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## FINANCIAL EDUCATION, FULFILLMENT OF CONDITIONALITIES. EVIDENCE FROM THE EVALUATION OF THE PILOT PROGRAM “PROMOTION OF SAVINGS IN JUNTOS FAMILIES IN PERU”\*

CHRIS BOYD<sup>1</sup>

### THE PILOT PROGRAM “PROMOTION OF SAVINGS”

The Pilot Program “Promotion of Savings in JUNTOS Families” was a joint initiative between the public sector (JUNTOS, Banco de la Nación (BN), Agrorural, technical secretariat of the Inter-Ministerial Commission on Social Affairs) and civil society (Instituto de Estudios Peruanos / Proyecto Capital, CARE) to help Peru’s poorest households develop basic abilities for launching and consolidating productive activities through the mobilization of savings and the use of other financial products, in order to promote household self-sustainability and their gradual graduation from the JUNTOS conditional cash transfer (CCT) program.

The Pilot Program combined three components: (a) financial training and financial awareness (what the financial system is, how it works, what products it offers, their advantages; steps for better income management, emphasizing the value of savings as a means of capitalizing the family), (b) financial accompaniment (reinforcement of the first component by local leader mothers, bi-monthly visits from the trainers and accompaniment of local JUNTOS coordinators), and (c) non-monetary incentives for saving (raffling food baskets worth S/.180 to JUNTOS beneficiaries with positive savings account balances).

The Pilot Program operated in 17 districts that were not chosen at random, and which had been part of JUNTOS since 2007, had users who collected their JUNTOS transfers at BN branches or private financial institutions and had a low HDI, and where the BN and Agrorural had operating capability. These districts were located in the highlands of Peru, in the

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\* The complete document is available at the Proyecto Capital website: <[www.proyectocapital.org](http://www.proyectocapital.org)>.

1. With the collaboration of Úrsula Aldana.

regions of Apurímac, Ayacucho, Cusco, La Libertad and Puno, and included nearly 14,000 JUNTOS recipient households. The intervention was not perfectly uniform, because the training and financial accompaniment were implemented between November 2009 and March 2012, at different times in the different regions. In addition, the rural agricultural production module (module 3) was implemented only in Ayacucho, and the users in La Libertad also received radio messages to encourage saving as part of the Innovations for Scaling Up Financial Education Program. The food basket raffle was held only in 2011, in the treatment districts and most of the control districts. The results presented here correspond mainly to the financial education and financial accompaniment components of the intervention.

The results presented here are based on information gathered in a baseline survey conducted in July 2012 (after the intervention had begun in some districts) and a follow-up survey in July 2012 (only three months after the intervention had ended in some districts), from a sample of 1,442 households<sup>2</sup> in nine treatment districts (654) and 19 control districts (788). In the following results, the estimated impact of belonging to a treatment district (hereafter intention to treat) corresponds to the minimum impact attributable to the pilot intervention, using the differences-in-differences methodology,<sup>3</sup> controlling for characteristics such as poverty and access to services, as well as for imbalances in the baseline variables.

Although the results correspond to intention to treat, the survey shows that 53 percent of the survey respondents in the treatment districts and 15 percent in the control districts participated in

the training sessions. This contamination of the control group occurred because the treatment and control districts were very close to each other and often shared JUNTOS program local coordinators. Besides the lack of uniformity of the intervention and the heterogeneity of the treatment districts, it is important to remember that the evaluation results are based on information reported by survey respondents.

The following results are an analysis of changes that go beyond financial variables,<sup>4</sup> especially regarding the fulfillment of conditionalities by the beneficiaries of the pilot program for promoting savings among CCT recipients in Peru.<sup>5</sup>

## FULFILLMENT OF CONDITIONALITIES

The JUNTOS Program is a program to assist the poorest Peruvians. The users of the program are households living in poverty, especially in rural areas, whose members include pregnant women, children, adolescents and teenagers (until they finish high school or turn 19, whichever comes first).<sup>6</sup> Once

2. Ninety-five percent of informants were women who were the designated recipients of the JUNTOS transfer.

3. Differences between the districts assigned to the treatment and control groups, before and after the intervention.

4. The pilot program's estimated impacts on financial variables are summarized in In Short 48, "Changes in financial behavior through a financial education pilot program in Peru. Evidence from the evaluation of the pilot program 'Promotion of Savings in JUNTOS Families'" <<http://www.proyectocapital.org/en/all-publications/all-publications/765-in-short-48-changes-in-financial-behavior-through-a-financial-education-pilot-program-in-peru-evidence-from-the-evaluation-of-the-pilot-program-promotion-of-savings-in-juntos-families.html>>.

5. The baseline shows that the JUNTOS households in the study had an average of five members; the average age of the interviewee and her partner (if any) was 41 years; the parents (or father or mother) had completed, on average, fifth grade of primary school, and the highest level of education completed in the family was the first year of secondary school; 81 percent of the interviewees were married or living with a partner; and 82 percent had their own homes. In addition, 77 percent of the interviewees worked in agriculture (independently or for third parties) and 91 worked in agriculture or livestock raising, with average poverty levels of 24.6 (on a scale of 0 to 100 (Schreiner, 2009), with 100 being the wealthiest).

6. Information from the JUNTOS Web site: <[www.juntos.gob.pe](http://www.juntos.gob.pe)>.



identified, these households receive 200 *nuevos soles* (approximately 80 dollars) every two months, an ongoing transfer that is subject to the fulfillment of conditionalities.

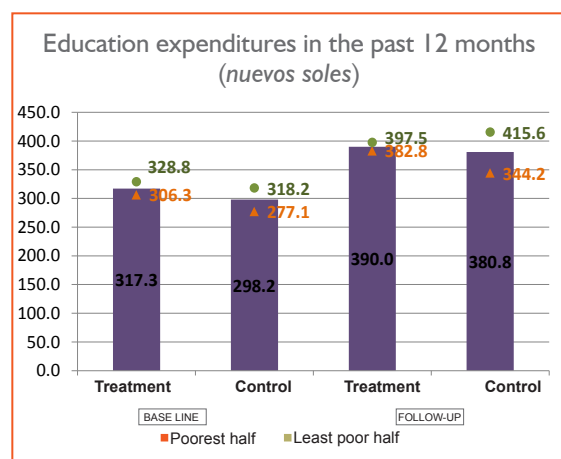
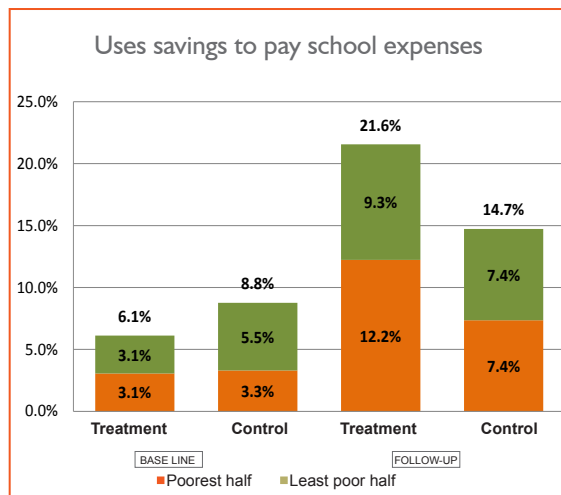
JUNTOS users must fulfill two types of conditionalities: in education and health. The education-related conditionalities consist of sending school-age members of the household to the closest schools. To fulfill the health-related conditionalities, the users must ensure that children under age 3 get growth and development checkups (and appropriate vaccinations) at public health centers, and pregnant women must have prenatal checkups. Fulfillment of these conditionalities is verified by the local coordinators of the JUNTOS program using primary sources from the health centers and schools.

The intervention of the Pilot Program “Promotion of Savings” did not directly promote fulfillment of the program’s conditionalities, but promoted saving and better money management; through that, the pilot program was expected to have an impact on some education and health variables.<sup>7</sup>

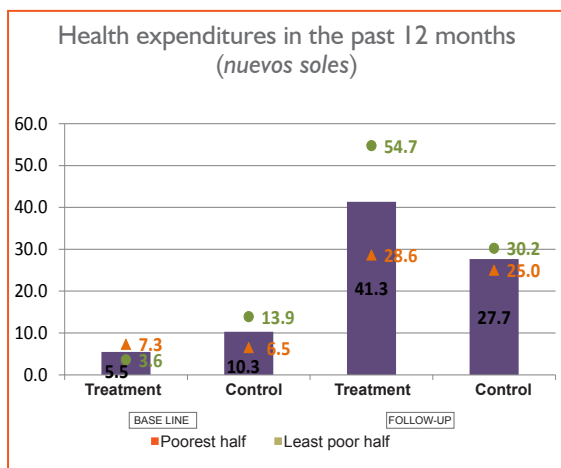
**Were the children’s levels of education and health care, as well as education and health expenditures, influenced by the financial education provided?**

The direct connection between the Pilot Program “Promotion of Savings” and education and health indicators is the use of savings to finance health and education expenses. The financing of education expenses (registration fees, school supplies and school uniforms at the beginning of the school year) with savings increased from 6.1 percent to 21.6

percent in the treatment districts, and from 8.8 percent to 14.7 percent in the control districts. An increase of 9.3 percent in the financing of school expenses with savings can be attributed to the pilot program. The estimated impact was similar for the poorest half and the least-poor half. No changes attributable to the pilot program were found in the financing of health-care expenses (to deal with household emergencies, such as an illness or surgery). Health-care expenses are low, however, because the Comprehensive Health Insurance (*Seguro Integral de Salud*) program provides universal coverage for JUNTOS users.



7. Although the survey recorded educational levels and use of health centers, the latter was only for the women who were designated recipients of JUNTOS. It is therefore impossible to analyze here changes in children’s attendance at growth and development checkups. Because of the small number of pregnant women, it is also impossible to estimate attendance at prenatal checkups correctly. Changes in education and health spending attributable to the pilot program intervention can be estimated, however.



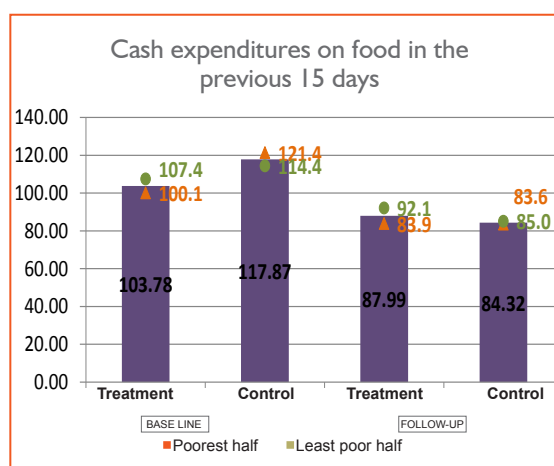
The pilot program’s estimated impacts on annual spending on education and health in the past 12 months<sup>8</sup> were also statistically equal to zero. The intention to treat had no influence on changes related to the educational level achieved by children or on the school dropout rate. These findings show that, contrary to the arguments of critics of similar programs, the intervention of the Pilot Program “Promotion of Savings” achieved its goal of promoting savings without collateral effects detrimental to the welfare of the recipients or to the advances of the CCT program in which it was included.

**Are patterns of consumption different for those who received financial education and/or those who saved? Were there significant changes in the market basket of goods?**

The pilot program’s estimated impact on cash expenditures on food in the previous 15 days was 16.70 *nuevos soles* (approximately 18.4 percent of cash expenditures on food), 21.11 for the poorest half and 12.63 for the least-poor half. That change, however, was due not to an increase in cash expenditures on food, but to a smaller decrease in

8. Education expenditures include registration (APAF/ fines, educational support, etc.); books, texts and other supplies (note-books, pens, daypack, etc.); and school uniforms in the year preceding the survey. Health expenditures include hospitalization and/or surgical procedures, prenatal checkups and delivery in the past 12 months.

that spending for users in treatment districts than for those in control districts. The decrease in cash expenditures on food may have occurred because 2010 was a better year than 2012 for various crops and types of animals raised by farmers in the departments where the intervention operated. The pilot program therefore apparently reduced the negative effects of a bad year for crops and livestock among its beneficiaries.



It should be noted that these results correspond only to cash expenditures on food, and not to food consumption (which includes both cash spending and crops grown for family consumption), which is more important for measuring an additional aspect of the JUNTOS program: promotion of good nutrition.

In that regard, no changes attributable to the pilot program were seen in the consumption of meat, fruit and vegetables in the 15 days prior to the survey. It should be noted, however, that the survey was conducted in July, one month after the harvest, which is a high-income period for most of the households in the sample. It is therefore impossible to determine changes attributable to the pilot program in food expenditures or consumption patterns during low-income months.



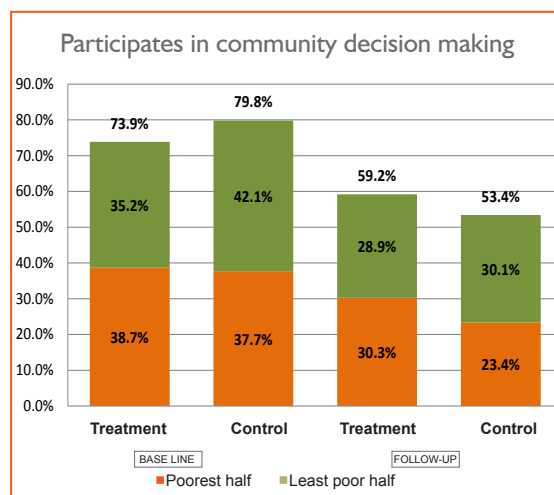
**Is financial inclusion contributing to empowerment, as a result of the financial education and financial accompaniment program? In what areas (domestic, public, political)?**

The literature shows that greater control by women over resources leads to a change in expenditure patterns, benefiting their children (World Bank 2012: xx), which justifies the fact that CCT programs and financial education programs mainly target women. Giving them the main responsibility for fulfilling conditionalities, however, since they are generally the transfer recipients, has been a source of much discussion about CCT programs. Having targeted them with the pilot program could have been seen as giving them an additional task, to the detriment of their welfare.

Results of previous financial education and promotion of savings projects, such as the Puno-Cusco Corridor Project, however, show qualitatively that one of the most important changes resulting from women’s participation in those projects was empowerment. In the Pilot Program “Promotion of Savings in JUNTOS Families,” the estimated impacts on empowerment in the home are statistically equal to zero. This type of empowerment is understood as a woman’s participation in decisions about her income and that of her partners, greater or lesser household spending, dedication to certain activities, or the change in decision-making power (in general) over her life. Percentages in these areas were greater than 90 percent before the intervention.

Changes in levels of political empowerment can be attributed to the pilot program, however. Although participation in community decisions decreased for both groups (from 74 percent to 59 percent for treatment districts, and from 80 percent to 53 percent for control districts), the decrease was 11.6 percent less for the control group because of the pilot program (13.3 percent for the poorest half

and 10.1 percent for the least-poor half). Other variables, however, such as holding leadership positions in the community, were unchanged as a result of the intervention.



These results are consistent with the literature on impact on gender issues, which shows that gender relationships, including women’s empowerment, tend not to change easily.<sup>9</sup>

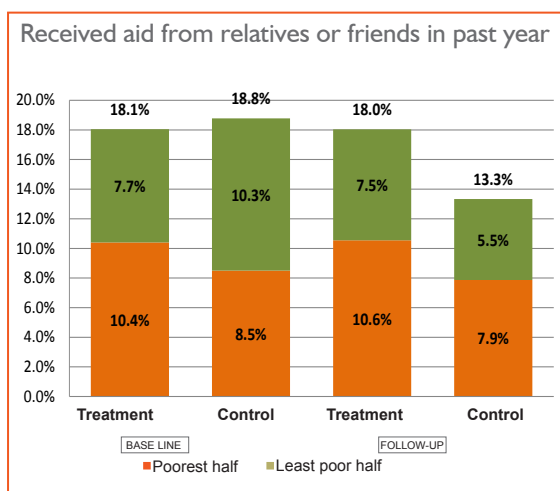
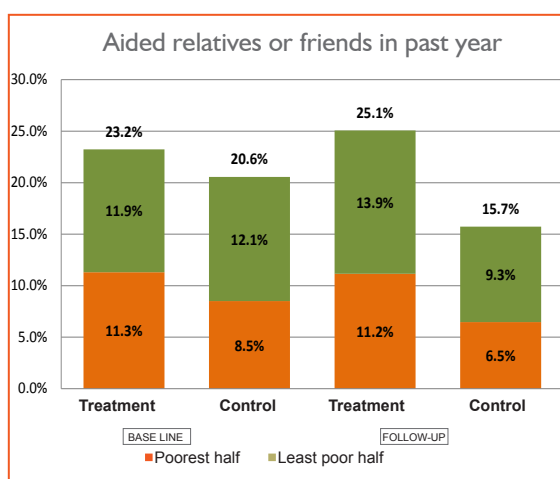
**Were transfers from or to other households influenced by the intervention?**

Another criticism of CCT programs, and of financial education and savings promotion programs, is that they could reduce inter-household transfers, decreasing households’ social capital.

Contrary to that criticism, the proportion of households in the treatment districts that provided emergency economic aid to relatives or friends increased to 25 percent, 6.7 percent more than in households in control districts, thanks to the pilot program’s intervention (9.8 percent for the least-poor half). The percentage of households in treatment districts that received emergency assistance from relatives or

9. Beath, Christia and Enikolopov (2012) found that increasing the women’s quota in local politics in Afghanistan had no effect on the gender breakdown of decision making in the household, although there were positive effects on women’s involvement in community life and in productive activities.

friends remained at 18 percent, 5.4 percent higher than for households in control districts, because of the pilot program (9.1 percent for the least-poor half). Based on the net transfer amounts, however, as for Dupas and Robinson (2013) and Ashraf, Karlan and Yin (2010), no changes attributable to the pilot program intervention were found. The data therefore show that the pilot program did not decrease JUNTOS users' social capital.



## CONCLUSIONS

The results presented here merit five observations. First, in nearly all the cases, transaction costs were a significant constraint on achievement of the pilot program's financial inclusion objectives. Second,

the assignment of districts to the treatment group was not perfectly random for political reasons, but baseline control variables were used to make the treatment and control groups comparable. Third, participation in financial education sessions and the role of the local JUNTOS coordinators probably resulted in a significant spillover of knowledge acquired in the financial education sessions. Fourth, the impacts presented here are drawn mainly from information provided by informants, which could have been biased in the treatment group. Finally, the results presented here correspond to intention to treat, and since about half the users attended the training sessions, the magnitude of the results is practically double for the sub-group of those who actually attended the training.

In addition, despite the heterogeneity of the intervention and its long time frame (only three months after the end of the intervention in some districts), significant changes were seen in financial strategies (see *In Short 48*) without affecting the fulfillment of education—and health—related conditionalities, expenditures in these areas, or the households' social capital (net transfers between them) in the treatment districts, at least in the short term. Instead, the pilot program contributed to higher cash expenditures on food (although not necessarily food consumption) in a month in which most households had high incomes, and an increase in women's political empowerment (women's participation in community decisions), but not on empowerment and gender relationships within the household (perhaps because these involve longer-term processes of changes).

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Chris Boyd, Instituto de Estudios Peruanos

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