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ELABORATING ON THE ABSTRACT: GROUP MEANING-MAKING IN A COLOMBIAN MICROSAVINGS PROGRAM

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ANALYSIS OF ECONOMIC PRECARITY

When discussing formal finance, group members often shared impressions of banks that emphasized their risks, surprise costs, and unpredictability. Based on this observation, we expect members' experiences of economic precarity will moderate their change in financial product interest. Specifically, we anticipate that members whose economic situation is more insecure will be more attentive to and influenced by descriptions of banks as risky and unpredictable, and will thus lose the most interest in financial products. By comparison, we expect members with more stable economic situations will lose comparatively less interest because they are better equipped to weather surprise fees or shifting interest rates, and thus should be less influenced by discussions about the perceived risks of banking. We return to the survey data to test whether this expectation is borne out.

We examine the moderating influence of economic precarity on changes in financial product interest. (See Part A of the Appendix for details on the survey.) The survey measures economic precarity by asking respondents to indicate how many out of three possible economic emergencies they experienced in the past six months. The question reads: "In the past six months, have you encountered any of the following situations? (1) Difficulty paying public service fees, (2) Difficulty paying rent/administration fees, (3) Difficulty covering basic household necessities (food, transportation, clothing, etc.)." The Spanish original reads: *"¿En los últimos 6 meses, enfrentó alguna de las siguientes situaciones? 1) Dificultad para pagar los servicios públicos, 2) Dificultad para pagar el arriendo/administración, 3) Dificultad para cubrir las necesidades básicas del hogar (alimento, transporte, vestuario, etc.)."* We use respondents' answers to construct a measure of precarity ranging from low (no emergencies) to high (three emergencies). On average, participants experienced .85 emergencies (median = 1 emergency). We use logistic regression to estimate the likelihood that respondents will respond affirmatively to the same question analyzed in the main text, "Would you be interested in having a financial product (savings/credit/insurance, other) with a financial institution?"

Table S1 presents the results. Model 1 includes the control variables only (for summary statistics, see Table A2 in Part A of the Appendix) and Model 2 introduces the key independent variables, *survey wave* (baseline = 0, endline = 1) and *economic precarity*. In Model 2, the negative, significant coefficient for *survey wave* ($\beta = -.612$, $p < .001$) suggests respondents' interest declined between baseline and endline. The non-significant main effect of *economic precarity* suggests precarity on its own does not significantly predict interest in formal financial products.

Model 3 contains our key coefficient of interest: the negative, significant interaction between *survey wave* and *economic precarity* ($\beta = -.310$, $p < .001$). Because interaction coefficients in nonlinear models can be misleading (Ai and Norton 2003; Norton, Wang, and Ai 2004), we generate predicted values of financial interest at baseline and endline across levels of precarity, holding controls constant at their means (see Figure S1).

Table S1. Logistic Regression Predicting Interest in Formal Financial Products

	Model 1	Model 2	Model 3
Survey wave (endline = 1)		–.612***	–.341***
		(.064)	(.093)
Economic precarity		–.071	.094
		(.040)	(.058)
Survey wave × Economic precarity			–.310***
			(.077)
Savings (ln)	.050***	.066***	.066***
	(.006)	(.007)	(.007)
Gender (female = 1)	–.266**	–.272**	–.273**
	(.093)	(.095)	(.095)
Age	–.008**	–.008*	–.008**
	(.003)	(.003)	(.003)
Household size	.017	.018	.016
	(.019)	(.019)	(.019)
Secondary education	.159*	.132	.126
	(.074)	(.075)	(.075)
Trusts government	.092	.047	.036
	(.080)	(.082)	(.083)
Trusts neighbors	.175*	.169*	.166*
	(.075)	(.075)	(.076)
Trusts banks	.436***	.428***	.428***
	(.077)	(.079)	(.079)
Community groups (#)	.051	.050	.050
	(.029)	(.029)	(.029)
N	5,540	5,540	5,540

Note: Standard errors are in parentheses and are clustered by 2,770 individuals. Models include regional (department) fixed effects.
$^*p < .05$; $^{**}p < .01$; $^{***}p < .001$ (two-tailed tests).

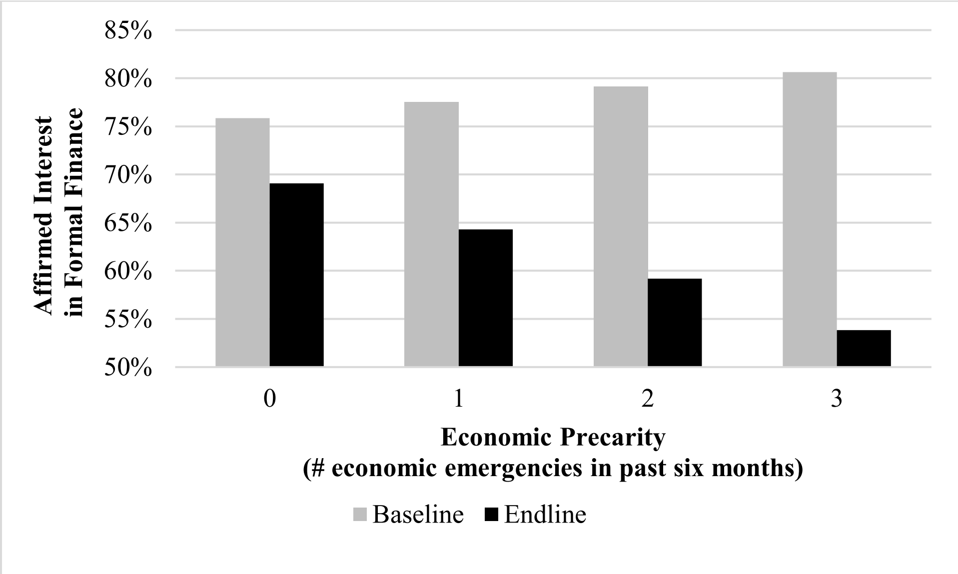

Figure S1. Predicted Probabilities of Affirmed Interest in Formal Financial Products
Note: The predicted probabilities of financial interest are significantly different at each level of precarity ($p < .001$).

Consistent with expectations, these results show that group members whose economic lives are most unstable lost the most interest in the formal financial sector. Members who experience the most precarity saw the greatest decline in formal sector interest, from 80.6 percent at baseline to 53.9 percent at endline. Correspondingly, the predicted drop is smallest among respondents who experienced the least precarity, from 75.9 to 69.1 percent (although this drop is nevertheless statistically significant at $p < .001$). Importantly, these models account for the amount respondents saved, so the effects do not simply reflect a lack of saving among people in precarious conditions. Participants whose financial lives were already marked by instability would have been particularly sensitive and responsive to the group meaning-making efforts described in our qualitative findings that emphasized the financial sector as risky and capricious, as they would be least capable of absorbing the economic shocks associated with surprise fees, shifting interest rates, or disappearing funds.

References

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