Motivation
77 percent of adults living on less than $2 a day report not having an account at a formal financial institution [Global Findex (2012)]

- Among the reasons of low take-up of bank accounts are:
  - Accounts are expensive
The cost of financial services

<table>
<thead>
<tr>
<th></th>
<th>Mexico</th>
<th>Peru</th>
<th>Ghana</th>
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</thead>
<tbody>
<tr>
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<td>N</td>
<td>Mean</td>
<td>p10</td>
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<tr>
<td><strong>Investment Account</strong></td>
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<tr>
<td>Total Annualized Yield without usage fees</td>
<td>35</td>
<td>1.0%</td>
<td>0.4%</td>
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<tr>
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<td>0.5%</td>
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<td>Number of Products per institution</td>
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<td><strong>Transaction Account</strong></td>
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<td>Number of Products per institution</td>
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</table>
Interest rate disclosure

**Interest rate disclosure**

**Interest rate disclosure - Voluntary**
APY disclosure

With experience
Without experience
Investment
Checking

APY disclosure - Voluntary

With experience
Without experience
Investment
Checking
Motivation

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- Among the reasons of low take-up of bank accounts are:
  - Accounts are expensive
  - Transactions costs, both physical (distance and time) as well as social (different social class, unfamiliarity, etc)
  - Trust in financial institutions

- Bank agents are trusted local retailers that enable customers to make the same basic financial transactions as in a branch
  - Lower transactions costs
MicroCred Branch, Dakar

MicroCred Agent, Dakar
Research questions

- Do MicroCred agents lower transaction costs?

- If so, what are the impacts on financial activity?
  - Are the poor more likely to open an account?
  - Do they perform more transactions (deposits, withdrawals, transfers, loan payments)?
  - Do they save more?
What we do

- Implement a field experiment with MicroCred, a microfinance institution in Senegal.
- Individuals living equidistant to a branch and an agent were provided information and encouraged to open savings accounts at either the branch or the agent.
- Some also received a monetary incentive to open the account (1500 CFA or 2.6 USD).
- 5 experimental groups:
  - (i) Control; (ii) Info, No Incentive and Branch; (iii) Info, No Incentive and Agent; (iv) Info, Incentive and Branch; (v) Info, Incentive and Agent;
Example of survey areas
Features of savings account

- No account opening or maintenance fees.
- No fees for transferring/ receiving money to/from other MC client.
- No minimum/ maximum amount to be kept in account.
- No fees for depositing money
- No withdrawal fees at branches (only at agent after 3rd withdrawal).
- Minimum withdrawal/ deposit amount is 500 CFA.
Results

Account opening

Active

<table>
<thead>
<tr>
<th></th>
<th>Agent</th>
<th>Branch</th>
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<tbody>
<tr>
<td>Account opening</td>
<td>24.60%</td>
<td>23.80%</td>
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<tr>
<td>Active</td>
<td>34.20%</td>
<td>34.20%</td>
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</table>
Average amount of deposit

At branch

- Agent: 17.348
- Branch: 19.987

At agent

- Agent: 9.477
- Branch: 4.069

Average amount of withdrawal

At branch

- Agent: 15.367
- Branch: 11.136

At agent

- Agent: 7.420
- Branch: 2.772
Characteristics of Transactions

- Transacting with agents
  - Reduces wait time by 8.29 minutes
  - Not more likely to be turned away in last transaction
Conclusions

- Sending individuals to agents increases the number of deposits and withdrawals:
  - Poor households become more financially active

Next Steps

- Do saving balances increase?
- Interesting set of real outcomes to explore: Consumption, risk-sharing, inventory in business, etc