



## **Remittances and the Problem of Control: A Field Experiment Among Migrants from El Salvador**

### **Project Summary**

This project tests whether putting more control over remittances into the hands of U.S.-based Salvadoran migrants leads to improved well-being for remittance-recipient households in El Salvador. We focus on improving the ability of migrants to ensure that remittances are deposited and accumulated in savings accounts in the home country. This project has developed and offered new savings facilities that allow Salvadoran migrants to directly channel some fraction of their remittances into savings accounts in El Salvador. To test the importance of control over savings, we use randomized field experimental methods: migrants are randomly allocated to treatment conditions that vary in the amount of control they have over the accounts. The project will measure impacts via a panel survey of migrants in the U.S. and their corresponding remittance-recipient households in El Salvador.

### **Intellectual Merit**

This project examines whether innovative financial products, that give migrants direct control over savings, encourage migrants to raise their remittance amounts, savings levels, and ultimately improve the well-being of their families back home. The first key contribution of this research is to ask these new questions using randomized field experimental methods, so that causal channels of influence are clear. We compare impacts across treatment conditions that vary in the amount of control offered to the migrant, and so are able to determine the causal impact of control on the migrant's financial decision-making and on the outcomes of households in El Salvador.

Migration creates changes in household structure that exacerbate intra-household information asymmetries. This project will contribute to the intra-household decision making literature by investigating the role of conflict and information asymmetries in saving and remittance sending decisions. The results should also be of interest to scholars of international migration and the economics of the family, as well as for economic theorists, in helping determine whether control issues and asymmetric information are indeed important determinants of resource transfers among family members. An additional contribution of the project is the extensive survey work, which will encompass both migrants in the U.S. and their corresponding family members in El Salvador. Such matched migrant/source household surveys are rarely attempted, and so the resulting dataset will be valuable for researchers in economics as well as other disciplines interested in obtaining a complete picture of the socio-economic situation of migrant families.

**Broader Impacts**

This work reveals the potential of a new approach to maximizing the impact of remittances on economic development in migrants' origin countries. We document the benefits that result when migrants are given more control over how remittances are used by remittance recipients. Given the large magnitude of remittance flows worldwide, a proven approach to enhancing their development benefits can have substantial impact on policy and practice in the international development arena. While we focus on enhancing migrant control over savings, the insights from this study will suggest the potential of facilities enhancing migrant control in other areas, such as housing, education, and small enterprise funding. Our work can help shape the policies of development institutions such as the IADB and the World Bank, which (for example) could provide technical assistance to government-owned and private financial institutions that are seeking to develop financial products that give migrants more control over remittance uses.

We also aspire for this project to encourage innovators in the development policy arena to consider a broad set of interventions that target migrants in developed countries, rather than just remittance recipients in the migrants' origin countries. If our intervention leads to large gains in the well-being of families in El Salvador, we hope this will facilitate other innovative interventions targeting migrants in developed countries with an eye towards improving the lives of families back home.

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