

Micro-savings to fight financial exclusion

A conference dedicated to the benefits of micro-savings was held on 9 and 10 September in Brussels. Micro-savings can be described as savings made by low-income or vulnerable people. For the authors of the study, based on evidence from pilot projects in France, Belgium and Hungary, access and use of appropriate savings products for every citizen in Europe can prevent overindebtedness and improve financial and social inclusion in the wider economy and society. Therefore, it is important to encourage Member States to develop appropriate tools and partnerships that work as incentives to save for vulnerable people.

The sims project

In 2011, three experiments were implemented in Belgium, Hungary and France¹, to promote savings through financial education and / or financial incentive programmes among low-income people. The SIMS (Social Innovation in Micro-Savings) project is funded by the European Commission under the PROGRESS programme in 2010.

The 3 pilot experiments targeted different populations and included various actions with low-income households and/or young people. In Belgium and Hungary, the pilot projects implied a collective or individual saving programme combined with a matched saving programme. A project in Hungary allowed the possibility to grant loans. In France, the experiment does not include a saving programme but four financial education training sessions. In whole, 670 people participated in these three projects.

The results vary from country to country according to the set up in each pilot project. A positive impact on saving behaviours is shown during the programme in Belgium and in Hungary. The impact of the programme on budgetary skills was very positive in Belgium and somewhat more limited in France. At the end of the pilot experiments, beneficiaries in all three countries seemed more careful towards credit and more conscious of the potential risk of borrowing. The programme has a positive effect on social inclusion in Hungary and Belgium.

¹ Réseau Financement Alternatif (BE), Autonomia Foundation (HU), Agence nouvelle des solidarités actives (FR), Microfinance Center (HU)

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

Why do savings matter?

A lack of savings is a major cause of financial insecurity which makes households extremely vulnerable, in particular when faced with life's difficulties. On the contrary, 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.

According to the SILC (Statistics on Income and Living Conditions), material deprivation indicators for the EU27 countries, 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. Therefore, a policy strategy based on implementing a set of actions to ensure access and use of appropriate savings products for every citizen in Europe is necessary.

Such studies show that low-income people are able to save and savings has a positive effect in the fight against overindebtedness. The EU and the States Members should develop or adapt existing funding and public guarantee schemes, such as ESF (European Social Fund), to allow innovative tools & partnerships. They must adapt incentives to promote savings for vulnerable people (develop useful products, provide public guarantee funds, support financial education programmes). Finally, they should also encourage networking between all stakeholders involved in financial inclusion issues, savings promotion and financial education to build knowledge and exchange of best practices on these issues.

Micro-savings is the expertise of one of EFIN's (European Financial Inclusion Network) working groups. EFIN is a coalition of European stakeholders (institutions and individuals) involved in financial inclusion. It bases its actions upon the objective to tackle financial exclusion which refers to "a process whereby people 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”.

Annexes

Social Innovation in Micro-Savings in Europe - Executive summary (Micro-Savings Pilot Experiments Results and Policy Recommendations)

EFIN - www.fininc.eu

Press contact

Laurence Roland - RFA

0032 2 340 08 65 - laurence.roland@rfa.be

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Depuis 1987, des associations, des citoyens et des acteurs sociaux se rassemblent au sein du Réseau Financement Alternatif pour développer et promouvoir la finance responsable et solidaire. Retrouvez tous nos communiqués sur www.financite.be.