

## Authors

Margaret McConnell  
Harvard School of Public Health

### Between Intention and Action: An Experiment on Individual Savings

MARGARET MCCONNELL\*

April 2012

**ABSTRACT.** This study provides experimental evidence about the barriers to adoption of formal savings in Africa. In collaboration with a large commercial bank, I conduct an experiment designed to measure the relative importance of convenience and information on the adoption of formal savings. When individuals can open an account at their place of business they are much more likely to open an account. Novel information about the benefits of savings has a slight but insignificant negative effect on account opening. While over half (55%) of individuals report an interest in opening an account when initially approached, only 2% of individuals are using the accounts 2 months later. I explore several potential explanations between individuals' self-reports of interest in the accounts and their later behavior. I argue that individuals' behavior in the experiment is consistent with social pressure to conform to the encouragement to open an account and some projection bias in predicting their future behavior. The results illustrate that for individuals struggling to save, encouraging enrollment in formal finance may be less effective than tools which help individuals follow-through with self-reported savings intentions.

PRELIMINARY AND INCOMPLETE; PLEASE DO NOT CITE

**JEL classification:** D90 (Intertemporal Consumer Choice; Lifecycle Models and Saving), E21 (Consumption; Saving)

**Keywords:** Intertemporal Consumer Choice, Savings, Beliefs

Department of Global Health and Population, Harvard School of Public Health, [mmcconnell@hsph.harvard.edu](mailto:mmcconnell@hsph.harvard.edu)  
\* I am grateful to the Bill and Melinda Gates Foundation for their generous support. I would like to thank Paloma Pineda, Raphael Baudin, Jessica Hensel and Kelly Holsell for dedicated field work. I would like to thank Don Karlan, Ghazal Bryson, Julian Jamison, Jessica Cohen, Erik Snowling, Günther Fink, Sera Linzert, Robin Pande, Stephanie Wang, Margaret MacMillan and Tom Cunningham for extremely helpful comments. I would like to thank Zeynep Bask for their collaboration. The views expressed herein are those of the authors and do not necessarily reflect those of the Bill and Melinda Gates Foundation.

# Between Intention and Action: An Experiment on Individual Savings

This study provides experimental evidence about the barriers to adoption of formal savings in Africa. In collaboration with a large commercial bank, I conduct an experiment designed to measure the relative importance of convenience and information on the adoption of formal savings. When individuals can open an account at their place of business they are much more likely to open an account. Novel information about the benefits of savings has a slight but insignificant negative effect on account opening. While over half (55%) of individuals report an interest in opening an account when initially approached, only 2% of individuals are using the accounts 2 months later. I explore several potential explanations between individuals' self-reports of interest in the accounts and their later behavior. I argue that individuals' behavior in the experiment is consistent with social pressure to conform to the encouragement to open an account and some projection bias in predicting their future

behavior. The results illustrate that for individuals struggling to save, encouraging enrollment in formal finance may be less effective than tools which help individuals follow-through with self-reported savings intentions.

April 01, 2012