



SAVINGS MOBILIZATION IN CONDITIONAL CASH TRANSFER PROGRAMS: SEEKING MID-TERM IMPACTS*

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Social protection aims to enhance the capacity of poor and vulnerable individuals to manage economic and social risks, such as unemployment, exclusion, sickness, disability and old age. These social policies and their implementation can improve the well being of the poor in a variety of ways. For example: moderating the impact of shocks causing sharp reductions in their income or consumption; as well as enhance the productive capabilities of poor men and women, reducing poverty and inequality and stimulating pro-poor growth.

Conditional cash transfers (CCTs) are ever-popular social protection programs that transfer cash to poor households on the condition that those households make agreed upon investments in the human capital of the children (such as in education, healthcare and nutrition).

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

The premise is that CCTs combine long run human capital development with short-term poverty alleviation, via a monetary incentive. By and large, CCT program effects are significantly positive in the reduction of poverty rates, the short-term goal. And while the long term goal of bettering children's education and health is a more complicate to measure, there have been undisputed success¹. So much so, that there has been a brushfire spread of such programs across less developed countries in recent years, totaling 40, according to the World Bank.

In Latin America there exist more than 15 CCTs that try to reduce poverty and inequality; and,

1. Michelle Adato and John Hoddinott. 2007. Conditional Cash Transfer Programs: A "Magic Bullet" for Reducing Poverty? 2020 Focus Brief on the World's Poor and Hungry People. Washington, DC: IFPRI. Fiszbein, y Schady, N. (2009) *Panorama General: Transferencias Monetarias Condicionadas. Reduciendo la Pobreza Actual y Futura*. Banco Mundial.

in the mean time, support social inclusion and protection. More than 120 million people in Latin America live in households that receive CCTs². It is one of the most utilized social protection strategies currently in use. Albeit its successes, there is a debate about the future of CCTs. On one side, are the proponents that CCTs need not be altered, but rather their needs to be continued upscale of dissemination within and throughout less developed countries. On the other side however are the proponents for innovation within CCTs, based on the critiques about CCTs downfalls, such as a successful exit strategy for the families and the missed opportunities to affect mid-term household welfare and rural and urban development, by also focusing the policy strategy on ways to give the receiving generation (the mothers) more and better opportunities as well³. As part of that debate, proponents of the latter have begun to explore the potential of CCTs to supplement economic inclusion and further poverty reduction. One recent development of this idea is to support the development of new economic opportunities and citizenship empowerment through linkages to bank accounts, creating the opportunity for wealth accumulation and improved liquidity management – by linking CCTs to savings opportunities⁴. In a very simple and low cost way CCT programs can generate incentives

and opportunities to use these financial services as a gateway into the financial system, accompanied by financial education.

Sabates-Wheeler & Devereux (2004)⁵, proponents for innovation in social protection policies, such as CCTs programs, re-define social protection as all initiatives that provide income and consumption transfers to the poor; protect the vulnerable against livelihood risks; and enhance the social status and rights of the excluded and marginalized. Their paper argues that social protection initiatives should carry out the following four functions protection, prevention, promotion and transformation. The protective measures they define as those that provide relief from deprivation. Whereas, the preventive measures seek to avert deprivation and the promotive aims to enhance real incomes and capabilities. Lastly, the transformative measures address concerns of social equity and exclusion. Our proposal as you will see throughout the paper clearly aligns with their argument for innovation amongst CCTs.

We will illustrate the case for innovation within CCTs, effectively demonstrating that savings-linked CCTs are cost effective intervention to rounding out the common pitfalls in these social protection programs. We straightforwardly identify the reasons for which we believe deposit accounts are the best fit, creating a potential WIN-WIN-WIN for governments, beneficiaries and financial institutions. And lastly, we cover an initiative in Peru, which is currently promoting the usage of savings accounts amongst its CCT beneficiaries.

2. <www.proyectocapital.org>.

3. Michelle Adato and John Hoddinott. 2007. Conditional Cash Transfer Programs: A “Magic Bullet” for Reducing Poverty? 2020 Focus Brief on the World’s Poor and Hungry People. Washington, DC: IFPRI.

4. Zimmerman & Moury. (2009). Conditional Cash Transfers: A New Policy Approach to Global Poverty Reduction. A Global Assets Project Policy Brief, Washington, DC: The New America Foundation. <http://www.newamerica.net/publications/policy/savings_linked_conditional_cash_transfers>.

5. Sabates-Wheeler & Devereux (2004). *Transformative Social Protection*. IDS Working Paper 232. Institute of Development Studies, Sussex. <www.ids.ac.uk/ids/bookshop/wp/wp232>.

SAVINGS-LINKED CCTS⁶

Deposit accounts, such as savings are at the forefront of formal financial inclusion policies. Formal savings imply critical applications for poor communities, such as its affect on consumption smoothing, also an overarching goal in CCTs. As Collin, Morduch, Rutherford and Ruthven (2009)⁷ have so extensively described, the poor utilize a multitude of informal tools to manage their limited and variable income. Many times however, these tools are inefficient and costly. Formal savings corrects for that and allows for poor individuals to effectively smooth consumption regardless of their varied and limited income, as well as across shocks. It allows for a flexible way to accumulate cash that can then be converted into a useful asset, like a vehicle or livestock. Or savings accounts can be utilized to save up large lump sums to then be invested in business and/or home improvements. Unlike credit, savings allows the beneficiary to have an initial experience with financial institutions that isn't risky, nor costly, and doesn't require you to have a particular project at hand (ie.

6. There exists ample literature on the importance of formal savings for the poor, for a more indepth look please refer to: Solo, T. M. (2008). Financial exclusion in Latin America – or the social cost of not banking the urban poor. *Environment & Urbanization*. International Institute for Environment and Development; Vol. 20(1): 47-66.

Sherraden, M., Zimmerman, J., Boshara, R., Zou, L., McKee, Kate., Meek-Wohl, L., & Feldman, A. (2007). Global Savings, Assets & Financial Inclusion: Lesson, Challenges and Directions. *Report from a Global Symposium*, June 2007, Singapore.

Rutherford, S. (2004). Money talks: Conversations with poor households in Bangladesh about managing money. *Journal of Microfinance*: 6(1), June.

Collins, D., Murdoch, J., Rutherford, S., & Ruthven, O. (2009). *Portfolios of the Poor: How the World's Poor live on \$2 a Day*. Princeton University Press

7. Collins, D., Morduch, J., Rutherford, S. and Ruthven, O. (2009). *Portfolios of the Poor: How the World's Poor Live on \$2 a Day*. Princeton University Press.

asking for a loan to start a business). Lastly, formal financial inclusion has the potential to break the generational cycle of poverty, because it allows for assets to be inherited.

Linking savings mobilization and CCTs has the potential for a positive synergetic affect. In addition, most CCTs are designed in such way (to be described in more detail later on) that easily facilitates the operational aspect of linking savings to CCTs. Most CCTs are delivered to the recipients through financial institutions or financial institutions payment channels. The complementarity of their respective effects on the well-being and livelihood of the poor, coupled with the pre-existing design of CCTs programs, creates an opportunity to be seized. What follows is a brief list at this opportunity and its potential benefits for the poor:

- To begin, CCTs and financial inclusion strategies pursue the same objective, **both wish to endow the traditional poor and excluded with resources and tools that facilitate their ability to overcome poverty**⁸. There exists ample literature that shows that the management of financial tools and the accumulation of financial savings can significantly improve the poor's quality of life, particularly those of women. For example, the

8. For more information please see: Aportela, F. (1999) *Effects of Financial Access on Savings by Low-Income People*. Banco de México Research Department, Mexico City, Mexico; Karlan, D., Ashraf, N., & Yin, W. (2007) *Female Empowerment: Impact of a Commitment Savings Product in the Phillippines*. Center for Global Development, Working Paper No. 106; Dupas, P. y Robinson, J. (2010) *Savings Constraints and Microenterprise Development: Evidence from a Field Experiment in Kenya*. NBER Working Paper No. w14693. <<http://www.nber.org/papers/w14693.pdf>>.

9. Collins, D., Morduch, J., Rutherford, S. and Ruthven, O. (2009). *Portfolios of the Poor: How the World's Poor Live on \$2 a Day*. Princeton University Press.

recent study by Collin, Morduch, Rutherford and Ruthven (2009)⁹, which show the extensive way in which the poor manage their limited income, utilizing innumerable financial products (most of which are quite costly, informal, and often time ineffective). The authors stressed that the poor would greatly benefit from more and better financial instruments to more effectively manage their limited income and expenditures, which would allow them to accumulate resources, manage their liquidity and income flows, obtain credit, etc.

- **Financial inclusion programs focused on mobilizing savings is in complete accordance with CCTs' mission to create greater and better levels of household consumption amongst the receiving households.** Poor households, like those of CCT beneficiaries tend to save in "traditional" ways, such as: hiding money in tin cans a/o under the mattress, or in the purchase of livestock. A savings account offers them a more secure and efficient way to effectively accumulate resources. Savings in general, and formal savings in particular, being that it is a more secure medium, can play a decisive role in helping poor families establish better and higher levels of household consumption. A plentitude of studies have demonstrated that financial services (credit, deposit accounts, etc) can offer low cost alternatives to consumption smoothing for under-resourced families¹⁰. Such ser-

10. Maldonado, J. y Moreno-Sánchez, R. (2010) *Estrategias de suavización de consumo y del ingreso de las madres beneficiarias del Programa Familias en Acción: Un análisis cualitativo*. Universidad de los Andes-Facultad de Economía-Cede. Serie Documentos Cede, 2010-23. Ediciones Uniandes. Bogotá, D. C., Colombia.

vices permit them to take advantage of productive opportunities, smooth their household consumptions when confronted with instable income flows, and better manage risk –something to which they are particularly vulnerable.

- **The mobilization of formal savings also helps to reduce CCT programs' operative costs¹¹.** The cash transfer payment, with the presence of a savings account, would be made directly into each individual account, eliminating the costs associated with payment delivery (such as verifying each beneficiaries identification). This scheme would also allow for increased transparency (eliminating any corruption opportunities) and further legitimizing the particular CCT programs.
- **The linkage with savings accounts provides CCTs beneficiaries the opportunity to save safely.** CCTs payments can be accessed by the beneficiaries by simply presenting themselves at the corresponding financial institution to withdraw their transfer from the savings account in their name. If they have interest in using the savings account they can leave part of this transfer in their account, but they are free to withdraw their entire CCT. A major advantage of the savings account is that users do not assume any risk in using it and they are the sole users on the

Trivelli, C y Yancari, J. (2008) *Las Primeras Ahorristas del Proyecto Corredor: Evidencia de la Primera Cohorte de Ahorristas de un Proyecto Piloto*. Instituto de Estudios Peruanos. Documento de Trabajo N° 153. Serie Economía, N° 48.

11. Maldonado, J. y Moreno-Sánchez, R. (2010) *Estrategias de suavización de consumo y del ingreso de las madres beneficiarias del Programa Familias en Acción: Un análisis cualitativo*. Universidad de los Andes-Facultad de Economía-Cede. Serie Documentos Cede, 2010-23. Ediciones Uniandes. Bogotá, D. C., Colombia.



account; the account is managed only by that individual.

- The majority of CCT programs try to reduce future poverty by focusing on human capital growth the beneficiaries' children. By and large that end has been successful, showing positive returns in the health and education of the future generation (long term), as well as a significant rise in household consumption (short term)¹². Nonetheless, there has been a lack of graduation mechanisms orientated towards the present generation, or those receiving the cash transfer (mid-term). A longstanding critique of CCTs is that they don't allow for mid-term affects on poverty, nor allow the mothers a sustainable transition out of their condition of poverty (once the cash transfers stop, household consumption return to past levels). However, **the act of providing the present generation a secure and low cost (ideally no-cost) mechanism to save, such as a savings account, facilitates the potential accumulation of useful lump sums that can be later invested**¹³.

12. Fiszbein, y Schady, N. (2009) *Panorama General: Transferencias Monetarias Condicionadas. Reduciendo la Pobreza Actual y Futura*. Banco Mundial. <<http://www.microfinanzas.org/uploads/media/CCTS-Overview-Spanish.pdf>>.

Maluccio et. ál. (2010) *Does Supply Matter? Initial Schooling Conditions and the Effectiveness of Conditional Cash Transfers for Grade Progression in Nicaragua*. *Journal of Development Effectiveness*, 2: 1, 87 — 116.
García et. ál. (2010) *Impact of Conditional Cash Transfers on Children's School Achievement: Evidence from Colombia*. *Journal of Development Effectiveness*, 2: 1, 117 — 137.

13. Sherraden, M., Zimmerman, J., Boshara, R., Zou, L., McKee, Kate., Meek-Wohl, L., & Feldman, A. (2007). *Global Savings, Assets & Financial Inclusion: Lesson, Challenges and Directions*. Report from a Global Symposium, June 2007, Singapore. Retrieved from: <www.globalassetsproject.org>.

- **Linking savings to CCTs has the huge potential to massively scale up financial inclusion efforts.** CCTs programs have created a solid institutional infrastructure, one in which is highly decentralized and where the often times the actual beneficiaries participate. This pyramid structure presents a unique platform to boost massive financial inclusion programs that employ as part of the program the diffusion of financial education. Facilitating access to formal financial services, starting with opening savings accounts in which to make the cash transfer, has the potential to achieve a massive financial inclusion process and focused on the poor in a relatively short time.
- Such linkage would also encourage an adequate supply of financial products to the extremely poor –the CCT target population. Beginning of a process of financial inclusion by opening savings accounts for the transfer is a gateway to the financial system previously excluded to the beneficiary, but more importantly has the ability to trigger a potential demand for financial services (savings and otherwise). The potential size of this extremely poor population represents an opportunity for financial institutions to serve this segment of the population, a new market, in a sustainable manner¹⁴. This is an indispensable condition to ensure the sustainability of supply.

14. There is a debate on the existence or not of business cases for financial institutions derive from offering savings accounts to CCT recipients. Recently, Westly and Palomas. (2010). "Is There a Business Case for Small Savers?" Occasional Paper 18. Washington DC: CGAP showed that it is possible to build a business case, however there is major research gap on this issue.



There is a huge opportunity to be taken advantage of here. Poverty is basically a problem of lack of access (to markets, information, education, health, water, sanitation, etc.). Access to formal financial services in general, but mostly for deposit services, becomes a critical issue for households to reduce their levels of vulnerability and at the same time to accumulate resources for developing productive initiatives. In stimulating the demand for this type of financial service in masse, requires financial institutions to seriously consider the challenge of banking for the poor. There have been many efforts to achieve this goal, but always on a limited scale, which has been one of the greatest obstacles. In this sense, CCTs for its size, organization and bargaining power, presents an opportunity to be seized – to promote a genuine process of successful financial inclusion. Failure to do so would mean missing a golden opportunity on the way to a more inclusive society.

vement in one; the other has the potential to improve the synergetic effect on the poor. CCTs have gained their popularity in large part because of their ability to successfully target the poor, whereas savings hasn't. Savings affects poor households not only in the short and long run, but also in the short term –a downfall to CCTsThe transactions costs for delivering CCTs payments is quite high by all standards, but in the case of savings operational costs are low- none. And lastly, CCTs have already reached a massive scale, but in the case of savings it has been quite limited.

To conclude, all three parties, the government (or organizing body), the beneficiaries, and the involved financial institutions, have potential for the outcome to be mutually beneficial. On the side of the poor households, they would gain access to a wide variety of financial products with lower transaction costs through a non-risky learning process (that should end in the acquisitions of financial capabilities).

	Conditional Cash Transfers	Savings	Savings-linked CCTs
Target	Poorest	Non poor – poor	Poorest
Short Term Effect	Increased Consumption	Safer and more effective savings	Increased consumption and safer /more effective savings
Medium Term Effect	X	Consumption smoothing	Consumption smoothing
Long Term Effect	Human Capital	Financial Capital	Human and financial capital
Transactions costs	High	Low	Low
Scale	High	Limited	High

The above table shows in the second to left column the effects of CCTs, and in the middle the effects of savings, and lastly, on the left the synergetic effect of both. The table helps to visually illustrate the complementarity of the programs, where there is room for impro-

Plus, the short term (cash transfer=immediate increased consumption); the medium term (savings=better consumption smoothing/ financial management/improved liquidity management); and long term (children's increased human capital). For the public sector,

there would be an increase of efficiency and transparency; not only would a savings-linked CCTs program have greater impacts, the evaluation of those impacts would be more easily attained; there would be responsible graduation of the beneficiaries from the program; and they assist the financial inclusion of their citizens. As for the financial sector, they would increase their outreach in breadth and depth accessing a previously excluded group that in masse has innumerable potential savings capacity, also increasing their corporate social responsibility. They could then also piggyback other products, such as credit and insurance.

JUNTOS: SAVINGS-LINKED CCTs IN PERU

JUNTOS¹⁵ (“Together” in Spanish), is a CCTs program initiated in 2005 targeting the poorest and most vulnerable populations in Peru, those in a situation of extreme poverty and exclusion. The program’s coverage has increased exponentially over the course of the last few years, from 22,550 households in 70 districts located in the 4 poorest departments of the country in 2005 to 468,136 households in 638 districts in the 14 poorest departments at the end of 2010¹⁶.

In October 2009, JUNTOS started implementing a pilot project entitled: Promoting Savings in JUNTOS Families (*Promoción del Ahorro en Familias JUNTOS*, for its Spanish name), which has the objective to promote and encourage the access and use of financial services amongst the beneficiaries, especially the use of savings

accounts and financial savings. The pilot was conceived as a means of delivering financial tools to JUNTOS’ beneficiaries, enabling them to improve their liquidity management instruments, and the use of financial products (in short, financial inclusion), allowing it to set the basis for the aforementioned strategies out of poverty.

The pilot was inspired by two previous experiences of the Peruvian government with savings mobilization in the Corridor Puno Cusco (*Corredor*, for its Spanish name)¹⁷ and Southern Highlands Development Project (*Sierra Sur*, for its Spanish name). Both projects contained an aspect that incentivized poor rural indigenous women (the most excluded group in the social pyramid) to open savings accounts in a formal financial entity. In the case of Corredor, during its run of four years, Sierra Sur in its two years, the projects assisted 15,000 women to open savings accounts and learn how to use them. These experiences demonstrated that poor rural indigenous women have the capacity to save in the formal financial system, and that they have the desire to do so; as well as, the capacity to utilize other types of financial services (micro credits, life insurance, etc).

The pilot “Promoción del Ahorro en Familias JUNTOS” was facilitated by the fact that JUNTOS and its transfer platform, the National Bank (Banco de la Nación) included in their agreement that each JUNTOS beneficiary would automatically be granted a no-cost savings account (through which the CCT is made). The

15. www.juntos.gob.pe

16. Trivelli, Montenegro y Gutiérrez. (2011). *Un año ahorrado: Resultados del primer año del Programa “Promoción del ahorro en familias JUNTOS”*. Perú Instituto de Estudios Peruanos.

17. Trivelli & Yancari. (2008). *Las Primeras Ahorristas del Proyecto Corredor: Evidencias de la primera cohort de ahorristas de un proyecto piloto*. Perú: Instituto de Estudios Peruanos, Working Paper 153.



Source: Programa JUNTOS

pilot was initially only extended to two districts, for a total of 3,700 families¹⁸.

The pilot program is articulated around three components: i) training and financial sensitization, ii) financial support, and iii) incentives.

1st component: training and financial sensitization This component, aims to transmit between different participants in the program basic knowledge about the functioning of the formal financial system and its characteristics, as well as the main products and services offered. This is critical so as to install confidence in the beneficiaries on the security of the formal financial system. At the same time provide guidelines for better management of flows of income into the home, promoting the value

of saving as a means of allowing the capitalization of the family as an effective tool in the fight against poverty.

2nd component: financial support. This component is made up of two complementary perspectives:

- The first is directly related to the financial aspects of the program and considered as reinforcement to the first component by accompaniment and support by facilitators the to the local women leaders and mothers through bimonthly visits.
- The second are home visits made by the local manager with the aim of strengthening and promoting the implementation of the assumed co-responsibility of the women with the pilot program.

18. The pilot is currently being expanded to 24,000 more families.



3rd component: incentives to complement the saving effort. The third component of the program develops and strengthens the previous content, implementing a savings incentives mechanism amongst the beneficiaries, through a raffle and awards ceremony. The incentive consists of bimonthly raffle of gift baskets (staple groceries items) valued at 180 nuevos soles (U.S. \$ 60) to two mothers per district. To participate in this sweepstakes, recipients must meet the following criteria: i) have not been suspended by JUNTOS in the month prior –she needs have fulfilled the education and health responsibility undertaken with the program; and ii) have positive balances in their savings accounts (above zero). This raffle seeks to encourage the beneficiaries to comply with the responsibilities assumed and also incorporate into their lives a savings culture, and to try new strategies for managing liquidity.

Before we look at some results of this first cohort of families during the pilot’s first year, it is important to take into account the level of lack of experience and information on behave

on the beneficiaries in regards to the formal financial system. Data from a baseline study show that less than one percent of the women knew what “account balance” or “interest rate” were. When asked if they knew whether they already had a bank account with the National Bank; or if they had heard of the Deposits Insurance Fund or the Superintend of Banking and Insurance (both regulatory bodies of the financial sector in Peru), all negatively responded¹⁹. This demonstrates their scarce interaction with the formal financial system prior to the pilot.

In general terms the analysis of the data shows that the savings have been grow steadily and maintained at both locations, which however, is heavily concentrated in the lower ranges of savings (between 0 and 30 US\$, per beneficiary). The figures in the below table show the total amounts saved over the course of the first year in the two districts and in total. They are extremely relevant figures if we take into account the low ratio (and knowledge) that they embarked with a year prior.

Saving Mobilized by JUNTOS beneficiaries ²⁰¹¹ (in US\$)			
	Coporaque	San Jerónimo	Total
Dec. 2009	88633	17545	106178
Feb. 2010	42538	25744	68282
April 2010	47157	30791	77948
June 2010	55864	38760	94624
Aug. 2010	76610	61045	137654
Oct. 2010	60694	44838	105532

19. Trivelli, Montenegro, & Gutiérrez. (2011). Un año ahorrado: Resultados del primer año del Programa “Promoción del ahorro en familias JUNTOS.” Proyecto Capital.

20. This section is based on the results of the first year of the pilot program of savings linked CCT in Perú. More information at Trivelli, C; J. Montenegro, and M. Gutierrez “Un Año Ahorrando: Primeros resultados del Programa Piloto “Promoción del Ahorro en Familias Juntos” Documento de Trabajo 159. Lima: IEP

21. Ibid.

We have also witnessed that they are experimenting with the accounts. In the Coporaque district, the proportion of mothers who maintain in the same range of savings reached 4% among mothers that kept savings rates less than or equal to 3 US\$ in December 2009, 30% among which were located between 4 and 18 US\$, 41% for balances that kept between 18 and 36 US \$, 18% among those who were in the range between 36 and 107 US \$ and 1% among those who reported balances higher than 107 US \$. The situation in San Jeronimo is quite similar, although the proportion of mothers who remain in the same ranges or levels of savings ends up being significantly higher in comparison to what is found among mothers residing in the town of Coporaque, reaching 6%, 41%, 27%, and 52%, respectively²².

The evolution of the group located in the lower range of savings (those with less than or equal to 4 US\$) shows a very important dynamic in both locations: on average over 95% of mothers that kept balances under 4 US \$ experimented with savings balances in the higher ranges during the first year. The data for the town of Coporaque show that 38% of mothers moved to the range located between 4 and 18 US\$; 46% to range between 18 and 36 US \$; 7% to the range set between 36 and 107 US \$ and about 6% to higher savings range. San Jeronimo in these proportions reached 47%, 41%, 4% and 2%, respectively²³.

As part of the study, the researchers were not only interested in the savings levels maintained by the women, but also about their perspectives and opinions on formal savings and the new experiences they had acquired in the

22. Ibid.

23. Ibid.

previous 12 months. To that end they interviewed a subsection of 25 women, to get a fuller understanding of their experiences thus far.

What they found was that for these families whom were traditional excluded from the financial system, formal savings constitutes a central new element in helping them effectively manage their expenditures (present and future) in the household, as well as a basic resource that allows them to buffer against unexpected income shocks. The importance of formal savings for these families also lies in the ability to accumulate resources to generate steady income after in the home through the establishment of some family business or other productive enterprise. Aside from the formal savings, the vast majority of the women simultaneously keep traditional savings reserves. It is necessary to remember, that poor households are accustomed to saving in multiple forms to decrease the risk that is lost or stolen, etc.

From conversations with some of the beneficiaries it was inferred that the main reasons for financial savings among poor rural households are preventive reasons and desires for a better future for their children. Besides these reasons, it was found that they save to: i) cover the costs associated with the health of children, ii) to purchase machinery and/or supplies to expand the capacity of the family business, iii) improve materials and poor housing and iv) addressing specific emergency affecting homes or their sources of income.

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



"I used to do it that way [saving money somewhere in her house], but since the [Pilot Savings Promotion Program] started, I prefer to save in the bank... it's safer there... and little by little, I'm earning money... Some people keep it under the mattress, but you could be robbed... I know a woman who had 400 soles in her house, and thieves took it. It's not safe in a piggy bank or under the mattress. ... It's safer in the bank."

(Herlinda Buleje Navio – age 33 - married, with three children - San Jerónimo, Andahuaylas)

The importance of formal savings for these families lies in the possibility of accumulating resources that allow them to generate permanent income for their households by establishing a family business or some other productive enterprise.

"I want to open a shop here in this neighborhood of Puzo; there are no shops further up. So I want to save more."

(Rosa Altamirano Pahuara – age 25 - married, with three children - San Jerónimo, Andahuaylas)

The CCT beneficiaries see the savings account as a tool that allows them to use their money better, deal with emergencies, and keep some resources immobilized in the accounts so they can invest in activities that will improve their children's quality of life or enable them to create new sources of income.

"It's always important to save. You never know when you're going to need something and not have money... for when your children get sick or something like that... it's a good way to buy things, or to start a business."

(Yaneth Flores Vargas- age 31- separated, with two children- San Jerónimo, Andahuaylas)

"Most of all, I'm saving for my children... so they can become professionals... so they won't be like me."

(Matilde Huamani Hala – age 36- married, with three children- Coporaque, Espinar)

One of the most important consequences of access to financial savings is the different processes of empowerment that has been generated among the beneficiaries of the program. Processes that are related mainly to the accumulation of resources for the improvement of their quality of life and those of their family. The fact that they learned to work with the formal financial system and to use the services offered in them has given these women the opportunity to raise their self esteem and feel empowered.

Learning to work with the financial system and use its services has increased their self-esteem and sense of self-worth, and has enabled them to regain a sense of citizenship that had long been denied them.

"I'm a woman who saves in the bank, and who goes to the bank to make her deposits and withdrawals. I know how to save ... I'm more of a woman than I was before ... no one can take my money away, and no one can deceive me."

(Emperatriz Taco Ccori – age 38 – living with partner and two children in Coporaque, Espinar)

Some beneficiaries, especially those who are most empowered, use other financial services. Most, however, do not consider seeking loans for fear of not being able to repay them and because of the high interest rates. Some women have taken out loans, generally for home improvements or for their children's higher education. Some also know how to make bank or wire transfers.

"No, I don't take out loans because I'm afraid of the interest."

(Roxana Huilca Chullo – living with 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 me money from there, and I transferred it to them from here.”

(Luzmila Medina Gonzales – age 30 – living with partner and two children in San Jerónimo, Andahuaylas)

These results are preliminary, but demonstrate that these women are utilizing their savings accounts, albeit with some trepidation –an important phase of their learning. The in-depth conversations with the beneficiaries have shown the subtle yet direct impacts that formal financial inclusion is having on their lives, and those of their family.

CONCLUSIONS

Social protection policies have helped millions of families across the world achieve higher consumption, while simultaneously investing in the future and health of their children. These are advancements for development that cannot be argued. However, with those success there is no reason to stop there. What we have presented is an opportunity to augment those advancements and create new opportunities for the poor.

The savings mobilization as an introduction to formal financial inclusion has proved quite successful in various development contexts. It has helped poor households with unstable incomes to successfully smooth consumption, as well as increase their consumption levels. It permits an introduction to formal financial services without the need to assume any risks (as would be the case with micro-credit). In particular for women, it has been shown to reduce vulnerability and increase empowerment.

In regards to the potential mid-term effects it could have when coupled with CCT programs, savings mobilization allows the poor to create useful lump sums out of small daily savings. Once amassed, these financial savings can be utilized as a tool for asset building, such as facilitating home improvement, or the investment in a business opportunity. Being that poverty, particularly intergenerational poverty, is attributed to the incapability on behalf of the poor to build assets which can then be passed onto future generations— this strategy has the potential to affect poverty reduction in the present, mid term and long term.

By linking savings to existent CCTs, we are providing the poorest populations a chance to more effectively smooth their consumption, to accumulate their limited resources into useful lump sums that can then be invested into productive capabilities further assisting them out of poverty. Formal financial inclusion also gives them a greater capacity to make decisions that affect their families well being and standard of living, intrusting them with a large set of tools and options. And in doing so, we have the opportunity to empower them, making lasting impacts that go beyond the economical scope.

Following the proposal of Sabates-Wheeler & Devereux, a savings linked CCTs would help re-transform CCTs to fit this new innovative definition. What we have proposed is only in its infant stages of development, it is currently conceptual and leaves a lot left to be discussed that fall out of the scope of this paper. But its potential is worth investing a deeper look and experimenting with pilots such as JUN-



TOS and other pilots being developed in Latin America, such as: Familias en Acción from Colombia and Programa Punte from FOSIS in Chile are already working on developing pilots based on these concepts, but also other countries are currently designing similar initiatives (like Ecuador, Brazil, Bolivia and Dominican Republic). ●

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