



The minimal impact of a large-scale financial education program in Mexico City[☆]



Miriam Bruhn^{*}, Gabriel Lara Ibarra, David McKenzie^{*}

The World Bank, 1818 H Street NW, Washington, DC 20433, USA

ARTICLE INFO

Article history:

Received 22 May 2013

Received in revised form 2 February 2014

Accepted 28 February 2014

Available online 12 March 2014

JEL classification:

D14

O12

G28

Keywords:

Financial literacy

Financial capability

Encouragement design

Low take-up

ABSTRACT

We conduct randomized experiments around a large-scale financial literacy course in Mexico City to understand the reasons for low take-up among a general population, and to measure the impact of this financial education course. Our results suggest that reputational, logistical, and specific forms of behavioral constraints are not the main reasons for limited participation, and that people do respond to higher benefits from attending in the form of monetary incentives. Attending training results in a 9 percentage point increase in financial knowledge, and a 9 percentage point increase in some self-reported measures of saving, but in no impact on borrowing behavior. Administrative data suggests that any savings impact may be short-lived. Our findings indicate that this course which has served over 300,000 people and has expanded throughout Latin America has minimal impact on marginal participants, and that people are likely making optimal choices not to attend this financial education course.

© 2014 Published by Elsevier B.V.

1. Introduction

As access to financial services expands around the world, there has been growing concern that many consumers may not have sufficient information and financial acumen to use new financial products responsibly, a concern amplified by the recent global financial crisis. In response, many governments, non-profit organizations and financial institutions have started to provide financial literacy courses. However, participation rates for non-compulsory financial education programs are typically extremely low. Willis (2011, p. 430) sums this up as “Voluntary financial education is widely available today, yet seldom used”.¹ This raises two interrelated questions which are important for research

and policy. The first is whether there are economic or behavioral constraints which prevent more individuals from participating in such programs? The second question is whether there are any benefits to marginal individuals from doing so, or whether they are rationally choosing not to participate in such training?²

We investigate these questions through the context of randomized experiments conducted in Mexico City. We evaluate a free, 4-hour financial literacy course offered by a major financial institution on a large-scale, covering savings, retirement, and credit use. We document that there is relatively low interest in such a program among the general population, and screen recruited subjects on interest in participating. Motivated by different theoretical and logistics reasons why individuals may not attend training, we randomized the treatment group into different subgroups, which received incentives designed to provide evidence on some key barriers to take-up. These incentives included monetary payments for attendance equivalent to \$36 or \$72 USD, a one-month deferred payment of \$36 USD, free cost transportation to the training location, and a video CD with positive testimonials about

[☆] We thank the Editor and three referees for helpful comments; the Russian Trust Fund for Financial Literacy for financing this work; Pablo Antón Díaz, Eder González Ramos and the staff at Innovations for Poverty Action (IPA) for their assistance in implementing the surveys and impact evaluation; and the staff at our partnering financial institution for their support for this project. All opinions expressed in this work are those of the authors alone and do not necessarily represent those of the World Bank, IPA, or the partnering financial institution.

^{*} Corresponding author at: The World Bank, 1818 H Street NW, Washington, DC, USA. E-mail addresses: mbruhn@worldbank.org (M. Bruhn), glaraiarra@worldbank.org (G. Lara Ibarra), dmckenzie@worldbank.org (D. McKenzie).

¹ For example, Brown and Gartner (2007) examine pilot experimental efforts by credit card providers in the United States to provide online financial literacy training to delinquent and at-risk credit card holders, as well as to college students who had newly received credit cards. Participation rates in the three studies were only 0.06%, 0.9% and 6.5% (the latter pilot offered a 60-minute phone card for participation).

² There is a growing literature attempting to assess the causal impacts of financial education in developing countries starting with Cole et al. (2010). Much of the existing literature has looked at training provided in a compulsory manner (e.g. Bruhn et al., 2013) or to specific populations like migrants or farmers (Cai, 2012; Doi et al., 2012; Gibson et al., 2014; Seshan and Yang, 2014). Miller et al. (2013) provide a meta-analysis. We are not aware of other studies which look at large-scale voluntary programs provided to a general population in urban areas – which are precisely the types of programs that are increasingly being adopted in many countries.

the training. We find that the latter two incentives did not increase take-up, but both current and deferred monetary payments boosted attendance rates by about 10 percentage points. There was no significant difference in attendance between those who got the payment immediately and those who received a deferred payment, suggesting that low take-up of the course we evaluate is not due to the cost of attending training being realized immediately while benefits accrue in the future combined with time-inconsistency or high discount rates.

A follow-up survey conducted on clients of financial institutions six months after the course is used to measure the impacts of the training on financial knowledge, behaviors and outcomes, all relating to topics covered in the course. We find attending training results in a nine percentage point increase in financial knowledge, and a nine percentage point increase in an index on saving outcomes (i.e. whether the subject has savings or increased her savings since last year), but no impact on credit card behavior, retirement savings, or borrowing. Moreover, limited administrative data on a subset of individuals suggests that the savings impact may be relatively short-lived. Data on credit card balances and repayment rates show no systematic differences across the treatment and control groups related to the course. It therefore appears that individuals see relatively small benefits from participating and may be making rational decisions not to attend such financial literacy training programs.³

2. A large-scale financial literacy training program

The program we evaluate is a large-scale program offered to the general public by a major financial institution in Mexico City. The course was developed by banking specialists and teachers from an organization dedicated to promoting economic education. It consists of modules on saving, retirement, credit cards, and responsible use of credit, lasting about 4 h in total. Appendix 1 provides details of what is covered under each topic, and documents that the content is similar in focus to other well-known global courses, such as the Freedom from Hunger curricula. The program was first launched in 2008, trained over 300,000 individuals over its first four years in Mexico, and expanded in 2011 to five other countries in Latin America. The course received two awards from a major international development institution for innovativeness in fostering financial education.⁴ Given the scale of the program and its reputation, it is of interest to understand why more people don't participate⁵ and what the impact of participating is on those who do take the training.

3. Experimental design and the low demand for financial literacy training

Our evaluation took place between January 2010 and July 2012, with Appendix Table A2 providing a timeline. Appendix 2 details three different approaches that we used to obtain a sample for the experiment. The first was to send 40,000 invitation letters from our collaborating financial institution asking about interest in participating. However, only 42 clients (0.1%) expressed interest. The second approach was to advertise through Facebook, with an ad displayed 16 million times to individuals residing in Mexico City, receiving 119 responses. The third approach was to conduct screener surveys on streets in Mexico City and outside branches of the partner institution. Together this yielded a total sample

of 3503 people. We divided this sample into a control group of 1752 individuals, and a treatment group of 1751 individuals, using stratified randomization. A key variable used in stratification was whether or not individuals were financial institution clients.⁶ The sample of 1325 respondents who were not clients of any financial institution are used for the training program take-up experiments, but were not resurveyed. Our analysis of treatment impacts is thus based on the sample of 2178 individuals who were financial institution clients.

Our sample has average age 33, is 47% female, and 40% has at least a bachelor's degree. At baseline, 64% had made a savings deposit in the past month, and 41% had a credit card. Among those with a credit card, only half had made more than the minimum payment in all past six months, and 23% had made a late payment in the last six months. Appendix Table A3 shows randomization led to balance on baseline characteristics across the treatment and control groups.

The treatment group was contacted by telephone and invited to participate in the financial literacy training program, following a protocol outlined in Appendix 3. The overall attendance rate following these invitations for the 1751 treatment group individuals who had been screened for interest in attending a financial literacy course was only 17.8%. Theory offers a number of potential explanations for low attendance (Appendix 4). In order to investigate these barriers to take-up, the treatment group was divided further into six different groups – one group who was invited to attend once more but received no further assistance, and the following five booster treatment groups:

1. Offered 1000 pesos (US\$72) for completing the training: participants were given a Walmart gift card of 1000 pesos if they attended,⁷
2. Offered 500 pesos (US\$36) gift card for completing the training,
3. Offered 500 pesos (US\$36) gift card that they would receive one month after completing the training,
4. Offered a free taxi ride to and from the course location,
5. Provided a video CD containing positive testimonials from people who had attended the course.

These treatments enable us to examine how individuals respond to a change in the benefits of participating (treatments 1 and 2), whether high discount rates or present bias makes them sensitive to the timing of these benefits (comparing treatments 2 and 3), lowering the transport costs of training (treatment 4), and reducing informational constraints and uncertainty about benefits (treatment 5).

Table 1 presents the attendance for individuals assigned to the treatment group as well as the regression results of the impact on attendance in each incentive group. Fig. 1 shows the overall percentage attending in each incentive group. As a result of the booster interventions, we succeeded in getting an additional 114 individuals to attend the course, giving a total of 426 attendees out of 1751 treatment group individuals (24.3%). Offering a monetary incentive of \$36 increased the take-up rate from about 18% to 27% of those assigned to treatment, and the \$72 incentive increased take-up further to 33%. While the difference between the two monetary amounts is not statistically significant, they both suggest that individuals are rationally responding to higher benefits of training by being more likely to attend. The impact of the incentives on the attendance rate is exactly the same when US\$36 is offered immediately at the completion of training, or one month later. If high discount

³ It should be noted that we estimate a local average treatment effect for the effect on people induced to attend training by our invitations and incentives, and show that the impact of training is small for these individuals; we are of course unable to rule out the possibility that the benefits of training may be higher for the types of individuals who we are never able to induce to attend.

⁴ The institution received over 100 entries in the competition and announced nine winners for two types of prizes: the program we evaluate received two of these awards.

⁵ While 300,000 individuals is a substantial number, this is country-wide and over four years – in any one year it appears that less than 0.6% of Mexico City's adult population participates in training.

⁶ We stratified the randomization by whether we obtained the respondent through the branch vs. the mail, online or street survey, by gender, by having at least a bachelor's degree or not, and by whether the person was (i) a client of our partner financial institution, (ii) a client of another financial institution, (iii) neither. Within the sample of financial institution clients, we further stratified by whether they made a deposit into their savings account during the past month and by whether they have a credit card. For clients with a credit card, we stratified by whether they made more than the minimum payment each month during the past six months. For individuals who were not financial institution clients, we stratified by whether they lived closer than 8 km away from a training location or not. This resulted in 94 strata in total.

⁷ For comparison, at follow-up, median monthly income in our sample was about 9000 pesos (US\$650).

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات