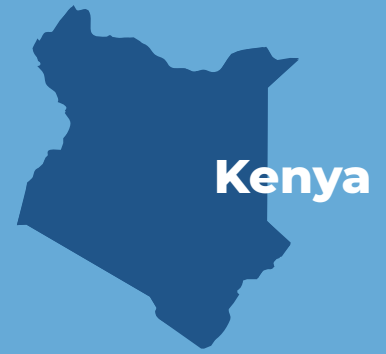


Behavioral Themes
Salience, loss aversion,
progress tracking

Sector
Financial inclusion

Project Type
Field experiment

Sample Size
3864 participants



Improving retirement savings among informal sector workers



Photo credit: Random Institute





Photo credit: Random Institute

How can behavioral science help informal sector workers meet their savings goals?

How do people decide how much to consume today versus how much to save for the future? The answer to this question is central for many important economic analyses and government policies. Savings behavior observed across many situations exhibit numerous inconsistencies with standard models of inter-temporal choice. The psychological view that emerges from this line of research has very different implications for the factors that influence the savings behavior and ultimately for how institutions and incentive mechanisms should be designed.

Kenya is a market with a unique capacity to widely increase the ability to increase savings access given the high penetration of mobile money, but the current market adoption is relatively limited. MBO pension plan was an independent individual retirement account established by Eagle Africa, with support from the Retirement Benefits Authority, in 2010 as an effort to expand access to social insurance solutions for informal sector workers. Our theory was that by using behavioral insights on a digital platform, the likelihood of households saving could be increased.

Design and Results

We deployed a series of interventions aimed at leveraging psychological drivers of savings. The control treatment included a basic reminder to keep this platform top-of-mind and control for simple awareness raising. The text from kids was intended to induce a vision for the goal of the savings. The pre-match was intended to induce an endowment and sense of loss aversion. Lastly, the coin was intended to provide disfluency and tangibility in the savings progress.

Condition

SMS Message

Control

“This week you saved <y> for your future. In total, you have <z> in your account. Save with MBAO on MPESA paybill 710710

Coin

“ If you saved this week, please scratch around the number in the circle <x> of your gold coin. If you didn’t save this week, please scratch below the number <x> of your gold coin. Save with MBAO through MPESA

TXT from Kids

“Hi Daddy/Mommy, Please save as much as you can this week for our future! with MBAO on MPESA paybill 710710<KID>”

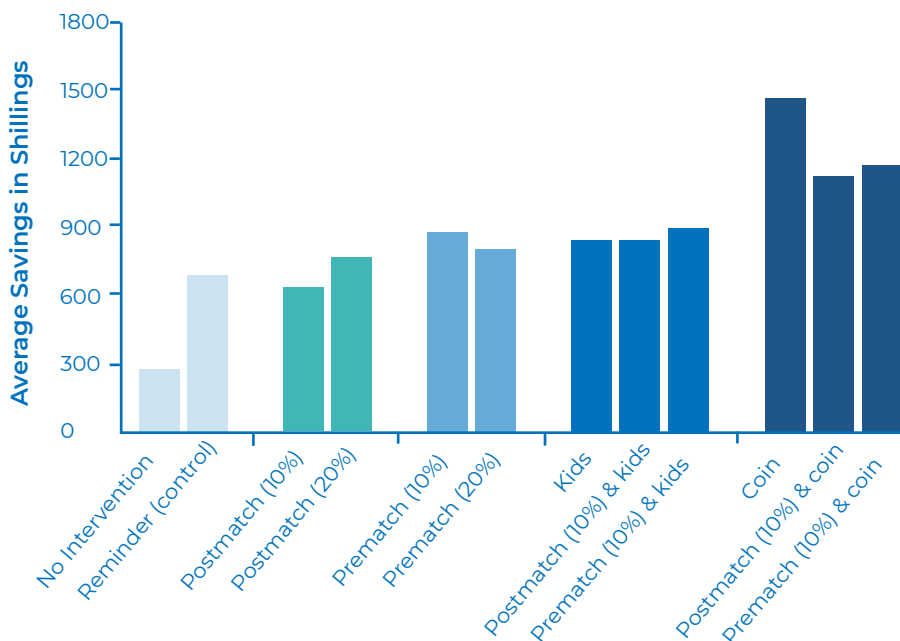
Pre-Match 10% (20%)

“We have just deposited KES 50 (KES 100) in your account. The more you save this week, the more of it you will keep in your account. If you don’t save, we will take all of it back.

Post-Match 10% (20%)

“The more you save this week, the more extra money we will deposit in your account up to KES 50 (KES 100). If you don’t save, we will not deposit any extra money.

We find all interventions had an impact, but the coin treatment was the most impactful, at the lowest cost.



Gold Coin





Photo credit: Random Institute

Discussion



Salient reminder for digital platforms

The coin treatment, which involved the distribution of a salient, gold coin as a promotional token for six months, was extremely effective and increased savings by over 500% above the control group. However, the specific mechanism underlying the coin is not conclusive, with three conflicting levers at play:

- (a) **Progress tracking** - scratching the week number each time you saved,
- (b) **Availability** - the fact that the coin is just available and shiny and may trigger savings, and
- (c) **Salience** - that the coin may somehow embody the idea of wealth and growth of savings by its virtue of being gold.



Endowments hard to induce on digital

Incentives worked, especially the basic reminder text message. However, the difference between the loss frame and the gain frame messages were trivial, indicating that inducing some sense of an endowment may be difficult with digital currencies. While we technically did deposit the amount in their account, it was only a number on a screen, rather than a tangible endowment, so it likely did not compel the same level of desire to retain it as similar studies did conducted over longer time horizons or with more meaningful amounts of money (teacher bonuses in Chicago¹, etc.).

¹ insert footnote: Fryer Jr, R. G., Levitt, S. D., List, J., & Sadoff, S. (2012). Enhancing the efficacy of teacher incentives through loss aversion: A field experiment (No. w18237). National Bureau of Economic Research.