



Why is Voluntary Financial Education So Unpopular? Experimental Evidence from Mexico

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Country	Mexico
Organizing Theme	Economic Opportunities and Access to Assets
Status	Completed
Intervention Category	Financial Literacy Training
Sector	Finance and Private Sector Development
Abstract	<p>Take-up of voluntary financial education programs is typically extremely low. This paper reports on randomized experiments around a large financial literacy course offered in Mexico City to understand the reasons for low take-up, and to measure the impact of financial education. It documents that the general public displays little interest in such courses and that participation is low even among individuals who express interest in financial education. The paper experimentally investigates barriers to take-up, and finds no impact of relaxing reputational or logistical constraints and no evidence that time inconsistency is the reason for limited participation. Even relatively sizeable monetary incentives get less than 40 percent of interested individuals invited to training to attend. Using a randomized encouragement design, the authors measure the impact of the course on financial knowledge and behavior. Attending training results in a 9 percentage point increase in financial knowledge and a 9 percentage point increase in saving outcomes, but no impact on borrowing behavior. Administrative data indicate that the savings impact is relatively short-lived. The results suggest people are making optimal choices not to attend financial education courses, and point to the limits of using general purpose courses to improve financial behavior for the general population.</p>
Gender Connection	Gender Informed Analysis
Gender Outcomes	Access to Credit, Savings
IE Design	Randomized Control Trial
Intervention	<p>The study examines a large scale financial literacy training course offered to the general public. The course lasts a half day and consists of modules on saving, retirement, credit cards, and responsible use of credit. At the end of the session participants take a short test and receive a certificate if they are successful. The intervention was based around three approaches to get people into the training course. A second stage of intervention explored how incentives changed propensity to participate in training. The treatments included: 1) \$72 gift card for completion 2) \$36 gift card for completion 3) \$36 gift card received a month after completing training 4) a free taxi ride to and from the course location and 5) a video containing positive testimonials about the course.</p>
Intervention Period	The financial literacy course lasts approximately a half day.



Sample population	Participants were recruited through three approaches. The first approach sent a letter to clients of a partner financial institution that informed clients in general terms about the training and provided a screener survey. A second approach created a screener survey through Facebook. Finally, surveyors approached customers in branches of partner institutions. The final sample includes 8 respondents from the mail survey, 5 from the online survey and 1000 from the branch survey giving a total sample of 3503 people.
Comparison conditions	The study compares 5 different incentive schemes for program participation: 1) \$72 gift card for completion 2) \$36 gift card for completion 3) \$36 gift card received a month after completing training 4) a free taxi ride to and from the course location and 5) a video containing positive testimonials about the course. The study also compares those who complete training to those who do not complete training.
Unit of analysis	Individual Level
Evaluation Period	A follow up survey was conducted 6 months after the course is complete.
Results	Out of all the people interested in the training, only 17.8% attended a training. Attending a training leads to a significant increase in financial knowledge and savings, but it has no impact on credit card behavior, retirement savings or borrowing. Additionally, the impact on savings is relatively short-lived. There are not significantly different effects by gender. All 3 different monetary transfers had a significant positive impact on propensity to participate in training, and these impacts were not significantly different between the different types of cash transfers. There was no significant impact of transportation or testimonials.
Primary study limitations	The take up rate of the program for the original mail and online recruiting methods is very low. The study only examines individuals who self-select that they want to partake in training.
Funding Source	Russian Trust Fund for Financial Literacy
Reference(s)	Bruhn, Miriam, Gabriel Ibarra, David McKenzie (2013) "Why is Voluntary Financial Education so Unpopular? Experimental Evidence from Mexico?" World Bank Policy Research Working Paper No. 6439.
Link to Studies	http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2013/05/09/000158349_20130509161820/Rendered/PDF/wps6439.pdf
Microdata	