Innovations for Poverty Action


FINANCIAL INCLUSION ISSUE BRIEF

Count on Commitment

Helping clients stick to their goals and increase their savings balances with commitments

» FEATURED SOLUTION: COMMITMENT SAVINGS DEVICES

WHY DO COMMITMENT DEVICES WORK?

People are "present-biased"

People lack self-control

People are inattentive to the future

Social pressure prevents some from saving

TIPS FOR PROVIDERS IN DESIGNING COMMITMENT DEVICES

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Despite good intentions, people often make less-than-optimal financial choices. In this series, we match insights from our global research in behavioral economics with specific financial product and service opportunities for U.S. providers. Providers can use these evidence-based insights to expand financial inclusion, improve client offerings, and continue to promote financial health.

Commitment devices are voluntary, binding arrangements that people make to reach specific goals that may otherwise be difficult to achieve. When built into savings products, commitment devices can help address behavioral and social obstacles to saving by providing a mechanism that forces people to save according to their self-set plans. These devices vary in terms of commitment activity, consequence for failing to fulfill the commitment, and control over how savings are spent. “Hard” commitments feature financial penalties for failure, whereas with “soft” commitments, the penalty is primarily psychological, as in letting down oneself or one’s community.

This brief is part of IPA’s Nudges for Financial Health series, which is available as a combined booklet ***here****. The other briefs in the series can be downloaded individually:* ***The Power of Doing Nothing, Top of Mind.***

February 13, 2017