



# J-PAL

ABDUL LATIF JAMEEL POVERTY ACTION LAB



**ipa**  
INNOVATIONS FOR  
POVERTY ACTION

# Evidence on Financial Inclusion Products and Programs

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**8 March 2016 | SAMN Conference | Delhi, India**



# Agenda

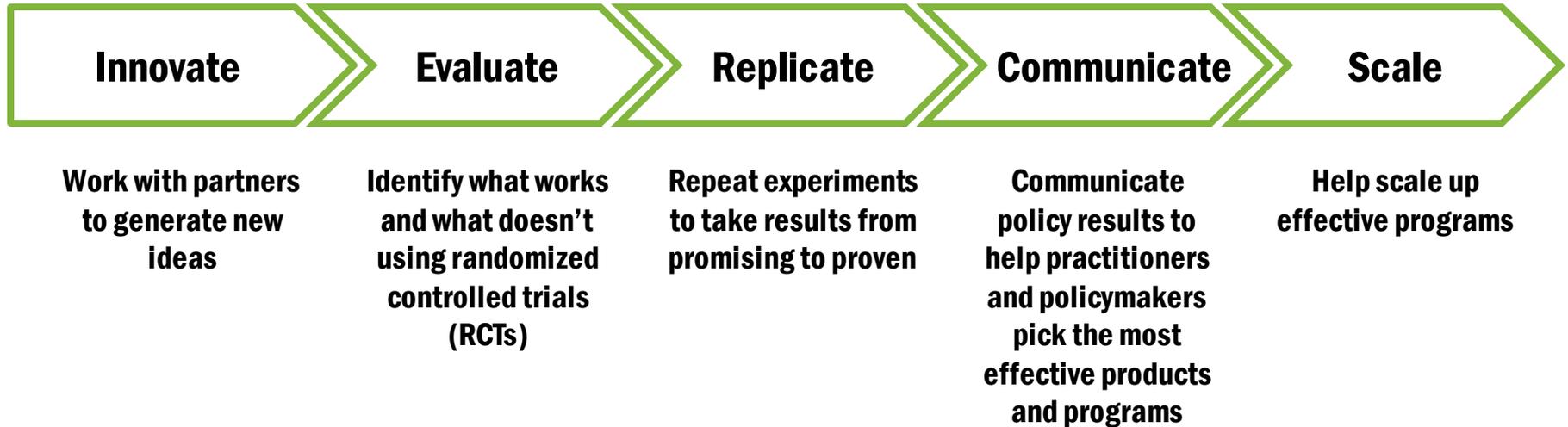


- Introduction to IPA and J-PAL
- Evidence on Financial Inclusion Products & Programs
  - Innovate and Evaluate: Mobile-izing Savings in Afghanistan
  - Replicate and Communicate: Reminders to Save in Several Countries
  - Go to Scale: Simplifying Financial Literacy Training with Rules of Thumb in the Dominican Republic and India
- Introduction to Randomized Evaluations
- Opportunities for Collaboration with IPA and J-PAL
- Question & Answer

# Innovations for Poverty Action (IPA)



**IPA was created in 2002 to discover and promote effective solutions to global poverty problems.**



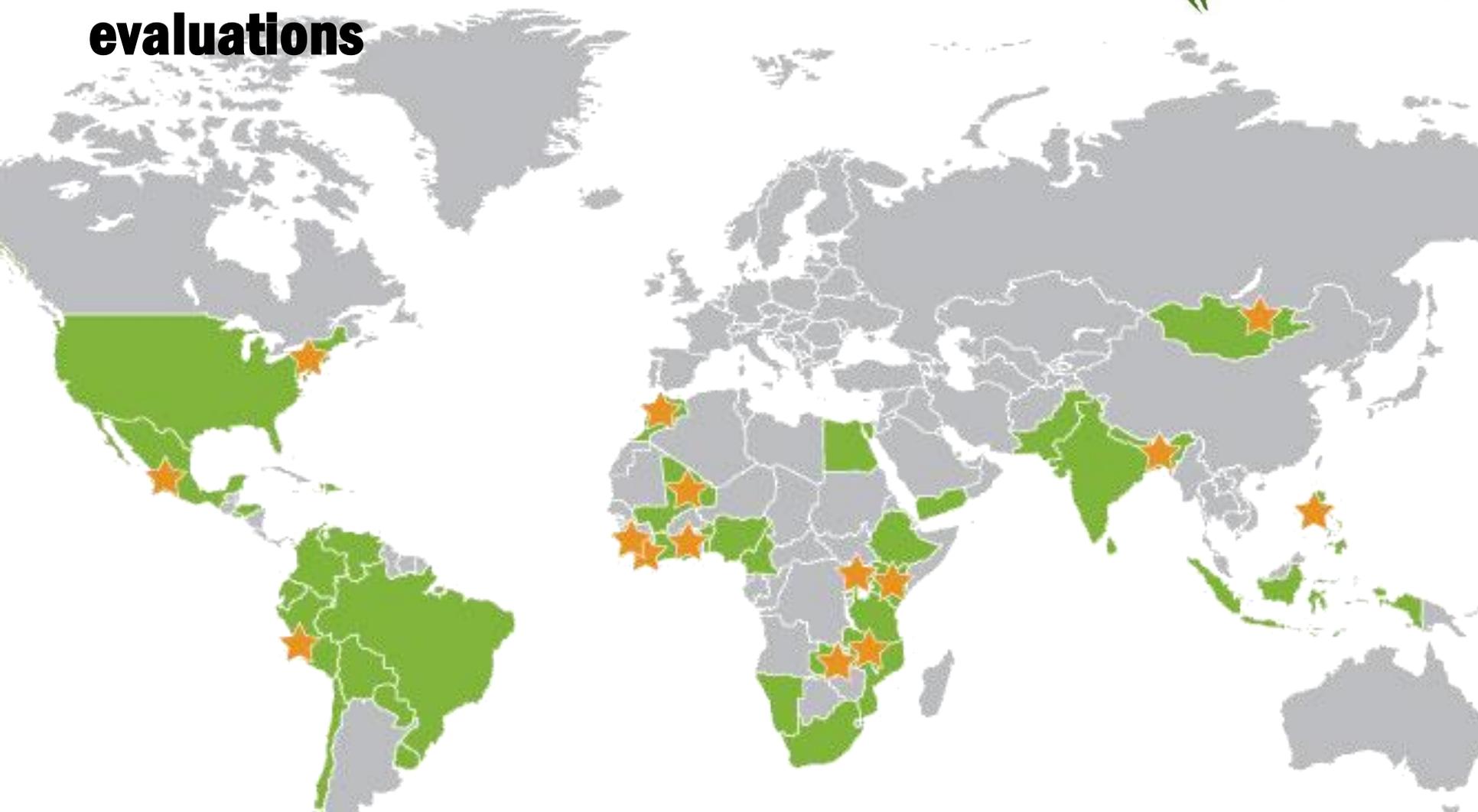
## Financial Inclusion Program (FIP)

- Design & test behaviorally-informed programs and products that encourage healthy financial decisions among the poor
- Financial capability work supported by the Citi Foundation

Citi Foundation



# IPA's extensive country office network has supported over 500 completed and ongoing evaluations

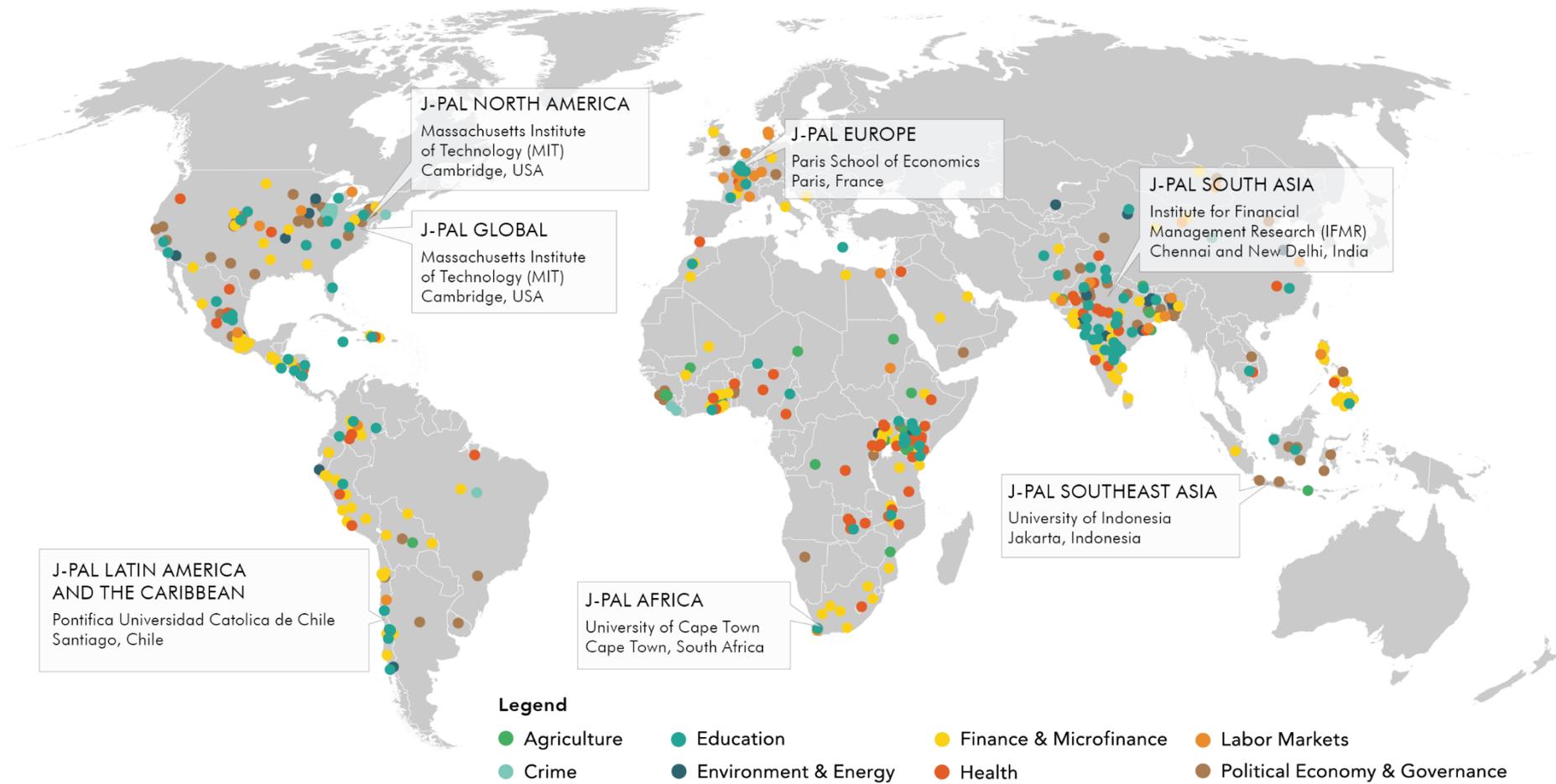


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# J-PAL's mission is to ensure that policy is informed by evidence and research is translated into action



# J-PAL has more than 700 ongoing and completed projects across 8 sectors in 64 countries



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# Evidence on Financial Inclusion Products & Programs

Innovate and Evaluate: Mobile-izing Savings in Afghanistan

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# Why are formal savings rates so low?



- **Low rates of formal savings in low-income countries**
  - 4% in Afghanistan, 13% in South Asia, 16% in SSA
  - 42% of developing country workers in/above middle-class
- **Many barriers to saving**
  - Credit and liquidity
  - Transaction costs, lack of infrastructure
  - Intra-household, intra-family dynamics
  - Behavioral explanations: Inattention, forgetfulness, salience, complexity, self-control
- **In high-income countries, automatic payroll deduction is one of most effective means to encourage savings**
  - 85% of Danes are “passive savers”
  - In U.S., automatic deduction increases participation by 50%-90%

# “M-Pasandaz”: Mobile money-based savings account

Afghanistan | Roshan

Firm employees

- Secondary mobile money account with basic functionality (check balance, transfer out)
- Automatic payroll deduction option
  - Up to 10% of monthly salary
  - Auto-deposited to M-Pasandaz on payday
  - Matching incentives provided by employer

This study is funded by the Citi IPA Financial Capability Research Fund supported by the Citi Foundation



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# Evaluation Design

Afghanistan | Roshan

Firm employees



## What is the impact of default status and matching incentive level on savings balances?

### 1. Default enrollment status

- A. **Default Out**: 0% of salary auto-deposits to M-Pasandaz
- B. **Default In**: 5% of salary auto-deposits to M-Pasandaz
  - Note: Employees can change rate at any time by calling HR

### 2. Matching incentive level

- i. No matching incentives provided
- ii. 25% match on all contributions
- iii. 50% match on all contributions
  - Note: Employees cannot change plan type

This study is funded by the Citi IPA Financial Capability Research Fund supported by the Citi Foundation

# Default enrollment increased contributions and total savings

Afghanistan | Roshan

Firm employees



## Default enrollment increased contributions.

- “Default in” group is 40 percentage points more likely to contribute
- “Default in” save extra 2500 Afs. (US\$40) in 6 months
- Roughly equivalent to a 50% employer match

## M-Pasandaz generated new savings.

- No evidence that employees reduced other savings
- Evidence of longer-term behavioral change

## The effect of default assignment was substantial.

- 47% of employees with no incentives still contribute 5%
- 45% with strong incentives still contribute 0%

This study is funded by the Citi IPA Financial Capability Research Fund supported by the Citi Foundation



# Evidence on Financial Inclusion Products & Programs

Replicate and Communicate: Reminders to Save

# Reminders to Save

Reminders to save can help clients pay attention to their financial goals.



*Image credit: pixgood.com*



*Image credit: Aaron Dibner-Dunlap*

# Reminders to Save

Philippines, Peru, Bolivia | First Valley Bank, Bank of ICA, Ecofuturo

Existing bank clients

## What is the impact of simple reminders to save on clients' savings account balances?

- Clients made a plan for monthly deposits or set a goal savings amount
- Clients received monthly reminders to save
- Researchers varied message content to determine which message content was most effective: +/- framing, mention goal and/or incentive
- A comparison group received no reminders

# Reminders to Save

Philippines, Peru, Bolivia | First Valley Bank, Bank of ICA, Ecofuturo

Existing bank clients

Reminder messages can increase savings balances if they bring the benefits of saving to top of mind.

- Sending any type of reminder increased the likelihood of reaching savings goal by 5%
- Messages that mentioned the savings goal and the reward for saving worked best
  - In Peru, increased savings balances by 13%
  - In Bolivia, increased savings balances by 11%



# Reminders to Save

Citi IPA Financial Capability Research Fund | Global



## Messaging Replications

*Why and how does sending people text messages improve saving and payment behaviors? What is the best way to implement effective messaging programs?*



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# **Evidence on Financial Inclusion Products & Programs**

## **Going to Scale: Behaviorally-Informed Financial Literacy Training**

# Behaviorally-informed financial literacy training

Dominican Republic | ADOPEM  
Microentrepreneurs



## Financial literacy training and counseling do not seem to change behavior.

- Meta-analysis of over 200 studies found close to zero effect on financial management behavior

## Potential Solution: Behaviorally-informed training that focuses on simplicity:

- Keep two “drawers” – business and household
- Assign yourself a weekly salary
- If you “borrow” from the business, pay it back
- Only give credit to customers if prior credit is paid off



# Behaviorally-informed financial literacy training

Dominican Republic | ADOPEM  
Microentrepreneurs

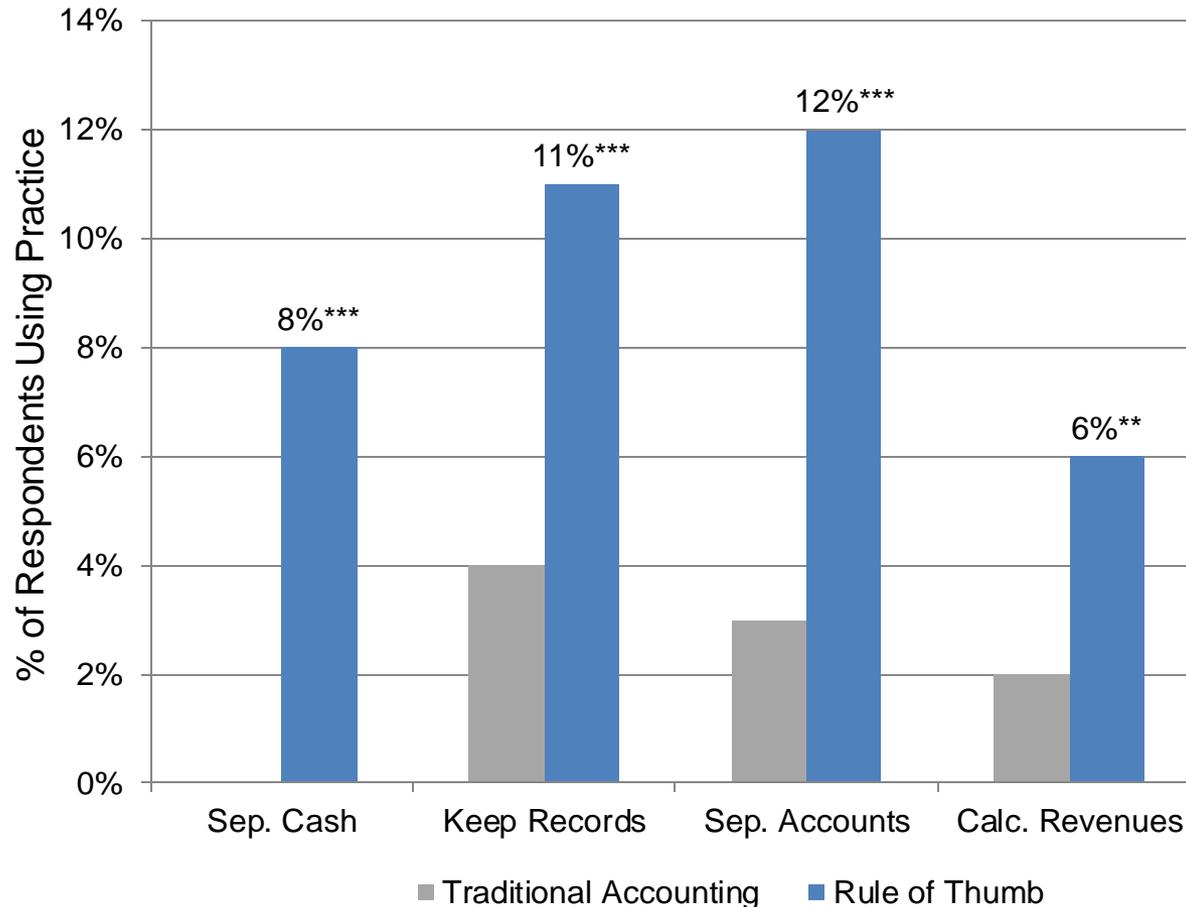


## Can a simpler training have a larger impact on business outcomes?

Standard Accounting Program	Rule-of-Thumb Training	Comparison
<ul style="list-style-type: none"><li>• Standard approach to small business training</li><li>• Content focused on double-entry accounting, working capital management, and investment decisions</li></ul>	<ul style="list-style-type: none"><li>• Simple rules / routines rather than comprehensive knowledge</li><li>• Content focused on separation of business and personal accounts</li></ul>	<ul style="list-style-type: none"><li>• No training</li></ul>

# Behaviorally-informed financial literacy training improved behaviors

Dominican Republic | ADOPEM  
Microentrepreneurs



Drexler, Fischer and Schoar, 2014.

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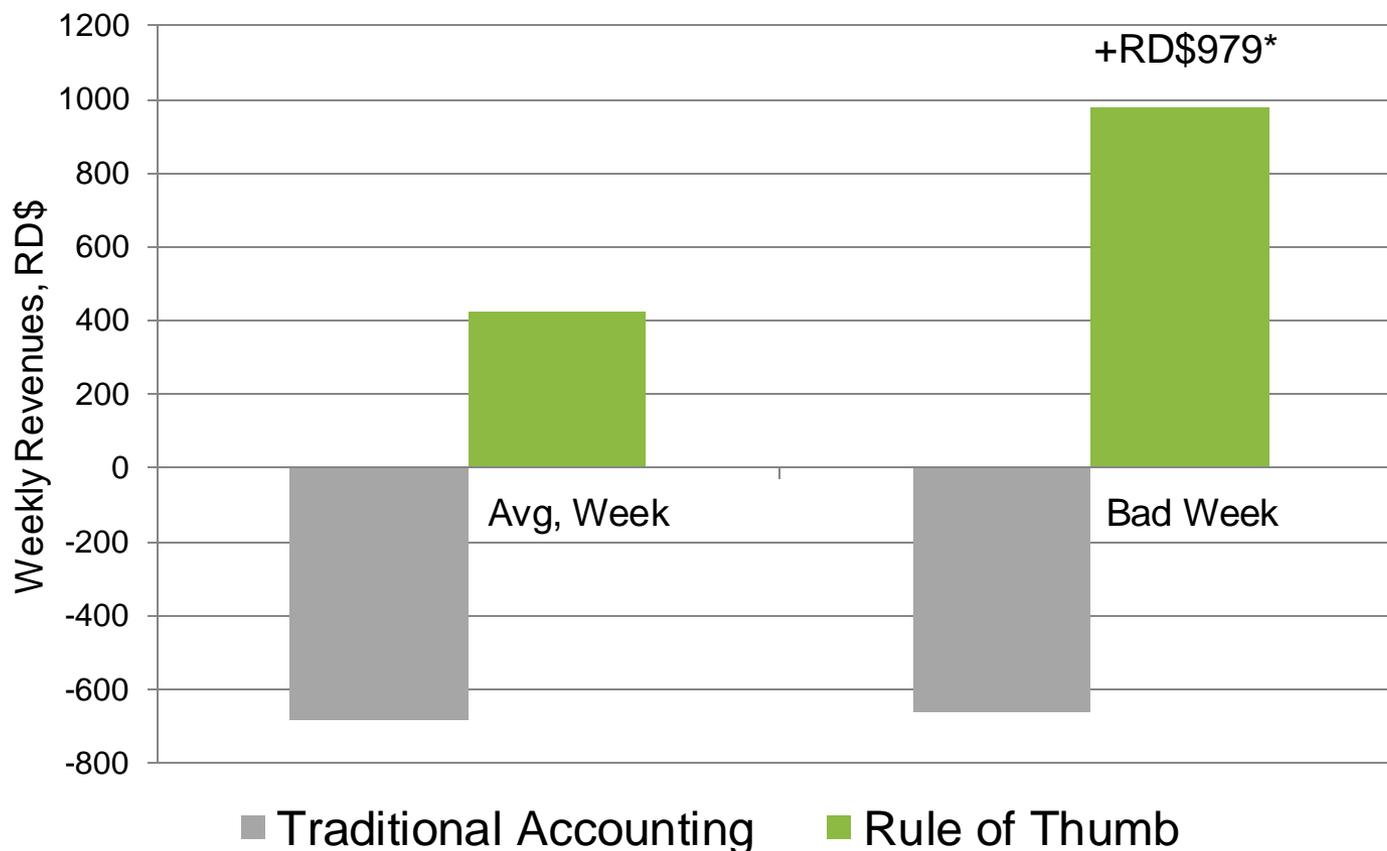
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# And increased business revenue index 0.11 standard deviations

Dominican Republic | ADOPEM  
Microentrepreneurs



Drexler, Fischer and Schoar, 2014.

# Behaviorally-informed financial literacy training

Dominican Republic | ADOPEM  
Microentrepreneurs



Simplifying content can improve knowledge and behavior, especially among those with limited initial skills.

- No impact detected from standard accounting training on business practices or revenue
- Relative to comparison, rule-of-thumb training improved:
  - Financial management / recordkeeping
  - Revenue (especially sales during “bad” weeks, which increased by 19%)
- Compared to standard accounting, rule-of-thumb more effective among low-skilled individuals



# Going to scale: Providing timely useful financial management advice via mobile

India | Janalakshmi  
Microentrepreneurs



What is the impact of a mobile phone-based rules-of-thumb training on the financial behavior of microentrepreneurs?



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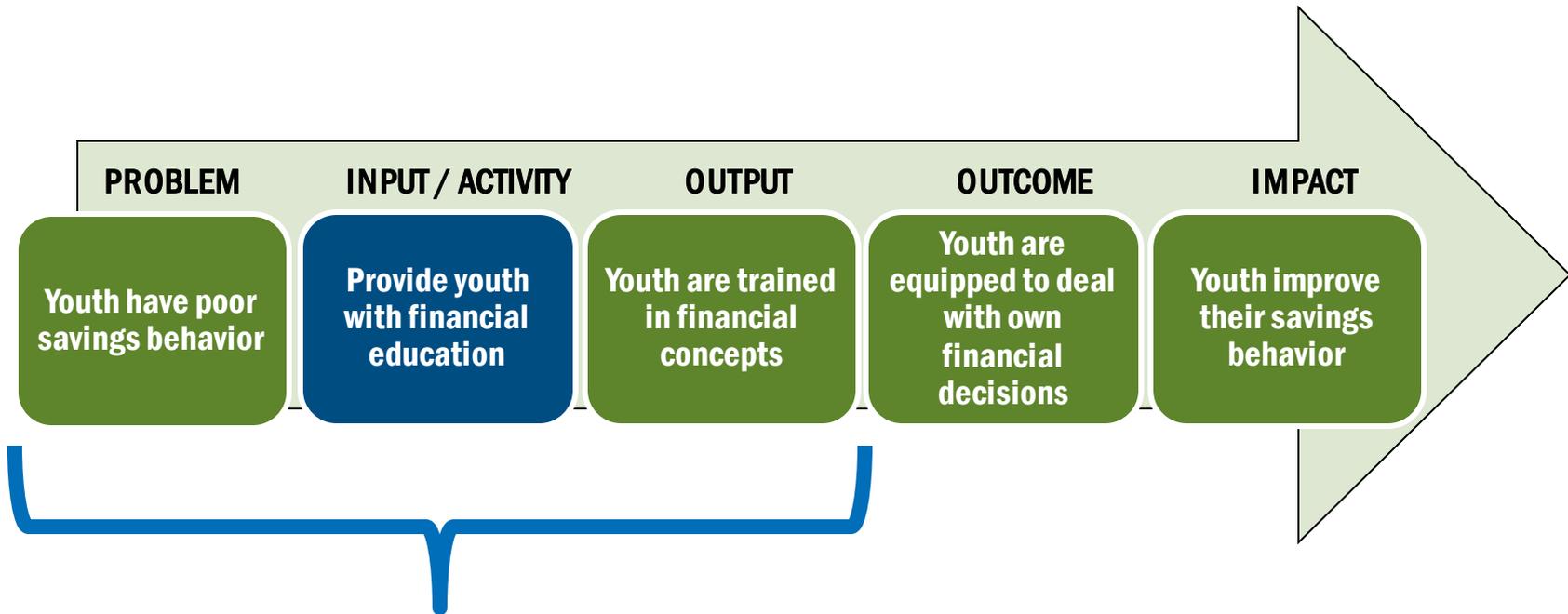
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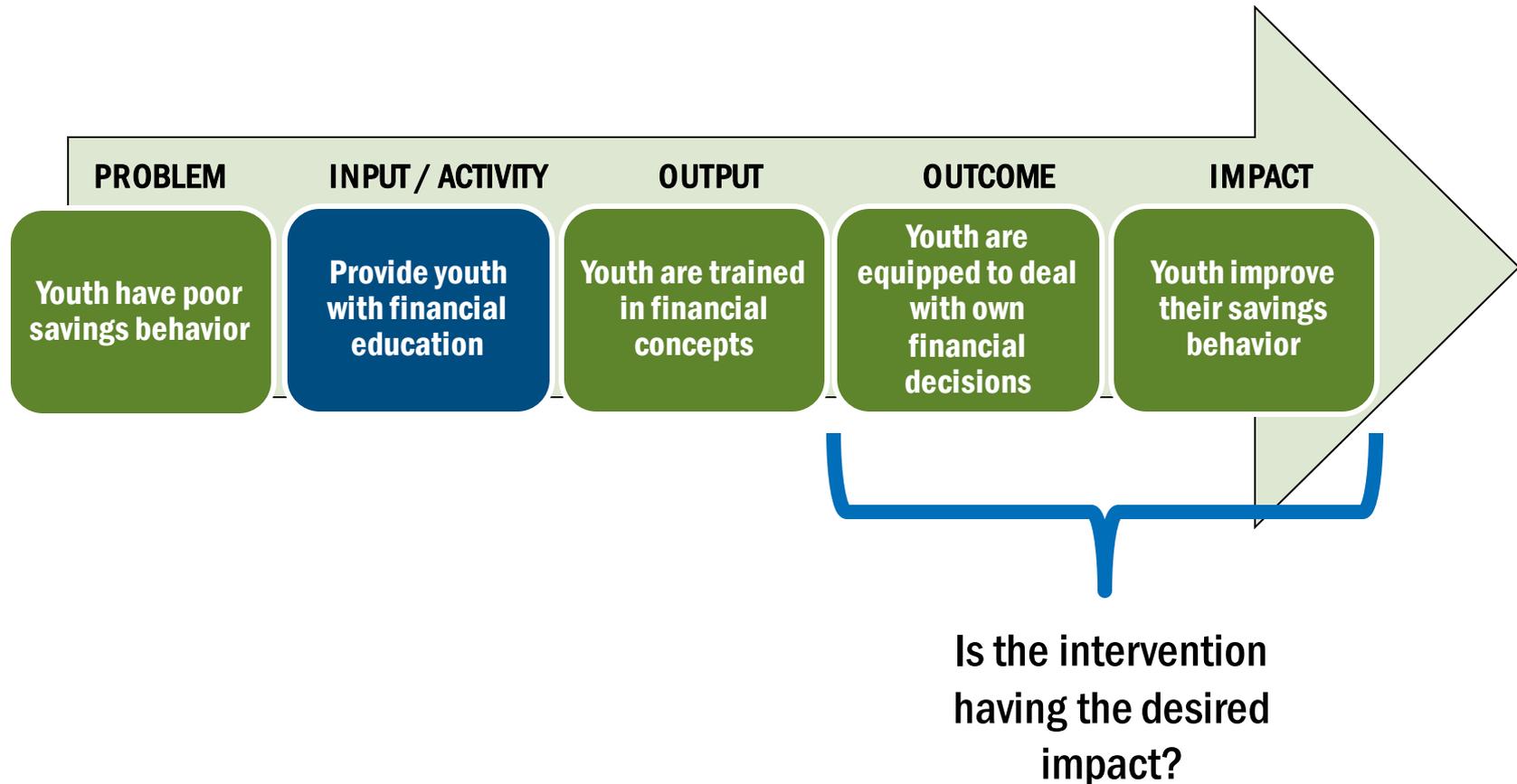
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# Introduction to randomized evaluations: Monitoring is different from evaluation



Is the intervention  
working as  
planned?

# Introduction to randomized evaluations: Impact evaluation



# Randomized evaluations are a powerful tool to measure impact as they use the comparison group as counterfactual



Before the program starts, eligible individuals are *randomly* assigned (via **LOTTERY**) to two groups.



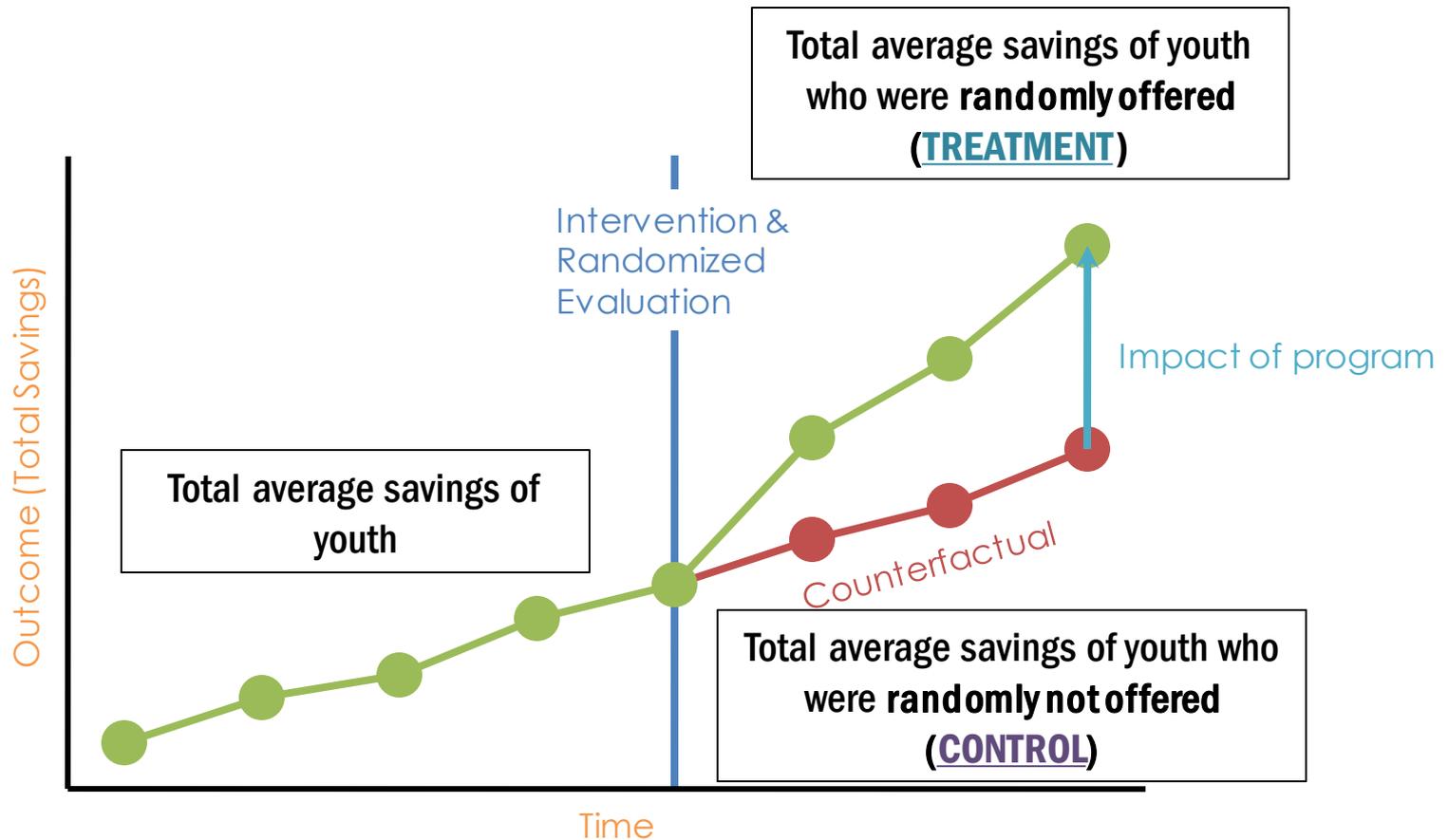
GROUPS ARE STATISTICALLY IDENTICAL BEFORE PROGRAM

TREATMENT

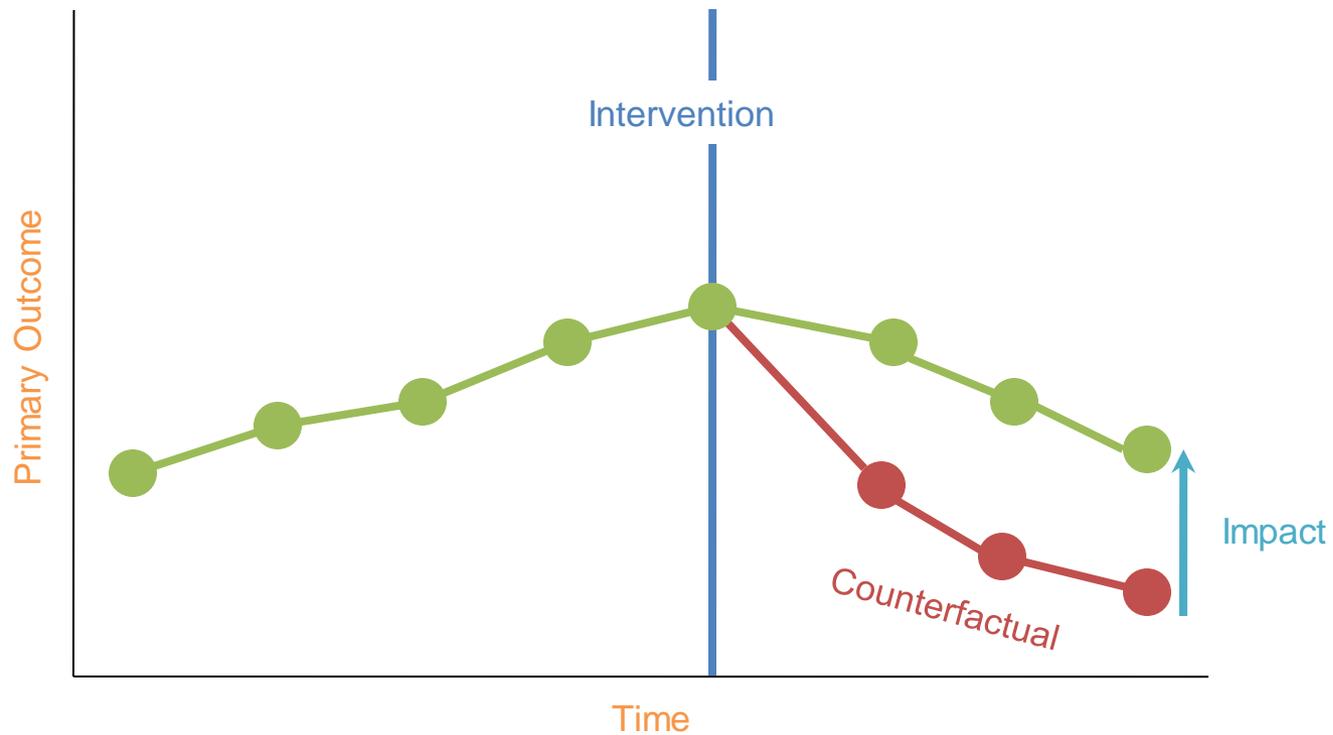


- Two groups continue to be identical, except for treatment.
- Later, compare outcomes (savings, health, test scores) between the two groups.
- Any differences between the groups can be attributed to the program.

# We use randomized evaluations to construct a counterfactual



# Impact: What is it?



# Opportunities for collaboration with IPA and J-PAL

**If your organization is interested to collaborate on a financial inclusion project:**

- Product Design
- Financial Skills, Awareness, Knowledge
- Consumer Protection

**Or if you would like to learn more about evidence on financial inclusion, please contact me:**

[afahey@povertyactionlab.org](mailto:afahey@povertyactionlab.org)



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# Questions?

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**Thank you!**

To collaborate with us, email  
[afahey@povertyactionlab.org](mailto:afahey@povertyactionlab.org)



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