



# Remittance Recipients in Central America

Guatemala City, Guatemala  
September 2003



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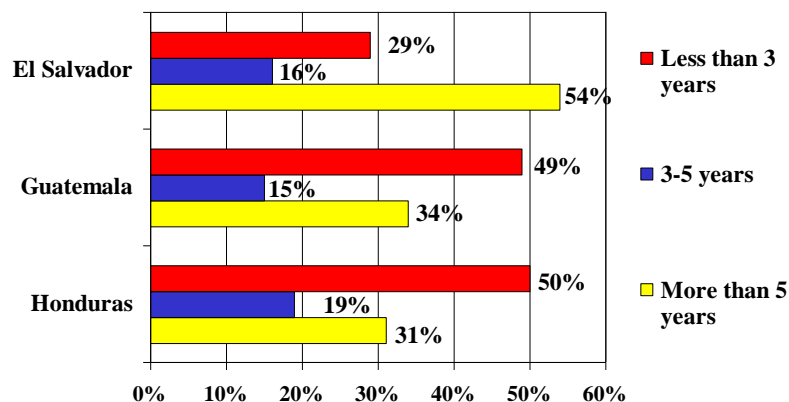
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## ***Introduction***

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Central Americans fleeing the political turmoil of an earlier era helped create a channel of remittances from the United States, but more recent migrants, who are responding to economic circumstances, have greatly expanded the flow. About one-quarter of the population of El Salvador, Guatemala and Honduras now receives funds from relatives in the United States, according to a study by the Multilateral Investment Fund of the Inter-American Development Bank (MIF) and the Pew Hispanic Center (PHC).

### How many years has your family member been sending you remittances?

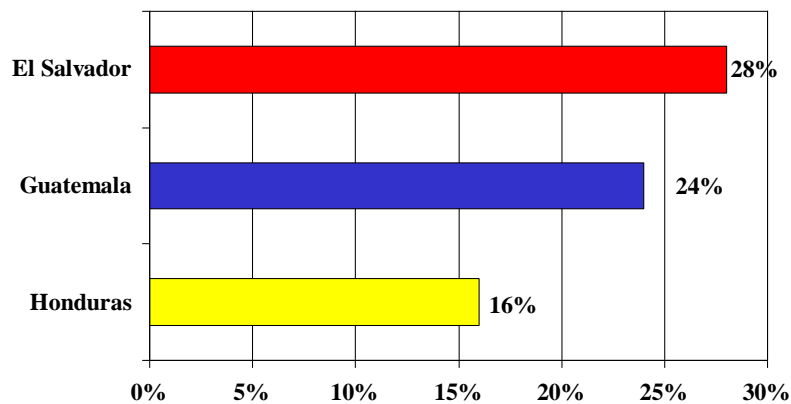


In Guatemala and Honduras about half of those remittance receivers report that they have been receiving the funds for less than three years, and while the flow to El Salvador has older roots, even there a large share (29 percent) of recipients said their experience was similarly recent. The

total flow of remittances to these three countries is already close to \$5 billion a year and could well exceed that threshold in the near future.

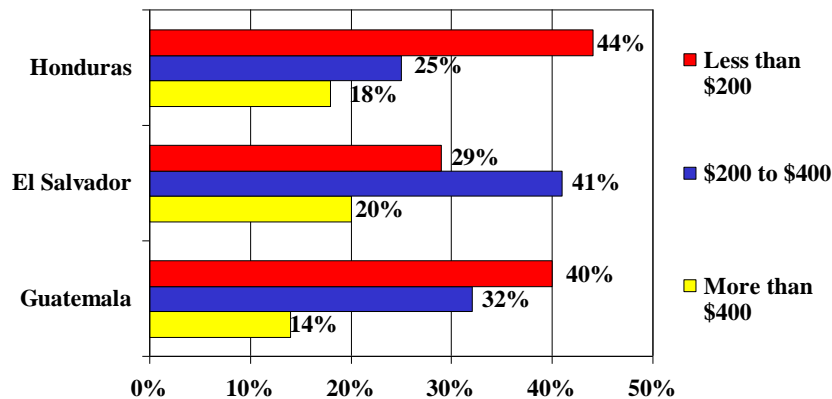
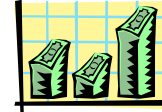
El Salvador, Guatemala and Honduras receive  
approximately \$4.8 billion in remittances  
yearly

**Do you receive remittances from family members in other  
countries?  
“yes” answers**



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—nearly three-quarters of the remittance receivers in Central America earn less than \$400 a month.

## Monthly Income Remittance Recipients



While the amount and the frequency of remittance transfers varies, the money coming from relatives in the United States often amounts to about a third of that income. Large majorities of remittance recipients reported using the funds for regular expenses such as housing, food and medicine. Overall, the remittance flow is a matter of survival rather than comfort for millions of the poorest households in the region.

More broadly, remittances account for a sizeable share of the economic activity in these nations and across all of Latin America and the Caribbean. For example, according to the MIF's annual compilation of Central Bank reports on remittance flows, *Sending Money Home: An International Comparison of Remittance Markets* (February 2003), remittance receipts in El Salvador accounted for 15.1 percent of Gross Domestic Product and an extraordinary 29.4 percent of GDP in Nicaragua in 2002. Throughout the region the value of remittances exceeded Official Development Assistance and almost equaled the total of Foreign Direct Investment. Under such circumstances, facilitating international remittance transfers, lowering their costs and

encouraging the most productive use by recipients should be important goals both for financial institutions and government regulators.

In order to understand the characteristics of the remittance flow to Central America—who receives the money, how it is transferred and how it is spent—the MIF and PHC commissioned nationwide public opinion surveys in El Salvador, Guatemala and Honduras that were followed by focus group discussions in each country with remittance receivers. Both the surveys, involving a sample of 3,024 respondents and the focus groups with 34 participants, were conducted this summer by Bendixen & Associates, a public opinion survey firm. The Central America study builds on similar work conducted last year among remittance senders in the United States and is part of a series of similar projects being conducted this year in Ecuador and Mexico.

This study of attitudes among remittance recipients revealed a very strong desire to see government regulate the process of transmitting remittance but without getting involved in how the money is spent. The clearly stated preference is for public sector efforts to promote a safe, efficient and competitive marketplace for transmission services while keeping the use of these funds primarily in private hands. Such attitudes will prove important as governments, international organizations and other public entities debate the kind of roles they should play in the evolution of remittance flows. In each of the three countries covered by this study, substantial majorities (Honduras, 64 percent; El Salvador, 60 percent; Guatemala, 75 percent) answered positively when asked whether national governments should regulate the remittance process. Elaborating on these survey results, focus group participants said they would support

government regulation that would lower the costs of remittance transfers and that would ensure honesty and transparency in the operations of the firms that handle the traffic.

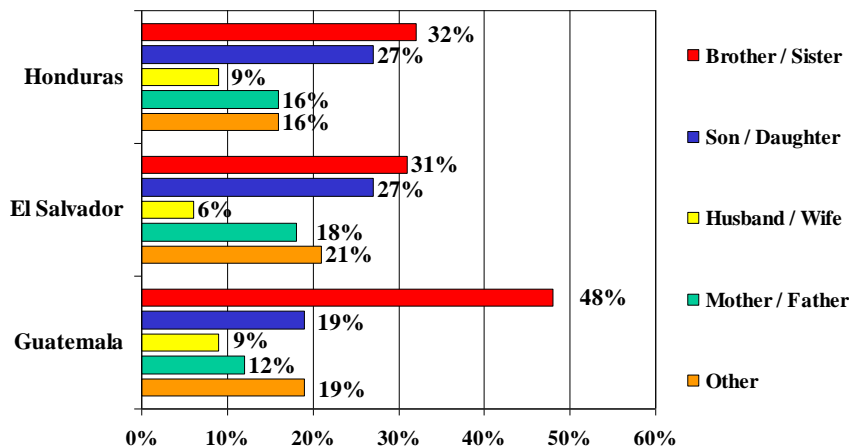
Although banks, credit unions and other financial institutions have made considerable efforts to capture larger shares of the remittance transfer market in recent years, the flow from the United States to Central America still travels primarily by way of wire transfer services like Western Union. Only in El Salvador did a substantial number of recipients, 34 percent, report using banks. Moreover, only about one-fifth of remittance recipients in the nations surveyed said they had bank accounts. Less than a third of the recipients said they were familiar with automatic teller (ATM) banking. The study did not produce any demands for changes in the current means of transmission nor complaints against the companies that now dominate the market.

Respondents were, however, emphatic in opposing any government action that leads to the taxing or diverting of remittance flows. Recipients insisted that these funds belong to their households and not to the state. Despite these strong sentiments, focus group participants did express openness to the idea of investing some of these funds into development projects that would benefit their communities directly or that would promote economic development nationally.

Respondents stated that such efforts would have to produce tangible results and could succeed only with credible defenses against corruption. These concerns virtually ruled out government participation, and respondents said they would favor the involvement of international organizations or other institutions that could guarantee the honesty and effectiveness of such projects.

This skepticism seems to reflect the intimate nature of the remittance flows. Relatively small numbers of the recipients said that any of the money went for business investments, savings or luxuries. More than half of the recipients said they received funds from a sibling or a child. Spouses and parents accounted for other sizeable shares.

## Type of Relatives that send Remittances



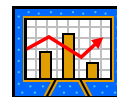
Thus, despite the distances between senders and receivers, remittances are generated within a household and are spent within a household for the most essential expenses. As policy makers consider plans to make remittances a more effective tool of economic development, this study, like many others before it, suggests that the origins of these funds must always be taken into account.



## *Investigation of Central American Market*

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## National Polls of Central America Region



- 1,008 interviews were conducted with a representative sample of adults in Honduras, El Salvador and Guatemala. A total of 3,024 interviews were conducted in the region.
- The margin of error for each national poll is 3.2 percentage points.
- Borge y Asociados conducted the field work for the poll in June and July of 2003.



## Regions of Poll Honduras

- **Caribe** – San Pedro Sula, Puerto Cortes, Tela, La Ceiba
- **Central** – Guaimaca, Tegucigalpa
- **Oriente** – Juticalpa, Choluteca
- **Occidente** – Puerto Lempira

## Honduras



## Regions of Poll El Salvador

- **Metropolitana** – San Salvador
- **Oriental** – La Union, San Miguel
- **Central** – Chalatenango, La Libertad, San Vicente
- **Occidental** – Ahuachapan, Santa Ana, Sonsonate

## El Salvador



## Regions of Poll Guatemala

- **Central** – Guatemala City
- **Altiplano** – Quetzaltenango, Huehuetenango
- **Oriente** – Chiquimula, Zacapa
- **Sur** – Suchitepequez, Retalhuleu
- **Norte** – Alta Verapaz, Quiche

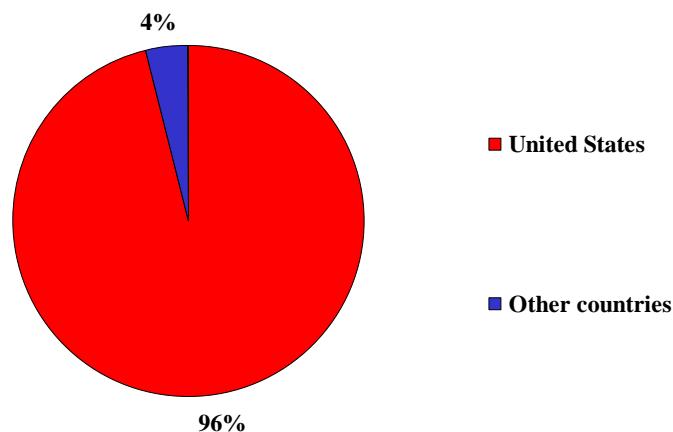
## Guatemala



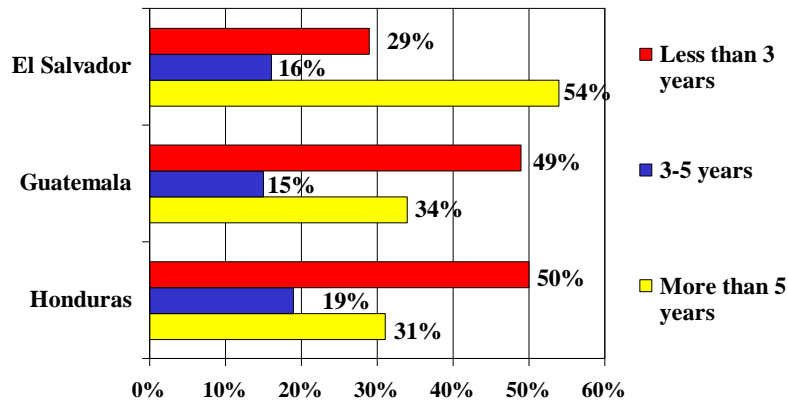
## A. Remittance Recipients

- A total of 685 remittance recipients were interviewed in the three Central American countries included in the study.
- The overwhelming majority of remittance senders to Central America live in the United States.
- The majority of remittance recipients in El Salvador have received financial help from their relatives abroad for more than five years. The majority of remittance recipients in Honduras and Guatemala have received financial help for less than five years.
- The socio-economic level of remittance recipients in El Salvador is somewhat higher than the level of those in Honduras and Guatemala.

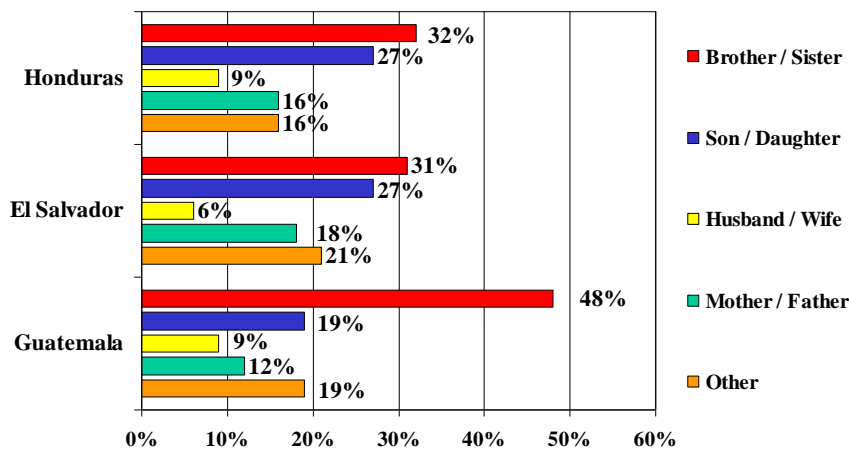
### Country of Residence of Remittance Senders to Central America



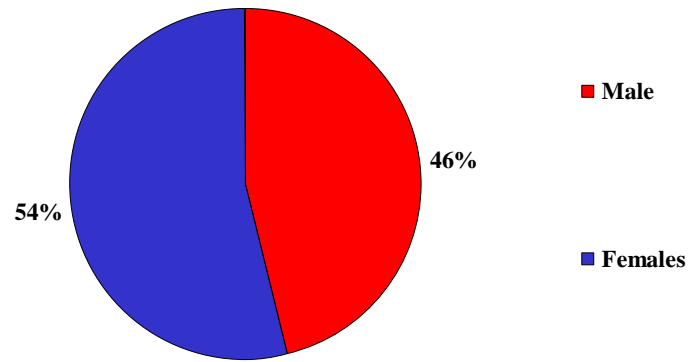
## How many years has your family member been sending you remittances?



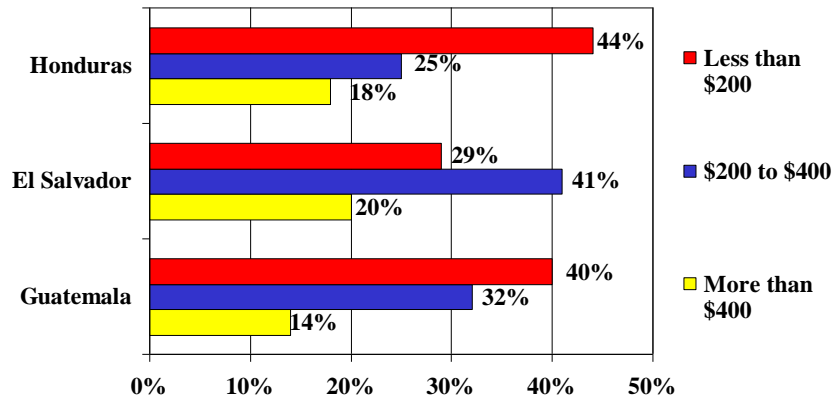
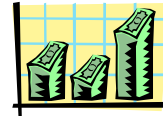
## Type of Relatives that send Remittances



## Gender of Remittance Recipients in Central America

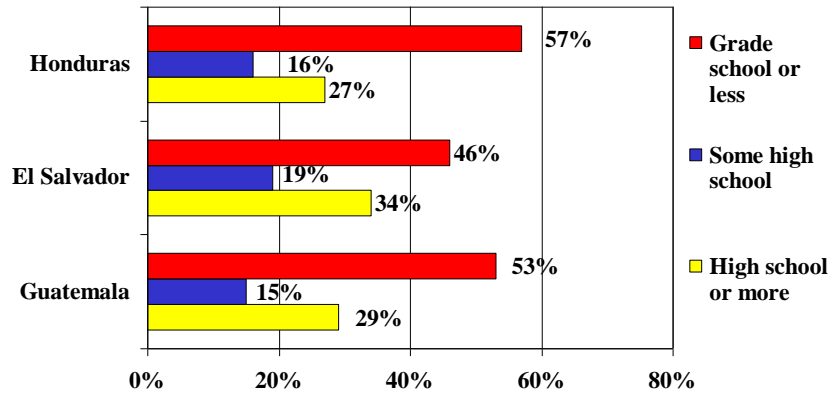


## Monthly Income Remittance Recipients

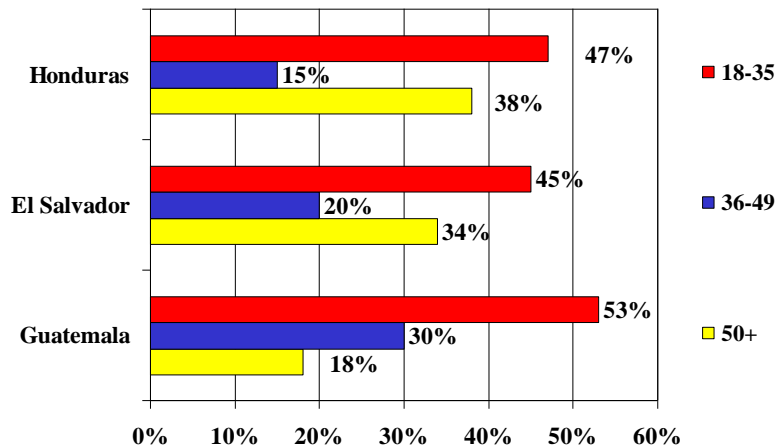




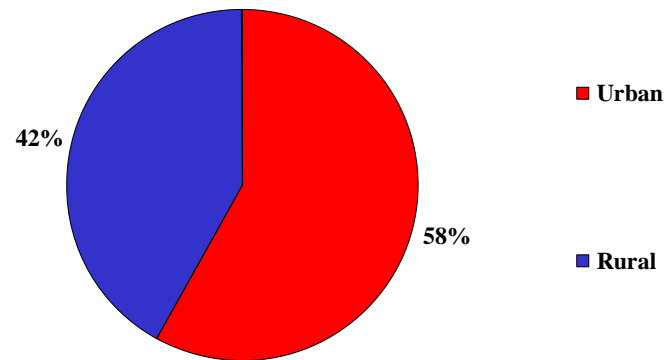
## Education Remittance Recipients



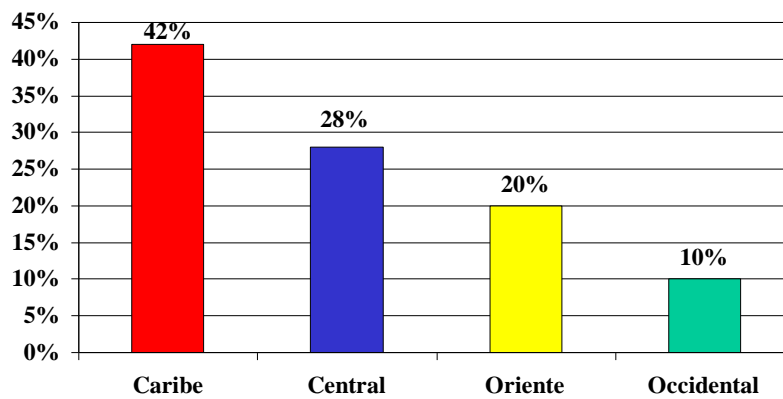
## Age Remittance Recipients



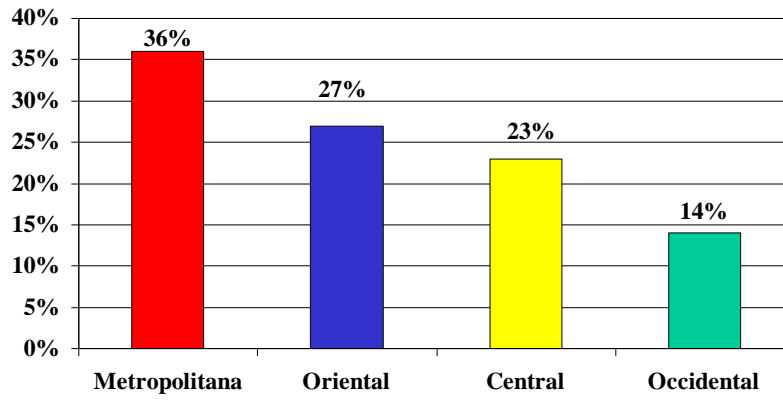
## Remittance Recipients in Central America Urban vs. Rural



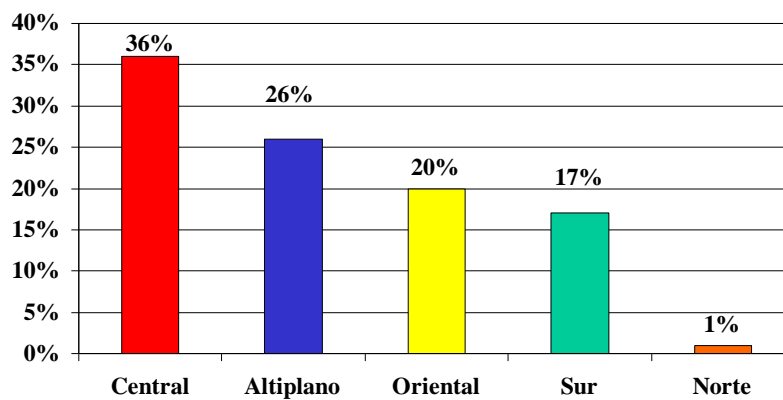
## Region of Remittance Recipients Honduras



## Region of Remittance Recipients El Salvador



## Region of Remittance Recipients Guatemala

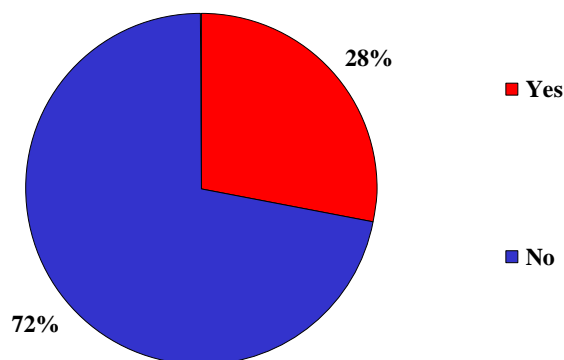


## B. El Salvador receives approximately \$2.2 Billion in remittances yearly

- Twenty-eight percent of Salvadorian adults – approximately 1.3 million people – receive remittances from relatives who live in a foreign country.
- The average Salvadorian remittance recipient gets money from their relatives abroad about 10 times per year.
- The average remittance sent to El Salvador is approximately \$170 dollars.

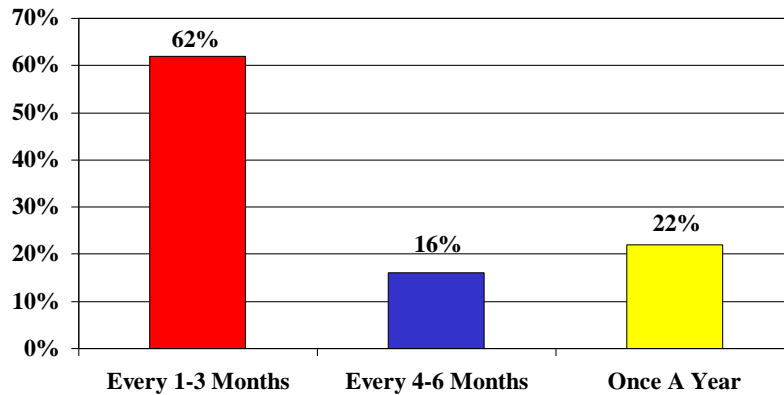
### **Do you receive remittances from family members in other countries?**

**El Salvador**



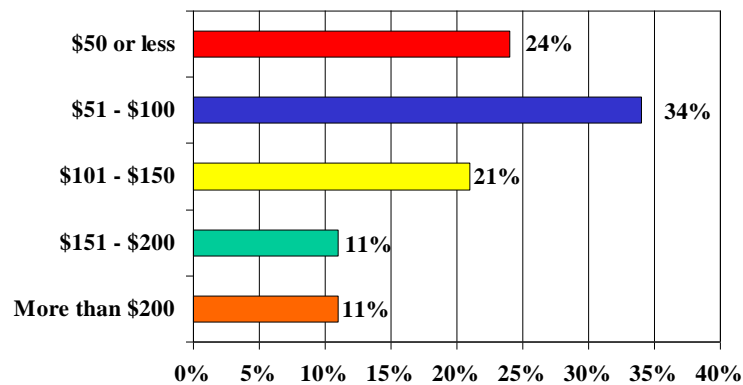
## How frequently do you receive remittances?

**El Salvador**



## How much money do you receive with each remittance?

**El Salvador**

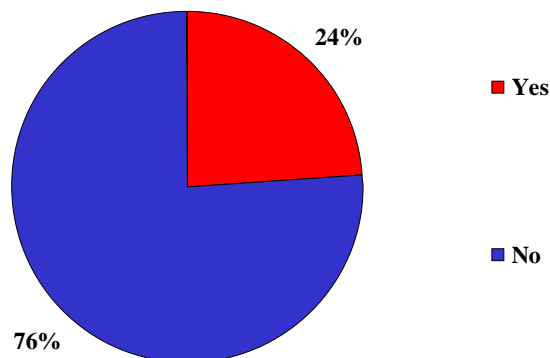


### C. Guatemala receives \$1.8 Billion in remittances yearly

- Twenty-four percent of Guatemalan adults – approximately 1.5 million people – receive remittances from relatives who live in a foreign country.
- The average Guatemalan remittance recipient gets money from their relatives abroad about 8 times per year.
- The average remittance sent to Guatemala is approximately \$150 dollars.

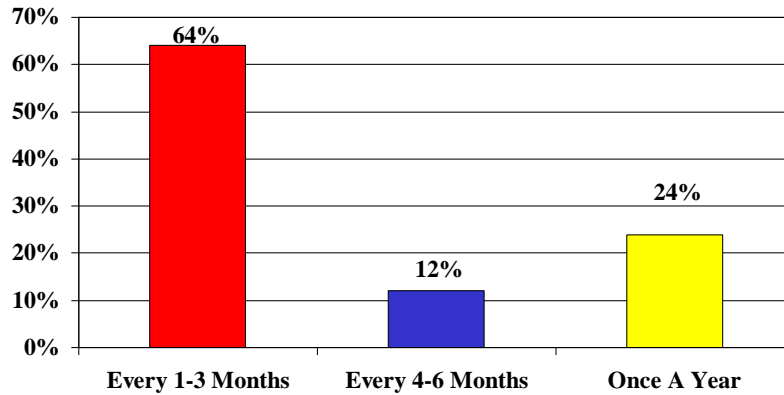
#### Do you receive remittances from family members in other countries?

**Guatemala**



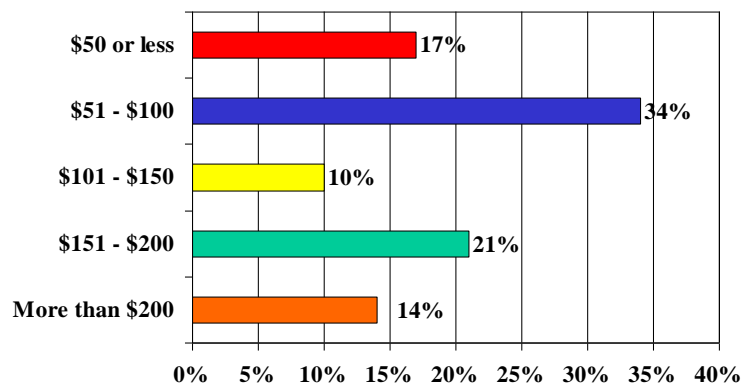
## How frequently do you receive remittances?

**Guatemala**



## How much money do you receive with each remittance?

**Guatemala**

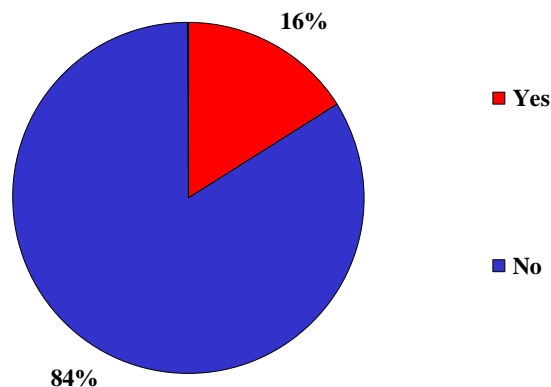


## D. Honduras receives \$800 Million in remittances yearly

- Sixteen percent of Honduran adults – approximately 600,000 people – receive remittances from relatives who live in a foreign country.
- The average Honduran remittance recipient gets money from their relatives abroad about 8 times per year.
- The average remittance sent to Honduras is approximately \$170 dollars.

### Do you receive remittances from family members in other countries?

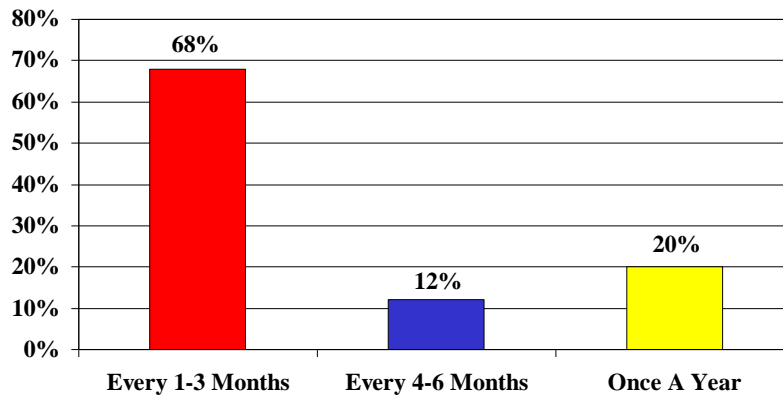
**Honduras**





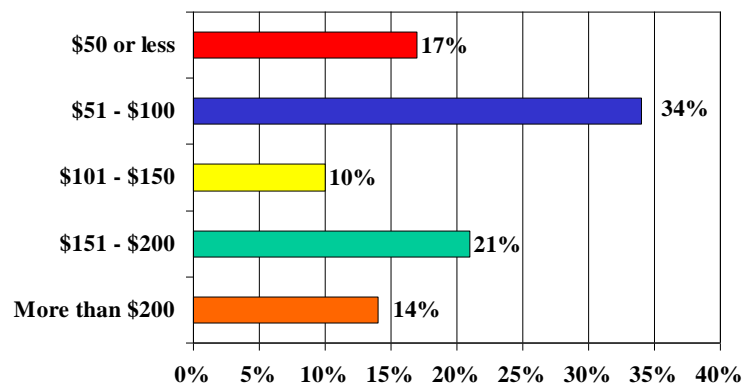
## How frequently do you receive remittances?

**Honduras**



## How much money do you receive with each remittance?

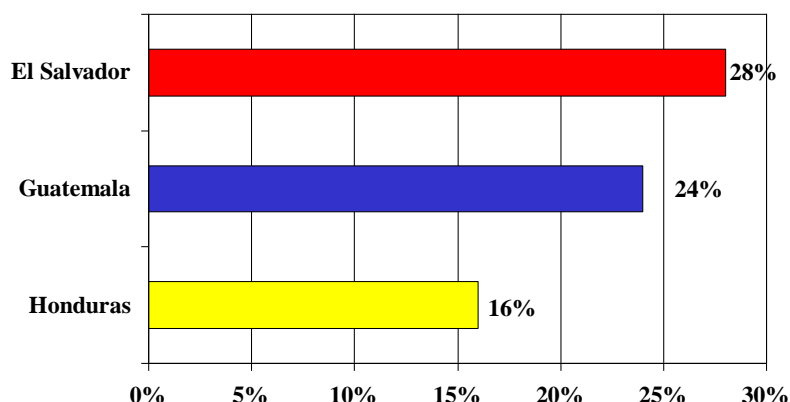
**Honduras**



E. El Salvador, Guatemala and Honduras receive approximately \$4.8 billion in remittances yearly

**Do you receive remittances from family members in other countries?**

**“yes” answers**

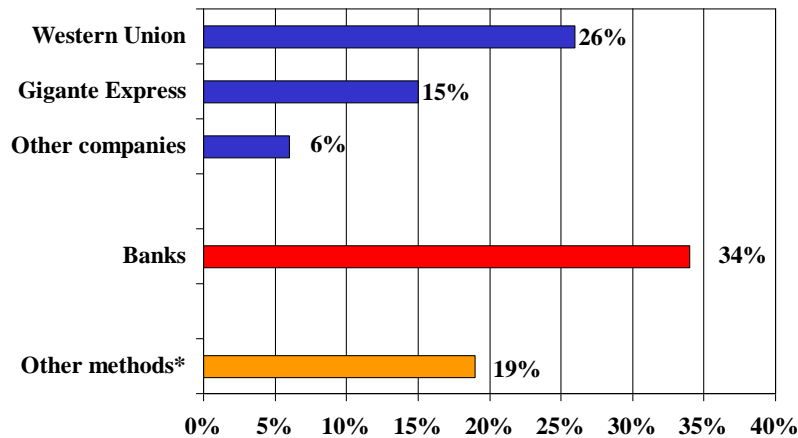


F. A majority of Guatemalans and Hondurans receive their remittances through Western Union and other international cash remittance companies.

- Salvadorians are more likely to utilize the banking system in the remittance process.
- Gigante Express is popular in El Salvador.
- King Express is popular in Guatemala.
- Western Union is popular in Honduras.

How does your family normally send money?

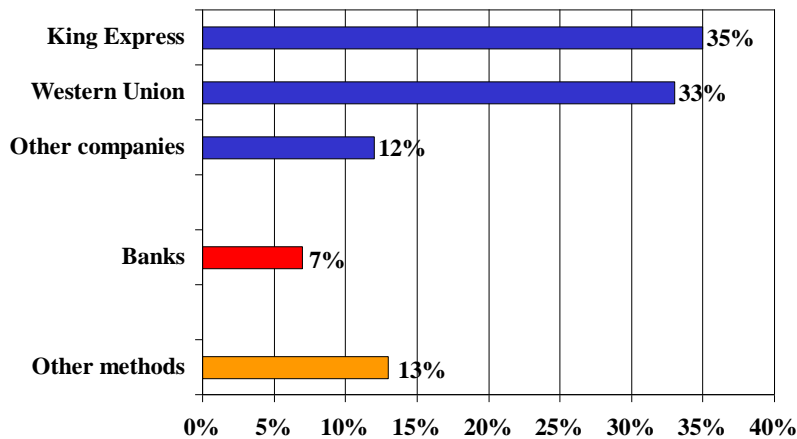
**El Salvador**



\* Mail, couriers, persons traveling, etc.

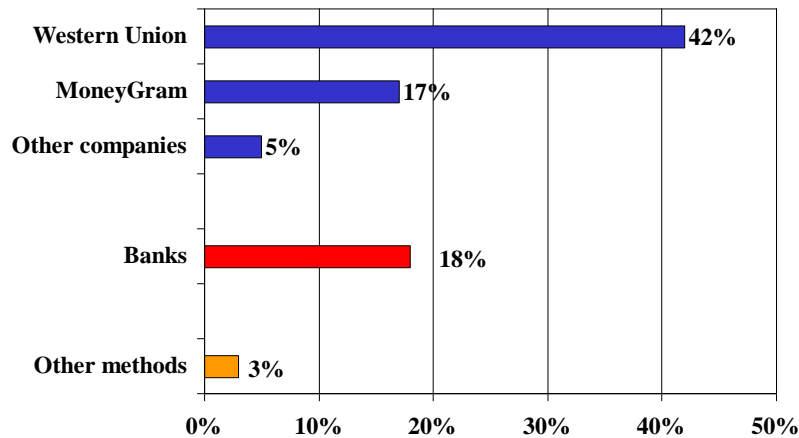
How does your family normally send money?

**Guatemala**



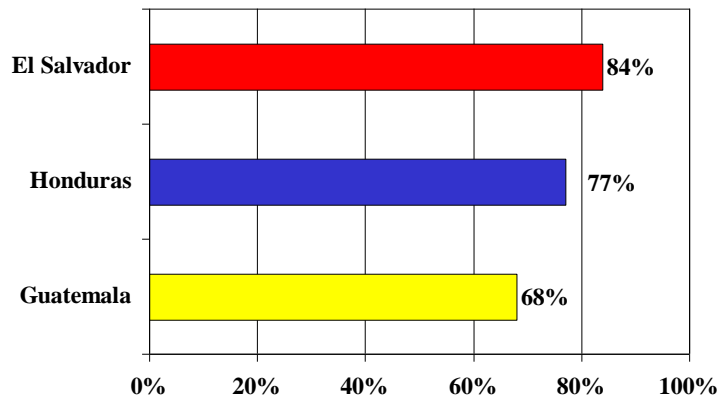
How does your family normally send money?

**Honduras**



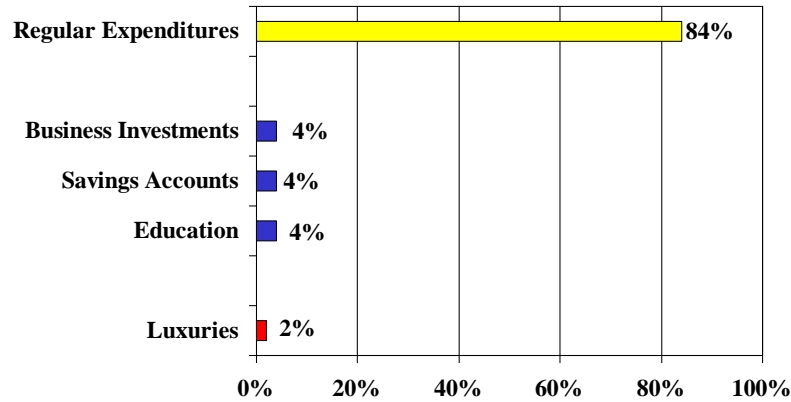
G. A large majority of Central American remittance recipients use the money on “regular / day-to-day” expenditures.

**How do you spend your remittance money?  
“Regular expenditures” answers**



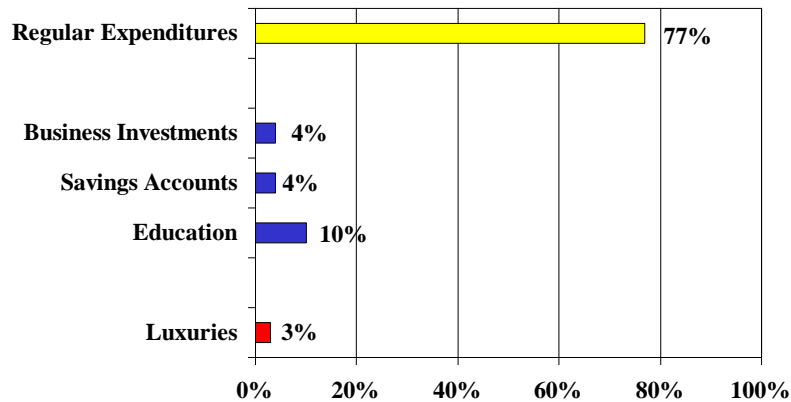
## How do you spend your remittance money?

### El Salvador



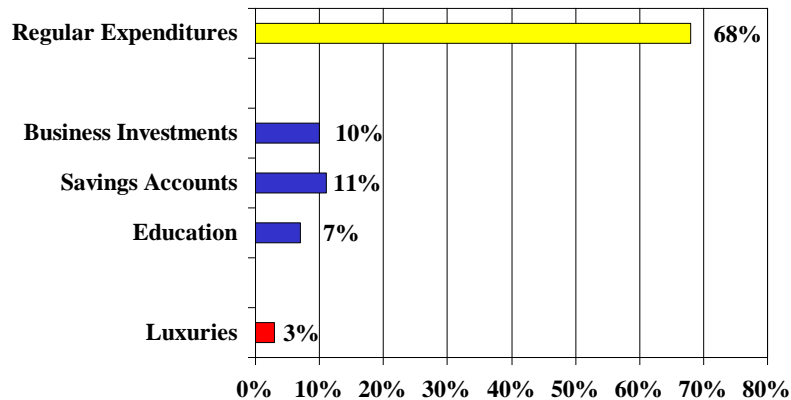
## How do you spend your remittance money?

### Honduras



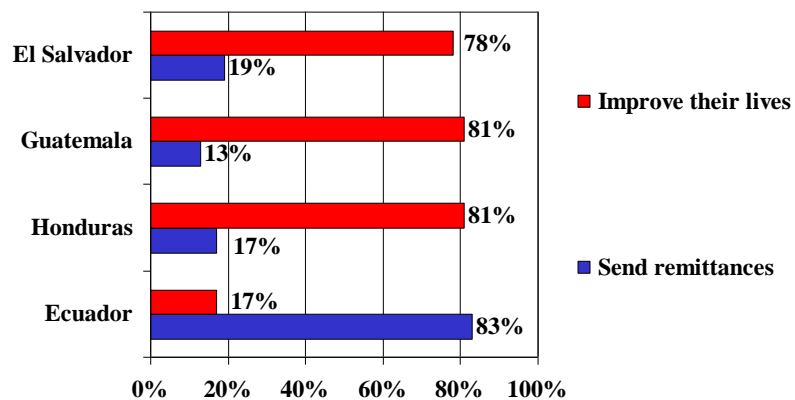
## How do you spend your remittance money?

**Guatemala**



## H. A large majority of Central Americans emigrated to “improve their lives.”

**What’s the most important reason that people leave your country?**

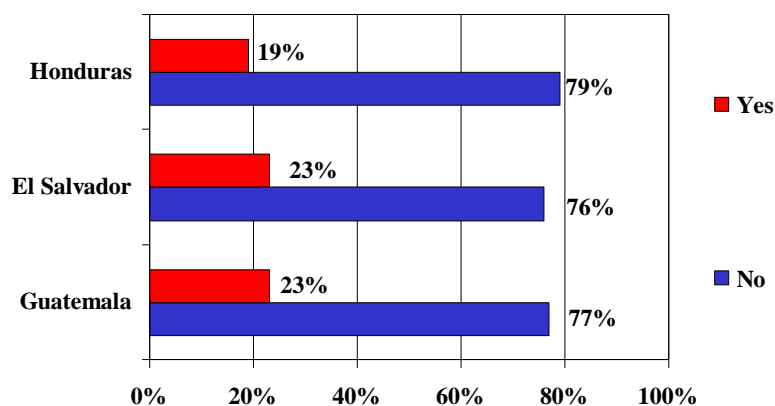


## I. Other Findings

- Only about one-fifths of remittance recipients in El Salvador, Guatemala and Honduras have a bank account.
- Less than two-thirds of Central American remittance recipients know how to use an ATM machine.
- About one-fifth of Central Americans that are now sending remittances had a job waiting for them in the United States when they left.
- A surprisingly large percentage of Central Americans think that their national government should regulate the remittance process.

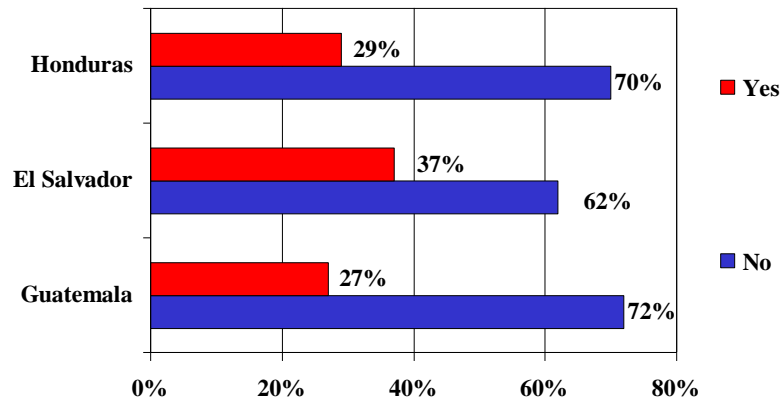
### Do you have a bank account?

#### Remittance Recipients

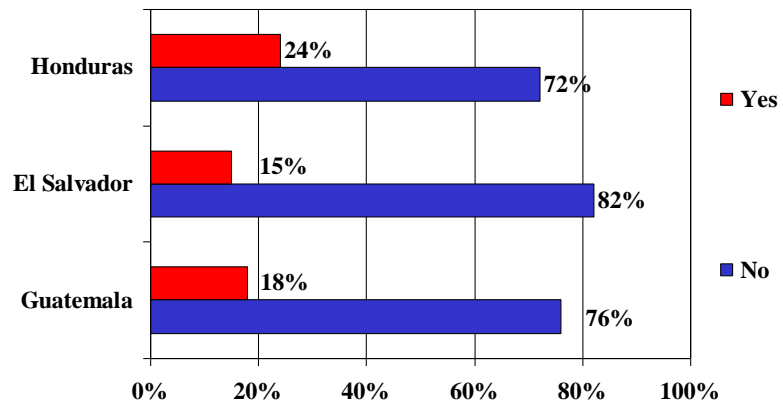


## Are you familiar with ATM machines and how to use them?

### Remittance Recipients



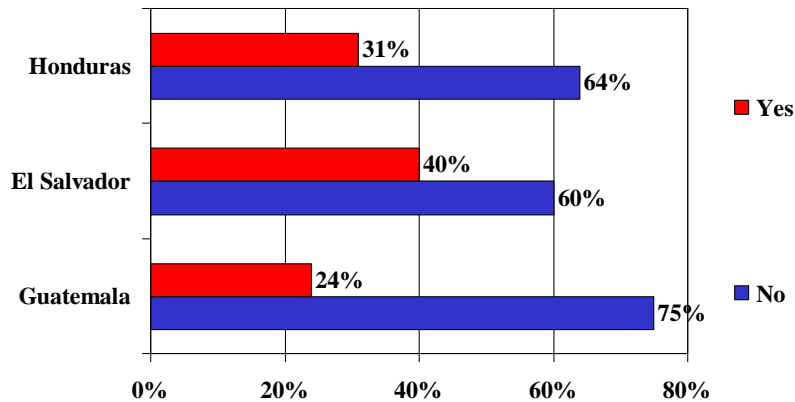
## Did the remittance sender have a secured job when he left the country?





Do you think your national government should regulate the remittance process?

Remittance Recipients



The most important finding of our regional poll is that approximately 25 percent of the population of El Salvador, Honduras and Guatemala receives money from the United States.



## *Focus Groups*

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## EXECUTIVE SUMMARY

- Central Americans began migrating in massive numbers more than twenty years ago as a result of the wars and political violence affecting the region. This migration has continued, mainly for economic reasons, after the establishment of peace.
- Large-scale migration is facilitated by the establishment of a highly developed network for transporting undocumented immigrants from Central America to the United States.
- The unauthorized nature of this migration does not appear to represent an insurmountable problem for many migrants who are able to enter the United States with relative ease and once here to find employment. New U.S. border and security controls do not appear to be decisively affecting the ongoing migration.
- Although the desire to migrate continues to be widespread and perceived to be increasing, it is hardly universal. A significant number of participants in the focus groups reported no interest in emigrating, citing reasons such as family ties, dislike for U.S. lifestyles, or adequate economic circumstances.
- During the first stages of settlement, immigrants lived with relatives or friends who were also the chief source of employment referrals. In a few cases, focus group participants referred to human smugglers who arrange for employment for an additional payment.
- While many participants would welcome government oversight of the cost and integrity of remittance transfers, they oppose any other government role in the process.
- Remittance recipients would look favorably upon the establishment of a fund to finance development projects in their respective countries. A substantial number indicate they might be willing to save and deposit some of their remittances in such a fund. But they condition this willingness on real and visible results, sufficient deposit guarantees, and that the fund be managed by an international organization or a reputable local financial institution or NGO rather than their government.

# Introduction

In order to obtain a fuller understanding of international migration from Latin America and its implications, especially the flow of remittances, the Inter-American Development Bank (IDB) and the Pew Hispanic Center have sponsored a series of studies in Ecuador, Central America and Mexico. In each case, the research has included a quantitative component (a national or regional survey) and a qualitative component (a series of focus groups).

According to recent immigration research, Central Americans are, along with Dominicans, the fastest growing Hispanic group in the United States. Central American immigration has generated a vast flow of remittances. According to IDB estimates, in 2002 remittances to the three Central America covered in this report were \$770 million to Honduras, \$2.2 billion to El Salvador, and \$1.7 billion to Guatemala.

The survey conducted as part of this study indicates that currently 16.2 percent of Hondurans, 27.7 percent of Salvadorans, and 24.0 percent of Guatemalans receive remittances.

This report presents the results of focus groups carried out at the end of July 2003 in the cities of Tegucigalpa (Honduras), San Salvador (El Salvador) and Guatemala City (Guatemala).

A total of three focus groups lasting two hours were conducted. The participants were 34 adult residents of the respective countries, and included 11 males and 23 females. All were remittance recipients.

Participants were chosen to be as representative of the population of remittance recipients as feasible. A wide array of occupations was represented, including teachers, technicians, professionals, housewives, and students.

In the overwhelming majority of cases, participants receive remittances from individuals residing in the United States. A few receive remittances from relatives in Spain and one from a relative in Italy.

The persons from whom participants receive remittances live mostly in immigrant gateway cities such as Los Angeles, New York and Miami, as well as in San Francisco, Houston, Chicago, San Antonio, New Orleans and Philadelphia. In a few cases, remittance senders were located in places not traditionally associated with Latin American immigration, such as Nebraska, North Carolina and Connecticut.

A substantial number of Hondurans receive remittances from persons living in the southeastern United States, especially Miami and New Orleans. Salvadorans and Guatemalans are more heavily concentrated in the cities of California, Texas and the northeast.

The focus groups centered around four issues:

The *migration process*, including the factors influencing the decision to emigrate or to stay; the nature of relations and the extent of communication between remittance senders and receivers; and the means of migration, including the workings of the illegal business of human smuggling.

*The information network* immigrants use to make decisions on where to locate and where to find employment.

*The desired role of home governments in the remittance process.* A substantial percentage of respondents in the Central American survey agreed with an item that asked about government control of the remittance flow. The focus groups probed the meaning of this finding. What kinds of government control would Central American remittance recipients favor and which would they oppose?

*The degree of receptiveness regarding the use of remittances for development projects,* mainly through the establishment of a dedicated, interest-yielding fund for this purpose.

## **Main Findings**

### **A. The migration process**

*Why do they leave?*

**In Central America a vast network for human smuggling was created as economic concerns replaced war and political repression as the main cause of international migration.**

- While a substantial number of focus group participants mentioned the Central American wars of the 1980s as the initial reason their relatives and friends emigrated, economic motivations were mentioned more frequently. Currently, the economy is the main force driving international migration from Central America to the United States.

*“My brother graduated as a teacher and could not find work here.” (Salvador, Honduras focus group)”*

*“He was fleeing when he left” (Dina, Guatemala focus group).*

*“The economic situation turned bad and he left for San Francisco (Dennis, Honduras focus group).*

*“We are from Morazán. We lost everything in the war” (María, El Salvador focus group).*

- The decision to emigrate is taken on an individual basis or by the nuclear family, although it is usually discussed with the extended family. In the focus groups, several examples of persons who emigrated despite parental or other familial opposition were cited.
- Most of the focus group participants receive remittances from individuals who have resided abroad for ten or more years. It is clear that the migration process from Central America is a well-established and mature phenomenon.

***“My sister is in the United States for thirty years now.” (Maribel, Honduras focus group)***

- A substantial number of participants’ relatives and friends entered the United States legally, but the majority entered without documentation, although by now many of the latter have legalized their status. The main method of migration was through the land route and involved crossing one or more transit countries. There were a few cases of migration using a sea route, false papers, or the merchant marine.
- There has developed, as cause and effect of the continuous and longstanding migration flow, an institutionalized, transnational industry for human smuggling that does not appear to have receded despite recent efforts in the region and by the United States. As a measure of the pervasiveness of the industry, nearly all focus groups participants reported being personally acquainted with a “coyote” or “pollero” and showed awareness of details regarding their practices and prices.

***“There [in a Guatemalan border town] were signs stuck on walls with the telephone numbers of the coyotes” (Jorge, Guatemala focus group).***

- Focus group participants generally reported the cost of being taken to the United States by a “coyote” at between \$4,000 and \$5,000. One participant in Guatemala claimed one could pay as low as \$2,000 while another participant quoted the figure of \$6,000.
- These are very considerable sums of money, especially for poor or lower middle class people who usually take low-paying jobs if they make to the United States. Acquiring these sums usually implies incurring a high debt and enduring considerable sacrifice in order to repay. Besides monetary costs, traveling as an undocumented immigrant entails significant risks of being robbed, dying of exposure or drowning, or being caught and deported. Several participants reported their relatives were beaten or robbed as they made their way north, while one was abandoned in a motel by a “coyote” and subsequently caught by U.S. immigration authorities.
- In most cases, the coyote is paid a part of the cost in the home country and receives the rest upon delivering the immigrant to a relative in the United States.
- Apart from the costs and risks, undocumented migration often means prolonged family separation. Several of the younger focus group participants who had parents living in the United States barely knew them, having been raised by grandparents.

*“My mother has been over there for 27 years. I was three months old when she went. I met her when I was 20” (Karla, El Salvador focus group).*

*“My father left because of lack of resources. I haven’t seen him for nine years” (Ana, El Salvador focus group).*

- The costs, tribulations and hardships of migration partly explain why, although many focus group participants expressed the desire to migrate, many others said they had no interest in it at all. The reasons for wanting to stay put ranged from relative economic wellbeing and the wish to avoid family separation to dislike of U.S. lifestyles and to concerns over the cost and risks of the journey. Nonetheless, most focus group participants perceive emigration is increasing because of economic hardships.

*“I don’t like the American style of life” (Jorge, Guatemala focus group).*

*“I wouldn’t pay 50,000 quetzales [exchange rate as of July 2003: 7.8 quetzales=\$1US] in order to go to the United States” (Mildred, Guatemala focus group).*

*“Many young people are struggling in order to study, they graduate and then they can’t find work, so they leave” (Mildred, Guatemala focus group).*

*“I have three cousins who just left” (Carolina, Guatemala focus group).*

## **B. Immigration and Information Networks**

*How do immigrants obtain information in order to make decisions regarding settlement and employment?*

**Informal connections remain key.**

- The focus groups in the three Central American countries confirm what generally has been found in previous research: the network of family and friends is key in orienting and helping the immigrant settle in the new society. Almost invariably, participants report that their relatives moved in with family or friends upon arriving at their migration destination. In exceptional cases, assistance from relatives or friends can be prolonged, as in the case of a Guatemala focus group participant whose brother was supported by a friend for several years while he found employment.
- When focus groups participants were asked how their relatives/friends had decided where to locate in the United States, the key factor was the presence of a relative or friend in that location.
- When asked if traffickers help immigrants not only make the journey but also get jobs, most participants were not aware of such arrangements.
- A few participants did admit knowing of cases in which “coyotes” obtain jobs for the migrants they transport. These cases were not typical, however. In most instances, new immigrants obtained employment through informal referrals by family or friends.

***“I have a cousin who is a coyote. He took three of his cousins over. He got them jobs. I don’t know if it was because they were cousins or whether he does it for other people too” (Daniel, El Salvador focus group).***



## C. Government Control of Remittances

*What do remittance receivers think should be the role of the state?*

**They want government to make transfers cheaper and more secure without taking a bite out of their money.**

The Central American survey yielded an intriguing but ambiguous finding: a significant minority of respondents said they favor government control of the flow of remittances. What do remittance recipients in our focus groups think of this idea?

- Nearly unanimously, focus group participants oppose “government control” if this implies that government, through taxes or other compulsory mechanisms, takes a share of remittances.

*“The more the government sticks its hand in, the higher the taxes. The government would like us to invest the remittances we get, but they are barely enough to live on” (Teresa, El Salvador focus group).*

- There is general agreement, although not unanimous, that the respective national governments should have a role in the flow of remittances in two areas: cost and integrity.
- Specifically, participants thought the government should work to reduce the cost of transfers and police against any irregularities or corrupt practices by the remittance companies.
- Nevertheless, there was no spontaneous demand that the government should step in urgently even in this limited role. Nor was there an outcry against the remittance companies.
- There was fierce opposition to any government role beyond the specific purposes of ensuring low cost and honesty.

## D. Remittances for Development

*¿How do remittance recipients feel about channeling some of their funds toward development projects?*

**They like the idea but are skeptical about implementation.**

- A clear majority of focus group participants approve the idea of creating a dedicated fund that would finance development projects—at least in theory. However, they condition their approval on clear and tangible results.
- A substantial proportion of participants stated the existence of such a fund would stimulate savings.

*“There are two million people abroad who are supporting this country. Sometimes remittances are not spent wisely. They should be directed toward improving the country” (Mario, Salvador focus group, El Salvador).*

- In practice, participants have serious doubts and condition their support of and personal investment in such a fund on a number of factors.
- Focus group participants expressed profound skepticism in regard to their respective governments’ ability to administer such a fund with integrity and efficiency.

*“If it would benefit us, the people, OK. But it won’t” (Juana, El Salvador focus group).*

- Participants did express support and confidence in a fund managed by a reputable local NGO or bank or by an international organization such as the IDB or the World Bank.
- In relation to their own willingness to place their money in such a fund, one group of respondents said they don’t get enough in remittances to save.
- But a substantial number of participants said they would be interested in depositing money in such a fund provided there were sufficient guarantees in regard to management, security and return.