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

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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?
  o 16% of eligible accounts were closed
    • Similar to CMISD estimations
  o Much higher than base rate
## Results

<table>
<thead>
<tr>
<th>Population subsets:</th>
<th>Periphery index above median(^1)</th>
<th>Socio-economic index above median(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>6,695</td>
<td>6,256</td>
</tr>
<tr>
<td>% Closed accounts</td>
<td>18%</td>
<td>18%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Population subsets:</th>
<th>Periphery index below median(^1)</th>
<th>Socio-economic index below median(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>1,337</td>
<td>3,150</td>
</tr>
<tr>
<td>% Closed accounts</td>
<td>15%</td>
<td>13%</td>
</tr>
<tr>
<td>T-score of mean difference</td>
<td><strong>2.67</strong>*</td>
<td><strong>7.2</strong>*</td>
</tr>
</tbody>
</table>
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
Results

Awareness

“Mountain of Money”

Awareness –
timely tax exemption

Entered website

Contacted with intention of closing account

Objective

Financial Literacy

0.281**

0.337***

0.1430

Subjective

Financial Literacy

0.937**

1.497***

1.447***

0.874**

Pensioner

(0.414)

(0.454)

(0.494)

(0.432)

Control for other variables Y Y Y Y

Pseudo R2

0.23

0.29

0.24

0.27
<table>
<thead>
<tr>
<th>Motivation</th>
<th>Set up</th>
<th>Research Question</th>
<th>Provident fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Survey</td>
<td>Field experiment</td>
<td></td>
<td>Final remarks</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Awareness of the Money Mountain 2 campaign</th>
<th>Awareness of the Money Mountain 2 campaign</th>
<th>Visited the Money Mountain website</th>
<th>Visited the Money Mountain website</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)’</td>
<td>(2)’</td>
<td>(3)’</td>
<td>(4)’</td>
</tr>
<tr>
<td>E-mail intervention</td>
<td>0.98</td>
<td><strong>1.29</strong></td>
<td></td>
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<tr>
<td>E-mail–video intervention</td>
<td><strong>1.65</strong></td>
<td><strong>1.45</strong></td>
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<tr>
<td>Face-to-face intervention</td>
<td><strong>1.5</strong></td>
<td><strong>1.94</strong></td>
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<tr>
<td>Survey–e-mail intervention</td>
<td><strong>1.40</strong></td>
<td><strong>1.12</strong></td>
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<td></td>
</tr>
<tr>
<td>Personal interaction intervention</td>
<td>0.98</td>
<td>*0.79</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Control for individuals’ characteristics</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>N</td>
</tr>
</tbody>
</table>
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?
## Survey data

Representative Sample of 504 individuals, April 2015

<table>
<thead>
<tr>
<th></th>
<th>“Our” Representative sample</th>
<th>CBS 2014 Expenditure Survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>52%</td>
<td>51%</td>
</tr>
<tr>
<td>Married</td>
<td>57%</td>
<td>64%</td>
</tr>
<tr>
<td>Non-working</td>
<td>22%</td>
<td>25%</td>
</tr>
<tr>
<td>Pensioner</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Immigrant</td>
<td>16%</td>
<td>30%</td>
</tr>
<tr>
<td>Ultra-religious</td>
<td>3%</td>
<td>8%</td>
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