insHort

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Improving women's access to financial services through subsidized savings accounts*

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The Development of the Puno Cusco Corridor Project (PDCPC) is an initiative of the Peruvian Government to promote the development of rural and poor rural dwellers in the southern highlands by strengthening commercial linkages, in the area: a major road linking Puno to Urubamba, passing near Cusco and the "Sacred Valley of the Incas" until down the Amazon basin. It operates in 141 districts, that is to say, 40% of the department of Puno and more than 30% of Cusco, both among the country's five poorest departments. The target population includes small entrepreneurs; semi-commercialized families with crops and livestock in the surrounding valleys; and *comuneros*.

The intervention was conceived for a six year period with a total cost of US $ 30.8 million obtained through external debt with IFAD, International Fund for Agricultural Development; and funds from the Peruvian public sector and other counterparts. PDCPC is run by the Ministry of Agriculture.

The PDCPC's general objective is to increase the rural population's income and to strengthen the local products and services' value; as well as, to increase the use of financial services and the outreach of rural financial intermediaries[1], objective on which this case study will focus. Therefore, the PDCPC centered its activities on two major components. One, aiming at developing and strengthening technical assistance markets; and the other, at assisting the rural poor on using financial services.

* The complete document is available at The Capital Project web page: www.proyectocapital.org

1. More information on the Project can be found in www.corredorpuno-cusco.org

Improving women's access to financial services through savings accounts

The main challenge: test the possibility of building a sustainable relationship between rural women and regulated financial intermediaries, in a way in which both can benefit[2].

A method was developed to help this "connection". The project supported the creation of small groups to give the women basic financial management information for them to decide whether to open a personal savings account in a regional and regulated financial institution. If they did, they had to present, as a group, a set of individual savings plans to a Financial Local Committee of Resource Allocation (CLAR) contest. If they won, they would be assisted along the process of opening their account and would, receive as well as matching grant for 36 months only to be withdrawn after this period of time.

The program has helped more than 7000 poor rural women to open their savings accounts, making a significant difference in their lives. Apart from being divisible, secure and with fixed or growing value, these savings allow these women to gain control and feel more secure. There are collateral effects as well, such as, the creation of local groups to reduce transaction costs, help them save on a regular basis and increase their social capital. Equally important, financial institutions are also learning to work with this segment of clients. This project ends in 2008 and some women are already saving on their own.

2. Formal or regulated financial institutions are under the supervision of the Superintendencia de Banca y Seguros.

The savings account program

The program seeks to combine financial development with capital growth, as well as, to strengthen the women's social capital. Savings accounts have proven to be an attractive service allowing to accumulate resources and reduce vulnerability levels. Furthermore, it guarantees security, divisibility, accessibility, privacy and the possibility of facing emergencies or misfortunes.

The PDCPC worked to simplify the women's access to the financial system, as well as, their relationship; and to encourage a savings culture. Therefore, the users opened their accounts and increased their balances with their own resources. They also had to participate in the training activities promoted by the project and be an active member of a savings group.

To illustrate how this component operates, we will take the case of a representative user / beneficiary. A group of 20 women decides to participate in the component, so they communicate that to the PDCPC and prove they are a group that wants to save and present a proposal accounting for the origins of the resources to be allocated in their accounts. They are assigned, then, a financial facilitator to train them. This includes a guided visit to a regional financial institution, where they are shown the works and their questions answered. Finally, the women open their accounts and start saving.

In addition, they have to establish a personal savings plan with their savings group (GA): (i) by growth (crecimiento), each one creates an individual plan within the group; or (ii) through a self-help group (GAAA), every group member commits to fulfill a fixed plan.

These women are paid interests for their deposits. They are low, between 3% and 5% in soles per year. Given that inflation is low and that these accounts do not imply maintenance costs, their savings will not shrink.

The project granted the users three types of complementary monetary incentives, frozen until their relationship with the project is over: (i) when opening of the accounts, equivalent to 100% of the initial deposit; (ii) when increasing their balances, equivalent to 25% of the deposited amount or 33% for GAAA members; and (iii) when using their savings for investments and/or emergencies, equivalent to 20% of the amount withdrawn.

The total cost per beneficiary is around S/. 1300 (US $ 400).

Key aspects of the project:

- training and assistance
- monetary incentives
- complementariness between support for individual savings and strengthening of social capital
- local financial institutions interested in this public and identified with the locality
- the women's capacity to generate positive balances
- a favorable financial context

Financial partners

Working with the financial institutions was crucial. PDCPC formed alliances with CRAC Los Andes in Puno and Credinka in Cusco, both, small institutions strongly committed to their regions and with an ascending trajectory in terms of growth and profitability.

The deposits made by the women represent a significant portion of these institutions' resources: US $ 6.5 million; of which 80% correspond to the deposits made by the users and 20%, to the incentives; amounting to almost 10% of Credinka's deposits' total, and near 7% of CRAC Los Andes.

Results

As of April 30th, 2007, 7 367 women opened a savings account and formed 343 savings groups; in addition to the 18 financial CLAR with 233 savings groups awarded with the possibility of entering the benefits program.

Number of accounts opened per year

	Urubamba	Sicuani	Juliac	Total
2002	15	0	174	189
2003	292	406	454	1 152
2004	2	55	88	145
2005	658	711	620	1 989
2006	1 519	1 114	1 259	3 892
Total	**2 486**	**2 286**	**2 595**	**7 367**

Source: PDCPC data base

Women save and their balances increase. In addition to the initial amount, they have deposited S/. 4.6 million (near US $ 1.5 million), in average S/. 620 (USD 197) each. They also moved their money: more than 12 thousands withdrawals were registered, about S/. 2.6 million (US $ 852 000), around S/. 215 per withdrawal.

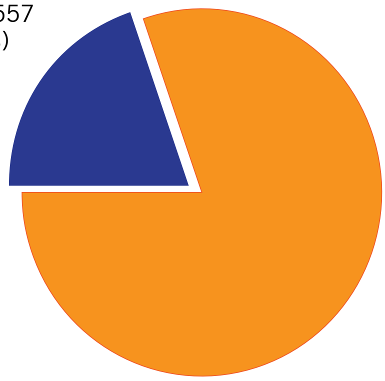
Women use their accounts, but not as frequently as the project expected: in average, six times per year; less than one deposit per month.

Other financial services. Registries indicate that, at least, 92 beneficiaries hold credits in the formal system, meaning that, at least, 5% uses an additional service.

Deposit of incentives. As of April 2007, the project deposited in the accounts an amount equivalent to 20% of the deposit's total; that is to say that for each dollar deposited as an incentive, the women deposited four. They mostly correspond to initial deposits given that withdrawals for investment purposes weren't as frequent important as expected[3].

3. Each woman could receive up to S/. 100; but in average they only got 89.

Deposits in women's savings accounts



Source: PDCPC, Dec. 2006

Women's opinions regarding their savings accounts[4]

Financial savings have become a positive asset for these women: they have significantly contributed to improve their quality of live.

Financial savings are better than those used in the past. They are safer, they do not risk robbery or devaluation; they have guaranteed privacy and divisibility. In addition, they allow them greater power over their finances.

They see thier savings as a mean to overcome emergencies and reduce vulnerability levels by themselves.

These savings allow them to face expenses planned in advance.

Savings accounts allow them capitalization

4. Based on interviews of more than 70 women for the project's intermediate evaluation in mid-March 2006.

in view of their individual possibilities, always with medium to long term objectives; as well as, to make deposits every time they have additional cash.

Personal accounts increase their economic independence.

Savings accounts help administer liquidity.

Saving in the financial system generates initial mistrust, due, mostly, to lack of information and negative past experiences. However, the training sessions and the monetary incentives helped overcome the fears.

Lessons

The main lesson arising from this experience is that it is possible to build a "bridge", in an apparently sustainable way between rural women and regulated financial intermediaries through savings accounts, favoring both actors. However, we are conscious it can be cheaper and simpler.

This initiative has shown that:

- Rural, poor and indigenous women in the southern highlands need and value financial instruments.
- Rural women can and want to save.
- Women have initial fears to put their money in a financial institution but they can be overcome with proper information.
- Monetary incentives are a key element.
- Savings in financial intermediaries are seen as a mechanism to reduce vulnerability, protect savings, manage income and expenditure seasonality, increase women's independence and build a capital for investments.
- Financial intermediaries need to go through a learning process to serve this new segment of clients.

Questions/comments arising from this experience

1. Once you know how it works, will you keep your savings account? We will have to wait and see. Once the project is over; will they keep or close the account? Withdraw the incentives? Etc.
2. The amount of the subsidy per user is about US $ 300 in 36 months, plus US $100 corresponding to training, field visits, etc. Is that too much? In my opinion, yes. However, more analyses are needed to be able to answer this question thoroughly.
3. Length of the relationship with the project. Even if it seemed too long, at first it responds to need of creating a savings culture and providing the information in the most suitable way possible.
4. Hypothesis change: money for business vs. money for education, safety and independence. The project expected women to save for a new business or to improve any ongoing activity. They, however, see their savings as a way of helping finance their children's education, their elderly years (health) or as an insurance mechanism to face any difficulty; as well as to, gain independence.
5. Will the financial intermediaries retain these clients? Intermediaries seek to

work in the microfinance world and the project hopes to have helped these institutions realize that rural women are attractive clients. However, a follow up is needed.

6. Relevance of external conditions: favorable inflation rates, FSD, regulated institutions.

7. Space for improvements: simplification of the incentive program, connecting and working with other programs, among others.

8. Scaling up opportunities? There seems to be opportunities to improve and / or replicate this initiative, at least parts of it.

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