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To Fee or Not to Fee? Designing Inclusive Savings Products for Women

By Alejandra Martinez and Danielle Moore

Reducing transaction fees and increasing proximity to bank branches seems like a no-brainer for increasing account usage. And predictably enough, a body of research points to transaction costs broadly defined, including fees, distance from a bank branch, difficult administrative processes, as a major barrier to savings. However, for women in the developing world, experimental evidence paints a more complicated picture about the ways in which transaction costs may affect financial inclusion.

In one study, reinforcing conventional wisdom that eliminating account fees would generate more take-up and usage of savings products, economist Silvia Prina found that free, easily accessible accounts are quite popular among women in Nepal. Surprisingly, these results seem to contradict other studies suggesting that transaction costs, especially fees, can serve as an important tool to help some women protect their assets. When considered within the body of literature on women’s savings preferences, Prina’s findings may indicate that women, given the diversity of contexts in which they live, simply need different options to find a savings account that fits their individual circumstances. Knowing this, the true challenge for financial institutions seeking to serve women will be to understand their market well enough to structure the pricing of low-balance savings products appropriately, while at the same time maintaining economic sustainability.

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In Nepal, most women typically save informally (e.g. at home and with microfinance institutions or savings groups). Prina tested the introduction of bank accounts with no fees at local bank branches for female household heads in 19 urban communities. Of those households offered an account, 84 percent opened one and 80 percent made at least two deposits in the first year. The average account holder made 0.8 deposits a week. Can proximity and zero fees explain the success of the intervention? There is some indication that this might be the case. While women had access to the bank’s main branch during business hours, 99% of the transactions were done in the local branches, despite their limited schedule (open just twice a week for three hours per day). In addition to proximity, the lack of fees might have encouraged them to save more in the account, since they would be able to access the funds when they needed them at no cost.

These findings contrast with recent evidence suggesting that features designed to restrict access and reduce the liquidity of savings may help women limit the social demands on their income and that low-cost accounts may be costly for women in other ways. For example, a study in Kenya found that offering free ATM cards, which increased account accessibility and decreased withdrawal fees, caused individuals with a stronger position in the household (usually men) to save more, while individuals with low household bargaining power (usually women) saved less. Further restricted, goal-based accounts (i.e. commitment savings) in the Philippines and high transaction costs in Kenya increased savings for women who faced regular demands on their income from family and neighbors, compared to women not offered any account.

Understanding better what women prefer under different circumstances will help to design products that will serve women’s savings goals and objectives. This is important given the consistent findings that increased savings helps women plan for large purchases and to withstand emergencies. In the Nepal example, women offered the no-fee accounts spent more on education, as well as meat and fish purchases. Follow-up research suggests that financial access among these unbanked female heads of household led to an increase in schooling levels of daughters. Households with an account saw a smaller drop in income after a health emergency compared to those without an account. These findings line up with other evaluations of products that led to increased savings for women in Chile, Kenya, Kenya again, and Mali.

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To this end, there are some questions that require additional study. Which aspects (e.g. proximity, affordability, liquidity, simplicity of use) of an account are the most valuable for women and their savings investment? Which characteristics of savings products can potentially increase the control women have over their savings and which can inadvertently decrease it? And does control over savings increase savings on the long-run? For which subgroups is training (as in India and Malawi) necessary to help clients, especially women, make the best use of formal financial services, even once fees have been removed? Further, lowering costs to access banking services may not (as in Malawi and Uganda) translate into increased savings for the poorest households, so how can savings complement more holistic interventions for the ultra-poor?

And for the private sector, how can accounts with minimal transaction costs be offered profitably? While transaction costs can play a big role in women’s saving decisions, it is not always possible for a bank to offer more affordable alternatives given the high operating costs of serving low-income populations. When unable to increase savings balances from low-income clients, financial institutions may instead focus on attracting higher income clients. However, if banks are looking for ways to increase savings in small balance accounts, they may consider these findings on women’s preferences. Further, mobile money (as in Kenya) has recently emerged as a cost-effective mechanism for banks to serve remote populations. More research is needed on the barriers to and opportunities for mobile money take-up, specifically as a tool for savings.

As researchers and practitioners investigate these questions, we call on them to keep in mind how variation in social norms, the reliability of financial institutions, and the pressures that women may face in their daily lives influence their choices. One size does not fit all.

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