



Research Paper #:8

Title: Social networks and insurance take-up: Evidence from a randomized experiment in China

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Summary:

Research Paper #8 estimates the role of information in insurance take-up using data from a randomized experiment in rural China where information was either offered directly through financial education or accessed indirectly through social networks. Unlike previous studies, the experimental design allows to not only identify the causal effect of social networks, but also to differentiate the various channels through which they operate, including improvement of negotiating power, imitation, and social learning of insurance benefits. The results show that social networks have a large and significant effect on insurance take-up decisions mainly driven by the social learning of insurance benefits. The policy implication is that offering financial education to a subset of households in a village community selected for their strong friendship links with others, their recognized farming skills, and leadership roles, and relying on social networks to extend its effect on more farmers through social learning, is an effective way of improving insurance take-up.

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