

Our project showed that it is possible to encourage low-income Tanzanians to increase savings by up to 11% using the right messages.

How to encourage people to save money

In 2014, Tanzania's regulators made the country the first in Sub-Saharan Africa to permit interest payments on mobile money wallets. Currently, annual interest rates range from seven to nine percent, four times greater than the average deposit in a US bank. Despite this, mobile savings balances remain low, especially among low-income users.

In order to understand what influences the saving behaviors of low-income Tanzanians, our team, eMBeD, together with the Consultative Group to Assist the Poor (CGAP), Financial Sector Deepening Tanzania, the Busara Center for Behavioral Economics, and Airtel Money Tanzania worked on a savings study informed by behavioral economics.

The Project

Project participants received tailored SMS messages over a period of 14 days in a randomized controlled trial (RCT). Participants with similar profiles were divided into five groups: the control group received no messages, and the other four groups received SMS messages applying different behavioral concepts.

The first group received generic SMS messages that reminded them to save. The second group received messages that fostered their ability to take control of their actions, using insights from psychology that emphasize agency and control. The third group's messages were tailored to each individual's savings purpose, utilizing mental accounting to determine whether labeling the account for a specific outcome would lead to greater savings by making the goal more salient. And the fourth group received messages that informed them of how much top savers in the group had saved, taking a cue from tested success using social norms to increase a desired behavior.



The Results



Not every treatment worked to improve savings rates, and some had negative outcomes.

Our findings show that although behavioral science can encourage people to save, the impacts are not uniform across interventions. The most successful treatment used social norms, comparing individual saving rates to that of better savers within their group, and increased participants' savings by up to 11%. However, the group that received messages about their potential to take control of their actions saved even less than the control group did.



Using both lab and field experiments can improve methodology and outcomes.

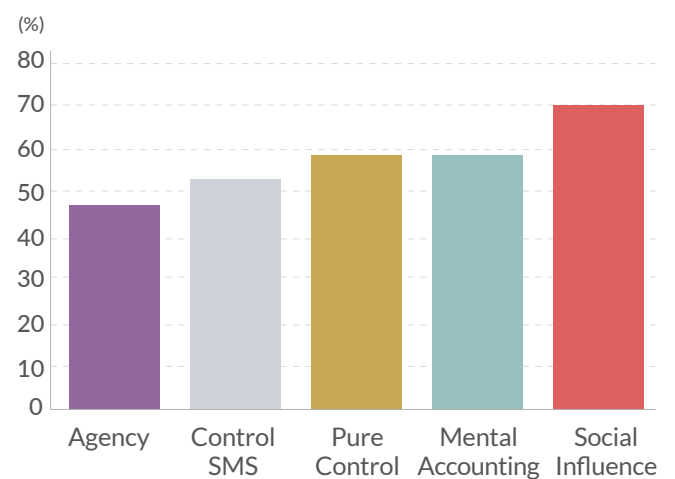
One innovative aspect of this project was the application of a methodology that blended the precision of a laboratory experiment with the external validity of fieldwork. The 550 participants were typical mobile-money users who responded to SMS messages over a two-week period. By doing so, they earned extra income, which they could choose to spend or save every day. This replicated the decisions faced outside the experimental setting, within a compressed time frame, while allowing the observation of detailed behavioral responses to carefully constructed and targeted interventions.



Partnerships between private sector and development institutions can lead to greater financial inclusion, and benefit both.

The company with which we partnered now has a better understanding of the behavioral insights driving this new market, and can therefore tailor products and messaging accordingly. Similarly, the World Bank is ensuring that mobile wallet markets are inclusive.

AVERAGE AMOUNT OF MONEY SAVED PER DAY





Policy Implications

Global evidence suggests that new policies don't always lead to the desired outcomes – in working to increase savings rates in Tanzania, high interest rates for mobile money savings don't incentivize higher saving rates. Attention to the social, psychological, and economic factors that affect what people think and do is crucial to design effective policy. In tandem, testing before scaling is an essential part of incorporating behavioral science into policy; as eMBeD and our partners found, the wrong message can be worse than no message at all.

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In addition, supply and demand for financial services must align for the market to run smoothly, and barriers such as a lack of information and cultural factors can exclude the poor. Financial service providers will almost certainly be from the private sector; these public-private partnerships are therefore essential to improve services on the supply side, and uptake on the demand side. By partnering with Airtel Money Tanzania, we facilitated a better understanding of these barriers, and encouraged and stimulated homegrown solutions that will have an impact long after the funding stops. Now that's helping to build markets that really work for the poor.

About eMBeD

The Mind, Behavior, and Development Unit (eMBeD), the World Bank's behavioral science team in the Poverty and Equity Global Practice, works closely with project teams, governments, and other partners to diagnose, design, and evaluate behaviorally informed interventions. By collaborating with a worldwide network of scientists and practitioners, the eMBeD team provides answers to important economic and social questions, and contributes to the global effort to eliminate poverty and enhance equity.

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