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Evaluating Financial Literacy Training for Migrant Workers in the Gulf

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EXPLANATORY NOTE

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Evaluating Financial Literacy Training for Migrant Workers in the Gulf

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Abstract: We randomly assigned invitations to a savings-focused financial literacy workshop for married migrant Indian workers in Qatar on work contracts. Via surveys of migrants as well as their wives remaining behind in India, we provide a unique window into financial decision-making in transnational households. Migrants with low savings are most responsive, increasing their own savings and the remittances sent to their wives. They are also more likely to engage in joint decision making on money matters with spouses back home. From a practical standpoint, these results suggest that financial literacy interventions have a real potential to change migrant financial behaviours and are particularly relevant for temporary migrants in aiding them to maximise the accumulation of savings during their period of stay abroad.

Keywords: Low-skilled labour, Remittances, Education, Qatar, Gulf Cooperation Council, India, Asia

Introduction

Notwithstanding growing interest in policy circles about the value of providing financial education to individuals and families to aid them in making more informed decisions about financial matters, existing evidence is limited about the effectiveness of such programmes in developing countries. Despite the rapid growth of international migration from the developing world, there has been limited research on the influence of financial literacy training on the savings and spending habits of migrants and the use of remittances back in their home countries.

This is all the more surprising given that savings are considered essential for individual and societal wellbeing. Savings helps households to experience a steady stream of consumption as well as finance

productive investment such as education, housing, and entrepreneurship. Promoting savings accumulation should be an important theme for transnational households with one or more members working abroad, as most studies using observational data find that households receiving remittances from abroad do not have substantially higher savings than the general population despite enjoying higher levels of consumption. Low savings raises concern at the household level if migrants are temporarily overseas as guest workers such as in the GCC countries, since savings is critical for preventing consumption from declining to levels seen prior to migration after the migrants return home permanently.

In this note, I present some key results of a randomised control trial that examined the impact of offering a motivational-oriented workshop geared towards improving the financial habits and practices of Qatar-based migrant workers from Kerala, India, particularly with a focus on savings. Before proceeding to describe this study, it is worth mentioning one other related study by Doi, McKenzie and Zia (2012) that randomly assigned financial education training in Indonesia just prior to departure overseas for a group of female migrants. They differentiated between the impact of offering training to the migrants solely, family members only, or family members together with migrants. Relying on surveys on the family alone, they find that the training of family members and migrants together was the most influential and resulted in positively impacting financial practices and savings. In fact, training the migrant alone left unaffected the families residing at home. The study described here differs in that the intervention used was aimed at motivating migrants to save more and engage their families in decisions about money matters rather than imparting financial knowledge systematically. In addition, migrants and spouses were both surveyed back in the home country enabling us to examine the behaviour of both parties forming the transnational household.

International Migration to Qatar

Qatar's population has one of the highest shares of foreign-born residents worldwide, with many originating from South and East Asia. In 2010, about 90 per cent of the population in the country age 15 and above was of foreign origin. Migration to Qatar and to the neighbouring Gulf countries is governed by temporary work contracts that specify the duration of stay. These contracts are typically for two years and are renewable at the employer's discretion. In Qatar, only workers earning incomes above a minimum level of QR8,000 monthly are permitted to bring their dependents with them.

During the 1990s, individuals from Kerala, India comprised more than half of Indian migrants to the Gulf. It is estimated that 17.1 per cent of households in Kerala received remittances, the equivalent of almost 31 per cent of the state's net GDP (Rajan and Zachariah 2011).

Data

The sample used in this study consists of married, male migrants working in Doha, Qatar whose wives remained in Kerala, India. A total of 232 couples participated in a baseline survey that was conducted between August and November 2010. The husbands were interviewed in person while the wives were interviewed over the phone. On conclusion of the baseline surveys, a random selection of the migrants interviewed were invited to attend a financial literacy workshop held at the end of November 2010.

Using a randomized control trial methodology, out of the original sample of 232 male migrants, two-thirds were randomly selected to be invited to the workshop, serving as a treatment group while the remaining one-third served as a control group. Randomly assigning individuals to either group helps to ensure that both groups were, on average, similar in terms of observed and unobserved characteristics. Close to 45 per cent of those invited attended the workshop. The workshop was held by Mr. K.V. Shamsudheen (henceforth KVS). KVS originates from Kerala and chairs the Pravasi Bandhu Welfare Trust, a UAE-based entity registered in Kerala, India. For over a decade, he has been offering similar workshops in the UAE, aimed at migrants from Kerala. KVS also ran a weekly Malayalam radio show, broadcast from Dubai, UAE and also available in Qatar, that advised callers on money matters.

The workshop's primary theme was the need to create a plan for accumulating savings that would enable migrants and their households to sustain the higher living standards they currently experienced after the migrants returned home. To advance that objective, the workshop covered related topics such as making financial planning a consultative family exercise, creating and adhering to a budget for both the migrant and the household back home, regularly setting aside money from remittances to save, and the benefits and shortcomings of various investment opportunities. The speaker also encouraged the audience to use time carefully, establish good work ethics, have a positive attitude towards work and life, and pursue a healthy life. The workshop was organised to be interactive, with the speaker intermittently questioning the audience and in one instance, having them pledge to lead a healthier lifestyle. In total, the workshop lasted approximately four hours, inclusive of a dinner break.

Figure 1: Financial literacy workshop conducted by KV Shamsudeen



Source: Photo by author

The migrant subjects randomly assigned to the treatment group were encouraged to attend the workshop and informed that it was organised solely for them in appreciation of their involvement in the baseline survey. Aside from dinner, there was no other compensation provided for attendance. Follow-up surveys were conducted a year after the baseline surveys, between December 2011 and April 2012. A total of 200 follow-up surveys were completed. In both survey rounds, detailed data were collected from the couples on financial behavior and practices.

The final sample was restricted to the 200 couples who participated in the follow-up survey. The average time the migrant spent working abroad was 11.8 years. Mean annual income in Qatar corresponded to 313,746 Indian rupees (INR) or \$6,175 and average annual remittances touched INR133,967 (\$2,637). The mean personal financial savings of the migrant held in Qatar and India corresponded to INR121,687 (\$2,395). Financial savings is the sum of bank and postal account balances, cash in hand, life insurance and pension plan contributions, chitty fund (ROSCA), gold holdings, market value of stocks, and other forms of savings. The migrant also reported savings jointly held with his wife averaged at INR10,587 (\$208). Approximately 37 per cent of the migrants reported that they were saving regularly. In India, the household's annual income (excluding members working abroad) averaged INR5,556 (\$109). Mean years of schooling was higher for wives, at 11.7 years relative to 10.2 years for husbands. Wives reported an average of INR206,322 (\$4,061) in financial savings. Joint savings held with the migrant, which was reported by the wife, averaged at INR6,910 (\$136). About 47 per cent of wives stated that they saved regularly.

Figure 2: At left, a migrant's cement home in Kerala



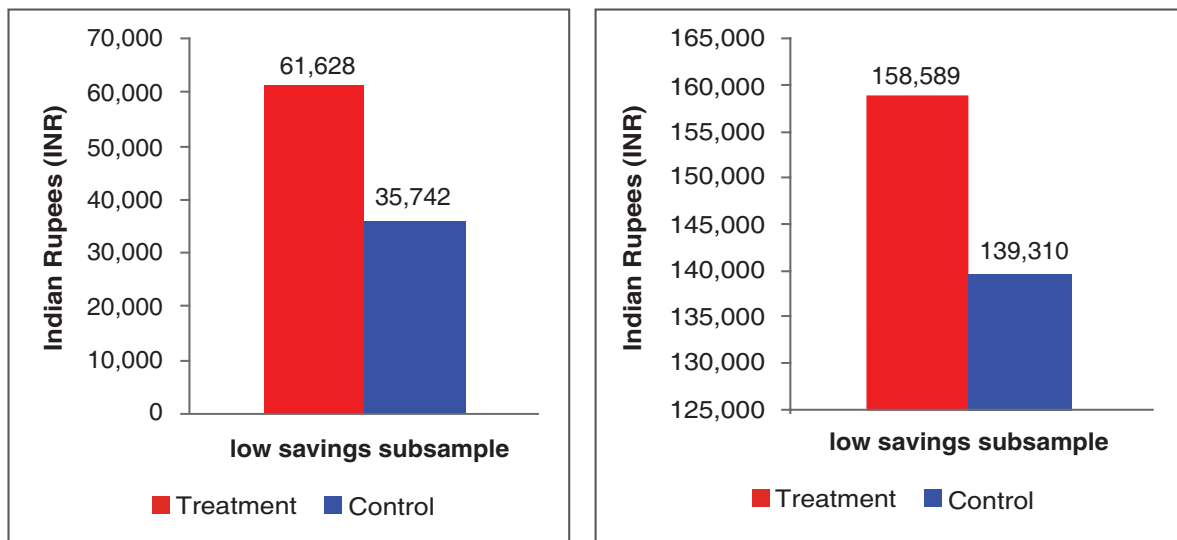
Source: Photo by author

Results

We focus on the impact of the workshop by comparing the entire group of invitees (i.e., the treatment group) with the pool of migrants who were not invited to the financial literacy workshop (i.e., the control group). The workshop led to several changes in financial practices, savings goals, and financial outcomes of the migrants. Impacts on migrant savings goals and financial practices are relatively consistent across the sample, while impacts on financial outcomes vary relative to the level of baseline savings. Attendance at the seminar may have subsequently led the participants to listen in to KVS's radio show, which could have strengthened the workshop messages. Moreover, migrants who were invited to but were unable to attend the KVS workshop may have instead listened to the radio show. For the entire sample, the treatment (i.e., the offer to attend the workshop) leads to a 14.6 percentage point increase in the likelihood of listening to the KVS radio show as indicated in the follow-up survey, a significant impact compared to the 40.9 per cent of the control group who reported listening to the radio show.

In the sample of migrants with low baseline savings, defined as below median savings level reported by the migrants in the baseline survey, the treatment has large and positive effects on savings of the migrant and on their remittances sent to their wives as was relayed in the follow-up survey. For migrants who had low (below median) saving levels prior to the workshop, the individuals who were offered the workshop ended up with savings that were 72.9 per cent greater (INR61,358) than those in the control group (INR35,742). In addition, it also caused them to send 11.5 per cent more in annual remittances to their wives relative to those in the control group.

Figure 3: Impact of workshop treatment on migrant's savings and remittances

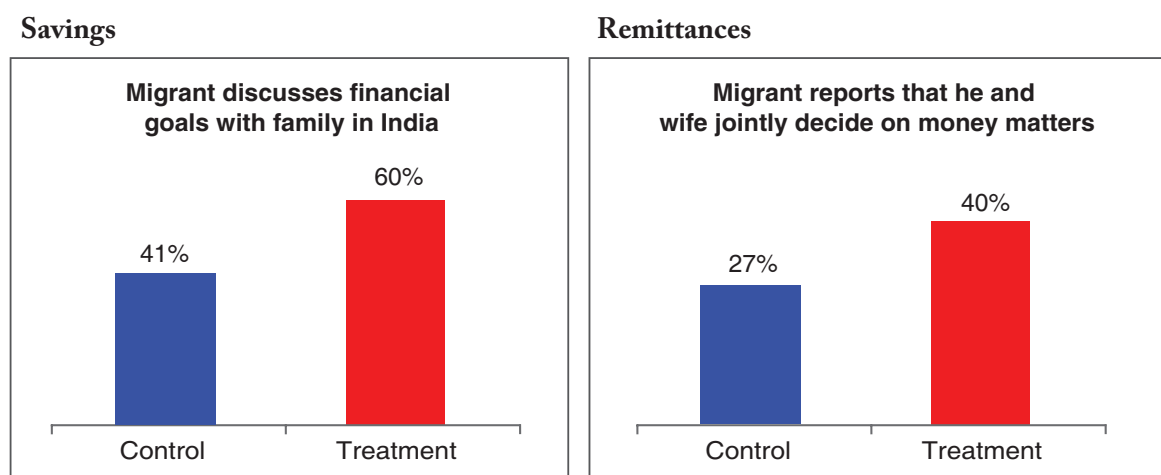


Note: The treatment group had 134 couples while 66 couples were assigned to the control group.

The workshop treatment also increased the migrants' propensity to discuss and plan financial goals with their spouses and raised the likelihood of the couples pursuing financial decisions jointly. Added evidence in support of efforts at joint financial decision-making is that wives of migrants who were

treated reported statistically significantly different savings goals and financial practices as a whole relative to the control group wives, which suggests that treated migrants conveyed the workshop material to their spouses. Migrant workers with low level of savings were 19.6 percentage points more liable to report planning and discussing financial goals with their spouses in India and 12.9 per cent more likely to jointly decide on money matters with their wives.

Figure 4: Impact of workshop treatment on joint decision-making



Note: The treatment group had 134 couples while 66 couples were assigned to the control group.

Conclusion

The result of this study indicates that financial literacy programmes can have a sizeable influence on migrant financial decision-making and practices. Using a randomized control trial methodology which helps to robustly isolate the impact of a social intervention, it was found that participation in a motivational workshop aimed at improving financial habits of Qatar-based South Indian migrants raised the amount of savings and remittance amongst those with prior low savings levels and stimulated interest in making joint decisions on financial matters with wives back home. However, there is less evidence that the workshop impacted actual financial decisions made by families back home in India. These results imply that financial literacy training has a genuine potential to alter a migrant's approach to financial matters. These findings should stimulate additional examination of the effects of financial literacy training in varied populations and circumstances. Future work should examine the effect of financial education made available to both the migrant and the household in the origin country.

Finally, the temporary nature of contract-based migration in the Gulf countries necessitates that policymakers in both home and host countries pursue ways to aid migrants in maximising the accumulation of savings during their period of stay abroad. Helping migrants to work towards their financial goals reduces the likelihood of such individuals overstaying, in some cases illegally. Financial education classes or motivational workshops offer some promise in the regard. Other approaches could involve a voluntary savings scheme where a portion or amount is automatically saved at a regular interval so that a reasonable level is accumulated by the time the migrant returns home for good. More experimentation is needed to determine other appropriate policy or programme responses, which is fertile ground for future research.

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Endnotes

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2. A technical paper co-authored with Dean Yang is published in the *Journal of Development Economics* in the May 2014 edition.
3. The share of foreign born was computed from Qatar's 2010 census. Qatar's total population in April 2010 was 1.7 million.
4. The Qatari Riyal (QR) is fixed to the US dollar. A US dollar exchanges for QR3.65.
5. B.A. Prakash "Gulf Migration and Its Economic Impact: the Kerala Experience," *Economic and Political Weekly* (1998), 3209–3213.
6. This is an expatriate community organization set up to educate and support non-resident Indians (NRIs) working overseas in the Arabian Gulf region (website: <http://www.pravasibandhu.com>).
7. For example, he exhorted participants who smoked to pledge an end to this practice and save the money spent on cigarettes.
8. This study uses an average of the daily US-Indian rupee exchange rate from January 1 to April 18, 2012, where US\$1 = INR50.81.
9. Wives held far more of their savings in gold or jewellery, averaging 88.7 grams that was valued at INR177,400 as of December 2010.

About the Author



Ganesh Seshan is an Assistant Professor at the Edmund A. Walsh School of Foreign Service in Qatar, specializing in Economics. He earned his M.A. and Ph.D. in Economics from the University of Virginia. Prior to joining Georgetown University, he worked at the World Bank in the Middle East North Africa division. Dr.Seshan's research interest is in the economics of developing countries and, in particular, international migration where the focus is on examining social programmes seeking to enhance the developmental impact of migration and remittances. A complementary work is to better understand the forces that influence the decision to migrate, its impact on household members in the origin country and financial decision-making in transnational households in the presence of information asymmetries. His work has been pursued primarily through the collection of original micro-level data in both host and origin countries. Dr. Seshan's research has been published among others in the *Journal of Development Economics*, *Journal of Development Studies*, *B.E. Journal of Economic Analysis and Policy* and *Journal of Arabian Studies*.

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