Insight2impact

Advancing Financial Inclusion

Behavioural interventions for remittances

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Focus Note

What is behavioural science?
The scientific study of human behaviour

What is a behavioural intervention?
Any interaction that has been explicitly designed to influence the financial decision (or behaviour) of an existing or potential customer

Countries in sub-Saharan Africa (SSA) receive fewer formal remittances per migrant than other emerging markets. In 2015, 14% of developing-country migrants in the world came from SSA, yet remittance flows into SSA only accounted for 8.5% of the total formal remittances sent to developing countries (United Nations, 2014; World Bank, 2016). This indicates that a large portion of remittance flows in SSA remain informal. Remittance providers are increasingly looking for innovative ways to increase formal remittance flows, in terms of number of customers and frequency and value of transactions. Behavioural interventions can be applied to reduce the cost of acquiring new customers, to improve retention of, and usage by, existing customers and to achieve positive customer outcomes.

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Two systematic reviews conducted in 2017 and 2018 identified 23 unique behavioural interventions for financial service providers. Across 42 countries, 311 behavioural scientists tested over 150 studies on the savings, credit, payment and insurance decisions of financial service customers.

	No. of studies	No. of Interventions	No. of authors	No. of countries
Financial services	150	23	311	42
Remittances	9	4	16	3

Nine studies by 16 authors tested four interventions on remittance behaviour. The studies were conducted in three countries with senders from ten different countries.

Behavioural interventions

Intervention areas	Interventions	Definitions	No. of remittance interventions*
1. Client choice architecture How product and service choices are presented to consumers	Opt-in/opt-out (defaults)	Pre-selected product options (e.g. savings contributions levels) that will prevail unless the consumer selects an alternative	
	Prompted choice	Eliciting a response or decision by requiring customers to make an active decision	
	Choice set	Changes are made to the ordering, frequency or number of choices presented to new or existing consumers	
2. Commitment features Product features that commit an individual to a future act or decision	Commitment devices	Restricts or disincentivises a set of possible future choices	
	Implementation intention	Connects a future situation with a specific goal-directed behaviour, specifying in advance when/where and how the goal will be achieved	
	Labelling/ earmarking	Labelling financial services or products for an intended purpose (education, holiday, etc.)	5
	Goal-directed	Committing behaviour towards achieving a specific goal or the selection of a predefined goal	
	Social enforcement	Communicating the financial decision (or behaviour) of an individual to members of the individual's social network	1
	Self-identification priming	The identity of the decision-maker is made salient to both the decision-maker and the financial service provider.	
3. Pricing and financial benefits Monetary and non-monetary incentives	Standard incentives	Monetary and non-monetary incentives to promote or discourage behaviour	5
	Discounting/ coupons	Providing the product or feature at a discounted rate	2
	Prize-linked	A lottery conferring a prize to a financial services account holder if they meet certain conditions	
	Certainty premium	A guarantee added to a product that reduces or eliminates future uncertainty for the customer	
4. Client communication Communication and marketing strategies	Messenger	Influence of source of information (credible or relatable messenger) on behaviour	
	Reminders	Reminders (via mobile phone, post, SMS, in-person) to prompt and remind clients to act	
	Affect	Eliciting emotional responses through words, images, or information	
	Social norms	Making the customer aware of average behaviour, behavioural expectations or rules in a group or society	
	Anchoring	Presentation of an initial anchor or reference point to the customer	
	Relative adjustment	Communicating a change related to a specific metric (e.g. progress towards a goal or a change in your credit score)	
	Virtual reality	Using technology to produce age-progressed renderings of their future selves	
	Signalling	Use of status, quality or in-group attributes (e.g. platinum cards or gold medical aid package)	
	Fresh start – timing	Using temporal landmarks that represent new beginnings (e.g. new year/birthday) to promote future-oriented behaviour	
	Loss or gain framing	Phrasing an outcome in terms of negative loss or positive-gains features	

* Some studies tested multiple interventions

Key findings

Labelling/ earmarking

Invoking mental accounting by labelling different expenditures or savings for an intended purpose.

1. Filipino migrants in Rome were willing to remit 15% more to family members in the Philippines when the transfer was labelled as being for educational purposes.[1]
2. When the label was enforced by sending the money directly to the school, Filipino migrants in Rome were willing to remit 17.2% more.[2]
3. When the money was sent directly to the school and the sender received performance reports on the student for whom the money was sent, senders were willing to remit 16.5% more.[3]
4. When given up to US$200 to remit, Salvadoran migrants in the United States remitted almost the same amount when they were given the option for the recipient to receive the funds in cash and when they were given the option for the recipient to receive the funds in grocery vouchers.[4]
5. However, when given up to US$400 to remit, Salvadoran migrants in the United States remitted 16% more (US$35) when they had the option for the recipient to receive the funds in cash, as opposed to in grocery vouchers.[5]

Social enforcement and monitoring

Communicating the financial decisions of individuals to someone they know or giving the individual the ability to monitor or retrieve information about that person's financial decisions.

1. When Salvadoran migrants in the US were given up to US$600 and were told that their choice of how much they keep for themselves and how much they remit will be communicated to their families in El Salvador, they remitted a total of US$461, which is US$20 more than those who were not told that their remittance decision would be communicated.[6]

Same study.

1 De Arcangelis, G., Joxhe, M., McKenzie, D., Tiongson, E., & Yang, D. 2015. Directing remittances to education with soft and hard commitments: evidence from a lab-in-the-field experiment and new product take-up among Filipino migrants in Rome. Journal of Economic Behavior & Organization, 111, 197-208.

2 Ibid.

3 Ibid.

4 Torero, M. and Viceisza, A., 2015. To remit, or not to remit: that is the question. A remittance field experiment. Journal of Economic Behaviour & Organization, 112, pp.221-236.

5 Ibid.

6 Ambler, K., 2015. Don't tell on me: Experimental evidence of asymmetric information in transnational households. Journal of development Economics, 113, pp.52-69.

Standard incentives

Monetary and non-monetary incentives to encourage or discourage behaviour.

1. Subsidising an educational remittance product – where funds were transferred directly to a beneficiary student in El Salvador and where each dollar remitted was matched with either a US$1 or US$3 subsidy – was effective at increasing Salvadoran migrants in the United States' uptake and usage of the product. In the US$1 match treatment, a total of 31 migrants took up the product and 6.9% executed at least one transaction in comparison with the control group where no subsidy was offered, and no one took up the product. In the US$3 match, 41 migrants took up the product and 18.5% executed at least one transaction within the eight-month study period.[7]
2. When Salvadoran migrants in the United States were offered assistance in opening a savings account for their relatives in El Salvador and were encouraged to remit into this account for savings purposes, the likelihood of them opening the account increased by 15 percentage points, compared to those who were not offered assistance in opening such an account.[8]
3. Giving Salvadoran migrants in the United States the ability to open a private savings account in El Salvador in addition to (i) an account for only the recipient and (ii) a joint savings account shared by the migrant and recipient, increased the total amount accumulated in the accounts by US$297 in the first six months and by US$491 in the period of seven to twelve months after treatment. This indicates that adding a non-monetary standard incentive in the form of a private savings account on top of the ability to label remittances for savings and to monitor the recipient's financial behaviour resulted in an increase in savings accumulated in the sender's home country.[9]
4. Providing Mexican migrants in the United States with assistance in obtaining a matricula card (which is necessary to open a bank account in the United States) increased bank account uptake by 38 percentage points and the amount saved by 8.2 percentage points. Interestingly, this decreased the amount remitted as a fraction of income by 6 percentage points relative to the group that was not offered assistance in obtaining a matricula card.[10]
5. Migrants in Ireland who were given 90-minute free international calling cards either every month or every other month for five months were 5.3% more likely to remit and sent €43 more remittances per month than those who were not offered the calling cards.[11]

Same study.

7 Ambler, K., Aycinena, D. and Yang, D., 2015. Channeling remittances to education: a field experiment among migrants from El Salvador. American Economic Journal: Applied Economics, 7(2), pp.207-32.

8 Ashraf, N., Aycinena, D., Martínez A, C. and Yang, D., 2015. Savings in transnational households: a field experiment among migrants from El Salvador. Review of Economics and Statistics, 97(2), pp.332-351.

9 Ibid.

10 Chin, A., Karkoviata, L. and Wilcox, N., 2011. Impact of bank accounts on migrant savings and remittances: evidence from a field experiment. June).

11 Batista, C. and Narciso, G., 2016. Migrant remittances and information flows: evidence from a field experiment. The World Bank Economic Review, 32(1), pp.203-219.

Discounting

Providing the financial product or feature at a discounted rate.

1. Offering a US$3.01 discount on remittance fees for 10 weeks to Guatemalan and Salvadoran migrants in the United States increased the number of transactions by 3% and the amount remitted by US$133 during the discount period when compared to those who did not receive a discount. This effect continued to persist up to 20 weeks after the discount period.[12]
2. A US$1 reduction in remittance fees led migrants from El Salvador in the United States to send US$25 more remittances per month. Migrants who were charged a US$4 transaction fee made the most transactions. Migrants who were charged a US$7 transaction fee made less frequent transactions but remitted the most relative to the control group in which migrants had to pay a US$9 transaction fee. Reductions in remittance fees can lead to large increases in remittances sent, both in frequency and value, to migrants' home countries.[13]

12 Ambler, K., Aycinena, D. and Yang, D., 2014. Remittance Responses to Temporary Discounts: A Field Experiment among Central American Migrants (No. w20522). National Bureau of Economic Research.

13 Aycinena, D., Martinez, C. and Yang, D., 2010. The impact of remittance fees on remittance flows: Evidence from a field experiment among Salvadoran migrants. Report, University of Michigan.

Behavioural interventions for remittances papers

Author	Year	Title	Sending country	Receiving country	Intervention type
De Arcangelis, Joxhe, McKenzie, Tiongson & Yang	2015	Directing remittances to education with soft and hard commitments: evidence from a lab-in-the-field experiment and new product take-up among Filipino migrants in Rome	Italy	Philippines	Labelling
Torero & Visceiza	2015	To remit, or not to remit: that is the question. A remittance field experiment.	US	El Salvador	Labelling
Ambler	2015	Don't tell on me: Experimental evidence of asymmetric information in transnational households	US	El Salvador	Social enforcement
Ambler, Aycinena & Yang	2015	Channelling remittances to education: a field experiment among migrants from El Salvador	US	El Salvador	Standard incentives
Ashraf, Aycinena, Martinez & Yang	2014	Savings in transnational households: a field experiment among migrants from El Salvador	US	El Salvador	Standard incentives
Chin, Karkoviata & Wilcox	2011	Impact of bank accounts on migrant savings and remittances: evidence from a field experiment	US	Mexico	Standard incentives
Batista & Narciso	2016	Migrant remittances and information flows: evidence from a field experiment	Ireland	Nigeria Poland India South Africa Romania Brazil Philippines	Standard incentives
Ambler, Aycinena & Yang	2014	Remittance Responses to Temporary Discounts: A Field Experiment among Central American Migrants	US	El Salvador Guatemala	Discounting
Aycinena, Martinez & Yang	2010	The impact of remittance fees on remittance flows: Evidence from a field experiment among Salvadoran migrants	US	El Salvador	Discounting

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FSD Africa is a non-profit company which aims to increase prosperity, create jobs and reduce poverty by bringing about a transformation in financial markets in SSA and in the economies they serve. It provides know-how and capital to champions of change whose ideas, influence and actions will make finance more useful to African businesses and households. It is funded by UK Aid from the UK Government. Through access to finance initiatives, it seeks to build financial inclusion. Through capital market development, it looks to promote economic growth and increase investment. As a regional programme, it seeks to encourage collaboration, knowledge transfer and market-building activities – especially in fragile states. FSD Africa also provides support to the FSD Network. Where there are opportunities to drive financial market transformation more quickly and intensively through capital investment, FSD Africa will deploy equity, loans or guarantees as the situation requires.