

Increasing Savings Among Cash Transfer Recipients in Tanzania

ideas

42

Encouraging Cash Transfer Recipients to Save through Behavioral Interventions

ideas42 worked with the World Bank and the Government of Tanzania to encourage cash transfer recipients to save and invest toward financial goals. To support cash transfer recipients in setting financial goals and saving and investing towards them, we first identified the key behavioral barriers that prevent Tanzanians living in chronic scarcity from being able to save. Then, we designed and tested a set of behaviorally informed interventions that targeted those barriers to help people increase their savings, make productive investments, and improve their livelihoods.

Problem

Almost half of Tanzania's population lives below the international poverty line of \$1.90 per day and struggles to make ends meet.¹ People that live below the poverty line face significant burdens that hinder their overall well-being, such as a lack of access to basic needs like food, water, or education. Moreover, people experiencing poverty often struggle to access opportunities that could help them get out, such as gainful employment and investing.

In partnership with the World Bank and other development partners, the Government of Tanzania established the Productive Social Safety Net (PSSN) program through its implementing agency, the Tanzania Social Action Fund (TASAF). In 2012, the PSSN program began providing bi-monthly cash transfers to households experiencing extreme poverty. In 2020, a new phase of the program was rolled out (PSSN II), which focused on increasing access to income-earning opportunities and socio-economic services, such as savings groups and livelihoods grants, for long-term poverty alleviation.²

Many recipients wish to invest their cash transfer into income-generating activities. However, the cost of their pressing, immediate needs can make it difficult for them to do so. Research has shown that living in a state of chronic resource scarcity can significantly reduce a person's overall bandwidth, depleting their capacity to make the difficult budgeting and trade-off decisions necessary to achieve their desired goals. This, in combination with the cost of their needs potentially superseding the amount they receive, can make investing goals feel unattainable.

Highlights

- ▶ Behavioral interventions such as providing a place to keep savings and setting savings goals, in combination with those that target social norms and identity, are effective at increasing saving and productive investments among cash transfer recipients.
- ▶ Behavioral interventions are cost-effective. Estimates suggest they were approximately 1.5 times more effective at getting recipients to save than simply giving them the equivalent cash amount used to implement them.

¹ See [Tanzania Mainland Poverty Assessment](#)

² See [World Bank release](#)

Solution

ideas42 worked closely with TASAF to conduct in-depth focus groups to understand recipients' goals for the program, as well as learn about the context in which recipients live and make decisions. These conversations revealed that while many recipients intended to invest the money they received from the transfer, they were often unable to save enough to do so effectively. With this in mind, we designed and implemented behaviorally informed interventions that addressed the barriers that make saving and investing difficult. The key behavioral barriers to saving we identified, and the solutions we designed to eliminate them, are outlined in the table below.

Table: BEHAVIORAL BARRIERS AND SOLUTIONS

BEHAVIORAL BARRIER

Identity:

Because the program is advertised "for the poor," this reinforced PSSN II recipients' identity as a person experiencing poverty, which can evoke feelings of loss of control. This, coupled with a belief that "saving is for the rich," can prevent recipients from identifying as people who save money.

SOLUTION



Self-affirmation activity:

We designed a self-affirmation activity where recipients were given a card with images to reflect on their values and skills. This activity cultivates a positive mindset and encourages recipients to remember that they can make a difference in their families' lives.

BEHAVIORAL BARRIER

Misperceived social norms:

Social norms are a potent influence on people's decisions and actions. In rural villages, spending is a highly visible, public act, while saving typically takes place at home. This may lead to the belief that saving is not a norm and lead recipients to dismiss investing or saving as achievable goals.

SOLUTION



Visual of descriptive norms:

We designed posters that showed examples of how other community members might be saving and investing to normalize the behavior. We then placed them at strategic locations around the community, including payment and community gathering sites.

BEHAVIORAL BARRIER

Automaticity:

Recipients aren't prompted to decide how they will spend their money after they receive it, which makes them more likely to spend on whatever needs are most salient and pressing, or those they are used to spending the funds on.

SOLUTION



Goal-setting activity:

We designed a goal-setting activity where recipients were able to create personal, concrete, and productive savings goals to make investment decisions easier after they received their money.

BEHAVIORAL BARRIERS

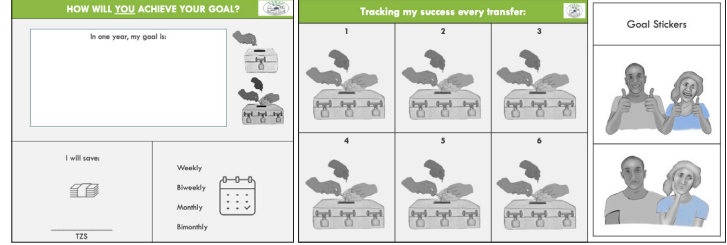
Scarcity:

Living in a state of constant scarcity depletes the mental bandwidth that is necessary to make difficult budgeting decisions. Without any support or tools, recipients found such decisions difficult or overwhelming.

Lack of salience regarding total income:

Because recipients received their payments once every two months, it was more difficult to consider how much money could be saved over time, forcing people to think only about each individual payment.

SOLUTION



Plan-making activity:

We designed a plan-making activity where recipients could identify simple, clear, and time-bound steps towards achieving their goals, including the amount they would save from each transfer to reach them. Making a plan both reduced the effects of living in scarcity and reminded people to consider future payments ahead of time. The back of the planning tool card included a progress tracker so recipients could stay on track, keeping goals top-of-mind and providing an opportunity to celebrate progress.

BEHAVIORAL BARRIER

Salience and ease of making purchases:

Faced with many immediate needs (debt repayment, medical expenses, food and transportation costs), these often remain more top-of-mind than bigger, future-oriented goals. Temptation purchases also play a role as nearby market vendors make it easy to spend their cash just after receiving it.

SOLUTION



Money pouch:

We designed and distributed pouches to recipients that included two pockets, one labeled for consumption and the other for savings, which acted as a physical reminder to separate their funds immediately after receiving it.

Results

From April 2021 to February 2022, we tested these behavioral interventions in over 64 villages across Tanzania with over 2,600 recipients. Half of the villages were randomly selected to receive the behavioral interventions in addition to the typical program offerings, while the other half participated in the program as usual. Six months after the designs were implemented, recipients participated in a survey to assess the intervention's impact on setting goals, making plans to achieve them, as well as following through on them.

Overall, our interventions had positive impacts on both recipients' ability to save and invest. Recipients who received the intervention were 65% more likely to have saved, 30% more likely to have participated in a savings group, and 22% more likely to have made a productive investment in the past month. Although recipients who had completed primary school were significantly more likely to recall the explicit amount and frequency they originally planned to save, recipients with little or no formal education were able to save and meet their investment goals thanks to interventions that highlighted positive social norms, strengthened self-worth, and provided a place to separate savings. These behavioral interventions are also cost-effective. Our estimates suggest that they were approximately 1.5 times more effective at getting recipients to save than simply giving them the equivalent cash amount used to implement them.

Takeaway

Our findings highlight the benefits that behavioral designs can have on cash transfer programs, including the PSSN program. By identifying and targeting key behavioral barriers to saving and investment amongst cash transfer recipients in Tanzania, recipients received more support towards achieving their saving and investing goals, and, therefore, were more likely to do so. The positive impacts of these interventions have prompted TASAF to scale these behaviorally designed interventions throughout their program, with plans to scale designs to 500,000-600,000 households throughout the country. This work provides further evidence that behavioral interventions are an impactful, cost-effective tool that should be used to enhance outcomes for cash transfer programs and promote better livelihoods at scale.