Saving More in Groups: Field Experimental Evidence from Chile

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Abstract

We test the impact of a peer group savings program on precautionary savings through two randomized field experiments among 2,687 microcredit clients. The first experiment finds that the Peer Group Treatment, which combines public goal setting, monitoring in the group, and non-financial rewards, significantly increases savings in a new savings account. The number of deposits grows 3.7-fold, and the average savings balance almost doubles. In contrast, a more classical measure, a substantially increased interest rate, has no effect for most participants and raises the savings balance only for the very top of the distribution. A second experiment, conducted a year later, tests an alternative delivery mechanism and shows that effects of similar size can be achieved through feedback text messages, without meetings, rewards, or peer pressure.

Keywords: Saving; Decision Making; Interest Rates; Planning; Performance Effectiveness; Economics; Entrepreneurship; Growth and Development; Social Enterprise; Global Range; Chile

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