

The Impact of a Formal Savings Intervention in Sri Lanka

“Over half of all adults in the world are unbanked, and 35% of whom report obstacles to saving in formal institutions that could be overcome through product and regulation changes. One possible solution is to increase access to savings accounts, which could help individuals who prioritize spending today over saving for the future and could lessen the pressure to respond to financial requests from friends and family. In fact, several studies have shown substantial impacts on household expenditures from increased access to savings accounts. However, limited evidence exists on the sources of income that lead to increased savings and on approaches that banks can utilize to bring the unbanked into saving. In 2008, the National Savings Bank (NSB) in Sri Lanka began a mobile Point of Service (POS) deposit collection for business owners within one kilometer of a NSB branch. NSB agents had a wireless POS mobile technology that allowed them to provide a receipt for the deposit and real time account information. NBS established branches in Banderawela and Mahiyangana – remote parts of the country where low-income, unbanked households live. Between December 2010 and May 2011, researchers conducted a randomized evaluation to test the impact of a deposit collection service on the amount of savings and the source of those savings.” (J-PAL)

Quick facts

Barriers addressed



Digital & Physical Infrastructure
Distance from financial service points



Entry & Capability
High cost of using DFS (incl. transaction cost)



Product & Market Design
Complex onboarding process

Segment focus

1 2 3 4

Geography

Sri Lanka

Sources

[Callen et al., 2014; J-PAL](#)

Customer Journey Relevance



Key stakeholders involved

National Savings Bank
Consortium on Financial Systems
and Poverty

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Key activities

"From a total sample of 795 individuals, 389 were randomly assigned to the mobile POS deposit collection treatment and the remaining individuals created the comparison group. Those in the treatment group were offered weekly, door-to-door savings deposit collection services and assistance opening bank accounts with a minimum balance of LKR 500 (US \$4.50 in 2010) at the local NSB branch. By May 2011, the original product design was proving to be financially unviable for NSB. Researchers introduced design tweaks to test the impact of lower cost collection services on the savings behavior of individuals to address these issues. To test the importance of frequency on savings behavior, one group received weekly door-to-door visits by a POS agent, while others received biweekly visits. To test the extent to which individuals were prompted to save, NSB provided neighborhood savings lockboxes to compare savings behavior to those who received door-to-door service. To test the effect of face-to-face contact on habit formation, researchers compared the group who transitioned from weekly visits to weekly box-pick with the group who transitioned from comparison to weekly box pick-up." (J-PAL).

Outcomes/results

Cited from J-PAL:

- "Both the original and modified versions of the deposit collection intervention led to an increase in savings. The amount of informal savings did not decrease suggesting the increase in savings came from additional savings."
- "The frequency of transactions with formal banks was four times higher for those offered the mobile deposit collection service than for the comparison group. Those in the treatment group had over two transactions with formal banks per month compared to an average of 0.5 transactions per month in the comparison group. Savings at the NSB increased by LKR 425 (US \$4.26 in 2010) per month."

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Outcomes/results (cont.)

- “Deposits from the substantially less expensive biweekly box collection were about 75% of deposits generated via more costly weekly home visits. Individuals transferred from weekly home visits under the first phase of this evaluation to weekly box collection significantly increased bank savings. This suggests those who had received weekly home visits formed habits around making regular deposits.”

Key enabling environment factors for the intervention

- NBS had already rolled out an initial mobile POS collection strategy (Callen et al., 2014).
- Participating households had to receive income payments at least once a week – those participating in the study were either self-employed or daily wage workers.

Key design elements and principles that led to successful outcomes

Substantial increases in savings and income are shown without any foregone consumption, and without the save-invest-earn channel that is suggested by other studies.

Potential for scale/replicability

“Inexpensive deposit collection techniques, such as biweekly box collection, may be effective and viable models for generating savings deposits” for low-income customers (J-PAL).