Measuring Information Asymmetries and
Modeling their Impact on Senegalese Migrants’
Remittances

Marlon SEROR
Paris School of Economics

Synthèse

The literature on migrants’ remittances commonly bypasses information asymmetry issues, arguing that transfers occur within the extended family, and thus altruism should be strong enough to avoid the pitfalls that foreign investors encounter.

We use novel, matched data on Senegalese migrants (in France, Italy and Mauritania) and their households of origin to measure empirically discrepancies in migrants’ and households’ responses to identical survey questions. As the discrepancies prove to be systematically non-zero, we assess potential explanations and provide evidence that information asymmetry and rent extraction by households is most likely at work.

Migrants’ remittances are then modeled within a soft-information framework to account for the aggravation of information-asymmetry issues when geographical dispersion comes into play, making monitoring costlier and imperfect. Testable predictions are obtained that are difficult to explain outside the information-asymmetry context, and supported by the data.

A natural question is then whether information asymmetry affects empirical analyses of transfer determinants. We derive the bias induced by information
asymmetry in transfer regressions thanks to the model. Whereas the empirical literature always uses either migrants’ or households’ responses to surveys (because surveys about international migration are seldom conducted both in host and home countries), implicitly regarding them as interchangeable, we show that this is a heroic assumption if information asymmetry cannot be ruled out and that using the one or the other may both entail a bias, but potentially pointing in opposite directions. These methodological findings are all the more important as the literature on migrants’ remittances has mostly focused on determining remittance motives on the basis of the significance of coefficients in regressions of transfers on motive proxies.