

Our latest note summarizes a proof of concept trial of a new product designed to allow migrants to send remittances for educational purposes.

Will Migrants Remit More if They Can Channel Payments Directly for Education? Lab-in-the-Field and Proof of Concept Trial Results

Giuseppe De Arcangelis, Majlinda Joxhe, David McKenzie, Erwin Tiongson and Dean Yang

Migrant remittances are one of the largest international financial flows to developing countries, exceeding US\$400 billion in 2012. One common use of these funds is to fund the schooling of the migrant's children and other relatives in the home country.

However, migrants may differ from remittance recipients in their preferences for how money sent should be used, with physical separation and limited information making it difficult for migrants to ensure money is used the way they intend.

In such a context, financial instruments which provide migrants with greater ability to monitor and control how funds are spent could have positive take-up by some migrants, and may lead to an increase in how money is remitted.

We test this idea in two ways with Filipino migrants in Rome: 1) through a lab-in-the-field experiment which tests explicitly whether migrants will remit more when given the ability to direct this money for educational purposes; and 2) through piloting a new product called *EduPay* that allows migrants to directly pay for school fees in the Philippines.

Lab-in-the-Field Experiment

A sample of 501 Filipino migrant workers in Rome was recruited through intercept-point sampling. To be included in the sample they had to have a relative aged 5 to 22 living in selected regions of the Philippines. The sample is 73 percent female, aged 42 on average, and 70 percent have tertiary education.

A lab-in-the-field experiment was then used to examine how remittances respond to differing degrees of control over how remittances are used for education, in the process providing information on which features of the *EduPay* product appear most important for stimulating remittances.

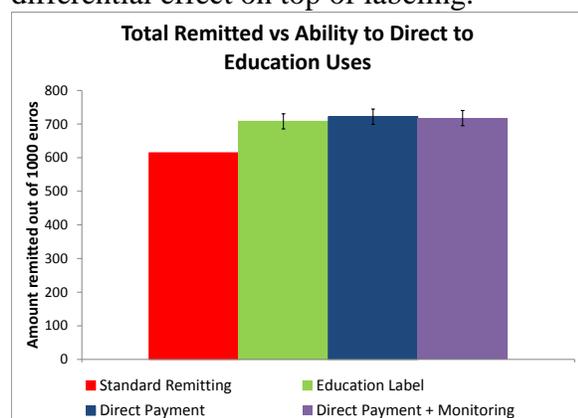
Migrants were told that they were entered into a lottery to win a 1000 € prize, and asked how they would like to allocate any winnings between themselves, and between one or more other people in the Philippines. They were asked to make this choice under four different scenarios, with the order randomized:

- 1) *Standard remitting*: a simple dictator game, in which they choose how much to send to people in the Philippines.
- 2) *Education labeling*: the option to label funding as being for the education of someone in the household.
- 3) *Direct payment*: the option to have money sent straight to a school to pay directly for school expenses.
- 4) *Direct payment + performance monitoring*: the option to send money to the school and also receive attendance and grades directly back.

This was a real, not just hypothetical lottery, with the winner's choices implemented exactly as described, providing an incentive for the migrants to answer honestly.

The Figure below shows the results. Migrants remit 15 percent more (93 €) when given the option to label some of the money sent for education, while offering further

control in terms of offering direct payment to the schools does not have any significant differential effect on top of labeling.



Piloting EduPay

Using a Development Innovation Ventures (DIV) Stage 1 grant from USAID, we worked with the Bank of the Philippine Islands (BPI) and the Philippine Association of Private Schools, Colleges, and Universities (PAPSCU) to develop and pilot a new remittance product, called *EduPay*.

This product allows migrants to channel tuition payments for particular students directly to those students' educational institutions in the Philippines from a BPI remittance branch in Rome. Following the lab-in-the-field experiment, this product was explained to the migrants.

Migrants who were interested in using the product signed a request letter to the school, asking them to release the students' identification number, make available an invoice for payment to the school, provide details of the bank account of the school, and also release the grades of the student. Overall 132 individuals out of 487 offered the product signed this letter of intent (27.1 percent).

We find that individuals who choose to remit more money via the direct payment

option during the game were significantly more likely to take up the EduPay product: A one standard deviation increase in the amount chosen to be remitted via direct payment option in the game was associated with an 8.7 percentage point higher take-up rate. Likewise individuals who remit more under direct labeling than the basic choice were more likely to try to take-up the product. In contrast, demand for direct payment versus education labeling did not predict take-up.

Unfortunately many of the individuals who signed up were unable to use the product since the schools their relatives attended were too slow in providing bank account details, so only 11 individuals from this sample actually completed an EduPay transaction.

We opened up the product to more migrants, and a total of 178 EduPay payments were made for 55 students in the Philippines.

Implications

The results suggest that migrants can be willing to increase the amount they remit for education if given the ability to exert some soft control over its use.

There also appears to be some demand for a product that allows payment directly to schools, but logistically this is difficult to operate at a small scale – our proof of concept trial shows it is feasible, but also identified constraints to doing this which may be less of a problem at a larger scale.

However, our results suggest education labelling alone may be enough, suggesting also the need for future pilots of products that provide this feature without requiring direct payment to the schools.

For further reading see: Giuseppe de Arcangelis, Majlinda Joxhe, David McKenzie, Erwin Tiongson and Dean Yang (2014) “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”, [World Bank Policy Research Working Paper no. 6896](#).

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