

Building Evidence on Financial Services



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 Services for the Poor Initiative

The Financial Services for the Poor Initiative supports research on innovations that help low-income households in the developing world access and benefit from formal financial services. We address outstanding questions on how to design and scale innovations to bring affordable and effective services within the reach of previously unbanked and underserved clients.

The Initiative currently supports 28 research projects: 18 of which are funded through competitive research awards, and ten through an internal consultative process focused

on priority research questions.

Of these, 22 projects have received research implementation grants, for up to \$150,000 each, enabling research teams to conduct large-scale randomized evaluations on savings and payment innovations.

Six projects have received smaller research planning grants to pilot ideas, explore research questions, conduct qualitative fieldwork and background research, and assess the feasibility of a randomized evaluation.





CONSULTATIVE PROJECTS

Access to Savings in Nepal

GOOD NEIGHBOR SERVICE ASSOCIATION (GONESA) | NEPAL | 2010-2013

COMPLETED

Research Team: S. Prina (Case Western Reserve University)

The poor in developing countries have limited access to bank accounts and generally rely on informal savings mechanisms. This study seeks to understand whether offering free basic savings accounts to poor households leads to increased take-up of these accounts and how access to financial services affects their ability to accumulate savings. In a randomized evaluation, households were offered simple, no-fee bank accounts at local bank branches. Results from this evaluation show that there is a high demand for formal savings accounts. Access to accounts lead households to feel more in control of their financial situation and shift spending to education, meat and fish consumption, and festivals and ceremonies.

Informative vs. Persuasive Advertising of Savings Products

1ST VALLEY BANK AND GREEN BANK | PHILIPPINES | 2010-2014

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

If financial education can lead to increased usage of savings products, then why don't financial institutions deliver financial education messages as part of their advertising? One explanation for this relative lack of informational advertising is that it may make customers more likely to use savings products in general from any firm, thus yielding no direct benefits to the advertising bank. Persuasive advertising, trying to convince customers to choose one provider over another, may be a more effective way of advertising for a financial institution. This study assesses the impact of both informative and persuasive advertising to better understand the role of educational messages on the take-up of savings products.

The Impact of Smartcard Electronic Transfers on Public Distribution

GOVERNMENT OF ANDHRA PRADESH | INDIA | 2010-2014

COMPLETED

Research Team: K. Muralidharan and P. Niehaus (UC San Diego); S. Sukhtankar (Dartmouth College)

How can state-sponsored welfare programs improve their payment infrastructure in order to reduce financial leakages, transaction costs, and time spent accessing payments? In India, the nation-wide Aadhaar scheme aims to issue biometric IDs to all residents to enable electronic benefit transfers. In 2006, the government of the Indian state of Andhra Pradesh began a similar initiative to provide residents with "Smartcards" containing their biometric information in order to identify recipients of two large social welfare programs. Randomizing the roll-out of the Smartcard system in eight districts, researchers find that the new electronic payment process reduces the time recipients spend collecting payments, the variability in payment schedule, and the amount of financial leakages in the system.

Introducing Financial Services to Newly Monetized Native Amazonians

BOLIVIA | 2011-2014

Research Team: R. Godoy (Brandeis University); D. Karlan (Yale University); M. McConnell (Harvard University); J. Zinman (Dartmouth College)

In many indigenous communities throughout Latin America, traditional economies based on barter and reciprocity are rapidly becoming monetized. Previous research shows that individuals in these communities lack a safe place to save money and require a means to curb impulsivity. In this context, researchers are studying the impact of offering simple lockboxes that allow individuals to restrict access to savings, thereby improving their ability to stall unnecessary consumption in the present and improve savings.

Smoothing the Cost of Education: Primary School Saving in Uganda

FINCA UGANDA AND THE PRIVATE EDUCATION DEVELOPMENT NETWORK | UGANDA | 2009-2012

COMPLETED

Research Team: D. Karlan (Yale University); L. Linden (University of Texas at Austin)

Setting money aside for children's education can be challenging for poor households. In Uganda, the "Super Savers Program", a school-based savings initiative, sought to support pupils and their families to save money for education. The study conducted a randomized evaluation comparing the impact of offering a strong commitment product, where students received their savings in the form of vouchers for education-related purchases, to a softer commitment product, which allowed participants to withdraw their savings in cash and use it freely. A small market selling school supplies was organized at the school on the day that savings could be withdrawn to make it easy and convenient for both sets of students to spend their savings on education expenses. Results show that the softer commitment generated increased savings in the program accounts and, when combined with a parent outreach program, higher expenditures on educational supplies and test scores in some subjects.

Changing Behavior to Improve Household Financial Management

THE NEW BUILDING SOCIETY (NBS) BANK | MALAWI | 2011-2014

Research Team: L. Brune (Yale University); D. Yang (University of Michigan); X. Gine (The World Bank); J. Goldberg (University of Maryland)

Saving for long-term goals is difficult. Savings, especially when held in cash, can be spent prematurely on temptation goods or lent to friends and family. This study explores a range of interventions that may allow people to overcome such barriers and improve savings. The interventions tested include a savings account labelled for a specific goal, financial education training to improve clients' aspirations, and direct electronic deposit of cash grants into a bank account rather than receiving them in hand.



Evaluating the Take-up, Usage, and Impact of Mobile Money Accounts

EASYPAlSA | PAKISTAN | 2012-2015

Research Team: J. Blumenstock (University of Washington); G. Fischer (London School of Economics); W. Jack (Georgetown University); D. Karlan (Yale University); A. Khan (International Growth Centre); T. Suri (MIT)

Despite the fact that mobile money is less expensive, more convenient, and can offer a wider range of financial services than other payment channels, such as over-the-counter services and informal channels, take-up and usage of mobile money accounts has been relatively low in Pakistan. This study aims to identify and alleviate specific constraints to mobile money adoption such as lack of information on how to use the product or why the product should be used (i.e. its value proposition). The researchers are piloting a referral campaign to incentivize existing account holders to refer their friends or relatives to the mobile money platform and aim to identify which types of informational interventions and incentives are most effective at increasing the take-up and sustained usage of mobile money.

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 University); 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.

Mobile Money and Character Development among Ultra Poor Filipinos

BANKO | INTERNATIONAL CARE MINISTRIES | PHILIPPINES | 2014-2017

Research Team: G. Bryan (London School of Economics); J. Choi and D. Karlan (Yale University)

Informal savings groups are a common way for low-income households around the developing world to save for future expenses. Can these savings groups be integrated with mobile money to provide members with a convenient and safe platform for saving and making payments? Do households benefit from access to the additional financial services offered on a mobile money platform? This project aims to address these questions among poor households across Southern and Central Philippines. As part of a larger study exploring the effectiveness of a faith-based values, health, and livelihood program, poor Filipinos will receive training and encouragement to form village savings groups. Researchers will test if offering mobile money accounts to communities that receive this training can improve the saving group model.

Insurance Against Cognitive Droughts: The Psychology of Water Scarcity and Insurance

MGOV BRAZIL | FUNCEME | RURAL DEVELOPMENT SECRETARIAT OF CEARÁ STATE | BRAZIL | 2015

Research Team: G. Lichand (Harvard University), A. Mani (University of Warwick)

Recent research suggests that droughts may impact farmers' cognition in addition to their agricultural income. As water becomes scarcer and the risk of a poor harvest increases, farmers may focus so much attention on the availability of water that they perform worse on other mental tasks. In Brazil, researchers are studying the cognitive impacts of drought to understand if rainfall insurance can prevent these effects by reducing farmers' potential for a significant loss of income during a drought.



COMPETITIVE AWARDS

Redesigning Microsavings - Evidence from a Regular Saver Product

1ST VALLEY BANK | PHILIPPINES | 2012-2013 **COMPLETED**

Research Team: A. John (CREST-ENSAE)

Traditional commitment savings accounts encourage savings behavior by restricting withdrawals until a pre-set savings goal is reached. This study tests a natural extension of this design by offering households a new savings account that helps clients commit to a savings goal by mimicking the regular payment schedule and noncompliance penalties of a loan. Results show that the regular saver product is effective at increasing savings among clients on average. However, many savers appear to overestimate their ability to stick to their commitments, even with self-imposed penalty features.

Transaction Costs, Bargaining Power, and Savings Account Use

FAMILY BANK | KENYA | 2012-2014 **COMPLETED**

Research Team: S. Schaner (Dartmouth College)

Does making formal saving accounts cheaper and more convenient increase their usage? Does usage of these accounts vary by who owns the account within a household? To inform better product design, this study offered married couples in Western Kenya the opportunity to open up to three bank accounts: in the husband's name, wife's name, or both names jointly. A random subset of all opened accounts were then offered a free ATM card that reduced withdrawal fees and made the accounts more accessible. The study measures short-term and long-term impacts on household saving and spending. Preliminary results suggest that lowering transaction costs through ATM cards significantly increases the use of the savings accounts owned by men and of joint accounts, but not of accounts owned solely by women. This result seems to be driven by differences in intra-household bargaining power.

Incentives to Save and Behavioral Training for Habit Formation

MILLICOM GHANA LTD. | GHANA | 2012-2015

Research Team: G. Bryan (London School of Economics); M. McConnell (Harvard University)

Evidence suggests that many individuals find it difficult to put their savings plans into action even where formal savings options are available. One way to help individuals meet their savings goals is to encourage them to develop a habit of saving: if individuals become accustomed to making regular savings contributions, they may be more likely to meet their long-term goals. To test this idea, researchers are evaluating the effectiveness of two potential solutions to help small-scale vendors build a habit of savings: deposit matched incentives to save in a mobile savings account and a short training on using cues from everyday life to remember to save. The study measures if either of these programs is effective at increasing savings levels and whether higher savings levels sustain after the incentives and training are discontinued.

Effect of Income Timing and Structure on Consumption and Savings Behavior

MULANJE MOUNTAIN CONSERVATION TRUST | MALAWI | 2013-2014 **COMPLETED**

Research Team: L. Brune (Yale University); J. Kerwin (University of Minnesota); D. Yang (University of Michigan)

There is little research on whether the frequency and timing of wage payments or welfare transfers can help or hinder one's ability to save. Receiving income as a monthly lump sum, for example, may help some people save for large expenses. In other cases, a more frequent payment cycle may help people better manage their money and escape temptation. This study found that workers in Malawi who received their income monthly in a lump sum had more cash left the week after payday and were more likely to invest in a risk-free short-term "bond" than workers who received their pay in weekly disbursements. Moreover, when workers received their pay on market day they did not increase wasteful spending relative to those who received it the day before.

Powering Small Retailers: The Impacts of Solar Energy under Different Pricing Schemes

ANGAZA DESIGN AND SUNNYMONEY | KENYA | 2013-2014

Research Team: W. Jack (Georgetown University); T. Suri (MIT)

Access to electricity can help small retail businesses in rural and suburban areas earn more revenue by extending their hours of operation or offering additional services to customers, such as mobile phone charging facilities. As solar power becomes progressively cheaper to install and use, it presents a reliable electricity source for small businesses and households without access to the electric grid. Yet for small retail businesses, the high upfront cost of off-grid solar power systems may still be prohibitive. This randomized evaluation tests different pricing and mobile money-based payment methods to identify the most effective design for increasing the adoption and use of off-grid solar power systems among small retailers and measures the impact of electricity on business performance.

Evaluating the Impact of Delivering CCTs Through Bank Checking and Savings Accounts

MINISTRY OF SOCIAL DEVELOPMENT OF CHILE AND BANCO DEL ESTADO | CHILE | 2013-2015

Research Team: A. Banerjee (MIT); C. Martínez Alvear (Pontificia Universidad Católica de Chile); E. Puentes (Universidad de Chile)

Many beneficiaries of social welfare programs around the world receive their benefits in cash or by check. Can distributing welfare benefits through electronic transfers directly into bank accounts help some of these low-income individuals enter the formal financial sector? Researchers are partnering with the Chilean Government to evaluate the impact of a social welfare program's transition from cash distribution to electronic transfers. Using a randomized evaluation, researchers will measure how this change affects recipients' access to their funds, as well as their saving and consumption decisions.

Financial Inclusion for the Rural Poor Using Agent Networks

BANCO DE LA NACIÓN | PERU | 2013-2015

Research Team: U. Aldana (Instituto de Estudios Peruanos); A. Chong (University of Ottawa); S. Galiani (University of Maryland); P. Gertler (UC Berkeley)

Across the world, government-to-person cash transfer programs are providing beneficiaries with formal savings accounts as they shift from cash to electronic disbursements. However, preliminary research in Peru suggests that very few beneficiaries use these accounts to save, preferring instead to withdraw their transfers all at once. Researchers are conducting a randomized evaluation to determine whether a shift to branchless banking, where local bank agents serve as deposit and withdrawal transaction points for cash-transfer beneficiaries, significantly reduces the time and travel costs of accessing cash transfers and improves saving behavior. Researchers will also test whether financial literacy trainings can help beneficiaries adapt to the new system and better manage their finances.

Take-up and Utilization of Mobile Commitment Savings

MILLICOM INTERNATIONAL CELLULAR | RWANDA | 2013-2015

Research Team: J. Aker (Tufts University); J. Goldberg (University of Maryland); M. Kamande (Mount Kenya University)

Can mobile money effectively encourage savings activity and accumulation? This study examines a mobile money product innovation that allows customers to send money to themselves at a pre-specified date in the future. The product, called "Cash Bloqué," is a commitment savings device that builds on the success of mobile money transfers by offering clients a way to lock away their money for a period of time. Using a randomized evaluation, this study will test the impact of a text message marketing campaign and pricing variations to encourage take-up and usage of the product. Following the marketing campaign, the researchers will observe the impact of the Cash Bloqué product on participants' savings and consumption.

Enhancing Financial Inclusion Through an Innovative Locked Loan Product

GHANA | 2013-2016

Research Team: S. Anderson-Macdonald (Stanford); R. Chandy, and A. Lambrecht (London Business School); O. Narasimhan (London School of Economics)

This study will examine the business impacts of an “in-kind” loan product, where the lender buys a productive asset on behalf of a micro-entrepreneur instead of disbursing cash. Researchers are conducting a randomized evaluation of in-kind loans to determine whether the potential benefits of restricting the use of capital to overcome social pressures and behavioral biases outweigh potential shortcomings for clients as a result of the limited flexibility, fungibility, and divisibility of the loan. Randomly assigning a group of micro-entrepreneurs to receive an offer for either an in-kind or cash loan, the researchers will observe loan performance and business outcomes to examine the effects of restricting the use of capital and to understand which types of micro-entrepreneurs benefit the most from in-kind loans.

The Real Effects of Electronic Wage Payments

BANGLADESH | 2014-2015

Research Team: E. Breza (Columbia University); M. Kanz and L. Klapper (The World Bank)

Can employers help unbanked individuals enter the formal financial sector by offering their employees electronic wage payments? Researchers are working with a bank, a mobile money operator, and garment manufacturers to help answer this question. This study will randomly assign employees at select factories to either continue collecting their wages in cash, receive them as a mobile money payment, or as a direct deposit payment into a no-frills bank account. The research team will observe the effects of the new payment channels on the financial behavior of the employees. The researchers will also work with the employers to understand how best to transition to electronic wage payments and determine whether the new payroll systems are a worthwhile investment in terms of cost and productivity.

Saving for High School with a Mobile Money Lock-Box

KENYA | 2014-2015

Research Team: W. Jack and J. Habyarimana (Georgetown University)

Researchers are partnering with a mobile money operator in Kenya to offer a commitment savings product to parents whose children will soon be making the costly transition to high school. The product, which offers clients an interest rate bonus on balances maintained until a preset maturity date, is designed to encourage individuals to save for future expenses. Using a randomized evaluation, the researchers will assess how this product affects financial decision making as households prepare for the expenses associated with enrolling their children in high school. As households save over the course of the study, researchers will also test if regular text message reminders to save help parents meet their savings goals.

Incentivizing Savings through Default Deposits and SMS Reminders

BANCO DEL ESTADO | CHILE | 2014-2016

Research Team: A. Banerjee (MIT); C. Martínez Alvear (Pontificia Universidad Católica de Chile); E. Puentes (Universidad de Chile)

Can automatic monthly transfers from a checking account into a dedicated savings account help bank clients meet their savings goals? Can monthly SMS reminders to save or short ‘rules of thumb’ based financial training do the same at a lower cost? Researchers are partnering with Banco del Estado, a state-owned but independently run bank in Chile, to evaluate the impact of default deposits, SMS reminders to save, and short financial training for bank clients in low-income urban areas. Using a randomized evaluation, researchers will measure how these programs affect bank clients’ saving and spending decisions, as well as the cost-benefit of each program.

Informal Finance – Mapping Global Saving and Lending Practices

GLOBAL | 2011-2013

Research Team: D. Karlan (Yale University); G. Fischer (London School of Economics); S. Nadel (Harvard University)

Understanding the Emerging Micro-pensions Market in India

INDIA | FEBRUARY-JULY 2012

Research Team: O. S. Mitchell (University of Pennsylvania); A. Mukherjee (University of Wisconsin-Madison)

Saving for Birth in Kenya

CHANGAMKA MICROHEALTH LTD. | KENYA | 2012-2013

Research Team: K. Grepin (New York University); J. Habyarimana and W. Jack (Georgetown University); T. Suri (MIT)

Testing Variations in Soft-Commitment Savings Product Designs

KRISHNA BHIMA SAMRUDDHI (KBS) BANK

INDIA | 2013-2014

Research Team: P. Agarwal (IFMR); S. Vaziralli (University of Warwick); J. Burke, J. Luoto, and F. Perez-Arce (RAND)

Designing Index-Based, Savings-Linked Weather Insurance Products for Maize Farmers

GRAMEEN JANO UNNAYAN SANGSTHA (GJUS)

BANGLADESH | 2013-2014

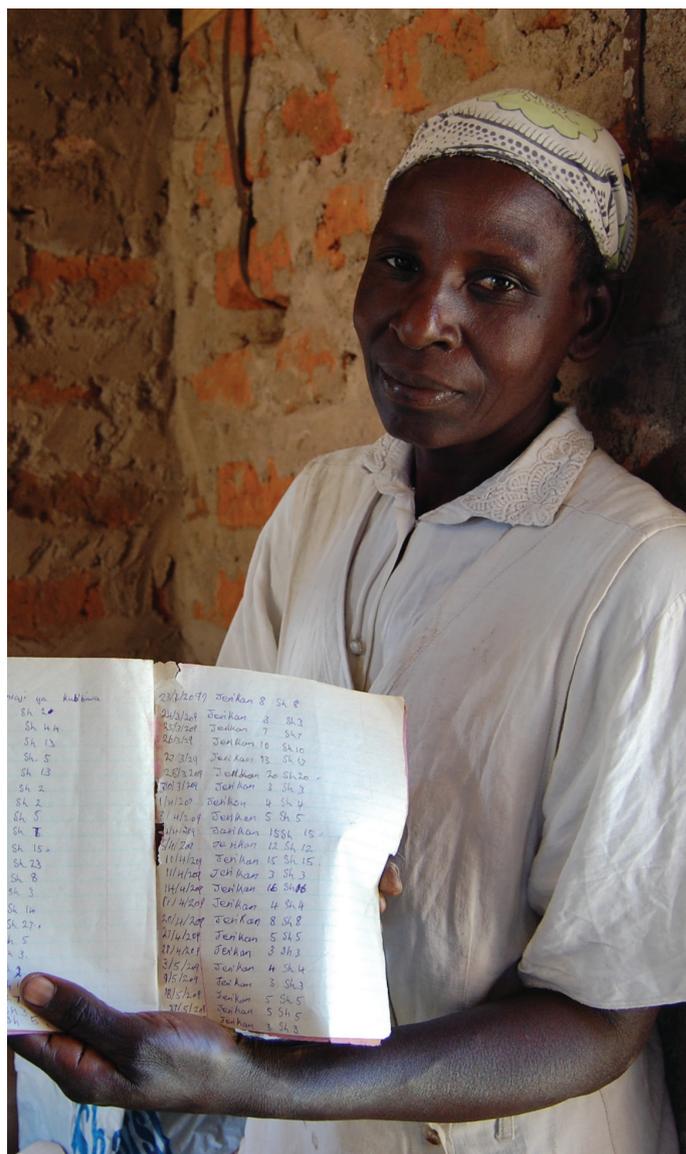
Research Team: S. Akter (National University of Singapore); S. Chantarat (Australian National University); T. J. Krupnik and F. Rossi (CIMMYT)

Preliminary Research for an Impact Evaluation of Islamic Mobile Micro-Savings and Credit

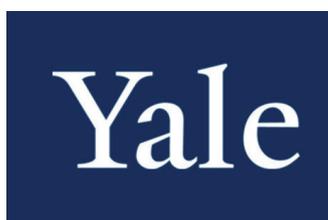
DAHABSHIL

NORTHWEST SOMALIA (SOMALILAND) | 2013-2014

Research Team: L. Hammond (SOAS)



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