

Mobile-izing Savings: Defined-Contribution Savings on a Mobile Money Platform



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PARTNERS:	Roshan
LOCATION:	Afghanistan
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TIMELINE:	Not available
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Behavioral research suggests that self-control, procrastination, attention, and other behavioral biases are an important limitation to the ability of individuals to set aside savings for the long-term. The development of mobile money infrastructures in many developing countries is creating new opportunities for the design and offer of financial products that can help low- and moderate-income individuals overcome these barriers. Researchers are partnering with a mobile money provider to see if offering employees the opportunity to automatically contribute a portion of their paycheck increases their long-term savings.

Policy Issue:

Savings enable people to accumulate smaller sums over time for large purchases, emergencies, and investments. In countries with no health insurance or social security, savings are all the more critical for the well-being of the poor, but people face several barriers to saving. Behavioral research suggests that lack of self-control, procrastination, and inattention are important barriers to developing healthy financial behaviors. These barriers, exacerbated by lack of access to appropriate financial services and information, may lead individuals to save less than they would like. The rapid proliferation of mobile money is paving the way for the delivery of financial services that are designed to meet the financial needs of low- and moderate-income individuals in developing countries. Increasingly, financial institutions and employers have the opportunity to develop products to help individuals save more and develop healthy financial behaviors.

Research from developed countries shows that automatically transferring a default amount into long term and retirement savings accounts can be very effective at increasing deposits. With the expansion of a new mobile financial services infrastructure, these insights can now be tested in a developing country context.

Evaluation Context:

This project is being implemented in Afghanistan, which has one of the lowest bank account penetration rates in the world. An estimated 91% of the adult population does not have an account at a formal financial institution. The savings rate is also very low, with only one in seven adults estimated having saved any money. Mobile phone penetration rates, on the other hand, are quite high, with an estimated 54% of the population using mobile phones. In this context, Roshan, Afghanistan's leading mobile communication provider, launched M-Paisa, a mobile payments system with great potential to improve the country's financial landscape. M-Paisa currently has approximately 1 million registered users, and around 50,000 people receive their salaries via mobile money.

This study targets approximately 1,200 employees of Roshan located across seven field offices, in both rural and urban locations around the country. With a median monthly salary of \$450 the study sample is diverse, including a large group of moderate-income individuals, who, due to their close association with Roshan, are often the “early adopters” of innovative mobile money products.

Intervention Description:

The proposed intervention will make a mobile savings account available to all Roshan employees. This account, called M-Pasandaaz, is linked to each employee’s existing M-Paisa mobile money account, so that employees may deposit and withdraw funds to the M-Pasandaaz account using the nationwide network of M-Paisa agents.

Researchers will randomly assign employees to groups to test the impact of three different treatments.

1. *Default contribution:* M-Pasandaaz accounts can be categorized under two broad headings, “5% Default Contribution” and “No Default Contribution.” Employees in the “5% Default Contribution” group will be automatically enrolled to contribute 5% of their salary to savings, whereas employees in “No Default Contribution” will be given access to the M-Pasandaaz account with no automatic contribution. Employees are allowed to change their automatic contribution levels or opt-out of any of the automatic contribution plans at any point.
2. *Employer savings-match incentive:* Each group mentioned above will be further divided into 2 sub-groups. In one of the sub-groups, employees who make regular contributions to their M-Pasandaaz account for at least 6 months, without making any withdrawals, will receive a 50% match from the employer on their contributions of up to 10% of their salary. The other sub-group will not be eligible for this incentive.
3. *SMS messaging:* Researchers will randomly vary the information provided to employees about M-Pasandaaz through text messages, which will be sent directly to employees by Roshan’s HR office each month, for a period of six months. One third of the sample will not receive any information, while the remaining two thirds will receive one of two types of messages: one group will receive simple reminder messages detailing enrollment status and providing instructions for how to switch plans, and the other will receive the simple reminder combined with a breakdown of their savings account balance.

Results:

Results forthcoming.