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The Lessons from DECFP Impact Evaluations
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Our last impact note discussed a financial literacy intervention focused just on migrants; this note shows some of the gains possible from training both the migrant and their remaining family member.

The Impact of Financial Literacy Training for Migrants and their Families

Yoko Doi, David McKenzie, and Bilal Zia

There has long been a concern among policymakers that too much of remittances are consumed and too little saved, limiting the development impact of migration. Financial literacy programs have become an increasingly popular way to try and address this issue, but to date there is no evidence that they are effective in inducing savings among remittance-receiving households, nor is it clear whether such programs are best targeted at the migrant, the remittance receiver, or both.

A pilot program on financial literacy for overseas migrant workers and their families developed as a partnership between the Government of Indonesia and the World Bank and implemented in Greater Malang area and Blitar District of East Java Province offered the opportunity to test whether it matters who you train.

The Experiment

Our pilot worked with 400 Indonesian migrant workers and their households. Almost all of the workers were women, about to go abroad to work as housemaids in Hong Kong, Malaysia, Singapore, and Taiwan. Before they go abroad, their recruiting agencies typically provide some training on job-related matters.

Workers were randomly assigned into one of four groups:

Group A: financial literacy training was provided to the migrant worker only.
Group B: financial literacy training was provided only to the family member of the worker who would be responsible for receiving remittances.
Group C: both the migrant and their family worker received training;
Group D: control group, in which neither the migrant nor their family member were trained.

The training consisted of a 2 days (18 hours) for the migrant worker and/or 2 half-days (8 hours) for their family member. Training covered financial planning and management, budgeting, savings, debt management, sending and receiving remittances, and understanding insurance, all adapted to the local context. Training was designed to be participative, interactive, and applied, and included comic books, brochures, and budget templates. Attendance was high, with 76-91% of those invited attending.

Follow-up Surveys

Three follow-up surveys were conducted, at time intervals corresponding to the migrant being 9, 15, and 19 months abroad on average. Attrition rates were very low, ranging from 2-9%.

A crucial point to note is that these surveys only covered the family members left behind, so tell us the impact of the training on the remaining family, but not that on the migrant herself.

Results

- **Training both the family member and the migrant together had the largest effects**: increasing awareness of financial concepts of the family member by 19 percentage points (p.p),

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) knowledge of remittance costs by 8 p.p; and use of budgeting by 6 p.p. More knowledge and behavior change resulted in a 10 p.p. increase in the likelihood of saving, a 9 p.p. reduction in the likelihood of borrowing, and a doubling of the amount of remittances used for saving.

- **Training only the family member had more modest effects:** it increased financial awareness by 12 p.p., and knowledge of remittance costs by 5 p.p., but only had an insignificant 3 p.p. increase in budgeting, and did not change significantly the likelihood of savings or taking a loan, and only had about half the impact on savings levels as when the migrant is also trained.
- **Training the migrant only has very little impact on remaining family members:** it may help the migrant, but the remaining family members receive no more in remittances, don't build up savings, nor do they show much change in financial knowledge.

Implications

There are important complementarities in training: Since Indonesian migrants are going abroad on temporary contracts, the savings decisions of household members left behind affect both the remaining household members and the migrant. It may be that both the desire to change savings behaviors and the ability to put this new knowledge into effect is much greater when both the remittance sender and the receiver have this training.

Timing matters: the pre-departure training of migrants in job-specific skills makes it logistically a good time to also provide financial literacy training to them and their families; Moreover, it seems likely this is a good "teachable moment", providing families with key knowledge just before they are about to start receiving much larger amounts of money than they are used to dealing with, and before they have had a chance to form habits on how they use this money.

"How to save" may be more important than "how to remit": the training led to no change in the amount remitted or channels used for remitting, which is consistent with the intervention discussed in Impact note 18. The gains from such remittance-specific knowledge may be much less than the gains from learning how to save and budget and getting migrants and their families to use the money they have more effectively, rather than just savings on transactions costs.

Involve the family: much of the policy efforts in this area have focused on just providing financial literacy training to the migrant – either at pre-departure seminars, or through sessions for the migrants while they are abroad. This pilot suggests the gains will be much larger if the family remaining can be involved too.

These results are very promising, and provide a clear case where training results in more savings and less debt. It is a context where education levels are low and the migrants are women remitting to their husbands or parents – future studies are needed to see how widely these findings apply to other types of migrant groups.

For further reading see: Yoko Doi, David McKenzie and Bilal Zia "Who You Train Matters: Identifying Complementary Effects of Financial Education on Migrant Households", World Bank Policy Research Working Paper no. WPS6157

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