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Channeling Remittances to Education: A Field Experiment among Migrants from El Salvador

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We implement a randomized experiment offering Salvadoran migrants matching funds for educational remittances, which are channeled directly to a beneficiary student in El Salvador chosen by the migrant. The matches lead to increased educational expenditures, higher private school attendance, and lower labor supply of youths in El Salvador households connected to migrant study participants. We find substantial “crowd-in” of educational investments: for each \$1 received by beneficiaries, educational expenditures increase by \$3.72. We find no shifting of expenditures away from other students, and no effect on remittances. (JEL F24, I21, I22, J13, O15, O19)

On a global scale, migrant remittances are one of the largest types of international financial flows to developing countries, amounting in 2012 to over US\$400 billion (World Bank 2012). By contrast, developing country receipts of official foreign development assistance in 2012 amounted to just US\$126 billion (Organisation for Economic Co-operation and Development (OECD) 2013). While migrant remittance flows are large in magnitude, they amount to only a minority of the total developed-country earnings of migrant workers from developing countries (Clemens, Montenegro, and Pritchett 2009; Clemens 2011; Yang 2011). The prospect that migrants might be encouraged to send even more remittances, and that these remittances might be better leveraged for the economic development of

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