

Making Saving Easier for Small Business Owners in Chile



Automating savings for short-term resiliency

Many small business owners want to build a savings cushion to manage common financial fluctuations. However, this requires repeatedly choosing to save and taking steps to put money aside—which is challenging to prioritize along with juggling expenses and other business needs. We worked with a leading correspondent bank in Chile to create a new, behaviorally informed option to save: automatic transfers from their regular income stream into a designated savings account.

Summary

Small business owners can experience great fluctuations in their finances—including drops in income when business is slow and unexpected expenses. Having a savings “cushion” can help them manage these challenges. However, as we found in Chile, many small business owners lack the savings they need to withstand these fluctuations. While many have a savings account and the intention to save more, they struggle to grow the balance through small regular deposits.

We worked with CajaVecina, a correspondent bank of BancoEstado in Chile, to support its network of operadores. Operadores are small shops owners who sell goods and services and use point-of-sale (POS) devices to offer basic financial services to Chileans across the country, particularly in communities where traditional bank branches are unavailable. They receive a monthly commission from the bank for operating the devices. With funding from MetLife Foundation, ideas42 and CajaVecina collaborated to develop a savings program that enables small business owners to automatically transfer part of their monthly commission for operating the POS devices into their BancoEstado savings account—reaping a continuously growing savings balance from one decision to save.

Highlights

- ▶ A small business owner’s intention to save does not always match reality. Most operadores save very little.
- ▶ A savings “cushion” provides operadores with available funds to handle sudden expenses and emergencies.
- ▶ Automating the savings process results in greater savings balances over time.

Why small business owners struggle to save

Although two out of every three CajaVecina operadores say they save and 74% of operadores (15,000 people¹) have a BancoEstado savings account, their balances remain low. **The average savings balance among operadores from the 75% lowest savers is \$106, and one-fourth of these operadores have less than one dollar saved.** We applied a behavioral lens to understand this intention-action gap.

When interviewed, operadores said they prefer to keep all their money in a checking account instead of separating the funds meant for covering day-to-day expenses from funds they intend to save. Many

¹ At the beginning of our collaboration in 2017 there were 20,000 operadores, and by the end of 2019 CajaVecina’s network has grown to more than 28,000 operators.

feared not having cash handy for sudden expenses or emergencies. This is a valid concern, but we also know from behavioral science that the convenient accessibility of the checking account can make the money in it is easier to spend (and harder to accumulate for a rainy day)—meaning they ultimately have less money for emergencies.

Another barrier is that operadores don't have clear rules of thumb for how much they should aim to save or how frequently to set aside money. Because of this, most of the operadores don't have concrete savings goals. Uncertainty makes it challenging to get started and even harder save consistently.

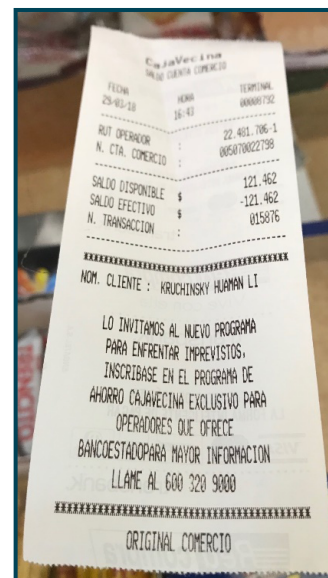
Finally, we found that operadores believe other people are more prone to financial shocks, such as making less income one month or needing to make a costly repair, than they are. Being overconfident is a common behavioral tendency, and in this context it causes saving to be a low priority.

Identifying these specific behavioral barriers was the first step to helping operadores increase their savings. We knew a program specially designed to overcome these unique behavioral challenges could support CajaVecina operadores (and applied to future work, other small business owners and employees) as they work toward becoming more financially resilient.

Making it easier to save

With these insights, we designed a savings solution taking advantage of the fact that many operadores already have a BancoEstado savings account, even if they don't use it regularly.

Previous studies have shown that automating deposits from a regular source of income is an effective solution for fostering savings. Results from a [study](#) conducted in Afghanistan show that automatic payroll deductions are a highly effective way of increasing short-term savings. Automatic deductions eliminate some cognitive obstacles to saving, such as the tendency to favor payoffs right now over future benefits (present bias), or the diminished ability to exercise self-control as we complete tasks that require control throughout the day (ego depletion). Another [study](#) in Denmark proves that automatization increases retirement savings rates, positively affecting both active savers and people who didn't regularly save.



Raising awareness through a salient channel

What makes automatic savings such a powerful tool for improving financial resilience is the fact that, once enrolled, no additional action is required. It allows people to save without taking steps—removing many behavioral barriers.

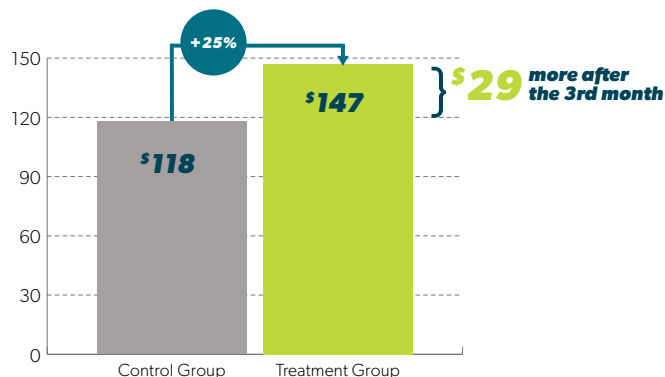
CajaVecina operadores are self-employed, so the most consistent income they have is the monthly commission paid by CajaVecina. **We designed a program to enable them to designate part of this commission for deposit into their BancoEstado savings account automatically each month.** By choosing once to enroll in the program, operadores would make deposits into their savings accounts every month without any additional effort.

To encourage enrollment in the auto-savings program, we designed a three-month communications campaign to invite operadores to sign up. These communications included behavioral elements such as generating a sense of exclusivity by informing operadores that this program was especially designed for them, prompting them to think of concrete savings goals, and establishing a social norm by informing them that many other operadores had already signed up. Operadores could enroll in the program through phone calls made by BancoEstado call center agents who followed a script that included the behavioral elements mentioned above. We also sent emails to operadores and added information on receipts that are printed daily from the POS devices they use to conduct CajaVecina transactions. These POS messages increased awareness about the new savings product and indicated that it was an authentic BancoEstado program, which encouraged operadores to trust call center agents.

The difference automation makes

We piloted this program over three months with a sample of 5,000 operadores, half of which were randomly chosen to receive the communications campaign. Pilot results are promising: **28% of operadores reached by the call center joined the program and are now saving an average of \$36 per month,** an amount that represents 34% of the average savings balance before enrollment. Operadores who participated are saving about 25 cents of every commission dollar received.

Average savings balance after three months of communication campaign to promote new autosavings product



By the end of the third month of the communications campaign, operadores who were invited to enroll, on average, had savings balances \$29 higher than those who weren't invited to the program—a 25% difference. And when comparing only operadores who actually enrolled (rather than

all who were invited) with those from the control group, we found the average savings balance of the former group to be 2.4 times higher² for this same month. Moreover, follow-up results show that average savings balance for enrolled operadores continued increasing during the following months, and **five months later was 34% higher than the control group.**

Operadores noticed these differences. When asked why they chose to enroll in the program, they reflected on how it made saving easy and painless for them.



What I like the most about the program is that it **makes it painless for me to save, since I'm saving money that I never saw available** but went directly to my savings account.



Before this program I didn't know how to save, but having this alternative **makes it very easy for me to set aside money for emergencies.**



Since I signed up into this program I feel like **my money is safe now that I don't have the temptation of spending it** on day-to-day expenses. I would encourage other operadores to enroll as well.

A low-cost solution

In addition to helping operadores improve their financial resilience, this program also had a positive effect on operadores' opinion of CajaVecina. This solution is an effective approach for financial institutions to strengthen their relationship with clients while offering tools to improve their financial health.

CajaVecina has begun rolling out the automatic savings program to its entire network of operadores. **When scaled to the 15,000 CajaVecina operadores who hold a BancoEstado savings account, this program could generate a combined savings increase among clients of \$435,000 per month.** One reason CajaVecina chose to scale this intervention is its financial feasibility. Each dollar clients saved thanks to the program required an investment from the provider of 80 cents in the first month, but the cost drops to a tenth of a cent per dollar saved in subsequent months because the cost of enrolling clients is more than the cost of maintaining their automatic transfers. **This is an important feature of this behaviorally informed savings mechanism: it is financially sustainable and offers benefits to both clients and financial institutions,** which is a strong indicator of whether a socially minded program can be scaled to reach more people. Other financial providers can consider investing in and implementing a similar automatic savings program and communications campaign to help make saving simpler for their clients.

CajaVecina's automatic savings program demonstrates the power of behavioral science in creating financial services that increase consumers' financial health. Insights from this intervention can inform future innovations to build savings in a cost-effective way, helping more business owners become financially resilient.

² This difference represents the Treatment-on-the-Treated (TOT) estimate, or the Wald estimator, where random assignment to treatment is used as an instrument.