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## CORRIDOR PROJECT FIRST SAVERS: EVIDENCE OF THE FIRST COHORT OF SAVERS OF A PILOT PROJECT\*

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The Puno-Cusco Corridor Development Project (Corridor Project) is a Peruvian public initiative promoting the development of rural residents of the country's southern highlands. The intervention was planned for a six-year period and it is currently implemented by the Ministry of Agriculture. It consists on two major components. The first involves the development and strengthening of markets for technical assistance. The second seeks to assist the rural poor in the use of financial services. In order to achieve this, a program was implemented aiming at facilitating women's access and relationship with the financial system, as well as, fostering a culture of savings conducive to processes of individual capitalization and vulnerability reduction. This implied a group of women opening and using individual savings accounts with a matching grant to their deposits to be withdrawn after four years, when their contract ended.

During 2007, an initial group of women savers finished their contracts, providing us an opportunity to understand better the women's relationship with the formal financial system and their savings, as well as, the project's effectiveness—or lack of—in promoting the use of financial services to improve the savers' living conditions. With this in mind and thanks to the collaboration and interest of the Corridor Project, ICCO and the Ford Foundation we present this study.

The overall goal was to see what would women savers do once their contracts with the Corridor Project ended. In this regard, the objective was to see whether they closed their accounts and their reasons for making such a decision. The study proposed to identify the

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\* The complete document is available at The Capital Project web page: [www.projectocapital.org](http://www.projectocapital.org)

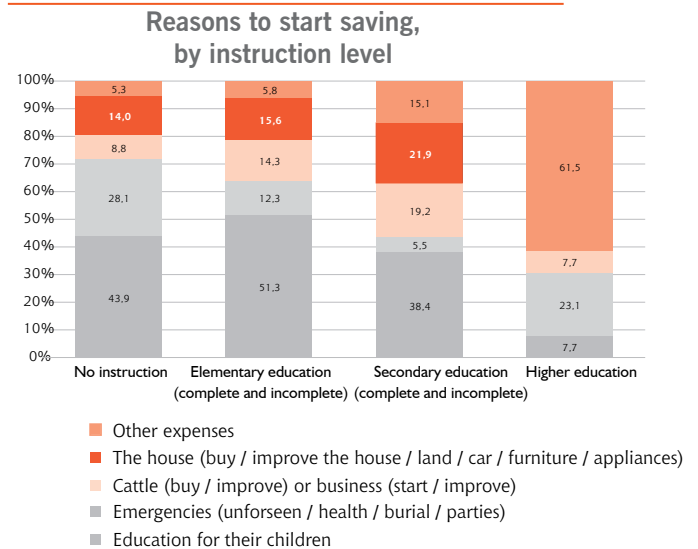
savers' general perceptions, such as the program's advantages and disadvantages.

To answer these questions, in February and March 2008 we interviewed a random sample of 297 women savers, belonging to 70 savings groups from Sicuani, Juliaca and Urubamba. They were all adults and mostly mothers with scant economic resources and low levels of formal education. In-depth interviews were also carried out; with women from the same communities who did not participate in the project; the financial entities' staff; and the Corridor Project's team, particularly financial facilitators.

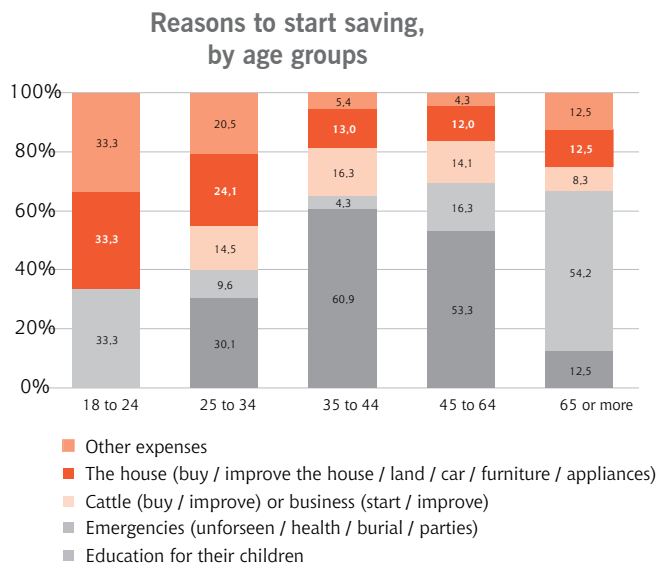
### THE CORRIDOR PROJECT'S SAVINGS PROGRAM FOR WOMEN

To illustrate how this component operates, we will use the case of a representative user/beneficiary. A group of 20 women of a community decides to participate in the financial component of the Corridor Project. First, they must prove that they are a group, that they want to save, and present a savings plan accounting for the origin of the resources to be deposited. The project, then, assigns a financial facilitator to train them through a process which includes the familiarization with financial concepts and learning how to use and manage financial resources and liquidity. This process ends with a guided visit to a regional micro-finance institution. This visit is crucial: the financial institution shows them the works and answers their questions and concerns. Then, the women open their accounts and begin saving.

To open a savings account each woman, a part from making an initial deposit, must define, along with her group, an individual sav-



Source: Survey for the women supported by the Corridor Project.



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ings plan that will allow her to increase her personal balances. From then on, they can use their accounts to increase their balance or withdraw resources. Up to this stage, the project has helped the women "gain access" to the financial system.

The rural women's savings accounts meet the same requirements and qualify for the same facilities as any account of any financial in-



stitution; therefore they also have a Deposit Insurance Fund. The Corridor Project offers a matching grant in order to complement the women's savings efforts. When opening her account each woman receives an incentive equivalent to 100% of her initial deposit. They also get paid incentives when they increase their balances. These are paid up to once a month and are equivalent to 25% of added amount. The women may also receive capitalization incentives equivalent to 20% of the amount withdrawn from the account. The project approves this incentive for three types of expenses: their children's education, health matters—their children's and/or theirs—and commercial investment.

Between 2003 and October 2007, the Corridor Project worked with 7 406 women savers and deposited a total of, approximately, S/. 1.77 million (US\$ 610 000) in incentives into the women's savings accounts

## SOME FACTS AND OUTCOMES

### About opening the savings accounts

1. The Corridor Project appealed to two formal financial entities, CREDINKA and CRAC Los Andes; both small-scale and regional institutions.
2. The accounts were opened with an average of S/. 79 (US\$ 27), the initial deposits ranged from S/. 10 to S/. 200.
3. The women were reluctant to open their accounts. However, this distrust faded thanks to the financial training and to the knowledge about Deposit Insurance Fund. The gained trust, however, was undermined by negative experiences, among them, delays on the government transfer's deposit and the facilitators' rotation.
4. During their contracts with the project the women deposited, in average, a total of S/. 1 471 (US\$ 488). In addition, the project deposited an average of about S/. 300 (US\$ 103) in each account and the financial entities paid an average of nearly S/. 75 (US\$ 26) in interests.
5. The savers used their accounts and savings: in 48 months, they withdrew an average of S/. 1 150 (US\$ 396).
6. At the end of their contracts the women saved, used their accounts and have positive balances. The final balance—even if modest—represents a relevant amount for the savers' economy: 6,6% of their houses' median value.



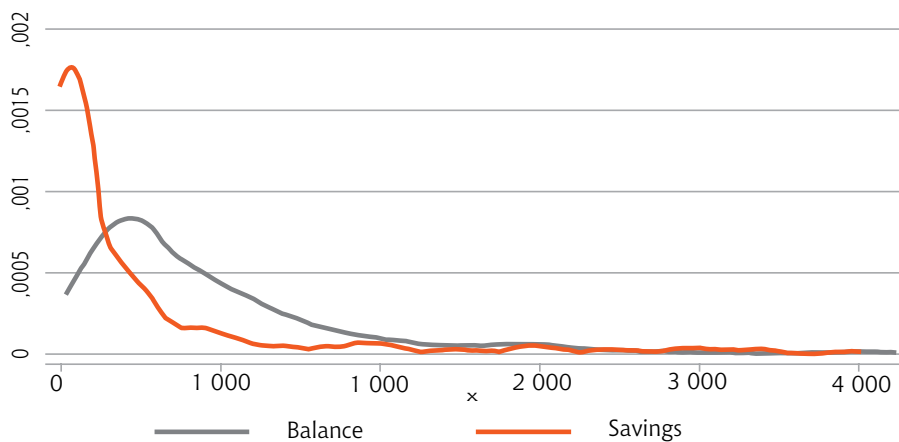
7. Among the reasons for saving cited by the women, five stood out: for their children's education; to build up a cash capital; to improve or start a business; for improvements in their homes; and for emergency expenses.
8. When the contracts ended, the women withdrew, both, the amounts they had kept as savings and the incentives. At the time of the interview, they had in their accounts an average of S/. 370 (US\$ 128), in a range from S/. 5 000 to S/. 0.
9. 57% of the savers withdrew all their savings and incentives. These women and those who took out part of their money, savings and/or incentives, did so to cover their children's education and health expenses (41%); for a business (34%), or for housing expenses or home improvements (33%).
10. The women who said that they would not continue saving claimed they lacked resources, that there no longer were in-

centives, or that the financial institutions paid low interest rates.

### Advantages and disadvantages of financial savings

1. The advantages and disadvantages of the financial savings system are closely related to those of traditional savings. The disadvantages of the latter included the insecurity of keeping the money at home (60%) the possibility of spending it unwisely (11%), and low return (9%). Among the advantages we found, mainly, its accessibility and availability (56%), as well as, the return (28%).
2. Among the negative aspects of financial savings, the women mentioned high transaction costs (21%), low return (35%) and inadequate service from financial entities (16%).
3. Among the positive characteristics of financial savings, they mentioned safety (67%), divisibility (72%) and interests (22%). Other cited advantages were

Distribution of the balance as of the closing of the contract and of the saved amounts as of the time of the survey



Source: Survey for the women supported by the Corridor Project.



privacy and having control over their savings.

Financial savings have also strengthened these women's social capital and given them greater independence. They control their money, increasing, like so, their security and power of negotiation.

The Corridor Project has also met its goal regarding what these women have learned by using their savings accounts: it has given them the possibility to explore and use other services provided by financial intermediaries.

Of the 297 interviewed women, 93 (31%) have loans from the formal financial system; and 46 out of the 72 women had never had loans before or carried out a transaction in a financial institution. In addition, 52 savers (17,5% of the total) said to have now a fixed-term savings account.

### AS CONCLUSION, WE WOULD LIKE DISCUSS THREE ISSUES:

Rural women are capable of saving and are interested in the financial system

Most of the savers said they intend to continue saving in the financial system, but the intensity and use of the service varies. A significant percentage has now got fixed-term savings accounts or loans or uses other financial services.

Promoting access to the financial system and use of financial services, especially savings accounts, has been clearly achieved; however, progress regarding capitalization calls for a more in-depth discussion.

Accessing the financial system and using its services requires support during the start up phase

Gaining access to financial services means overcoming fears and distrust. Receiving training in financial issues, sharing experiences with other savers, guided visits to the financial entities and having "documents", passbooks, vouchers, etc., were crucial when building the women's trust. It was also important for them to know about the Deposit Insurance Fund.

Perhaps, one of the main lessons from the Corridor Project regarding the encouragement to save is that the financial system's potential customers who lack information about the system and with no way of accessing it do gain access and do use the system once they get to know it, understand how it works and build a base level of trust.

The question that arises is why, in Peru, where we have developed a particularly interesting microfinance sector due to its formality and solidity degree, there are no policies regarding information on the access and use of the financial system.

Women gained more than just access to the system and some capital.

Empowerment. The savers know that the money in the accounts is theirs and that only they and they alone make a withdrawal and know how much money they have in their accounts.

Individual savings with group support offers the opportunity to generate social capital. The savings group has become a valuable source

of support for starting a business, for having someone to turn to in case of emergency, and for relating with other women from the community.

Most of the savers have businesses or are engaged in an economic activity that generates income. 60% indicated that they started businesses with their savings in their accounts, while prior to the project, they used in most cases, their “traditionally saved money”, at home.



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