Informal Insurance, Social Ties, and Financial Development: Evidence from a Lab Experiment in the Field

Data Collection Summary

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**Countries:** India

**Summary:** Individuals or households wishing to insure one another against risk face an asymmetric information problem wherein they may not know the income or the savings of their insurance partners. Further, these insurance agreements are often not externally enforceable ("limited commitment"). To study how hidden savings, hidden income and limited commitment affect the insurance relationships, this project consists of 4 games: observed income and savings; hidden income, observed savings; hidden income, hidden savings; and hidden income, hidden savings, limited commitment.

Individuals play each game with a partner. Half of the players in each village are randomly assigned a partner for each game while the other half pick partners they want to play with but not the game that they play together. In each period, individuals receive uncertain income and make decisions about how much to consume, save for next period, and transfer to their partner. Our data consist of the choices they make in each game; whether they picked their partners or had them randomly chosen; information about risk aversion, education and experience with financial services; and detailed data on the social linkages between the households in the villages where we will conduct our experiment.

**Survey Time Frame and Rounds:** June-August 2010

**Modules:**
- Risk aversion, education and financial literacy
- Game data (the data collected during the experiment)

**Sample:** individuals in villages in rural Karnataka, India (individuals must have lived in the village since 2007 and be between the ages of 15 and 45)

**Survey size:** 1,280 (40 villages, 32 individuals per village)

**Intervention:** Individuals play 4 different games as part of the data-collection process, and are paid for one randomly selected choice that they make, as well as being paid for their participation.