



CASE STUDY OF A PILOT SAVINGS EXPERIENCE IN COLOMBIA*

PROYECTO CAPITAL

The greatest challenge for Latin American governments in combating poverty is to identify effective, multifaceted tools that recognize the various risks poor families face. Because of this challenge, inclusion in the financial system is now seen as an important factor in enabling these families to protect themselves or mitigate the impact of risks and avoid falling into “poverty traps.”

Conditional subsidy programs are an excellent way to promote inclusion in the financial system, because they target this population and because financial institutions are usu-

ally used to solve the operational challenge of making the cash transfer. In Colombia, in 2008, the government decided to make the payments for the Familias en Acción (Families in Action, FA) Program through deposits in a savings account opened in the name of each beneficiary. Taking advantage of the beneficiaries’ inclusion in the financial system, the government decided to go even further and promote a cultural of formal savings. It designed the Culture of Savings Promotion Program, which included interventions involving two tools: financial education and cash incentives. It was clear, however, that if the pilot were to expand to include more beneficiaries in the future, robust, conclusive information

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



about the results of the interventions would be needed. The decision was therefore made to accompany the implementation of the pilot with an impact evaluation.

This paper presents the results of the first year of the pilot project's operation, documenting its implementation, identifying constraints and bottlenecks, and determining what has been the most effective tool so far for promoting formal savings. Because the pilot has been under way for only one year, the results described in this paper are not yet conclusive, but they do point to trends in results of the comparison of the impact of various interventions on families' savings behavior.

The Culture of Savings Promotion Project (Proyecto de Promoción de Cultura del Ahorro, PPCA), has received support from the FA program managed by Acción Social, the National Planning Department, the Banca de Las Oportunidades, and the Capital Project¹. The Banco Agrario was responsible for making payments and managing accounts, and ASSE² was the company responsible for implementing the financial education component. In each of these organizations, many people were involved in the design and implementation of the various components and made it possible to bring the project to fruition.

1. See: <www.proyectocapital.org>.

2. This company, which specializes in logistics and technology, is part of the Carvajal group. While the financial education component was under way, it changed its name to Carvajal Tecnología. This paper will refer to it as ASSE², however, which was its name during the pilot project.

DESIGN AND IMPLEMENTATION OF THE PILOT INTERVENTION

The beneficiaries of the pilot project were chosen based on the design of the impact evaluation, selecting districts in which the process of opening accounts in the Banco Agrario had already taken place. The group of districts chosen had on-line Banco Agrario offices or a non-bank corresponding entity, a maximum of one other bank, and no other government programs with similar objectives. Based on these key criteria and taking the evaluation design into account, 12 districts in three regions (north, south and center) were selected at random, including three control districts. The various types of interventions were implemented in nine districts (three in each region), while no incentive besides the savings accounts was offered in the control districts. The universe of beneficiaries was estimated at 48,212 people. Depending on the district where they lived, the beneficiaries could receive: i) financial education accompanied by a cash incentive, or ii) only financial education, or iii) only a cash incentive, or iv) nothing, if they were in a control district.

The purpose of the cash incentive was to encourage families to overcome their distrust of the financial system. This consisted of a quarterly lottery in each district where the intervention was implemented, in which each beneficiary participated with her account number. The winning beneficiary received a prize equal in value to 10 times her average savings balance in the preceding quarter, to a maximum prize of US\$ 2,500.



From the outset, financial education was conceived as the means for transmitting knowledge to the mothers and instilling messages that would support the project’s goals and lead to long-term changes in behavior. Drawing on the best financial education programs in the world, the PPCA pilot adapted and developed

two education models, which were implemented in accordance with the design for each type of district. The complete program consisted of six workshops to be held over six months, with an approximate duration of 14 hours and 45 minutes, divided into sessions of two and a half hours each, addressing various topics.

Table 1
Types of interventions, by region and district

Type of intervention	Department	District	Number of mothers	Region
EDUCATION + INCENTIVE	Antioquia	Necoclí	7.687	North
	Huila	Gigante	2.516	South
	Meta	Puerto López	2.780	Center
EDUCATION	Córdoba	Ayapel	6.141	North
	Huila	Timaná	2.285	South
	Norte de Santander	El Zulia	2.378	Center
INCENTIVE	Caldas	Samaná	2.418	Center
	Córdoba	San Andrés de Sotavento	9.128	North
	Nariño	Yacuanquer	1.393	South
CONTROL	Córdoba	Ciénaga de Oro	7.282	North
	Nariño	Consacá	1.096	South
	Norte de Santander	Tibú	3.108	Center
TOTAL			48.212	

PRINCIPAL OUTCOMES

When the first year ended, there was information about the savings history of the pilot project beneficiaries, based on analysis of figures provided by the Banco Agrario. Throughout the year, it was also possible to gather information that was qualitative, but not statistically representative (through focus groups and conversations with beneficiaries and staff of ASSEENDA or the bank), about the beneficiaries’ opinions of various aspects of the PPCA.

- The beneficiaries said it was “very likely” that they would leave part of the subsidy received from FA in the bank account. When asked about their motivation for saving in a formal institution, they said their money was safer there and they received interest. When asked about the purpose of saving, they said they were interested in saving for their children’s future, especially for their education and to buy them clothes. They also mentioned that savings were useful for dealing with emergencies. In the longer term, they said savings could be used to start a business,

buy appliances, or to remodel or purchase a home.

- These comments provide grounds for optimism about the impact of financial education, although the beneficiaries mentioned some complaints:

- The quality of the subsidy payment service is not yet perfect; there are still long lines, a problem exacerbated by a lack of automatic tellers:

*... I don't know how to use the automatic teller. He (her son) does know. He tells me to let him make the withdrawals, and I only do it when there's a necessity. I prefer to ask a friend to go with me to get the money...
(Mother, Puerto López focus group)³*

- Abusive practices by some commercial establishments where authorized withdrawals can be made, which charge a commission for each withdrawal from the subsidy payment.

*... If you're a customer, the people there know you and do you a favor. But not if you're from a rural area. Many people from San Andrés get charged US\$ 2.000. Or you have to make purchases totaling US\$ 5.000 or US\$ 10.000...
(Mother, San Andrés de Sotavento)*

- Some beneficiaries are afraid to leave savings in their accounts because FA could decide the subsidy is no longer justified and withdraw them from the program.

Everybody knows ... that you can't deposit more than a million in a month, more than twice the minimum wage. If I sell the four beds now, they pay me US\$ 500.000, if they deposit it in the account. ... That happened to me last year, and they told me not to do that,

3. Taken from information from focus groups contracted by CGAP (Consultative Group for Assisting the Poor) to Bankable Frontier Associates (BFA) as part of the project, to gain a deeper understanding of three key areas of the conditional cash transfer programs in four countries (Brazil, Colombia, Mexico and South Africa).

*because someone will notice and tell me that I earn too much, I'm doing well and I don't need Plan Colombia ... I mean Familias en Acción...
(Mother, Ciénaga de Oro)*

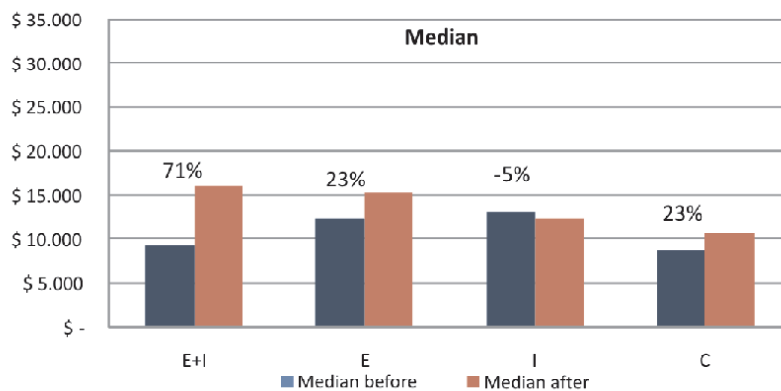
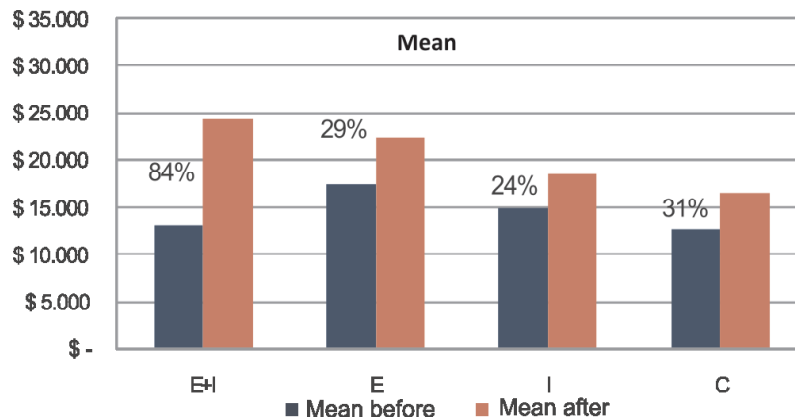
Based on the transactions in the beneficiaries' savings accounts in the Banco Agrario between June 2009 (before the PPCA) and June 2011 (with the PPCA implemented)⁴, the average balances in the accounts in the 12 pilot districts were calculated, with the following outcomes:

- The initial results of the analysis are positive. The average balance in the savings accounts in the entire sample increased after the intervention, although only marginally. The results were different in the three intervention regions, because of economic and cultural variables that affect savings behavior differently in different regions, and because motivators are not the same in each geographic area.
- As a result of being included in the financial system, mothers appear to be naturally beginning to use their savings accounts and to leave a larger balance in the accounts. This is confirmed by an analysis of the savings outcomes in the control districts, where both the averages and medians show that balances increased even without the intervention. Although all the tools used in the intervention were effective for motivating increased savings, the districts that received financial education plus a cash incentive had the largest increase in savings after the intervention. This is seen in the average and confirmed by the median; in districts with both financial education and a cash incentive, savings increased by 84 percent with a median of 71 percent.

4. Information about the average account balances in the 12 pilot districts.



Figure 1
Comparison of average balance by type of intervention⁵



Source: statistical report based on figures provided by the Banco Agrario.

A detailed analysis by district raises some questions. For example, two districts in which financial education was offered reported the lowest attendance, although they were the districts with the largest change in average balances after the intervention began. Such behaviors require additional comparative analysis and suggest the need to continue exploring the type of information and content that could be most effective for promoting a culture of formal savings among the beneficiaries of conditional subsidy programs.

Regarding the channels used and the number of savings account transactions per beneficiary, constraints affected the results: the beneficiaries mainly access their accounts through automatic tellers, and rarely go to the office, because the subsidy is paid through ATMs. They make little use of commercial networks affiliated with the bank, because the debit card does not allow them to make purchases. These constraints, along with the minimum ATM withdrawal amount, affected the outcome of the intervention and influenced the change in savings behaviors, among other things by encouraging mothers to access their accounts almost exclusively in

5. 1 \$ USD = 1,900 Colombian pesos.

the months when they receive a subsidy payment. The beneficiaries' use of channels that do not allow them to make other transactions affects the number of deposits: on average, only 0.6 percent of the accounts register fewer than one deposit, while 25 percent made two or more deposits.

CHALLENGES FOR THE FUTURE

The first year of the PPCA pilot has been especially important for deriving lessons about the implementation process in each participating organization and has highlighted aspects that must be considered beginning with the design phase of the pilot, to minimize problems. In practice, the implementation of each of the intervention tools has required adjustments to the time line, while unforeseen activities that arose after the project began have led to delays not anticipated in the design. As a result, there are still not enough results to draw conclusions about the effectiveness of the tools used. In implementing the PPCA, it has been possible to identify paradigms that must be broken and in which it is necessary to work with each of the participating entities.

Implementing a pilot program poses huge difficulties, even if special care is taken during the design to choose a type of incentive

that would imply the least "intrusion." During the next year, it will be necessary to evaluate whether these incentives really do encourage beneficiaries to change their savings habits.

With regard to the intervention tools, the available figures indicate that the financial education provided, especially when combined with an incentive that rewards savings effort, creates a greater propensity for saving in the formal financial system.

Another important lesson from this pilot has been that offering beneficiaries a savings account is not enough to turn a culture of informal saving into a culture of formal saving; the characteristics of the account, its costs, the means for making use of the funds, available channels and information provided are also crucial for ensuring effective saving.

Finally, because the results so far show a positive growth trend but are not decisive in terms of savings balance, more detailed analysis of future results will be needed before considering an expansion phase.

Changes in people's financial behavior clearly take time; despite some adverse circumstances in operational aspects of this pilot program, the results are positive and hopeful. ●



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