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Leveraging the Impact of Remittances through Microfinance Products: Perspectives from Market Research

ACCION's market research on immigrants and remittances challenge the conventional wisdom about immigration. No longer is immigration a one-way process. A new, transnational way of life is emerging that immigrants create for themselves. Today, immigrants strive to participate in two communities at once. They pursue financial and investment goals for themselves and their families in the United States, while at the same time planning joint investment projects with families back home.

Providers of financial services are challenged to respond to this transnational way of life with financial products that can enhance the ability of immigrants to participate actively in the lives of their families back home and to pursue their own goals both in the home country and in the United States.

ACCION International and its affiliate microfinance institutions (MFIs) view remittances – money sent from an immigrant to his or her home country – as a service that clients need and as a market opportunity for providers. If MFIs can offer better service at lower prices than other remittance service providers and develop financial products appropriate to this market, remittances can provide fee-based revenues, attract new clients and open opportunities to cross-sell microfinance products to recipient families. Consequently, ACCION and its network of affiliates are working to identify ways in which MFIs can engage in the remittances market and thereby deepen the outreach of banking services.

ACCION aims to develop a money transfer model that increases access to mainstream financial services for both the immigrant in the United States and in other countries, as well as the recipient family. The long-term goal is to develop linked banking services between immigrants and their families that can help clients achieve investment goals, such as building or improving a home, educating families or starting microenterprises.

Research Methodology

ACCION International undertook an extensive market research study to explore the financial needs and investment goals of immigrants and recipient families and the market potential for products linked to microfinance[1]. This study was supported by the United States Agency for International Development (USAID). ACCION designed and implemented the market research in partnership with professional market research firms[2]. The overarching goals were to understand the motivations of remittance senders (in the United States) and recipients (in Bolivia and El Salvador), to explore product enhancements that could help both senders and recipients meet their goals, and to understand what characteristics would be important for a remittance delivery system.

ACCION used a standard focus group methodology to explore the financial needs and investment goals of recipients and senders of remittances in locations summarized in Table 1.

Table 1: Focus Groups Conducted

U.S. Focus Groups	Latin American Focus Groups
7 focus groups in: Washington, DC; Los Angeles and New York	9 focus groups in El Salvador and 9 in Bolivia
47 immigrants that send remittances to save or invest, or are interested in sending for these goals.	165 microentrepreneurs that receive remittances

In both El Salvador and Bolivia, the sample consisted of microentrepreneurs receiving remittances, including both current and potential clients of ACCION's partner institution in that country. The staff of ACCION's partner institutions, Apoyo Integral in El Salvador and BancoSol in Bolivia, provided valuable support in recruiting focus group participants.

Table 2 provides a summary of the immigrant communities that participated in the U.S. focus groups.

Table 2. Geographic Scope – United States

City	# of groups	Target market	Group Composition
Washington DC	2	Bolivian immigrants, Salvadoran immigrants	• Men and women of at least 18 years of age • Residing in the United States for at least three years • Had sent money to their home country at least four times in the past year
Los Angeles	2	Salvadoran immigrants, Guatemalan immigrants	
New York	3	Bolivian immigrants, Ecuadorian immigrants, ACCION New York clients	

In Latin America, to participate in the focus groups, people were required to satisfy the following conditions:

[1] A complete version of this report will appear in the forthcoming book being published by the Inter-American Development Bank, *Beyond Small Change: Making migrant remittances count*, Editor Steven Wilson, Inter-American Development Bank, 2004, Chapter 11.

[2] The market research companies that ACCION partnered with to implement this research were Roslow Research Group, based in Port Washington, New York; Apoyo Opinión y Mercado, based in La Paz, Bolivia; and J. B. Consultores, based in San Salvador, El Salvador.

- Receive remittances either from the United States or Spain in the case of Bolivia.
- Be clients of a regulated financial institution, including but not limited to ACCION's partner institutions.
- Are interested in obtaining a credit for their business or for housing.

In the United States, respondents had to meet one of the two criteria to qualify:

- Send money to their home country for savings or investment purposes (such as "saving for a future goal," or "to buy property or a home").
- Report being "very interested" in a money-sending service that includes savings and/or investment options.

Not surprisingly, a high percentage of the U.S. focus group participants own a home or have a savings account in their home country, which enabled the market researchers to explore in-depth how a linked microfinance-money transfer product could function and what its key features would be. It is important to keep the selection criterion in mind when interpreting the results presented below, because it indicates that the high interest that U.S. participants expressed in linked remittance and savings/investment products cannot be generalized to the remittance sending population as a whole. Nevertheless, the group of people with a strong interest in investment does appear to be substantial.

In considering the market research results, it is important for the reader to keep in mind that qualitative focus group research does not permit generalization to entire populations. For this reason, this report does not use numerical or percentage terms to report results. Rather, it uses general terms such as "many" or "most" to indicate the intensity or frequency of the responses.

MARKET RESEARCH RESULTS

Investment Goals of Immigrants and Family Members

The habits of those interviewed in this study are similar to those of other remittance senders in terms of frequency and amount sent. Most send between $100 and $300[3] per transfer on a monthly or bi-monthly basis. Across the seven groups in the study, the typical respondent uses remittance services eight or nine times per year, sending an average of approximately $200 at each transaction. In the course of a year, therefore, average respondents send close to $2,000.

The migration process creates financial responsibilities and obligations that lead to the development of joint investment projects between the person emigrating and his or her family.

Social and Economic Commitments

The majority of U.S. participants had migrated for economic reasons. That is, they left their countries to secure better financial futures for themselves, as well as to improve the living conditions of their children and family back home.

[3] All money reported is in terms of U.S. dollars unless otherwise noted.

To fully understand the purposes and uses of remittance flows, it is necessary to consider the initial decision to emigrate and its consequences for a family. As presented in an Inter-American Development Bank study on remittances[4], the decision to migrate as well as the financial arrangements needed to support the move often result from a consultation process and a joint financial effort within a family unit. The economic and social commitments that are established as a result of the migration process, in turn, lead to the development of joint investment projects between immigrants and their families back home.

Uses of Remittance Funds

Payment of basic household needs

As identified in other studies, the majority of remittance funds are used to pay for basic household and living expenses such as food, health and basic services, although remittance senders note that because of the unpredictable needs of the families back home, it is difficult to give detailed breakdown of their uses. Funds are also sent to attend to social commitments that arise from emigration, such as when families take responsibility for raising children left behind or caring for elderly parents. Some of the funds are therefore sent to cover education or medical expenses.

Payment of debts incurred to support migration

Participants in this study had relied mainly on loans from family, friends or a financial entity to finance the trip abroad. Some participants had sold or mortgaged their property. In those cases, the remittance money was first used to pay outstanding debts or mortgages or replace property sold to finance the move.

Creation of income-sources back home

For other participants, it was crucial to increase the financial security of their families at home. This means helping to move their families toward economic independence and away from dependence on remittances. Many participants mentioned that they face unstable employment in the United States, so that they cannot guarantee the financial security of their families on the basis of the continued stream of remittances.

Such participants send money to start businesses with their families back home, to help them launch a business on their own, or to support the expansion or improvement of an existing family-owned businesses.

- *"My Dad has a business in Bolivia – a hardware store – and I send him money to help him and the business." Washington DC to Bolivia*

Investment goals of immigrants

For immigrants who plan to return home, saving and investing in their countries of origin is a priority. For other participants, the interest to save and invest back home stems from a motivation to diversify their assets, plan for retirement, or as a back-up investment. This is the case mainly for

[4] *Recipients of Remittances in Ecuador*, Inter-American Development Bank. Bendixen and Associates. May 2003. p. 7.

immigrants who have been out of their home country for a long period of time and who are settled in the United States. It is interesting that the desire to save or invest back home remains present even among immigrants who have been in the United States for an extended time.

A significant number of participants were already actively engaged in building assets back home. In each focus group, several participants were currently either saving for specific goals such as buying property or houses, starting a business in their home country, or dedicating a portion of their remittance funds to a mortgage, investment or loan payment.

- *"I send my Mom $100 every month; and I send my sister a few hundred dollars every three months for construction on the rental building we're building. It's my property, and my sister manages it for me." Los Angeles to Guatemala*

- *"My goal? College for my children …and to build-up my business in Guatemala. I have a business there with my Mom. I send her merchandise, and she sells it for me." Los Angeles to Guatemala*

- *¨I would like to own my home in (in the United States) …and buy some property in Guatemala for my children. ¨ Los Angeles to Guatemala*

Investment Goals are Carried Out Jointly with Family

When the migration itself is decided upon and financed jointly with the family, it also seems natural that plans to acquire assets and investment goals be carried out in partnership with family members. Senders in the United States note some of these joint investment projects:

- *"I send $200 a month to my brother. We're like partners; he manages the money for me. We're investing in some property there." Los Angeles to El Salvador*

- *"I send to my parents once a month. Part is for them, and part is for my plans. Usually $350 or $400." Los Angeles to El Salvador*

- *"I send my brother $300 every three months. We save it together." Los Angeles to El Salvador*

Products to Facilitate Investment Goals

Recognizing that linked microfinance-remittance products should be structured to enable senders and receivers to achieve their goals, ACCION's market research examines potential interest in a range of currently available as well as hypothetical products.

Savings Products

<u>Direct deposit of money transfers</u>
Through this product, a sender transfers the remittance directly into a savings account in a local financial institution in the home country as opposed to receiving the remittance in cash or as a check, as is the common form of transaction. This appears to be the most popular product among both senders and recipients in the focus groups. Senders describe this product as "*more secure," "less risky," "fast,"* and *"easy."* In several of the focus groups, street crime such as muggings was a genuine worry. Respondents described thieves lurking outside the money-transfer locations in their home countries. The option of transferring money directly into an account alleviates such safety concerns.

Participants in El Salvador pointed out that this product would enable them to avoid waiting in line *twice* to receive their remittances, since they generally receive their remittance as a check and then go to a bank to cash it. The focus groups in El Salvador were particularly enthusiastic about this concept, possibly because of low outreach by banks. However, in one community near San Salvador, most of the participants already receive their remittances through Banco Agrícola.

Participants expressed two main concerns about this product. Primarily, there is simply a lack of confidence in financial institutions in their home countries. In addition, several participants mentioned concern regarding added costs associated with the savings account, such as account fees and about the exchange rate applied for depositing transfers in local currency.

A later section of this document explores in greater detail the attitudes of participants toward financial institutions in their countries of origin. We find that attitudes toward banks are particular to each country and that this should be considered in the development of financial products adapted to local needs in each market.

<u>Direct deposit with debit card</u>
The added feature of a debit card that could be used for automated teller machine (ATM) withdrawal was presented as an enhancement of the direct deposit into a savings account product. Surprisingly, this added service is ranked as less appealing than the savings account alone. Some participants place high value on the convenience of a debit card. However, other participants are concerned with the operational aspects of the card, such as the possibility of the card being lost or stolen, a family member forgetting the personal identification number (PIN), or elderly relatives being uncomfortable with technology.

Participants in Bolivia showed more interest than other participants in this product. They believe this would save them time, make it easier to access funds, and that it would be more convenient and give them greater security. The following feedback from recipients in Bolivia illustrates these attitudes:

- *"It would imply waiting less time in line at the bank."*
- *"The amount not used would stay as a savings and gain an interest rate; one could withdraw only what was needed."*

- *"This would be convenient because sometimes I am concerned about carrying the cash transfer with me."*

In El Salvador, although more than half of the focus group participants already hold a savings account at a bank, many of them also expressed their mistrust of ATMs. Therefore, the added feature of a debit card for withdrawal at ATMs is not as appealing in this market.

<u>Programmed savings product</u>
A programmed savings product enables the immigrant to designate an amount or percentage of each transfer to be deposited in a savings account. The money can then be saved for future expenses such as education, a home or healthcare. While some focus group participants in the United States value this concept, it is far less compelling than the concept of a direct deposit into a savings account. Participants generally ranked the programmed savings product at or near the bottom of the concepts discussed.

The principal objection to the product is its reduced liquidity. Some participants commented that, in effect, they are already doing this without the pre-programmed component, and that it works fine. Others insist that the unpredictability of their relatives' needs required maximum flexibility and that they want to ensure that the recipient could use the money for the most important purpose.

Participants again raised the concerns about their confidence in the financial institution and the potential for unfavorable exchange rates in relation to the programmed savings product.

- *"You can't impose on them what to do with the money. It's difficult because you don't know what's going on there." Washington DC to El Salvador.*

- *"I already have this, and it works fine. I send the money, it's used as needed, and we put the rest toward the property we're buying." Los Angeles to El Salvador."*

The greatest interest in this concept came when it is linked to specific uses, such as home purchase, education, or holidays. Some senders are interested in a savings account or programmed savings product because it gives them the ability to manage the allocation of funds sent among different objectives, giving them direct control over the funds.

Responses from Salvadoran participants regarding programmed savings varied according to the income level of the region in which the focus groups were held. For example, in Usulután, a region that has been hit hard by El Salvador's economic recession, the appeal of the product is limited. Respondents said they have few funds to save because of the difficult economic situation. In Nueva Concepción and Lourdes, with higher income levels, the appeal for this savings product is higher.

The feedback received on savings products linked with remittances highlights key issues that also surface in research on other MFI savings products: 1) stability and credibility of the financial institution, 2) fees charged, and 3) the need to adapt the product to the saving needs of the target market.

Credit Products

<u>Product linked to housing credit</u>
This product enables the remittance sender to provide funds for a home down-payment, either as a lump sum or gradually. The funds received toward the down-payment would then facilitate the recipient family's access to a housing loan.

As stated at the beginning of this section, several respondents own homes and/or property in their home country. In each group, many are either interested in accumulating funds to purchase a home or property, or were already saving to do so. Many participants had purchased a house through a family member. Others stated that they had attempted to purchase a home, but failed despite having the financial resources because of obstacles to receiving a loan such as extensive paperwork, complicated processes, and bank requirements for guarantors.

As we heard throughout many of the focus groups in the United States, the most frequent concern with this concept was the lack of credibility of home-country financial institutions. A second concern was the higher interest rates back home.

For some participants, the benefit of this product is that it would make it easier for their family to access a loan. Many would like their families to have more stability with homes of their own and therefore some expressed interest in the product.

- *"If we can provide money for investing in our country, that's excellent!" Washington DC to El Salvador*

- *"It is really hard for them to access a loan back home: They ask for guarantors, and a lot of paperwork is needed." Washington DC to El Salvador*

Some participants were also concerned about who would be the legal owner of the property under this arrangement. Some stated that they would like the property to be in both their and their relatives' names.

- *"The loan would be given to her, but I put the down-payment, which is the hardest thing, so we both would have rights to the property." New York to Ecuador.*

Participants were also presented the idea of sending a portion of their remittance to be accumulated for this down-payment. Participants reacted with interest, however some concerns were also mentioned. Participants in the United States mentioned that they would be comfortable using a portion of remittances for a home down-payment if the savings were in U.S. dollars and with a credible institution and/or a U.S. bank. Some participants also stated the same concern regarding the programmed savings concept, particularly in terms of constraints on liquidity.

- *"I would prefer to do that here. I have more confidence in a bank here." New York to Bolivia*

Responses to this product in the Latin America focus groups varied. Some participants are concerned about asking their relative about a financial obligation of this nature, while some are not sure their relative in the United States would have enough funds to cover the down-payment. Concerns about sharing property were also mentioned. For example, participants in Bolivia responded:

- *"I am interested but I'm not sure if their savings would be enough to cover the initial down-payment."*

- *"It would be too much to ask, it would imply having two owners and only one making the effort (to access the loan)."*

Remittances as a loan guarantee

Remittances as a loan guarantee allow the sender in the United States to provide collateral to increase their family's access to a loan in their home country for a business or to purchase property. The relative in the United States would establish a guarantee in the form of a certificate of deposit in a home-country financial institution, which could increase the family's borrowing capacity.

In the United States, this concept prompted divergent reactions. Some participants embrace it, characterizing it as "my dream," and an ideal way to help oneself and one's family. Yet others are intimidated by the personal liability and risk. If the investment were to involve something concrete, such as property, its appeal increases somewhat. And if the property were in the sender's name, several other respondents would favor it. However, concerns regarding personal risk detract from its overall popularity.

- *"Even with a relative, you run the risk." New York to Bolivia*

- *"This is exactly my dream! You would have the liberty to go [and stay in the house], maybe a few months a year. My brother could live in it and then, when I go [to Colombia, the house] is there for me." ACCION New York client from Colombia*

In Latin America, this concept also received mixed responses. For some participants, it is an interesting idea, however, respondents were not sure that their families in the United States would have sufficient funds or be willing to provide a guarantee.

- *"It would depend on their possibilities (in the United States). They earn well but they also have a lot of expenses." Bolivia respondent*

- *"I want to buy a house, my son wanted me to find out how to take out a loan for this, and this is exactly what we were looking for." Bolivia respondent*

One participant also mentioned that this would be useful for him because with the use of a certificate of deposit as collateral, he would not need a guarantor.

Attitudes toward Banks and Money Transfer Mechanisms

In addition to examining currently available and hypothetical products, ACCION's market research also investigated the existing relationships of the respondents to banks and money transfer organizations. The intent was to discover whether the respondents feel comfortable working with banks and to learn more about how they choose the money transfer mechanisms they currently use.

Current Use of Banks

The study finds that the majority of U.S. participants in this research have relationships with banks in the United States. Most have checking and/or savings accounts, although fewer of the Ecuadorians have accounts. Most also have credit cards and/or debit cards. Only one or two participants were not familiar with a debit card.

A significant number of U.S. participants stated that they or their families also do have accounts with banks in their home countries. Some participants stated that they use accounts in the name of a relative for their personal savings and investment goals back home. In one case, a Guatemalan participant uses an account opened in his sister's name and has his family deposit a portion of his remittance in that account. Another participant has a joint account with his mother and planns to use the deposited funds "for saving for future investment, maybe to start a business."

The study finds that the incidence of participants living in the United States with bank accounts back home is related to the degree of confidence in banks in their countries of origin. Similarly, the concept of establishing savings accounts with financial institutions in their home countries elicited very different responses depending on the country of origin.

Overall, this use of savings accounts back home by immigrants in the U.S. as well as the interest in savings products in their countries of origin demonstrates an existing demand for savings mechanisms in home countries. This demand may, in part, be a result of the obstacles that immigrants face in the United States in accessing financial services, such as language barriers or undocumented status.

Participants in the U.S. from Guatemala and Ecuador are less likely to have savings accounts in their home countries than participants from Bolivia. They have little confidence in the banking systems and are concerned with the stability of the overall economy and financial institutions. Several mentioned banks' histories of bankruptcies and mismanagement of funds, and only few have savings accounts back home. On the other hand, Salvadoran participants have more confidence in banks in El Salvador. Several feel saving in banks in El Salvador is preferable to saving in the United States. Among this group of Salvadorans living in Los Angeles, more than half have savings accounts in El Salvador, demonstrating this trust.

- *"I haven't really thought about saving it here. With my Mom (in El Salvador), it's in good hands."*

- *"Here it's difficult, especially when you have no legal documentation. It's just easier there."*

- *"There's more of a sense of security saving and investing it there. At least it's our home. Here you might get picked up!"*

U.S. participants from Bolivia fall somewhere in the middle in terms of confidence in their local banks. Approximately half of Bolivian participants have savings accounts back home.

- *"I send money to my brother. We're saving to buy land and start a business. He puts the money in a credit union. The interest is better [than at a bank in the United States]."*

- *"But you can't trust banks there. The economy is very bad, anything can happen from one day to the next!"*

Consequently, the level of confidence in local financial institutions and the stability of local economies will play a key role in any effort to develop a model that channels funds through formal financial institutions.

<u>Perceptions of money transfer products offered by banks</u>
Why aren't senders in the United States using bank transfers, bank deposits, or ATM withdrawal methods, especially given that so many already have bank accounts? Respondents struggled to articulate an explanation, but no single reason stands out. No doubt, the perception that such methods are more costly because of "charges at both ends" contributes to its under-utilization. Participants feel that bank products have charges and fees on both ends of the transfer – when the money is sent and again when their relatives pick up the money. Participants feel that it is acceptable to charge the sender, but that any added burden on the recipient is unacceptable. A few participants were simply unaware that such transfers are possible. For the non-dollarized countries, several respondents questioned the "hidden costs" associated with exchange rates.

- *"I've sometimes used bank-to-bank wiring. But they charge over there to pick it up, so there's a double-charge, at both ends." New York to Bolivia*

- *"I changed to Western Union. Western Union is expensive, but at least they only charge on this end. The bank charged at both ends, and I don't want them charging them at pick-up. I don't want anyone charging my family." Los Angeles to El Salvador*

Perhaps a lack of legal documentation plays a part for some as well. Only four out of eighty focus group participants in El Salvador have relatives that had traveled to the United States legally.

While most participants acknowledged that ATMs are widely present in their home countries, some feel that their elderly relatives would be hesitant to use the cards. Paradoxically, most senders have bank accounts in the United States, many or most recipients have bank accounts in the home countries, and most seem to feel that such methods make sense and were do-able, yet few utilize them. Of the 47 participants in the United States, only one had ever used a bank deposit/ATM withdrawal system to send a remittance.

- *"You would need to have the same bank at both ends …like Citibank …and I have Chase." New York to Bolivia*

- *"My Mom uses an ATM card. I deposit the money here at Citibank and my Mom withdraws it there. The last time was an emergency, so I used Western Union. But I usually use the bank deposit/ATM system. But with the ATM there's a limit on how much they can withdraw." New York to Bolivia*

Salvadoran recipients and senders, on the other hand, are very comfortable sending remittances to their families using Salvadoran banks that operate in the United States as money transfer companies. Participants categorized their service as a bank transfer, even though in the United States these Salvadoran banks operate as money transfer companies, not banks.

Participants using banks from Latin America that operate as money transfer companies in the United States, cite speed and convenience, added security, and, in one case, lower cost as reasons for their use.

- *"I use a bank transfer. From my bank here I transfer directly to Banco de Comercio [in El Salvador]. It costs $9 for $100 to $300." Los Angeles to El Salvador.*

- *"I used to use Gigante Express, but it was slow. Sometimes it would take three or four days. With a bank transfer, it's fast, and directly deposited into their account or, if you give them the PIN number, they can just cash it." Washington DC to El Salvador*

Money Transfer Companies

Participants regularly use money transfer companies such as Western Union and Delgado Travel. The biggest advantage participants perceive of these remittances companies is speed. The typical transfer takes a few hours or less to arrive at its destination.

Our focus groups reveal a lack of customer loyalty to Western Union. Among the seven focus groups, only a few participants are consistent and loyal customers to Western Union, and others only use Western Union occasionally. While fast and reliable, Western Union is often regarded as more expensive than competitors, and participants reported that their personnel are not always friendly or service-oriented, and that they do not always speak Spanish.

- *"I use Western Union sometimes, when necessary. But they're expensive. Bank transfers are less." Washington DC to El Salvador*

- *"They give you a free three-minute phone call, and their rates have come down a lot recently". Los Angeles to Guatemala*

- *"Western Union is quick …but they don't always speak Spanish …and they're not always so friendly." New York to Ecuador*

Delgado Travel and similar local, smaller money-transfer companies have greater appeal, especially among the Bolivian and Ecuadorian participants. These tend to be local companies whose employees speak Spanish and provide a high level of personal attention. Their services are considered reliable, efficient, fast and service-oriented.

- *"Delgado? Not only do they speak Spanish, they're even Ecuadorian!" New York to Ecuador*
- *"[Telegiros Virginia – Harasic] has been around for years …and they're Bolivian!" Washington DC to Bolivia*
- *"I use Deluxe Express. It's just like Western Union, but less expensive because they give (a more favorable exchange) rate." Los Angeles to Guatemala*

Courier Services and Other Mechanisms

Courier services such as Gigante Express or King Express were also favored within the focus groups. These courier services provide senders a money order and envelope so that parcels such as letters and photos can be sent in conjunction with a money order. This is a popular service – in some cases more popular than traditional money-transfer methods. These packages usually take between one and four days to arrive and are typically delivered directly to the home of the recipient. Several focus group participants also favor the option of having the delivery person cash the money order for the recipient upon delivery. These courier services are particularly popular with the Salvadoran and Guatemalan communities.

Considering the emphasis on speed of delivery, one might wonder why this method holds such appeal. Furthermore, the process is not as convenient as a traditional money transfer method. That is, with a courier service, the recipient receives a money order, which must be exchanged for cash or check. Checks then have to be cashed at a bank. Fees are associated with each transaction, many of which are not transparent at the beginning of the process.

However, the focus groups revealed that for many, delivery in one to three days was reasonable. This, together with the advantage of home delivery for the recipient and the perceived low price, were the appealing attributes of this service. Finally, the sentimental value of sending letters and photos seems to override any of the negative attributes of the service.

- *"I also use Gigante Express. You can include pictures, letters, and it goes directly to their home …and the person who delivers it in El Salvador will even cash it right there for them." Los Angeles to El Salvador*
- *"I use King Express. They bring it right to the house. And they mail a receipt back to you." Los Angeles to Guatemala*

Two respondents have used postal money orders, and some occasionally use friends and relatives as couriers. One Bolivian participant in New York sends money through a Western Union service available on the Internet through terra.com.

- *"I use a [regular U.S. Postal Service] money order sometimes …and then send it 'priority mail.' But it's expensive - $6 – and it's a little more difficult for them to cash." Los Angeles to El Salvador*

- *"My Dad goes [to Ecuador] four times a year …so we load him up." New York to Ecuador*

IMPLICATIONS

The Transnational Family. Transnational financial ties demand transnational financial services. Immigrants do not simply leave their pasts behind, as earlier generations had no choice but to do. With access to international air travel and communications technology, immigrants today strive to stay active in their families' lives and to participate in two communities at once. Immigration stretches but does not break the strong social and financial ties within families.

Providers of financial services are challenged to respond to this transnational way of life. It is therefore limiting to view remittances solely as a transfer of cash from one set of hands to another. Instead, good remittance products can enhance the ability of immigrants to participate actively in the lives of their families back home and to pursue long-term goals in the home country.

ACCION's market research reveals a demand for financial products that immigrants can use to help their families back home. A major goal of focus group participants in the United States was to help their family members improve their standard of living and achieve greater financial security. The research also reveals that immigrants seek to pursue their own long term goals in their home countries, beginning with satisfying the debt obligations incurred to finance the migration itself, and continuing with building a home or business and saving for retirement.

In addition, the market research shows that the relationship between sender and recipient plays a role in the choice of a money transfer provider. It shows that while the remittance mechanism is chosen primarily by the U.S. relative, recipients do have a say in the decision. Recipients evaluate the service and often suggest exploring other companies when problems arise, the money is late, the service is bad, or hidden charges emerge. There may be an opportunity for differentiating remittance products by the added value they can bring to recipient families.

Choice of Money Transfer Mechanism. The market research reveals a surprisingly complicated picture of the experience and attitudes of respondents with respect to banking services. On one hand, a high percentage of focus group participants, even in recipient countries, have experience with bank accounts, credit and debit cards, and ATMs. On the other hand, decisions are strongly influenced by such traditional factors as mistrust of banking institutions, preference for institutions with a link to the home country, and the desire for personal service (e.g., the chance to send a letter or photo home). This juxtaposition of modern and traditional elements suggests that clients may be willing users of technology if the technologies are part of a service that responds to their "softer" needs. It also points out a need to improve the image of banks, particularly in receiving countries. In addition, the research reinforces well-known factors that influence the choice of provider: speed, cost, safety, customer service and convenience.

***Product and Service Design Implications*.** The market research reveals that opportunities may indeed exist to link remittance services with microfinance products. These opportunities are most readily identified and perhaps easiest to develop on the savings side, but exist on the credit side as well. Channeling remittances directly into savings accounts, whether in the name of the sender or a relative, appears to be an attractive first step. It can provide a means to increase the ability of immigrants and their families to achieve investment goals. The desire for savings accounts is particularly strong among those groups whose language ability, lack of legal status or literacy level pose barriers to banking in the United States.

On the credit side, opportunities may exist to link remittances to microenterprise loans or housing loans, but the process of integrating these flows raises a number of practical questions. For example, some credit products linked with remittances would require that the family member in the home country receive a power of attorney from the relative in the United States. More immediately, MFIs can begin searching for ways to use remittance streams more systematically in their credit evaluations in order to help clients leverage this income to qualify for larger loans.

Looking more broadly, the vision that this market research raises is one of seamless transnational financial services that make it easy for clients to carry out their financial business from afar, even paying for financial obligations back home directly from the United States.

For MFIs in receiving countries, the possibility is opened to consider the immigrant in the United States as an extended part of its potential client base. To appeal to these clients and their families, MFIs will need to focus on institutional image and marketing, going well beyond the image and type of marketing employed for traditional credit services. Both remittance senders and recipients look for solid, transparent financial institutions that they can trust. Attention to customer service and to product design that supports family goals will be essential elements in the design of successful new products.

Finally, one of the overwhelming messages of the market research is that financial services that respond to the dynamics of the transnational family have the potential to generate significant development impact in terms of improving the quality of life for families on both ends of the remittance transaction. It is therefore an important topic for institutions with a financial and social bottom-line to consider.

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