

ACCION

**Connecting the
Remittance
Ecosystem in the
Northern Triangle:
The Sender's
Perspective**

MAY 2024



Published by: **Accion**

1101 15th St. NW, Suite 400, Washington, DC 20005
accion.org
Tel: +1 202.393.5113

Prepared by

Alejandro Amorín: Manager, Digital Payments and Projects
María Belén Garrett: Associate, Customer Strategy
Santiago Quimbaya: Analyst, Latin America
Natalia Triana: Director, Digital Products
Leonardo Tibaquirá: Director, Digital Strategy & Transformation

in Collaboration with **Aprende Institute**

Pablo Mesia Blanco: Head of UX
Sophie Kronk: Head of Partnerships

Special thanks

Mark Lopes: President/COO, Partnership for Central America (PCA)
Douglas Randall: Senior Financial Sector Specialist, World Bank
Alexander Spevack: Private Enterprise Officer Central America and Mexico, USAID
Julia Yansura: Program Director, Latin America & Caribbean at Global Financial Integrity
Jose Calderón: Expert product design



The information contained in this document is strictly proprietary and confidential. This document or any part of it may be used by the intended recipient for its internal purposes only and will not be used or exploited for any other purpose. The Accion names and logos are trademarks of Accion International and its licensors, all rights reserved.

Foreword



Victoria White

Managing
Director, Accion
Advisory



Jose Wolff

Vice President,
Latin America,
Accion
Advisory

With the ongoing growth of global remittances, incumbent money transfer players continue to seek opportunities to increase their market share. Meanwhile, new actors including innovative fintechs and startups, seek to disrupt the industry through new business models supported by new technologies.

While there are a number of studies focused on the experience and interests of remittance recipients, far fewer seek to understand the culture, fears, barriers and motivations of the remittance sender. This study builds on work by the World Bank and other multilateral organizations, together with recent research in Guatemala by the Center for Financial Inclusion at Accion, supported by USAID. It focuses on the sender's perspective to fully understand the remittance journey and potential new models.

Accion is a founding member of the Partnership for Central America (PCA) and an observer on the PCA Remittances Committee's Financial Inclusion Consortium for Central American Remittances (FICCAR). We aim to support all participating actors in the remittances ecosystem and to provide a practical guide to spur new ways of delivering remittances originating in the United States to the Northern Triangle (NT) countries of El Salvador, Guatemala, and Honduras. This includes exploring innovative solutions, such as sending remittances to a digital stored value account to create a fully digital ecosystem, that promote digital financial inclusion in the region and boosts well-being and development.

This study aims to stimulate new ideas and operating models for linking remittance flows more directly to economic growth opportunities in NT countries. This includes redesigning financing models for a broader range of needs, including consumer credit, productive assets, housing and education, with the goal of contributing to greater regional economic prosperity and supporting a reduction in irregular migration to the United States.

It uses innovative methodologies and sample selection approaches, ensuring the confidentiality of interviewees and respondents.

We hope this report serves as an accelerator for dialogue, understanding, and positive change by developing new ideas that continue to move the region forward.

Table of Contents

Executive summary	5
Introduction and objectives	7
Introduction	7
Objectives	8
Context: migration and remittances globally and in the Northern Triangle	9
Research methodology and sample	13
Findings and results	15
A three-fold approach to remittances	35
Cost transparency	36
Real-time transaction status and data analytics	37
New technologies	38
Conclusions	40
Bibliography	43
Annexes	45





Executive Summary

This report offers an innovative perspective on remittance sender behaviors and the processes informing cross-border payments and explores opportunities to improve the ecosystem.

This report was produced by Accion in collaboration with Aprende Institute to understand the state of the remittances in the Northern Triangle (NT) countries of El Salvador, Guatemala, and Honduras. It presents the results of qualitative and quantitative market and user research conducted with migrants living in the United States, who send remittances to their countries of origin.

Accion is a nonprofit organization that works with local partners to develop and scale responsible digital financial solutions for underserved people globally. Our mission is to improve the lives of underserved people by building innovative and responsible financial solutions. Aprende Institute is the leading Spanish-language online education platform for Hispanics in the United States, encompassing more than 40 on-demand trades, wellness, and entrepreneurship programs, with the mission of empowering the Hispanic community.

The document has been prepared as an elementary guide for the Partnership for Central America (PCA)'s Financial Inclusion Consortium for Central American Remittances (FICCAR) and PCA members, and is available for public use by companies focused on creating new models for the stakeholders described in this study.

At Accion Advisory, we employ a practical, results-oriented approach aimed at delivering tangible findings and actionable insights. Our analysis can be used as a tool to inspire the design and implementation of new models.

This study seeks to offer an innovative perspective on the remittance sender's behavior and process of sending cross border payments by exploring opportunities to develop an ecosystem that improves such process. Based on the research results and analysis, four user profiles were created to represent the different types of sender profiles in our sample. Each profile has unique needs, pain points, goals, motivations and behaviors that have influenced our reflections on new approaches to money transfer and stored value models.

Finally, we present examples and best practices on remittance platforms, global innovations, and new technologies that can help evolve the model of sending remittances.

This study contributes learnings to what is a dynamic environment, illustrating new models and trends, which can be a catalyst for change in the remittance environment and the well-being of the communities of the Northern Triangle.

Accion invites all actors to join forces and continue deepening our collective understanding of the issues faced by remittance senders and recipients today and to collaborate in the design and deployment of innovative solutions to solve these issues.





Introduction and objectives

The PCA aims to reduce the root causes of poverty in the Northern Triangle region through inclusive economic growth, good governance, good jobs, skill building, and increasing financial inclusion.

INTRODUCTION

The Partnership for Central America (PCA) is a public-private partnership established in 2021 by U.S. Vice President Kamala Harris in support of the White House's impact initiative on "Central America Forward" to create a call to action focusing on the private sector to deepen their investment commitments in the Northern Triangle. PCA responds to this call to action, focusing on the private sector to deepen their investment commitments.

The mission of PCA is to address the root causes of migration from northern Central America by advancing economic opportunities. This paper looks to support the PCA initiative by inviting public and private entities to explore new solutions and models with the potential to improve economic and social conditions in the NT.

The partnership seeks to address the economic, cultural, and social causes of irregular migration from El Salvador, Guatemala, and Honduras to the United States.

OBJECTIVES

The main objective of this study is to present the perspective of the migrant sender and the journey of the money from the United States to the NT countries, and to encourage all direct and indirect actors of the PCA and the industry to design or revise alternative and digitally stored value models that leverage new technologies for all actors involved.

Specific Objectives

- 1.** Identify barriers, motivations, wants and other behaviors of the migrant sender during the money journey and opportunities to improve and digitize the journey.
- 2.** Reflect on the senders' and recipients' degree of digitalization and the reasons behind their choice of remittance channel.
- 3.** Build different user profiles that represent specific groups of remittance senders and provide insights on each.
- 4.** Explore innovations that could be incorporated into existing or new remittances models and products.

This study can also drive conversations to build local, national, and regional projects and public policies that seek to increase domestic productivity in the origin countries and reduce the informal sector, which is made up of people who are often most willing to migrate. By promoting better working and economic conditions through financial and non-financial products, services, and tools to this group, we can foster financial and digital inclusion and promote investments in human capital.

We invite readers to take the information from this research as a critical, direct, or indirect input in the decision-making of their respective businesses. This document does not only contain a descriptive analysis, but also illustrates new models, trends, and ideas to create alternative remittance ecosystems in the NT region.



Context: migration and remittances globally and in the Northern Triangle

Migration is influenced by its social and economic impacts on families, as well as its economic and political implications for both destination and origin countries. The International Organization for Migration (IOM, 2023) estimates there are more than 281 million people globally who are considered international migrants, and of those, 62 percent are economically active, i.e. of working age and able to send money to their relatives or friends in their country of origin.¹

**\$831
Billion**

Global remittance
flow

In 2021, global remittances totaled \$791 billion, experiencing a 5 percent growth in 2022, reaching a total of \$831 billion (Knomad, 2023). By the end of 2023, it was estimated that this figure would have increased by 1.1 percent to a total of \$840 billion (Knomad, 2023). The International Monetary Fund (IMF) suggests that this number might increase by up to 50 percent when considering informal remittance channels. Informal channels include systems like *la hawala*,² a centuries-old informal fund transfer system that remains widely used today across East Asia, Africa, the Persian Gulf, Eastern Europe, and beyond. It is essential to note that official figures on remittances, published by organizations such as the World Bank, IOM, and the World Economic Forum, and others, focus exclusively on remittances conducted through formal channels.

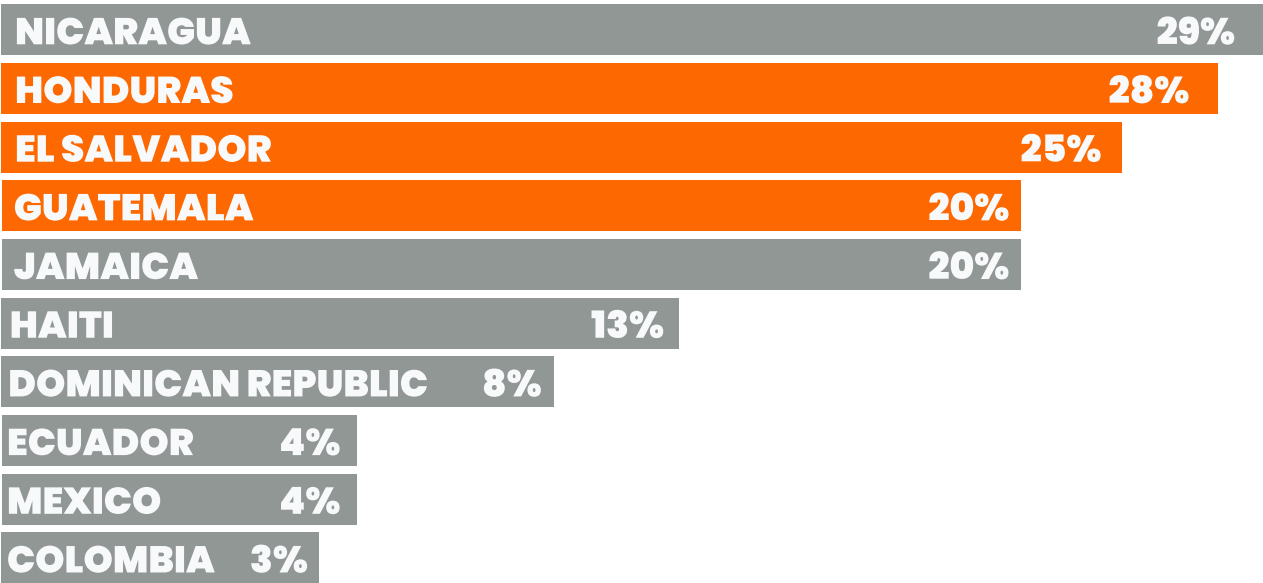
¹ United Nations (2023). Global challenges: International Migration. <https://www.un.org/es/global-issues/migration>

² Hawala is an informal method of transferring money without any physical money actually moving. It is described as a "money transfer without money movement." Another definition is simply "trust." Hawala is used today as an alternative remittance channel that exists outside of traditional banking systems. Transactions between hawala brokers are made without promissory notes because the system is heavily based on trust and the balancing of hawala brokers' books. (www.investopedia.com)

India is reported as receiving the highest volume of remittances in the world with more than 100 billion transactions in annual remittance, followed by Mexico, China, the Philippines, and Egypt.³ However, to be able to compare across economies, we suggest analyzing the percentage of remittances on the Gross Domestic Product (GDP) of each country.

In many countries, remittances sent by migrant workers to their families are one of the main sources of household income. In many cases, family remittance flows far exceed capital inflows from foreign direct investments and have become economic determinants of a country's GDP. For lower-middle-income countries, remittances represent one of the largest sources of external financing flows. It is estimated that each additional percentage of immigration increases GDP growth by 2 percent in recipient countries (World Bank, 2021; IMF, 2020).

Graphic 1
**COUNTRIES WITH HIGHEST REMITTANCES
AS A PERCENTAGE OF GDP**
(2023 estimates)



Source: Inter American Dialogue, 2023

³ D. Ratha (September, 2023). Remittances resilience. <https://www.imf.org/es/Publications/fandd/issues/2023/09/B2B-resilient-remittances-dilip-ratha>

The following table contains a comparison of the most representative indicators with regard to migration and sending remittances in the three countries of the NT.

Table 1

GENERAL INFORMATION ON REMITTANCES FOR THE NORTHERN TRIANGLE

Country	Guatemala	Honduras	El Salvador
Remittances amount in 2022 (USD Millions)	\$18,000 ⁴	\$8,686 ⁵	\$7,741 ⁶
Remittances projection in 2023 (USD Millions)	\$20,000 ⁷	\$9,177 ⁸	\$8,181 ⁹
% of remittances over GDP	20% ¹⁰	28% ¹¹	24% ¹²
% of remittances from the US	92% ¹³	80% ¹⁴	93% ¹⁵
Remittance average amount (USD) in 2022: The average amount is derived from the following formula: Total amount sent/Total transactions made per year	\$831 ¹⁶	\$626 ¹⁷	\$316 ¹⁸
Remittance usage	Consumer (44%), Investment and savings (29%) ¹⁹	Food, health, and education (87%) ²⁰	Consumer (82%), Health (5%), Education (4%) ²¹
Departments in recipient country that receive the most remittances	Guatemala (18.7%), San Marcos (10.2%) Huehuetenango (9.0%) ²²	Francisco Morazán (24.5%), Cortes (23.6%) ²³	San Salvador (10.4%), San Miguel (6.1%) ²⁴
Channels used to send/receive remittances	Bank transfer to cash (73%), Direct bank account (11%), Remittance companies (10%) ²⁵	Remittance companies (62%), deposits to savings accounts (18%), mobile applications (18%) ²⁶	Account deposits (28%), Teller withdrawals (68%), Cash (2.5%) ²⁷

Source: proprietary based on various queries (see bibliography)

⁴ International Organization for Migration (IOM) 2023, Survey on international migration of Guatemalan people and remittances 2022. https://infounitnca.iom.int/uploads/RemesasGT2022/Resumen_EncuestaRemesas2022_gt.pdf

⁵ Forbes Central America (December, 2023). Remittances in Honduras rise 5.8% as of November 2023. <https://forbescentroamerica.com/2023/12/14/remesas-en-honduras-suben-58-a-noviembre-del-2023>

⁶ Swiss info (February, 2023). El Salvador received 7,741 million in remittances in 2022. https://www.swissinfo.ch/spa/el-salvador-remesas_el-salvador-recibi%C3%B3-7.741-9--millones-en-remesas-en-2022--3-16---m%C3%A1s-que-2021/48264176

⁷ Swiss info (November, 2023). The sending of remittances to Guatemala grows 9.6% in the first 10 months of 2023. https://www.swissinfo.ch/spa/guatemala-remesas_el-env%C3%ADo-de-remesas-a-guatemala-crece-un-9-6---en-los-primeros-10-meses-de-2023/48964454

⁸ Swiss info (January, 2024). Honduras received 9,177 million in family remittances in 2023. <https://www.bloomberglinea.com/2022/07/19/remesas-se-contraen-en-casi-la-mitad-de-los-municipios-de-el-salvador-en-junio/>

⁹ AhkAktuell (January, 2024). Historical record: El Salvador exceeds \$8 billion in family remittances in 2023. <https://www.ahkaktuell.com/post/r%C3%A9cord-hist%C3%B3rico-el-salvador-supera-los-8-000-millones-en-remesas-familiares-en-2023>

¹⁰ J. Harris (Marzo, 2023). BID. Remittances to Latin America and the Caribbean in 2022: has growth reached its ceiling? <https://blogs.iadb.org/migracion/es/remesas-hacia-america-latina-y-el-caribe-en-2022-el-crecimiento-llego-a-su-techo/>

¹¹ J. Harris (Marzo, 2023). BID. Remittances to Latin America and the Caribbean in 2022: has growth reached its ceiling? <https://blogs.iadb.org/migracion/es/remesas-hacia-america-latina-y-el-caribe-en-2022-el-crecimiento-llego-a-su-techo/>

¹² J. Harris (Marzo, 2023). BID. Remittances to Latin America and the Caribbean in 2022: has growth reached its ceiling? <https://blogs.iadb.org/migracion/es/remesas-hacia-america-latina-y-el-caribe-en-2022-el-crecimiento-llego-a-su-techo/>

- ¹³ Guatemala Government Press Room (September, 2023). Income of family remittances to Guatemala grows by 11.5% in the first 8 months of 2023. <https://prensa.gob.gt/comunicado/ingreso-de-remesas-familiares-guatemala-crece-un-115-los-primeros-8-meses-de-2023#:~:text=Gobierno%20de%20Guatemala-,Ingreso%20de%20remesas%20familiares%20a%20Guatemala%20crece%20un%2011.5,primeros%208%20meses%20de%202023&text=Entre%20enero%20y%20agosto%20de,en%20divisas%20por%20remesas%20familiares>
- ¹⁴ Swiss info (January, 2024). Honduras received 9,177 million in family remittances in 2023. [https://www.swissinfo.ch/spa/honduras-remesas_honduras-recibi%C3%B3-9.177-5-millones-en-remesas-familiares-en-2023--un-5-7---m%C3%A1s-que-2022/49119372#:~:text=Tegucigalpa%2C%2011%20ene%20\(EFE\),Central%20del%20pa%C3%ADs%20\(BCH\)](https://www.swissinfo.ch/spa/honduras-remesas_honduras-recibi%C3%B3-9.177-5-millones-en-remesas-familiares-en-2023--un-5-7---m%C3%A1s-que-2022/49119372#:~:text=Tegucigalpa%2C%2011%20ene%20(EFE),Central%20del%20pa%C3%ADs%20(BCH))
- ¹⁵ Swiss info (February, 2023). El Salvador received 7,741 million in remittances in 2022. https://www.swissinfo.ch/spa/el-salvador-remesas_el-salvador-recibi%C3%B3-7.741-9--millones-en-remesas-en-2022--3-16---m%C3%A1s-que-2021/48264176
- ¹⁶ International Organization for Migration (IOM) 2023, Survey on international migration of Guatemalan people and remittances 2022. https://infounitnca.iom.int/uploads/RemesasGT2022/Resumen_EncuestaRemesas2022_gt.pdf
- ¹⁷ Swiss info (July, 2023). Remittances to Honduras rise 7.3% in the first half of 2023. https://www.swissinfo.ch/spa/honduras-remesas_remesas-a-honduras-suben-7-3--el-primer-semester-de-2023-y-suman-4.509-millones-de-d%C3%B3lares/48665146
- ¹⁸ P.Balcaceres. Bloomberg online (July, 2022). Remittances contract in almost half of the departments of El Salvador in June. <https://www.bloomberglinea.com/2022/07/19/remesas-se-contran-en-casi-la-mitad-de-los-municipios-de-el-salvador-en-junio/>
- ¹⁹ International Organization for Migration (IOM) 2023, Survey on international migration of Guatemalan people and remittances 2022. https://infounitnca.iom.int/uploads/RemesasGT2022/Resumen_EncuestaRemesas2022_gt.pdf
- ²⁰ Swiss info (July, 2023). Remittances to Honduras rise 7.3% in the first half of 2023. https://www.swissinfo.ch/spa/honduras-remesas_remesas-a-honduras-suben-7-3--el-primer-semester-de-2023-y-suman-4.509-millones-de-d%C3%B3lares/48665146
- ²¹ K. Arevalo. Voice of America (February, 2022). How are remittances spent in El Salvador? <https://www.vozdeamerica.com/a/el-salvador-como-se-gastan-remesa/6462806.html>
- ²² International Organization for Migration (IOM) 2023, Survey on international migration of Guatemalan people and remittances 2022. https://infounitnca.iom.int/uploads/RemesasGT2022/Resumen_EncuestaRemesas2022_gt.pdf
- ²³ Swiss info (July, 2023). Remittances to Honduras rise 7.3% in the first half of 2023. https://www.swissinfo.ch/spa/honduras-remesas_remesas-a-honduras-suben-7-3--el-primer-semester-de-2023-y-suman-4.509-millones-de-d%C3%B3lares/48665146
- ²⁴ U. German. El Mundo Newspaper (August, 2023). In these departments the average remittance exceeds the minimum wage. <https://diario.elmundo.sv/economia/en-estos-departamentos-el-promedio-de-remesa-supera-al-salario-minimo>
- ²⁵ International Organization for Migration (IOM) 2023, Survey on international migration of Guatemalan people and remittances 2022. https://infounitnca.iom.int/uploads/RemesasGT2022/Resumen_EncuestaRemesas2022_gt.pdf
- ²⁶ International Organization for Migration (IOM) 2023, Survey on international migration of Guatemalan people and remittances 2022. https://infounitnca.iom.int/uploads/RemesasGT2022/Resumen_EncuestaRemesas2022_gt.pdf
- ²⁷ International Organization for Migration (IOM) 2023, Survey on international migration of Guatemalan people and remittances 2022. https://infounitnca.iom.int/uploads/RemesasGT2022/Resumen_EncuestaRemesas2022_gt.pdf



Research methodology and sample

This study used qualitative and quantitative data aimed at the Northern Triangle migrant population based in the United States and was conducted with the Aprende Institute.

METHODOLOGY SELECTION

The research in this report consisted of in-depth interviews and a digital survey of customers using certain Aprende Institute (Aprende) filters. The methodology and guides for the in-depth interviews and digital survey were developed by Aprende and Accion who conducted the interviews digitally, from September to October 2023, and sent the digital survey to its customer base. To ensure that the interviewees and respondents had the desired profile for the study, the teams agreed on various filters and offered a gift card as an incentive to participants.



Data Sheet: In-depth interviews

- They all send money to their countries of origin quarterly or more
- Mix of ages, gender, life stages (with/without children), etc.
- Participants from the following states California, Florida, New York, Texas as priority.

Topics covered

- Participant context and background
- Occupation and sources of income
- Personal/family income and finances
- Sending money abroad (“Money Journey”)
- Issues/difficulties/inconvenience during the money journey
- Ideal experience of the money journey

15 interviews (60min)	26% California	12% Texas	12% Florida
	12% New York	12% Washington DC	26% Others

2 – 30 Years in USA **60%** Men **40%** Women

Income	
50% Cash (Informal)	50% Money deposit (Formal)

50/50
Digital adoption




Digital surveys data sheet

The selected survey questions were structured based on the in-depth interviews to determine the magnitude and priority of the challenges and insights previously found. This seeks to first corroborate the findings and second to gain a quantitative trend of the sample in order to prioritize solutions and segments that must be addressed initially.

16 Survey guide questions	7k Survey respondent base*	299 Responses obtained
Margin		
95% Reliability	5% Error	

*Migrants from Honduras, El Salvador, and Guatemala residing in the USA (Washington DC, Florida, New York, California).



Findings and results

“Guatemala is obviously my emotional root and my strength, because you see that my strength, obviously as a mother, is my children, right? There I have two children and my father, he is 92 years old, he is still alive, thank God. Oh, and well my whole family: my uncles, my cousins. I mean here in New York I don't have any family.”

Female study participant from Guatemala living in New York.

In search of a better future for families:

Based on the research and stories of people interviewed, migrating to the United States is seen as a last resort, when it comes to seeking better living conditions, including stable sources of income, housing, health, as well as greater security, stability, and predictability. The decision to migrate is driven by external circumstances and internal needs, both at a personal and family level.

When analyzing the stories behind each migrant, the subject of family becomes very relevant to understanding the emotional value of sending remittances to the countries of origin. Under this concept of familialism, the assumption is that the family group is responsible for the well-being of the individuals in the group, which is why remittances become a sort of family obligation.

After making the decision to migrate, a new stage begins: building a new life in the destination country including a new culture, society, and a different institutional system other than the one in the country

of origin. In this new stage, challenges and stress points are determined, such as language, but above all contact with the government and with public and private institutions such as the financial system regarding documentation, visas, and work permits.

Despite these challenges, as they become familiar with a new system and society, migrants see different attributes in the destination country compared to their countries of origin. They reach a point in their cultural transition, where they are no longer just part of a family and a community in their country of origin, but of individuals, citizens, and consumers in the destination country with the right to have their own projects, treat themselves and to prioritize personal savings in the country of destination.

"We don't have much prosperity back home. It's a country that is poor right now. But, nevertheless, life is very expensive. And that's why, sometimes, it's tough to see that many people migrating. But I think sometimes they don't find a solution in the US either."

Female study participant from Honduras living in Washington, D.C.

There are two main types of remittances: those for family obligations, which cover everyday expenses like rent, food, and utilities, and those for investments and savings, usually aimed at buying a house or starting a pension fund.

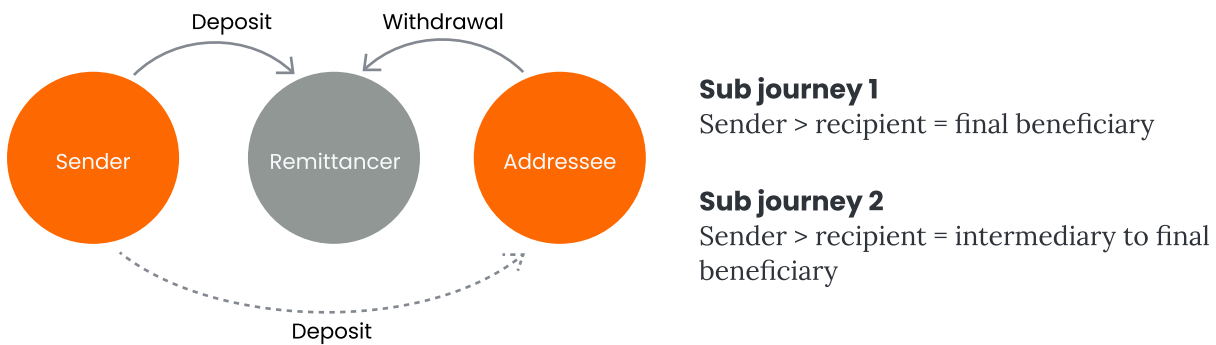
The money journey consists of various actors with particular responsibilities and habits.

In the simplest journey, we can identify a sender and a recipient, who are banked adults, or are at least familiar with remittance companies and cash-in/cash-out networks, and are capable of managing payments and withdrawals. The amounts, frequency, and most convenient sending channels are determined between both actors.

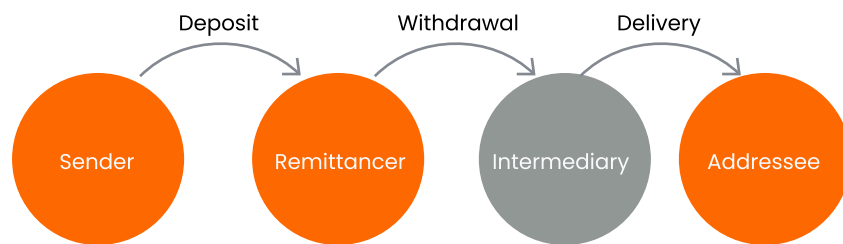
SIMPLEST JOURNEY: SENDER TO RECIPIENT

In this journey, we can identify one sender, and in certain cases, the recipient is divided into two: the final beneficiary of the remittance, and the intermediary being the one tasked with receiving and withdrawing the money and delivering it to the final beneficiary. In this case, the final beneficiary cannot conduct the transaction themselves or has some other limitation that impedes them from personally making the withdrawal and the intermediary may be a family member or a third party. See below sub journeys 1 and 2 illustrating these scenarios.

Graphic 2
SUB JOURNEY DIAGRAM



When it comes to savings/investment remittances, the sender and the final beneficiary are typically the same person. This type of remittance involves transferring money between the accounts of the sender themselves. The transfer may be initiated directly by the sender or facilitated by an intermediary responsible for withdrawing and depositing the funds into the sender's account in the origin country. Sub-journeys 3 and 4 below illustrate these scenarios.



Sub journey 3
Sender > recipient = final beneficiary

Sub journey 4
Sender > recipient = intermediary > final beneficiary

All types of journeys help us to understand the decisions around the reasons for sending money, channels chosen, amounts, frequency, and intermediaries.

In the case of sending the “responsible” remittance for family support (sub journeys 1 and 2), the sender and the final beneficiary establish the amount, frequency, and channel for the remittance. This type of remittance generally has a fixed frequency and amount as they are associated with recurring home and family payments in the destination country, including rent, paying basic utilities, school fees, and parental medical expenses (medical, care personnel, others). However, there may be circumstances where the amount must be reviewed if unforeseen events occur (illness, home repairs, expenses for special occasions such as birthdays or graduation ceremonies) and if there are changes in the exchange rate or promotional commissions are offered. For these types of remittances, the amounts that the participants reported ranged from USD 200 to 500 biweekly or monthly.

For investment remittances (sub journeys 3 and 4), the decision on the amount and frequency is not negotiated with other family members. These types of remittances originate when the sender begins to reduce family responsibilities (due to parental death, children's financial autonomy, greater source of income and greater savings capacity) and evolves towards blending different beliefs and culture. The sender also begins to have new needs and personal projects for investment, capitalization, or savings in their country of origin. These remittances normally have a set amount and frequency since they are related to installments or savings and fixed-term account payments. Intermediaries are preferably avoided, or non-family intermediaries are preferred.

Forty percent of survey respondents reported sending money to their country of origin at least once a month (this response applies to all journeys).

Behavioral map

Understanding the meaning and origin of remittances: the relationship and the intersection of familialism, individualism, and contact with the State.

The following behavioral map helps us first understand the decision making process and the origin or destination of remittances in the country of origin and second, the relationship with the American financial system and the channel selection.

"The United States is driven by credit, everything is credit. El Salvador is entering that credit era. Before in El Salvador, being a good payer was not as important. Here in this country, if you have a good score and you pay well and on time, doors will automatically open for you"

Male study participant from El Salvador living in California

On the horizontal axis ("behaviors/values"), we can identify two types of attitudes: familialist-traditionalist and diverse individualist, and on the vertical axis ("Relationship with the System"), traditional pragmatic attitudes on one side, and attitudes of distrust on the other.

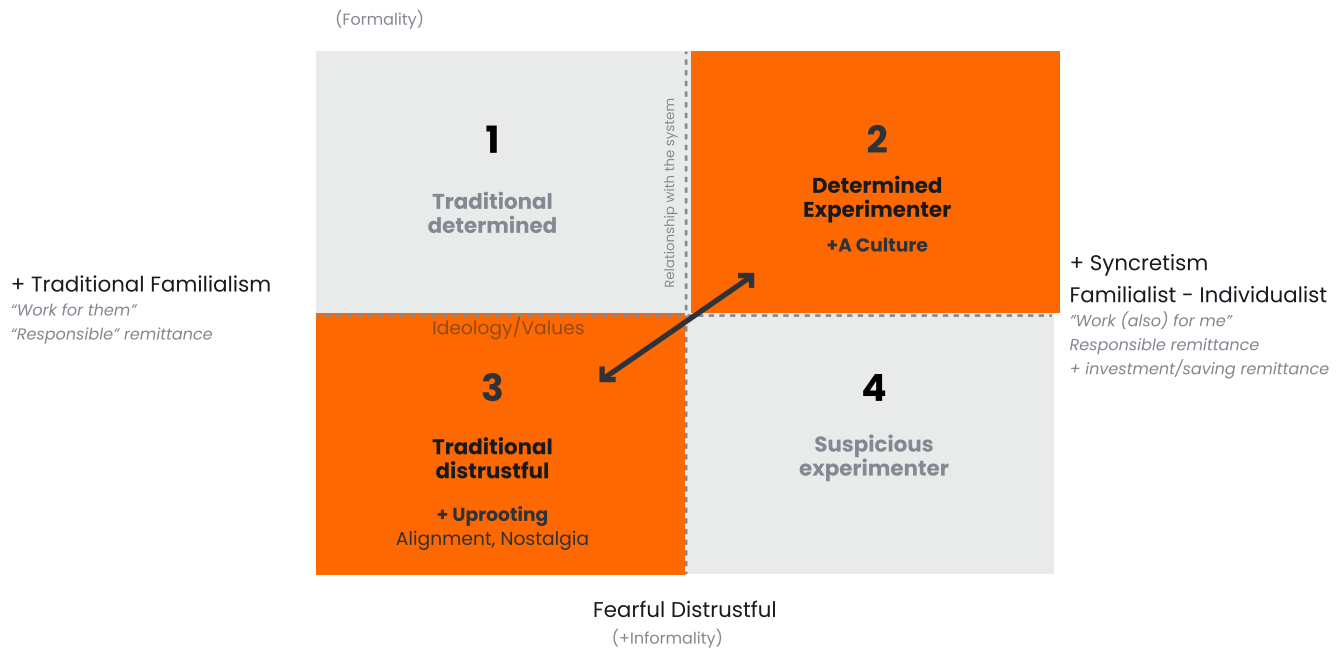
For familialists/traditionalists remittances are considered to be a family obligation to parents and children to help with fixed family expenses, taking priority over any personal desires. For diverse individualists, remittances serve two purposes: first, to equally support the direct and extended family, and second, to support personal investments in the country of origin. This personal investment-remittance is used to purchase or maintain a home, fund a long-term savings account, pay an existing loan, or maintain a business.

Graphic 2

RELATIONSHIP

BEHAVIORAL MAP

Transactional Pragmatic



Source: Aprende Institute, 2023

Those who distrust the formal financial system, regardless of the horizontal axis, tend to remain informal and have limited visibility by the government. They avoid formal banking services in general, prioritize the use of cash, and value not being asked for too much information or data when sending money. Conversely, pragmatists see the formal financial system (including banks and digital platforms/applications) as a security guarantor for their domestic and international funds and operations and find benefits and opportunities in accessing financial products. This perception about the financial system applies exclusively to North America, since the local banking system in the countries of origin is considered by some study participants to be inefficient and less beneficial.

Based on the research results and the behavioral map, four user profiles were created, each with different needs, pain points, goals, motivations, and behaviors.

01 Traditional determined

Needs and pain points

Needs

- Help family members pay fixed expenses in the country of origin. Obligations to parents or children regarding renting a home, paying basic utilities, school fees, medical expenses, and care personnel, etc.
- Have additional income for unforeseen events that arise for their family in the country of origin that are not included in the regular remittance (illness, home repairs, expenses for special occasions such as birthdays or graduation ceremonies).

Pain points

- Opening an account in a formal US financial institution. It is a difficult process without certain documentation.
- Lack of trust in the local financial services due to inefficiencies.

Goals/Motivations

- Get a stable job to send money to family members to pay rent, basic services, school fees, parents' medical expenses, etc.
- Become US bank customers and access products to build a credit history and access financing credit cards, loans, leasing for purchasing consumer goods.
- Enter the logic and ecosystem of financed investments.
- Obtain a credit card or loan as recognition of being a good citizen, similar to obtaining citizenship or a permanent visa to cross borders without fearing government reprisals.
- Guarantee accessibility for the recipient or intermediary, in cases where the former is not 'digitized' or banked.

Opportunities to help users

- Offer products and services for family groups.
- Access to loan products in the United States.
- Design and offer new products or services:
 - a. Shared accounts so various users can deposit and withdraw at both ends of the journey.
 - b. New functionalities when paying common expenses and purchases through a wallet or account that is funded with remittances.
 - c. Interoperability with US banking entities (Open Banking) for local services such as credit cards paid from the US.
 - d. Loyalty programs and benefits with differential rates on transaction costs, and points systems to redeem certain rewards via catalog or online by the recipient.
 - e. Design a credit score for family groups based on the remittance behavior and the family group data.
 - f. Offer real-time tracking information for issuer visibility, showing the step-by-step process.

Remittances and financial system -related behaviors

- Family remittances: fixed frequency and amount. Approx amounts: 200-500 USD biweekly or monthly.
- They see the 'official' financial system (banks, including their digital platforms and wallets) as a channel to ensure the security of their funds and operations, both domestic and international.
- Even when trusting the US banking system, the integration and relation between the US and the local banking system is often unclear and is a source of suspicion.
- There are those who feel safer sending remittances through US banks; and those who only use US banks for local payments and transfers, unconvinced of a safe connection at their home country's banking network.
- They understand that the government and other institutions monitor their movements.
- They assume that complying with regulations provides benefits in both the short and long term.
- They see in financial platforms an opportunity to build a history of good behavior, to show themselves as reliable members of society, and expedite their immigration process and obtain different types of financing products.

02 Experimental determined



Needs and pain points

Needs

- Although this group migrates with the primary purpose of helping their family, it is more out of compassionate obligation, rather than need.
- Personal investments in their country of origin.

Pain points

- Opening an account in a formal US financial institution.
- Lack of trust in local financial services due to inefficiencies.



Goals/Motivations

- Get a stable job to send money to family members to pay rent, basic services, school fees, parents' medical expenses, etc.
- Increase income to purchase consumer products, save, and invest in the US or country of origin. These are investment remittances to pay a current loan, savings account, or maintain a business.
- Become US bank customers and access products to build a credit history and access financing credit cards, loans, leasing for purchasing consumer goods.
- Find longer-term alternatives that provide returns and stability.
- Enter the logic and ecosystem of financed investments.
- Enjoy same consumer benefits as US citizens.



Opportunities to help users

- Create pension funds that pay returns.
- Offer personal loans for housing equipment, purchasing durable goods, business assets, etc.
- Offer life insurance covering death due to accident or illness, compensation for termination, partial or permanent disability (inability to work), funeral and burial expenses, etc.
- Offer affordable commissions and exchange rates.
- Offer products to make investments in the country of origin with preferential rates.
- Reduce interest rates on loan repayments according to remittance behavior.



Remittances and financial system -related behaviors

- Family remittances: fixed frequency and amount. Approximate amounts: 200-500 USD biweekly or monthly.
- When the responsibility of the family remittance decreases (death of parents or economy independence of children), investment remittances are prioritized.
- They see the 'official' financial system, (banks, including their digital platforms and wallets) as a channel to ensure the security of their funds and operations, both domestic and international.
- Personal investment remittances: may have more flexible frequencies and amounts than family income remittances. They prefer to avoid intermediaries. If necessary, non-family intermediaries are preferred.

03 Traditional distrustful

Needs and pain points

Needs

- Help family members pay fixed expenses in the country of origin. Obligations to parents or children regarding renting a home, paying basic utilities, school fees, medical expenses, and care personnel, etc.
- Have additional income for unforeseen events that arise for their family in the country of origin that are not included in the regular remittance (illness, home repairs, expenses for special occasions such as birthdays or graduation ceremonies).

Pain points

- An irregular/informal immigration or employment status.
- Lack of trust in local financial services due to inefficiencies.
- Low digital savviness.

Goals/Motivations

- Get a stable job to send money to family members to pay rent, basic services, school fees, parents' medical expenses, etc.
- Have a regular status: there is a belief (real or not) that the financial system and the government are the same thing, and that what is obtained from one facilitates procedures with the other.
- Find alternatives that are accessible to the recipient or intermediary in case they are not digitized or banked.

Opportunities to help users

- Facilitate financial inclusion through omni-channel strategies (gradually leading them to deposit their money in digital channels).
- Offer a simple digital registration/onboarding to avoid a potential encounter with bank officials whom the migrants see as government representatives.
- Ensure maximum privacy on money movements, not only against potential phishing.
- Leverage partnerships with financial platforms: integrating scoring systems, or other tools that facilitate citizenship procedures.
- Promote digital money transfer channels/ companies beyond those they trust that also value data privacy.
- Offer incentives and rewards for using digital channels.
- Offer physical/in-person support, even on digital channels.
- Prioritize transparency and allow real time notifications.
- Increase the amount of cash in options nearby, or embedded into the supermarkets or pharmacies.

Remittances and financial system -related behaviors

- Family remittances: fixed frequency and amount. Approx amounts: 200-500 USD biweekly or monthly.
- Remain in informal employment and have low visibility.
- Reluctant about government oversight.
- Avoid the formal banking system and digital channels/applications.
- Prioritize the use of cash.
- Value not being asked too much information or data when registering and sending money.
- In the longer term, can migrate to digital wallets to send money as they believe these are not supervised by the government. They will abandon them if asked for too much personal information.
- Prefer depositing in cash through an ATM/teller.

04 Experimental distrustful



Needs and pain points

- Support immediate and extended family members.
- Prioritize personal investments in their country of origin.
- Increase the amount of cash-in options nearby or embedded into the supermarkets or pharmacies.



Goals/Motivations

- Get a stable job to send money to family members to pay rent, basic services, school fees, parents' medical expenses, etc.
- Increase income to purchase consumer products, save and invest in the US or country of origin. These are investment remittances to pay a current loan, savings account or maintain a business.
- Find longer-term alternatives that provide returns and stability
- To seek regular immigration status in the US.
- Find alternatives that are accessible to the recipient or intermediary in case they are not digitized or banked.



Opportunities to help users

- Offer secure solutions, with the confidence that most information is anonymous.
- Facilitate financial inclusion through omni-channel strategies (gradually leading them to deposit their money in digital channels).
- Explore alliances between banks in the US banking system and local banking system in El Salvador, Guatemala, and Honduras by elaborating a P2P cross border model.
- Use zero knowledge proof technology and blockchain.
- Offer a simple digital registration/onboarding to avoid a potential encounter with bank officials whom the migrants see as government representatives.
- Promote the offer of digital money transfer channels/companies beyond those they trust that also value data privacy.
- Offer incentives and rewards for using digital channels.
- Offer physical/in-person support, even on digital channels.
- Prioritize transparency and allow real time notifications.



Remittances and financial system-related behaviors

- Family remittances: fixed frequency and amount. Approx amounts: 200-500 USD biweekly or monthly.
- When the responsibility of the family remittance decreases (death of parents or economy independence of children), investment remittances are prioritized.
- Personal investment remittances: may have more flexible frequencies and amounts than family income remittances. They preferably avoid intermediaries, or if necessary, non-family intermediaries are preferred.
- Remain under an informal employment and/or immigration status and have low visibility before the State.
- Reluctant about government oversight.
- Avoid the formal banking system and digital channels/applications.
- Prioritize the use of cash.
- Value not being asked too much information or data when registering and sending money.
- In the longer term, they can migrate to digital wallets to send money as they believe these are not supervised by the government.
- Prefer depositing in cash through an ATM/teller.

As part of the quantitative study, respondents were asked to choose which among the four statements best describes themselves as a way to determine their user profile. Below are the statements presented in the survey with a 1-5 rating scale.

Traditional determined

Helping my family is the only thing that matters. Although I deserve other things, my current priority is supporting them.

Experimental Determined

Being responsible and having a good payment history or track record opens up more doors. I don't mind providing my data to companies, as it will bring me more benefits in the long run.

Traditional distrustful

I don't trust and don't like being asked for my data, especially for transactions like making a payment or using an online service.

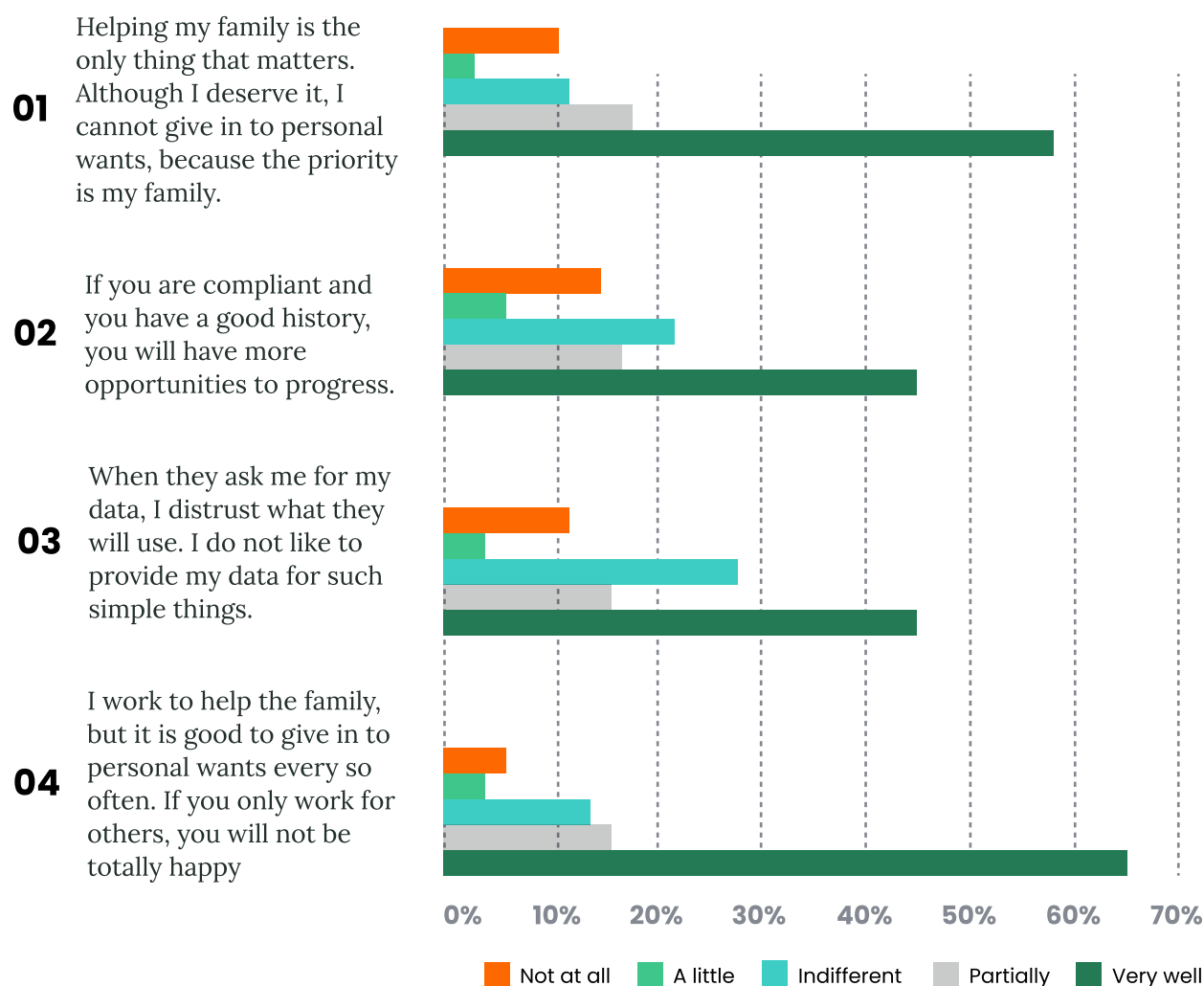
Experimental Distrustful

I work to help my family and to treat myself too. If I would only work for others, I would never be completely happy. I need to do both.

The graph below shows a clear trend in archetype # 4 (experimental distrustful) with more than 60 percent of answers.

Graph 3

Below are some statements. Indicate how well you identify with each one, 1 being very well and 5 not at all



Source: Aprende Institute, 2023. Note: Graph made from the results of qualitative surveys.

Barriers and pain points identified sending money

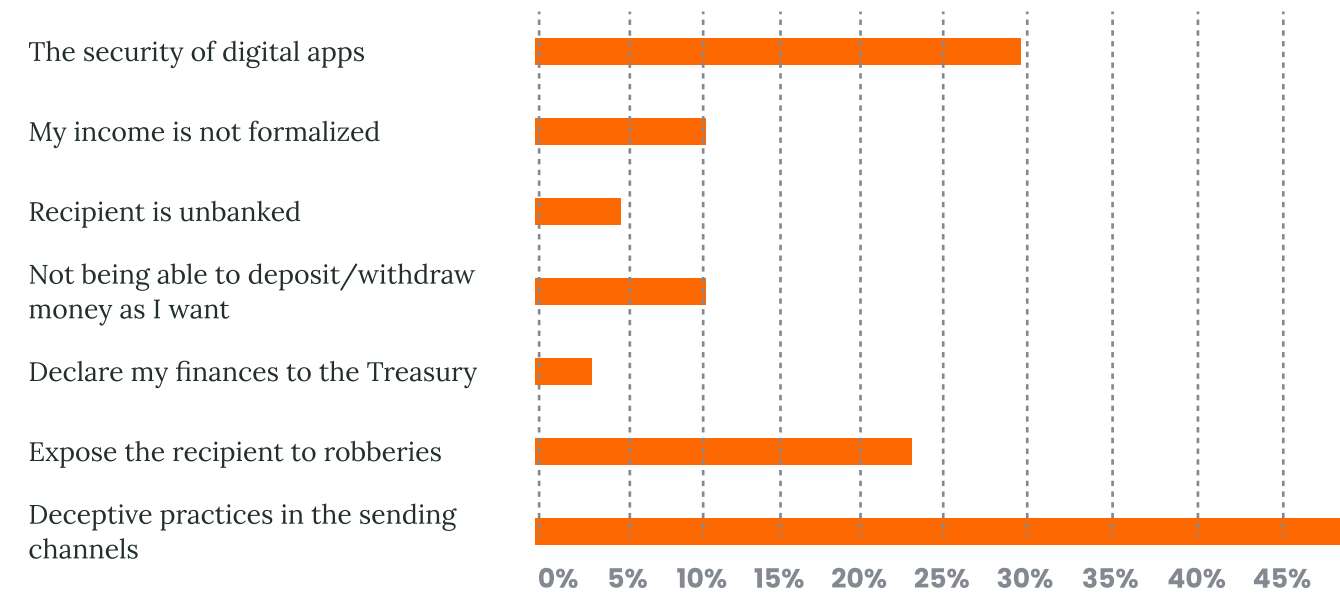
The following pain points were identified for all respondents of the study:

- Asked for too much personal data and information, especially when they have illegal status.
- Lack of immediate accreditation when sending funds.
- Inability to communicate in Spanish, their language of choice.
- High transaction costs at certain entities, mainly banks.
- Fear that the money disappears when there is no step-by-step visibility.
- Lack of knowledge about other options that better fit their preferences.

Likewise, in the survey conducted, users were asked to select all reasons that prevent or could prevent them from sending money through digital channels. Thirty-nine percent of respondents chose fear of fraud in the channel selected, twenty four percent chose lack of security in digital applications and seventeen percent responded fear of the recipient being robbed when cashing out. Other responses included their income not being formalized and not being able to cash in/out as they wanted.

Graph 4

What are the most important factors preventing you from sending money digitally?



Source: Aprende Institute, 2023. Note: Graph made from the results of qualitative surveys.

Key attributes when choosing a remittance channel

In general, the following attributes were found to be common to all profiles and are key to consider when defining potential solutions that solve pain points during the process of sending money.

As explained above, the choice of a remittance channel (i.e. banks, remittance companies, platforms, or digital wallets) is normally made between the sender and the recipient and is often shaped by certain attributes specific to each actor, and others in common.

Table 2

Attributes to take into account for recipient and sender

For the sender

- The option to deposit in cash, through a teller/ATM, either at a bank branch, an agency (e.g. Western Union), or at a retail store (e.g. CVS).
- The option to make digital transfers from a bank/application/wallet account, without having to deposit the money in person.

For the recipient

- The option to receive the money in a bank/application/wallet account of choice.
- The option to withdraw cash in stores, agencies, ATMs, or bank branches.
- The option to keep the money in the same bank/application/wallet account without the obligation to withdraw it.

For both

- Immediate sending and accreditation of money (15 minutes maximum), and 24/7. Longer delays – although they are not an actual inconvenience, since receiving the money instantly is rarely needed – are associated with outdated channels or technologies and affect the perception of security.
- Speed and practicality: quick processes with few steps and easy to understand (including Spanish as a language), and accessibility and proximity of remittance agencies or affiliated stores, and preferably with no lines.
- Simple onboarding: all users, particularly distrustful ones, appreciate not being asked for too much information or personal data.
- Convenient costs and conversion rates to make the transaction (commission) and to withdraw money in local currency (exchange rate for Honduras and Guatemala).
- Flexibility in amount limits to be transferred.
- Convenience and accessibility: with an extensive network of cash-in points.
- Avoid having to go to physical locations once the process has started online. For the most technological and confident users, offer a fully digital experience.

- Security: (1) that the system or network does not crash, and the money “disappears”; (2) privacy and/or protection of personal data. In the case of the distrustful, receiving a physical receipt for depositing the money is the most trusted proof; (3) having alternatives other than a remittance company to withdraw money, as it increases visibility in cases of potential theft, especially when remittances have a determined frequency.
- Consider word of mouth: the sender's main source of knowledge is usually friends and family who already use a remittance channel. It is crucial to consider recommendations and referrals during the awareness phase.

Note: table constructed based on the results of the research and surveys carried out.

All these attributes must be considered regardless of the channel or channel combination, such as cash to bank, app/wallet accounts, cash to physical point, account to account, account to physical point, and other combinations. Digital channels are essential, but offering only digital channels can be perceived as less convenient than having a “phygital” combination. Regardless of the combination, the solution must follow the omnichannel principle to offer the same end-to-end user experience and interaction.

In addition to considering a solution's attributes, there are other factors that determine the choice of cash in, i.e. in-person cash deposits vs online transfers. First, let's consider the relationship and perception of the traditional pragmatics and the distrustful with the formal financial system. Traditional pragmatics see more benefits in the financial system, while the distrustful are more fearful and prefer less visibility. Second, the sender's formal/informal employment or immigration status needs to be considered. The greater the distrust in the financial system, the greater the preference for depositing money in cash.

“No, you can't do international bank transfers. There is no bank that sends money from here to there. If only there was a bank that had the system needed for me to make a transfer to that account and automatically pay it, but it cannot be done today. I don't think Central America has that kind of service.”

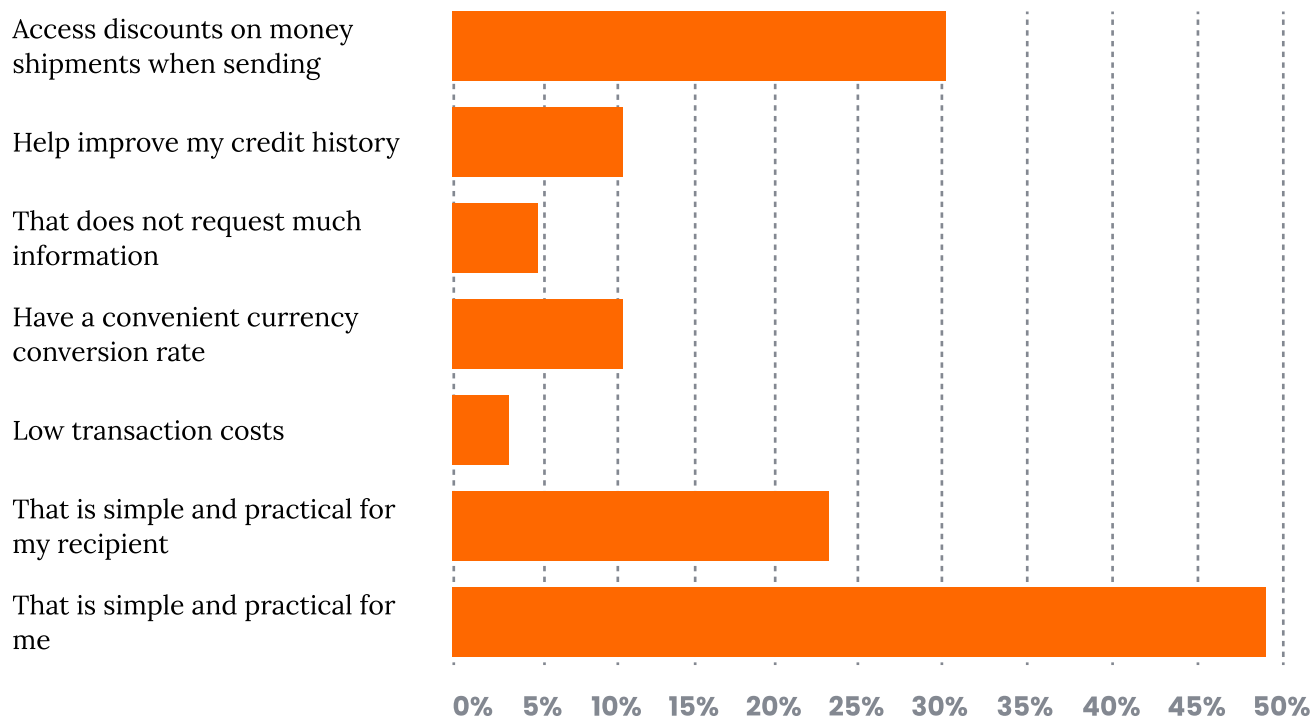
Male study participant from El Salvador living in California

Other scenarios include informal or unbanked people who trust the banking system and aspire to be active users, while there are also formalized and banked people who distrust the local financial system of their origin country and prefer to use cash. Lastly, there are also cases where a person receives his/her income in cash, and if there is a remittance company or an affiliated supermarket/pharmacy nearby, the person will take advantage of the proximity and the opportunity to go grocery shopping, to make the deposit in cash.

In the survey, 21 percent of respondents answered that the most relevant factor when choosing a channel to send money is the simplicity and practicality offered to the recipient in the origin country, 20 percent mentioned simplicity and practicality offered to the sender, and 9 percent low transaction costs.

Graph 5

Rank the following features from the most to the least important when choosing a channel to send money

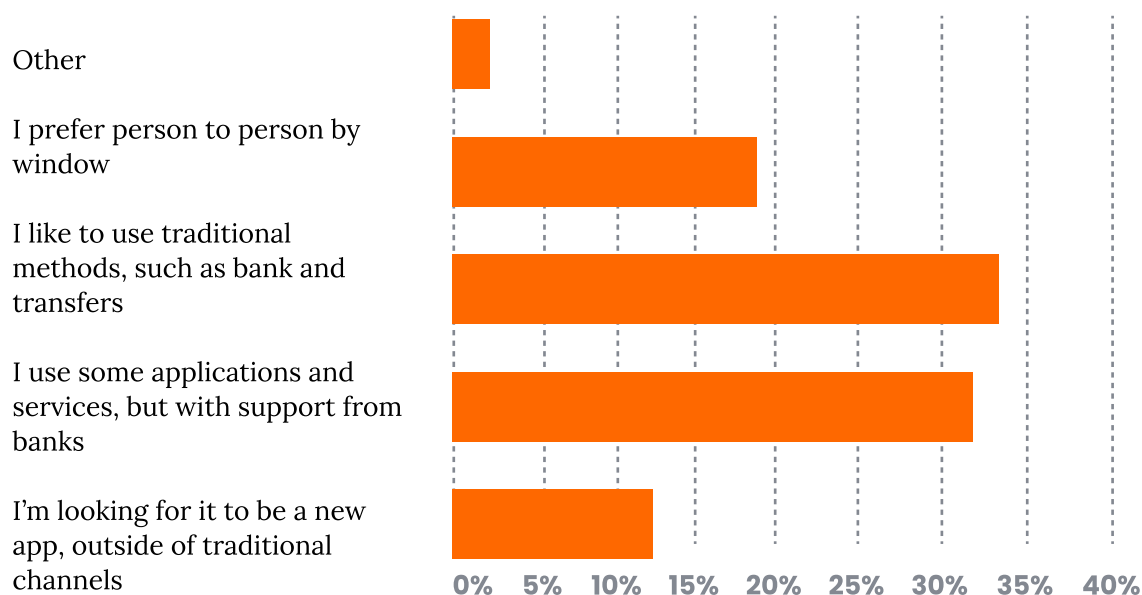


Source: Aprende Institute, 2023. Note: Graph made from the results of qualitative surveys.

When asked about current and potential money transfer products, 34 percent stated their preference for using traditional channels such as banks, 32 percent online applications/wallets backed by banks, 19 percent prefer to send the money in person, and 13 percent is looking for new applications to test them out.

Graph 6

When sending money to your home country, which statement do you agree with the most?



Source: Aprende Institute, 2023. Note: Graph made from the results of qualitative surveys.

The final decision: the remittance company

Among the most mentioned entities were Western Union, MoneyGram, Remitly, and Xoom, followed by Boss Revolution, and Ría. Despite being active users of online digital products in the US, and often being dissatisfied with the service provided by applications and remittance companies, senders are reluctant to use the banking system for international transfers. In many cases, this is due to mistrust in the data collection process and higher commissions compared to the competition, and in many other cases, due to a lack of knowledge about other alternatives beyond those recommended by friends and family.

Western Union was the preferred agency for sending money among the interviewed and respondents survey participants and those interviewed, either for cash to cash or cash to bank account transfers. Very few users knew about the option to transfer money online to the Western Union application, but most of them seemed to be willing to use it. Among the attributes mentioned, respondents highlighted a very fast cash in and cash out process, adequate amount of personal data required, recognized brand, excellent cash in points network coverage, acceptable commissions and exchange rates, and incentive/rewards through a loyalty program. Conversely, certain reasons for customer dissatisfaction include long lines, especially for older people, insufficient staff during peak hours, and high recipient's visibility when withdrawing money.

MoneyGram, Remitly, Ría, and King Express stand out for their integrations with supermarkets and pharmacies such as CVS, or gas stations, offering convenience and accessibility, however, they often lack a strong brand and presence.

Remitly primarily operates via an app, focused on security and trust. Similar to Western Union, supermarkets and pharmacies offering remittance services have better commissions and exchange rates than banks or applications/wallets. Forty-five percent of the survey respondents chose Western Union as their primary remittance company, followed by MoneyGram with 38 percent.

Other companies include Xoom and Boss Revolution, which have physical access points for depositing and withdrawing money but are still perceived as completely digital applications and not as companies that offer both types of channels. These are also characterized by having low transaction fees, but not the most convenient exchange rates. Among the banks Bank of America, Chase, and Wells Fargo were the most mentioned. All interviewees are active US bank users, but not for international transfers, due to high commissions, complicated processes and personal information requirements, and lack of knowledge.

"I once downloaded Western Union here. But not to send money to Honduras, so that friends and family could send me money from one state to this state. The application was all in English, nothing in Spanish, and it became difficult for me. I just downloaded it and then I deleted it again because of the same thing."

Female study participant from El Salvador living in New York

Innovative examples that incorporate the attributes most valued by each profile

Traditional determined

They value trust, simple processes, and real time confirmation of any transaction. Their preferred options for sending remittances are the traditional and recognized channels that ensure their effectiveness and present no potential issues or risks. They often feel safer sending money through American banks. One of the most valuable functionalities is the possibility of tracking the operation in real time to ensure visibility on the end-to-end money journey. Alternatives such as those offered by Wise (formerly TransferWise) that offers a transfer scheduling option, would be attractive options for these users. Additionally, Wise informs the sender when the money is sent and received on the other side, or if there is a delay.

7Wise

Wise (available in multiple countries)

Wise was founded in 2011 with offices in several countries including the United Kingdom, Singapore, Australia, and the United States, with more than 16 million users globally and positioned as the cheapest cross-border payment transfers company. As part of their cost transparency policy, the website offers a commissions and exchange rate comparison tool with other sending options and shows all charges (i.e. commissions and others) to be made in advance - there are no hidden costs. The application also allows users to save information from previous transactions to avoid entering the same information multiple times, facilitating monthly and recurring money transfers.

Experimental determined

They are more prone to using technology, and also value having real time tracking and monitoring on the money journey. This type of user usually sends money to first help their close relatives and immediate family with basic expenses such as rent, food, education, and health, and second, to invest in personal investments/long-term savings projects in their country of origin. The experimental determined is in a continuous search for a stable job and increasing income, new investment opportunities, access to the financial system and ways to build their credit history. They prefer platforms supported by the financial system to guarantee the security. See insert for the Cash App example:



Cash App: (Available in the United Kingdom and United States)

This solution, previously known as Square Cash, is an application that allows users to transfer money to one another using a mobile phone, while accessing other personal finance management features, such as investing in stock market shares and cryptocurrencies (Bitcoin), accessing a physical or digital credit card, and obtaining a prepaid debit card without a handling fee with multiple benefits. The application offers two options for transferring money: a free option that takes between three to five business days and an instant one that charges a 1.5 percent commission.

It also differentiates between verified and unverified accounts. Unverified accounts can only send up to a certain money limit. If the user wants to send a larger amount, the account must be verified and documentation for registration is required.

Traditional distrustful

They prefer cash, as they do not want their transactions monitored. This type of user tends to have informal employment or immigration status and is looking for a stable job that provides consistency in sending recurring payments to family members. Based on their situation, they look for platforms that request little to no personal documentation, prefer nearby cash-in points, and look to receive a physical receipt to ensure a successful transaction and real-time notifications. See inserts for the Western Union and PayTM examples:



Western Union (available in multiple countries)

Western Union leads the digital remittance market with the expansion of the world's largest P2P cross-border payments network. It offers a hybrid model given its continuous technological developments to streamline the process. Its in-person, physical support through thousands of CICO points around the world makes a great fit to the traditional distrustful. Western Union also stands out for its incentives to promote digital adoption and the ability to pay for basic international utilities.



PayTM (available in India)

PayTM is an Indian multinational financial technology company, that specializes in digital payments and financial services. Despite having a much more digital process, it is characterized by its simplicity and variety of options for users

including payments of utility bills, education establishments, investments in shares, access to credit cards, microcredits (in less than two minutes) and buy now pay later solutions, as well as various other financial services for businesses. Alternatives such as these can become immersed in the user's daily life, helping to build trust in digital applications.

Experimental distrustful

They are characterized by seeking flexibility and are slightly more willing to try different solutions, as long as they get assurance that the transaction is successfully made. They usually start with smaller amounts and no potential risks, and once they start trusting the channel, they will try new options with higher amounts. WorldRemit offers a different way of sending money that involves an instant mobile recharge to a mobile account number with no commission. It also offers bank transfers or cash withdrawals at payment points and ensures a very simple sign-up process based only on an email address.



WorldRemit (available in multiple countries)

WorldRemit is a digital cross-border remittance business that provides international money transfer and remittance services in more than 130 countries and over 70 currencies. In the last nine years it has grown to more than 5 million clients globally. Ninety percent of the transfers are authorized within minutes. The company currently offers four different methods to receive the money:

- Airtime top up: top-up credit for a pre-paid mobile phone number, with no extra fees.
- Bank transfer: money is sent directly to a bank account.
- Cash pick-up: money to be collected in cash by the recipient at any pickup location.
- Mobile money: instant money transfer to the recipient registered mobile money account numbers.

The company offers the first three transactions for free as a way to encourage adoption and continuous usage and lets users receive periodic updates to track the transaction.



A three-fold approach to remittances

Despite remittances representing a significant source of income for millions of families and an important flow of funds for developing economies, the actual process of sending money can be complex and expensive, making the transaction difficult.

Based on the research, we identified the following pillars as best practices: cost transparency, real-time transaction status and data analytics, and usage of new technologies.

1. **COST TRANSPARENCY**

Senders must be aware of the total cost of their transactions, including commissions, exchange rates, and any other related charges.

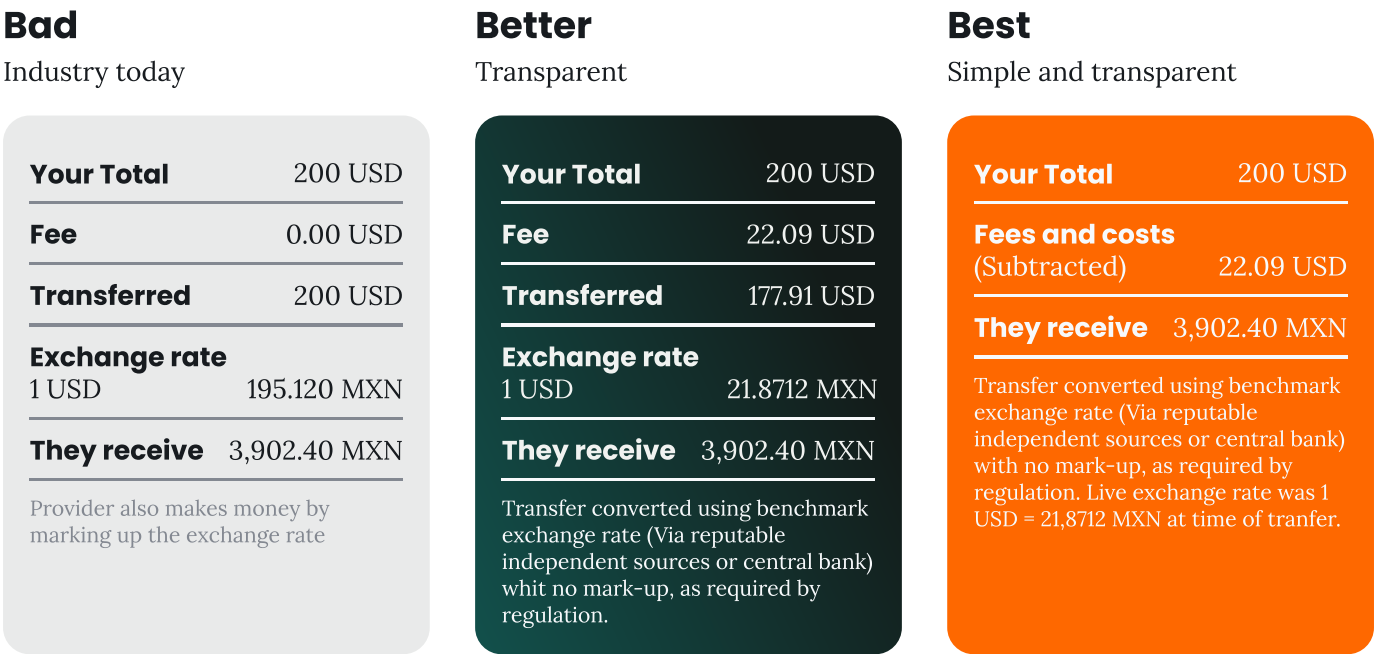
2. **REAL-TIME TRANSACTION STATUS AND DATA ANALYTICS**

Senders must have the ability to track the status of their end-to-end transactions in real time. In addition, data analytics can provide tools to improve the efficiency of their processes and offer the sender more personalized options.

3. **USAGE OF NEW TECHNOLOGIES**

Remittance companies must explore and leverage new technologies, such as blockchain and artificial intelligence, to improve security, efficiency, and a better customer experience.

Image 1
Best global practices in transparency and cost clarity



Source: Wise remittances report 2023

One of the main difficulties that users experience on a day-to-day basis when sending remittances is the lack of transparency regarding the costs associated with money transfers. The costs are often hidden in the exchange rate or in the large amount of information provided to the user, stating that there are no costs associated with the transfer. A best practice is to maintain a similar cost structure between competitors so that users can compare the costs and benefits across platforms and choose the one that generates the most value for them.

To benefit users, the industry (remittance companies and regulatory entities) should standardize the format of presenting all costs involved to allow users greater clarity and information based on their needs before taking a decision.

Image 1 above compares three forms of presenting costs to the user. The "Bad" example illustrates one of the most detrimental forms to showcase costs, which is showing zero costs at a first glance. In this case, the cost is usually reflected in the exchange rate, which in fact is lower than the market. The "Better" example shows all costs involved in the transactions; however, having so many different amounts can also confuse the user and make the decision difficult. The "Best" example shows the ideal format of presenting costs to a user, where the information is simple, yet transparent.

REAL-TIME TRANSACTION STATUS AND DATA ANALYTICS

During the interviews, most users stated their preference to send money through in-person channels, mainly due to the possibility of receiving a physical receipt and using it as a backup in case issues arise. With that in mind, and with the goal of promoting digital adoption, companies started to showcase the real time status of transactions: from cash-in by the sender to the money disbursement by the recipient. In addition, obtaining proof of the transaction as soon as it is received, with a signature and digital stamp, provides the user with reliable documentation for potential claims.

Additionally, there are several platforms that add value to the user by reporting the user's transactions over time, enabling a more effective oversight and planning of their resources. We therefore recommend providing a simple yet insightful real time dashboard that can be used and adjusted according to the analyses needed by the users.

An example of how a remittance platform provides a periodic report on the user's historical movements and actual balances is shown below. In addition to a friendly and intuitive interface, we recommend providing the option to see the details of past transactions and the possibility of downloading such documents that can serve as backup if needed, as well as being able to categorize the remittances based on the destination of such. This analysis can help users establish savings and investment goals, as well as receive recommendations regarding their transactions by date, amount, and investment opportunity.

Image 2

Example of interface for data analytics in remittances



Source [Dribbble design agency](#), 2023

NEW TECHNOLOGIES

New technologies are transforming the remittance industry. Some of these new technologies being used by remittance platforms include:

Artificial intelligence (AI)

AI can be used to automate processes, improve decision making, and provide better customer service. Remittance platforms that use AI can reduce costs, improve efficiency, and offer a better customer experience.

Blockchain

Blockchain technology offers the possibility of performing transactions in a secure, transparent, and efficient manner. Remittance platforms using blockchain can reduce transaction costs and offer senders and recipients greater transparency.

These technologies can be applied in the following ways:

- **Transaction efficiency:** Blockchain can provide a decentralized and secure record of transactions, reducing the costs and times associated with transferring funds. By eliminating intermediaries, transactions can be faster and more efficient.
- **Cost and fee reduction:** Blockchain can help reduce transaction costs and eliminate fees associated with traditional intermediaries, resulting in lower costs for end users.
- **Traceability and transparency:** Blockchain enables transparent transaction tracking which can be beneficial to users and financial institutions by providing an immutable history of transactions.
- **Fraud prevention:** Artificial intelligence can analyze patterns and detect potential fraud in remittance transactions, while machine learning algorithms can identify suspicious behaviors and improve transaction security.
- **Identity verification:** Artificial intelligence can improve identity verification processes, making them more secure and efficient. This is essential to comply with regulatory requirements and prevent money laundering.
- **Risk management:** Artificial intelligence can analyze financial data and assess risks associated with remittance transactions. This can help financial institutions make more informed decisions about approving or rejecting transactions.
- **Smart contracts:** Implementing smart contracts on blockchain can automate specific transaction processes and conditions, expediting the release of funds once certain criteria is met, reducing the need for manual intervention.
- **Financial inclusion:** Blockchain and Artificial Intelligence can help facilitate access and adoption to financial services for those who do not have access to the traditional financial system and products.

The following players have been identified for using technologies to advance in the remittance industry.

Table 3

Main applications in new technologies for sending remittances

Remittance platforms	Blockchain	Artificial intelligence	Applications
Ripple	<ul style="list-style-type: none"> Secure and efficient transactions: Blockchain is a secure technology that uses cryptography to protect data. Cost reduction in their transactions by up to 40%. Transaction speed increased by up to 70%. 	<ul style="list-style-type: none"> 90% reduction in fraud rate across all transactions. Cost reduction up to 50% by automating identity validation processes, transaction approvals, and sending customized offers. 	<ul style="list-style-type: none"> Provides its own Blockchain infrastructure and offers a native token. Has its own crypto currency, XRP.
Stellar	<ul style="list-style-type: none"> Records remittance transactions in a distributed ledger, i.e. the transaction data is stored on multiple computers. 	<ul style="list-style-type: none"> Uses smart contracts to automate remittance transactions, verifying the sender and the recipient identities by analyzing identification data such as passport numbers or email addresses. 	<ul style="list-style-type: none"> Provides its own token-agnostic blockchain infrastructure. Completes transactions for a fraction of a US penny, with the average transaction cost at = .000002 XLM. Transactions are confirmed in under 5 seconds, with an all-time average ledger speed of 5.19s.
Xoom	<ul style="list-style-type: none"> Records remittance transactions in a distributed ledger. Senders can see the status of their transactions in real time. 	<ul style="list-style-type: none"> Identifies high-risk transactions, such as those in remote locations or that use a stolen credit card. Reduces the fraud rate in their transactions by 90%. Increases the speed of transactions by 70%. 	<ul style="list-style-type: none"> Has its own identity verification system for fraud prevention, built using artificial intelligence technologies.
Western Union	<ul style="list-style-type: none"> Information security for transactions increased by up to 90%. 	<ul style="list-style-type: none"> Process automation for approving transactions, including validations and identity verification by comparing documents. 	<ul style="list-style-type: none"> Shows the status of their transactions in real time, through a user-friendly graphical interface.
Terrapay	<ul style="list-style-type: none"> Has a network of more than 100,000 agents worldwide. Senders can send remittances through an agent using cash, credit or debit card. Uses blockchain to provide transparency and security in all transactions. 	<ul style="list-style-type: none"> Provides recipients with the possibility of receiving remittances in cash, through a bank account or on a debit card, from an agent, their website, mobile application. 	<ul style="list-style-type: none"> 97% of transactions made through TerraPay are handled in less than a minute.

Source: Accion Advisory research



Conclusions

Remittances are largely perceived as a family obligation widely rooted in Latin American culture.

Our research shows models and solutions for sending remittances from the United States to Northern Triangle countries, must be customer-centered, and for this, the different profiles mentioned in the study must be considered. It is essential to segment customers and take actions that effectively address the sender and the recipient and take them through the customer's life cycle to deepen their engagement with other types of products in addition to remittances.

There are two types of remittances: remittances with family obligations (destined for common expenses such as rent, food, utility bills), and **remittances for investments and/or savings** (generally destined to purchase a house or open a pension fund). The decision of such remittance is highly influenced by the individualist or family values of the migrant. The cost of either remittance is normally included in their cost of living as an additional recurrent expense and the amounts and frequencies described by users range from USD 200–500, which are sent biweekly or monthly.

The selection of the remittance channel is an agreement between the sender and receiver, where the sender's decision-making is highly influenced by the receiver. For this reason, it is important to consider the needs and behaviors of both the sender and the receiver (beneficiary and/or intermediary) in terms of valued attributes, level of digital savviness and adoption and barriers faced. **The most valued attributes can be categorized as functional and emotional.** Under the functional ones, we can find practicality and agility to send and speed to receive the remittance, as well as offering real time notifications and information. Additionally, it is key to build journeys with flexible processes that allow adapting the required documentation according to the amount of the transaction. Under the emotional attributes, security and privacy are the most relevant ones. For this, **it is critical to address the issue of distrust through guarantees, transparent communication,** efficient and fluid financial transactions between multi-country financial networks, as well as internally developing simple mechanisms to collect information in blocks. Omni-channel and digital onboarding processes are also fundamental to attracting the segment and overcoming the confrontation with bank representatives and implementing financial and digital education programs aimed at both migrants and recipients.

To promote adoption, recurrence, and extend the sender's life cycle in the remittance journey, the cultural and financial needs and behaviors should be considered. For example, **recognizing the family group as a main element** and propose shared account models where the sender and recipient are both account holders, along with building differentiated **incentives and benefits programs for both actors to build trust**, break down mental barriers or undesired behavioral habits and encourage the use of technology and digital channels.

Remittance companies often face the challenge of generating agreements with service entities to expand new use cases that meet the needs of the receiver in terms of the management and use of the funds received. To address this challenge and to stimulate new use cases, **banks, remittance entities and other financial or non-financial companies in the United States and in the countries of origin should build partnerships** or explore the option to create inter-company brands that address the problem of distrust with simple, friendly processes and a good positioning strategy focused on the customer (sender and receiver). These partnerships can open doors to different customer groups, use remittances as a value generator in new use cases, offer incentives for the household welfare and investment in the country of origin, encourage interoperability and integration with digital platforms (leverage WhatsApp and social networks), provide transparency in costs and benefits, and offer differential rates and access to different terms depending on the goals of the recipients.

Taking this into account, we identified opportunities to create stored value accounts, such as savings accounts, temporary funds, life insurance and long-term savings, as mechanisms in the remittance flow. The use of mobile wallets and sub-segmentation to determine customer profiles suitable for the adoption of these technologies are key in the evolutionary process of remittances. Opportunities identified in stored value accounts and lead generation include:

For family remittances:

- Multi-user accounts, allowing multiple users to deposit and withdraw at both ends of the journey.
- Payment options for common expenses and purchases - offering a wallet or debit card funded from the remittance receiving account.
- Credit cards payable from the USA.
- Referral and loyalty programs through incentives, benefits, and gamification.
- Create scoring models considering the remittance sending behavior and in general the connection of its use in the family group to access different products with differential rates, as well as to obtain lower commissions.

For savings/ investment remittances:

- Pension or retirement funds that pay yields.
- Pay off mortgage and personal loans for sender in country of origin.
- Life insurance covering illness or disability.
- Referral and loyalty programs through incentives, benefits, and gamification.

This study aims to provide the reader with an overview of the opportunities, challenges, and findings for the remittance sender that impact the recipient in the country of origin. There are many approaches and proposals that require further exploration by companies looking to address this challenge.

Bibliography

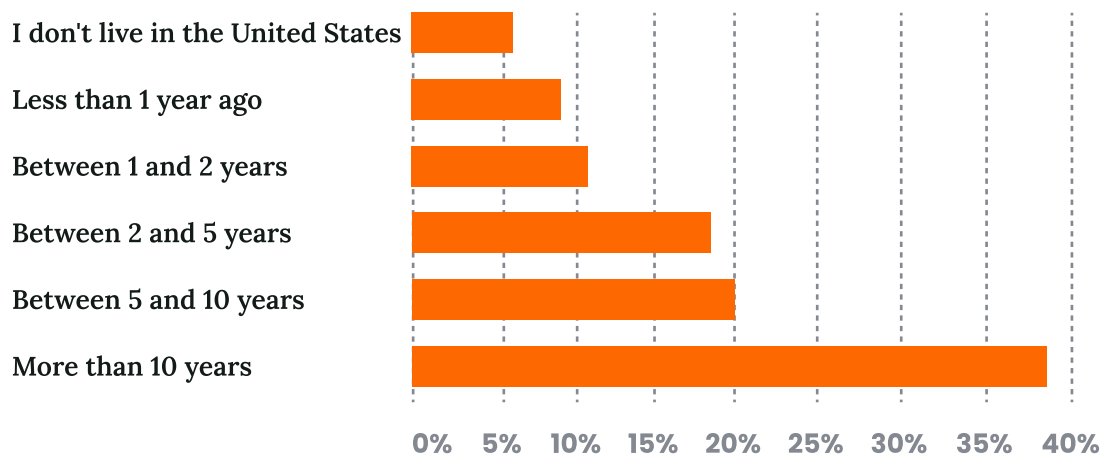
- **Gándara, N. (January 1, 2023). Irregular migration persists in Central America: deportations grow 300%. Bloomberg Online.** <https://www.bloomberglia.com/2023/01/04/la-migracion-irregular-persiste-en-centroamerica-deportaciones-crecen-300/>
- **International Monetary Fund (January 27, 2023) Northern Triangle Undocumented Migration to the United States.** <https://www.imf.org/en/Publications/WP/Issues/2023/01/27/Northern-Triangle-Undocumented-Migration-to-the-United-States-528663>
- **Wise.** (<https://wise.com/imaginary-v2/images/915eb3b394df2a0159500f72b8034ff2-2023%20Remittances%20Report%20-%20FINAL.pdf> 2023) 2023 Remittances Report. <https://wise.com/imaginary-v2/images/915eb3b394df2a0159500f72b8034ff2-2023%20Remittances%20Report%20-%20FINAL.pdf>
- **World Bank. (June, 2023) Remittances remain resilient but likely to slow.** <https://www.worldbank.org/en/news/press-release/2023/06/13/remittances-remain-resilient-likely-to-slow#:~:text=WASHINGTON%2C%20June%2013%2C%202023%20%E2%80%94,to%20the%20World%20Bank's%20latest>
- **Guatemala Government. (September 18, 2023) Remittance income from Guatemala grows 11.5% in the first 8 months of 2023.** <https://prensa.gob.gt/comunicado/ingreso-de-remesas-familiares-guatemala-crece-un-115-los-primeros-8-meses-de-2023>
- **Council on foreign relations. (July 13, 2023) Central America's turbulent Northern Triangle.** <https://www.cfr.org/backgrounder/central-americas-turbulent-northern-triangle>
- **Visa. (2023) 2023 Digital remittances adoption.** <https://usa.visa.com/content/dam/VCOM/regional/na/us/run-your-business/documents/2023-visa-remittance-landscape-study.pdf>
- **The Honduras Tribune. (August 25, 2023) Family remittances in Honduras rise 8% between January and July, up to 5,305 million dollars.** <https://www.findevgateway.org/es/noticias/las-remesas-familiares-en-honduras-suben-un-8-entre-enero-y-julio-hasta-los-5305-millones#:~:text=El%20monto%20de%20las%20remesas,seg%C3%BAun%20informe%20del%20BCH.>
- **Swiss Info. (July 14, 2023) Remittances to Honduras rise 7.3% in the first half of 2023 and total 4,509 million dollars.** https://www.swissinfo.ch/spa/honduras-remesas_remesas-a-honduras-suben-7-3--el-primer-semester-de-2023-y-suman-4.509-millones-de-d%C3%B3lares/48665146
- **Forbes Central America. (September 25, 2023) Remittances received in Honduras totaled 6,114 million dollars between January and August 2023.** <https://forbescentroamerica.com/2023/09/25/las-remesas-recibidas-en-honduras-sumaron-6-1147-mdd-entre-enero-y-agosto-2023>
- **Central Bank of Honduras (2023) Montario Program 2023-2024.** <https://www.bch.hn/estadisticos/AM/LIBPROGRAMA%20MONETARIO/Programa%20Monetario%202023-2024.pdf>
- **Swiss Info (August 31, 2023) Remittances to El Salvador with digital wallets fall 28% until July 2023.** https://www.swissinfo.ch/spa/el-salvador-criptomonedas_las-remesas-a-el-salvador-con-billeteras-de-criptomonedas-caen-un-28---hasta-julio-2023/48774680
- **El Mundo (September 19, 2023) Remittances to El Salvador would exceed \$8.1 billion in 2023.** <https://diario.elmundo.sv/economia/las-remesas-a-el-salvador-superarian-los-8100-millones-en-2023>

Bibliography

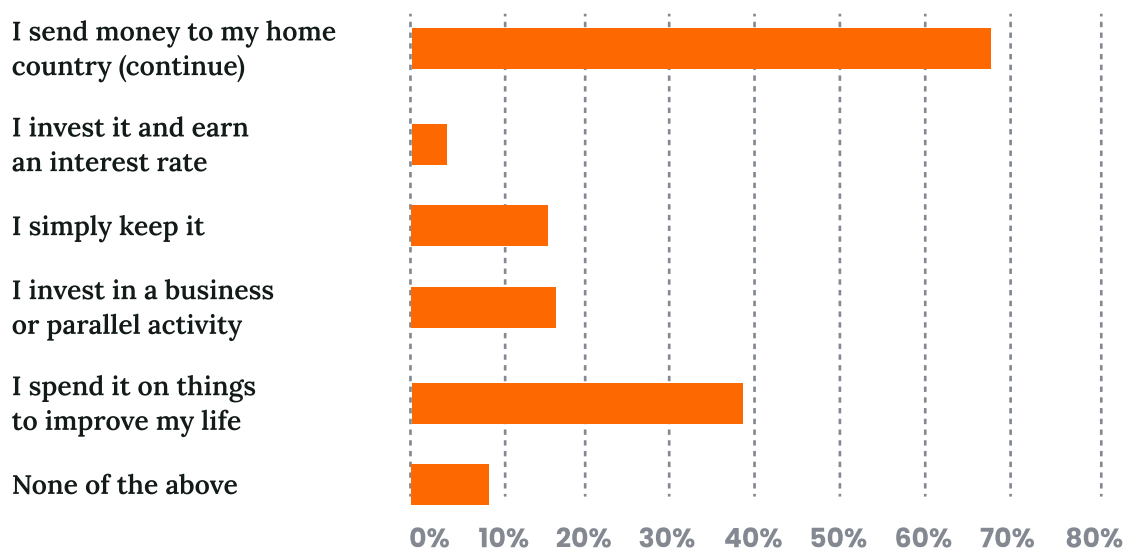
- **International Organization for Migration (2022) How do remittances contribute to a country's economy? The case of Guatemala.** <https://rosanjose.iom.int/es/blogs/como-contribuyen-las-remesas-la-economia-de-un-pais-el-caso-de-guatemala>
- **World Economic Outlook (April, 2020) The Macroeconomic effects of global migration.** <https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwjM9ej-rqiBAxUMKEQIHTPIBe4QFnoECBQQAQ&url=https%3A%2F%2Fwww.imf.org%2F%2Fmedia%2FFiles%2FPublications%2FWEO%2F2020%2FApril%2FEnglish%2Fch4.ashx&usg=AOvVaw3aXZbOTiPXrfWe3tUNyufV&opi=89978449>
- **International Organization for Migration (September, 2023) Migration: A key to achieving sustainable development goals.** <https://rosanjose.iom.int/es/blogs/migracion-una-clave-para-alcanzar-los-objetivos-de-desarrollo-sostenible>
- **Knomad (2023). Remittances inflows.** <https://www.knomad.org/data/remittances>
- <https://www.thedialogue.org/analysis/prosperity-and-progress-in-intermediate-cities-migration-remittances-and-development-trends-and-recommendations/>
- **The Dialogue (2023). International migration from Latin America & the Caribbean: In numbers.** <https://www.thedialogue.org/analysis/international-migration-from-latin-america-the-caribbean-in-numbers/>
- **World Bank (July 20, 2023) Remittances to Latin America still growing.** <https://blogs.worldbank.org/peoplemove/remittances-latin-america-still-growing>
- **World Economic Forum (2023) Migrant workers sent home almost 800 billion dollars in 2022: Which countries benefit the most. These are the countries that benefited the most from the flow of remittances in 2022 | World Economic Forum (weforum.org).** <https://es.weforum.org/agenda/2023/02/los-trabajadores-migrantes-enviaron-a-casa-casi-800-000-millones-de-dolares-en-2022-que-paises-son-los-mas-beneficiados->
- **D. Ratha (2018).Remittances: Funds for the folks back home. International Monetary Fund. Remittances: Funds for the Folks Back Home (imf.org).** <https://www.imf.org/en/Publications/fandd/issues/Series/Back-to-Basics/Remittances>

Annexes: Quantitative study results

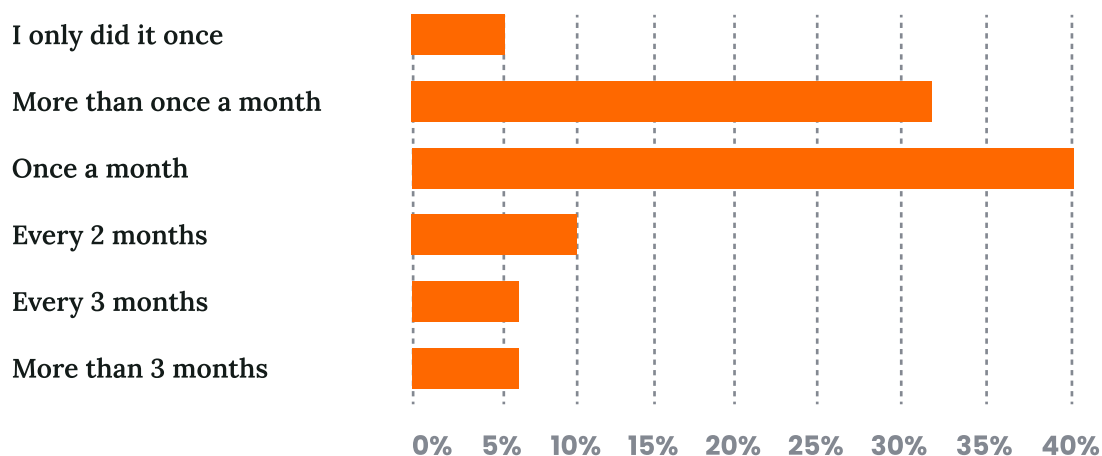
How long have you lived in the United States?



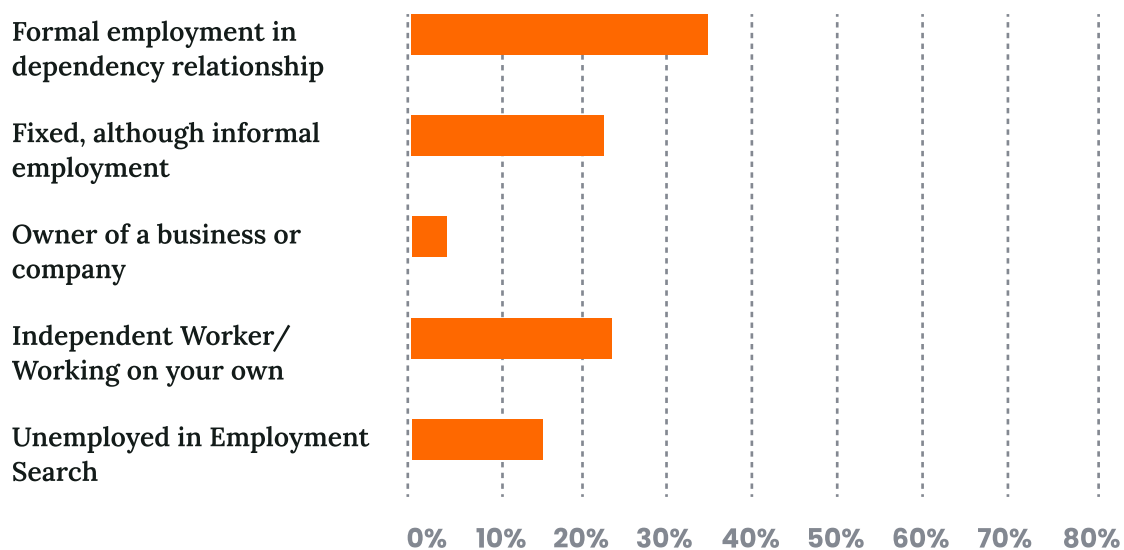
Next, you will see a list of things that people do with their income, in addition to paying their daily expenses, which ones apply in your case? Select those that apply



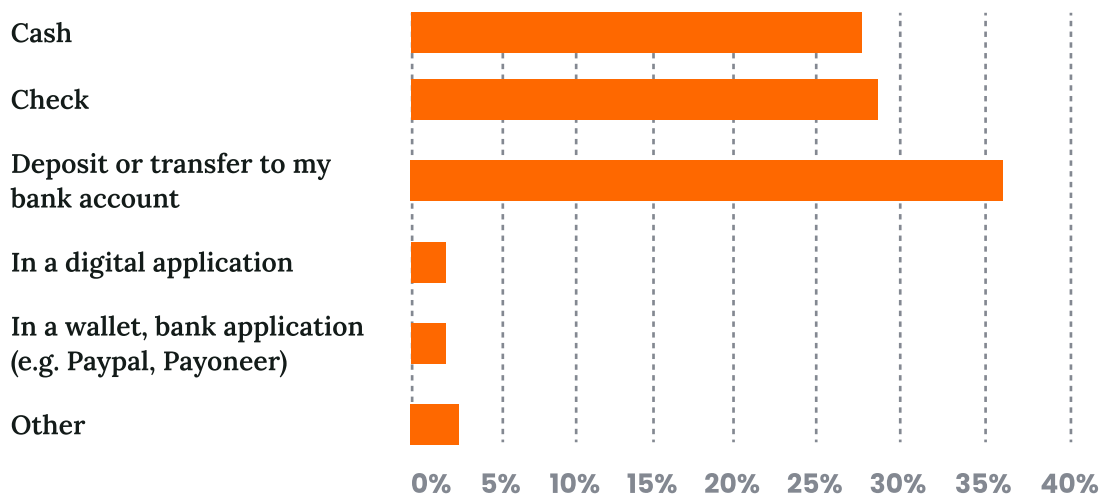
**In the case of sending money to your country of origin.
How often do you send money to your country of origin/
the country of origin of your family?**



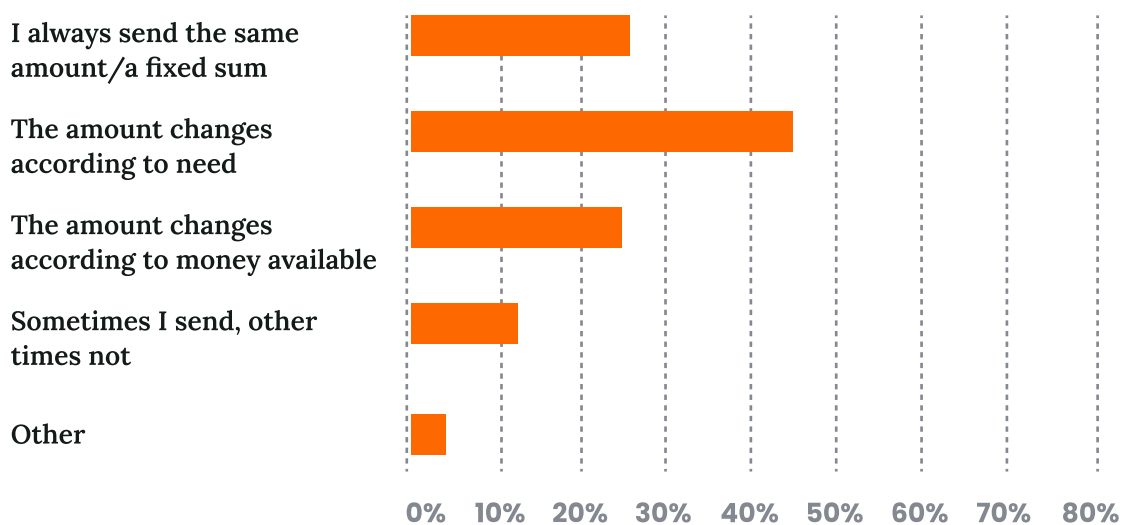
What is currently your main source of income?



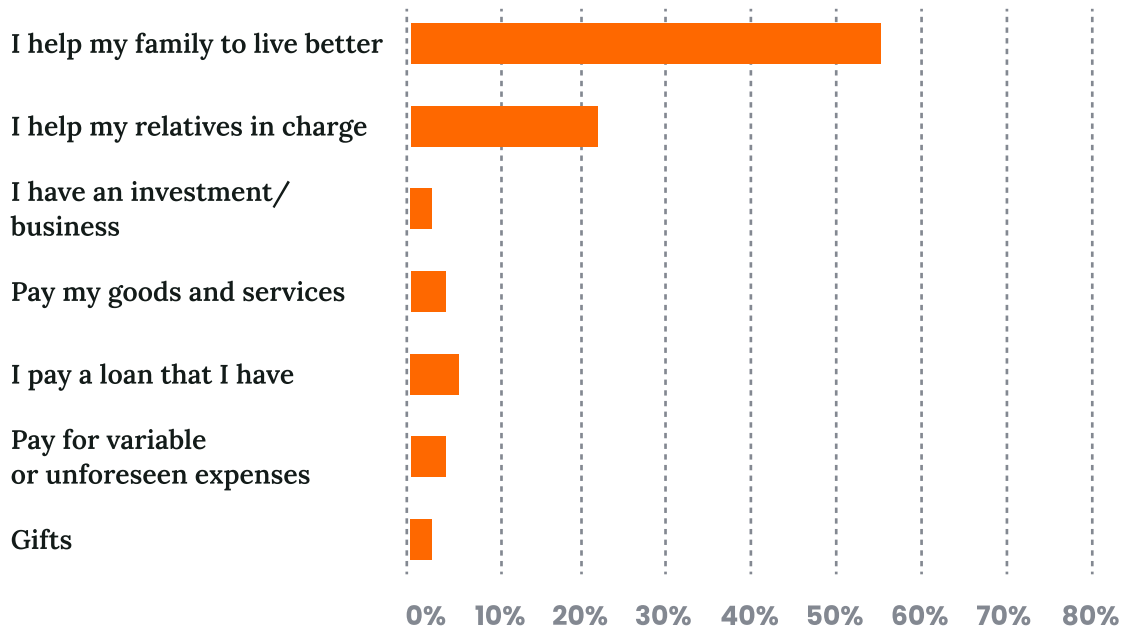
How do you receive money from your personal income?



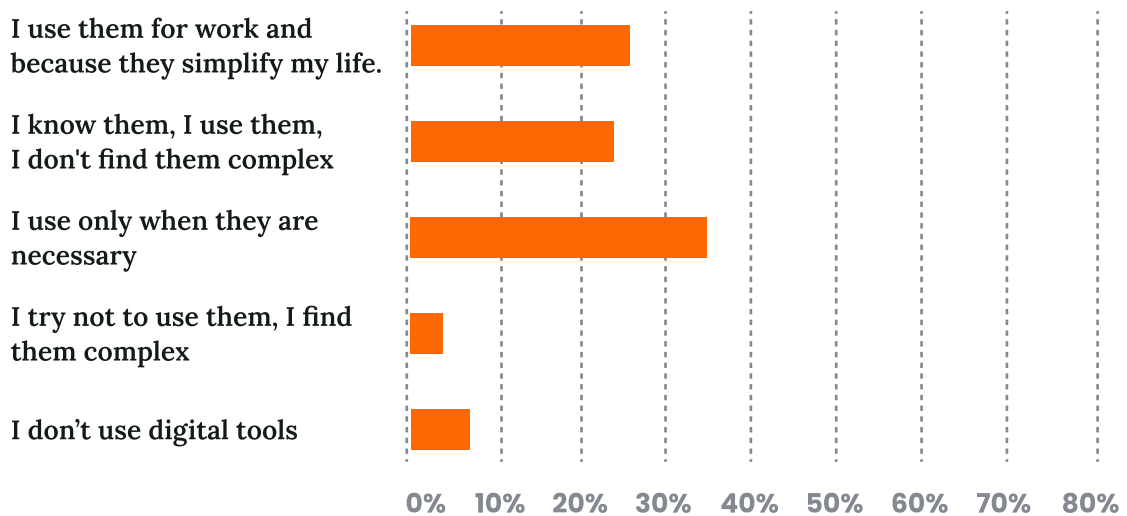
How do you determine the amount to send?



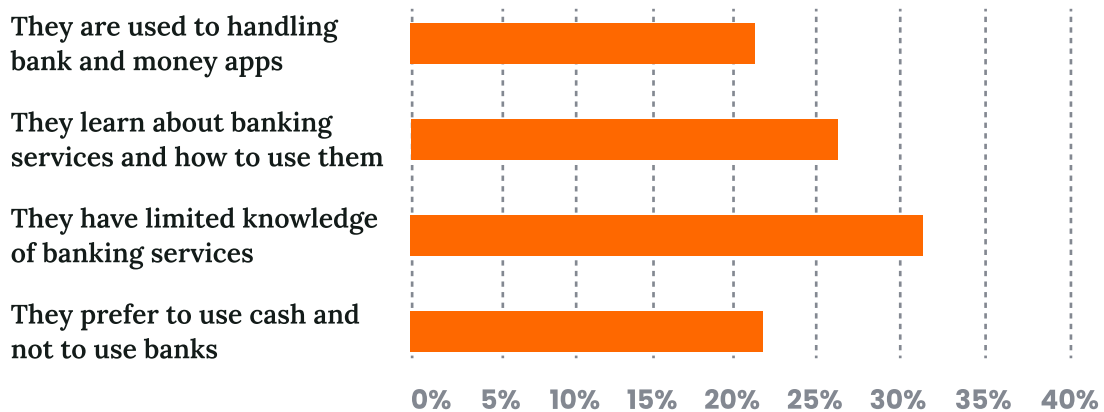
What are the reasons for sending money to your country?



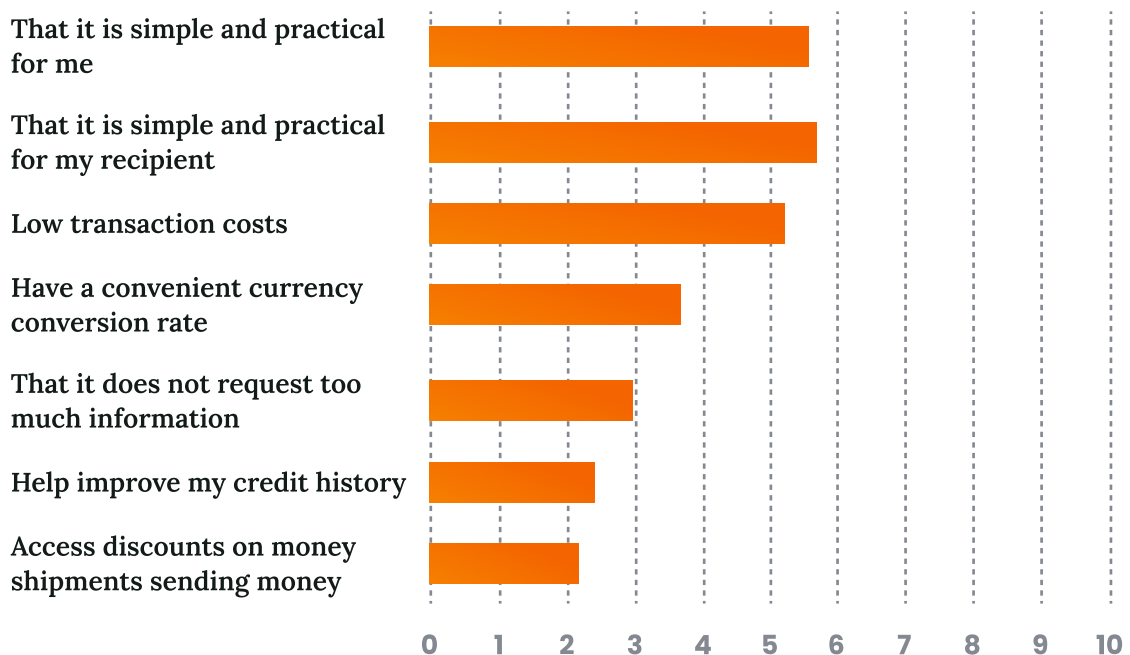
In your opinion, how do you feel using digital tools such as applications or web pages?



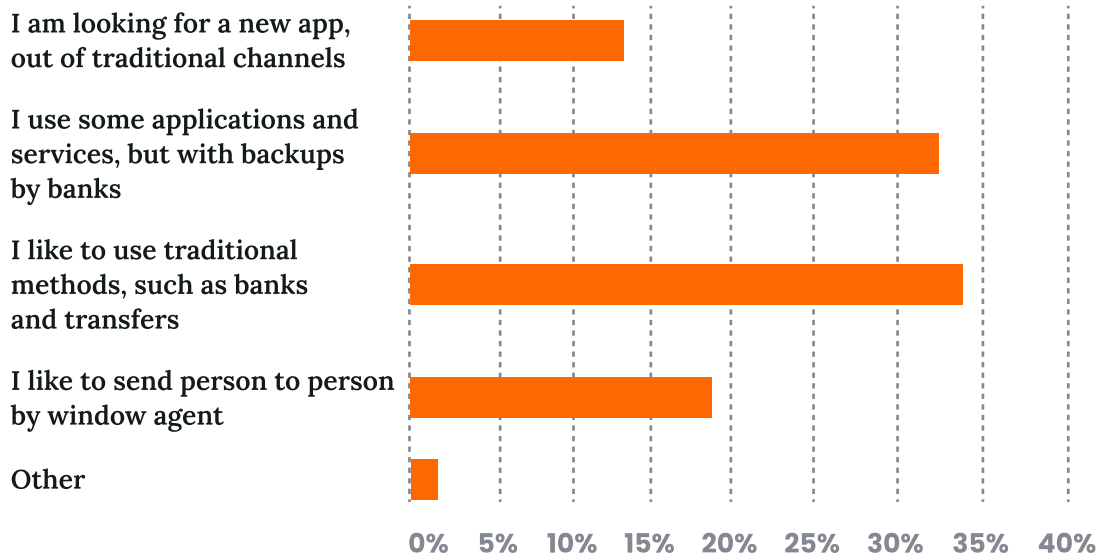
How would you describe the person who receives the money?



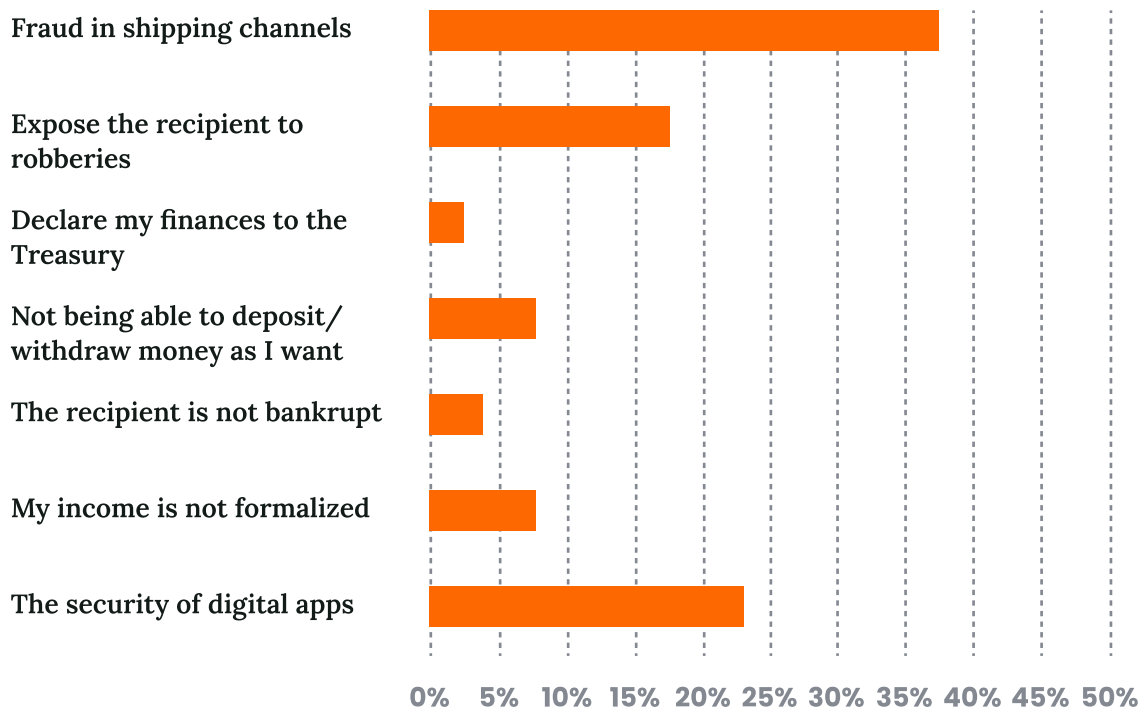
Order from most important to least, the factors that affect your choice of tool for sending money



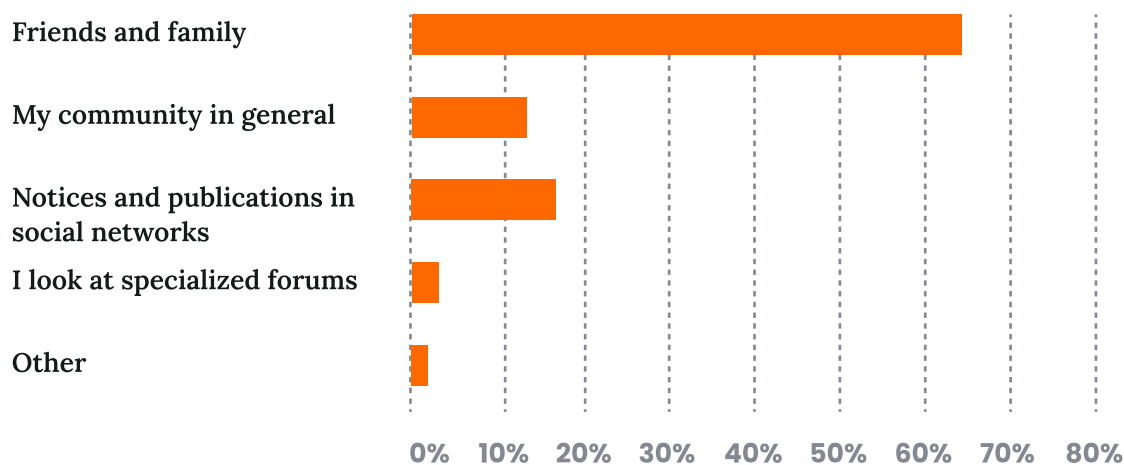
Regarding money transfer products and services, which statement do you find most representative?



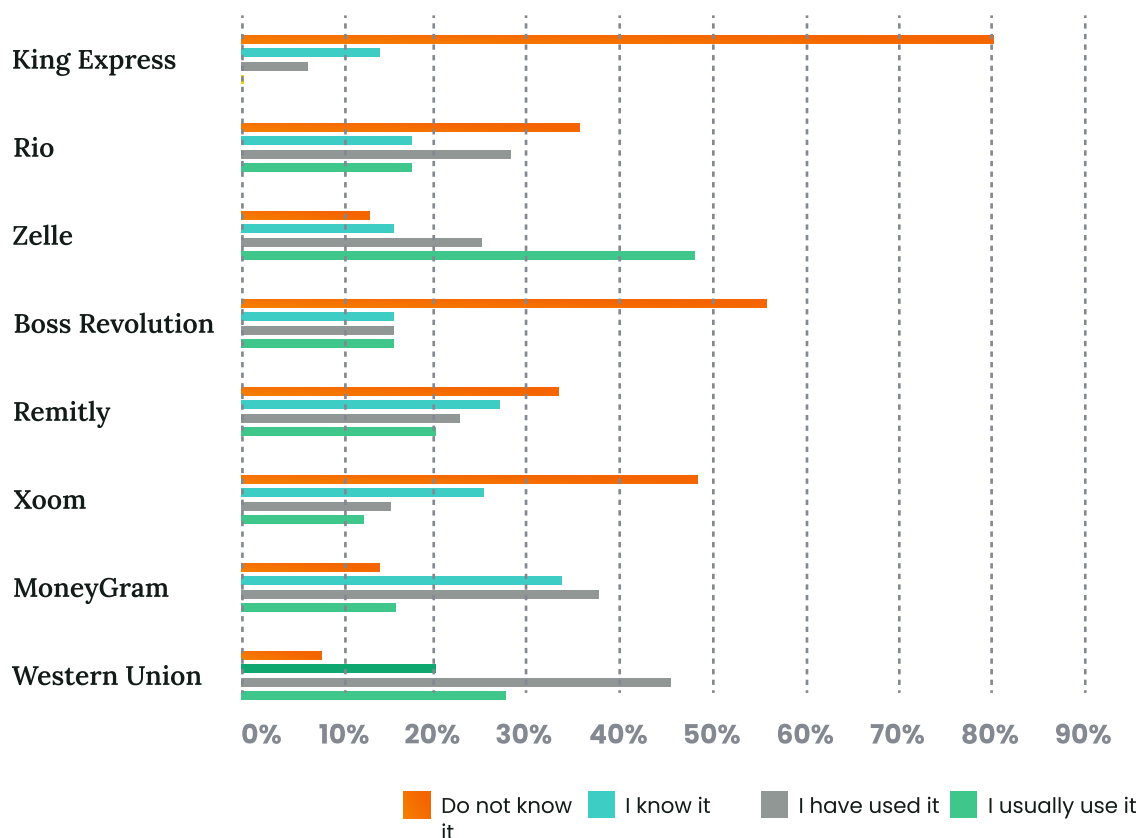
What are the most important factors preventing you from sending money to your destination?



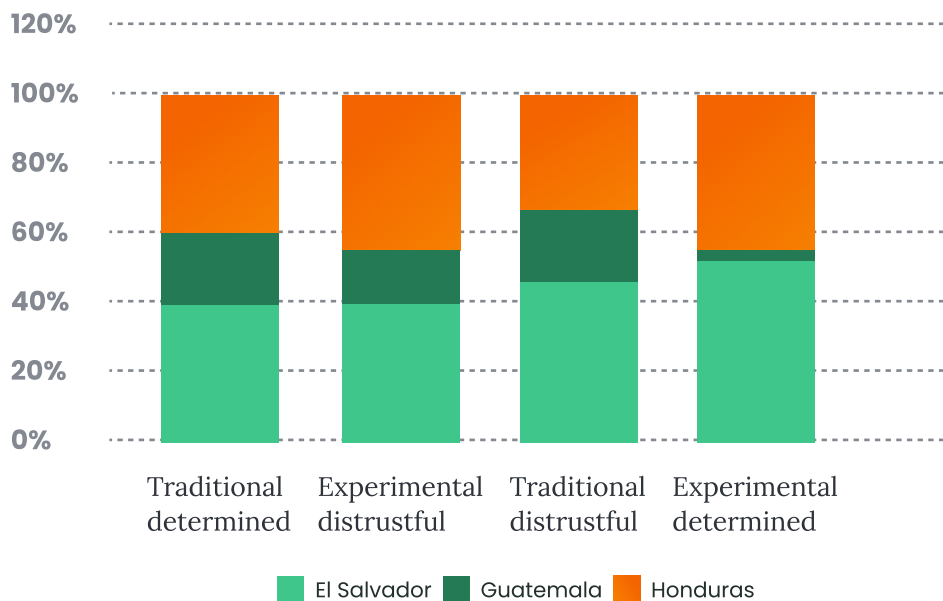
How do you find out and decide which platform to use?



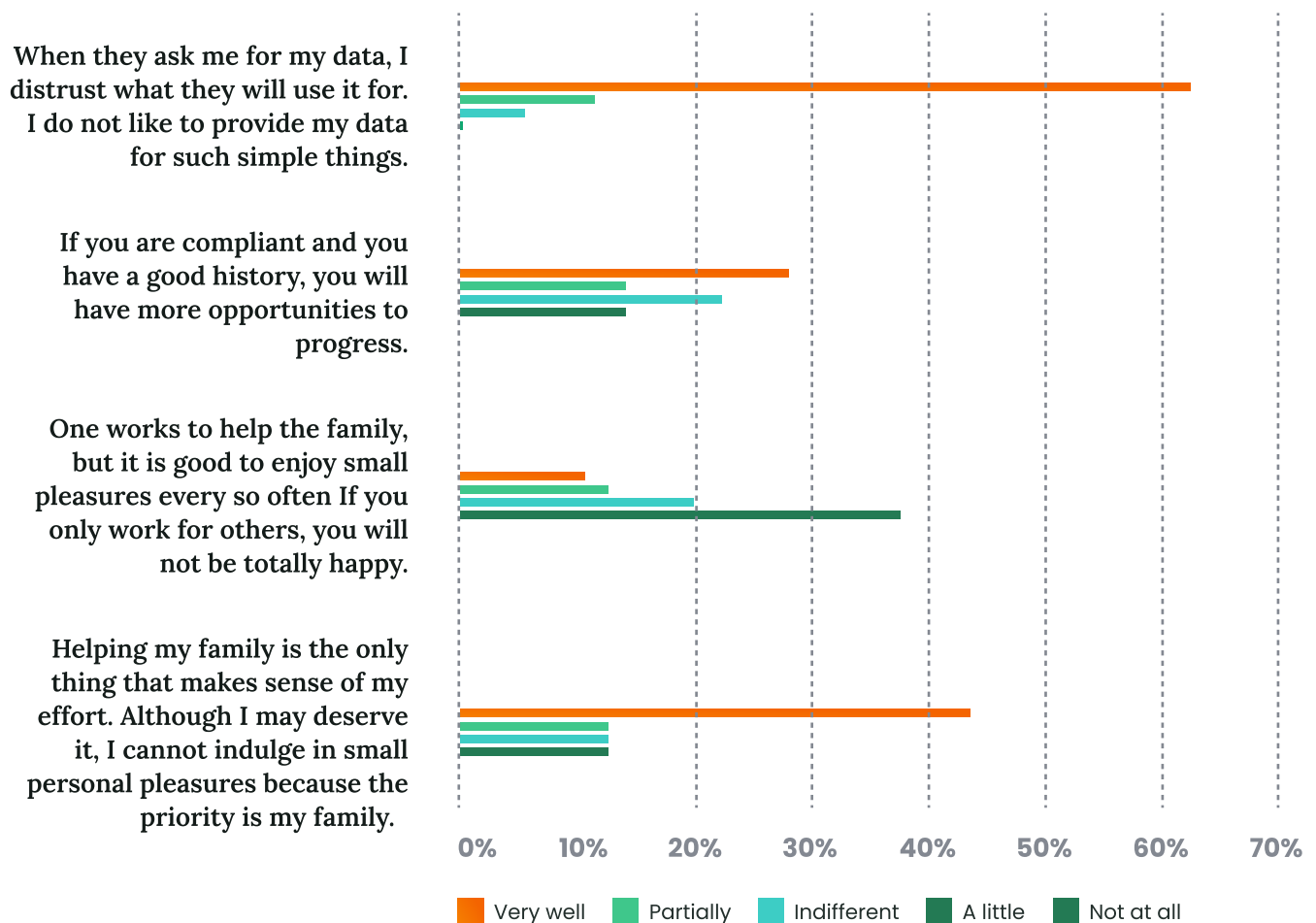
Can you tell us what services or products you use to send money?



Distribution of archetype by country



Next we will show you some statements, indicate how well you identify with each one, 1 being very well and 5 not at all



CONFIRMATIONS, OBSERVATIONS, DISCOVERIES AND OPPORTUNITIES

The following matrix (Confirmations – Observations – Discoveries – Opportunities) shows the previously shared findings in a more concise and practical way

Considering the profiles created and presented, part of the research involved classifying the most relevant findings under four dimensions:

- **Confirmations:** something well-known
- **Observations:** non-relevant data that arises from observation
- **Discoveries:** something not well-known
- **Opportunities:** information that leads to an innovative idea



Confirmations

Something well-known

- Reasons for migration are usually associated with local factors such as crime, insecurity, poor housing, state inefficiency, and a lack of job opportunities.
- Migrating is considered an investment.
- Migrants will never stop being migrants and that is in their mindset.
- People migrate to improve their living conditions, both material (money, housing, health) and institutional (security, stability, predictability).
- Migrating means starting from scratch for those who are professionals in their country of origin.
- For the Latin American migrant, family is at the heart of their identity, and also the source of both their woes and joy. Leaving their families is painful and a source of guilt; but helping them is rewarding.
- Remittances help pay fixed family expenses in the country of origin.
- Barriers migrants face include adapting to a new culture and a new language and having to complete immigration and visa procedures.



Observations

Non-relevant data that arises from observation

- Migrants have a different way of working than those from their country of origin.
- Migrants feel they are more than an individual adventurer, they consider themselves an emissary of the family.
- In the process of building a new 'life', migrants begin to come into contact with a culture and an institutional system that is very different from that of their country of origin.



Discoveries

Information that leads to an innovative idea

- There is a belief that the financial system and the US Government are the same entity, and that anything obtained from one facilitates procedures with the other.
- Need to create awareness and education regarding the myths vs realities of sending remittances through the formal financial system.
- There is no single decision maker when choosing the channel to send money. It is an agreement between senders and receivers.
- There is the perception/reality that Moneygram/Remitly/Ria/King Express have more convenient costs than digital applications (wallets).
- The various channels can be segmented based on the migrant's level of immigration and/ or employment 'formality', rather than the type of remittance sent (family vs. investment) or other variables.
- Sending remittances is more associated with remittance agencies and digital wallets than with banks.
- Omnichannel should be sought in all potential combinations between digital and in-person remittances.
- One of the first objectives after arriving in the US is getting a photo ID- this can be an opportunity to serve migrants first.
- Even though they are intensive US banking users for domestic payments and transfers, only a few know about the option to also send money internationally through the same bank.
- Recipients fear being robbed when withdrawing money from remittance agencies, especially when the remittances have a certain frequency.
- 100% digital remittances are not very well known.



Opportunities

Something not well-known

- There are mainly two types of remittances:
 - Family remittance (a commitment to the immediate or extended family).
 - Individual investment/savings remittance (purchasing a home, long-term savings account).
- There are two types of perceptions about channels:
 - Those that are intervened and are considered to be monitored by the government.
 - Those with low intervention because they request little documentation.
- Many migrants still have investments in a business and/ or expenses (e.g. housing loan) in their country of origin.
- Migrants in the US actively use banks and banking applications, mainly for local transactions.

- General valued attributes:
 - Immediate sending and accreditation of money (15 min maximum), and 24/7.
 - Speed and practicality: quick processes with few steps and easy to understand (including Spanish as a language).
 - Easy onboarding and minimum data required.
 - Convenient exchange rates and costs.
 - Flexibility in the transaction limit.
 - Convenience and accessibility: with extensive cash-in points.
 - Security: (1) that the system or network does not crash, and the money “disappears”; (2) privacy and/or protection of personal data.
 - Avoid traveling to physical points.
 - Consider word of mouth: The sender's main source of knowledge is usually friends and family.
- Recipients' most valued attributes:
 - The option to receive the money in a bank/application/wallet account of choice.
 - The option to withdraw cash in stores, agencies, ATMs, or bank branches.
 - The option to keep the money in the same bank/ application/ wallet account without the obligation to withdraw it.
- Senders' most valued attributes:
 - The option to deposit in cash, through a teller/ATM, either at a bank branch, an agency (e.g. Western Union), or at an integrated store (e.g. CVS).
 - The option to make digital transfers from a bank/application/wallet account, without having to deposit the money in person.



Accion is a global nonprofit on a mission to create a fair and inclusive economy for the nearly 2 billion people who are failed by the global financial system. We develop and scale responsible digital financial solutions for small business owners, smallholder farmers, and women, so they can make informed decisions and improve their lives. Through targeted investment strategies, advisory solutions, and expert thought leadership, we work with local partners to develop and scale cheaper, more accessible, and customer-friendly financial solutions. Since 1961, Accion has helped build more than 235 financial service providers serving low-income clients in 75 countries, reaching more than 350 million people. More at <https://www.accion.org>.

Accion Advisory combines decades of on-the-ground experience with insights into new technologies to help our partners become more sustainable and scalable. We work with a variety of organizations focused on serving the financial needs of low-income people and businesses in emerging markets. With a presence in Africa, Asia, and the Americas, our team provides strategic and operational support to strengthen our partners and maximize their impact on underserved customers.

© 2024 Accion International. All Rights Reserved. Accion and the Accion logo are registered trademarks of Accion International.