

Scaling savings: Why serving women is the key

INEZ MURRAY

This article shares insights from research in 15 countries on how savings services should be designed and marketed in order to maximize take-up by low income people. It argues that women are an important and distinct segment for micro-savings because of their gendered roles and responsibilities. It outlines the key life-cycle events that low income women save for and argues that financial education is a vital element to product uptake and use.

Keywords: micro-savings, gender, life-cycle events, product design, financial education

A woman is a chicken and a man is a tempest. The woman has to gather seeds from here and there, eat some and put some aside. When the tempest comes it scatters everything everywhere (Morocco, Woman).

WHEN A PAKISTANI WOMAN ASKS, ‘Savings are compulsory, how can life go on without savings?’ she echoes the sentiments of our female clients globally. This paper begins by sharing what Women’s World Banking (WWB) knows about clients: how much they save, why they do or do not save, what kinds of savings product they want and what they expect from a formal financial services provider. Based on the learning from this exploration, the paper argues for an extensive product development agenda that emphasizes the importance of understanding client needs. It also argues for investment in developing the most effective marketing strategies to attract and retain low-income savers, as well as encourage savings account use. Finally it calls for a concerted effort to build financial literacy among the poor, suggesting innovative strategies backed by national campaigns to promote savings awareness and economic literacy.

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products

WWB market research

The following analysis is based on qualitative market research that WWB conducted between 1999 and 2007 with network members in 15 countries. It draws from four studies focused primarily on designing savings services for the following network members: Bank Dagang Bali (Bali, 2002), Banco ADOPEM (Dominican Republic, 2003), PADME (Benin, 2006) and Kashf Foundation (Pakistan, 2007); and four

Inez Murray is Executive Vice President, Women’s World Banking. This article is based on a White Paper the author wrote that was commissioned by the Bill & Melinda Gates Foundation on Increasing Access to Savings for the Poor.

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Properly designed savings services can incentivise particular kinds of behaviour

gender baseline studies with: Banco ADOPEM (Dominican Republic, 2002), Association Al Amana (Morocco, 2003), MI-BOSPO (Bosnia and Herzegovina, 2006) and Microfund for Women (Jordan, 2006). These studies focus on how 'gender identity' influences the way in which resources are allocated inside poor households. These findings yield insights into the way savings services, if properly designed and marketed, could have an impact on poor households through incentivising particular kinds of behaviour. Findings are also drawn from both quantitative and qualitative research conducted with several WWB network members, in particular, FMFB (Colombia, 2007) and FinComun (Mexico, 2007), which looked at customer satisfaction and loyalty, as well as a national survey in Uganda (2004) to estimate the size of the savings market. It should be noted that, with the exception of the Ugandan survey, all our research is with current or potential borrowers of MFIs. That is to say that the population's main forms of income are from running or working in informal microbusinesses and not from salaried employment.

The savings purpose and mechanisms used vary with income levels

Savings market sizing and segmentation

Savings propensity (amount multiplied by frequency) is correlated with levels of disposable income. Similarly the savings purpose and mechanisms used vary with income levels. Attitudes towards savings, savings purpose and savings propensity differ significantly by gender.

Generally speaking, although markets differ significantly, we differentiate our target populations between the poorest segment – those receiving group loans with survival businesses, sometimes ambulant, saving small amounts on a daily basis, often keeping the money in the home or in Rotating Savings and Credit Associations (ROSCAs), and using it mainly for emergency purposes – and those less poor but still borrowing through groups, able to save beyond emergency purposes for specific goals, such as school fees or weddings, and income generated from business or paid labour being used primarily for household expenditures and loan repayments. The majority of clients of MFIs in these segments are women.

Most clients running growth microenterprises tend to be men

The next segment we refer to as the 'microenterprise' segment. Households in this segment have businesses generating enough revenue to pay all business and household expenditures with an amount remaining for reinvestment in the business. Because of this reinvestment, these businesses tend to be growth-oriented, and while savings remain at 10 to 15 per cent of net household income, similar to other segments, attitudes towards savings change. Depending on the context, the majority of clients in this segment tend to be men. This is particularly pronounced in countries such as Pakistan, Jordan and Morocco and less so in Latin American countries. In

this microenterprise segment, clients look at the opportunity cost of capital in a more pronounced way, are cognizant of the negative return on savings accounts at banks, and prioritize other financial services such as current (checking) accounts in order to manage business finances. Although they do save, they need a greater value proposition to compensate for what they might earn through investment in business.

Women as a segment

Superimposing gender onto the above analysis one finds significant differences in attitudes towards savings, savings propensity and savings purpose between men and women. Our research finds that women are the savers in most households, because of their gender roles and the risks they face in life.

As income generators with responsibility for her own and for her children's security, women face various pressures. These pressures vary significantly according to cultural context. In the Dominican Republic for example, men tend to have more than one family and limit their contribution to any single household to the groceries (*las compras*) and the rent. Dominican women complained bitterly about men wasting money, thinking only about the present and not the future, and leaving them responsible for school fees, clothing, furniture, health care and home improvement. Most Dominican interviewees reported conflicts about financial allocations, supporting the notion that households are loci of 'cooperation' and 'conflict' rather than the assumed cooperation of neo-classical economists. Dominican women described various strategies for extracting the maximum they could out of their male partners such as telling them that the groceries cost more than they actually did. Others had more ingenious methods:

He wanted 3,000 pesos and I had it, but I didn't dare tell him I had it... I went out and took it to my neighbour's... Then she called him and loaned him the 3,000 pesos...and I earned 600 pesos, because if he gets it from someone else, he pays it back to them (Dominican Republic, Woman).

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Why women save

Women save for life-cycle events such as birth, education of children, health, housing and marriage of children. Understanding these needs, particularly in light of the risks women face, is critical to designing savings products and marketing strategies that will achieve maximum development impact.

In Morocco we found that women put aside up to 40 per cent of their business income for family health emergencies

Health. When asked ‘why do you save?’ the majority of interviewees cite emergencies first. There are several gender dimensions to health-care financing. As mothers, wives and caretakers of the elderly, women have more responsibility for coping with health crises. It is not that men do not contribute, but women feel more of this burden.

Saving for emergencies can often lead to sub-optimal resource allocation. In Morocco, for example, we found that women put aside up to 40 per cent of their business income for family health emergencies. That money, kept at home or in ROSCAs, could be better invested and is part of a wider pattern in which women re-invest significantly less of their profits back into business than men. This is a primary reason why women’s businesses do not generally grow the way men’s businesses do. Access to affordable health insurance and safe places to save could change this dynamic and lead to less precautionary savings (or the premature sale of assets), enabling women to generate more income.

Education. Clients all over the world speak of the burden of school fees. The financial pressure on households seems to be particularly acute in sub-Saharan Africa. Our research in Benin and The Gambia shows that seasonality plays a significant role, with school fees coming at the end of the low-income season. GAWFA, WWB’s affiliate in The Gambia, has legally allowed mobilizing deposits since 1997, and reports massive withdrawal of savings in September when school fees are due. This underscores a significant opportunity for voluntary commitment savings accounts enabling clients to save for specific goals (e.g. school fees), with incentives to wait until the pre-agreed time for withdrawal.

The other costs associated with sending children to school – uniforms, books, money for food and transport – are also felt acutely by low-income households.

I don’t say that education is not taken care of by our husbands, but the husbands could say to the child, ‘if I don’t have money you may have to stay at home’. The mother cannot accept that, so she makes sure that the child goes to school (The Gambia, Woman).

Property is not simply a valuable asset but an important insurance mechanism

Housing. Owning property is a dream for most of the poor and is seen as very important to securing one’s old age – it is not simply a valuable asset but an important insurance mechanism. Because women are more likely to be widowed, it is especially important for them. Building extra rooms that can be rented is also a means to generate income now and in old age.

Now [my husband] is suffering from sugar [diabetes] and is very sick and I started thinking, if he dies, and me with these five kids, I can manage because at least I get a little income from renting. And if I finish this house, I could make 3,000 pesos a month and with what I sell in the street at least I can support the kids (Dominican Republic, Woman).

Housing also has very clear gender dimensions. For example, the amount of money the husband and wife invest in the family home is integrally tied to cultural and legal norms around marriage and divorce. In the Dominican Republic men tend not to invest in the family house as much as women because, upon the couple's separation, it is the norm for women to stay in the house. By contrast, in Benin, the threat of a husband taking another wife means that women are adamant that they will not invest in the family house. Their risk amelioration strategy is to build another house, and that is what they save for.

Yes [it's important that women have their own property]. Because times may come that the man says I don't want to live with you any more, so the woman must have her own thing (Benin, Woman).

In most environments women would not think to ask to have their names on the title document

Another gender dimension to housing involves property title. In our experience it is almost certain in most environments that the man's name will be on the title document, while most women would not even think to ask to be on it. This situation makes women and children very vulnerable in the event of divorce. In Jordan, where divorce was the number one life-cycle event that exerted the most financial pressure on women, divorced women are universally expected to leave the family home. Alimony is not enforced by the authorities and there is significant shame associated with being a divorced woman. In many cases it is harder for them to have businesses and earn an income.

Research in Southern India found the rate of domestic violence decreased from 49 per cent of married women who did not own either a piece of land or a house to 18 per cent and 10 per cent, respectively, of those who owned either land or a house. By contrast, there was no clear change in violence levels associated with whether women earned an income or not.

Some microfinance institutions, such as SEWA Bank in India and Grameen Bank in Bangladesh, have experimented with setting eligibility requirements for housing loans that include requiring property titles to be in the name of the woman. In SEWA's case the legal fees proved too costly for clients, but further experimentation into this issue should be encouraged.

Clients appear to want a savings product tied to home improvement loans

When it comes to saving for housing, clients appear to want a savings product tied to home improvement loans. In this way, their savings are leveraged and the goal of constructing a house is more achievable. A follow-up loan is therefore an incentive to save.

Old age. While investing in children is the primary coping mechanism for old age security, clients are increasingly worried this will not be enough.

Innovation in long-term savings products for old age is important, and SEWA has pioneered a micro-pension product in partnership with UTI Mutual Funds. The programme allows all informal sector women workers under 55 to save as little as Rs.50 (\$1.10) a month in a pension account. At age 58, participants in the programme receive their accumulated savings either in annuity or lump sum to finance their retirement and 100,000 women have enrolled in this product. However, despite its success, SEWA notes significant challenges including the fact that 'perceived need' for old age security must be converted into 'demand' for a pension product, suggesting the need for financial education to support savings product marketing – especially for long-term products – where benefits take time to be realized.

The most important reason women gave for saving in Lahore was their daughter's marriage

Adult children. It would be remiss not to mention the most important reason women reported saving in Lahore: their daughter's marriage. The average amount saved for this in household goods, jewellery and cash was \$4,800. This relatively enormous sum must be understood within the context of the economics of the 'marriage market', an interesting research topic if we are to understand how to break paradigms and incentivize different behaviour such as investing in a daughter's education instead. We learned during our research that as one moves up the income ladder from the 'income generating' segment to the 'microenterprise' segment, women switched their preferences from saving for their daughter's wedding to saving for their daughter's education.

Changing the client value proposition

Understanding the needs of women and their role as financial managers is fundamental in designing products that will meet their needs and increase their ability to save. There is tremendous room for innovation in a broad array of savings products to help clients save for life-cycle needs – whether they are basic commitment accounts or modified versions with an insurance element or pension products. Within this, determining the best form of incentives for clients to save is also important. How can savings products be designed to

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enable asset accumulation? What modifications can be made to ensure women's 'strategic' as well as 'practical' gender needs are met? (Moser, 1993). Building a strong savings product development agenda is vital if significant client acquisition, retention, account use and impact are to be achieved.

In addition to designing a wide array of products that appeal to women as they progress through life and up the income ladder, we believe a still greater barrier for scaling up savings is lack of investment in other elements of the marketing mix. While women do not necessarily want different products from men, some product attributes are more important to them.

Women want
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Confidentiality. Women want confidentiality in their savings products. One reason is the 'zero sum' behaviour that is frequently mentioned by women whereby when they increase their financial contribution to the household men decrease theirs. Women also feel if the amount of their savings is known they will face tremendous pressure from both family and neighbours to either give or lend it to them.

All of us want confidentiality because even our children bother us if they know we have money (Pakistan, Woman).

Women want something they can call their own. If they have savings that nobody knows about, it provides them with a sense of security and autonomy. To meet this need for confidentiality, women in the Dominican Republic prefer not to have passbooks with account balances so that family members can see them. Plastic cards are one solution. We found in Pakistan that because over 60 per cent of women clients of Kashf are illiterate, they have to rely on other family members to interpret loan agreements, passbooks and so on. WWB believes that investing in designing material that people with low levels of literacy can understand is vital to empowering clients.

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Convenience. To mobilize deposits, convenience is essential. Minimizing transaction costs for clients through the use of local agents is now the norm in Kenya and adoption of cell phones for financial transactions by Kenyans has been enormously successful. In societies where women's mobility is restricted, such as Pakistan, the ability to conduct financial transactions in one's neighbourhood, or even one's home, is critical. SEWA Bank is experimenting with 'doorstep banking' where women from the community are hired as *Bank Saathis* to collect loan repayments and deposits. Each *Saathi* currently conducts 60 to 80 client transactions per day. Similarly, microfinance institutions in West Africa are availing themselves of the traditional deposit collectors – *tontinières* – to collect savings on behalf of their customers.

Clients complain
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Customer service. Both men and women care a lot about customer service, but our research shows that women emphasize it more. Women value simplicity in product design and want more information before accessing a product than men. Training in front-line staff (cashiers and savings mobilizers) to have the right conversations is key. Caja Social in Colombia goes one step further and offers clients financial advisers to help develop savings goals and keep track of their savings (World Savings Banks Institute, 2007).

Security and trust. Security is the number one most important attribute clients mention when choosing a financial institution in which to deposit their savings. Clients complain that banks 'eat' money. To build trust, it is very important to have no hidden fees (clients dislike them intensely!) and to be fully transparent about interest rates. Clients also need to be updated as product features or policies change. Physical security, such as security cameras and armed guards are also of concern to customers. Our research in Colombia shows that using ATMS is considered dangerous unless they are inside a well-known store for example.

Price. Pricing savings products correctly is of course, critical. As expected, in countries where access to formal savings is very low, such as Pakistan, clients say they would be happy just to have the amount they deposited with the institution there upon withdrawal. However, clients should never be underestimated. Pricing is important and a fair return should be given regardless of the level of market development.

Low-income clients
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results

Tangibility. Low-income clients want to see tangible results. Managers at Bank Degang Bali did this very well. For example, one of the ways they marketed long-term savings products was to show a picture of a house and tell prospective savers they could have a similar house if they saved the equivalent of two cigarettes a day for ten years. Another Indonesian bank, Bank Sri Partha, gave their clients a lump of gold after their three-year commitment product matured instead of interest.

Marketing material should be designed to inspire clients to save and be simple and clear. For example, a product brochure for a commitment savings account could have an image of the savings goal (a wedding or child's education) on the front. Product brochures should describe the functional benefits of the product such as confidentiality and safety, as well as product information such as the amount, term and estimated return. This could be in a grid showing how much one would have to save each month to reach the required

amount in what time period. Using visual icons can help to ensure illiterate women can understand the product benefits.

Changing savings behaviour through financial education and national campaigns. Despite our findings that poor women are serious savers, there is no doubt that it is very challenging for the poor to save, particularly the very poor. At the same time, men tend not to emphasize saving and can often undermine women's attempts to do so. The question therefore is how can these dynamics be changed? Changing knowledge, attitudes and behaviours around savings through building clients' financial literacy is one solution.

Building 'pathways out of poverty' into curricula could be instrumental in changing behaviour. Financial/economic education must be done in a cost-effective manner. It is highly unlikely or indeed appropriate, for retail financial institutions to offer classroom training on a large scale. Likewise, clients are unlikely to attend such training. However, there are other strategies: WWB has embedded financial education in various ways including through marketing tools, materials and events. For example, explaining the characteristics of a savings account and then facilitating account opening at marketing events works well.

Explaining the characteristics of a savings account and then facilitating account opening at marketing events works well

Serialized dramas. Thinking laterally, one of the most powerful and proven ways to change knowledge, attitudes and behaviours on a mass scale is through serialized drama, either on TV or radio. These social soap operas have been tremendously successful in promoting reproductive health and HIV prevention. WWB is developing a social soap opera with Puntos De Encuentro, a Nicaraguan NGO, to air in the Dominican Republic in August 2011. The series will take into account underlying gender norms and dynamics and depict common personal, psychological, family/community, cultural and institutional barriers to opening savings accounts, increasing the usage of the accounts, and increasing the amount of savings. It will also show realistic ways that the characters overcome these obstacles that viewers can relate to.

National campaigns. Serialized dramas shown in a country need to be complemented by a nationwide campaign that works with local financial service providers that provide the products as well as community-based organizations to act as distribution channels for financial education. In WWB's case, Banco ADOPEM will be the anchor institution for a national campaign in the Dominican Republic. Success will be measured by actual behavioural change and a causal change model has been developed to better understand the pathways to behavioural change.

Conclusion

This paper attempts to share some insight into how savings services should be designed and marketed in order to maximize take-up by low income populations. It argues that women are a natural segment for savings, because of their gendered roles and responsibilities. It further argues that they have specific goals as well as requirements that must be met if they are to be served successfully by microfinance providers. And finally, it offers some strategies that we, along with our network members, are piloting to provide financial education to change savings behaviour.

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