STUDY SUMMARY

Psychology of Savings: Commitment Savings Programs in the Philippines

Researchers asked if sending regular text messages to clients reminding them to save encouraged Filipino account holders to increase their balances.

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COUNTRY
Philippines

PARTNER
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PROGRAM AREA
Financial Inclusion

TOPICS
Behavioral Design, Commitments, Financial Capability, Product Design, Reminders, Savings

TIMELINE
2007-2009

Policy Issue

With little money to spare, the poor are particularly vulnerable to the income shocks associated with unexpected events such as natural disasters or health emergencies. Many households facing these unexpected costs may be forced to take on debt or sell assets to remain afloat. Those with access to accumulated savings, however, may be better able to maintain constant consumption levels and avoid more drastic measures. Of course, savings is not only useful in times of emergency: many microfinance clients borrow repeatedly as a way of getting liquid cash, and some women always having loans outstanding. Savings may provide a cheaper (interest free) way for microentrepreneurs to finance business investments. Access to formal financial services is increasing, but many people in the developing world still do not have savings accounts, and many of those who have them do not use them. Though many people express a desire to save more, little is known about the best way to encourage people to follow through on the desire to save.

Evaluation Context

For a variety of reasons, the poor in the Philippines are underserved by traditional banks. Many live far from bank branches or are unable to meet minimum deposit requirements to open an account. But despite high levels of poverty, cellphones are extremely prevalent. Sixty percent of all Filipinos are estimated to be mobile phone subscribers and the total number of text messages sent everyday to phones in the Philippines averaged 1 billion in 2007. Even among poor households, cell phones can be an essential communications tool and many Filipinos send and receive text messages regularly. This unique situation, with a combination of a very high penetration of mobile phones and relatively low penetration of banking services, offers an opportunity to test whether text message reminders can influence savings behavior.

Details of the Intervention

The First Valley Bank designed a savings product to allow clients to commit to savings and avoid spending saved funds. Clients who opened the “Dream” savings account were given a small box into which they could insert coins, but which only bank staff could open to take the coins out. The client could take the box to the bank, where the contents would then be deposited into the client’s account.

Clients were restricted from withdrawing from their accounts until they had reached a certain "goal amount" and after a certain maturity date.

The principle intervention consisted of sending periodic text messages to a subset of randomly chosen savings account clients. Half of the clients receiving reminders received positively framed messages, which emphasized that the client's dreams would come true if she continued to save money, while the other half received negatively framed messages, which emphasized that those dreams would not come true if she failed to save. A third group, the comparison group, received no "reminder" text messages.

An independent randomization assigned some clients to receive "late" text message reminders, regardless of whether or not they had already been assigned to receive a regular reminder. This late deposit reminder was only activated if the client failed to make their monthly deposit. These lateness reminders also varied between loss and gain wording, emphasizing either the gain of achieving one's dreams or the loss of failing to achieve them.

Results and Policy Lessons

As a part of a cluster of savings experiments conducted in the Philippines, Bolivia, and Peru, results indicated that receiving a reminder increased the total amount saved in the bank by 6.3%. Clients randomly assigned to receive some form of reminder were also 3.1% more likely to reach their savings goal by the goal date.

There was no evidence of a difference in the savings rates of clients receiving positively-framed versus negatively-framed reminders or late versus regular reminders.