

Learning Through Social Networks: How Workers Optimize the Use of Fintech for Remittances

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2022 FMA Annual Meeting

Road Map

The Paper

My Comments

Final Remarks

The Paper in a Nutshell

Does fintech platform improve customers' financial literacy through social networks?

- Financial Literacy – compares the exchange rates of *actual* remittance transactions to the exchange rates in a *5-day window* around the executed transaction.
 - International remittances from Korea to 9 Southeast Asian countries.
 - When to make the remittance matters because the exchange rate is time variant.
- Social Networks – users recommend the service to their friends.
 - Workers in the sample are mostly financially unsophisticated migrant workers.
 - Timing the exchange rate is not a natural thing. So learning might be happening thorough social networks.

The Paper

(Really) cool data! New findings! New understandings!

- Data everyone wants to have... but... almost everyone does not have.
 - Individual- (instead of business-) level; low-income users (instead of sophisticated investors)
- One important thing about the role of fintechs: Welfare!
 - Extend the financial services to whom does not have it before (low-income workers).

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Comment 1 – Narratives

- A lot of things going on (rich data)
 - International remittances
 - Exchange rate timing
 - Social networks
 - Learning

Suggestions

- Potentially, the most interesting thing is improving financial literacy (timing the exchange rate) through social network learning.
- Or, maybe even simpler, fintech can improve the financial literacy of users.

Comment 2 – Identification

Findings regarding “social finance” (Hirshleifer, 2020)

- Remittance transactions are more clustered among the members of social networks.
- Workers are more likely to use Sequential Cancellation when other members of their social networks use Sequential Cancellation.

Endogeneity: confounding factors (group leader, common internet usage pattern, common education background, occupation, ...)

- Natural experiments
 - For example, the War affects the exchange rate, do we see more socially connected people/ the group of people learning more through social networks react more to the exchange rate change?
- Lab experiments
 - Randomly educate a group of users, and see whether the users socially connected to them react to exchange rates.

Comment 3 – Why Exchange Rate?

- Is timing exchange rate that non-trivial? Is it more about how much time one could spend using the app (rational inattention) / behavioral pattern (how much one care about money) than knowing what exchange rate it is?
- Will some other behavior also improve thorough social learning?

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Random Questions

Very cool paper and good luck!

- Is the recommendation of the service to their friends can only happen to new users?
- Can we observe other information about the user (e.g. location, working place) so as to construct other social network measures?
- What is the speed of the transaction?
- Is there blockchain technology behind it?