

New \$7.4 million Grant Will Support Research for Financial Inclusion

June 22, 2015 NEW HAVEN, CT: Innovations for Poverty Action (IPA) announced today a new \$7.4 million grant to support research on product design innovations that enable the poor to access, use, and benefit from financial services. This Bill & Melinda Gates Foundation grant will help researchers design effective financial services and products to serve the billions of unbanked and underbanked adults around the developing world and accelerate their transition out of poverty.

Access to safe and appropriate tools to mitigate risk, save, transact, and borrow money is an important avenue to help the poor transition out of poverty. Technology, particularly the growth of digital finance, is rapidly transforming and growing the suite of financial services accessible by the poor. While access is expanding, 46 percent of adults in developing economies remain unbanked, and important gaps in financial inclusion continue to persist for women and poorer households. An important challenge is to ensure (and measure) that the financial services and products accessed by the poor benefit them by helping them manage shocks and invest in their future.

“We’re seeing unprecedented gains in the ability to bring financial services to the poor,” remarked Dartmouth College’s Jonathan Zinman, academic co-lead of the initiative, “but do these financial services actually help the poor? We need more rigorous evaluations to understand whether they do, and how to do it better.”

Through a new 4-year initiative, the Financial Inclusion Program at IPA will build evidence on what works in financial services by supporting rigorous research on product design to help the poor manage and grow their money. The program uses an annual competitive fund to support randomized evaluations of financial services and product design, with a particular focus on services offered through digital channels. This initiative builds on a foundation of evidence which IPA developed in partnership with Yale University by testing solutions to foster the use of savings and payment products among the poor.

The research this grant supports will test innovations addressing the key barriers to financial inclusion faced by low-income households through product design. According to Dean Karlan of Yale University and academic co-lead of the initiative, “There is a need for more collaboration between researchers and financial service providers to design and test financial products for the poor. We are especially looking at ways to embed insights on human behavior into product design, and developing tools that are effective in helping women, farmers, and entrepreneurs fully benefit from access to financial services.”

The growing ecosystem of digital channels and payment technology is opening the way to new opportunities to deepen inclusion and the impact of these services on the lives of the poor by designing financial and non-financial products and services linked to digital payment platforms. “We’re excited to receive funding from the Gates Foundation to support cutting-edge research on effective financial solutions for the poor, and most importantly we look forward to the impact the work can have on helping the poor save and grow their money,” said Annie Duflo, IPA’s Executive Director.

The competitive fund will provide support to several randomized evaluations across at least three annual competitive funding rounds. The first Call for Expressions of Interest is now open and will accept applications through August 2, 2015. For more information and to apply to the competitive fund, please visit www.poverty-action.org/financialinclusion/competitivefund.

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Innovations for Poverty Action (IPA) is a research and policy non-profit that discovers and promotes effective solutions to global poverty problems. IPA brings together researchers and decision-makers to design, rigorously evaluate, and refine these solutions and their applications, ensuring that the evidence created is used to improve opportunities for the world’s poor. www.poverty-action.org

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