

“Performance Pay and Bank Loan Sales: Experimental Evidence from Vietnam”

Abstract

Despite a large literature on optimal performance pay, there is limited rigorous empirical testing of incentives for workers completing complex, open-ended tasks within high-stakes, real-world settings. In collaboration with a leading Vietnamese commercial bank, we implement and evaluate the impact of two incentive designs aimed at motivating loan officers to increase recruitment of women-owned or -led small and medium-sized enterprises (WSMEs) as new borrowing clients. The average loan size in this segment is about US\$40,000 (8 times Vietnam’s GDP per capita) and the largest loans are over US\$100,000. We randomly assigned the bank’s 50 branches, which employ 550 lending staff, across the following three groups for each of two 6-month study phases: (1) a monthly multi-category (“inclusive”) contest; (2) piece-rate incentives; or (3) control. The inclusive contest rewards not just overall top performing agents, but also top performers among new agents (“rookies”) and most improved performers. We are still working on data cleaning and analysis, but early results indicate large and significant effects for piece-rate incentives in more commercially dynamic regions. These results have the potential to inform strategies for bank lending and, more broadly, incentivizing organizational pursuit of niche markets.