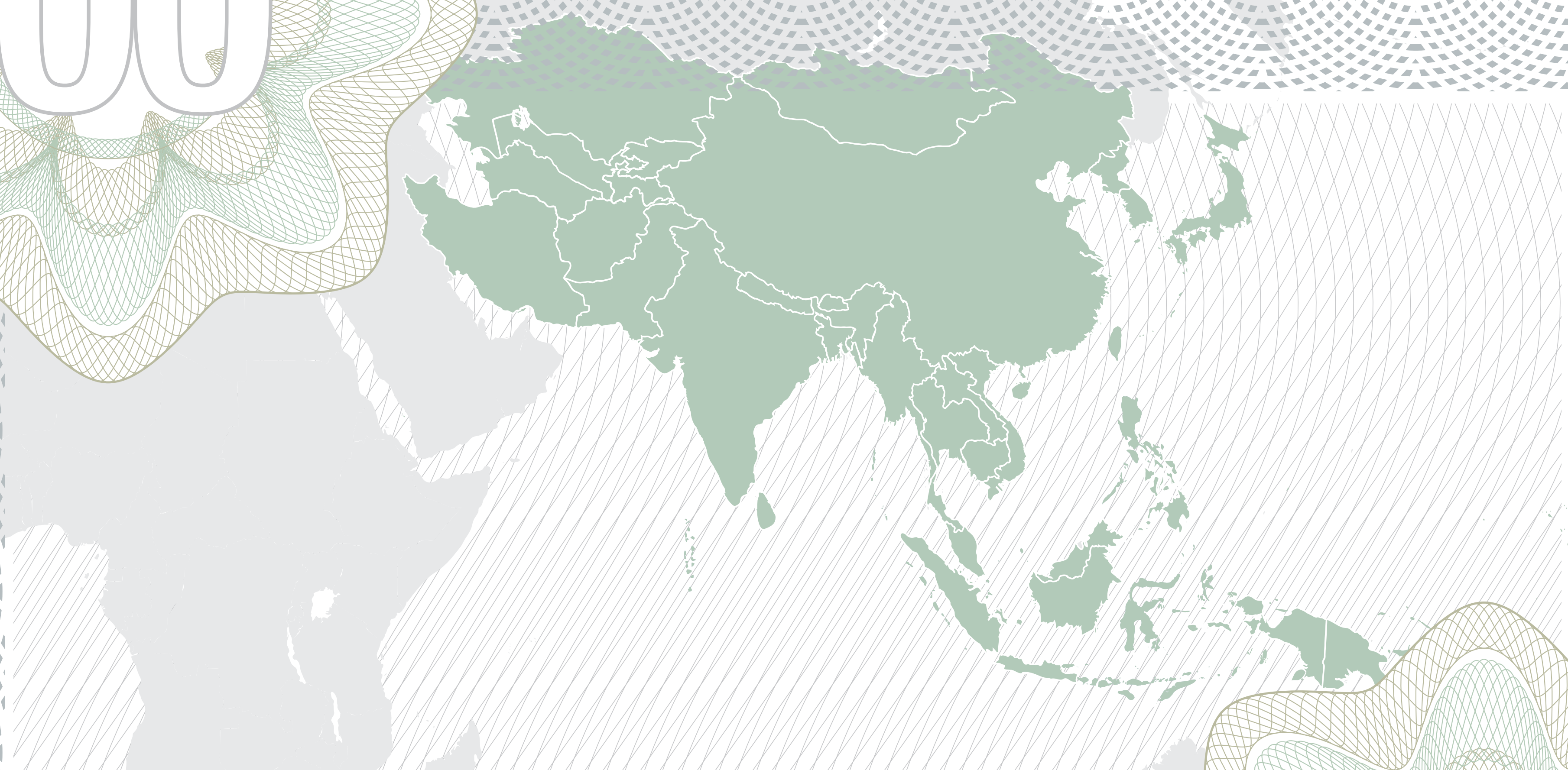
IFAD

Enabling poor rural people
to overcome poverty

THE WORLD BANK

Sending Money Home to Asia

Trends and opportunities in the world's largest remittance marketplace



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Concepts and definitions*

Agent: An entity that captures or disburses remittance transfers on behalf of a remittance service provider.

Banking institution: A financial institution holding a banking license.

Microfinance institution (MFI): Financial institution specialized in providing financial services to low-income groups or individuals. In addition to financial intermediation, some MFIs also provide social intermediation services, including help in group formation, financial literacy and other services.

Migration flows: Cross-border movement of citizens from a specific country to another.

Migration outflow: Cross-border movement of nationals leaving a particular country.

Migration inflow: Cross-border movement of foreign nationals entering a particular country.

Money transfer operator (MTO): A payment service provider that receives payment, in cash or by bank transfer, from the sender for each transfer (or series of transfers)without requiring the sender to open an account.

Mobile network operator (MNO): A provider of wireless communications services that can also play a role in transferring remittances.

Non-bank financial institution (NBFI): A financial institution that does not have a full banking license and/or is not directly supervised by a banking regulatory agency.

Payout network: Institutions that receive and transfer foreign currency locally.

Payout/payment point: A physical location where an inbound foreign currency transfer is received and remittance recipients collect their money. The location can be a bank branch, a post office or a retail store.

Remittance flows: Cross-border, person-to-person payments of relatively low value. The transfers are typically recurrent payments by migrant workers.

Remittance outflow: Flow of remittances leaving a country.

Remittance inflow: Flow of remittances coming into a country.

Remittance service provider (RSP): An entity, operating as a business, that provides a remittance service for a fee to end-users, either directly or through agents. Generally an RSP makes use of agents, such as stores or banks, to collect the money to be sent. On the receiving side, the money is picked up by the recipient at a bank, post office, MFI or other payout location.

Rural presence: The extent of geographical coverage of a paying institution in a rural area.

Subagent: An institution that has a direct contract to represent a remittance service provider in transferring foreign currency payments.

*Definition for the purpose of this report

Acknowledgements

This report is an executive summary of a forthcoming compilation of studies on remittances to Asia and the Pacific. The findings are based on a series of studies commissioned by the International Fund for Agricultural Development (IFAD) and carried out by Developing Markets Associates, the Inter-American Dialogue, the World Bank and the World Savings Bank Institute, and studies and analyses undertaken by the World Bank. Financial contributions in support of the report were made by members of the IFAD-administered Financing Facility for Remittances, including the Consultative Group to Assist the Poor, the European Commission, the Government of Luxembourg, the Ministry of Foreign Affairs and Cooperation of Spain, the Multilateral Investment Fund of the Inter-American Development Bank, and the United Nations Capital Development Fund. This report was authored by IFAD and the Inter-American Dialogue.

International Fund for Agricultural Development (IFAD)

The International Fund for Agricultural Development (IFAD) works with poor rural people to enable them to grow and sell more food, increase their incomes and determine the direction of their own lives. Since 1978, IFAD has invested about US$14.9 billion in grants and low-interest loans to developing countries through projects empowering over 410 million people to break out of poverty, thereby helping to create vibrant rural communities. IFAD is an international financial institution and a specialized UN agency based in Rome – the United Nations' food and agriculture hub. It is a unique partnership of 172 members from the Organization of the Petroleum Exporting Countries (OPEC), other developing countries and the Organisation for Economic Co operation and Development (OECD).

For more information, please visit www.ifad.org

IFAD-administered Financing Facility for Remittances

The IFAD-administered US$28 million, multi-donor Financing Facility for Remittances is composed of the Consultative Group to Assist the Poor, the European Commission, the Government of Luxembourg, IFAD, the Inter-American Development Bank, the Ministry of Foreign Affairs and Cooperation of Spain, the United Nations Capital Development Fund and the World Bank. The Facility works to (i) increase economic opportunities for poor rural people through the support and development of innovative, cost-effective and easily accessible remittance services; (ii) support productive rural investment channels; and (iii) foster an enabling environment for rural remittances.

For more information, please visit
www.ifad.org/remittances
www.remittancesgateway.org

Key findings

International remittance flows to the Asia and the Pacific region

- The Asian continent is the source of nearly 60 million migrant workers who sent almost US$260 billion to their families in 2012. This represented 63% of global flows to developing countries.
- An estimated 70 million Asian households benefit from these flows – one out of every ten.
- Seven out of the top ten remittance-receiving countries are in Asia: India, China, the Philippines, Bangladesh, Pakistan, Viet Nam and Indonesia (in order of magnitude). More than half of the population in these countries is rural.
- Nine countries have remittances exceeding 10% of GDP, including Tajikistan, with more than 50%.

Markets

- In many senses, Asia cannot be described as a single market, as there are significant differences among subregions, and even between urban and rural markets in the same country.
- Transfers take place through a network of over 350,000 payment points in the 22 countries studied.
- India, China and the Philippines account for 75% of all payment points in Asia.
- Although the clear majority of the region's population lives in rural areas, 65% of payment locations are in urban areas.
- The legal and regulatory frameworks in most countries allow banks alone to make foreign currency payments.
- Even though the average costs of sending money to Asian markets are below the global average, remittances to rural areas are still much more expensive.
- Sending money to Central Asia from the Russian Federation is the least expensive, costing on average 2.5% per US$200 sent.
- Banking institutions, mostly through their money transfer operator (MTO) agents, handle 75% of all transactions.
- In many countries, particularly in rural areas, retail stores are playing an increasing role as payout locations.
- Post offices are active payers in more than half the countries studied, with a major presence in China and Indonesia. These post offices may account for a 5% share in the remittance payment market.
- Microfinance institutions currently play a more limited role, making up less than 2% of all payment points. Nevertheless, they often have greater rural presence than banks, and offer a wider range of financial services to underserved clients.
- MTOs are increasingly making use of mobile transfer services. Mobile remittance companies have also emerged in significant numbers: 60% of leading remittance service providers now offer mobile transfers.

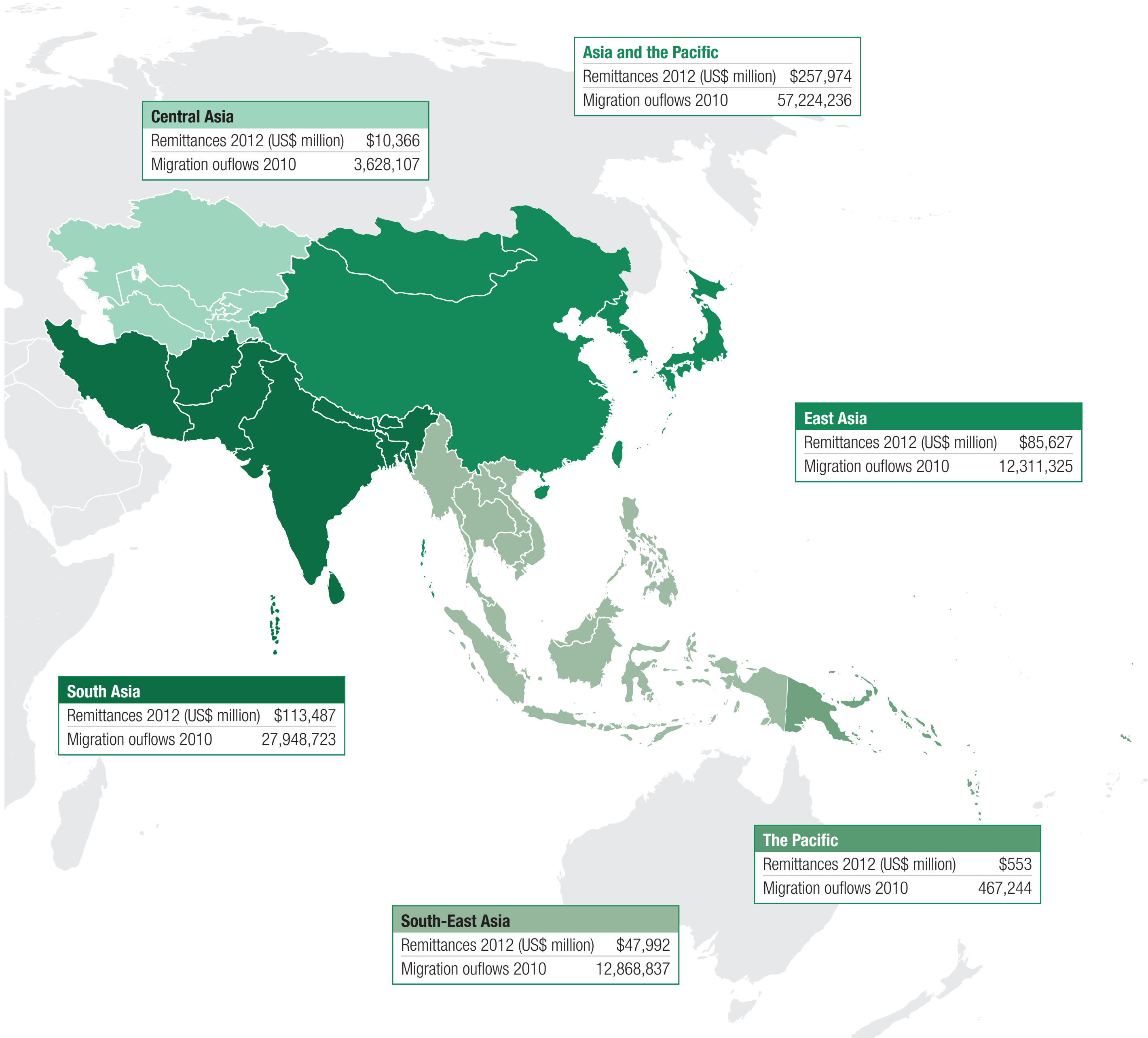
Financial inclusion

- Although reliable data are lacking on the financial inclusion of Asian remittance-receiving households, most live outside the world's financial system, particularly those from rural areas.
- As a result, these households have limited access to savings accounts and other financial instruments that can help build assets.
- Providing remittance-receiving households with more options for using their money will also leverage the development impact of remittances on the communities where they live.
- Effective financial inclusion requires a strong commitment to support financial literacy programmes for remittance-receiving households.
- Diaspora savings constitute a significant opportunity to invest in local communities, provided viable mechanisms are made available and sound opportunities are offered.
- Improving food security through diaspora investment is already a promising trend, which can be brought to scale.

Policy implications

The Asian remittance market is undergoing important modernization processes. Nonetheless, financial access can be much improved across the region in order to maximize the impact of remittances. Recommended policy initiatives to address this issue include:

- **Raise awareness of the scale and scope of Asian remittances, particularly to rural areas, in order to encourage the private sector, civil society and governments to engage directly in maximizing the development impact of these flows.**
- **Implement General Principles (GPs) for International Remittances.**
- **Address legal and regulatory restrictions with a view to promoting more competition in the marketplace.**
- **Partner with commercial banks, in particular to broaden the financial options available to remittance-receiving households.**
- **Support the modernization of other key remittance payers, such as post offices, microfinance institutions and mobile network operators.**
- **Strengthen commitment to financial inclusion, particularly through literacy programmes.**
- **Promote the diaspora's asset-building and investment mechanisms in countries of origin.**



Sources: World Bank, Remittance Inflows by Country, November 2012. IMF, World Economic Outlook Database, Gross Domestic Product Current Prices in US Dollars, 2012. World Bank, Bilateral Migration Matrix, 2010.

Section 1: Remittances to Asia and the Pacific

For more than a decade, Asia has been on the move – and so have its people.

Because of its unparalleled success, Asia is noted for its focus on education, investment, technology and savings. Trade and capital flows are all recorded and reported in great detail. But behind the headlines is another interconnected phenomenon: the movement of workers seeking better opportunities for themselves and their families – the human face of globalization.

The scale of global migration from rural to urban areas, and across national borders, is unprecedented in human history, and 21st century Asia is its focal point. To gain a better understanding of the full dimensions of this largely informal labour market, IFAD commissioned a series of studies on Asian cross-border remittances, a process that involves tens of millions of families and hundreds of billions of dollars sent back home to relatives, often still living in small towns and villages. This report summarizes the findings of these studies and the recommendations made to lower transaction costs, leverage development impact, and provide more financial options for Asian migrants and their families.

At a global level, remittances to developing countries in 2012 surpassed an estimated US$410 billion. In that same year, nearly 60 million migrant workers living outside their countries of origin sent home about US$260 billion to relatives living in countries of the Asia and Pacific region. In the aggregate, 63 per cent of all global remittances flow to Asia, with India, China and the Philippines (in order of magnitude) as the largest destination countries in the world. Bangladesh, Pakistan, Viet Nam and Indonesia are also included in the top ten remittance-receiving countries. These rankings are based on officially recorded numbers, but since it is understood that not all remittances are recorded by government institutions, actual flows are undoubtedly significantly higher.

Basic statistics on remittances in comparison by regions

Region	Remittances flows (US$ million)	Payment networks
Africa	60,000	25,000
Asia	258,000	351,500
Latin America	72,000	194,933

Source: World Bank, Remittance Inflows by Country, Nov. 2012. World Bank, Estimates of Migrant Stocks 2010. Manuel Orozco, The Market for Money Transfers: Scorecard Report (Africa 2010, Asia 2013, Latin America 2012). World Bank, Remittance Prices Worldwide, 2012.

In Asia, remittances contribute more than five times official development assistance. Moreover, nine Asian countries receive the equivalent of 10 per cent of GDP or more from these flows, with Tajikistan reaching over 50 per cent. More importantly, remittances lift millions of Asian households out of absolute poverty, and provide millions more with the opportunity to improve their housing, health and education. All told, it is estimated that 70 million Asian households are supported by remittances – one out of every ten.

Given the dynamic growth of Asia over the past decade, a new pattern is also emerging – about one out of every three migrants (20 million) is finding working opportunities within the region. Hong Kong, Japan and Singapore are major sources of migrant employment; Malaysia and Thailand are now “net importers” of labour, while India and Pakistan are also starting to attract millions of foreign workers. This trend is expected to grow in the coming decade.

For the near term, however, most Asian remittance senders will continue to seek work in the traditional destination countries of Australia, the Gulf region, North America, the Russian Federation and Western Europe.

Remittance origin countries

	Central Asia (%)	East Asia (%)	The Pacific (%)	South Asia (%)	South-East Asia (%)
Australia			17		5
Canada					5
Hong Kong SAR, China		35	21		
Japan		8			
Netherlands					4
New Zealand			21		
Russian Federation	65				
Saudi Arabia				10	
Singapore					4
Ukraine	7				
United Arab Emirates				6	
United Kingdom				10	
United States		31	18	23	47
Total	72	74	77	49	65

Source: World Bank, Bilateral Remittance Matrix, 2011.

There is not one single integrated Asian remittance market, but rather many corridors that vary dramatically in cost, coverage and convenience. For example, the costs of sending remittances through well-established channels from the Russian Federation are among the lowest in the world; and Bangladesh, Indonesia and Nepal are substantially below average. In contrast, average transaction costs to China and the Pacific are some of the highest in the world, primarily due to the lack of competition and infrastructure. The use of national averages can obscure the fact that rural remittances remain much more costly than transactions through high volume corridors that typically link urban areas.

Rural payout presence

Country	Rural payout presence (%)
Bangladesh	16
Cambodia	54
China	21
Fiji	73
India	47
Indonesia	33
Kyrgyzstan	56
Lao People's Democratic Republic	56
Malaysia	54
Nepal	68
Pakistan	42
Papua New Guinea	74
Philippines	37
Samoa	63
Sri Lanka	87
Tajikistan	84
Tonga	84
Turkmenistan	22
Uzbekistan	53
Viet Nam	32

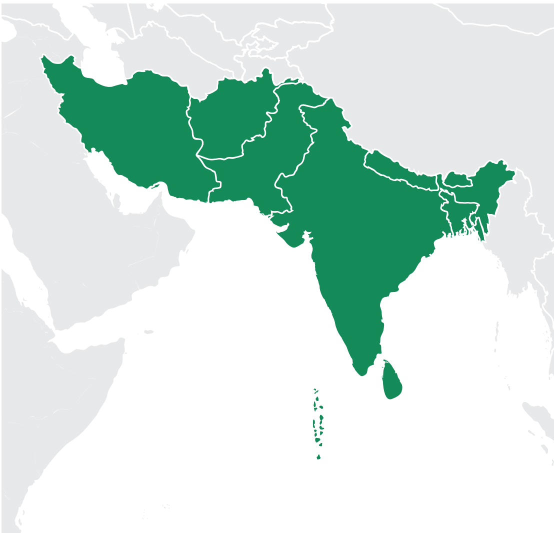
Source: Manuel Orozco, The Market for Money Transfers in Asia: Scorecard Report, 2013.

Two-thirds of the more than 350,000 remittance payout locations in Asia are located in urban areas, while the clear majority of the population in the largest remittance markets live in rural areas. This dysfunctional geographic mismatch results in added time and expense for rural recipients as they travel long distances, typically to a bank, where they receive their money in cash as they do not have access to savings accounts or other financial instruments.

The majority of remittances received will always be used to meet immediate household needs and to raise current living standards. However, if provided with better options to save and invest, remittance-receiving families would undoubtedly turn to these as well. Most of these families live and work outside the world's financial systems, requiring senders to initiate more than 500 million separate transactions annually
and recipients to make another 500 million trips to pick up cash on the other end. The cost for these transactions is estimated to be US$16 billion, or about US$30 per transaction. It is both expensive and inconvenient to be poor.

This report focuses primarily on cross-border remittances and does not address two other major issues affecting Asian migrant workers. The first involves the flow and stock of migrant workers moving from rural to urban areas within their own country and sending "domestic remittances". The funds remitted may be even higher within some countries than international flows, and suffer many of the same challenges as outlined in this report for transactions across national borders. The second issue involves remittances to post-conflict or otherwise fragile societies. Millions of people are forced to leave their homes under adverse circumstances, and many subsequently send money to those who remain behind. The high volume of remittances to Afghanistan and Sri Lanka are leading examples of this process, and more study is needed.

Section 2: Regional overview



South Asia

There are currently about 28 million migrant workers from South Asia living abroad, making this subregion the largest source of migrants of the continent. Over the past decade, countries such as Afghanistan, India, Pakistan and Sri Lanka have all experienced substantial increases in the number of migrants leaving their country (outflow), whereas, other countries, led by Bangladesh and Nepal, have actually experienced substantial reductions, as many of their citizens have returned home. Meanwhile, over the same period, Bangladesh, Nepal and Pakistan have all became destination countries for millions of additional migrant workers (inflow) mostly from neighbouring Asian countries. The majority of remittances to South Asia flow to India – with Afghanistan, Bangladesh, Nepal, Pakistan and Sri Lanka also receiving significant amounts. Nepal and Pakistan are particularly interesting cases in that these countries are now approaching an equilibrium, with about the same number of migrants leaving the country as foreign workers entering.

Remittance flows to South Asia 2012

Country	Remittances (US$ million)	As percentage of GDP
Afghanistan	3,204	16.3
Bangladesh	13,736	11.6
Bhutan	10	0.6
India	**69,797**	3.9
Iran	1,377	0.3
Maldives	3	0.1
Nepal	5,115	**28.5**
Pakistan	13,933	6.0
Sri Lanka	6,312	9.7
Total South Asia	**113,487**	

Source: World Bank Remittance Inflows by Country, November 2012. IMF World Economic Outlook Database, Gross Domestic Product Current Prices in US Dollars, 2012.

Migrant flows in South Asia 2010

Country	Migrant outflow	Migrant inflow
Afghanistan	2,351,104	90,883
Bangladesh	5,384,875	1,085,345
Bhutan	44,659	40,246
India	**11,360,823**	**5,436,012**
Iran	1,295,173	2,128,685
Maldives	1,963	3,280
Nepal	983,567	945,865
Pakistan	4,678,730	4,233,592
Sri Lanka	1,847,829	339,915
Total South Asia	**27,948,723**	**14,303,823**

The majority of remittances to South Asia flow to India...

Three countries receive more than 10 per cent of GDP, ranging from Bangladesh (11.6 per cent) to Afghanistan (16.3 per cent) and Nepal (28.5 per cent).

Rural and market trends

The majority of the population in South Asia lives in rural areas. Banks hold the largest market share (64.4 per cent). However, in rural areas microfinance institutions (MFIs), post offices and money transfer operators (MTOs) have a significant presence particularly in Nepal and Sri Lanka.

Japan, with its ageing population, is now the destination point for over 2 million migrant workers…

East Asia

Migration in East Asia differs from the rest of the continent in that China and the Republic of Korea both send a sizable population of educated migrants abroad. For example, many Chinese have migrated to Australasia and North America.

Japan, with its ageing population, is now the destination point for over 2 million migrant workers, mostly from China, the Republic of Korea and Viet Nam.

China receives over US$66 billion in remittances, representing 80 per cent of all flows to East Asia. China also has the highest average transaction cost (9.83 per cent), the result of a general lack of competition in the remittance market.

Rural and market trends

Although a significant portion of remittance recipients live in rural China, payout locations are overwhelmingly located in urban areas. It is estimated that only about 20 per cent of Chinese remittance payment locations are in rural areas, resulting in many families spending substantial time and money to travel to distant payment locations, in addition to paying the already high transaction fees.

China receives over US$66 billion in remittances, representing 80 per cent of all flows to East Asia...

There are over 25 different banks functioning as major remittance payers in China. Post offices and credit unions are playing a much smaller role while MFIs have yet to develop any real presence in the Chinese remittance market.

It expected that mobile technology will play an increasing role in the remittance markets of East Asia in the coming decade.

Remittance flows to East Asia 2012

Country	Remittances (US$ million)	As percentage of GDP
China	**66,275**	**0.8**
Democratic People's Republic of Korea	2,414	0.0
Hong Kong SAR, China	337	0.1
Japan	2,772	0.1
Macao SAR, China	114	–
Republic of Korea	11,696	**1.0**
Total East Asia	**85,627**	

Source: World Bank Remittance Inflows by Country, November 2012. IMF World Economic Outlook Database, Gross Domestic Product Current Prices in US Dollars, 2012.

Migrant flows in East Asia 2010

Country	Migrant Outflow	Migrant Inflow
China	**8,344,726**	685,775
Democratic People's Republic of Korea	300,782	37,121
Hong Kong SAR, China	718,990	**2,741,800**
Japan	771,246	2,176,219
Macao SAR, China	97,851	299,692
Republic of Korea	2,077,730	534,817
Total East Asia	**12,311,325**	**6,475,424**

Source: World Bank, Bilateral Migration Matrix, 2010.

South-East Asia

South-East Asia is probably the world's most dynamic and diverse remittance market, with almost 13 million migrants living abroad. Both the outflow and inflow of migrants increased in almost every country over the past decade, with the largest outflow from the Philippines (4.28 million) and the largest inflow to Malaysia (2.36 million).

Remittance inflows from 2000 to 2012 significantly increased in every country in South-East Asia. The Philippines, the third largest remittance recipient in the world at US$24.3 billion and over 10 per cent of GDP, accounts for over half of all remittances to South-East Asia.

Other major remittance recipients in the subregion are Viet Nam (US$ 9.1 billion), Indonesia (US$7.2 billion) and Thailand (US$ 4.1 billion). At the same time, Malaysia, Singapore and Thailand are now attracting significantly higher numbers of migrants to work in their expanding economies than they are sending abroad. These three countries alone now host almost 6 million migrant workers. This is more than double the number of their own citizens migrating abroad. However, Indonesia, Myanmar and Viet Nam continue to send significantly more workers than they host in return.

Remittance flows to South-East Asia 2012

Country	Remittances (US$ million)	As percentage of GDP
Brunei Darussalam	75	0.5
Cambodia	256	1.8
Indonesia	7,180	0.8
Lao People's Democratic Republic	116	1.3
Malaysia	1,363	0.4
Myanmar	566	1.1
Philippines	**24,325**	**10.7**
Singapore	874	0.3
Thailand	4,103	1.1
Timor-Leste	82	2.0
Viet Nam	9,052	6.6
Total South-East Asia	**47,992**	

Source: World Bank Remittance Inflows by Country, November 2012. IMF World Economic Outlook Database, Gross Domestic Product Current Prices in US Dollars, 2012.

Migrant flows in South-East Asia 2010

Country	Migrant outflow	Migrant inflow
Brunei Darussalam	24,343	148,123
Cambodia	350,485	335,829
Indonesia	2,504,297	122,908
Lao People's Democratic Republic	366,663	18,916
Malaysia	1,481,202	**2,357,603**
Myanmar	514,667	88,695
Philippines	**4,275,612**	435,423
Singapore	297,234	1,966,865
Thailand	811,123	1,157,263
Timor-Leste	16,810	13,836
Viet Nam	2,226,401	69,307
Total South-East Asia	**12,868,837**	**6,714,768**

Source: World Bank, Bilateral Migration Matrix, 2010.

South-East Asia is probably the world's most dynamic and diverse remittance market, with almost 13 million migrants living abroad.

Rural and market trends

The overall market in South-East Asia uses all types of payers for remittance transfers. Banks make up over 50 per cent of the market, while post offices and MFIs play a prominent role. All other payers have a significantly smaller share.[1]

As with the overall market, banks are the most common payer type for the rural population for South-East Asia. The Lao People's Democratic Republic has the highest rural participation of banks, with Malaysia second. The Philippines has the most diverse usage of payer types among its rural population. Cambodia's rural participation by MFIs is the highest in the subregion.

1/ Manuel Orozco, The Market for Money Transfers in Asia: Scorecard Report, 2013.

Central Asia

There are currently more than 3.6 million migrant workers from Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan living abroad. It is estimated that, in 2012, more than US$10.3 billion was sent home to family members in those four countries. Remittances to Kyrgyzstan and Tajikistan, at 32.2 per cent and 51.6 per cent of their respective GDPs, are the highest in Asia. The majority of these remittance flows come from the Russian Federation, where most of the MTOs operating in this subregion are headquartered.

The cost of sending remittances to Central Asia is among the lowest in the world, averaging about 2.5 per cent.

Rural and market trends

Banks are overwhelmingly the most common type of payer, although MFIs have a significant presence in Tajikistan, and post offices also play a major role in the rural areas of Tajikistan and Uzbekistan.

For the most part, banks, MFIs and post offices have been expanding to create an effective network serving the rural populations of these countries, as evidenced by the extremely low transaction costs to send remittances.

Remittances to Kyrgyzstan and Tajikistan, at 32.2 per cent and 51.6 per cent of their respective GDPs, are the highest in Asia.

Remittance flows to Central Asia 2012

Country	Remittances (US$ million)	As percentage of GDP
Kazakhstan	162	0.1
Kyrgyzstan	2,024	32.2
Tajikistan	**3,739**	**51.6**
Turkmenistan	3,911	7.5
Uzbekistan	479	1.6
Total Central Asia	**10,315**	

Source: World Bank Remittance Inflows by Country, November 2012. IMF World Economic Outlook Database, Gross Domestic Product Current Prices in US Dollars, 2012.

Migrant flows in Central Asia 2010

Country	Migrant outflow	Migrant inflow
Kazakhstan	–	–
Kyrgyzstan	621,076	222,731
Tajikistan	791,618	284,291
Turkmenistan	260,953	207,700
Uzbekistan	1,954,460	1,175,935
Total Central Asia	**3,628,107**	**1,890,657**

Source: World Bank, Bilateral Migration Matrix, 2010.

Although the the smallest in Asia, the remittance market in the Pacific subregion is highly diversified…

Remittance flows to the Pacific 2012

Country	Remittances (US$ million)	As percentage of GDP
Fiji	**167**	4.23
Kiribati	9	–
Marshall Islands	44	–
Micronesia (Federated states of)	64	–
Nauru	5	–
Palau	20	–
Papua New Guinea	9	0.06
Samoa	130	**18.26**
Solomon Islands	1	0.10
Tonga	75	15.76
Tuvalu	8	22.2
Vanuatu	21	2.76
Total the Pacific	**553**	**7**

Source: World Bank Remittance Inflows by Country, November 2012. IMF World Economic Outlook Database, Gross Domestic Product Current Prices in US Dollars, 2012.

The Pacific

Migration patterns in the Pacific have varied greatly from country to country over the past decade. Migration outflows from some countries have nearly doubled, whereas elsewhere outflows have grown slowly or, in some cases, have even been reduced.

The main countries receiving migrants from the Pacific are Australia, New Zealand and the United States. Various demographic and economic factors have affected migration flows in the subregion. Rapid population growth, combined with slow economic growth, leaves many of these economies unable to absorb their growing labour forces.

Migrant flows in the Pacific 2010

Country	Migrant outflow	Migrant inflow
Fiji	**182,183**	18,533
Kiribati	6,429	1,978
Marshall Islands	10,506	1,709
Micronesia (Federated states of)	21,895	2,668
Nauru	–	–
Palau	7,971	5,776
Papua New Guinea	61,197	**24,546**
Samoa	120,419	8,976
Solomon Islands	5,385	6,971
Tonga	47,369	848
Tuvalu	–	–
Vanuatu	3,890	814
Total the Pacific	**467,244**	**72,819**

Source: World Bank, Bilateral Migration Matrix, 2010.

At the same time, there has been an increasing demand for manual labour in the industrialized economies of the Pacific Rim.

Countries such as Fiji, Papua New Guinea, Samoa and Tonga have all seen large migrant outflows, with Fiji having the largest diaspora at more than 180,000 migrants living abroad. Significantly, over 60 per cent of its highly skilled workers are living in member countries of the Organisation for Economic Co-operation and Development. Fiji also has the highest inflow of remittances in the region (US$167 million), followed by Samoa and Tonga.

Rural and market trends

Although the smallest in Asia, the remittance market in the Pacific subregion is highly diversified, with multiple payers participating. At the country level, these markets are dominated by banks (37 per cent) and retail stores (26 per cent).

Most countries of the Pacific subregion have a high percentage of rural population, due largely to their geography, which covers large oceanic areas with hundreds of islets. Remittance providers and payers have adapted to this geography. Although banks have a strong rural presence in the Pacific subregion, retail outlets have the greatest rural outreach. Services in the area have become particularly innovative in the diversification of products to remittance recipients.

Section 3: General market environment

This section identifies important trends in the Asian remittance marketplace.

Regulation and remittances

There are five regulatory areas that are particularly pertinent to remittance payments in Asia: general financial regulatory framework; payment systems regulation; MFI regulations; taxation of foreign exchange transactions; and anti-money laundering and combating the financing of terrorism (AML/CFT) regimes.

Although Asian countries do not directly or openly tax remittances, many have separate taxes on foreign exchange or on foreign sources of income that effectively result in remittances being taxed indirectly.

General financial regulatory framework

Almost all of the countries included in this study have at least one regulatory body, most commonly a Central Bank. Likewise, all have legislation outlining financial regulations. However, according to the World Justice Project's Rule of Law Report, not all Asian countries enforce existing financial regulations.[2]

Payment systems regulation

Almost all the countries studied for this report have some form of regulation over payment systems. In some cases, they include separate, stand-alone provisions for payment systems, in other cases, payment systems are included as part of much broader banking legislation.

In most countries, direct access to the payment infrastructure is limited to banks and MTOs. Malaysia is unique in offering direct access to a variety of institutions including post offices, MFIs and MNOs.

MFI regulations

The majority of Asian countries have some level of microfinance regulation. Many have included MFIs in existing banking or payments legislation, whereas a few, such as Cambodia and Pakistan, have specific and comprehensive legislation governing MFIs.

Taxation of foreign exchange transactions

Although Asian countries do not directly or openly tax remittances, many have separate taxes on foreign exchange or on foreign sources of income that effectively result in remittances being taxed indirectly. In Uzbekistan, for example, a bank's head office and each of its branches are treated as independent entities, meaning that remittances sent to branches are subject to a 10 per cent net profit tax.[3] In Samoa, some remittances are subject to taxes on worldwide source income.[4] The Philippines only recently removed its documentary stamp tax, which previously took in an estimated US$1.4 million from remittances monthly.[5]

AML/CFT regimes

At least minimum levels of AML/CFT regulations have been established in Asia. However, several countries have only recently adopted such provisions, including the Maldives, Tajikistan and Timor-Leste (2011), and Bangladesh (2012).

2/ World Justice Project, Regulatory Enforcement Index 2012-2013. Available at http://worldjusticeproject.org/factors/effective-regulatory-enforcement

3/ International Tax Review, Country Profile: Uzbekistan. Available at http://www.itrworldtax.com/Jurisdiction/142/ Uzbekistan.html

4/ Fikreth Shuaib, "Leveraging Remittances with Microfinance: Samoa Report," Australian Government Overseas Aid Program (AusAID), 2008. Available at http://www.ausaid.gov.au/Publications/Pages/564_9030_5946_1258_8278.aspx

5/ "OFW Remittances Now Exempt from Stamp Tax," Pinoy Abroad, 3 December 2010. Available at http://www.gmanetwork.com/news/story/207489/pinoyabroad/ofw-remittances-now-exempt-from-stamp-tax

Most Asian countries also have membership in an AML/CFT international body. China, India, Japan, the Republic of Korea and Singapore are full members of the Financial Action Task Force (FATF), but most countries are associate members via a regional body such as the Asia Pacific Group on Money Laundering (APG) or the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG). Of the 20 countries researched on regulations, only the Lao People's Democratic Republic does not have membership with an FATF-style regional body (FSRB).

However, simple membership in an international organization does not suggest any particular level of effectiveness of AML/CFT regime.

Characteristics of the Asian remittance industry

This section offers a characterization and mapping of trends in market competition among remittance service providers (RSPs), focusing on 35 RSPs operating in 20 Asian countries. These RSPs range from global businesses to small regional players, the majority of which operate in urban locations, with Western Union having the largest presence.

Payer composition, by country

	Network (Number)	Bank (%)	NBFI (%)	MFI (%)	C. Union (%)	Retail (%)	Forex (%)	Post (%)	Other (%)
Bangladesh	15 928	**79**		14				3	4
Cambodia	388	**74**		26					
China	11 9642	**82**						17	1
Fiji	379	39	2			30	11	6	12
India	95 830	**64**	10		1	3	3	6	13
Indonesia	12 512	47						51	2
Kyrgyzstan	5 129	**97**						3	
Lao People's Democratic Republic	170	44					1		55
Malaysia	4 965	**77**	3				5	12	3
Nepal	10 097	39	19	1	3	2	3		33
Pakistan	9398	**75**	1	1		1	1	10	11
Papua New Guinea	84	**80**					1	17	2
Philippines	47 117	42	38		1	13			6
Samoa	104	11	8			30	1		50
Sri Lanka	5 750	53	11	4	12	10		7	3
Tajikistan	5 959	**88**		12					
Tonga	86	26	18			30	0	1	24
Turkmenistan	32	**100**							
Uzbekistan	8 145	**100**							
Viet Nam	9 840	**80**				9	0	7	4
Average	**18 000**	**75**	**9**	**1**	**1**	**3**	**1**	**4**	**6**

Source: Manuel Orozco, The Market for Money Transfers in Asia: Scorecard Report, 2013.

Distribution network

A total of 352,000 payment points were identified in 20 countries researched. Well-established companies, such as MoneyGram, Wells Fargo and Western Union had the most locations. Banks comprised 75 per cent of payment points. However, in some regions, such as the Pacific, and particularly Fiji, Samoa and Tonga, retail locations comprise the majority of all payment points.

Banks are ubiquitous on the receiving end as payers of Asian remittances, but as originators they make up only 21 per cent of all RSPs sending to Asia. This characteristic distinguishes the region from other parts of the world. Moreover, all banks offering remittance-sending services have banks as their sole partner on the payout side.

Product and geographic scope

Remittance service providers offer a range of services, from basic cash-to-cash transfers to bank transfers, credit payments and other financial services such as bill payments. Some are adopting new technologies such as online transfers, mobile phone transfers and text message notifications.

The majority of RSPs surveyed offer both account and cash services and provide customers with several options for sending remittances. In addition, a large portion of RSPs offer online platforms for sending money. It is important to note that the RSPs that only provide cash-to-cash services mainly serve the Russian Federation-Central Asia corridor. Large international RSPs generally offer a wide range of services, including mobile platforms and online services.

For a full understanding of the characteristics of the remittance industry in Asia, it is important to consider the geographic scope of the RSPs in conjunction with their product offerings. Although a significant number of RSPs send money to Asia alone, a greater number serve multiple regions. Data obtained for this study suggest that large global RSPs do not necessarily offer the best overall service, but they do provide customers with a wide range of products and destinations.

Product range by RSPs in Asia and the Pacific

Product offered	Number of RSPs
Cash-to-cash only	7
Account-to-account only	2
Account and cash services	26
Online platforms	17
Mobile platforms	5

Source: Manuel Orozco, The Market for Money Transfers in Asia: Scorecard Report, 2013.

Geographic scope

	Number of RSPs
Global	13
Multi-regional	3
Regional	11
Single destination	8

Source: Manuel Orozco, The Market for Money Transfers in Asia: Scorecard Report, 2013.

Transfer costs

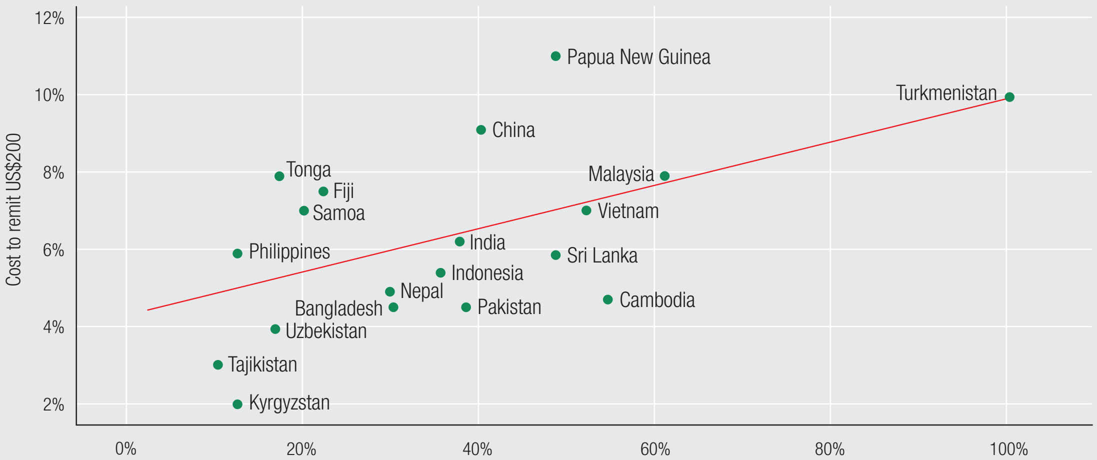
The total costs of remitting to Asia, which include transfer fees and exchange rate commissions, are somewhat below the world average. However, differences between subregions and among countries can be significant. For example, costs to the Pacific and China are considerably above the global average, while remittances to Central Asia are among the lowest in the world.

Remittance transfer cost as a percentage of total cost, by country and type of remittance service provider

Country	MTO	Bank	Credit card	Credit union	Post
Bangladesh	3.30	5.70			
China	9.10	14.20	15.10	19.60	12.00
Fiji	7.50	13.90	9.80		
India	6.20	13.30	15.10	19.60	12.90
Indonesia	5.40	7.90			
Kazakhstan	2.70				
Kyrgyzstan	2.00				
Lao People's Democratic Republic	7.00				
Malaysia	7.90	11.90			
Nepal	4.90	4.80			
Pakistan	4.50	9.10	15.90		4.00
Papua New Guinea	14.10				
Philippines	5.90	10.90	17.60		15.20
Samoa	9.20				
Sri Lanka	5.90				
Tajikistan	2.20				
Thailand	4.90				
Togo	6.50	18.60		19.60	9.60
Tonga	7.90	15.50	14.00		
Turkmenistan	5.00				
Uzbekistan	2.10				
Vanuatu	6.00	14.20	10.50		
Viet Nam	7.10	11.50	14.00	19.60	14.00

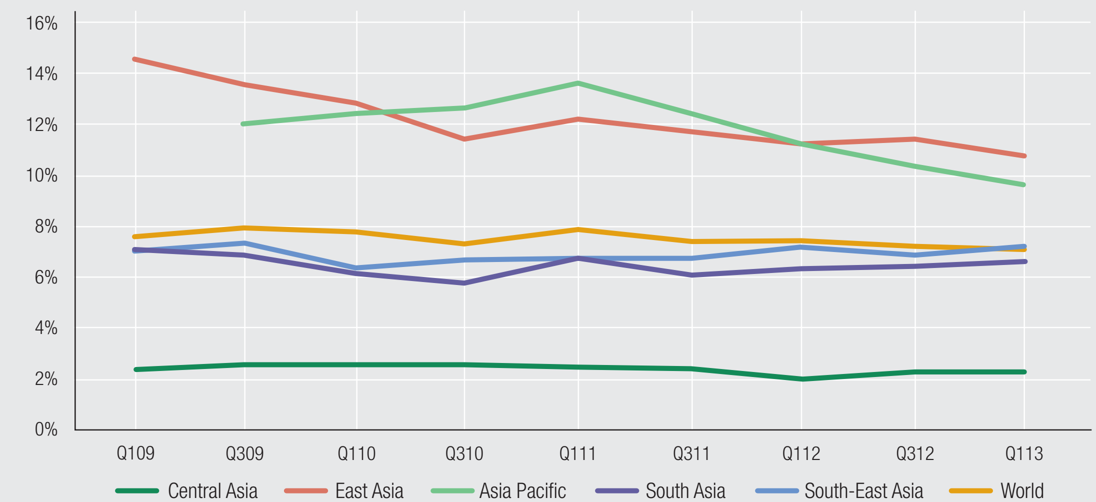
Source: Manuel Orozco, The Market for Money Transfers in Asia: Scorecard Report, 2013.

Dominant RSP's share of payout networks per country



Source: Manuel Orozco, The Market for Money Transfers in Asia: Scorecard Report, 2013.

Cost comparison of sending remittances in Asia and the Pacific



Source: World Bank, Remittance Prices Worldwide, 2009-2013.

This table shows the variations in the costs for remitting US$200 per country by the RSP with the highest payout network share. In the case of countries that show higher costs, such as China, payment points are mostly controlled by one or two dominant companies. The trend line also indicates a tendency in cost increase as the share of payout networks increases.

On a comparison basis, the costs of sending money to East Asia and Asia Pacific are the highest in the Asia and Pacific region and are above the global average. South-East Asia and South Asia have maintained their costs below the global average since 2009. Central Asia instead has maintained the lowest average costs not only in the region but also worldwide.

Section 4: Microfinance institutions, post offices and mobile operators

In addition to banks with their well-established financial networks of RSP agents, MFIs, post offices and mobile operators are all increasing their remittance operations in Asia.

Since MFIs and postal networks are typically present in rural areas, they are potentially significant actors in the remittance market. This is particularly relevant given the rural nature of the market in the region and the need to address the "last mile" challenges of payout locations. Furthermore, the advent of new technologies delivered through mobile networks is creating opportunities to expand the scope of this market.

However, several barriers still exist that limit opportunities for additional entrants. Regulatory frameworks and institutional capacity are two of the main reasons that these networks have not yet captured a significant share of the market.

…the advent of new technologies delivered through mobile networks is creating opportunities to expand the scope of this market.

The role of microfinance institutions

The participation of MFIs in the Asian remittance market overall has been limited. However, there are important exceptions to this general rule as highlighted in the table below.

Two main factors explain MFIs' low participation. First, regulations in most countries do not allow MFIs to perform foreign currency transfers, unless they participate as subagents of commercial banks or authorized entities. Second, most MFIs lack staff trained to meet regulatory compliance rules, have insufficient infrastructure to handle remittances, are deficient in data management systems and also face financial liquidity issues.

MFIs offering remittances

Country	MFI
Bangladesh	BRAC
Cambodia	PRASAC
India	Microfinance Ltd. 3SHARE CASHPOR Microcredit
Nepal	Chhimek Laghubitta Bikas Bank Ltd. Karnali Microcredit
Pakistan	Tameer Bank MFI The First Microfinance Bank Ltd.
Philippines	Alalay Sa Kaunlaran Inc. (ASKI) Santarjed Microfinancing
Sri Lanka	Regional Development Bank Ruhuna Development Bank
Tajikistan	FINCA Matin AccessBank Tajikistan

Source: Manuel Orozco, The Market for Money Transfers in Asia: Scorecard Report, 2013.

However, well-performing MFIs merit policy attention to enhance their potential engagement in remittances.

Total cost

In terms of cost, the results are mixed. In half of the countries studied, MFIs' costs are lower than average, whereas in the other half they are higher.

Average transfer costs

Country	Average (%)	MFI (%)	Difference (%)
Bangladesh	7.19	6.86	5
Cambodia	5.59	10	-79
India	6.39	6.2	3
Nepal	5.75	5.45	5
Pakistan	6.02	7.56	-26
Philippines	4.92	6.43	-31
Sri Lanka	5.68	5.02	12
Tajikistan	4	4.28	-7

Source: Manuel Orozco, The Market for Money Transfers in Asia: Scorecard Report, 2013.

National rural payout presence versus MFI coverage

Country	Average (%)	MFI (%)
Bangladesh	15.9	26.66
Cambodia	53.9	79.41
India	46.6	50.00
Nepal	68.2	100.00
Pakistan	42.1	32.76
Philippines	37.2	66.67
Sri Lanka	87.3	96.08
Tajikistan	83.8	85.34

Source: Manuel Orozco, The Market for Money Transfers in Asia: Scorecard Report, 2013.

…regulations in most countries do not allow MFIs to perform foreign currency transfers, unless they participate as subagents…

Rural presence

In most cases, MFIs are more present outside urban centres than are other RSPs.

Payer network

To compete effectively in the remittance market, MFIs need to build partnerships with national MTOs that offer competitive prices and have distribution capacity. The MFIs in the area have an array of penetration networks, with more partnerships leading to larger payer networks.

MFIs and their partners

MFI	Partner RSP	Total MFI coverage (%)
AccessBank	Contact, Leader, Migom, WU, Unistream	65
BRAC	MoneyGram, Samba Speedcash Now, Ria, WU	98
Chhimek Bank	MoneyGram, Prabhu Money Transfer, Ria	48
FINCA	Migom, MoneyGram, Unistream, WU	49
Karnali Microcredit	Ria	12
Matin	MoneyGram, Unistream	65
Microfinance Ltd	MoneyGram	37
PRASAC	Maybank	28
Santarjed Microfinancing	Western Union	12
SHARE MFI	Western Union	26
Tameer Bank MFI	MoneyGram	31

Source: Manuel Orozco, The Market for Money Transfers in Asia: Scorecard Report, 2013.

BRAC, in Bangladesh, has the highest penetration rate (98 per cent) due to its partnership with all but one of the RSPs working in the country. Other MFIs, such as AccessBank Tajikistan and Matin, also have penetration above 60 per cent due to their numerous partnerships. MFIs, such as SHARE, Microfinance Ltd. (India), Kamali Microcredit (Nepal), Santarjed Microfinancing (the Philippines), and PRASAC, have a penetration below 30 per cent, having only partnered with one MTO.

BRAC, in Bangladesh, has the highest penetration rate (98 per cent) due to its partnership with all but one of the RSPs working in the country.

Financial products

MFIs participating in the remittance market study demonstrate a wide range of services and client protection strategies. MFIs are increasingly offering an array of products and services beyond small-value loans. A majority now offer non-financial services such as health training, women's empowerment training, and life and crop insurance. All of the institutions are formal or semi-formal, some having to comply with banking laws and regulations, while others function as banks with special charters or as NGOs. A clear majority have over 70 per cent of their active borrowing clients living below the poverty line.

MFIs have yet to reach a competitive position in the overall market, but they continue to present themselves as promising players that could increase the competitiveness of the remittance market in their countries.

Post offices and remittances

With 660,000 post offices throughout the world, the global network of post offices is almost twice as large as the agent network of the world's largest money transfer company. Asia alone accounts for more than half of the world's post offices, having over 350,000[6] branches, of which, more than 200,000[7] are located in rural areas.

These can be seen as complementary to the existing banking sector, which, unlike the postal network, is mainly concentrated in densely populated urban zones. While postal networks conjure up images of mail and parcels, they have long played a vital role in facilitating financial transactions within and between nations. In fact, financial services often contribute between 60 and 80 per cent of a post office's revenue.

Post offices are the second most important payer in remittance transfers in Asia. They are operational in at least 12 Asian countries and are particularly strong in Indonesia, followed by China and Papua New Guinea.

In 2011, postal networks in Asia processed more than 50 million[8] remittances, with an estimated value of US$10 billion, about 4 per cent of the total of migrant remittances to Asia. In addition, a large number of domestic remittances are processed via post offices.

The role of post offices varies widely per country. In some Asian countries, the post office has been able to gain a market share of more than 20 per cent in delivering or sending migrants' money, while in other cases the market share is less than 0.20 per cent. Different business models for remittances are emerging, especially in respect of strategy, partnership-building and reaching the last mile.

In most of Asia, the postal network has long been involved in the delivery of basic financial services; foreign remittance payment therefore emerges as a natural development. This trend of offering a broader range of financial services can be seen in India, Indonesia, Kazakhstan, Kyrgyzstan, the Philippines and Viet Nam.

Payer network among post offices

Country	Share of all other networks (%)
Indonesia	51
China	17
Papua New Guinea	17
Malaysia	12
Pakistan	10
Viet Nam	7
Sri Lanka	7
India	6
Fiji	6
Bangladesh	3
Kyrgyzstan	3
Tonga	1

Source: Manuel Orozco, The Market for Money Transfers in Asia: Scorecard Report, 2013.

However, the competitiveness of businesses in the remittance market, particularly with respect to payout operations, depends on the players having the means and capacity to participate in this market. For the postal networks, this is not always the case.

In this regard, having financial liquidity, technical and technological capability, legal compliance expertise and an adequately trained staff are some of the key factors that ensure post offices' capacity to offer competitive services.

Asia alone accounts for more than half of the world's post offices, having over 350,000 branches, of which more than 200,000 are located in rural areas.

6/ Universal Postal Union statistics 2011.
7/ Universal Postal Union statistics 2011.
8/ Preliminary estimates; Universal Postal Union.

Postal networks are effectively at a turning point. Banks and other financial service providers are omnipresent and compete effectively in urban areas. There is scope for postal networks to control niche markets, but this requires not just significant investment in capacity but also a renewed focus on designing products that meet client needs and effectively marketing these products in the areas where post offices have a comparative advantage.

Mobile technologies and remittances

The promise of low-cost, instantaneous transfers of funds over large distances directly through mobile phones is one of the most exiting prospects in the industry today. Mobile telephony offers the prospect of cheaply connecting hundreds of millions of unbanked rural and low-income people to financial services.

Asia is the world's fastest-growing market for mobile financial services, which today reach practically every small town and small village on the continent. It represents a huge potential market, which can be accessed with limited investment in physical hardware, because clients are already carrying the tool(s) of their financial inclusion.

Mobile phones can be used to send money, check bank accounts, transfer money between accounts and pay bills. They can also be used to receive and store value, make purchases at retail stores, withdraw money, or a combination of all options.

Given that reducing costs is central to improving competitiveness, it is interesting that that mobile financial transactions cost about 2 per cent of the branch banking costs, 10 per cent of automated teller machine (ATM) costs and 50 per cent of internet banking costs.

MTO, banks and telecommunication companies play a leading role in Asia by allowing customers to receive, monitor and use money through their cellular device. To understand the extent, potential and limitations that mobile telephony offers in the remittance market, it is important to differentiate between types of mobile financial services.

Types of mobile financial services

Product	Description	Actors
Mobile services through money transfer operators	MTOs offer mobile platforms enabling customers to send money via mobile phone	MTOs
Mobile money (domestic/international)	These platforms enable customers to transfer funds between banks or accounts, deposit or withdraw funds, or pay bills, all via their mobile phone	Telecommunications companies, with occasional involvement of banks
Mobile wallet	This service allows customers not only to transfer funds (see above) but also to receive and store value	Banks and telecommunications companies
Mobile banking	Banking operations can be conducted via mobile phone	Banks, with some involvement of MFIs
Mobile at point-of-sale	Retail transactions occur via mobile technology	Variety of actors, including MTOs, banks, MFIs and telecommunications companies
Smartphone apps	Software applications that facilitate financial transactions via smartphone	Banks and MTOs
Mobile ATM	Customer uses cell phone to withdraw money, rather than card	Banks and MTOs

Source: Charmaine Oak, Sending Money Home to Asia-Pacific: Mobile Financial Services, 2012.

As the previous table indicates, there is a wide range of mobile financial services. Many large MTOs offer mobile platforms for customers to send money. In addition, many telecommunication companies offer mobile money services that enable customers to transfer money, pay bills and conduct other basic financial services. Mobile wallets are unique in that they allow customers not only to transfer funds, but also to receive and store money for future use. Mobile banking technologies allow customers to monitor their account balance and perform many other account transactions from the convenience of their smartphone. Additionally, some mobile devices allow customers to receive money from ATMs cardlessly as well as to pay for goods and services at retail locations.

Sending money with mobile technologies

Out of the 35 surveyed RSPs in this study, 21 offered mobile platforms for sending money. Based on their payment networks, 98 per cent of total payment points could be reached through mobile remittance-sending technology. Of a variety of remittance service providers sending to Asia, banks and MTOs offer the most mobile services.

Geographically, a number of corridors have mobile remittance options. The Pacific region has particularly strong coverage, while in Central Asia mobile money is nearly absent due to very limited mobile coverage by RSPs operating in the Russian Federation-Central Asia corridor.

Overall, there are to date over 160,000 unique payment points by RSPs in the Asia and Pacific region, with mobile services covered by both large and small RSPs.

In corridors where RSPs with mobile services compete with those not offering these services, the cost of sending remittances by RSPs with mobile services tends to be lower. In the Australia-New Zealand to Oceania corridor, the average cost of sending by RSPs with mobile services was 9 per cent, as opposed to 10 per cent for the corridor average. More significantly, 75 per cent of RSPs offering mobile services in this corridor had prices below the corridor average.

Receiving money through mobile technologies

On the receiving side, mobile technologies for remittances are still developing. The existing technologies are mainly offered by banks and telecommunications companies. Banks comprise 75 per cent of all remittance payout points in Asia, suggesting that they are well poised to offer mobile recipient services. However, the remaining 25 per cent of payout locations, consisting of MFIs, credit unions, retail stores and post offices are only beginning to develop mobile technologies for their clientele.

Regulators throughout the region have undertaken initiatives to clarify the regulatory status of mobile financial services, removing uncertainly and encouraging investment. Rather than being prescriptive, leading countries such as the Philippines have created frameworks that establish guidelines while still allowing the market to innovate.

The long-term success of mobile financial services, however, is dependent on the development of economically sustainable business models, and this remains a challenge.

…many telecommunication companies offer mobile money services that enable customers to transfer money, pay bills, and conduct other basic financial services.

Remittance service providers with mobile services, by corridors

RSPs with mobile sending tools	RSP type	Corridor	Payment points (Number)	Cost to send (%)	Average cost for corridor(s) (%)	Average rural payout coverage (RSP) (%)	Average rural payout coverage (%)
Al-Rajhi Bank	Bank	Saudi Arabia – Bangladesh	270	10.16	7.19	17	16
ANZ Bank	Bank	Australia/New Zealand – Oceania	40	13.24	10.27	60	27
CitiBank	Bank	United States to China, India	117	0	8.11	9	34
Digicel Mobile Money/Klick-Ex	MTO/Telecom	Australia/New Zealand – Oceania	264	2.14	10.27	80	27
East West Bank	Bank	United States – China	34 511	15.72	9.83	16	21
HSBC	Bank	Multiple (Asia)	195	0	7.42	13	53
iRemit	MTO	United States – Philippines	7568	5.09	4.91	34	37
Maybank	Bank	United States – Cambodia; Singapore- Malaysia	533	10	6.36	52	54
MoneyGram	MTO	Multiple (Asia)	66 157	6.92	7.42	36	53
MoneyTrans	MTO	Netherlands – Indonesia	4039	6.45	12.76	44	33
M-Paisa (Vodafone)	Telecom	Australia/New Zealand – Fiji	29	7.82	9.92	69	73
Philippine National Bank	Bank	United States – Philippines	565	4.77	4.91	29	37
Prabhu Money Transfer	MTO	United States – Nepal	1687	3.59	5.75	80	68
Ria	MTO	Multiple (Asia)	15 620	10.01	7.42	38	53
SAMBA Speedcash Now	MTO	UAE – Pakistan, Bangladesh	3 420	3.78	6.09	29	29
UAE Exchange	MTO	Multiple (Asia)	1 362	5.27	7.42	78	53
Unistream	MTO	Multiple (Asia)	6218	4.29	7.42	60	53
Wells Fargo	Bank	Multiple (Asia)	34 008	7.2	7.42	23	53
Western Union	MTO	Multiple (Asia)	120 306	6.98	7.42	39	53
Westpac Bank	Bank	Australia/New Zealand – Oceania	39	22.87	10.27	77	27
Xoom	MTO	United States to India, Philippines	38 284	6.57	5.65	45	42
Average	**MTOs, banks**	**Variety of corridors**	**335 232**	**7.28**	**7.82**	**44**	**43**

Table notes: Average of the above-mentioned corridors.
Cost to send:The overall average cost of sending to Asia is 7.28 per cent in 20 surveyed Asian countries.
Average cost for corridor(s): Average cost of sending US$200, or the appropriate equivalent given the remittance corridor. Data collected December 2012-March 2013.
Based on survey of 35 RSPs operating in 20 Asian countries.
Average rural payout coverage (RSP): Urban is defined as being located inside the city limits of the capital city and any city with more than 100,000 inhabitants.
Average rural payout coverage: Average of all RSPs operating in destination country or region.

Source: Manuel Orozco, The Market for Money Transfers in Asia: Scorecard Report, 2013.

Section 5: Financial inclusion

The vast majority of remittances are cash-to-cash transactions. This is because the vast majority of remittance senders and receivers live and work outside the world's financial system. Remittance-receiving families remain excluded because traditionally banks are, for the most part, not interested in having them as clients and, in turn, they often feel uncomfortable, or even distrustful, of banks.

Consequently, these families lack access to the types of financial products that could leverage the impact of remittances both for them and for their communities. Thus, individual remittance recipients may enter an Asian bank several times each year to collect their cash, but they are never offered the possibility of a savings account, a small loan or an insurance product. Promoting the financial inclusion of these families has long been a development community goal, but one that has proven difficult to achieve.

However, there has been some progress in recent years as MFIs have proven that there is a sustainable and profitable commercial market in providing financial access to the poor. Banks should re-examine their traditional assumptions that remittance-receiving families are either too poor or too risky to warrant attention as potential customers. Outreach of banks to remittance families in Latin America and East Africa have already demonstrated this business model.

There have also been some positive examples recently in Bangladesh and the Philippines where programmes and mechanisms have been developed to turn remittances into assets.
Key to the success of any financial inclusion effort is an equal commitment to financial education enabling remittance recipients to have a better understanding of the advantages and opportunities that could be available to them. A particularly effective financial education effort was the recent launch of a European Bank for Reconstruction and Development-financed project for remittance-receiving families in Kyrgyzstan and Tajikistan.

An innovative approach to diaspora investment was also undertaken in the Philippines when a major NGO working with remittance-receiving families, Atikha, developed a programme to invest in an agricultural cooperative. The programme was able to offer a guaranteed 6 per cent rate of return, plus a share of any profits. Approximately one in every five remittance-receiving families in the programme invested in the cooperative.

Given the opportunity, and with access to the appropriate tools and mechanisms, remittance-receiving families have shown enthusiasm for saving and investing. Public-private partnerships to reach these goals are an important part of any programme designed to leverage the development impact of remittance flows.

Methodology

This report is the third in the "Sending Money Home" series of reports. The reports are intended to provide policymakers, market players and regulators with an overview of the basic information regarding the most important topics facing the region's remittance marketplace.

The information gathered for the report reflects a combination of desk studies and fieldwork, and draws on data from Central Banks, Developing Markets Associates, IFAD, the Inter-American Dialogue, the International Monetary Fund, the World Bank, the World Savings Bank Institute and from surveys conducted in the field.

Urban versus rural areas

Defining an "urban area" in a way that aligns with available information on populations and payout locations is challenging. Population data are available for cities with more than 100,000 inhabitants in nearly every country. Additional data are available for many major cities on the size of the population in the city proper and the suburban fringe. Data on remittance payout locations, by contrast, are only available by the name of the city where the paying institution is located. Thus, this report used the definition of urban to maximize allowance of the information available under both classifications: including cities of more than 100,000 people and limiting spatial boundaries to the city proper.

A note on sources

This report is the product of a research process involving several primary and secondary sources. These are the main sources utilized in each section:

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For further information regarding the methodology employed in this report, please visit **www.ifad.org/remittances** or contact **remittances@ifad.org**

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DU GRAND-DUCHÉ DE LUXEMBOURG
Ministère des Finances

CGAP

IDB

MIF
Multilateral Investment Fund
Member of the IDB Group

UNCDF

IFAD

International Fund for Agricultural Development
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