





#### < Working Papers

## **Remembering to Pay?** Reminders vs. Financial **Incentives for Loan Payments**

#### Ximena Cadena & Antoinette Schoar









**WORKING PAPER 17020** 

DOI 10.3386/w17020

ISSUE DATE May 2011

We report the results from a field experiment with a micro lender in Uganda to test the effectiveness of privately implemented incentives for loan repayment. Using a randomized control trial we measure the impact of three different treatments: Borrowers are either given a lump sum cash reward upon completion of the loan (equivalent to a 25% interest rate reduction on the current loan), a 25% reduction of the interest rate in the next loan the borrower takes from the bank, or a monthly text message reminder before the loan payment is due (SMS). We find that on average the size of the treatment effect is similar across all the treatment groups: borrowers in the treatment groups have a 7-9% increase in the probability of paying on time and the average days late drop by 2 days a month. The results suggest that simple text messages which help borrowers to better manage their repayment dates have similar effects as large changes in the cost of capital of 25% of interest. The impact of the cash back incentives are stronger for customers with smaller loans and less banking experience, the reduced future interest

rate seemed to be most effective for customers with larger loans, while the SMS text messages were particularly effective for younger customers.

Download a PDF

Information on access

Acknowledgements and Disclosures	~
Download Citation	

#### **Related**

TOPICS Microeconomics

Behavioral Economics Financial Economics Financial Institutions Development and Growth

Development

PROGRAMS Industrial Organization

WORKING GROUPS Behavioral Finance

Entrepreneurship

#### **More from NBER**

In addition to working papers, the NBER disseminates affiliates' latest findings through a range of free periodicals — the NBER Reporter, the

NBER Digest, the Bulletin on Retirement and Disability, the Bulletin on Health, and the Bulletin on Entrepreneurship — as well as online conference reports, video lectures, and interviews.



### <u>2023, 15th Annual Feldstein Lecture, Mario Draghi, "The Next Flight of the Bumblebee: The Path to Common Fiscal Policy in the Eurozone"</u>

LECTURE

Dr. Mario Draghi, who served as President of the European Central Bank and Prime Minister of Italy, presented the 2023...

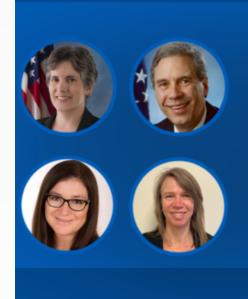


# Methods Lecture: Linear Panel Event Studies Jesse M. Shapiro, Harvard University and NBER Liyang Sun, CEMFI July 28, 2023

2023 Methods Lectures, Jesse Shapiro and Liyang (Sophie) Sun, "Linear Panel Event Studies"

**LECTURE** 

Overview: Linear panel event studies are increasingly used to estimate and plot causal effects of changes in policies...



Panel Discussion:

#### Long-Term Dynamics of the Employment-to-Population Ratio

Karen Glenn, Social Security Administration Stephen Goss, Social Security Administration Nicole Maestas, Harvard University and NBER Julie Topoleski, Congressional Budget Office July 26, 2023

<u>2023, SI Economics of Social Security, Panel Discussion, "Long-Term Dynamics of the Employment-to-Population Ratio"</u>

Supported by the Alfred P. Sloan Foundation, the National Science Foundation, and the Lynde and Harry Bradley...

#### **National Bureau of Economic Research**

Contact Us
1050 Massachusetts Avenue
Cambridge, MA 02138
617-868-3900
info@nber.org
webaccessibility@nber.org

HOMEPAGE

Accessibility Policy
Diversity Policy
Privacy Policy
Standards of Conduct

FOLLOW









© 2024 NATIONAL BUREAU OF ECONOMIC RESEARCH. ALL RIGHTS RESERVED.