Moral Incentives in Credit Card Debt Repayment:
Evidence from a Field Experiment

Speaker:
Dr. Martin KANZ
Economist
Development Research Group
The World Bank

Abstract:
We study the role of morality in debt repayment, using an experiment with the credit card customers of a large Islamic bank in Indonesia. In our main treatment, clients receive a text message stating that “non-repayment of debts by someone who is able to repay is an injustice.” This moral appeal decreases the share of delinquent customers by 4.4 percentage points from a baseline of 66 percent, and reduces default among the customers with the highest ex-ante credit risk. Additional treatments help benchmark the effects against those of direct financial incentives, understand the underlying mechanisms, and rule out competing explanations, such as reminder effects, priming religion, signaling the lender's commitment to debt collection, and provision of new information.

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