

# Savings for Small Business Owners Through Goal Setting

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Prompting Mexican microloan holders to open—and use—formal savings accounts

**Many people in Mexico save money at home or in informal group savings networks, but in addition to these options often proving riskier than a formal savings account, they can also make it harder to set aside funds. We worked with a microfinance institution to help small business owners with loans take advantage of available savings products.**

## Summary

In Mexico, many low-income people (who [comprise a large proportion of the population](#)) start small businesses to support their families, with over half of these business owners working outside of the formal labor sector in businesses such as corner stores and food stalls. Informal sector small business owners also often lack a steady income or access to formal financial products that can support their financial health. When it comes to saving, these households often store any cash they can spare at home or pool it with family and friends in informal group collections that are not regulated and therefore lack transparency and accountability mechanisms, and whose treasurers are easy targets for thieves. While these methods are better than not saving at all, it is riskier to store cash at home than in formal savings accounts, which can leave people unprepared for possible expenses related to unforeseen illness, accidents, and more. Though it is very challenging to set aside funds for the future on limited or volatile incomes, amassing even a small amount of secured savings using formal financial services can provide a safety net for weathering these types of unexpected expenses or loss of income.

To tackle the savings challenge for millions of low-income Mexicans, ideas42 partnered with CAME, a large microfinance institution (MFI) with a client base of small business owners operating in the informal sector. Originally specializing in loans, in late 2016 CAME launched an individual savings product to help clients manage their money when they noticed an unmet need for such products. Though the product was widely available and accessible, few clients opened an account. ideas42 and CAME designed a behaviorally informed program to encourage more people to open—and actively use—savings accounts in order to strengthen their financial health and futures.

## The challenge of saving

A large national [survey](#) conducted in 2018 revealed that only 47% of Mexicans have a bank account, and only 42% of them use their accounts for saving. Results from the same survey show that low-income Mexicans with an informal job are less likely to have a savings account than those working in the formal

### Highlights

- ▶ Small business owners in Mexico often save money outside of financial institutions, where there is risk of theft or loss.
- ▶ While savings accounts are available, most people don't use them.
- ▶ Savings “champions” and goal-setting cards helped more people open accounts and make deposits.

sector and are prone to rely on informal savings mechanisms. Since the majority of CAME clients are low-income small business owners, we were not surprised to find that only 1% of clients in Mexico City had taken advantage of the individual savings product available at CAME. Keeping this in mind, we conducted qualitative and quantitative research to uncover behavioral barriers to opening a savings account and making regular deposits that CAME clients faced despite their intention to save, which we learned about during initial interviews with them.

**First**, CAME is primarily a lending institution, so clients' main focus when visiting the branch was repaying their loans. Managing debt can be stressful and can reduce the mental resources required to consider and explore opening an individual savings account. There were also no reminders or cues in CAME offices to help draw people's attention to savings.

**Second**, the benefits of receiving a loan are felt immediately—loans allow clients to invest in their businesses or cover urgent costs like medical bills or car repairs. The benefits of building savings, on the other hand, only manifest months or years into the future and often feel ambiguous in the present. The clients we interviewed understood that saving was important, but there was nothing in their environment prompting them to think about what they could concretely do with more savings, and this made it easier for them to put it off.

**Third**, even those who intended to open accounts faced small obstacles that kept them from following through—like waiting in long, slow-moving lines, meeting documentation requirements, or needing enough cash on hand for the minimum initial deposit. For instance, we met a client who said she was eager to start saving using a CAME account, but that she kept forgetting to bring her ID when she visited the branch, so she hadn't been able to open it yet.

**Finally**, some clients had false mental models that kept them from considering CAME as an option for savings. Clients who had group loans also had a group savings account with CAME into which they made mandatory deposits serving as collateral to their loan. Because clients associated CAME with this somewhat risky and rigid saving option, they were hesitant to save at CAME even through individual savings accounts that did not have the same terms.

## Designing to save .....

### Championing savings accounts

The new program began with a behaviorally informed approach to offering the product to clients. This approach used a goal-setting exercise, which has proven effective for building financial resilience in several different contexts, including in the Philippines where results from an ideas42 [study](#) show that stating concrete savings goals helped people save more by driving their attention and effort toward achieving those goals.

The exercise was promoted by savings “champions,” who were new CAME staff responsible for helping clients' stop to think about potential future financial needs and suggesting that they try savings products.

The champions approached clients while they waited in line to pay their loans and began the conversation with a goal-setting exercise where they prompted clients to think about expenses for which they needed to save. They then introduced the individual savings product as a tool to help clients achieve the goal, helping them conceptualize savings not as an abstract concept but a real-life goal with immediate, tangible steps. They explained the differences between group savings and individual savings accounts (group savings serve as a collateral to their group loans while individual savings are completely independent from their group loans), and accompanied clients throughout the opening process—from filling out forms to making the initial deposit.

### Encouraging usage

After clients enrolled, we equipped them to make deposits consistently over time in order to avoid account dormancy, a common challenge with savings accounts. **Research** across different countries shows that reminders can help people avoid procrastination and follow through on their savings goals. Additionally, there is compelling **evidence** that suggests creating a sense of commitment to achieve savings goals imposes an emotional price on not pursuing them, making saving feel like the better choice.

With these insights, we introduced a savings kit which included a savings card with the client’s name, account number, a sticker representing their chosen savings goal, and a space for their signature next to the deposit amount in order to create a sense of commitment. The kit also included a small pouch to set aside money for their deposit. The savings kit was meant to strengthen a client’s motivation to make regular deposits by prompting CAME employees to stamp the savings card every time the client made a deposit and offer a prize after they completed six deposits. To keep the savings product top of mind and help clients plan ahead, we also sent text message reminders with their goal, the amount they committed to deposit, and feedback on their progress toward their savings commitment.



### Savings card

It is important to note that because savings deposits can only be made at CAME branches, our designs targeted clients who visit branches regularly, given that they are the potential users of the savings accounts. Around 10% of clients per branch visit regularly.

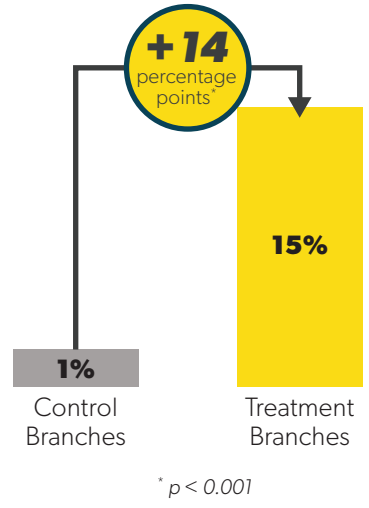
## Boosting savings with nudges

To test our designs, we selected four CAME branches within the Mexico City Metropolitan Area. In order to rigorously evaluate the effectiveness of our treatment, we matched each treatment branch to a control branch with similar characteristics applying the Coarsened Exact Matching (CEM) technique.

At the end of the test, the average number of accounts opened per month across treatment branches was 25 times higher relative to control branches. This translates to an increase in savings account opening of 14 percentage points in treatment branches among clients who visit them regularly, compared to the same profile of clients from control branches.

Furthermore, our results show that the frequency of deposits in treatment branches was similar and, in some cases, higher than at control branches. This is notable because our intervention nudged clients who hadn't proactively sought to open accounts, so there was a risk of lower account usage compared to the clients at control branches who had opened an account without the intervention. Instead, average savings balances among potential users at the treatment branches increased by 8 times over a period of three months.

**Clients who opened an account among those who visit branches regularly**



## Key insights on what motivated CAME clients to save

Through our collaboration with CAME, we investigated how clients perceive CAME, the savings product, and our designs. The reflections clients shared help to explain why the program had such positive effects.

During interviews with clients we found that the trust they had in CAME was instrumental in their decision to open an account. Additionally, clients highly valued the simplicity of the product and think of it as a helpful tool for overcoming temptation.

“  
If I didn't have my CAME account I would keep my money at home with the temptation of spending my savings in day-to-day expenses.

“  
What I like the most about these accounts is that their conditions are very easy to understand.

“  
I like to save but I don't trust banks, so I hadn't thought of opening a savings account before ... I decided to start saving at CAME since I already know the staff members.

Instilling a sense of familiarity was also effective at prompting people to open new savings accounts. We framed the new product as a savings mechanism that works similarly to community-based savings groups, which most clients are familiar with, but with improved features like being free of risk and retaining control over one's money. The role of the savings champion was key in highlighting the features to help clients follow through their intention and open a savings account.

Prompting clients to choose their own goals and then keeping the goals top of mind by sending regular, personalized text messages was a simple way to keep clients motivated and engaged. Interestingly, we noticed that clients who wanted to save for new appliances for their home like laundry machines or refrigerators made significantly more deposits than those who chose longer-term savings goals, like investing in their home or paying for education costs. This indicates that it might be more effective to nudge people toward selecting more specific and shorter-term goals, or to break down long-term goals into milestones.

## The business case for microsavings products .....

Raising awareness of people's future needs through a goal-setting exercise proved to be an effective approach for an MFI like CAME to increase the adoption of a savings tool to help their clients to manage their financial lives. As a result, new savers who otherwise may not have opened an account are now actively saving at similar levels as clients who were motivated enough to open an account without being exposed to our program.

A common concern with savings programs is that even when they're effective, they aren't always financially sustainable, and therefore attractive, for providers. The cost to CAME of each additional dollar saved by clients as a result of this intervention was 24 cents over the first few months, most of which is incurred at the time accounts are opened. This cost can be expected to decrease substantially over time as clients continue to deposit and build savings habits and satisfied clients begin to spread the word about the benefits of these products achieving, therefore, economies of scale. But even at 24 cents, this cost of each dollar deposited is similar to the cost of other funding sources CAME receives, suggesting that savings might serve as a complementary low-cost source of funds to the institution. The fact that the savings accounts are highly appreciated by clients points to further potential benefits to CAME, by helping to retain or attract customers, as was found in a [study](#) that analyzed the case of two MFIs.

Given the positive results for clients and the promising case for financial sustainability, if scaled the intervention would reach approximately 39,000 CAME clients. And an even greater number of people could be reached by extending the base of potential users, which currently represent 10% of their total clients (the people who visit branches regularly), if the product could be adapted so that even those clients who don't visit branches regularly can deposit through other outlets. Opening and using savings accounts can help more low-income small business owners across Mexico set aside money, even in small amounts, to create stronger financial futures for themselves and their families.