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Saving More in Groups: Field Experimental Evidence from Chile *

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Abstract

We test the impact of a peer group program on savings in a sample of microcredit clients. We conduct two randomized trials among these 2,687 microcredit clients. The first finds that a Savings Group Treatment, which combines public goal setting, monitoring in the group and non-financial rewards, increases savings in a new savings account significantly. The number of deposits grows 3.7-fold and the average 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. Given that participants are borrowing at 90% APR, we discuss how and when saving more could be harmful or beneficial.

JEL classification: D03, D14, D91, O16

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