



Do people like financial nudges?

van den Akker and Sunstein, 2024

Context

Nudges have been used in the financial sector in several ways including changing the default to opt into pensions and removing minimum repayments for credit cards. In this paper the authors conduct an online survey to test whether people like financial interventions with a representative sample of 2100 Australians.

Prior research

Transparency

Previous research has found that **transparent interventions are perceived more favourably because they preserve people's sense of agency and autonomy over their choices**. However, one concern about making interventions transparent is that it may reduce their effectiveness, though there is a lack of supporting evidence. Currently, **it remains unclear under which circumstances transparency might reduce effectiveness, enhance it, or have no impact at all**.

Manipulation & Ethics

Research consistently shows that **people prefer System 2 interventions, which appeal to deliberative thinking**, over System 1 interventions that target automatic and fast thinking processes. However, despite them being less popular, System 1 interventions tend to be more effective. The acceptability of interventions depends on the domain and the specific type of intervention. Crucially, **autonomy emerges as a key determinant of acceptability, though perceptions of autonomy depend on the overall choice architecture, including how many alternative options are available to people**.

Messenger

Interventions that are proposed and developed by researchers are trusted and accepted more than those developed by the government. Specifically, within the financial sector, there are several players who could implement interventions: regulators and policy makers, independent researchers and commercial organisations like banks or credit unions. Research has shown that **since the financial crisis there is a negative attitude and lack of trust in the financial sector and this could spillover into attitudes towards interventions proposed by organisations**. This messenger effect, the party that imposes the intervention, may have impact financial interventions.

Research design

In this study, the authors created 36 different scenarios which contained different types of interventions. They randomly presented participants with 8 of these scenarios and tested their attitudes towards these interventions in terms of: approval, benefit, ethics, manipulation, the likelihood of use and the likelihood of use when proposed by a bank.



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Key Insights

On average people think financial nudges are beneficial, ethical and aren't manipulative. People are likely to use financial nudges, regardless of whether they are proposed by a bank.

Transparency

This study **found no significant effect of transparency on attitudes towards the financial institution**. This findings contradicts prior research findings that people look at transparent financial interventions more positive than those that are more hidden.

System 1 vs System 2

This study **found that System 2 nudges (ones that encourage deliberation) were rated significantly more positive and ethical than System 1 nudges**.

Messenger

People are slightly more likely to use a financial nudge when the messenger of the nudge is not explicitly known, however the effect difference is small and still positive with different types of messengers.

Demographic effects

Younger people (under 45), women and those earning higher incomes (over \$80,000 AUD) were found to be more positive towards financial nudges. Those in lower income groups and living in more rural areas rated financial nudges as less beneficial and less ethical.

Framing

Nudges framed around saving were perceived to be more beneficial and ethical than those around framed around spending.

Implications

- What nudges do you send out and how are they framed?
- How do you personalise nudges based on individual characteristics? Do you consider age, gender, geographic location, income?
- Which types of nudges are you using? System 1 or System 2?
- How do you think your customers feel about your nudges?
- Are you providing enough transparency about the nudge to ensure your customers maintain autonomy?