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Timeline
2014-2016

Sample Size
30,276 bank clients with a mobile banking account

Research Implemented by IPA
Yes

The Impact of Text Message Reminders on Savings in Peru

Abstract

People often report wanting to save more money than they actually do, and rigorous evidence has shown that simple reminders to save can be effective at helping people save more. Researchers working with IPA carried out evaluations in Ghana, Peru, the Philippines, and the Dominican Republic to build the evidence base about text-message reminders to save. In Peru, the research team worked with Federación Peruana de Cajas Municipales de Ahorro y Crédito (FEPCMAC) to evaluate the impact of behaviorally targeted text messages on savings behavior. Preliminary results find that the reminders to save led people to use their bank accounts more frequently, and this impact persisted six months after the reminders ceased, but this did not lead to increased savings; varying the timing and content of the messages did not impact the results.

Policy Issue

People often report wanting to save more money than they actually do. There are a variety of potential reasons for this: misleading or incomplete information about savings products may prevent people from choosing the best one, they may not anticipate how changes in their financial situation could change their savings needs in the future, the human tendency to value instant gratification over future benefits may lead them to spend more in the short run, or they may simply forget to set aside money.[1]

Rigorous evidence has shown that simple reminders to save can be effective at helping people save more. For example, a study conducted with three financial institutions in Peru, Bolivia and the Philippines found that individuals randomly assigned to receive a monthly reminder via text message or letter deposited more money in savings accounts than a comparison group that did not receive reminders.[2] Text message are a particularly promising way to deliver these reminders, with over 93 percent of adults in low- and middle-income countries having access to an active SIM card.[3] However, more evidence is needed to better understand how text message reminders work in different contexts and better understand the mechanisms by which they may affect financial behavior.

This study in Peru was carried out in tandem with other messaging projects in Ghana, the Philippines, and the Dominican Republic.

Context of the Evaluation

In Peru, the Federación Peruana de Cajas Municipales de Ahorro y Crédito (FEPCMAC) oversees the country's system of credit unions. This study took place in collaboration with three of FEPCMAC's affiliated credit unions—one each in the Cusco, Huancayo, and Trujillo areas. The accounts that the messages encouraged clients to use for deposits were no-frills, low-fee savings accounts.

Details of the Intervention

Researchers working with IPA partnered with FEPCMAC to evaluate the impact of behaviorally targeted text messages on account use and savings behavior. A total of 30,726 credit union clients with an existing mobile banking account were assigned either to receive messages or to a comparison group that did not receive any messages.

The clients in the text messages group received one of five randomly-assigned variants:

- **Simple reminders:** Received a straightforward reminder to save, such as "Don't forget to save."
- **Reminders of potential savings gains:** Received reminders about how much savings could accumulate over time.
- **Deposit encouragements:** Received reminders to make a deposit at an agency or ATM.
- **Planned expense reminders:** Received reminders to save for specific purposes, like rent.
- **Reminders about unplanned expenses:** Received reminders to save for an unforeseen setback or emergency.

In addition to content, the research team also randomized other elements of message delivery:

- **Time of day:** Either early or late in the day.
- **Day of the week:** A day between Monday and Saturday.
- **Frequency:** Either once or twice per month.
- **Duration:** Either four or six months.
- **Personalization:** Either a greeting with the client's name at the beginning or a generic "Dear Client."

Researchers used the credit unions' administrative data to assess the impacts of different forms of reminder delivery on account usage and savings.

Results and Policy Lessons

Note: these results are preliminary and may change after further data analysis.

The text message reminders to save led people to use their bank accounts more frequently. The impact persisted: six months after the reminders had ended, users were still more likely to have made a transaction if they had received reminders in the past. However, the increases in account use did not result in higher savings levels.

This increase was driven by clients who were inactive in the short term, having used their accounts in the past six months but not for the past month; these clients who received reminders were four percentage points more likely to make a transaction than their counterparts in the comparison group who did not receive reminders (an increase from 42 to 46 percent). The reminders had no impact on account users who had been active in the last month or inactive for over six months.

Meanwhile, none of the variations in message content, time of day, day of week, and duration encouraged clients to make more transactions or save more money—over the study period as a whole or on a month-to-month basis.

Overall, reminder messages were effective at spurring inactive bank clients to use accounts more frequently, but that the content and timing of the messages was generally unimportant in affecting client behavior, and both withdrawals and deposits increased, suggesting that the increased activity did not result in increased savings.

Sources

[1] For a discussion of recent empirical literature of these behavioral biases, see: Karlan, D., Ratan, A. L., & Zinman, J. (2014). Savings by and for the Poor: A Research Review and Agenda. *Review of Income and Wealth*, *60*(1), 36-78.

[2] Karlan, D., McConnell, M., Mullainathan, S., & Zinman, J. (2016). Getting to the top of mind:

How reminders increase saving. *Management Science*.

[3] ITU: Key ICT Statistics 2005-2016. Available at: http://www.itu.int/en/ITU-D/Statistics/Documents/statistics/2016/ITU_Key_2005-2016_ICT_data.xls (accessed 8/26/2016).

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