

**Investigating the introduction of Fintech
advancement aimed to reduce limited
attention regarding inactive saving accounts -
data, survey and field experiment**

Maya Haran Rosen^{ab}

Orly Sade^a

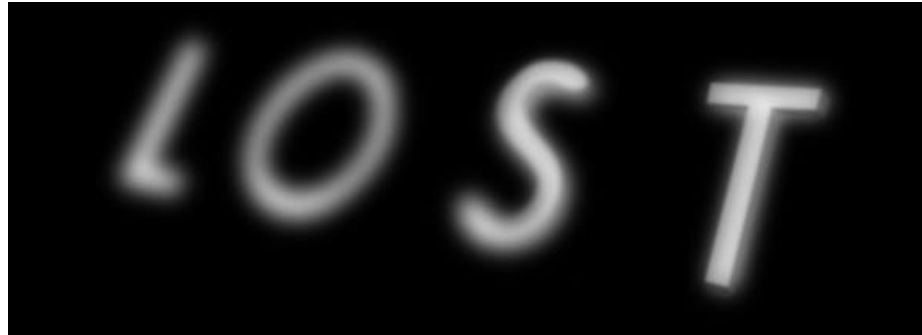
a. Hebrew University, Jerusalem, Israel

b. Bank of Israel

Outline

- Motivation
- Provident Fund Data and Results
- Survey Data and Results
- Field experiment
- Conclusion

Motivation – Lost / Forgotten Accounts



- Inactive (i.e., those which do not receive new deposits) and forgotten retirement saving accounts
- **Growing global concern**
- Often small, but can **add up** to significant **economic losses**.

Motivation – Limited attention and Regulation

- Interesting to investigate a **fintech consumer regulation**
 - Aimed at **lowering costs** for consumers:
 - Lowering **observation costs** - transparency and disclosure
 - Lowering **transaction costs** – digital platform
 - Hence, if there **is still inattention** to the issue
 - Costs remain?
 - Some populations have higher costs?

“Mountain of Money”

- Case study to investigate who benefited from a regulatory change
- What is “**Mountain of Money**”?
 - Website since 2013 for inactive accounts
 - Small inactive accounts in provident funds 2014-2015
 - Minimum fees
 - Tax incentive



“Mountain of Money”

- Why “Mountain of Money”?
 - **Lowered costs**
 - Relevant to **all**
 - Was **publicized nationally**
 - Should not be affected by preferences:
 - no negative information or myopia
 - **Clear expected outcomes** for “rational” individuals with no frictions:
 - ✓ Check
 - ✓ Close



Research Questions

1. Are there still indications of **inattention** to inactive accounts?
2. Are there **population** that **have higher limited attention** (due to higher perceived or actual costs)?
 - **Financial literacy**
 - Low **socio-econ status**
3. How can we **do better?**
 - Field experiment
 - Personal touch



Provident fund data

- Large **provident fund** - 12,735 eligible accounts
- Beginning of April 2014 to the end of July 2015
- Information: account holders' gender (does not have to be the person who withdraws the funds), age, amount of funds, locality and if the account was closed
- Limited attention?
 - **16% of eligible accounts were closed**
 - Similar to CMISD estimations
 - **Much higher than base rate**

Motivation

Set up

Research Question

Provident fund

Survey

Field experiment

Final remarks

Results

Population subsets:	Periphery index above median ¹	Socio-economic index above median ²
N	6,695	6,256
% Closed accounts	18%	18%
Population subsets:	Periphery index below median ¹	Socio-economic index below median ²
N	1,337	3,150
% Closed accounts	15%	13%
T-score of mean difference	2.67***	7.2***

Motivation

Set up

Research Question

Provident fund

Survey

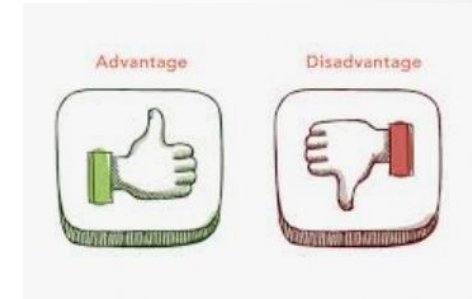
Field experiment

Final remarks

From what THEY did to what they said they did

Survey data

- Survey
- Survey **advantage:**
 - Personal characteristics
 - Designed questions
- Survey **disadvantages:**
 - We can't observe actual actions
 - Representative sample
 - Survey process may be biased
- 504 observations relatively representative sample of the population



Motivation

Set up

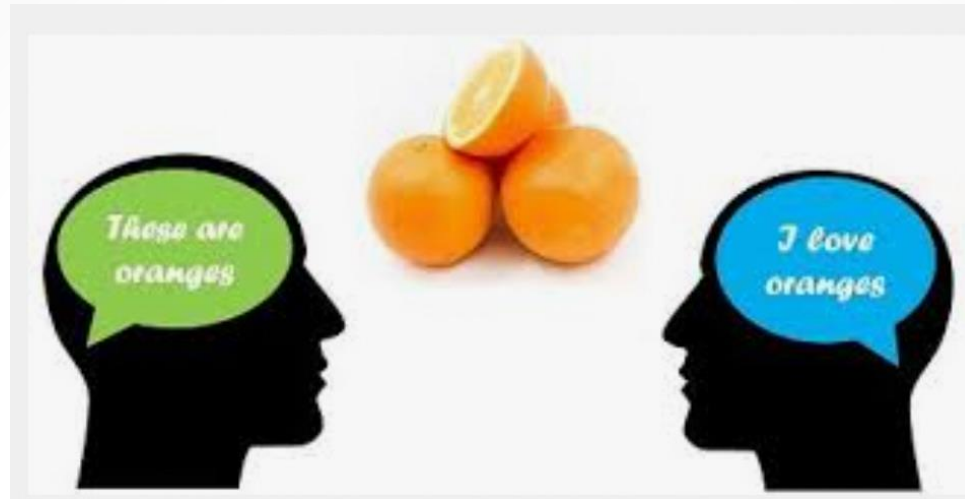
Research Question

Provident fund

Survey

Field experiment

Final remarks



Objective measure
of general financial
literacy

Subjective
concept of specific
knowledge

Motivation

Set up

Research Question

Provident fund

Survey

Field experiment

Final remarks

Results

Motivation

Set up

Research Question

Provident fund

Survey

Field experiment

Final remarks

Can we mitigate the Friction?

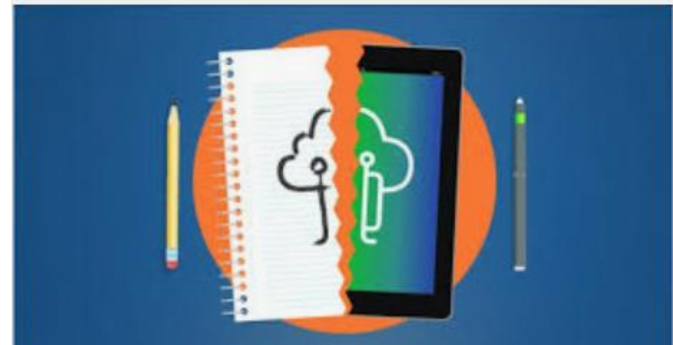
Can We Mitigate the Friction?

- **Controlled field experiment**
- Population with low subjective and objective financial literacy : **Ultra-Orthodox Jews**
- “Mountain of Money 2” extended service for inactive accounts in the banking system



Can We Mitigate the Friction?

- Both **digital and personal interaction** interventions that include the same information (or even less):
 - Control group
 - E-mail
 - E-mail + video
 - Frontal explanation
 - E-mail after initial baseline survey
- Interventions that could easily be **widely simulated in future** regulatory interventions
- **Small sample size**: between 30-40 individuals per intervention group



Results

Communication channels can make a difference!
Video + Personal intervention increased attention

	Awareness of the Money Mountain 2 campaign (1)	Awareness of the Money Mountain 2 campaign (2)	Visited the Money Mountain website (3)	Visited the Money Mountain website (4)
E-mail intervention	0.98	** 1.29		
E-mail-video intervention	*** 1.65	*** 1.45		
Face-to-face intervention	** 1.5	*** 1.94		
Survey-e-mail intervention	** 1.40	** 1.12		
Personal interaction intervention			0.98	*0.79
Control for individuals' characteristics	Y	N	Y	N



Sum: back to our Research Questions

- The regulatory innovation **lowered inattention**
- But we **still find** indications of **limited attention**
- It seems there are **additional costs for**:
 - Low socio-econ population
 - Objective financial literacy measures
 - Subjective financial literacy measures
- It seems **more** can be done
 - Indication that **personal interaction** interventions(even in digital media) effect limited attention
 - Can mitigate friction

Thank you.

Questions?

Motivation

Set up

Research Question

Provident fund

Survey

Limited attention

Field experiment

Final remarks

Survey data

Representative Sample of 504 individuals, April 2015

	"Our" Representative sample	CBS 2014 Expenditure Survey
Female	52%	51%
Married	57%	64%
Non-working	22%	25%
Pensioner	6%	5%
Immigrant	16%	30%
Ultra-religious	3%	8%
