularly child-friendly: the legal minimum age to open and operate a savings account is 14 and a 16 year old person has the possibility of doing financial transactions and receiving remittances. Authors of this paper estimate that the causes that lead to the country’s low level of financial inclusion, although the friendly regulation, roots both in demand side (lack of financial awareness) as well as the supply side (availability of appropriate banking products).

Financial inclusion for youth in the Republic of Moldova is moreover of particular importance and relevance given the high number of youth that are managing independently households and provide for their families. As a report from 2009 points out, in fact, a great number of children in Moldova are working side by side with their parents to contribute to their families’ financial security. A similar situation is encountered in households where parents have emigrated in search for work opportunities abroad and children are left with the responsibility of supporting the rest of the family: they are therefore either forced to work, or are those that are managing the household’s financial resources and remittances received from abroad. In both of the above mentioned cases, access to appropriate financial services is crucial to ensure protection and safe management of resources, as well as a way of lowering the informal transfer of money.
CROATIA

Croatia has undergone significant economic transformation following its independence from Yugoslavia in the nineties. Following structural changes in its economy and financial system, the level of financial inclusion of population has increased significantly, coming close to OECD-countries average in 2015 – 86% of population has access to bank account in 2015, and the level of savings has risen considerably – from 12,2% who saved at financial institution in 2011 to 27,3% in 201527. At the same time there is significant gap in access to financial services between youth and adult population according to 2014 Findex data. This can be explained by a strict regulation in the country – young people can independently open and operate an account at a formal financial institution only from the minimum age of 18. Children from the age of 15 years old only can open an account under special conditions - a minor who is legally competent to enter into and terminate the contract and to take all legal actions in connection with the fulfillment of rights and obligations of this contract or in relation to this contract – such conditions can include working minors with employment contract, or married youth from 16 years old and minor-parents who have been proclaimed by court as “emancipated minors”28. These restrictions create significant barriers both for youth to access even basic financial services like savings accounts, as well for financial institutions to attract young customers and reduce their incentive to develop special safe and reliable youth products. Youth under the age of 18 is also part of a general financial consumer protection policy applicable to the whole population in Croatia.

Croatian National Bank led the distribution of CYFI surveys on banking products for children and youth among banking institutions of Croatia, however unfortunately only three banks answered the survey. Taking into account that there are 19 licensed commercial banks in Croatia, the sample is not representative to draw substantial conclusions about the situation on supply side of youth financial inclusion in the country. Although all three Croatian banks indicate to have a product for young people under 18, youth can open and operate these accounts only with the legal guardian before they reach 18 years old. One bank offers only joint savings account with a parent or guardian. These answers to questions about products and type of control that the child has on the account can be explained by a strict regulation on this matter in the country – all 3 banks pointed out that legal restrictions are the biggest barriers they face with attracting more young customers to the bank, with one bank indicated “as minors are not allowed to dispose of the account opened in their name, except certain cases defined by law, we cannot target them directly, but only their parents/guardians”.
5. Conclusions and Policy Recommendations

Generally, there exists a clear imbalance between a) the supply and availability of youth products that provide young people with some level of autonomy, and b) the demand of young savers. Regulatory reforms could provide the balance between supply and demand side. Several countries have already adopted child and youth friendly elements in their financial regulations. These new elements have been fundamental – being in some cases drivers – to the development and implementation of favorable national policies for financial inclusion and financial education for children and youth. India and the Philippines are two well-known examples of these.

In the current case studies, with exception of Czech Republic and Croatia, regulation allows those under the age of 18 to open and operate independently. However, banks still generally do not have available appropriate products for young people. Banking institutions have not responded to this market opportunity as yet. Causes related to this could lie both on the demand as well as on the supply side (under-developed financial sector and lack of appropriate financial services as well as low levels of financial capability and demand for financial services). Financial literacy plays an important role in other country examples as well, where levels of low financial inclusion may be explained by low levels of financial literacy. Financial education can therefore have an important role to play in helping individuals access and use appropriate (formal) financial products. Based on the findings of this report, the following general observations are given:

- The financial sector has been actively involved in campaigns to promote financial capability, through organizing different activities, such as schools visits and workshops. Despite these efforts, the development of suitable financial products for the most vulnerable consumers is still needed. Financial institutions therefore could scale up their efforts to enhance financial inclusion both for adults and for young people (by developing and rolling out “child-friendly” banking products, for example). Comprehensive models for increasing financial capability, focused both on financial literacy and financial inclusion should best be coordinated with national authorities and civil society, especially for children and youth (both for in-school and out-of-school programs).

- Taking into account the wide gaps between youth and adult financial inclusion rates in some countries (e.g. Belarus) it may be advisable for national authorities to include youth as a specific target group in the national financial inclusion policies and national strategies.

- Private financial institutions may also invest in children and youth. This could benefit the overall society both from a micro as well as a macro perspective. It may be beneficial for the financial sector to acknowledge the importance of such programs and dedicate resources to them.

- Overall, there is a 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. Models such as described in Box 3 could be used to achieve this.

- However, the topic of financial inclusion should be handled keeping clear safeguards and protection measures in mind. Guidelines, principles and rules should be created and respected, most importantly when working with vulnerable groups such as children and youth. The private sector could take an active role in promoting such products and in self-regulating in the provision of such products. However, national authorities and regulators need to oversee these processes to ensure that the most vulnerable consumers are protected. Consumer protection authorities are essential in this process: these institutions maintain the overall supervision of programs to ensure that products that are delivered are appropriate for the young consumer.

Text box 3 – The Schoolbank Model

School Bank is a model that has been used by many institutions over the years to increase financial inclusion of young people through the school system. The program uses innovative distribution channels (e.g. schools) and technology (e.g. mobile banking and online banking) with the goal of financially empowering children and youth in a cost efficient and sustainable way. It delivers:

- A one-time banking initiation: providing an account to open, which may include collaterals such as passbooks or ATM cards,;
- Continuous educational inputs: providing economic citizenship education and generating financial awareness;
- On-going transaction support: providing withdrawal and deposit facility, enabling cash transfers between accounts, balance inquiry, etc.

Each of these services are offered through schools, allowing the children and youth to save in a safe and trusted place. By providing these services, the goal is to enable children and youth to save money, receive allowances, and make payments. The first CYFI SchoolBank pilot was launched in Kerala, India in May 2015.
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