The Relative Importance of Convenience Versus Information for the Adoption of Formal Savings Accounts in Ghana

Researchers:

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Sector(s): Finance

Location: Ghana

Sample: 1,219 individuals

Target group: Adults

Outcome of interest: Savings/deposits Take-up of program/social service/healthy behavior

Intervention type: Information Savings

AEA RCT registration number: https://www.socialscienceregistry.org/trials/2232

Partner organization(s): Gates Foundation

Evidence shows that access to savings accounts may help the poor through debt reduction, increased income, and the ability to maintain spending during difficult times. However, more evidence is needed on the best ways to encourage individuals to open an account. Working with a local bank, researchers evaluated how convenience and marketing campaigns affected account take-up and use among market vendors in Ghana. While over half of individuals report an interest in opening an account, only twelve percent actually opened one. Vendors were more likely to open an account if they could do it at their market stall rather than at a bank.

Policy issue

Evidence shows that access to savings accounts may help the poor through debt reduction, increased income, and the ability to maintain spending during difficult times. However, more evidence is needed on the best ways to encourage individuals to open an account. People may not use savings products because they do not know about their benefits or what products exist. Providing people with targeted information about savings may increase savings product use. On the other hand, people may not choose to use a savings product because it is a hassle to open one. Making it easier for people to open a savings account may make them more likely to open and use one. This evaluation studies the effectiveness of targeted information and convenience on savings account take-up and use.

Context of the evaluation

The majority of the population in Ghana is unbanked, with relatively few individuals using bank accounts or other financial tools compared to low and middle income countries. In a nationwide World Bank survey, 29.4 percent of people in Ghana report having a bank account at a formal financial institution, 6.5 percent report using it for business purposes, and 11.5 percent reported using it to receive wages. This study involved market vendors in urban Tamale, Ghana where 75 percent of the venders were female, 32 percent reported getting loans from friends or family, and 39 percent reported having bank accounts prior to the intervention.

Details of the intervention

Working with a local commercial bank, researchers evaluated the effects of convenience and marketing campaigns on account take-up and use among market vendors in Ghana. Bank affiliated marketing agents conducted a door-to-door campaign that provided 1,219 vendors in Tamale' s central market information about the bank' s savings accounts and encouraged them to open an account. All accounts featured weekly text message reminders to encourage savings. After the account offer, individuals were randomly assigned to either receive information about savings or to a comparison group. Among those who received information, individuals were randomly told that there were either high or low returns to savings with reminders: "Some people who save with text message reminder save [47 (high)/16 (low)] percent more than those who do not." These high and low estimates of the benefits of savings come from different subsample estimations of the effect of reminders as estimated by Karlan et al (2015).

To test the effect of convenience on take-up, some of the vendors in the market were randomly offered the ability to open accounts at their stalls, while others had to go to the bank branch to open an account (no more than a ten minute walk). The marketing agents asked all vendors that opened an account a series of questions about how much they planned to save and then compared this to their actual behavior.

Results and policy lessons

Across all vendors in the study, there was a large difference between individual savings intentions and behaviors: while over half (55 percent) of individuals reported an interest in opening an account when initially approached, only 12 percent opened an account and 2 percent were still making deposits three months later. Additionally, individuals were significantly more likely to open and use an account when they were able to open it at their place of work. Compared to other vendors who had to go to a bank branch to open an account, those offered an account at their stall were 39.4 percent more likely to open an account, 13.8 percent more likely to use it at least once, and 2.5 percent more likely to still make deposits three months later. On average, the vendors who received information about the expected returns (high or low) to savings were no more likely to open account than those who did not receive this information.

Overall, individuals incorrectly predicted that they would use the accounts and did not follow through on their intentions unless the costs were very low (accounts offered at their place of business). Individuals may have been overly optimistic about their future savings behavior and needed additional incentives or encouragement to actually commit to open an account. Another possible explanation for low take-up is that individuals did not feel that account use was as easy as they predictedor they simply saw banks as intimidating or burdensome in comparison to less formal savings mechanisms with family or friends. While convenience is a key factor in driving account take-up, it may also play a role in determining eventual use and benefits of savings.

McConnell, Margaret. "Between Intention and Action: An Experiment on Individual Savings." Preliminary Working Paper, April 2012.