



IPA Global Financial Inclusion Initiative
2013 Expression of Interest - Application Form

supported by the Citi Foundation, the Bill and Melinda Gates Foundation, and Yale University

Applicant: please fill in this form using Times New Roman 10 font, single spaced. Double-click on the response box to check your preference.

Title of Proposed Study	Country / Countries
Using Lotteries to Encourage Saving	Kenya

Research Areas	
Please indicate if your proposal relates to one or more of the initiative's focus research areas below:	
Savings Products	<input checked="" type="checkbox"/>
Payment Channels and Mobile Money	<input checked="" type="checkbox"/>
Financial Capability	<input type="checkbox"/>

Barriers to Financial Inclusion	
Please indicate if your proposed intervention addresses one or more of the following barriers to financial inclusion:	
Transaction costs	<input checked="" type="checkbox"/>
Lack of Trust and Regulatory Barriers	<input type="checkbox"/>
Information and Knowledge Gaps	<input type="checkbox"/>
Social Constraints	<input type="checkbox"/>
Behavioral Biases	<input checked="" type="checkbox"/>
Other (please specify):	

Study Type	
Please select one of the three types of studies considered under this EOI.	
<input type="checkbox"/> Product Test - Single-Site (capped at \$75,000 per grant)	
<input type="checkbox"/> Product Test - Multi-Site (Citi IPA Financial Capability Research Fund only, capped at \$250,000 per grant)	
<i>Product Tests typically involve the use of administrative data from the financial service provider with minimal or no dedicated survey data collection.</i>	
<input checked="" type="checkbox"/> Product Evaluation (capped at \$150,000 per grant)	
<i>Product Evaluations typically involve field data collection using surveys combined with administrative data.</i>	

Project Snapshot	
In no more than 50 words describe what you are proposing to do.	
<p>We are proposing to create and evaluate lottery-linked deposit accounts (LLDAs) among informal workers in Nairobi slums. LLDAs are savings accounts that pool interest and pay out returns to probabilistically in lump-sums rather than small, regular amounts. We aim to determine if we can make a virtue out of peoples' love for lottery.</p>	

Please indicate how you heard about the Competitive Fund's call for Expressions of Interest:			
Email from IPA	<input type="checkbox"/>	IPA Website	<input checked="" type="checkbox"/>
Email from Citi Foundation	<input type="checkbox"/>	IPA Conference	<input type="checkbox"/>
Referred by a colleague	<input type="checkbox"/>	Other (specify): _____	<input type="checkbox"/>



IPA Global Financial Inclusion Initiative
2013 Expression of Interest - Application Form
supported by the Citi Foundation, the Bill and Melinda Gates Foundation, and Yale University

RESEARCH TEAM

Each research team should be comprised of at least one researcher and at least one practitioner organization.

1. PRIMARY RESEARCHER First and Last Name

Dan Ariely

Position and Affiliation What is your job title and institutional affiliation?

James B. Duke Professor of Psychology and Behavioral Economics, Duke University

Country of Residence	Contact Email(s) and Website	Contact Telephone
USA	dan@danariely.com, danariely.com	+1 (919) 6607703

Research Experience

Provide information about your experience directly managing and overseeing field-based research projects. If you have conducted Randomized Controlled Trials (RCTs), provide details on your work.

How many field-based research projects have you overseen? ☐ None; ☐ 1; ☐ 2; ☒ 3 or more

Have you conducted Randomized Controlled Trials? ☒ Yes ☐ No

If yes, please provide information on your 3 most recent RCT projects:

study title -- co-authors -- location of implementation -- year -- resultant working papers or publications

Extending Social Protection to Informal Sector Workers; (with Merve Akbas, David Robalino and Michael Weber); Kenya; 2013; in the data collection phase.

Healthier by Precommitment; (with Schwartz J, Mochon D, Wyper L, Maroba J, Patel D); South Africa (2013); resubmitted for invited revision to Psychological Science;

Inviting Consumers To Downsize Fast-Food Portions Significantly Reduces Calorie Consumption, (with Schwartz J, Riis J; Elbel B); Health Affairs (2013); USA

Other Researchers (if applicable)

Please add the name(s) and contact information of other researcher(s) collaborating on this proposal.

Co-Applicant Name <small>First Name, Last Name, Job Title</small>	Affiliation	Contact <small>Email Address(es)</small>	Country of Residence
Merve Akbas	Duke University	merve.akbas@duke.edu	USA
Chaning Jang	University of Hawai'i	cajang@hawaii.edu	USA

2. PRACTITIONER ORGANIZATION

The term "practitioner organization" refers to the practitioner carrying out the interventions that you propose to study. This organization is normally a financial service provider or a provider of training/services.

Name of the Organization	Microsave Consulting Ltd.		
Organization's Website	www.MicroSave.net		
Lead Contact Person at the Organization <small>First and Last Name and Title</small>	Mike McCaffrey		
Country of Operation	Contact Email(s)	Contact Telephone	
Kenya	Mike@MicroSave.net	+254-20-2724801	



IPA Global Financial Inclusion Initiative
2013 Expression of Interest - Application Form

supported by the Citi Foundation, the Bill and Melinda Gates Foundation, and Yale University

Other Practitioner Organizations Involved in the Study(if applicable)

Please add the contact information of other practitioners that are carrying out interventions as part of your study design.

Implementing Organization <small>Name</small>	Applicant Name and Job Title <small>First Name, Last Name, Job Title</small>	Email(s) and Website
Financial Sector Deepening Kenya	Ravindra Ramrattan, Economist, +254 727 168 247	ravindra@fsdkenya.org , http://www.fsdkenya.org

PROPOSAL

Motivation (max. 150 words)

Briefly describe the context and the problem that your proposed study aims to address. Please reference any key relevant literature.

Although access to savings accounts for the poor has improved in recent years, demand for savings and usage of savings accounts is a stumbling block for full financial inclusion¹. Researchers have developed and tested new and innovative ways to spur demand – including text messages, puzzle pieces, lockboxes and deposit collectors, with varying degrees of success^{2,3,4,5}. Our study proposes to test a scheme that has been around for thousands of years and seen as anathema to savers – lotteries. Although lotteries are derisively referred to as a “tax on the poor”, lottery-based savings products have attracted savers for hundreds of years⁶. Versions of these accounts exist in various forms around the globe⁷, but none have been rigorously evaluated as a method of attracting deposits from the poor. Recent experimental evidence has shown that lottery incentives holds promise in increasing savings among the poor, unbanked, and gambling prone population.^{8,9,10}

¹Dupas, P., Green, S., Keats, A., & Robinson, J. (2012). *Challenges in banking the rural poor: Evidence from Kenya's western province* (No. w17851). National Bureau of Economic Research.

²N. Ashraf, D. Karlan, and W. Yin. Deposit collectors. *Advances in Economic Analysis & Policy*, 6(2), 2006a.

³N. Ashraf, D. Karlan, and W. Yin. Tying odysseus to the mast: Evidence from a commitment savings product in the philippines. *The Quarterly Journal of Economics*, 121(2):635–672, 2006b.

⁴Dupas, Pascaline, and Jonathan Robinson. 2013. "Why Don't the Poor Save More? Evidence from Health Savings

⁵D. Karlan, M. McConnell, S. Mullainathan, and J. Zinman. Getting to the top of mind: How reminders increase saving. Technical report, National Bureau of Economic Research, 2010

⁶A.L. Murphy. Lotteries in the 1690s: Investment or gamble? *Financial History Review*, 12 (2):227, 2005.

⁷M.S. Kearney, P. Tufano, J. Guryan, and E. Hurst. Making savers winners: An overview of prize-linked savings products. Technical report, National Bureau of Economic Research, 2010.

⁸K. Atalay, F. Bakhtiar, S. Cheung, and R. Slonim. Savings and prize- linked savings accounts. 2012.

⁹K. Jandoc and C. Jang (2013). *Putting the 'Vice' in Savings Device: An Experiment on Prize-Linked Savings*. Working paper.

¹⁰E. Filiz-Ozbay, J. Guryan, K. Hyndman, M.S. Kearney, & E. Y. Ozbay, (2013). *Do Lottery Payments Induce Savings Behavior: Evidence from the Lab*(No. w19130). National Bureau of Economic Research.

Product / Intervention Studied (max. 75 words)

Briefly describe the product(s), intervention(s), or issue(s) you would like to study. Do not discuss the study design here.

This study aims to test the feasibility of using lotteries to increase demand for commitment savings. We propose to create a savings mechanism whereby the act of saving enters customers into a lottery. Lottery-linked deposit accounts work by pooling interest payments and distributing them in bulk to fewer recipients rather than piecemeal to all. In our mechanism, winners of the lottery receive additional funds into their savings account, while those who do not win receive no interest.

Core Hypotheses / Research Questions (max. 100 words)

List and explain the key research questions that you propose to study. Clearly state your hypotheses.



IPA Global Financial Inclusion Initiative
2013 Expression of Interest - Application Form

supported by the Citi Foundation, the Bill and Melinda Gates Foundation, and Yale University

We are primarily interested in learning if we can use lottery devices as a way to encourage the poor to save. Specifically, we are interested in understanding how behavioral nudges and the attractiveness of gambling changes a person's perception towards act of saving.

Our first hypothesis is that lottery linked deposit accounts will have significantly higher take up and usage rates compared to similarly structured interest bearing accounts with an equivalent expected return.

Our second hypothesis is that framing matters. We believe that framing the product that maximizes regret will significantly increase take-up and usage rates compared to an equivalent product that does not mention regret.

Target Population (max. 75 words)

Briefly describe the study's location and population targeted.

The target population for this study will be informal workers in Nairobi's slums. The study will recruit and randomly offer lottery-linked deposit accounts (LLDA's) to informal workers from Kibera and Viwandani slums. Informal workers are subject to highly variable income and are among the poorest residents in Nairobi. People from these areas also have lower access to formal savings accounts.

Study Design and Implementation (max. 350 words)

Describe the study design, the methods you intend to use to test the study's hypotheses, and the data collection plan. Outline the chosen randomization strategy and the strategy for analyzing results.

The study will be run as a randomized controlled trial with four arms. Participants in the study will be randomly assigned into the following groups:

- 1) Interest: Those in the 'Interest' group are enrolled in a commitment savings account with a fixed interest rate.
- 2) Lottery: Those in the 'Lottery' group are enrolled in a commitment savings account. The account pays no interest, however, by saving, a client is entered into a lottery, which gives a probabilistic payoff with equal expected return to that of the Interest account.
- 3) Lottery + Regret: This account is the same as the Lottery account except we maximize the saliency of regret in not entering the lottery. To do this, we enter all clients into the lottery whether they save or not. However, to redeem a prize, a client must have saved.
- 4) Comparison: This group is not enrolled in any account.

We will conduct baseline, midline and endline interviews. Midline interviews will coincide with the expiration of the first commitment savings lock-in and will allow us to analyze the determinants of continued participation and whether participants 'recycle' savings in lottery accounts.

Data collection will start with a census of randomly selected villages within Kibera and Viwandani. We will then randomly assign households to participate in the study. Then, conditional on participation, we will randomly assign groups on the individual level, with the male and female heads of household independently assigned groups. Survey data will be combined with administrative data from our institutional partner for analysis.

Comparing 1 vs. 2 & 3 tell us, holding the level of access constant, if demand can be increased through lottery-based accounts. 2 vs. 3 tell us the marginal effect of framing the lottery (does regret saliency increase demand and usage?). Comparing across all groups allows us to understand what welfare effects, if any, exist for these types of savings accounts.



IPA Global Financial Inclusion Initiative
2013 Expression of Interest - Application Form

supported by the Citi Foundation, the Bill and Melinda Gates Foundation, and Yale University

Policy Implications (max. 75 words)

Explain the expected policy relevance of the study's results.

Results from this study will directly inform the fund administrator of potential interventions it can use to increase savings. Successful interventions can be carried out at scale by our institutional partner. More broadly, the policy ramifications are 2-fold. 1) Better understanding how incentives - especially those seen as 'vices' - can be used for positive behavior. 2) Understanding the importance of framing in financial product adoption and usage.

Tentative Project Timeline Please provide a tentative timeline for the implementation of this study.

Is this project ongoing?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Tentative Project Start Date (DD / MM / YYYY)	01/01/2014
Tentative Project End Date (DD / MM / YYYY)	06/30/2015

Tentative Project Budget Provide a tentative budget for the study.

Total Project Budget (estimate) <small>* include activities that have been implemented or will be funded by other donors</small>	100,000 USD
Funding Requested by the Global Financial Inclusion Initiative <small>* if the project does not have other donors/funding sources, enter the total budget proposed</small>	75,000 USD
If funding was secured from other sources, please list all donors and amounts: Center for Advanced Hindsight, Duke University	



IPA Global Financial Inclusion Initiative
2013 Expression of Interest - Application Form

supported by the Citi Foundation, the Bill and Melinda Gates Foundation, and Yale University

Rename this file: "GFII EOI 2013 ResearcherLastName PractitionerOrgName"

Acceptable file formats are: .pdf .docx .doc

Please email your submission to gfii@poverty-action.org.

The subject line should read:

"GFII EOI 2013 ResearcherLastName PractitionerOrgName"

Proposal Checklist

Please make sure that your application is complete and attach the documents requested.

Attach **curriculum vitae** (CVs) of **all** applicant researchers.

Please name each file: "Researcher Last Name_CV.pdf"

Acceptable file formats are: .pdf .docx .doc



Attach a **signed letter of support** from the practitioner organization(s) collaborating in the study.

The letter should briefly summarize the main operations and experience of the organization in the field and motivate the interest in collaborating in the study. Please name each file: "PractitionerOrgName_SupportLetter.pdf"

Acceptable file formats are: .pdf .docx .doc



Verify that all fields of the Expression of Interest application are completed.



Read the Terms and Conditions presented on the next page.



General Terms and Conditions

1. This Call for Expressions of Interest ("EOI") is not and shall not be construed to be a contract, offer, or request for an offer. Those responding to this EOI receive no rights whatsoever as a result of their submissions. Innovations for Poverty Action (IPA) will not have any express or implied obligations or responsibilities to those who respond and will not otherwise be bound by any terms or conditions, except to the extent set forth in a definitive, final, written agreement duly executed by the recipient(s) and IPA. There is no commitment by IPA that such a final agreement will be executed, even if IPA enters into negotiations with a person submitting a proposal(s), proposed recipient(s), or his or her institution.

2. Innovations for Poverty Action in its sole and exclusive discretion may reject any or all proposals with or without notice or reasons, withdraw this EOI at any time before or after delivery of proposals, or if no proposal is accepted, abandon the EOI.

3. Innovations for Poverty Action further reserves the right in its sole and exclusive discretion to waive irregularities or defects in any proposal, but in no event will IPA have any obligation to do so. Moreover, IPA will not be responsible for errors or omissions by anyone submitting a proposal, and IPA shall be the sole judge of the responsiveness, appropriateness and completeness of any and all proposals.

4. Innovations for Poverty Action reserves the sole and exclusive right in its discretion to modify the timeline for decision-making or otherwise modify or amend this RFP as it deems appropriate.

5. All responses to this EOI become the property of IPA. Regardless of any markings identifying the proposal or its content as proprietary or confidential, IPA reserves the right to disclose or use any information contained in the proposals and other presentations responsive to this EOI.

6. Innovations for Poverty Action is not responsible for and will not reimburse any costs incurred in submitting materials or information pursuant to this EOI or in otherwise responding to this EOI, including but not limited to evaluating, responding, providing follow-up, negotiating, and otherwise complying with it.

7. Those submitting a proposal(s) agree to be bound by the terms of their proposal for at least sixty days from the date such proposals are due, and they otherwise agree to negotiate in good faith any other terms for a definitive arrangement if selected by IPA to do so.

8. Those submitting a proposal(s) certify that the work product they propose to create or use if they are a grant recipient will not infringe on or violate the intellectual property rights (including but not limited to trademarks, copyrights, patents, trade secrets, moral rights) or privacy rights of any person or entity. Those submitting proposals, materials, or information further certify that they have or will have such ownership or use rights in such work product sufficient to allow IPA to achieve its purposes as generally provided for in this EOI.

9. Grant recipients agree that, if requested by IPA, they will provide additional information about any subcontractors, graduate students, research assistants, and other third parties engaged by the grant recipient to provide services. IPA reserves the right in good faith to approve any such persons in order to ensure consistency with IPA's expectations of quality and character.

10. Innovations for Poverty Action reserves the right to request additional information from any or all persons submitting proposals. Such persons agree to make themselves available for follow-up as reasonably requested by IPA.