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

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BSP International Research Conference on Remittances
EDSA Shangri-La Hotel, Mandaluyong City
March 31, 2009**

Relevance of the Research Undertaking

- **Responded to a relevant research issue in the literature on migration**
 - use of remittance income
 - inquiring on the avenues of enhancing the remittance income to the migrants' home country.
- **From a policy perspective**
 - role of migration and remittance income in the development process
- **Used field experiment methodology to capture the role of control in the utilization of remittance income**
- **Investigated on how migrants can influence the recipients of their remittance income on the utilization of this externally generated household income.**

Major Findings

- **Control of migrants on the utilization of remittance income to their recipients**
 - Can enhance the amount of remittance
- **Asymmetry in the utilization of remittance income**
 - Shown by the significant difference between the proportions in household expenditures particularly the ones devoted to daily consumption, savings, phone bills and durable goods between migrants and recipients of remittance income.

Motivations to Migrate and to Remit

- **The amount of remittance income being sent by migrants to their home countries can be influenced by several factors:**
 - conflict and information asymmetry
 - lower transaction costs in remitting
 - innovations in the financial instruments that remittance income can be transformed
 - type of migrants.
- **Foreigners who have entered the United States can be classified into three major immigration categories:**
 - immigrants or permanent residents
 - temporary migrants
 - migrants with irregular immigration status

Motivations to Migrate and to Remit

■ **For immigrants**

- Major motivation for transfer is to settle permanently in the recipient country and establish their primary economic, social and cultural life there.
- Remittance income sent can be considered for all intent and purposes as a gift and it usually sent with varied regularity.
- Data shows in the paper show that around 16% of migrant's annual income is sent to their recipient relatives in El Salvador

■ **For temporary workers**

- Major motivation for cross border transfer is:
 - to seek employment
 - exploit the wage gaps between the home and recipient countries.
- Remittance income sent is a permanent and a regular fixture of family income
 - major component of an inter-spatial sourcing of income by household members.
 - may be the main source of household income.

Motivations to Migrate and to Remit

■ **For irregular workers**

- Motivations:
 - to change their immigration status
 - seek permanent residency in the recipient countries.
- Motivation to remit and the value of remittance may also be irregular.
- Possibility that that they don't remit at all since they want to save to finance the process of securing permanent residence and as buffer in case of becoming unemployed
- Improvements:
 - Test the role of control and asymmetry in the remittance sent by temporary workers.
 - Test if indeed the assumption of trust and asymmetry is prevalent as well among temporary workers in sending remittance back home.

Asymmetry in the utilization of remittance income

- **Asymmetry**
 - Attributable to the need for control
 - Attributable to the lack of trust of migrants
 - Attributable to differences in the level of income
- **Mean annual income of migrants = USD 18,430**
- **Mean annual income of recipients = USD 3,540**
- **Survey**
 - Asked both migrants and recipients on how to allocate the USD 100 they would receive if they will win in the raffle
 - Amount is significantly very small compared with the migrants' income while it is an additional 3 % of recipients' income
 - Poorer households may allocate this additional income to augment daily consumption and less on savings and durable goods
- **Given for the sake of argument that migrants wants control in the disposition of remittance income by preferring savings and durable goods compared with the recipients, but will recipient household welfare be promoted by this control and preference of the migrants whose environment, income and discount rate are different from the recipients.**

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