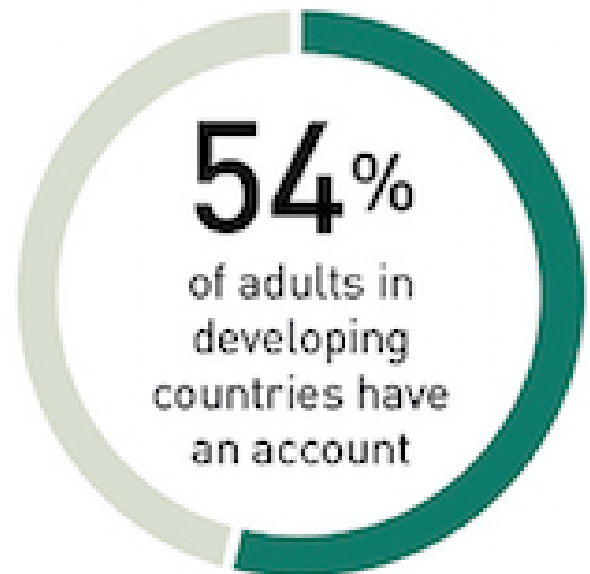


# Savings Accounts to Smooth Consumption: Evidence and challenges

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# Access to savings accounts

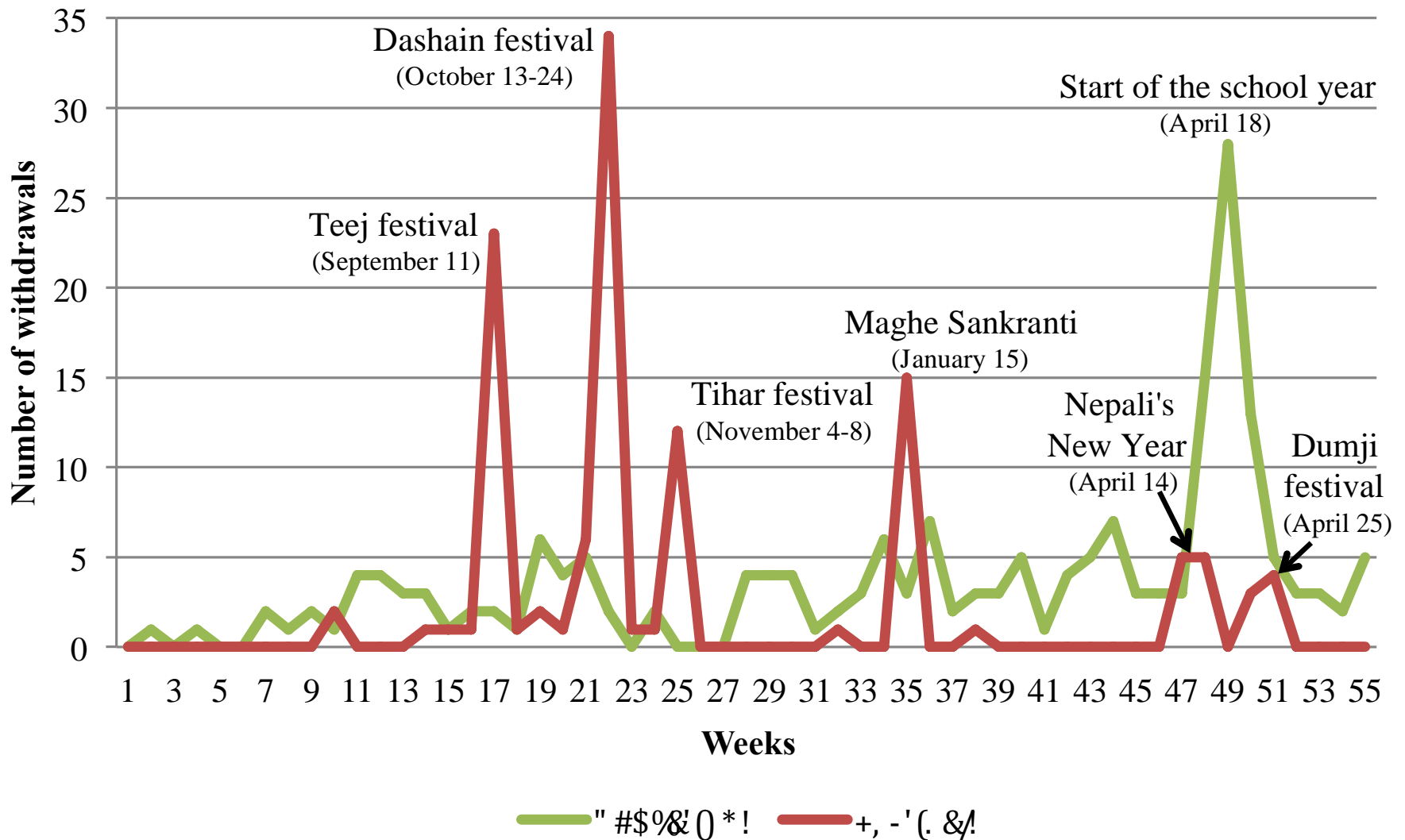
Globally, 62 percent of adults have an account either at a financial institution or through a mobile money provider. Yet, in developing countries half the adults remain excluded.



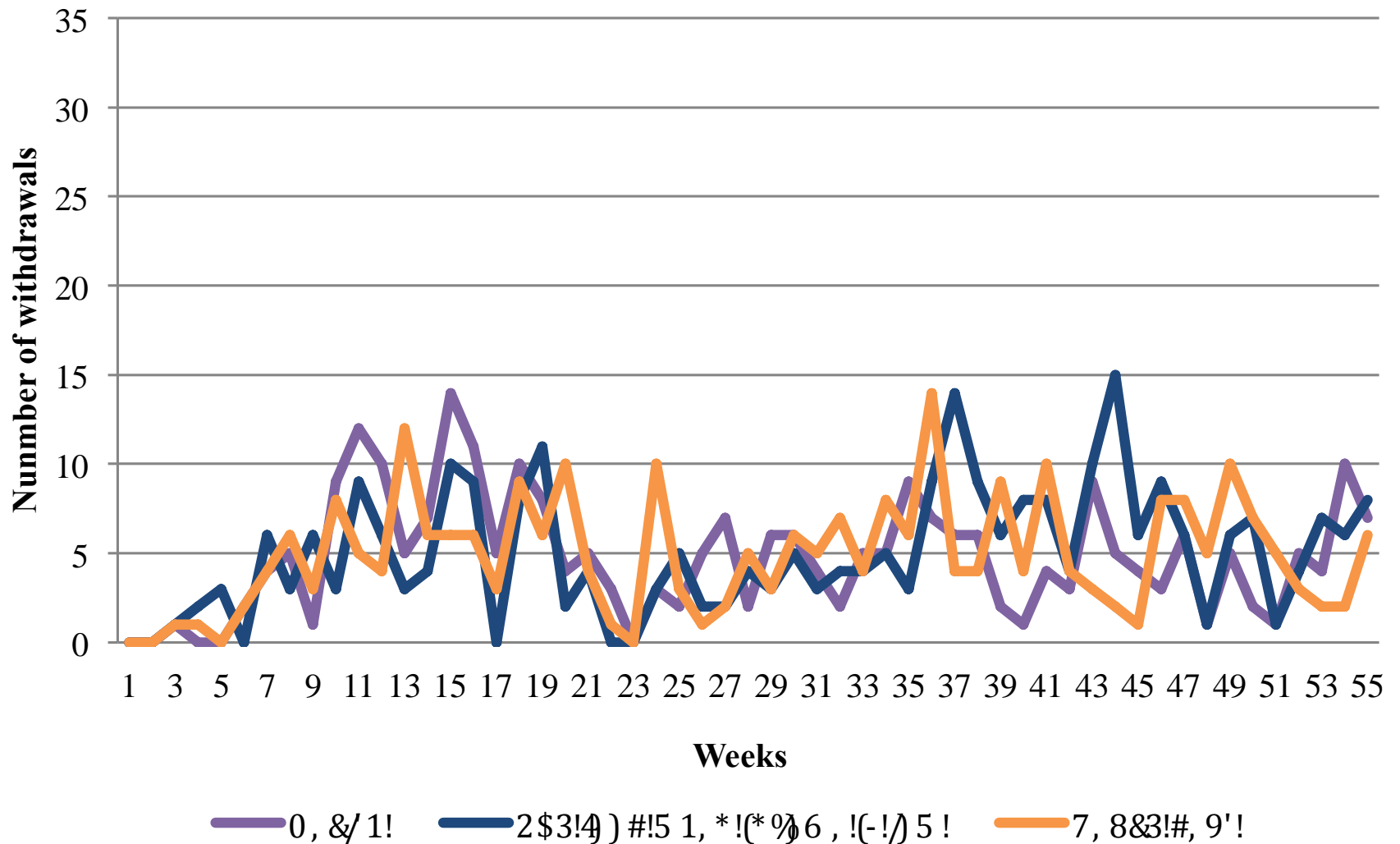
# Evidence from Nepal

- Account holders accumulate small sums into large sums.
- Large sums are partly withdrawn and then re-accumulated.
- The main reported reasons for withdrawals are:
  - ▣ health expenditures
  - ▣ To buy food when income is low
  - ▣ Educational expenditures
  - ▣ Festival-related expenses
  - ▣ To repay a debt

# Withdrawals 1 / 2



# Withdrawals 2/2



# Evidence from Nepal

- Account holders accumulate small sums into large sums.
- Large sums are partly withdrawn and then re-accumulated.
- The main reported reasons for withdrawals are:
  - ▣ for a health expenditure
  - ▣ to buy food when income is low
  - ▣ for education
  - ▣ to pay for festival-related expenses
  - ▣ to repay a debt
- The savings accumulated in the accounts are used for both planned and unplanned expenditures.

# A growing literature

## □ **Basic bank accounts**

- Brune et al. 2015; Chin et al. 2011; Dupas et al. 2018; Dupas et al. 2015; Dupas and Robinson 2013; Kast and Pomeranz 2014; Prina 2015; Schaner 2016

## □ **Commitment savings accounts**

- Ashraf et al. 2006a; Brune et al. 2015; Dupas and Robinson 2014; Karlan and Zinman 2014

## □ **Savings accounts with reminders**

- Karlan et al. 2016

## □ **Deposit collectors**

- Ashraf et al. 2006b; Callen et al. 2014

# Promising Evidence

- Ability to cope with shocks (Kast and Pomeranz 2014; Prina 2015)
- Income (Callen et al. 2014; Schaner 2016)
- Agricultural investment and production (Brune et al. 2015)
- Entrepreneurial investment (Dupas and Robinson 2013)
- Household expenditure (Brune et al. 2015; Callen et al. 2014; Dupas and Robinson 2013, Prina 2015)
- Perception of financial well-being (Prina 2015)
- Increase in transfers to others (Comola and Prina 2018, Dupas et al. 2015)



# Future challenges

Low take-up and usage despite positive impacts.

Savings accounts needs to have:

- Features that help the poor to overcome transaction costs, behavioral biases, and other barriers
- Easier “on-ramps”

With the use of digital platforms this might become easier.

# Future challenges

- 1. Digitizing payments and shifting cash payments into accounts**
  - Early impact evidence shows a positive impact on welfare, as well as access to a broader ecosystem (e.g., Suri and Jack 2016)
  - Also positive effects of digital payments to disburse cash transfers.
- 2. Formalizing savings practices**