

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 these decision-makers to use these solutions to build better programs and policies at scale. In collaboration with over 400 leading academics and implementing organizations, we have results from over 275 completed studies with over 245 in progress around the world. Our studies cover solutions for effective agriculture, education, health, finance, governance, peace & 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 conducts tests and evaluations of innovative, product-linked financial education interventions and financial products that aim to improve financial capability.

The Initiative has awarded 23 grants to teams of researchers and practitioners: 11 research implementation grants and 12 research planning grants.

The research implementation grants, ranging from \$75,000 to \$200,000, enable research teams to conduct large-scale randomized evaluations to:

- Test applications of behavioral economics,
- Design new products and programs, and
- Optimize delivery channels for training and financial services.

The research planning grants, of up to \$15,000, help newly-formed researcher-practitioner teams to pilot ideas, explore research questions, and determine the design and feasibility of a randomized evaluation.



IMPROVING PRODUCTS

Default Savings Mechanisms for Conditional Cash Transfer Recipients

BANCO DEL AHORRO NACIONAL Y SERVICIOS FINANCIEROS | MEXICO | 2013–2016

Research Team: C. Chiapa (Colegio de México); S. Prina (Case Western Reserve University)

Conditional cash transfer recipients in Mexico receive their transfers directly in their savings accounts, but most withdraw the full balance rather than maintain any savings. In this study, participants will be given access to a separate emergency savings account. They will either be able to make voluntary contributions to the account or 10% of their cash transfer will get deposited into this account by default. This study will measure the change in overall savings levels of cash transfer recipients as a result of this intervention. Researchers will compare savings balances and the ability to pay for unexpected expenditures between beneficiaries who make voluntary deposits versus those for whom 10% of the cash transfer is deposited by default into the account.

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)

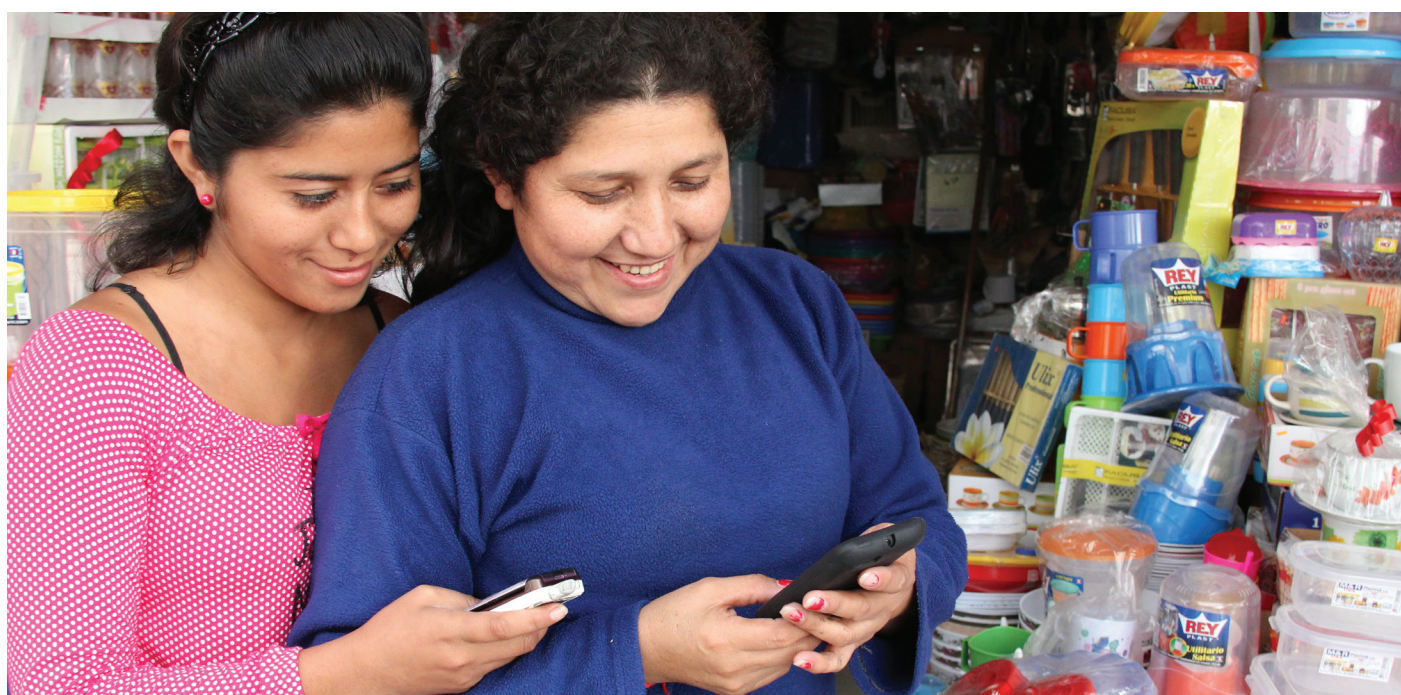
The expansion of mobile money has opened new opportunities for employer-driven financial capability interventions even in countries with less established financial infrastructure. In this study, employees of Roshan, the leading telecommunications provider in Afghanistan, are offered access to a savings account linked to their standard mobile money salary account. Employees are randomly given the opportunity to deposit a percentage of their monthly salary directly into the savings account, and some are also eligible for a savings-match incentive from the employer. The results of this study will explore the impact of a defined contribution savings account on long-term savings accumulation.

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

Targeted Financial Services & Training for Migrant Workers and their Families

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 migrants and their families 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.

Personalized Information to Boost Retirement Savings

SUPERINTENDENCIA DE PENSIONES | CHILE | 2014–2016

Research Team: Olga Fuentes (Superintendencia de Pensiones); J. Lafortune, J. Tessada, J. Riutort (PUC Chile); 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? The Chilean government is piloting self-service information kiosks in public offices throughout the country. Study participants receive general information on retirement savings at the kiosks or interact with a simulator to create and view a forecast of their future pension wealth based on their personal financial information, which is extracted from a government database, as well as their financial and labor market decisions. 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.

Self-Paced and Interactive Financial Training with Tablets

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

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

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.

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 (Consumer Financial Protection Bureau); 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)

How can the financial knowledge, skills, attitudes and behaviors of the poor be sustainably increased in order to improve financial decision-making and well-being? Recent research has shown promising results 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 6 months. Through a randomized delivery of the program, this intervention will allow researchers to test the impact financial coaching can have on an individual's financial capability, and unpack the financial decision-making of low-income urban Peruvians.

RESEARCH PLANNING 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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Citi Foundation

