Savings Account Labeling and Financial Literacy Training in Ghana

Researchers:

Damon Jones

Dean Karlan

Margaret McConnell

Christopher Udry

Sector(s): Finance

Fieldwork: Innovations for Poverty Action (IPA)

Location: Eastern Region of Ghana

Sample: 2,100 bank customers of 5 different bank branches

Target group: Rural population Urban population

Outcome of interest: Savings/deposits

Intervention type: Savings

Partner organization(s): Mumuadu Rural Bank (MRB)

Policy issue

Saving is hard for most people, rich or poor, educated or not. Setting aside even small sums of money on a regular basis requires a conscious trade-off between buying something now in favor of long-term goals, and even the most prosperous struggle to translate this intention into sustained savings. Saving may be especially difficult for poor individuals, as daily needs and family obligations may distract attention from meeting savings goals. Poor individuals not only have less income, but often face additional barriers to savings. They tend to be the least educated about their financial options, have the least access to secure financial institutions and are the least able to afford financial mistakes. Due to a variety of challenges, savings rates are quite low across the developing world and individuals often go into debt to maintain family well-being.

Context of the evaluation

Ghana's Eastern Region has a vibrant microfinance sector populated by a wide range of formal and informal institutions, and uniquely characterized by a prevalence of "susu" collectors: traditional savings collectors who walk a daily path through town to collect susu, "small small moneys," from their customers. Typically susu collectors return the funds to their customers at the end of the month in exchange for one day's worth of collections. As banks moved into rural areas, they have formalized susu collection, paying their agents on commission and not charging their customers a direct fee for the service. Competition between banks is highly visible in the urban marketplaces where susu agents, clothed in the bright batiks of their respective institutions, fight for the patronage of the same group customers.



Savings client talks with surveyor in Ghana

Elizabeth Naah

Details of the intervention

Researchers collaborated with Mumuadu Rural Bank (MRB) in the Eastern Region of Ghana to test the impact of a new type of savings account that is meant to help clients save by focusing their attention on their savings goals. The evaluation seeks to understand if a purely psychological savings product, which lets customers label funds within an account to direct them towards a specific goal, increases customer savings rates.

Study participants are active savings customers of susu agents at Mumuadu Rural Bank in five urban and rural communities across Eastern Region in Ghana. Among them, half were randomly selected to receive an offer of the labeled savings account, while the remaining customers continue to access existing savings services from the bank. The new labeled account shares all the characteristics of the regular susu account with the addition that customers can “label” funds for particular expenditures, such as buying a house or paying children’s school fees. Once they label the account, customers state how much they plan to save over the next six-month period. The bank provides each customer with a free passbook that has their personal savings goal written on the front to remind them that they are savings towards that specific purpose.

Mumuadu staff are responsible for maintaining the accounts once they have been opened and susu agents will continue their normal rounds, collecting funds from the labeled account alongside the regular susu savings accounts. Researchers then track the take-up and savings over six-months among all participating customers.

Results and policy lessons

Results forthcoming.