

# The Persistent Power of Behavioral Change: Long-Run Impacts of Temporary Savings Subsidies for the Poor

"To date, most research on temporary incentives for behavior change has focused on education or health-related behaviors like gym attendance or substance abuse in developed-country contexts. Studies that track outcomes after incentives expire tend to do so for a limited period (e.g. one year or less after the intervention ends) and usually find that treatment effects decay over time. This RCT provides novel evidence that temporary incentives can have amplified effects in the long run, at least in the financial domain." In this RCT, researchers tested "whether temporary, but high-powered, incentives to save can have persistent impacts on economic outcomes." They also tested "whether directly incentivizing saving has a greater impact than delivering a comparable transfer via an unconditional cash payment." (Schaner, 2018).

## Quick facts

### Barriers addressed



#### *Entry & Capability*

High cost of using DFS (incl. transaction cost)  
Real or perceived lack of money



#### *Product & Market Design*

Poor understanding of women's financial needs

### Segment focus

1 2 3 4

### Geography

[Kenya >](#)

### Sources

[Schaner, 2018.](#)

### Customer Journey Relevance



### Key stakeholders involved

Family Bank (Kenya)

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## Key activities

- “The experiment was conducted between July and September 2009 in partnership with Family Bank of Kenya.”
- “Study participants were recruited from 19 communities in two districts near the bank’s Busia branch in Western Province. Even though six formal banks were operating in Busia at the time, most of these banks did not offer low-cost accounts suitable for a low-income clientele. Importantly, Family Bank had just begun to market a new, low-fee account at the onset of the experiment.”
- Married couples who did not have any accounts with Family Bank, but expressed interest in opening one were given the opportunity to open up to three new formal bank accounts: one in the name of each spouse, and one held jointly by both spouses. “Before participants decided which accounts to open, each account was randomly assigned a temporary interest rate, which lasted for six months and ranged from 0 to 20% in annual terms to incentivize savings in the accounts. A subset—  
—of respondents were also randomly selected to receive modest cash payments ranging from \$0.13–\$3.75.”
- “All accounts opened at the meetings were funded with the Ksh 100 minimum balance to eliminate barriers to account use.”

## Outcomes/results

- “Both individual and joint accounts with higher interest rates were more likely to be used in the short run.”
- “The individual interest rate had a persistent effect on rates of account use, with account balances growing over time. In contrast, the impact of the joint interest rate appears to dissipate after the first six months.”

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## Outcomes/results (cont.)

- “Receiving the highest individual interest rate increased study participants’ probability of running a business by 10% (a 26% increase versus the no interest group), and increased the probability that a study participant reported entrepreneurship as his or her main occupation by 8%.”
- “Incentivizing study participants to save in individually owned bank accounts increased rates of entrepreneurship and overall household income.”
- “Incentivizing participants to save jointly, or simply delivering an unconditional payment in the form of a modest cash prize, had no robustly significant impact on long-run outcomes.”

## Key enabling environment factors for the intervention

Most banks in the experiment’s geographical zone did not offer low-cost accounts suitable for a low-income clientele. “Importantly—

—Family Bank had just begun to market a new, low-fee account at the onset of the experiment.”

## Potential for scale/replicability

“Further research focused on more scalable and standard short-term savings subsidy programs would help fill the evidence gap [in determining what exactly about the interest rates generated behavior change].”

Other experiments could also look into direct effects on women’s savings by interventions

## Challenges encountered during the program

The experiment bundled many features together making it difficult to identify which features were most important for generating persistent behavior change.