Randomised Control Trial of a Financial Inclusion Program in Papua New Guinea

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Outline

- What is an impact evaluation?
- Background to the program and setting of the evaluation
- The financial inclusion program
- The design of the impact evaluation
- Initial findings
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The number of new impact evaluations has grown exponentially since 2000...
What is the impact of this program?
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Background on the Program being Evaluated

• Microfinance Expansion Project is a $24.06 million project administered by CEFI and Bank of PNG, financed by ADB and DFAT

• A key component is the Financial Literacy Program (FLP) that aims to increase the use of financial services, particularly in rural areas and among women in PNG

• The FLP has occurred in all provinces in PNG since it began in 2010.

• Over 210,000 people have participated, around half of which are women
Setting of the Evaluation
There are 3 main banks for personal accounts that operate in Wewak Town.
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Three components of Financial Inclusion Program

1. 2-day financial literacy training on topics including saving and budgeting
Three components of Financial Inclusion Program

1

Bank agents from 3 banks offer bank accounts on day 2 of training

2
Three components of Financial Inclusion Program

1.

2.

3. SMS reminders to save, every 2 weeks after the training
Three components of Financial Inclusion Program

The program has a number of features that were highlighted by Innovations for Poverty Action as best practice for financial inclusion in such settings.
The main outcomes that the program aims to improve are:

1. **Financial literacy and financial planning behaviour** (eg budgeting and savings)
   i. Share of respondents that sets a target of how much to spend each week/month
   ii. Share of respondents that saves a fraction of their income each week/month

2. **Use of formal financial products**
   i. Share of respondents that own a commercial bank account
   ii. Share of respondents that deposit money in their bank accounts at least once a month
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How the counterfactual is being estimated

1. Conduct Baseline Survey in 80 villages
2. Provide Financial Inclusion Program to 40 RANDOMLY SELECTED Treatment villages
3. Conduct Endline Survey in 80 villages

80 villages in the district
40 villages randomly selected to receive program
Random selection of villages
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Almost 30% of adults in treatment villages have attended the training.
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Promising findings if we restrict our attention to before-after comparison.
However the RCT suggests there are not any large effects from the program
Some key takeaways

- These results are in line with a number of mixed findings from similar financial inclusion programs globally.

- Bundling together of multiple interventions doesn’t seem to lead to a significant change in results, at least in this setting.

- The results from this impact evaluation suggest financial inclusion activities in PNG should shift their focus away from outputs (e.g. number of people trained) and towards ensuring the activities have a large impact.
FINANCIAL LITERACY TRAINING
FUNDED BY ASIAN DEVELOPMENT BANK AND SUPPORTED BY UNIVERSITY OF SYDNEY AND BANK OF PAPUA NEW GUINEA.
Additional Slides
Overview of rural Wewak district

- The **population of 90,000** in Wewak district is concentrated around Wewak town
- More than half of households in the remote sub-districts earn **less than US$30 a month**
- In rural regions people typically **grow food crops**
  - Cocoa main cash crop, also bananas
- The **cost to reach Wewak Town** from within the district can be as high as US$5 one way
Theory of Change of the Program

- Attending Training
- Improves financial literacy
- Improves financial planning behaviour
- Increases Savings Behaviour
- Increases use of formal financial products
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E.g.,
- Avoiding unnecessary purchases
- Stick to savings and budgeting targets
Theory of Change of the Program

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E.g.,
- Keep money for planned future expenses
- Keep money to cover unforeseen events
Theory of Change of the Program

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50% have a bank account at baseline, but half of those not regularly used
Issues with implementation of program and/or survey
Around 2/3 of participants have got a bank account
Use of Bank Accounts

![Graph showing the distribution of deposits for pre-existing accounts and accounts opened during the program.](image)
Effect of SMS messages

![Graph showing the effect of SMS messages on the number of deposits. The graph has dates on the x-axis and the number of deposits on the y-axis. There is a spike in the number of deposits on the day the SMS was sent.](image-url)