

Evaluation of Project “Advancing Digital Solutions for Financial Inclusion” in Colombia

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This would not have been possible without Mauricio Romero, Santiago Ruge, Matthew Bird and Jorge Zavala, who worked on the design and analysis of the evaluation.



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1.

EXECUTIVE SUMMARY

LISTA is a financial education strategy that combines technology and social capital to reach its end users and increase their financial capabilities. Between 2017 and 2018 LISTA was scaled up with USAID funding and reached 268,000 users in four countries: Colombia, Honduras, Mexico and Dominican Republic, through a project called “Advancing Digital Solutions for Financial Inclusion”. LISTA measures its impact through two main indicators: financial capabilities (including knowledge, attitudes and preferences) and financial practices (including behaviors like savings, using financial services and budgeting). These indicators were measured through an impact evaluation with an RCT methodology. IDRC funding was used in July and August 2017 to capture the baseline of the project in Colombia, in order to measure those indicators. Subsequently, USAID funding was used for the endline, between February and March 2018.

A specific evaluation design was made for Colombia in order to have randomized control and treatment groups in selected municipalities where LISTA had not been implemented to that point. A firm, Ipsos Napoléon Franco, was also hired to capture the baseline and endline surveys in person. As informed in the baseline report in 2017, less than 20% of respondents make a budget; only 20% of participants saved “always” or “usually”; and only 10% saved in banks, even if most consider banks the safest place to save. Many lessons were learned in the process as there were many delays to begin the project and delays during the performance of evaluation activities.

In order to establish the success of the project (results indicators) and to establish impact (impact evaluation), two methodologies were used within the evaluation. The first one was the use of a score or index, in order to ascertain what percentage of users had increased: 1) their financial capabilities, understood as financial knowledge, attitudes and preferences; and 2) their financial practices, as budgeting, saving and using financial products and services. These categories were also requested by USAID to be the principal benchmarks for the success of the project, as high-level indicators. The second one was an RCT impact evaluation with treatment and control groups to grasp the impact caused by LISTA on the financial capabilities and practices of the sample.

Results indicated that 53.4% of users increased their financial capabilities (knowledge, attitudes and preferences); and 53% of them improved their financial practices (budgeting, saving and using financial products and services). On the other hand, the impact evaluation found that the project had impact in specific variables, as will be explained further ahead, once again showing that LISTA has a positive impact in the financial capabilities of the people in the base of the pyramid, especially women. Analysis was further deepened by examining the impact of LISTA depending on the educational level of users (whether they had more or less than 5 years of education). Also, given that in Colombia nudge messages had been sent to a portion of users, the impact of LISTA was also assessed depending on the participants having received messages or not after their training with the tablet.

2.

THE RESEARCH PROBLEM

The evaluation of the project “Advancing Digital Solutions for Financial Inclusion” in Colombia will establish whether the financial education contents delivered through LISTA were successful in improving the financial capabilities and practices of its users. This is being measured to comply with the project’s logical framework, as well as USAID standards, which is the project’s main funder. The logical framework contains two high-level indicators which must be measured through a results evaluation, as they cannot be obtained through monitoring activities, namely:

HL1: % of participants that increase their financial capabilities score

HL2: % of participants that increase their financial practices score

These indicators are scores of several aspects related to a person’s financial life, as can be seen in the following table.

Table 1 Score Composition

Score	TOPIC	DESCRIPTION
Financial Capabilities	Financial Knowledge	Financial knowledge refers to the respondent’s knowledge about savings, budgeting and debt. The questions will include a range of binary True or False questions. A greater number of correct answers in the endline survey will demonstrate an increase in financial knowledge.
Financial Capabilities	Financial Attitudes	Financial attitude refers to how the participant perceives banks and the notion of saving in banks. These questions will be presented on a scale, where participants can rank their responses on a scale of 1 to 4. A larger number in the endline survey will demonstrate an improvement in financial attitudes.
Financial Capabilities	Financial Preferences	Financial preferences consider participant’s preferences towards money and use of financial products and services. This section will explore respondents’ preferences about money in time and money in cash or in a bank account. The questions will have a score from 1 to 4 where 1 indicates greater financial capabilities and 4 signals to the opposite. A smaller number in the endline survey will demonstrate an increase in financial capabilities.
Financial Practices	Management of Personal Finances	The questions in this topic will demonstrate whether respondents have acquired budgeting skills and can apply them, whether they are aware of and follow that budget, and whether they are consistent in their budgeting practices, such as through regular savings (daily, weekly or monthly as opposed to sporadically).

Financial Practices	Savings Behavior	These questions in this section will examine respondents' proclivity to save, as well as their savings behaviour, both formally (in supervised and regulated financial institutions) and informally (for example at home in a piggybank), as well as their establishment and adherence to savings goals.
Financial Practices	Use of Financial Products and Services	In order to measure the use of financial products and services, the survey will include questions such as respondents' ability to withdraw money from an ATM (how comfortable they feel; whether they can go unaccompanied). The survey will also include questions about respondents acquiring new financial products (bank account, mobile banking product, time-deposit or a credit product at a regulated formal entity) in the last six months.

In the scores, these categories were given the following weights:

- Financial Capabilities Score: 100%
 - o Financial knowledge: 50%
 - Savings: 25%
 - Budgeting: 25%
 - Debt: 25%
 - Math skills: 25%
 - o Financial attitudes and preferences: 50%
 - Trust in financial institutions: 20%
 - Preferences: 40%
 - Psychosocial: 20%
 - Budgeting: 20%
- Financial Practices Score: 100%
 - o Budgeting: 25%
 - o Debt: 25%
 - o Savings: 25%
 - o Use of financial products and services: 25%

3.

EVALUATION METHODOLOGY

1. A total of 10 municipalities were randomly selected as a sample of the municipalities participating in the project. The criteria for the selection of municipalities was the following: (i) there needed to be a low saturation of leaders called “Madres Lideres” (MF) per Beneficiaries/Participants called “Madres Titulares” (MT) to avoid contamination, and (ii) the selected municipalities needed to have 40 or more MLs.
2. Each municipality was divided geographically in what we denominated as “micro-regions”. The micro-regions were selected with the assistance of the local managers of the conditional cash transfer (CCT) program Más Familias en Acción (MFA). These groups of ML were created according to their geographical proximity. The municipalities were divided by an X number of regions. For example: Chía was divided in 4 regions, El Espinal in 5, Coyaima in 12, etc.
3. With the assistance of MFA h managers, MLs were randomly invited to the first meeting. The objective of this meeting was to collect names, cell phone numbers and addresses of 20 MT per ML, which could potentially be surveyed. Each ML was instructed to bring her list to the meeting. Details regarding the initial contact and meeting invitation, along with the methodology for selecting the control and treatment group during the meeting can be found in Table 2.

Table 2

Convening and meeting with MLs to collect lists of MT names and select treatment and control groups.

- FundaK’s facilitators called the MLs to convene them to an initial meeting, where a program for financial education would be discussed (LISTA was never mentioned).
- During each local meeting, there was a lottery to select micro-regions which would be control or treatment groups. One or more MLs represented each micro-region in the first meeting. In the case where there was more than 1 ML per region, only 1 ML would represent the group. Paper slips were made with different colors representing group “A” or “B” (treatment or control). The paper slip with the color she drew would determine if her region was going to be control or treatment.
 - o $\frac{2}{3}$ of the slips were labeled as Group A and $\frac{1}{3}$ was labeled as Group B. Participants were told that Group A would receive the training first and Group B would receive it afterwards. The reason why $\frac{2}{3}$ were selected for treatment, was due to the fact that there would be two different types of treatment groups (one with extra reinforcement through text and WhatsApp messages, one without).
- In cases where the number of regions was not divisible by 3, the next smaller number would be divided by 3, and $\frac{2}{3}$ would be assigned to Group A and $\frac{1}{3}$ to Group B. In cases where 1 region was leftover, it would be randomly assigned to group A or B. In cases where there were 2 regions leftover, one was assigned to Group A and another to Group B.

4. Once the lists with MT were received, FundaK’s facilitators typed in the information that was handwritten by the ML. Once all the names and information were typed in, the list was randomized again to determine an order for MTs to be interviewed. This order meant that the interviewing would start with MT number 1, then number 2, and so on. If some MTs could not be reached or did not want to participate in the survey, they could be jumped to interview the following MT.
5. 9 to 10 people were surveyed in each micro-region. Table 3 shows how many MTs were surveyed in the baseline, depending on whether they were treatment or control group.

Table 3. Number of Interviews per Municipality

<i>Municipality</i>	<i>Control</i>	<i>Treatment</i>	<i>Total</i>
Sogamoso	36	71	107
Chía	5	23	28
Neiva	47	95	142
Cumaral	8	28	36
Coyaima	26	87	113
Espinal	8	34	42
Ortega	43	47	90
Planadas	9	27	36
Rovira	61	95	156
San Antonio	37	73	110
Total	280	580	860

6. For the endline, conducted in February and March 2018, the same respondents were surveyed again. With attrition, 696 were finally surveyed.

4. EVALUATION RESULTS

Baseline results were useful to establish a characterization of the population:

- 92% of participants are women.
- 65% are between 25 and 44 years of age.
- 75% completed at least primary school and over 25% completed secondary school.
- 65% are single-income households and 51% do not have a paid job.
- 83% of respondents consider that making a budget is “very important or important”; however, less than 20% make one.
- Of those surveyed, 59% can install WhatsApp in their phones, which means they have a smartphone, but only 21% use it every day. Over 50% do not use internet.
- In case of an emergency, 6% would borrow from a formal financial institution, while 56% would borrow from family or friends.
- Only 20% of participants save “always” or “usually”, but almost 80% say they never save or they only save occasionally.
- 51% of respondents report that the most appropriate and safest place to save is a savings account, but only 10% save there.

- Knowledge and use of financial products is low, for example, 55% do not know anything about formal credit.

Endline results allowed the project to report its high-level indicators as required by USAID. 53.4% of users increased the financial capabilities score and 53% of them improved their financial practices score. In both case it means that after the LISTA training, more than half of users increased their score. It is important to mention that this measurement was taken only by considering the treatment group. The control group was not taken into account at this stage because they had not used LISTA.

As for the impact evaluation section, the overall results in Colombia show a positive impact. When looking at the entire group (comparing treatment and control groups, without taking into account educational levels and nudge messages), it is seen that financial practices was the component with more significant results. LISTA had a direct impact on participants knowledge regarding savings, with only a 1% margin of error. There was a slight increase in knowledge about financial practices overall, and a decrease in math skills, however, these last two had a 10% margin of error. In attitudes and preferences, LISTA seemed to have an impact on trust in banks (almost 8% increase) and trust in other people. LISTA had an impact on participants' savings frequency and on motivating participants to set a specific savings objective. With a 5% margin of error, LISTA also had a direct impact on participants' use of the internet. Finally, LISTA had an impact on reducing participants' need for a loan by almost 7%.

When segmenting impact by educational attainment mixed effect were found. LISTA did seem to have a higher impact on those with five or more years of education and more variables were significant when it was disaggregated by educational attainment. Notably, there was an important increase on trust in banks (26%), and in budgeting and saving practices among the more educated. For those with five or less years of education, the most notable increase was in financial practices for instance there was an 8% reduction in those that needed a loan, and 4% increase in formal savings, and 12% increase in internet use.

When comparing those in the treatment group that did and did not receive messages, with those in the treatment group that did receive the messages, it was observed that financial performance had a greater significance for those that received both LISTA and the messages. For instance, those that received both were impacted by LISTA in that they defined a specific saving purpose; more participants decreased the number of informal savings instruments and increased the number of formal savings instruments.

The last analysis for Colombia compares the control group (ie. participants that did not receive any type of intervention or messages) with participants that received both LISTA and messages. This comparison looks at the difference between the treatment group as a whole (which includes all participants that used LISTA whether or not they received messages) and only those in the treatment group that also received messages. There are only a few significant positive results, and none of them have a margin of error of less than 5%. From this comparison between both groups, it cannot be said that the messaging strategy had a positive effect on the evaluation results.