STUDY SUMMARY

Informative vs. Persuasive Advertising of Savings Products

If financial education can lead to increased usage of savings products, then why don't financial institutions deliver financial education messages as part of their advertising? One explanation for this relative lack of informational advertising is that it may make customers more likely to use savings products in general from any firm, thus yielding no direct benefits to the advertising bank. Persuasive advertising, trying to convince customers to choose one provider over another, may be a more effective way of advertising for a financial institution. This study assesses the impact of both informative and persuasive advertising to better understand the role of educational messages on the take-up of savings products.

Policy Issue

Many argue that increasing financial literacy among poor households would increase usage of financial products, and savings products in particular. However, this theory raises an immediate question: if financial literacy increases take-up of savings products, why don't banks and microfinance institutions include financial literacy materials in their advertising? One explanation for this relative lack of "informational advertising" or use of financial literacy materials is that banks cannot capture all of the increase in savings product use from the advertising (i.e. there are spillovers). The informative advertising may make customers more likely to use savings products in general from any firm, thus the bank conducting the marketing may not benefit. Another method, referred to as "persuasive advertising" that tries to convince the customer that a particular firm is superior may be a more effective means of promoting a particular bank's products. This study assesses the impact of both informative and persuasive advertising to better understand the role of financial literacy in savings product take-up.

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COUNTRY
Philippines

PARTNERS
First Valley Bank, Green Bank

PROGRAM AREAS
Financial Inclusion, Financial Services for the Poor

TOPICS
Commitments, Consumer Protection, Financial Capability, Savings

TIMELINE
2010-2014

Evaluation Context

This project takes place in Cagayan de Oro City, a sprawling city of more than 550,000 people in Northern Mindanao, Philippines. Study areas are urban or peri-urban, including informal settlements with tenuous land rights and areas that are frequently affected by flooding. The majority of respondents live below the poverty line, and, during the baseline, only half reported having a household member with salaried employment. Common occupations in these areas include construction work, driving jeepneys, tricycles, or pedicabs, and operating small neighborhood stores or eateries. Nearly half of the respondents surveyed reported never having saved with a formal financial institution, though a majority said they have saved at home, and some through informal savings mechanisms. At the time of the project launch, commitment savings accounts were available at both partner banks, Green Bank and First Valley Bank, but few respondents reported using the bank for any purpose. Green Bank offers the SEED Commitment Savings Account, while First Valley Bank offers the Gihandom Savings Account.

Details of the Intervention

This evaluation assesses the impact of two types of advertising campaigns on savings product take-up. First Valley Bank and Green Bank of Caraga hired teams of marketers to implement a new advertising campaign promoting the banks' commitment savings products.

The target sample, households in 12 barangays close to both partner banks (within two regular-priced rides using standard local transportation, 14 pesos or approx. 30 US cents) were given a baseline survey. This survey captured information about basic demographics, work experience and income levels, poverty level (using the PPI), cognitive ability, thoughts on advertising, and previous experience with formal financial institutions and saving. All households were randomly assigned to one of three treatment groups or a comparison group.

Marketers from both banks distributed two types of fliers advertising the bank's commitment savings product to households in the treatment groups. Informative fliers contained basic financial literacy information that highlighted the costs of borrowing versus saving, while persuasive fliers emphasized the quality and trustworthiness of a particular bank. Each treatment group received one flier from each bank in a random order: both informative, both persuasive, or mixed (one informative and one persuasive or vice-versa). All fliers were bright and colorful and had a map of the bank's location on the back and noted the four key features of the savings product: 2% interest rate , opening/minimum balance of 100 pesos, free lockbox for savings (paid for by IPA), and goal-setting feature (date or amount restrictions on withdrawal). IPA worked with the banks to refine product terms and conditions and ensure equivalency on a number of key features, terms, and fees so that no significant variation existed between the two banks' products.

A few weeks later, marketers from both banks returned to all households reached in the baseline, including comparison households, and offered to help open savings accounts. To reduce the non-financial barriers to savings that respondents might face, marketers took ID photos for respondents and made copies of other documents required to open accounts. Marketers also worked with respondents to help set a savings goal. At the end of each day, marketers submitted completed application packets and initial deposits for processing by the bank. When accounts had been processed, marketers returned to households to hand over lockboxes and passbooks and answer any additional question the clients may have had about their new accounts. All households were visited by representatives from both banks in a random order to eliminate any first-mover effect.

Results and Policy Lessons

Results forthcoming.

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