Key Findings from the Paper:
Deposit collecting: Unbundling the Role of Frequency, Salience and Habit Formation in Generating Savings

Small-scale deposit collections can provide a valuable service to households whose financial lives are transacted largely in cash, and, if linked to modern financial institutions, may create the same multiplier effects as traditional savings collected at these institutions. This paper describes a year-long experiment in which employees of the National Savings Bank (NSB) worked as deposit collectors in semi-rural areas of Sri Lanka.

Suresh de Mel of the University of Peradeniya in Sri Lanka, Craig McIntosh from the University of California, San Diego, and Christopher Woodruff of University of Warwick, United Kingdom, conducted the experiment with NSB employees using a technological innovation to deliver remote banking services with a mobile device that linked the agent to the bank’s computer system via the mobile telecom network. Weekly home visits by the agents resulted in significant increases in bank savings and overall savings. The authors then conducted a subsequent experiment that altered the frequency and method of collection to reduce collection costs. The authors wanted to understand which attributes of the weekly home visit were central to its impact.

Their findings, which were published in “American Economic Review: Papers and Proceedings,” showcase several noteworthy conclusions.

- Substantially less expensive deposit collection techniques are almost as effective as weekly home visits, generating deposits for the participating bank.

- The average account balances of the group switched to biweekly deposits in a neighborhood savings lock-box grew just as fast as having a bank agent make a weekly visit to homes.

- Collection frequency had a strong effect on deposit amounts but no effect on overall savings.

- Decreasing the salience of savings—the extent to which an individual is actively prompted to save—sharply decreases the number of.
transactions, but there seems to be no decrease in total bank savings when participants are switched from weekly home visits from agents to the neighborhood lock-box.

- A history of savings improves the frequency, deposit size and total bank savings amount when the weekly lock-box is offered, but the effect of this habit formation appears to be transitory.

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