Mobile-Linked Bank Accounts

“While Sri Lanka has relatively high rates of formal bank account ownership, a large proportion of savings continues to be held in informal saving devices.” Additionally, many people do not move beyond account ownership to more active usage (De Mel et al., 2018).

This study analyzes a field experiment in Sri Lanka that “aimed to reduce the ongoing banking transactions costs by allowing participants to make deposits into regular bank savings accounts through their mobile phone. The intervention allowed participants to make deposits through any mobile phone agent.” (De Mel et al., 2018).

The intervention included a novel savings account mobile-deposit service provided by a partnering bank in Sri Lanka. The study design is a randomized controlled trial. Randomly selected individuals are mailed offer letters to participate. Those who accept are provided assistance opening a bank account, as well as given a mobile phone, SIM card, and demonstration of the service.

Quick facts

Barriers addressed

Entry & Capabilit
Lack of phone & SIM ownership
High cost of using DFS (incl. transaction cost)

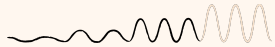
Digital & Physical Infrastructure
Distance from financial service points

Product & Market Design
Complex onboarding process

Segment focus

1 2 3 4

Customer Journey Relevance



Geography

Sri Lanka

Key stakeholders involved

Large Government-Owned Bank (unnamed)
Mobile Network Operator (unnamed)
Software Company (unnamed)
1,625 customers

Sources

De mel et al., 2018; J-PAL.

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Key activities

First, the research team "worked with the mobile operator to train customer service representatives so that someone knowledgeable about the product was always available at the service call center." Second, they offered participants a basic phone and SIM card for free. Third, they helped participants "open a savings account linked to the phone, including by covering the minimum balance of LKR 500 (US $4.55)" required to open the account. Fourth, researchers also organized demonstrations on how to use the product at the customer's house, "which included making two deposits of LKR 50 (US $0.45) into each individual's account." Finally, researchers held a prize lottery of LKR 5,000 (US $45.5) for two months in each municipality, with each deposit increasing the chances of winning (De Mel et al., 2018).

To measure savings behavior, researchers conducted two baseline surveys in 2010 and three follow-up surveys each year from 2011 to 2013. They also conducted monthly surveys over 25 months for a sub-sample of respondents in the treatment and comparison groups in addition to utilizing data from the mobile operator.

Outcomes/results

- While the authors observed no increase in total household savings or in downstream welfare measures, such as household consumption or labor earnings, the introduction of a mobile-deposit service with zero transaction fees significantly increased the share of savings deposited with the partner institution (44%) and in the formal banking sector (27%) more generally.
- The authors found that women living at intermediate distances from formal banks, and those owning a mobile phone at baseline were significantly more likely to use the service. This suggests that those who experienced a reduction in transit costs (e.g., women who save smaller amounts more frequently relative to men, and those living further from the bank), and those already familiar with the technology's interface, were most likely to use the service.
- Those living two to five kilometers from a bank branch are 11% more likely to try the service and deposited 70% more through the service.

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Key enabling environment factors for the intervention

Sri Lanka has relatively high rates of formal bank account penetration.

Key design elements and principles that led to successful outcomes

- Offering participants a free basic phone and SIM card
- Bundling product demonstrations and trainings into the intervention
- Fully subsidizing the cost to open the savings account at the bank
- The research team trained customer service representatives so that someone with product knowledge would always be available to assist at the service call center.

Potential for scale/replicability

Even though this intervention had the most impact on women and those living far away from a branch, “Implementation Partners suspended the mobile-linked bank accounts after the evaluation. They did not see the usage rates as commercially viable to offer at a larger market-scale.” (J-PAL, 2018).

Challenges encountered during the program

The authors found that women, those living at intermediate distances from formal banks, and those owning a mobile phone at baseline were significantly more likely to use the service. However, take up for the remaining sample was low. Of the entire sample offered free deposits, “only 26% made at least one deposit and only 7% made ten or more deposits.” (De Mel et al., 2018).

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Recommendations from the research

This intervention, though it had implications for women, had limited impacts on the larger sample. Future research should use this RCT as a lessons learned for how to expand benefits of mobile-linked bank accounts to the entire sample. The team recommends diving deeper into behavioral constraints and withdrawal transaction costs as barriers to saving.

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