



**SOCIAL INNOVATION
& MUTUAL LEARNING
ON MICRO-SAVINGS
IN EUROPE**

[EN]

Ensuring access and use of appropriate savings products for every citizen in Europe:
Micro-Savings Pilot Experiments Results and Policy Recommendations



PART 1

EVALUATION RESULTS

EXECUTIVE SUMMARY



CONTEXT, OBJECTIVES, TARGET POPULATION AND KEY ACTIONS

In 2011, three experiments were implemented in Hungary, Belgium and France, to promote savings through financial education and / or financial incentives programmes among low income people. The SIMS project (Social Innovation and mutual learning on Micro-Saving in Europe) has been funded by the European Commission under the PROGRESS programme in 2010. This executive summary presents the main results of the evaluation conducted by CREDOC on the 3 projects.

The 3 pilot experiments targeted different populations and included various actions:

IN BELGIUM, 2 main types of actions were implemented by Réseau Financement Alternatif (RFA) in social services (CPAS or sometimes other associations): 4 financial education training sessions were organized for 180 low-income households (mainly women, aged 47 on average, most often inactive), together with a saving programme including a 50% matching for those who actively participated in the programme (up to 120€).

IN FRANCE, the programme mainly consisted in 4 financial educations training sessions delivered by ANSA and "Finances et Pédagogie" to 251 apprentices in 4 different professional schools (CFA) where they follow a dual education programme, partly at school and partly working in a company. Participants were mainly young men (aged 17.5 on average) living at their parents.

IN HUNGARY, three different saving programmes have been implemented by Autonomía Foundation in rural villages among poor households mainly belonging to the Roma minority. Two of the actions (CAF and Bank of Chance or BOC) implied a collective saving programme, with a possibility to grant loans to some of the participants. The BOC saving programme was more formalized as an account is opened for each participant in a bank, and also included financial education and energy saving courses. The third action, IDA (Individual Development Account), both included a matched saving programme meant to finance housing improvements, as well as financial education and energy saving trainings.

Figure 1 - Comparative description of the programmes

	BELGIUM	FRANCE	HUNGARY			
			CAF	BANK OF CHANCE	IDA	
Beneficiaries	180 low-income people	251 apprentices	239 inhabitants of unprivileged rural villages (mainly belonging to the Roma minority)			
Location	12 locations in Wallonie	4 regions	15 settlements in 6 disadvantaged micro-regions			
Operational partners	13 CPAS and 1 association	4 CFA and 9 trainers	9 mentors locaux et 4 formateurs			
Actions	Saving	X	X	X	X	
	Matching	X			X	
	Loan			X	X	
	Financial education	X	X		X	X
	Energy efficiency education				X	X

EVALUATION METHODOLOGY

The EVALUATION followed **two main objectives**:

- measuring the impact of the pilots on participants' behaviours, skills, and opinions concerning saving, credit, and budget management,
- identifying key factors of success and areas of improvements concerning the nature and the implementation process of the actions.

The METHODOLOGY included **quantitative and qualitative approaches**:

- two surveys at the beginning and at the end of the programme among beneficiaries and a control group with similar characteristics,
- a follow-up dashboard, providing information on the number of participants and the actions followed,
- in-depth qualitative interviews with stakeholders and participants of the programme in each country.

Figure 2 – Number of respondents and response rate

		SIMS beneficiaries	First wave	Second wave	Response rate (w2/w1)
BELGIUM	Beneficiaries	180	97	52	54%
	Control group	-	215	52	24%
FRANCE	Beneficiaries	251	191	125	65%
	Control group	250	178	116	65%
HUNGARY	Beneficiaries	213	137	110	80%
	Control group	-	88	63	72%
TOTAL	Beneficiaries	670	425	287	68%
	Control group	-	481	231	48%

IMPACT OF THE PROGRAMME ON BENEFICIARIES

Recruitment difficulties and obstacles to enter a saving programme

As opposed to France, **participation to the programme was not mandatory in Hungary as well as in Belgium**, but required recruiting voluntary people in specific target population. In both cases, the recruitment process involved professionals (social services in Belgium and local mentors in Hungary) who had to present and explain in detail the programme to convince participants to take part, as they were frequently reluctant to deposit money at an institution they did not know. **Face to face meetings were key to motivate potential participants** to enter the programme confidently, as well as persuading stakeholders in charge of the recruitment that the programme was useful, realistic and reliable. In Belgium, 13 social services finally participated out of more than 400 structures contacted originally. In Hungary, some villages did not accept to take part or finally did not start after a first approval.

In total, **670 beneficiaries entered the programmes in the 3 countries**, but **a number of them did not actively participate**, especially to the saving programmes:

EN FRANCE, the majority of beneficiaries (81%) attended at least 3 training sessions out of 4.

IN BELGIUM, more than two thirds of the participants (70%) took part in the programme, and half of them received the matching (at least 7 monthly savings during the year and 3 trainings out of 5).

IN HUNGARY, the dropout rate was particularly high in the IDA programme (67%), whereas the majority of participants remained in the programme for the two other actions (95% of participants actively participated in the CAF programme and 77% for BOC).

In spite of recruitment difficulties and dropout effects, the number and the profile of the participants who entered the programme were in line with the objectives of the pilots.

A positive impact on saving behaviours during the programme in Belgium and in Hungary

In all 3 countries, both participants and control groups had **very positive attitudes towards saving** at the beginning of the programme: around half of the beneficiaries strongly disagreed with the ideas that “saving brings in no money” (58%) and that “there is no point saving small amounts” (46%). These opinions remained stable during the programme, which shows the absence of attitudinal obstacles to saving in the 3 countries.

At the end of the programme, Belgium and Hungarian participants saved more often (from no saving to saving at least occasionally, or from saving occasionally to saving on a monthly basis).

IN BELGIUM, a quarter of them (24%) were saving more often at the end of the pilot, as opposed to only 15% in the control group. Annual savings amounted 236€ on average among those who saved at least once, the monthly household income of most participants (80%) being below 1500€.

IN HUNGARY, more than one third (37%) of the participants saved more often at the end of the programme (even if some of them were as well paying back their loan), compared to only 4% in the control group. On average, annual savings for active participants were 13€ for CAF, 125€ for IDA and 91€ for BoC, the average monthly income being around 350€.

The sustainability of this effect on saving behaviours cannot be assessed in Hungary as the second survey was conducted very shortly after the end of the pilot. In Belgium, however, participants were interviewed 7 months after the end of the saving programme: the results show that **saving habits can carry on even without any matching, bonus or training.**

IN FRANCE, most of the participants (57%) were already saving on a monthly basis at the beginning of the programme. This did not change at the end of the programme. As a reminder, the programme only included financial education trainings but no saving programme, which might explain why there is no impact on saving practices.

Not all pilots combined saving programmes and financial education: statistical analysis though reveals that **in Belgium, participation to trainings and saving practices were positively correlated.** Moreover, it appears as if there was a capitalisation effect of previous exposure to education trainings: participants who have already followed such courses in Belgium are more likely to participate actively in the pilot programme.

Heterogeneous effects on budgetary skills

The impact of the programme on budgetary skills was **very positive in Belgium**, and somewhat **more limited in France**:

IN BELGIUM, participants followed their expenses and prepared a budget more often at the end of the programme, while members of the control group had not changed their habits.

IN FRANCE, participants had a closer follow-up of their bank accounts, but they did not seem to be more concerned by budget management issues at the end of the pilot experiment. It may be that they are not yet in need of starting projects of their own as they are still at school and living at their parents’.

IN HUNGARY, following expenses and preparing a budget was less frequent among participants at the end of the programme. This could be explained by a more precise understanding of what preparing a detailed budget really means, which was part of the information given during the training. The oral culture and the low educational level of the target group may also be an obstacle to promote such tools.

Figure 3 – Impact of the programme on budgetary skills

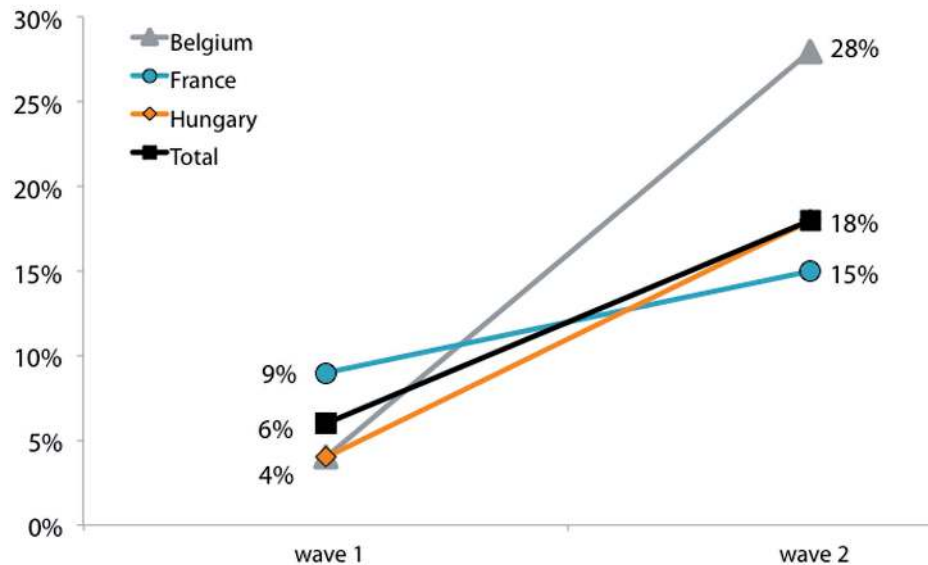
Question	Response		Diff. w2 - w1		
			BELGIUM	FRANCE	HUNGARY
Do you track your spending on an ongoing basis	Yes	Beneficiaries	+ 14	- 3	- 5
		Control group	- 2	0	+ 4
Over the past 3 months, how often have you monitored your bank account to find out how much you	Every week	Beneficiaries	+ 5	+ 10	- 4
		Control group	+ 5	- 1	+ 3
Do you sometimes prepare a «budget» (to work out your incomings and outgoings)?	Every month	Beneficiaries	+7	- 1	- 14
		Control group	+1	0	+15

Source: SIMS survey analysed by CREDOC

More caution regarding credit services

At the end of the pilot experiments, **beneficiaries in all 3 countries seemed more careful regarding credit and more conscious of the potential risk of borrowing.** There was a similar trend among the control groups, but to a lower extent. This could be a collateral effect of the financial crisis originated by bankruptcies in the banking sector affecting its image and trustworthiness.

Figure 4 – Part of beneficiaries who “strongly disagree” with the idea that “Borrowing is not a problem if you know you can repay the loan”



However, borrowing from the community **IN HUNGARY** was frequent in the CAF and BOC groups. The total amount of the granted loans was superior to the total savings, which reveals that this option was used intensively. This also shows that credit can be efficiently combined with saving within a group of people who know and trust each other. The fact that there is a solidarity link between members, meaning that they have to rely on each other, is certainly an important factor of success.

IN BELGIUM, the survey also showed that borrowing from relatives (friends or family) was more frequent at the end of the programme among participants. This is another sign that the observed reluctance to using credit mainly concerns formal credit services offered by banks.

Positive effect on social inclusion in Hungary and Belgium

Besides the effects on financial inclusion, the qualitative evaluations of the SIMS programme shows that the group meetings (in particular for the financial education and energy saving training sessions) had a positive impact on the social inclusion of participants in Belgium and Hungary.

First of all, group meetings played the role of **social events** for the participants who thus had regular opportunities to meet with other people, share their stories, and **feel less lonely with their difficulties**. The fact that the participants were able to save and obtain a bonus also enhanced their **self-confidence in their capacity to reach a goal**.

These psychological effects were also combined with **concrete solutions and services provided between participants**. For instance, in Hungary, participants benefited from baby-sitting services and help for home renovation. In Belgium, co-riding to travel to the training locations also happened.

Nevertheless, **these effects on social inclusion did not necessarily last after the end of the programme when members did not know each other before the programme**: in Belgium, two groups out of thirteen maintained a link, one to form a CAF group, and the other one for social activities.

KEY FACTORS OF SUCCESS

Building and maintaining confidence in the saving programme

The evaluation reveals that the recruitment of participants to saving programmes is time consuming, and that the drop-out rate can be high in some cases. One of the key factors of success of the saving programmes was the capacity to **convince participants of the trustworthiness of the programme** and that they could be confident that their money would be safe.

IN HUNGARY AS WELL AS IN BELGIUM, **the existing relationship between “prescribers” of the programme** (mentors in Hungary, social workers in Belgium) **and the participants was a crucial factor to convince participants to enter the programme.** **IN HUNGARY,** mentors were originally part of the local community and known by the participants: they managed to ease the community’s anxiety by answering their concerns at the start of the programme, and to maintain participants’ motivation throughout the programme by finding solutions in case of financial difficulties. **IN BELGIUM,** face to face meetings with social workers were key to recruit participants. On the contrary, public information (leaflets, posters, advertisements in local newspaper...) was not successful and proved inefficient to recruit participants.

IN FRANCE, **the profile of the trainers** (mainly former bankers) **was an important factor of credibility** of the information and advices delivered during the sessions. Participants considered the trainers as trustworthy because of their experience, expertise, and independence.

Using the boosting effect of group dynamics

The collective programmes proved to have **a real added value in terms of participation level to the saving programmes, but also in terms of impact on social inclusion and self-confidence**. Belonging to a group had two main positive effects for this type of programme:

- reinforcing SOLIDARITY and trust in the saving programme and the informal collective credit services,
- EMPOWERING participants who had the responsibility to make decisions together and come to an agreement when opinions differ.

It seems thus preferable to favour collective actions to maximize the impact of such projects.

Educational training: useful content and active pedagogy

The CONTENT of the training programmes were found particularly interesting and useful by participants when they were **related to the specific issues faced by the participants or to projects that they may have had**. For example: buying a car on credit or paying for driving courses (France), saving for the future of children (Belgium), buying wood, building a stove, insulating home (Hungary). On the contrary, some of the participants sometimes had the feeling that the financial education trainings were **not adapted to their needs when they became too theoretical or technical**. For example: amortization tables of credit were too complex for apprentices, or detailed explanations about bank credits were not attractive for Hungarian participants who are not heavy users of banking services.

In terms of FORMAT, the **active pedagogy methods were most appreciated by all participants**: role-play, games, videos and testimonies or other sorts of interactive methods should be used in priority to catch the attention and maintain interest.

Rewarding and flexible saving programmes

The saving programmes always included incentives (either through matching or the possibility to receive a loan), which clearly helped to attract and retain participants. These **incentives are particularly important to kick-start saving processes**. However, these incentives may be less important when saving behaviours become more stable (as the Belgium experiment shows that some of participants kept on saving after the end of the programme).

The pilot saving programs often included the necessity for participants to save on a regular basis (Belgium pilot and IDA in Hungary). However, some participants did not manage to achieve this goal, sometimes because they needed the money and could not wait until the end of the programme to withdraw it. It also may have happened that some of them tried to save more than they actually could, because they were hoping to obtain the maximum amount of matching (in Belgium, the average saving amount was very close to the maximum). The **frequency and the amount of saving that is requested from participants should thus be adapted to the saving capacity** of each participant. **More flexibility** (including the possibility to withdraw money when needed) **would also reinforce the idea among low-income people that saving is useful as it can help to face financial difficulties**.



PART 2

POLICY RECOMMENDATIONS



WHY DO SAVINGS MATTER?

Micro-savings can be described as savings made by low-income or vulnerable people. By addressing specifically the needs of vulnerable populations, micro-savings promotion is an effective tool that should be combined with other policy measures in order to ensure access and use of appropriate savings products for every citizen in Europe.

A lack of savings is a major cause of financial insecurity which makes households extremely vulnerable, in particular when faced with life's difficulties. For them the slightest "accident" can have disproportionate effect and serious consequences, not only economically and financially but also psychologically.

When facing unforeseen events requiring financial resources mobilisation, households without savings rely on other strategies which might involve a significant risk of aggravating their situation: unsecured loan from relatives, but also expensive loans from lenders charging high interest rates and substantial financial penalties.

Savings provide income stability in times of hardship and allow people to make life changing choices and take risks, like considering alternative education or employment and support the upward social and economic mobility in the longer term.

Savings also create future perspectives & changes in behavior by breaking the habit of beneficiaries to live only on a day-to-day basis and allow them to create opportunities and set new objectives for the mid to long term.

Ensuring access and use of appropriate savings products for every citizen in Europe it therefore a crucial objective to achieve in order to prevent over-indebtedness and promote financial and social inclusion in the wider economy and society. Moreover, when dedicated to financing children higher education, buying a home, etc., savings may also play a decisive role in interrupting inter-generational poverty transmission.

CAN EVERY EUROPEAN CITIZEN SAVE, INCLUDING THE MOST VULNERABLE ONES?

The most commonly identified barriers to savings are personal (inadequate income, difficulty of managing accounts, the belief that having money in a savings account can disqualify people from the right to certain welfare benefits, the belief that savings small amounts is not worthwhile, the potential social pressure within certain circles whereby saving is not accepted/ acceptable when other members of the circle are in need) but also structural (cost of banking services, including too high related charges and lack of financial incentives).

However, **research has shown that levels of savings are not directly linked to the level of income** and that, **in certain circumstances, low-income people save proportionally more than those with higher incomes**. Moreover, vulnerable people are generally well aware that savings is a necessary strategy to ensure survival.

Pilot project experiment results show that, when given access to appropriate incentives and tools, personal and structural obstacles can be overcome and low income people can save, and do.

WHAT IS THE CURRENT SITUATION IN EUROPE ?

According to the SILC (Statistics on Income and Living Conditions) material deprivation indicators for the EU27, the at-risk-of-poverty rate (17%) is half that of the inability to deal with unforeseen expenses (34%), which suggests that a significant proportion of households in Europe with income above the poverty threshold still do not have any savings.

If we consider that saving is a reality or could become one for a small proportion of the households whose income is either below or above the poverty threshold, this suggests that a significant proportion of European citizens could benefit from appropriate savings incentives and policies designed to eliminate personal and structural obstacles, making the case for the implementation of a policy strategy based on the implementation of a set of actions to ensure access and use of appropriate savings products for every citizen in Europe.

WHAT CAN BE DONE - POLICY RECOMMENDATIONS:

Public Authorities at EU level

- **Address** specifically **the importance of access to & use of adapted savings products for everyone in the EU strategy**, as a crucial component to achieve financial inclusion in the EU.
- Encourage Member States to take the appropriate actions to ensure provision of **appropriate savings products for every EU citizen** – savings products should be simple, transparent and comparable.
Ensure that there is **no discrimination affecting low-income people** when it comes to existing incentives to save (eg: tax exoneration of savings account interest only benefit to citizens who pay taxes, not to those who have very low incomes).
- Encourage Member States to **develop appropriate tools and partnerships working as an incentive for vulnerable people** (these tools can be a combination of various incentives: financial incentive, useful, flexible and adapted savings products, trainings, community support...).
- Encourage & **develop a specific legal framework allowing to develop community-based solutions and collective approaches to savings**. Legal frameworks related to banking activities prudential compliancy rules should be adapted for specific community based providers who develop limited financial activities in limited geographic areas (e.g.: CAF & credit unions).
- **Develop and adapt existing funding and public guarantee schemes**, such as ESF (European Social Fund), to allow innovative tools & partnerships, to develop across Europe.
- Encourage **networking between all the stakeholders** involved in financial inclusion issues, savings promotion and financial education to allow a pool of knowledge and exchange of best practice on the issue.

Public Authorities at national level

- Integrate access and use of adapted savings products as a tool for social inclusion in the national social inclusion strategy.
- Take the adequate actions to ensure provision of **appropriate** (simple, transparent and comparable) **savings products** for every citizen.
- Develop a specific legal framework allowing to develop community-based solutions and collective approaches to savings.
- Develop **co-ordinated approaches of all financial inclusion dimensions** (access and use of appropriate banking, credit, savings & insurance services, overindebtedness prevention & treatment, financial education, etc.), enabling relevant stakeholders to pool their knowledge, identify the needs and help to develop appropriate tools and partnerships to address them.
- Ensure **non discrimination** in existing fiscal incentives to encourage savings.
- Set **adapted incentives to promote savings for vulnerable people** (develop useful products, provide public guarantee funds, support financial education programmes).
- Make sure that the legal frame and procedures **allow for vulnerable groups** like people on social welfare or in the process of a debt repayment plan **to save small amounts without fear of losing social benefits or the money saved**.
- Ensure more visibility and credibility to the initiatives trough **campaigns** (for example via the national bank financial education missions) and commitment to partnerships with local authorities and NGOs.
- Encourage and support the **building of a national network** to disseminate, promote and encourage community-based approaches to savings.
- As attitudes and behaviors towards savings are changing slowly, make sure to **integrate financial education as a continuous process in life**, with various programmes adapted to the needs of the targeted population – students, the unemployed, the overindebted,...

Local Level Authorities (Municipalities, Regions)

- **Identify the potential beneficiaries** of savings promotion policies and **specific needs** that could be addressed by the programmes (mobility, autonomy, housing, education, basic needs).
- Dedicate human and financial resources to actively engage in partnerships with other stakeholders to **develop adapted programmes to address those needs**.
- **Provide tools and trainings to social workers** to explain how savings promotion can be a tool for social inclusion and building community resilience, using the evaluation results to explain why it works.
- Provide development & **support to community approaches combining micro-credit and savings**.

Banking & Microfinance Institutions

- Provide **appropriate** (simple, transparent and comparable) **savings products** for every citizen.
- Engage in **partnerships with local authorities and NGOs** to support the provision of appropriate savings products & incentive programmes promoting savings for low-income people and work on possible new ways of using Internet and mobile applications to address the needs of saving of clients.
- Ensure a **link between (micro)credit provision and building savings** for credit beneficiaries.

Organisations providing budget counseling and financial education

Engage in **partnerships with local authorities and NGOs** to develop appropriate savings products & incentives targeting their beneficiaries and integrate a behavioral learning dimension of savings practice to the financial education dimension of their programme.

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