



UNIBANCO AND ITS PROGRAM OF ACCOUNTS FOR BENEFICIARIES OF THE HUMAN DEVELOPMENT VOUCHER*

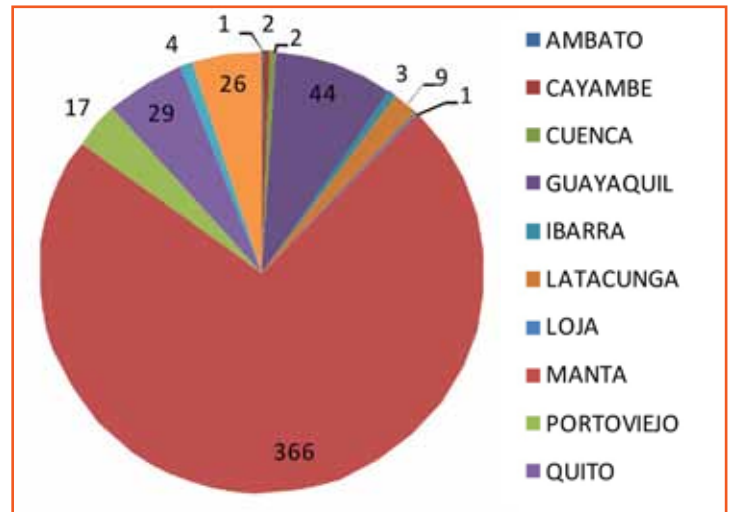
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ACCOUNTS FOR BENEFICIARIES OF THE HUMAN DEVELOPMENT VOUCHER UNIBANCO-PPS

In February 2009, UNIBANCO and the Social Protection Program (Programa de Protección Social, PPS) entered into an agreement providing for the Human Development Voucher allowance to be deposited in beneficiaries' savings accounts if they preferred. The first accounts were opened in July 2009, and there has been steady progress. By July 2010, 565 accounts had been opened, 504 of which were active.

The idea behind the UNIBANCO accounts is to include voucher beneficiaries in the financial system through savings. Inclusion in the financial system aims to solve the problem of "barriers" encountered

Figure 1: Total Active accounts, by city, as of July 2010



Source: UNIBANCO

Compiled by: Roberto F. Salazar Córdova

* The complete document is available at the Capital Project: <www.proyectocapital.org>

by people with low incomes, who often have the greatest need for credit and the fewest resources, and for whom access to credit is more costly.

The incentives for opening these accounts are the benefits they receive by becoming UNIBANCO customers. These include access to credit, interest on savings, personalized assistance from the bank, MIES rapid voucher cards so they can make free withdrawals from any UNIBANCO automatic teller machine, and benefits at establishments affiliated with Cuota Fácil, UNIBANCO's credit card.

The program has not created significant demand, although it is noteworthy that it has included 565 new savers in the financial system. This type of public-private initiative should be strengthened, especially when the goal is to include marginalized sectors in the financial system.

The relatively low demand is mainly due to four factors. The first is that UNIBANCO had to design and create the system for operating savings accounts specifically for beneficiaries of the Human Development Voucher, which required time and resources. This process began after the agreement was signed and ended with the offer of savings accounts to beneficiaries.

For operational reasons, the decision was made to initially open accounts only at the main office, located in north-central Quito. The reason was to be able to address quickly and efficiently any issues that might arise, as they do in any new process. The main UNIBANCO office is also located close to the Social Protection Program office, making it easier to coordinate, if necessary.

The second factor was related to the geographic area in which people initially had access to the program. This area is not characterized by poverty; on the contrary, compared to other parts of metropolitan Quito, the north-central zone has among the lowest poverty rates. High demand from Human

Development Voucher beneficiaries could not be expected in that area, since conditional cash transfers are based on socio-economic conditions.

The third factor was dissemination of information. UNIBANCO took responsibility for publicizing the program. There are nearly 2 million voucher beneficiaries; slightly more than 100,000 are in Pichincha, including 76,523 in metropolitan Quito, indicating that greater demand was possible.

A fourth factor was people's preference for keeping their money in cash. According to interviews with UNIBANCO and PPS staff, people who have not had contact with the financial system are hesitant to put their money in a savings account. Nevertheless, it may be possible to overcome that obstacle with education and training¹.

Although the people who have accounts have not decided to seek loans, they have maintained an average savings balance of USD 8.00. This amount is small, but it still represents 23 percent of the USD 35.00 voucher allowance. That people who have been marginalized from the financial system maintain an average savings balance exceeding 20 percent of their monthly allowance represents a significant achievement for the program.

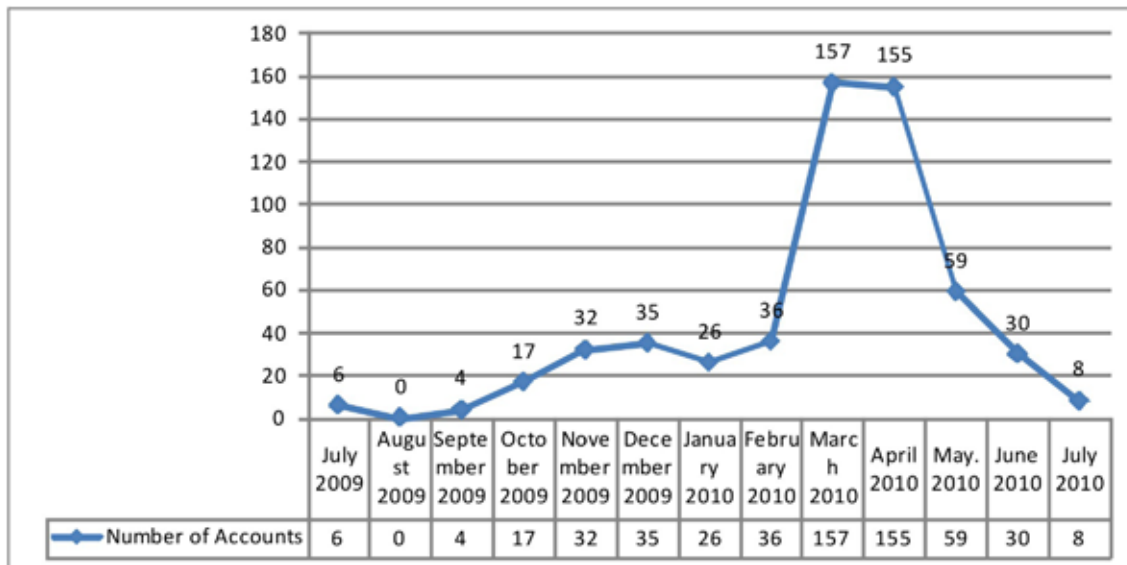
There has been an upward trend in the opening of accounts, and there was exponential growth in March and April 2010 in the opening of accounts in the city of Manta, in the Manabí Province on the Ecuadorian coast. The location of the bank's office and promotion of the agreement are among the factors that figured strongly in beneficiaries' decisions to open savings accounts. For these reasons,

1. People excluded from the financial system have no way to receive advice about efficient management of their resources. As noted in "Financial Inclusion: credit, savings, advice and insurance" (2006), published by "The House of Commons" in London, England, inclusion in the financial system is important for and influences the development of society, especially for those who are excluded.

the two institutions should reinforce their efforts to promote the program and create appropriate

incentives for themselves and the beneficiaries, to foster greater demand.

Figure 2: Trend in opening of savings accounts, July 2009-July 2010



Source: UNIBANCO
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Finally, there is a crowding-out effect between opening savings accounts in UNIBANCO and access to Human Development Loans offered by the Social Protection Program. Some people have closed their accounts because they wanted to apply for loans from PPS. It is therefore necessary to deepen the program toward credit, which has proven to be an important factor in reducing inequality, because

it has a positive correlation with people's well-being. It is also crucial to offer financial education to the people targeted by the savings program, so they lose their fear of the financial system and decide to become part of it.

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This publication is possible thanks to the support of the Ford Foundation.



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