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Price and Control Elasticities of Demand for Savings*

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ABSTRACT

Assumptions about individual demand for savings underlie workhorse models of intertemporal choice and intra-household bargaining, banking strategy, and financial inclusion policy. A Philippine bank tested sensitivity to interest rates and account ownership requirements in 10,000 randomized door-to-door solicitations for a commitment savings account. Take-up is substantial (23%), but price elasticity of saving in this account is not significantly different from zero in either the full sample or sub-groups of plausibly marginal savers. The upper bound is less than 0.5 in the full sample, and exceeds 1.0 in only 1 of 22 sub-groups. Nor do we find sensitivity to ownership requirements.

Keywords: savings elasticities, elasticity of intertemporal substitution, micro-savings, microfinance

JEL Codes: D12, D91, E21, G21, O12

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