

*Our latest note examines a case in which most people just don't want to participate in the program being evaluated, and the implications of this for learning about policy impact.*

### **Why is voluntary financial education so unpopular? Evidence from Mexico**

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The global economic crisis, microfinance overindebtedness debate, and increasing number of individuals in developing countries using credit cards for the first time have all led to financial literacy being a topic of intense policy interest.

Many governments, employers, non-profit organizations and even commercial banks have started to provide financial literacy courses with the aim of improving financial education. However, data from four different financial education programs in the U.S. suggests that participation rates for non-compulsory financial education programs are typically extremely low. Mounting evidence points to similar issues in developing countries.

Thus despite financial education programs becoming increasingly popular among policy-makers and financial providers, they appear to be deeply unpopular among customers. 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 participating in such programs? The second question is whether there are any benefits to these marginal individuals from doing so, or whether they are rationally choosing not to participate in such training?

A field experiment conducted in Mexico City allows us to investigate these questions.

#### **Context**

We evaluate a voluntary financial literacy course offered on a large scale by a financial institution in Mexico City. The course lasts half a day and consists of

modules on saving, retirement, credit cards, and responsible use of credit.

#### **The Interventions and Experiment**

A first step in the evaluation was to identify individuals in and around Mexico City who were interested in taking a financial education course. This was done through three approaches.

1) The financial institution sent letters to 40,000 of their clients with a short screener survey that clients were asked to return in a pre-paid envelope. This approach only resulted in 42 responses.

2) A Facebook advertisement was displayed about 16 million times, pointing to a page with introductory information about financial education and a short screener survey that individuals could take to express interest in taking the course. About 120 individuals filled out this survey.

3) Surveyors conducted screener surveys in busy location in Mexico City and outside branches of the partnering financial institution. Overall, the response rates to the screening efforts were quite low, suggesting relatively little interest in financial education among the general population in Mexico City, but with sufficient surveying, gave us a final group of 3,500 interested individuals to use for the experiment.

These individuals were randomly divided into two equally sized groups (i) a treatment group which received an invitation to participate in the financial education course and (ii) a control group which did not receive this invitation. Those who were selected for treatment were given a reminder call the day before their training session, which was at a day and time of their choosing.

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Some randomly selected individuals in the treatment group were also offered additional incentives for attending the course to shed light on some potential key barriers to take-up. These incentives included monetary payments for attendance, free cost transportation to the training location, and a video CD with positive testimonials about the training.

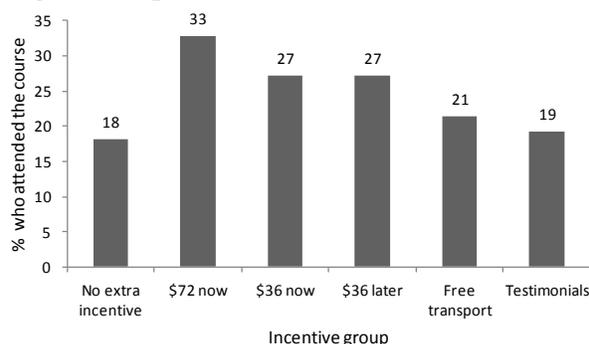
A follow-up survey conducted six months after the course was then used to measure the impacts of the training on financial knowledge, behaviors and outcomes. In addition, the financial institution provided administrative data on savings account balances and credit card outcomes for individuals in the study who were clients of the institution.

## Results

The initial participation rate in the course among individuals in the groups was low (18 percent), particularly given that they had all expressed interest in financial education.

Two of the extra incentives for participation – free cost transportation and positive testimonials - did not increase take-up, but monetary payments boosted attendance rates by about 10 percentage points (Figure 1).

**Figure 1: Impact of Incentives on Attendance**



Follow-up survey data show that attending training resulted in a 9 percentage point increase in financial knowledge, and a 9 percentage point increase in saving outcomes, but no impact on credit card behavior, retirement savings, or borrowing. Moreover, administrative data suggests that the savings impact was relatively short-lived.

## Policy Implications

Our take-up experiments suggest that low participation rates are not mainly due to high discount rates, time-inconsistency, or lack of information, but rather appear to be due to individuals thinking that the benefits of such training are not high enough to warrant participation.

The lack of interest in training therefore appears to be a rational choice, since users see relatively little benefit from it.

One natural response to the modest impacts of training measured here is to note that the training is only a few hours long, and to thus argue that much longer and intensive training sessions are needed. However, our study shows that most of the general population has very little interest in attending even a short financial literacy course.

Such programs may offer benefits to the individuals who voluntarily choose to go without being given any additional information or incentives, but this study shows that there are limited gains to trying to encourage more people to attend. Instead, tailoring financial education to individuals at teachable moments, and experimenting with novel media for teaching such as edutainment may be more promising areas for policy innovation.

[For further reading see: Miriam Bruhn, Gabriel Lara Ibarra and David McKenzie “Why is voluntary financial education so unpopular? Evidence from Mexico” World Bank Policy Research Working Paper No. 6439](#)

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