Worker Remittances: the human face of globalization

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Introduction

Migration and remittances are important signifiers of the human face of globalization. Millions of migrant workers and their families maintain their bonds and continue their obligations to each other using numerous means, including by sending remittances—money and goods—to their families and communities of origin. On a worldwide annual basis remittances may amount to more than one hundred billion dollars, primarily sent from the industrial to the developing world. In turn, the individuals sending portions of their income back to their relatives use a variety of means to ensure that their money is transferred and delivered.

This report is a comparative study of worldwide transfer costs to nine countries. It also compares these international trends with costs and trends of sending money to Latin America. The report is based on interviews with experts and businesses, a review of the literature on remittances, and data gathering and analysis of pricing, sending methods, and technologies employed by more than fifty money transfer businesses including banks, ethnic stores, and international money transfer corporations. The study looked at the impact of remittances on the nine countries in Europe, Asia, and Africa, and specifically at costs for immigrants to send money from major sending countries including from the United States.

One of the study's major findings is that transfer costs incurred by an immigrant are lower when remittances are sent through banking institutions. Significantly, when banks offer these services to immigrants, they also sell other important products that benefit these customers, their home country relatives, and their home country economy. Another notable finding is that costs to send remittances to the countries studied here are higher from the United States than from Europe and Arab oil exporting countries, and southern Africa. Moreover, when the data is compared to Latin America it was found that average costs of remitting by money transfer businesses to Latin America is more expensive than the other transfers. In contrast, costs using international money transfer institutions and ethnic stores to send to Latin America are cheaper than money transfer agencies between other countries in the world.

1. Present dynamics: trends and profiles

One of the striking features of globalization is the extent by which humans have become more mobile, nomadic, and transient, both physically and technologically. The flows of international tourists from various countries have increased into millions of travelers. People working for transnational corporations have moved into different regions of the world where companies are expanding or intensifying their activities. Refugees escape from natural disasters, wars and conflicts that cause or exacerbate famines, leaving countries and continents. Van Hear calls these refugees 'new diasporas'; these immigrant groups become diasporas as a result of major contemporary economic and political transitions generating transnational changes and migration crises (1998). Workers continue relocating because of labor demands, usually in northern countries, economic distress in their home countries, or a combination of both. Families are increasingly becoming transnational with relatives living in more than one country, reuniting, visiting regularly and maintaining a transnational network of communication (Faist 2000). Migration has become not only transnational but also transatlantic as in the case for example, of Indian, Pakistani and Bangladeshis going to Europe and the United States, or Dominicans, Jamaicans, Guyanese and Ecuadorians traveling to the United States and Europe.

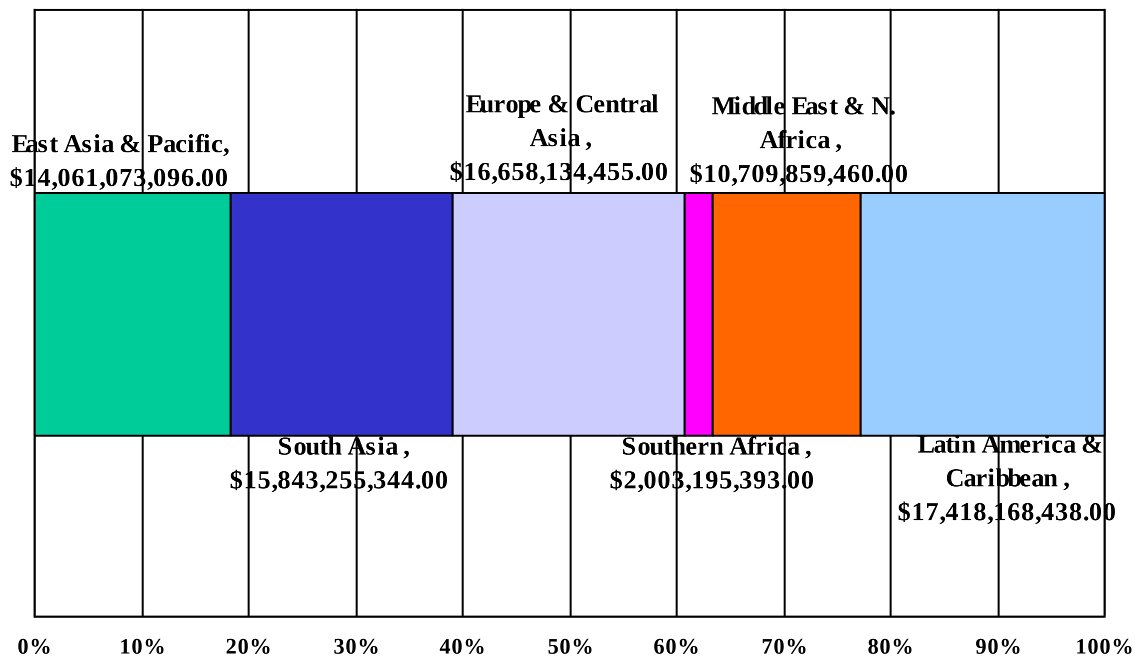
Of the many moving across borders, conservative estimates indicate that every year there are about 200 million people migrating around the world (Harris 2002). This number of foreign workers going abroad is significant and indicative of broader changes in the global context. Because of globalization people are able to travel longer distances and reach more countries. A greater number of countries have also increased or expanded their demand for foreign labor. Moreover, the migration flows are not unidirectional, that is from the South to the North. For example, Greeks migrate to Germany and the United States, while Albanians migrate to Greece. South Africans move to Australia and England, while Malawians, Mozambiqueans, and Zimbabweans travel to work in the South African mines and the service industry as domestic workers.

Global migration flows may be greater than those estimates. Many migrant receiving countries are expanding the number and type of migrants they receive. Moreover, migration is taking place at both levels, skilled and unskilled workers going abroad. As Held, McGrew, Goldblatt and Perraton (2000) stress "there has been a steady movement of highly skilled, highly trained professionals, that is, elite migration" (304). These migrations are not only going northward, but have also gone into Southern areas of the world like the Oil producing countries where a demand of skilled labor has emerged since the 1970s ("Outward bound" *The Economist*, 24).

The benefits of migration have been significant for both sending and receiving countries. One important benefit for immigrant sending countries has been remittances. Total remittance flows continue to increase over time, nearly doubling in a period of ten years from $34 billion in 1990 to over $66 billion in 2000, "with an annual average in the previous decade of US$700-1000 per worker" (Harris 2002, 87). According to World Bank statistics, remittances in 2000 to 80 countries for which there was data available, amounted to near seventy billion dollars. These estimates provide an illustration of a larger and more significant impact of how migrant workers are impacting their home country economies.

This data however is incomplete and only represents a baseline of what the flow possibly is. First, in some cases World Bank figures provided are smaller than the official figures offered by the Central Banks. For example, the World Bank reports fewer than two billion dollars in remittances to the Philippines but the Philippines' Central Bank reports over six billion (BSP 2002). Second, often remittances are not reported at all. In Guyana, for example, whose diaspora is almost as large as its country's population (there are 700,000 Guyanese in Guyana and over half a million abroad), remittances represent at least 10% of the country's GDP. However, this data is not available in the World Bank or IMF databases. Third, there is significant underreporting. In most cases, Central Bank accounts do not necessarily register the flow of currency going through the informal sector, which for South Asian countries represents a significant share of the total market. Fourth, many immigrants make direct deposit accounts into their home country accounts and the Banks do not register these as remittances, even though the immediate relative is the main beneficiary in those accounts. These shortcomings reflect largely government neglect about recognizing and registering significant outflows of emigrants to various parts of the world and the economic contributions they provide. Some industry experts estimate the market to be somewhere between $140 and $200 billion dollars. However, despite the lack of significant data, World Bank figures can offer a preliminary map of what are the remittances trends worldwide (see Figure 1).

Figure 1. Worldwide flows of worker remittances by region, 2000



As Figure 1 shows, except for Southern Africa, remittances in 2000 to various regions in the world accounted over 10 billion per region, with Latin America as the main remittance recipient area in the world receiving about 23% of the flows. Other regions that followed Latin America were South Asia, Europe & Central Asia, and East Asia & Pacific with 22, 21 and 18% respectively. A striking characteristic that emerges from the data on remittances is that there are at least one or two countries comprising over 50% of the total flow in every region of the world. For example, India, the world largest money recipient country comprises 73% of the flows to South Asia. Mexico represents 38% of Latin America and the Philippines 43% for East Asia and the Pacific. The remaining of the flows is comprised by a larger number of countries from various parts of the world; sixteen of which share nearly eighty percent of the global flows (see Table 1).

Table 1: Remittances to Major Remittance Recipient Countries

Country in region	Remittances in 2000	Share	
		Region	Worldwide
India	$11,585,699,840	73%	15%
Mexico	$6,572,599,808	38%	9%
Philippines	$6,050,450,000	43%	8%
China	$6,000,000,000	43%	8%
Turkey	$4,560,000,000	27%	6%
Egypt	$3,747,000,064	35%	5%
Spain	$3,414,414,080	20%	4%
Portugal	$3,131,162,880	19%	4%
Morocco	$2,160,999,936	20%	3%
Bangladesh	$1,948,999,936	12%	3%
Jordan	$1,845,133,952	17%	2%
El Salvador	$1,750,770,944	10%	2%
Dominican Rep.	$1,688,999,936	10%	2%
Greece	$1,613,100,032	10%	2%
Nigeria	$1,301,057,024	65%	2%
Yemen	$1,255,206,528	12%	2%
Main countries	$58,625,594,960.00		77.00%

Source: World bank, *World Development Indicators 2002*

In most cases, or perhaps except with most Latin American countries, the flows of remittances to the receiving countries do not come from one single country, like the United States, but rather from a combination of sending areas. The typical example refers to those immigrants who go to the oil producing countries for work from India, Pakistan, Egypt or Bangladesh. Money sent to those countries comes from at least four different sources. Moreover, these labor exporting countries also have immigrants in places like England, the United States or Germany and France. Within the European continent migration is also spread in Europe and North America. Greeks and Turks, for example, migrate to Germany, and the United States. Philippine workers also experience similar practices of migration, going to the United States, and oil producing countries. Table 2 shows a sample of some of the major remittance recipient countries (excluding Latin America) with the various places where migrants of that country go for work.

Table 2: Immigrants and the places where they migrate (Most recent year available)

Home country / Host Country	Egypt (2000)[a]	Greece (1992)[c]	India (1995)[a, b]	Pakistan (1998)[a]	Philippines (1999)[a]	Portugal (1992)[c]	Turkey (1996)[a]	Mozambique[g]	Zimbabwe[g]
Saudi Arabia	923,000		269,600						
UAE			77,100						
Oman			29,100						
Kuwait	190,000		27,000						
Jordan	226,000			1,552,350[d]					
Iraq	65,000								
Libya	332,000								
Bahrain							120,000		
Arabia									
Germany		345,902			7,411	101,600	2,107,426		
France						798,840	274,747		
Netherlands							284,902		
Austria							142,231		
Sweden		20,000		934,068[e]					
Switzerland						142,950			
Belgium		25,000				23,000			
UK						52,000			
Spain									
Holland						699			
US[f]	98,158	144,432	1,109,061	265,884	1,337,357	207,748			
Canada		300,000			133,187	523,000			
Australia		400,000			77,160	65,000			
Japan					44,291				
South Africa						600,000		91,228	63,561

Sources and Notes: [a] International Labour Organization, "International Labour Migration Database," http://www.ilo.org/public/english/protection/migrant/ilmdb/index.htm

[b] Yearly outflow of employed nationals, i.e. temporary workers, instead of total number of nationals abroad.

[c] Karafolas, Simeon. 1998. "Migrant Remittances in Greece and Portugal: Distribution by Country of Provenance and the Role of the Banking Presence," *International Migration* 36, no. 3, pp. 357-381.

[d] Number of Pakistani nationals in entire Middle East.

[e] Number of Pakistani nationals in all of Europe.

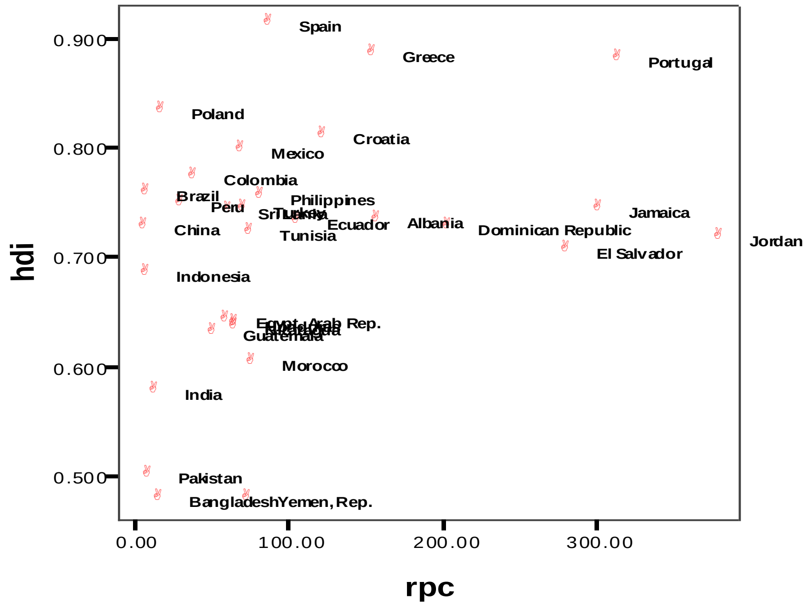
[f] All figures for the US—except Turkey, Zimbabwe, and Mozambique—reflect the place of birth of the foreign born population in the US according to the 2000 United States Census.

[g] McDonald, David A., Ed. *On Borders: Perspectives on International Migration in Southern Africa*. New York: St. Martin's Press, 2000.

In a world of six billion inhabitants, international worker migration seems insignificant as it comes to represent about 3% of the world. Most migration, in fact is internal, rural to rural, rural to urban; and international migration in many cases follows a sequence of stages, from rural to urban, then to the international sphere. Rural migration tends to predominate in many countries, including India and China, which together comprise 25% of the world's rural population. However, international migration takes on greater relevance after observing the significant volume of remittances worldwide.

Although there is no relationship between remittances and human development, these flows make an important impact on the economies of those receiving the currency. Migration and remittances do not necessarily relate to the level of development in a country (not only the poor migrates, that is). Countries receiving remittances come from low, medium and even high human development cohorts. Their connection to development is rather related to a) the receiving country's regional economic position and their relationship to a more economically salient country and b) the macroeconomic impact remittances have on the receiving country. Thus, Greece, Portugal, Spain and Turkey, for example, are an important labor force to Western European countries, particularly Germany, France and England. The same is observed with Asian countries which became important labor suppliers for oil exporting countries in the Arab world. The impact of remittances on an economy is a significant issue. Remittances provide an important source of foreign currency earnings, and can support a country's savings rate.

These flows of remittances as well as the widespread distribution of them rise important questions as to what impact they have in an economy, how these remittances arrive in the different countries, and in particular what are the most common sending practices among traditionally remittance recipient countries like India, Greece, Portugal, Turkey, Egypt, Mozambique, Pakistan or the Philippines?



2. Remittances and their Economic Impact

One of the immediate impacts of migrations is remittances. Depending on the receiving country, the economy may rely significantly in the flows sent by their workers living abroad. This section analyzes a select number of countries that receive remittances and comprise an important share of worldwide flows (Egypt, Ghana, Greece, India, Mozambique, Pakistan, Philippines, Portugal, and Turkey). The countries selected are from places different from the Western Hemisphere, but will later be compared with Latin America. The section reviews the significance of remittances to these countries.

In most of the countries studied here the trend shows that their macro-economic impact is significant, not only in terms of helping increase foreign currency earnings but by virtue of representing a sizeable share of a country's GDP. Moreover, these resources help expand markets through spending and investment. Table 3 shows that the amount of remittances received by these countries is far larger than foreign investment or official development assistance. When compared with exports, remittances also represent a significant portion. As will be observed in a brief review of the countries studied, at least 10% of recipient households use their money for a saving or investment scheme. In this section there is a review of the pattern remittances has had in these countries and the market landscape for remittance transfers.

Table 3: Relevance of Remittances to Each Country in 2000

Country	Remittances, millions USD	Remittances as % of Merchandise Exports	Remittances as % of Official Development Assistance	Remittances as % of Foreign Direct Investment (net inflows)	Remittances as % of GDP
Egypt	3,747	80%	282%	303%	4%
Greece	1,613	16%		149%	1%
India	11,586	27%	779%	500%	3%
Pakistan	1086	12%	155%	353%	2%
Portugal	3,131	13%		50%	3%
Philippines	6,050	15%	1047%	298%	8%
Turkey	4,560	17%	1403%	464%	2%

Sources: World Bank "World Development Indicators 2002" CD-ROM. Remittances to Philippines are from Central Bank of the Philippines.

Portugal

Portugal has traditionally been one of the largest remittance recipients in the world, topping \$1 billion in the 1970s and steadily increasing until hitting a peak of over \$4.6 billion in 1992. Despite declining since the early 1990s, Portugal still ranked among the top ten remittance recipients in the world in 2000 with receipts of over \$3 billion (World Bank 2002).

Emigration from Portugal paralleled this growth in remittances. Portugal experienced significant emigration to Western Europe throughout the 1960s and 1970s, and at present, there are approximately 4.5 million Portuguese living abroad, almost half of the resident domestic population (Economist Intelligence Unit 2001). In 2001, approximately 20,500 Portuguese emigrated; 72% of them temporarily (less than one year) and 28% permanently (more than one year). France, Germany, and Switzerland together received over three-quarters or these migrants (Instituto Nacional de Estatistica Portugal 2002). Moreover, the country has also become a net importer of migrants mainly from its former colonies and from Eastern Europe.

Remittances to Portugal are similarly concentrated in a small number of sending countries. France has been the most important source of Portugal's remittances since the 1960s, and more recently, the United States, Germany, and Switzerland have also become significant sources of remittances sent to Portugal (Karafolas 1998, 360). According to figures from the Banco de Portugal 42% of remittances came from France, 18% from Switzerland and 15% from the United States.

Transfers of remittances are primarily done by Portuguese banks with their branches abroad. As Portuguese banks expanded operations to the countries of migration, remittances from these areas increased. According to Karafolas (1998, 377), from 1975 to 1994, for example, the number of Portuguese bank units in France increased from 12 to 115. This same time period saw a growth in remittances from $544 million to a peak of $1,840 million in 1992 while the Portuguese population in France remained relatively stable during this period. Many of the Portuguese banks in France, Germany, and other emigrant destinations offer full banking services contributing to emigrants entering the banking system and maintaining accounts.

Greece

To a significant extent, emigration from Greece occurred during the 1960s when nearly 1 million Greeks—close to 10% of the Greek population—moved to Western Europe and the United States (Karafolas 1998, 359; Lianos 1997). Germany and the United States became the two major destination areas of migration.

With migration came an increase in remittance flows to Greece. By 1970 remittances from Germany accounted for $133 million growing to $450 million in 1994. As in the Portuguese case, Greek banks abroad encouraged the growth in remittances. When remittances from Germany surpassed $100 million dollars in 1970, there were only 3

Greek banking units in Germany. By 1994, there were 27 banks, branches, and affiliates of Greek banks in Germany. Over the same period, Greek banks in the U.S. increased from 3 to 21 (Karafolas 1998, 374-376).

Theodore P. Lianos (1997) finds further evidence for the important role played by banks in the Greek remittance market. Lainos analyzed the factors that influenced the decision to remit to Greece from Germany, Belgium and Sweden. He concluded that the higher number of Greek banks in Germany, with respect to the other two countries, allowed for more informed decisions on the part of the migrants there.

Pakistan

Remittance flows to Pakistan have been some of the largest in the world. According to Shaukat Aziz, Pakistan's finance minister, 20% of remittances to Pakistan enter through formal channels with the vast majority entering via the *hawala* system (Economist Nov 22, 2001).

During the mid-1980s remittances approached $3 billion annually (Addleton 1984; World Bank 2002). According to Addleton (1984, 577-578) Pakistanis in the Middle East save approximately 70% of their income, and remit about 75% of the amounts saved. The majority of this money is used to pay for housing, consumer goods, to pay off debts, and to purchase land. A.J. Sofranko and Khan Idris (1999, 476) estimate that 42% of remittances are used to cover basic family needs, 29% are spent on other consumer goods, and 13% is invested in some kind of business venture. This inflow contributed greatly to the balance of payments and accounted for 76% of merchandise exports (Addleton 1984, 589). According to some analysts, along with development assistance, remittances may have provided a cushion for high government deficits (Haque, Husain, Montiel 1994, 1594).

Some of the constraints to senders relate to government policies restricting foreign currency which included taxes on remittances. Other constraints have been stiff controls on foreign currency accounts, which have encouraged senders to resort to hawala. For example, when the government froze foreign currency accounts in 1998, after the economic sanctions were imposed following Pakistan's detonation of a nuclear weapon, confidence of many Pakistanis in the banking system declined. (Arab News July 27, 2001). More recently, however, Pakistan has made been efforts to motivate migrants to remit through the banking system. In October 2001 remittances to Pakistan through the banking system totaled $185.5 million experiencing a 129% increase. Moreover, remittances through formal channels tripled between July 2001 and July 2002 (State Bank of Pakistan). These changes reflect a policy shift with regards to remittances. The government has devoted significant energy to closing the gap between the "kerb" exchange rate offered by *hawala* dealers and the interbank rate used by commercial and state banks (Arab News July 8, 2002). Also, the government has begun a new program, "Remittance Book", through the Overseas Pakistanis Foundation to reward regular remittance senders. This program records the amount of money sent by overseas Pakistanis and provides certain benefits for those remitting more than $2,500 annually and other benefits for those sending more than $10,000 annually. The government has als recently announced plans to establish official Money Exchange Companies (MECs) to replace the *hawala* dealers. According to this plan, the government will issue licenses allowing banks and money transfer organizations to increase their dealings in foreign exchange (Arab News August 5, 2002).

The licensed remittance market in Pakistan is currently composed of a variety of exchange houses and money transfer businesses. Some Pakistani banks have also recently become involved in the remittance business with overseas branches and one in particular, National Bank of Pakistan, has announced plans for a tie-up with Western Union, who is eager to expand its market share in this part of the world (National Bank of Pakistan press release).

Egypt

Egypt has been one of the principal labor exporters to the oil-producing Middle Eastern countries since the 1970s and among the largest remittance recipients in the world totaling almost $3.5 billion dollars in 1985 (Adams 1991, 13; World Bank 2002). These figures represent a significant percentage of merchandise exports and GDP, 80% and 4% respectively (World Bank 2002). In addition, remittances are the primary source of foreign exchange for Egypt, surpassing the exportation of oil (Adams 1991, 13). Almost half of all remittances entering Egypt originate in the oil producing Gulf States. However, another significant portion, more than one-third, comes from the United States (Central Bank of Egypt).

These numbers, however, underestimate a larger volume of remittance inflows to Egypt as significant amounts enter through informal mechanisms and are thus unrecorded (Choucri 1986, 697). Nazli Choucri (1986, 704), for example, points to several factors explaining that the flow may be larger. First, there are large numbers of Egyptians working in the Arab states: over 1.3 million during the early 1980s and currently 1.9 million (ILO 2000). Second, these overseas workers are known to remit large percentages of their incomes. Third, these foreign currency inflows should contribute to the balance of payments and help maintain a strong domestic currency. Choucri notes, however, that the balance of payments has deteriorated and the local currency has weakened despite these inflows (Choucri 1986, 704). This points to a large amount of remittances entering the economy through *hawala* dealers, or other informal arrangements.

Surveys of rural Egypt show that remittances constituted 12.5% of the total gross income. When only the family that receive remittances were considered, their contribution to total gross income increased to 30.4% (Adams 1991, 9). A majority of remittances is spent on housing (53.9%) and land (Adams 1991, 10; Addleton 1984; Sofranko and Idris 1999).

India

India is the largest remittance recipient in the world, and in 2000 it received over $11.5 billion dollars. This sum represented 27% of its merchandise exports, was over seven times greater than its official development assistance, and almost five times as much as its foreign direct investment (World Bank 2002). Remittances are clearly an important element in India's balance of payments as well as a major source of foreign exchange (Madhaven 1985, 471-472).

The growth of remittances to India took place alongside increased migration to the Middle Eastern oil-producing countries. Indian migration to the Gulf States began in the 1970s becoming the second largest supplier of non-Arab labor to the Middle East, after Pakistan (Premi and Mathur 1995, 637). During this time, remittances from the Middle East increased from virtually nothing to 51% of total remittances to India in 1988. In 1991, they represented 40% of total remittances (Premi and Mathur 1995, 645). Migrant workers in the oil-producing states are primarily men, who save about 45% of their incomes and remit almost all of this (Premi and Mathur 1995, 645). The other portion of India's remittances comes from its emigrants in Europe, the UK, and the United States with a significantly skilled population.

According to some studies, spending patterns among remittance recipients are similar to other societies. Money is spent on daily consumption needs, land, housing construction, and education. Only about 5% of remittances are invested. (Madhaven 1985, 473; Stahl and Arnold 1986, 904). In some rural areas of India, such as Kerala, a large emigrant sending area, remittances can account for as much as 15% of total family income.

There are several types of players involved in the transfer of funds to India. From the Gulf States, exchange houses are a principal means of sending money. Some Indian state and private banks have established agreements with these exchange houses to facilitate the transfers of remittances. Under these agreements, workers go to the exchange houses and request direct payment to accounts with the Indian partner banks or for these Indian banks to deliver a demand draft to a beneficiary. Indian banks have also established branches abroad to directly remit funds to their home branches. These transfers typically take the form of transfers from one account to another account, and are concentrated in the UK and the U.S. There is also a growing number of online remittance companies targeting their services at the Indian diasporas in the UK and the U.S. Major money transfer organizations, particularly Western Union, have expressed interest in capturing a larger market share of the large Indian market. Western Union, for example, has recently opened up counters within Indian post offices to this end (India Abroad 2001).

Philippines

Remittances to the Philippines have totaled over $6 billion dollars for the past several years. The majority of these remittances have traditionally come from the over 1 million Filipinos living in the United States. Overseas workers in Asia and the Middle East have also made increasingly important contributions to the remittance flows in recent years (Central Bank of Philippines). These flows comprise almost 10% of GDP and close to 15% of the Philippines exports of goods and services (World Bank 2002). Of the approximately 11 million families in the Philippines, 17% reported having received some sort of income from abroad. This income, in turn, approximates 8% of the Philippines' household income (Rodriguez 1996, 427).

Remittances primarily come from two sources: permanent emigrants and temporary overseas workers. During the 1990s, 689,000 temporary workers went overseas (Economist Intelligence Unit 2001, 17). The number of temporary overseas workers surpassed 1 million in 2001, with 78% of them destined for Asia (Survey of Overseas Filipino Workers 2001; Reinaruth 2002, 81). Two-thirds of the permanent emigrants are in the United States making the Philippines the second largest source of migrant workers in the world, second only to Mexicans who migrate to the United States (Martin 1993; Reinaruth 2002, 81).

The government of the Philippines has shown an interest in studying the behavior of remittances, and it has attempted to channel more remittances to the country. In addition to compiling statistics on remittances through the Central Bank, the government has established an agency to assemble data specifically on the overseas contract workers and the money that they send home (Rodriguez 1996, 428). During the 1980s, the government attempted to increase remittance flows through mandatory requirements. These efforts had less success than its newest incentive program whereby Filipinos overseas can purchase "Balikbayan" boxes full of consumer goods from government duty-free shops. These gift boxes are then delivered to their families instead of the traditional cash remittance (Rodriguez 1996, 431). The government has also reached out to its diaspora by creating an agency to attend to its abroad population and their needs. This agency also aims to foment entrepreneurial activity in the Philippines on the part of overseas Filipinos, and channel more of their remittances into investments and small-business creation (Filipino Reporter Nov. 22, 2001, 1).

When comparing the Philippines with other countries, it exhibits the most diverse remittance market. The transfer of funds to the Philippines, primarily from the US takes place through various mechanisms and players (See Table 4).

Table 4: Remittances to the Philippines by Type of Sending Institution, USD

	Banks	Pick up at Agency/Local Office	Door to Door Delivery	Friends/ Co-Workers	Others	Total
Percentage of Remittances	71%	4%	23%	1%	Less than 1%	100 %

Source: "2001 Survey of Overseas Filipino Workers," Philippines Census Bureau

Banks and their branches abroad are processing the majority of remittances. The participation of banks, and their expansion during the past decade, helps explain the dramatic increase in remittances during the 1990s (Battistella 1999, 235). Migration during this period was relatively stable, and thus cannot alone explain such an increase (Reinaruth 2002, 82). In addition to bank branches in the United States and Asia, non-bank financial institutions also play a significant role in transferring funds to the Philippines. These money transfer organizations (MTOs) are niche players and focus primarily on sending remittances only to the Philippines. If we combine the "Door to Door Delivery" service that the majority of these MTOs offer with the option to "Pick Up" cash at a local agency, these MTOs transfer over a quarter of the remittances entering the Philippines.

Turkey

Turkey is another major recipient of remittances. They represent almost 17% of Turkey's exports of merchandise and far surpass any official development assistance and foreign direct investment. While remittances topped \$4.5 billion in 2000, official development assistance was \$325 million and foreign direct investment was less than \$1 billion (World Bank 2002).

The growth of migration to Turkey began during the 1960s and1970s with Germany as the primary destination of these emigrants. The Turkish government soon became aware of the importance of remittances as a source of foreign exchange and they redoubled their efforts to send more workers abroad (Sayari 1986, 91-92).

Since then, remittances have become a key focus of the Turkish government's migration policies, and they have developed several schemes to attract remittances. Like other countries, Turkey has offered special interest rates for foreign currency deposits and import privileges for migrant workers. While these efforts have attracted more remittances to Turkish banks, other efforts have not been as successful. For example, in 1975, the government established a new bank to help finance "workers' companies" which had migrants as their primary stockholders. These companies were created to channel migrants remittances into investment schemes in their home country, but there were few participants and many bankruptcies (Sayari 1986, 93-94).

The remittance market itself in Turkey is composed primarily of Turkish banks abroad. Bank branches throughout Europe, and particulary in Germany, offer efficient systems to transfer money to accounts maintained with their home offices in Turkey. This system mirrors that of Greek and Portuguese banks throughout Europe. In addition to crediting bank accounts in Turkey with the remittances, some banks also offer options which do not require either the sender or the beneficiary to maintain accounts.

3. Global trends: payment systems, distribution networks and costs

The sending mechanisms and costs incurred in processing transfers are important considerations when deciding how much and how often to remit. Immigrants generally resort to a particular method of money transfer in order to ensure the delivery of remittances to their home country households. Prevailing infrastructures, information about the market, cultural practices, the educational and income status of the recipient and sender, level of competitiveness, and level of government intervention, will influence which form of international money transfers immigrants will choose. Costs and methods have remained largely unaddressed by business, academic research, and policy studies. Therefore little information exists on the impacts of transfer methods on senders, recipients and the countries' economies. This issue is important as research on Latin America has shown that depending on the methods employed, benefits for an economy and households will vary (Orozco 2002c). This section analyses the sending methods and costs for immigrants incurred to send money to their home country.

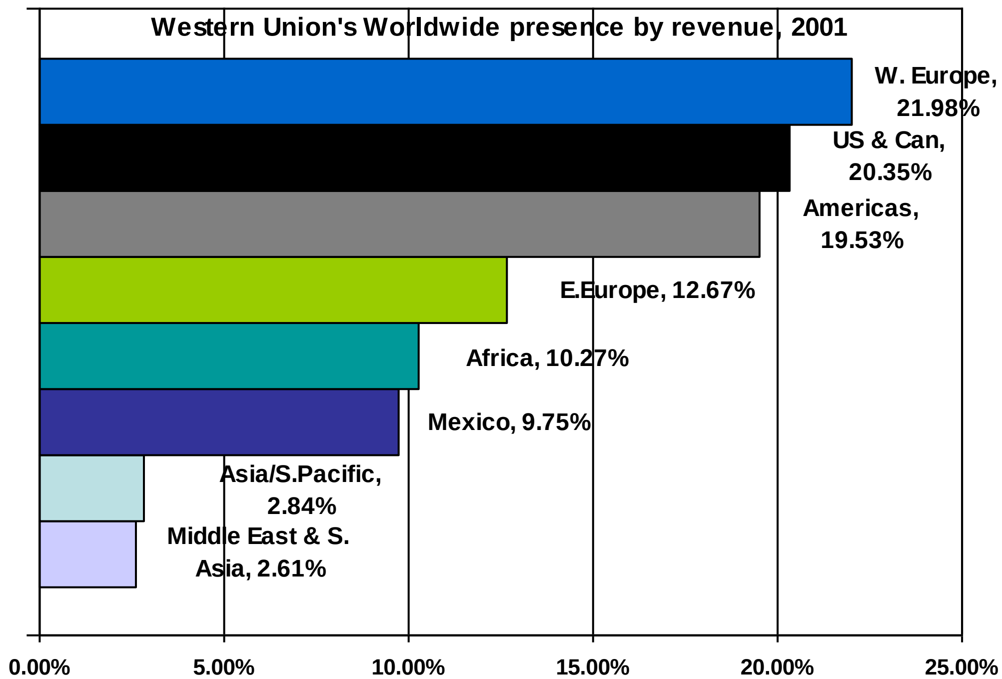
Types of payment systems

How do people remit? What methods do they employ? Immigrants utilize a wide array of mechanisms to send remittances: banks, and credit unions, small and large money transmitter companies (such as MoneyGram and Western Union), postal services, hand delivery by the actual sender or by a third party (encomendero, mula, or viajero), and lesser regulated mechanisms like hawala, or hundi.

The oldest and most traditional method to send remittances has been a courier who hand-carries remittances. This mechanism persists in most countries, particularly among the poorest in the developing world, such as in Africa. In Asia, in addition to the entrepreneurial traveler, there exists traditional money transfer mechanisms in many countries. These systems are known as Hawala in Pakistan and Bangladesh or Hundi in India. Hawala is a kind of transaction in which money is not physically or electronically transferred. The Hawala system is an "operation that consists of making a financial transfer between principals located in countries A and B, using intermediaries, hawaladars (HA) and (HB), who operate in the informal sector . . . HA receives funds in one (hard) currency and asks HB to advance the equivalent of the paid amount to a designated beneficiary in the local currency" (El-Qorchi, Maimbo, and Wilson 2002, 6). The main feature of Hawala is that, although the remittance is immediately transferred, the intermediaries settle their debt though various mechanisms of compensation that occur at different moments and do not necessarily involve direct payment between the two hawaladars. This system is popular because its cost is relatively inexpensive (less than 2% the value of the principal), senders don't have to provide identification to send their remittance and it is well organized in the receiving end.

In contrast to the relative informality of couriers and hawaladers, international money transfer companies are licensed regional or global business. Money transfer companies are a non-bank financial institution (NBFI) which is authorized to engage in banking activities not involving the receipt of money on current account subject to withdrawal by checks. The money transfer company with the largest worldwide presence is Western Union. Other companies like Thomas Cook and MoneyGram also operate globally, though with a lesser presence than Western Union. Western Union is said to have a global market share of the global remittance business of about 26%, generating revenues of $2.2 billion. After the United States, Canada and Western Europe, Latin America is the major source of revenue to the company (Craft, Shen, and Shim 2002; Bezard 2002).

In addition to these global companies, there exist regional and country specific competitors. On the sending side, these enterprises are known as ethnic stores. They tend to transfer smaller amounts, but in combination could account for thirty percent or more of the total sent. U.S.-based ethnic stores transmitting remittances to Pakistan, India or Bangladesh complain, however, of unfair treatment and competition. They feel they are between a rock and a hard place because they can't compete against the hawala system (which operates outside the U.S. regulatory environment) when their companies have to comply with many regulations in order to operate legally. They also have to compete with a major company like Western Union which has a far greater ability to shape market conditions. Analysts estimate that these types of informal businesses are gradually declining with a loss in global market share from 50% in 1996 to 45% in 2001 (Bezard, 2002, 10).



The global marketplace for remittances is significantly diffuse; market shares differ in every region and among the sending country. In some regions, as in Southern Europe, the most important players are banking institutions. In other places, like in the Philippines or El Salvador, the main competitors are banks operating as money transfer agencies and ethnic stores.

Worldwide costs and distribution mechanisms

Cost matters to anyone, whether making a transaction through licensed companies or through informal groups; whether transferring remittances from Europe, the United States or the oil-exporting countries. This study looked at an array of licensed businesses sending remittances to the countries analyzed here. The study included banks, national money transfer companies as well as large international money transfer businesses like Western Union.

The costs varied from country to country and also among type of institution involved in the transfer. They reflected the level of involvement of the banking industry and other businesses and the extent to which government involvement existed to facilitate less expensive transfers. Table 5 shows the countries from and to which remittances were sent and the number of companies covered per country. A database was created consisting of information about fees, exchange rate applied, sending method, and type of currency delivered (retention of sending currency or conversion to local country currency). The study considered information based on sending $200 and $300.

Table 5: Countries and Companies Studied

Receiving country	Remittance sent from	Number of companies reviewed			All businesses
		Banks	MTO	Other	
Philippines	United States	5	14	5	24
Egypt	United States		2		2
Greece	Germany & U.S.	4	2		6
India	Saudi Arabia, U.S., U.K.	7	11		18
Pakistan	Saudi Arabia, U.S., U.K.	7	1		8
Portugal	France, U.S.	3	2		5
Turkey	Germany, U.S.	3	2		5
Mozambique	South Africa, U.S.	1			1
Zimbabwe	South Africa, U.S.		7		7
Bangladesh	U.K.	1	3		4
Ghana	U.K.		7		7

Because of the difficulties to obtain information about a country's industry market share, only unweighted mean values are reported in the analysis. The results of costs to send $200 are shown in Table 6 (the costs to send $300 reflect only four countries where immigrants are more likely to afford to send those amounts: Philippines, Greece, Turkey and Portugal). The data reflects information about costs to send money to the recipient countries from the main country of emigration. Costs incurred by an immigrant are a composite of two charges, fees and the foreign exchange commission applied to convert the remittance into local currency. As the table shows, sending money through banks was the less expensive method observed in the data. For comparative purposes, data was calculated when information existed for at least three countries.

The mean value for these countries to send through banks was 7.0% against 12.0% for businesses like Thomas Cook or Western Union. Notably charges declined significantly when sending three hundred dollars. It is also important to note that the foreign exchange differential between the interbank rate and that offered by the institutions was significantly lower.

Table 6: Average costs of sending money to selected Non-Latin American countries

	$200			$300		
Type	FX %	Fee %	Total %	FX %	Fee %	Total %
Bank	1.0%	6.5%	7.0%	1.5%	4.2%	4.9%
Major MTO	1.7%	10.9%	12.0%	1.6%	6.6%	

Source: data compiled by the author.

These averages do not, of course, demonstrate the specific trends. Notice, for example, in Table 7 that for European countries the costs were significantly lower. They were also lower for other countries like Pakistan. In the case of Mozambique (and also Swaziland), the low cost results from service offered by Theba Bank, a miners' bank that transfers remittances from South Africa to migrants' families who have bank accounts in the recipient countries. For all recipient countries studied, on average major MTOs were the most expensive method and banks the less expensive. There are exceptions such as sending money to India. India shows a higher mean cost because banks offer both SWIFT (which costs $40) and a three day remittance service at a low $10 cost.

Table 7: Charges to Send $200 to Selected Countries by Type of Business

Type of Business / Country	Bank		Bank as MTO	Ethnic Store /Exchange House	Major MTO	Mean
	$200	$300				
Egypt					13.8%	13.8%
Philippines	8.0%	6%	8.0%	10.1%	10.3%	8.2%
India	6.0%			2.5%	13.8%	8.1%
Greece	6.8%	5%			9.5%	7.1%
Pakistan	0.4%			3.0%	13.0%	5.7%
Portugal	3.4%	3%			12.3%	5.0%
Turkey	3.1%	2%			9.5%	4.9%
Mozambique	1.0%					1.0%
Mean	6.2%	5%	8.0%	6.0%	12.0%	7.5%

Source: data compiled by the author.

Banks in some countries have identified the significance of remittances and migrant capital. In addition to offering lower fees to transfer remittances, banks may offer special deposit, investment, and loan programs to emigrants. The entrance of these banks into the remittance market results from a combination of factors. These factors include government intervention limiting the role of money transfer businesses as in the German case, government incentives to banks to join the money transfer business, and private sector banks becoming interested in the transfer market themselves. Also, is important to note that banking operations are more active in cases where countries have a longer migrant worker tradition, which translates into a more established process of remitting.

Although Table 6 showed a 7% average charges among banks, once the figures are disaggregated depending on the sending method employed, the costs decrease significantly, to 4% on average. Banks offer at least four services, wire transfer via SWIFT, credit to a specific recipient's bank account of the same institution, credit to a different bank, or credit to an account and cash pick up. When money is deposited into a bank account in the same bank, charges decline to 5%. In some cases banks charge even less for intrabank transfers or if the customer picks up the money at the bank.

Table 8: Bank charges to transfer remittances to home countries

Receiving Country	Credit to specific bank account		Credit to bank account or cash pick up	
	200	300	200	300
Philippines	7.7%	5.1%	7.7%	3.9%
Greece	3.5%	2.3%	7.5%	5.0%
Pakistan			0.4%	
India	4.9%			
Portugal	3.4%	2.3%	3.0%	3.8%
Turkey	7.5%		2.6%	2.5%
Mozambique	1.0%			
Total	5.3%	4.1%	4.1%	3.6%

In the Indian case, state and private banks offer special programs to Indian customers abroad. In 1998, the government announced that in conjunction with the State Bank of India (SBI), it would allow foreign banks to sell Resurgent India Bonds to Non-Resident Indians (NRIs). This scheme aimed to encourage Indians living in the U.S. and elsewhere to invest in their home country. The SBI has allowed foreign banks to sell the bonds, assuming that they are better located to tap into the Indian diaspora (India Abroad 1998).

The SBI with branches in the U.S. also issues SBI credit cards to the Indian diaspora. State banks and private banks of Indian origin also offer NRI accounts. These accounts are only open to Indian citizens currently residing outside of India, and they offer incentives to expatriates to keep their money in the Indian banking system. The NRI accounts offer higher interest rates than normal bank accounts, as well as, tax exemptions on portions of interest earned. They can be denominated in foreign currency and NRI account holders can designate beneficiaries within India who may be permitted to have access to this account (Central Bank of India).

Portuguese banks have also tailored several services to the Portuguese diaspora. Special accounts are designated for Portuguese nationals residing abroad. These accounts are backed by government legislation that declares special rights for Portuguese nationals who establish themselves overseas for certain periods of time (Karafolas 1998). These accounts offer numerous benefits such as lower tax rates, allowing holdings in various foreign currencies, lower interest loan packages, and programs specifically targeted at attracting emigrants to take out loans to build or buy homes in Portugal. According to some analysts, deposits from emigrants during the 1990s represented almost 20% of total deposits in the Portuguese banking system. In addition, while annual remittances to Portugal neared USD $3 billion, emigrants deposits by the end of the 1990s had reached USD $14 billion (Pedro Bello).

Examples of banks offering special programs for non-resident Portuguese citizens are *Caixa Geral de Depositos*, *Credito Predial Portugues*, *Banco Portugues do Atlantico.* The *Caixa Geral* offers two types of accounts, one in Euros and one in foreign currency. Each account has reduced tax rates on the interest earned within the account. They also offer investment schemes in national and foreign capital markets that are targeted at emigrants. *Credito Predial Portugues*, on the other hand, offers three different types of loans for Portuguese overseas, depending on the amount. Finally, *Banco Portugues do Atlantico* offers special financing programs for Portuguese citizens abroad that wish to build or buy homes in Portugal.

Pakistani banks too offer accounts in foreign currency to emigrants. The Overseas Pakistanis Foundation, a government agency, has launched the "Remittance Book" program, an official government program to provide incentives to remit through financial banking channels. Under this program, non-resident Pakistani receive a gold card if they remit $10,000 or more and a silver card if they receive $2,500 or more. The cards offer the sender specific benefits, such as special lounges at airports, free issuance and renewal of passports on an urgent basis, exemption from import duties, special quotas to be reserved in the public colleges and universities for relatives of remitters, and public housing at attractive prices (Arab News, August, 2001; Overseas Pakistanis Foundation).

Remittances and Morocco's Banques Populaires
By Natasha Iskander, MIT

Morocco is a country with 2.5 million Moroccans living outside their Kingdom's borders. They send home 3.6 billion US dollars last year, an amount that represented over 11% of Morocco's GDP. At least 60% of those monies were sent through Groupe Banques Populaires (BP), a majority state-owned bank with an extensive network of branches in Morocco and in Europe—the main destination for Moroccans who emigrate.

Since 1969, just after Moroccan emigration to Europe began in earnest, BP has been developing financial products to meet the banking needs of Moroccans living abroad. It currently offers Moroccan emigrants a wide range of banking services, including a number of methods to send money home. The cornerstone of these services is the basic checking account, of which three quarters of the emigrant transfers handled by BP arrived in this fashion.

A Moroccan emigrant, living anywhere from England to Italy, can open a joint checking account at his local BP branch for himself and for a family member in Morocco. The relative living abroad deposits funds that his relative can withdraw at no cost to either party. BP offers accounts in Moroccan dirhams, in convertible dirhams from which funds can be withdrawn in dirhams or in another currency, and in foreign currency.

In addition to checking accounts, BP offers emigrants a number of ways to wire money to Morocco. They can wire money to a BP account, from which funds can be withdrawn by the account holder in Morocco, at a fee of 0.1% of the amount transferred, provided it is over 100 USD. They can also wire money to a person in Morocco, to be picked up at any BP branch for a fixed fee of 90 Moroccan dirhams – about 9 dollars – regardless of the amount wired. Alternatively, they can send money through Moneygram at any of BP's branches in Europe to any of its branches in Morocco; BP hosts this service and does not charge any commission over and above the commission charged by Moneygram.

Noting, for example, that 70% of Moroccan living abroad have invested in Morocco as opposed to less than 30% who have invested in their country of residence abroad, BP provides subsidized credit for real estate and entrepreneurial investments in Morocco. BP also offers a variety of insurance schemes just for emigrants, covering everything from repatriation of one's body after death to airplane fare in the case of a family emergency. BP has even created a foundation to meet some of the cultural and educational needs of emigrants and their families, establishing, for example, special schools for the children of returning emigrants in Tangier and Agadir, and organizing competitions for cultural presentations.

4. Transfers from the United States to main recipient countries

The United States is one of the major recipients of international migrants. Over thirty million immigrants reside in the United States, the majority of whom send remittances to their home countries. Because of commitments with their home country households as well as of the level of an immigrant's income, not everyone sends similar amounts. Latin Americans for example tend to send between $200 and $250, except for Mexicans who send at least $300. Immigrants from other regions exhibit different sending patterns. See Table 9. For comparative purposes the $200 and $300 amounts have been kept.

Table 9: Monthly Averages Sent by Immigrants from the U.S. (US$)

Country	January	February	March	April	May	June	July	August	September
Bangladesh	741	609	706	649	652	501	57	874	272
Egypt	360	323	287	307	336	285	248	--	--
India	1178	1082	1129	1016	1186	1298	1168	994	888
Pakistan	845	734	744	756	803	762	821	836	804
Mexico	379	376	372	394	372	400	394	384	394
Dom. Rep.	204	209	208	214	202	202	195	193	196
El Salvador	250	245	225	242	248	270	355	341	342

Source: NMTA, October 2002.

The cost of sending money from the U.S. to the countries studied here is higher than from Europe or the Arab oil exporting countries. These costs are also higher than the costs of sending to Latin America from the U.S..

Immigrant remittances from the United States

Despite that the United States is a major sending country in the world and there are companies of various sorts competing in this market, the costs of sending are relatively high. Few foreign banks operating in the United States were found to be offering money transfers, namely the State Bank of India and the Bank of the Philippine Islands. These two banks offered a range of options to transfer remittances, one of which is direct deposit in an account in the home country at a cost below 5%. The Philippines has one of the most competitive markets for remittances with significant participation of Philippine banks. Overseas bank branches and remittance centers operated by Filipino banks include the Philippine National Bank (PNB), PNB Remittance Centers, Rizal Commercial Banking Corp. (RCBC Telemoney), Bank of the Philippine Islands, Metrobank, LBC, Far East Bank and Trust (Speedcash), and Philippine Commerical International Bank (Padala Express). Table 10 shows that costs are significantly lower to send from banks than from money transfer companies, and somewhat lower compared to sending from ethnic stores.

Table 10: Cost of Sending $200

U.S. to	Bank	Bank as MTO	Ethnic Store /Exchange House	Major MTO	Total
Philippines	8.0%	6.2%	10.1%	10.3%	6.6%
Greece				13.8%	13.8%
India	7.0%		8.3%	12.2%	10.1%
Pakistan	0.2%		16.8%	14.0%	11.8%
Portugal				13.8%	9.5%
Turkey				13.1%	13.1%
Zimbabwe				11.9%	11.9%
Bangladesh	8.0%		9.2%		15.1%
Ghana			7.5%		7.5%
Total		6.2%	7.7%	14.2%	9.4%

Table 11: Cost of Sending $300

U.S. to	Bank	Bank as MTO	Ethnic Store/Exchange House	Major MTO	Total
Philippines	6.0%	4.5%	4.7%	7.1%	4.6%
Greece				13.0%	13.0%
India			7.6%	11.6%	9.6%
Pakistan			12.9%	13.3%	13.2%
Portugal				13.0%	13.0%
Turkey				12.7%	12.7%
Zimbabwe				10.6%	10.6%
Ghana			7.0%		7.0%
Total	5.1%	4.5%	6.0%	13.0%	8.3%

In general, foreign banks offer limited transactions to transfer remittances. In contrast, transactions exist for countries like Germany and France remitting to Greece, Turkey and Portugal. This difference is partly due to the stiff regulations restricting foreign banks from opening branches in the U.S. However other factors also explain these variations. One reason is that the United States is not the principal country of emigration for the groups studied, and therefore the demand for, and volume of, transfers is relatively smaller which tends to increase costs. This applies to countries like Portugal and most African states.

Another factor is competition with the informal money transfer operations. Specifically, migrants from Africa and Asian countries like Pakistan, Bangladesh, and India rely significantly on hawaladers due to tradition and perhaps the undocumented status of many immigrants from those countries. Also, until recently there were few money transfer businesses. When non-traditional companies do enter the market, they are faced with significant competition from the large corporations and the informal sector, as well as the U.S. demanding regulatory environments.

Foreign currency conversion costs must be considered too. Using foreign exchange differentials in order to increase revenue and share commissions is another way companies rely to price their services and maximizing their profits. Except in the Philippine case where there is significant competition, foreign exchange differentials are relatively high for the other countries studied.

Table 12: Mean Foreign Exchange (FX) Differentials

Country	$200		$300	
	FX	Fee	FX	Fee
Philippines	1.0%	5.6%	0.9%	5.2%
Greece	3.8%	10.0%	3.8%	13.2%
India	2.2%	7.9%	2.2%	8.6%
Pakistan	2.9%	8.9%	3.2%	12.9%
Portugal	2.8%	6.7%	3.2%	12.7%
Turkey	3.8%	9.3%	3.8%	12.7%
Zimbabwe	0.9%	11.0%	0.9%	11.2%
Bangladesh	5.8%	9.4%	5.8%	12.9%

Comparing Latin America

The cost of sending money from the primary remitting countries to the nine countries studied here was compared to the cost of remitting from the U.S. to Latin America. At least two interesting points emerged. First, bank sending between the non-U.S. primary remitters and the nine countries was generally cheaper than bank sending from the U.S. to Latin America. Second, and in contrast, the costs of using money transfer organizations to remit from the U.S. to Latin America is usually cheaper than using transfer agencies between other points in the world.

Until recently, Latin American or American banks were not involved in the transfer of remittances from the U.S. to Latin America. Latin American banks (primarily from El Salvador, Guatemala, Honduras, the Dominican Republic and Mexico) opened U.S. branches but to operate only as money transfer agencies. On average these banks offer the most competitive rates. U.S. banks have only become involved in the money transfer process until very recently, in the past two years or less. By July 2002, more than fifty U.S. banks offered transfers to Mexico, some of which issue ATM cards to the recipients at low cost. However, these are early developments and their costs are still high (Orozco 2002b). When compared with the operations offered by banks in Europe to India and Pakistan for example, the remittance costs from Europe are significantly cheaper than those offered to Latin America from the U.S. (compare with Table 7). The tables below show the costs of sending money to the top three major recipient countries in Latin America. Costs range from six to nine percent to send $200. These charges are higher than those offered by European banks to Portugal, Pakistan, or India. Importantly, the banking advantage extends beyond the low charge to a range of services that supports both senders and recipients.

If comparing international money transfer services, the costs of sending from the U.S. to non Latin American countries exceed the costs of sending from the U.S. to Latin American countries. Likewise, sending from the U.S. to Latin America is also cheaper than remitting from other countries of immigration to the countries of origin. Increased competition among companies targeting the Latin American market has probably driven down prices faster than in other regions. Costs to send to Latin America have declined in the past three years and continue to do so among most companies, large or small. Data compiled in November 2001 for over 70 companies showed that the average cost to customers to send $200 to Latin America was $17.46 (Orozco 2002a). Moreover, pricing data gathered during June and the first week of July 2002, showed that during the period between November 2001 and July 2002 there was a slight but significant decline in costs. Average charges fell to $16.32, that is a 7% decline (Orozco 2002b) (see Table 13).

Table 13: Average Charges to Send $200 from the U.S. to Latin America
(in dollars and as %)

Charges	Nov-01	Percent	Jun-02	Percent
Total charge	17.46	8.77%	16.32	8.13%
FX charge	4.73	2.44%	4.86	2.43%
Fee charge	15.33	7.66%	14.07	7.02%

Source: Orozco, Manuel, 2002b.

Table 14: Charges to send $200 and $300 to Latin America from the U.S.

$200	NMTO	Ethnic Store	Bank as MTO	Bank as Bank	Credit Union	Money Order	Total
Dominican Republic	8.5%	8.3%	10.0%				8.4%
El Salvador	7.2%	5.4%	4.8%		5.0%	7.0%	6.0%
Mexico	10.6%	8.3%	5.0%	8.6%	8.6%	8.3%	9.2%
Total	8.9%	7.6%	5.8%	8.6%	6.5%	7.9%	8.1%
$300	NMTO	Ethnic Store	Bank as MTO	Bank as Bank	Credit Union	Money Order	Total
Dominican Republic	7.8%	7.7%	6.7%				7.7%
El Salvador	6.2%	4.1%	3.2%		3.3%	4.7%	4.7%
Mexico	8.4%	6.9%	3.3%	6.7%	6.7%	5.5%	7.3%
Total	7.7%	6.6%	4.1%	6.7%	4.8%	5.8%	6.9%

Source: Orozco, Manuel, 2002b.

This level of competition is increasing interest among U.S. banks to look into this business as a mechanism to increase their revenue, including by attracting new customers into their financial institutions. Banks have realized that the pool of remittance money leaving the United States to Latin America and the rest of the world is not negligible. They have also recognized that a significant number of senders could be potential clients of their institutions, either because they are unbanked or because banks and credit unions could better serve them.

Conclusion

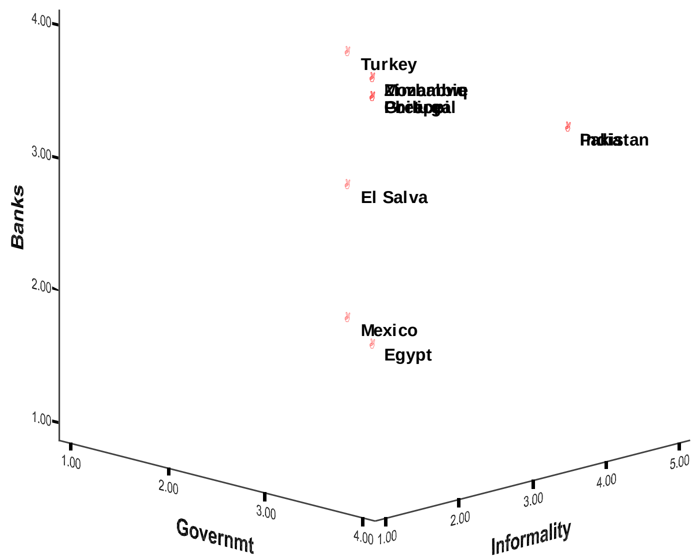
[unfinished]

Perspectives on the global context

The global trend of remittances is likely to continue its upward move. As globalization deepens, so does the movement of people. Trade, transportation, telecommunication, transfer of remittances and tourism are linking with greater intensity the ties between migrants and their home country. Remittances have become the human face of globalization where migrants commit portions of their income to help their households in the host and the home country.

The marketplace for these remittances reflects certain tendencies. First, flows of remittances and the market for them varies across regions depending on the involvement of private banking institutions, government support to reach out to immigrants, informality of the transfers, and competition among money transfer businesses. These variations show that the marketplace is diffuse. Second, those countries with a larger migration tradition tend to rely on banking institutions. This suggests that governments and banks learn to capitalize on the benefits of migration by extending financial links between diasporas and their home country relatives. Third, these links significantly reduce transaction costs and increase benefits to senders and recipients. Fourth, countries with a more recent remittance sending pattern meet a process of maturation into competitive markets among many intermediaries. This competition is observed in a relationship between price decline and reduction of the number of intermediary players making the transfers possible.

About the continued shift into electronic transfers and ATMs.
The Chinese scenario
Supporting banking strategies



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