

Authors

Dean Karlan
Northwestern University

Jonathan Zinman
Dartmouth College

Price and Control Elasticities of Demand for Savings*

Dean Karlan
Yale University
Innovations for Poverty Action
M.I.T. James Poverty Action Lab
NBER

Jonathan Zinman
Dartmouth College
Innovations for Poverty Action
M.I.T. James Poverty Action Lab
NBER

January 2014

ABSTRACT

Assumptions about individual demand for savings underlie workhorse models of intertemporal choice and intra-household bargaining, banking strategy, and financial inclusion policy. A Philippine bank tested sensitivity to interest rates and account ownership requirements in 10,000 randomized door-to-door solicitations for a commitment savings account. Take-up is substantial (23%), but price elasticity of saving in this account is not significantly different from zero in either the full sample or sub-groups of plausibly marginal savers. The upper bound is less than 0.5 in the full sample, and exceeds 1.0 in only 1 of 22 sub-groups. Nor do we find sensitivity to ownership requirements.

Keywords: savings elasticities, elasticity of intertemporal substitution, microsavings, microfinance

JEL Codes: D12, D91, E21, G21, O12

* dean.karlan@yale.edu jzinman@dartmouth.edu The authors thank the National Science Foundation and the Bill and Melinda Gates Foundation for financial support; Simone Schaner for helpful comments; Karen Haggag, Henriette Hancotte, and Douglas Kin for data work; Tomoko Hasegawa, Charlie Lopez and Mark Miller from Innovations for Poverty Action for managing the field work; and the management and staff of First Valley Bank for their cooperation. All opinions and errors are our own. Institutional Review Board approval received from Yale University #0605001420 and Innovations from Poverty Action #01June-001.

Price and Control Elasticities of Demand for Savings

Assumptions about individual demand for savings underlie workhorse models of intertemporal choice and intra-household bargaining, banking strategy, and financial inclusion policy. A Philippine bank tested sensitivity to interest rates and account ownership requirements in 10,000 randomized door-to-door solicitations for a commitment savings account. Take-up is substantial (23%), but price elasticity of saving in this account is not significantly different from zero in either the full sample or sub-groups of plausibly marginal savers. The upper bound is less than 0.5 in the full sample, and exceeds 1.0 in only 1 of 22 sub-groups. Nor do we find sensitivity to ownership requirements.

January 01, 2014