

NBER Household Finance Working Group Small Grants Call for Proposals 2014

**Proposal Title: Intergenerational financial education and financial inclusion of low-income families**

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The purpose of the project is to apply the Theory of Planned Behavior and Social Learning Theory to examine whether financial education coupled with incentivized intergenerational financial inclusion facilitates the development of regular savings habit and a favorable attitudes to banking and future orientation in low-income families. The research questions are:

1. Does offering an incentivized savings account to low-income children in the presence of financial education lead to them developing a regular saving habit and positive banking attitude?
2. Does offering an incentivized savings account to low-income parents or guardians in the presence of financial education lead to them to developing a regular saving habit and positive banking attitude?
3. How does intergenerational financial inclusion (incentivized bank account) with financial education affect the saving habits of children and of their parents?
4. How do the saving habits and banking attitudes of children offered an incentivized bank account with financial education, and with parental involvement in #2 differ from the saving habits of those without such parental involvement?
5. How does financial education with incentivized financial inclusion influence activity in deposit accounts (deposits or withdrawals)?
6. How does financial education without incentivized financial inclusion influence attitude toward banking and formal or informal saving habits?
7. What are the differences between the treatment groups and the control group (financial education alone) on future orientation measured by the lifestyle goals they set and in particular for adults on the timeline for achieving those goals?

Research shows that there are high levels of financial illiteracy and negative attitudes towards banking and relationships with financial institutions among the low-income and the unbanked. They instead are present-biased relying on high-cost alternative financial services such as check cashing services and payday loans. The attainment of lifestyle goals such as higher education and major purchases necessary for stability and security such as homeownership in adult life is often not feasible without prior relationships with financial institutions, future-oriented behavior or planning. It is important to facilitate a new appreciation among low-income communities to view financial institutions as a community resource for economic stability and upward mobility. If positive interventions such as financial inclusion are done early in life with appropriate financial education and positive social learning models within their households, there may be potential long-term gains for low-income consumers as well as businesses. Informed and experienced adults later seek products such mortgages and investments to reach their life goals responsibly.

In a randomized experiment in the City of Griffin, GA, using multi-stage sampling to avoid contamination of groups, children in grades 3 to 5 attending four schools in low-income school

districts will be selected to participate in the project. Savings accounts will be funded with seed deposits as the incentive even though kid accounts at our partner bank do not require an opening deposit. While the banks will initially come to the students and parents to open the accounts, the participants particularly students will also have field trips to conduct their business at their custodian banks to experience mainstream branched banking.

The experiment is an enhanced replication of a project conducted with low-income communities in Hawaii<sup>1</sup> and similar to other projects<sup>2</sup>. We enhance previous youth savings interventions by also offering incentivized savings accounts to parents of participating children in the treatment groups and facilitating in-branch banking as opposed to providing in-school banking only as done by Chowa et al (2012). The following is the experimental design for the proposed interventions and controls:

	Treatment 1	Treatment 2	Treatment 3	Control
Kid account	X	X	X	O
Parent account	X	O	X	O
Financial education	X	X	O	X

Timeline:

Month 1

- Data collection instrument development and IRB
- Partner bank negotiations on account features including seed deposits and restrictions
- Develop financial lesson plans: faculty and UGA Griffin service-learning students
- Draft project integration into school and lesson schedule for Fall 2014 and Spring 2015

Fall /Winter 2014

- Conduct baseline interviews with treatment group and control group sites
- Deploy treatments to students and parents
- Monthly account activity logs and monthly follow-up in-depth interviews
- December 2014 preliminary or baseline working paper

Spring 2014

- Tracking savings transaction data
- End-point survey and qualitative interviews
- Generate final research and administrative account report

The Baseline survey and End-point surveys will be interviewer-assisted. Socioeconomic information of the children and parents as well as information about financial knowledge, financial interaction within families, banking and other financial management behaviors, future orientation and life goals and expectations. Focus groups sampling each treatment group and the control group will be guided by structured interviews.

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<sup>1</sup> Michael Cheang started a children's savings project that has 28 public schools in low-income districts, and since the project began in Fall of 2008, the children have saved in excess of \$375,000.

<sup>2</sup> Chowa, G. A. N., Ansong, D., Masa, R., Despard, M., Osei-Akoto, I., Richmond, A.-A., Agyei-Holmes, A., & Sherraden, M. (2012). *Youth and saving in Ghana: A baseline report from the YouthSave Ghana Experiment*. St. Louis, MO: Washington University, Center for Social Development.

## Budget

<i>Item</i>	<i>Amount</i>	<i>Justification</i>
Seed deposits	\$9,625	Target 50 in each account treatment cell = 250 accounts @ \$25 seed deposit each children & \$50 for parents (United Bank opening deposit) but will oversample by 5 each cell in case of attrition therefore: Kids: $55 \times 3 = 165 \times \$25 = 4,125$ Parents: $55 \times 2 = 110 \times \$50 = 5,500$
Travel	\$6,000	Michael Cheang (Hawaii to GA - consultation trip); working paper & final paper presentation to NBER
Research assistant (undergraduate researcher)	\$1,500	Assist with financial coaching materials, data collection and compilation, complete IRB training
Supplies/materials/bank field trips	\$1,000	Include coin banks for kids, print and copy expenses for educational materials, field trip transportation
<b>Total</b>	<b>\$18,125</b>	