SELF CONTROL IN MICROFINANCE: NEED FOR COMMITMENT DEVICES

El autocontrol en las microfinanzas: necesidad de instrumentos de compromiso

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Abstract

Self control is related to the ability of resisting temptations. If that ability fails, people may engage in reckless behavior. Impulsive behavior is particularly alarming regarding financial matters. Actually, evidence suggests that impulsive agents tend to make bad financial decisions, saving too little for retirement, overspending, not paying bills on time, and buying things they regret. Self control options include internal strategies related to willpower. When personal strategies are not enough to overcome temptations, people may need external help. Studying external mechanisms becomes relevant to understand these options and the impact they could have over individuals’ behavior. This paper is focused on the demand for externally enforced commitment devices as a possible solution for self control problems in emerging markets.

Keywords: self control, time inconsistency, wealth, savings, commitment devices.

Resumen

El autocontrol está relacionado con la habilidad de resistir tentaciones. Si esa habilidad falla las personas pueden incurrir en comportamientos arriesgados. El comportamiento impulsivo es particularmente alarmante cuando está relacionado con temas financieros. De hecho, la evidencia sugiere que los
agentes impulivos tienden a tomar malas decisiones financieras, ahorrando poco para su retiro, gastando en exceso, no pagando las facturas en tiempo, y comprando cosas para luego arrepentirse. Las opciones de autocontrol incluyen estrategias internas relacionadas con la voluntad personal. Cuando las estrategias personales no son suficientes para controlar las tentaciones, las personas pueden necesitar ayuda externa. El estudio de los mecanismos externos adquiere relevancia para entender estas opciones y el impacto que pudieran tener en el comportamiento de los individuos. Este artículo se centra en la necesidad de contar con dispositivos de compromisos impuestos externamente como una posible solución a los problemas de autocontrol en los mercados emergentes.

Palabras clave: autocontrol, inconsistencia temporal, riqueza, ahorro, mecanismos de compromiso.

Introduction

Nowadays people commonly smoke too much, abuse alcohol and other drugs, overeat, save too little and impulsively buy goods they later regret. These self control problems could be related to time inconsistency, meaning that some agents are too impatient for present benefits, but could be patient for future events. It is also frequent that agents experience preference reversals. That is selecting a desired “optimal” plan in a certain moment, but impulsively changing the decision at the last moment. Some individuals are not even aware of their control problems. Others understand they misbehave but simply do not care. Finally, there is a group of “sophisticated” agents who knows about their behavior problems and is willing to do something about it. Mentioned problems are particularly important in emerging markets.

Self control options include a wide range of personal strategies mostly related to willpower. But sometimes internal mechanisms are not strong enough to bind personal decisions. When personal strategies fail, external help may be needed. So, it becomes relevant to study such mechanisms, understand how they work, and the impact they could have over individuals' behavior.

In this paper we identify as a problem the lack of microfinance self control affecting mainly emerging markets. Hence, it is worth asking whether commitment devices can improve personal self control in emerging markets?

The main objective of the paper is to prove that externally enforced commitment devices become a helpful alternative when internal mechanisms fail to support self control. To do so, first we define what self control is. Second, we explain the relationship between time inconsistency and self
control. Third, we state the connection between self control and wealth. Fourth, we review personal self control options. Fifth, we discuss the demand for commitment devices. Last, we present a case study of an externally enforced commitment device and its results.

Definitions

"Self control" can be defined as the act of regulating feelings, ways of thinking and habits, in order to achieve best results in the long run (Barkley 1997). It also refers to people’s ability to override certain behaviors; usually balancing personal responses with moral values or social standards (Baumeister, Vohs and Tice 2007).

The concept of self control is related to the use of personal psychological strategies to restrict impulses. Yet, external commitment devices can be used when internal mechanisms fail (Bernheim, Ray and Yeltekin 2015). Personal mechanisms generally involve the use of contingent measures to motivate following a desired course\(^1\). Individuals often try to define success or failure pointers, so they can reward or punish themselves depending on their performance (Bandura and Kupers 1964).

According to (Fujita 2011), self control is also relevant defining which goals to pursue; choosing courses towards those goals; and deciding how long to insist in obtaining them. Then, it can be interpreted as a way to achieve key goals\(^2\) (Duckworth and Gross 2014).

Personality psychologists also relate self control with conscience (Ameriks, et al. 2007). Conscious people usually make rational choices, deviating less from ideal patterns of savings and consumption. Anyway, some theories suggest that consumption decisions depend also on the liquidity of available resources. If the majority of assets are relatively liquid agents may tend to consume more despite their level of conscience.

Some authors argue that the idea of self control cannot be explained unless we assume that a person’s psyche (conscience) contains at least two opposite energy systems, understood as a complex combination of different incentives and desires (McIntosh 1969).

Research often approaches self control as a personal conflict between the "principal" and the "agent" in a firm. This conflict is also referred as a tradeoff between the interests of a “farsighted planner” and a “myopic doer”. Struggle

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\(^1\) Psychological explanations about “contingent self-reinforcement” are found in literature dating back to the 1960s. See (Bandura and Kupers 1964).

\(^2\) Agents key goals are commonly related to moderate consumption, rational saving choices, low debt rates, etc.
occurs because the agent side prefers current consumption, while the planner side tries to balance consumption over time in order to maximize global utility.\(^3\)

Both people and firms use similar techniques to mitigate these problems. Since the planner's preferences are consistent over time, individuals will try to set rules (similar to a "contract") to govern the doers' behavior (Thaler and Shefrin 1981).

Many papers about self control address the case of "sophisticated" consumers who are aware of their impulsiveness issues. Sufficiently sophisticated agents are able to identify their lack of self control and try to overcome it. When internal mechanisms are not enough, these agents may try to get external help (Frederick, Loewenstein and O'Donoghue 2002). Externally enforced commitment devices will be discussed further in this paper.

**Time inconsistency and self control**

Self control manifests as someone’s ability to break bad habits, overcome first impulses and resist temptations. When that ability fails, people tend to engage in non-optimal behavior (Stromback, et al. 2017).

Most people think that money is perfectly exchangeable in time, so they will try to plan their lifetime consumption (Shefrin and Thaler 1988). Usually there is an optimal move they would want to make, but there are some other tempting choices. The final decision will depend on the strength of different motivations\(^4\) (Ameriks, et al. 2007).

According to (Strotz 1956), agents select current levels of consumption trying to maximize their actualized future utility. But, if they are presented with the opportunity to reassess their plan in a later date, they will have incentives to deviate from their choice. Consumers frequently try to equilibrate consumption according to present and future preferences, but some situations can lead to great impatience. At that point, buying desires increase and agents face a dilemma between giving up into temptation and trying to stick with commitment\(^5\) (Hoch and Loewenstein 1991). Sometimes, people even act against their own best interests, behaving in a way they later regret (Hoch and Loewenstein 1991). Such changes in perspective have been called "myopic" or "time-inconsistent" by economists (Strotz 1956) and "impulsive" by psychologists (Ainslie 1975). Time inconsistency suggests that impulsiveness

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3 Find more about the theory of individual inter-temporal choice in (Thaler and Shefrin 1981).
4 Models related to this theory of self control can be found in (Strotz 1956); (Laibson 1997); (Gul and Pesendorfer 2001); (Bernheim and Rangel 2004); (Thaler and Shefrin 1981).
5 Time inconsistency is related to consumers’ preferences when choosing between a small-prompt and a large-delayed compensation. Impatient agents will prefer the early option as it offers an immediate reward. The late option will be preferred when both rewards are received with delay (Gul and Pesendorfer 2004).
arises because of the discounting of delayed events\textsuperscript{6}. Self control consists
then in consumers' efforts to avoid or resist behaving in such an inconsistent
way (Ariely and Wertenbroch 2002).

Inconsistent decisions and lack of personal control are commonly related to
overconsumption and low wealth. On the contrary, agents who limit
consumption in present periods show higher levels of accumulation. An
average overconsumer accumulates around 20 percent less than a regular
one. This ratio increases as we focus in younger subjects, meaning that is
harder to resist temptations during youth. Self control issues seem to be
smaller in older subjects\textsuperscript{7}. In addition, people who put money in the bank for
their retirement limit their access to the money until the lack of self control is
not a problem anymore (Ameriks, et al. 2007).

**Self control and wealth**

Self control capacity is usually related to wealth levels. People with limited
resources usually borrow at high rates; set aside small profitable investments;
and have restricted self control options. These are common characteristics of
developing countries which suggest that poverty itself can create conditions to
endure. On the other hand, initial wealth increases chances to accumulate
indefinitely\textsuperscript{8}. During the accumulation process, agents can impose credible
rewards in the form of increased future consumption. Wealth levels are closely
related to saving, borrowing and consuming decisions. Over-spending in
present periods keeps the agent from getting a higher utility later. Credit
constraints worsen poor people situation restricting their behavior options.
(Bernheim, Ray and Yeltekin 2015).

Studies on financial behavior prove that people with self-control issues are
exposed to compulsive shopping, excessive credit withdrawals and
unforeseen expenses; eventually leading to over-indebtedness. Households
with self-control problems save less due to lack of planning, monitoring and
commitment. Lesser savings and higher expenses lead to lower wealth
accumulation. Increasing credit access and developing specific saving goals
could increase accumulation chances for poorer agents, particularly in

\textsuperscript{6}The concept of quasi-hyperbolic discounting explains systematic preference reversal and
time inconsistency (Ainslie 1975) (Strotz 1956) (Laibson 1997) (Fudenberg and Levine 2006). Discounting
future compensations could lead to great anxiety because of the desire for early
rewards.

\textsuperscript{7}Consumption behavior is related to the life cycle. People are more susceptible to temptation
and tend to consume more during early ages (Ameriks, et al. 2007).

\textsuperscript{8}This reasoning implies a poverty trap. Under a certain asset level all possible behavioral
combinations lead to impoverishment. Above that asset threshold accumulation is possible
(Bernheim, Ray and Yeltekin 2015).
Historically, consumers lending has been highly regulated. The government restricts usury and limits the amounts, interest rates, and periods in which firms provide credit to their customers. Thus, many credit-risk individuals face credit constraints. Softening mentioned restrictions could improve borrowers’ options, depending on the use they make out of the resources and the quality of the credit provided\(^9\).

Access to loans can improve agents’ financial conditions, reducing income and consumption shocks\(^10\). Credit access could also aggravate financial distress for people with regulation problems, who could borrow to increase present consumption and then suffer to repay the debt\(^11\). When consumers underestimate future interest payments and/or fail committing to a proper repayment schedule, the future costs of borrowing overcomes the initial benefits. People still borrow assuming that they will repay debt in one period, but many cannot fulfill this plan. As a result they might fall into a costly cycle of borrowing and paying interests for many future periods\(^12\) (Melzer 2011).

Poverty and lack of self control options are common problems in many countries, particularly in emerging markets. Thus, policies to promote savings and accumulation among the poor may be effective solving or at least softening mentioned problems. Even temporary policies can be effective encouraging the poor to start saving. Also, actions to improve credit access can help people starting to save and gaining self control. More credit access implies the necessity to sustain discipline since a mistake could have severe consequences\(^13\).

Conscious people regularly save money from their paycheck. This means that they are better prepared to manage unexpected expenditures and probably will have sufficient money for retirement. Self-control also improves general financial behavior, and is essential to achieve financial wellbeing\(^14\).

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\(^9\) See (Bertrand, et al. 2010) field experiment in South Africa proving that expanded access to consumer credit improved economic wellness. (Dobbie and Skiba 2013) show that larger payday loans can reduce failure rate.

\(^10\) In the case of perfect capital markets, firms and individuals borrow or lend until their marginal rate of substitution between consumption today and consumption tomorrow is equal to the interest rate (R. Thaler 1981).

\(^11\) Conventional theory predicts that increased access to cheaper credit can reduce aggregate savings. The real effect of relaxing the credit limit depends on the agent’s level of initial assets (Bernheim, Ray and Yeltekin 2015).

\(^12\) See (Melzer 2011) behavioral model proving that increased credit access can lead to welfare reducing repeated borrowing. Thus, constraining credit can improve welfare in the future. “Payday Advance Loans” example shows benefits and costs of credit.

\(^13\) A credit contract offers a better deal if the borrower can stick to the more favorable repayment schedule. Evidence suggests that great self-control is required to stick to that schedule (Heidhues and Koszegi 2010).

\(^14\) Financial wellbeing depends mainly on financial anxiety and perceived financial security. Appropriate financial behavior has a negative impact on the former, and a positive one on the latter.
(Stromback, et al. 2017). In contrast, unsophisticated consumers struggle when facing a consuming-savings problem. Given a certain income level, every period they must decide how much to spend and save. But lack of self control leads them to prefer high expenditures. If they consume less, the implicit costs of self control rises. That way, the optimal behavior balance depends mainly on personal control (Gul and Pesendorfer 2001).

Consumers with self control issues will also tend to indebt above their repayment capacity if they can access credit. Without proper regulation, selling firms oftentimes take advantage of control issues to seduce consumers into over spending. As a consequence, tricked agents get trapped in a cycle of low savings, large debt and poverty (Heidhues and Koszegi 2010).

Sometimes, overestimating personal self-control has major wealth implications. People who feel too confident about their own control might lower the guard and engage in reckless behavior. Besides, controlling current impulses is costly, since it involves a tradeoff between present and future satisfaction. Then, if the “short-run” self gets access to all available wealth, savings rate will decrease to keep the cost of self control low. To increase savings, the person could commit to keep part of the money in a bank account and prevent the “myopic” self from over spending wealth. When agents gets too anxious for present consumption self-control becomes expensive, and the savings rate will drop to the minimum. If the “farsighted” self doesn’t care much about the mentioned costs, it would be easier to save for the future (Fudenberg and Levine 2006); (Frederick, Loewenstein and O’Donoghue 2002).

Anyhow, agents may act differently according to the size and the anticipation of the assets they get. Anticipated earnings are easier to save than unexpected ones. Evidence shows that the propensity to consume out of a small unexpected cash receipt is really high. If the same amount is received in a bank account, the probability of spending it is much lower. People use mental resources to mitigate self control issues. They may spend small cash receipts almost entirely arguing small consequences; but if the amounts increase, self restraint should overcome spending impulse to spread resources over future periods. (Fudenberg and Levine 2006).

According to the model of (Krusell and Smith 2003), savings levels depend only on current wealth and agents spending decisions over time. Increasing savings during present period allows two possible outcomes. Either

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15 The dual-self model of (Fudenberg and Levine 2006) is based on the assumption that the short-run self wishes to spend all available wealth on consumption while the long-run self wants to maximize wealth in the future.

16 Consumption can become a constant fraction of wealth if the agent’s discount factor of assets remains sufficiently close to one (Fudenberg and Levine 2006).
consumption increases in the second period, leaving the rest subsequent periods unaltered; or savings continue increasing indefinitely by keeping consumption low. If savings decrease during the first period, the agent will limit future resources and savings will remain low for the rest of the periods. The latter option affects also all future consumption. This reasoning suggests that saving too little is the wrong move if agents pretend to increase wealth and maximize future utility.

**Personal self control options**

Sometimes people try to regulate others’ behavior and persuade them to change their perspective. Similar tactics could be used to mitigate self control problems (Hoch and Loewenstein 1991).

Individuals could increase self control defining which type of behavior they encourage or avoid in order to achieve certain goals, and checking regularly whether their strategy is working or not. This situation could be described as someone self-making a contract to get a reward or a punishment depending on self-observation (Ainslie 1975).

Some techniques developed by agents to solve internal conflicts fall into two categories: “rules” and “incentives” (Thaler and Shefrin 1981). Incentives intend to modify the agent’s current preferences and desires. When the costs of persuasion are too high, consumers will appeal to rules that restrict available options17.

Internal mechanisms like “oaths”, “self-rewards” and “efforts of will” could be feasible if consumers are sophisticated enough (Ainslie 1975). First, people could take an oath linked to their religious beliefs to increase commitment with a particular behavior in the future. Second, they can stimulate control imposing credible rewards or punishments according to perceived success. Third, people can restrict their behavior exercising the organ of self control, commonly known as the power will.

According to (Hoch and Loewenstein 1991), two main factors influence self control: self control tactics and willpower strategies.

Self control tactics are designed to reduce consumers’ anxiety by Avoidance; Postponement and Distraction; or Substitution. The best way to escape time inconsistency is to avoid situations that increase eagerness for previously rejected alternatives. Postponement rules involve delaying a certain choice until a future period, limiting space for impulsiveness. Distraction is one of the best ways to reinforce delaying tactics, reducing the frustration related to the

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17 Agents’ current options can be limited by pre-commitment strategies. Usual strategies involve rules to encourage saving, dieting, etc.
waiting period. Substitution consists in offering oneself a smaller immediate reward for successfully eliminating a larger desire. Substitution tactics are also related to distraction.

Willpower strategies are meant to overcome a person’s impatience. The idea of overcoming desires implies solving internal conflicts driven by the existence of multiple motivations. Main willpower strategies include pre-commitment; economic cost assessment; time binding; bundling of costs; higher authority; and regret and guilt.

Pre-commitment strategies involve a consumer’s decision to impose certain constraints on future behavior. Individuals can eliminate the unwanted option, or impose such a punishment that the cost of deviating is higher than the tempting utility. The desire can be reduced if the agent knows that the option will not be available in the future. Anyway, pre-commitment strategies could be difficult or costly to start, and have limited effectiveness. People might still be tempted to break commitment or come up with an excuse to abandon the plan. When willpower based strategies fail, people could seek for externally enforced commitment devices.

Economic cost assessment aims for the conscious evaluation of costs and benefits related to desired goods. The problem with this strategy is that the expected benefits of consumption are immediate, while economic consequences seem remote. Agents might think that an expense is meaningless and underestimate the global effect of a separate purchase. Cost assessment is most efficient if the consumer manages to link the pleasures of a purchase with the economic consequences of the payment.

Time binding works as a form of pleasure management. It focuses in the positive benefits of delaying gratification. Pleasure management has proved to be an effective strategy to reduce impatience and frustration. But, its success depends on the agent’s ability to interpret future benefits. If the delay process is externally enforced, time binding is expected to be effective. If the delayed gratification depends only on the agent’s will, this mechanism is not very effective.

Bundling costs is another way to emphasize purchase costs. If the agent considers every expense a onetime thing it might be harder to account for the real economic impact. Adding all related payments can alert the consumer on the effect it has over savings, wealth, etc. When the consumer interprets each transgression as a repeated incident, this strategy could be effective controlling impulses.

Higher authority strategy is related to the commitment of consumers using believes. Some agents could try to resist impulsivity associating simple
transgressions with a violation of religious beliefs or moral values. If the consumer is really committed, any momentary lapse would represent a serious breach. Nevertheless, this is a dangerous strategy. When commitment fails, instead of continuing with self-control, people may consider they are a lost cause and abandon all further restraint.

**Regret and guilt** is linked to the psychic costs of inconsistent behavior. People could avoid taking a certain action if they anticipate that would regret afterwards. Feelings of guilt and shame could work as a defense against reckless behavior. Impulsive purchase behavior may be related to negative moral values. Social standards play a significant role regarding the interpretation these transgressions. Guilt and regret may be one of the most effective self-control devices since it reduces consumption desire and induces willpower.

Several self control theories argue that sophisticated agents would like to limit their inconsistent behavior, but fail doing so. Even using the strategies mentioned above, people find incentives and ways to deviate. But, self control tactics and willpower are not the only options to resist temptations. When personal mechanisms fail, externally enforced commitment devices become an option (Ameriks, et al. 2007).

**Demand for commitment devices**

Anticipation of future temptation leads to a preference for commitment (Noor 2007). When personal commitment options are not enough, agents may seek external commitment devices. Common commitment devices include irrevocable contracts, compulsory savings plans, “Christmas clubs”\(^{18}\), etc. Assuming that control issues arise from frictions between personal and social interests, incentives to use commitment devices can depend on social pressure (Ainslie 1975).

The key of external commitment devices is that they solve inconsistency problems when internal mechanisms cannot. Pre-commitment strategies usually require external assistance to be effective, especially towards investment goods\(^{19}\). Evidence suggests that the need for commitment of some agents is large enough to select alternatives that are not economically attractive.

\(^{18}\) See (R. Thaler 1980) for a “Christmas Club” example. Evidence shows that the average savings account balance of Christmas club user is high. This suggests that this device can be considered a tool for people who can save, rather than a solution for those who can’t.

\(^{19}\) Investment goods imply a present cost and they are supposed to yield increased benefits in the future. Committing to an investment decision is difficult for some agents because of the delayed rewards. Educational institutions for example are designed to enforce commitment. Paying for enrollment in advance supports schooling decisions since quitting would imply an immediate monetary loss.
Christmas clubs are particularly interesting since they pay no interest and limit possibilities of making withdrawals. Anyhow, many people choose to engage in such arrangements. Agents could open a regular savings account to get interests benefits, but they would still have access to the money during anxiety moments. Christmas clubs and similar mechanisms support the combined strategy of delaying consumption and controlling impulsiveness.

Passbook loans are curious too. In this case people use their savings accounts as collateral to get a loan of similar amount. The deposit they own generally pays fewer interests than the loan. People still choose the loan in spite of the obvious interest costs to guarantee that the money will be replaced and not spent (R. Thaler 1980).

Savings accounts with early withdrawals penalties are also an interesting option. The issue is deciding how big the penalties should be. If penalties are too high deposits could decrease, affecting the goal of raising net savings. On the other hand, consumers may recognize that the penalties help them overcome self control problems. In respond they may commit not to spend savings in the short-run and even make more deposits (Beshears, et al. 2015).

According to (Bernheim, Ray and Yeltekin 2015) demand for commitment is growing in developing countries. This could be related to the need of poor households to stimulate savings. It has been said that low initial assets can limit self control options. In such cases institutional intervention might have a big impact. Anyway, evidence suggests that the market provides few commitment devices in these economies. A possible explanation relies in the fact that financial markets are not fully developed in emerging markets.

Moreover, even if some agents have a need for commitment they might not demand such products. Also, some binding schemes are used because they offer other incentives beyond commitment (i.e. tax benefits). When these incentives disappear people might reject the product (Noor 2007).

Some authors argue that externally enforced devices can lead to conflicting results. On the positive side they can compensate for the absence of self-control when the level of assets is low. The downside is that commitment devices can undermine internal self-control mechanisms when assets are high. Thus, when internal strategies are somehow efficient, people could try to avoid outside options. This could also support the lack of commitment options demand observed in many contexts, particularly among the non-poor. Concerning emerging markets, even if commitment options prevent

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20 Policies can encourage savings providing special accounts for specific purposes, such as retirement, education, or medical expenses. People can be asked to define a savings goal, and the bank would lock up all funds until the goal is achieved. Similar pilot programs have been tested in developing countries (Bernheim, Ray and Yeltekin 2015).
Expenditures, they would not necessarily solve the issue of low income levels in the first place (Bernheim, Ray and Yeltekin 2015).

**Externally enforced commitment devices: Philippines’ case**

Improving commitment devices becomes important in developing countries considering that self control is particularly difficult for many people. Even if such products seem to be needed, they are not widely available in the market. Evidence suggests that the institutional evolution of commitment products is slow. Then, field experiments gain relevance from a promotional and assessment point of view. That is the case of (Ashraf, Karlan and Yin 2006) experiment testing a commitment savings product in the Philippines.\(^{21}\)

The instrument was designed for sophisticated consumers with hyperbolic preferences who wanted to limit control issues and increase their savings. The experiment wanted to test if people were willing to open a savings account with a commitment feature, and if saving rates would increase by using the account.

The account restricted access to the funds without offering further benefits. The interest rate paid on the account was identical to the interest paid on a normal savings account. After identifying the target population (hyperbolic consumers), individuals were assigned into different groups to test for the instrument’s impact.

After twelve months, average savings of the treatment group increased by 82 percentage points compared to those assigned in the control group. This increase in savings over one year suggests that treatment impact could be lasting, and not merely a short-term reaction to the novelty of the product. The experiment also found that women with hyperbolic preferences were more likely to take the device than men.

Anyhow, the welfare implications of the product are uncertain. Proving a positive effect in savings does not necessarily mean that welfare increases. Losing liquidity in their accounts can harm agents facing unexpected needs. An important implication for policy makers suggests that product design influences both savings levels as well as the selection of clients willing to take up the product. Moreover, the fact that many people took the product and actually increased their savings proves previous lack of other feasible options.

\(^{21}\) Find more examples in (Bernheim, Ray and Yeltekin 2015) on the design of Accounts to Promote Saving; (Shipton 1992) on the use of lockboxes in Gambia; (Thaler and Benartzi 2004) on employee commitments to save out of e wage increases in the United States; (Aliber 2001) on Rotating Credit and Credit Associations in South Africa; and (Gugerty 2007) on Commitment Credit Associations in Kenya.
From a market perspective, the Philippines experiment proves that not all agents want to consume commitment devices (only 28 percent of selected agents opened the account). The size of the demand depends on the amount of clients who are aware of their self-control problems and sophisticated enough to do something about it. If the demand is too low, it might be too costly for a bank or another private financial institution to develop such products. Governments and public institutions should step in when the market fails to provide these alternatives.

**Conclusions**

Self control is defined as the ability to regulate personal behavior in order to achieve certain goals. Self-control problems are related to reckless financial behavior. People with low assets usually have less self-control options.

Agents can use personal tactics to overcome temptations. When personal strategies fail, they may need external help. Demand for external commitment devices is growing; still the market provides few options. Some field experiments show that the demand for such mechanisms is even larger in developing countries.

Evidence suggests that government interaction becomes crucial to support self-control strategies in emerging markets. Actions to promote savings and accumulation may be effective expanding self-control options. Institutions could also create programs to develop better commitment devices.

Policies could be designed to encourage workers to save a fixed percentage of their salary. Promotion of self-help groups may be a way to reinforce savings decisions. Programs should also support better income levels and job access.

Some papers suggest that women are better controlling impulses and overcoming self-control problems. Then, proper programs could reinforce female empowerment regarding assets administration. Better control over resources should lead to higher wealth.

Public institutions can also develop strategies to educate partially naïve consumers to recognize their control problems and do something about them. Similar programs would be helpful to improve financial literacy, increasing people's knowledge related to self-control, savings, investments, etc. Good investment programs may show people how to accumulate resources rather than just spending their money.

Finally, governments could enforce regulations to protect consumers facing lack of self control. They might develop programs to support agents' debt
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repayment. Adequate policies could increase credit access under fair conditions, limiting the cost of funds and providing longer repayment periods.

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