Encouraging Savings Behavior through Conditional Cash Transfers: Lessons from Latin America

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Savings, in the form of financial capital held in formal bank accounts, are an important factor in reducing poverty. They can stimulate financial inclusion of the poor, protect against unforeseen shocks, and fund long-term investments in human and economic development. However, the poor have limited options for formal savings. In recent years, governments around the world have begun to incorporate savings into their conditional cash transfer interventions. This paper focuses on such interventions by national and municipal governments in Latin America. While the evidence base is still too small to draw any firm conclusions about short-term benefits or long-term effectiveness, there have been positive outcomes from pilot projects and adapted savings-linked conditional cash transfer programs in some countries. To ensure successful program design and implementation, governments interested in savings-linked conditional cash transfers should make sure to fully assess the political, economic, regulatory, and infrastructural conditions present in their communities.

The Importance of Savings for Poverty Reduction

Savings are an important factor of poverty reduction for a number of reasons. Savings allow low-income families to manage high-value expenses that result from unforeseen circumstances like household emergencies, lags in employment (income may be highly sporadic based on industry needs or harvest seasons), or job loss. While some of these families may look to microcredit to smooth consumption during this time, the sudden drop in income may make them less attractive recipients for a loan if there is doubt about their ability to pay the loan back in a timely manner. Savings reduce vulnerability in times of financial insecurity so that low-income households can maintain stable levels of consumption and better tolerate risk.

In addition, having savings lessens the "poverty penalty" the poor pay due to their lack of accumulated assets. Low-income producers may offer below-market prices to expedite the sale of their goods, but at the expense of maximizing profit, and low-income consumers may only be able to afford small quantities of goods even when buying in bulk would allow them to benefit from lower unit prices (World Bank 2010).

Furthermore, savings provide the means to invest in human and economic development. Low-income individuals hope to lift their families out of poverty and have long-term goals, including sending their children to school, improving their houses, purchasing equipment to raise their agricultural productivity, and so on. Accumulating enough capital to fund these activities is difficult without a secure method of saving.

Despite the importance of savings for poverty reduction, there are very few options for low-income people to save their wealth securely. In the following article, I will review informal and formal methods of savings and how each affects the poor. I will then discuss the recent attention paid to a widely adopted social assistance tool, the conditional cash transfer (CCT), for promoting savings behavior among low-income families. The CCT is a targeted government-to-person (G2P) transfer wherein an individual under a program-specific threshold (often, but not exclusively, based on income level) receives money from the government so long as certain conditions set forth by the government are met by the individual. I will demonstrate how CCTs may be uniquely positioned to promote savings behavior and how incorporating savings into CCT programs has the potential to improve the lives of low-income populations over the long term. Using evidence from savings-linked CCT interventions in Latin America, I will lay out the various design and delivery elements being used to optimize the effectiveness of savings-linked CCTs. I will conclude with the implications for governments interested in such programs, as well as recommended areas for further research.

Inefficiencies of Informal Savings

Informal methods of saving, such as purchasing livestock or building supplies, hiding cash within the home, or using group savings clubs, are often inefficient because they do not necessarily offer an optimal allocation of time and capital. Informal savings are also often insecure, at risk to robbery, physical damage, and leakage. This is especially true of savings through investments in physical or non-liquid assets, as there may be high transaction costs involved in converting such assets into financial capital. Group savings are also particularly risky, because they rely heavily on trust and social relationships that take time to develop and sustain, and they often require that group members take the time to travel and attend regular meetings.

Furthermore, irrational consumption and spending patterns can exaggerate the inefficiencies evident in informal savings. Behavioral economics can help explain these irrationalities. One reason that people, in both developing and developed countries, struggle with saving money is related to the economic concept of hyperbolic discounting. When making decisions, people often place more weight on what will bring them the greatest benefit in the present rather than on the future consequences of their decisions. When given the option to receive a reward now or a larger one in the future, people generally show a preference for the reward that arrives sooner, even if sacrificing a payoff in the present would leave them better off in the future. This discounting of the value of the later reward results in present-biased consumption patterns.

Another reason people struggle to save is that it is harder to resist spending when cash is readily on hand and no trip to a bank or ATM is required (Karlan and Appel 2011). These tendencies may be especially true for the poor, who have less money to spend on nonessential goods and, lacking a formal savings account, often keep extra money at home.

The Added Value of Formal Savings

Formal savings address the inefficiencies and risks of informal savings methods and provide additional benefits to the poor. The first of these benefits is that formal savings can act as a gateway to financial inclusion for low-income populations in developing countries. Financial inclusion is an important factor in expanding capabilities and asset accumulation, addressing the deprivation and lack of access to financial and capacity-building resources faced by the world's poor. This concept is in line with Amartya Sen's capabilities approach to development, which recognizes that having a low income is only one measure of poverty and that development strategies should focus on facilitating ways for low-income families to accumulate wealth, invest in their own human capital and productive capacities, and eventually find a way out of poverty.

Formal financial services empower families to make decisions about resource allocation and take advantage of productive opportunities through the use of credit, leasing products, remittance management, payment services, and life and disability insurance (Edge Finance S.A. 2007). This ability to manage finances can also have positive psychosocial effects, due to increased self-confidence and a greater orientation towards the future (Zimmerman and Moury 2009; Sherraden 1991). A lack of formal financial relationships affects low-income populations not only because it inhibits their use of other potentially helpful financial products, but also because it is another way in which the poor remain marginalized from mainstream society.

In addition, the ability to save money in bank accounts, be it a portion of a G2P social assistance transfer or other earned income, gives the poor a secure way to hold money in a liquid form. This is important because it allows them rapid access to their funds. A family in dire need of capital can liquidate assets to acquire capital, but they may not be able to shop for the best price and so may receive a less than optimal return on their initial investment. Having money saved in a formal bank account solves this problem. Banked savings are also divisible, which means that people can withdraw money in partial amounts rather than having to liquidate quantities larger than necessary in order to make a given payment. Furthermore, these funds are securely and anonymously held, which minimizes physical and financial risk.

The Lack of Formal Savings Opportunities

Despite the benefits of formal savings, over 60 percent of all Latin Americans do not hold accounts with formal financial institutions and only 10 percent of adults in the region report saving at a bank (Demirguc-Kunt and Klapper 2012). The lack of formal savings could be explained simply by supposing that most Latin Americans, especially those with low incomes, do not have any surplus income to put aside. This is a logical assumption, as individuals living at the subsistence level with minimal capacity to participate in productive activities need to use any financial resource they obtain on basic survival needs. However, even if this assumption holds true, there is evidence that the poor understand the importance of saving and that they do so when possible, albeit in informal ways (Maldonado *et al.* 2011).

It can be difficult for low-income individuals in developing countries to save in secure and formal ways. According to an analysis of the World Bank's Global Financial Inclusion Database, non-account holders, particularly from Latin America, report annual fees and high fixed costs of opening accounts as two barriers to bank use (Demirguc-Kunt and Klapper 2012). In addition, low-income populations would likely need to make irregular deposits and withdrawals in small amounts, and banks normally earn profits by charging fees for these services, especially if the number of transactions exceeds a certain number per month. Depending on the locations of branches and the mobile banking options in their communities, traveling hours to perform transactions may not be worthwhile. Another barrier to savings for the poor is that opening a savings account generally requires official identification documents, which many of the "unbanked" in the developing world do not have. Educational and psychological barriers may also be present, including distrust of financial institutions, misconceptions about what banks might do with the saved money, and self-consciousness due to uncertainty about how to navigate banking procedures or communicate with bank employees.

Finally, there are few savings products designed for and marketed to the poor, because low-income people have not demonstrated their value as a profitable customer base for private banks. Without targeted savings products that serve their needs, changing this perception is difficult. Banks earn money by charging fees to open accounts and make transactions. In many developing countries, there is not a high level of competition among banks, so there is no market-based need to reduce these fees. This means there are limited options for those who can afford bank services, so paying the higher costs is necessary. Banks would need to maintain a very high number of low-value accounts to cater to the poor, without the certainty of fees from regular transactions and the possibility that these low-income clients would use more expensive banking services. Banks would also have to actually reach this population, adding infrastructure or staffing costs to connect banking services to low-income areas. With a limited understanding of the types of banking products that would be profitable for them and attractive to the poor, banks have been unwilling to take the risk of expanding their market, especially when providing services to higher-income clients remains more lucrative.

The Traditional CCT as a Social Assistance Tool

The CCT was originally introduced by national governments in Latin America, where over 70 percent of the low-income population participate in CCT programs (Tejerina 2014). In Latin America the overall purpose is to spur behavioral change by incentivizing investment in childhood health and education, though there is a range of specific short-, medium-, and long-term objectives that programs might address as well. Any level of government can provide the transfer, and the role and scope of CCT programs vary greatly. There is a wide mix of methods that governments use to identify and target recipients for CCT programs, but they largely focus on the low-income population, in the context of a given country's specific poverty parameters.

Unlike other forms of G2P resource transfers, CCTs impose conditions on participants. CCTs obligate the families and individuals who receive assistance to meet certain education, health, or nutrition requirements intended to develop human capacity, especially in children. CCTs raise present income and consumption levels for the purposes of achieving two goals. The first of these is to provide time-bound social assistance to impoverished people who may not be able to afford basic goods and services in order to alleviate poverty in the short-term. The second of these is to create positive externalities through human capital investment, such as the societal benefits that result from the conditions of school enrollment or vaccination. This second goal seeks to limit the intergenerational transmission of poverty (Rawlings 2004). Depending on the individual case, the supplemental income that the CCT provides may function as a monetary incentive to comply with the given conditions or as financial aid that enables families to do so. In either situation, the conditionality of the tool aims to improve the education and health of future generations so that they can earn higher incomes and escape the cycle of poverty in the future.

As evidenced by the widespread adoption and expansion of CCT programs in countries around the world, CCTs have been received by development assistance agencies, national governments, and aid funders as a relatively efficient and effective safety net policy instrument for poverty reduction. CCTs are also viewed as politically acceptable because their emphasis on conditionality keeps them from being perceived strictly as "handouts." Furthermore, because the transfers are received as money, as opposed to in-kind aid or food stamps, CCTs should result in a more efficient use of government and donor resources. Having greater choice in deciding how to use the supplemental income enables families to spend the money in accordance with their specific circumstances, while the imposed conditions compel them to adopt socially beneficial behaviors.

However, traditional CCT programs, like other poverty reduction tools, have not been successful across the board. A criticism leveled by international development economists and academics is that they inadvertently create dependencies on these additional income flows without helping families graduate from social assistance programs and achieve sustainable resilience against poverty. So, while certain CCT schemes have led to positive education and health effects for the children enrolled, even resulting in higher income levels for these children in the future, many recipient families remain in situations of poverty once the income transfers cease. Without the financial assets to manage this income shock in the present, families may be unable to achieve the level of self-reliance necessary to eliminate their need for further social assistance from the government (Slater 2009).

The CCT as a Tool to Facilitate Savings Among the Poor

Incorporating savings accounts into CCT programs has been proposed as a way to address some of the obstacles to saving that low-income individuals face and as a way to enhance the effectiveness of traditional CCTs. Proponents of savings-linked CCT programs see them as a potential "win-win-win" because participants, governments, and financial institutions can gain from these initiatives (Azar 2012). As with the first generation of CCTs, Latin American countries are taking advantage of their existing institutional capacity to integrate savings components into their social assistance schemes, whether through widespread changes to their ongoing programs or through small-scale pilot projects. Savings and CCTs are generally being merged in one of two ways: a traditional CCT program structured to promote human capital accumulation can be adapted to make formal savings accounts available to participants, or a CCT can be designed specifically to mobilize savings behavior by depositing matching grants based on participants' management of their financial resources.

CCT programs that include a savings component produce a wider range of program benefits than traditional CCT models. In the rest of this section, I present the main arguments in favor of CCTs, along with supporting empirical evidence.

For example, the children who can attend school or receive vaccinations as a direct result of the CCT conditions also benefit from the savings aspect of the program. In addition to the opportunity to learn positive financial behavior from their parents and the valuable human capital gains from education and health conditions, program design can include savings accounts for the youth themselves. These accounts can hold portions of CCTs for future educational or business investments, with the additional possibility of seed deposits from the government to be paid when youth finish or exceed a certain level of schooling.

Experience on the ground bears out these claims. In a randomized experiment with its program *Subsidios Condicionados a la Asistencia Escolar* ("Conditional Subsidies for School Attendance"), the city of Bogotá, Colombia tested different CCT designs to improve school attendance among teenagers. One option was the savings CCT, in which participants received a smaller transfer (only a portion of the standard CCT) every month they met the attendance requirements, with the remainder of the CCT deposited into a bank account. The account accumulated these saved portions of the CCT until the period of enrollment for the following school year. At that time, recipients would have access to the assets. One study of this pilot program, as compared to the traditional CCT, found that the savings CCT had the greatest impact on re-enrollment rates. This was especially true for the poorest and most at-risk students (Barrera-Osorio *et al.* 2011). Mexico's national CCT program, *Oportunidades*, has a youth savings component as well. *Jovenes con Oportunidades* ("Youth with Opportunities") is a savings plan directed at high school students that offers annual rewards for each year a student remains in school until graduation. After high school, young adults decide how to continue their involvement. They can use the money for further education, buy health insurance, take out a home loan, invest in income-generating activities, or continue saving for two more years and then use the money as they wish (Parker and McGinnis 2007).

Savings-linked CCTs can also result in direct benefits for adults, who are not often the primary focus of traditional CCT programs. Providing adults a formal way to save is a component of social assistance that could add value to poverty reduction strategies. A survey conducted among the clients of the *Banco del Ahorro Nacional y Servicios Financieros* (the Mexican Bank of National Savings and Financial Services, or BANSEFI) found that a majority of *Oportunidades* beneficiaries understood that savings help with managing finances when unforeseen crises crop up, and they also found that over half of respondents preferred other options over keeping savings at home (Garza 2011). Studies on the program found that the average savings in the accounts of *Oportunidades* clients at the BANSEFI were more than double that of the average savings in traditional BANSEFI accounts, and that these families invested on average 12 percent of their CCTs into their microenterprises (Castellanos Pascacio and Torán Flores 2011). These findings link increased savings behavior to CCTs and demonstrate their utility in savings and investment in income-generating activities.

While the advanced physical and technological infrastructure may not yet exist to fully extend the reach of CCTs with formal bank accounts to all low-income communities, the major technological innovations in recent years and the growing adoption of these tools and processes provide a source of confidence that such issues will be addressed in time. CCT programs have already started to use electronic monetary transfers through prepaid or debit cards (as opposed to cash), a step that will be necessary for any kind of saving-linked transfer program. Transitioning to debit cards connected to savings accounts, along with the growing number of access points for receiving payments, checking balances, and making deposits and withdrawals, offers a fast and straightforward way for participants to access these formal accounts.

Mexico's *Oportunidades* has been shifting the G2P transfers from cash to electronic delivery through debit or prepaid cards connected to savings accounts at BANSEFI in accordance with the national strategy of financial inclusion for all. The bank offers a number of account options from which recipients may choose. The government has also implemented multiple methods of payment delivery, for example through retail supermarket chains that serve low-income consumers, cooperatives, and microfinance institutions, all leading to increased consumption of basic goods and decreased transaction time and costs for both the government and recipients (New America Foundation 2011). Although this cash-to-electronic delivery transition has only been taking place within the last few years (and so has not been evaluated extensively yet), as of 2009, it was estimated that 95 percent of the CCT beneficiaries with formal savings held positive balances, with 15 percent of these clients depositing income from other sources (Garza 2011).

In addition to providing a formal way to save, savings-linked CCTs help families establish connections to financial institutions and build financial histories, which allows them to use the bank to access other products and services (Jackelen and Zimmerman 2011). Financial institutions, local banking branches, and mobile banking platforms can transform from places that CCT recipients access only to retrieve transfers into destinations where recipients can use multiple financial services, having already confirmed their identity through the CCT savings accounts. This step towards financial inclusion can have a positive effect on the empowerment of women, who are the most likely recipients of CCTs. This is because overseeing their families' use of financial products gives women increased decision-making control over the management of their families' financial risks and the investment and allocation of their families' resources (Ashraf, Karlan, and Yin 2006; Dupas and Robinson 2009; Trivelli and Yancari 2008).

Savings-linked CCT programs may also offer benefits to governments and development agencies. Jackelen and Zimmerman (2011) lay out a number of reasons why such G2P programs would be attractive to the international aid donors that often help fund these public programs. The first is that the model is based on funds going directly into the bank accounts of recipients, streamlining the bureaucracy of aid and focusing on the active participation of the poor and the empowerment of female heads of households. In addition, micro-savings are a less grant-dependent model than microcredit. Furthermore, the design of savings-linked CCT programs, which would require electronic disbursement to savings accounts, allows governments to monitor and evaluate causal relationships between CCT funding and program outcomes. The electronic (and therefore traceable) delivery of transfers can also result in less corruption and resource leakage in comparison to cash-based transfers that must be physically transported and that pass through many hands before disbursement to recipients.

Finally, financial institutions may gain from integrating savings initiatives into the CCT model. With the growing number of CCT program participants and the expansion of programs to include savings accounts, governments and donors will need to make capital investments to improve the banking system infrastructure. In addition, banks, both public and private, will be able to expand their reach into new and previously untapped communities, building trust with these new clients and eventually gaining membership through increasing demand for other financial services. By starting a basic relationship with poor populations through savings accounts, banks access a gateway through which to learn the habits and needs of the huge bottom-of-the-pyramid (BoP) market that they currently know very little about. This will help them to develop new products specifically designed for this huge segment of the market, an effort already in motion as part of the corporate social responsibility strategies of major banks in the developed world. For example, both Citibank and Barclays have initiatives that aim to investigate and support formal account schemes for low-income clients (Barclays 2014; Citi 2014). Although such outreach is not yet integrated into the core business of most banks, there is a market opportunity in transforming the unbanked into bank clients. While accounts and transactions may not be individually profitable at first, cumulatively this has the potential to achieve a sizeable return on investment with enough time and the right products.

Savings-Linked CCT Program Design

Experience with implemented programs points to a need for the savings accounts linked to the CCTs to work with the needs and constraints faced by poor families. This means flexibility with irregular or small deposits, options for liquid and contractual savings so that immediate needs can be met while long-term accumulation is encouraged, and consent to low account minimums. But within each type of savings-linked CCT, program characteristics may affect how participants utilize the tool.

Offering time-bound or sporadic financial incentives to limit the use of the CCTs on undesignated expenditures in the short-term could lead to savings, even though many of the people eligible for traditional CCTs are living in circumstances that require them to use a significant portion, if not all, of their transfers in order to maintain a decent standard of living and meet the conditions of the program. A study by Proyecto Capital looked at the savings behavior of the recipients of JUNTOS, the Peruvian CCT program, who were also participants of the Sierra Sur (Southern Highlands) pilot program. Framed as a "public investment in education," Sierra Sur was designed specifically to improve financial access and increase the use of formal deposit services by providing matching grants and subsidies to low-income women who open time-bound Personal Capitalization Accounts (PCAs), make deposits, and participate in financial education workshops. It also integrated mechanisms to support investment in personal or productive assets and to build social capital through savings support groups. Ninety-five percent of the women participating in both Sierra Sur and JUNTOS were still saving after the termination of financial incentives and 74 percent were saving portions of their CCTs (Rosen 2010).

As a result of the findings from the pilot project in Sierra Sur and the Cusco area, the Peruvian government initiated an official pilot project with the larger JUNTOS program (Trivelli, Montenegro, and Gutiérrez 2011). *Programa Promoción de Ahorro en Familias Juntos* ("Savings Promotion in Families Together") was implemented to specifically encourage the use of financial services by JUNTOS recipients, especially savings tools, through financial literacy, individualized support and incentives (raffles), and awards ceremonies (Rosen 2010). Other governments are experimenting with financial incentives for savings as well. In Colombia, the government agency charged with enabling financial inclusion is currently testing the efficacy of lotteries that match account holdings for winners (Bold, Porteous and Rotman 2012).

Slight behavioral incentives, known as "nudges," can also help people save more, resist impulse buying, and commit to future savings goals (Thaler and Sunstein 2008; Karlan and Appel 2011). These may include weekly reminders sent to mobile phones, automatically opening the savings account linked to the CCT with no action required by the recipient, requiring active steps to opt out of the program, and other incentives for monthly deposits or achieving savings goals.
In this way, formal savings accounts can be used both in the traditional sense—to hold income surpluses—and to promote positive savings behavior. Although such nudges have not been extensively tested in regards to savings-linked CCT programs, they have been used to encourage savings behavior among low-income groups in general. In experiments from Peru and Bolivia, researchers found that using reminders like letters or text messages resulted in increased savings balances and a higher probability that private bank clients would reach their savings goals (Karlan *et al.* 2012).

Other design factors may help optimize usage rates for savings accounts linked to CCTs. One factor is a focus on practical financial education for economic empowerment, ideally with the involvement of the financial institution in order to build trust and long-term relationships between bank and client. Information transfer and capacity-building components can also inform account holders about the different types of fees and transaction costs that they may face as they use their accounts. Education and practical workshops can also address concerns from participants about what happens to their banked money. Of the Sierra Sur and JUNTOS participants, 87 percent believed the bank would cheat them, and 60 percent thought that they would not get their deposits back. However, by the end of the pilot project, 79 percent cited their financial education throughout the project as the reason they were able to overcome their distrust of saving in the bank (Rosen 2010).

Implications

Savings-linked CCT programs have the potential to link social welfare assistance to financial inclusion tools, formal savings accounts, for low-income populations. However, despite the evidence outlined above, it would be prudent for governments and donor organizations to recognize that the idea of such a poverty reduction intervention has been largely untested, in terms of both scale and time frame.

The governments wishing to implement these programs could assess external conditions and potential challenges in light of the many unknowns. Both savings-linked and traditional CCT programs require well-developed institutional capacity, a factor often not found in the extremely low-income countries of the developing world. While CCTs aim to reduce poverty by targeting the low-income groups within these populations, it is important to be cognizant of the country context and capacity. Taken as a whole, Latin America has a mix of low- and middle-income countries and is relatively stable politically and economically in comparison to other developing regions. This may have helped the overall effectiveness of its CCT programs, and these factors are likely an important part of ensuring better implementation and results. The solidity of the banking system and the overall fiscal stability of the country could also be considered. A country with a history of economic crises, hyperinflation, or bank failures may be less open to changing their savings behavior and putting their money in accounts. Furthermore, both a hospitable political environment oriented towards financial inclusion as a poverty reduction goal and sufficient institutional capacity are necessary for these programs to work. Political champions have a role to play in emphasizing financial inclusion through expanded access to financial services as part of their country's social protection strategy (Zimmerman 2013).

It is also possible that banks will need to be persuaded financially by the public sector to make their products and services accessible to low-income clients, as it will likely take time for such activities to be profitable. Persuading these banks could be achieved through subsidies or tax breaks to make up for initial costs that they face in broadening their client base. Depending on how much the country receives in bilateral aid, the government will need to determine how to pay for both the CCTs and the compensation required to encourage banks to offer these savings products.

Another option for governments interested in pursuing a savings-linked CCT program or modifying the current programs is to build social capital by exploring partnerships with credit unions and public and regional banks, which are already known throughout the community, have knowledge of the local environment, and may be more easily convinced by the government to offer low-income savings products. Governments may find fewer barriers to implementation by starting with public banking institutions, because it may not be immediately commercially viable for private banks to house savings accounts that hold such low levels of wealth. In addition, development of the necessary infrastructure, often lacking in rural and remote areas, as well as financial education for the poor, can be considered public goods, which the state is traditionally responsible for supplying.

In order to limit negative public perception regarding the use of government resources in this way, policymakers could emphasize the education and health benefits that result from the conditionality of CCT programs. This could help make savings initiatives more politically feasible since the result would be human capacity growth within recipient households, coupled with savings behavior that could eventually reduce reliance on government-provided, and often taxpayer-funded, social assistance.

Public administrators could also focus on improving financial regulations and the process by which citizens obtain official identification records to apply for bank accounts. The regulatory environment and government and financial service provider policies have been shown to be significant in determining financial inclusion, independent of certain family-level variables (Chaia *et al.* 2009). For example, in Mexico and countries that have integrated G2P payments with formal bank accounts, regulatory changes were needed to allow branchless banking. Other changes added flexibility for bank compliance with "know-your-customer" procedures, which are used for identification and monitoring purposes in order to limit fraud and criminal activities (Bold, Porteous and Rotman 2012).

Areas for Further Research

The CCT, while widely used, is still a relatively new social assistance tool, and its use for changing savings behavior is newer still. Traditional CCTs have not proven to be a panacea for poverty and have had a mixed record of success. While the savings-linked CCT aims to enhance the long-term effectives of traditional programs and the sustainability of their impact, it would be a mistake to overestimate its effectiveness for savings without further investigation. More research must be completed to evaluate the long-term impact of formal savings through CCTs on the poor's standard of living and quality of life; to define the broader economic, institutional, and cultural factors necessary for successful implementation; and, more generally, to better identify the financial and savings requirements of the BoP market. Furthermore, any program aimed at encouraging and facilitating formal savings behavior must find the right balance between our tendency to make less-than-optimal financial decisions and the convenience of access to liquid assets during emergencies—situations which may affect low-income families more as they are vulnerable to economic shocks and environmental crises.

One way to explore these issues is through pilot projects, both as components of existing traditional CCT programs and as stand-alone interventions that place the focus squarely on savings mobilization. These pilot projects can test uses and effects of savings accounts with differing characteristics in order to better assess which account types work best in each community (rural versus urban, low-to-middle income versus very low-income, for example). Accounts may be time-bound or continuous; liquid or contractual; solely for G2P transfers or open to receive other types of deposits; accessible through mobile banking, retail partners, or bank branches; and so on. Furthermore, different kinds of behavioral nudges, taking into consideration the demographics of the targeted beneficiary group, can be tested in order to determine which work best to move client usage beyond the initial withdrawal of CCTs from savings accounts. These include weekly reminders to make deposits sent to mobile phones and financial rewards for building and maintaining savings.

Conclusion

Intergenerational poverty is difficult to escape without a secure method of accumulating wealth. Formal savings are a step towards gaining access to financial resources, a means to protect and build personal resources over time, and an opportunity to make decisions on when and how to use this capital. Savings-linked CCTs have been proposed as one feasible and cost-effective tool to address the lack of formal savings held by the poor. This poverty reduction tool allows the poor to build their financial and social capital, gain ownership over their economic futures, and manage shocks and emergencies so that, with time, they can graduate from social assistance programs and thrive on their own. While small-scale interventions and savings-based adaptations to traditional CCT programs have shown some potential, the evidence base is limited, and the programs are too new to demonstrate long-term effectiveness. As there are still many questions surrounding the use and efficacy of savings-linked CCTs, further research into the many possible design and implementation variables is necessary, as well as a deeper look into the policy and regulatory conditions that may be relevant for successful programs.

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