

# REMITTANCES FROM THE U.S. TO LATIN AMERICA AND THE CARIBBEAN

## *FOLLOWING THE MONEY JOURNEY*



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# INTRODUCTION

Remittances have been growing on a global scale. Money sent to Latin America and the Caribbean (LAC) is no exception. In 2017, remittance flows into LAC increased by 9.0 percent over the previous year, reaching a record high of US\$77 billion, with growth expected to continue in 2018.<sup>1</sup> Across the world, remittance flows are larger than official development assistance in low and middle-income countries, and often more reliable than people's personal incomes.<sup>2</sup> Understanding the money sent from migrants in the United States to their families and friends back home is crucial to understanding migrant populations and those dependent on their incomes.

Previous reports such as the Inter-American Development Bank (2018)<sup>3</sup> and Inter-American Dialogue (2017)<sup>4</sup>, have focused on factors, including economic conditions of migrants, that have impacted overall remittance growth and variance across different migrant populations. Additionally, the World Bank has looked at the numbers of people sending and receiving money and remittance trends worldwide and, more specifically, the Inter-American Development Bank has focused on those trends in and among LAC countries. Research, though somewhat limited, has been done by the World Bank on the costs of sending and receiving money with different methods and in different corridors. These studies found that costs of sending money have generally decreased in past years and that costs differ by corridor.

<sup>1</sup> Maldonado, Rene, Jesús Cervantes, Salvador Bonilla, Fermin Vivanco and Lukas Keller, *Remittances to Latin America and the Caribbean in 2017: Greater Growth Dynamism* (Washington, DC: Inter-American Development, 2018). <http://dx.doi.org/10.18235/0001292>

<sup>2</sup> Ratha, Dilip, Supriyo De, Eung Ju Kim, Sonia Plaza, Kirsten Schuettler, Ganesh Seshan, and Nadege Desiree Yameogo, *Migration and Development Brief 29*. (Washington, DC: World Bank Group, 2018). <https://www.knomad.org/sites/default/files/2018-04/Migration%20and%20Development%20Brief%2029.pdf>

<sup>3</sup> Maldonado, Rene, Jesús Cervantes, Salvador Bonilla, Fermin Vivanco and Lukas Keller, *Remittances to Latin America and the Caribbean in 2017: Greater Growth Dynamism* (Washington, DC: Inter-American Development, 2018). <http://dx.doi.org/10.18235/0001292>

<sup>4</sup> "Remittances to Latin America and the Caribbean in 2017," The Inter-American Dialogue, <https://www.thedialogue.org/wp-content/uploads/2018/01/Remittances-2017-1.pdf>

While there is information on *who* sends remittances, *from and to where* and *at what cost*, there is little reliable data on *how* this is done, including which channels, payment instruments, and companies are used to send and receive migrants' hard-earned money. Only 20 years ago, the "money journey" of a remittance primarily involved an airplane, or perhaps a boat. Migrants trusted others to take cash or money orders to their family members as a favor or for a fee. They might have saved money under their mattresses to take with them when they traveled home once or twice a year or trusted the postal service and stuffed cash into the lining of greeting cards in envelopes. Today the money journey is safer, faster, and cheaper, thanks primarily to the development of money transfer agent networks and, more recently, digital financial services. Both developments allow money to cross borders digitally through bank transfers, either between agents or, more recently, directly between customers. With the recent explosion of digital finance and the fintech industry, which promises to disrupt traditional financial service sectors, there has been much emphasis on new opportunities for digital remittances to upend the already disruptive brick-and-mortar agent networks. However, limited data is available to understand the extent to which this has taken place.

The objective of this study is to update the current literature on migrant remittances by addressing *how remittances* are made. We contribute to the existing body of literature by focusing on quantifying the methods of sending money, taking into account a changing landscape of available options for migrants and the need to provide clarity and specificity in understanding the money journey back home. Linked to this objective is the need to understand whether the growing number of digital origination platforms for remittances have been adopted by migrants and the reasons behind these behaviors. Finally, we seek to better understand the channels through which migrants save and invest in their home countries.

This study offers insights from a large cross-sectional survey on remittances sent by 2,145 migrants living in three major cities in the United States. The migrants in this study are from Colombia, the Dominican Republic, El Salvador, and Mexico, representing 67 percent of total remittances sent to LAC from the U.S. We focus specifically on the money journey of remittances: the channels and payment instruments with which individuals send and receive money. We largely do this by examining patterns of digital and brick-and-mortar sending and receiving channels, as well as cash versus non-cash payment instruments, alongside the awareness, convenience, and costs of these platforms and methods. Through gaining a deeper understanding of how money makes its way from the hands of migrants in the United States to families and friends in their home countries, this study offers a new perspective on the choices that migrants make when sending money home that can be useful insights both for policymakers and for businesses seeking to serve this population.

## A. METHODOLOGY

### Country of Origin Selection

To represent the vast geographies from which Latin American and Caribbean migrants were born, we sampled individuals from one country in each subregion—Mexico from North America, El Salvador from Central America, Colombia from South America, and the Dominican Republic from the Caribbean.



While this cannot represent migrants from all LAC countries, sampling from four distinct subregions allows a comparison between migrants from dissimilar geographies of origin, histories, and migration contexts. We conducted a large cross-sectional survey of 2,145 migrants living in three major cities in the United States. The four countries receive a significant portion of all remittances sent to LAC, receiving 59 percent of total remittances sent to LAC and 67 percent of U.S. remittances to LAC in 2017. The United States has been a dominant source of remittance inflows to the LAC region at large and of these four countries in particular. In 2017, the U.S. made up over three-fourths, or around 76 percent, of total remittances sent to LAC (see Table 1). Similarly, the U.S. made up nearly one-third, or 31 percent, of remittances sent to Colombia, 80 percent of those sent to the Dominican Republic, 91 percent of those sent to El Salvador, and 98 percent of those sent to Mexico.<sup>5</sup> Additionally, remittance growth to these countries has been significant. Remittances to Colombia grew most in 2017, with 15 percent more money received than the previous year, followed by the Dominican Republic with 12.4 percent growth, El Salvador with 10.1 percent growth, and Mexico with 6.6 percent growth. Much of this growth came from the U.S.<sup>6</sup>

**TABLE 1: U.S. PORTION OF TOTAL REMITTANCES RECEIVED (2017)**

	Total Remittances Received (US\$ Millions) *	U.S. Portion of Total Remittances Received (%) **
LAC	77,000	76%
Colombia	5,585	31%
Dominican Republic	5,912	80%
El Salvador	5,043	91%
Mexico	28,771	98%

Sources: \* Total remittances received: "Remittances to Latin America and the Caribbean in 2017: Greater Growth and Dynamism," Inter-American Development Bank, 2018; \*\*U.S. portion: World Bank's "Bilateral Remittance Matrix 2017" and "Remittance Data Inflows" (April 2018).

## Locations and Sampling

We selected three U.S. cities with large migrant populations—Los Angeles, Miami, and New York City—and targeted migrant populations with the most widespread representation in each city. In Los Angeles, we surveyed Mexican and Salvadoran migrants, in Miami we surveyed Salvadoran, Colombian, and Dominican migrants, and in New York City we surveyed Mexican, Salvadoran, Colombian and Dominican migrants (see Annex 1 for more detail).

Surveyors collected data on Android phones using the KoBoCollect app. We targeted sampling locations where large numbers of migrants could be found and which are not correlated with certain

<sup>5</sup> Ratha, Dilip, Supriyo De, Eung Ju Kim, Sonia Plaza, Kirsten Schuettler, Ganesh Seshan, and Nadege Desiree Yameogo, *Migration and Development Brief 29*. (Washington, DC: World Bank Group, 2018), 28-29, <https://www.knomad.org/sites/default/files/2018-04/Migration%20and%20Development%20Brief%2029.pdf>

<sup>6</sup> Maldonado, Rene, Jesús Cervantes, Salvador Bonilla, Fermin Vivanco and Lukas Keller, *Remittances to Latin America and the Caribbean in 2017: Greater Growth Dynamism* (Washington, DC: Inter-American Development, 2018). <http://dx.doi.org/10.18235/0001292>

sending behaviors (for example, we did not survey outside remittance agent locations), in order to make the survey as representative as possible of the overall migrant populations' remittances behavior. The selected locations included country of origin Consulates, restaurants serving food from the country of origin, hair salons, barbershops, stores, and parks that migrants frequent. Special care was taken to ensure the privacy and anonymity of respondents, particularly in light of the difficult social and political environment migrants in the U.S. face in some communities. No names, addresses, phone numbers or other identifying information were collected. Surveyors came from the same community as respondents in order to build trust and a friendly rapport. The surveyors were trained to be sensitive to potential fears and concerns accordingly and to answer potential respondent questions transparently.

Eligible respondents were born in one of the targeted countries of origin and had personally sent at least one remittance to their birth country in the year prior to surveying. They received a small gift in exchange for participating in the survey, which lasted approximately 7 minutes. Data was tracked and reviewed on a daily basis and periodic audits took place through physical observation by four supervisors as well as remotely.

## Analysis Methodology

Our analysis was framed by a thorough review of prior literature and data on migrant remittances, which provided the basis for a set of hypotheses to test through the survey. These hypotheses centered around reasons migrants might use a particular payment instrument and sending channel, including possible barriers to digital usage, which we detail and either refute or accept in Section 4. Our analysis also quantifies methods of sending money. For example, our survey questionnaire allowed us to differentiate payment instrument (*e.g.* cash, card, direct account debit via ACH<sup>7</sup>) from channel (*e.g.* brick-and-mortar agent, computer, mobile app), in order to provide a granular understanding of the options migrants are choosing for their money journeys.<sup>8</sup>

Data analysis was done in STATA utilizing cross tabulations, significance tests, and a logistic regression model. The logistic regression investigates the role of various demographic and financial inclusion variables on the binary remittance-sending channel decision (digital or physical). Note that the analysis does not weight observations for population representation and should be understood as a comparison of population-specific trends, not as a generalizable sample. It should also be noted that no causal inferences can be made from the analysis.

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<sup>7</sup> Direct debit from customer's bank account, using their account and routing number, using the Automatic Clearing House (ACH) in the U.S.

<sup>8</sup> We use the terms "payment instrument" and "payment method" interchangeably in this report. Both terms refer to the choices of cash, card, or direct account debit via ACH. These are distinct from the choice of channel.

# 1

## PROFILES OF MIGRANTS IN OUR SAMPLE

**Respondents to our survey reflect similar demographics to migrant populations in the three U.S. cities we covered.**

**We surveyed 2,145 migrants in New York, Miami and Los Angeles who were born in four countries in Latin America and the Caribbean: Colombia, the Dominican Republic, El Salvador, and Mexico.** The respondents were equally distributed in our sample by country of origin (see Table 2). There are some broad differences among migrants based on their country of origin, such as Colombians and Dominicans tending to be in higher income brackets (median gross monthly household income between US\$2,000–3,000 per month) than Salvadorans and Mexicans (US\$1,250–2,000 per month). Colombians and Dominicans in our sample are also slightly older and have been in the U.S. slightly less time (1–2 years less on average) than Salvadorans and Mexicans.

**TABLE 2: DESCRIPTION OF MIGRANTS IN SAMPLE (TOTAL AND BY COUNTRY OF ORIGIN)**

	Total	Colombia	Dominican Republic	El Salvador	Mexico
n	2,145	556	518	524	547
% Female	52%	55%	52%	52%	50%
Median Income Band <sup>9</sup>	\$2,084–\$2,917	\$2,084–\$2,917	\$2,084–\$2,917	\$1,251–\$2,083	\$1,251–\$2,083
Average Years in the US	16	16	15	18	16
Median Age	42	45	43	42	39
Average Years Sending Remittances	13	11	12	15	14

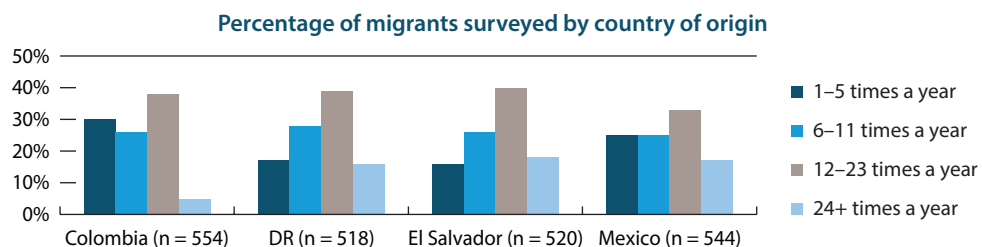
<sup>9</sup> Household income per month.



**Respondents in all three cities and from all four countries of origin bear close similarities to the broader migrant populations in each city** in terms of age and median income, as well as similarities to past IDB surveys of migrants in the U.S. in terms of years in the country and years sending remittances (see Annex 1 for more details). While this study is not representative of remittance-sending migrant populations throughout the United States, nor is it representative of the populations studied, the large sample size and consistency with greater demographic trends allows for legitimate comparisons between and among migrant groups.

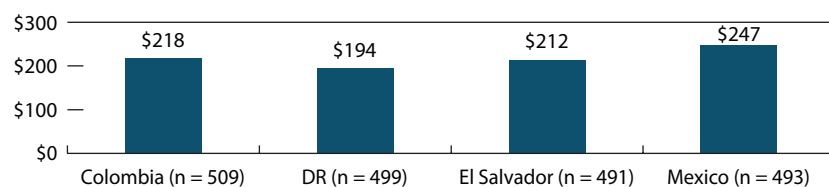
**The migrants we surveyed send remittances frequently, with over half sending money at least monthly, most often to their parents (40 percent), and mostly for regular household consumption (food, rent, utilities, etc.).** Over 50 percent of migrants surveyed from all countries send money once or more per month (see Figure 1), suggesting that some of these remittances are serving as informal “pension” income for recipients.

**FIGURE 1.** Number of remittances sent per year.



**On average, migrants in our study send \$212 in each remittance** (see country averages in Figure 2 below), nearly the same amount reported in the IDB Lab's last survey of migrant remittances in 2013.<sup>10</sup> That this money is an informal "pension" seems particularly likely for the Mexicans in our sample, who are the most likely to be sending money to parents (see Figure 3 below); if parents are relying on their remittances as a steady source of consumption income, there is little scope to let them down. Mexicans send the highest amount per month,<sup>11</sup> despite having among the lowest incomes, with 52 percent of Mexicans in our sample having incomes that fall below the federal poverty line for a family of three.<sup>12</sup> Conversely, Dominicans send the lowest amounts and have the highest incomes. Sending this money suggests a significant sacrifice for the Mexicans in our sample. They live in New York and Los Angeles, the two cities with the highest cost of living of the three we surveyed in.<sup>13</sup> Additionally, despite being in the United States for the least time, on average, Mexicans have been sending money for the longest time. Detailed migrant household income is available in Annex 2.

**FIGURE 2. Value of remittances sent, averaged by month by country of origin.**

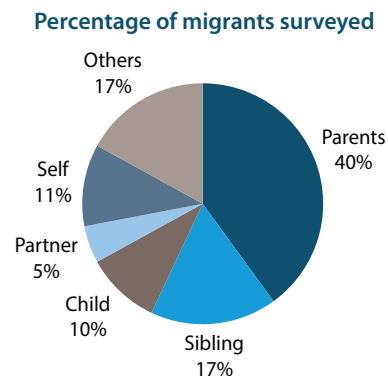


**TABLE 3: USE OF REMITTANCE FUNDS**

Percentage of Migrants Surveyed	
"Things for the home" *	66%
"I don't know, it's for them"	17%
A present	11%
To pay a loan	5%
Savings	7%
Emergency expenses	8%

\* This includes consumer goods and services for the household like food, clothing, rent, utilities, etc.

**FIGURE 3. Remittance recipients.**



<sup>10</sup> Orozco, Manuel and Mariellen Jewers, *Economic Status and Remittance Behavior* (Washington, DC: Inter-American Dialogue, 2014). [https://www.thedialogue.org/wp-content/uploads/2015/04/EconomicStatusRemittanceBehaviorFINAL\\_Eng.pdf](https://www.thedialogue.org/wp-content/uploads/2015/04/EconomicStatusRemittanceBehaviorFINAL_Eng.pdf)

<sup>11</sup> We estimate this by taking the last amount sent, assuming this is the typical transfer size, and multiplying this by sending frequency each year.

<sup>12</sup> While we do not have access to information about other sources of income in the household, nor family size, when compared to Colombians in our sample, only 29 percent of this population fell below the \$25,524 federal threshold for poverty levels. Dominican respondents also fared better than Mexicans, with 37 percent below this threshold, while Salvadorans fared slightly worse with 56 percent below the threshold.

<sup>13</sup> Average rent for a one-bedroom apartment in New York was \$1,764 (The Bronx) and \$2,194 (Queens) compared to \$2,068 in Los Angeles and \$1,449 in Miami. (Source: RentCafe online platform)

# 2

## FOLLOWING THE MONEY

### Descriptive Statistics about the Money Journey Home

**Brick-and-mortar agents, and cash as the payment instrument, continue to be the most prevalent method for sending money home.**

**For most migrants, the “money journey” begins in cash and is then sent through a physical brick-and-mortar location (80 percent of the sample).** The money journey starts in the U.S. with a migrant wishing to send their money home. Their source of funds may be a bank account or cash in their pocket. This money is then sent through a channel, either a physical brick-and-mortar location or a digital platform (an online service accessed through a mobile app or Internet browser)<sup>14</sup>. To use most online platforms, cash must first be transformed into an accepted payment instrument (*i.e.* depositing cash into a bank account or pre-paid card, in order to use a card or account number to fund the remittance). The next step in the money journey is to send the money abroad to be received in the country of origin, either directly credited to a bank account; for pick-up or delivery in cash; or in the form of a payment for services such as utility bills, airtime, or loan payments. There are more than 50 possible combinations of remittance origination channels, payment instruments, and pick-up options—but just four combinations are the most commonly used (see Figure 5). The most common combination (used by 70 percent of migrants we surveyed for the last remittance they sent) originated at a physical agent’s location in the U.S., used cash as the payment instrument, and was sent for cash pick-up in the home country.

**Check cashing outlets are among the most common types of physical locations used by migrants to originate a remittance.** In the United States, un-banked or under-banked populations commonly use alternative financial service providers, which offer services such as check cashing, payday loans, bill pay, and remittances.<sup>15</sup> Many of these providers work out of physical storefront locations. In our

<sup>14</sup> We use the term “online” to refer to platforms accessed via an app or browser on any device, including a smartphone, tablet or computer.

<sup>15</sup> Servon, Lisa, *The Unbanking of America: How the New Middle Class Survives* (New York: Houghton Mifflin Harcourt, 2017).



survey, 43 percent of the remittances originated at a physical location were at check cashing outlets.<sup>16</sup> For unbanked migrants or those already using alternative financial service providers for check-cashing, or other services like payday loans or bill payments, using the same providers to send remittances can be a convenient and familiar option. Ethnic stores and specialized small travel and cargo companies are also common types of physical agents used by remittance senders and offer convenience and proximity that other financial service providers do not always offer.

**For senders, cash is their main payment instrument for remittances originated at physical locations.** Almost all remittances originated at brick-and-mortar locations use cash as the payment instrument at origin (97 percent). Credit cards and prepaid cards are rarely used as a payment instrument. Using a credit or debit card to pay for a remittance at a physical location adds an extra cost to the client: the card interchange fee is added to the total cost of the transaction.

**For remittances originated through a digital channel (mobile app or Internet browser), debit cards and ACH<sup>17</sup> transfers are the main payment instrument used (93 percent).** The cost of funding the remittance with an ACH or debit card is offset by the lower cost of the online platform. The rest of remittances originated online (6 percent) are funded with cash at a physical location: the sender begins the transfer on a mobile app or computer and pays—or “funds”—the transaction by bringing cash to a physical agent location to complete the sending side of the money journey.

**The adoption of digital origination options by remittance senders is still slow, with only 20 percent of respondents going online or using a mobile app to send remittances, although there is significant variation related to country of origin.** Colombian migrants are the most likely in our sample to initiate remittances through an online platform (one of every three Colombians did in their last transfer), followed by Dominicans, 25 percent of whom used an online platform for their last remittance. Mexicans (13 percent) and Salvadorans (12 percent) are much less likely to send their money using an online platform.

**Country of origin and demographic characteristics of these populations are related to digital channel adoption.** Colombians and Dominicans, both more likely to initiate a transfer using an online platform, have higher incomes (see Annex 2), are more likely to have a bank account in the U.S., and are more likely to have an account in their home countries than Mexican or Salvadoran migrants. In our survey, 83 percent of Colombians,

### **BOX 1. Taking Stock of 15 Years of Digital Remittance Channels**

An early mover, Xoom.com has offered an online remittance platform since 2001 and, like its many new competitors, offers payout options on the receiving side in cash for the less digitally included. Despite this relatively long trajectory, digital remittance adoption has been gradual over the past decade. An analysis of trends observed in Western Union and MoneyGram 10-K filings, which report revenue disaggregated by channel, suggests that the switch from agents to digital channels has been happening over the last five years for these two companies at a pace of 1-2 percentage points per year. A similar low percentage growth was also reported by remittances experts in IDB/CEMLA's 2017-2018 remittances map. This is quite low considering recent rates of smartphone adoption and the popularity of various messaging and social media apps among Hispanics in the U.S.

<sup>16</sup> These will typically have an agreement with one or more money transfer operators to provide the service in exchange for a fee.

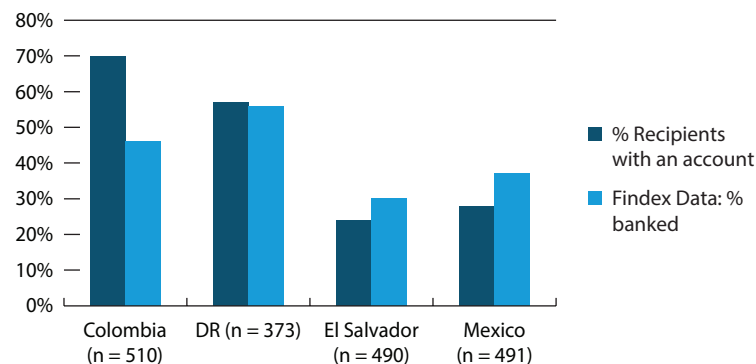
<sup>17</sup> Direct debit from customer's bank account, using their account and routing number, using the Automatic Clearing House (ACH) in the U.S.



85 percent of Dominicans, 49 percent of Salvadorans and 53 percent of Mexicans had a checking or savings account (see Annex 3). Back at home, other individuals in their communities are less banked, but the pattern of country differences is similar. According to the Global Findex Database, 46 percent of Colombians and 56 percent of Dominicans have a bank account in their home countries, versus 37 percent of Mexicans and 30 percent of Salvadorans (see Figure 4)—migrants from countries where levels of financial inclusion are higher are more likely to use an online platform when sending a remittance.<sup>18</sup>

**Utilization of traditional sending methods remains very low: only 1 percent of respondents used a money order to send a remittance in the last year, while 2 percent sent cash by mail and 4 percent sent cash with a traveler.** This is similar to the IDB Lab's last survey on migrant remittances in 2013, when 5 percent reported that their preferred sending channel was a traditional method (traveler or other). Prior to that, in 2010, a much larger share of migrants (12 percent) reported sending through traditional channels.<sup>19</sup>

**FIGURE 4. Banked status of recipients in home country vs. Findex Data.**



Sources: % of Recipients with an account: EA Consultants survey; Findex Data % banked: Demircuc-Kunt, Asli; Klapper, Leora; Singer, Dorothe; Ansar, Saniya; Hess, Jake. 2018. Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution. Washington, DC: World Bank. <https://openknowledge.worldbank.org/handle/10986/29510>

<sup>18</sup> The relationship between banked status in the U.S. and country of origin differs from the FDIC (2017) data which shows that while Colombians are more likely to be banked in the U.S. than other groups (64 percent), the percentage of Dominicans, Mexicans and Salvadorans with a checking or savings account are similar at 46 percent, 48 percent, and 52 percent, respectively.

<sup>19</sup> Orozco, Manuel and Mariellen Jewers, *Economic Status and Remittance Behavior* (Washington, DC: Inter-American Dialogue, 2014). [https://www.thedialogue.org/wp-content/uploads/2015/04/EconomicStatusRemittanceBehaviorFINAL\\_Eng.pdf](https://www.thedialogue.org/wp-content/uploads/2015/04/EconomicStatusRemittanceBehaviorFINAL_Eng.pdf)



**FIGURE 5.** Remittances By Channel, Type of Provider, Payment Instrument, Delivery, and Cash Pick-Up Methods (Total and By Country of Origin).

TOTAL REMITTANCES												
Remittances By Channel			Type of Provider		Payment Instrument			Delivery		Cash Pick-Up Methods		
Entire Sample	45% Stores		64%	Omnichannel	79%	\$	Cash	83%	\$	Cash	48%	Chain store
	35% NBFI		14%	Digital-Only	11%		Debit card				33%	Banks
	19% Internet		2%	Bank	9%		ACH	17%		Bank a/c	19%	Home delivery
	1% Bank branches		20%	Agent-only	0%		Credit/Prepaid card					
COL	32% Stores		66%	Omnichannel	66%	\$	Cash	57%	\$	Cash	65%	Chain store
	35% Checkcashiers		20%	Digital-Only	12%		Debit card				35%	Banks
	32% Internet		5%	Bank	22%		ACH	43%		Bank a/c		
	1% Bank branches		9%	Agent-only	0%		Credit/Prepaid card					
DK	52% Stores		37%	Omnichannel	76%	\$	Cash	94%	\$	Cash	55%	Home delivery
	23% NBFI		22%	Digital-Only	21%		Debit card				42%	Chain store
	24% Internet		0%	Bank	3%		ACH	6%		Bank a/c	3%	Banks
	1% Bank branches		41%	Agent-only	0%		Credit/Prepaid card					
MEX	56% Stores		64%	Omnichannel	87%	\$	Cash	94%	\$	Cash	67%	Chain store
	31% NBFI		9%	Digital-Only	8%		Debit card				33%	Banks
	12% Internet		2%	Bank	5%		ACH	6%		Bank a/c		
	1% Bank branches		25%	Agent-only	1%		Credit/Prepaid card					
SAL	42% Stores		87%	Omnichannel	89%	\$	Cash	87%	\$	Cash	69%	Banks
	49% NBFI		5%	Digital-Only	6%		Debit card				31%	Chain store
	8% Internet		2%	Bank	6%		ACH	13%		Bank a/c		
	1% Bank branches		7%	Agent-only	0%		Credit/Prepaid card					

The total sample of interviewees was 2,145 immigrants, where 556 are from Colombia, 518 are from DR, 524 are from El Salvador, and 547 are from Mexico.

Digital providers are those who have online and/or mobile apps. Agents are those who have store fronts and/or physical locations. Omnichannel companies are those who have digital platforms and agents.

ACH and debit cards are bank-payments instruments.

## Following the money journey home, cash also dominates on the receiving end.

**On the receiving end, 83 percent of remittances are sent for payout in cash while 17 percent are directly credited to a bank account, but these averages mask significant differences between countries.**

At one extreme, 43 percent of remittances to Colombia are sent to be credited to a bank account, while in Mexico and the Dominican Republic only 6 percent of remittances are sent to a bank account (13 percent in the case of El Salvador). Remittances originated online are more likely to be sent for deposit into a bank account on the receiving end, consistent perhaps with the relationships highlighted above between sending through a digital channel and financial inclusion in the country of origin. Almost one of every two remittances originated online are paid into a bank account (44 percent) while only one out of nine remittances originated at a brick-and-mortar location is paid into a bank account (11 percent).

Among remittances sent for cash pick-up, survey respondents report that many are sent for their family or friend to pick up in cash inside bank branches, which act as physical agents across many countries in Latin America. But again, there is significant variation by country. For example, two-thirds (68 percent) of remittances sent to El Salvador but just 9 percent of remittances sent to the Dominican Republic are sent for cash pick-up inside a bank branch. The Dominican Republic is unique, where nearly half (49%) of remittances are sent for cash delivery to a customer's doorstep (see Box 2).



### **BOX 2. The Dominican Republic, a Case of Recipient Convenience**

The remittance receiving market in the Dominican Republic continues to be dominated by cash delivery at a customer's doorstep. Indeed, nearly half (49 percent) of migrants we surveyed said they send remittances to their recipient in the D.R. to be delivered to their home in cash, compared to just a small fraction of recipients in other countries. Cash is usually hand-delivered in an envelope by a driver on a motorcycle, who typically receives a tip for their service.

Of these home delivery remittances to the Dominican Republic, nearly one-third (32 percent) originate through a digital channel. This shows that even migrants who receive their income via direct deposit and originate remittances using a digital platform are choosing convenience for their recipient when selecting a payout method. For those migrants who send at physical agents in the U.S. with cash as their payment instrument, there is one local player, La Nacional, that was used for nearly one out of every two remittances reported by migrants in our sample, thanks in part to a competitive advantage: a subsidiary in the Dominican Republic, Caribe Express, specialized in door-to-door home delivery of remittance payments, which was used for half of all remittances sent to the country.

# 3

## WHY NOT DIGITAL?

### Examining Migrants' Main Barriers to Using Digital Remittance Channels

#### Why not digital?

Is it because migrants don't have access to a payment instrument?

#### **Access to bank accounts and the Internet is not the main barrier to using online channels to originate remittances.**

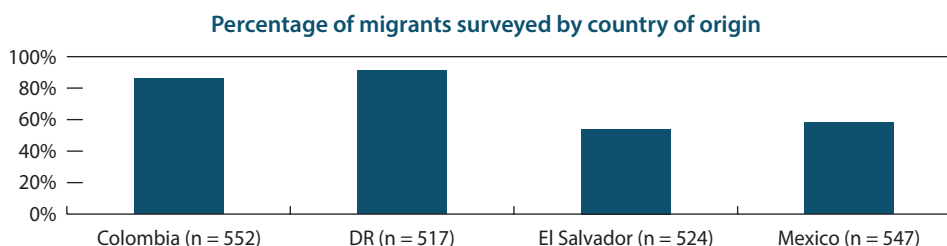
There are misconceptions about the level of bank account ownership in the migrant population in the U.S., which is higher than often believed. In our sample, most migrants – 68 percent – have a bank account, with differences by country of origin (see Figure 6). This is a little lower than results from the 2017 FDIC National Survey of Unbanked and Underbanked Households in the U.S.,<sup>20</sup> which showed that 100 percent of U.S. households with a Colombian-born respondent, 75 percent of Dominican ones, 79 percent of Mexican ones, and 81 percent of Salvadoran ones were “banked,” which was defined as someone in the household having a checking or savings account.<sup>21</sup> Our finding that more than two-thirds of remittance senders surveyed have a bank account is consistent with IDB Lab's last survey on migrant remittances in 2013.

While bank account ownership is reflected in patterns in digital sending (see Figure 6 below), having a bank account does not entirely explain the low usage of digital origination platforms. Many respondents have a bank account but do not use digital channels to send remittances. Migrants in the U.S. are also more likely to hold bank accounts than their remittance recipients back home (as they report

<sup>20</sup> Discrepancies between our survey results and FDIC Survey data may result from our eliminating respondents who had not sent money home in the past year, thus including more individuals who transact financially on a regular basis.

<sup>21</sup> Gerald Apaam et al., *2017 FDIC National Survey of Unbanked and Underbanked Households* (Washington, DC: Federal Deposit Insurance Corporation, 2018). <https://www.fdic.gov/householdsurvey/2017/2017report.pdf>. For the statistics disaggregated by country of origin, we analyzed the FDIC's raw data, which is available at: <https://www.economicinclusion.gov/downloads/index.html#yearly>.

**FIGURE 6.** Access to non-cash payments instruments in the U.S.: Migrants with a checking account, savings account or debit card.



in our survey) and more likely than other individuals who live in LAC, as reported above. See Annex 3: Financial Products for details of financial product holdings and access, among both migrants and their recipients back home.

#### Why not digital?

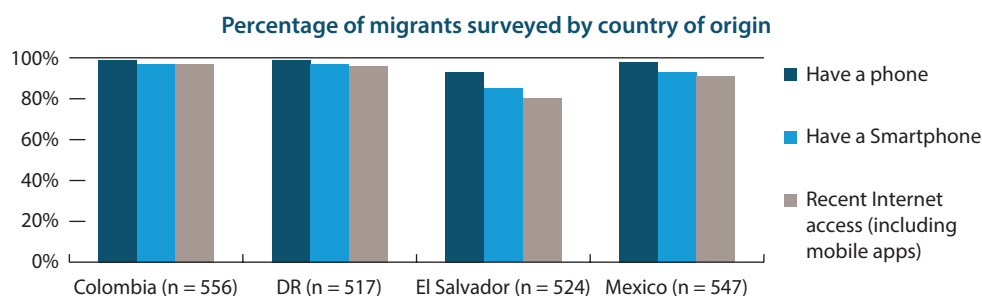
Is it lack of access to digital technology, like a smartphone or the Internet?

#### Access to digital technology is not a barrier to using digital remittance channels.

**Smartphone use is widespread and a common way to access the Internet among survey respondents.** Most of our survey respondents (93 percent) have smartphones and 91 percent are frequent users who accessed the Internet in the two weeks prior to being surveyed. This is consistent with other data on Hispanic populations in the U.S. In a 2015 study, the Pew Research Center's

2015 National Survey of Latinos, 84 percent of Latinos and 78 percent of immigrant Hispanics used the Internet, up from 64 percent and 51 percent, respectively, in 2009. Our data is supportive of these upward trends in Internet usage. Similarly, phones were the principal way of accessing the Internet for Hispanics in the U.S. In the same 2015 study, 94 percent of Hispanic Internet users accessed the Internet through their phones, rather than a computer. In our survey, among frequent users, 99 percent use their personal phone, not a computer, as the primary means of accessing the Internet. While there are some variations by migrants' country of origin, these are not large (see Figure 7).

**FIGURE 7.** Digital technology and internet access.



### Why not digital?

Is it because migrants don't know or trust digital financial services?

## The use of online banking platforms and tools is common among the migrants we surveyed.

### Trust only partially explains the rationale some bank accountholders give for resisting digital origination channels (see Figure 8).

43 percent of migrants surveyed had conducted at least one online banking transaction in the year prior to surveying.

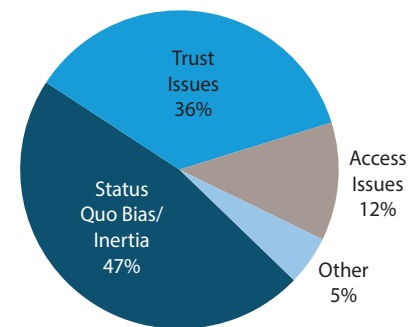
This is a notable increase in online banking adoption compared to IDB Lab's last survey on

migrant remittances five years ago, when only 24 percent of migrants reported they had used the Internet or mobile banking, including to check their account balance.

Migrants who use online banking for other financial transactions, such as checking their balance or moving money between accounts, not only have a better understanding of how to use digital remittance platforms, but a higher level of trust in these digital channels than our overall sample. Migrants who send remittances through a brick-and-mortar agent but use online banking for other transactions were less likely to say they do not know how to use or do not trust online or app-based remittance platforms (47 percent of online banking users versus 73 percent of non-online banking users).

**FIGURE 8.** Primary reason for not trying digital channel to send remittance.

Percentage of migrants surveyed



### Why not digital?

Is it because they don't know about digital remittances or how to do it?

## Migrants' low awareness of how to send online or through a mobile app, plus the convenience of brick-and-mortar, help explain why the shift to digital is so slow.

### Not knowing how to use an online or app-based remittance platform *partially* explains the resistance to digital adoption.

Almost half, or 47 percent, of non-digital users say they have never tried to send a remittance using a digital platform because they are

comfortable with their current method (23 percent) or they do not know how (24 percent).

**Both of these reasons are driven to some extent by inertial factors.** If a person is comfortable in their current method, they may not consider or learn about new ways to send money. Routine-seeking and cognitive rigidity (or status quo bias), have been cited in the literature as reasons for slow adoption of online services, including digital financial services.<sup>22</sup> While inertial reasons may not be sufficient to explain the low level of digital adoption, they should be considered when exploring barriers to originating remittances online, particularly when physical senders have characteristics that mimic those of digital senders. For example, among migrants who have never tried to send a remittance

<sup>22</sup> Rinehart, Kate, Leonard Makuvaza, Jeremy Gray and Christine Hougaard, *Why are financial services not used more? A conceptual framework for drivers of financial service usage* (Cape Town: insight2impact, 2018). [https://i2ifacility.org/system/documents/files/000/000/063/original/Drivers\\_of\\_financial\\_service\\_usage\\_2018.pdf](https://i2ifacility.org/system/documents/files/000/000/063/original/Drivers_of_financial_service_usage_2018.pdf)

using an online browser or a mobile app because they do not know how or are comfortable with physical channels, 73 percent have a bank account (savings, checking, or a debit card), and therefore *could* use digital channels if motivated to do so. And, 24 percent both have bank account access and are paid directly into a bank account. Additionally, while most respondents have likely heard of some online sending options, few seem to be closely aware of whether the provider they use at a brick-and-mortar location also offers an online or app-based alternative.

### **The convenience of physical remittance agents, where migrants can pay in cash, is reflected in the dominance of brick-and-mortar over digital channels.**

**While digital remittance channels can be a convenient alternative to those offered in physical locations, this is only the case if people have a digital payment instrument and if this is the source of the money sent abroad.** For our respondents, this is largely not the case. Migrants appear to be making rational choices when they select a sending channel, considering how most migrants are paid by their employers. For those starting their journey with cash income in hand (43 percent of our sample gets paid in cash), even if they have a bank account, going to the bank, depositing the cash, and then sending online or with a mobile app is less convenient and adds additional steps to the money journey than going to a brick-and-mortar agent with the cash in their pocket. The additional steps required to use a digital platform for migrants with low bank balances or without accounts represent a high opportunity cost that may offset any gains from paying slightly lower fees.

**Indeed, being paid directly into a bank account is correlated with originating remittances online or with a mobile app.** Overall, the highest frequency of digital senders (by how they get paid) get paid into their accounts: 42 percent of migrants who get paid through direct deposit to their bank account send money using a digital platform. Conversely, only 9 percent of migrants who get paid in cash send with digital remittance platforms and only 16 percent who are paid by check do so. We conducted a regression analysis to understand the relationship between how migrants get paid and their likelihood of originating remittances on a digital platform (see Box 2). We found that being paid through direct deposit is associated with a 332 percent increase in the odds of originating remittances through a digital channel, holding constant the variables of sender bank account ownership, recipient bank account ownership, sender's gender, sending frequency, years of sending, country of origin and sender's relationship to recipient.

**Both digital and physical senders seem to be looking to minimize the steps, time, and uncertainty of their money journey.** When asked why they prefer the company that they use to send remittances, the majority of both digital and non-digital senders cite issues related to convenience: physical senders like that their provider is close to their home, and digital senders like that they can send from wherever they are (see Figure 9).<sup>23</sup>

<sup>23</sup> *Proximity to home/work* merges two categorical answers: *It is close to me*, an option for physical senders, and *I do not need to leave my house/work*, an option for digital senders.

## BOX 2. Unveiling Relationships between Digital Channel Usage, Demographic, and Behavioral Characteristics through a Regression

We examined the relationship between the decision to use a digital origination channel and a number of relevant characteristics of migrants. The regression output below shows the following interesting correlations:

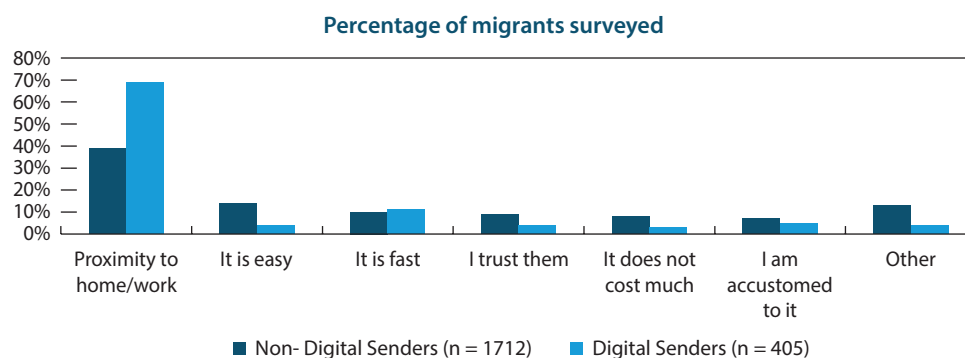
- If the sender is paid via direct deposit, the odds that she sends through a digital channel are 4.3 times higher than if she is paid in cash.
- If the sender is paid via check, the odds that she sends through a digital channel are 1.5 times higher than if she was paid in cash.
- If the recipient has a bank account, the odds that the sender sends through a digital channel are 2.2 times higher than they would be if the recipient did not have a bank account.
- For each year that the sender ages, the odds that they send through a digital channel decrease by about 0.05%.

### Logistic Regression Results

	Odds Ratio of Sending with Digital Channel
Sender is paid via direct deposit	4.32 *** (0.33)
Sender is paid via check	1.48 ** (0.19)
Recipient has a bank account	2.22 ** (0.68)
Age of sender	0.95 *** (0.01)
Number of Observations	1701
Robust standard errors, clustered by sender's birth country, in parenthesis	
*p ≤ 0.05    ** p ≤ 0.01    *** p ≤ 0.001	

The full regression results, including the sender's relationship to the recipient, sender's gender, sending frequency, and the sender's country of origin are reported in Annex 5.

**FIGURE 9.** Why do you prefer the company that you use to send remittances?







### Why not digital?

Do digital channels cost less but migrants just don't know it?

### Cost plays a role in decision-making and preferences seem to reflect this consideration.

Most migrants say there is not a cheaper remittance option than the one they use. Only 27 percent of digital senders and 14 percent of senders who use physical locations say that there is a cheaper option to the one they use. That so few believe there is a cheaper option out there could reflect a lack of awareness of other methods, if indeed one exists for their particular corridor, but could also indicate satisfaction that they have chosen the lowest-cost method. Those respondents

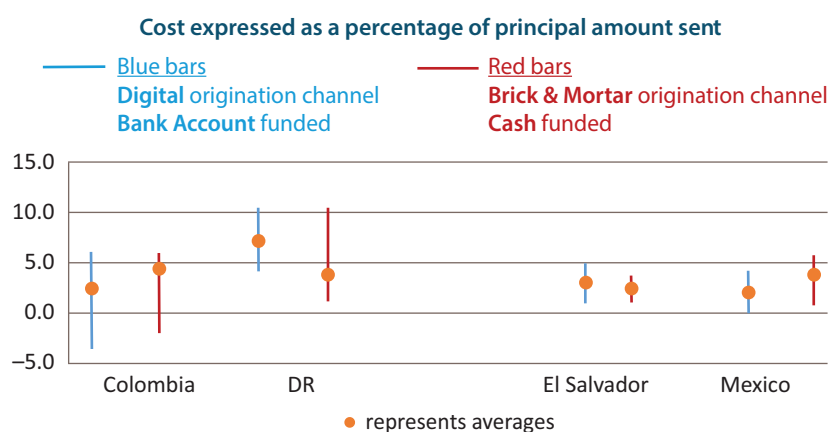
who know of cheaper alternatives say they are either comfortable in their current method or, to a lesser extent, do not trust alternatives.

It is not necessarily true that originating a remittance online or with a mobile app costs less, and this could partially explain why adoption of digital channels is so slow. When analyzing World Bank data on remittance costs in the sending corridors of our study, we find that there is no definitively cheaper sending method across countries. On average, initiating a remittance using cash at a brick-and-mortar location to send money from the U.S. to the Dominican Republic and El Salvador is cheaper than originating online or with a mobile app and funding through a bank account (see Figure 10). This cost



differential is very small in the case of El Salvador as there is a fee on each transaction but no foreign exchange markup. Similarly, some Dominicans in our sample explained that they send money into dollar-denominated accounts or for cash payout in dollars, saving the foreign exchange fees. When sending money from the U.S. to Mexico and Colombia, using a brick-and-mortar location to send is slightly more expensive than originating through a digital channel. However, this cost differential can be quite small. An interesting note in the case of Colombia is that while there are low-cost online services, which causes digital origination channels to be cheaper on average than brick-and-mortar, there is a large range of prices for both online and brick-and-mortar origination, meaning some migrants in our sample might be getting low prices at physical locations. Ranges are much narrower for the Mexican corridor.

**FIGURE 10.** Average and high/low range of cost of sending money from U.S. to LAC\*.



\* Outliers in the Dominican Republic charging 22.5 percent for both internet and brick-and-mortar remittances were dropped from the sample.

Source: World Bank, *Remittance Prices Worldwide 2018 Q3*, <https://remittanceprices.worldbank.org/en/data-download>

# 4

## REMITTING TOWARD A BETTER FUTURE

**Our data presents a picture of migrants as long-term planners and users of formal and informal savings and investment instruments. Remittances are supportive of this, allowing migrants to fulfill dreams of returning home.**

**The majority of migrants we surveyed have bank accounts in the U.S., and about one in every 10 migrants surveyed are saving or investing in their country of origin.** As showed earlier, 40 percent of respondents said they sent their last remittance to be used for consumption, which may leave little money left over for saving. Yet 7 percent sent their last remittance to their family member with the explicit purpose of savings, and many appear to be supporting older parents who likely lack appropriate pensions as an income replacement, making the remittance itself a sort of pension product. When asked slightly differently, 15 percent of migrants who have sent remittances in the past 12 months did so with the intention that it (or part of it) be saved, and the majority (94 percent) of these respondents said they were successful in saving.

**Notably, 11 percent of survey respondents sent their most recent remittance payment to themselves** – 46 percent to save in a bank account in their country of origin and 48 percent as an investment (for example, for a home loan or a pension). Because the survey only captured information on senders' most recent remittance within the last 12 months, and over the course of a year, the total number of people sending money to themselves may be even higher. Annex 4 shows more details.

**It is interesting to consider that sending to oneself cannot be done in cash, and thus might be driving digital take-up for some groups.** Colombians are the most likely migrants in our sample to send to themselves, with 17 percent doing so (see Table 3). Colombians are also our

most digitalized sample. Colombians' higher usage of digital remittance channels may be allowing us to see remittance purposes more clearly, whereas migrants who send via physical channels are entrusting their savings and investment to their recipient.

### Savings or investment are the main reason for sending money to oneself.

Table 4 shows that between 70–90 percent of migrants who sent their last remittance to themselves, depending on country of origin, send money to themselves in order to save or invest, with the remaining sending to pay bills or for other reasons. This behavior suggests that migrants are not thinking only in the short term but looking forward to their future. In fact, 6 percent of Colombians are sending money to contribute to a retirement scheme.



**TABLE 4: MIGRANTS WHO SENT THEIR LAST REMITTANCE TO THEMSELVES**

Percentage of Migrants Surveyed				
	Colombia	Dominican Republic	El Salvador	Mexico
n	551	514	521	535
	17%	9%	6%	11%
Purpose of remittance				
n	98	46	30	59
Savings	30%	56%	56%	22%
Investment	54%	33%	23%	50%
Services or other	16%	11%	20%	29%

# 5

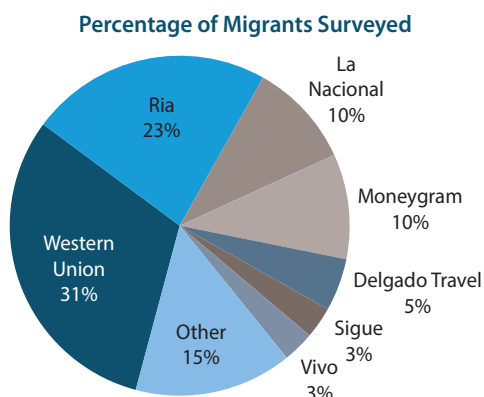
## WHAT COMPANIES DO MIGRANTS AND THEIR FAMILIES CHOOSE TO USE?

On the sending side, most migrants are choosing a highly concentrated group of companies, likely due to network effects and economies of scale that characterize the industry.

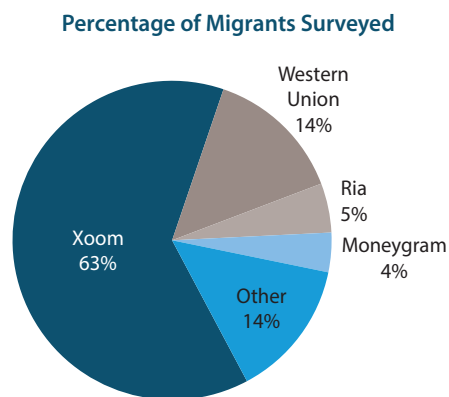
The players that dominate online origination are different from those that control the brick-and-mortar agent-based remittance market in the United States (see Figures 11 and 12). While our sample is not representative of all remittance-sending populations in the U.S. and is limited to three cities, some trends emerge when examining the companies that migrants choose.

Among physical (brick-and-mortar agent-based) senders, Colombians, and Salvadorans primarily report using two companies, Western Union and Ria, in roughly equal measure; together, these two companies were used by more than 70 percent of the migrants whose remittances

**FIGURE 11.** Companies used by physical senders (n = 1715).



**FIGURE 12.** Companies used by digital senders (n = 411).



originated at agent locations and were funded with cash. Adding MoneyGram, a distant third competitor, makes three companies with a collective share of more than 80 percent of migrants from these two countries who originated remittances at agents. Other smaller regional players, such as Vigo (owned by Western Union), Sigue, Intermex, Dolex and Delgado Travel, were used by the remaining 20 percent of Colombians and Salvadorans.

**In the case of Mexico, three companies were used by 60 percent of physical senders**

(Western Union, Ria, MoneyGram), while Delgado Travel, Sigue, Vigo, Intermex, Dolex, Dinex and La Nacional were used by most of the remaining 40 percent. In the case of the Dominican Republic, there is one local player, La Nacional, that was used for nearly one out of every two remittances

originated at physical locations, thanks in part to its subsidiary, Caribe Express (See Box 2 on page 12).



**Within the online channel, digital senders overwhelmingly choose to send through the one first-time mover in the digital-only space,**

Xoom, which has offered online services since 2001 and has captured 67 percent of the digital senders in our sample. Xoom's market share of the digital channel varies from country to country. For Dominican migrants surveyed, almost 90 percent of digital senders use Xoom, while 55–60 percent of Salvadoran, Colombian and Mexican respondents used this company to originate digital remittances. The traditional omnichannel money transfer operators—e.g. Western Union, Ria and Money Gram, who lead brick-and-mortar agent-based remittances but also have online sending platforms—were used by one in four digital senders, while banks that maintain or have maintained some remittance products (Wells Fargo, Citibank, Chase) were used for about 5 percent of remittances originated online. Recent mobile-centric digital-only start-ups like PaySend, Pangea or Remitly are rarely mentioned by our respondents, representing only about 3 percent of online remittances, according to our survey results.

**On the supply side, the traditional omnichannel money transfer operators that dominate the physical channel are adding digital services to complement, rather than replace, brick-and-mortar outlets.** While traditional MTOs understand the opportunities in the digital space, they are also aware of the preferences of users for brick-and-mortar shops. In other words, traditional money transfer operators are prepared to provide online origination for clients who are “digital ready,” but they are not pushing their brick-and-mortar clients towards the digital channel, where prices and margins are also lower.





**Banks have a negligible role on the sending side, but play a significant role paying out remittances on the receiving end.**

**While less than 2 percent of remittances are originated using remittance services provided by banks in the U.S.<sup>24</sup>, survey respondents report that almost half of the remittances received are paid out at banks in their country of origin:** either directly deposited into a bank account (17 percent of total remittances sent) or sent for cash pick-up inside a bank branch (29 percent of total remittances sent).

This is particularly true in El Salvador

and Colombia, where most remittances are paid out through banks: 71 percent in El Salvador and 62 percent in Colombia. In the other two countries in our sample, fewer remittances are paid out through banks: 37 percent in Mexico, and 9 percent in Dominican Republic.

**Despite originating so little, banks are also key actors in the “middle mile:” settlement of remittances.** Not a single survey respondent mentioned Bitcoin or any companies that use cryptocurrencies as a settlement mechanism. All the money transfer companies mentioned by our survey respondents are companies that use traditional bank pipelines for prefunding and adjusting their bank account balances. The crucial roles that banks play in settlement, and in the “last mile” as payout agents, contrasts with their irrelevance as originators of remittance transfers on the sending side, where a lack of remittance products (other than wire transfers) is the norm.

**Large distribution networks, mainly leading supermarket chains in partnership with banks, are the main locations where remittances are paid out.**

**Other than at banks, remittances are paid out in cash through large distribution networks—mainly supermarkets or other stores with large footprints.** These include large retail chains such as Elektra in Mexico and Grupo Exito in Colombia. In contrast to the sending side, where the majority of brick-and-mortar agents are small shops, typically with just one service location, on the receiving side most remittances are paid out by agents belonging to a large network either of bank branches or large retail chains.

<sup>24</sup> U.S. banks that provide remittance products include Wells Fargo, Citibank, and Chase, as explained previously. These services are not to be confused with the more prevalent (non-bank) online remittance platforms, where a migrant must use a bank card (debit, prepaid, etc.) or direct debit from their bank account via ACH to fund the transfer.

# CONCLUSIONS

This study is a contribution to the literature on the savings and investment behaviors of migrants in the United States who are from Colombia, the Dominican Republic, El Salvador, and Mexico, complementing past IDB Lab surveys. The study is particularly important in its rigorous inquiry into sending and receiving patterns through examining payment instruments channels in order to provide a nuanced understanding of the choices migrants make to send money back home and to save and invest money in their own futures. The study's findings are beneficial for policymakers who are looking to enable migrants both to send remittances to family and friends in a less costly and more convenient manner and to save and invest money. Additionally, businesses that are looking to better serve this population can use these survey results to increase access to digital remittance channels.

This study found that the most prevalent way of sending money is at brick-and-mortar locations, in particular at check-cashing outlets, with cash being the most commonly used payment instrument to fund the transfer. An important insight that this study provides is that using physical agents and funding in cash is a *rational* choice on the part of migrants. Unlike commonly held beliefs that a lack of a bank account, Internet access, or knowledge of online banking impacts digital adoption among migrants, this study shows that sending money with cash is far more convenient than originating online and funding with a bank account and, in some cases, less costly. For migrants whose income is paid to them in cash, in particular, sending remittances with cash cuts out several steps and saves time in the money journey. Indeed, migrants who receive wages via direct deposit into a bank account are more than three times as likely to use online remittance platforms than those who receive their income in cash.

This study gives the crucial insight that migrants often *can* save and *do want to* save. There may be something about the migrant's dreams of returning home in the future that leads to long-term financial planning. But some migrants are perhaps not able to prioritize savings because their remittances are being directed to more urgent consumption needs. Others may not have access to bank accounts in their home countries that would allow them to send "themselves" money.



There are several opportunities for digitizing cash-senders among migrants who are banked, particularly those whose wages are paid into bank accounts. This group, while somewhat smaller than the broader community of migrants originating remittances through physical locations, could benefit from the convenience and, in some cases, lower cost of digital transactions. These include providing programs and initiatives to onboard migrants digitally that could both break status quo bias and build trust among migrants. Caution should be given, however, to pushing migrants to adopt digital channels that are less convenient or more costly. Thus, having a client-centric approach is paramount to any effort. From a policy perspective, supporting efforts not only to open accounts in the U.S. but in migrants' home countries might encourage migrants to save more for their own futures. Similarly, further research on behavioral incentives to switch to digital channels may help migrants make more efficient choices based on their specific context.



# ANNEXES

## ANNEX 1: SURVEY SITE SELECTION AND COMPARISON OF SAMPLE TO REFERENCE DATA

We selected three metro areas in the United States for survey sites: Los Angeles, Miami, and New York. This provided a variety of immigrant backgrounds and remittance options, while also reducing the cost and logistical complexity of a nation-wide survey. The table below offers data on foreign-born populations in the three cities for the selected countries of origin. New York City, as EA Consultants' home base, was a cost-effective option that also served as a location for developing and testing survey instruments. We also considered Houston as a fourth, optional city for surveying; this gave us flexibility in case a city needed to be switched due to survey implementation constraints, such as securing safe locations to interview migrants. Houston and Miami offered trade-offs. Houston provides a different regional context than the two coasts, but its main immigrant populations are

**ANNEX TABLE 1A: NUMBER OF REGISTERED FOREIGN-BORN HISPANICS BY COUNTRY OF ORIGIN PER CITY**

	Colombia	Dominican Republic	El Salvador	Mexico
New York	160,000	581,000	152,000	340,000
Los Angeles	16,433	2,617	262,000	1,753,000
Miami*	168,000	85,774	20,500	64,000

Highlighted cells are the populations sampled in our survey.

Sources: Pew Research Center, Hispanic Trends, Migration Policy Institute and U.S. Census American Community Surveys, 5-Year Estimates, 2011–2015

\* Includes Broward and Dade Counties

similar to those of New York and Los Angeles. But, of the four cities, Miami offered the opportunity for greater diversity and inclusion of Caribbean and South American populations.

Generally, our sample is reflective of this broader population with some exceptions. Tables 1b – 1e display some notable characteristics of our sample and the population as a whole. Mexican migrants surveyed in Los Angeles accurately reflect the age of the population of Mexican migrants in Los Angeles, though they have slightly lower incomes. In New York, our sample is older and has slightly lower income than in the ACS survey. This may be due to the fact that Mexicans were sampled primarily during weekdays at Consulates, when employees of some, perhaps higher paying, types of jobs may have been less available (Table 1b). The Colombian migrants in the Miami sample reflect the ACS surveyed population of Colombian migrants in Miami well. The sample in New York is slightly younger and has lower incomes than the population as a whole (Table 1c). The Los Angeles sample of Salvadoran migrants is a bit older and has lower income than the greater population of Salvadoran migrants in that city, while ACS data is not available on Salvadoran migrants in New York and in Miami (Table 1d). The Dominican immigrants in the sample have household incomes that reflect those of the populations in New York and in Miami. In New York, the sample is a bit younger than the greater population, and in Miami, it is a bit older (Table 1e).

**ANNEX TABLE 1B: COMPARISON OF MEXICAN MIGRANTS IN SAMPLE VS. REFERENCE DATA<sup>25</sup> (BY SURVEY LOCATION)**

	Los Angeles		New York City		Miami	
	Sample (n = 258)	Reference Data	Sample (n = 289)	Reference Data	0	N/A
Median Age	42	42	38	32	N/A	N/A
Median household Income <sup>26</sup>	\$2,084–\$2,917	\$3,329*	\$1,251–\$2,083	\$3,380*	N/A	N/A

**ANNEX TABLE 1C: COMPARISON OF COLOMBIAN MIGRANTS IN SAMPLE VS. REFERENCE DATA (BY SURVEY LOCATION)**

	Los Angeles		New York City		Miami	
	0	N/A	Sample (n = 300)	Reference Data	Sample (n = 256)	Reference Data
Median Age	N/A	N/A	42	47	46	47
Median household Income	N/A	N/A	\$2,084–\$2,917	\$4,016	\$2,918–\$3,750	\$3,649

<sup>25</sup> Median age and Median household income estimates are from the Census Bureau's American Community Survey. Years in the United States and Years sending remittances estimates are from previous IDB surveys.

<sup>26</sup> Income band in which the 50th percentile of migrants fall. The reference data is from the ACS 2009-2011 Median household income data.

**ANNEX TABLE 1D: COMPARISON OF SALVADORAN MIGRANTS IN SAMPLE VS. REFERENCE DATA (BY SURVEY LOCATION)**

	Los Angeles		New York City		Miami	
	Sample (n = 254)	Reference Data	Sample (n = 145)	Reference Data	Sample (n = 125)	Reference Data
Median Age	50	43	38	Not Available	39	Not Available
Median household Income	\$1,251–\$2,083	\$3,355	\$1,251–\$2,083	Not Available	\$2,918–\$3,750	Not Available

**ANNEX TABLE 1E: COMPARISON OF DOMINICAN MIGRANTS IN SAMPLE VS. REFERENCE DATA (BY SURVEY LOCATION)**

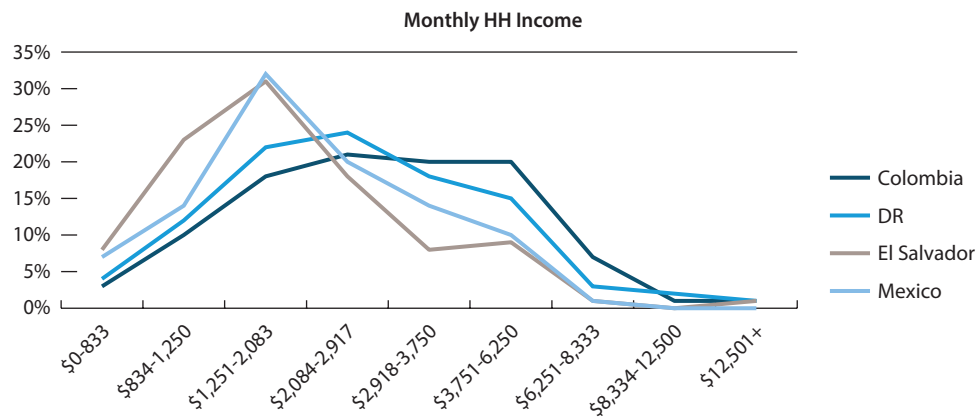
	Los Angeles		New York City		Miami	
	0	N/A	Sample (n = 318)	Reference Data	Sample (n = 200)	Reference Data
Median Age	N/A	N/A	40	44	48	45
Median HH Income	N/A	N/A	\$2,084–\$2,917	\$2,214	\$2,084–\$2,917	\$2,696

## ANNEX 2: SAMPLE DESCRIPTIVE STATISTICS

City of Residence by Country of Origin					
Country of Origin	n	Los Angeles	Miami	New York City	Total
Colombia	556	—	12%	14%	26%
Dominican Republic	518	—	9%	15%	24%
El Salvador	524	12%	6%	7%	24%
Mexico	547	12%	—	13%	25%
<b>Total</b>	2,145	24%	27%	49%	

Gender			
	n	Female	Male
Colombia	556	55%	45%
El Salvador	518	52%	48%
Mexico	524	50%	50%
Dominican Republic	547	13%	11%
<b>Total</b>	2,145	52%	48%

Income					
	ALL	Colombia	Dominican Republic	El Salvador	Mexico
n	2,016	515	508	473	518
\$0–833	6%	3%	4%	8%	7%
\$834–1,250	14%	10%	12%	23%	14%
\$1,251–2,083	26%	18%	22%	31%	32%
\$2,084–2,917	21%	21%	24%	18%	20%
\$2,918–3,750	15%	20%	18%	8%	14%
\$3,751–6,250	14%	20%	15%	9%	10%
\$6,251–8,333	3%	7%	3%	1%	1%
\$8,334–12,500	1%	1%	2%	0%	0%
\$12,501+	1%	1%	1%	1%	0%



Livelihoods					
	All	Colombia	Dominican Republic	El Salvador	Mexico
n	2,141	553	517	522	547
Skilled trade or Office worker	24%	28%	33%	18%	17%
Restaurant/Food Service/Bar	16%	16%	7%	16%	24%
Construction	13%	12%	7%	19%	15%
No Work Income	9%	9%	8%	8%	9%
Domestic work, private home	9%	8%	5%	11%	10%
Factory work/production	6%	2%	5%	8%	10%
Domestic work, company	6%	3%	12%	4%	5%
Professional	5%	11%	3%	5%	1%
Casual Laborer	4%	5%	3%	4%	2%
Salon	3%	0%	10%	0%	1%
Other	5%	6%	7%	7%	6%

## ANNEX 3: FINANCIAL PRODUCTS

Financial Product Ownership (in the U.S.)					
	ALL	Colombia	Dominican Republic	El Salvador	Mexico
n	2,142	552	517	524	547
<b>Bank Account:</b> Checking Account or Savings Account	68%	83%	85%	49%	53%
<b>Bank Access:</b> Checking Account, Savings Account, or Debit Card	72%	86%	91%	54%	58%
Debit card	63%	75%	83%	47%	47%
Checking Acct	60%	73%	77%	45%	45%
Savings Acct	48%	62%	65%	28%	36%
Credit card	42%	62%	59%	23%	23%
Prepaid card	1%	1%	1%	1%	3%
No Products	27%	14%	8%	45%	41%

Financial Product Ownership (in Country of Origin)					
	ALL	Colombia	Dominican Republic	El Salvador	Mexico
n	2,125	553	512	516	543
<b>Any Financial Product</b>	30%	40%	41%	20%	20%
Savings Account	19%	30%	31%	11%	4%
Informal savings	11%	7%	15%	8%	14%
Credit or debit card	11%	23%	12%	5%	3%
Checking Account	9%	15%	11%	7%	2%
Retirement acct	5%	10%	5%	2%	1%
CD/investment	2%	3%	4%	1%	1%
Prepaid Card	1%	1%	1%	1%	1%

Transactions conducted from the U.S., in home country					
	ALL	Colombia	Dominican Republic	El Salvador	Mexico
n	2,146	556	518	523	547
None	72%	84%	60%	79%	65%
Recharge airtime	19%	3%	34%	14%	25%
Pay a bill	6%	5%	8%	5%	8%
Open a bank account	3%	4%	1%	3%	4%
Other	2%	1%	4%	2%	1%
Get a loan	1%	1%	1%	0%	1%
Contribute to a retirement fund	1%	1%	0%	0%	1%
Obtain insurance	1%	1%	1%	0%	1%

## ANNEX 4: SENDING A REMITTANCE TO ONESELF

Migrants who sent their last remittance to themselves					
	ALL	Colombia	Dominican Republic	El Salvador	Mexico
n	2,122	551	514	521	535
	11%	17%	9%	6%	11%
Purpose					
n	233	98	46	30	59
Savings	32%	27%	52%	43%	20%
Paying a home loan	18%	26%	11%	13%	14%
Paying for services	15%	7%	11%	20%	29%
Paying for an investment	12%	8%	11%	3%	24%
Paying a loan	12%	14%	11%	7%	12%
Current Account	4%	3%	4%	13%	2%
Retirement	3%	6%	0%	0%	0%
Other	4%	9%	0%	0%	0%

## ANNEX 5: REGRESSION OUTPUT

Logistic Regression Results	Odds Ratio of Sending through Digital Channel	
<i>Sender has a Bank Account</i>	8.50***	(2.75)
<i>Sender is Female</i>	.914	(.030)
<i>Yearly sending frequency</i>	1.00	(0.01)
<i>Age of sender</i>	0.95 ***	(0.01)
<i>Recipient has a Bank Account</i>	2.22 **	(0.68)
<i>Sender receives wages via Direct Deposit</i>	4.32 ***	(0.33)
<i>Sender receives wages via Check</i>	1.48 **	(0.19)
<i>Sent to: Child</i>	1.06	(0.07)
<i>Sent to: Other</i>	1.13	(0.13)
<i>Sent to: Parent</i>	0.94	(0.15)
<i>Sent to: Partner</i>	0.00***	(0.00)
<i>Sent to: Self</i>	1.58***	(0.19)
<i>Born in Dominican Republic</i>	0.26***	(0.02)

(continued from previous page)

<i>Born in El Salvador</i>	0.79	(0.12)
<i>Born in Mexico</i>	0.57***	(0.09)
<i>Sent to: Child * Born in Dominican Republic</i>	3.16***	(0.49)
<i>Sent to: Child * Born in El Salvador</i>	1.53**	(0.19)
<i>Sent to: Child * Born in Mexico</i>	1.97***	(0.30)
<i>Sent to: Other * Born in Dominican Republic</i>	1.83***	(0.19)
<i>Sent to: Other * Born in El Salvador</i>	0.17***	(0.02)
<i>Sent to: Other * Born in Mexico</i>	1.51**	(0.19)
<i>Sent to: Parent * Born in Dominican Republic</i>	2.34***	(0.28)
<i>Sent to: Parent * Born in El Salvador</i>	0.56***	(0.07)
<i>Sent to: Parent * Born in Mexico</i>	1.48**	(0.21)
<i>Sent to: Partner * Born in Dominican Republic</i>	440276.6***	(524269.1)
<i>Sent to: Partner * Born in El Salvador</i>	77669.31***	(96711.63)
<i>Sent to: Partner * Born in Mexico</i>	823355.3***	(96711.63)
<i>Sent to: Self * Born in Dominican Republic</i>	0.81	(0.11)
<i>Sent to: Self * Born in El Salvador</i>	0.18***	(0.04)
<i>Sent to: Self * Born in Mexico</i>	0.61***	(0.05)
<i>_cons</i>	0.13	(0.12)
Number of Observations	1701	

\* $p \leq 0.05$  \*\*  $p \leq 0.01$  \*\*\*  $p \leq 0.001$

Robust standard errors, clustered by sender's birth country, in parenthesis. Pseudo  $R^2 = 0.2410$ .







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