



Remittances in Asia:  
Side One – The Receivers’ Story



# Contents

<b>The Rise of Remittances in Asia</b>	<b>03</b>
<b>Changing Fortunes</b>	<b>05</b>
<b>Meeting Critical Costs</b>	<b>07</b>
<b>The Decision Makers</b>	<b>09</b>
<b>In Asia, Cash is King</b>	<b>10</b>
<b>The Dawn of Digital</b>	<b>11</b>
<b>The Role of Remittance Providers</b>	<b>13</b>

# A Story with Two Sides: The Rise of Remittances in Asia

Increasing global mobility is a hallmark of the modern labour environment. At no point in time have more people lived and worked in a country that is not their place of origin. According to the United Nations (UN), as of November 2019<sup>1</sup> there are some 270 million international migrants living abroad.

Asia is an important economic centre for these migrants. With unprecedented economic growth across the region, it is home to the world's fastest growing middle-class. Rapid urbanisation and industrialisation have also seen demand for labour outstrip supply in many places, with large numbers of workers from developing and emerging markets attracted to those where wages are higher. Asia's economic powerhouses, Hong Kong and Singapore, are prime examples of markets which have benefitted from an influx of foreign labour, enabling their rapid growth and development.

This mobility has naturally fuelled the growth of remittances. However, putting economics aside, the business of remittances is one which is very human in nature. A significant base of the end-users of remittance services are often migrant workers who come from lower-income backgrounds that send money back home to their families. This has created a phenomenon where there are now large clusters of the region's population who rely on remittances from family and friends working abroad to meet essential daily costs. There is an estimated 320 million people<sup>2</sup> within Asia now directly supported by money transfers from relatives and loved ones abroad.

According to a 2018 World Bank report, India is the top remittance receiver in the world with US\$79 billion on inflows, followed by China at US\$67 billion and the Philippines at US\$34 billion. Highlighting the growing importance of money transfers, remittances to low- and middle-income countries reached a record high of US\$689 billion in 2018<sup>3</sup>. In the same period, total remittance inflows to Asian countries also passed the US\$300 billion mark for the first time.

While what each sender sends back home might be generally similar in approximate dollar value terms, how the receiver spends the money is very personalised. The money received could be used to pay for a child's schooling fees, a parent's medical bills or even to save for a new home with a spouse. The end-users of these funds trust remittance providers to safely, securely and speedily transfer their hard-earned money back home.

In UniTeller's inaugural report ***Both Sides of the Coin***, we critically examine the two sides of money remittances for families and workers from low-income backgrounds – both from the receivers' and senders' perspectives. The markets we focus on are India, Indonesia, the Philippines, Vietnam for receivers; and Hong Kong, Singapore and the United States for senders. Presently, there are close to 30 million workers living and working abroad in these four remittance destination countries alone.

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<sup>1</sup> <https://news.un.org/en/story/2019/11/1052331>

<sup>2</sup> <https://www.unescap.org/sites/default/files/publications/Migration%20report.pdf>

<sup>3</sup> <https://www.knomad.org/sites/default/files/2019-04/Migrationanddevelopmentbrief31.pdf>



### Number of citizens living and working abroad



17,000,000

India<sup>5</sup>



9,000,000

Indonesia<sup>6</sup>



2,300,000

The Philippines<sup>4</sup>



540,000

Vietnam<sup>7</sup>



### Number of foreign workers as of 2019<sup>8</sup>



2,942,000

Hong Kong



2,155,000

Singapore



50,661,000

United States

In the first edition of this report, **Side One – The Receivers’ Story**, we look at how the money received by family and friends impacts their lives and the daily and long-term challenges they face. A total of 1,911 regular recipients of remittances from low-income households were surveyed for this report, with an average annual income of US\$3,000, which is significantly below the world’s adjusted annual income of US\$8,826 or East Asia Pacific’s US\$8,061<sup>9</sup>.

We hope this report will help to raise awareness of the increasingly important role of remittances in the Asian and global economies, and also shine a light on the importance of discussing and addressing issues around over-reliance and financial planning for low-income families and workers.

<sup>4</sup> <https://psa.gov.ph/statistics/survey/labor-force/sof-index>

<sup>5</sup> <https://www.un.org/en/development/desa/population/migration/data/estimates2/estimatesgraphs.asp?1g1#>

<sup>6</sup> <http://documents.worldbank.org/curated/en/946351511861382947/pdf/121691-Indonesias-Global-Workers-Juggling-Opportunities-Risks.pdf>

<sup>7</sup> [https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/genericdocument/wcms\\_614384.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/genericdocument/wcms_614384.pdf)

<sup>8</sup> [https://www.un.org/en/development/desa/population/migration/publications/wallchart/docs/MigrationStock2019\\_Wallchart.pdf](https://www.un.org/en/development/desa/population/migration/publications/wallchart/docs/MigrationStock2019_Wallchart.pdf)

<sup>9</sup> [https://data.worldbank.org/indicator/NY.ADJ.NNTY.PC.CD?most\\_recent\\_value\\_desc=false](https://data.worldbank.org/indicator/NY.ADJ.NNTY.PC.CD?most_recent_value_desc=false)

# Changing Fortunes

The philosophy around remittances has evolved significantly from being just supplementary income for families and relatives to a valuable lifeblood and source of funds for improving socio-economic standing.

This is highly evident in countries such as India, the Philippines and Vietnam where the average monthly remittance value far outstrips the monthly incomes for low-income households. Our study shows in the Philippines, for example, the average monthly remittance value is two-and-a-half times that of average monthly household income. In Vietnam, the average monthly remittance value is ten times that of the average monthly household income of respondents (although average remittance transactions per month are the lowest among

countries surveyed at 1.1 remittance transactions per month per respondent).

By providing excess liquidity, remittances can ease the credit constraints of unbanked households in poor areas and potentially fund investments in education or businesses to lift families out of poverty. Out of the countries surveyed, most say the money they receive significantly improves the quality of their life. Interestingly, this statistic is highest in Indonesia (95%), where remittance money makes up the lowest portion of monthly income, and lowest in the Philippines (71%) where the make-up is highest. Across all markets, more than three-quarters (77%) of recipients say the money they receive enables them to meet costs they may not otherwise be able to pay.

## Average monthly household income of receivers and average monthly remittance value

	Adjusted net national income per capita Overall (USD) <sup>10</sup>	Average monthly household income Survey Respondents (USD) <sup>11</sup>	Average value per remittance transaction Survey Respondents (USD) <sup>11</sup>	Average monthly remittance value Survey Respondents (USD) <sup>11</sup>
All Markets	204	196	498	685
India	139	380	561	1011
Indonesia	244	157	421	547
The Philippines	274	175	343	446
Vietnam	162	73	668	735

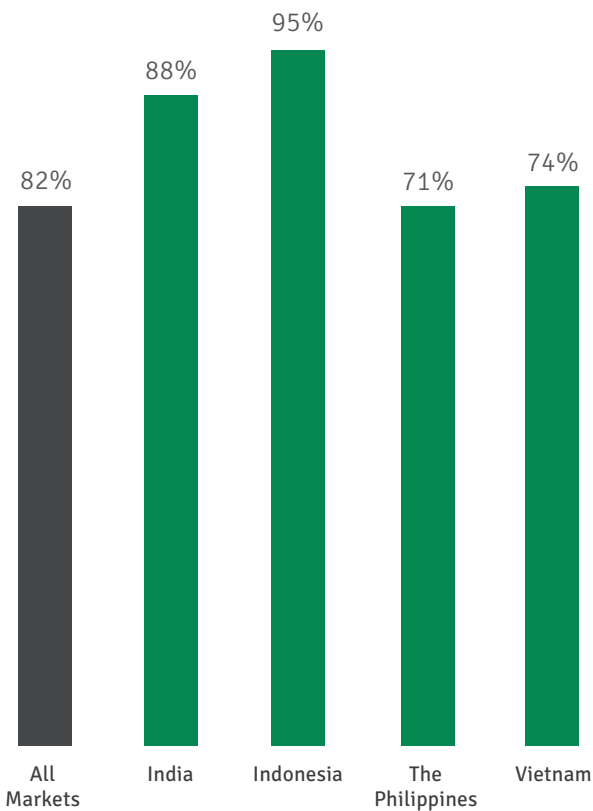
<sup>10</sup> [https://data.worldbank.org/indicator/NY.ADJ.NNTY.PC.CD?locations=4E&name\\_desc=false](https://data.worldbank.org/indicator/NY.ADJ.NNTY.PC.CD?locations=4E&name_desc=false)

<sup>11</sup> As of 29 November 2019 – A detailed methodology of these graphs are available in the Annex.

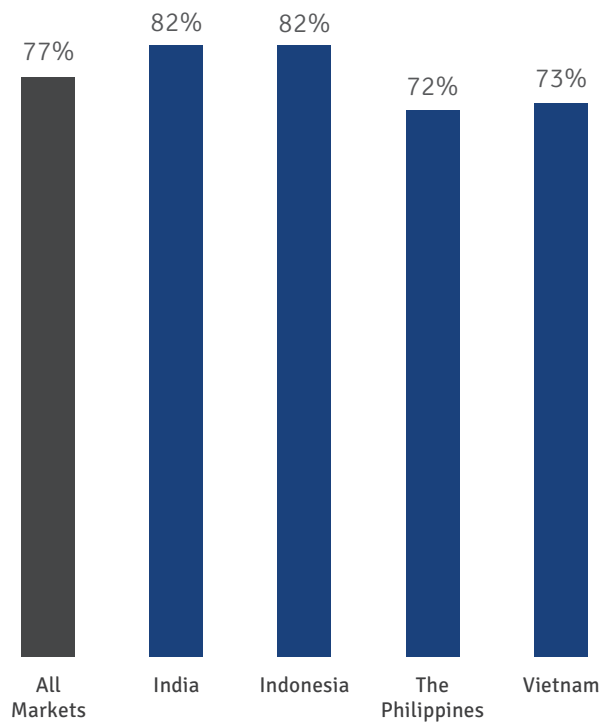
### Average number of remittance transactions sent to receivers per month



### Money received significantly improves the quality of life of receivers



### Money received has enabled receivers to meet essential costs they may otherwise have not been able to pay



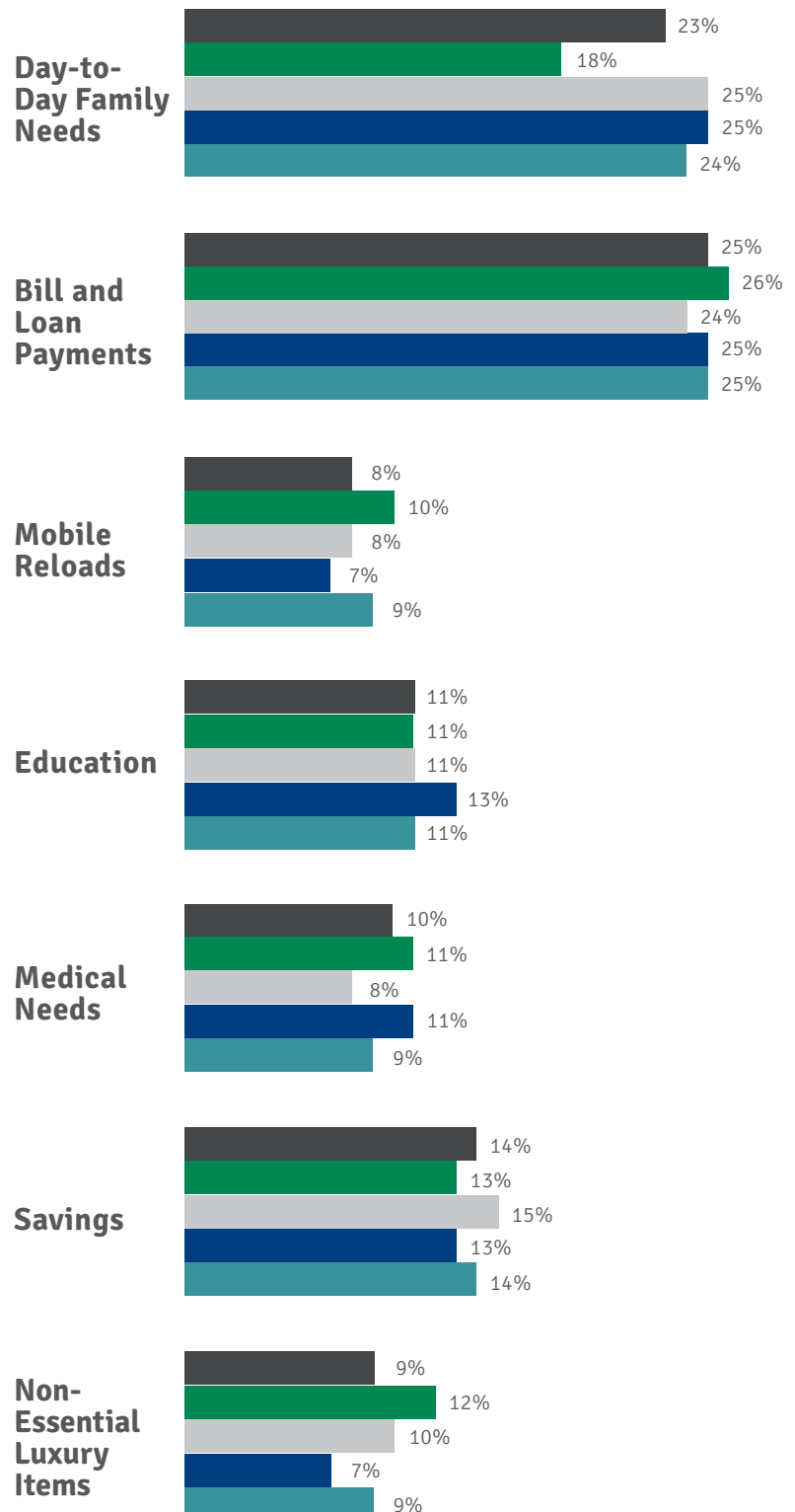
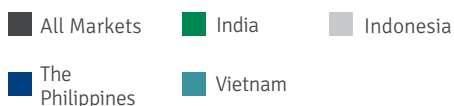
# Meeting Critical Costs

When looking at the breakdown of what costs remittance money is being allocated to by recipients, we can see that it is largely being used to meet daily household costs, with almost a quarter being allocated to day-to-day family needs and another quarter being allocated to bill and loan payments.

Worryingly, we see a significantly smaller sums being apportioned towards areas that may further economic progress, including for education (11%) and savings (14%), and relatively high amounts being portioned to non-essential luxury items, ranging from 12% in India to 7% in the Philippines.

While remittances can provide a financial lifeline for families back home, there can be issues where recipients can become overly reliant on this source of income as a means of sustaining their livelihoods and not as a means of furthering their wealth.

Receivers running out of remittance money is also a common phenomenon, underlining an issue of poor financial management and lack of saving habits. In India, this is most prevalent with more than half of recipients (56%) saying they regularly exhaust the funds they receive.

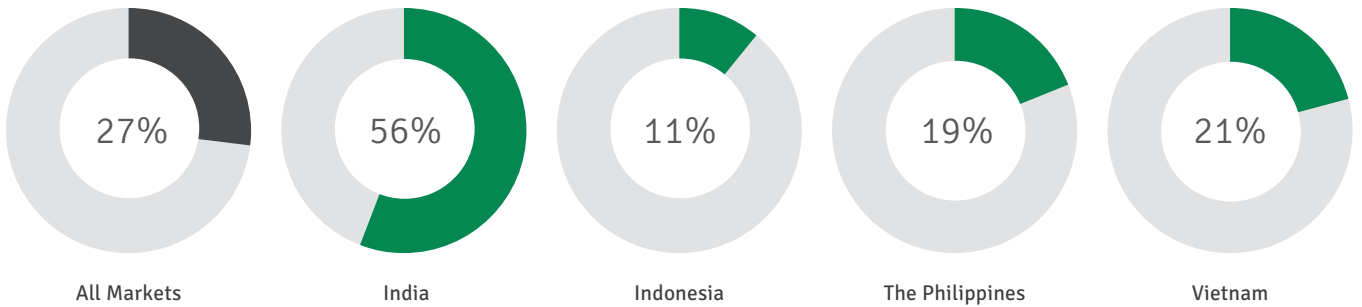




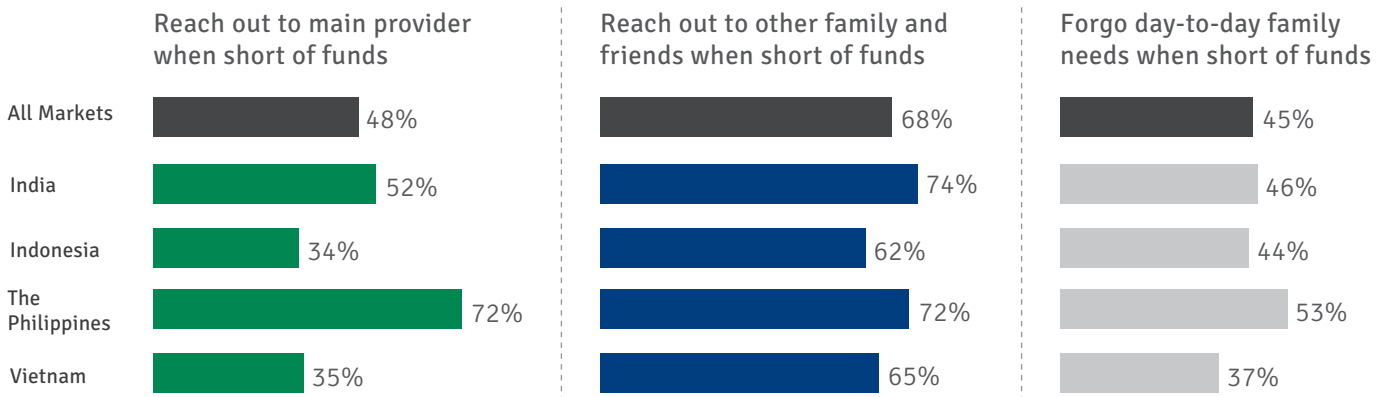
Most also reach out to their main sender again when they run out of the money they receive. In the Philippines, 72% say they will contact the sender when short of money, with over half (53%) saying they will ultimately have to forgo day-to-day needs if they exhaust their remittance funds.

Growing reliance on remittances may also result in increasing pressure for the senders and greater emotional stress on families. This can be seen across the board but especially in India where three-quarters (74%) say the expectation of receiving remittances has placed emotional stress on their family, and their personal relationship with the sender (76%).

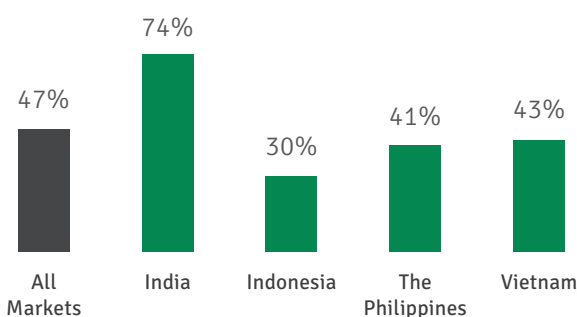
**% of Recipients who regularly run out of remittance money**



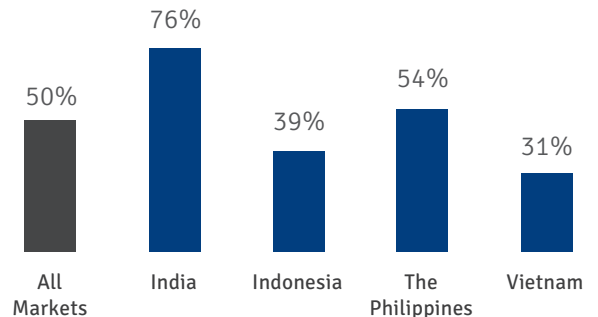
**Actions of recipients who run out of remittance money**



**The expectation of receiving remittances has placed emotional stress on our family**



**The expectation of receiving remittances has impacted my relationship with the sender**



# The Decision Makers

Out of the four countries surveyed, 99% in Vietnam have full control over how the money received is being used, followed closely by India (96%), Indonesia (95%) and Philippines (82%). This debunks the assumption that senders automatically have the most sway in how their money is spent.

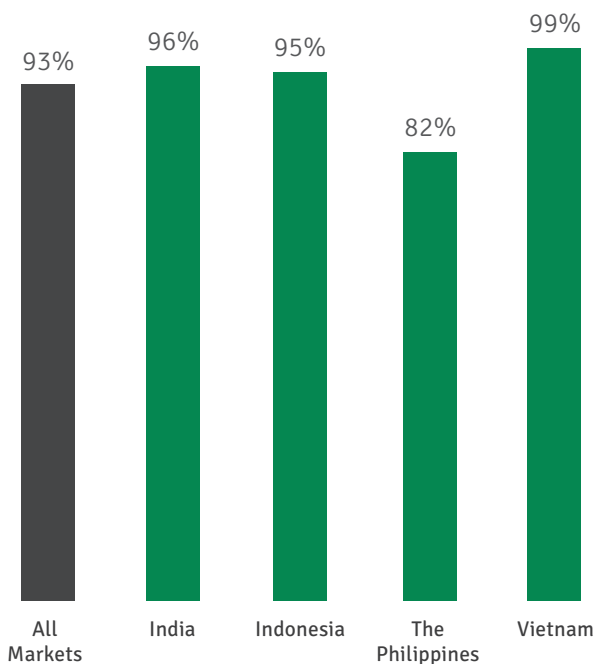
Although the findings indicate that receivers do not allocate enough of their remittance money to savings, there are untapped opportunities to increase their capacity in building sustainable wealth. The majority of receivers surveyed are extremely eager to learn and cultivate good financial habits. 75% in Philippines expressed strong interest in this, followed closely by 69% in Indonesia, 68% in India and 59% in Vietnam.

With receivers having overwhelmingly more influence in the use of funds, this highlights the importance of

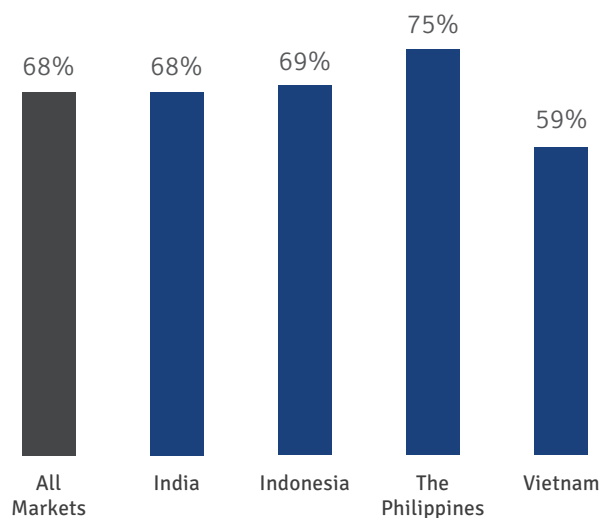
financial education as a fundamental step to building sustainable wealth for low-income families where one or more members are working abroad.

Financial education programmes targeted at receivers will equip them with the basic knowledge to manage their spending and funds, as well as leverage appropriate the financial services for their needs and help them understand how best to be financially independent and manage their funds on their own. We see efforts by governments in some of these countries, such as the Economic and Financial Learning Program (EFLP), an initiative by Bangko Sentral ng Pilipinas, the Philippines' central bank, that looks to promote greater awareness and understanding of essential economic and financial issues for Filipinos. These are welcomed steps in ensuring greater financial literacy and education among communities but clearly there is room to do more.

## I have full control over how the money received is being used



## I am very interested in learning and cultivating good financial habits



# In Asia, Cash is King

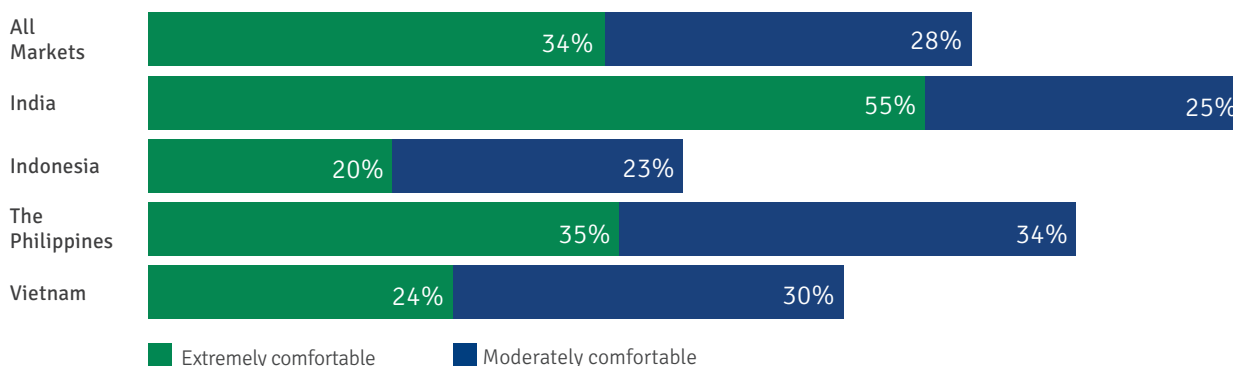
While governments across Asia are pushing ahead with efforts to create cashless economies that transact digitally and seamlessly across borders, the region still remains largely cash-based<sup>12</sup>.

More than half of recipients in India (55%) expressed a high level of comfort in having excess cash on hand compared with putting it in a bank account, closely followed by Philippines (35%). Out of the four countries, those in Vietnam are the most averse to cash.

When asked for reasons that could explain not having a bank account, close to half (47%) in India cite the lack of access to banking services in their country, closely followed by Indonesia (39%). Interestingly, 40% in India say that informal lending sources could also explain the lack of bank account ownership, which is in line with the persistence of informal credit in the country.

Receivers in Philippines (30%) and Indonesia (33%) highlight that having a joint bank account with family and/or friends could explain why they do not have a personal bank account.

## How comfortable are you with having excess cash on hand compared to putting it in a bank account?



## Which of the following could explain why you do not have a bank account?

	Do not meet basic requirements for opening a bank account	Lack access to banking services where I live	Own a joint bank account with family and/or friends	Rely on informal lending sources	Do not see a need for a bank account
All Markets	24%	34%	27%	22%	23%
India	30%	47%	18%	40%	23%
Indonesia	20%	39%	33%	20%	23%
The Philippines	25%	25%	30%	11%	23%
Vietnam	18%	24%	28%	14%	26%

<sup>12</sup> <https://securecdn.pymnts.com/wp-content/uploads/2019/07/The-PYMNTS.com-Global-Cash-Index-Asia-Pacific-Analysis-min.pdf>

# The Dawn of Digital

Attitudes towards digital solutions are remarkably positive across all four countries. Those in India are most receptive with 99% open to using a digital/mobile app to electronically receive money into a bank account and 91% would consider a semi-digital solution where online transaction is confirmed first before fulfilling transaction at a physical payer location.

Out of the countries surveyed, 97% in India have a mobile wallet account, followed closely by 92% in both Indonesia and Vietnam, and 78% in the Philippines.

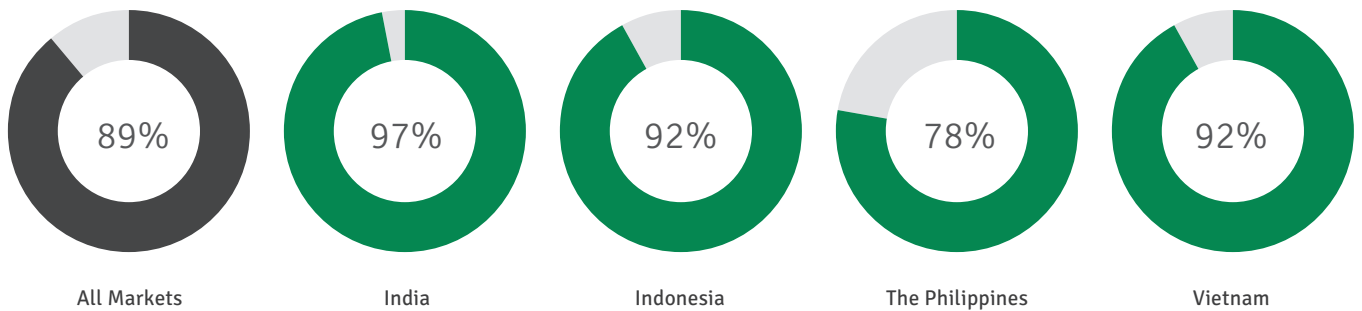
Security fears are a major concern for users not using a non-personal, digital interface to receive money, with

the majority in Indonesia (77%) citing this as their biggest worry. With receivers expressing concerns in other areas such as potentially being a complicated process or not being able to receive the funds, it highlights a gap in awareness but also accessibility of user-friendly, digital solutions.

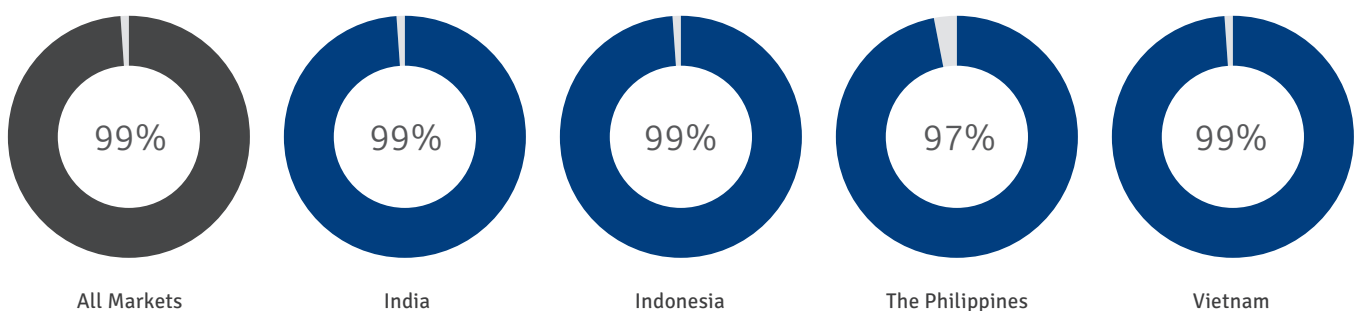
Since the region has relatively high smartphone penetration, with well over 90% across the board owning a smartphone, increasing cognisance of cashless technologies such as mobile payments and banking can enable greater financial inclusion in Asia and accelerate the region's transition towards less cash-centric economies.



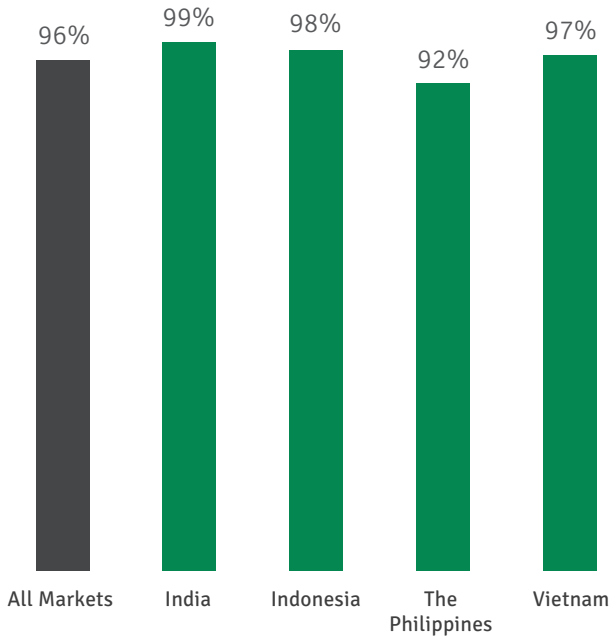
## Have a mobile wallet account



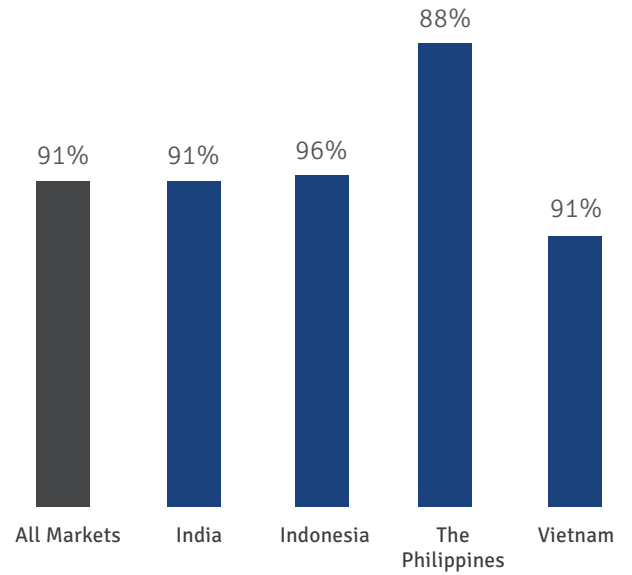
## Have a smartphone



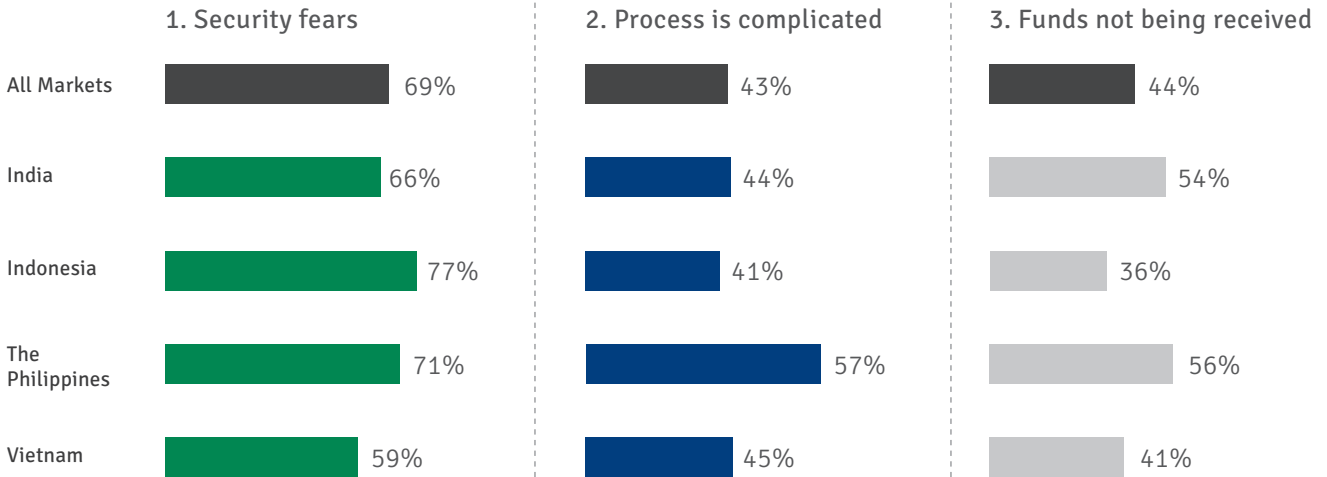
**Yes, I would consider using a mobile app to electronically receive money transfers**



**Yes, I would consider a semi-digital solution where online transactions are confirmed first before fulfilling the transaction at a physical payer location**



**What are your main concerns for not using a non-personal, digital interface to receive money?**



# The Role of Remittance Providers

With rising global mobility, remittance providers play an increasingly important role in the global economy – particularly for low-income migrant workers and their families back home.

Despite this, currently many areas for improvement remain in the remittance process. The time cost for migrant workers remitting in this way is high as they often need to physically go to another destination and queue, usually during their valuable time off, in order to remit the money. Depending on the extent of the money transfer company's networks and the popularity of the corridor in question, there can also often be very high transactional costs, both in terms of forex but also in “hidden” fees, which are not always immediately obvious to the sender.

The digitalisation of the cross-border money transfer companies has helped in some measure to address this. New remittance platforms have enabled both fully and semi-online transfer services that are fully functional and aligned with emerging digital wallets and mobile money applications. Through services such as UniTeller's ULink service, money can be transferred speedily

and securely through a few clicks remotely on a phone or computer, without any need for the sender to visit a physical branch.

Major remittance players must also work with telecoms operators, banks and even educational institutions, to create the appropriate financial products and mechanisms of delivery that are more aligned with their users' mobile and commercial habits.

By working together and raising awareness of these solutions with help from both private and public sector initiatives, and tailoring these to be user-friendly, achieving greater financial understanding and inclusion in the foreseeable future for more people in Asia and worldwide, particularly in developing and emerging markets, is a reality.



## About the Report

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*Both Sides of the Coin: The Receiver's Story* is the first instalment of UniTeller's survey of low-income remittance recipients and senders in the US and Asia. Over 1,900 interviews were conducted online and face-to-face in September 2019 in India (503); Indonesia (501); the Philippines (606); and Vietnam (301).

These recipients indicated that they received remittances from senders across markets in Hong Kong, Singapore and the US.



## Methodology

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Fieldwork Dates : August – September 2019

Methodology : A total of 1,911 regular recipients of remittances from low-income households were surveyed online for this report, with an average annual income of US\$2,352.

Using the rule of  $p=0.05$ , outliers have been removed during post-data analysis for the following question:

- On average, how much do you receive in your local currency each time your main sender sends you money?

Average number of remittance transactions per month is calculated using the weighted average method by multiplying the frequency of payments at each stipulated timeframe to meet the baseline of a month and dividing it by the individual market's respondents.

Adjusted net national income per capita is calculated based on World Bank's adjusted net national income per capita in Asia divided by twelve months.



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