

Finance & PSD Impact

The Lessons from DECFP Impact Evaluations

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Our latest impact note provides the first of several new impact evaluations on financial literacy being financed by the Russian Trust Fund for financial literacy.

The Impact of Financial Literacy Training for Migrants at Destination

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Lowering the cost of sending remittances has become a major goal of policy efforts in migration, and an area the World Bank has worked on across the globe. Two main channels for lowering these costs are regulatory reforms to promote competition and the introduction of new products; and efforts to increase the disclosure of costs of remitting money through websites.

However, the success of such policies depends on the ability of migrants to understand how to use the different methods available for remitting, and on their understanding of the costs implied by each method. Existing evidence suggests migrants often lack knowledge in these areas, suggesting scope for financial literacy efforts to change their behavior.

Experiments with Migrants in New Zealand and Australia

We conducted a field experiment to measure the impact of financial literacy training about remittances on three groups of migrants in New Zealand and Australia:

- 349 Pacific Island migrants in New Zealand who remit frequently and had relatively low baseline financial knowledge
- 352 East Asian migrants in New Zealand who remit less frequently and had relatively high baseline education and financial knowledge
- 209 Sri Lankan migrants in Australia who remitted relatively frequently and had relatively high baseline financial knowledge.

These groups were recruited through churches, cultural festivals and snowball sampling.

The training consisted of a 2 hour session plus handouts and written material which focused on covering: the reasons people remit; different components of a remittance cost including the exchange rate premium; strategies for reducing this cost including bundling transactions into fewer larger transactions and comparing costs using the www.sendmoneypacific.org website; explaining new remittance products; and, for the Pacific Island sample, also comparing the costs of different forms of credit.

The screenshot shows a web page titled "SendMoneyPacific" with a navigation bar including Home, Compare Costs, About Us, Register for Updates, Downloads, Pacific Communities, News, MoneyPACIFIC, and Log In. Below the navigation is a banner featuring a smiling woman. The main content is a table titled "Compare Costs for sending NZD 200 from New Zealand to Tonga last updated on 16 May 2012 (includes all known costs - please New Search from New Zealand to Tonga amount \$200 \$500 GO)". The table has columns for Operator, Method of Transfer, Fee (NZD), Total Cost (NZD), Total Cost (%), Tonga Pa'anga (TOP) Received for Initial NZD 200, Speed of Transfer, and Outlets. A tooltip "Transfer Method Online Transfer Service" is shown over the "Method of Transfer" column for the first row. The table lists various operators with their respective details.

Operator	Method of Transfer	Fee (NZD)	Total Cost (NZD)	Total Cost (%)	Tonga Pa'anga (TOP) Received for Initial NZD 200	Speed of Transfer	Outlets
KlickEx - Low Priority	O	Transfer Method Online Transfer Service		0.94%	278.63	2-5 business days	Tongan bank account
KlickEx - Priority	O			1.93%	275.83	1-2 business days	Tongan bank account
KlickEx - High Priority	O	0.25	7.12	3.56%	271.26	Next day	Tongan bank account
Digicel Mobile Money	O	3.00	16.02	8.01%	259.02	One hour or less	www.digicelmobilemoney.com/
HoneyGram	C	12.00	18.09	9.05%	256.34	One hour or less	www.moneygram.com
Nikus Money Transfer	C	5.00	18.70	9.35%	255.45	One hour or less	Branches in Tongatapu, Eua and Vava'u
Xpress Money	C	11.00	19.15	9.59%	254.06	One hour or less	www.xpressmoney.com
Mele Mei Langi Money Transfer	C	8.00	21.70	10.85%	251.52	One hour or less	Branches in Vava'u, Haapai, aEua and Niutoputapu
Epoloko'o Money Transfer	C	8.00	23.12	11.56%	249.60	same day	1 agent in Nukualofa
Westpac Express Cash (Global Alliance ATM withdrawal)	Prepaid	1.00	23.68	11.84%	248.12	One hour or less	Global Alliance ATMs
Money Move IT (Next day service)	O	4.99	24.31	12.15%	247.76	1-3 business days	www.moneymoveit.com
IMEX Money Transfer	C	10.00	25.12	12.56%	247.00	same day	1 agent in Nukualofa

A new website allowed comparison of costs across different methods of sending money.

Do you have a project you want evaluated? DECRG-FP researchers are always looking for opportunities to work with colleagues in the Bank and IFC. If you would like to ask our experts for advice or to collaborate on an evaluation, contact us care of the Impact editor, David McKenzie (dmckenzie@worldbank.org)

Follow-up Surveys

Three follow-up surveys were conducted at monthly intervals after training, along with a final survey six months after training. Attrition rates were very high for the Sri Lankan sample (45% of the treatment group attrited after one month), so the results are most reliable for the Pacific Island and East Asian migrants.

Results

- The training led to **large increases in specific financial knowledge** that was taught during the course – migrants were 12-16 percentage points more likely to know it is cheaper to send one large transfer than two smaller ones; and 10-52 percentage points more likely to know the cheapest method of remitting.
- Knowledge gains were highest for the Pacific Island sample, who had the lowest initial levels of financial literacy.
- **Migrants changed some financial behaviors in response to this new knowledge:** they were more likely to use different sources of information to compare the costs of remitting; and the training made them less likely to switch to new remittance methods that provide little benefit from switching.
- **However, the training had no effect on either the frequency of remitting or the amount remitted,**

or on take-up of the new cheapest products.

- There are some modest changes in use of credit among the Pacific Island sample, who set up ROSCAs to avoid the high costs of payday loans.

Policy Implications

The training was fairly cheap to deliver, with the main costs averaging approximately \$15-25 per attendee. The training did have some impacts on knowledge and behavior, but did not lead to financial benefits over the period we measured.

When we asked participants why they were not using the cheapest product, convenience was often the reason given. One reason convenience may win out could be that the amounts saved through better financial literacy may be too trivial to warrant action – the annual saving from switching to the cheapest product may at most be \$23-46. The scope for changes in outcomes may therefore be much larger if the focus is more on savings and budgeting behavior and getting migrants and their families to use the money they have more effectively, rather than just savings on transactions costs. Stay tuned for an impact note which looks at this type of training in Indonesia.

Meanwhile, governments trying to lower the cost of remittances appear to need to do more than just supply better information and improve financial literacy – targeting barriers to the entry of new providers and barriers to access of financial services on the receiving country side may also be needed.

For further reading see: John Gibson, David McKenzie and Bilal Zia “The impact of financial literacy training for migrants”, World Bank Policy Research [Working Paper no. 6073](#).

Recent impact notes are available on our website: <http://econ.worldbank.org/programs/finance/impact>