

## Researchers

Dean Yang  
University of Michigan

Alexander Fertig  
University of Michigan

## Staff

Rachel Pizatella-Haswell  
Program Manager, Financial Inclusion Program

Shabib Raihan  
Senior Research Associate

## Timeline

2021-2023

## Study Type

Randomized Evaluation

## Sample Size

1600 migrant and recipient pairs who regularly send and receive remittances

### STUDY SUMMARY

## The Impact of Migrant Remittances and Financial Services on Savings



Digital remittances may be an effective tool for addressing extreme poverty in rural areas, but little is known about how to maximize their impact. In Bangladesh, researchers are working with IPA, United Nations Capital Development Fund (UNCDF) and BRAC Bank to evaluate the impact of aligning the financial goals of remittance senders and recipients on financial behavior.

### Policy Issue

Migration, especially from urban to rural locations or internationally, provides a tool for households to expand their labor and earning potential. Mobile money technologies allow international migrants in search of employment to easily send money back home to their relatives. These kinds of remittances account for some of the largest flows of international money into low- and middle-income countries like Bangladesh, and they may be an effective tool for fighting extreme poverty in rural areas. Behavioral interventions that help people achieve financial goals could help to magnify the anti-poverty impacts of remittances, but little is known about the effectiveness of specific strategies to do this. More evidence is also needed on the gender dynamics of digital remittances. Migrants who remit money and the households who receive it, for instance, may have different sets of preferences for the amount of money that should be saved versus spent immediately, with migrants preferring it to be saved and recipient households preferring immediate consumption—leading to lower levels of money remitted than if migrants were assured it would be saved until they returned home. As a result, one strategy that may help to increase remittances' impact is goal setting, in which remittance senders and recipients are encouraged to work together to agree on both short- and long-term targets for remittance savings amounts.

### Evaluation Context

In Bangladesh, remittances are a prominent part of the rural economy. BRAC Bank, the implementing partner in this evaluation, launched four channels for digital remittances in 2020, which reached about 215,000 customers by the end of 2021. These customers have sent over USD\$300 million on the platforms during the first year of operation. Use of digital remittances among BRAC Bank's customers is growing quickly: customers who send and receive remittances through bank and mobile wallets grew from 27 percent in 2019 to 79 percent by June 2021.

#### RESEARCHERS

Dean Yang, Alexander Fertig

#### COUNTRY

Bangladesh

#### PARTNERS

BRAC Bank, United Nations Capital Development Fund (UNCDF)

#### PROGRAM AREA

Financial Inclusion

#### TOPICS

Access to Finance, Digital Finance, Payments, Remittances

#### TIMELINE

2021-2023

# The Impact of Migrant Remittances and

# Financial Services on Savings

## Abstract

Digital remittances may be an effective tool for addressing extreme poverty in rural areas, but little is known about how to maximize their impact. In Bangladesh, researchers are working with IPA, United Nations Capital Development Fund (UNCDF) and BRAC Bank to evaluate the impact of aligning the financial goals of remittance senders and recipients on financial behavior.

## Policy Issue

Migration, especially from urban to rural locations or internationally, provides a tool for households to expand their labor and earning potential. Mobile money technologies allow international migrants in search of employment to easily send money back home to their relatives. These kinds of remittances account for some of the largest flows of international money into low- and middle-income countries like Bangladesh, and they may be an effective tool for fighting extreme poverty in rural areas. Behavioral interventions that help people achieve financial goals could help to magnify the anti-poverty impacts of remittances, but little is known about the effectiveness of specific strategies to do this. More evidence is also needed on the gender dynamics of digital remittances. Migrants who remit money and the households who receive it, for instance, may have different sets of preferences for the amount of money that should be saved versus spent immediately, with migrants preferring it to be saved and recipient households preferring immediate consumption—leading to lower levels of money remitted than if migrants were assured it would be saved until they returned home. As a result, one strategy that may help to increase remittances' impact is goal setting, in which remittance senders and recipients are encouraged to work together to agree on both short- and long-term targets for remittance savings amounts.

## Context of the Evaluation

In Bangladesh, remittances are a prominent part of the rural economy. BRAC Bank, the implementing partner in this evaluation, launched four channels for digital remittances in 2020, which reached about 215,000 customers by the end of 2021. These customers have sent over USD\$300 million on the platforms during the first year of operation. Use of digital remittances among BRAC Bank's customers is growing quickly: customers who send and receive remittances through bank and mobile wallets grew from 27 percent in 2019 to 79 percent by June 2021.

## Details of the Intervention

Researchers are working with IPA and BRAC Bank to evaluate the impact of a goal setting

program for remittance senders and recipients on participants' financial behavior, including the amount and frequency of remittances and savings.

In the goal setting program, BRAC Bank financial advisors are meeting with households containing remittance senders and recipients. The advisors are helping participants work together to set their goals (such as education expenses, medical expenses or business investment). Then advisors and remittance pairs set concrete savings amounts required to meet that goal, after which the household members work toward that savings goal over a period of about six months.

After the initial goal setting exercise, both remittance senders and recipients are receiving monthly text message reminders about their goals. These reminders contain a mix of encouraging messages and informative updates on progress to date. After three months, BRAC Bank advisors are also contacting participants by phone to check in with participants about their savings goals.

To evaluate the impact of the program, participants are being randomly divided into one of three groups:

- **Coaching group:** Participants in this group are being asked about their goals during the initial survey and receiving the full advising program from BRAC Bank.
- **Comparison group:** Participants in this group are being asked about their goals during the initial survey but are not receiving the goal setting program.
- **Pure comparison group:** Participants in this group are not being asked about their goals or receiving the program.

Researchers are conducting a pair of remote phone surveys and drawing on BRAC Bank's administrative data. An initial survey at the beginning of the project covered participants' demographic characteristics, employment and income, remittance history and practices, and goals for remittance spending. A follow-up survey will be conducted after six months.

## Results and Policy Lessons

Project ongoing; results forthcoming.

July 05, 2022