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Creating Financial Assets: the Case for Savings Accounts as a Means for Economic Independence and Empowerment for Women

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Introduction

Savings accounts as a tool for poverty alleviation have surfaced to the forefront of development debates. Development projects worldwide have emerged with the sole intention of motivating its participants to save[2]. Often times in place of credit— savings has been lauded as a more sound practice to encourage; or rather, a better culture to instill in previously 'unbanked' population.

It is well documented that savings and the use of savings accounts are useful financial instruments for the poor. In the case of women in traditional rural landscapes where the primary household breadwinner is usually male, savings accounts have the potential to empower women. In very monetary terms it helps women create useful lump sums from small daily savings, which later can be utilized to purchase assets or invest in small businesses. In many regards, savings is a preferable to its complement, credit; where

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women do not have to assume any risk (as in taking out a loan) and have the potential to accrue interest, rather than to pay it. Savings accounts allow for better management of liquidity and accumulation of assets; this reduces vulnerability by allowing the individual to save effectively and access those savings in times of need or utilize the savings for home improvements or small business opportunities.

The aforementioned effects of savings also can result in an increase in social capital and civic engagement, an effect of increased empowerment. Savings accounts can result in a more balanced decision-making power within the household leading to better household consumption with expenditures that imply greater nutritional intake and school materials. The act of being in control of one's own money has proven a powerful instigator for sustainable changes in women's lives and those of their children.

In this paper we want to highlight the benefits of savings accounts for women by illustrating the successful experiences and lessons learned with two Peruvian government projects designed to mobilize savings amongst its poor rural populations, mostly in the Southern Highlands region of the country. The report is as follows: Section II briefly covers literature on savings both in the general context and particularly to women. Section III first outlines the current context of Peru, and later the two government programs. In Section IV we cover the impacts of the aforementioned programs on female beneficiaries. Lastly, in Section V we conclude with suggestions for future use of savings accounts in development projects.

II. Literature

The literature on the effects of savings exemplifies the myriad of ways in which the opportunity for better money management tools and asset building could (and do) improve the lives women in the short and long term. There is evidence of the effect of savings account on women's empowerment: Vonderlack & Schreiner (2001) make the case for safe-deposit boxes and matched savings account for health care or education as a means of female empowerment; while Sanders & Schnabel (2004) demonstrate the use of savings accounts' for poor battered women to find financial independence, a necessary step in order to leave their abusive partners. Likewise, Karlan *et al.* (2007) sought to verify the (broader) claim that microfinance is a tool for empowering women, utilizing a randomized controlled trial to test whether individually held commitment savings product lead to an increase in women's decision-making within the household. They found there to be positive impacts, resulting in the purchase of more "female-oriented durable goods" in the household.

Likewise, there is evidence for the effects of mothers' savings and assets on the educational attainment of children in female-headed households, lauding its positive effects and lending support for further expansion of such asset-based policies for poor single mothers

(Zhan & Sherraden, 2002; Cheng & Page-Adams, 1996). Moreover, women are found to spend their money better (than their male counterparts), spending on nutrition for their household, as is the case of Banerjee & Duflo (2007). They examined spending among those who make less than US$2 a day, and found that when "men's crops", or crops men tend to grow for their private spending, (such as coffee, cocoa and pineapple) flourish, the household spends more money on alcohol and tobacco. Whereas, when "women's crops" do well (fruits and vegetables), the household spends more money on food, especially beef. As Duflo & Banerjee remarked, "Increasing women's control over resources, even in the short run, will improve their say within the household, which will increase… child nutrition and health" (2007). Savings accounts can also be attributed to better consumption, especially when employed in tandem with conditional cash transfers programs (De Los Rios & Trivelli, 2010).

In a more general context, extensive research has been done into the financial management systems of the world's poor. Rutherford (2004) painted a comprehensive picture of the diverse informal financial mechanisms used by the poor in Bangladesh. His research team created financial diaries for forty-two different families, meeting with each family bi-monthly over the course of a year. They recorded thirty-three different "services and devices" used by the poor to manage their money; no family used less than 10 different methods. In contrast to popular assumption, the poor do save (Robinson, 2001b). They, like the non-poor, use a complex assortment of ways to turn small daily earnings into lump sums for investment in items such as large household goods or even land (Rutherford, 2000). Likewise, they also take a large inflow of earnings from the sale of an asset (like a cow) and turn it into smaller monthly rations (Vonderlack & Schreiner, 2001). Tolo (2008) stated clearly that deposit accounts, "even without interest," are the most sought after financial product among the "unbanked" in Colombia, Mexico, and Brazil. There is a growing demand for formal financial services amongst poor communities, but the vast majority of poor still lack access to formal banking services of any kind (Duflo & Banerjee, 2007).

In Latin America financial assets have grown considerably, from 40 percent of the region's GDP in 1990 to 133 percent in 2009. There are 250 million adults in Latin America that use formal financial services. Even still, they make up only 35 percent of the total adult population; a percentage so low, only Sub Saharan Africa and the Middle East do worse (Chaia *et al.* (2009)). CGAP (2009) further substantiates this missing market in developing countries by outlining the gap between access and formal financial service offers. They state that the number of deposit accounts per adult is 0.52 in developing countries, while in developed countries that number is 1.77. Likewise, the number of loans per adults is 0.22 and 0.82, respectively.

Savings offers some advantages over credit (Vonderlack and Schreiner, 2001). With the objective of amassing a lump sum, borrowing can be riskier than saving. To begin, by borrowing you automatically cumulate debt, to which you are obligated to pay down. In the case of a health shock within the household, the debt payment very well might take precedence over the expenses of medical treatment. Unlike borrowing, saving infers far more flexibility and liquidity. Savings for a lump sum investment, such as purchase of a cow, could be accessed in the case of an unexpected shock. In that way, savings acts as a buffer or insurance in ways that credit cannot. On the other hand, credit allows its beneficiaries to take advantage of opportunities as they are presented. Whereas, savings doesn't allow that flexibility, requiring a longer period of time to build up a useful quantity of funds.

Savings also require sacrifice in the current period, and sacrifice implies discipline. In poor households who utilize informal saving mechanisms, discipline is confronted with many obstacles. There are constant demands on "spare" cash by children, husbands, neighbors and other family members (Ashraf *et al.,* 2003; Deshpande, 2006). Savings are stored under mattresses and sewn into seams, where they can be lost or stolen. Well-created formal financial services and products have the potential to relieve some of these obstacles, allow households to better manage their income, successfully smooth their consumption over unexpected shocks on the household and the opportunity to gain interest (as opposed to interest paid on a loan). The key to successful formal financial services for the poor is to create well-structured services and products based on the very mechanisms they resourcefully created to cover the gap.

Aportela (1999) soundly advocates the potential impact of mobilizing the poor into formal financial inclusion through micro savings programs. He notes throughout, that this inclusion would have three effects: allowing the poor populations to effectively smooth their consumption when already faced with meager credit resources; that the stability of international institutions' interest in increasing financial access to the world's poor is dependent on successfully mobilizing their very own saving capabilities; and lastly a crowding out of the more traditional and informal ways of saving (such as cash under the mattress to having ample number of children to care for you in old age) would overtime help cease this type of cyclical poverty.

Lastly, savings accounts presents a very powerful tool for poor rural women to overcome generations of poverty. It allows for the creation of useful lump sums out of small daily savings, which then can be utilized towards the purchase of assets, such as a new home or business. The lump sums could also be used towards the future asset building capabilities of their children, their education. Schreiner (2004) made the case for individual development accounts with matched savings used for microenterprise and other asset-building purposes to be extended from the developed world to the poorer low-income countries. He drew on the success storys of such IDA account in the United States.

In line with the above-mentioned virtues of savings for the poor, the following summarizes the value of formal savings for poor women:

* ***Security and reliability*** — These are the most important factors that can be introduced into the lives of the women through formal financial inclusion.
* ***Privacy*** — By keeping savings in a formal financial institution allows only the individual to access the funds. This is important in a variety of situations, most notably for women who desire to have sole control over their earnings and limit the demand upon them from family and neighbors.
* ***Divisibility*** — Holding assets in cash allows the individual to utilize increments of its total value. Versus assets held in kind, which is common in poorer communities, would require that asset be sold for it total value in order to utilize smaller resources.
* ***Asset building*** — Provide the ability to build up useful lump sums that can than be utilized as each individual see fit. For example, a new home, a business opportunity or education.
* ***Protection of value*** — The value of the asset is secured and potentially increased, depending on the level of inflation and interest rate. This might not be the case when savings is held in kind, such as in livestock.
* ***Accessibility and Availability*** — Access to savings accounts will only enhance their access to other microfinance products such as credit and insurance and saved funds are available at any moment.

Formal savings imply critical applications for poor communities, in particular women, the most prominent of which is its affect on consumption smoothing. As Collins *et al.*(2009) has so extensively described, the poor utilize a multitude of informal tools to manage their limited income. Many times however, these tools are inefficient and costly. Formal savings corrects for that and allows for poor individuals to effectively smooth consumption across shocks, as well as build up funds for investments and larger expenditures—effectively allowing for asset accumulation. Assets such as health, education, owning a home or business, or even farm animals are direct and indirect sources of income. It also breaks the cycle of poverty, because it allows for assets to be inherited. In that regard, asset accumulation is instrumental to poverty reduction.

As Collins *et al.*, confirmed that all poor people save (one of many money management tools they utilize), and formal savings accounts can improve the efficiency and effectiveness of their savings effort. However, several conditions should be present to assist the poor in this initial step towards financial inclusion. To make savings offers available to poor populations requires a focalized effort in offering accounts with low transaction costs, without minimum balance requirements, as well as being easily accessible and protected under the corresponding regulatory agencies, etc. In the examples elaborated further on, such accounts were only made possible by linking a government social policy with the private sector.

III. Peruvian Examples

a. Economic context of Perú

Since 2002, Peru's macroeconomic stability and sustained GDP growth have allowed the government to pursue policies benefiting the poorest sectors of the country. In 2007, according to the National Institute of Statistics and Computing (INEI), 34.6 percent of Peru's 29,124,335 inhabitants were poor, down five points from the previous year's figure. However, despite the relative macroeconomic stability and apparent decrease in numbers of poor people, rural poverty still hovers at 60 percent. In addition, most of the people in poverty and extreme poverty live in the rural highlands (6,570,449 Peruvians).[3]

The Peruvian financial system consists of 54 institutions,[4] all of which are regulated and supervised by the Office of the Superintendent of Banking and Insurance (SBS). Peruvian financial institutions have various passive products with standard characteristics. There are differences among interest rates by product, however, because the SBS allows financial institutions to set their own rates, which are generally determined by the targeted clientele and the size of the financial institution. The most interesting segment of the financial system is currently the microfinance sector (CMAC, CRAC, EDPYME and small banks), which has shown growing interest in rural portfolios and in serving segments of new clients.

This new approach of microfinance institutions has led to diversified financial services, with new technologies to reduce and manage risks, and alternatives to credit such as savings programs and channels for payments and money transfers. Requirements for opening savings accounts are highly flexible: anyone with a National Identity Document (DNI) can open a savings account. Minimum amounts for opening accounts vary, with some minimum amounts as low as S/.10 (approximately US$ 3) in the case of CRACs (rural savings and loans) or S/.20 (approximately US$ 6) in the case of CMAC (municipal savings and loans). Some banks do not even set a minimum account-opening requirement. Despite the diversified and often low-cost services offered by financial institutions in Peru today, many people in

3. INEI. *Condiciones de Vida en el Perú*. Informe Técnico, No. 02, Junio 2010.

4. 16 banks, three financial companies, 12 municipal savings and loans (CMACs), one municipal savings and loan (CMCP), 10 rural savings and loans (CRACs), and 13 agencies for development of small businesses and micro-enterprises (EDPYMES).

rural areas still lack access to financial services for three main reasons: 1) Lack of awareness, 2) Lack of trust, and 3) High transaction costs. Lack of awareness or knowledge is usually due to poor marketing or information about products (other than credit) that are offered by financial institutions. The distrust in banks is often due to bad precedents or past experiences, and lack of direct service to poor communities. High transaction costs are the result of poor transportation and communications infrastructure, especially in the poorest and most remote areas.[5]

b. Puno-Cusco Corridor Development Project

The Puno-Cusco Corridor Development Project (Corridor) was an asset— based poverty reduction project of the Peruvian government, funded with external indebtedness from the International Fund for Agricultural Development (IFAD). The project is based on the idea of an economic corridor between Cusco and Puno, two departments in the southern highlands of Peru, with the aim of strengthening commercial linkages between the small towns of the Corridor region. One of the main components of Corridor was to assist the rural poor in the use of financial services. In order to achieve this, a four-year program was implemented aimed at facilitating women's access and relationship with the financial system, as well as fostering a culture of savings conducive to promoting asset building and financial security. The program helped rural women to open and use incentivized savings accounts for a four-year period. The accounts were opened at two the regulated MFIs, Credinka and Caja Los Andes.

5. Ibid.

Every province influenced by the Corridor project was considered, according to unsatisfied needs indicators, as "very poor." The two departments (Puno and Cusco) are among the five defined as the southern highlands, the poorest region in Peru.[6] The rural areas are occupied mostly by Quechua (or Aymara) speaking indigenous farmers living in agricultural communities. The estimated division of beneficiaries was 4% urban entrepreneurs, 16% small farmers, and 80% peasants (rural farmers).

In order to increase access to the formal economy, Corridor encouraged women to form small groups (of about 20 people) and provided them with basic financial management information. With this information and group support, they decided whether or not to open their individual savings accounts. In order to open an account, each woman had to define an individual savings plan that would allow her to steadily save over the course of the program. Once signed up, the women would receive a matching grant for a 36 or 48-month period, which could only be withdrawn upon completion of the time commitment. In addition,

6. According to national statistics, poverty rates in Puno 77 percent and in Cusco 50 percent of households were poor in year 2006. In the rural highlands, the poverty rate was estimated at 76.5 percent for 2006.

participants in savings groups had the option to join "Self-Help Groups," smaller groups (an average of five members each) that proposed a group Savings Plan with individual goals per month. The plans were individual, but also interrelated, allowing the women to commit to mutual support to ensure that they meet their group savings goals. The groups encourage solidarity, because if one saver fails to comply with her savings plan, the entire group loses the financial incentive for compliance with the savings plan.

In this way, the Corridor project helped women gain access to the financial system. Between 2003 and 2007, the Corridor Project worked with 7,406 women savers and deposited a total of US$ 610,000 in incentives into the womens' savings accounts (14 percent of total savings). These women deposited US$ 3,747,142 of their own savings, for a grand total of US$ 4,357,142 of savings, including incentives. During their contracts with the project women individuals saved on average a total of 670 nuevos soles (roughly US$ 250), of which less then half came from the incentives. At the end of their contracts the women saved, used their accounts and had positive balances: the women deposited a total of US$ 3,626,703 in their accounts (86 percent of total savings) for a total savings of US$ 4,236,703.79. Moreover, the final individual balances—even if modest—represent a significant amount for an average participant: 6.6 percent of their houses' median value (Trivelli & Yancari, 2008).

c. The Southern Highlands Development Project

The Southern Highlands Development Project or Sierra Sur[7]—referencing its geographic position in the Southern Highland region of Peru is a similar publicly funded financial access initiative to increase opportunities for low-income rural women to generate income and access financial services.[8] One of the main components of Sierra Sur is to strengthen access to markets, help develop local businesses, and support rural financial access. This component is achieved by promoting financial inclusion through the use of savings accounts in the regulated financial system.[9] Based on the Poverty Map published by FONCODES (Cooperation Fund for Social Development) in 2006, the area in which the Sierra Sur project operates has 149,381 families and a total of 552,711 inhabitants, of whom 62.7 percent are extremely poor, 29.8 percent are very poor, 6.6 percent are poor, 0.1 percent are moderately poor, and 0.8 percent are less poor.[10]

The purpose of the financial services component of the Sierra Sur program is based

7. Sierra Sur is Spanish for 'Southern Highlands'.

8. See <www.sierrasur.gob.pe>.

9. In Peru, this consists of various types of entities: banks, financial institutions, municipal savings and loans, rural savings and loans, and EDPYMES (small and medium enterprises), although the latter cannot capture savings from the public. Excerpted from: Trivelli, C. and Gutiérez, M.C., "Promoting the Use of Individual Savings Accounts: The Case of Savers Assisted by the Sierra Sur Development Project." In Short Bulletin, Proyecto Capital. Number 12; September 2009.

10. See <www.sierrasur.gob.pe>.

on the Corridor model, and aims to facilitate the inclusion of low-income rural women in the regulated financial system through the use of savings accounts. The goal of the savings promotion component is to enable people who traditionally have been excluded from the financial system to not only have access, but also to use banks for various purposes, such as personal financial management, loans, saving, and asset accumulation. This aspect of Sierra Sur targets poor rural women who have been historically excluded from financial institutions. A passive approach using savings accounts to familiarize the beneficiaries with the financial institutions (Trivelli & Guitiérrez, 2009); unlike the traditional approximation of micro credit offers (utilized in similar development programs).

Like Corridor, the first step is the creation of savings groups (SG), made up of roughly 25 women savers from a particular town. The SG help to lower transaction costs, and forms the groups for the financial education. It also creates a system of peer support/ accountability; further encouraged by the formation of smaller groups of 5 women, called self-help groups. These self-help groups agree on individual savings plans, which at the same time are inter-related amongst the members.

Once the SG are in place. The Sierra Sur field workers begin the second phase of the project, financial education. More than anything, this familiarizes the women savers with the financial system. It covers processes such as opening accounts, explains what and how interest is calculated; and stresses the fact that money deposited in the bank is secured by the government. Financial education is not only to capacitate the women in the financial system, but also make them comfortable and familiar with being in a bank — a potentially severe obstacle to the success of the project. That end is also aided by visits from veteran SGs from neighboring departments. The women novices are able to share and ask questions about the experience from their peers, an aspect that was continually mentioned in the interviews.

The Sierra Sur facilitators accompany the SG throughout the extent of their two-year contract. The facilitators are there to explain the system of incentives designed by Sierra Sur. They hold discussions on various financial services (i.e. credit and other types of savings accounts), and on ideas for small businesses that could arise out of their savings.

Another crucial feature to financial inclusion is the system of incentives employed to not only get the women to take the leap of faith in opening their accounts, but also to experiment with it. There are several types of incentives utilized. Initially, they are offered a 100 percent match for the opening of their account, up until 100 nuevos soles per saver.[11] During the duration of their contract with

11. The beneficiaries are free to deposit and withdrawal all funds except the money deposited by Sierra Sur, this includes the initial match, and all other financial incentives received, which can't be withdrawn until the completion of their contracts.

Sierra Sur they receive a preferential interest rate, 1.5 percent on their monthly average balance;[12] an incentive to maintain a positive balance in their account.

The next incentive is based on agreed the savings plan established initially by the self-help groups. If each group member maintains their plan and reaches their individual goals within the group, each individual receives a monetary prize of a cap of S/. 80 (approximately US$ 25)for the twenty-four month period. The incentive is to encourage collaboration between the women and foster savings discipline and the creation of social capital (Trivelli & Guitiérrez, 2009).

Sierra Sur also encourages the use of saved funds towards the education and health of the beneficiaries' families. If the women savers withdraw funds from their account to be used towards their children's matriculation, school supplies, and/or doctor's visits—provided proper documentation, Sierra Sur will deposit back into their accounts 10 percent of the amount spent, with a max of S/. 150 (approximately US$ 60) over the course of the two years.

Lastly, Sierra Sur also developed several contests between women within the same SG and also between different SGs. The contests often times are in the form of a quiz about the rules and/or norms of the financial system. Contests between groups were scheduled for every 4 months, and helped motivate the groups, creating a sense of community amongst the women. The group contests are large community events, gathering several different SG from neighboring regions. Contests between the individuals within a single SG, help harvest a sense of self esteem. The prizes are usually monetary, ranging from S/. 20 for the individual contests to S/. 100 for the group contests.

IV. The projects' impacts

a. Financial Literacy and Access to Financial Services

In the case of both projects, Corridor and Sierra Sur, most participants were previously 'unbanked', which is to say they had no previous experience with formal financial institutions. As was explained, an elaborate methodology (similar in both cases) was applied to familiarize the women with financial services, most notably financial literacy education and the creation of peer-resource groups (a.k.a. savings groups). This was key for a variety of reasons. First, it educated the women on the entire financial sector, such as assuring them that their deposits were regulated and supervised by the SBS; as well as, how interest rates are calculated. It acquainted them with banking processes, how to deposit their money, check their balance, use ATMs; an important part of helping them shed their fear to enter branch offices to deposit their money.

The effect of this financial literary is a much greater access to financial services. In the

12. An effective 23-24 annual percentage rate that is calculated automatically due to a specialized software program.

case of Corridor, a study by Trivelli & Yancari (2008) of the first cohort of women savers (who had finished their four year contract) found that out of the 297 women interviewed, 93 had accessed credit from the formal financial system, of which prior to the project only 21 had had accessed formal loans before the outset of the program. Furthermore, 46 of the (93) women, had never before carried out transactions in a financial institution.

Likewise, of the 297 women interviewed, 52 (17.5 percent of the total) answered yes to having opened a long-term savings account.[13] Not one of them had had a savings account before Corridor, and only ten had previously carried out a bank transaction.[14] The report found that 60 percent of the interviewed beneficiaries had never before carried out a transaction in a bank before Corridor. That is to say, the women of Corridor learned how to use their accounts and in the process it permitted them to explore and utilize other services offered by financial intermediaries.

In the case of Sierra Sur, a report analyzing the program's impact found similar anecdotal evidence (De Los Ríos, 2010). One of the most salient conclusions De Los Ríos reached in her analysis was the importance of Sierra Sur's financial education.[15] In her report she noted:

> [The financial education] marked a distinct divide between the non-beneficiaries and the women who had undergone that training. Those who had undergone the training were empowered. They felt confident in entering the bank; they understood the processes such as the automatic cash dispenser and were in charge of their own money. While interviewing the women savers, it was very apparent that they felt empowered by this experience.

In response to the question of whether Sierra Sur's beneficiaries would continue saving in the formal financial institution once their contract was completed, one woman responded, "It depends on what interest rate they offer, I am going to look around for the best rate." Yet another women said she would cancel her account, withdraw her savings to invest in a business and when she had savings again she would deposit into a fixed savings account, in order to render higher interest. The important point is not whether they continue saving, but that now they are aware and educated on the option to save formally, in addition to their awareness of other financial services. In the case of Corridor, a follow up survey of the first cohort of women savers found that six years after opening their accounts, 1/3 of the women are still using them.

De Los Ríos noted that, "the initiative of Sierra Sur opened the flood gates for other microfinance institutions [to enter the

13. Longer term, higher interest rate paid.

14. It is common in Peru, for people to pay for services by depositing directly into the provider's account, without the need to have an account themselves.

15. She had interviewed both beneficiaries of Sierra Sur's savings program and potential beneficiaries from the same communities.

market]", observing that in the three years since the commencement of the project, several new purveyors have begun operations offering the community and its surrounding with an array of financial products and services. With an increase in offers, and better financially literacy, women have at their disposal a greater array of financial management tools than ever before.

b. Economic Independence & Use of funds

The women savers in both projects were very clear in expressing that they were saving for something, to achieve a particular goal. Their objective in signing up for the program, in both cases was to accumulate sufficient resources that later allowed them to make relevant investment to better the conditions in their household or take advantage of a business opportunity. In addition however, the savings accounts were quite often viewed and utilized as a buffer against unexpected shocks. Unexpected shocks are a prevalent reality in most any household, the difference however for a poor rural household is its ability (or not) to attend to the emergency without affecting the daily household levels of consumption. In other words, poor rural households have a higher level of vulnerability to shocks than you or I.

With that in mind, the savings accounts served a very innovative and important purpose for these female beneficiaries it lowered their household vulnerability, as well as their individual vulnerability as women. In many cases, the savings accounts (individually held) were the women's first experience in managing their *own* money. Granted they probably had been making their own money prior to the projects, it was most likely entered into the communal household earnings, or unsuccessfully saved in a coffee can or under the mattress. With "savings" so accessible, it is often impossible to save up enough to accumulate a useful lump sum.[16]

In the case of Corridor, nearly a quarter of the women indicated that their initial savings motivation was to save for emergencies. This figure varied dramatically depending on the age group, for example, for seniors age 65 and higher, 54.2 percent were saving for emergencies; while for the age bracket of 25 to 34 that number dropped to 9.6 percent (Trivelli & Yancari, 2008, p.53). Regardless of the individual's initial motivation, the fact of the matter was they were all less vulnerable to emergencies.

For the younger age range (18 to 24 y.o.) these young women were saving up towards home improvements, emergencies and miscellaneous expenditures, 33.3 percent for each. For women of child rearing age (25 to 64 y.o.), their children's education was the main destination of their savings, followed by home improvements or business opportunities. And we already noted that the older generation was saving for emergencies and to pay for their own burial expenses.

16. Because of this reason, women were not concerned about the often time long distances between their homes and the bank. It provides a disincentive to misspend their savings.

On the other hand, in the fortunate event that there were no emergencies, the women in both projects had saved up useful lump sums, that could easily be transformed into any asset they need or want. In that sense, once the contracts with the projects ceased (or in the case of Sierra Sur –*ceases*-) many of the beneficiaries viewed it as the moment to collect savings, withdrawing all they had acquired in their accounts. Apart from savings to guard against shocks, women were saving: to make home improvements, whether to buy land or build a new house, or to furnish the home more comfortably; to purchase livestock or invest in another business opportunity; towards their children's education; or for miscellaneous expenditures.

In Sierra Sur, the women (who were still in the midst of their project contracts) had predominately withdrawn funds from their accounts for emergencies and paying for their children's school supplies. In a particular case of an older divorcee with two sons in college in the closest large city, had expressed her gratitude in having had funds saved when one of her son's suffered a terrible car accident. She had enough saved to cover the most pressing medical bills and was at the moment of the interview saving up once again to purchase more supplies for her embroidery business.

Lastly, the women in both projects expressed a sense of pride in the economic independence, in the ability to manage their own funds they are able to take control where their children's education is concerned, and have the possibility to invest in opportunities as they present themselves. While several women express that they do consult with their husbands on how to spend their money, the bottom line is they have the final word. The beneficiaries' economic independence was highly valued, in response to whether Corridor participants would prefer their own accounts, or to reopen an account with their husbands, 70 percent indicated they preferred their own independent accounts (Trivelli & Yancari, 2008, p.110).

c. Social Capital & Female Empowerment

Another crucial impact witnessed in both projects is the affect of the savings programs on social capital and female empowerment. The empowerment could be accredited to the vast array of the factors previously mentioned, economic independence, financial literacy and its resulting access to better tools for financial management.

Empowerment could also be to the result of the group dynamic of the program. The forming of the savings groups introduced them to people they may not have met before. The 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. It was a way to socialize with neighbors and to obtain information and answer any questions, which was accepted and often times encouraged by their husbands.

When one woman in Sierra Sur was asked how she would explain her experience in the project to another potential beneficiary, apart from mentioning that it is better to save in a bank, she said, "…and you get to connect with people you wouldn't have ever met otherwise." For an older participant, the only divorced woman interviewed, the group dynamic was an important aspect for her. She lives alone and works hard to support her two sons in university in Arequipa, the savings groups meetings are her only opportunity to socialize.

The savings groups created a very real community of women savers, and the benefits of that increased social capital will continue to work long after the projects cease.[17] One of the women interviewed from Sierra Sur had created with her co-savings group member a rotating savings and credit association (RoSCAs). RoSCAs are one of the most common informal financial mechanism found in less developed countries (Anderson & Baland, 2000).[18] This RoSCA differed greatly from the vast majority of similar examples the world over – it was formalized. They had opened a separate account under the name of one of the (more responsible and reliable) members allowing the account to accrue interest and be more safely maintained. Also, several women from Corridor not only had individual accounts, as well had created communal banks with fellow female savers.

The women were undeniably empowered by their experience, they know that the money in the account is theirs, and that only they have the authority to make a withdrawal. They are financially literate and armed with peer-support, coupled with an increased social network to lean on in the case of an emergency, to go to answer questions, or to pull from for future business associates.

Conclusions

The two Peruvian experiences with savings mobilizations, The Corridor and Sierra Sur projects, illustrate the potential positive effects of savings accounts on the lives and well-beings of women and their families. It has been shown that rural, poor, and indigenous women in the southern highlands need and value financial instruments. These rural women can and want to save; and indeed do. These groups of previously 'unbanked' women are initially hesitant to deposit their money in a financial institution but this can be overcome with proper information. It is also apparent that monetary incentives play a key element in the women's initial motivation to save and test their accounts.

Savings accounts in formal financial institutions are seen as a mechanism to

17. For example, in the province of Quispicinchi, Cusco, the women have organized a Network of Women Savers, that meet regularly to share information, socialize, and encourage savings amongst its members.

18. RoSCAs' function is straightforward; they consist of small groups who meet consistently to make fixed contributions into a collective 'pot'. Each meeting a different member takes home the pot and they meet until all have had the opportunity to do so. Those who receive the pot initially, like debtors, are still obliged to deposit until they group has completed full rotation—proving an effective way for participants to build up useful lump sums, aided by the pressure to save regularly (Besley *et al.*, 1993).

reduce vulnerability, protect savings, manage income and expenditure seasonality, increase women's independence and build usefully lump sums for asset building, such as small business investments. In addition, there are the intangible benefits of increased empowerment and social capital. The combination of effects will continue changing women's lives and those of their families long beyond the initial intervention.

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