



Seek Wisdom, Elevate your Intellect and Serve Humanity



Addis Ababa University
College of Law and Governance Studies

**Minors' Financial Inclusion in Ethiopia: An Examination of the Legal,
Regulatory Framework and the Practice of Commercial Banks**

Meaza Fikre Sebhatleab

Advisor: - Solomon Abay (PhD, Associate Professor)

**A Thesis Submitted to School of Graduate Studies of Addis Ababa University
in Partial Fulfilment of the Requirements for Degree of LLM in Business Law**

December, 2020

Addis Ababa

Declaration of Originality

I, Meaza Fikre, hereby declare that the thesis entitled **Minors' Financial Inclusion in Ethiopia: An Examination of the Legal, Regulatory Framework and the Practice of Commercial Bank** is my original work and that no part has been submitted before for a degree in any university and that all sources of material used in the thesis have been duly acknowledged.

Meaza Fikre Sebhatleab

Signature-

Date -

Advisor:- Dr. Solomon Abay (Associate Professor)

Signature

Date

Approval Sheet by Examining Committee

Meaza Fikre Sebhatleab's thesis, entitled as **“Minors’ Financial Inclusion in Ethiopia: An Examination of the Legal, Regulatory Framework and the Practice of Commercial Banks”**, is approved by the undersigned members of the examining committee.

Members of Examining Committee

Advisor- Solomon Abay (PhD, Associate Professor)	Signature_____	Date_____
Examiner- Tilahun Teshome (Professor)	Signature _____	Date _____
Examiner-Mehari Redae (PhD, Associate Professor)	Signature_____	Date _____

Acknowledgments

I thank all who in one way or another contributed for the completion of this thesis. First, I would like to thank God for all his blessings in my life. I would also like to extend my gratitude to my advisor Dr. Solomon Abay (associate professor), for all his guidance and invaluable advice during the research period. My gratitude goes to the respondents that extended their cooperation and valuable response for my interviews.

Special thanks to my husband, whose love and guidance are with me in whatever I pursue and for my beloved son and my daughter.

Finally, I would like to express my gratitude to my mom, my sisters and all my friends for their support for the successful completion of my study.

Table of Contents

Declaration of Originality	ii
Approval Sheet by Examining Committee	iii
Acknowledgments.....	iv
Abstract.....	vii
Acronyms.....	viii
CHAPTER ONE	1
INTRODUCTION.....	1
1.1 Background of the Study.....	1
1.2 Statement of the Problem	3
1.3 Research Questions.....	7
1.4 Methodology.....	7
1.5 Scope of the Study.....	7
1.6 Objectives and Significance of the Study.....	8
1.7 Limitation of the Study.....	8
1.8 Organization of the Study.....	8
CHAPTER TWO	9
General Overview of Minor’s Financial Inclusion and Legal and Regulatory Barriers for Minors to Access Saving Account Products	9
2.1 Financial Inclusion in General.....	9
2.2. Financial Inclusion of Minors through Saving Account Products	10
2.3 Legal and Regulatory Barriers which Restrict Minors Financial Inclusion	13
2.3.1 Minimum Age Requirement.....	13
2.3.2 Formal Id Requirement.....	16
CHAPTER THREE	18
Examining the Legal, Regulatory Frameworks and Minors Financial Inclusion Practice in Ethiopia Commercial Banks	18
3.1 Reviewing Major Ethiopian Laws in Relation with Minor’s Financial Inclusion through Saving Accounts.....	19
3.1.1The Ethiopian Civil and Commercial Code	19
3.1.2The Revised Family Code	20
3.1.3 Emancipation of Minors	23
3.1.4 Labour and Cooperative Society's Proclamations	26

3.1.5 Banking Business Proclamation	27
3.2 Major Regulatory Frameworks in relation with Minors Financial Inclusion	28
3.2.1. National Financial Inclusion Strategy	28
3.2.2 National Youth Policy	29
3.2.3 The Growth and Transformation Plan II (GTP II)	30
3.2.4 Identification Requirement	31
3.3 Minor’s Financial Inclusion and Access to Saving Account Products Practice in Ethiopia Commercial Banks	32
3.3.1 Commercial Banks Not Providing Minors Alone Saving Account Products.....	33
3.3.2 Commercial Banks Providing Minors Alone Saving Account Products.....	34
CHAPTER FOUR	36
Rationales for Regulating Minors Financial Inclusion in Ethiopia and Issues which Needs Consideration	36
4.1 Rationales for Regulating Minors Saving Account Products in the Ethiopian Banking Sector	36
4.1.1 Large Number of Minors’ Active Involvement in the Economic Activity	36
4.1.2 Reduced Minimum Legal Age Requirements are introduced in other related laws.....	37
4.1.3 The Product Practically Offered by Some Banks Necessitate Applicable Regulation.	38
4.1.4 Promoting Fair Competition among Banks in Providing the Product.....	39
4.1.5 Improving the Domestic Saving Level of the Country.....	40
4.1.6 Promote Saving Culture at an Early Age.....	41
4.1.7 The Evolving Capacity of the Minors.	41
4.2 Regulating Minors Saving Account Products in the Ethiopia Banking Sector	43
4.2.1 Regulating Minors Saving Account Products in Ethiopia.....	43
4.2.2. Flexible Identification Requirement.....	47
4.2.3 Developing minors Friendly and Protective of the Banking Sector Saving Account Products	48
CHAPTER FIVE	50
Conclusion and Recommendations	50
5.1 Conclusion.....	50
5.2 Recommendations	53
Bibliography.....	54

Abstract

Financial inclusion policies mainly aim at enhancing appropriate formal financial services for the society. Basic saving account is especially crucial for young minors entering the labor market and engaging in economic activity. However, the Ethiopian legal framework generally does not enable minors to own saving bank accounts independently and they can only have a custodial account with parents or guardians as co-owners until they turn age of majority, eighteen years.

The trend of commercial banks on the other hand shows inconsistency in providing minors saving account products due to different interpretation of the law. As such, majority of the banks do not provide and allow minors to open and manage saving accounts products independently, invoking the minimum legal age requirement and the Know Your Customers (KYC) principle as main barriers. Nevertheless, various justification calls for an enabling legal framework for minor's financial inclusion.

Therefore, this research paper is intended to examine whether the existing Ethiopian legal and regulatory framework enable minors, particularly working minors, to access basic saving account products independently. It is also meant to assess the

current commercial banks' practice in relation to minors' access to saving account products. Accordingly, this paper claims that the existing Ethiopian legal and regulatory framework does not enable minors to access saving account products independently. It also finds out that all but four commercial banks do not provide minors only owned saving account products by contending that the law doesn't allow so.

It further recommends that specific regulation which reduces the legal minimum age minors can open and manage saving account independently should be introduced and more flexible identification requirement should be set for minors to own saving account and resolve the current legal and practical challenges minors are facing to access bank saving account, and also promote financial inclusion.

Acronyms

ATM Automatic Teller Machine

AFI Alliance for Financial Inclusion

CATS Customers Accounts and Transaction Services

CBE Commercial Bank of Ethiopia

CDD Customer Due Diligence

CRBP Children's Rights and Business Principles

CRC Convention on the Rights of Children

CSA Central Statistical Agency

CYFI Child and Youth Finance International

FATF Financial Action Task Force

GDP Gross Domestic Product

GTP Growth and Transformation Plan

ID Identification Document

ILO The International Labour Organization

KYC Know Your Customer

NBE National Bank of Ethiopia

NGO Non-Governmental Organization

OECD Organization for Economic Development and Cooperation

RFC Revised Family Code

UNCDF United Nations Capital Development Fund

UNDP United Nations Development Programme

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Ethiopia comprises the second youth population in Africa.¹ Ethiopia is also characterized as a country with highest rate of child labour in various studies. The ILO survey on child labour in Ethiopia, for instance, indicates 42.7 percent of children between the ages of 5 to 17 years are engaged in child labour.² Ethiopia country study on child labour and youth employment also revealed 68.4 percent of children's between the ages of 15 to 18 are employed.³ The labour proclamation as well reduces the minimum age to enter into contract of employment to fifteen years.⁴ Accordingly, minors above the age of fifteen are legally allowed to enter into a contract of employment and earn their income.

Access to appropriate financial services, most importantly saving accounts, plays an important role in supporting those working minors to become productive and to keep their earnings safely. Saving is fundamental for an individual to build assets and accumulate the wealth crucial to meet a variety of needs for life.⁵ The significance of providing saving accounts to the youth segment of the population is fairly a straightforward case.⁶ Especially, offering formal saving account for the working minors have many importance's, such as having safe place to keep their money, psychological benefits of knowing that they can access and use their money whenever the need arise, developing a good saving habit, form networking and earn interest. Access to financial service is the key to empower youths to make their economic decision and escape poverty.⁷ Diverse studies also reveal creating the opportunity for minors, particularly working

¹ Lorenzo . Guarcello and Furio. Rosati, Child Labor and Youth Employment: Ethiopia Country Study, (March 2007) 1

² The Ethiopia National Child Labour Survey, CSA of Ethiopia and ILO, (2015) 62

³ Guarcello and Rosati (n 1) 14

⁴ Labor Proclamation, 2019, Art. 89(2), proc. No 1156, Fed. Neg. Gaz., 25th Year, No. 89

⁵ Jeff Meyer., et al., Child saving accounts: global trends in design and practice, (July 2008) 2

⁶ Tanaya Kilara and Alexia Latorture, Emerging perspectives on youth savings, focus note 82, (July 2012) 2

⁷ *ibid* 8

minors, to open and manage their saving account is one instrument to enable them build their financial future, and ultimately encourage economic growth.⁸

Given the paramount importance of access to financial service for minors, however, the financial service is not easily accessible for them. They face various barriers to access financial services; including limitations in the legal and regulatory environment, inappropriate and inaccessible products and services, and low financial capabilities.⁹ In particular, the minimum age at which minors can open and operate their saving account independently, and the identification documents required are the main barriers.¹⁰

In Ethiopia, there is no specific legislation that stipulates the minimum legal age required to open bank account independently. Furthermore, there is no exception provided in the banking business proclamation regarding the minimum age required for banking transactions in general and opening saving account in particular. Hence, in the absence of a specific rule, the general contract law principles must be adhered. The Ethiopian contract law specifically prohibits minors under the age of eighteen from entering into a binding contract.¹¹ As opening saving account is a contract made between the agreement of the depositor and the banks, minors cannot legally be able to open and manage saving account independently.

On the other hand, in several studies, Ethiopian legal framework is mentioned as one exception which enables minors above the age of fourteen to open and manage their saving account independently.¹² Besides that from the seventeen commercial banks currently operating in Ethiopia, four commercial banks¹³ are practically offering minors alone saving account products,

⁸ ibid 19

⁹ UN Capital Development Fund, Policy opportunities and constraints to access youth financial services, (2012) 15

¹⁰ Scarlet Aldebot and Aleta Sprague, The Regulatory Environments for Youth Savings in Developing World, report, (2014) 13

¹¹ Civil Code of the Empire of Ethiopia, 1960, Arts. 1678 and 192

¹² As an example Aldebot and Sprague (n 10) 14 and 18, and policy opportunities and constraints to access youth financial services , 11, available at

https://youtheconomicopportunities.org/sites/default/files/uploads/resource/AccessstoYFS_UNCDF. (accessed February 12, 2020) and understanding youths and their financial needs, (2013) 28, available at https://seepnetwork.org/files/galleries/1058_Un (accessed March 5, 2020)

¹³ Commercial bank of Ethiopia, Addis International Bank, Lion International Bank and Abyssinia Bank

in which minors above the age of fourteen can open and transact independently. Nevertheless, the rest thirteen commercial banks do not provide minors alone savings account products and revoke the minimum age requirement restriction and KYC regulation as one reason for not offering this product.¹⁴

In addition to the minimum age restriction, a person is required to show an identification card to open a bank account because of the KYC or CDD principle. NBE also issued a directive that stipulates the criteria banks should follow about customer identification to open a bank account.¹⁵ This KYC regulatory framework also poses a problem for minors to open saving accounts by the inability to produce an official form of identifications.

1.2 Statement of the Problem

Ethiopia has one of the highest rates of child labour in the world.¹⁶ According to the results of the 2015 national child labour survey published in 2018, almost 16 million children from the ages of 5 to 17 engaged in child labour.¹⁷ Moreover, 68.4 percent of children's between the ages of fifteen to eighteen are employed.¹⁸ Ethiopian national human development report also shows 77.9 percent of youths from ages fifteen to twenty-four are actively participate in the labour force.¹⁹ Casual everyday observations also demonstrate substantial numbers of minors are engaging in economic activity and earning income to help themselves and families by selling goods and providing service in Ethiopia.

Most of all, minors above the age of fifteen are legally allowed to engage in light work and make their own earning. Also, minors starting from age fourteen are allowed to join cooperatives associations by contributing money, resource, or skill and obtain the services of the associations

¹⁴ Interview conducted with the commercial banks' relevant personnel, at different times as annexed

¹⁵ Customer Due Diligence of Banks, directive No. SBB/46, 2010, Art., 4

¹⁶ Guarcello and Rosati (n 1) 6

¹⁷ The Ethiopia National Child Labour Survey (n 2) 62

¹⁸ Garcillo and Rosati (n 1) table 5, 14

¹⁹ Ethiopian National Human Development Report, Industrialization with a Human Face, UNDP (2018), table 3.1

and benefits attached.²⁰ Besides, minors above the age of fourteen are legally authorized to receive and freely dispose of their income, given they contribute to their maintenance.²¹

Given those large numbers of minors are engaged in the labor market, access to formal financial services, mainly saving account, will have key importance for their wellbeing. These working minors, due to their active participation in the economy and also their vulnerability at the same time, deserves to access safe and affordable saving account products.²²

Several studies also have shown the significance of financial inclusion, mainly providing saving account products for minors, how it positively impacts their life and there is a real need to save from them.²³ In addition to that by enabling those large numbers of minors to have access to saving accounts would provide the possibilities of channelling large depository of savings, which ultimately helps the overall country. Even more, creating financial inclusive system and enable them to use and own an account at a relatively early age would have an impact on improving saving culture and financial skill.²⁴

However, in Ethiopia, there is no specific regulation regarding the minimum legal age required to open and manage saving accounts. Also, there is no exception provided regarding the minimum legal age required for managing banking transactions in general and opening saving account in particular in the banking business proclamation. Rather, the proclamation stipulates banks are not relieved from compliance with the provisions of relevant laws in so far as these laws are not inconsistent with the proclamation.²⁵

The Ethiopian contract law, on the other hand, specifically prohibits minors from concluding contract. The banking sector subject to both financial regulations and general business regulations applicable to all businesses, the general minimum age restriction applies to banking sector products too. Consequently, as opening saving account is a contract made between the

²⁰ Cooperative Societies Proclamation, 1998, Art. 13, proc. No. 147, Fed. Neg. Gaz., 5th year, No. 27

²¹ The Revised Family code proclamation, 2000, Art. 263, proc. No 213, Fed. Neg. Gaz., No 1

²² Aldebot and Sprague (n 10) 11

²³ *ibid* 6

²⁴ *ibid*

²⁵ Banking Business Proclamation, 2008, Art. 60(3) proc. No. 592, Fed. Neg. Gaz., 14th, No 57

depositor and the respective banks, minors cannot legally open bank saving account independently. Minors are subject to the control of guardians and only represented by their tutors in matters concerning financial issues and the administration of property.²⁶

Considering this legal restriction, majority of the commercial banks in Ethiopia offer custodial saving account products for minors in which parents or guardians only open and manage the account on behalf of the minor until they turn age eighteen. Nevertheless, four commercial banks offer saving account products for minors above the age of fourteen, in which those minors can open and transact the account independently, citing the legal framework is enabling.²⁷

Accordingly, this minimum legal restriction and the trend of majority of commercial banks exclude many working minors from accessing bank service, mainly using saving account. Especially, minors living alone and do not have any available parent or guardian to open saving account on their behalf are excluded from accessing the financial services and opening saving account in their name to save their money safely. Some lawyers even mentioned this minimum legal age restriction as a major problem for working minors to access financial services and stress the revised commercial code to address this problem.²⁸

In addition to the minimum legal age restriction, KYC or CDD regulations require some form of official documents to open bank account and banks are required to comply with it. However, minors in Ethiopia do not have access to government-issued IDs or official Id.²⁹ Hence, this regulatory framework also impedes minors to open saving account, even in those banks which offers minors alone saving account. Requirements such as KYC and other identification and documentation requirements can create challenges that disproportionately affect minors.³⁰

Therefore, this minimum legal age restriction and the identification documents requirement, leave those minors not to have a safe place to keep their income and vulnerable to lose

²⁶ The Revised Family code (n 21), Art., 216

²⁷ Interview (n 14)

²⁸ ዝተ አየለ, የኢ.ት.ሮ.ጳ.የ የባንክ እና የሚተላለፊ የገቢድ ሰነዶች ህግ, (2009) 58-59, and interview conducted at different time with three legal professionals working in the banking sector as annexed

²⁹ Vital events registration and national identity card proclamation, 2012, Art. 3, proc. No 760, Fed. Neg. Gaz., 18th, No 58

³⁰ Tanya Kilara., et al., The business case for youth savings: a framework, (2014) , no 96. 5

it. Besides, those working minors are excluded from the formal financial services to save their money, mostly rely on informal means of managing money which includes family and friends, cash-on-hand, money lenders, or keeping money under the mattress.³¹ Yet, these choices are inefficient, costly, unpredictable and accumulated savings can put minors at risk of theft.³² Furthermore, working minors are more likely to travel frequently in search of work from place to place; it makes it more problematic for them to consistently access informal mechanisms.³³

On the other side, disabling those large numbers of working minors from using the formal banking sector to save their money, in effect contributes the economy to miss a huge opportunity to accumulate domestic saving capital from deposits. Greater accesses to deposit improve the capacity of banks to mobilize savings, while better saving deposits facilitates economic growth by growing the ability to undertake enormous productive investments.³⁴

Likewise, by excluding those minors to start using banking service and also save their money, the chance of promoting saving culture at relatively an early age is missed. Various studies suggest offering minors to use the financial system at a young age help to create adults with stronger money management habits and it is simpler for children to build behaviour of financial discipline when they are young.³⁵

Besides, the Ethiopian legal framework is mentioned as one exception which enables minors above the age of fourteen to open and manage their saving account independently in different studies. Also, due to the absence of any cohesive regulation and different interpretation of the law, four banks allow minors above the age of fourteen to open and manage saving account independently. This trend by itself creates inconsistency in providing minors alone saving account products among the banks.

³¹ United Nations, Building Inclusive Financial Sectors for Development, (2006) 36

³² *ibid*

³³ Aldebot and Sprague (n 10) 18

³⁴ K. Kpodar & M. Andrianaivo, ICT, Financial Inclusion, and Growth; Evidence from African Countries, IMF Working Papers, (2011) 19

³⁵ Elizabeth. Johnson and Margaret. Sherraden, 'From Financial Literacy to Financial Capability Among Youth' (2007), J. Sociology and Social Welfare: Vol. 34, 9

1.3 Research Questions

1. Does the existing Ethiopian legal and regulatory framework enable minors to open and manage saving account products independently?
2. What does the current commercial banks' practice in relation to minors saving account products look like?
3. Is there a need for regulating minors' bank saving account products in Ethiopia and what are those factors the regulation should take into consideration?

1.4 Methodology

This research employed both doctrinal and empirical legal research methodologies. As such, primary and secondary data will be used to examine the legal, regulatory and policy framework in related with minors' bank saving account and to examine the practice of commercial banks by employing different methods.

Accordingly, relevant laws, regulations and policies related to minor saving account products and correlated areas will be analysed. The study also relies on secondary sources such as, books, journals, internet, research papers, reports and some countries experience to review the conceptual basis of minors saving account products.

Moreover, an in-depth interview with key informants who are purposively selected according to their role from all commercial banks currently operating in Ethiopia will be conducted to assess the respective banks trend in relation with minors saving account products and to examine the impact of the legal and regulatory framework on their product design decision. Unstructured interview will also be conducted with legal professionals working in the banking area. All data collected through interviews, primary and secondary sources will be analysed by focusing on the legal and regulatory framework by employing qualitative analysis method.

1.5 Scope of the Study

The research focuses on examining the legal and regulatory framework of minors' bank saving account products and the practice of commercial banks in related with this product. The research does not include the practice of microfinance or other financial service providers, as there are

more than 35 microfinance institutions³⁶ operating in the country, as of August 2020. While the legal and regulatory framework in relation to this product is examined in connection with the main study.

1.6 Objectives and Significance of the Study

This research is justified by the demand to examine the legal and regulatory and also the practice of commercial banks in related with minors saving account products. Further the need for developing an appropriate regulatory framework that will enable working minors' financial inclusion, mainly accessing saving account products, justify this research. Accordingly, it aims at achieving two important objectives. First, it aims at contributing to the knowledge about minors' saving account products legal and regulatory framework of the country and also the practice of commercial banks. Second, in light of the research background, problems and questions, it aims at indicating the rationales, and the need for regulating minors saving account products.

1.7 Limitation of the Study

During the process of conducting this thesis, the unavailability of timely Ethiopian literature and data on the research area were major limitations.

1.8 Organization of the Study

This research paper will have five chapters. Chapter one introduces the background of the study, statement of the problem, research questions, significance of the study, research methodology, scope and limitation of the study. Chapter two will provide a general overview of minors' financial inclusion and the legal and regulatory barriers of minors' to access financial services. Chapter three examines the legal, regulatory and policy frameworks and also minors saving account products practice in the Ethiopia banking sector. Chapter four of the study outlines the rationales which justify the need for regulating minors saving account products in the Ethiopia banking sector and the subject matters that should be taken into consideration in regulating the product. Finally, chapter five will be conclusion and recommendations.

³⁶ Available at <https://www.nbe.gov.et/financial/microfinanceinstitutes3.html>, (accessed at August, 2020)

CHAPTER TWO

General Overview of Minor's Financial Inclusion and Legal and Regulatory Barriers for Minors to Access Saving Account Products

2.1 Financial Inclusion in General

Financial inclusion is a global agenda and become an area of interest for policymakers, regulators, researchers, and different stakeholders.³⁷ Financial inclusion today is generally considered as a right for all citizens due to its perceived importance as driving forces of economic equality in this modern age.³⁸ Financial inclusions signify a principal topic because of its implications for reducing poverty and accelerate prosperity. Many African countries, including Ethiopia, adopt financial inclusion as one national strategy.³⁹ In 2012 also, AFI member states issued the Maya Declaration, which put measurable commitments with the main aim of reaching the unbanked people globally through expanding financial inclusion.⁴⁰

There is no one commonly accepted definition of financial inclusion; yet, it is commonly defined as the accessibility rate of financial products and services. The World Bank in 2014 defines financial inclusion as “the proportion of individuals and firms that use financial services.”⁴¹ Afterwards; the Bank defines it as:

*Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit, and insurance – delivered appropriately.*⁴²

³⁷ Financial inclusion is one reform agenda in group of twenty (G20), and AFI is established with main objective of promoting financial inclusion, growing number of countries adopt financial inclusion strategies nationally.

³⁸ Child and Youth Finance International and MasterCard incorporated International, Banking a new generation, (2014) 3

³⁹ Thouray Triki and Issa Faye, financial inclusion in Africa, African Development Bank, (2013) 31

⁴⁰ Financial inclusion, global financial development report, (2014) 101

⁴¹ *ibid* 15

⁴² <https://www.worldbank.org/en/topic/financialinclusion/overview#1>, accessed at July 29, 2020

In the same way, financial inclusion is defined as the method of offering affordable, timely and adequate access to various types of regulated financial products and services and increases their use by all sections of society by implementing existing and innovative ways to promote financial, economic and social inclusion.⁴³ Ethiopian national financial inclusion strategy does not define financial inclusion specifically.

When financial institutions are not accessible due to various reasons, people most of the time save through informal means, such as in rotating savings, by hiding cash, or by giving cash to families, local merchant, moneylender or neighbour.⁴⁴ Some people may even save in non-financial methods by investing their money on assets like jewellery and livestock.⁴⁵

2.2. Financial Inclusion of Minors through Saving Account Products

Saving is the broadest demand from financial services globally.⁴⁶ Financial inclusion, mainly basic saving account, is an instrument to interrupt the poverty circle for youth and also is the first step towards social, economic, and political inclusion.⁴⁷ Every child and youth has a right to safe, accessible financial services and it assists them to grow into productive economic citizens.⁴⁸ Several studies have shown the relevance of financial inclusion for minors. The youth save research shows that minors, mostly aged twelve to eighteen want to save in formal savings accounts, and younger youth save more often than older youth, which strengthens the belief that it is important to introduce minors to use saving account at a younger age.⁴⁹

Proponents for introducing minors alone saving account products argue that such products can encourage asset building, instil sound money management habits, improve a country's overall gross saving rate, help to reduce transaction costs, enables minors to better safeguard their assets,

⁴³ Adele Atkinson and Flore Messy, Promoting Financial Inclusion through Financial Education: Evidence, Policies and Practice, OECD Working Paper, (2013) 11

⁴⁴ World Bank Group, The global finindex database, measuring financial inclusion and the fintech revolution, overview, 9

⁴⁵ *ibid*

⁴⁶ Building Inclusive Financial Sectors for Development (n 3) 36

⁴⁷ Banking a new generation (n 38) 5

⁴⁸ *ibid* 8

⁴⁹ Financial inclusion for children and youth, CYFI Landscape Series , (2016) 19

and making easy and safer transactions.⁵⁰ Furthermore, a wide variety of studies suggest a positive relationship between the ownership of saving account and higher levels of economic and financial wellbeing such as saving income and assets as well as better academic achievement and educational attainment.⁵¹

The MasterCard Foundation has identified three areas in which access to financial services can positively impact minors. First, it provides the opportunity to encourage positive behaviours like saving and budgeting at an early age. Second, access to financial services helps asset accumulation and managing transactions in a safer mode. Third, engaging minors to access financial services has the potential for supplementary benefits, such as psychological, educational, and health effects.⁵²

Until recently, yet, offering financial services for minors was considered unnecessary or even unsafe, due to the presumption that minors do not have the sufficient capacity and skills to manage those services prudently and might be exposed to manipulation.⁵³ Assumption of offering financial services to minors would lead them to leave school early to join the labour market was also another concern.⁵⁴

However, different studies are proving these assumptions are not right; in as far as appropriate saving account products are offered.⁵⁵ The customary or common way of designing banking products for minors has been giving the right to protection priority, by giving authorization exclusively to parents or guardians, thus restricting the opportunity of minors to transact independently.⁵⁶ Fortunately, this trend is on change, that more financial regulatory institutions are creating an enabling system for minors to transact and own banking accounts, by putting appropriate safeguards in place.⁵⁷

⁵⁰ Tanaya and Latorture (n 7) 2

⁵¹ Banking a new generation (n 38) 15

⁵² Financial inclusion for children and youth (n 49) 19

⁵³ Tanaya and Latorture (n 7) 6

⁵⁴ *ibid*

⁵⁵ Financial inclusion for children and youth (n 49) 21

⁵⁶ Banking a new generation (n 38) 35

⁵⁷ *ibid*

At the same time, minors' saving account products necessitates a unique approach to safety and security. The CYFI, for instance suggest two main frameworks through which financial institutions can verify whether their children and youth products are safe.⁵⁸ Thus are CRBP⁵⁹ and child and youth-friendly banking principle.⁶⁰

The CRBP listed ten business actions to respect and support children's rights. These are; child rights integrations, child labour, young workers, parents and caregivers, child protection and safety, product and services, marketing and advertising, environment and land, security, emergency and community, and government efforts. These principles demands providers to consider, respect, and support children's rights during their conduct by incorporate proper policies and processes.⁶¹

The Principles for Child and Youth Friendly Banking Products likewise set eight principles; These are;- availability and accessibility, maximum control for children and youth, positive financial incentives, reaching the unbanked youth, employing child and youth-friendly communication strategies, economic citizenship education, monitoring of satisfaction and internal control. The principles aim to facilitate an international benchmark for safe and reliable banking products for children and youth.⁶² Mainly, great child and youth-friendly product proposition work on asset accumulation, financial management, and skills development while respecting and supporting children's rights.⁶³

Even though several studies have shown the relevance of financial inclusion for minors, more importantly saving accounts, the opportunities they legally access these products are still limited. According to the World Bank global findex, age is cited as one reason that impacts the likelihood

⁵⁸ Banking a new generation (n 38) 16

⁵⁹ The CRBP were developed in a process led by UNICEF, UN Global Compact, and Save the Children.

⁶⁰ Banking a new generation (n 8) 16

⁶¹ *ibid*

⁶² *ibid* 18

⁶³ *ibid* 41

of having an account, and youths aged fifteen to twenty four are 10 to 50 percent less likely to have an account at a formal institution than adults.⁶⁴

2.3 Legal and Regulatory Barriers which Restrict Minors Financial Inclusion

Despite the importance of financial inclusion for minors, they face various barriers to access financial services. Different barriers, such as legal and regulatory restrictions, financial literacy and capability, and negative perception both from the minors and the banking sector are amongst the common.⁶⁵

Legal and regulatory restrictions have been recognized as a major challenge for financial inclusion of minors; minimum age restrictions to open saving account and control and identification requirements are the most commons.⁶⁶ Regulations are mainly aimed to safeguard customers, service providers, and the system, but at times these same purposes can pose a problem for minors to access financial services.⁶⁷ In this section, the minimum age restriction and identification documents requirement barriers to open and manage saving account products by minors will be discussed.

2.3.1 Minimum Age Requirement

The most common barrier for minors to access financial service is a predefined high minimum age requirement for account opening.⁶⁸ Many countries throughout the world, including CRC, set the age of majority at the age of eighteen.⁶⁹ The age of majority is known as the beginning age to acquire capacity in law. After attaining majority, persons can legally undertake control over their actions and the legal control of parents or guardians terminate.

In most cases, regulators presume minors do not have sufficient developmental or cognitive capabilities to understand the content and consequences of the contract into which they are

⁶⁴ The global findex database (n 44) 16

⁶⁵ Aldebot and Sprague (n 10) 2

⁶⁶ ibid 4

⁶⁷ Financial service for young people: prospects and challenges, the MasterCard foundation, 16

⁶⁸ Aldebot and Sprague (n 11) 7

⁶⁹ CRC, Art., 1 defines a child as a person below the age of eighteen years.

entering.⁷⁰ Regulators consider also that minors may be susceptible to pressure or abuse from adults who want them to enter into contracts on their behalf.⁷¹ This minimum age requirement hence operates to protect the interest of minors while managing risk for financial service providers also.⁷²

Though it is essential to set a minimum age, the age of majority is often too high and considerably hinders large number of minors from financial inclusion.⁷³ Restricting saving account opening to those minors who already have earnings, might put a perception that banks are only for adults and leave those minors to save informally and insecurely.⁷⁴ There are many countries, however, that has changed the regulation to overcome these barriers with encouraging results.⁷⁵

Due to this minimum age restriction, it is common practice of banks to allow minors to have custodial account in which they can open bank saving account only in conjunction with parent or guardian.⁷⁶ However, these arrangements pose challenges for minors, such as:-

1. Various researches have revealed a widespread preference of minors for greater control over their accounts, citing privacy, security, and accessibility concerns.⁷⁷ Those minors expressed one of the reasons to choose informal saving mechanisms over the formal one with parents involved is because they have greater control over their savings through the informal mechanisms.⁷⁸ Therefore, this arrangement of allow minors to open saving account only with parent or guardian is against the minor's desire for autonomy and become a disincentive for account opening.
2. Many homeless minors are not in the physical custody of their parents or legal guardian. Consequently, saving account products that always require an adult co-signer for minors are

⁷⁰ Tanaya and Latorture (n 6) 5

⁷¹ *ibid*

⁷² *ibid*

⁷³ Aldebot and Sprague (n 10) 18

⁷⁴ *ibid*

⁷⁵ Financial inclusion for children and youth (n 49) 20

⁷⁶ Tanaya and Latorture (n 6) 5

⁷⁷ Rani Deshpande , Youth and Financial Services Working Group, (2013) 28-30

⁷⁸ *ibid*

technically excluding minors who are living on their own.⁷⁹ As a result, those minors are unable to access banking services, which is essential to their basic safety and welfare. These minors are both exposed and most in need to access safe and affordable savings, due to their active participation in the economy.⁸⁰ Parent or guardian requirements for account opening are more difficult to overcome for minors working or living on the street.⁸¹ Given the flexible living schedules of many minors, they are at a serious disadvantage when they need an adult, often a parent, to open and manage saving accounts on their behalf.⁸² In addition to that, adults may not transact as frequently as a minor might want and many minors for various reasons may lack a trustworthy adult to transact on their behalf.⁸³ So, even after opening an account, it will create inconvenience on the minors to access their account easily.

3. Furthermore, involve and oblige an adult as the account holder might mute the positive impact of owning a saving account and cultivating the culture of saving habit at an early age.⁸⁴ Allowing minors to use saving account products to save their money early may provide an opportunity to develop a saving habit and financial capability through learning by doing early in life.⁸⁵ However, the requirement of obtaining a co-signer parent or guardian can deter minors from approaching a financial institution and save their money in the bank.
4. Such types of arrangement often enables adults the right to access and use the saved money of the minors without their permission since regulations assume parents will act in the best interests of the child and allow management of the money, though this is not always

⁷⁹ Aldebot and Sprague (n 10) 1

⁸⁰ *ibid*

⁸¹ *ibid*

⁸² Financial inclusion for children and youth (n 49) 33

⁸³ *ibid*

⁸⁴ Tanaya and Latorture (n 6) 4

⁸⁵ *ibid*

true.⁸⁶ In various studies minors also mentioned their fear that parents or guardians co-signer awareness of their savings may result in coerced withdrawals.⁸⁷

Hence, the above challenges manifest restricting minors from opening and managing their savings account without accompanying parents and guardians until the age of majority has many drawbacks.

2.3.2 Formal Id Requirement

The requirement of demanding proof of identification in order to open bank saving account is a common practice of banks. The justification several countries require identification of customers through KYC or CDD regulation is aimed at preventing, money laundering, fraud, and theft.⁸⁸ This requirement, though not intended to restrict minors from accessing financial services, it is one of the barrier for minors who can only receive an official identification document at the age of eighteen or are not registered at all.⁸⁹ Given the low percentage of minors have identification documents, especially in the developing world, the requirement of formal IDs as an only valid form of identification to open a bank account creates a large barrier for minors to access savings accounts.⁹⁰

Taking into consideration the absence of universal birth registration and guaranteed access to identity documentation, and also youth saving accounts expected to be low balance and low transaction, which makes the very foundation of ID requirements irrelevant, a more flexible form of identity verification is recommended for minors saving account products.⁹¹ The FATF on money laundering also recommends countries to allow progressive and risk-based approaches to comply with KYC requirements.⁹² The approach calls for differentiated KYC requirements accordingly to the history of each customer so that by evaluating risks adjust documentation rules with definite conditions such as volume of deposit money.

⁸⁶ *ibid*

⁸⁷ Deshpande (n 77) 28

⁸⁸ Tanaya and Latorture (n 6) 6

⁸⁹ *ibid*

⁹⁰ Aldebot and Sprague (n 10) 6

⁹¹ Tanaya and Latorture (n 6) 6

⁹² Guidance for a risk based approach, financial action task force (2013) 28

By incorporating this approach, undocumented minors may be able to access very basic and limited financial services, and whenever access to broader services is demanded, different identification requirement be provided.⁹³ Besides policymakers can apply different policy options, such as an exemption identification requirement for low balance minor saving accounts, allowing tiered identity requirements, or interpreting regulations or legal frameworks in a way that allows the use of a wider range of IDs to open an account.⁹⁴

Therefore, unless different mechanisms and flexible identification requirement is implemented to enable minors to open saving account products, the CDD Principle will continue to be a major barriers for minors financial inclusion.

⁹³ *ibid*

⁹⁴ Aldebot and Sprague (n 10) 6

CHAPTER THREE

Examining the Legal, Regulatory Frameworks and Minors Financial Inclusion Practice in Ethiopia Commercial Banks

Ethiopian financial inclusion rate is labelled as low in various studies. The numbers of adult Ethiopians who have a formal saving account are even less than a quarter.⁹⁵ As of 2017, only 35 percent of adults starting from age 15 have an account in Ethiopia.⁹⁶ The data shows majority people in Ethiopia are not using formal financial services even compared to some neighbouring countries. For instance in Kenya, 82% of adults have an account, in Rwanda, account ownership is about 50% and globally, 69 percent of adults have an account.⁹⁷ In Ethiopia, while 62 percent of the people save money, only 26 percent of them use financial institutions.⁹⁸ This squat rate of using formal financial institutions is even much lower for marginalized groups such as low-income groups, rural people, the youth, and females.⁹⁹

In this chapter, I analyze the Ethiopian legal and regulatory framework which has implications on minors' financial inclusion. Also the current practice of all commercial banks operating in Ethiopia in related with minors saving account products will be examined.

⁹⁵ Gashaw Desalgn and Gebe Yemataw, Financial inclusion in Ethiopia: using LSMS (Ethio Socioeconomic Survey) data, 31

⁹⁶ The global findex database (n 47) 124

⁹⁷ ibid 3 and 124

⁹⁸ Financial inclusion in Ethiopia: 10 takeaways from the latest Findex, available at <https://blogs.worldbank.org/africacan/financial-inclusion-in-ethiopia-10-takeaways-from-findex-2017> (accessed 3 October 2019)

⁹⁹ Gashaw Desalgn and Gebe Yemataw, (n 95) 34

3.1 Reviewing Major Ethiopian Laws in Relation with Minor's Financial Inclusion through Saving Accounts Products

Financial inclusion of minors mainly focuses on their access to formal saving account products. From the range of financial services provided by Ethiopian commercial banks saving account is one of the widely used products. Opening saving account is a contract made between the agreement of the depositor and the bank. As a contract, one of the fundamental requirements of a valid contract, capacity of persons to conclude a contract, particularly the minimum age requirement will have an impact on minors' financial inclusion. Therefore, in this section relevant laws related with this issue will be discussed.

3.1.1 The Ethiopian Civil and Commercial Code

Commercial banks in Ethiopia provide different types of saving account products. The commercial code of Ethiopia article 897 defines the deposit of funds (saving account) as:-

The contract of deposit of funds results in the opening of an account in which the bank enters by way of credit and debits all transactions carried out with the depositor or on his behalf with third parties.

As the definition provided, saving account (deposit of funds) is a contract made between the agreement of the depositor and the banks. As stipulated under article 1676 sub-article 1 and 2 of the civil code the principles of the civil code contract provisions are applicable on special and commercial contracts whoever the parties are in so far as there is no special rule provided. Hence, the general contract law provisions are applicable whenever there is a contract of opening saving account in the banking sector, as far as an exception is not provided in other laws.

The capacity of the contracting parties at the time of concluding contract is one of the fundamental requirements of contract law. To conclude valid contracts, as a threshold matter, the parties must have the appropriate capacity.¹⁰⁰ Likewise, article 1678 of the civil code stipulates contracting parties must be capable to conclude a valid contract, which is governed by capacity of a person's provisions.

¹⁰⁰ Wayne Barnes, Arrested Development: Rethinking the Contract Age of Majority for the Twenty-First Century Adolescent, 2017. 408 Available at <https://scholarship.law.tamu.edu/facscholar/1094> (accessed January 12, 2019)

Accordingly, article 192 of the civil code set the general rule that all physical persons have capacity, save declared incapable by the law. Age and mental condition of a person are the general incapacities recognized under the Ethiopian law.¹⁰¹ This paper, however, focuses on the incapacity related to age only.

In Ethiopia, eighteen is set to be an age a person reaches the age of majority.¹⁰² Thus, any person below the age of eighteen is minor and cannot legally enter into a valid contract unless there is a specific exception with regards to the minimum age. Hence, minors cannot legally enter into a contract of saving accounts and technically are excluded from accessing financial services independently. Furthermore, article 1808 of the civil code stated if a contract lack consent or incapacity of one party it may be invalidated at the request of that party. Thus even if a contract is made with minors it will be invalidated if a request is made by the minor. Under the infancy doctrine in contract law, minors are free to disaffirm most contracts.¹⁰³

Bank saving account products transactions are governed by the commercial code provisions and banking business proclamation provisions. In these laws, still, there is no exception provided with regards to the minimum legal age required to conduct commercial transactions and more specifically to open bank saving account. On the contrary, article 733 of the commercial code endorses only persons having contractual capacity can conclude commercial instruments.

3.1.2 The Revised Family Code

As discussed above, under the Ethiopia law a person who has not attained the full age of eighteen is minor. Article 310 of the RFC provides the incapacity of a minor cease only when they attain the age of majority or are emancipated. Consequently, minors lack the capacity to make juridical acts, except in cases provided by the law. Rather, in matters concerning their pecuniary interests and the administration of property minors will be represented by a tutor.¹⁰⁴

¹⁰¹ Civil Code (n 12) Art., 193

¹⁰² The Revised Family Code (n 21) Art., 215

¹⁰³ Barnes (n 100) 412

¹⁰⁴ The Revised Family Code (n 21) Art., 216

Moreover, guardians are authorized to receive the income of the minor and utilize it in the interest of the minor.¹⁰⁵ Accordingly, minors can only open and transact saving account products through guardians until they reach the age of majority.

Conversely, for incomes derived from the work of the minor, article 263 provides;

1) Where the minor is above fourteen years of age, he shall receive the income deriving from his work.

2) He shall freely dispose of such income in accordance with this law, after making contribution to his own maintenance

Subsequently, the law authorizes minors to receive their income starting from age fourteen, as far as they contribute to their maintenance. However, these minors who are allowed to receive their income are not given any capacity to open and manage their own saving account.

On the other hand Article 292 stipulate the tutor can empower the minor to conclude contracts which considering his age and financial position are regarded as acts of everyday life. This principle of authorization is mentioned as one enabling legal framework, which allows minors to open and transact bank saving account independently in some studies. For instance in Children, Youth and Finance: From Momentum to Action study¹⁰⁶ it stated:-

The Ethiopian Civil Code allows a family to provide 'special authorization' to children starting at the age of 15 to take on any and all rights of 'majority' age, including marrying and signing a contract. (This provision of the civil code is replaced by the above mentioned article 292 of the RFC)

However, the conclusions and inscriptions of this study are wrong and misleading. In the first place, the wording of the provision is not properly written on the study, the provision doesn't authorize minors to perform any act. Rather the provision clearly states only 'acts of everyday life', can be authorized, even marrying is repealed in the RFC. In addition to that, article 293 of

¹⁰⁵ *ibid*, Art., 261 (1)

¹⁰⁶ CYFI, Children, Youth, and Finance: From Momentum to Action, (2013) 99

the RFC defines acts of everyday life as "acts, which do not require the authorization of the court or acts that entail expense or obligation whose value does not exceed three hundred Birr."

Therefore, this authorization of minor's provision does not enable minors above the age fourteen to conclude any contract and thereby open saving accounts. This special authorization of the law is provided as an exception to the general capacity principle; therefore, it must only be interpreted narrowly to allow minors perform only petty acts as stated in the definition of acts of everyday life, which does not include entering into a contract of saving account with banks. Hence, concluding saving account contract cannot fall under the category of acts of every day and enable those minors above the age of fourteen to open and transact bank saving account independently, contrary to the study's assertions.

Accordingly, under the RFC, it's only tutors or guardians that can open a saving account and made transactions on behalf of minors. Even though the main purpose of the minimum age restriction is for the protection of the minors and the law permits minors to open and manage saving accounts through a parent or guardian, until they reaches the age of majority, many minors in Ethiopia cannot be financially included with this arrangement only. This approach has several key shortcomings that limit most minors, especially working minors, from using bank saving account.

1. Large numbers of minors may lack a trustworthy adult to transact on their behalf; street and working minors are among one of the most deprived and disadvantaged segments. For instance, an estimated 165,790 children are orphans and the amount of orphan children live in urban areas is 1.0 per cent of all urban children and from this 0.9 per cent of them are 14 to 17-year age.¹⁰⁷ Hence, the legal prohibition of opening an account only through parents or guardians before the age of majority exclude all minors from opening bank saving account to keep their money safely.
2. As stated above many minors prefer secrecy around their savings. Therefore, limiting them to open bank saving account only through their parents or guardians is against the desire of the minors. So even for those who have available parents to open an account on their behalf many minors may become discouraged to open saving accounts with their parent's knowledge.

¹⁰⁷The Ethiopia National Child Labour Survey (n 2) 35-36

3. This possibility often gives the adult the right to access and withdraw the minors' money without their permission. As most of the banks' trend shows parents or guardians who open saving account for their minors can make withdrawals, in some banks with some restrictions.¹⁰⁸ The law assumes that guardians will act in the best interests of the minors for instance, the RFC article 261 authorized guardians to receive the income of the minor and utilize it for their best interest authorized, but this might not always be true and might lead to misuse of minor's savings.
4. As noted above, parents or guardians may not transact as often as a minor might want so it would be difficult for the minors to access their money whenever they need it. Especially, for minors, their work requires travel from places to place this arrangement is very difficult to use formal financial system. This arrangement can have negative consequences in the event of an emergency where a minor needs immediate access to their money.¹⁰⁹
5. Further, constraining bank saving account opening, with only through parents or guardians might discourage the positive impact of developing a habit of holding a savings account. "Opening a first saving account is an important life event for youths and this is an opportunity to give the child a sense of ownership and reinforce the gravity of developing good financial habits."¹¹⁰

Therefore, oblige minors to open saving account only via parents or guardian is against the will of many minors, exclude a large number of minors who live without their families and also limit the potential of cultivating saving habit at relatively early age.

3.1.3 Emancipation of Minors

Emancipation is a means through which qualified minors are granted some or all of the rights and statuses adults' entitled. In principle minors are under the control of their parents or legal guardians until they attain the age of majority. Nevertheless, a minor can be freed from parental or guardian control before attaining majority, in exceptional circumstances when they are emancipated. In Ethiopia also the minority incapacity ends when the child reaches majority or

¹⁰⁸ Interview (n 14)

¹⁰⁹ Aldebot and Sprague (n 10) 15

¹¹⁰ Banking a new generation (n 38) 46

being emancipated and this emancipation empowers minors to be considered as who attained majority.¹¹¹

Two reasons are recognized for emancipation in the RFC; firstly, the child may be emancipated by the sole fact of marriage as provided under Article 311. The Second case is court emancipation, Article 312 of the RFC provides;

1) *Where a minor has attained the age of fourteen years, his guardian or his tutor or any interested person may apply to the court for his emancipation.*

2) *The court may decide to emancipate the minor after considering his conditions, the reasons applied for, and where it finds that the emancipation is in the best interest of the minor.*

This manner of emancipation always requires the decision of the court the case is presented. Minors who are granted emancipation by a court will be considered as they reach the majority and will have the capacity to consent and enter into contracts, including opening saving account. Emancipation of minors simplifies to resolve legal hindrances in different situations where they would otherwise not be able to do, for those who are emancipated.¹¹²

In different studies and researches also this doctrine of our law is considered as one possible way of exception to enable minors to open and transact saving account before the age of majority. For instance, Children, Youth, and Finance: From Momentum to Action study mentioned this explicit emancipation, solely, as one enabling mechanism for minors above the age of fourteen to open and manage their saving account independently.¹¹³

Of course, this emancipation of minors shows the flexibility of the law and can be considered as one leeway for some minors living independently and supporting themselves, so not in a position to rely on their parents or guardians to tackle the general incapacity restriction imposed and open saving account, in particular.

¹¹¹ The Revised family code (n 21) Art., 310 and 313

¹¹² Dana M. Dohn and Amy Pimer, 'Child Labor Laws and the Impossibility of Statutory Emancipation', J Hofstra Labor and employment law, vol. 33, (2015), 8

¹¹³ Children, Youth, and Finance: From Momentum to Action (n 106) 99

However, this emancipation of minors cannot be exclusively considered as enabling way for all minors to have a capacity to open saving account independently after the age of fourteen. Also this principle of the law solely cannot be considered as creating an enabling environment for minors' financial inclusion for reasons mentioned below.

1. Under the Ethiopia law minors' incapacity is a general principle; therefore this emancipation doctrine is intended to be applicable only in exceptional circumstances. Hence, this doctrine will be applicable according to the circumstances of each case; only for minors who file a petition and able to demonstrate to the court that they meet the requirements specified in the law. This emancipation is not put in place to eliminate the general incapacity of minority rule set under the law for all minors.
2. The court the case is presented for emancipation may decide to emancipate the minor, only after considering the conditions, the reasons applied for, and where it finds that the emancipation is in the minor's best interest. That means the court can reject any application to be emancipated if it finds it inappropriate. Thereby emancipation is ordinarily determined on a case-by-case basis and the matter must still be determined by a judge. So emancipation is not a true automatic, categorical finding of capacity.¹¹⁴
3. Many minors may not have awareness about this doctrine of the law. So it would be remote to rely on this principle, since most minors might not exercise this principle as an option to get emancipated and as a potential solution for independently opening saving account.
4. Furthermore, even for those who might have the knowing of this emancipation possibility, it would be costly and time taking to take all the necessary steps to apply and get the court order for emancipation as it always requires the consent and order of a court. The minor seeking emancipation must file a petition for a judicial declaration of emancipation in the court and given the time a case takes to be handled in court, it might be very difficult, costly, and burdensome to be handled by minors.
5. Additionally, as mentioned above banks require ID and check it according to the provided guideline to open saving accounts. Hence if we are going to take this emancipation process as one mechanism to enable minors to open a savings account, the banks would be forced

¹¹⁴ Larry Cunningham, 'A question of capacity: towards a comprehensive and consistent vision of children and their status under the law', J.Juvenile law and policy, vol 10, P. 334

to look at all emancipation court orders and verify it. This process will become difficult to manage and may result in inconsistency of implementation among banks.

Therefore, it is not always legally possible to take this emancipation of minors' principle as enabling legal framework and solution that is likely to work at scale for all minors above the age fourteen to open saving account independently.

3.1.4 Labour and Cooperative Society's Proclamations

The Labour Proclamation article 89(2) stipulates that it is prohibited to employ persons less than fifteen years of age. (The minimum age was fourteen years under the previous labour proclamation 377/2003) Accordingly, minors above the age of fifteen can enter into a legally binding contract of employment, work, and earn their income. The Labour Proclamation setting a minimum age of fourteen is consistent with the age of completion for primary education.¹¹⁵

As well, cooperative society's proclamation states that any individual may become a member of cooperative societies when they attained the age of fourteen, in primary societies.¹¹⁶ The proclamation preamble also stated one of the needs to form cooperative societies is to encourage peoples who need to generate savings and cooperate together by contributing resources, knowledge, and property.

This reduced minimum age requirement for entering in the labour market for minors is also mentioned as one exception or enabling legal framework for minors above the age of fourteen to open a bank account in some studies. For instance, in the study financial inclusion for children and youth, it is stated that in Ethiopia, the age to open saving accounts and mange has been lowered to 14, for minors that can demonstrate that they are employed.¹¹⁷ Moreover in regulatory environments for youth savings in developing world, research work, it is stipulated as;

¹¹⁵ Ghetnet Metiku, Assessment of national response to child labour in Ethiopia, (July 2015)

<https://www.abysinnialaw.com/blog-posts/item/1451-assessment-of-national-response-to-child-labor-in-ethiopia>

accessed march 5, 2020

¹¹⁶ Cooperative Societies Proclamation (n 20) Art., 13

¹¹⁷ Financial inclusion for children and youth (n 49) 33 and 11

*In Ethiopia, lawyers argued that since youths ages 14 and older could enter into light employment labour contracts under applicable labour law, they could also enter into contracts to open and manage savings account. Consequently, Ethiopia caved out an exception to its standard minimum age requirement for opening an account for youth who could demonstrate they are working.*¹¹⁸

However, the interpretations and conclusions of these studies are not legally feasible. First, there is no special rule mentioned under the labour law about the capacity of those working minors to open saving accounts and transact independently at that same age. Of course, article 263 of the RFC clearly stated minors can receive their income gained from their work starting from age fourteen and they are at liberty to freely dispose of it. Nevertheless, this does not authorize minor workers below the age of eighteen to have a capacity to conclude a contract of deposit with banks and transact independently.

Second, the minimum age requirement of a person to conclude any contract is set at the age of eighteen and this will be applicable to any contract in as far as there is no specific exception provided. So, this incapacity of minor's general principle cannot be revoked by interpretation or analogy, unless a specific exception is stipulated as article 216(3) of the RFC envisaged. In this case, also the labour law only provides a specific exception that minors above the age of fifteen to enter into light work; hence it will not be applicable to contract of saving account by analogy as the law is clear in this regard. On the contrary, as mentioned above some lawyers stress their concern of the minimum legal age restriction is a major problem for working minors to access financial services, mainly open saving account, and recommend the revised commercial code to address this problem.

3.1.5 Banking Business Proclamation

The banking business proclamation is the main governing law in relation with banking business activities. The preamble of the proclamation envisaged the goals of the proclamation are promoting bank stability, protecting the public against instability, and promoting the efficiency and integrity of the banking system. The proclamation defines banking business primarily as

¹¹⁸ Aldebot and Sprague (n 10) 14

receiving funds from the public as a deposit as the National Bank of Ethiopia declared to be an authorized way of receiving funds, among others.¹¹⁹

However, there is no specific requirement regarding the minimum age to conduct banking transactions in general and open saving account in particular in this proclamation. Rather, article 60(3) of the proclamation demand banks to conduct their business in compliance with the provisions of the commercial code, the public Enterprises Proclamation or other relevant laws in so far as these laws are not inconsistent with the proclamation. Furthermore, if the banks failed to comply with the relevant laws and directives or with the terms and conditions of the license or have engaged in practices detrimental to the interests of depositors the NBE is authorized to take different measures.¹²⁰

Therefore, given there is no exception provided regarding the minimum age to transact with banks, and also banks required to comply with applicable laws, the minimum legal age requirements imposed under the civil code and commercial code must be respected, that is a person must attain the age of majority to conclude any contract with banks, including opening saving account. As will be discussed in the next section as well, banks not offering minors alone saving account products mentioned this minimum age restriction as one main barrier.

3.2 Major Regulatory Frameworks in relation with Minors Financial Inclusion

In this section, I will discuss some policy issues which have an impact on minors' financial inclusion.

3.2.1. National Financial Inclusion Strategy

The National Bank of Ethiopia has initiated the National Financial Inclusion Strategy to overcome financial inclusion barriers. The National Financial Inclusion Strategy assesses the financial exclusion level and puts a framework for accelerating efforts towards financial inclusion. The strategy set objectives to improve access and usage of formal financial products and services using various methods and established four actions: strengthen financial and other forms of infrastructure; ensure the supply of an adequate range of suitable products, services, and access points, build a strong financial consumer protection framework; and improve financial

¹¹⁹ Banking Business Proclamation (n 25) Art., 2(2)

¹²⁰ *ibid*, Art., 31

capability levels.¹²¹ Further, to advance financial inclusion, the national council for financial inclusion is established which is directly accountable to the prime minister.¹²²

However, the strategy does not deliberate this legal and regulatory framework as one key barrier also does not explicitly mention working minors as a separate target group with specific needs and no strategy is considered. The strategy only highlights the objectives of financial inclusion as a state in which adults have formal easy access to a broad range of appropriate financial products provided at affordable cost and with dignity for the clients by ensuring the supply of an adequate range of suitable products.¹²³

Incorporating children and youth in the national strategy ensures that the topic is a priority on the national policy agenda.¹²⁴ When financial inclusion strategies developed, initial examination demonstrates that minors are not generally a common target of regulation or policies that allow excluded populations to be financially included autonomously.¹²⁵ Given, large numbers of working minors are legally excluded from accessing financial services in Ethiopia, and the main aim of financial inclusion strategy is expanding the financial service for the excluded segments, the strategy should have an objective of creating an enabling framework for minors. For instance, in Zambia's financial inclusions strategy, improving the availability of financial products and services for youth is set as one objective of the financial inclusion strategy and they set an action plan of amending the legal requirement that minors starting from age 16 to open and transact saving account independently.¹²⁶

3.2.2 National Youth Policy

The national youth policy of Ethiopia is one step in recognizing and promoting the rights of the youth. The policy aims to bring active participation of youth in the economic, social, and cultural life of the country and to support democratization and good governance. The policy defined

¹²¹ National Bank of Ethiopia, National financial inclusion strategy, (2017) 30-37

¹²² *ibid* 42

¹²³ *ibid* 30

¹²⁴ Financial inclusion for children and youth (n 49) 20

¹²⁵ *ibid*

¹²⁶ The Republic of Zambia, National financial inclusion strategy, (2017–2022) 31

youth as any person between the ages of fifteen to twenty-nine.¹²⁷ That is minors above the age of fifteen are categorized and are considered as this segment of youth population.

The policy sets to facilitate existing national development policies, strategies, and programs. It also promises to facilitate the growth of self-employment and informal employment opportunities for youths. However, the policy does not identify this most prevalent regulatory constraint, minimum age requirement, and lack of proof of identity as a problem for minor youths above the age of fifteen and design solutions in collaboration with relevant stakeholders.

3.2.3 The Growth and Transformation Plan II (GTP II)

Ethiopian GTP II aims to bring economic transformation and sustain accelerated growth in realizing the national vision to become a low middle-income country by 2025. Promoting women and youth empowerment ensure their participation in the development process, and enable them equitably benefit from the outcomes of development; is one of the nine pillars strategies of the plan.¹²⁸

The GTP II recognized there is a high financing gap, which is the difference between gross domestic savings and gross domestic investment and set target to increase the share of gross domestic savings in GDP from 21.8 percent in 2014/15 to 29.6 percent by 2019/20.¹²⁹ To achieve this target, various policy instruments are mentioned to be implemented.¹³⁰

Besides, in a commitment made by NBE in 2011 for Maya declaration, the main subject matter stressed was how the government is committed to expanding financial inclusion as it is one core agenda of the growth and transformation plan.¹³¹

Nevertheless, despite the huge demand to increase domestic savings and also mobilizing domestic saving is set as one objective, and also promoting youths, the plan does not consider the

¹²⁷ National Youth Policy, ministry of youth, sport and culture, (2004) 4

¹²⁸ National Plan commission, Ethiopia's Growth and Transformation Plan II (GTP II), (2016) 81

¹²⁹ *ibid* 111

¹³⁰ *ibid*

¹³¹ NBE One page commitment letter, available at

<https://www.google.com/search?client=firefoxbd&q=ethiopian+commitment+on+maya+declaration>, accessed April 2, 2020

great opportunity of engaging working minors through financial inclusion as economic citizens to expand the domestic saving and also developing saving culture at a relatively early age.

For instance one of the rationales of authorizing minors to deposit and withdraw from banks in Philippines decree cited is "[to encourage saving in banks as a capital formation for economic growth and the national virtue of thrift is best attained by including in the youth the proper habit of saving."¹³²

3.2.4 Identification Requirement

One of the integral prerequisites of the banking business is KYC or CDD principle. The NBE also issued a directive on Customer Due Diligence of Banks. The directive has a general objective of effective risk management that may result from the abuse of money launderers.

Banks are, therefore, required to verify customer's identity using as much as possible reliable and independent sources, documents, data, or information.¹³³ Accordingly, it is left to the discretion of the banks to determine what reliable and independent source means, which may be an ID card, passport, driving license, or any other document. Yet, Art 5 of the directive provided the minimum identification criteria needed for natural persons, it states the document to incorporate names, permanent address, nationality, occupation, type of account, and signed statement certifying the accuracy of the information provided.

Nevertheless, minors in Ethiopia do not have a formal Kebele ID as it is only at the age of eighteen a kebele resident is eligible to apply for a kebele ID card.¹³⁴ In addition, in Ethiopia one-quarter of youth aged 15-19 worked in the informal sector.¹³⁵ Hence, it might be difficult for them to get alternative work IDs or even school IDs as they are engaged in the informal labour market.

¹³² Philippines, presidential Decree No.734 (June 25, 1975) preamble

¹³³ Customer Due Diligence directive (n 15) Art., 4(4)

¹³⁴ Registration of Vital Events and National Identity Card proclamation (n 30) Art., 2 (10) and 56(1)

¹³⁵ Government of Ethiopia /UNFPA 8th Country Programme 2016-2020], final evaluation report, 11, available at https://www.unfpa.org/sites/default/files/boarddocuments/Final_Ethiopia_Country_Programme_Evaluation_pdf
Accessed at April 2, 2020

Hence, though the KYC requirement incorporates some flexibility by allowing different documents to be provided as far as they are reliable and independent the flexibility does not take the difficulty of getting even those documents by minors. For instance in Philippines by considering the complexity to access formal identification of minors, the central bank has authorized an alternative forms of IDs for minors saving accounts, and banks are required to recognize various forms of documents such as, certificate signed by the village head, school ID as acceptable.¹³⁶

Therefore, the KYC requirement is one major obstacle for minors in Ethiopia to open saving accounts as banks are required to comply with this KYC principle. And the most commonly known acceptable documents are kebele Id, passport, employment Id, and driving license, which are inaccessible by minors. In Ethiopia, one of the main obstacles contributes to financial exclusion of the poor, youth, rural residents, and women are documentation requirements.¹³⁷

3.3 Minor's Financial Inclusion and Access to Saving Account Products Practice in Ethiopia Commercial Banks

As argued in this paper, the legal and regulatory framework of Ethiopia is not an enabling one to provide saving account products for minors, though some studies refer the Ethiopian legal framework as having room for minors above the age of fourteen to open saving account independently. Therefore it is important to assess the commercial banks' trend with this respect, by mainly focusing on the legal framework, whether or not the legal restrictions impede them from offering this product.

Besides, banks' role to realize minors' financial inclusion has paramount importance. The banks' role is significant through the provision of efficient and key financial services and inclusive financial system is needed to achieve greater financial inclusion.¹³⁸

¹³⁶ Financial inclusion for children and youth (n 49) 33

¹³⁷ K. Sambasivea, and Andualme ufo 'Barriers to access to and usage of financial services in Ethiopia', Business and Economic Research, Vol. 7, No. 1 (2017) 146

¹³⁸ Getnet Alemu, financial inclusion, regulation and inclusive growth in Ethiopia, working paper 408 (2014) 13

On the other hand, the financial sector, particularly banks are one of the most regulated sectors and expected to conduct their business in compliance with different laws. Therefore this section will examine the practice of banks in providing minors saving account products.

3.3.1 Commercial Banks Not Providing Minors Alone Saving Account Products

Commercial banks currently operating in Ethiopia are seventeen.¹³⁹ From these commercial banks thirteen of them do not provide minors alone saving account products. They only designed custodian saving account products for minors⁷ in which parents or guardians to open the account in the minors name and the minors can only manage the account when they reach age of majority.

Those banks mentioned limitations linked to the legal and regulatory environments, minimum age and KYC requirement as one of the main barriers not to design minors alone saving account products.¹⁴⁰

They revealed that though they believed that minors, most importantly working minors segments are a big market to consider as key stakeholders in their business, as current and future customers, the legal restriction made it difficult for them to design a product, which can be opened and managed by minors independently. They also mentioned those minors, mainly working, due to their active involvement in the market, merits access to saving account to help them accumulate assets to invest in education, training, and business opportunities. Yet, due to their duty to conduct their business in compliance with the laws of the country they cannot provide minors alone saving account products.¹⁴¹

Hence, those banks do not allow minors to open saving accounts, unless there is a parent, tutor, or guardian on their behalf, to avoid compliance issues. Also, they mentioned, by contrast, an enabling regulatory environment would have encouraged them to design appropriate product for them and once the regulation has changed they will be able to offer products that comply with the new regulations.

¹³⁹ <https://nbebank.com/banks/> accessed August 30, 2020

¹⁴⁰ Zemen bank, however, mentioned, their unique business model is not as such designed to provide saving account products for minors. For instance, the minimum initial deposit amount required is 5,000 birr

¹⁴¹ Interview (n 14)

Minors saving account products title and arrangement are different among the banks, for instance, In Nib Bank "Children's saving deposit is established for those who has not attained the age of majority or age of 18 years old. The parents or the legally appointed guardian of the children should process the saving account opening, withdrawal and deposit formalities."¹⁴²

In Enat Bank, it is named "children's accounts" and designated as "savings product to children below the age of eighteen by offering higher interest to encourage parents and guardians to save for their children's."¹⁴³

Generally, the arrangement currently implemented by most commercial banks excludes those working minors who need to open a saving account by their own or who do not have parent, tutor or guardian available to open the account in their name, such as students living alone, minors living in the street and so on. Besides, those banks miss the opportunity to form a new customer base, attract those minors in the formal banking system, and increasing their deposit.

3.3.2 Commercial Banks Providing Minors Alone Saving Account Products

The four commercial banks on the other hand, allow minors above the age of fourteen to open and transact saving account products independently. CBE for instance introduced and provides "Teen Saving Accounts" for children between the ages of 14 up to 18 in which they can open and manage saving account independently. A document from CBE describes the purpose of the Teen Saving Account as;

*The majority of the youth in the country is highly exposed to labour and making money in their own, but spent it on harmful practices and being exposed to theft so that by encouraging and letting teens open Teen Saving Account independently and letting them have full ownership would reduce this difficulty.*¹⁴⁴

Moreover, under section 4.1 of the CBE's CATS procedure, it is envisaged that persons whose age is greater than or equal to 14 and less than 18 and are making their income are eligible to open a teen-youth saving account. In addition to that, it is allowed to open and operate this

¹⁴² <https://www.nibbanksc.com/children-saving-deposit/> accessed, July 30, 2020

¹⁴³ <http://www.enatbanksc.com/> accessed July 30, 2020

¹⁴⁴ Commercial Bank of Ethiopia guideline on Teen Saving Account

account by providing a letter of confirmation from the woreda administration and school administration, which at minimum mention the applicant's name, age, and source of income.¹⁴⁵

In the same way Anbessa, Abyssinia and Addis international bank introduce and implement minors saving account products in which, minors between the age of fourteen and eighteen to open and manage saving account independently. From the interview I conducted in those banks, the key justifications cited for introducing this product are;

- They argue that, the labour law allows minors above age 14 (it was fourteen years until the new proclamation made it 15 years) to enter into labour contracts and also they have the right to receive their income, thereby the law impliedly authorize those minors to open and transact their saving account.
- Developing new products and services that are more appropriate to the needs of minors who are economically active but excluded from the financial services.
- As part of fulfilling the bank's social responsibilities of protecting the minors from spend their income on harmful practices, from theft, and also instil savings habits early.
- Expanding their customer base, as well as strengthening their brand
- Supporting their deposit mobilization strategy.

They, however, revealed the KYC requirement is still another bottleneck not to serve the minors fully, since most of the minors are working in the informal sector and are self-employed it is not easy for them to provide formal ID. Hence, they face difficulty in providing identification documents to open saving account, mainly due to the mobile nature of the minors work.

Generally, these four commercial banks are providing saving account products for working minors above the age of fourteen. Accordingly, working minors are currently opening saving account in those banks, for instance in CBE the number of depositors in a teen saving account, as of June 30, 2019, was around 175, 917 account and the amount of cumulative deposit from this product was 300,119,000.00 (three hundred million one hundred ninety-nine thousand birrs).¹⁴⁶ This indicates that there is, in fact, a demand from working minors to save in banks.

¹⁴⁵ Commercial Bank of Ethiopia, Customers Accounts and Transaction Services procedure, (2016) section 3.2

¹⁴⁶ According to the interview with product development department director of, CBE

CHAPTER FOUR

Rationales for Regulating Minors Financial Inclusion in Ethiopia and Issues which Needs Consideration

A number of justifications or rationales call for introducing an enabling regulatory framework for minors, mainly working, to independently open bank saving accounts. Hence, in this chapter, I will discuss the rationales for creating enabling regulatory framework for working minors to open saving account independently and the areas that need consideration.

4.1 Rationales for Regulating Minors Saving Account Products in the Ethiopian Banking Sector

Several countries put different mechanisms and regulation to enable minors open and transact bank saving account independently.¹⁴⁷ As argued in this paper Ethiopian legal framework does not enable minors to open and transact bank account independently, given minors cannot legally conclude valid contract. Moreover out of the seventeen commercial banks operating in Ethiopia only four commercial banks provide minors alone saving account product, citing the legal restriction as one reason not even to design the product.

However, there are various justifications discussed below which demonstrate the real demand for regulating minors saving account products in Ethiopia.

4.1.1 Large Number of Minors' Active Involvement in the Economic Activity

Ethiopia has one of the highest rates of child labour in the world.¹⁴⁸ The Ethiopia National Child Labour Survey of 2015 shows minors from age 5 to 17-year group currently working is estimated to be 37,332,738, accounting 42.6 percent of the national population.¹⁴⁹ From the total number of working minors, from age 14 to 17 years minors compromise a total number of 5,904,701, that

¹⁴⁷ Some countries put specific regulations while some others use different mechanisms as stated above.

¹⁴⁸ The Ethiopia National Child Labour Survey (n 2) 1

¹⁴⁹ *ibid* 35

amount 65.4 percent of minors in that age group.¹⁵⁰ In addition, it is our everyday experience to observe large numbers of minors actively involved in the economic activity.

This clearly indicates highest number of minors are engaged in the economic activity, making their income and responsible for managing their own money, and needs an appropriate product to save. Those large numbers of minors make money by selling goods and performing services, but they cannot legally open a bank account to keep their earnings safely. These minors are both specifically vulnerable and due to their active participation in the economies are most in need for safe and affordable saving products.¹⁵¹

The demand for financial services of minors, especially involved in the economic activity is evidenced by the feedback of youth surveyed by different studies mentioned above. The Ethiopian national child labour survey findings also revealed some working children mentioned they would like to save their earnings.¹⁵² Furthermore, the numbers of accounts opened through CBEs teen saving account scheme demonstrate the growing demand of those working minors to use and save their money in the formal banking service when appropriate products are available.

Therefore, in a country like Ethiopia, where work is a reality for many minors, with full right to receive their own income starting from the age of fourteen, setting a high minimum age to open a bank account and save their income in a bank is forcing them to use an informal saving ways, which is risky, waste and make them excluded from accessing the formal financial services.

Accordingly, highest number of minors involved actively in the economy signals the need for introducing enabling regulatory framework for them to open saving account independently.

4.1.2 Reduced Minimum Legal Age Requirements are introduced in other related laws

Minors in principle lack the right to contract and perform judicial acts until they reach the age of majority. However, some exceptions allow minors to conclude certain types of contract and engage in specified activities before attaining majority. The purpose of these exception are to enable minors perform those acts without waiting the standard eighteen years, for different

¹⁵⁰ *ibid*, Table 5.6, 40

¹⁵¹ Aldebot and Sprague (n 10) 11

¹⁵² The Ethiopia National Child Labour Survey (n 2) 55

reasons. Possible exception of considering minors as an adult, regardless of well-defined age of majority, is widely used practice of states.¹⁵³ The reality of young people and the needs of society are sometimes clearly validated in exceptional contexts than the predefined rule.¹⁵⁴

As discussed above minors above the age of fifteen are permitted to engage in light works thereby, allowed to enter into a contract of employment and earn their income. As well, after the age of fourteen, any person can become a member of cooperative societies in primary societies.

Those legal frameworks permit minors starting from ages fifteen and fourteen to work legally and earn their income and joining cooperatives association by contributing money, resource or skill and obtain the services of the associations and benefits attached, respectively. Yet, there is no regulatory framework designed to allow those same minors to have the capacity to open savings account at that same age. Hence it seems a self-contradictory policy and leaves those legally mandated working minors, especially who do not have a family or guardian available, to save their money in an unsafe way and vulnerable to lose it. "It appears contrary to public policy to allow youth as young as twelve to legally work while disabling them from accessing the tools to manage or save their earnings"¹⁵⁵

Even currently, a bank account is becoming a necessity, to receive payment of salary, to make payment of utilities and to facilitate easy and safer transactions. Yet, the legal framework excludes, those working and paid minors from opening saving account. Thus, the minimum legal age for opening saving account should be lowered in order to be consistent with other age limits that are much lower than eighteen years, which allows minors to legally work and join cooperative societies.

4.1.3 The Product Practically Offered by Some Banks Necessitate Applicable Regulation

As noted above four commercial banks, are currently providing minors alone saving account product. Minors saving account products involve several issues and require proper regulation. Hence, as far as the product is currently offered, it is necessary to make ensure that the product addresses the needs of the minors and as well safeguard them from their own possibly

¹⁵³ Hamilton Vivian E., *Adulthood in Law and Culture*, (2016) 77

¹⁵⁴ *ibid*

¹⁵⁵ Aldebot and Sprague (n 10) 18

inexperienced decisions. When more flexible access and control is allowed for minors, the need for putting in place a protective regulatory framework is also greater.¹⁵⁶

Therefore, given the product is provided by some banks, not sure the other banks also soon join the trend, the need of specific regulation in place to ensure proper market conduct and the safety of the minors is mandatory. To bring better minors financial inclusion, the relevance of regulation that facilitates minor's right to control and at the same time protective of their rights and the soundness of the banking sector is undeniable.

4.1.4 Promoting Fair Competition among Banks in Providing the Product

As discussed above, the banks not providing the product mentioned the regulatory framework as a main limitation not to offer the product, while the others are providing the product due to lack of clear law which leads to different interpretations.

Mobilizing saving as deposits, which is a relatively inexpensive source, and finance lending is one of the main business target of banks. Given 70.7 percent of minors between the ages 15 to 18 are in the labour force and generate their income, it would make a difference among the banks providing the service and not in terms of the deposit amount and also expanding their customer base. Additionally, since offering appropriate minor saving account products may encourage the creation of a new generation of loyal customers, it might bring unfair competition between the banks who provide the product and not.

As the different interpretation and inconsistency among the banks is due to lack of clear law on the issue, specific regulation regarding banks' authority to provide minors alone saving account would solve the issue. Sound legal and regulatory frameworks that are effectively enforced promote market development and competition while subjecting financial institutions to sound and appropriate conduct, protect depositors as well as ensure market stability.¹⁵⁷ Hence clear regulation is necessary to enable all commercial banks provide the product uniformly, and compete fairly on deposit mobilization and also other customer base expanding strategies.

¹⁵⁶ *ibid* 17

¹⁵⁷ World Bank, Financial Inclusion Strategies Reference Framework, (2012) 30. Available at www.worldbank.org/financialinclusion, accessed at June 28, 2020

4.1.5 Improving the Domestic Saving Level of the Country

In development economics, underdevelopment is recognised as the effect of small saving, that capital accumulation is an indispensable condition for development, and capital accumulation is almost the same as saving.¹⁵⁸ Increasing the level of saving is one essential condition to stimulate productive investment and eventually sustained broader economic growth.¹⁵⁹

The Ethiopian domestic saving level is in a very low level condition, which results in creating an extensive domestic investment saving gap.¹⁶⁰ The GTP II also stressed there is high financing gap and this broadened gap between the investment requirements and the level of domestic savings is one of the key macroeconomic challenges.¹⁶¹ Increasing domestic savings rate to balance the gap between domestic investment and domestic saving is also taken as one goal.¹⁶² Also, various measures were introduced to encourage domestic saving the Ethiopian domestic saving trend is very low which dictates the need of employing various innovative strategies to improve it.

Consequently, giving access to those large numbers of working minors who are presently excluded from financial services but actively involved in the economic market would provide the possibilities for the creation of a large depository of savings. However, the potential of those working minors to contribute significantly to economic activity, mainly increasing the domestic savings is constrained by a general lack of financial products adapted to their needs. Thereby, their money circulates outside the banking sector in the informal economy or kept in cash merely idle, such as put under mattress. Therefore creating an enabling regulatory framework for working minors in the formal banking service will help to accumulate more domestic saving and ultimately improve the overall economy of the country.

¹⁵⁸ Deaton Angus, Saving in developing countries: theory and review, (1999) proceedings of the world bank annual conference, 85

¹⁵⁹ Alemayehu Geda, *Readings on the Ethiopian Economy*, Addis Ababa University Press, (2011) 597

¹⁶⁰ *ibid* 596

¹⁶¹ GTP II (n 128) 68

¹⁶² *ibid* 111

4.1.6 Promote Saving Culture at an Early Age

Ethiopia is characterized as a country with poor saving culture and lack of appropriate saving products is mentioned as one cause for this.¹⁶³ Majority of the people in Ethiopia save their money in cash or kind, such as livestock, and also prefer "Iqub" as the major saving method.¹⁶⁴

Various researches confirmed that access to savings accounts at a relatively early age does bring a significant effect on improving saving behaviour.¹⁶⁵ One best way to train children about financial skills and habits is by enabling them to own and use an account.¹⁶⁶ Minors everywhere need support to transition successfully to financially secure adulthood and one key step to that transition is to develop sound financial habits starting at a young age and the effects go beyond them and the entire society benefit when more citizens possess healthy financial habits.¹⁶⁷

In Ethiopia, there is a distinct unit on savings which is taught starting from grades 5-10 in civics and ethical book. The unit covers the fundamentals of overcoming various barriers to saving, and also the importance of savings, goal setting, planning, budgeting, and bank accounts.¹⁶⁸ However, without a legal framework that enables those minors practice to own and use a bank account, it is difficult to achieve a good saving culture and financial skills in later life.

4.1.7 The Evolving Capacity of the Minors.

The main reason behind limiting minor's right to contract before the age of majority is to protect them. However, in the case of opening a bank saving account, the likelihood the minor benefits from the conduct seems more important than the risks related, as long as proper legal framework is adopted. Particularly for minors working and earning their own money, enabling them to open a savings account would be in their best interest and not to the contrary. "The incapacity

¹⁶³ Aron Haileselassie., et, el., 'Assessment of Saving Culture among Households in Ethiopia', J. Economics and Sustainable Development. Vol.4, (2013), 1

¹⁶⁴ Ethiopian financial inclusion strategy (n 120) 17

¹⁶⁵ Children, Youth, and Finance: From Momentum to Action (n 106) 93

¹⁶⁶ *ibid*

¹⁶⁷ *ibid*

¹⁶⁸ Civics and ethical education, student textbook ministry of education, unit 9

principle's main purpose is not to deny parties any fundamental right; rather it is intended to protect the affected party." ¹⁶⁹

Diverse studies also confirmed minors mainly above the age of fourteen are physically mature, and most have the necessary cognitive capacities for reasoning and understanding to make rational decisions. ¹⁷⁰ Furthermore, the world's financial realities are in progress and the previous trends are not necessarily the best examples for this generation minors. Born in the digital world, the minors are exposed with too much information, they are encouraged to freely expressing their opinion and are maturing at an early age, which makes them deserves an opportunity to manage their resources and to be offered products and solutions that meet their specific needs and demands. ¹⁷¹

On the other side, article 5 of the CRC states direction and guidance, provided by parents or others with responsibility for the child must take into account the evolving capacities of the child to exercise rights on his or her behalf. The CRC also acknowledges children in different backgrounds and cultures with different life experiences will acquire competencies at different ages and the nature of the rights to be exercised also make a difference in children's capacities. ¹⁷²

Also recommend when rights are mainly enabling or emancipator, predefined minimum ages may not be in the best interest of children and a more flexible system sensitive to the needs of the child to be in palce. ¹⁷³ Accordingly, considering the evolving capacity of this generation minors and given it is in the best interest of those minors to use saving account, provided appropriate safeguard is in place, regulation which enables those working minors to have capacity to open saving account independently is proper and fundamental.

¹⁶⁹ David P. Weber, 'Restricting the Freedom of Contract: A Fundamental Prohibition' J.Yale Human Rights and Development, (2013) 66

¹⁷⁰ Elizabeth S. Scott, 'The Legal Construction of Adolescence', (2000) Hofstra Law Review, Vol. 29, 9

¹⁷¹ Banking a new generation (n 38) 42

¹⁷² Gerison Lansdown, The Evolving Capacities of the Child, UNICEF, (2005) 3

¹⁷³ ibid 32

4.2 Regulating Minors Saving Account Products in the Ethiopia Banking Sector

In order to satisfy the financial needs of different groups and for an inclusive financial system an enabling regulatory framework is essential.¹⁷⁴The important role of policy and regulation in enhancing access has been increasingly recognized by different studies. In Ethiopia also the above-mentioned rationales, whether addressed distinctly or in combination, call for regulating the banking sector to enable minors to be financially included. Likewise, minors saving account products need effective legal frameworks that provide appropriate protection. Therefore, enabling regulatory framework that is both minors friendly and protective of minors' rights and also the soundness of the banking sector is needed.

4.2.1 Regulating Minors Saving Account Products in Ethiopia

Overcoming the regulatory barriers and realize proper minors financial inclusion requires a different approach and introducing enabling regulatory framework is one of it. Regulations play an important role in regards to financial innovation.¹⁷⁵The main feature of an enabling regulatory framework is that it accelerates the adoption and adaptation of innovations for financial inclusion that will enable an enhanced practice of financial services.¹⁷⁶

Various countries have implemented various policies and approaches to bring minor's financial inclusion. For example, in Kenya and Ghana regulatory policy waived to allow trusted adults to be cosignatories on minors account rather than only parents. Colombia overcomes this hurdle by interpret opening an account as a non-contractual process.¹⁷⁷ In the United States of America, 45 states have regulations which permit state-chartered banks to offer minority accounts and minors from the age of 15 are allowed to independently manage their account, except some states which allow starting from age 12.¹⁷⁸

¹⁷⁴ Rong Chen and Raian Divanbeigi, Can regulation promote financial inclusion?, policy research working paper, (2019) 4

¹⁷⁵ *ibid* 23

¹⁷⁶ Liliana Rojas and Lucia Pachec, An Index of regulatory practices for financial inclusion: enablers, promoters, and preventers, 2

¹⁷⁷ Tanaya and Latorture (n 7) 5

¹⁷⁸ Michael Collins and Carly Urban, Banking on the Future: Minor-owned Accounts and Financial Inclusion, (2019) 10 and 11

India issued circular for minor's account which reduced the minimum age requirement for independently opening an account to age 10.¹⁷⁹ In South Africa also mutual banks act allow minors above the age of sixteen to be a member or a depositor with a bank and to be considered as any depositors in all respect.¹⁸⁰

In Ethiopia also, introducing an enabling environment for minors, most importantly working, to open and manage saving account independently is essential. There may be different options and mechanisms that can be employed for financial inclusion of those working minors. One option might be allow any trusted adults to be cosignatories on minors account rather than only parents or guardian. The other option is, as some lawyers recommend, introduce the minimum age requirement for an opening saving account in the revised commercial code.¹⁸¹

However, the writer of this thesis firmly believes the banking business proclamation should reduce the minimum age requirement to open and manage saving account and introduce specific regulations which govern this product is necessary. First, specific law will help for effective, simple, and comprehensive means of giving effect to enable minors to have access to saving accounts. When specific law is introduced, which permit minor's to own bank account independently, there is a possibility it creates interest from them to open bank accounts before age eighteen, and also the banks will have the opportunity to react by offering new products.¹⁸²

Secondly, the regulation will assist to bring uniform way of offering the product between banks and also implementation. For instance one of the rationales of India minors account regulation cited was promoting uniformity among banks in opening and operating minors' accounts.¹⁸³ Thirdly, the justifications listed above distinctly or in combination demand immediate application, which is best achieved through specific enabling regulatory framework. Moreover, minors saving accounts are more susceptible to risks unless regulated appropriately; hence specific regulation, which specifically addresses this issue, for providing the product in a safe

¹⁷⁹ Reserve Bank of India, Opening of Bank Accounts in the name of Minors, circular, (2014)

¹⁸⁰ Republic of South Africa, Mutual Banks Act No. 124, (1993), section 88(1)

¹⁸¹ ገዥ አዳላ (n 28) 59

¹⁸² Michael and Urban (n 178) 6

¹⁸³ Opening of Bank Accounts in the name of Minors (n 179) preamble

and sound manner is necessary. Additionally, specific regulation provides and keeps the room to flexibly adjust the provisions, in accordance with the prevalent needs and assessment of situations consistently.

Likewise, once explicit regulation is introduced, the banks may become widely involved and will be able to offer the product that complies with the new regulations. According to the interview I made with the commercial banks, most of them also confirmed this fact. Also similar cases proved this trend, for instance, in 2011, NBE authorizes interest-free banking, citing to promote greater financial inclusion and safe and sound manner of providing the product, and currently, most banks are providing this product. Similarly, in 2012, NBE issued a directive that allowed commercial banks to provide mobile banking service and agent banking, and pursuant to that, many of the commercial banks added mobile and agent banking in their services.

Financial inclusion regulations can be implemented at the national level, central banks, financial regulatory agencies, and financial institutions but, the national central banks take the principal role in several countries' experiences.¹⁸⁴ NBE is established as the central bank of the country in proclamation 206 of 1963. Afterward the national bank of Ethiopia establishment amendment proclamation no. 591/2008 authorized the bank with different powers and duties. Among other duties, creating favourable conditions for the expansion of banking, insurance, and other financial services are mentioned as one of its duty.¹⁸⁵

Consequently, NBE initiated a national financial inclusion strategy to advance the availability and trend of using financial products and services offered by regulated financial institutions.¹⁸⁶ Therefore, NBE is the appropriate organ to develop regulation that facilitates the development of innovative, cost-effective, and safe products to increase access to financial services by minors, which provides reduced minimum age requirement for opening and managing saving accounts, while ensuring age-appropriate protections.

¹⁸⁴ *ibid* 34

¹⁸⁵ The National Bank of Ethiopia Establishment (as Amended) Proclamation, 2008, Art. 5(8), proc. No 591, Fed. Neg. Gaz., 14th year

¹⁸⁶ National financial inclusion strategy (n 121) 29

As argued above there is various justifications which necessitates introducing enabling regulatory environment for minors to open and manage their own saving account independently. Therefore, reducing the minimum legal age requirement from the general age of majority, to open and manage savings account is compulsory.

When it comes to how to set a starting minimum age for bank saving account opening of minors there is no one commonly agreed minimum age known. Besides, countries who allowed minors saving account fixed different minimum age for independently open saving account, for instance in India the minimum age is set to be ten, in Philippines it is seven and in South Africa, the minimum age is sixteen.

In Ethiopia to set the minimum age, it might need different stakeholders' consultation to assess the minors' capacity and also the financial sectors soundness. Yet, my recommendation is to reduce the minimum age required to own a bank account independently to fifteen years, for different reasons. Such as;

1. In Ethiopia, minors above the age of fifteen are legally allowed to enter in the labour market, and also as shown above highest number of minors starting from age fifteen are involved in the labour market practically. Therefore, reducing the minimum legal age to independently open and access bank account to age fifteen may be especially important for those working minors, as they are legally authorized to work and earn income, engaged in transactions, and manage cash flows.
2. After age fourteen minors can legally be a member of cooperatives society, in primary societies
3. After age fourteen minors are eligible for emancipation
4. From the age of fourteen years onward minors are legally authorized to receive the income deriving from their work and freely dispose of it
5. Currently, four banks are providing saving account products for minors above the age of fourteen and it proved to be effective. (Those banks mentioned they use as a benchmark the previous labour proclamation, which allowed minors above age fourteen to legally enter into a contract of employment as a threshold to set age fourteen)

6. Moreover, as mentioned above diverse studies confirm minors mainly above age fifteen are physically majority, acquire cognitive capacities for understanding and making rational decisions.
7. Besides, CYFI advised independent control of the account, particularly for minors who are fifteen years and older.¹⁸⁷

Hence, taking these reasons into considerations I suggest minors above the age of fifteen to have contractual capacity to open and manage saving account independently as a means to greater financial inclusion.

4.2.2. Flexible Identification Requirement

As discussed in the previous chapter, most of the time minors are not eligible for government issued IDs. Yet, they may be able to provide reasonable alternatives like school ID or letter of recommendation from local authorities or parents. Hence, creating flexible polices on identity verification would allow more minors to open saving accounts.

One possibility would be, as discussed above our KYC regulation requires banks to verify customer's identity by using as much as possible reliable and independent sources, documents, data, or information and authorize them to determine what reliable and independent source means. So taking this flexibility and interpretation banks can be more flexible in accepting various forms of identification documents from minors, unlike their practice with adults to open an account. However, it is essential that NBE is cognizant and endorse this as compliant to the KYC regulation so that all banks can provide the service uniformly.

For example, CBE teen saving scheme allowed self-employed/employed teens between the ages of 14-18 years to open and operate this account by providing a letter of confirmation from the zonal/woreda administration and school administration, which at least incorporates the applicant's name, age, and source of income. Still, these two only options exclude large number of minors who are not enrolled in school and also working flexibly without located in one place so that the woreda administration will not be able to write a letter of confirmation.

¹⁸⁷ Banking a new generation (n 38) 51

Hence, applying different documentation requirement based on the saving amount threshold must be adopted, as recommended by the money laundering FATF. And as minors saving accounts are expected to be low amount, allowing flexible modes of ID to be acceptable by the respective banks, as far as the amount of the money is within the predefined threshold, might help those minors segments to open saving accounts more easily. Besides it will reduce the burden of identity proof of those minors, while avoiding banks compliance problem and also ensure to manage the financial system risk.

4.2.3 Developing minors Friendly and Protective of the Banking Sector Saving Account Products

The needs and rights of minors should be at the forefront of any product development and this requires a differentiated approach to safety and security.¹⁸⁸ Regulations need to incorporate protective methods that recognize minor's immature capacities and not to render them to responsibilities, risks, or experiences that are inappropriate or unsafe.¹⁸⁹

At the same time, minors may also be exposed to influence from adults who want them to enter into contracts on their behalf.¹⁹⁰ Hence, policies aimed at facilitating flexibility for minors should also protect financial institutions and more broadly, financial systems from risks.¹⁹¹ Thus the regulation is also imperative to protect both the interests of the minors and as well, manage risk and protect banks. Offering formal financial service for minors, which is safe and quality, can assist them only if the financial tools and products designed are capable of address the specific challenges and prospects of the minors.¹⁹²

Designing sound minor's friendly policies and regulation needs coordinated work amongst various stakeholders.¹⁹³ Therefore to overcome these issues properly and to achieve successful financial inclusion for those minors; multi-stakeholder engagement, such as NBE, banks, relevant stakeholders, and partnership groups is pertinent in the designing process. CYFI, also recommend countries seeking to adjust the legal and regulatory environment to enable minors

¹⁸⁸ *ibid* 16

¹⁸⁹ Lansdown (n 172) x

¹⁹⁰ Tanaya and Latorture (n 6) 8

¹⁹¹ *ibid*

¹⁹² *ibid* 2

¹⁹³ Banking a new generation (n 38) 29

owned account to engage concerned stakeholders and also to carefully develop a cohesive framework that ensures appropriate product.¹⁹⁴

In Ethiopia also to develop appropriate saving account products for minors two key frameworks, the CRBP and youth-friendly banking principles discussed above, can be considered. The child and youth-friendly banking principles, for instance, provide a framework for assessing whether the product is minors friendly or not. For instance in India banks are free to offer additional facilities like Internet banking, ATM, cheque, but prohibit minors account to be overdrawn.¹⁹⁵ CBE, on the other hand, doesn't allow ATM card service and cheque transactions for a teen saving product to protect them from potential abuse and manipulation.

Hence, by taking into consideration the deliberation and assessment of stakeholders, Ethiopians minor's peculiar features, and the banking sector capacity, different restrictions or limitations may be imposed on minors owned saving account products. Such limitations might be, prohibiting some types of card usage, or put usage restrictions or limitations on maximum withdrawal.

Generally, minors saving account products must be designed and offered in minors friendly manner and must protect the interests of the minors and as well, it needs to manage the soundness of the banking sector.

¹⁹⁴ Financial inclusion for children and youth (n 49) 48

¹⁹⁵ Opening of Bank Accounts in the name of Minors (n 179) Art. 3

CHAPTER FIVE

Conclusion and Recommendations

5.1 Conclusion

Financial inclusion has gained a global agenda due to its perceived importance. Financial inclusion is generally referred as the level of access to financial services. Several studies have shown the relevance of financial inclusion, mainly basic saving account, for working minors. Access to saving account enables them to safeguard their income, encourage asset building, instil sound money management habits, improve a country's overall gross saving rate and facilitate to make easy and safer transactions.

However, minors are commonly excluded from the formal financial sector. The legal and regulatory barriers, mainly minimum age restriction to open and use savings account independently and strict identification documents requirement are mentioned as main challenges in many instances. To overcome this challenge countries put different mechanisms and some introduce specific regulation which enables minors to open and manage bank account independently.

In a number of studies, the Ethiopian legal framework is mentioned as one exception which enables minors above the age of fourteen and demonstrates they are working to open and manage saving account independently. Nevertheless, this research claims the Ethiopian legal framework does not have room to legally enable minors to open and access their saving account independently.

Firstly, Ethiopia does not have specific regulation or law governing the minimum legal age required to open bank saving account. Besides, there is no exception provided in the commercial code, as well as banking business proclamation with regards to the minimum legal age to open bank saving account. Hence, as opening saving account is a contract made between the agreement of the depositor and the banks, the general contract law restriction that minors under the age of eighteen lack capacity to conclude binding contract will apply to this transaction too.

Besides, as envisaged under the RFC minors will only be represented by parents or guardians until they reach the age of majority, though the minors are authorized to receive their income from their work starting from age fourteen. The RFC also permits minors above the age fourteen

to apply to a court for emancipation and once they are emancipated they will be deemed as attained majority. Still, this principle cannot legally be considered as enabling all minors the capacity to conclude contract to open saving accounts independently.

On the other hand, Ethiopian Labour law permits minors above the age of fifteen to legally engage in a contract of employment, and also different studies confirm a large number of minors above the age of fourteen are involved in the labour force. Also, causal observation revealed many minors are working and helping themselves and families by engaging in different economic activities. Yet, there is no specific exception provided, even for those working minors, to be able to open bank saving account independently.

Moreover, from the seventeen commercial banks operating in Ethiopia, only four commercial banks are currently offering minors alone saving account products for minors above the age of fourteen to open and manage saving accounts independently. The rest commercial banks, more than 76 per cent, are not providing minors saving account products that can be opened and managed by minors independently. These banks invoke the minimum age restriction and KYC requirement as the main reasons not to offer minors alone saving account products.

Consequently, minors need parent or guardian to open a savings account and withdraw money on behalf of them; and this is the commonly employed practice of most Ethiopian commercial banks. However this arrangement excludes minors living alone, it is against most minor's privacy issue, discourage the opportunity of developing saving culture at an early age and also expose the minors' savings to be withdrawn without their consent.

The identification document requirement (KYC or CDD), which mainly aimed at preventing money laundering, fraud, and theft, is also another challenge for minors to open bank saving account, as they are not eligible to get formal identification documents until they reach age of majority. The Ethiopian CDD requirement, though, incorporates some flexibility by allowing different documents to be provided as far as they are reliable and independent; it does not take into consideration the difficulty of getting those documents by majority of the minors.

Conversely, the FATF on money laundering recommends countries to allow progressive and risk based approaches to comply with KYC requirements and also advise the use of a wider range of IDs in case of minors account, which is believed to be low balance and less transactions.

The NBE adopted a national financial inclusion strategy intending to promote financial inclusion. Yet, this strategy does not consider the legal and regulatory restriction of the country as a key barrier for minors to open saving account and also to be financial included. Moreover, the strategy does not explicitly mention any objective to facilitate working minors' financial inclusion through saving account in the banking sector and also does not consider them as a separate target group with specific objectives.

Conversely, there are various rationales which demand to create an enabling legal framework for minor's to access saving account products independently. Such as;

1. A large number of minors are already actively involved in the economic activity and earning income.
2. Lowered minimum legal age is introduced in the labour and cooperative society proclamation, so that minors above the age of fifteen are legally allowed to work and earn their income. However, those working minors are excluded from opening saving account to keep their income safe.
3. Some banks formally provided saving account products that minors above the age of fourteen can open and manage it independently. Therefore, regulation is necessary for sound and proper manner of providing the products.
4. Lack of clear law leads to different interpretation and inconsistency in providing the product among the banks. Hence, specific law is needed to bring fair competition among the banks in offering this product.
5. To bring the money circulates outside the banking sector in the informal economy or kept in cash merely idle in the formal banking sector and ultimately enhance the domestic saving rate and overall economy of the country.
6. Promoting saving culture and instil proper financial skill at a relatively younger age.
7. The evolving capacity of this generation minors necessitate introducing saving account products that justify their capacity and best interest.

Therefore, taking into consideration these justifications, introducing specific law which reduces the minimum legal age to open and manage saving account independently and govern the product is desirable.

In addition to that given minors cannot get formal identification documents and also minors saving accounts are expected to be low balance and low transaction a more flexible identity verification is needed to enable large number of minors access basic bank saving account and financial included. At the same time, to bring minors financial inclusion the engagement of relevant stakeholders' and proper regulation which has oversight requirements to protect them from unnecessary risks and also manage the soundness of the banking sector should be considered.

5.2 Recommendations

Based on the findings of this paper, the writer would like to recommend the followings:

- The Banking business proclamation should be amended to allow minors age fifteen and above to open and manage their saving account products independently.
- NBE should develop specific directive to facilitate minor's financial inclusion in the form of savings at financial institutions and also to ensure the necessary oversight and protective regulatory framework for minors and for the soundness of the banking sector is in place.
- NBE should introduce and allow banks to accept more flexible identity verification for minors saving account products. Such as issuing an exemption for low-balance, accepting school Id, recommendation letter from local authorities, NGOs, parents, when they open saving accounts for minors. However, to safeguard risks for banks different mechanisms must be developed, these include retaining the standard document verification requirements based on predetermined account balance or other risk thresholds.
- NBE should encourage, support and supervise the banking sector to design appropriate saving account products for minors above the age of fifteen. For instance, CYFI child and youth friendly banking principles can be considered.
- To enhance minors financial inclusion in the form of savings at financial institutions and also develop appropriate regulation, efforts from different relevant stakeholders, such as, NBE, the ministry of youth; the ministry of education, bankers association must be coordinated. So that the regulation should develop age appropriate protection for the minors and also safeguard the soundness of the banking sector.

Bibliography

Laws

- Banking Business Proclamation, 2008, Proc. No. 592/2008 Fed. Neg. Gaz 14th year, No. 5
- Banking Business (Amendment) Proclamation, 2019, Proc. No. 1159/2019 Fed. Neg. Gaz 25th year, No. 88
- The Civil Code of Ethiopia, 1960, Proc. No. 165/1960, Neg. Gaz., 19th year, no. 2.
- The Commercial code of Ethiopia, 1960, Proc No. 166/1960 Neg. Gaz., 19th year, no.3
- Convention on the Rights of the Child, 1989, resolution 44/25, United Nations General Assembly
- Cooperative Societies Proclamation, 1998, Proc. No. 147/1998 Fed. Neg. Gaz., 19th year, No. 27
- Customer Due Diligence of Banks directive No. SBB/46, 2010, National Bank of Ethiopia
- Customers Accounts and Transaction Services procedure, 2016, Commercial Bank of Ethiopia
- The Revised Family code proclamation, 2000, Proc. No 213/2000 Fed. Neg. Gaz No 1
- The National Bank of Ethiopia Establishment (as Amended) Proclamation, 2008, Proc No. 591/2008 Fed. Neg. Gaz 14th year, No. 50
- Labor Proclamation, 2019, Proc No 1156/2019 Fed. Neg. Gaz 25th Year, No. 89
- Labor Proclamation, 2003, Proc No. 377/2003 Fed. Neg. Gaz 10th year, No. 12
- Licensing and Supervision of Banking Business Regulation of Mobile and Agent Banking Services Directives No. FIS /01/2012, National Bank of Ethiopia
- Licensing and Supervision of Banking Business Directive to authorize the business of interest free banking No. SBB/51/2011, National Bank of Ethiopia
- Mutual Banks Act No. 124/1993, Republic of South Africa
- Opening of Bank Accounts in the name of Minors, circular, 2014, Reserve Bank of India
- Presidential Decree No.734 June 25, 1975, Philippines
- Prevention and Suppression of Money Laundering and Financing of Terrorism Proclamation, 2009, Proc. No.657/2009 Fed. Neg. Gaz, 16th year, No. 1
- Vital Events Registration and National Identity Card proclamation, 2012, Proc. No 760/2012 Fed. Neg. Gaz 18th year, No 58

Books and Articles

- Alemayehu G., *Readings on the Ethiopian Economy*, Addis Ababa University Press, (2011)
- Archie K. *Banking Regulation Today: A Banker's View* (1966)
- Degefe B., *The development of money, monetary institutions and monetary policy in Ethiopia*, (1995)
- Dolan, C., *Banking and Finance* (1996)
- Gezu A., *የኢትዮጵያ የባንክ እና የጥቅል የንግድ ስነ-ምግባር*, (2009)
- George, K., *Formation and Effects of Contracts in Ethiopian Law*, Faculty of law Addis Ababa University (1983)
- Tilahun, T, *Basic Principles of Ethiopian Contract Law*, Addis Ababa University,(2007)
- Aron H. et.el. ‘Assessment of Saving Culture among Households in Ethiopia’, J. Economics and Sustainable Development. Vol.4, (2013)
- Dana M. and Amy P., ‘Child Labor Laws and the Impossibility of Statutory Emancipation’ Hofstra Labor and employment law journal, vol. 33, (2015)
- David P., ‘Restricting the Freedom of Contract: A Fundamental Prohibition’ J.Yale Human Rights and Development, (2013)
- Elizabeth J., and Margaret S., ‘From Financial Literacy to Financial Capability Among Youth,’ The Journal of Sociology & Social Welfare: Vol. 34 : Art 7 (2007)
- Elizabeth S., ‘The Legal Construction of Adolescence,’ Hofstra Law Review, Vol. 29, (2000)
- Hamilton V., ‘Adulthood in Law and Culture’, Tulane law Review, Vol. 91:55, (2016)
- Sambasivea K. and Andualem U., ‘Barriers to access to and usage of financial services in Ethiopia,’ Business and Economic Research, Vol. 7, No. 1, (2017)
- Larry.C., ‘A question of capacity: towards a comprehensive and consistent vision of children and their status under the law’, J.Juvenile law and policy, vol 10,

Working Papers

- Adele A., Flore A., Promoting Financial Inclusion through Financial Education: Evidence, Policies and Practice, OECD Working Paper, (2013)
- Angus D., Saving in Developing Countries: Theory and Review. World Bank Economic Review, (1989)

- Child and Youth Finance International (CYFI) and MasterCard incorporated International, Banking a new generation, (2014)
- CYFI , Children, Youth and Finance: From Momentum to Action, (2013)
- Financial inclusion for children and youth, CYFI Landscape Series , (2016)
- Financial inclusion, global financial development report, (2014)
- Financial service for young people: prospects and challenges, the mastercard foundation
- Getnet A., financial inclusion, regulation and inclusive growth in Ethiopia, working paper, (2014)
- Gina C. and Alula P., Exploring Children’s Experiences of Work in Ethiopia: A Guide for Child-focused Research, (2015)
- Gashaw D., and Gebe Y., Financial inclusion in Ethiopia: using LSMS (Ethio Socioeconomic Survey)
- Gerison L., The Evolving Capacities of the Child, UNICEF, (2005)
- Jeff M., et al., Child saving accounts: global trends in design and practice, (2008)
- Josh M., Savings as a Cornerstone Laying the Foundation for Financial Inclusion, (2013)
- Michael J. and Carly U., Banking on the Future: Minor-owned Accounts and Financial Inclusion, institute for labor studies, (2019)
- Kilara T., Philippines: Driving Innovation in Youth Savings. YouthSave Blog. November 3, (2011)
- Lorenzo G. and Furio R., Child Labor and Youth Employment: Ethiopia Country Study, March (2007), discussion paper
- Liliana R. and Lucia P., An Index of regulatory practices for financial inclusion: enablers, promoters, and preventers, working paper, centre for global development, (2017)
- Rani D., and Divanbeigi R., Can regulation promote financial inclusion?, policy research working paper, (2019)
- Rani D., Youth and Financial Services, Working Group, (2013)
- Scarlett A. and Aleta S., The Regulatory Environments for Youth Savings in Developing World, report, (2014)
- Tanaya K. and Alexia L., Emerging perspectives on youth savings, focus note 82, July (2012)

- The Ethiopia National Child Labour Survey, Central Statistical Agency (CSA) of Ethiopia and ILO, (2015)
- Thouraya T. and Issa F. Eds, financial inclusion in Africa, African Development Bank, (2013)
- UN Capital Development Fund, Policy opportunities and constraints to access youth financial services, (2012)
- UNDP, Ethiopian National human Development Report, Industrialization with a Human Face, (2018)
- UNHCR Guidelines on Determining the Best Interests of the Child, May (2008)
- United Nations, Building Inclusive Financial Sectors for Development, (2006)
- World Bank Group, The global finindex database, measuring financial inclusion and the fintech revolution, overview

Interview

- Interview with Abera kassa, Manger, deposit mobilization, at Abyssinia bank, on March 2, 2020
- Interview with Andargachew Beyene , Manger business development and marketing, at United bank, on February 20, 2020
- Interview with Aregewon Tekelu , Manger, Product Development, at CBE, on July 23, 2019
- Interview with Atakilit Admasu, Director, planning and business development, at Debut global bank, on January 14, 2020
- Interview with Biruk Melaku branch operation manager, at Enat bank, on February 20, 2020
- Interview with Fekadu Tufa, Manger, researcher and product development, at Oromia interantiona bank, on February 14, 2020
- Interview with Hirut Fisseha, Director planning and performance management, at Anbessa bank, on January 14, 2020
- Interview with Hiwetie Tirusew, bank branch operation planning director, at Bunna bank, on March 5, 2020
- Interview with Woldemariam Derese , Manager, product development and innovation, at Dashen bank, on March 2, 2020

- Interview with Abdulbast Temam, manager product development, at Wegagen bank, on February 10, 2020
- Interview with, relevant personals, at Addis international bank, Zemen bank, Abay Bank, Berhan Bank, Awash Bank, Oromia cooperative bank and Nib bank, preferred to be anonymous
- Interview with, Sosina Alemayehu, Director corporate advisory, at commercial bank of Ethiopia
- Interview with Bereket Asamenehu, senior attorney at Abyssinia bank legal department

Internet Source

- https://seepnetwork.org/files/galleries/1058_Un (accessed March 5, 2020)
- https://youtheconomicopportunities.org/sites/default/files/uploads/resource/AccessoYFS_UNCDF. (accessed February 12, 2020)
- <https://www.nbe.gov.et/financial/microfinanceinstitutes3.html>, (accessed at August, 2020)
- <https://www.worldbank.org/en/topic/financialinclusion/overview#1>, accessed at July 29, 2020
- <https://scholarship.law.tamu.edu/facscholar/1094> (accessed at January 12, 2019)
- <https://blogs.worldbank.org/african/financial-inclusion-in-ethiopia-10-takeaways-from-findex-2017> (accessed 3 October 2019)
- <https://www.abysiniaweb.com/blog-posts/item/1451-assessment-of-national-response-to-child-labor-in-ethiopia> accessed march 5, 2020
- at <https://www.google.com/search?client=firefox-b-d&q=ethiopian+commitment+on+maya+declaration>, accessed April 2, 2020
- https://www.unfpa.org/sites/default/files/boarddocuments/Final_Ethiopia_Country_Programme_Evaluation_9Mar20.pdf (Accessed at April 2, 2020)
- <https://nbebank.com/banks> (accessed August 30, 2020)
- <https://www.nibbanksc.com/children-saving-deposit/> accessed, July 30, 2020
- <http://www.enatbanksc.com/> accessed July 30, 2020

Others

- Civics and ethical education, student textbook, ministry of education
- Commercial Bank of Ethiopia guideline on Teen Saving Account
- Ethiopia's Growth and Transformation Plan II (GTP II), (2016) National Plan Commission
- Guidance for a risk based approach, (2013) Financial Action Task Force
- National financial inclusion strategy, (2017) National Bank of Ethiopia
- National financial inclusion strategy, 2017–2022, The Republic of Zambia
- National Youth Policy, (2004) ministry of youth, sport and culture