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# Female Empowerment: Impact of a Commitment Savings Product in the Philippines<sup>☆</sup>

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**Summary.** — Female “empowerment” has increasingly become a policy goal, both as an end to itself and as a means to achieving other development goals. Microfinance in particular has often been argued, but not without controversy, to be a tool for empowering women. Here, using a randomized controlled trial, we examine whether access to and marketing of an individually held commitment savings product lead to an increase in female decision-making power within the household. We find positive impacts, particularly for women who have below median decision-making power in the baseline, and we find this leads to a shift toward female-oriented durables goods purchased in the household.

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## 1. INTRODUCTION

Female “empowerment” has increasingly become a policy goal, both as an end to itself and as a means to achieving other development goals.<sup>1</sup> A growing literature on intra-household bargaining finds that exogenous increases in female share of income, interpreted as providing the female more power in the household, lead to an allocation of resources that better reflect preferences of the woman (Duflo, 2003; Rangel, 2005). This often leads to greater investment in education, housing, and nutrition for children (Thomas, 1990, 1994; Thomas & Strauss, 1995; Duflo, 2003). Many development interventions have thus focused on transferring income as a way of inducing empowerment (Adato, de la Brière, Mindek, & Quisumbing, 2000).

However, it is not clear in theory that transfers of income alone to women can improve their status in the household. Marginal increases in income given to women may be bargained over in the same way as the existing income, and are therefore not guaranteed to lead to gains in bargaining power.<sup>2</sup> On a policy level, microfinance proponents often argue that these empowerment mechanisms justify increased attention and financing to microfinance institutions, and perhaps even subsidies (Hashemi, Schuler, & Riley, 1996; Kabeer, 1999). However, there is little rigorous evidence that expanding financial access and usage can promote female empowerment.

What may be more important than providing access to additional sources of income, or simply expanding access to finance, is giving control and property rights over allocated money.<sup>3</sup> Household power could be increased directly by interventions which lead women to have more control over the existing assets. This could be done explicitly through financial accounts in her and only her name, or through marketing

or training which encourage separate assets. In theory, such interventions could be unwound by adjustments to the control over other assets in the household. Nevertheless, it is unknown whether simply expanding access to products and training that can directly impact *financial* control, and thus in turn affect overall household power of women.

Using a randomized control trial, we implemented a program which provided a financial savings account whose use was controlled by an individual and/or provided direct marketing to facilitate personalized savings goals. This program did not necessarily increase income in the household (in fact, we have no evidence that it did so); rather it offered individuals a savings vehicle over which only the account holder has control.

Specifically, we designed and implemented a commitment savings product with the Green Bank of Caraga, a rural bank in the Philippines. Current bank clients were randomly chosen to either (a) “savings commitment treatment” (SEED): receive

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an offer to open a “commitment” account accessible only by them, and which does not mature until a pre-specified goal is reached,<sup>4</sup> (b) “marketing treatment”: receive one-on-one marketing about the importance of saving for a goal, or (c) control: no household visit. The savings commitment device could benefit those with self-control, but could also benefit those with familial or spousal control issues. Indeed, the literature on household savings, and on informal savings devices in particular, has emphasized motivations for both reasons (Anderson & Baland, 2002; Gugerty, 2007).

Those who choose to open such accounts are likely fundamentally (and un-observably) different from those who do not open such accounts, and thus a comparison of account-holders to non-account-holders would be plagued by a selection bias. By using a randomized control trial, and comparing those who were offered the account to those who were not, we are able to draw causal inference about the impact of the account itself (i.e., and not a self-selection bias in which impact estimates are confounded by account openers being motivated to save) on household dynamics.

We reported earlier (Ashraf, Karlan, & Yin, 2006) that after one year individuals who were offered the product increased their savings by 81% relative to a control group, and that in accordance with the theoretical literature on hyperbolic preferences (Laibson, 1997; O’Donoghue and Rabin, 1999) and dual-self models (Fudenberg & Levine, 2005; Gul & Pesendorfer, 2001, 2004), time-inconsistent individuals were the ones most likely to demonstrate a preference for this commitment.

Using two new sources of data, a follow-up survey collected after one year and administrative bank data collected after two and a half years, we examine here the impact of this commitment savings product on both self-reported decision-making processes within the household and the subsequent household allocation of resources. We find positive impacts, particularly for women who have below median decision-making power in the baseline, and we find this leads to a shift toward female-oriented durables goods purchased in the household.

This paper proceeds as follows. Section 2 describes the commitment savings product and the experimental design. Section 3 presents the empirical results on household decision making and self-perception of savings behavior. Section 4 concludes with a discussion of the theoretical mechanisms through which this impact may have occurred.

## 2. INTERVENTION AND EXPERIMENTAL DESIGN

### (a) *The SEED account*

We designed and implemented a commitment savings product called a SEED (Save, Earn, Enjoy Deposits) account with the Green Bank of Caraga, a small rural bank in Mindanao, Philippines. The SEED account requires that clients commit not to withdraw funds that are in the account until they reach a goal date or amount but does not explicitly commit the client to deposit funds after opening the account. The SEED accounts are *individual* accounts, even if the participants were married. There are three critical design features to the account, one regarding withdrawals and two regarding deposits. First, individuals restricted their rights to withdraw funds until they reached a specific goal. Clients could restrict withdrawals until a specified month when large expenditures were expected, for example, the beginning of school, Christmas, a particular celebration, or when business needs arose. Alternatively, clients could set a goal amount and only have access to the funds once that goal was reached (e.g., saving a quantity of money

Table 1. *Clients’ specific savings goals*

	Frequency	Percent
Christmas/birthday/celebration/graduation	97	48.0
Education	42	20.8
House/lot construction and purchase	21	10.4
Capital for business	20	9.9
Purchase or maintenance of machine/ automobile/appliance	8	4.0
Agricultural financing/investing/maintenance	4	2.0
Vacation/travel	4	2.0
Personal needs/future expenses	3	1.5
Did not report reason for saving	2	1.0
Medical	1	0.5
Total	202	100.0
Date-based goals	140	69.3
Amount-based goals	62	30.7
Total	202	100.0
Bought Ganansiya box	167	82.7
Did not buy Ganansiya box	35	17.3
Total	202	100.0

known to be needed for a new roof). The clients had complete flexibility to choose which of these restrictions they would like on their account. Once the client had made the decision they could neither change it, nor could they withdraw from the account until they met their chosen goal amount or date.<sup>5</sup> After the goal is reached, the SEED client, not his or her spouse, could withdraw the funds. All clients, regardless of the type of restriction they chose, were encouraged to set a specific savings goal as the purpose of their SEED savings account. SEED marketers insisted that the client herself or himself, and not another household member, set the goal.<sup>6</sup> Table 1 shows a list of the savings goals selected broken down by percentage of the group that selected them.

The savings goal was written on the SEED form used to open the account, as well as on a “Commitment Savings Certificate” that was given to the client to keep. Forty-eight percent of clients reported wanting to save for a celebration, such as Christmas, birthday, or fiesta.<sup>7</sup> Twenty-one percent of clients chose to save for tuition and education expenses, while 20% of clients chose business and home investments as their specific goals.

The bank offered each SEED client a locked box (called a “ganansiya” box) for a small fee in order to encourage deposits. This locked box is similar to a piggy bank: it has a small opening to deposit money and a lock to prevent the client from opening it. In our setup, only the bank, and not the client, had a key to open the lock. Thus, in order to make a deposit, clients need to bring the box to the bank periodically. Of the 202 clients who opened SEED accounts, 167 opted for this box. This feature can be thought of as a mental account with a small, physical barrier; the box is merely a mechanism that provides individuals a way to save their small change. Individuals put loose change or bills on an occasional basis, hence making “deposits” that normally would be too small to warrant a trip to the bank. These small daily “deposits” keep cash out of one’s (and others’) pocket; eventually, once enough money accumulates in the box, the client deposits the funds at the bank. The barrier, however, is largely psychological; the box is easy to break and hence is a weak physical commitment at best.<sup>8</sup>

Other than providing a possible commitment savings device, no further benefit accrued to individuals with this account. The interest rate paid on the SEED account was identical to the interest paid on a normal savings account (4% per annum).

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