

Building Evidence on Financial Capability



Innovations for Poverty Action

Innovations for Poverty Action (IPA) is a non-profit organization dedicated to discovering and promoting effective solutions to global poverty problems. In close partnership with decision-makers—the policymakers, practitioners, investors, and donors working with the poor around the world—we design and evaluate potential solutions to poverty problems using randomized evaluations, the most rigorous evaluation method available. We also mobilize and support decision-makers to use evidence-based solutions to build better programs and policies at scale. In collaboration with more than 400 leading academics and implementing organizations, we have designed and evaluated more than 275 potential solutions to poverty problems and have over 240 more evaluations in progress. Our studies explore ways to improve the effectiveness of agriculture, education, health, finance, governance, peace and recovery, and social protection.

The Financial Capability Initiative

With the support of the Citi Foundation, the Financial Capability Initiative at IPA incubates, develops, and rigorously evaluates products and programs that improve the ability of the poor to make informed financial decisions and adopt healthy financial behaviors. The Initiative evaluates innovative, product-linked financial education programs and financial products that aim to improve financial capability.

The Initiative currently supports nine research implementation projects across eight countries. Research implementation grants, ranging from \$75,000 to \$250,000,

enable teams of researchers and practitioners to conduct randomized evaluations to test applications of behavioral economics, design new products and programs, and optimize delivery channels for training and financial services.

The Initiative has also supported twelve successfully completed research planning projects. Research planning grants, awarded in amounts of up to \$15,000, help newly-formed researcher-practitioner teams pilot product and program ideas, refine research questions, and design new randomized evaluations and vet their feasibility.



IMPROVING PRODUCTS

Defined-Contribution Savings on a Mobile Money Platform

ROSHAN | AFGHANISTAN | 2013–2015

Research Team: J. Blumenstock (University of Washington); M. Callen (Harvard University); T. Ghani (Princeton University)

The expansion of mobile money presents new opportunities for employer-driven financial capability interventions in countries with less-established financial infrastructures. In this study, employees of Roshan, the leading telecommunications provider in Afghanistan, were provided access to a savings account linked to their existing mobile money salary account and were given the option to make automatic savings contributions each month. Randomly chosen employees were enrolled by default to automatically contribute 5% of their salaries directly into their savings account. The results revealed that default enrollment was an effective way to increase savings: after six months, employees who were enrolled by default saved about \$35 more than those who were not. They were also 40 percentage points more likely to make contributions, a change in participation rate roughly equivalent to providing a 50% employer match on savings deposits.

Simple Messages to Improve Financial Behavior

GLOBAL REPLICATION PROGRAM | 2013–2016

Research Team: G. Bryan (London School of Economics); D. Karlan (Yale University); J. Kendall (Bill & Melinda Gates Foundation); M. McConnell (Harvard School of Public Health); J. Zinman (Dartmouth College)

Every day, current needs and temptations compete with our long-term commitments and plans for the future. In recent studies, IPA researchers found that text messages can be an effective and inexpensive way to help people focus on their future needs. Messages helped low-income clients of financial institutions increase savings and improve loan repayments. In an effort to unpack the theory behind these promising results, we are supporting a replication program consisting of a comprehensive set of carefully designed messaging campaigns. The program will help us better understand the mechanisms through which messaging changes behavior, identify improved ways to deliver and design these messages, and build a set of guidelines, backed by evidence, which will help financial institutions design their own cost-effective campaigns to improve clients' financial behavior.

IMPROVING LEARNING

Personalized Information to Boost Retirement Savings

SUPERINTENDENCIA DE PENSIONES | CHILE | 2014–2016

Research Team: O. Fuentes (Superintendencia de Pensiones); J. Lafortune, J. Tessada (PUC Chile); J. Riutort, F. Villatoro (Universidad Adolfo Ibáñez)

Will providing citizens with personalized information and advice on saving for retirement improve their understanding and impact their saving decisions? In Chile, the government has made self-service kiosks that provide pension information publicly available throughout the country. Kiosk users randomly receive either general information on retirement savings or access to a simulator that allows them to view and tweak a forecast of their future pension wealth based on their personal financial situation. This study will allow researchers to measure the impact of offering personalized information about pensions on enrollment rates, long-term savings, and labor decisions of low-income individuals in Chile.

Targeted Financial Services & Training for Families of Migrant Workers

ALALAY SA KAUNLARAN INC. (ASKI), OVERSEAS WORKERS WELFARE ADMINISTRATION, & BANK OF THE PHILIPPINE ISLANDS (BPI) | PHILIPPINES | 2014–2016

Research Team: R. Barua (Indian Statistical Institute); D. Yang (University of Michigan)

Transnational households face complex financial decisions. Can financial literacy training delivered to families of migrants help them make sound financial decisions? Or will offering access to appropriate financial services have a stronger impact on their financial capability? This study compares these approaches. Families of migrant domestic workers in the Philippines are randomly assigned to either attend financial education classes, receive financial services and products, or both. The results of this study will allow us to compare the impacts and complementarities of financial education and the offer of financial services.

Basic Rules-of-Thumb via Mobile Phone

JANALAKSHMI & IDEAS42 | INDIA | 2014–2016

Research Team: S. Cole (Harvard University); A. Schoar (MIT)

What is the most effective way to equip microentrepreneurs with the necessary skills to address their financial management challenges? Traditional financial education curricula have shown sobering results for this population, but a recent study found that training that emphasizes key rules-of-thumb that are easy to remember and to adopt can be an effective way to improve financial capability. This study with Indian microentrepreneurs adapts this idea by sending messages with basic rules-of-thumb through push calls on mobile phones and following up with carefully designed SMS reminders that are relevant and attractive to end-users and will be sent at particularly useful times to optimize effectiveness. This study will test the impact of this inexpensive and scalable strategy on management behavior and financial outcomes among microentrepreneurs.

Savings Accounts and Financial Education for Youth

FINCA INTERNATIONAL, STRAIGHT TALK FOUNDATION, & CHURCH OF UGANDA | UGANDA | 2014–2015

Research Team: J. Jamison (The World Bank); D. Karlan (Yale University); J. Zinman (Dartmouth College)

Access to savings accounts and financial education are considered important to achieving financial inclusion. In 2010, a study with youth in Uganda compared the relative impacts of a 15-hour financial education program, a group savings account at a microfinance institution, and of both interventions combined. Short-term impact results show that all programs led to a significant improvement in savings and income, while only the education treatment led to an increase in knowledge among respondents. Results show no additional impacts from offering both interventions, suggesting that financial education and access to savings may not be complements. This study is undergoing a 3-year long-term follow-up to help researchers understand whether short-term impacts for youth translate into long-term behavior change and welfare improvements.

Moving Beyond Conditional Cash Transfers

SOLIDARIDAD & INSTITUTO DOMINICANO DE DESARROLLO INTEGRAL (IDDI) | DOMINICAN REPUBLIC | 2012–2016

Research Team: G. Fischer (London School of Economics); X. Gine (World Bank); D. Karlan (Yale University)

Solidaridad is a conditional cash transfer program that provides cash transfers to low-income households if they invest more in education, health, and nutrition. The research team is working with Solidaridad to build an add-on component to encourage beneficiaries to improve their household financial management and develop stable income sources from jobs or small business creation. This evaluation compares the impact of training groups led by peer versus professional facilitators in their ability to increase the beneficiaries' financial literacy, as well as the efficiency of Job Skills and Entrepreneurship training modules as labor market interventions. In particular, researchers are seeking to test whether there are heterogeneous returns for the two programs based on their demand for such training as determined in the baseline survey.

Coaching for Healthy Balance Sheets

SUPERINTENDENCIA DE BANCA, SEGURO Y AFP, DP WORLD | PERU | 2015–2016

Research Team: D. Karlan (Yale University); J. Zinman (Dartmouth College)

Recent research has shown promising impacts on financial behavior from financial coaching, a client-centered, action-oriented approach that focuses on behavior change and long-term financial goal development. Researchers are working with the Superintendencia de Banca, Seguros y AFP (SBS) in Peru, to design and implement a financial coaching program for low-income dock workers in the city of Callao, Peru. The program will consist of one-on-one weekly financial coaching sessions over a duration of six months. By randomizing delivery of the program, researchers will test the impact financial coaching can have on an individual's financial capability and unpack the financial decision-making of low-income urban Peruvians.

Self-Paced and Interactive Financial Training with Tablets

FUNDACIÓN CAPITAL & DEPARTAMENTO PARA LA PROSPERIDAD SOCIAL | COLOMBIA | 2014–2016

Research Team: O. Attanasio (University College London); M. Bird, P. Lavado (Universidad del Pacífico)

Can impactful financial training be delivered to conditional cash transfer recipients in a cost-effective and scalable way? In this study, researchers test whether using a carefully designed application that runs on tablet computers can achieve this objective. The LISTA tablet application, developed by Fundación Capital, serves as a decentralized, self-paced, customized learning platform for low-income people that can be used in the absence of a trained facilitator. The LISTA training modules are complemented by follow-up text messages to reinforce learning and provide savings nudges. By conducting a randomized evaluation, the researchers will measure the impact of LISTA on knowledge and financial practices of female recipients of a national conditional cash transfer program in Colombia.

RESEARCH IMPLEMENTATION GRANTS

Savings and Entrepreneurship among Children and Youth
SHANGHAI BETTER EDUCATION DEVELOPMENT CENTER | CHINA

Incentives for Financial Education Trainers
CFPA MICROFINANCE MANAGEMENT LTD. | CHINA

Rehabilitating Defaulters
FINAMÉRICA | COLOMBIA

Default Savings Deposits for Retail Clients
IADB & FUNDACIÓN MULTIMARKET | COLOMBIA

Incentives and Reminders to Save Up for Improved Housing
BANCO DE AHORRO Y CRÉDITO ADOPEM, S.A. & HABITAT FOR HUMANITY | DOMINICAN REPUBLIC

Inclusive Distribution Loans and Entrepreneurship
BANCO DE AHORRO Y CRÉDITO ADOPEM, S.A. | DOMINICAN REPUBLIC

Train the Trainer: Training Banking Correspondent Agents
FINO FINTECH FOUNDATION | INDIA

SMS for Savings: Payday Reminders for City Council Workers
KENYA FINANCIAL EDUCATION CENTRE & CITY COUNCIL OF NAIROBI | KENYA

Optimizing Health and Savings Education Delivery
HASAL MICROFINANCE BANK LTD. | NIGERIA

Micro-Franchising as a Complement to Micro-Credit
FUNDACIÓN PARAGUAYA | PARAGUAY

Assessing Demand for No-Claims Rebate Life Insurance
AGRO RURAL | PERU

Delivering Financial Rules-of-Thumb Training via Mobile Phones
ROOT CAPITAL | PERU



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