

**CHAZEN INSTITUTE RESEARCH BRIEF**

# The Power of Peers in Saving Money

## KEY TAKEAWAYS

- ✓ Peers can help people stick to their savings plan.
- ✓ Adding a savings peer group component is especially convenient in contexts where people meet regularly anyway, such as professional groups, schools, sports clubs, or churches.
- ✓ Given the rate of cell phone usage worldwide, this channel could reach millions who are unable or unwilling to meet in-person.
- ✓ Beyond the issue of savings, the research demonstrates that feedback and follow-up through text messages or at in-person group meetings can potentially help individuals achieve other resolutions effecting their health and well-being (e.g. weight loss, drug addiction, eating disorders, etc.).

Sticking to personal goals can be difficult. Whether you are trying to lose weight, quit smoking, or save money, peer support groups are often held up as effective interventions for helping people meet their personal goals. But what evidence is there to support their effectiveness beyond the anecdotal?

In [“Saving More in Groups: Field Experimental Evidence from Chile.”](#) Stephan Meier, Chazen Senior Scholar at Columbia Business School; Felipe Kast, Economist at the Catholic University of Chile; and Dina Pomeranz, Professor of Development Economics at the University of Zurich; test the effectiveness of these kinds of peer group programs, looking specifically at how they influence the outcome of savings goals for low-income populations, for better or worse.

## Research

In two randomized field experiments among low-income microcredit clients in Chile, the researchers investigated whether and how peers influence each other’s personal decision-making around savings. This study provides one of the first analyses of the effectiveness of peer feedback in helping people achieve their personal goals.

The first experiment, the “Savings Group Treatment,” offered participants a basic savings account and divided them into a total of 196 peer groups that met weekly. At these weekly meetings, participants were encouraged to set public savings goals, progress on which would be monitored by the group. Those who achieved their goals were recognized

with non-financial rewards. In the same experiment, a control group was offered a savings account with a much higher interest rate, but no group meeting or system of accountability.

The second experiment, the “Feedback Message Treatment,” was conducted one year after the opening of the savings accounts. Participants who had opened an account in the first experiment, owned a cell phone, and indicated interest in a text message service to help them save more were assigned to one of three groups. In the first group participants were assigned a Savings Buddy. They received regular updates on each other’s progress over text and checked in regularly on savings goals. In the second group participants received automated savings reminders and information about how others were doing in their group, but they did not have an individual Savings Buddy. The third group did not receive any text messages. Compared to the initial experiment, this experiment removed in-person meetings, rewards and any in-person group dynamics.

## Results

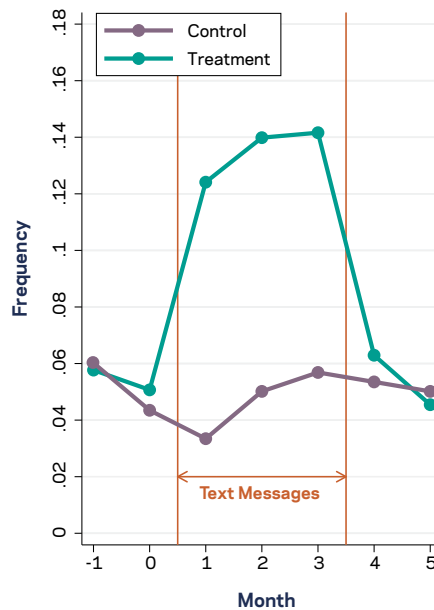
Participants assigned to the Savings Group Treatment, which met regularly in-person, deposited 3.7 times as often into their savings accounts and their average savings balance was almost twice that of the control group. These participants also claimed to be significantly less anxious about their financial future.

Through the second experiment, the researchers found that holding people accountable through regular feedback and follow-up text messages also significantly increased savings, almost as much as actual in-person, peer group meetings.

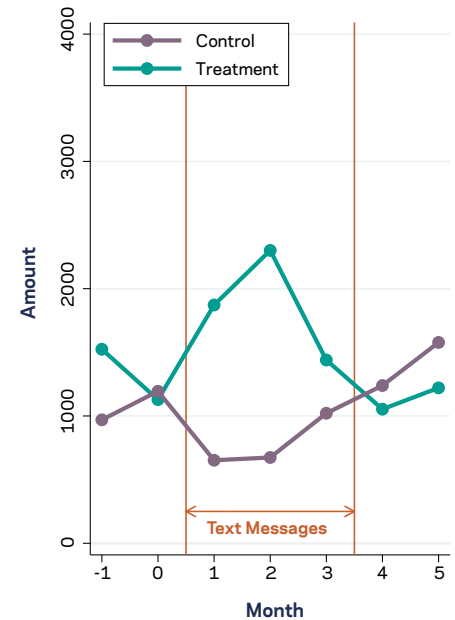
As it turns out, just talking about savings each week basically doubles the amount that people actually save.

These results suggest that peers may simply provide a mutual service by regularly holding each other accountable to set savings goals and regularly

**Panel A: Number of Deposits**



**Panel B: Amount Deposited**



reminding each other of those goals, whether in person or over text.

In particular, the Feedback Message Treatment suggests that modern technology—in the form of text messages or other feedback devices—has the potential to render the accountability mechanism of the Savings Group Treatment more scalable and potentially more attractive to larger and more diverse populations.

**2x** Total savings of people who participated in peer groups versus those who saved on their own.

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<https://www.sciencedirect.com/science/article/pii/S0304387818300087>

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