

Innovative ways to improve the savings habit of women

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Women's perception about savings

Gender gap in financial literacy (knowledge and capability) shows many women are not informed to make decisions on which products and services to take up as well as how to manage their long-term finances.¹ Thus, they often turn to risky and expensive informal savings products and services.² For example, in Dharavi, Mumbai, the largest urban slum in Asia, we studied the financial lifestyle of 25 women entrepreneurs who had bank accounts and access to banking services within 1 kilometer from their households.



We found all women using higher-risk and unregulated savings options such as chit-funds (a regional variant of a savings group crossed with a lottery), or hiding money at home. With husbands often spending household savings on gambling or addictive substances, women showed us their strategies to hide away cash in food jars, piles of clothes, and among beauty supplies. Two in three women reported disputes within the household because of interpersonal theft, often resulting in

domestic violence. Yet, despite having bank accounts, no one thought of depositing their savings with banks as they perceived of not able to save enough for banks.

We found similar findings in rural India as well. Today, many government and NGO implementing agencies are promoting the formation of women-based Self-Help Groups (SHGs), and members are targeted from the marginal families. We interviewed 3,220 women from rural tribal region in five states of Chhattisgarh, Madhya Pradesh, West Bengal, Rajasthan and Orissa. The awareness of SHGs was exceptionally high amongst these women (75% were aware of SHGs). Despite knowledge, only 41% had ever joined SHGs, as the majority perceived that they did not have enough money to save with the groups, resulting in undervaluing the benefits of being with SHGs.

Can poor women save?

Women have the capacity to save. Studies have implied that women are more responsive to savings solutions that reduce temptation spending and other saving barriers.³ However, a key contributing factor to their inability to meet their savings goals is the absence of cleverly marketed and carefully tested financial products.⁴ Many researchers are conducting social experiments that train, counsel, or motivate women to make better financial decisions.⁵ One such study found women who were exposed to financial education trainings were more likely to save than those who were not.⁶ At the same time, financial education is not enough if women do not have access to saving products.

Experts believe that due to self-control or spousal control issues, individuals need specific mechanisms that help them commit to save; at the same time, they need highly liquid savings products.⁷ Hence, economists and researchers have experimented with commitment savings products beyond basic banking access. The first study of this type introduced a lock box to respondents in a randomized controlled trial in Kenya.⁸ The findings show that supplying a secure lockbox to store money increased savings by 66 per cent. The product led to a higher “self-perception” among the participants of their savings behavior and positively affected the consumption decision on durable goods.



Innovative and inexpensive approach

We conducted an experiment in Bihar with 203 women who were associated with Self Help Groups (SHGs). We provided 40 women with financial education training; 40 women with a lockbox and a key; 43 women with a lockbox, a key as well as financial education; and 80 women received no intervention.

We followed women for more than two months, and recorded their savings at the end of first and second months. There was an increase in savings by 1 per cent amongst those women that received nothing from us between first and second month, and an increase in savings by 8 per cent amongst those women that received financial education only. However, it was the provision of a lock box that

significantly increased the savings capability of women, as the savings increased by 42-51% within that time frame after the intervention.



Data indicates those that received financial education training shared their knowledge with others too. For example, 77 per cent women that received training reported sharing their knowledge with others; 73 percent reported of discussing the household's expenses, budget and savings with their husband; and 59 per cent reported that they encouraged their children to save.

Increase in SHG bi-weekly saving

Women were meeting on a weekly-basis, and in every meeting the majority (87 per cent) was depositing Rs. 10, a minimum required amount to be a member of a group. The average bi-weekly savings amount during the baseline survey was Rs. 20.

After we provided women with the intervention, SHG bi-weekly saving increased to Rs. 22 after a month; and to Rs. 32 after two months. Impressively, there was a substantial increase in savings amongst women who received a lock box and financial education training (treatment group) compared to those that received nothing from us (control group). For example, bi-weekly savings of women in control group increased from Rs. 26 to Rs. 31: 16 per cent increased in saving; whereas women in treatment group increased savings from Rs. 20 to Rs. 33, which is a 39 per cent increase in bi-weekly SHG savings.

Lessons learnt

Understanding the financial behavior of women is a very crucial and progressive step towards finding solutions to empower women in the marketplace. Women need savings products that are flexible, offers liquidity and that promote daily savings. Women cannot go to banks every day, especially if they are living in rural areas that are far away from these services. Their engagement with SHGs is a step forward but still amounts to minimal and not daily savings, as women visit their SHG groups only once a week or in some cases, once in two weeks; and in most cases, they are saving the minimum 'required' amount to remain the member. Many women from the poorest households are not even joining SHGs because of their perception of not able to save the minimum 'required' amount.

First, a very crucial aspect of promoting savings is addressing the psychological barrier that women face that they cannot save. Financial education that encourages women to save daily is essential. The power of providing a lock box with a key to women, alongside financial training through comic books, is

the nature of the lifestyle of these women. Many are mostly at home and making purchases that inevitably produce excess small change. The capacity to save often gets eaten by small purchases and a lack of awareness---something that our study found was cut down on by the presence of this lock box savings product. Money that was already hidden by women in various parts of the house, to keep the other household members from spending it, could now be kept in a location which cannot be so easily accessed, and more important locked.

If providing a low-cost tool such as a lock box, along with the relatable financial education modules, can improve the savings behavior of women, then the findings from this study can encourage NGOs and public policy makers to find very simple tools to implement to help women increase their savings by a significant amount. This kind of an intervention is not only low cost, but also low maintenance and is the kind of short-term solution that is adaptable to the lifestyles and habits of the poor women in India.

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