

Can a Budget-Recording Tool Teach Financial Skills to Youth?



Providing access to a financial diary app to graduating high school students improves financial literacy test scores and knowledge of market prices.



The financial app also leads to greater levels of inclusion in the formal financial system, increasing the probability of accessing credit and the level of debt in banks.



The treatment effects on financial literacy appear to be strongest among those without exposure to school-based financial lessons while in high school.

CONTEXT

Young people in developing countries face limited economic opportunities, high poverty rates, and low employment levels. In addition, they often lack access to quality and suitable financial services and are unable to navigate an increasingly complex financial system. Advancing the financial inclusion of youth requires a better understanding of their financial needs and promoting financial education programs. While traditional lecture-based formats have proven effective in delivering financial education in the school setting, a remaining challenge is to reach out-of-school youth without exposure to financial education.

PROJECT

We randomly assigned graduating high school students (16- 18 years old) in Peru to a treatment and a control group. The treatment group received access to a financial smartphone app and biweekly monitoring visits. This app allowed youth to record their financial transactions over six months, thus creating a financial diary. The control group received a placebo app to record daily meals. Keeping records of financial transactions can develop healthy financial habits and help youth self-assess their level of financial knowledge and skills. Our financial app might make them aware of their limitations, motivating investments in financial literacy.

RESULTS

Even though the app did not provide financial education content, we find that youth in the treatment group improve their financial literacy test scores by 0.08SD and knowledge of market prices by 0.34SD. The impact on financial literacy is derived from improvements in financial calculations.

Credit bureau data from up to eight months after the end of the intervention show that exposure to the financial app leads to greater levels of financial inclusion. The treatment increases the probability of accessing credit and the level of outstanding debt kept with formal lenders.

Overall, it seems that the financial app does not complement learning from previous exposure to financial education during high school, but instead works as a substitute: the treatment effects estimated for financial literacy and greater access to credit seem to be driven by those who did not receive financial education in school.

The app may have led students to search for financial knowledge, particularly in the cases in which larger pre-treatment gaps were present. Two findings support this conclusion. First, the financial literacy and behavioral effects triggered by the treatment were untargeted by the budget recording tool. Second, the app does not seem to complement learning from school-based financial education.



Key Concept

FINANCIAL DIARIES

High-frequency panel data collection methodology through which participants record their daily financial inflows and outflows over a given period. They provide a rich and detailed understanding of individual financial behavior.

POLICY IMPLICATIONS

Our findings suggest that access to the financial app and monitoring can help youth realize the knowledge gaps they face, motivating them to search for financial information and thus change their financial behavior. The budget-recording tool has the potential to achieve two goals. First, it could trigger financial knowledge acquisition. Second, it is a potentially low-cost way to reach young people who can no longer be targeted at school. This is particularly important as it is a more suitable strategy to reach dropouts or school graduates without exposure to financial education.

Even though the role of enumerators was crucial in our study to guarantee higher levels of compliance, their role can be replaced in settings where youth are more digitally savvy, more used to relying on recording apps in other dimensions of their lives and have more extended access to smartphones. If the intervention replaces the role of enumerators with that of reminders, peer support, and other low-cost strategies, the main sources of costs will be those coming from app development and data storage and transfer.

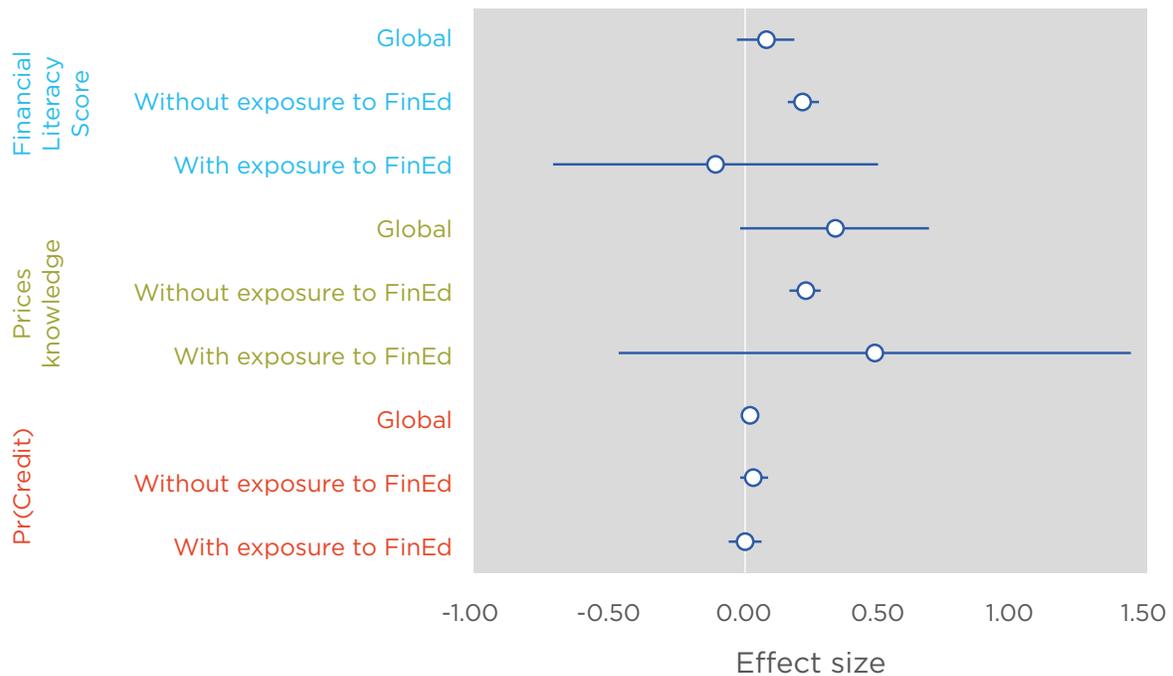
Key Concept



CREDIT BUREAU

Data collection agency that gathers account information from creditors to compile individual credit histories that are then offered to lenders to help them determine creditworthiness.

Figure 1. Effects of Providing Access to a Financial Diary App



Note: Round markers show the estimated effects, and the lines reflect the 95% confidence intervals. For each outcome, average treatment effects and heterogeneous effects by prior exposure to financial education in the school are presented.



FULL STUDY

[Frisancho, Verónica, Alejandro Herrera, and Silvia Prina. 2021. "Can a Budget Recording Tool Teach Financial Skills to Youth?: Experimental Evidence from a Financial Diaries Study."](#)

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