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Do Prize-Linked Incentives Promote Positive Financial Behavior? Evidence from a Debt Reduction Intervention

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Abstract

Prize-linked programs are becoming increasingly popular, yet little evidence exists regarding their efficacy. I conduct the first field experiment examining whether prize-linked incentives can be effective in promoting debt reduction by randomizing access among 6,907 borrowers in a debt management plan. I find strong take-up of the program and that takers were timelier with repayment and paid off more debt. However, intent-to-treat estimates are precise zeros. These results suggest that despite strong interest and positive correlations, prize-linked incentives may not modify behavior and may simply attract individuals who are ex-ante likely to engage in the target behavior.

JEL Codes: D12; G23; G41

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