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Yes

# Voluntary Financial Education in Mexico: Evidence on Limitations and Effects

## Policy Issue

As access to financial services expands around the world, there is also a growing concern that many consumers may not have sufficient information and financial acumen to use these new financial products responsibly. In response to these concerns, many governments, employers, non-profit organizations and even commercial banks have started to provide financial literacy courses with the aim of improving financial education. Despite financial education programs becoming increasingly popular amongst policy-makers and financial providers, they remain broadly unpopular amongst customers, and the evidence on the benefits from these programs has been inconclusive. Are there economic or behavioral constraints which prevent more individuals from participating in such programs? Moreover, are there any benefits to these individuals from participating in financial education programs?

## Context of the Evaluation

In Mexico, a survey found 62 percent of respondents lack a basic financial education and were unaware of their rights and responsibilities with respect to financial institutions, and according to the 2012 Visa Financial Literacy Barometer, Mexico ranks in the lowest third of the 28 countries on questions relating to having a household budget or savings set aside for an emergency.

## Details of the Intervention

The financial literacy course evaluated is currently being offered in Mexico City, and has trained over 300,000 individuals over the past several years. The program is offered free to adults, with the goal of helping them manage their finances responsibly. The program, which lasts a half day, consists of videos shown on a computer terminal, with an instructor to facilitate discussion and interactive exercises among groups, has modules covering saving, retirement, credit cards, and responsible use of credit. At the end of the course, students are given a short test and a CD containing the tools used in the exercises.

Participants were recruited online, via mail, and in person surveys on busy street locations and in line at the partner financial institution (see results section for details), for a total sample of 3,503 people, with 1,751 randomly selected to be offered the course and 1,752 in a comparison group. To test ways to encourage participation, those offered the course were randomly divided into one of five groups, and offered either a 1,000 Pesos (\$72) Walmart gift card for completing the training, a 500 Pesos (\$36) gift card for completing the training, a 500 Pesos (\$36) gift card they would receive a month after completing the training, a free taxi ride to and from the course, a video CD with positive testimonials about the course from previous attendees, or a comparison group who received nothing additional. The baseline survey showed nearly 65 percent of the sample had made a savings deposit in the last month, and about 40 percent had a credit card. Of those with credit cards only half had made the minimum payment in all previous months, and about 20 percent had made a late payment within the past six months.

## Results and Policy Lessons

*Take-up:* For those offered the course, the monetary incentive of \$36 increased the take-up rate from about 18 percent to 27 percent while the \$72 incentive increased take-up further to 33 percent, although the difference between the two monetary groups is not statistically significant. The impact is exactly the same when \$36 is offered immediately at the completion of training, or one month after training. This suggests that concerns that benefits from the course accrue only in the future while the effort of attending the course is made upfront are not the main barriers to participation in training. In contrast to the monetary incentives, the transportation assistance and the testimonials did not significantly increase attendance.

*Financial Knowledge:* Measured across an index of eight questions about financial knowledge questions, the group offered the course scored slightly higher, with an average of 34 percent of the questions answered correctly compared 31 percent in the comparison group.

*Savings Behaviors and Outcomes:* There was no significant difference between the group offered the course and comparison group in reported rates of four behaviors (checking financial institution transactions regularly, keeping track of expenses, making a budget, having a savings goal). Individuals who were offered the course were slightly more likely to say that they had cut expenses in the past 3 months. This change is reflected in a small

increase in their savings, but the increase appears to be short-lived. There were no significant differences between the group offered the course and comparison group across a range of measures of credit card and loan use. These findings suggest that overall interest in financial literacy courses is low, but that at least in this instance, there were few benefits to those who participated in the program.

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