Financial Intermediation of Remittances around the World and Lessons for Bangladesh

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Abstract

Migrants' remittance plays a significant role in the economic development of developing countries. Remittances received from migrants is one of the greatest source of external finance for many low/middle income countries and it ensures the foreign currency reserve for those countries. All the countries in the world are somehow involved in the migration process. Some of the countries are labor sending countries, some are receiving, or both and many others as transit countries. Financial intermediation process through remittances offers multiple benefits to both the senders and recipients. The intersection between remittances and financial intermediation can ensure the better economic development of Bangladesh. However, the full developmental potential of remittances in Bangladesh is far from being realized. The main reason is that most of the financial institutions in Bangladesh yet to develop a good number of remittance based products to tap the remittances into financial system. Therefore, this paper intends to identify remittance based products around the world and take it into the account for developing some products in Bangladesh. The study mainly based on the secondary data and information. The findings of the study revealed that several countries in the world have developed different remittance linked products and services for tapping remittances into financial system and they are getting significant benefits from them. From the international experiences this paper provides some suggestions to develop such products in Bangladesh for adopting new opportunities.

Keywords Remittances, Financial Intermediation, Products and Services Development, Bangladesh.

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1. Introduction

Remittances constitute that portion of earnings international migrant workers sent to their home countries from the country of employment. Remittances received from migrants is one of the greatest source of external finance for many low/middle income countries and it ensures the foreign currency reserve for those countries. For many developing countries, migrant remittances provide valuable financial resources, the remittance flows occupy the second place after foreign direct investment and also larger than some official development assistance (Ratha, 2003; Bagasao, Piccio, Lopez and Djinis, 2004). Remittance flows ensure the benefits of recipient households in many ways. For example, it helps to reduce poverty to a satisfactory level and inequality and increase consumption those subsequently rise social wellbeing. Generally, the financial development through remittances depends on the extent that money transferred by the migrants through financial institutions make the recipients to demand other financial products and services of the institute that they might not have otherwise (Orozco & Fedewa, 2006).

The financial system of the receiving country can be developed through remittances when financial institutions are able to create the demand of their remittance based products and services to accommodate this cash inflow. When the remitters send money to their family through the formal channel, most of the money their recipients utilize for consumption and a small portion goes to the savings and investment purposes. Thus, financial institutions have less scope to transform this amount into the financial intermediation (Choudhury & Habib, 2010). Commercial banks can play the significant role to receive remittance by using different channels but they are not yet developing a good number of targeting products for the remitter to tap their money for financial intermediation. Remittances are increasingly attracting the attention of policy makers and financial/banking institutions especially the role of policy makers, banks and financial institutions are getting critical for the mobilization and transformation of remittances into productive and efficient use (Choudhury & Habib, 2010).

The amount of remittance receiving through formal channel is transferred to intermediation largely depends on the utilization of remittances. Studies show that remittances are mainly utilized to fulfil the basic needs. Orozco (2008), revealed that in most of the Latin American countries more than 80 percent of the recipients utilized their remittances to cover their basic costs. On the other hand, 9 to 10 percent of the remittance receivers in Colombia and Ecuador used their remittances for enjoyment. Another study done by Cohen (2005) claimed that in Mexico around 8 percent of remittances goes to the business start-ups or investments purposes whereas the majority of them used for daily and household expenditure. According to Hasan (2009), the recipients receive average Tk. 252,435 ($ 3606) remittances annually. It is evident from his study that almost 60% remittances are utilized for non-productive purposes; investment in business enterprises goes to 5.91% and the contribution to savings was only 8.70% in the form of deposits and some savings instruments. So, it is clear that only a small percentage of remittance mobilization goes to the financial system and it may happen due to the lack of availability of remittance based products and services of financial institutions and their effective marketing. Thus, in order to tap the remittances into the financial system it is necessary to develop a good number of remittance based products and services as well as to communicate the facilities to the remitter and their beneficiaries.

Nowadays, Bangladesh is becoming one of the major labor sending countries in the world. Currently, Bangladesh has almost 9.5 million people those who are working in 160 countries across the world and are sending remittances (Sohel, 2015, April 20). Among them a high percentage of workers are unskilled. Along with unskilled workers, there are a good number of skilled and semi-skilled workers working abroad. According to Bruyn & Kuddus (2005), majority of migrants from Bangladesh is unskilled, and generally originates from semi urban or rural areas. In the fiscal year 2014-15, the amount of money sent by 9.4 million migrants was $15.31 billion (Tasin, 2015). The same report also argues that almost the similar amount sent through unofficial channels in every year. However, the direct contribution of the Bangladeshi migrants' remittances towards the national development is not satisfactory due to the utilization pattern of the remittances (Choudhury & Habib, 2010). In this connection, financial institutions of Bangladesh can take necessary steps to formulate some innovative products and services for tapping remittances into the productive sectors in order to develop the sound economy. Thus, if financial institutions can offer different financial services to the recipient families then the scope will be created to transform remittances into the channel of investment which ultimately ensure the production of different goods and services (Choudhury & Habib, 2010).

2. Objectives of the Study

The study mainly intents to identify different remittance based products existing all over the world and how such remittance based products can be developed in Bangladesh by taking into the account of world experiences. Because developing the remittance based products helps to tap the remittances into the financial system and can easily contribute to the economic development as a whole. Some other specific objectives of the study are:

(i) To explore the theoretical aspects of the need for developing remittance-based products

(ii) To identify different remittance based products available in the world

(iii) To point out current remittance mobilization scenario and remittance linked products in Bangladesh, and finally

(iv) To provide some suggestions for adopting world experiences to develop remittance based products in Bangladesh.

3. Research Methodology

The study is mainly based on the secondary data and information. However, in order to accomplish the study objectives some information have been collected from primary sources. These information includes some unstructured interview about the present status of remittance inflow, its utilization, develop product by financial institutions to tap and transfer it to the financial intermediation. In order to collect secondary data and information, published literature and research papers were reviewed to complete theoretical background and websites like BMET, BAIRA, RMMRU, World Bank, Bangladesh Bank, IOM, and INAFI etc. were visited.

This paper is divided into eight sections. Section I started with a brief introduction. Section II discusses about the objectives of the study. The research methodology is shown in section III. Section IV highlights the current trends of remittances: Global and Bangladesh Perspectives. Section V presents the need for developing remittance-based products and services. Section VI identifies the remittance based products across the world and status of Bangladesh. Section VII presents adopting world experiences for developing remittance based products in Bangladesh. Finally, Section VII deals with the concluding remarks.

4. Current Trends of Remittances: Global and Bangladesh Perspectives

4.1 Global Trends of Remittances

According to United Nation data, the total number of migrants working internationally has increased over the last 10 years from an estimated 150 million in 2000 to 244 million in 2015 which is about 41% high in compared to 2000 (United Nation, 2016). The share of migrants out of total population in the world reached 3.3 percent in 2015 which is 2.8 percent higher than 2000. As the number of migrants has increased, the amount of money that sent by them to home countries has also increased. This dramatic increased of remittances goes up from US$ 132 billion in 2000 to US$ 610 billion in 2016 (United Nation, 2016). The main reasons driving such growth of the world remittance market are increasing urbanization, high economic growth, rising the number of employment and high growth of international migrant. The US was the largest source country of remittances with $56 billion in outward flows in 2014, followed by Saudi Arabia with $37 billion and Russia with $33 billion (Sohel, 2015, April 20). Among all the remittance receiving countries, India was the largest with $70 billion in 2014, followed by China with $64 billion.

In 2016, US$ 459 billion in remittances was expected to go to developing countries – representing about 75 per cent of total remittances (Table-1) (Ratha, De, Dervisevic, Plaza, Schuettler, Shaw ... & Yousefi, 2014). It is also expected that the formal and informal remittances could be around three times than the size of official development aid for some developing countries. Quarterly and monthly data reported by central banks of various countries indicate that officially recorded remittance flows to developing countries reached $418 billion in 2013 (Ratha et al. 2014). South Asia achieved a growth of 2.5% of remittance flows in 2013, which was estimated be reached at 4.7% growth in 2016. On the other hand, middle-income and low-income countries have experienced 3.6% and 4.4% growth in remittance flows in 2013 (Ratha et al. 2014). Table- 1 shows outlook for remittance flows to developing countries.

Table-1: Outlook for remittance flows to some selective regions, 2010-16 (Amount in US$ billion)

	2010	2011	2012	2013[e]	2014[f]	2015[f]	2016[f]
All developing countries	334	373	403	418	436	440	459
South Asia	82	97	108	111	116	120	126
Low-income countries	24	28	31	33	35	35	38
Middle-income countries	310	345	372	385	401	405	421

e= estimate; f=forecast

Source: Ratha et al., 2014

In 2014, India was the highest remittance recipient country in the world with US$ 70 billion inflows (Sohel, 2015, April 20). Other countries like China, Philippines and Mexico retain their position as the next top recipients of remittances in terms of volume (Figure 1). Other large recipients among top ten countries include Nigeria, Egypt, Pakistan, Bangladesh, Vietnam and Lebanon. United States, Saudi Arabia, Germany, Russia and the United Arab Emirates were as like before as the top five migrant receivers' countries (Sohel, 2015, April 20).

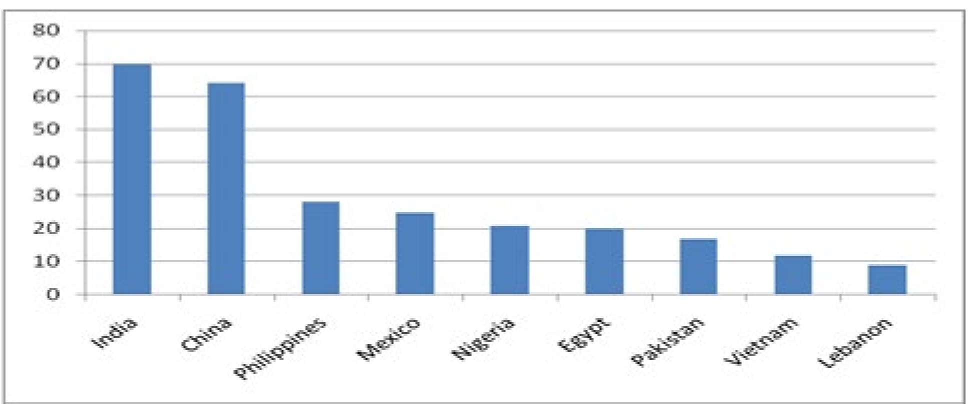

Figure-1: Top 10 Remittance Recipients in the world during 2014

Source: Dhaka Tribune (2015)

4.2 Remittance Flows to Asia

Asia is the leading remittance recipient region in the world. Among the Asian countries, India and China are the top remittance recipients receiving US$70 billion and US$64 billion in 2014 respectively (Sohel, 2015, April 20). Among other top remittance recipient countries in Asia are Philippines (US$ 28 billion), Pakistan (US$ 17 billion), Bangladesh (US$ 14.23 billion), Vietnam (US$ 12 billion) (Sohel, 2015, April 20).

4.3 Remittance Flows to Bangladesh

Bangladesh is one of the huge labor surplus countries in the world (Sohel, 2015, April 20). The country's attempt to receive foreign currencies by exporting surplus labor has revealed a remarkable success. A sizeable number of Bangladeshi manpower is employed in different parts of the world including the Middle East. A total number of 9.4 million Bangladeshi workforces went overseas during 1976 to 2015 (Sohel, 2015, April 20). Since the inception of workers' migration to overseas, the number is increasing steadily in every year. These expatriate Bangladeshis are sending huge amount of remittance every year which is helping to run the wheel of economic growth as well as preserving foreign exchange reserve.

In the recent years, worker's remittance flows to the country show significant growth. Reasons for this growth of remittance flows are skilled manpower export and creation of improved facilities for remitters. In the fiscal year 2014-15, remittances sent by Bangladeshi migrants stood at US$ 15.31 billion showing 7.6% high than the previous fiscal year (Sohel, 2015, April 20). Figure-2 shows the trend of remittance inflows to the country during 2008-2015. While in fiscal year 2008-09 only US$ 9.69 billion of remittance received by the country through formal channels, this number increased to around 12.84 billion in 2011-12, around 14.22 billion in 2013-14 and, US$ 15.31 billion in 2014-15.

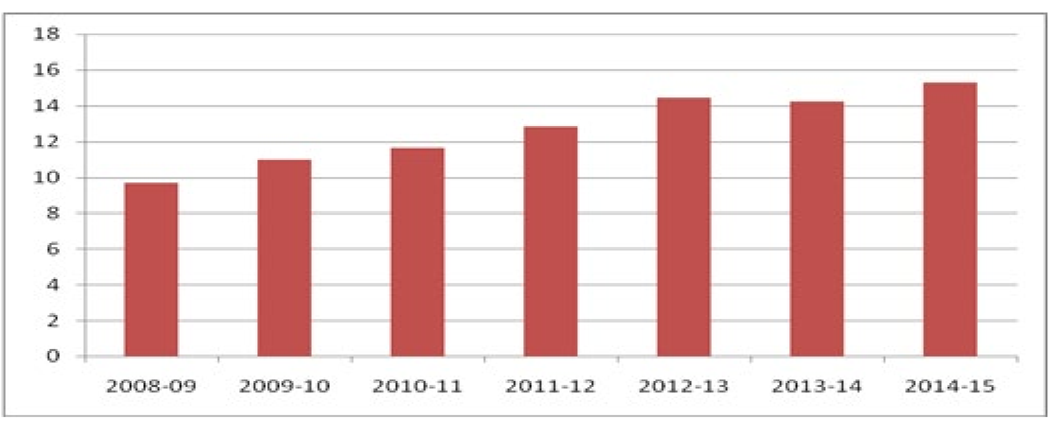

Figure-2: Trends of Migrants' Remittance to Bangladesh during 2008-2015 (US $ in Billion)
Source: Bureau of Manpower, Employment & Training (BMET) and Bangladesh Bank

Out of all the Bangladeshi migrants in the world, Kingdom of Saudi Arabia (KSA) has about 28.2% which is the highest among all countries (Sohel, 2015, April 20). According to the statistics of BMET (up to end of June 2015), more than 2.6 million Bangladeshi migrants work in KSA. As per Bangladesh Bank data, the total remittance received from the migrant working in KSA was recorded \$3.12 billion in fiscal year 14. UAE is the second destination for Bangladeshi migrants where more than 2.3 million migrants work and in the same fiscal year they sent \$2.68 billion remittances. The third destination was Oman with 10.7% of total Bangladeshi migrants and the number of workers at the end of June 2015 reported as more than 1 million. In fiscal year 2014, total remittance received form Oman was \$0.7 billion. Besides, Malaysia and Singapore were the notable destination for Bangladeshi migrants where about 7.14 lakh and 5.6 lakh workers works respectively (up to June 2015). The remittance sent by the migrants from Malaysia and Singapore stood at \$1.06 billion and \$0.43 billion respectively in FY14. In addition to that Kuwait and Qatar has 5.2 % and 4.4% of total Bangladeshi migrants, brought in \$1.1 billion and \$0.26 billion in FY14 (Sohel, 2015, April 20).

The main source of remittances of Bangladesh is the Middle Eastern counties which accounted for about 60% of the total remittance flows to the country in the fiscal year 2014-15 (Sohel, 2015, April 20). According to figure 3, migrants living in Kingdom of Saudi Arabia (KSA) contributed the highest amount (22%) of remittance followed by UAE (18%), Kuwait 7% and Oman 6%.

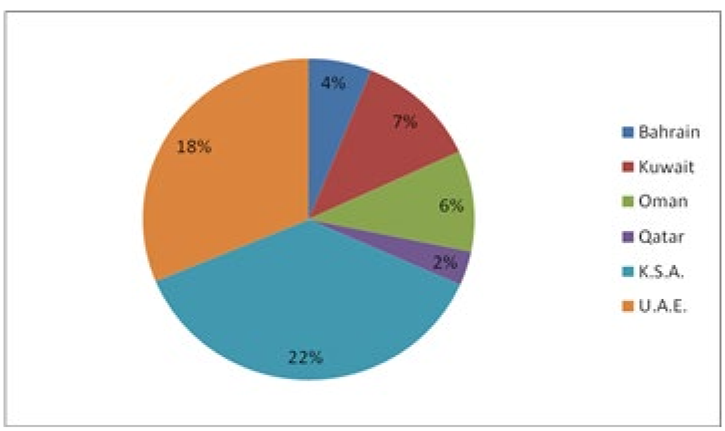

Figure 3: Percentage of remittance inflow in Bangladesh from Middle Eastern countries in 2014-2015
Source: Foreign Exchange Policy Department, Bangladesh Bank

Banking sector in Bangladesh is now heavily involved in remittance mobilization and provides some remittance-based services/products (viz., remittance transfer, deposit/loan products etc.) to migrants. In the year 2015, total banking sector mobilizes US$1307.8 million (BangladeshBank, 2015) and bank group wise distributions are shown in Figure 4. According to Figure 4, the group of private commercial banks mobilizes the highest remittances of US$ 883.99 million in 2015 followed by the state owned commercial banks. Among all the banks involved in remittance mobilization activities in Bangladesh, Islami Bank Bangladesh Limited collected the highest amount of remittances during 2015 (US$ 321.25 Million) followed by Agrani Bank Limited (US$ 139.10 million). Among the foreign commercial banks, Standard Chartered Bank collected the highest remittances (US$ 7.58 million).

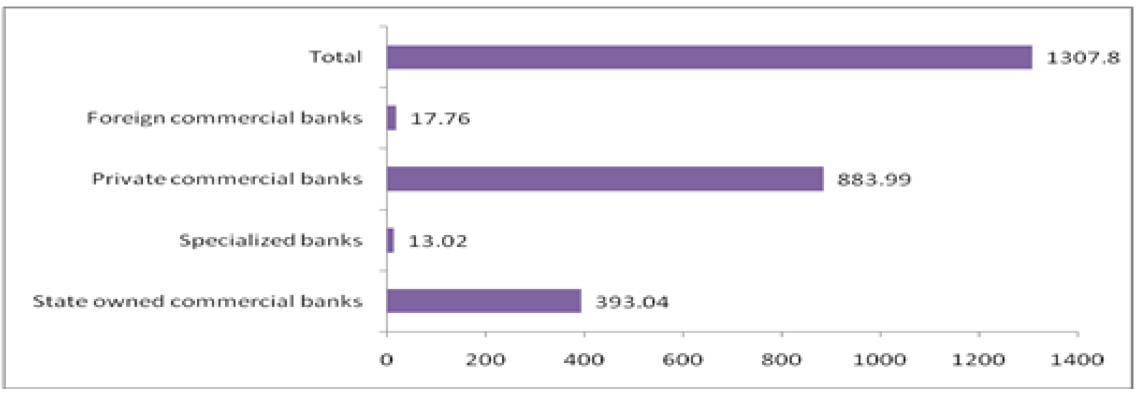

Figure-4: Bank Group wise remittance collection in 2015 (Million US$)
Source: Foreign Exchange Policy Department, Bangladesh Bank

5. Need for Developing Remittance-based Products and Services

There is a close tie between remittance and socio-economic development of a country. In fact, remittance has some positive impacts on the economic development particularly on income and employment generation on the source countries by accelerating investment and growth. Murshid, Iqbal and Ahmed (2000) and Bruyn and Kuddus (2005) document that remittance also significantly positively affects many macroeconomic variables such as growth, poverty reduction, social security, balance of payment particularly in developing countries besides increasing employment opportunities. According to Orozco and Fedewa (2006), transferring remittance through financial institutions in developing countries may create scope for access to such financial products and services to the remittance recipients who might not have otherwise been entitled to get the products and services.

Remittances can also increase the national income of the remittance recipient countries. Remittances have multiplier impact on the national economies as the remitted money spent in the local markets creates demand for goods and services for which industrial set up and operations are required. This creates employment opportunities which subsequently would lead to overall economic development of a country. In addition to the above direct benefits, remittances also have some high level of social returns which are attained through making investments in education, spending for better health and creating new business ventures by the remittance recipient households. Another significant positive impact of remittance is that it improves countries' rating as well as increases foreign currency earnings. Good sovereign rating and foreign currency reserve would increase the capacity of a country to access to international capital markets for raising capital for development initiatives. But the contribution of remittance to socio-economic development depends on its (remittance) utilization pattern.

A good number of literatures about the utilization pattern of remittances are available in theory. Majority of the published literatures about utilization of remittances has found a common feature. Irrespective of the country, significant portion of remittance is mostly used for day to day expenditures such as foods, cloths healthcare etc. Russell (1992) and Lipton (1980), find that beneficiaries spend the remitted money for instantaneous consumption. After meeting consumption demand, people utilize remittances for purchasing land and also acquiring other assets for housing (Taylor, 1992). Ketkar and Ratha (2001) in their study on Brazilian people find that people use remittance as collateral for raising capital by issuing bond. Adams (1998) conducted a study on Pakistani households and finds that their savings propensities from remittance income are higher than those from other sources. Another study by Lucas and Stark (1985) has highlighted that people utilize remittances to repay migration costs and also spend for education. Poirine (1997) observes that remittances are used for imbedded loan provisions among family members. In order to understand the pattern of utilization of remittances, Delgado and Siri (1995) conducted a study on the households of the Dominican Republic and El Salvador. They find that people use remittances firstly for basic household expenditures and remainder for improving the living standard through ensuring better housing, education, supplementary consumption and debt settlement. In Bangladesh, study of Hasan (2009) finds that when the remitters send money to their family through the formal channel, most of the money their recipients utilize for consumption purposes and a small portion goes to the savings and investment purposes.

Garni (2008) argues that nearly 70% of remittance flows to El Salvador goes to basic consumption basket i.e., food, utilities, and clothing and remaining 30% goes to education, health care and housing. A very tiny portion of the remittances constituting 5-7% is devoted to savings or investments. Although urban-rural dimensions do not have any significant difference in usage of remittances, women prefer to spend the remitted money more on education and healthcare purposes. Another survey by Durand, Drettakis and Puech (1996) on Mexican households shows that consumption is the first preference of their remitted money (76%) followed by housing expense (14%) and productive purpose (10%).

The findings of the above studies worldwide clearly indicate that only a small proportion of remittances is used for productive purposes such as income-generating activities, productive assets (land/machine tools) creation, business initiation or other activities having multiplier economic effects. Nonetheless, a strong positive relationship exists among remittance, savings, investment and economic development. No matter whether remittance is used for productive purposes directly by the individual or through financial institutions by means of intermediation, it would accelerate economic growth of the recipient country. As mentioned earlier, beneficiary can use the remitted money to buy productive assets, which in turn can be kept as collateral to get access to credit facilities. It is imperative that countries having congenial investment environment can employ the remittance inflows for business purposes by reducing credit constraints which would ultimately help developing entrepreneurship.

IOM study (2000) reveal that national income would increase by Taka 3.33 million due to increase in remittance inflows by Taka one million to a country. IOM study also documents that remittance has a strong positive influence on consumption, investment, GNP and imports. Thus, if financial institutions can design and offer different remittance-based products and services to the recipient families, it would ensure economic development both for individuals and the nation as a whole. Yet not satisfactory, some development is found regarding tapping remittances by financial institutions through various remittance-based products and services around the world. Some developing countries such as Mexico, Egypt, Brazil, Guatemala, El Salvador, Turkey, and Kazakhstan have been successful to attract the remitters through intermediating and offering stimulatory banking products and services (IOM, 2000). As there is huge inflow of remittance in Bangladesh every year, financial institutions have enormous opportunities to mobilize and tap this remittance by designing and offering various products and services targeting the migrants.

6. Remittance Based Products across the World and Status of Bangladesh

Remittances can play crucial role for developing not only the receiving country's financial system but also the economy as a whole, by creating demand for financial products and services and a motivation for financial institutions to mobilize the remitted money to productive sectors through lending. Remittances can bring people into the formal financial system. Intermediating remittances into financial system accelerates the economic development of the recipient country by transforming the remitted money into productive sectors through acquisition of assets and opening access to banking products and services. The precondition of tapping remittances into financial system is warranting the migrants' access to formal financial institutions. Reduction in transferring remittances inspires the remitters using formal financial systems which in turn may extend access of the unbanked remittance based clients to other banking products. The World Bank researcher Michael Klein opines that lowering transferring cost of remittance by 5% may save remitters by $12 billion in a year. This amount is roughly equal to transferring all of the World Bank's International Development Agency's credits and grants directly to remittance households. The World Bank also forecasts that remittance inflow would increase by 0.22% by decreasing remittance cost by 1%. Not only costs but also remitters, while choosing a service provider (MTOs/Banks/FIs), look into several issues such as safety, ease, timeliness, geographic availability, and payment routes etc. As observed by Orozco and Hamilton (2005), the initiative and resources of financial institutions, distance to MTOs offices, market place, transmission technologies, advertisement, and efficiency of providing other financial services are vital for tapping remittances and building long term business relationship with the remittance clients.

Remittance-service providers in many Latin American and other developing countries are conscious about clients' satisfaction. They first try to focus on rapport building with customers and subsequently turn the relation into long-term. As the first effort to build relationship with migrants, banks and financial institutions in these countries provide innovative transfer services to the migrants (Orozco, 2007). For instance, Salcaja, a Micro Finance Institution working in Guatemala, is providing remittance transfer services since 2001 via VIGO, a member of the national Federation of Savings and Credit Cooperatives (Federacion Nacional de Cooperativas de Ahorroy Credito de Guatemala – FENACOAC), through 28 members cooperatives and 104 branches across the region (Orozco & Fedewa, 2006). Salcaja's average monthly number of remittance transfers in 2004 were1000 totaling over US$29.6 million (Orozco & Fedewa, 2006). As Salcaja does in Guatemal, numerous banks and financial institutions in Latin America and some other developing countries are offering many remittances-based attractive products and services. Examples include Wells Fargo & Banamex (Mexico) that have hosted innovative transfer products. Some of the popular products and services are 'InterCuenta Express' by Wells Fargo & Banamex, 'Globe G-Cash Service' by Globe Telecom & Western Union (Philippine), 'Chauchera Smart Card' by Banco Solidario (Ecuador), 'Postal Pay' by Postal Corp. of Kenya (Kenya) and CASHOME by Singapore Post. The following table (Table-2) provides a list of remittance-based transfer services. Most of these transfer products have got excellent responses by the migrants.

Table-2: Remittance-based Innovative Transfer Products across the world

Institutions (Country)	**Products**	**Description of Products**	**Result /Learning**
Wells Fargo & Banamex (Mexico)	InterCuenta Express	Account-to-account system to transfer funds to Mexico via ATMs and branches. Large distribution network and special debit cards linked to remittances.	
ICICI Bank (India)	Rural remittance service pilot program	Pilot program employed low-cost ATMs and rural kiosks with internet connectivity; financial literacy education; financial services. Linkages will also be offered with savings, investment, and insurance products.	There is a large, untapped, rural market that needs tailored financial products.
Banco Salvadoreno (El Salvador)	Salvadoreño Emprendedor program (debit cards)	Account-to-account transfers linked to ATMs and special debit cards for small business owners; internet/telephone bill paying; remittance-based loans, savings accounts. Clients can borrow up to 80% of last 6 months'	9,000 debit cards issued to remittance-receiving small business owners.
Afripayments/ Postal Corp. of Kenya (Kenya)	PostaPay	Allows migrants to send funds directly for school tuition payments (with a toll-free call or online).	
TMB/UAE (India/Gulf countries)	Money transfers	Allows non-resident Indians in Gulf region to send rupees through web-enabled service	

Institutions (Country)	Products	Description of Products	Result /Learning
Singapore Post/BNI (Singapore/Indonesia)	CASHOME	Fast, convenient, secure remittance service that allows the sender to remit money into a recipient's bank account maintained with BNI in Indonesia.	

Source: Comstock, Iannone & Bhatia (2009)

In Dominican Republic there are several MTOs that have introduced some value-added remittance-based products in the market (Suki, 2014). Two very popular products to migrants are 'Cashpin' (details in appendix box-1) card and the forthcoming BHD.

Financial institutions, in most of the countries around the world, offer simply remittance transfer services to the migrants. But besides providing transfer services, it is key to offer other remittance-based products/services to the remitters for eventually transforming the remittances into financial intermediation. In this regards, banks/FIs may offer different types of bank accounts targeting the remitters. In addition, providing loans of all category. Banks/FIs may capture lucrative amount of additional profit by providing other cross-selling products along with the transfer services. As remittance based services have potentials for future businesses, in many countries, banks/financial institutions have launched both traditional and state-of-the-art remittance-based products such as savings accounts, check-cashing services, credit products, home and education loan products, insurance products, and small business credits etc. Remittance based services help selecting good borrowers as credit histories established through prior banking relationships are particularly important for financing investments in small enterprises. Some such examples are seen in Sub-Saharan Africa. The African Export-Import Bank has such a financial scheme named 'Financial Future-flow Pre-financing Program' under which migrants keep their future remittances as collateral to obtain bank loans to finance agricultural projects (Ratha, Mohapatra & Plaza, 2008).

Some banks and microfinance institutions like Banco Industrial (BI) and Salcaja (Guatemala), Banco Solidario (Ecuador), El Comercio (Paraguay) and Banco Salvadoreno (BSal) (El Salvador), in Latin America and Caribbean regions, adopt different baking strategy to tap migrant's remittances. As a strategy to tap remittance clients, Banco Industrial (BI) branch in Guatemala motivates its clients to avail other financial services (Merkes, Schniepper, &

Schwegler, 2009). The strategy followed by this bank is that it does not tend to overwhelm the clients with many products instantaneously, rather it follows steady tactic. Initially, they offer savings accounts as these are generally the first product that remitters choose. This bank provides financial literacy to clients through teaching the clients about how to manage the account and also about the financial institutions as a whole. This bank also offers special promotions for opening accounts through attractive gifts and raffles for prizes. It has become successful in its strategy and has turned remittance many of the clients into full clients. A statistics provided by the bank officials indicates that 30% of the clients who get remittance transfer services also hold a bank account (Merkes et al., 2009). Another survey among 200 remittance clients reveals that 4.0% of the migrants have savings account, and 24% have checking account, half of whom hold their- accounts with BI (Merkes et al., 2009). Instead of providing only other traditional financial services, BI has attracted a large number of migrants through advertising remittance-based products and services.

As an effective strategy for keeping the remitters a long term customer, BSal considers household remittance recipients as prospective clients for other services i.e., insurance and certificates of deposit (Orozco & Fedewa, 2006). For cross-selling of other products and services, BSal tries to persuade remitters by assuring safety of their account as well as ease of operation. Banco Agricola was more successful than BSal in converting remittance clients to long term bank clients. The conversion rate of Banco Agricola was 27% whereas it is only 10% for BSal (Orozco & Fedewa, 2006). In Latin America 100 MFIs with a wide network of 40 service points are trying to offer low cost remittance transfer services and also they are trying to motivate the remitter to avail of other banking services (Orozco & Fedewa, 2006). Table-3 shows the conversion rate of remittance clients into bank clients through providing various banking products and services.

Table-3: Conversion of remittance clients into bank clients in some Latin American Countries

Institution & Country	New accounts	Monthly Transfers	Conversion Rate
Salcaja (Guatemala)	500	1000	50%
Red de la Gente (Mexico)	3500	35000	10%
Banco Solidario (Ecuador)	4000	5000	80%
Fedecaces (El Salvador)	4375	22000	20%
Guayacan (Guatemala)	533	5426	10%
Coosadeco (Guatemala)	529	4780	11%
Acacu (El Salvador)	3000	2703	110%
Acocomet (El Salvador)	800	2383	34%
El Comercio (Paraguay)	80	800	10%

Source: Orozco and Hamilton (2005)

As like as BI and BSal, Banco Solidario (BSol) of Ecuador has designed some innovative financial products for migrants and beneficiaries. BSol innovated a distinctive account called 'My Family, My Country, My Return', which offers clients bundled savings options. The services of this bundle offer include general credit lines, housing and home buying credits, savings accounts and insurance. By utilizing this account, about 250 remittance recipients have bought homes (Orozco & Hamilton, 2005). Some other special products are also offered by several other banks including Salcaja's (Guatemala) 'Infant/Youth Savings Plan' and 'Financial Services, Cross-selling Tools'. Serfatrade/Aprofam's 'Health Services Packages', Banco ADOPEM's (Dominican Republic) 'Asset-building Savings Accounts'. Table-4 shows some remittance-based deposit products offered by banks/FIs in different countries:

Table-4: Remittance-Based Deposit Products around the world

Institutions (Country)	Products	Description of Products	Result/Learning
Banco Salvadoreno (El Salvador)	Savings Accounts	Transnational bank accounts for remittance recipients	Opened 29,000 savings accounts
Banco Solidario (Ecuador)	*My Family, My Country, My Return account*	Special savings account with bundled savings options that include credit lines, home-buying credits, savings accounts, and insurance. Products cross-marketed with remittances	253 recipients have bought homes on credit
Salcajá (Guatemala)	Infant/Youth Savings Plan	Savings package that provides opportunities to save and direct remittances toward financing children's education, among other services.	

Institutions (Country)	Products	Description of Products	Result/Learning
Salcajá (Guatemala)	Financial services, cross-selling tools	Specialized financial services include pension funds, life insurance, medical insurance, and repatriation of remains, small business credit, home equity funds, and various (dollar) savings packages.	
Serfatrade/Aprofam (Guatemala) Banco ADOPEM (Dominican Republic)	Health services packages Asset-building savings accounts	Remitters can purchase health service packages for families in Guatemala. Remittance-linked, asset-building products for recipient clients that place portions of remittances into savings accounts allocated for housing, school fees, and micro enterprise. Alternatively, remittances can be used toward monthly loan payments or insurance.	
Wells Fargo (Mexico)	Savings Accounts	400,000 new accounts for Mexican immigrants with Matricula Consular card (between November 2001 and May 2004). Matricula consular in 2002	

Source: Orozco & Hamilton (2005); WOCCU (http://www.woccu.org); Leila Seradj (http://www.newamerica.net)

A good number of banks and financial institutions in Latin America, Caribbean and some developing nations of Asia and South East Asia offer remittance-linked credit products (Merkes et al. 2009). In these countries, remittance-based credits products are playing significant roles in business as well as economic development by ensuring the access of small businessmen and poor to financial system. Some examples are: Salcaja (Guatemala) provides remittance-based loans (Small Business Credit) for small business owners and entrepreneurs, Banco Salvadoreno (El Salvador) grants remittance-based loans upto 80% of the remitter's last 6 months' remittance flows including SMEs loan, Alianza para el desarrollo de la microempresa (ALPIMED) of El Salvador provides 'Micro Credit' ranging $30 to $2000, BancoSol (Bolivia) offers 'Home Credit' for purchasing house, land, or construction, remodeling, or extension of the home etc. (Merkes et al. 2009). Table- 5 show the remittance based credit products across the world.

Table-5: Remittance-Based Credit Products across the world

Institutions (Country)	Products	Description of Products	Result/Learning
Banco de Crédito (Peru)	*Crédito Mivivienda*	Remittance-linked credit for the purchase or construction of a home. Clients must receive regular remittances.	Until 2006 it was offered as Mivivienda
Salcajá (Guatemala)	Small business credit	Remittance-based loans for small business owners and entrepreneurs in Guatemala.	
Banco Salvadoreno (El Salvador)	Remittance-Based Loans	Clients can borrow upto 80% of last 6 months' remittance flows. Loans are also offered to expatriates	
MFIC/TechnoServe (El Salvador)	Remittance-based business loans	Leverage remittances as a source of development capital for entrepreneurs in developing countries (specifically for SMEs).	collaboration with TechnoServe
Alianza para el desarrollo de la microempresa (ALPIMED) (El Salvador)	Micro credit	Loans targeting remittance-receiving occasional sellers, small shops, kiosks, micro businesses, etc., with loans from US$30 to US$2000	
BancoSol (Bolivia)	Home credit	Home loans for purchase of house, land, or construction, remodeling, or extension of the home. Done with regular payments, potentially from the USA, in a savings account.	Other banks started similar products
Mobile phone companies (Philippines)	Mobile Commerce	Can do Banking transactions, including transfers, purchases and fee payments using their mobile phones.	Access of poor to microenterpris

Source: Authors, http://www.viabcp.com.

Remittance-linked insurance products are very popular in some Latin American countries. Under remittance based insurance product, premiums for life and medical insurances or insurance against certain risks for the remittance recipient or his/her family remittances paid from the remittances Comstock, Iannone and Bhatia (2009). Banco Sol of Ecuador offers savings bundles which consist of insurance products, credit lines etc. Table-6 shows remittance based insurance product.

Table-6: Remittance-Based Insurance Product

Institutions (Country)	Products	Description of Products	Result/Learning
Banco ADOPEM (Dominican Republic)	Insurance products	Remittances can be used toward insurance coverage for remittance recipients.	

Source: Comstock, Iannone and Bhatia (2009)

6.1 Remittance-based public infrastructure and other business development Projects

Some international financial institutions such as World Bank, USAID, and International Fund for Agricultural Development (IFAD) work both with remittance mobilizers and recipients almost in all countries around the world to help utilizing remittances for development goals by promoting various programs (Vargas-Lundius, Lanly, Villarreal & Osorio, 2008). The Inter-American Development Bank (IADB), for instance, initiated a program called "Remittances as a Development Tool" which facilitates remittance flows, encourages remittance investment, and stimulates the creation of new financial products for entrepreneurs. The World Bank also works on a program for improving remittance data, reducing transfer cost and improving money transfer systems. All of these initiatives would have positive development impacts on the remitters' personal and social life (WorldBank, 2015). Among the various initiatives undertaken by developments agencies, Diaspora Networks Alliance of USAID operated in associated with the Global Development Alliance (GDA) is very popular and effective. These networks encourage banks and MTOs to offer various remittance-based credit and other innovative products. Multilateral Donor agencies are progressively guiding the remittance transferors and recipients mobilizing remitted money to various community projects (Vargas-Lundius et al., 2008).

In order to strengthen the ties between migrants and their home communities, IOM has initiated two pilot projects in Guatemala and Colombia (Appendix box-2) with main focus on infrastructure and community development. Under these projects, migrants' money is used by local experts to develop migrants' own community infrastructures such as establishing health centers, building schools, constructing houses and developing roads etc. The integration of migrants' savings with the professional management of such project funds jointly financed by reliable institutions makes such a policy instrument relatively popular (Ghosh, 2006).

Governments in many countries in the world have designed and implemented a wide range of policies to encourage migrants to start up their own businesses. SMEs sector in many countries depends heavily on remittances. In countries like Dominican Republic, El Salvador and Mexico a strong connection exists between small business owners and former migrants. Lopez and Seligson (1990) conducted a study on the usage of remittances by small business owners and find that about one-third of respondents depend on remittances to start the business, and about two-third rely on remittances to continue their businesses. Cornelius (1990) and Lopez and Seligson (1990), have performed studies to understand the transformation rate of remittance into productive investment. The results of their study reveal that 90.3% of the business owners are returnees or lived abroad, 89.4% had started their business with money earned abroad, 42.5% still received remittances and 71.7% had former migrants as workers. Their study also indicates that despite the investments were irregular, the amount of total investment from migrant savings was US$ 1.2 million, of which 57% in cash, 37% in-kind. The same type of initiatives is also observed in Mexico. The remitted money by the Mexican called migradollars has increased the possibilities of business establishment and productive investment by households and communities. A study by Cornelius (1990) find that 63% of businesses surveyed were owned by present or former migrants, 61% of which were started with money earned in the United States and 44% of which were sustained that way.

6.2 Remittance Based Products Offered by Banks & Other Financial Institutions in Bangladesh

Most of the commercial banks and some non-bank financial institutions are plying major role to mobilize remittances by offering different products and services (Choudhury & Habib, 2010). Micro-finance Institutions (MFIs) in many countries including Bangladesh through their nationwide operation networks are mobilization and transformation remittances and hence playing significant role. For example, BRAC, the largest NGO in the world originated its operation in Bangladesh and it is playing pivotal role of transferring remittances. However, MFIs and NGO merely provide remittance services and do not have any remittance linked products to serve the migrant's family. For many poor households and migrants remittances are the only point of contact with the formal financial sector. These NGOs and other non-bank financial institutions can stimulate saving and investment behaviors of the poor remittance dependent families by introducing various remittances based cross selling products. In a study Choudhury and Habib (2009) state that supply would create demand for the product to the beneficiary if effective awareness development program can be undertaken. Besides encouraging the people to save money form the remittances, financial intermediaries can create remittance linked loan products such consumer and housing loans and also can offer insurance products. At present many banks of Bangladesh have developed some sorts of services and a good number of arrangements for the migrant workers which have been listed in Table – 7.

Table-7: Remittance Services/Schemes/Arrangements for NRBs by Banks

Product/Arrangement and Bank	
NBL Quick Pay (R1), National Bank.	Probashi Demand Draft, BRAC
Instant Cash, Uttara Bank.	Infiniti Remittance system, Agrani Bank
Cash pick up, DBBL.	Remit One, Agrani Bank
Account Transfer, DBBL.	IME Remit, Agrani, Sonali, IBBL, BRAC.
Account Deposit, DBBL.	Western Union Money Transfer, NBL,AB Bank, Post Office, JBL, Mercantile.
ELDORADO Remittance Payment System, BRAC Bank.	Money Gra, Agrani, IBBL, Uttara, Mercantile.
Balaka Exchange Private Ltd., National Bank.	X Press Money, Agrani, IBBL.
Speedy Remittance, Janata Bank.	Remittance card, Agrani, NCC, EBL.

Source: ‘Training Toolkit for Bankers’ prepared by BIBM (2013)

Many commercial banks in Bangladesh have initiated many savings products specially to tap remittances of the NRBs. One of the popular remittance-based products for NRBs is Non-resident Foreign Currency Deposit (NFCD) account. Migrants can open a NFCD account in any branch of both domestic and foreign banks having an authorized dealership license. This account has different maturities like 1 month, 3 months, 6 months or 1 year and denominated in major international currencies such as US$, Great Britain Pound, Japanese Yen and Euro. The NFCD accountholders can realize their capital and interest in Bangladeshi taka at the current exchange rate (Mackenzie, 2005). In Bangladesh, most of the remittance recipients are illiterate and even they are not informed about the banking products (Choudhury & Habib, 2010). As a result, some special arrangements are needed to include them under several products and services offered by the banks. Some of the specifically targeted products offered by our banks are Non Resident Deposit Scheme (Sonali bank), Probashi Savings A/C (BRAC bank), Probashi Current A/C (BRAC bank), Probashi Fixed Deposit (BRAC Bank), Probashi Abiram (BRAC bank), Probashi DPS (BRAC, NCC & South East bank) and Family Maintenance Deposit (Mercantile bank).

In most of the cases, beneficiaries invest the remittance money directly by themselves. However, it is believed that if the remitted money is mobilized into productive investments through banking system, it would ensure more growth for any country. According to a study by Woodruff and Zenteno (2001) on Mexico, it is found that one-fifth of the capital invested into newly-established enterprises in urban Mexico comes from the remittances from the United States. McCormick and Wahba (2003) in their study on Egypt find that a large proportion of returning migrants in the late 1980s established their own businesses by using funds brought back from abroad. Adams (1998, 2002) conducted surveys on Pakistan and Roberts and Banaian (2004) conducted on Armenia and both the group of researchers find that the marginal propensity to save from remittances was higher than that of other sources of income. The government and the private sector of Bangladesh have designed different types of accounts, which offer attractive incentives to the NRBs. Table– 8 represent such kind of investment products and their features for remitters.

Table-8: Investment Schemes for NRBs

Name of Product	Description/Feature
US$ investment Bond	Interest can be drawn on half yearly basis @ 6.5% fixed rate per annum in US$; Interest and the principal amount will be payable in BDT. Bond will be issued in denomination of US 500, 5000, 1000, 50,000.
US$ Premium Bond	Investment Bond; Bond will be issued in denomination of US 500, 5000, 1000, 50,000; Interest will be payable only in BDT on half yearly basis @ 7.5% per annum; Tenure- 3 years; Services offered by all commercial banks.
Wage Earners' Development Bond	Investment Bond; Multiples of BDT 25000; Interest payable every 6 months in BDT; Can be used as security for any loan; Tenure- 5 years; Services offered by all commercial banks.
Non-resident Investor's Taka Account	Investment Account; One can open a NITA by the money remitted from abroad for investment in the share and securities of the capital market of Bangladesh.
Probashi Biniyog (BRAC bank)	Provides all custodial services; All NRB and foreign passport holder can open; Only Share Related transactions are allowed.
Smart Capital (HSBC)	Custodial service for Capital market investment; NRB can subscribe to IPOs from anywhere; Minimum balance of BDT. 100000 need to be maintained in NITA or in FCY or in both the A/C in total; Only share related transactions are allowed.

Source: 'Training Toolkit for Bankers' prepared by BIBM (2013)

Loan products offered by banks in Bangladesh are not satisfactory and the features attached with the products could not meet the demand of the migrant workers. On the other hand, the actual funds that have been allocated for these purpose is not sufficient (Choudhury & Habib, 2010). The guarantee and documentation requirements of the Overseas Employment Scheme could hardly acceptable to the migrant workers of a poor family. Banks initial disbursement of funds under Manpower loans by Agrani Bank became stuck up due to the fraudulent activities of a recruiting agency (Choudhury and Habib, 2009). Some loan products available for the overseas job seekers that may be availed to meet the pre-departure expenses are Non-Resident Credit Scheme (Pubali Bank), Overseas Employment Scheme (Mercantile), Probashi Travel Loan (BRAC Bank), Probashi Karma Sangsthan Reen Prokalpa (Sonali, Agrani, Shahjalal Islami Bank.) etc.

Beside the products mentioned above, some commercial banks are trying to develop some new products targeting to NRB's. For example, BRAC bank has taken the initiative to launch 'Probashi Home Loan' for NRB's to purchase land or home in Bangladesh, 'Probashi multipurpose loan' for any purpose, like for education, emergency medical etc. (Choudhury & Habib, 2010). Products offered in our country by government, financial institutions or NGO's are not sufficient to tap the remittances even the features attached with the products are not so lucrative for most cases. On the other hand, our mass level people are not fully aware about the existing products and most of them have no tendency to save for their own benefits. So product should be designed in a way where both demand side and the supply side have the closer interactions.

7. Adopting World Experiences for Developing Remittance Based Products in Bangladesh

One of the important aspects for financial intermediation of remittances is to implement the strategies on how financial institutions will design and market new or existing financial products to their remittance clients. To design effective products or services they have to learn from other countries what they are doing and to identify what are the financial preferences of the clients in Bangladesh. Several products and arrangements have been developed by financial institutions in many countries and successfully introduced into the 'remittance client' market. Among those products transfer products, deposit products, credit products, home improvement loans, remittance-based public infrastructure as well as insurance products are some of the prominent examples. In Bangladesh there are also some remittance based products and services. But these products are not able to attract the remittance clients with their current features and benefits.

Remittance collection through formal or informal channel is not the end for the economic development; rather its proper utilization should be ensured. Only remitters or their families cannot ensure its proper utilization to contribute in the development process, but it is the responsibility of the financial institutions, to large extends, to design effective strategies and make proper approaches to tap the remittances and ultimately transform it into the financial intermediation. Bangladesh is far behind than the other countries regarding the remittance based product development and proper mechanism for its effective transformation. Thus, the following suggestions can be put forward to develop the new products and services and taking effective strategies for tapping remittances into the financial system:

1. In Bangladesh almost 60% remittances are utilized for non-productive purposes. Financial institutions (FIs), to the large extent, can play the significant role to ensure the productive uses of remittances. In this regard, they may design financial products and services for different stages of migration (pre-migration, in-migration and post-migration) and products of different categories for targeting the migrants and their beneficiaries.
2. Most of the migrants of Bangladesh are not aware about the availability of banking products/services developed for them, the products' features and the future benefits. On the other hand, bank officials are not proactive in disseminating information about their banking products/services to their existing and potential customers. The consequences of this gap results poor financial intermediation of remittances. Thus, FIs should take different initiatives to minimize this gap especially adopting marketing and others promotional activities.
3. In order to keep the remittances into financial intermediation process, every party in the process (from remitters to end users) must be provided some incentives for their motivation. The Government may provide incentives such as fiscal and non-fiscal incentives to financial institutions/service providers and financial institutions may provide incentives to migrants/beneficiaries in the form of reduced service charges, extra benefits for keeping remitted money with the transferors etc. There are many instances of granting incentives to remittance-linked stakeholders around the world to tap the remittances into financial system.
4. It has been noticed that most of the migrants/beneficiaries are not interested to have bank accounts and rarely do they (those who have account) maintain additional balance in their account. They prefer to receive remittance through instant cash/spot cash for which bank account is not necessary. But international experience is quite different from Bangladesh.

They try to build up banking habit among the migrants initially and strengthen their relationship with the clients for long-term business. So, our officials of FIs' should grow the banking habit among the migrants/beneficiaries for effective transformation and utilization of remittances.

5. Banco Salvadoreno, a commercial bank of El Salvador in its effort to intermediate remittance into productive sectors offers remittance-linked loan product called 'Remittance-Based Loans'. Their target group is those remitters who are staying abroad for a long time and continuously sending remittances to their family. Remitters have been given the privileges by the banks to offer their future remittances as collateral and can borrow up-to 80% of their last 6 months' remittance flows. This product is getting popularities to those remitters who want their family members to do some small business to be self-dependent with current shortage of fund. So, our FIs may think to launch such type of innovative remittance-based products where remittance would be the only security.
6. Many banks in Dominican Republic are much more interested (and they do) to extend various credit facilities to clients with whom they have had a long-term professional relationship based on remittance mobilization. For example, Banco ADOPEM (a FI of Dominican Republic) offers 'Asset-building savings accounts' to remitters and their beneficiaries under which banks not only pay school fees for remitters children, but also pay for housing, micro enterprise business, loan repayment, or health insurance etc. and they adjust these payments from savings which results from remittance deposits in that savings accounts. FIs of our country may think introducing this type of product for targeting the remitters.
7. In some Latin American Countries, financial institutions provide remittance-linked insurance products. Under this scheme, remittances are used to pay the insurance premiums to cover life insurance, medical insurance for the remittance recipient or his/her family or insurance against certain risks involved in developing or operating small enterprises. One of the major providers of remittance-linked insurance products is Banco Sol of Ecuador that provides savings bundle that include not only insurance coverage for life or medical purposes to the remitters but also extend credit lines for business to the clients among other benefits. In our country, FIs have the scope to introduce such products for the remitters/their beneficiaries.

8. Some countries are successfully utilizing remittances for developing SMEs. For instances, in Dominican Republic, El Salvador and Mexico, strong connections exist between small business owners and former migrants. In some specific cases it was found that as many as one-third of the returnee migrants are dependent on remittances to start their own business, as many as two-third required remittances to maintain their business. Financial institutions in the mentioned countries, in cooperation with some international institutions (like IFAD) are assisting the SME entrepreneurs to start and continuing the businesses. So, our FIs should think alike to assist the SME entrepreneurs who are supported by remittance flows or would be entrepreneurs among the returnee migrants.

8. Conclusion

Remittances are treated as one of the important and stable sources of external finance, for many of the developing countries, for economic development especially if properly utilized. The utilization of remittances mostly depends on the current needs of the remitters/their beneficiaries or the future benefits derived from the current forgo. When the remitters send money to their family through the formal channel, most of the money their recipients utilize for consumption and a small portion goes to the savings and investment purposes. Thus, financial institutions have less scope to transform this amount into the financial intermediation. The financial institutions of the recipient countries therefore need better record on its inflow, usages pattern of those remittances, transfer procedures, and need based products to channel savings into investment. Financial institutions should aim to support knowledge and information, development of incentive based financial products and services and to channel funds into productive use for the better intermediation.

Financial institutions in many countries have developed several products and arrangements and successfully introduced into the ‘remittance client’ market. Among those products transfer products, deposit products, credit products, home improvement loans, remittance-based public infrastructure as well as insurance products are some of the remarkable examples. In Bangladesh there are also some remittance based products and services. But these products are not able to attract the remittance clients with their current features and benefits. Thus, it is the high time to develop the mechanism for the productive use of remittances. Because, only the remitters or their families cannot ensure its proper utilization to contribute in the development process, but it is the responsibility of the financial institutions, to the large extent, to design and develop the targeted remittance linked products/services and to make effective strategies to tap the remittances and ultimately transform it into the financial intermediation.

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Appendices

Box-1: 'CASHPIN'-a Differentiated Remittance-Based product in Dominican Republic

Remesas Quisqueyana, Banco Mercantil and Visa International offer the only card product available in the Dominican remittance market today. The card is managed as a Quisqueyana product with Banco Mercantil playing the role of payment processor. Cashpin is a rechargeable debit card, hand-delivered in the traditional way. Once the sender sets up the account, the card need only be activated by the receiver by phone. Value can be increased by both the sender and the receiver. The card is usable anywhere in the local or international Visa Electron network, as well as on the domestic ATH network. The venture generates savings because Mercantil performs the payment processing rather than purchasing outside services. As the processor, Mercantil retains a customer database and receives a fee for processing payments, as well as some degree of liquidity. Customers pay fees at ATMs (DOP 6) but not at points of sale. The involvement in remittances may give Mercantil the opportunity to win back customers by cross-selling other banking products, but this will rely on marketing. Interestingly, this product may also escape the recent tax on electronic financial transactions because it is not attached to a bank account.

This product offers many benefits to the sponsor firms and the client. Because cards are pre-numbered, each card captures a unique customer ID to be used repeatedly, even with different remittance senders. With repeated use, the card maintains a record of information on its use – frequency of remittance receipts, usage locations, number of senders, etc. Sending a card rather than cash, Quisqueyana handles no cash and requires no insurance. Also, because there is only one delivery, there are no transportation/delivery costs following the first receipt

Source: Suki, 2014

Box-2: Remittance-Based Community Projects

IOM Community funds project in Guatemala:

The objective of this project is to offer alternatives for rural communities in Guatemala which tend to generate irregular migration towards the United States. The project seeks to make the most efficient use of the close relationship that already exists between villagers and migrants, and aims at creating social investment funds, while offering an effective transfer, investment and marketing system.

The project consists of: 1) A banking service which is financial bridge between the United States and Guatemala, 2) A communications system between the villagers and the migrants will be installed based on new telecommunications and internet technology, 3) A market for joint purchases and sales from the community to national and international markets will be developed that allows villagers to move from individual trading and marketing strategies to more effective collective approaches.

IOM community funds project in Colombia:

The objective of this project, still in the developmental stage, is to create a social investment fund for productive small-scale projects for vulnerable populations, especially the internally displaced. Two scenarios are under considerations. In the first, the IOM would become one of the main operators to remittances to Colombia at very low cost. The second scenario envisages the establishment of strategic alliances with ongoing operators and regional financial institutions.

Source: Ghosh, 2006