Innovations in Behavioral Design & Delivery Channel for Financial Management Training

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What is ideas42?

We use the theories of behavioral science to design solutions to some of the world’s most persistent social problems.
Across domains, across the globe
Traditional financial products are designed to meet people’s expressed needs...

1. **If you build it, clients will come:** J-PAL / IPA meta analysis found lower product take-up rates than anticipated by MFIs, at 13-31%.

1. **Sign up doesn’t automatically mean usage:** Our work with CARD Bank found that 58% of newly opened savings accounts are dormant.

1. **Usage doesn’t automatically mean good results:** Over-indebtedness has become an important issue for the microfinance industry.

What does this have to do with behavioral science? People are inconsistent.
Financial literacy and counseling don’t seem to have much effect on behavior.

Meta-Analysis of 201 studies

<table>
<thead>
<tr>
<th>Change in knowledge</th>
<th>Change in behavior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biased</td>
<td>Partially de-biased</td>
</tr>
<tr>
<td>15.0%</td>
<td>7.0%</td>
</tr>
<tr>
<td></td>
<td>Quasi-experimental</td>
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<tr>
<td></td>
<td>3.4%</td>
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<tr>
<td></td>
<td>Randomized</td>
</tr>
<tr>
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<td>0.9%</td>
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</tbody>
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Behavioral principles behind Financial Heuristics: 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
Financial Heuristics affects behavior: It improves business practices…
And more importantly, business revenues
The solution at scale: Financial Heuristics training over mobile

Innovations:

• **Content:** Create behavioral content that results in changes in business practices

• **Delivery channel:** Reach clients where they are, with a phone mini series
THANK YOU

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