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A YEAR OF SAVINGS: INITIAL RESULTS OF THE “PROMOTING SAVINGS IN JUNTOS FAMILIES” PILOT PROGRAM

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Overcoming poverty remains a major challenge for Latin American and Caribbean countries. According to recent figures from the Economic Commission for Latin America and the Caribbean (ECLAC), 33 percent of the region's population lives in poverty in 2008, including 13 percent living in extreme poverty or indigence. That means approximately 180 million people live in poverty and 71 million are indigent. Latin American and Caribbean (LAC) countries are making a considerable effort to provide direct assistance through conditional cash transfer (CCT) programs that provide cash resources to enable their poorest citizens to satisfy their basic needs, provided they meet certain conditions.

In Peru, poverty remains high and is concentrated in the southern highlands; as a result, the CCT program called JUNTOS has targeted that area since 2005¹. These programs tend to

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1. The National Direct Assistance Program for the Poorest Peruvians (Programa Nacional de Apoyo Directo a los más Pobres), known as Juntos, targets the population that is most vulnerable and at highest risk. It focuses on children in the poorest regions of the country, directly addressing the effects of poverty on children and encouraging poor rural families to invest in their children. The main goal is to encourage people who are excluded to exercise their fundamental rights by connecting them with nutrition, health, education and identity services. The vast majority of beneficiaries live in Quechua-speaking households in the highlands, an area where more slightly more than 90 percent of the program's beneficiaries are concentrated. These households are poor and have limited access to basic services such as water, electricity and sanitation. Their main source of income is small-scale family farming. On average, these households have five members and a fairly limited educational level, with primary schooling completed, on average.

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



lack actions aimed at providing beneficiary families with alternatives for generating and/or accumulating assets. It is therefore reasonable to ask about alternatives that could complement CCT programs with programs for asset accumulation or other poverty-reduction strategies. There are various reasons why a CCT program should encourage the inclusion of its beneficiaries in the formal financial system. Such a process would begin with the opening of savings accounts for the payment of the CCT and mobilization of the savings, using tools such as financial education and incentives for saving. CCT and financial inclusion programs share the goal of providing the traditionally excluded population with tools to facilitate the graduation of families that receive CCTs or provide CCT recipients with secure savings opportunities, among other things².

Taking two prior experiences – the Puno-Cusco Development Corridor Project and the Southern Highlands Development Program – into account, in partnership with the Banco de la Nación, AgroRural and ST-CIAS, and with technical assistance from the Capital Project, the JUNTOS program designed (and implemented, beginning in 2009) a pilot program to provide financial tools to 3,800 Juntos beneficiaries in two places in the country, Coporaque and San Jerónimo, through the use and management of savings accounts. The pilot was designed to provide financial tools to lay the groundwork for possible strategies for enabling beneficiaries of the JUNTOS Program to move out of poverty.

2. For more information, see the complete version of the document or the Capital Project's Web portal (<www.projectocapital.org>)

OBJECTIVE

The goal of the pilot savings program, "Promoting Savings in JUNTOS Families," is to "promote and encourage, with beneficiaries of the JUNTOS Program, access and use of financial services, especially the use of their savings accounts and financial savings." This pilot seeks to help improve the beneficiary families' living conditions through insertion into the formal financial system, helping poor rural households develop basic skills for beginning and consolidating productive activities through mobilization of formal savings and efficient cash flow management, to promote self-sustaining households and gradual graduation from extreme poverty³.

COMPONENTS

The pilot program has three components. The first is training and financial awareness, which AgroRural provides to women beneficiaries of the program⁴. The purpose is to give the beneficiaries a basic understanding of how the formal financial system works and its characteristics, main products and services, and advantages in terms of security and reliability. It also offers guidelines for improving household cash-flow management, encouraging savings as a means for capitalizing the family as an effective tool for combating poverty.

3. This pilot is the first in a series of similar programs in which the Capital Project is involved in various Latin American countries.

4. Women beneficiaries of the pilot program meet in groups of 20 to 30. The training consists of one workshop per day for each group. Because of the density of the information, each workshop is a single training module. AgroRural believes that the next module can begin after two months. The beneficiaries receive three modules, covering the financial system, financial services and the rural agricultural development program, AgroRural.



The **second** is the **financial accompaniment** that the JUNTOS and AgroRural facilitators provide for the women as follow-up and reinforcement. The third develops and reinforces the earlier content, implementing a mechanism for **savings incentives** among the beneficiaries of the pilot program, with a raffle and prizes. The incentive is a raffle every two months of baskets of food and other necessities, in which two beneficiaries from each district are winners. To participate, the beneficiaries must meet the following requirements: i) they must not have been suspended by the JUNTOS Program in the month before the raffle, which means they have met all of the program's health and education requirements; and ii) they must have a balance greater than zero in their savings accounts. This encourages the program beneficiaries to fulfill their shared responsibilities, develop a culture of savings and try new cash-flow management strategies.

To document how women beneficiaries of the pilot savings program have related to the program, we followed a group of women savers (23) who had been participating in the program for a year. Our goal was to understand the logic behind the use of savings accounts in extremely poor rural households and their preferences with regard to traditional (non-monetary) savings and formal financial savings. In general, we found that women dedicate most of their savings to covering expenses related to their children's health and education. This is extremely important, because it allows us to see how the "Promoting Savings in JUNTOS Families" pilot program enables women beneficiaries to reinforce the JUNTOS Program's overall objectives, and how the women generate resources to provide capital for the future and address emergencies that affect their households or their sources of income.



PRINCIPAL DATA AND RESULTS

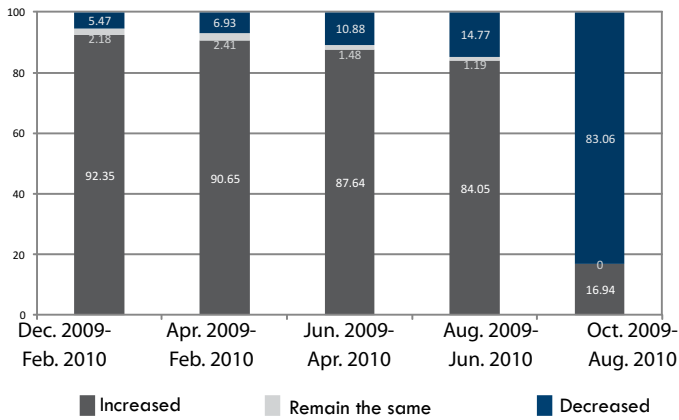
- Women have learned to use their savings accounts to leave or withdraw part of the CCT they receive from JUNTOS.** Before the savings promotion pilot program began, 84 percent of the women beneficiaries of JUNTOS in San Jerónimo did not save. As of October 2010, they had a balance of less than S/. 10 in their accounts⁵. The same was true of 72 percent of the beneficiaries in Coporaque. One year later, between September and October 2010, we found that only 5 percent of the beneficiaries in San Jerónimo and 11 percent in Coporaque did not save and had balances of less than S/. 10 in their accounts. The beneficiaries use their savings accounts regularly, saving part of the CCT received from JUNTOS and withdrawing their savings.

- The beneficiaries' savings are increasing over time.** A year into the program, many of the JUNTOS beneficiaries who were not saving when the pilot program began had balances of between S/. 10 and S/. 50. As the next two figures show, by August 2010, there had been a steady increase in the account balances accumulated by most of the women savers. About 88 percent of the beneficiaries in San Jerónimo and 86 percent in Coporaque saved more than S/. 100 that month. In October 2010, there was a decrease in the balance maintained by the savers in both districts. As the figures show, more than 80 percent of the savers had lower balances at that point, which means they used their accounts.
- The average amount in the accounts of beneficiaries of the pilot program in Coporaque increased from S/. 45.80 in Octo-

⁵ US\$1 = S/. 2.75

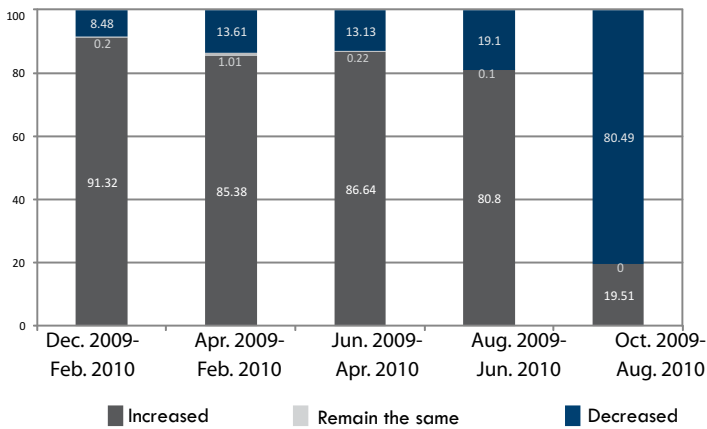


Figure 1
San Jerónimo: Percentage beneficiary women with movement in their savings accounts (December 2009 - October 2010)



Source: Base de datos del Banco de la Nación.
 Elaboration: IEP - Proyecto Capital.

Figure 2
Coporaque: Percentage beneficiary women with movement in their savings accounts (December 2009 - October 2010)

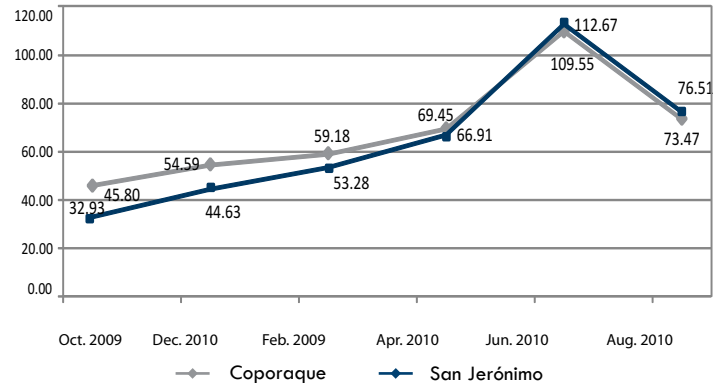


Source: Base de datos del Banco de la Nación.
 Elaboration: IEP - Proyecto Capital.

ber 2009 to S/. 73.47 in August 2010. The median amount increased from S/. 20.84 to S/. 50.16 during the same period. In San Jerónimo, the average amount in the accounts of beneficiaries participating in the pilot rose from S/. 32.93 in October 2009 to S/. 76.51 in August 2010. The me-

dian amount increased from S/. 5.55 to S/. 50.18. As the following figures show, average savings in both districts grew steadily until mid-year (June 2010), with a sharp drop in August. This was probably because the savers used some of their savings for agricultural expenses during the planting season.

Figure 3
Evolution of the percentage of the balances averages of beneficiary women of the pilot savings program, "Promoting Savings in JUNTOS Families" (October 2009-October 2010)



Source: Base de datos del Banco de la Nación.
 Elaboration: IEP - Proyecto Capital.

Figure 4
Evolution of the median of the balances of beneficiary women of the pilot savings program, "Promoting Savings in JUNTOS Families" (October 2009-October 2010)



Source: Base de datos del Banco de la Nación.
 Elaboration: IEP - Proyecto Capital.

- **Beneficiaries of the pilot program have mobilized significant amounts of money.** In both Coporaque and San Jerónimo, the amount mobilized in the JUNTOS beneficiaries' accounts increased considerably during the first year of the pilot program, rising from about S/. 80,000 to S/. 300,000.

- **The beneficiaries of the pilot program use traditional means of saving as well as formal financial savings.** It is important to remember that the rural poor have always saved in various ways. They save money at home, under the mattress, in piggy banks, sacks of seeds, cooperative savings schemes, etc.

"Before I saved in the bank, I saved ... in the piggy bank ... I have always saved ... when you're poor, you always need some savings." (Emperatriz Taco Ccori, 38, lives with a partner and two children in Coporaque, Espinar)

- **The women have internalized the importance of formal financial savings, and the advantages, such as security, privacy, control and cash-flow management.**

"I used to do it that way [saving money somewhere in the house], but since the savings program [the Savings Promotion Pilot Program] began, I prefer to save in the bank ... it's safer there ... and little by little, I'm earning money ... Some people put it under the mattress, but it always gets stolen. ... I know of a woman who had saved 400 soles in her house, and some thieves took it. It isn't safe in a piggy bank or under the mattress ... it's safer in the bank." (Herlinda Buleje Navio, 33, married with three children, living in San Jerónimo, Andahuaylas)

For these families, the importance of formal savings lies in the possibility of accumulating resources that later enable them to generate steady household income by establishing a

family business or some other productive enterprise.

"I want to start a shop here in this neighborhood of Puzo; there's no shop up above. To do that, I need to save more." (Rosa Altamirano Pahuara, 25, married with three children, living in San Jerónimo, Andahuaylas)

- **The main source of savings for beneficiaries of the pilot program is the CCT from JUNTOS.** Most dedicate a portion of the transfer they receive to increasing the balance in their savings accounts. These are generally small amounts, ranging from 10 to 90 soles, depending on each household's consumption needs.

"I always leave 20 soles of what I receive; sometimes I leave only 10 soles, sometimes 30 soles ... My two sows are pregnant. I'm going to sell the piglets, and I'll save the money I earn from that." (Herlina Buleje Navio, 33, married with three children, San Jerónimo, Andahuaylas)

- **Savings accounts are an important tool.** The beneficiaries see the savings account as a tool that enables them to use their money better, deal with emergencies that might affect them and their children, and keep some resources immobilized in the account, so they can invest in activities that will improve their children's standard of living or an initiative that will generate new sources of income.

"Saving is always important. You never know when you're going to need something, and it would be awful not to have it ... for when your children get sick ... it's also a good way to buy something or start a business." (Yaneth Flores Vargas, 31, separated with two children, living in San Jerónimo, Andahuaylas)

"I'm saving for my children, mainly ... so they can become professionals ... so they're not like me." (Matilde Huamani Hala, 36, married with three children, Coporaque, Espinar)



- **Financial education has empowered pilot program beneficiaries.** Learning to work with the financial system and use its services has increased the women’s self-esteem and sense of self-worth, allowing them to regain a sense of citizenship that was long denied them.

“I am a woman who saves in the bank and who goes to the bank to make deposits. I know how to withdraw my money, and I know how to save ... I’m more of a woman than I was before ... No one can take my money away from me and no one can deceive me.”
 (Emperatriz Taco Ccori, 38, lives with a partner and two children in Coporaque, Espinar)

- **The savings account is not the only financial service used by beneficiaries.** Some women – especially those who are most empowered – use other financial services. Most, however, do not consider applying for a loan, because of high interest rates and their fear of not being

able to repay. Some women have taken out loans, mainly for home improvements or so their children can pursue a higher education. Some also know how to make wire transfers.

“No, I don’t request a loan because I’m afraid of the interest.”
 (Roxana Huilca Chullo, lives with a partner and one child in Coporaque, Espinar)

“Two months ago, my father sent me money from the valley. My brothers are studying in Cusco. He sent it to me from there, and I transferred it to them from here.”
 (Luzmila Medina Gonzales, 30, lives with a partner and two children in San Jerónimo, Andahuaylas)

RURAL WOMEN WHO ARE BENEFICIARIES OF THE PILOT PROJECT WANT TO AND ARE ABLE TO SAVE

The results described in this paper show that rural women are interested in the financial system, it is useful to them, and they want

to and are able to use it. To do so, however, they need initial information about what the system can offer them, as well as a way of getting answers to their questions. Mechanisms are also needed to overcome the distrust with which they initially approach the system.

Most of the women now trust the financial system. The savings account, which is the financial product promoted by the pilot project, gives them security and control over their resources.

The savers have learned to use their accounts. It is therefore clear that they can learn to use other types of services, such as loans, transfers and deposits.

This first year of the pilot program has raised new questions and reopened many of the debates in the literature and in practice about the role of the financial system and processes for inclusion in the financial system to give the poorest people an opportunity to move out of poverty. This pilot program provides a valuable opportunity to continue studying and understanding the financial demands of poor women and their families, and to identify bottlenecks faced by various stakeholders, such as financial intermediaries, public agencies, etc., and possible solutions for leveraging processes for inclusion in the financial system. ●

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