



Survey Results of INAFI survey of members on remittances ¹

Introduction

This document presents the results of a series of interviews conducted during October 2007 to INAFI members. As part of the organization of the Conference on Remittances and Microfinance organized by INAFI International to be held in Cotonou, Benin, phone interviews to all INAFI members worldwide were made in order to learn about their work (or lack thereof) in performing remittance transfers. To that effect information was gathered about the financial institutions, as to whether they perform remittance transfers, knowledge on regulatory compliance, financial intermediation and technology innovation. A total of 27 questions were asked.

Of all 140 members, 110 were contacted, 94 of which were interviewed and responded, 16 promised to send the responses by e-mail but did not, and 30 were unable to be reached (phone connection didn't work, or information was outdated and could not be updated). The 94 interviews were processed and here are the results.

¹ Interviews conducted by Manuel Orozco with research assistance from Nancy Castillo, Emily Sciarillo, Carole Magnashi and Eliana Smith. The period of interviews was thirty days during October 2007.

Paying through MFIs: growth and competition ²

Participation in the remittance market by microfinance institutions has resulted primarily from an institutional observation about how their branches have been working with clients whose relatives are migrants or who raised some of their collateral or working capital through savings received from transfers of remittances. Interviews with these institutions confirmed either by the senior management or credit officers showed precisely that many of their clients were connected one way or another through a relative who was abroad and remitting.

The institutions interviewed for this study showed lending portfolios ranging from four to seven million US dollars with branches in smaller numbers in Latin America. Their years of operation, however, are relatively similar dating to the mid nineties coinciding with periods of economic recovery.

Table : *Financial and institutional profile of MFIs*

	Average				Median			
	Branches (#)	Rural (#)	Year started	Lending portfolio	Branches (#)	Rural (#)	Year started	Lending portfolio
Africa								
Inafi International (31)	42	31	1,993	\$22,890,491	21	14	1,995	\$7,694,700
Americas								
Red de la gente (17)	9	3	1,991	\$10,713,115	5	1	1,996	\$4,368,500
Forolacrí (36)	16	6	1,992	\$23,316,539	9	4	1,994	\$4,719,560
Inafi International (22)	14	13	1,993	\$115,662,750	10	8	1,996	\$7,000,000
Asia								
Inafi International (35)	279	286	1,991	\$154,426,210	15	12	1,992	\$3,384,565

² This section is based on interviews with 166 MFIs operating worldwide, member of different networks, among them INAFI international, Forolacrí, and Red de la Gente, Mexico. The interviews included 17 questionnaires (see appendix) requesting information about paying remittances, offering financial services, and knowledge on money transfers.

Over one third of these MFIs were working as agent payers for money transfer companies in different parts of the world (see the table below). Overall, those paying remittances exhibit different characteristics than those that are not in the remittance market. The table below shows that paying MFIs have generally a larger number of branches and a significantly larger lending portfolio, and relatively a bit older institutions. They also have far more presence in rural areas. These differences may suggest their comparative differences as payers: size in branches and portfolios, and rural position.

Table : MFIs paying remittances (%)

	Region			Total
	Africa	Americas	Asia	
Does not pay remittances	61.3%	61.0%	68.6%	62.8%
pay remittances	38.7%	39.0%	31.4%	37.2%
	100.0%	100.0%	100.0%	100.0%

Table : Median size and characteristics between MFIs who pay and do not pay remittances

	Pays				Does not pay			
	Branches (#)	Rural (#)	Year started	Lending portfolio (US\$)	Branches (#)	Rural (#)	Year started	Lending portfolio (US\$)
Africa								
Inafi International	29	18	1993	30,796,289	14.5	8	1996	2,117,740
Americas								
Red de la gente	5	1	1996	4,368,500				
Forolacrí	17	4.5	1993	11,650,000	7	2	1994	2,500,000
Inafi International	17	11.5	1992	10,500,000	10	6.5	1997	6,400,000
Asia								
Inafi International	149	137.5	1988	19,058,100	12	11	1993	1,762,255

When looking at the length of time they have been operating, the median and average years are two, that is, they mostly started in 2005. This percentage shows how in short period of time these institutions have become involved in this market. It is worth noting however that formal or licensed remittance transfers at a global scale are relatively new dating to the late nineties. Western Union, for example, started operations worldwide in 1997. Money transfer companies that started operating with one country corridor also started in the mid nineties in the majority of cases. Thus, this one third of MFIs that entered the market in less than ten years of a global expansion in retail money transfers, can be seen as the first generation of MFI payers. The average monthly transfers are relatively small and variable across regions. Note that the median and average of African MFI transfers is larger than that of other regions. This is partly due to the fact that MFIs in Africa often have greater presence and as much capacity for international payment as banks, which often have a smaller number of branches. However, the size of the annual volumes is smaller: the size of the amounts transferred is smaller due to the presence of intra-regional transfers.

It is also important to note that the growth in volume of transfers from the time they started to the time they were interviewed (two years later) rose to nearly ten times for transfers to the Americas and Asia and doubled to Africa. Many institutions develop greater payment capacity and traction on the second or third year of operation receiving transfers from their MTO partners.

Main Results:

Table : Average remittance transfers

REGION		Monthly transfers	Current Annual volume	Annual transferred on first year
Africa	Median	425	\$1,295,855	\$898,793
	Mean	2,753	\$7,554,373	\$4,938,091
Americas	Median	200	\$644,024	\$39,400
	Mean	899	\$13,063,434	\$1,034,001
Asia	Median	113	\$861,742	\$81,783
	Mean	388	\$28,031,748	\$3,432,634

- 35% of members are making money transfers. The majority are agents of major money transfer companies.
- Over 50% of those paying remittances see high migration flow from their countries;
- These institutions paying remittances are new to the business, operating for up to two years;
- The MFIs on average do less than 500 transfers a month
- On aggregate annual flows for all paying institutions the volume transferred is just over US\$350 million;
- The volume transferred increased tenfold within two years of operating;
- Thirty percent of their MFI clients receives remittances, but only 8% withdraws it through them;
- Two thirds of MFIs have adopted a money transfer's company's platform to do money transfers;
- One third of MFIs is not aware of regulatory and compliance matters on money transfers
- Over fifty percent of MFIs not paying remittances say lack of technology is an impediment.

NOTE: *Unless noted in the tables, all responses add to 94 interviews.*

Survey results

A. Basic Information

Region:

Region	% of total	% of MFIs who do remittances	% of MFIs who don't do remittances
Africa	34.4	37.5	32.8
Americas	26.7	28.1	25.9
Asia	38.9	34.4	41.4
Total	100	100	100

How many branches does your institution have in the entire country ?

	Total	MFIs who don't do remittances	MFIs who do remittances
Mean	130	113	164
Median	16	12	22

# of Branches	% of total
1-5	28.9
6-10	12.2
11-20	15.6
21-30	10
31-40	5.6
41-50	4.4
51-100	4.4
101-1,000	12.2
1,001 and up	3.3
Missing	3.3
Total	99.9

No. of inst. in rural areas

	total	MFIs who don't do remittances	MFIs who do remittances
Mean	122.59	107.43	151.82
Median	11	8.5	16.5
Minimum	0	0	0
Maximum	3027	3027	3022

Percent of branches in rural areas to total branches

	total	MFIs that don't do remittances	MFIs that do remittances
Mean	64.2%	63.4%	65.5%
Median	69.5%	71.5%	67%

	% of total	% MFIs that don't do remittances	% of MFIs that do remittances
0 % in rural areas	15	17.3	10.7
1-25%	2.5	1.9	3.6
26-50%	12.5	13.5	10.7
51-75%	23.8	19.2	32.2
76-100%	46.3	48.1	42.9
Total	100	100	100

When did this MFI begin ?

Year began	Frequency	Percent of Total
Before 1960	1 (1943)	1.1
1960-1969	2	2.2
1970-1979	4	4.4
1980-1989	17	18.9
1990-1999	48	53.3
2000-2003	17	18.9
Missing	1	1.1
Total	90	99.9

When did this MFI begin ?

Year	% of MFIs that don't do remittances	% of MFIs that do remittances
Before 1980	3.5	15.6
1980-1989	15.8	25
1990-1999	57.9	46.9
2000-2003	22.8	12.5
Total	100	100

Average year MFI began

	total	MFIs that don't do remittances	MFIs that do remittances
Mean	1992.27	1994.25	1988.75
Median	1994	1996	1992
Minimum	1943	1967	1943
Maximum	2003	2003	2003

How much is its lending portfolio ?

	total	MFIs that don't do remittances	MFIs that do remittances
Mean	\$92.3 million	\$59.8 million	\$146.5 million
Median	\$7.2 million	\$2.4 million	\$13.8 million
Minimum	\$90,764	\$90,764	\$148,000
Maximum	\$2.5 billion	\$1.9 billion	\$2.5 billion

What type of financial services do you offer ?

	% of Total	% of MFIs that don't do remittances	% of MFIs that do remittances
Loans for consumption	56.7	50.9	71
Loans for housing	51.1	45.6	64.5
Loans for business	96.7	98.2	100
Savings accounts	60	54.4	74.2
Time savings	20	12.3	35.5
Pensions	5.6	7	3.2
Life insurance	33.3	29.8	41.9
Medical insurance	13.3	14	12.9
Repatriation of a deceased	6.7	3.5	12.9
Average response		35.1	46.2

Other: Loans for agricultural production, employment contracts, asset financing, borrower welfare fund, comunal bank, additional credit, d isbusrement of civil servants and others salaries, emergency loan, seasonal loan, environmental business loans, credit insurance, financial intermediation, funeral insurance, health loan, loans for income generating activities, loans for people in jails, loans for refugees, loans for utility bills, loans to basketries and very small businesses, micro insurance, money transfer (organizations money), school fees, skills training, marketing.

Which of these services is most profitable for your MFI ?

Most Profitable	% of Total (of those who answered)	% of MFIs that don't do remittances	% of MFIs that do remittances
Loans for Business	79.7	2.1	0
Loans for Housing	5.4	2.1	11.5
Loans for consumption	1.4	79.2	80.8
Other	13.5	16.7	7.7
Total	100	100	100

Do you know if in the area where your institution operates is a migrant population? (that is, do you think there is emigration or immigration from your zone?)

Is there migration in your area?	% of MFIs who don't do remittances	% of MFIs who do remittances
Yes	96.3	100
No	3.7	0
Total	100	100

How much?	% of those who said yes
A little	19
Some	36.9
A lot	42.9
Missing	1.2
Total	100

How much?	% of MFIs who don't do remittances	% of MFIs who do remittances
A little	27.5	6.3
Some	35.3	40.6
A lot	37.3	53.1
Total	100	100

1. Regarding remittances

1. Do you offer money transfer services ?

Offer service?	% of Total
Yes	36
No	64
Total	100

2. Since when does your institution offer that service? _____ (number of years)
Number of years offering money transfer services

Mean	2
Median	2
Minimum	0
Maximum	5

3. How many transfers on average do you handle each month? _____
Average number of transfers per month

Mean	1,719.65
Median	250
Minimum	2
Maximum	12,750

4. How much volume a month or year are you doing today and how does it compare to when you began?
Current annual volume

Mean	\$14,658,648
Median	\$979,816
Minimum	\$3640
Maximum	\$133,000,000

Annual volume when started

Mean	\$3,682,235
Median	\$230,175
Minimum	\$728
Maximum	\$26,166,100

Total amount \$ increase of money transfers from first year to now

Mean	\$12,998,000
Median	\$599,000
Minimum	\$2,912
Maximum	\$112,460,000

Average amount \$ of increase per year of providing money transfer services

Mean	\$4,310,000
Median	\$192,000
Minimum	\$1,456
Maximum	\$37,487,000

5. *What does your remittance service consist of ?*
We payout for a money transfer operator (50%);
We have our own platform (10%);

2. Regarding financial intermediation in relation to remittances

³ 6. Do your MFI clients receive remittances?

Do your MFI clients receive remittances?

	% of Total (who do remittances)
Yes	59.4
No	40.6
Total	100

What percentage of your MFI clients receives remittances? Mean: 29%

How much?	Those whose MFI clients receive remittances (and responded)	
	Frequency	Percent
Less than 10%	3 (3, 4, 7 %)	33.3
10-30 %	3 (10, 30, 30 %)	33.3
Over 30%	3 (33, 50, 98 %)	33.3
Total	9	99.9

7. What percentage of your MFI clients receives remittances through you ?

Mean: 7.8%

	(MFIs who responded)	
	Frequency	Percent
Less than 10%	5	55.6
10-20%	2	22.2
90% or over	2	22.2
Total	9	100

³ Difference between [q6] and [q7]: Q6 asks who among the MFI clients receives remittances [regardless of the MTO system and agent they use]; Q7 asks if anyone of the typical MFI clients that receives remittances cashes the money through them. There are many MFI clients who receive remittances but DO not withdraw the money at the MFI but use another agent [q6]. An MFI client is defined by anyone who has a loan or account with the institution.

8. *What percentage of your remittance clients does another type of financial activity ? (loans, savings, insurance, etc.)? (% or #)*

Mean: 44.6%

	MFIs who responded	
	Frequency	Percent
30% or less	7	53.8
31-50%	3	23.1
Over 80%	3	23.1
Total	13	100

9. *Have you been able to offer more credit than normal as a result of your remittance services? YES 1 NO 2*

	% of MFI who do remittances
Yes	40.6
No	59.4
Total	100

3. Regarding the legal context of transfers

10. *What is your company's familiarity with the regulatory framework of remittance transfers, not of microfinance? Please explain.*

Know about anti -money laundering laws	65.6
Know about laws or regulations about suspicious activities	59.4
Know about laws or regulations about the OFAC list (of terrorists, etc.)	40.6
Know about KYC (Know Your Customer) norms	46.9
Knows very little	21.9

4. Regarding transfer technology

11. What type of platform do you use to transfer remittances?

	% of MFIs who do remittances (and who responded)65.6
Don't have a platform	3.6
Software platform of the institution	10.7
Software platform installed by independent company and is independent of our system	64.3
Software platform installed by independent company and is integrated into our system	14.3
Other	7.1
Total	100

12. In general, have you implemented some type of innovative technology?

	% of MFIs who do remittances (and who responded)
Cards	11.1
Wireless service	7.4
Transfers via the internet	40.7
Other	18.5

Other Includes: Telephonic Transfer, transfers via telephone, Wamax

7. Regarding institutional efforts

13. Have you invested in resources to compete in the remittance market?

YES 1 NO 2

	% of MFIs who do remittances (and who responded)
Yes	67.9
No	32.1
Total	100

14. Do you think since you began to offer remittance services, the institution's situation has improved ? YES 1 NO 2

	% of MFIs who do remittances (and who responded)
Yes	78.3
No	21.7
Total	100

14^a. Please explain. _____

[ONLY for those who responded NO to Q1]

15. Which do you think are the obstacles that prevent your institution from offering remittance transfers ?

	% of MFIs who don't do remittances (and who responded)
Comply with international regulatory norms on money transfers	32.1
Maintain a minimum cash flow equivalent to four daily remittance payments	15.1
Have trained staff able to perform retail payments in foreign currency	32.7
Have the technological systems and hardware to adopt or adapt the payment platform	50.9
Be located in (preferably rural) areas where remittances are arriving	23.5
Awareness of the market of remittances	39.6
Too much competition in the area of remittances	26.4
Not enough capital to adequately invest in this business	37.7

Other includes: National laws limiting MFIs (3), Obstacles with guarantees when forming alliances, Obstacles with transforming, Position in the market, Prevalence of informal channels to remit, Prevents dependence on the org by the poor, Areas where they operate don't demand it (rural areas).