

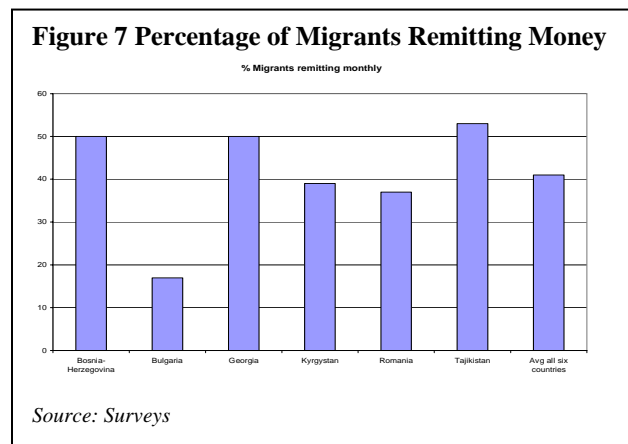
## SECTION 2: MIGRANTS' PERSPECTIVE: RESULTS FROM SURVEYS OF RETURNED MIGRANTS

The section investigates the dynamics of remittance sending behavior from the migrants' perspective in six countries in the Eastern Europe and Central Asia region (ECA). It relies on the results from surveys undertaken with migrants who had returned home in three low-income CIS countries—Georgia, the Kyrgyz Republic, and Tajikistan—and, for comparison purposes, three southeastern European countries—Bosnia-Herzegovina, Bulgaria, and Romania.<sup>8</sup> We look at three key pieces of information from the surveys: (i) how migrants' transfer remittances (informal vs. formal channels); (ii) why formal or informal remittance sending channels are utilized; and (iii) reported costs for various channels.

Interestingly, the results find that cost is not a key driver for migrants' decisions regarding whether to use formal or informal channels. Although the surveys find that costs are important, the convenience of the transfer channel is the top determinant. However, it should be noted that caution should be taken when interpreting the survey results. The same survey was implemented in each country with a 'snowball' or network sampling methodology. This methodology can not ensure that the returned migrants surveyed are representative of all returned migrants from these countries. As a result, these results should be understood to provide an impressionistic and first cut approach at understand migrants' behaviors.<sup>9</sup>

### 2.1 Amounts of remittances sent and the relationship to income earned

**A high proportion of migrants do not remit money back home.** The reasons for not sending any money are not provided by the survey but may include factors such as low income, short duration of migration, preference for saving in the country of destination, migration with the family, etc. The percent of migrants remitting money varies widely among countries, from 17 percent in Bulgaria to 53 percent in Tajikistan (see Figure 7).



<sup>8</sup> We have no available data on Armenia or Moldova. Given the availability of data on Georgia, we present this here, together with the southeastern European countries as benchmarks.

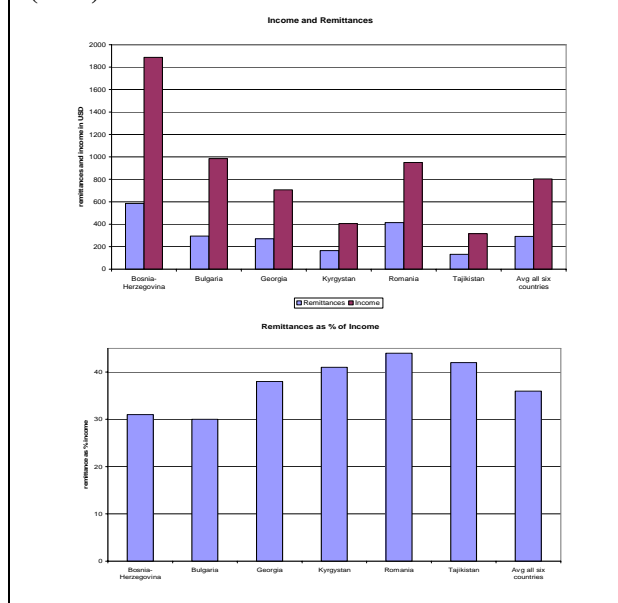
<sup>9</sup> Further information on the survey is found in Appendix 3.

**Migrants remit on average thirty six percent of their income** (i.e. the average propensity to remit is 36 percent) in the six countries considered (see Figure 8). Although remittances and incomes vary greatly among countries, the average propensity to remit (i.e. remittances divided by income) does not vary very much, from 30 percent for Bulgarian immigrants to 44 percent for Romanian immigrants.

**Most migrants remit small amounts of money.** Table 6 shows that 59 percent of all migrants remit \$200 or less every month. However, differences among countries are considerable: for the Kyrgyz Republic and Tajikistan the percent of migrants who remit up to \$ 200 is 75 and 91 percent respectively, but for Bosnia-Herzegovina and Romania the corresponding percentages are 25 and 32 percent.

**Remittances represent however a significant share of migrants' income.** Table 5 shows that overall, 40 percent of all migrants have remitted 50 percent or more of their monthly income. Again, differences among countries are considerable: for the Kyrgyz Republic and Tajikistan, approximately 47 and 52 percent of migrants respectively have remitted 50 percent or more of their monthly incomes, but for Bulgaria and Bosnia-Herzegovina the corresponding percentages are 17 and 26 percent.

**Figure 8 Average Monthly Income and Remittance (USD)**



**Table 5 Percent of monthly income remitted when abroad the last time.**

% of income remitted	Bosnia-Herzegovina	Bulgaria	Georgia	Kyrgyz Rep.	Romania	Tajikistan	Average
10	20.4	26.7	5.3	6.4	6.3	5.8	9.6
15	10.2	11.1	6.5	3.6	4.1	4.1	5.9
20	12.2	18.9	11.2	8.1	5.9	7.0	9.5
25	8.4	6.9	9.2	4.8	4.8	6.9	6.8
30	7.2	10.6	11.5	9.1	14.3	10.6	10.4
35	4.0	2.3	4.9	5.2	4.5	4.8	4.6
40	5.8	5.1	7.1	9.6	11.8	7.6	8.0
45	5.6	0.9	4.2	6.4	3.4	5.0	4.7
50	17.6	6.9	14.7	19.6	10.0	24.8	17.4
>50	8.8	10.6	25.4	27.2	35.1	23.3	23.0

Source: Surveys

**Table 6 Distribution of Remittances in USD**

Avg Monthly remittance in USD	Bosnia-Herzegovina	Bulgaria	Georgia	Kyrgyz Rep.	Romania	Tajikistan	Average
< 50	1.2	0.4	2.8	13.6	0.5	17.2	7.6
50-100	9.5	8.3	19.9	30.6	10.9	36.7	22.3
101-150	4.4	18.8	14.1	13.9	5.4	17.4	12.4
151-200	10	16.2	20.1	16.9	15.2	20	16.8
201-250	2.1	0.9	5.8	4.8	5	3.6	4
251-300	7.9	19.7	12.8	8.4	15.2	3.3	9.7
301-350	7.7	12.7	11.2	3	12.9	1.2	6.9
401-500	15.8	2.2	6.5	3.9	12.7	0.3	6.5
501-650	4.1	9.6	2.3	1.3	7	–	3
651-800	9.7	3.5	1.6	0.7	6.6	0.1	3.2
801-1200	16.4	2.6	2.3	1.3	6.6	0.1	4.5
1201-1800	6.9	1.7	0.3	0.4	1.6	–	1.6
>1800	4.2	3.5	0.5	1.2	0.7	–	1.4

Source: Survey

## 2.2 Frequency, means and cost of remittance transfers

**Most transfers of money take place once a month** (see Table 7). Approximately 39 percent of all migrants remit every month and another 37 percent, every two months. However, differences among countries are considerable: migrants from Georgia and Romania sent money more frequently (54 percent every month) than those from the Kyrgyz Republic and Tajikistan (20 and 24 percent, respectively). Overall, 75 percent of migrants sent money home at least once every two months. How often migrants send money home may depend on such factors as regularity of income earned, the intensity of the needs of the family receiving remittances, the use of remittances, the safety of transfer or the means by which money is transferred.

**Table 7 Frequency of Remittances**

	% of Migrants						
	Bosnia	Bulgaria	Georgia	Kyrgyz Rep.	Romania	Tajikistan	Average
Once a month	47.3	49.3	54.4	19.7	54.5	24.3	38.7
Every two months	29.2	31.3	35.4	37.6	32.1	45.8	36.6
Every six months	18.1	15.4	7.3	29	12.2	19.8	17.7
Once a year	5.1	2.6	1.5	8.7	0.9	7.6	5
Less than once a year	0.4	1.3	1.5	1.3	0.2	2.7	1.4
Other	–	–	–	3.7	–	–	0.8

Source: Survey

**The channels by which remittances are transferred vary, including formal and informal channels.** Migrants use the organized money market (bank transfers, debit cards, check), the post office, rapid transfer systems (for example Western Union), friends and relatives traveling home, as well as individuals with whom they have no personal contact (i.e. bus drivers, train conductors). They also bring money with them when they visit home. Table 8 shows that the channels most often used for remitting are friend and relatives (approximately 30 percent overall), followed by bank transfers (25.3 percent) and rapid transfer companies (24.7 percent). It is impressive that a significant number of migrants trust their money to individuals with whom they have no personal contact (8.2 percent). It is likely that these are not accidental or occasional transfers, but rather organized informal networks that compete with the banking system and offer convenient services at lower cost.

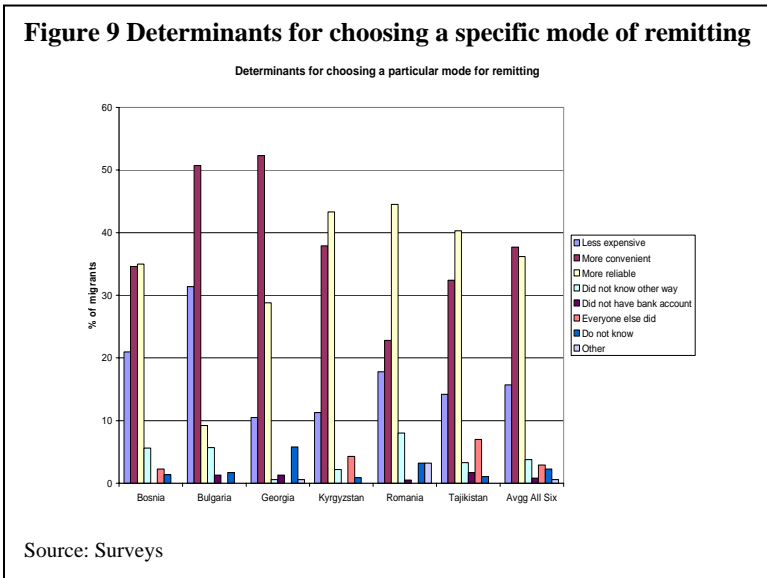
**Overall, official channels are used by 59 percent of migrants.** Differences among countries are however important. For example, the largest proportion of migrants from the Kyrgyz Republic choose to transfer their money via the banking system (42 percent), migrants from Tajikistan choose rapid transfers (43 percent), and migrants from Bosnia-Herzegovina send their money through friends traveling home (45 percent), proportions based on the number of migrants not the value of remittances. If one can assume that the choice of channel does not depend strongly on the value of money remitted, the finding that 41 percent of migrants send money through unofficial channels suggests that the official estimates of remittances obtained from national banking systems are seriously underestimated.

**Table 8 Channels for remitting (% of migrants using specified channel)**

Channel used	Bosnia	Bulgaria	Georgia	Kyrgyz Rep.	Romania	Tajikistan	Average
Transfer Check	0.2	0.4	0.5	–	–	–	0.2
Bank Transfer	14.4	22.8	17.5	42.4	24.9	24.9	25.3
Post Office	16.1	4.4	10.4	7.2	5.9	2	7.6
Through individuals and contacts	12	16.7	11.3	3.1	12.7	2.5	8.2
Friends Traveling Home	44.9	26.8	36.1	22.2	21.5	25.7	29.5
Informal Transfer Offices	–	1.3	1.9	0.1	0.7	1.9	1
Rapid Transfers (Western Union, etc)	1.7	21.1	21.2	22.8	30.1	43	24.7
Debit Card	–	3.1	0.5	0.1	0.9	–	0.5
Migrant when Travels Home	9.3	3.5	0.6	1.5	1.6	–	2.4
Other	1.4	–	–	0.4	1.8	–	0.6

Source: Surveys

**Key factors in the choice of a distribution channels include convenience and reliability, followed by cost.** It would seem reasonable to assume that the choice of channels for transferring remittances depends on the availability and convenience of using each channel, the cost involved and the safety of transfer. Migrants were asked to indicate the main reason for which they chose the mode of remittance transfer they actually used. Figure 9 shows that most migrants choose channels of transfer that they consider convenient (38 percent) and reliable (35 percent). The cost of transfer ranks third with only 16 percent of migrants choosing a mode of transfer on the basis of its price. Bulgaria is an exception, with cost second after convenience.



**Migrants’ choices are however often constrained.** For instance, this may arise due to the location where many migrants live and work. Also many illegal migrants may have no access to some channels. These consideration may explain, at least partially, why convenience is so important and why so many migrants have chosen to send money home with friends and relative and even with people unknown to them, although the risk of loss may be higher than in the case of banks.

**Cost may be less important a criterion than convenience because costs are low overall.** Table 9 shows that some migrants (13 percent of the total) fare no cost in sending remittances. This suggests that a number of migrants sent money home with friends or relatives, or carried it themselves when visiting home. Another 19 percent of migrants answered that the cost of transfer was lower than three US dollars per transaction. Most of these migrants must have sent money home also with friends and relatives (Table 8 showing 29 percent of migrants send money home with friends and relatives). Table 9 shows that half of migrants pay less than eight US dollars per transaction and the other half more than eight US dollars. The differences in the distribution of cost are significant among countries. Migrants from Bosnia-Herzegovina, Bulgaria and Georgia seem to pay more and those from the Kyrgyz Republic, Romania and Tajikistan seem to pay less. Table 10 shows that the median cost as a percent of remittances varies from 4.7 percent for Tajikistan to 7.4 percent for Georgia. The average cost for all countries is 5.5 percent.

**Table 9: Cost per Transaction for Sending Remittances (percentage of migrants incurring specified cost)**

Cost per transaction in USD	Bosnia	Bulgaria	Georgia	Kyrgyz Rep.	Romania	Tajikistan	Average
0	0.4	16.4	3.8	–	26.7	22.4	13.1
(0, 3]	2.2	1.8	4.5	29.3	3.2	38.6	19.3
(3, 5]	2.2	1.8	6.3	23.2	11.1	11.1	11.5
(5, 8]	2.2	6.4	7.5	12.7	–	4.4	5.8
(8, 12]	12.4	7	28	11.1	13.3	15.1	15.2
(12, 20]	25.8	23.4	27.5	10	17	7.8	15.6
(20, 30]	10.7	18.7	11.3	5.9	17.9	0.5	8.5
(30, 50]	27.1	13.5	5.5	4.1	6.8	–	6.2
>50	16.9	11.1	5.8	3.7	4.1	–	4.7

Source: Surveys

**Table 10 Average Cost of Money Transfer**

Country	Average Cost		Median (excluding zero)	Average Remittance	Percent
	all	Excluding zero			
Bosnia	37	37	25	690	5.4
Bulgaria	22	26	23	401	6.5
Georgia	20	20	15	271	7.4
Kyrgyzstan	16	16	5	225	7.1
Romania	17	23	20	416	5.5
Tajikistan	5	6	3	129	4.7
Average	16	18	10	325	5.5

Source: Surveys / Note: Calculations are made under the restriction that average remittances exceed \$10