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 Autonómia 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 unpriviledged rural villages (mainly belonging to the Roma minority)		
	Location	12 locations in Wallonie	4 regions	15 settlements in 6 disadvantaged micro-regions		
	Operational patners	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

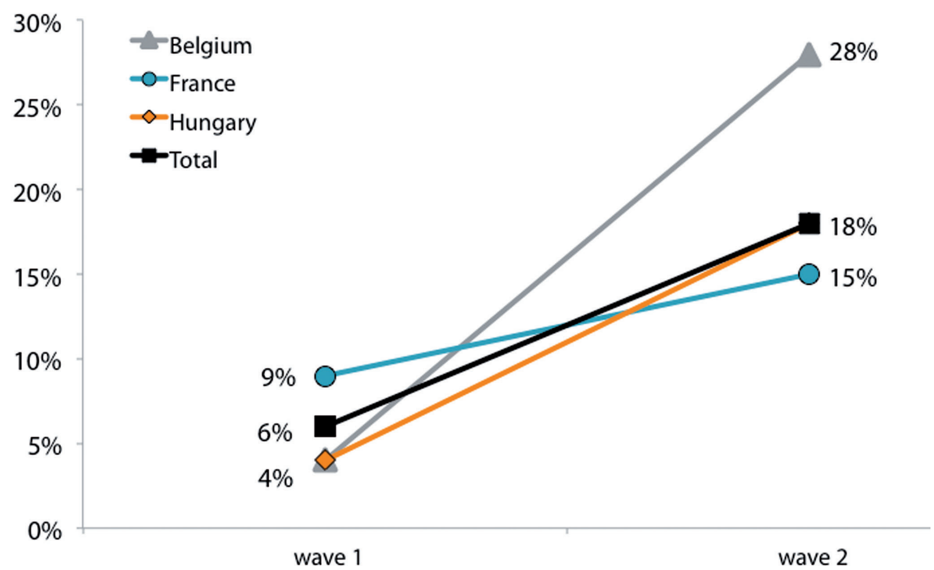
Question	Response		Diff. w2 - w1 BELGIUM	FRANCE	HUNGARY
Do you track your spending on an ongoing basis	Yes	Beneficiaries	**+ 14**	- 3	- 5
		Control group	- 2	0	+ 4
Over the past 3 months, how often have you monitored your bank account to find out how much you	Every week	Beneficiaries	+ 5	**+ 10**	- 4
		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 SAVING 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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SIMS Social innovation and mutual learning on micro-saving in Europe

Global assessment report

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Background to implementation of the project

In 2011, three coordinated pilot programmes were set up simultaneously and in a coordinated manner in Belgium, France and Hungary. These experiments, aimed at low income groups, were designed to promote saving through educational and/or financial incentive micro-saving programmes.

The **SIMS (Social Innovation and mutual learning on Micro-Saving in Europe)** project was jointly funded by the European Commission as part of the PROGRESS 2010 programme. This report presents the results of the assessment of projects implemented in Belgium, France and Hungary. The assessment reports on the projects in those countries and a summary of all the results are also available.

1/ Financial inclusion as part of the fight against social exclusion

- An increasing number of households have excessive debt

In Europe, the general finding for some years is that there is an increase in household debt (with the notable exception of Germany). Although loans, by stimulating spending, can be a lever for growth that is beneficial from an economic point of view, repaying them can be a problem if unexpected financial difficulties arise. As the current economic and financial crisis has resulted in a fall in income for many European households[1], the proportion of individuals faced with the inability to repay their debts has increased. So, in 2010, the proportion of households in the 27 European Union member states (EU 27) unable to repay their debts, rent or bills on time is estimated at 11.6% against 9.9% in 2007[2].

Among the macroeconomic factors economists usually cite to explain the increase in over-indebtedness are the rise in consumer credit (deregulation of the lending market in the eighties in Western Europe), rising unemployment since the 2008 financial crisis (10.5% in 2012 in the EU 27 against 7.1% in 2008), the switch to the euro, and rising house prices. "Life accidents" can also lead to an inability to pay one's debts: job loss or a forced reduction in working hours, divorce or even a health problem. The results of international surveys conducted as part of the Eurofound 2010 project *Managing household debt*[3] show that the risk of incurring excessive debt increases for people who live alone or with small children, who are jobless or have low incomes, for individuals in poor health (chronic illness), and for youngsters and migrants.

Over-indebtedness, financial exclusion, poverty and social exclusion are closely interlinked phenomena. Although economic insecurity increases the risk of excessive debt, conversely, the fact of being unable to pay may also – and this is increasingly the case - be at the root of poverty situations.

Banking and financial exclusion

A group of experts has worked out the following definition within the framework of a project funded by the European Commission[4]: *"Financial exclusion refers to a process whereby people*

[1] Dubois H., 2012, *Household debt advisory services in the European Union*, Eurofound. In 2008, one out of five European households reported a fall in income compared with the previous year.

[2] *op. cit.*

[3] Dubois H., Anderson R., 2010, *Managing household debts: Social service provision in the EU*, Eurofound working paper.

[4] Anderloni L., Bayot B., Błędowski P., Iwanicz-Drozdowska M., Kempson E., 2007, *Financial services provision and the prevention of financial exclusion.*

encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong."

This intentionally broad definition is designed to take account of all difficulties that may result in situations of exclusion from the financial system. Banking and financial exclusion denotes restrictions both on access to and on the use of products and services allowing immediate payment of expenses (means of payment) and spreading them over time (using loans for example)[5].

- A quarter of European households at risk of social exclusion

In 2011, it is estimated that nearly a quarter[6] of the population in the European Union is at risk of poverty or social exclusion[7]. This proportion is increasing in almost all countries, especially in Hungary, and to a lesser extent in France and Belgium.

Table 1 – Proportion of the population at risk of poverty or social exclusion (%)

	At risk of poverty	Severely materially deprived	Very low work intensity	Persons falling under at least one of the three criteria (at risk of poverty, severely materially deprived or in a very low work intensity household)
EU-27 countries	16.9	8.8	10.0	24.2
Belgium	15.3	5.7	13.7	21.0
France	14.0	5.2	9.3	19.3
Hungary	13.8	23.1	12.1	31.0

Source: European Union Statistics on Income and Living Conditions, Eurostat

- Europe's answer: financial inclusion as a tool for fighting social exclusion

To address this situation, the European Union has for some years now been giving impetus to programmes and directives aimed at promoting inclusion and financial education to help combat social exclusion.

In May 2013, the European Commission tabled a European directive to promote comparable bank charges, changing payment accounts and **access to a basic payment account**. This European

[5] Gloukoviezoff G., 2004, *L'exclusion bancaire et financière des particuliers,* Les travaux de l'observatoire.

[6] Eurostat News release, 2012, *In 2011*, *24% of the population were at risk of poverty or social exclusion*.

[7] Persons falling under at least one of the three criteria (at risk of poverty, severely materially deprived or in a very low work intensity household).

People at-risk-of-poverty are those living in a household with an equivalised disposable income below the risk-of-poverty threshold, which is set at 60% of the national median equivalised disposable income (after social transfers).

People living in households with very low work intensity are those aged 0-59 who live in households where on average the adults (aged 18-59) worked less than 20% of their total work potential during the past year. Students are excluded.

Severely materially deprived persons have living conditions constrained by a lack of resources and experience at least four out of the nine following deprivation items: cannot afford 1) to pay rent/mortgage or utility bills on time, 2) to keep home adequately warm, 3) to face unexpected expenses, 4) to eat meat, fish or a protein equivalent every second day, 5) a one week holiday away from home, 6) a car, 7) a washing machine, 8) a colour TV, or 9) a telephone (including mobile phone).

directive also reasserts the link between inclusion financial and social inclusion: *"In today's world, European citizens cannot fully participate in society without a basic bank account"[8].*

In 2007 and 2008 the European Parliament[9] and European Commission[10] also advocated **developing financial education** and especially the need to include it in school curricula and establish a financial education network bringing together both the public and private sectors (but this remains at the cost of EU member countries). A group of financial education experts has also been set up by the Commission. Its brief is to disseminate best practices, harmonize teaching programmes and methods and advise the European Commission on matters of financial education.

There are currently no European arrangements to promote **saving** as part of financial inclusion and few projects are dedicated to promoting it among low-income groups. And yet, saving is a valuable tool in a preventive approach to financial insecurity (which can lead to financial and social exclusion), inasmuch as it is part of a medium-to-long term budgeting process. Yet the stakeholders note that despite opinions by and large in favour of savings, there are **many curbs on opening a savings account**: a lack of confidence in one's ability to save, a lack of financial incentives, a lack of proficiency in budgeting. By combining an incentive to save and financial education, the SIMS experiment is designed to offer a solution to remove those barriers and improve the situation of low-income groups.

2/ The main national initiatives promoting financial inclusion

France and above all Belgium have introduced a number of regulations in favour of financial inclusion. Far from claiming to be exhaustive, this section simply presents a few examples of the main national initiatives introduced in each of the countries conducting the experiment.

In **Belgium**, legislation already guarantees **access to basic banking services** for all citizens. In order to prevent excessive debt, Belgium set up **a "positive credit" record** in 2003 that lists all credit facilities held by private individuals, whether or not they have payments in arrears. This record must be checked by lenders before they grant a loan or credit facility. Finally, **interest on savings deposits is exempt from tax** up to 1,250 euros. However, this system does not give low-income households enough incentive to save, as they are not always taxable anyway and only have a limited ability to save.

In **France,** since 1984, anyone who is refused a bank account can exercise their **right to an account** by contacting the Bank of France[11]. The Bank of France then appoints a bank, which is forced to offer basic banking services. People on low incomes can open a ***livret d'épargne populaire*** **(LEP - a special type of savings account)** [12], which offers an annual interest rate of 1,75%, the interest being exempt from tax. Lastly, in connection with the fight against excessive debt**, a bill introducing a positive credit record** is currently being debated in parliament.

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[8] Excerpt from a European Commission press release, "Bank accounts: Commission acts to make bank accounts cheaper, more transparent and accessible to all", 8 May 2013.

[9] Resolution 37 of the European Parliament dated 11 July 2007 on financial services policy for the period 2005-2010 – White paper: "The European Parliament strongly supports the Commission's initiatives to upgrade financial capability and invites the Commission and the Member States to increase their efforts to create specific programmes and websites, in which the firms concerned should likewise be involved, but also urges them to make it an integral part of basic school education".

[10] Communication of the European Commission, 28 December 2008: "Consumers must be given economic and financial education as soon as they reach school age. The national authorities should consider making financial education a compulsory subject on the curriculum".

[11] The person applying for recourse must procure a letter of refusal to open an account in order to exercise his/her right.

[12] LEPs are reserved for people resident in France for tax purposes and who were not taxable in the year prior to the opening of the account or whose tax bill was less than or equal to 796 euros.

In **Hungary**, there are hardly any schemes promoting financial inclusion. The local councils of towns of more than 40,000 inhabitants must offer support services for households in excessive debt. A Eurofound survey[13] conducted in 2011 showed than despite growing demand, many smaller town councils do not offer any support, by lack of resources or of institutional recognition of the need.

3/ The SIMS programme in the three pilot countries

Saving is in fact seldom mobilized as a way of promoting financial inclusion, either at European level or in each country conducting the experiment. Through the SIMS programme, it was thus a question of developing a scheme to promote micro-saving aimed at people on low incomes to asses its impact on social inclusion.

While the overall aim of the programme is by and large shared by all three countries, the operational goals, the target group, the initiatives taken and the ways and means mobilized differ according to country. The table below summarizes the main features and measures of each programme.

Table 2- The main features of the SIMS programme in Belgium, France and Hungary

		Belgium	**France**	**Hungary**		
				CAF	**Bank of Chance**	**IDA**
Beneficiaries		180 low-income people	251 apprentices	239 inhabitants of unpriviledged rural villages (mainly belonging to the Roma minority)		
Location		12 locations in Wallonie	4 regions	15 settlements in 6 disadvantaged micro-regions		
Operational patners		11 CPAS and 1 association	4 CFA and 9 trainers	9 local mentors 4 trainers		
Actions	**Saving**	X		X	X	X
	Matching	X				X
	Loan			X	X	
	Financial education	X	X		X	X
	Energy efficiency education				X	X

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[13] Bernát Anikó (TÁRKI Social Research Institute) and Köszeghy Lea (Habitat for Humanity): *Managing household debt: Hungarian country report*, Eurofound, 2011.

3.1 In Belgium: a programme of financial education and incentives to save, aimed at low wage-earners

The project leader: the SIMS project was implemented in Belgium by the *Réseau Financement Alternatif* – RFA (Alternative Finance Network), which was also behind the response to the European Commission's call for projects and is the programme's international coordinator.

The aims: instil a culture of saving in low-income groups in order to:

- promote saving behaviour;
  - encourage people to save rather than buy on credit;
  - get them out of their day-to-day approach to budget management;
  - remove any barriers to saving or reluctance to save;
- create a collective momentum and sustain the groups formed as saving groups in the longer term.

Key initiatives: The SIMS programme was rolled out in Belgium for 180 beneficiaries between May 2011 and May 2012. It consisted of 2 parts:

- a financial education programme consisting of five collective training modules (thirteen groups of fourteen people on average were trained);
- a savings programme with a 50% incentive bonus.

The programme was designed to give the participants an incentive to follow the two parts of the programme regularly: to benefit from the bonus, paid out after 12 months at the end of the programme, they had to save for at least seven of the twelve months of the experiment and complete at least three of the five financial education modules on offer.

Target group: 180 people benefited from the programme. In order to be able to take part in the micro-savings programme, beneficiaries therefore had to meet at least one of the following three eligibility criteria:

- Have monthly income below a limit set according to the type of household, close to the poverty line;
- Be an "Article 60 or 61" job-seeker. These are mainly people who have been unemployed for a long time, are poorly-qualified and are given jobs directly by the CPAS (Centres publics d'action sociale - Public Centres for Social Welfare);
- Be nearing the end of a collective settlement of debts procedure.

Resources employed: social workers, mainly from the Public Centres for Social Welfare[14], were mobilized to communicate about the programme, recruit the beneficiaries, organize the logistics of the training modules and follow up the beneficiaries.

The training modules were created and run by RFA, in part with tools developed within the network or by other organizations.

3.2 In France: training modules for young people on apprenticeships

The project leader: the SIMS project was implemented in France by ANSA (*Agence Nationale des Solidarités Actives* - National Agency for Social Solidarity).

The aims: the programme was above all meant to be preventive. It set out to develop the apprentices' knowledge and behaviour with regard to saving, warn them of the dangers of credit –

[14] Each council in Belgium has a CPAS (Public Centre for Social Welfare). These centres are responsible for providing benefits and welfare support.

in consumer credit particular - and more generally help them manage their budget and understand how banks and their various banking services and products work.

Key initiatives: between November 2011 and March 2012, four 4-hour training modules (for a total of 16 hours' training) were given as part of the apprentices' school curriculum. These modules dealt with subjects relating to budgeting, saving, credit, insurance and the banking system.

Target group: the programme was attended by 251 apprentices preparing a level IV or V block-release diploma. The young apprentices attend both vocational training courses in companies and courses in apprenticeship training centres (*Centre de Formation d'Apprentis* - CFA).

Resources employed: as regards the project, ANSA involved most financial education stakeholders in France. 25 of them participated in the project as financial backers, institutional partners[15] and operational partners. The operational partners included firstly the four CFAs[16] where the courses were run, and secondly the *Finances & Pédagogie* association[17], which provided trainers to lead the modules with the apprentices.

3.3 In Hungary: three savings incentive methods tested in disadvantaged villages

The project leader: the project was implemented by the Autonómia foundation, which has been developing support programmes for marginalized groups (the Roma minority in particular) since 1990.

The aims: enable particularly underprivileged groups to have access to financial education and the possibility of saving and borrowing, to break out of the poverty cycle created by the inability to plan one's expenditure. It was more particularly a matter of preventing people resorting to local lenders operating outside the law who offer very high rates, which tends to worsen the financial position of borrowers. The programme also set out to promote solidarity within the community. Lastly, it was a matter of supporting the beneficiaries in improving their housing conditions and in better managing the household's energy resources.

Key initiatives: 3 types of method were tested:

- The CAF method[1] (Comunidades Autofinanciadas): self-funded communities. The members of the community form a cooperative in which the savings are pooled. The resulting capital is lent to a member of the group. The participants draw up the cooperative's rules amongst themselves (lending terms, interest rate, penalties, etc.). No outside funds are required. Financial education is supposed to be mutually acquired through participation in the groups and interaction between the participants.

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[15] 6 institutional partners: ACFCI (*Assemblée des Chambres Françaises de Commerce et d'Industrie* – body representing French business and industry) and APCM (*Assemblée Permanente des Chambres de Métiers et de l'artisanat* – body representing French trades and crafts), the Bank of France, the *Caisse des Dépôts et Consignations* (French sovereign wealth fund), the *Direction Générale de la Cohésion Sociale* (DGCS – the social welfare unit, part of the Ministry of Solidarity and Social Cohesion) and the Ministry of National Education.

10 banking partners: the Bank of France, BNP Paribas, the Confédération nationale du Crédit Mutuel, Crédit Municipal de Paris, Crédit Coopératif, the Cetelem Foundation for budgetary education, the French Banking Federation, the Fédération Nationale des Caisses d'Epargne (national federation of savings banks), HSBC, La Banque Postale and Société Générale.

4 associations: the national federation of Cresus associations, Finances & Pédagogie, IEFP (*Institut Pour l'Education Financière du Public*) and Secours Catholique (Catholic welfare organisation).

[16] The participation of a fifth CFA made it possible to test the training modules before the experiment was rolled out.

[17] Finances and Pédagogie is an association that runs training and awareness-raising courses on financial education. It was founded in 1957 by the *Caisses d'épargne* (savings banks).

[18] Comunidades Autofinanciadas. This method was first developed in Venezuela.

- The Bank of Chance programme: the participants form small groups of ten or so people who meet every month. An account is opened in a bank for each participant, who has to pay his or her savings into it at regular intervals before being entitled to apply to the bank for a loan at a rate of around 12%. A system of rotations is organized; only one member at a time can obtain a loan and must repay it before the next member can get one. In parallel the group's members benefit from training modules on financial education and energy efficiency issues.
- The IDA method (Individual Development Account): each participant opens an account and undertakes to pay amounts of savings into it on a regular basis. The total amount saved is doubled if they have made at least 8 payments into their savings account during the year. The money can be used to fund home improvement projects. The group's members also benefit from training modules on financial education and energy efficiency issues.

Target group: the programme was implemented in villages with especially disadvantaged groups who are discriminated against – in particular villages having a high proportion of Romas. In total this programme concerned 239 people.

Resources employed: the programme was implemented locally thanks to 9 resource correspondents who live in the villages. The brief of these local "mentors", who were trained and paid by the Autonómia foundation, was to recruit participants, monitor them and organize monthly encounters or training modules. The NOBA bank and the microcredit organization Mikrohitel also partnered the Bank of Chance programme. Lastly, trainers were mobilized to run training modules on financial education and energy efficiency issues.

A common assessment methodology

The aim of the SIMS project assessment was to ask the following questions:

1. **Does the programme meet the needs and expectations of the experiment's target group?**
2. **What is the specific effect of the programme on the opinion and behaviour of the beneficiaries in the short, medium and long term?**
3. **What lessons can be learned from the experiment regarding implementation conditions: can one identify factors for success and any obstacles to overcome?**

To answer these questions, the assessment relied on quantitative and qualitative methods: one inquiry per questionnaire, implementation and follow-up of a dashboard and in-depth qualitative interviews. Data was gathered from all parties involved: the project leaders, the mobilized partners and the beneficiaries. In order to have comparable data, the assessment was carried out in the same way and over the same timeframe in all three pilot countries.

1/ <u>A dual survey of beneficiaries and a control group</u>

To measure the programme's specific effects, a quantitative time-bound survey was conducted concurrently with the programme's beneficiaries and with a control group. The periods during which the questionnaire was administered were determined so as to guarantee:

- a 12-month gap between the two waves, thereby avoiding any seasonal adjustments (for instance, changes in outgoings and resources according to the time of year);
- administration of the questionnaire in the same period for the three experiments assessed jointly in Belgium, France and Hungary.

The questionnaires were drafted by the assessor after consulting the project leaders to adapt the indicators to the detailed aims of the programme. The questionnaire includes a common core, identical in all three countries. Depending on the projects, specific questions were added. On each of the two waves, the beneficiaries and control group were questioned about their socio-demographic characteristics and their opinions and behaviour as regards their relationship with the banking system and with budget, saving and credit management.

The survey base for the group of beneficiaries included all the beneficiaries of the programme. The control samples were recruited by different methods in each country.

- In **Belgium**, respondents from the control group were recruited in Public centre for social welfare in towns having similar characteristics to those of the Public centre for social welfare who participated in the programme, with respect to criteria such as size of the council area and the region's economic and social issues. The respondents were selected randomly among people meeting the eligibility criteria for the SIMS programme.
- In **France**, in each participating CFA, pairs in classes preparing for the same diploma were selected to form the test group and the control group. The selection was virtually random, organizational arrangements (class timetables) being the determining factor.
- In **Hungary**, the mentors in charge of recruiting the beneficiaries were also responsible for recruiting the sample group in each participating village, with instructions to select people with a similar profile to that of the beneficiaries (financial difficulties, in or out of work, age and gender).

The profiles of the beneficiaries and control group are very similar by and large, despite a few divergences, more particularly in Belgium.

Table 3 - Respondents to the quantitative survey: headcount 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	239	137	110	80%
	Control group	-	88	63	72%
TOTAL	**Beneficiaries**	**670**	**425**	**287**	**68%**
	Control group	**-**	**481**	**231**	**48%**

Source: SIMS survey of beneficiaries and control group, compiled by Crédoc

2/ A dashboard adapted to each country

For each of the national pilot programmes, an *ad hoc* dashboard was created to monitor the beneficiaries throughout the experiment.

This dashboard was used to monitor the actions followed and effective participation in the programme.

This data was completed exhaustively for all the programme's beneficiaries by the person in charge of implementing the programme in each country.

3/ Qualitative interviews with all the parties involved: project leaders, partners and beneficiaries

In-depth interviews were conducted with all the parties involved in the programme:

- players and partners, to review the **conditions of implementation** of the project;
- a diversified sample of beneficiaries, to identify the **added benefits** they associate with the actions they participated in.

The qualitative field survey in Hungary was carried out by firm TARKI.

3.1 Interviews with project leaders and partners

Over thirty interviews were conducted in total with project leaders and partners in the three countries.

The national project leaders were interviewed at the start of the programme to discuss the conditions of implementation of the programme, and in particular their expectations, the programme’s aims, the related indicators of success, and the scaling up of the system.

A second wave of interviews was then conducted after the end of the experiment (in March and April 2013) with the programme's players and partners. The aim was then to review how the scheme had been implemented and identify any brakes and drivers, record their opinion of the system and its impact on the beneficiaries and on partnership dynamics, and to examine how the programme could be expanded.

3.2 Interviews with beneficiaries

A qualitative survey was also conducted among a sample of twenty or so beneficiaries in total in the three countries. This survey, which was not initially planned in the assessment protocol, turned out to be an essential step to refine the assessment.

The respondents were selected so as to ensure the sample was diversified in terms of gender, location and their degree of participation in the programme.

The aim was to record their opinions on the added benefit they believed they had derived from the programme with regard to their savings knowledge and behaviour, and more generally about the experience as a whole.

The effects of the experiment on the beneficiaries

1/ A positive response of the beneficiaries in all three countries

Broadly speaking, the beneficiaries recruited for the programme match the target planned by the project leaders. Their opinion of the proposed actions is positive, after some initial misgivings about joining the programme in Belgium and Hungary had been dispelled.

1.1 Recruitment of the beneficiaries: mandatory in France, voluntary in Belgium and Hungary

In **France**, students in classes designated to participate in the programme were "obliged" to attend the modules on the same basis as their normal school classes. They were unaware that this was a specific programme. So the question of their motivation to join the programme has little meaning as far as they are concerned.

On the other hand, recruitment and participation in the programme was voluntary in **Belgium and Hungary**: it emerged that confidence was a key issue in mobilizing the target group. In Belgium, some people were wary about entrusting their money to an organization they didn't know. In Hungary, certain participants were dubious with regard to the bonus, while others refused to take part, regarding the programme as a fraudulent pyramid-like operation. In the end, the intercession of local contacts known to the beneficiaries (respectively social workers and mentors) proved to be necessary in order to dispel their initial misgivings.

The qualitative interviews with the beneficiaries were an opportunity to understand their motivations in joining the scheme. Unsurprisingly, both in Belgium and in Hungary, the financial aid provided by the bonus (IDA programme in Hungary), and fact of being able to apply for a loan (CAF and Bank of Chance) were compelling arguments. The Belgian beneficiaries were also interested in the themes of the training modules (credit, savings and alternative financial systems).

1.2 Profile of the beneficiaries

For all three programmes, the number of beneficiaries was slightly higher than that planned by the project leaders.

As for their profile, the groups are obviously very different in each country (see table 4 below).

Predominantly female in Belgium and Hungary, in **France** the opposite is true. This is because they are apprentices, who tend to be male, particularly at the level of the diploma and the sectors targeted by the experiment. The average age of the apprentices is 17½ and most of them live with their parents (85%).

In **Belgium**, the target group is relatively old compared with the other countries (47 on average) and mostly isolated: half of them live on their own, and a quarter of them are single parents. Over half of them are unemployed. Most of them appear to be financially insecure: the household's income is under €1,500 for 80% of the participants (and under €1,000 for a quarter of them); 90% of them say they struggle with their current earnings, half of them say they had difficulty paying their bills in the three months prior to the survey and over one third of them had a bank overdraft.

In **Hungary**, the target group is younger, 38 on average. Two thirds of them live with a partner or spouse, and most of them have children living at home. Three-quarters of them own their homes, as do the majority of Hungarians. Housing conditions however are very insecure (houses are in poor condition, more particularly as regards insulation). Lastly, nearly 4 out of 5 participants are jobless. When they do have jobs, they are mainly part-time jobs. The villages where the programmes were run are characterized by very high unemployment rates: job opportunities there are virtually nonexistent, apart from seasonal jobs on farms and government-funded jobs.

Table 4 - Profile of the beneficiaries

	Belgium	France	Hungary
Total number of beneficiaries	**180**	**251**	**213**
Base: respondents to wave 1	*97*	*191*	*137*
Sex			
Male	28	79	32
Female	72	21	68
Age			
Average age	*46,7*	*17,5*	*38,1*
Occupational status			
Active, in employment	27		17
Job-seekers, non-working	59		78
Retired	14		4
Qualifications			
Vocational baccalaureate, sales-retail		13	
Vocational baccalaureate, mechanics-automotive		23	
Vocational training certificate, food industry		33	
Vocational training certificate, mechanics-automotive		21	
Vocational training certificate, sales		10	
Accommodation			
Owner	15		74
Tenant, lodger	85		26
Living at parents'		85	
Other		15	
Marital status			
Singe	56		18
Single with children	29		14
With partner (with or without children)	14		68
Other, nc.	1		1
Bank account			
Yes	98	96	65
Savings account			
Yes	51	74	4
Total	**100**	**100**	**100**

Source: first wave of the SIMS survey among beneficiaries, compiled by Crédoc

Rates of access to the banking system vary greatly from country to country. It should be noted that these differences are mirrored by the national averages. While only one third of the Hungarian participants had a bank account at the start of the programme, this was the case for virtually all the Belgian and French beneficiaries. As for the savings account, three-quarters of the apprentices had one when the experiment started, against half the Belgian beneficiaries and a small minority of Hungarians (4%).

2/ High rate of participation for the French beneficiaries but a high dropout rate in Belgium and Hungary

In **France**, the student attendance rate would tend to indicate a good rate of response by the beneficiaries. While only 54% of the students overall attended all the modules, this should be put into perspective. According to the CFA managers and teachers, absenteeism is common and affects all subjects. Some of them even think that the absentee rate was lower than for other lessons, due to the relatively original nature of the SIMS programme: *"On the contrary, the youngsters were fairly motivated to attend this course, because it was new for them"* (CFA manager). In the end, 204 out of 251 apprentices (81%) attended at least 3 out of 4 modules. However the figures also show a constant falloff in numbers from module 1 to module 4, which can be explained by an external factor as some of the youngsters left school during the year. Lastly, attendance rates varied according to the sex and the specialty of the diploma prepared by apprentices: attendance was lower for females and in the food-processing sector (bakery, pastry-making).

In **Belgium**, only half the beneficiaries took a sufficiently active part in the programme to benefit from the bonus payment. 30% of those enrolled did not participate at all: they attended none of the training module and made no savings payments.

Analysis of the interviews with beneficiaries reveals that the difficulty certain participants had in striking a balance between family life and work in part accounts for the dropout rate. Indeed, the programme demanded a significant time investment (training modules). We also note that the likelihood of not taking an active part in the programme is higher with the under-40s, women and persons not living on their own: they are probably people who have greater family responsibilities. Lastly, those who had never had any training in budget management before the SIMS programme were also had a lower attendance record. This last point would point to a potential effect of capitalization of the attended courses over time.

In **Hungary**, the dropout rate varied greatly from one programme to the next: for the CAF and Bank of Chance programmes (the collective dimension of which was central), the dropout rates are relatively low (respectively 5% and 23%).

On the other hand, for the individual savings programme (IDA), two-thirds of those enrolled dropped out during the programme (67%). 23% of them did not save at all. We also note very marked fluctuations from one IDA group to the next, the recorded dropout rates ranging from 10% to 90% depending on location.

There are a number of possible interpretations of the **high dropout rates in the individual savings programmes** implemented in Belgium and Hungary (IDA):

- First of all, **the lesser importance of the collective dimension** in these programmes. The participants met less often than for the two other programmes tested in Hungary, so the incentive engendered by the collective dynamic was not always a key factor. Moreover, whereas the group dynamic depended on the active participation of each member for the CAF and Bank of Chance programmes, in the IDA "groups" withdrawal from the programme did not affect the other participants.
- Another possible cause may be related to the **capped bonus payment**. In Belgium, this amount may have been understood by the participants as being a lower threshold for benefiting from the maximum bonus, which encouraged them to commit to payments that were untenable over several months (one third of all the participants saved at least €240 over the year, namely the ceiling for the bonus payment). Similarly, in Hungary certain

groups had set themselves the strict rule of paying in at least 2,000 HUF (roughly 7 euros) every month, which may have been too optimistic an amount given the very low income level of the programme's target group. The beneficiaries' average income is approximately 100,000 HUF (about €335).

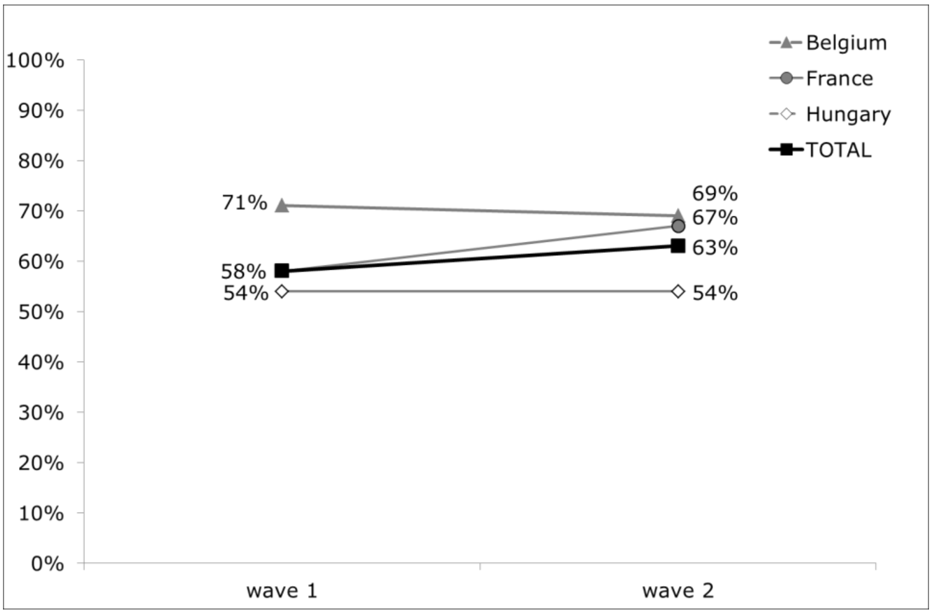
- Lastly, the **IDA programme did not include the opportunity to get a loan** (unlike CAF and Bank of Chance groups) and in theory, people **could not withdraw their saving** until the end of the programme (however, in Hungary, some flexibility was introduced by the mentors and Autonomia foundation). Certain participants who experienced a sudden reduction in income or had significant expenses to cope with may have been forced to withdraw their savings (this happened only once in Belgium).

3/ A positive impact on saving behaviour in Belgium and Hungary

3.1 Already favourable opinions about saving that stay positive

Regarding savings, both the beneficiaries and the control subjects had very positive opinions overall at the start of the programme. Most of them are convinced of the usefulness of saving (figure 1).

Figure 1 - Respondents saying they "strongly disagree" with the statement "Saving is pointless"



Source: SIMS survey of beneficiaries, compiled by Crédoc
Base: all respondents in both waves

Similarly, most of the beneficiaries:

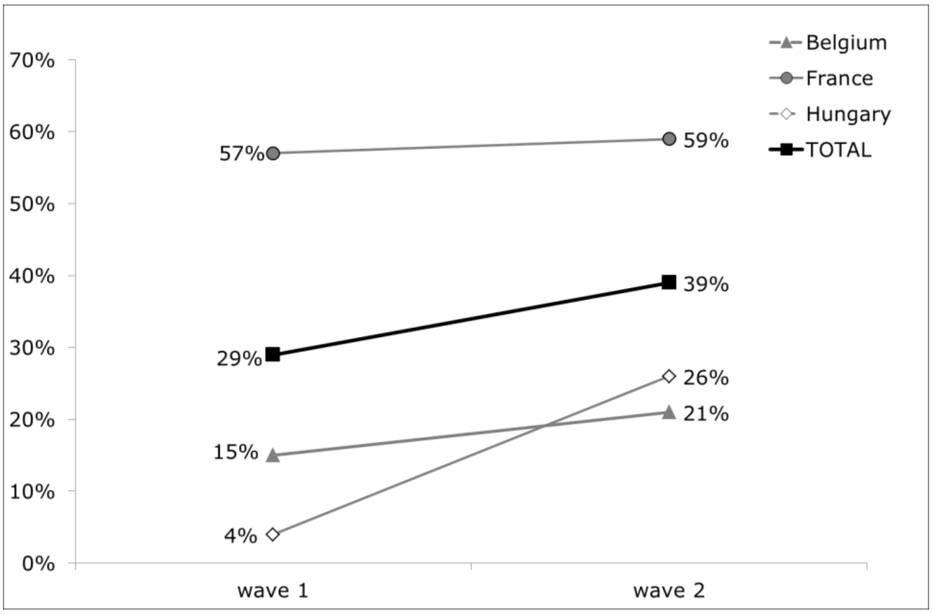
- "Strongly disagree" with the statement: "*Saving small amounts is pointless*" (total: 46% in wave 1 and 55% in wave 2).
- "totally agree" with the statement: "*If you really want to save, you have to put money aside on a regular basis*" (total: 66% in waves 1 and 2)

Ultimately, most of the beneficiaries were convinced of the merits of saving before the programme, so opinions about saving only changed marginally. **So the main impact of the programme was on saving <u>behaviour</u>** (except for France).

3.2 The Belgian and Hungarian beneficiaries saved more after the programme

Overall, the programme had a positive impact on the beneficiaries' saving habits: on average, in the three countries, the proportion of participants who saved every month (during the three months prior to the survey) rose from 29% to 39% between waves 1 and 2 (see figure 2 below). This effect is observed in Belgium and Hungary.

Figure 2 - Respondents saying they put money aside every month during the last three months



Source: SIMS survey of beneficiaries, compiled by Crédoc
Base: all respondents in both waves

In **Belgium**, 58% of the beneficiaries put money aside at least once in the year (42% did not save at all) and 46% participated actively by making at least 7 payments into their savings account opened for the programme between June 2011 and April 2012.

The average amount saved over the year by all the 180 beneficiaries was 136 euros. It rises to 236 euros for those who put money aside at least once, an amount very close to the bonus payment ceiling (240 euros)[19].

Average monthly payments are characterized by their regularity: between 22 and 30 euros per month on average.

The most active participants (those who were eligible for the bonus) made nearly 10 payments of 27 euros on average, making a total saving of 265 euros on average after 12 months. Nearly 10,000 euros were paid out in bonuses, namely 110 euros on average for the 88 participants who were eligible for bonuses.

This saving habit observed during the programme continued after the experiment: 7 months after the experiment (during the second wave of the survey[20]), one quarter of the beneficiaries said they had put money aside more often than in wave 1 (against 15% of the control group).

In **Hungary**, 77% of the participants in the IDA programme put money aside at least once (23% did not save at all) and 33% were awarded the bonus, which reflects active participation.

[19] The monthly income of 80% of the beneficiary households in Belgium is under €1,500 (and under €1,000 for a quarter of the participants).

[20] As the experiment started earlier in Belgium than in the other countries, there is a 7-month gap between the experiment and the quantitative survey of the beneficiaries, which shows the impact of the programme in the medium term.

Among the beneficiaries who took an active part in the programme, participants in the IDA group put the most amount of money aside: 125 euros on average over 12 months, against 91 euros for the Bank of Chance groups and 13 euros for the CAF groups[21]. These differences are not explained just by the financial incentive of the bonus in the IDA groups: after the first few months, the participants in the Bank of Chance and CAF programmes who were granted a loan used the money they put aside to make their loan repayments instead.

In fact, while only 4% of the survey respondents said they saved every month in wave 1, over a quarter of them said they saved in wave 2 (figure 2). As this rate remains stable with the control subjects (3% both in wave 1 and wave 2), this positive effect can be attributed to the SIMS programme.

Lastly, 37% of the participants saved more often[22] after the programme than when it started (against only 4% of the control subjects). Among those who say they put money aside more often, the proportion of women and the average age is higher than in the group of people who say they never save after the programme.

In **France**, over half the beneficiaries say they put money aside every month (57% in wave 1; 59% in wave 2). This proportion remains unchanged between the two waves, so the programme did not have any effect on saving behaviour, which were already high. It is worth recalling that the French programme only included the financial education component, no financial incentive to save (neither a bonus nor the possibility of being granted a loan, unlike the programme in Hungary and Belgium).

4/ Varying effects on the tracking of outgoings and on budget management

With regard to budget management, the effects vary according to the experimental programmes. On the one hand we have retrospective budgetary monitoring indicators (formal tracking of outgoings, tracking one's bank balance), as distinct from the budgeting indicator, which measures planning (more forward-looking) behaviour. Table 5 below shows the trends in these three indicators for beneficiaries and control subjects in each country.

Table 5 - Changes in budget monitoring and planning behaviour

			Diff. w2 - w1		
Question	**Response**		**Belgium**	**France**	**Hungary**
Do you track your spending on an ongoing basis (in a notebook, computer file, etc.)	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 have left?	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 of beneficiaries and control group, compiled by Crédoc.

[21] The average monthly income of beneficiary households in Hungary is approximately 335 euros.

[22] From no saving in wave 1 to saving at least occasionally in wave 2, or from saving occasionally to saving on a monthly basis.

Base: all respondents in both waves.

In **Belgium**, formal tracking of outgoings improved noticeably for the beneficiaries (41% in wave 2 against only 27% in wave 1). More beneficiaries also prepare a budget every month in wave 2 than in wave 1. As for the control group, their behaviour does not change. Ultimately, the beneficiaries seem to adopt a **forward-looking approach to budget management.**

In **France**, the apprentices care more about tracking their bank account balance: 51% tracked their account weekly in wave 1, 61% in wave 2 (whereas the proportion for the control group remains unchanged). However, they do not adopt a forward-looking approach to managing their resources and outgoings: fewer than one third of them say they prepare a budget (no change between wave 1 and 2). This outcome, when considered in the light of the lack of saving habits among the apprentices (see earlier), leads to assume that this lack of forward planning can be put down to the fact that they are students and thus have a fairly short-term view of the future (their plans naturally revolve around obtaining their qualifications, whether or not to continue their studies, or possibly strategies of integration into working life, rarely beyond that).

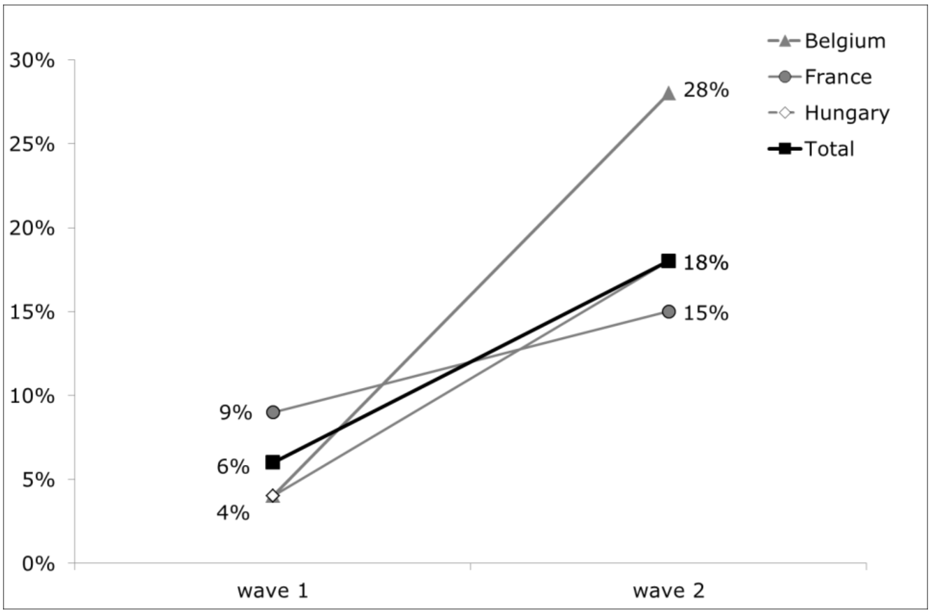
In **Hungary**, the programme did not encourage the beneficiaries to improve their budget management. On the contrary and surprisingly, their scores tend to get worse. The programme beneficiaries in Hungary have little written culture and frequently resort to an informal economy. So it is hardly surprising that formal budget management is not very developed there. The lower score of the beneficiaries may be explained by a gain in knowledge: after the programme, the beneficiaries may have a better understanding of what formal tracking of outgoings or budgeting involves; they have not changed their habits accordingly, but they have realized that there is considerable scope for improvement: they answer in the negative when 12 months earlier they thought they would "prepare a budget".

5/ More caution regarding credit services

In parallel to the greater vigilance as regards budget monitoring observed in Belgium and France, prudence is also observed, in all **three countries**, in the beneficiaries' attitudes towards and views of credit.

On average, in all three countries the percentage of beneficiaries who "strongly disagree" with the idea that "borrowing is not a problem if you know you can repay the loan" is up by 12 points (figure 3 below). This greater prudence is also seen to a lesser extent with the control subjects: This was the case for 7% of them in wave 1 against 13% in wave 2 (+ 6 points).

Figure 3 - Respondents saying they "strongly disagree" with the statement "borrowing is not a problem if you know you can repay the loan"



Source: SIMS survey of beneficiaries and control group, compiled by Crédoc
Base: all respondents in both waves

This effect is therefore not attributable only to the SIMS programme. It may be due to the current economic climate of crisis that, by affecting confidence in the banking system, leads individuals to be more prudent. Similarly, individuals may react to training/awareness programmes they have followed in parallel, as part of courses (in France) or socio-professional support they may benefit from (in Belgium and Hungary).

Nevertheless, loans taken out by members of the CAF and Bank of Chance groups were not uncommon in Hungary. The loan amounts were by and large higher than the amounts saved, which points to intensive use of informal credit. Similarly, in Belgium we see more use of informal borrowing (from friends and family).

6/ A long-term effect on the process of social integration of Belgian and Hungarian beneficiaries

An additional effect of social integration was identified in the collective dimension of the experiment. **That is not the case however for France**. While the training modules in France were held in groups, this is not a distinctive feature of the SIMS programme, inasmuch as the groups would have existed at any rate as part of the apprenticeship training scheme.

In **Belgium** and **Hungary**, the programme was an opportunity for the beneficiaries to have some social activity. The meetings were often an opportunity for the participants to discuss their financial and personal problems, and sometimes to initiate mutual aid processes. Lastly, the collective dimension helped boost the beneficiaries' self-confidence, their belief in their own ability to act.

6.1 A bond of solidarity in the sharing of common difficulties

The collective dimension of the micro-saving plays a large part in the underlying objective of social integration.

The fortnightly meetings (in Belgium) and weekly meetings (in certain CAF groups in Hungary) were opportunities for the beneficiaries, at times socially isolated, to have **occasional social activity** and **to meet other people experiencing the same difficulties as them.**

> *"It helps them do something real. Very often, these are people who have nothing, no work, no training, and nobody holding them in esteem any more. With the programme, they had to get up in the morning; they had something to do like everyone else*" (Social worker in Belgium).

This effect is all the more noticeable because the meetings are frequent and because the success of the project depends on the emergence of a group dynamic among its members. The CAF groups in Hungary, in which the participants had laid down rules for making deposits and for borrowing, felt a **strengthening of bonds** in the village community.

Both in Belgium and in Hungary, this collective dynamic manifested itself in real bonds of **solidarity** between the members: a car-sharing system in Belgium for the trip to the training modules, child-minding or mutual aid schemes for home refurbishment in Hungary.

Nevertheless, we note that this bond of solidarity only rarely turns into a collective saving process when the participants did not know one another before the programme: in Belgium, only 2 groups lasted after the end of the programme without the financial incentive, either to form a CAF or to continue meeting every month.

6.2 Boosted self-confidence

The programme was a good breeding ground for boosting the beneficiaries' belief in their **ability to act**, and more generally their **self-confidence**.

By sharing their experiences at meetings, the beneficiaries were initially able to realize that they were **not alone in their difficulties**.

During the programme, many beneficiaries succeeded in putting money aside on a regular basis: whether motivated by the financial incentive (in Belgium or with the IDA programme in Hungary) or the feeling of solidarity towards the other group members (CAF and Bank of Chance groups in Hungary), the programme helped the beneficiaries to **realize that they were able to do so**, in spite of a difficult economic situation.

Lastly, their self-confidence was also boosted by the satisfaction of having successfully achieved something.

Key factors of success

A comparative analysis of the programme implementation methods[23] and its impact on the beneficiaries reveals 4 key success factors in setting up a micro-saving programme for low wage-earners.

1/ The need to establish a relationship of trust by involving recognized partners

For the three projects, a trustworthy intermediary appears to be a precondition for the success of the project, for the recruitment of the beneficiaries and for their active participation in the programme.

In **France**, as the programme is aimed at young apprentices for whom the training is compulsory, **the credibility** of the trainers' message was essential. It was recognized thanks to the status of the trainers, all **from the world of banking**, and to their endorsement by the CFA coordinators, who attached great value to the trainers' work with the apprentices. According to several of the beneficiaries questioned, the involvement of a "former banker" was greatly appreciated for his expertise and independence from the school. *"They know what they're talking about! And anyway it's better if it's someone from outside; for instance they gave us examples of customers that they've had, it was worthwhile*" (a French beneficiary).

For **Belgium** and **Hungary**, one of the programme's key factors for success was the capacity of the intermediaries (respectively the social workers and the local mentors) to **forge a bond of trust with the beneficiaries**, initially at the time of recruitment, but also to retain them in the programme.

- For the beneficiaries, enrolment on a programme requiring them to commit their personal savings may have been considered a risk. The partners mobilized by the project leaders already knew the experiment's target group: they were able to dispel their misgivings and **reassure them by explaining the aims of the programme and the related guarantees face to face** (the possibility of recovering one's savings at any time for instance).
- The bond with the intermediaries can also **help to remove any obstacles to retaining them in the programme**. In Hungary for instance, certain mentors were able to negotiate more flexibility with Autonómia foundation in order to limit withdrawals from the programme of people who were temporarily unable to make their monthly payments. In Belgium, as part of the socio-professional support they offer, the social workers were at times able to remove obstacles caused by the organization of the programme around beneficiaries' family and work-related obligations.

Conversely, the partners can restrict the effects of the programme with beneficiaries if they do not subscribe to its aims. This was the case in Belgium, where one social worker admitted her lack of commitment (she only recruited a few beneficiaries), due she said to a lack of information on the challenges and aims of the experiment. In Hungary, two groups were interrupted due to the mentors' personal ambitions, incompatible with the experiment.

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[23] See the country reports for the detailed arrangements for implementing the SIMS programme in each country.

2/ Using the boosting effect of group dynamics

In **Hungary**, and to a lesser extent in **Belgium**, the collective dimension of the SIMS was a key motivating factor for the participants, both in attending the training modules and in showing solidarity with the other members of the CAF and Bank of Chance groups by regularly putting money aside.

Both parts of the programme (the group training modules on the one hand and the financial incentive to save on the other) therefore clearly acted in synergy: in Belgium for instance, the beneficiaries who actively put money aside also regularly attended the training modules. The social dynamics on the one hand and the financial incentive on the other are **motivating factors that mutually strengthen each other.**

In Hungary, the members of groups who had set up a collective savings scheme (CAF and Bank of Chance) continued to participate throughout the experiment. The operation of these groups depends on each member's commitment to putting money aside or to repaying their loan granted. What ensues from this is **a bond of solidarity between members who commit more to the programme**. Indeed the dropout rates in Hungary are very low for these two programmes.

3/ Educational training : useful content and active pedagogy

Financial education training modules were offered in all three countries (except for the CAF groups in Hungary). Broadly speaking, the topics that interested the participants the most are those directly relating to their concerns, and that are thus perceived as helpful. The technical level of the courses must also be adapted to the audience, as too ambitious a content could be a source of frustration and withdrawal from the programme.

In **Hungary**, the beneficiaries' opinions are divided as to the real benefits and usefulness of the training modules. Some expressed their disappointment when the lessons learned from the courses were not easy to implement in their everyday life. For instance, when the modules dealt with applying to a bank for a credit facility, the participants had difficulty assimilating this because it bears no relation to their needs: indeed, many of them believe that banks never grant loans to people in their financial position. Conversely, the courses on energy efficiency issues, **more practical and relevant on a day-to-day basis, were judged positively** for the most part.

In **France**, according to the beneficiaries, trainer and CFA managers, the fact that the programme deals with **practical subjects** such as daily management of a budget and a bank account, saving habits, or shows one how to choose a credit facility to fund one's driving test or car insurance, these are all **responses to the beneficiaries' concerns.** These topics thus received a favourable response. On the other hand, certain notions such as bank charges or cooling-off periods **proved to be too technical** for some students, thereby losing the attention of the young beneficiaries, especially CAPs (level V).

In **Belgium**, the beneficiaries interviewed also gave positive feedback on the courses, judging the **level to be well adjusted because they were comprehensible**, and they appreciated the **practical** nature of the training. Through the modules, the beneficiaries at times became aware of the benefits of saving money for a concrete personal project.

Besides the practical and useful qualities of the content, an interactive and fun teaching approach is a factor for success in that it catches the participants' attention and engages with them to stay with the project.

The **fun** approach is essential to mobilizing the participants and to making them want to continue on the programme. In **France**, the trainers' teaching methods, combining **role plays, quizzes**

and interaction with the students, attracted the attention of beneficiaries and **made it easier for them to assimilate knowledge**: "*the people teaching us were brilliant, they explained really well, with a dash of humour to appeal to everyone, so it was done very well*" (Beneficiary on the French programme). Similarly, in **Belgium** the beneficiaries appreciated watching videos of people talking about the financial difficulties they had encountered.

An **"active" teaching** approach should also be favoured. Rather than the trainer simply passing on his knowledge to the beneficiaries, this type of teaching method aims to favour role plays and interaction. Permanent **interaction between the trainer and the beneficiaries, as well as among the participants themselves**, promoted the emergence of a collective emulation. In Belgium, the beneficiaries appreciated the fact that they could share their experience with other people facing the same difficulties. Likewise, the French apprentices particularly appreciated these periods of interaction they were given: this enabled them to question the trainers about their own circumstances, difficulties and plans.

4/ Rewarding and flexible saving programs

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

The pilot saving programmes often required participants to save on a regular basis (Belgium pilot and IDA in Hungary). However, some participants failed to achieve this goal, sometimes because they needed the money and could not wait until the end of the programme to withdraw it. Some of them may also have 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 is very close to the maximum). The **frequency and the amount of savings required of participants should therefore be adapted to the saving capacity** of each participant. **More flexibility** (including the possibility of withdrawing money when needed) **would also convince people with low incomes that saving is useful as it can help cope with financial difficulties**.

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