Bohne, Albrecht; Alexandra, Avdeenko; Frölich, Markus; Kemper, Niels

Conference Paper

Do Transparent Moneyboxes increase Savings? A Note on Visual Feedback and Savings Behavior

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Extended Summary

Do Transparent Moneyboxes increase Savings? A Note on Visual Feedback and Savings Behavior

Alexandra Avdeenko Albrecht Bohne Markus Frölich Niels Kemper

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University of Mannheim

Limited attention may play a role in explaining the inability to reach savings goals (Karlan, McConnell, Mullainathan and Zinman, *forthcoming*). Presuming that attention is a scarce resource and important for the pursuit of saving plans, limits to attention in inter-temporal consumption and saving decisions may cause savers not to reach their savings goals. In turn, constant feedback on the savings performance may help to reach savings goals in the presence of limited attention. In this paper we draw on a simple experiment to test whether the visual representation of savings balances stimulates savings behavior and helps individuals reach their savings goals. Doing so, we randomly offer transparent and non-transparent moneyboxes as a complementary savings device to current and former clients of a microfinance organization in Ethiopia. We hypothesize that the visual representation of saving balances via transparent money boxes increases savings and helps microfinance clients reach their savings goals. While this is our working hypothesis, we may also observe the opposite, i.e. that the visual representation of saving balances via transparent money boxes decreases savings (e.g. because of a higher temptation to spend money that can be seen, or because it is more difficult to hide savings from others).

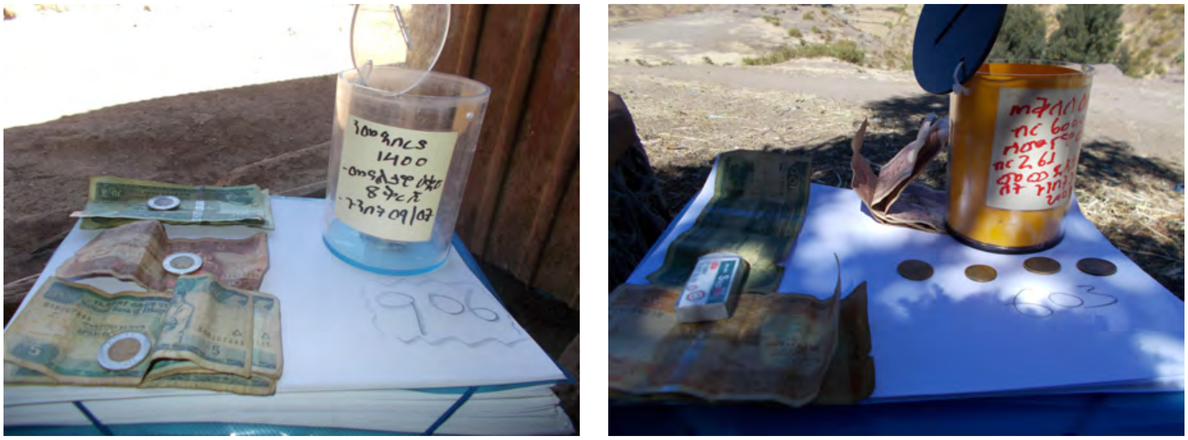
In partnership with a local microfinance organization and a local university, we distribute a simple savings technology - a moneybox - to smallholder farmers in northern Ethiopia. All money boxes are cylindrical with a slot on top, to chip in money, and an opening at the bottom, to get money out of the box. Each household receives two keys to open the box, one given to the household head and one to the spouse. Apart from that, moneyboxes differ along one important dimension:

- **Transparent**: Transparent money boxes allow seeing the bank notes and bills held inside of the box at all times.

- **Non-transparent**: Non-transparent money boxes do not allow seeing the inside of the box.

All households who receive a money box formulate a savings goal and amount for which they would like to save. In addition to transparent and non-transparent boxes, we cross-randomize the recommendation

Figure 1: Visualization of savings in transparent savings boxes (Subfigure (a)) and non-transparent savings boxes (Subfigure (b)).



(a) Transparent

(b) Non-Transparent

to save in a daily or weekly frequency towards the savings goal. Savings goal, savings period, and saving installment are written on the label of the box.

Figure 1 illustrates the experiment. Two boxes are displayed, one with the savings of household number 603. This household saved in a non-transparent money box. Household number 906 on the other hand saved in a completely transparent box. We cut open the boxed to remove and count the content. The ongoing analysis will provide answer to which of the two designs was more motivating for the participants. The collection of the follow-up data was completed in in February 2015. At the *Jahrestagung* we will be able to present evidence on the impact of the intervention.