

Digital remittance senders in the UK:

Is there a case for for-purpose remittances?

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Acronyms

CDD	customer due diligence
EUR	euro
FDI	foreign direct investment
FSP	financial service provider
GBP	Pound sterling
i2i	insight2impact
KYC	know-your-customer
ODA	overseas development assistance
ODI	official development investment
RSP	remittance service provider
SSA	sub-Saharan Africa
UK	United Kingdom
US	United States
USD	United States dollar

Executive summary

Remittances are a lifeline for households and an important capital flow. At the household level, remittances increase incomes and reduce the likelihood of households falling into poverty (International Organisation for Migration, 2005; Cooper, Esser & Tuyeni Peter, 2018). At the macroeconomic level, they serve as a vital source of funds globally. This is especially true in sub-Saharan Africa (SSA), where the value of remittances is almost equal to that of traditional foreign capital sources into the region, such as overseas development assistance and foreign direct investment (Cooper et al., 2018). In 2019 alone, SSA received USD50 billion in remittances (World Bank, 2019).

There is a disconnect between senders' intentions and how remittances are spent. We know from literature and qualitative research that senders of remittances usually have a specific purpose in mind for how they want the receiver to spend those remittances. Yet, remittance senders often report that they do not think the money is ultimately spent on the intended purpose. Due to this disconnect, remittance senders need products that would give them more control over how the money they send will be spent. Current remittance products typically do not have features that allow senders to exercise this type of control. Few such products exist globally, and none exist within SSA remittance-receiving countries.

For-purpose remittance products may be able to solve this disconnect. Giving senders the option to label the remittance for a specific purpose and attaching this purpose explicitly to the remittance could make it clearer to the receiver, thereby making it more likely that the remittance will be spent on the intended purpose. Also, giving senders the option to not only label the remittance but also enforce it by sending the money directly to an institution or individual can ensure that the remittance will be used for its intended purpose.

To understand whether for-purpose products could lead to positive behaviour change among remittance senders in the United Kingdom (UK), we partnered with a digital cross-border remittance service provider. Between March and July 2019, we qualitatively and quantitatively surveyed senders who remit from the UK to Cameroon, Kenya, Nigeria or Uganda to test the demand for for-purpose remittance products.

Our findings

Respondents send remittances to a wide variety of individuals. Over 70% of respondents send to friends, siblings, extended family and/or (grand)parents. Immediate family, such as children and partners or spouses, are less prominent recipients. Individuals often send to more than one group of people. For instance, 92% send to one or more groups of people, 83% send to three or more groups, while 17% of respondents send to all groups.

*Remittances are intended for a number of purposes, and senders remit for a variety of reasons.*¹ Most respondents indicated that they remit for health, household expenses, celebrations and school fees. The least popular purposes for remitting (i.e. the least indicated) were business payments, loan repayments and insurance purposes. Nine percent (9%) of respondents reported that they remit for all purposes. Ninety-two percent (92%) reported that they remit for at least three purposes, and 97% reported that they remit for two or more purposes. This indicates that most of the respondents remit for multiple purposes.

There is a clear demand for for-purpose remittance products. Our qualitative and quantitative research illustrates that senders self-report a high demand for for-purpose remittance products. They report that they would not only make use of such products but that they would also positively change their remittance-sending behaviour as a result.

Specifically, there is a high demand for labelling. Labelling allows senders to label the remitted money with an intended purpose, but it ultimately still gives the receiver control over how the money is spent. A simple label like this can act as a reminder for both the sender and the receiver on how the money was meant to be spent and so serves as a budgeting tool. It is unsurprising that 71% of all respondents across the four corridors said that they would use a product like this. Twenty-four percent (24%) of all survey respondents indicated that such a product would positively change their remittance behaviour; they would either send more money, send to more people or send more frequently.

There is also a high demand for sending directly to an institution. There is an exciting opportunity for remittance service providers (RSPs) to partner with other institutions to allow senders to bypass the receiver and send directly to an institution. Sixty-nine percent (69%) of respondents across the four corridors claim that they would use such a product, and 29% said such a product would result in them positively changing their remittance behaviour. Some valued that it would give them greater control over how the money they send gets spent, whereas others valued that it removed cumbersome and even costly hurdles that receivers must encounter when they either pick up the remittance money or when they have to travel or queue to pay bills, school fees, health costs, insurance premiums, bank loans or construction costs.

Making for-purpose remittances work

Attaching a simple label is relatively easy to implement. RSPs can offer remittance senders the option to select a purpose from a pre-defined drop-down menu and then ensure that the selected purpose be explicitly stated to the receiver. Fifty-one percent (51%) of those who would make use of labelling preferred this option. Clear use cases that emerged from the research are health, household, education, bill payments, business, celebrations and funerals, construction and financial service expenses (e.g. insurance and bank loan). These use cases could be tailored per country and form part of the drop-down menu. Alternatively, RSPs could allow senders to write a free-form message and then ensure this message be attached to the receiver's notification.

1 This question allowed the respondents to select multiple answers. Unfortunately, due to a survey error, the "construction" option was omitted in the final survey.

For direct sending to work, it is crucial that RSPs partner with trusted and transparent institutions. If RSPs partner with institutions that are not trusted, it is unlikely that a sender will be willing to remit directly to the institution. The RSP's reputation will be at stake if funds are misallocated, as it will be difficult for senders to disentangle the wrongdoings of the institution from the RSP.

It is key to partner with institutions that cater for distinct expenses. The research highlights that individuals prefer to bypass individuals and to send directly to an institution when there is a distinct expense. For instance, senders do not necessarily want to dictate how remittances that are lump sums (e.g. funeral costs) and/or used for multiple purposes (e.g. household expenses) are spent. Institutions that cater for a distinct use and expense, and therefore have partnership potential, are:

- **Health centres:** An overwhelming 84% of respondents indicated that they send for health purposes, and 49% of all respondents stated that they would like to send remittances directly to a health centre.
- **Schools:** Seventy-five percent (75%) of senders remit for educational purposes, and a majority (55%) of all respondents stated that they would be willing to remit directly to a school.
- **Utility companies:** Sixty-five percent (65%) of all respondents remit to pay bills of some sort, and 39% are willing to send directly to a utility company. This is due to both the convenience factor of not having to force relatives to pay bills on their behalf and the peace of mind of knowing that their bills have been paid.
- **Building suppliers or construction companies:** Twenty-one percent (21%) of respondents indicated that construction is one of the top three reasons that they send the largest sum of money per year, and 39% of all respondents said they would send payment directly to a building company.
- **Banks:** While 25% of respondents indicated that they send money to repay a loan, 36% indicated that they would send directly to a financial institution.
- **Insurers:** Some senders (21%) reported that they were already sending to pay for insurance premiums, and 21% claimed that they would send directly to an insurance company.

Is there a reasonable business case? Our research highlights that there is a clear demand for for-purpose remittance products and that many senders would either send to more people, send more money or send more frequently if they had access to such a product. However, it will be important for RSPs to first consider what type of product supports their strategy and what they have appetite for, as well as doing financial projections to estimate whether they would benefit financially from offering such a product.

Therefore, launching a pilot in a contained environment is crucial before roll-out. Testing the for-purpose remittance product in a small, contained environment will enable the RPS to find a general sense of whether senders positively change their sending behaviour. It will also allow the RSP to better understand the impact of for-purpose remittance products on their economic model before scaling up the product.

At Cenfri, we are excited at the possibilities of labelling and labelling with enforcement. Please contact us, should you be interested in piloting these types of for-purpose products.

Results

1,146 respondents were surveyed

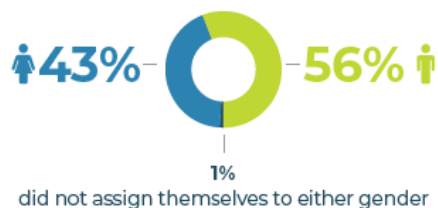


32% from
Nigeria

28% from
Kenya

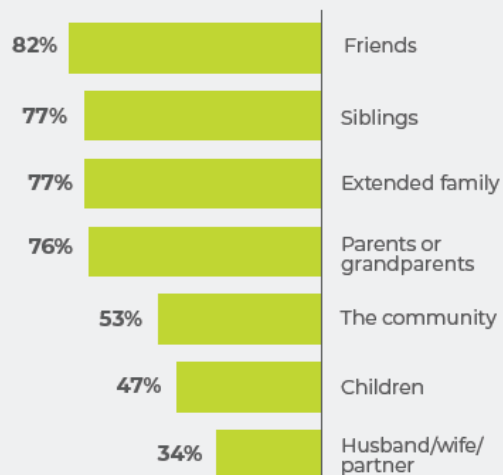
23% from
Uganda

17% from
Cameroon

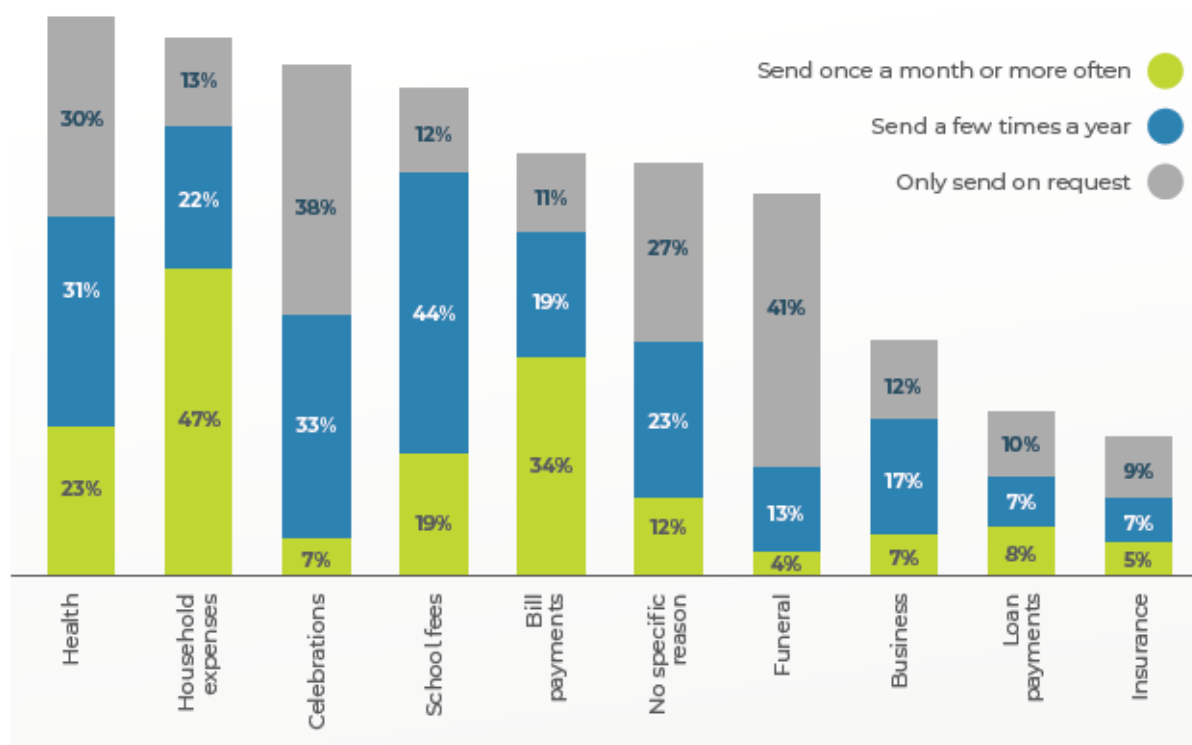


33%
of the
respondents
were between
35 and 44
years old.

Who senders remit to



Sending remittances: frequency and intended purpose



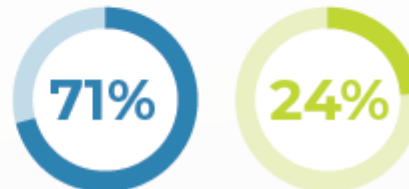
Labelling insights

Will senders make use of labelling products; and if so, will it positively impact their remittance-sending behaviour?

Key

- Sender would make use of labelling
- Sender would change their behaviour (e.g. send more money, more frequently, or send to more people)

Total average



Labelling with enforcement insights

Will senders make use of labelling with enforcement products; and if so, will it positively impact their remittance-sending behaviour?

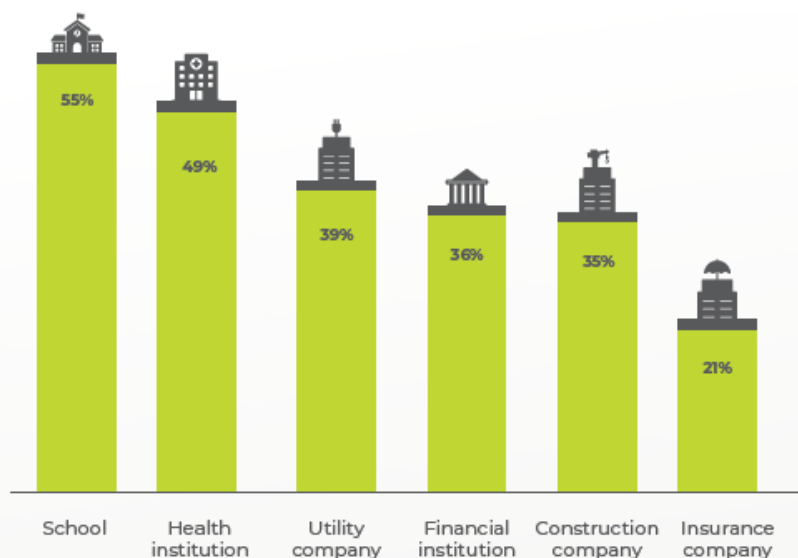
Key

- Sender would make use of labelling with enforcement
- Sender would change their behaviour (e.g. send more money, more frequently, or send to more people)

Total average



Institutions that senders would directly remit to



1. Introduction

Remittances are a lifeline for households and an important capital flow. At the household level, remittances play a critical role, as they increase incomes and reduce the likelihood of households falling into poverty (International Organisation for Migration, 2005; Cooper, Esser & Tuyeni Peter, 2018). At the macroeconomic level, remittances serve as a vital source of funds globally. This is especially true in sub-Saharan Africa (SSA), where the value of remittances is almost equal to that of traditional foreign capital sources into the region, such as overseas development assistance and foreign direct investment (Cooper et al., 2018). In 2019 alone, SSA received USD50 billion in remittances (World Bank, 2019).

However, there is a mismatch between formal remittance flows and migration patterns. SSA countries receive fewer formal remittances per migrant than other emerging markets. In 2017, 12% of developing-country migrants in the world came from SSA, yet formal remittance flows into SSA accounted for only 6% of the total remittances sent to developing countries (World Bank, 2017). This indicates that a significant number of remittances are bypassing the formal system, which highlights the stickiness of informal channels in cross-border money transfer.

The persistent and significant usage of informal services can be partially explained by formal barriers for both remitters and remittance service providers (RSPs) in the region. In 2018, a Cenfri and FSDA study on cross-border remittances in SSA identified business case/commercial, regulatory, infrastructure and consumer-facing barriers along the different elements of the remittance value chain in the first, middle and last mile. The following were often cited by consumers as barriers to remitting through formal channels: products that do not cater to sender needs, high costs of sending, disproportional know-your-customer (KYC)/customer due diligence (CDD) requirements, and mistrust in formal channels. These barriers substantially drive up the use of informal channels by remitters who send money to and/or within SSA (Cooper et al., 2018).

But neither informal nor formal channels give senders control over how remittances are spent. Informal and formal channels fail to address a common challenge faced by senders: the remittance sender has limited to no control over how the funds are spent. Research has shown that remittance senders wish to exercise more control over the money sent (De Arcangelis, Joxhe, McKenzie, Tiongson & Yang, 2015). Therefore, there may be potential for for-purpose remittance products, which allow senders to send remittances with a particular purpose in mind, to narrow this gap in product design.

This note investigates whether for-purpose remittance products could incentivise senders to increase formal flows. For-purpose remittance products have the potential to provide senders with a greater ability to monitor and control how funds are spent. In this note, we investigate whether for-purpose products would result in remittance senders remitting more money, remitting to more people or remitting more frequently. We explored the demand for two different types of for-purpose remittances:

- **Labelling** is when remittances are sent to an individual, with the intended purpose for the remittance attached to it. Although the purpose for the remittances is explicitly stated, the individual ultimately still has control over how the remittances are spent. An example is sending one's grandmother GBP100 with an accompanying note that says the money is meant to cover her upcoming visit to the doctor. Your grandmother could still decide whether to use the money to cover the particular cost or for something else.
- **Labelling with enforcement** is when the remittance is sent directly to an institution, bypassing the receiver. An example is sending GBP100 directly to the doctor's office to pay for one's grandmother's appointment. In this case, the receiver has no control over how the funds are spent.

With a remittance provider, we have conducted consumer research into four SSA countries to determine the potential for for-purpose products. We partnered with a digital cross-border remittance service provider, in order to understand whether for-purpose products could lead to positive behaviour changes among remittance senders in the United Kingdom (UK). We tested senders' demand for for-purpose remittance products by using a mix of qualitative and quantitative surveys, with senders remitting to Cameroon, Kenya, Nigeria or Uganda from the UK between March and July 2019. The outcomes are presented in this report and indicate high potential demand for such products, with a possibly strong business case for RSPs.

The report is organised as follows (literature review, methodology and findings):

- Chapter 2 reviews existing literature on why remittance senders send funds, and it highlights experimental evidence around the associated effects of the behavioural interventions of labelling and labelling with enforcement on financial decisions.
- Chapter 3 outlines the research methodology we used to test both interventions.
- The results are presented in Chapter 4, which summarises the findings from both the qualitative and quantitative research with regard to the demand for for-purpose remittance products and the potential associated remittance behaviour change.
- Chapter 5 concludes the report and offers some recommendations, especially targeted at RSPs.

2. Literature review

We reviewed literature on remittance senders and their motives for sending, including a range of behavioural interventions that specifically focused on the impact of labelling and labelling with enforcement on the financial decisions of individuals. In this chapter, we highlight the theoretical determinants of remittance-sending, as well as the empirical findings from the four most relevant behavioural interventions on remittance behaviour of senders.

2.1. Why people send remittances

Senders remit out of altruism, self-interest or a mix of these. Research on the motivations to remit emerged in 1985 when Robert Lucas and Oded Stark published the article “Motivations to remit: evidence from Botswana”. Lucas and Stark’s analytical framework on remittance motivations of migrants outlined that they send money home for selfless reasons, out of self-interest or out of mixed motives (Carling, 2008). More recent studies have reinforced these findings. For example, Batista and Umblijs (2015) found that migrants send remittances out of self-interest, as a way of insuring themselves against unexpected financial shocks, while other studies found that senders remit in order to secure their inheritance or because they expect something in return (Antoniades et al., 2018; Rapoport & Docquier, 2005). Others have found that migrants remit as part of mutually beneficial contractual arrangements between the migrant and family in the country of origin. For instance, senders remit to contribute to repayment of the cost associated with migration, the cost of educating the migrant or as part of a risk-reducing strategy targeted at the household level (Carling, 2008).

2.2. Effectiveness of labelling and labelling with enforcement

A number of behavioural science interventions have tested the effect of labelling and labelling with enforcement on the financial decisions of individuals. For the purpose of this report, this section highlights the findings from the four most relevant studies. An overview of the remaining studies can be found in Table 3 in the Annex, and the papers can be accessed directly through [insight2impact’s behavioural science database](#).

Several changes in sender behaviour have been documented:

1. *A simple label for education had a significant effect on remittance behaviour.* De Arcangelis et al. (2015) conducted a lab-in-the-field experiment among Filipino workers in Rome, Italy. The participants were each given EUR1,000 and were asked to decide how much they would be willing to remit. One group of migrants was able to send the remittances accompanied with a note that the receiver received with the remittance, stating that the money was intended for educational purposes. Migrants within this group were willing to remit 15% more to family members in the Philippines than those who were not given the option to label the remittance for educational purposes (De

Arcangelis et al., 2015). This indicates that a simple label can have a positive impact on remittance-sending behaviour.

2. ***Adding the option to enforce the label had a small additional positive effect on remittance behaviour.*** In the same lab-in-the-field experiment, the authors also studied the effectiveness of labelling with enforcement. Migrants in a different group were given the option to send money directly to a school to pay for the fees of a specific pupil. In this group, senders were 5.8% more likely to send remittances and were willing to remit 17.2% more than the control group who could only send money without labelling or enforcement. However, when compared to the group who could label their remittances, migrants who could enforce the label were only 1% more likely to send remittances and remitted 2.2% more (De Arcangelis et al., 2015). Additionally, when migrants were given the ability to monitor the pupil's attendance and grades in addition to the labelling with enforcement option, they were only 0.6% more likely to remit and only sent 1.5% more money than migrants who were given the simple label option. This implies that the option of simply labelling remittances leads to a large positive remittance behaviour change, while labelling with enforcement and monitoring only accounts for slight additional improvements, at least among the Filipino migrants surveyed.
3. ***When the remittance amount is high, migrants prefer not to enforce the remittance label in the form of food vouchers.*** Torero and Viceisza (2015) tested the impact of labelling with enforcement in a lab-like field experiment with Salvadoran migrants in the United States. When given USD200 to remit, migrants sent almost the same amount irrespective of whether the sender received the funds in cash or in the form of grocery vouchers. In contrast, when migrants were given USD400, they remitted significantly more in cash than in the form of grocery vouchers. On average, those who had the option of sending in cash sent USD222, whereas those who had the option of sending grocery vouchers only sent USD187 on average. This may indicate that when the remittance amount is high, migrants prefer to send cash to give receivers more flexibility in how they spend the funds and that labelling with enforcement may not be appropriate for high values or for use cases such as daily household expenses (Torero & Viceisza, 2015).
4. ***A remittance product with labelling features needs to be coupled with good product design.*** Ambler, Aycinena and Yang (2015) studied the impact of labelling and providing matching funds on remittance behaviour in a field experiment among Salvadoran migrants in the US. They designed a remittance product that allowed migrants to channel funds for educational purposes to a student of their choosing in El Salvador. The student received an ATM card in their name, which allowed them to access the remittance funds; and they were told that the funds should be spent on educational purposes for themselves. Some migrants in the study were given matching funds where the amount they remitted was matched, whereas others were only offered the labelling product with no matching funds. None of the migrants who were only given the labelled product took up the product. This indicates that in this context, migrants did perhaps not seek greater control over how remittances are used. However, the zero-take-up rate could also be due to other product-related features. For instance, migrants had to send upfront in fixed amounts of USD300 or USD500 for secondary school, and either USD600 or USD800 for tertiary. Additionally, migrants could have thought that this product did not allow them enough control over how the remittances were spent, as the funds were not sent directly to the educational institution. Lastly, transaction costs such as having to travel to the disbursement site or providing extensive documentation may have negatively affected take-up. This indicates that labelling for education alone may not be

enough to positively affect remittance behaviour and that other product design features remain key (Ambler et al., 2015).

5. ***Labelling with enforcement in the form of goods in combination with cash results in individuals in Mozambique giving more to people closest to them.*** Batista, Silverman and Yang (2015) carried out a lab-in-the-field experiment in urban Mozambique to test the extent to which individuals want to make in-kind gifts instead of purely cash. Individuals had to decide how much to give to an individual who is closest to them but who lives outside their household. When study participants could only gift cash, they gave 40% of their initial funds. However, when given the opportunity to give a combination of goods and cash, they gave 49% of their funds, 19% of which was in the form of goods, and 30% of which was in the form of cash. This indicates that individuals remitted more when they can give in-kind resources in addition to cash, which may be due to their desire to control how the receivers use the transferred resources (Batista et al., 2015).

Labelling and labelling with enforcement can induce positive remittance behaviour change, but nuances matter. After reviewing all existing evidence related to labelling and labelling with enforcement, the literature suggests that for-purpose remittances can have a significant positive impact on sending behaviour. Attaching a note to the remittance which states its purpose, or sending the money directly to an institution instead of an individual, can increase the amount sent, the number of individuals sent to, and/or the frequency of transactions. However, good product design remains key in terms of the expense being labelled or enforced.

Currently, no for-purpose remittance products exist. Our product scan revealed that globally no for-purpose remittance products currently exist. While specific for-purpose remittance products were designed for the experiments discussed above, all the products have subsequently been discontinued. This indicates that there is a large gap in the market with regards to the existence of remittance products that have labelling and/or labelling with enforcement features.

There is a large gap in theoretical and empirical research on remittance senders to/in SSA, their motivations for sending remittances and what affects their sending behaviour. This work contributes to addressing this gap in literature and provides deeper insights into the demand for for-purpose remittance products and senders' associated behaviour change, hopefully depicting the opportunity for RSPs to develop a business case for these types of products.

3. Methodology

The findings and recommendations in this note are based on a distinct methodology, outlined in Figure 1. The mixed research approach allowed us to adapt discussion guides and surveys along the way to ensure respondents' understanding of the concepts of labelling and labelling with enforcement. Figure 1 outlines the different phases, which are subsequently discussed.

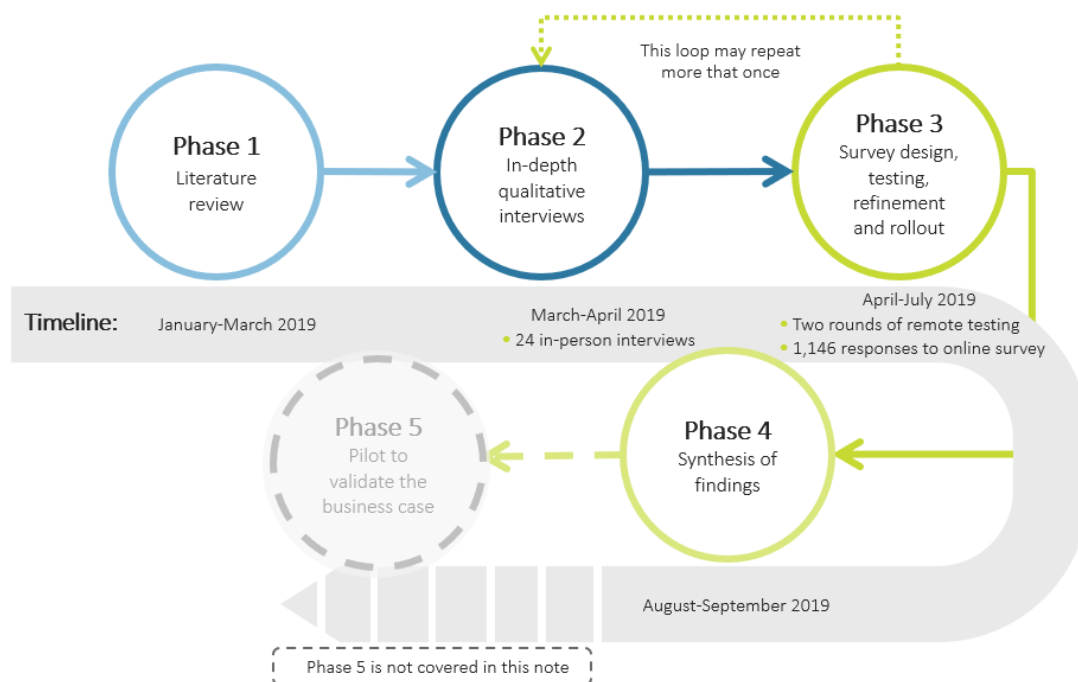


Figure 1: Phases of research

Phase 1: Literature review. This phase consisted of desktop research on remittance senders' motivations for sending remittances as well as the mining of [insight2impact's behavioural science database](#) to gather experimental evidence on the behavioural interventions of labelling and labelling with enforcement on the financial decisions of individuals. This helped to inform our initial hypotheses.

Phase 2: In-depth qualitative interviews. Before conducting digital demand-side quantitative surveys, it is valuable to conduct qualitative research, as this helps the researchers to understand the target population better in terms of their realities, perceptions, needs and financial behaviour. Our qualitative interviews concentrated on a smaller set of respondents so that we could obtain in-depth information that could provide a more detailed understanding of their demographics, who they remit to, for which purpose they remit, whether they think and/or care whether receivers use the remittances for the intended purpose and their demand for labelling and labelling with enforcement products.

We conducted qualitative interviews with 24 individuals who were living in the UK and had been sending remittances through the digital remittance provider to either Cameroon, Kenya, Nigeria or Uganda. A breakdown of the number of interviews per corridor can be found below in Table 1. The interviews were semi-structured, and questions were open-ended, allowing participants to respond freely. The qualitative interviews helped us to refine our initial hypotheses and to inform the design of the quantitative survey (Phase 3) in terms of content and in wording the questions in such a way as to elicit the most accurate responses.

Qualitative survey					
	Total	Cameroon	Kenya	Nigeria	Uganda
Number of respondents	24	6	6	6	6
Female (%)	36	17	67	50	17
Average age	36	36	33	37	38

Table 1: Overview of qualitative sample

Phase 3: Quantitative survey design, testing, refinement and rollout. The quantitative survey included a combination of questions that covered basic demographics, current remittance-sending behaviour (including who they send to, what they send for and how frequently they send), whether they would take up a labelling product or a labelling-with-enforcement product and the associated potential behaviour change. The questionnaire was tested to ensure questions were understandable, relevant and whether the data was answering our hypotheses. To do so, we worked with the [Plain Language Institute](#) to conduct two rounds of pilot tests of the questionnaire. Each round of testing was conducted with ten African remittance senders that reside in South Africa who were at the time using digital apps to remit money to their home country. After filling out the survey online, each remittance sender was called on the phone to see how they understood and interpreted each question. After each pilot, the questionnaire was refined further.

The digital remittance provider rolled out the final survey via e-mail using *SurveyMonkey* to individuals who send remittance via their app to either Cameroon, Kenya, Nigeria or Uganda. The survey was available for a month, and respondents were incentivised to complete the survey by being entered into a raffle to win an e-commerce gift card if they completed the survey. In the end, 1,146 respondents completed the survey. The overview of quantitative sample respondents per corridor can be found below in Table 2. It is important to highlight that the results are not statistically significant since we did not have a representative sample of each of the countries complete the survey. However, the results provide valuable insights into the demand for, and potential behaviour changes associated with, for-purpose remittance products in UK-to-SSA corridors.

Quantitative survey					
	Total	Cameroon	Kenya	Nigeria	Uganda
Number of respondents	1,146	195	320	370	261
Female (%)	43	44	46	37	51
Most represented age bracket	35-44	35-44	45-54	35-44	35-44

Table 2: Overview of quantitative sample

Phase 4: Synthesis of findings. In this phase, we triangulated the literature review and qualitative and quantitative findings to develop the key insights and recommendations presented in this report.

Phase 5: Piloting. Piloting a labelling product or labelling-with-enforcement product is the next step in the process to validate the business case for for-purpose remittance products. To test the findings and take the indicated behaviour change from theoretical into practical application, a pilot is necessary to test the actual business case.

4. Insights

This section unpacks the major findings from the quantitative survey, supplemented by aspects of the qualitative interviews.

4.1. Whom senders remit to and how frequently

Respondents send to a wide variety of individuals. Over 70% of respondents send to friends, siblings, extended family and/or parents/grandparents. Immediate family members, such as children and partners/spouses, are less prominent receivers. Individuals often send to more than one group of people. Figure 2 shows that 92% send to one or more groups of people, 83% send to three or more groups, and 17% of respondents send to all groups.

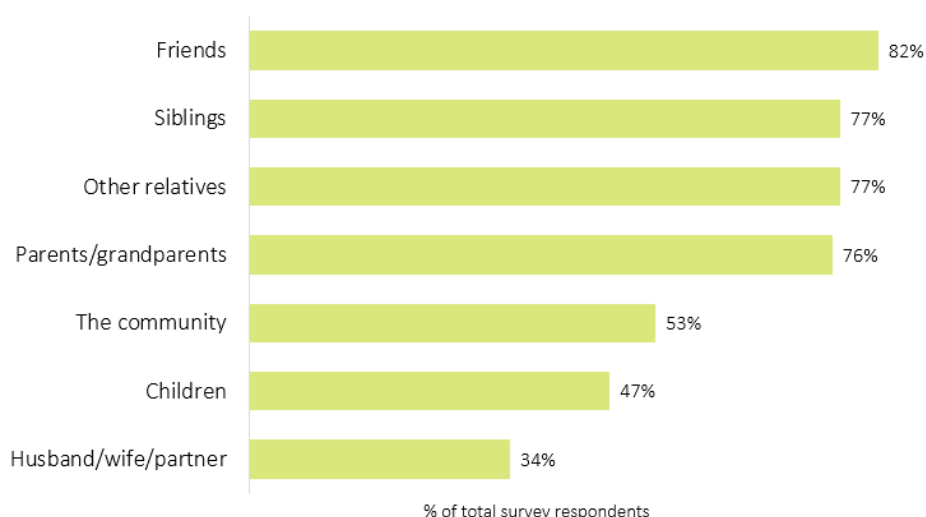


Figure 2: Whom senders remit to across the four corridors

Frequency of remittances depends on who the remittance receiver is. Figure 3 highlights that most survey respondents remit to their parents and grandparents at least once a month, followed by siblings and spouses or partners. These family members are remitted to on a more frequent basis than extended family, friends or the community. Fifty-one percent (51%) of senders often remit to their parents or grandparents once a month or more, whereas only 19% remit that often to their friends. The frequency of sending often depends on who the receiver is as well as the purpose of the remittance, as highlighted by a qualitative interview respondent from Cameroon.

“I do have family members dependent on me, also extended family...”

- Technician, 43, male, Cameroon

“The African community is an extended family, so you always feel that it’s your responsibility to look after somebody somewhere, so you have to budget for it.”

- Construction worker, 54, male, Uganda

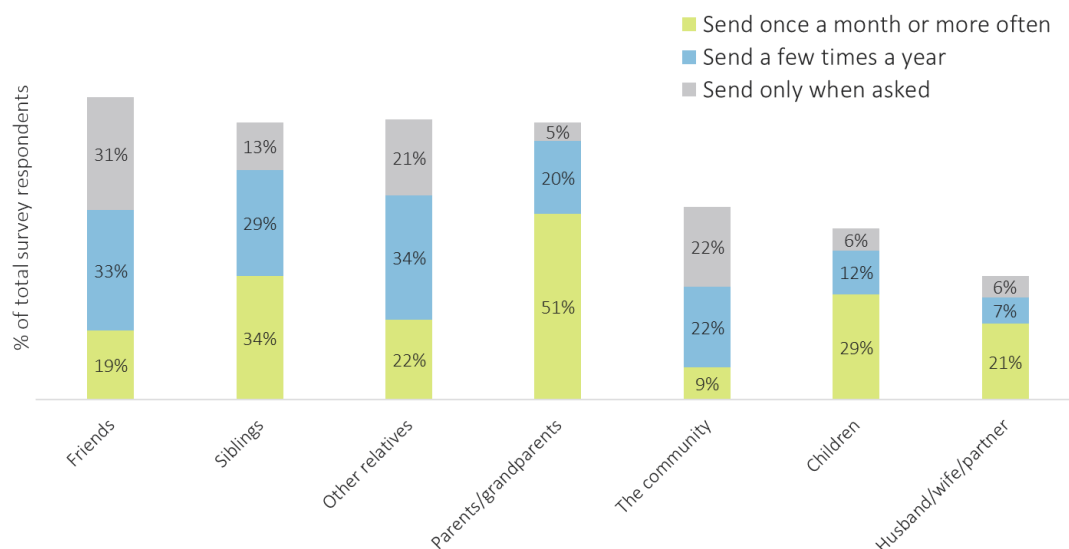


Figure 3: Recipients of remittances and frequency of sending

“It all depends on what is needed and who is asking for it. I wouldn’t say it’s regularly but it’s very sporadic.”

- Accountant, 39, male, Cameroon

There are apparent gender differences in who senders remit to. Figure 4 shows that a larger share of men sent to the receiver groups than women, which can be observed in the consistently higher percentages across the receiver groups. For example, 45% of men in the sample reported sending to their spouse/partner compared to only 21% of women. However, a larger share of women sent to parents/grandparents compared to men.

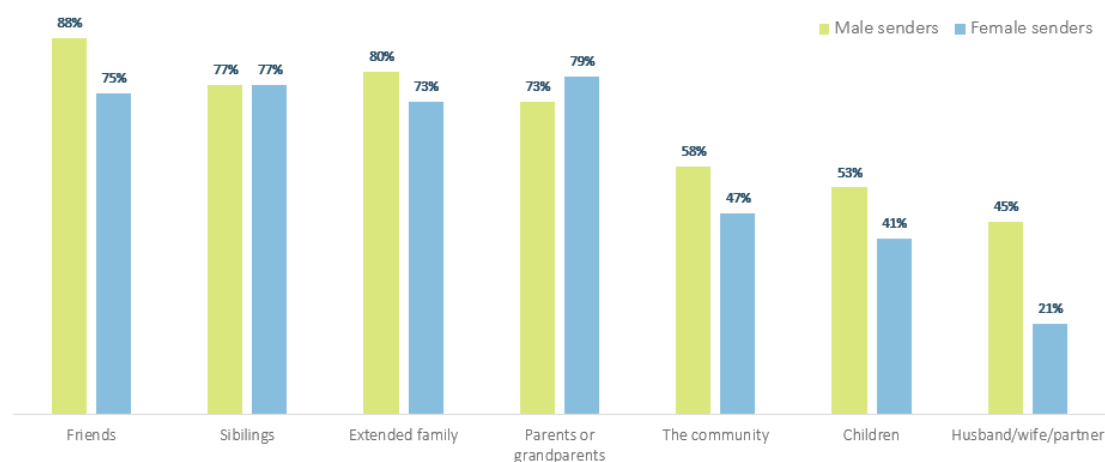


Figure 4: Recipients of remittances, broken down by gender of sender

4.2. Reasons for sending and frequency

*Remittances are intended for a number of purposes*². The largest share of respondents indicated that they remit for health, household expenses, celebrations and school fees. Business payments, loan repayments and insurance purposes were the least cited purposes for which senders remit. Nine percent (9%) of respondents reported remitting for all purposes, 92% for at least three purposes and 97% for two or more purposes. Evidence for the qualitative interviews also supports the finding that senders typically remit for multiple purposes.

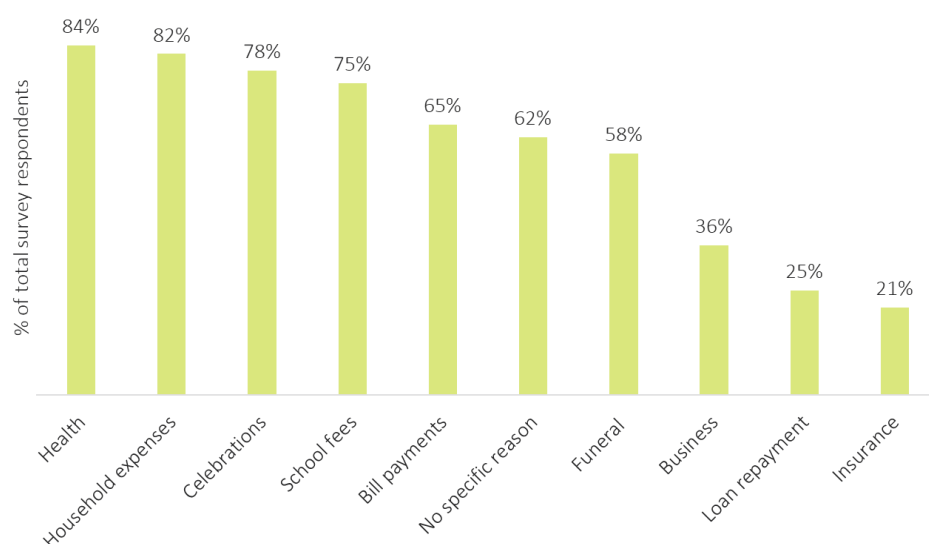


Figure 5: Purpose for which senders' remit

“The main reason why I send abroad is family and school fees as well as subsidising farming operations when it’s needed.”

- Endorse Copy Technician, 43, male, Cameroon

“I remit to pay back a loan, to assist my mother when she was building a house and to give family members money for celebrations or when in need.”

- Legal consultant, 28, male, Cameroon

“I send it for various reasons really, it’s not just for support or upkeep. It could be anything from someone’s birthday, somebody needs to pay for something, school fees of my younger cousins and sometimes gifts for my friends.”

- Accountant, 39, male, Cameroon

“I send money for family support, education for three children, household bills [...].”

- Construction worker, 54, male, Uganda

² This question allowed the respondents to select multiple answers. Unfortunately, due to a survey error, the “construction” option was omitted in the final survey.

There are common trends among corridors, but some distinct differences exist. Although the general patterns coincide across corridors, Figure 6 shows that there are a few different use cases³ that stand out in specific corridors. For instance, more remitters that send to Cameroon and Uganda reported sending for funeral purposes, and sending for business purposes and loan repayments was cited more often among those who send to Nigeria and Cameroon.

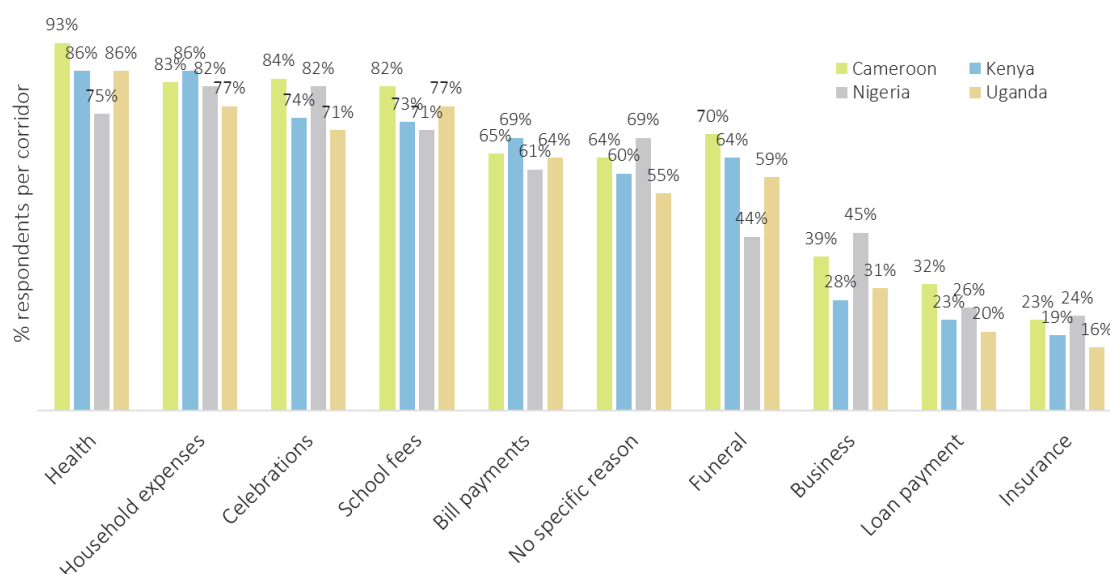


Figure 6: Purpose for which senders remit, broken down by corridor

The largest amounts are sent for household expenses, school fees and health purposes.

Figure 7 shows the use cases for which respondents report remitting the highest amount of money per year, as opposed to Figures 5 and 6, which cite simply the purposes for which senders remit⁴. Senders reported remitting the most money per year for household expenses, school fees, health and bill payments. While 84% of respondents reported sending for health purposes, only 46% of respondents reported that this is one of the three main purposes that they send the largest amount of money per year. Similarly, while celebrations are reported as one of the most frequent reasons for remitting, the value sent for this purpose is not as large as other use cases.

³ Please note that due to an error in the questionnaire, construction was unfortunately not included as an answer choice in this question.

⁴ Respondents were asked to select the three expenses for which they send the largest amount of money per year.

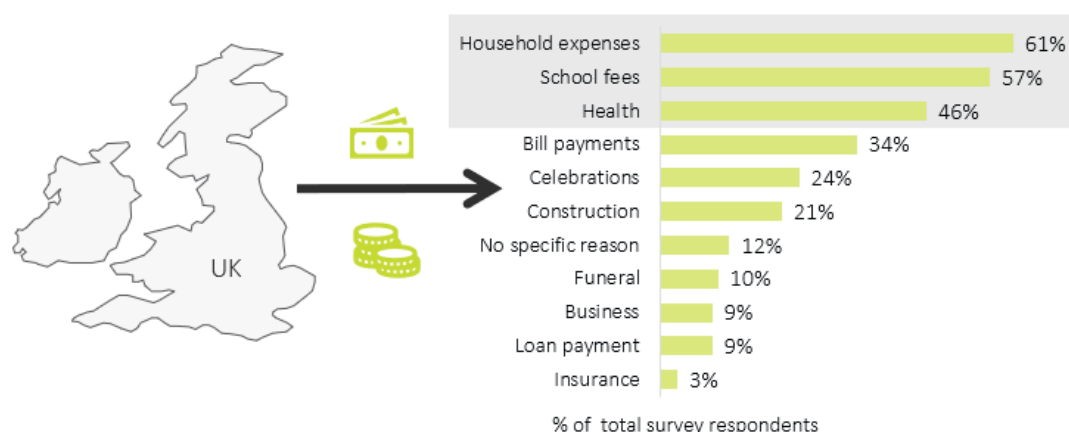


Figure 7: The purpose for which senders remit the largest amount per year

Senders remit most frequently for household expenses, bill payments and celebrations.

Figure 8 illustrates that the use cases most frequently remitted for (i.e. at least once a month) are household expenses and bill payments. Respondents report sending for school fees and health purposes on a less frequent basis, mostly a few times a year. This is congruent with school fee payment cycles, which occur at intervals throughout the year. Most respondents report sending for health either a few times a year or on request, which is likely a response to a specific health shock. However, a substantial 23% of respondents remit once a month or more often for health purposes. Given this frequency and regularity, health insurance policies could potentially help to channel these remittance funds into more productive purposes. Almost a third of remittance senders report sending funds on request for events that are sporadic and do not happen on a reoccurring basis, such as celebrations and funerals.⁵

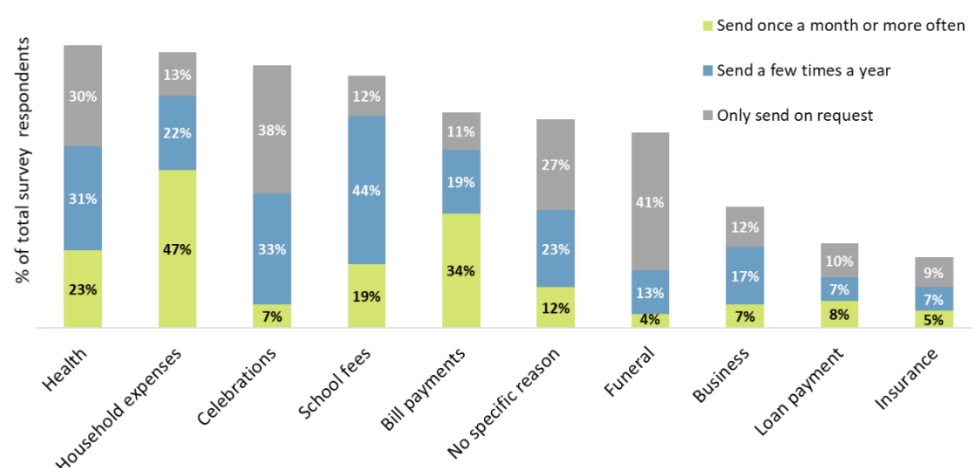


Figure 8: How frequently senders remit for specific purposes

⁵ The percentages in Figure 8 are percentages of the total sample, where 30% of the sample reports sending for health only on request.

4.3. Senders' demand for for-purpose remittances

There is a strong potential demand for for-purpose products. Results from the qualitative interviews and the quantitative survey indicate that there is a strong demand for for-purpose remittances. Figure 9 shows that 69% of all respondents in the quantitative survey would make use of a remittance product in which funds could be sent directly to an institution. Even more respondents (71%) reported that they would make use of a remittance product that gave them the option to attach a simple label to the remittance. Many respondents reported that such products would lead to them either remitting more money, to more people or more frequently. This suggests that there could be a business case for for-purpose remittance products. Further insights into the two products are highlighted in more detail in the following sections.

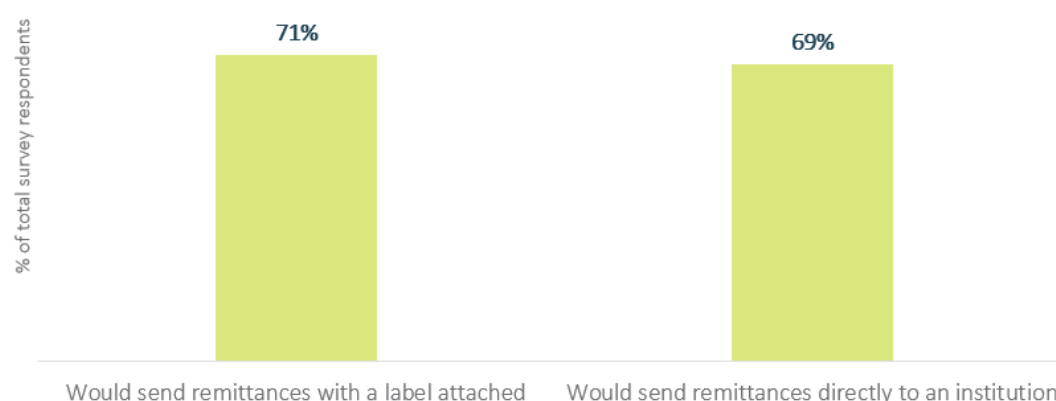


Figure 9: Senders that would make use of for-purpose remittance products

4.3.1. Labelling

There is a high demand for labelling where positive remittance behaviour may follow. Most survey respondents (71%) reported that they would make use of a remittance product that had labelling features. Twenty-four percent (24%) of all survey respondents reported that such a product would change their remittance behaviour positively, in that they would either send more money, send to more people or send more frequently. As illustrated by Figure 10, Nigerians and Ugandans are more receptive to labelling than Cameroonians and Kenyans. A greater percentage of Nigerians noted that this product would lead to positive remittance behaviour changes in comparison to the other countries.

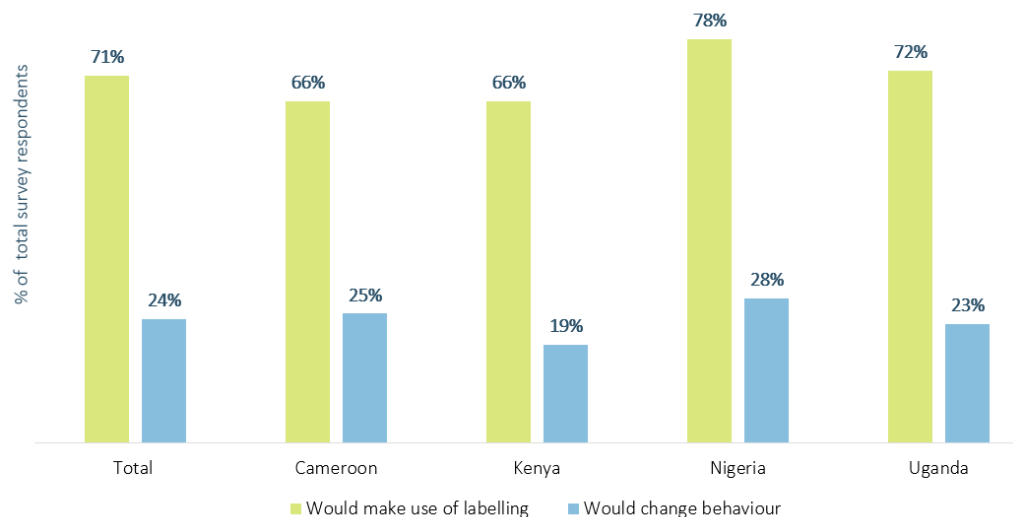


Figure 10: Senders' willingness to make use of labelling products and associated behaviour change

Previous experiments have established that there are gender differences when it comes to demand for and use of remittance products that have labelling features. For example, De Arcangelis et al. (2015) found that Filipino men who live in Rome were willing to send more money when an educational label was placed on a remittance product than Filipino women, which indicates that men may wish to exercise more control over the remittance and receiver than women. The quantitative survey highlighted very slight gender differences, with 73% of men in the sample indicating that they would make use of a labelling product, compared to 70% of women in the sample.

A simple label can act as a reminder for both the sender and the receiver. Respondents in the qualitative interviews highlighted that one of the advantages of labelling is that attaching a purpose for the remittance can serve as a reminder for both the sender and the receiver. A label helps the sender to remember why they sent a remittance and can therefore help with budgeting in the future. Additionally, it can serve as a reminder to the receiver to spend the money on the intended purpose. Labelling, in turn, can help to close the behaviour gap between the intended purpose of a remittance and how the money is actually spent. Qualitative respondents voiced some of these advantages:

"When sending money for specific tasks and things, I do label it all the time like school fees, rent, bills and food. I think it does serve as a reminder to them also when the money does come. It is very helpful."

- Accountant, 39, male, Cameroon

"It (labelling) may force the recipients' hand to use the money for its intended purpose."

- Security operative, 41, male, Uganda

"When they ask you for money, sometimes they say for fees, so yes that would help as another reminder [...] it's a good reminder for them as I mentioned my dad has faced some medical things so this could help."

- Author/Life Coach, 35, female, Cameroon

There is a preference for a drop-down menu over a personalised message. Figure 11 shows that, of those who would make use of labelling across the four countries, the majority (51%) prefer to select their reason for sending from a drop-down menu. Being able to put in a personal message on its own or in combination with selecting a reason from a drop-down menu was not nearly as popular among respondents. Having a pre-populated drop-down menu would be the least onerous on the sender, but it will be important for RSPs to carefully consider the different purposes they provide in the menu, since too many options may create cognitive overload for the sender, and too few options may not allow for enough granularity.

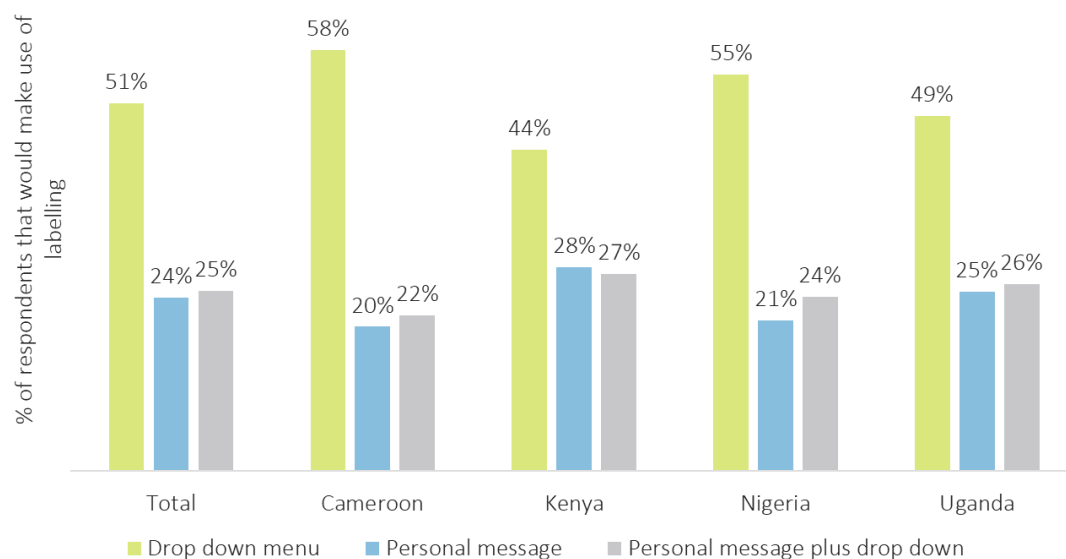


Figure 11: Senders' preference for how labelling function works

Cultural norms and a sender–receiver relationship may dictate whether senders would make use of remittance products with labelling features. The literature review and qualitative research highlight that the act of sending remittances is often a culturally loaded phenomenon. Whom you send to, how much you send and what you send for are dictated by many factors, of which social and cultural norms are two. Senders in the qualitative research revealed that they would be less inclined to use remittance products that have labelling features if they were sending to their close family, and particularly when the family members were their elders. This feeling stems largely from the cultural norm that in many African societies, younger generations who have moved out of the house are expected to contribute to the finances of the household and that telling the household how to spend the money would be seen as disrespectful. However, the qualitative research revealed that these types of cultural considerations were not as front of mind for older generations, and exercising control over younger generations was not seen as a deterrent to using labelling products.

Senders are more inclined to use labelling for specific expenses. In the qualitative interviews, respondents often mentioned that they would make use of labelling for specific expenses, such as school fees, celebrations and funerals. But they would prefer not to label lump sums that are meant to be spent on multiple items, such as household expenses. This

indicates that senders may be more willing to use labelling when there are specific, distinct expenses.

“With labelling it is all about who you are sending to.”

- Author/Life coach, 35, female, Cameroon

“I don’t like labels because I think you label things if you are not sure of what you are doing, for me it would create mistrust and effect the intention of what I’m doing.”

- Freelance business administrator, 26, female, Nigeria

“To be honest it’s not something that I would use unless I’m sending money to a child [...]. But if it’s just sending money to my brother, I don’t think it’s a feature that I would use, because it’s a sign of mistrust.”

- Self-employed baker, 27, female, Kenya

“Family has a budget to work on so labelling in this case is not needed, but projects like school fees, weddings, bereavement, community duties it’s good to be labelled.”

- Construction worker, 54, male, Uganda

4.3.2. Labelling with enforcement

There is a high demand for labelling with enforcement products and a clear intention to change behaviour positively. As illustrated by Figure 12, 69% of respondents reported that they would be willing to use a remittance product that allowed them to send money directly to an institution, and 29% of respondents would either send more money, send to more people or send more frequently. Slightly more respondents from Nigeria and Uganda would make use of this product as opposed to those from Kenya and Cameroon, and respondents from Uganda and Cameroon were slightly more likely to report positive behaviour changes.

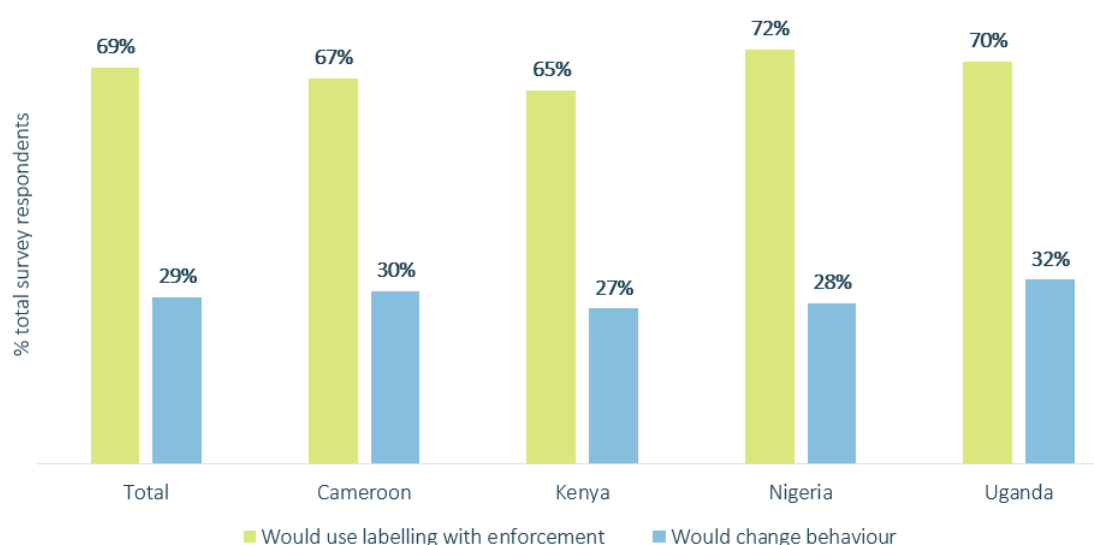


Figure 12: Senders’ willingness to make use of labelling with enforcement products and associated behaviour change

Slightly more men would make use of a labelling-with-enforcement product. There was a small difference in the percentage of men and women that would use a labelling-with-enforcement product: 70% of men in the sample would make use of it compared to 68% of women in the sample. Although the difference is small, it is consistent with previous literature on labelling with enforcement and remittance behaviour. For example, De Arcangelis et al. (2015) found that Filipino men in Rome were willing to send EUR46 more than women when they could send money directly to a school in the Philippines to support a student of their choice.

Cutting out the receiver in the remittance-sending process is a key value-add for senders.

Over 50% of respondents, regardless of whether they said they would make use of a labelling-with-enforcement product, said that offering such a product would improve the service of the digital remittance service provider. Further, respondents in the qualitative interviews indicated that having the ability to send money directly to an institution would make them feel more confident and reassured as to how the money they sent was being spent. Many recall instances where they sent money home for specific reasons but then the receiver spent it on other unintended purposes.

“Instead of sending money to an uncle or an aunt, I’d rather deal directly with the school, because I know a lot of people who had terrible experiences where people have used the school fee money for something else.”

- Student and freelance clothes designer, 50, female, Nigeria

“It will make me feel more confident about where the money is going. For example, my mum was sending money for my cousin’s school fees, but we found out at the end of that year that my cousin hadn’t completed the year, when my mum asked for a school report. So, this kind of labelling would really help in these situations.”

- Nurse, 33, female, Kenya

“This would be a good innovation, because people in Uganda have a tendency of diverting money from the intended purpose.”

- Security operative, 41, male, Uganda

“This is good. For example, there are people who sent money and the children don’t go to school so this would be a good idea.”

- Construction worker, 54, male, Uganda

Respondents are willing to send funds directly to a wide variety of institutions, but schools, health institutions and utility companies are the most cited, as illustrated in Figure 13. Qualitative insights support these findings, as utility companies and schools were frequently mentioned in the interviews.

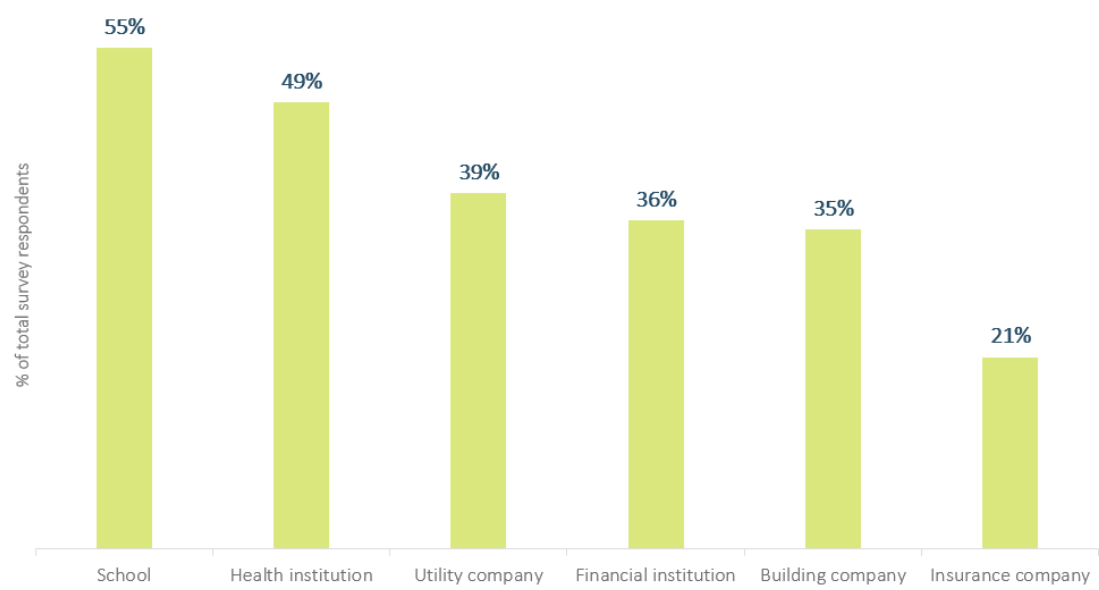


Figure 13: Institutions that respondents would be willing to remit to directly

Respondents in the qualitative research further highlighted that sending money directly to an institution would be convenient for the receiver, as they would not have to incur opportunity costs for collecting the remittance or paying an institution. Such products would thereby add value for both the sender in terms of peace of mind and added convenience for the receiver.

“I like the option of money going directly to the company, like for electricity.”

- Nurse, 33, female, Kenya

“If we could send directly this would be helpful. If it’s power and food this could be a fantastic idea. The direct payments for the school would be good also for the convenience mainly. The schooling one and utility bills is what I would mainly use this for and Wi-Fi as well and it will be nice for people to see you sign the bill direct from the company.”

- Teacher, 27, female, Kenya

But trust in the institution is key. In the qualitative interviews, interviewees emphasised the importance of trust when sending directly to an institution. Some highlighted that, although they are interested in the idea of sending directly to an institution, they were sceptical of it working in their home countries with specific institutions due to rent-seeking behaviour. Senders fear that some institutions may misallocate the resources and do so for their own interest. If RSPs want to allow senders to remit directly to institutions, it will be important for them to choose institutions that are trusted, as it will be harmful to an RSP’s reputation if they partner with an institution that misallocates senders’ remittances.

“Labelling is a very good idea; it is transparent, but there is a corrupt mindset in Uganda. If it is done in the Western world, yes, but it might not work in Uganda due to the mindset.”

- Male, Uganda

“In Cameroon there is a lot of problems with falsifying documents in communities. This happens a lot with housing. In the past people used to send tons of money, but when they go home, they will see nothing for it. So now people want receipts for everything [...]”

- Retail assistant and self-employed, 26, female, Cameroon

Construction has a special relevance among senders from Nigeria. Besides the consistent preference for school, health centres and utility companies across all countries, construction is a relatively important use case for Nigerian remitters. This (along with the qualitative interviews in which all respondents from Nigeria reported that they were building houses) illustrates that there might be a specific use case for sending remittances directly to construction companies in Nigeria.

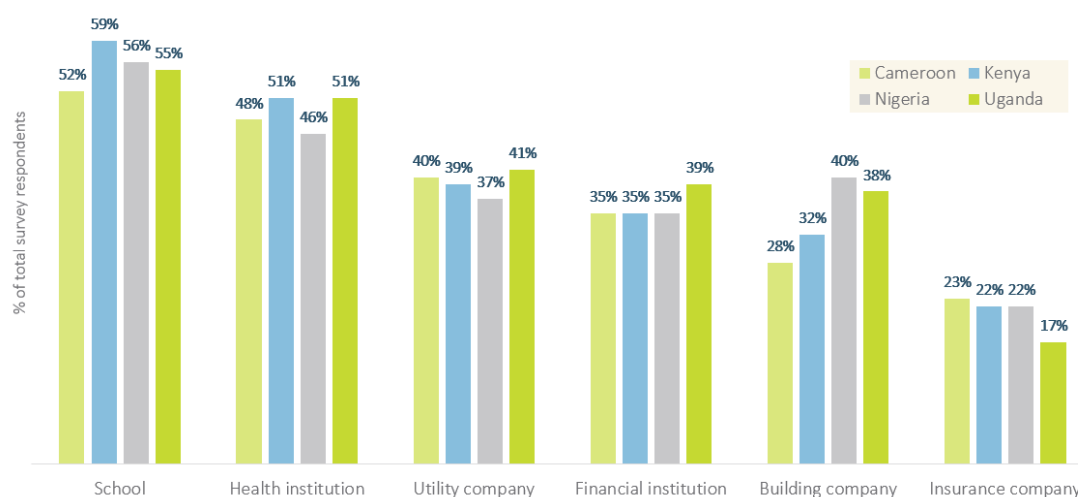


Figure 14: Senders’ demand to remit to specific institutions by country

Sending directly to an insurance company holds potential. Figure 14 and Table 2 show that insurance companies are also cited as an institution to which individuals would like to remit directly. Twenty-one percent (21%) report that they would remit directly to insurance companies if they were given the ability to do so. Health is also a particularly important use case, with 84% of respondents already sending for health and 49% being willing to send directly to a health institution. Instead of sending directly to a health institution, senders could alternatively send directly to an insurance company to pay for premiums for a health insurance policy that covers the senders’ family members.

	Cameroon	Kenya	Nigeria	Uganda
First use case	Health centre	School	School	School
Second use case	School	Health centre	Health centre	Health centre
Third use case	Utility company	Utility company	Construction company	Utility company
Use cases that also hold potential	Insurance company, construction company, bank	Insurance company, construction company, bank	Construction company, utility company, insurance company	Construction company, bank

Table 3: Use cases for labelling with enforcement products

There is a strong demand for labelling and labelling with enforcement products. Evidence from the qualitative in-depth interviews and from the quantitative research indicates that there is a strong demand for for-purpose remittance products. Remittance senders report a high demand for these products and indicate that they would change their behaviour as a result of using such products. However, this needs to be further tested by piloting a for-purpose product and measuring actual, instead of reported, behaviour.

5. Opportunities for RSPs

There is a clear demand for for-purpose remittance products. Our qualitative and quantitative research illustrates that senders self-report a high demand for for-purpose remittance products. Senders report that they would not only make use of such products but that they would also change their remittance-sending behaviour positively as a result. Considerations that RSPs should consider when designing such for-purpose products, as well as specific use cases which hold potential, are highlighted in more detail below.

5.1. Labelling products

Labelling allows senders to label the money they are remitting with an intended purpose but ultimately still gives the receiver control over how the money is spent. A simple label like this can act as a reminder for both the sender and the receiver on how the money was meant to be spent, so in a sense serves as a budgeting tool. It's unsurprising that 71% of all respondents across the four corridors said that they would make use of a product like this. Twenty-four percent (24%) of all survey respondents reported that such a product would change their remittance behaviour positively, in that they would either send more money, send to more people or send more frequently.

To allow senders to label their remittances, add a simple drop-down menu to the existing menu. Fifty-one percent (51%) of those who would make use of labelling preferred this option. The option of a simple drop-down menu would not be very onerous on the sender. It will, however, be important for RSPs to carefully consider the different purposes they provide, as too many options may create cognitive overload for the sender and too few options may not allow for enough granularity.

Clear use cases for remittances exist. Senders report sending for a variety of reasons, but there are clear use cases for labelling remittances. Clear use cases that emerged from the research are health, household, education, bill payments, business, celebrations and funerals, construction and financial service expenses (e.g. insurance, bank loan). These use cases could be tailored per country and form part of the drop-down menu.

Add an additional free-text feature to the menu to allow senders to personalise the label. A considerable percentage of respondents would like to write a personalised message to the receivers. Twenty-four percent (24%) of those who would make use of labelling prefer to write just a personal message, whereas 25% would prefer to use a drop-down menu and write a personal message. A free-text feature allows the sender to personalise the message.

5.2. Labelling with enforcement products

There is an exciting opportunity for RSPs to partner with other institutions to allow senders to bypass the receiver and send directly to an institution. Across the four corridors, 69% of respondents claimed that they would use such a product, and 29% said such a product

would result in them positively changing their remittance behaviour. Some valued that it would give them greater control over how the money was spent, whereas others valued that it removed cumbersome and even costly hurdles that receivers encounter when they pick up the remittance money or when they have to travel or queue to pay bills, school fees, health costs, insurance premiums, bank loans or construction costs.

However, it is crucial that RSPs partner with trusted and transparent institutions. If an RSP were to partner with an institution that is not trusted, it would be unlikely that a sender would be willing to remit directly to the institution. RSPs' reputations will be at stake if funds are misallocated, as it will be hard for senders to disentangle the wrongdoings of the institution from the RSP.

RSPs can build this trust by providing clear ways to track the amount sent and providing notifications of the amount received. Traditionally, when senders send money to receivers, they can easily communicate to confirm that the money was indeed received. The communication channel between an institution and an individual works differently, so it will be important for the sender to receive a notification of the remittance receipt so that they can have peace of mind.

RSPs also should partner with institutions that cater for distinct use cases and expenses. The research highlights that individuals prefer to bypass individuals and send directly to an institution when the use case for the expense is distinct. For instance, senders do not necessarily want to dictate how remittances that are lump sums (e.g. funeral costs) and/or used for multiple purposes (e.g. household expenses) are spent. Specific institutions that cater for a distinct use case and expense and therefore hold potential for partnering with are:

- **Health centres:** Among African adults, health risks are among the most cited risk faced in the last year, but many remain without health insurance or the necessary funds to cover these shocks. It is therefore unsurprising that an overwhelming 84% of respondents currently report sending for health purposes, and 49% of all respondents stated that they would like to send remittances directly to a health centre. Sending directly to a health institution would allow senders to cover the health risks faced by their loved ones at home and ensure that they would not be faced with health shocks that send them further into poverty. From an achieving scale perspective, it would be strategic for RSPs to partner with either private healthcare groups or the national health insurance scheme within a specific country.
- **Schools:** Seventy-five percent (75%) of senders remit for education purposes, and a majority (55%) of all respondents stated that they would be willing to remit directly to a school. Schools are an especially prevalent use case for Kenya, as 59% of those sending to Kenya would send directly to a school. RSPs should likely pursue partnering with a network of schools to achieve scale.
- **Utility companies:** Sixty-five percent (65%) of all respondents remit to pay bills of some sort, and 39% are willing to send directly to a utility company, due to both the convenience factor of not having to ask relatives to pay bills on their behalf and the peace of mind of knowing that their bills have been paid. Utility companies are generally not networked and are fragmented in Africa, which makes building the business case for partnering with them difficult. However, aggregators could be a solution to this.
- **Building suppliers or construction companies:** Twenty-one percent (21%) of respondents reported that construction is one of the top three reasons for which they

send the largest sum of money per year, and 39% of all respondents said they would send directly to a building company. Construction is an especially relevant use case for Nigeria, as all respondents from Nigeria highlighted that they either have plans to build or are already building a house in Nigeria. However, the construction sector in Africa is plagued by a general lack of transparency and trust, so it will be especially important for an RSP to partner with a trusted institution. It would be most economic for an RSP to partner with an aggregator within the construction value chain who brings together different suppliers of construction goods and services.

- **Banks:** Twenty-five (25%) of respondents reported sending money to repay a loan, and 36% reported that they would send directly to a financial institution.
- **Insurers:** Adults in Africa often faced insurable risks, yet they do not have insurance and therefore are forced to draw on alternative coping mechanisms, which typically have negative effects on their overall welfare. Providing senders with the ability to pay the insurance premiums for their loved ones back home will help to ensure that their loved ones have adequate means to deal with unexpected shocks. Some senders (21%) reported already sending for this purpose, and 21% claimed that they would send directly to an insurance company. Partnering with an insurance provider not only allows an RSP to change remittance sender behaviour but also presents the opportunity to better manage the risks and welfare of the receivers. Partnering with either an aggregator or a large insurer will be key.

5.3. Next steps

Determine whether there is a reasonable business case. Our research highlights that there is a clear demand for for-purpose remittance products and that many senders report that they would either send to more people, send more money or send more frequently if they had access to such a product. It will be important for RSPs to first consider what type of product supports their strategy and what they have appetite for, as well as doing financial projections to estimate whether the RSP would benefit financially from offering such a product.

Launching a pilot in a contained environment is crucial before rolling out a for-purpose remittance product. Testing in a small, contained environment will enable the RPS to have a general sense of whether senders positively change their sending behaviour. It will also allow the RSP to better understand for-purpose remittance products impacts on its economic model before scaling up the product.

At Cenfri, we are excited at the potential of for-purpose remittance products. Please contact us should you be interested in piloting these types of remittance products.

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Annexure

Table 4 shows a list of empirical literature that was central to the systematic review on labelling and labelling with enforcement.

Author	Year	Title	Country	Receiving country	Financial service	Use case
De Arcangelis et al.	2015	Directing remittances to education with soft and hard commitments: Evidence from a lab-in-the-field experiment and new product take-up among Filipino migrants in Rome	Italy	Philippines	Payments (Remittances)	Education
Torero and Viceisza	2015	To remit, or not to remit: that is the question. A remittance field experiment	US	El Salvador	Payments (Remittances)	Food vouchers
Ambler et al.	2015	Channeling Remittances to Education: A field experiment among migrants from El Salvador	US	El Salvador	Payments (Remittances)	Education
Batista et al.	2015	Directed giving: Evidence from an inter-household transfer experiment		Mozambique	Payments	Cash vs In-kind gifts
Dupas and Robinson	2012	Why Don't the Poor Save More? Evidence from Health Savings Experiments		Kenya	Savings	Health
Karlan et al.	Forth-coming	Savings Account Labelling and Financial Literacy Training in Ghana		Ghana	Savings	Savings
Karlan and Linden	2014	Loose Knots: Strong versus Weak Commitments to Save for Education in Uganda		Uganda	Savings	Education
Dizon et al.	2015	Mental Accounting and Mobile Banking: Can labelling an M-PESA account increase savings?		Kenya	Savings	Savings

Author	Year	Title	Country	Receiving country	Financial service	Use case
Grinstein-Weiss et al.	2017	The role of choice architecture in promoting saving at tax time: Evidence from a large-scale field experiment		US	Savings	Savings
Sussman and O'Brien	2016	Knowing When to Spend: Unintended Financial Consequences of Earmarking to Encourage Savings		US	Savings, Credit	Emergency
Soman and Cheema	2011	Earmarking and Partitioning: Increasing Saving by Low-Income Households		India	Savings	Savings
Benhassine et al.	2014	Turning a Shove into a Nudge? A “Labeled Cash Transfer” for Education		Morocco	Conditional Cash Transfer	Education
Beatty et al.	2014	Cash by any other name? Evidence on labeling from the UK winter fuel payment		UK	Conditional Cash Transfer	Fuel

Table 4: Behavioural studies on labelling and labelling with enforcement

About Cenfri

Cenfri is a global think-tank and non-profit enterprise that bridges the gap between insights and impact in the financial sector. Cenfri’s people are driven by a vision of a world where all people live their financial lives optimally to enhance welfare and grow the economy. Its core focus is on generating insights that can inform policymakers, market players and donors who seek to unlock development outcomes through inclusive financial services and the financial sector more broadly.

About FSD Africa

FSD Africa is a non-profit company that aims to increase prosperity, create jobs and reduce poverty by bringing about a transformation in financial markets in sub-Saharan Africa (SSA) and in the economies they serve. It provides know-how and capital to champions of change whose ideas, influence and actions will make finance more useful to African businesses and households. It is funded by the UK aid from the UK Government. FSD Africa also provides technical and operational support to a family of 10 financial market development agencies or “FSDs” across SSA called the FSD Network.