

Understanding Youth Financial Management in Northern Uganda: *A modified financial diaries approach*

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IRC Outcomes for Youth



Increased
income and
savings

Increased
goal-setting
behavior

Improved
self-esteem

Building an Evidence Base

- ◆ Measuring Change
- ◆ Measuring Success
- ◆ Testing Assumptions



Income & Savings

- ◆ Literature review of what exists
- ◆ Identified gaps
 - ◆ Financial behavior of youth
 - ◆ Risk takers or risk averse
 - ◆ Credit as magic bullet

Portfolios of the Poor



- ◆ Follow & track youth
- ◆ Documenting current strategies and views
- ◆ Provide techniques for staff

Study Objective

Learn how youth in rural and urban Northern Uganda manage their finances.

- Paint a picture of the financial lives the participants in the IRC program.
- Explore the different roles of financial and social capital.
- Understand financial role of youth in a household context.
- Explore gender and rural-urban differences.

Summary of Findings

Youth begin earning money at a young age, and expected contributions increase significantly when they leave school.

These young people appear to be testing a wide range of livelihood strategies in their transition to adulthood and rely heavily on “undesirable” casual work, because of its accessibility and reliability as an income stream within local economies.

Young people are saving a significant share of their earnings using almost exclusively informal mechanisms.

Participants in the study learned about financial management by doing and by observing older relatives. When it comes to seeking advice, they have much more confidence in older relatives than peers.

Despite limited market opportunities and low levels of education, these vulnerable youth are optimistic about their financial futures, believing that farming and running businesses will generate wealth.

Site & Research team

**KITGUM TOWN COUNCIL
& PADIBE TRADING CTR.**

Urban town setting and rural community of resettled refugees

IRC has sponsored vocational training and apprenticeship/mentoring programs in both areas

Formal financial institutions present in urban area but almost completely absent in rural (40km from town)

3 Local Researchers

Local language & context

Living in research communities

Conduct interviews in pairs



Methods: a mix of qualitative and Quantitative



- Screening interviews with each respondent
- In depth enrollment interview with each
- 5 repeated cash flow reconciliations with each
- 4 guided participant photography exercises
- 2 sets of in depth qualitative interviews

Methods: cash flow reconciliation

SOURCES OF CASH		USES OF CASH	
<u>Cash on hand beginning:</u>	8,000	<u>Expenses:</u>	
<u>Income:</u>		Food	20,000
Casual Jobs	12,000	Haircuts	600
Gifts	6,000	Soap, etc.	3,400
Agriculture Etc.	0		
		<u>Financial Outflows:</u>	
<u>Financial Inflows:</u>		Deposit to savings	2000
Taking from savings	500	Repay loan	800
Borrowing, etc.	1000	<u>Cash on hand at end:</u>	700
TOTAL SOURCES	27,500	=	TOTAL USES 27,500

Methods: photography

- At 1st reconciliation interview, participants taught to use cameras.
- Given 4 photography “assignments” around research themes.
- Photos served as non-directive entry point for qualitative discussions.
- Memory cards swapped each week to download pictures.
- Participants given a selection of prints and the cameras as a gift at study conclusion.



Sample--profile

The overwhelming majority of participants are extremely poor. We see larger differences in the sample between the urban-rural split as opposed to the gender split. The rural participants are poorer and have more volatile incomes.

	Padibe	Kitgum	Male	Female	Total
Age	19	19	19	19	19
Average household size	7	7	7	7	7
Percent respondent households living on less than \$1/day equivalent (PPP)	83%	67%	67%	75%	75%
Average Household Consumption (Per Capita Per Month, UGX)	23,986	43,245	35,140	33,615	33,615
Average Household Consumption (Per Capita Per Month, USD)	10	18	15	14	14
Average Monthly Per Capita Income	174,869	209,913	243,784	192,391	192,391
Average Monthly Respondent Income	109,083	72,163	119,880	90,623	90,623
Average % of HH income accounted for by youth respondents	59%	45%	49%	52%	52%
Average Fluctuation in Respondent Income	73%	41%	64%	57%	57%

Earning: sources of income

Casual work is the main source of income for all youth. Small business income from vocational work is generally a small share. Girls' income is lower on average.

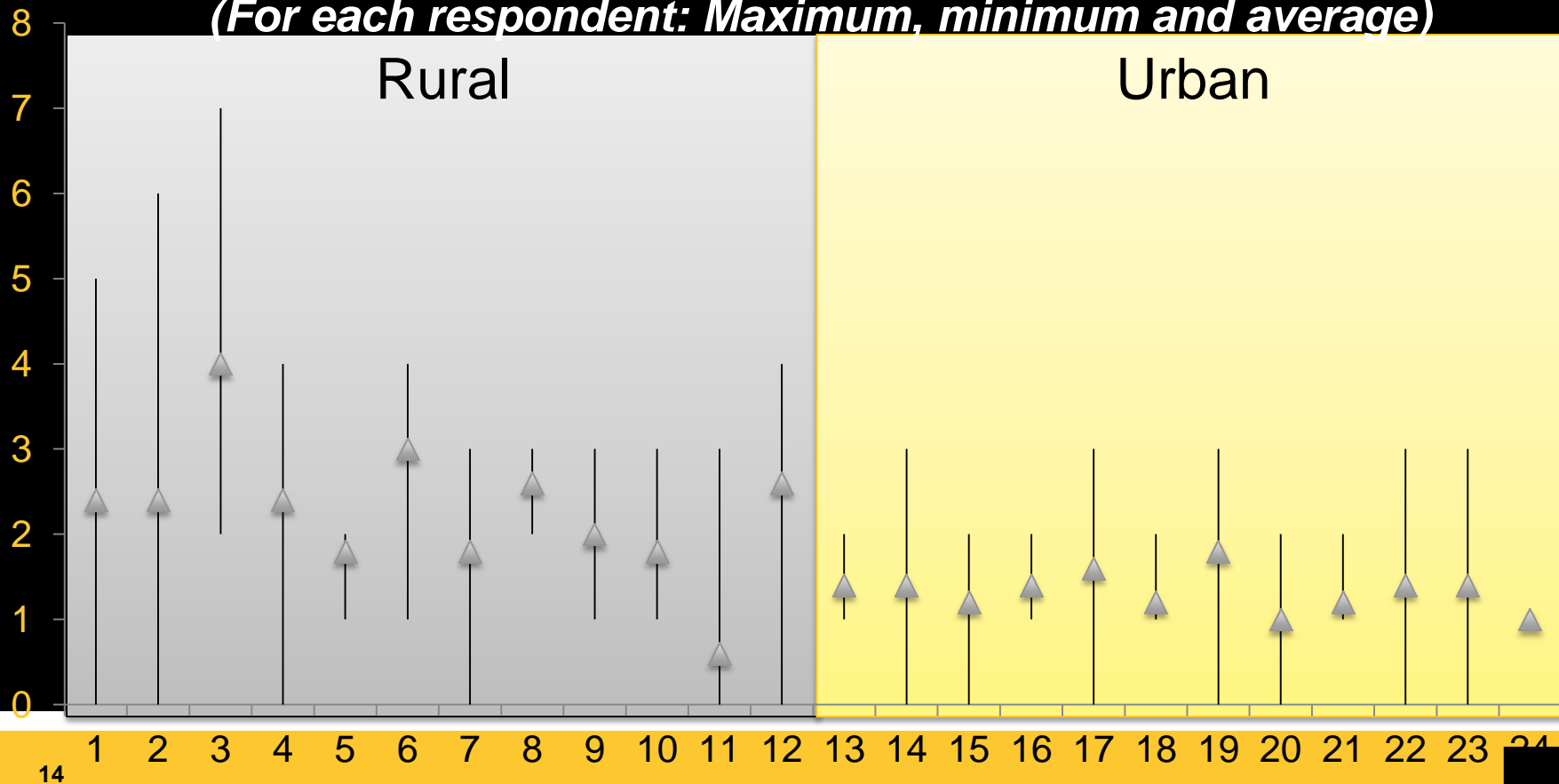
SHARES OF INCOME BY SOURCE			Male	Female	Total
Casual work (brick laying, fetching water/firewood, brewing alcohol)	39%	65%	54%	51%	52%
Gifts	23%	13%	18%	18%	18%
Asset Sales	1%	2%	2%	1%	2%
Crop sales	19%	7%	10%	17%	13%
Business	15%	10%	13%	12%	12%
Other	2%	3%	3%	1%	2%
Mean income per 2 week interval (UGX)	61,252	44,181	78,004	33,153	52,888
Median income per 2 week interval (UGX)	33,600	30,000	50,000	26,050	33,250
Total Income for Entire Period	260,325	180,408	289,517	151,217	220,367

But few rely on just one income source.

Rural youth have a larger number of income sources on average, and the number each week varies widely.

Number of income sources

(For each respondent: Maximum, minimum and average)



Rather than pursuing a career or vocation, participants seemed to be **testing** a wide range of income generating activities.

Example: Respondent #1, Male, Padibe

Tries to start pork joint, but no new income.

Continues casual work and pork business, builds foundation for business in town, UGX 59,000

Sells pork, picks up construction work, lays bricks, invests in seeds & starts planting, UGX 61,000

Period 1

Period 2

Period 3

Period 4

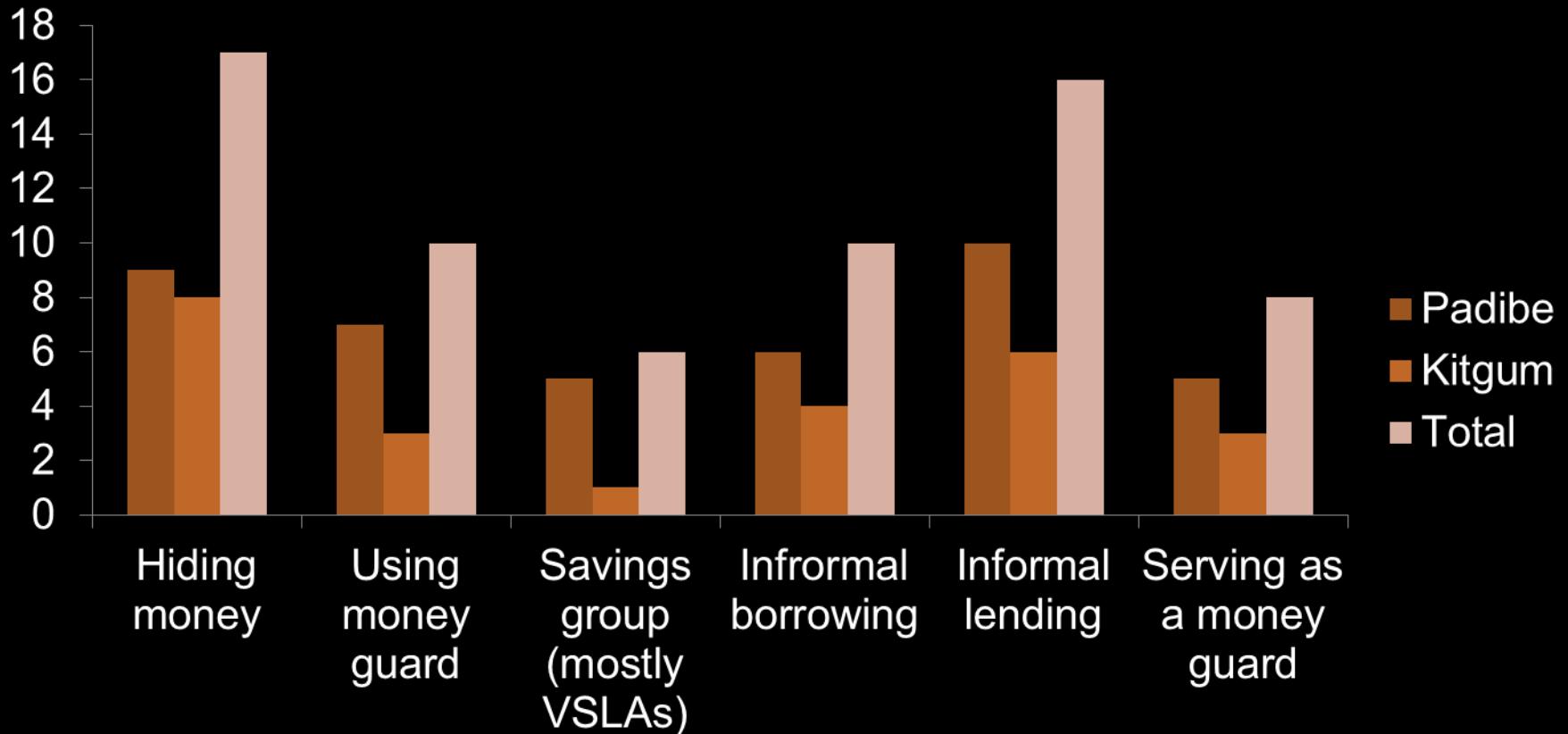
Period 5

Gets small construction job, earns a bit from carpentry, sells a lot of sim sim, lays bricks: UGX322,200

Does a bit of casual work, earns from pork joint, buys lockable stall in center for retail business: UGX96,000

Managing money: financial services

Usage of financial services is almost exclusively informal.



While we tend to think of “saving in the house” as one strategy, respondents believed that exactly where you saved in the house was important.



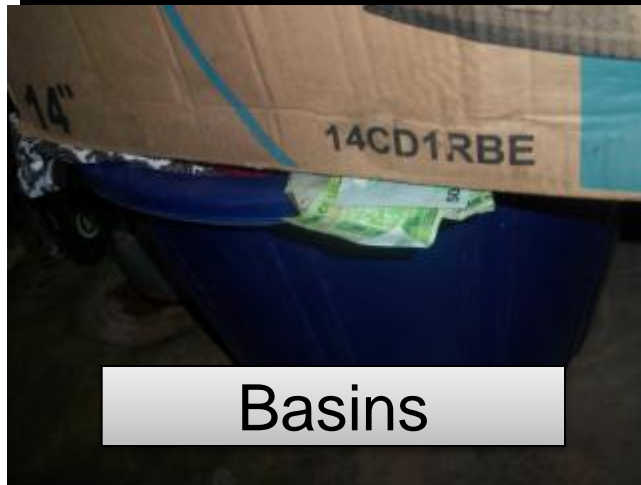
Pillow case



Hole in the house



Suitcase



Basins



Under mattress



Cash box/piggy bank

The choice of location had implications on the safety, accessibility, and demands on your cash.

Pillow cases, mattresses

- Hidden from children
- Easy, simple and accessible for small values to pay for things like unexpected short trips, etc.
- But, it's easy to borrow from people who save in these accessible places.

Buried in a hole/nailed shut cash box

- Enforce discipline, hard to access
- Holes for larger, lumpy values (>UGX 100,000) ; cash box for accumulation
- Holes are away from eyes of spouses, children and potential borrowers.

Jerrycans/Under cooking pots (women)

- Respondents feel no one looks if they are trying to find money
- Convenient/accessible savings spots
- Can direct someone in emergency

Suitcases

- Smaller values that may need to be accessed quickly
- Help settle defilement and assault charges before families find out
- Can be locked

They have reason to be concerned. Many youth had horrible stories of financial loss through their informal savings channels.

One woman in Padibe constantly struggles to tuck small savings away from the eyes of her drunkard husband. Last year, she saved up 70,000 in the thatch of her house. She went to fetch water while dinner was beginning to cook and returned to find her hut in flames. All of her savings was lost.

During the course of the study, thugs broke into the hut of one of the young men participating in the study. They stole his entire savings of 25,000. This sent him out hunting for bush meat to make up the loss.

Another woman keeps her savings in a tin she constantly moves so that her husband won't know where it is. She used to always keep it in a sack of sorghum, but her husband once saw her withdraw a bit to buy refreshments for visitors and the next day, 10,000 went missing.

Money guards

Money guards are people who hold savings on someone else's behalf

Usually larger values with little in and out movement

Often a mother, grandmother, mother in law—but *NOT* a father

Encourages thoughtful decisions, because:

- Time to think
- Often seek advice from money guard
- Can tell guard not to return to you unless you are using the money well

But also imperfect...money can also be lost, stolen, used, unavailable when needed

Social capital—

Youth turn to elder adults for help setting and staying on track with financial goals. Especially boys fear that their peers will lead them astray.

Elders

Mothers, grandmothers trusted the most

Fathers consider your earnings/savings their own

Elders will give good advice, they've been there, they've suffered, and they have learned to be disciplined

Peers

Jealousy concerns (especially among boys)

- Ex: Mayor of Padibe
- Business peers, even if elder

Encourage you to spend frivolously

May steal from your savings

Savings groups (“cash box” or “vsla”)

- Few youth are members aside from some in Padibe who say they were “**forced**” to join.
- Some say that groups in the area **EXCLUDE** members who don’t yet have children.
- But, they say the groups play **BOTH** a **financial and support** role.
- The amount of money moving through the groups is relatively **SMALL**,
- But, it is really the only mechanism that helps people **accumulate** small values over time.

While banks appear to be trusted places to save, they seem out of reach to this population.

“Big people” use banks

Banks are safer

You can only use a bank for big values: common threshold of 400,000-500,000

Many youth in Padibe do not even consider banks a feasible option because of the distance

“Village Banks” regularly fail



Usage of financial services—flows

Savings is used more for smoothing than accumulation, net savings average 1%. More income is mediated in rural area, likely because of greater income volatility.

Total Financial Flows as Share of Income
(velocity/intensity of use)

	Padibe	Kitgum	Total
Savings in the house	19%	2%	15%
Savings with money guard	5%	2%	4%
Savings in a group	2%	0%	1%
Borrowing	3%	0%	2%
Lending	6%	5%	5%
Serving as a money guard	4%	2%	3%
Mediated share of income	39%	12%	30%

Net Financial Flows to Savings
(as share of income per period)

	Padibe	Kitgum	Total
Savings in the house	7%	-12%	-2%
Savings with money guard	4%	2%	3%
Savings in a group	1%	0%	1%
Total Net Savings as Share of Income	12%	-10%	1%

Perceiving the Future:

despite challenging circumstances, most youth believe they can become “rich.”



Today, We are Poor:

- No money to invest
- No valuable assets
- Too money expenses
- Sometimes go hungry.

...But, tomorrow, we will become wealthy through “hard work and sweat.”

Only one rural informant explained that he would definitely not become rich as he did not have any land.

Perceiving the future:

rural respondents tie wealth to land; urban tie wealth to business and salaried jobs.

RURAL (PADIBE)

Farming—particularly cash crops—is key, and subsequently, so is owning own land...

- *“It is easiest to become rich if you have 3 or 4 acres of land by using the earnings from the land to invest in small-scale business. But you can also become rich if you have no land if you borrow a larger amount of cash from your relatives and then invest it in the sugar cane business where the returns are high”*

Money from the land can be invested in other business to help you become rich.

URBAN (KITGUM)

Formal education important to get rich, get a coveted “office” or NGO job

More diverse ways to “get rich”: digging, brick laying, piggery, ox ploughing, poultry, selling produce, sewing, etc.

Need to reinvest your earnings:

- *“People get rich through digging and selling produce and seeds. If you sell the seeds then you can get money to buy land and set up a structure to rent out. You can also burn bricks on that land, which will also increase your income.”*

Land to store, not generate wealth.

Perceiving the Future:

growing up means different things for boys and girls

Boys

- Learning to be independent, to “stop eating from your mother’s pot”
- Experimenting with women
- Raising money for a dowry
- Starting to take care of parents

Financial Objective:
Invest in business, get rich

Girls

- Finding a spouse
- Adjusting to marriage
- Building new support networks
- Supporting children with or without the help of a partner
- Stressful to ensure your family eats something every day

Financial Objective:
Build up a safety net for family



Next Steps

- ◆ Financial diaries methodology in other countries
- ◆ Using Uganda research to design specific savings programs
 - ◆ Learning from informal savings (esp. money guards)
 - ◆ Reaching out to financial institutions

5 Technical Priorities

