

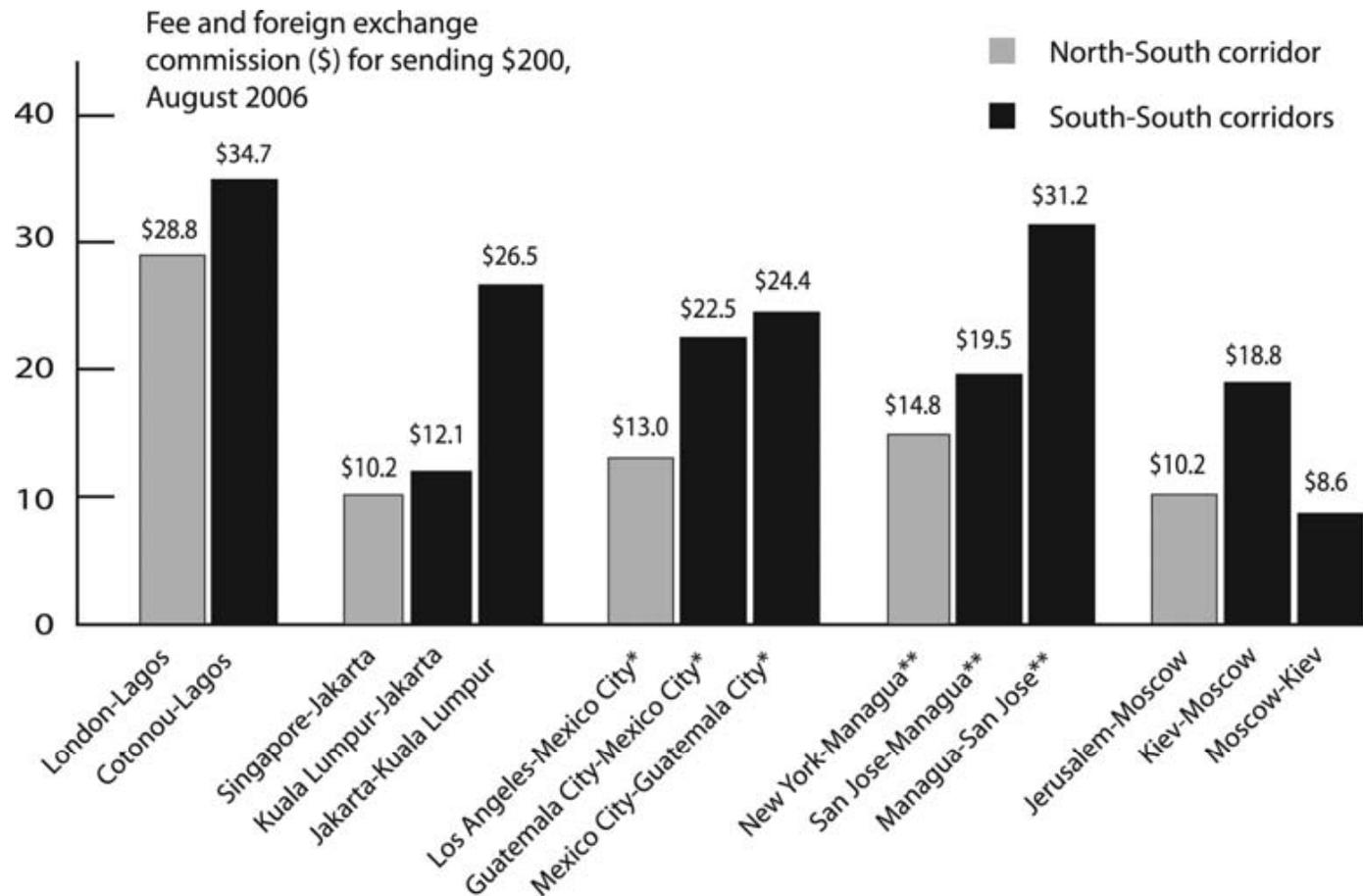
# Comments on The Impact of Remittances Fees on Remittance Flows: Evidence form a Field Experiment among Salvadoran Migrants

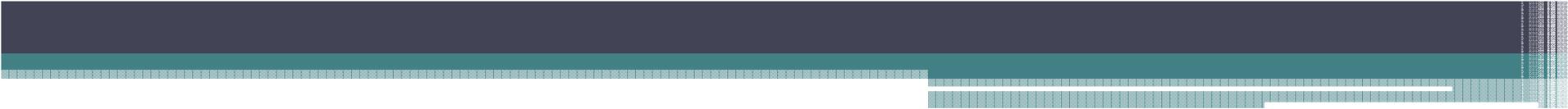
Una Osili

Indiana University-Purdue  
University  
Indianapolis

# Survey of Remittance Costs

(Ratha, 2006)





# Key Contributions

- Unique field experiment: Migrants from El Salvador in Washington D.C.
- By randomizing the allocation of remittance fees, authors isolate causal impact of fees on remittance behavior
- **A \$1 reduction in fees induced migrants to send \$25 more in remittances per month**

## Context: Remittance Flows and Fees

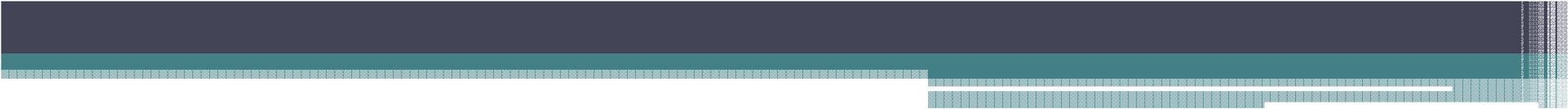
- Reduced form approach:  $R_t = D_t(p, Y, \theta)$
- Opportunities:
  - Summarized by the budget constraint
    - What can migrants afford?
  - Availability of formal and informal substitutes ?
- Preferences:
  - How much do migrants value services of provider?
  - Summarized by the utility function

# Theoretical Concerns

- Main emphasis: Lower prices –more frequent transfers, higher amounts through *formal* channels.

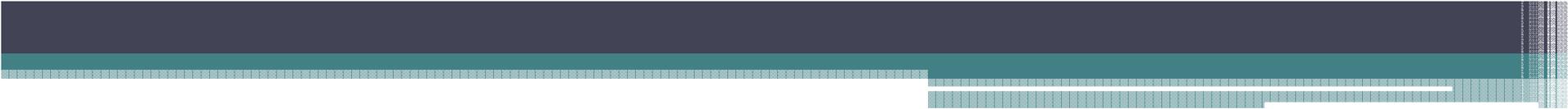
BUT

- The role of **informal** channels
- Temporary vs. Permanent Changes in Price
- Is the migrant/origin family better off?
- Behavioral Effects:
  - Do lower prices increase frequency by targeting high-use households (a screening effect), or by stimulating use psychologically.



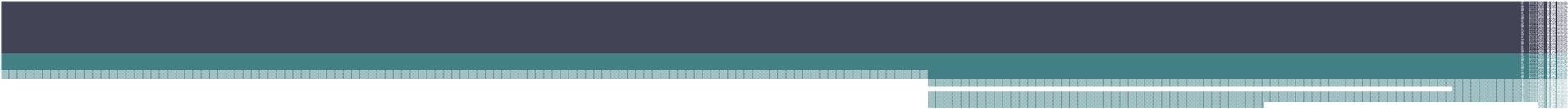
# Empirical Specification

- Strengths –flexible, non linear specification
- indicators of separate price points
  - Study threshold effects
- Consider interaction terms
- Need careful attention to the impact of the savings intervention



# Data Limitations

- Sample includes only remitters, large transfers are not eligible for discount
- Cash remittances only (in kind transfers can be significant)
- Timing of savings intervention may affect findings
- Market environment: Role of location, information and networks.
- Policy discussion -- focused on (poor migrants), legal status, access to financial services -- but no discussion of subgroups in paper



## Some additional questions

- Lower prices –more frequent transfers but higher amounts.

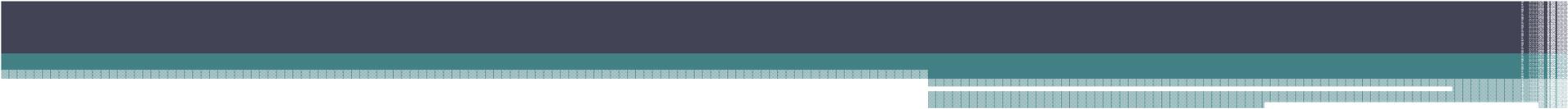
Is the migrant/origin family better off?  
Partner Institution?

- Behavioral Effects:
  - Will lower prices increase frequency by targeting distribution to high-use households (a screening effect), or by stimulating use psychologically.



## Other additional issues

- Remittances as insurance: Do remittance fees affect timing of transfers?
- Intertemporal substitution:
  - Why is there no impact of fees on savings, or time shifting?
- Long-term effects?



# Beyond Experimental Setting

Remittances to El Salvador are relatively low

- Why do remittance fees vary across settings?
  - Competition
  - Payments systems
  - Policy coordination
  - Regulations and compliance
  - Other transaction costs
- Other issues: *lower charges*, business locations, community outreach, technology, quality