



Remittance Recipients In Ecuador

A Market Research Study



Quito, Ecuador
May 2003

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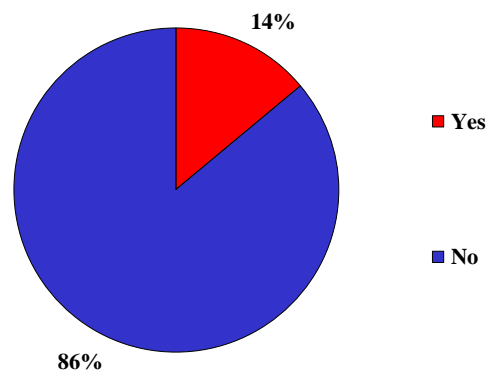
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Introduction

A vast and widespread flow of remittances from migrants to their home countries is a key characteristic of today's world economy, accounting for more than \$32 billion of money transfers to Latin America and the Caribbean last year. In Ecuador about one million people—14 percent of the adult population—receives remittances from relatives who live in a foreign country, according to a study by the Multilateral Investment Fund of the Inter-American Development Bank (MIF) and the Pew Hispanic Center (PHC). The amount of money sent home by Ecuadorians living abroad is on the order of \$1.5 billion a year and is increasing rapidly. That very large sum, which is equivalent to nearly one-third of the value of all of Ecuador's exports, was dispatched in many thousands of transactions involving relatively small amounts of money. The study found that the average remittance sent to Ecuador is approximately \$175.

Graphic #1

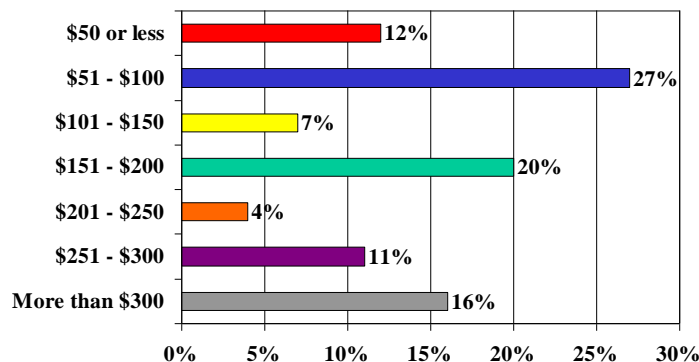
Do you receive remittances from relatives
that live in a foreign country?



Graphic #2

The average remittance sent to Ecuador is
approximately **\$175 dollars**

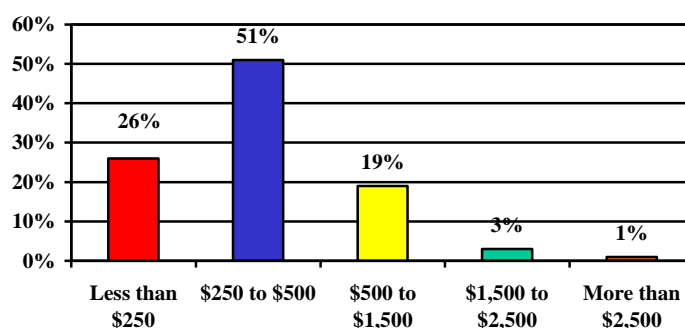
How much money do you receive with each
remittance?



When total remittances reach such levels and so much of the population is involved in sending or receiving, this money transfer is clearly a matter of vital significance to a nation's economy. At the simplest level, remittances mitigate the effects of poverty for a broad swath of lower income families—about three quarters of remittance recipients in Ecuador earn less than \$500 a month. More broadly, the remittance flow must be understood and appreciated as a critical element in the nation's international financial balance sheet. Remittance flows to Ecuador are approximately ten times greater than all economic development aid directed at the country, and they are nearly five times greater than the 2001 standby credit agreement between Ecuador and the International Monetary Fund. Finally, the remittance traffic represents an enormous though largely untapped market for Ecuador's financial institutions, from its biggest banks to its micro-credit enterprises. Facilitating international remittance transfers, lowering their costs and encouraging their most productive use by recipients should be important goals both for the financial institutions and government regulators.

Graphic #3

Monthly Income of Remittance Recipients



Although remittance sending is a nearly universal phenomena, characteristics vary from one country to another. Ecuador presents a special and interesting case that helps illuminate the evolution of remittance flows as an element of the global economy. This study strongly indicates that remittances can be a crucial factor in determining migration patterns and should be considered along with other elements of globalization, such as international labor markets and foreign direct investment in understanding the flow of people and money across an increasingly integrated world.

While remittance sending is normally viewed as a result of migration, Ecuador's recent experiences illustrate how remittances can also function as an important cause of migration. In the traditional construct, migration results from a combination of "push" factors in the home country, such as rising unemployment, that impel a migrant to leave and "pull" factors in the destination country, such as the ready availability of work, that draw a migrant to a new life. This study and other recent evidence show that another factor must be taken into consideration in assessing the mechanisms that produce migration: Remittances can now become essential to the economic survival of a substantial segment of a nation's population very quickly and very easily and are this an important motive for large-scale migration.

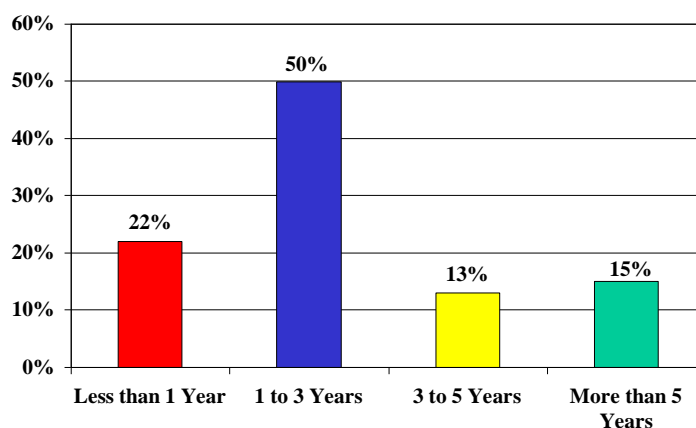
In order to understand the characteristics of the remittance flow to Ecuador—who receives the money, how it is transferred and how it is spent—and the relationship between remittances and migration, the MIF and the PHC commissioned a nationwide public opinion survey that was followed by a series of focus group discussions with remittance

receivers in Quito, Cuenca and Guayaquil. Both the survey, involving a sample of 3,320 adults, and the focus groups with 31 participants, were conducted this spring by Bendixen & Associates, a public opinion survey firm. The Ecuadorian study builds on similar work conducted last year among remittance senders in the United States and will be followed by other studies in Central America and Mexico.

The study of remittance flows to Ecuador shows that a rapid increase of both emigration and remittance receipts are closely linked to the economic crises that beset Ecuador at the end of the 1990s. The best available estimates indicate that remittance flows to Ecuador grew gradually in the early 1990s before breaking the \$500 million level in 1996. Then, as the aftermath of El Niño and the depressed oil market set the economic collapse in motion, transfers from migrants exploded, approximately tripling in the next six years. Indeed, about two-thirds of Ecuadorians who reported having a close family member living abroad said their relative had left less than five years ago. And, about three-quarters of remittance receivers said they had been getting money from relatives abroad for three years or less. A majority of focus group respondents insisted that emigration was not simply the result of economic problems experienced by an individual or a family but rather was a response to the nation's economic crisis. Thus the closure of banks, rapid currency depreciation, commercial bankruptcies and the overall atmosphere of financial instability were cited as causes of migration beyond unemployment and other personal economic losses.

Graphic #4

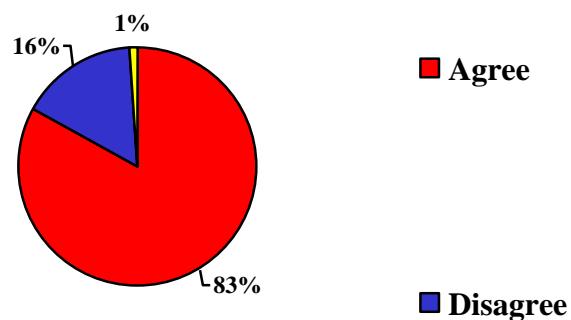
How Long Have You Been Receiving Remittances?



Significantly, the study shows that recent migration from Ecuador is not merely an escape from a nation in economic distress. Instead, considerable evidence suggests that the ability to send money home and to thus alleviate the economic suffering of family members left behind is a key motive for migration. Ecuadorians are leaving the country not only to better their own lives but also, very specifically, because they can improve the lives of their loved ones by sending back remittances. In the nationwide survey conducted for this study, 83 percent of the respondents said they agreed with the statement.

“One of the principal reasons that people leave Ecuador is so that they can send money to their families.”

Graphic #5

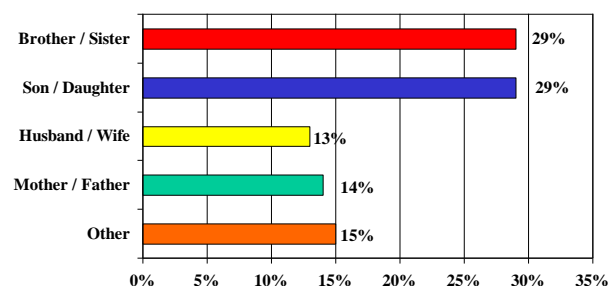


Although remittances and migration are often closely linked, the Ecuadorian case is distinctive and suggests a model that can help explain how the relationship between migration and remittance sending is evolving across the Western Hemisphere. In contrast to Ecuador, migration from Central America has its roots in the refugee flows produced by political turmoil in the 1980s, and these immigrant communities in the United States only subsequently developed into a substantial source of remittances. Mexico had a long history of circular migration to the United States which saw millions of individuals work for a period of months or years north of the Rio Grande and then return home with their savings, and this immigrant population only recently evolved into a very large source of remittances. In the Ecuadorian case, remittances have been an integral, even causal, element in the migration from the very start.

This study reveals abundant evidence that remittance migration is a product of close family bonds that survive and are nurtured even after a family member is living on another continent. The national survey showed that more than half of remittance senders are the siblings or children of the recipients while spouses and parents make up another quarter. Focus group respondents say that the decision to emigrate is almost always the result of a family consultation. Moreover, family support is almost always essential to facilitate emigration whether it involves an agreement to care for children who are left behind or the actual financing of the emigrants' travel. Indeed, families often mortgage homes or other property or sell off livestock specifically to finance a migrant's journey, and initial remittances are viewed as repayment of those investments.

Graphic #6

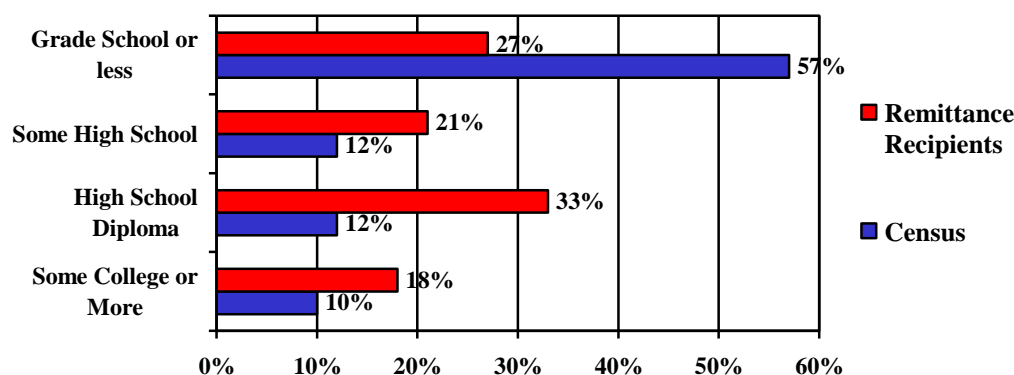
Type of Relatives that send Remittances



These arrangements for financing migration are essential to understanding which segments of Ecuadorian society are able to undertake these activities. It is not the poorest of the poor. They cannot afford migration. Rather, compared to the population as a whole, remittance recipients are more highly concentrated among those who are struggling just beyond the bottom rungs of the economic ladder. About half of remittance recipients earn between \$250 and \$500 a month even though that segment makes up a little more than a quarter of the population. Similarly, remittance recipients are better educated than the population as a whole. While 57 percent of the Ecuadorian population has a grade school education or less, only 27 percent of remittance recipients are in this segment of the population. Meanwhile, recipients are significantly over-represented among those who have a high school diploma. Thus, remittance migration takes place among those families who have some sources of income, those who are working and striving to make progress, those who are ambitious and willing to take risks.

Graphic #7

Education of Remittance Recipients vs. Ecuador Census



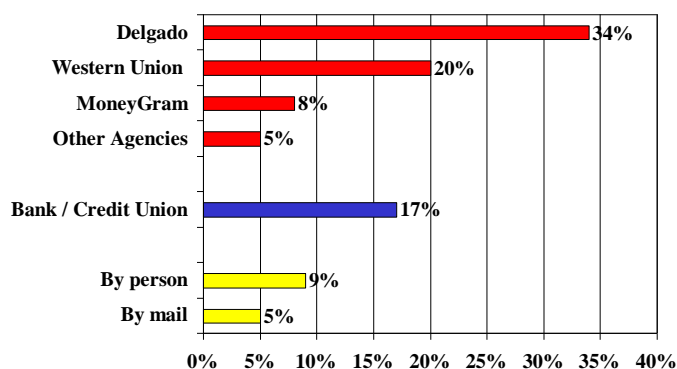
Remittance migration, however, is not viewed primarily as a means of improving a family's economic status. The results of this study leave no doubt that most recipients in Ecuador consider remittances a matter of economic survival. Both in the national survey and the focus groups a clear majority of remittance receivers said that funds from their migrant relatives went for basic expenditures such as food, rent and utilities. Not surprisingly, the share using remittances in this way is higher among the poorest recipients. Among recipients making \$500 a month or less, remittances increase their income by a factor of 30 percent or more. However, it is worth noting that even among these recipients at the low end of the income scale between a quarter and a third of recipients reported using remittances for savings, investment or non-essential consumption. Given the size of the remittance flow to Ecuador, the fact that a sizeable fraction of the funds are going into purchases of homes or automobiles or to finance small businesses means that these transfers play an important role in the economy's growth and development.

For the time being, however, the vast majority of these funds are reaching recipients through largely informal channels beyond the formal financial sector. The study shows that about two-thirds of all remittances arrive in Ecuador through international wire transfer agencies such as Delgado or Western Union. Less than a fifth arrives through banks or credit unions and the rest comes by way of totally informal means such as mail or individual couriers. Extensive research conducted in the United States, Europe and other points of origin for remittance transfers shows that the costs of sending by wire transfer agencies are significantly higher than by banks and credit unions. Moreover, numerous examples elsewhere in the world show that costs are lowest when banks and credit unions

in the receiving countries are important players in the remittance business. This study suggests that there is a substantial potential for a more formalized, less costly remittance flow. Nearly a majority of remittance receivers said they had bank accounts and an even greater number indicated a familiarity and comfort level with the use of Automated Teller Machines (ATMs).

Graphic #8

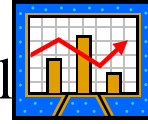
How Does Your Family Normally Send Money?



Although Ecuador's remittance migration may have been prompted by the economic crises of the 1990s, much experience elsewhere indicates that it is likely to endure. Even as the worst fears of economic collapse fade to memory, migration channels have been established and new patterns of economic activity based on remittances have become widespread. The sacrifices and the benefits, the challenges and the opportunities, associated with remittance transfers have become a permanent feature of Ecuadorian life.

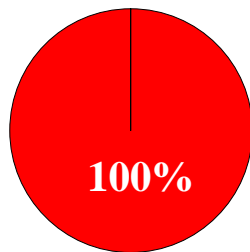
Study of Ecuadorian Market

Ecuadorian National Poll

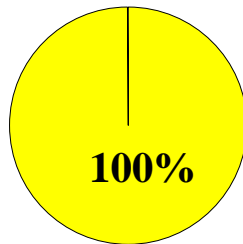


- 3,320 interviews with a representative sample of all Ecuadorian adults.
- The margin of error for the national poll is 1.8 percentage points.
- The national poll includes a sub-sample of 476 Ecuadorians that receive money from relatives in foreign countries.
- The margin of error for the sub-sample of remittance recipients is 4.7 percentage points.
- CEDATOS – Gallup International Ecuador – conducted the field work for the poll in March and April of 2003.

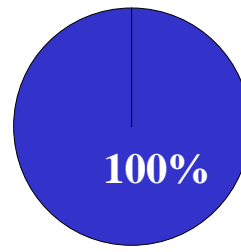
The Remittance Recipients Sample 476 interviews



18 years of age
or older



Receive money from
relatives in a foreign country

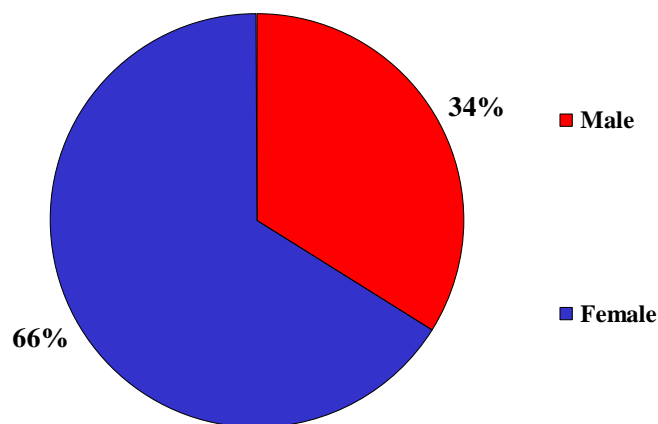


Ecuadorian
residents

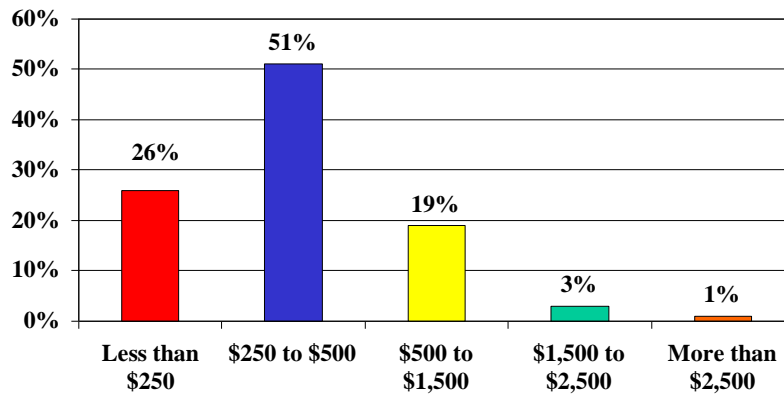
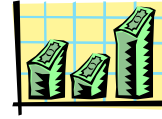
1. Demographics of Remittance Recipients

- Remittance recipients in Ecuador are overwhelmingly female.
- Remittance recipients in Ecuador have a significantly higher monthly income and a higher level of education than the average Ecuadorian.
- Remittance recipients in Ecuador – on average - are much older than the average Ecuadorian.
- A large majority of remittance senders live in the United States, Spain and Italy.

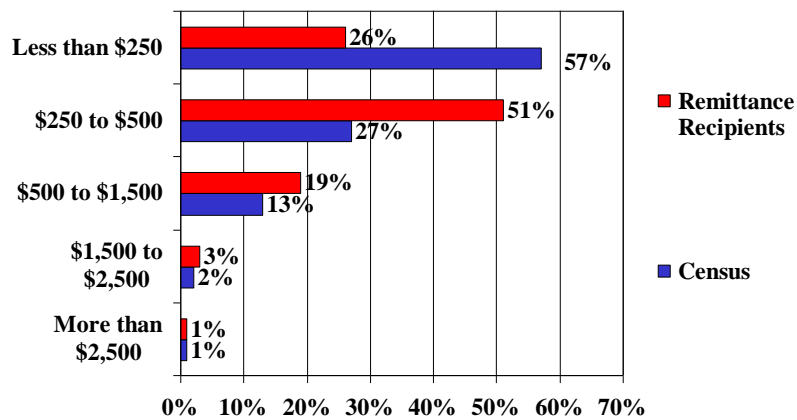
Remittance Recipients Gender



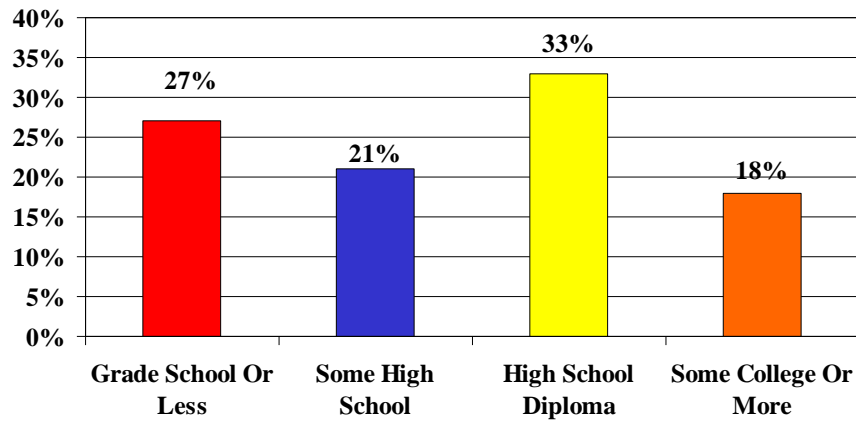
Remittance Recipients Monthly Income



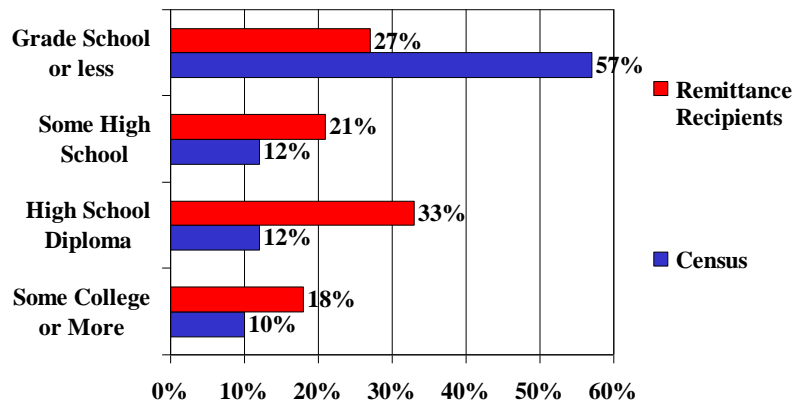
Remittance Recipients vs. Ecuador Census Monthly Income



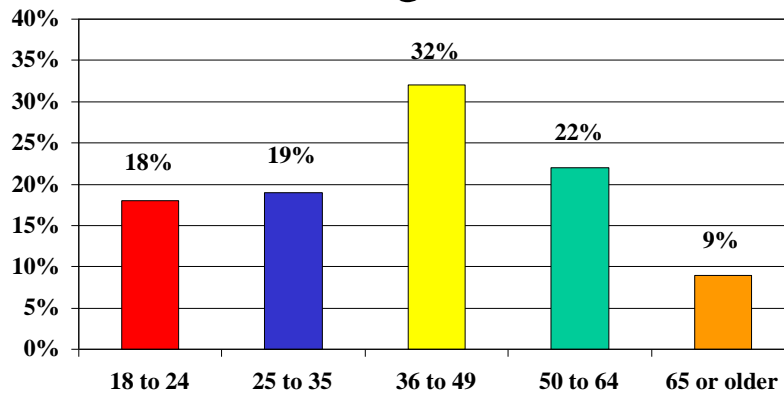
Remittance Recipients Education



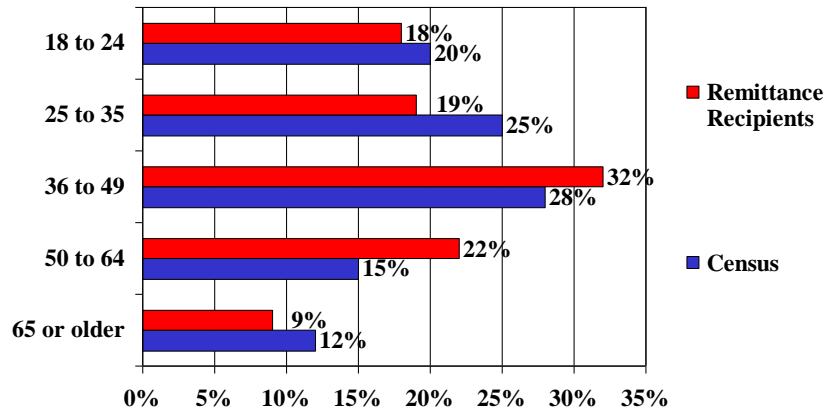
Remittance Recipients vs. Ecuador Census Education



Remittance Recipients Age



Remittance Recipients vs. Ecuador Census Age

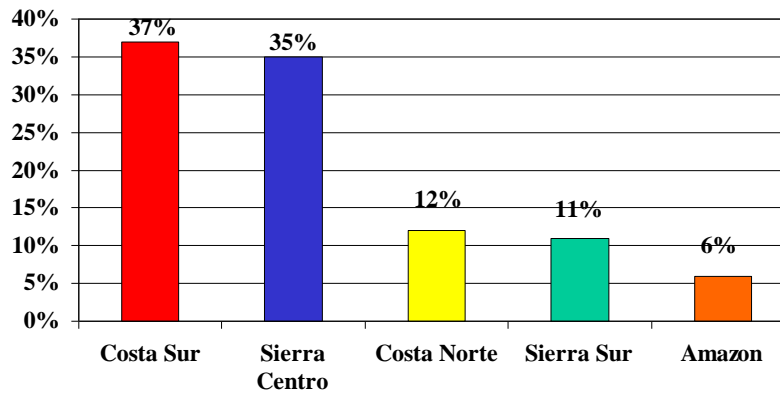


Regions of National Poll

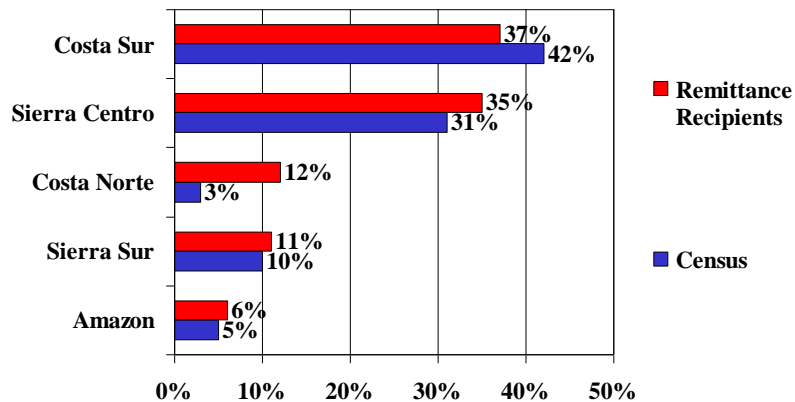
- Costa Sur: Guayaquil and Machala
- Sierra Centro: Quito, Ambato and Santo Domingo
- Costa Norte: Manta, Portoviejo, Esmeraldas, El Carmen and Quevedo
- Sierra Sur: Cuenca, Azogues, and Loja
- Amazon: Nueva Loja and Puyo



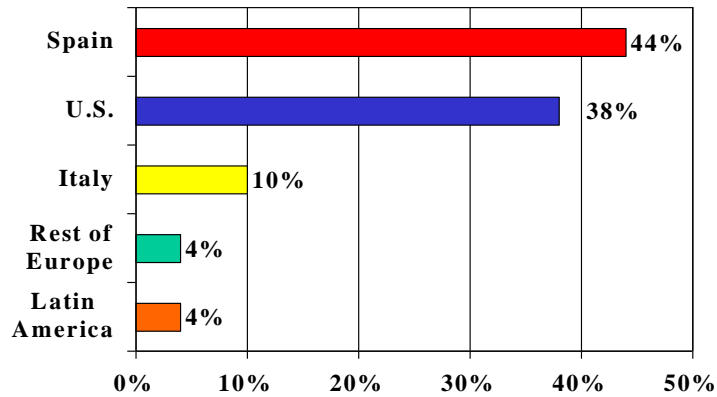
Remittance Recipients Region



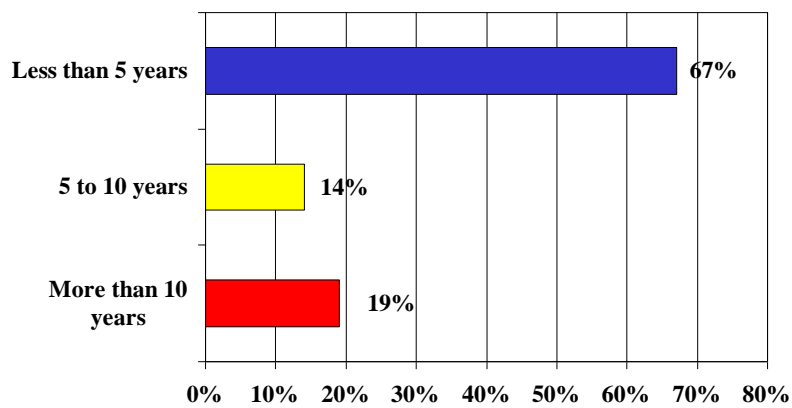
Remittance Recipients vs. Ecuador Census Region



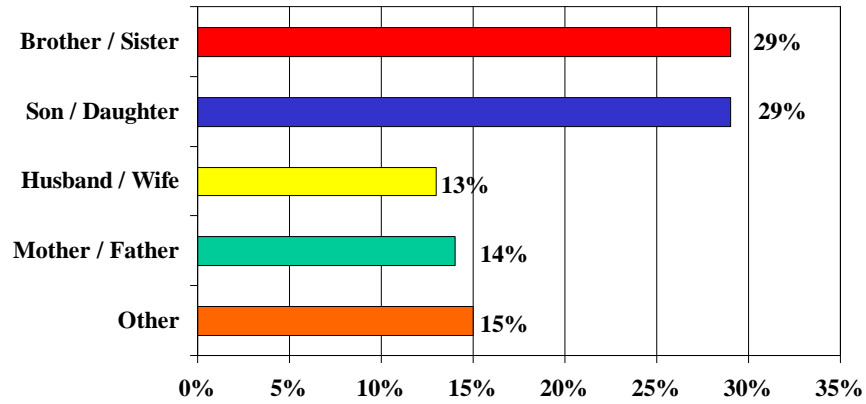
Country of Residence of Remittance Senders



How Long Have Your Relatives Lived Abroad?



Type of Relatives that send Remittances



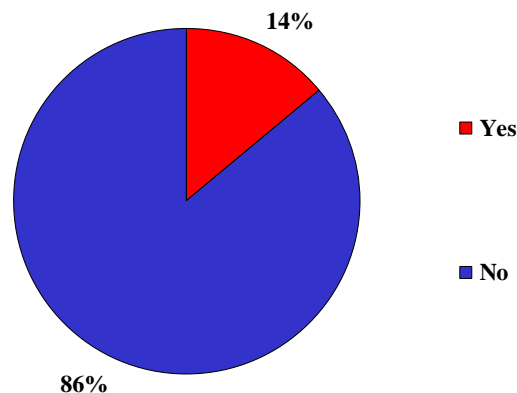
2. Ecuador Receives \$1.4 Billion Dollars in Remittances Yearly

- 14 percent of Ecuadorian adults – approximately 1 million people - receive remittances from relatives that live in a foreign country.
- The average Ecuadorian remittance recipient gets money from their relatives abroad about 8 times per year.
- The average remittance sent to Ecuador is approximately \$175 dollars.



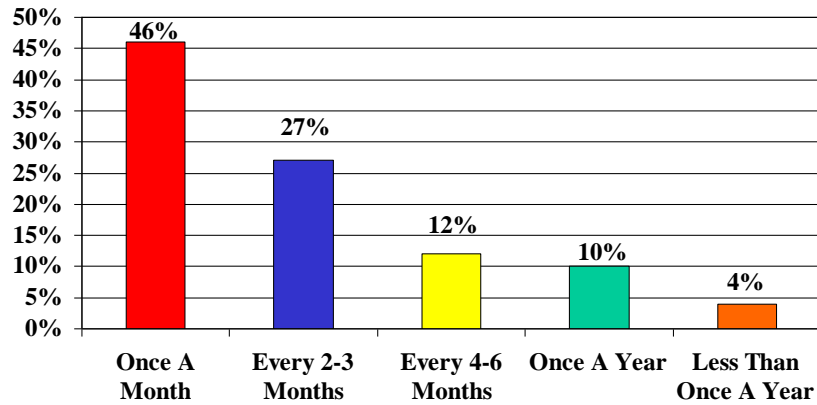
National Poll

Do you receive remittances from relatives that live in a foreign country?



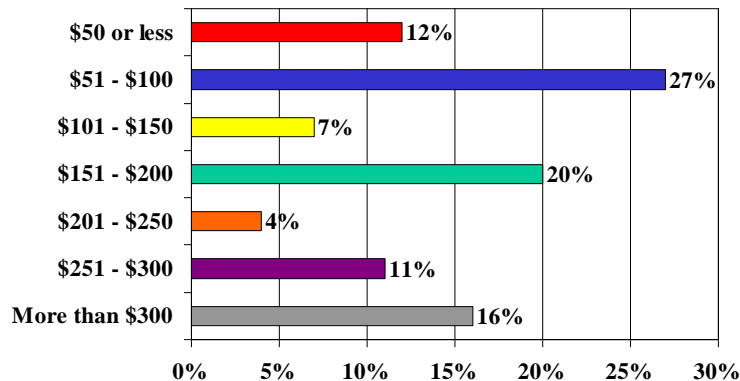
The Average Ecuadorian Remittance Recipient
gets Money **8 times per year**

How Frequently Do You Receive Remittances?

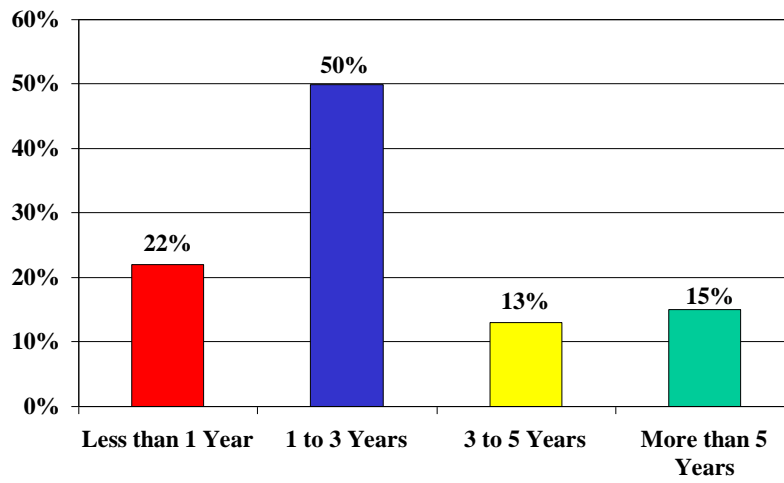


The average remittance sent to Ecuador is
approximately **\$175 dollars**

How much money do you receive with each
remittance?



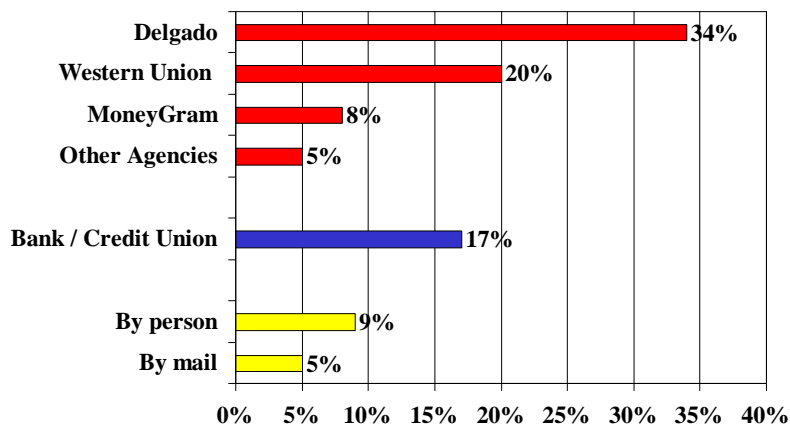
How Long Have You Been Receiving Remittances?



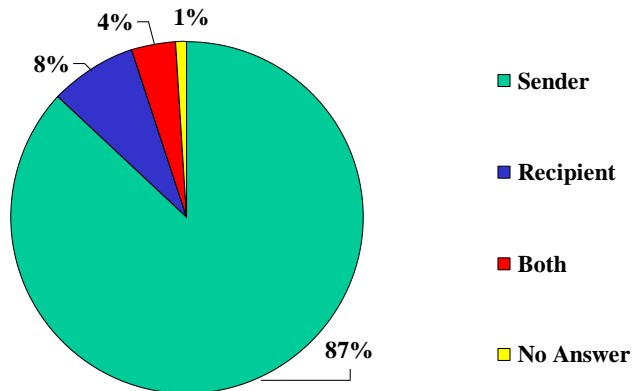
3. Two-thirds of all remittances that arrive in Ecuador are sent through International Cash Remittance Companies

- More than half of remittance recipients in Ecuador get their money through Delgado or Western Union.
- Only 17 percent of remittance recipients in Ecuador get their money through established financial institutions.
- 46 percent of remittance recipients in Ecuador have a bank account.

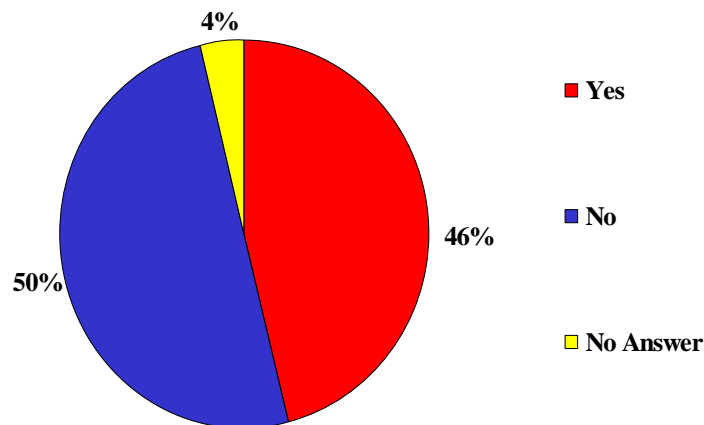
How Does Your Family Normally Send Money?



Who chooses the way by which Remittances are sent ?



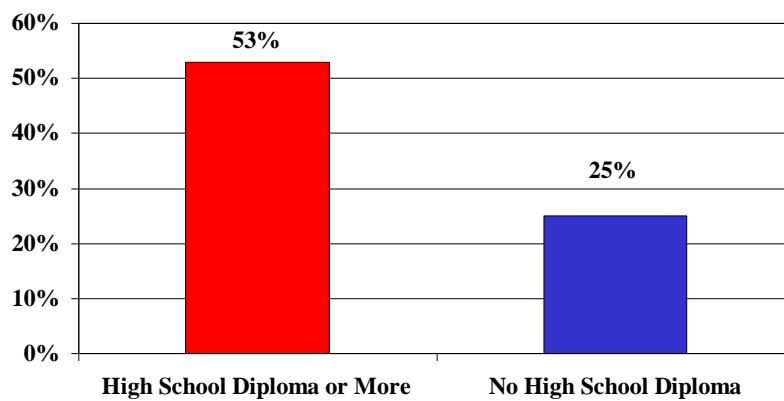
Remittance Recipients Do You Have A Bank Account?



Do You Have A Bank Account?

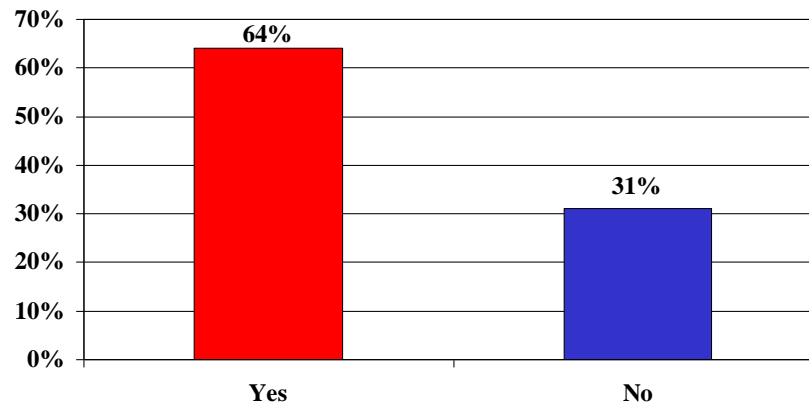
Education

“yes” answers only



Remittance Recipients

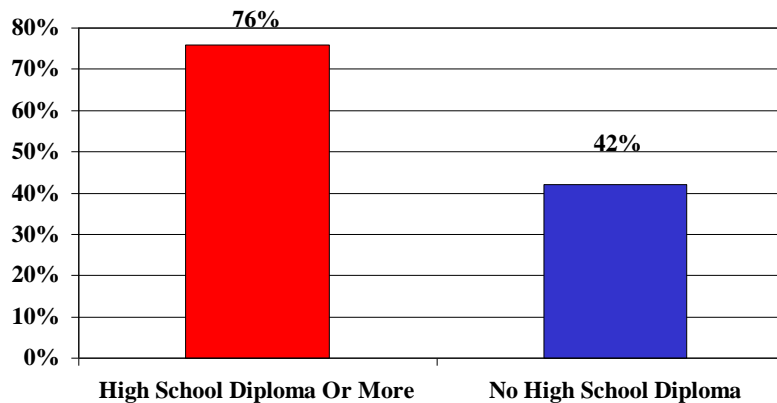
Are you familiar with ATM machines and how to use them?



Are You Familiar With ATM Machines And How To Use Them?

Education

“yes” answers only

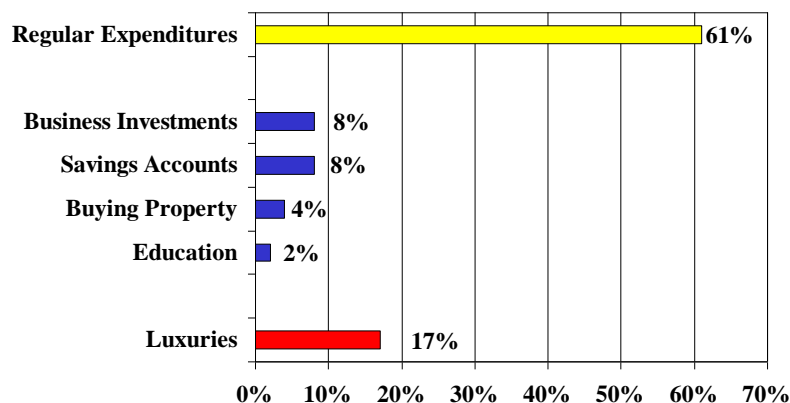


4. A large majority of Ecuadorian Remittance recipients use the money on “regular” expenditures.

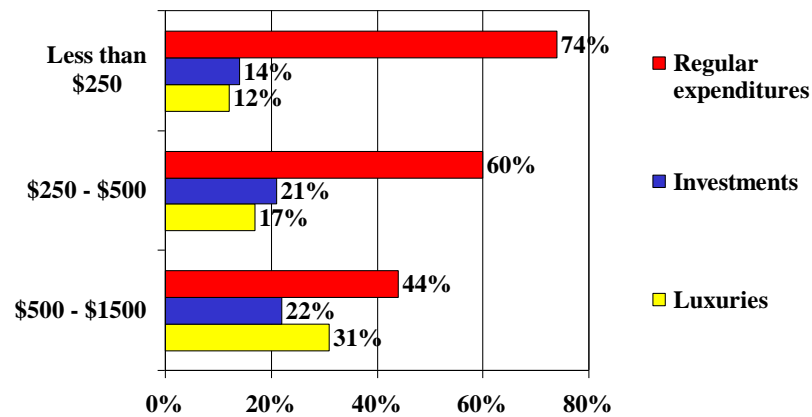
- 61 percent of Ecuadorian remittance recipients use the money for day-to-day expenditures like paying rent and buying food or medicine.
- 22 percent of Ecuadorian remittance recipients use the money for long-term investments.
- 17 percent of Ecuadorian remittance recipients use the money for “luxuries”.



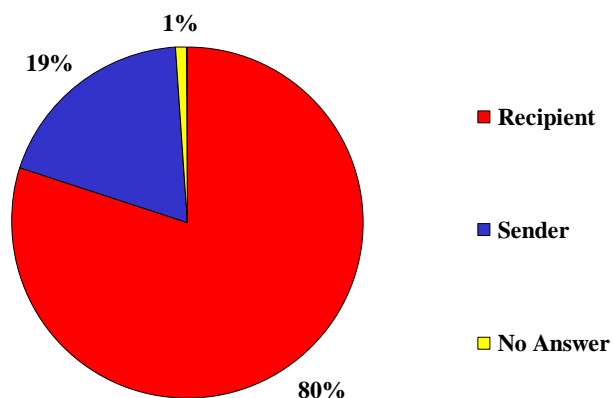
How Is The Money Spent?



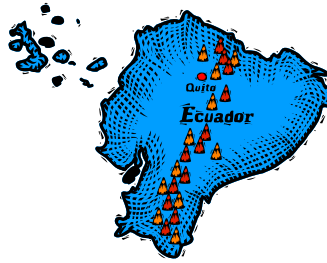
How Is The Money Spent? Income



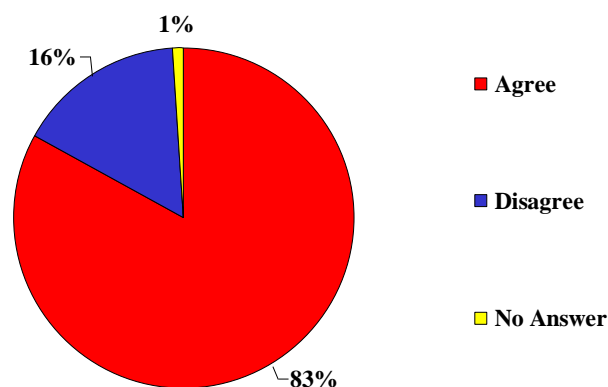
Who Decides How The Money Is Spent?



5. The most important Finding of the Poll may be that the Remittance Process is driving Emigration in Ecuador



“One of the principal reasons that people leave Ecuador is so that they can send money to their families.”



Focus Groups

This report is based on the result of three focus groups held in the cities of Quito, Cuenca, and Guayaquil on April 21, 22 and 23, 2003. The participants in each focus group were adult residents of Ecuador who receive remittances from relatives or friends who left Ecuador and currently live in the United States, Spain, or another European country.

Each focus group lasted approximately two hours and consisted of a minimum of ten participants, for a total of 31 participants, including 14 men and 17 women. Most participants receive remittances from relatives in the United States or Spain, but three individuals receive remittances from Italy and one from Germany.

The central topics of the focus group discussions were:

- *The migration process*, including the reasons for emigrating; the role of family, friends, and the individual in the decision to emigrate and in the migration process as a whole; the importance of remittances in motivating international migration; the means for financing migration; the planned duration of the stay abroad; the nature of the relation and the extent of communication between the sender and the recipient of remittances; the future migration plans of members of the recipient family; the return prospects of the family member living abroad.
- *The use of remittances*, specifically the impact of remittances on the lives of recipients, the number of persons who benefit from each remittance, and the use of remittances for basic needs, savings, investments, and luxuries.
- *The means through which remittances are sent*, especially the reasons why most remittances are sent through other channels than the banking system even when the recipient maintains a bank account in Ecuador and the obstacles to accessing the banking system in Ecuador and abroad. Potential economic, social and cultural barriers were explored, and participants' receptivity to the transfer of remittances via automatic tellers and debit cards was established.

This focus group report presents qualitative data to enrich and deepen the quantitative findings previously established as part of a larger study carried out by the Inter-American Development Bank, the Pew Hispanic Center, and Bendixen & Associates. That study drew on national surveys in the United States and in El Salvador as well as 302 in-depth interviews with Latin American senders of remittances carried out in Los Angeles and Miami in August 2002.

MAIN FINDINGS

A. The Migration Process

1. Why Do They Leave? For Family Survival, To Send Remittances Home, And To Improve Their Lives Abroad

By far the number one reason for migration from Ecuador is economic. Although that finding is not surprising, it is worth noting the massive preponderance of economic motivations as opposed to other possible reasons, such as political instability, crime, corruption, and personal problems.

Below are some findings in relation to the specific ways in which economic considerations relate to migration decisions:

- Most participants do not interpret the emigration of their relatives and friends as resulting from personal or family failures or shortcomings but rather links migration closely to economic crisis in Ecuador in the 1990s, and especially since 1999.

Participants often blamed political leaders for the country's economic troubles:

“This started with the overthrow of Bucaram. Then it continued with Alarcón. Then came Mahuad. The banks were closed. Things still are not stable” (Fernando, 33, Quito focus group).

“We owe this situation to this country's irresponsible politicians” (Fernando, 36, Guayaquil focus group).

Participants in Quito and Guayaquil expressed more frequently the connection between migration and economic crisis than participants in Cuenca. Massive emigration from Cuenca precedes the national economic crisis, and there appears to be a strong pull factor in the case of migration from this city. Migrants from Cuenca go primarily to the United States according to focus group participants in this city, while Spain is the primary destination of Quito migrants, and in Guayaquil participants reported Europe and the United States as destinations with equal frequency. Participants reported that salaries are better in the United States but it is easier to get into Spain and obtain legal status.

“Most people in this region do not consider that going to Spain pays. Going to the United States is a better deal” (Patricio, 29, Cuenca focus group).

“My son talked to a lot of people about leaving. It was hard to get a job here. There he works harder but earns more. He went as a tourist. He came back from Spain with that voluntary return plan. He legalized his status” (María Elena, 53, Quito focus group)

- Those participants that referred to the economic crisis said that it affected their families, and specifically their relatives who chose to emigrate, through unemployment and a decline in the standard of living, with serious consequences for nutrition and other basic needs. Many also referred to the failure of banks and other enterprises, the freezing of bank accounts, and cuts in the government payroll as causes of the explosive rise in emigration.

“Jobs, there weren’t any here then” (María, 46, Quito focus group).

“It is not possible to subsist here in Ecuador” (Euclides, 48, Guayaquil focus group).

“I fell in the trap of selling my resignation. I placed my money in the bank. Then they froze my account” (Iván, 55, Quito focus group).

- In general, the reasons given by participants as explanations for the emigration of their relatives point toward a process in which structural conditions “push” migrants to leave the country in order to solve pressing economic needs more than one in which the attractiveness of the receiving country “pulls” the immigrant. Although some participants did mention the magnet effect of the receiving country, the predominant image that emerges from the focus group discussions is of a migrant population forced to leave its native land in order to ensure individual and family survival. This image corresponds to the economic data, which shows that Ecuador’s Gross Domestic Product (GDP) fell 27 percent between 1998 and 1999 while in the latter year per capita household consumption was lower than a decade earlier (CEDATOS, *Estudios y Datos: Ecuador en Perspectiva*, November 1999, pp-57-58).
- In the context of this struggle for individual and family survival, the ability to send remittances to family back home is the single most important motive for emigrating, according to focus group participants.
- Personal advancement and the future of the children were also mentioned frequently, often in combination and not in contradiction with the ability to send remittances.

“You also have to think about the future of the children. There is no future here” (Fernando, 36, Guayaquil focus group).

“She left because of her daughters” (María Elena, 53, Quito focus group).

- In a few cases, emigration results from personal problems such as divorce or other personal crises, which often but not always imply economic distress.
- A few participants mentioned the problems of insecurity and crime, but for the vast majority of migrants, crime was not a major factor in the decision to emigrate.

2. How Do They Leave? They Decide On Their Own, But Get Help From Family and Friends

- The social networks that bind relatives and friends in the United States, Spain or Italy with those in Ecuador are key factors in fueling and facilitating the migration process.

“My wife’s father was over there (Spain), and he said to her that the situation was much better there. We decided that she should go and I would stay with our daughter. She has been out of the country for a year and a half” (Jimmy, 32, Quito focus group).

- Along with the family, schoolmates often play an important role as sources of information on conditions in the receiving country, as factors in the selection of a place of destination, and as guide and support in the early stages of settling in a new country.
- In most cases, the migrant shares, consults, or discusses the decision to leave with other family members, but the initiative and the final decision is taken by the individual migrant and not by the head of the household. In some cases, the family initially opposes or is skeptical about the decision to migrate, but usually offers support if the migrant maintains his or her decision.

“My son had a friend in Spain who talked him into leaving by convincing him he would be better off there. He said: ‘I am leaving.’ We told him not to leave, but his friend paid the fare and he left” (Oswaldo, 50, Guayaquil focus group)

“I gave her every argument against going” (Gregoria, 40, Guayaquil focus group)

- Nevertheless, the importance of family cooperation and negotiation is evident in the many cases in which migrants leave children behind under the care of parents or siblings.
- The importance of family ties is also clear with respect to the financing of migration, which often derives from loans from family members in Ecuador or, in some cases, comes from earlier immigrants living abroad. Houses and other family properties often are mortgaged to finance migration, and in rural areas livestock may occasionally be sold for this purpose. Focus group participants underlined the importance that migrants place on repaying such loans, and stated flatly that “they are always repaid.” The very first remittances usually go toward the repayment of such debts incurred to finance travel and related costs, including the “bolsa,” or the sum of money required to be allowed to enter Spain with a tourist visa.

3. How Long Will They Stay? Temporary Migration Becomes Indefinite Return

- In some cases migrants tell their friends they expect to remain abroad for a specific duration, generally settling in a somewhat arbitrary fashion on 2,3 or 5 years as the expected duration of residence abroad. In other cases, the stay abroad is projected not on the basis of years but of specific goals, such as the construction or repair of a house, the education of children who remain in Ecuador, or the repayment of a family debt. Often no specific return date is projected, but nevertheless the initial aspiration of almost all those who leave is to some day return.
- Even when a specific period for the stay abroad is declared either in terms of time or goals, the projection is seldom met and the stay is usually prolonged beyond the intended duration. According to focus group participants, the reason is that migrants “begin to get used to the salaries and living conditions in the receiving countries” and now find those in their country of origin intolerable. The troubled economy back home also discourages people from returning.

“Over there they make \$1,500 and here \$150. There is no comparison” (Iván, 55, Quito focus group).

4. How Do They Relate? The Ties Between Remittance Senders and Receivers Are Tight

Relations between those who send and those who receive remittances tend to be tight and are maintained for substantial periods of time.

- By far most focus group participants reported a very frequent and regular pattern of communication with the sender of remittances. In most cases they talk on the phone once or twice a week, often on a given day at a set time. A minority made of mainly of younger people stay in touch through email. Generally regular communication is maintained despite the length of separation, although as years pass it may become somewhat less frequent.

“Like a sacred duty, every Friday” (Iván, Quito focus group)

- Migrants also maintain family ties through visits back home during vacations. For undocumented immigrants, such visits are not possible, in which case family relations may suffer. Less frequent, for reasons of cost and the difficulty in obtaining tourist visas, especially for the United States, relatives from back home visit the migrant.

5. Will Migration Continue? The Migration “Chain” Grows

Several observations suggest a tendency for migration to continue after the end of the worst of the economic crisis in Ecuador:

- A significant number of participants indicate their relatives abroad are in the process of bringing their children from Ecuador.

“Given the country’s economic situation, this will go on. We will go there to offer our lungs and our hands as cheap as they are because we make more than here. I would make more as a refrigeration technician in the United States than as an industrial engineer here” (Fernando, 36, Guayaquil focus group).

The migration process, which tends to start with working-age adults who leave children or spouses behind, tends to expand with family reunification, which takes place at a later stage in the process when immigrants have become integrated legally and economically to the receiving country. In the case of undocumented immigrants, family reunification is difficult or impossible.

Another observation that suggests continued emigration: Several focus groups participants also expressed their own plans or desires to emigrate. Notwithstanding these desires, new immigration controls in the United States and Europe may frustrate the wishes of some or many of these aspiring migrants.

B. Remittances: Importance and Uses

1. What Are Remittances For? First To Live, Then To Save, Invest and Enjoy

When focus group participants were asked about the importance of remittances, the answers revealed that remittances are vital insofar as in many cases they provide for survival and sometimes the possibility of saving, investing and enjoying some luxuries as well.

- The bulk of remittances are used for basic family needs, including food, rent, utilities, transportation, education, clothing, and medical needs. In many cases, remittances make the difference between poverty and a certain well-being.

“My daughter-in-law has three children and with the situation here she did not make enough to support them. She had a sister there, and I stayed with the three children. Everything that she sends me is to feed and clothe them” (María Elena, 53, Quito focus group).

- Each remittance benefits an average of three people.
- The recipients estimate they are approximately 50 percent better off economically than they would be if they were not receiving remittances.

“I pay about 50 percent of household expenses with my retirement and 50 percent with what my wife sends me” (María Elena, 53, Quito focus group).

“Now I keep my salary for myself. It’s not much but now I don’t have to buy medicines for my mother” (Diana, 27, Cuenca focus group).

- Remittances help some of the most vulnerable in society. The majority of people who emigrate are young adults while those who remain and depend on remittances often are children or elderly adults. That is the reason for the importance of remittances for health and education. The social security system in Ecuador covers a minority of the population, and medical care costs are high. Remittances compensate for the lack of government services.

“Public education is terrible. We sacrifice in order to pay for a better school. Public school only teaches certain subjects. We pay so that they get additional classes, English, physical education” (Mercedes, 28, Guayaquil focus group).

- Remittances contribute to psychological as well as economic well-being. A focus group participant stated that while he does not personally benefit monetarily from the remittances he gets from his brother which are used to pay for family debts, he gets an enormous benefit in the form of new-found harmony and peace of mind within the family.

“I don’t get to spend the remittances that my brother sends, but I benefit 1000%. Before the climate at home was very tense because my parents could not family debts. There were fights and anguish. Now we have more peace of mind” (Patricio, 35, Cuenca focus group).

- A significant minority of participants indicated they use remittances for uses other than consumption. Among these alternative uses are the purchase of houses and vehicles, savings, and investment.
- The enterprises that are financed with remittances include garment workshops, small retail stores, the sale of goods brought in by immigrants, real estate, and loan operations. Individuals with entrepreneurial inclinations lacking capital find in remittances possibly the only way of financing a small business.

“I invest everything that my husband sends. Investment pays. Savings do not. Savings are for emergencies. I have always been rather inclined to investment. I used to sell cars. I once bought a house for \$10,000 and sold it for \$30,000. You can’t live from a salary here. We wanted to invest over there [U.S.] but we were not residents . . .” (Mercedes, 60, Cuenca group).

“I used to need the remittances to live. Now I live from the business and I invest the remittances” (Laura, 55, Quito focus group).

- When remittance recipients were asked why they don’t invest, the main reason given is the small amount received, and in a smaller number of cases, the uncertain climate for investment existing in the country is mentioned as a reason.

“The reason is that it is not enough. Let’s say that what she sends is not much. It is barely enough for food and expenses. She doesn’t make that much money over there” (Norma, 32, Guayaquil focus group).

- Savings are generally considered as accumulation for investment or the purchase of a house, apartment, or other major good and not as an end in itself. There is a lack of confidence in Ecuadorian banks. In some cases, there is more confidence in savings cooperatives.
- In some cases, a portion of remittances received goes to purchases the recipients consider luxuries. These include entertainment, cars, expensive motorcycles, name brand clothes, and trips to visit relatives living abroad. In one of the focus group, one of the participants arrived wearing an expensive Harley-Davidson brand leather jacket. Nonetheless, few participants admit that they themselves use remittances for luxury items, instead speaking in general terms or about cases they have heard about. What is a luxury and what a necessity is debatable in a society increasingly bent on consumption.

“Television is not a luxury, it’s a necessity in order to be informed” (Mariana, 28, Guayaquil focus group).

2. Who Controls How Remittances Are Used?

- Those who receive remittances control the specific use of remittances, but usually there is an explicit or explicit agreement between sender and receiver in relation to the general use that the money received will be put to.

“No, they [senders] don’t control it because they what it is used for [basic needs] and that has already been defined” (Galo, 38, Guayaquil focus group).

3. Will Remittances Decline?

The relation between the duration of stay abroad and the sending of remittances appears to be complex and difficult to research within a focus group approach. Therefore the following observations are merely suggestive.

- Some participants report that remittances increase as the migrant settles into the receiving country and obtains higher paying jobs.
- The level of remittances can remain stable for prolonged periods in some cases, but there is a certain tendency toward decrease, especially after family reunification or when single immigrants establish families in the receiving country.

C. The Transfer of Remittances and the Banking System

- A significant percent of remittance recipients maintains a bank account, especially a savings account, but most do not receive remittances through the banking system. Only a minority receives remittances through banks; in most cases these are people who receive remittances from Spain.
- According to focus group participants, international banking agreements existing between Ecuador and Spain, and especially the relative ease of legalization in Spain, facilitates the use of the banking system.
- Lack of legal status is the main obstacle to use of the banking system for the transfer of remittances.

“Because it is practically illegal” (Galo, 38, Guayaquil focus group).

- Other reasons mentioned for lack of use of banks are high transaction costs, lack of knowledge of the process, and the absence of U.S.-Ecuador banking agreements.
- A majority of participants receive remittances through such money transfer agencies as Western Union, Moneygram, Delgado Travel, Prontoenvíos, and Transfer.
- Very few recipients know the costs of transferring remittances, which is paid by the sender. Nevertheless recipients generally believe the costs are excessive.
- Opinions vary regarding the services offered by the money transfer industry. There are many complaints against the agencies, including delays, excessive red tape, and poor customer service. These complaints were particularly frequent in the Cuenca focus group. At the same time, several participants offered positive testimonials regarding the agencies in reference generally to the speed and ease of receipt through some companies.
- When familiarity with automatic tellers was probed, almost all recipients said they were familiar with the device.
- When the possibility of using automatic tellers to receive remittances was presented, the majority was enthusiastic while a minority expressed skepticism, mainly for fear of high transaction costs.

Notwithstanding the generally positive reaction, it is clear that the use of automatic tellers for remittance transfer requires an educational effort and a rebound in confidence in the banks.

“As a comment, my brother who is a doctor and lives in Chile, is doing just that, he gave my mother a debit card to use for medical expenses, and it is much less expensive [to transfer funds]” (Mercedes, 28, Guayaquil focus group).

“And why doesn’t your brother who lives in the United States do the same?” (Galo, 38, Guayaquil focus group).

Finally, the obstacles standing in the way of greater use of bank accounts was probed.

- In an overwhelming number of cases, the main obstacle was the lack of money, specifically in light of the minimum deposit needed to establish and maintain an account, which is reported to range between \$200 and \$500.

“I have never had any money to save, and I am not interested in saving” (Christian, 29, Cuenca focus group).

- The second most frequently mentioned obstacle was high transaction costs.
- Participants denied the existence of cultural or class barriers.

“I had an account but they charged me so much that instead of getting interest I always ended up with less money, and so I closed it” (Gregoria, 32, Guayaquil focus group).

Finally, the existence of a climate of mistrust and anger toward the banking system represents a significant obstacle.



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