



Both Sides of the Coin



Remittances in Asia:
Side Two – The Sender's Story

Contents

The Rise of Remittances in Asia	03
Following Asia's Remittance Trail	04
Patterns and Behaviors of Remittance Senders	05
How the Globalization of Work Affects Family Ties	07
Home Away From Home?	09
True Costs of Remittances	11
Amplifying the Impact of Remittances	13

The Rise of Remittances in Asia:

The Sender's Story

Remittances are an essential part of labor migration. Modern-day labor mobility fuels remittance flows and the prospect of being able to provide a better life for families back home is often a driving factor for lower-income workers to move to other countries for work.

In today's era of globalization, migration has helped strengthen economies and improve the lives of people in both, origin and destination countries, as well as, offering opportunities for millions of people worldwide to forge safe and meaningful lives abroad. The beneficial effects of working abroad for migrants and their families goes much beyond economic outcomes and frequently includes improvements in other aspects of human development such as education and health.

In 2018, remittances to low-and-middle-income countries reached a record high, according to the World Bank¹. Remittance flows in 2019 are also expected to reach \$551 billion, up by 4.7 percent as compared to 2018². In Asia alone, the total amount of money sent by migrant workers amounted to US\$256 billion³.

Currently, around 272 million people in the world are living in a country other than their country of birth, as compared to 153 million in 1990⁴. According to the United Nations World Migration Report 2020, the United States has been the main destination for international migrants since the 1970s, with close to 51 million foreign citizens residing in the country today. According to a similar report by the International Organization for Migration (IOM), Asia is home to some 84 million international migrants, experiencing a remarkable 69 percent growth since 2000.

However, with how vital remittances have become to many migrants and their families, there are unfortunately still many issues for those who use these services today. This may be due to the prevalence of informal and unregulated channels, high and hidden transaction costs, as well as, lack of access to financial advice and planning in some migrant communities. There is a trend for migrants who are predominantly from lower-income groups, to be noticeably financially disenfranchised from the benefits of owning a bank account. Being part of Asia's "unbanked" can significantly curtail their ability to improve their own and their families' standard of living.

As a continuation to UniTeller's inaugural report in 2019, ***Both Sides of the Coin, Side Two – The Sender's Story*** examines the impact of remittances from the sender's perspective, exploring the financial and emotional costs for these migrants away from their families.

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\$8,061⁵. The markets in focus are India, Indonesia, the Philippines, Vietnam for receivers; and Hong Kong, Singapore and the United States for senders.

Like the first edition, we hope this report will highlight the pivotal role that remittances play in Asian and global economies, not just as a means to reduce poverty but also for long-term sustainable development for rural communities.

¹ <https://www.worldbank.org/en/news/press-release/2019/04/08/record-high-remittances-sent-globally-in-2018>

² <http://blogs.worldbank.org/peoplemove/data-release-remittances-low-and-middle-income-countries-track-reach-551-billion-2019>

³ <https://www.ifad.org/en/web/latest/news-detail/asset/40288757>

⁴ https://publications.iom.int/system/files/pdf/wmr_2020.pdf

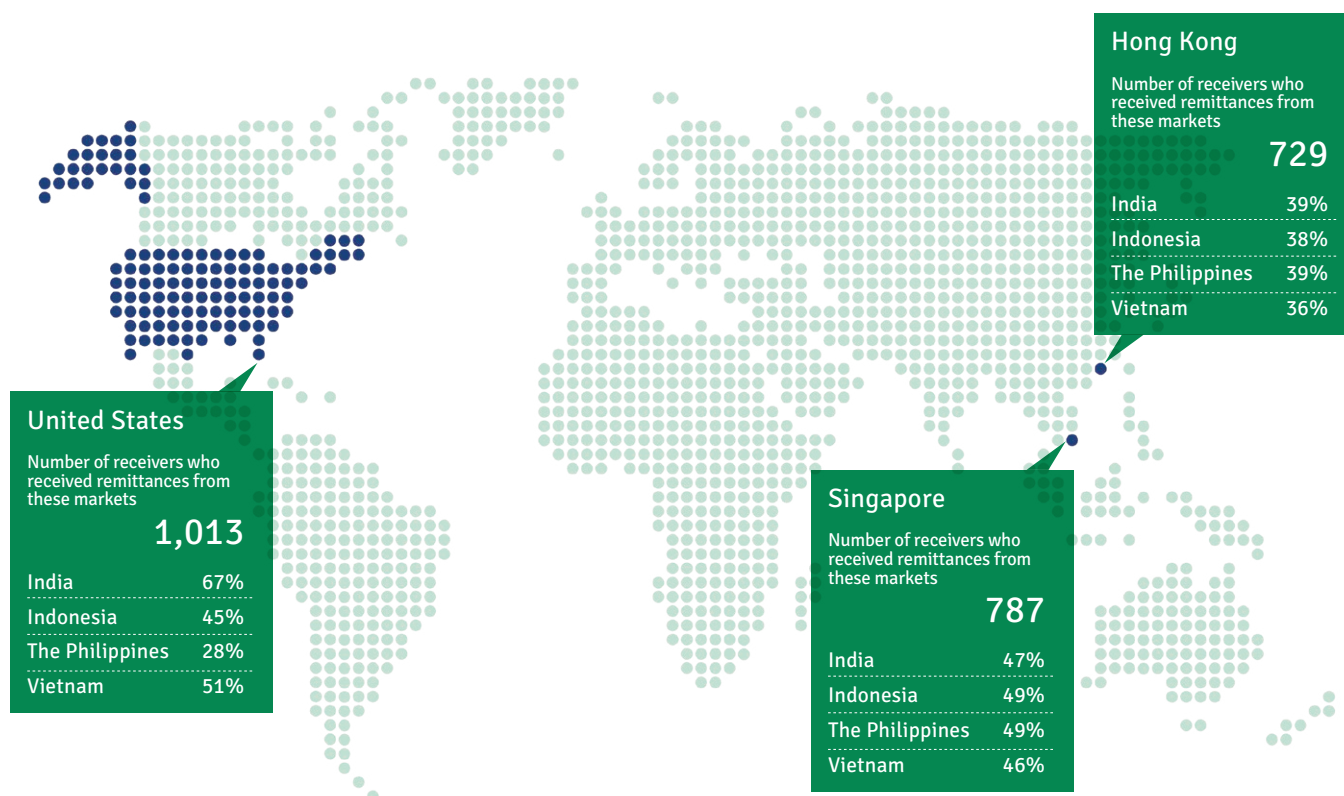
⁵ https://data.worldbank.org/indicator/NY.ADJ.NNTY.PC.CD?most_recent_value_desc=false

Following Asia's Remittance Trail

For over a decade, Asia has been steadily growing and slowly surpassing the rest of the world. Thanks to its consistent economic growth, strong demographic base and expanding middle-class, the fastest-growing region in the world will soon take center stage as a global economic powerhouse. As globalization becomes increasingly predominant and more people move throughout the region, there is now more of a focus on the human aspects of migrants who seek better prospects for themselves and their families outside of their homes.

According to the United Nations, the United States remained the largest point of origin for remittances in 2019 with a total of US\$68 billion in remittance outflows⁶. The International Fund for Agricultural Development (IFAD) puts Hong Kong⁷ as the ninth largest remittance-sending market at US\$17 billion and Singapore⁸ at 18th with US\$6.1 billion of remittance outflows as of 2017. Out of the remittance receivers we surveyed, 1,013 expressed that they have received international money transfers from the United States, followed by Singapore (787) and Hong Kong (729).

Breakdown of remittance flows from destination markets



⁶ <https://news.un.org/en/story/2019/11/1052331>

⁷ <https://www.remittancesgateway.org/country-profiles/hong-kong-sar-china/>

⁸ <https://www.remittancesgateway.org/country-profiles/singapore/>

Patterns and Behaviors of Remittance Senders

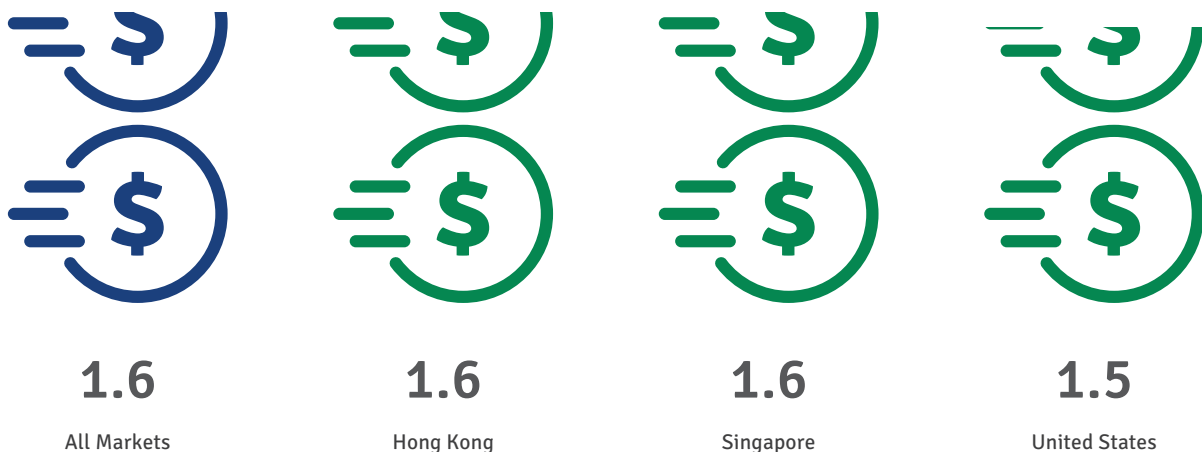
Remittances are an important means for sustenance and an economic lifeline for many families living back home. Used responsibly, remittances can help to alleviate poverty by creating sustainable wealth that will eventually lift standards of living. Many migrants living abroad are aware of this too, with the issuance of remittances being at least a monthly affair. Across all three origination markets, senders in Hong Kong and Singapore make 1.6 remittance payments per month on average and the United States at 1.5.

When examining the context of the relationships between senders to their recipients, we can see that

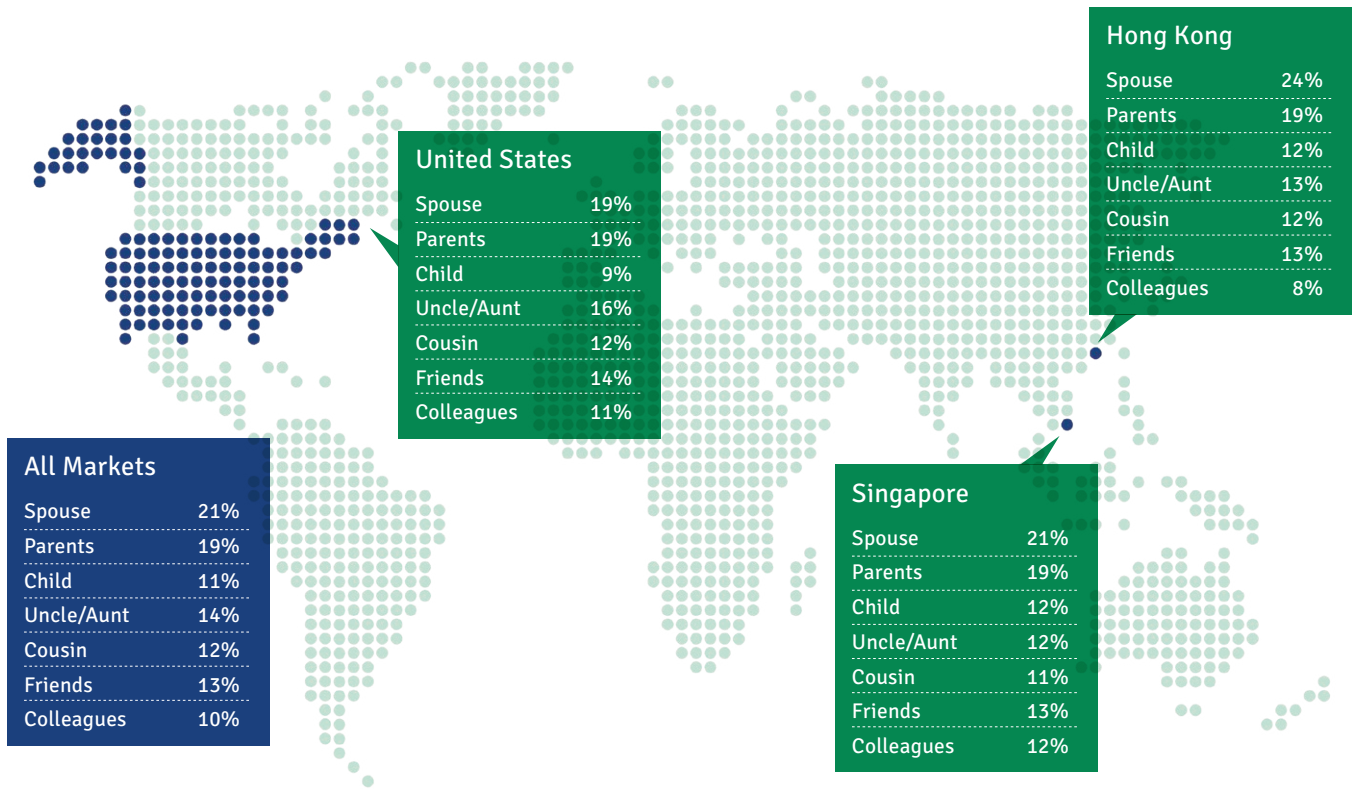
remittance funds are largely sent by either spouses to their partners or parents to their children across all of the markets studied. In Hong Kong, spousal remittances are the highest at 24%, followed by 21% in Singapore and 19% in the United States. For all three origination markets, approximately one in five are remittances made from senders who are parents.

On average, spousal remittances account for 15% of senders' annual wage. In Hong Kong, senders send almost a fifth (19%) of their annual wage back home and it remains the highest proportion of income remitted out of all origination markets.

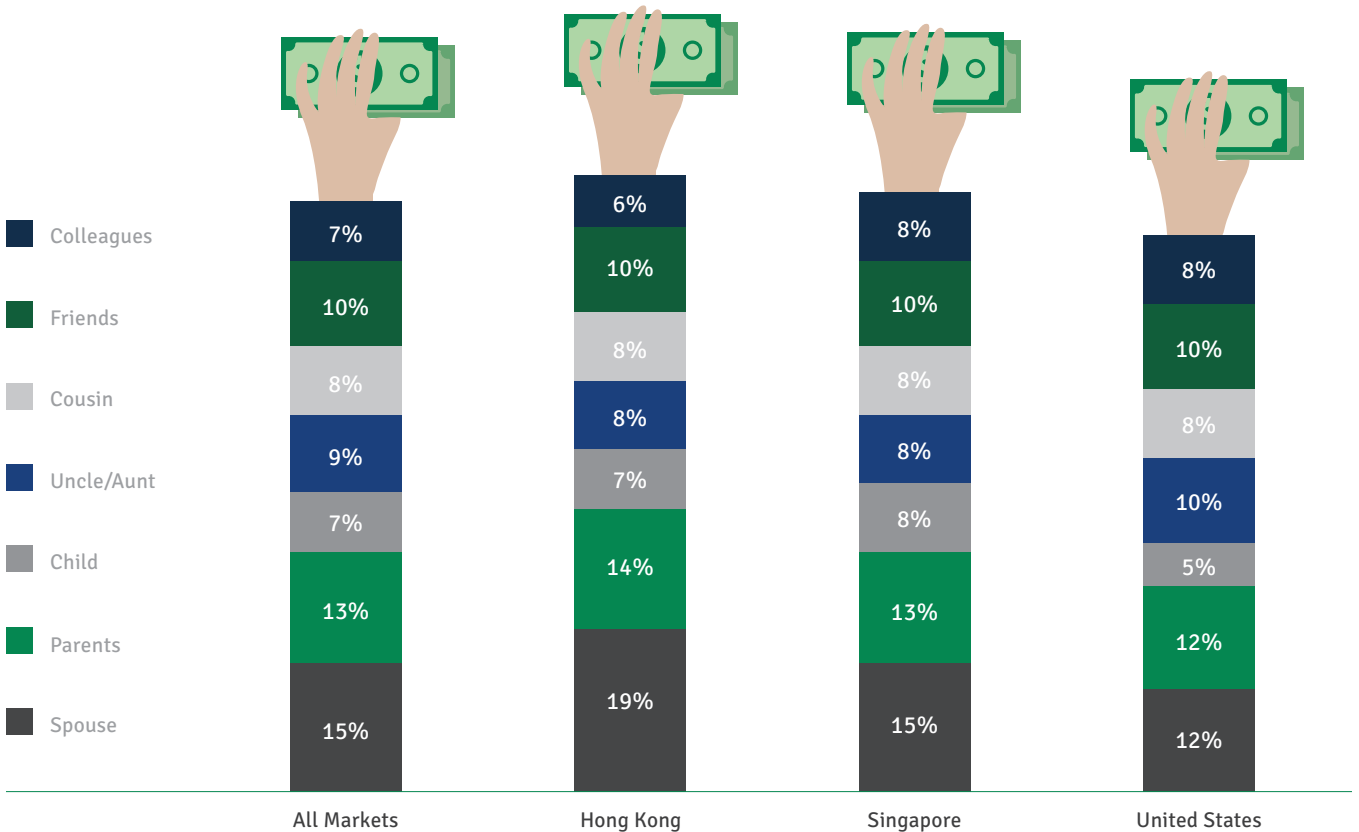
Average number of remittance payments made from senders per month



Breakdown of remittance receivers



Average % of annual wage sent by main senders



How the Globalization of Work Affects Family Ties

In the first edition of our report, we established that the growing reliance on remittances may result in increasing pressure for the senders and cause emotional stress on families. This is especially so when receivers run out of remittance money.

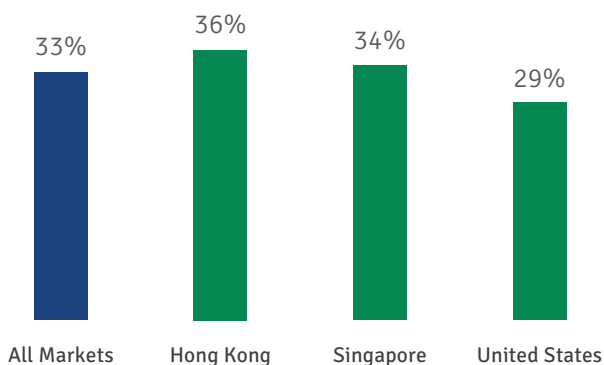
However, for the senders, we often neglect to consider if they have sufficient funds after sending remittances home. Many low-income migrants often work abroad in more developed and economically advanced

countries such as Hong Kong and Singapore, often with significantly higher standards of living and exchange rates.

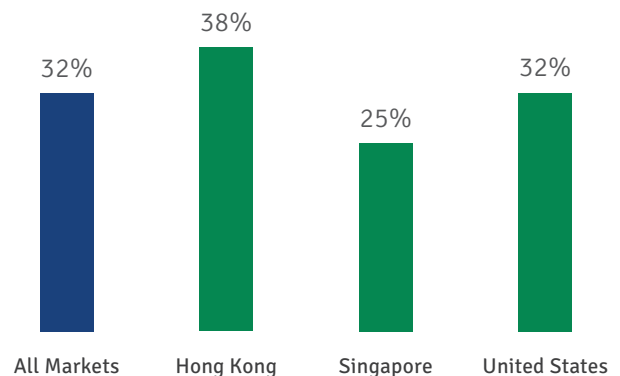
There, they are often a source of low-cost labor to fill employment gaps within the economy, with incomes and earnings that would be significantly below than their local counterparts. Yet, while living abroad, they still also have to manage expenses which their lower income may not be able to support.

	All Markets	Hong Kong	Singapore	United States
Main sender has more than enough money to live comfortably after sending money home	67%	63%	70%	68%
Main sender has more than enough money but has to make lifestyle sacrifices to send money home	29%	32%	26%	28%
Main sender finds it difficult and often runs out of money	2%	3%	2%	2%
Do not know if main sender has enough money for himself/herself	2%	2%	2%	2%

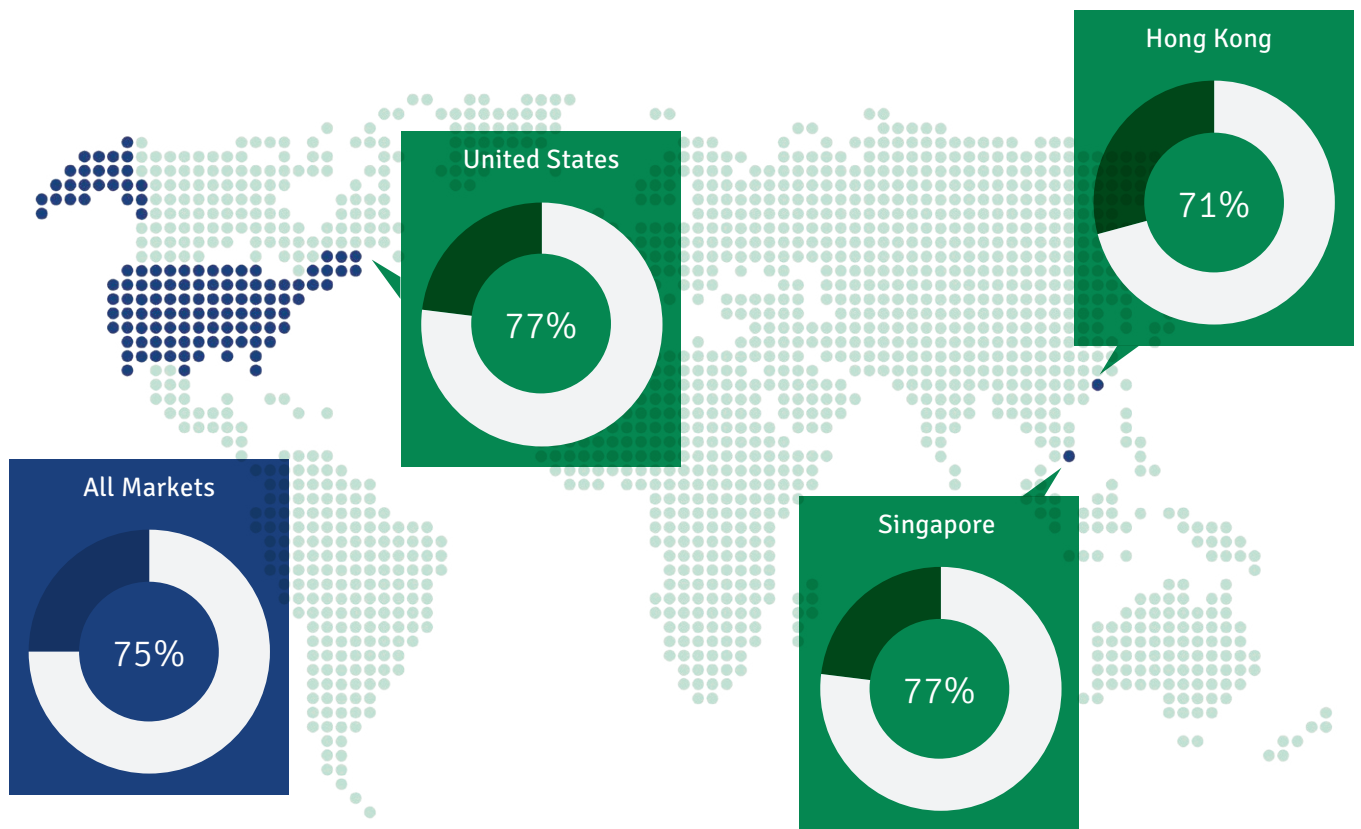
The expectation of remittance payments places emotional stress on family



The expectation of remittance payments impacts relationship with receivers



Main sender will still live overseas if they didn't need money



Out of the three origination markets, it is positive that most main senders have more than enough money to live comfortably after sending money home. However, there is still a substantial portion who may not be able to live comfortably after sending funds back home and this highlights the financial sacrifices that many senders have to undertake to remit money to their families. For instance, 32% of senders in Hong Kong have enough money, but need to make lifestyle sacrifices after making remittance payments, closely followed by senders in United States (28%), and Singapore (26%).

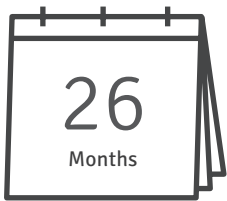
When we look at how this may affect the dynamics between remittance senders and receivers, we found that 36% of senders in Hong Kong feel that remittance payments do place emotional stress on their families, followed closely by Singapore (34%) and the United States (29%). Almost four in 10 of senders in Hong Kong also expressed that remittances also impacts relationship with receivers.

Interestingly, most senders said that they would still live abroad even if they didn't need the money, with the highest in United States and Singapore at 77% followed by 71% in Hong Kong. This is unsurprising, as it is reasonable to expect that better career and salary opportunities in other countries are often taken into consideration.

Home Away From Home?

With a majority of remittance senders being responsible for supporting families and friends back home, it is inevitable that either by choice or circumstance, many of them will reside in their countries of work for a considerable period of time.

Average time between senders' return visits to home country



All Markets



Hong Kong



Singapore



United States

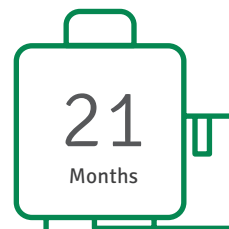
Average length of time sender is expected to live away from home country



All Markets



Hong Kong

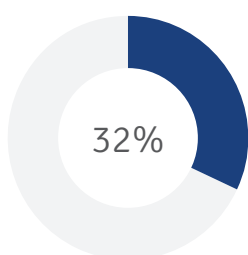


Singapore

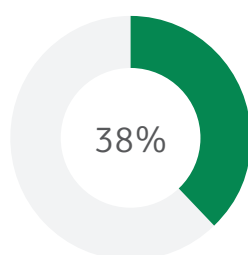


United States

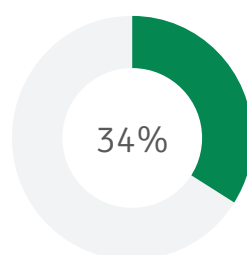
% of senders expected to reside away from home country permanently



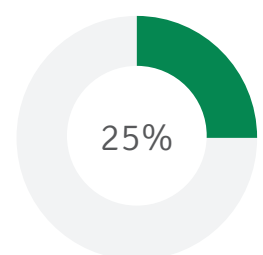
All Markets



Hong Kong

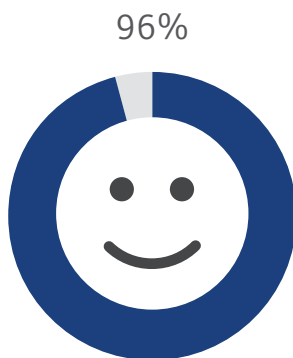


Singapore

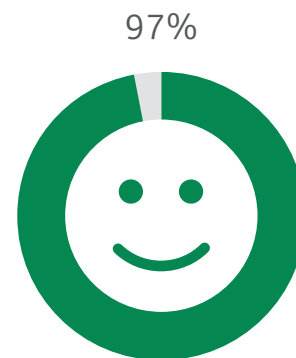


United States

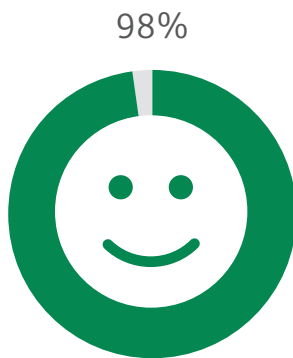
% of receivers who believe that main sender is happy in chosen destination



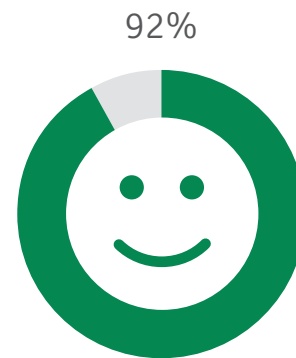
All Markets



Hong Kong



Singapore



United States

Our report finds that on average, main senders return home at least once every two years. When asked about how long their receivers anticipate them to remain overseas, most expressed at least more than a year, with senders in Hong Kong are expected to live abroad the longest, at 23 months on average. This is consistent for instance with the standard timeframe of two years stipulated in many foreign domestic worker employment contracts or for work permits in many countries.

Surprisingly, close to 40% of migrant workers in Hong Kong are expected to permanently settle overseas, closely followed by workers in Singapore (34%) and the United States (25%).

These results are supported by the overwhelmingly high number of receivers who believe that their main senders are in fact happy in their chosen destination. Most senders in Singapore are believed to be happy where they currently reside at 98%, closely followed by Hong Kong (97%), and the United States (92%). By offering migrants with brighter futures and greater opportunities, it is not surprising that more migrants would choose to permanently settle overseas or even have their families move abroad in the foreseeable future.

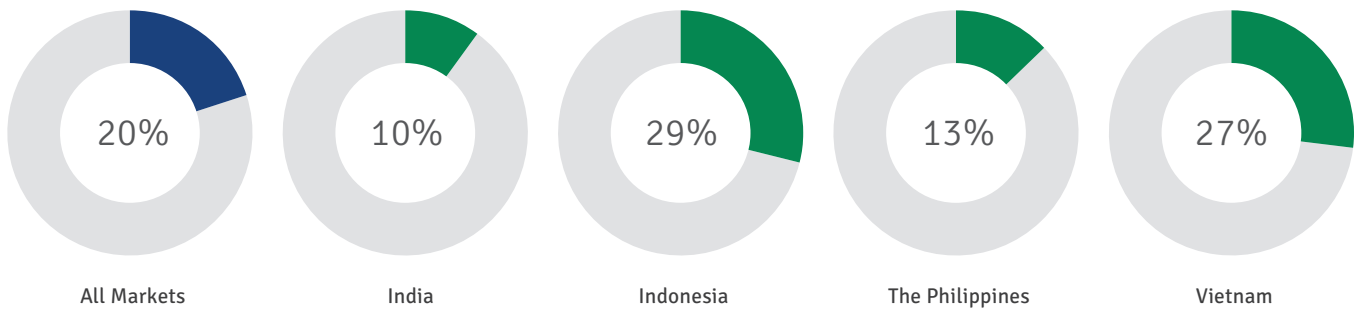
⁹ <https://www.aseanbriefing.com/news/guide-employment-permits-foreign-workers-singapore/>

True Costs of Remittances

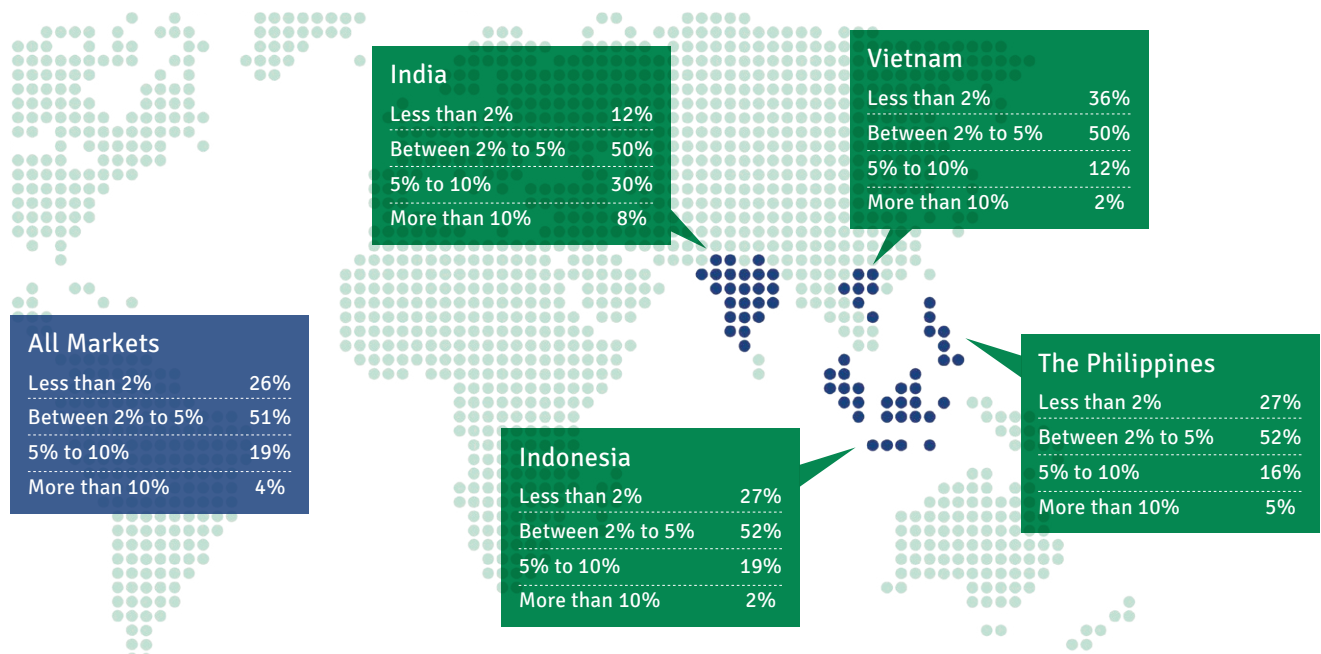
The cost of remittances is one area that needs further scrutiny. Even though remittances are the lifeblood to many rural communities in Asia, there are sometimes high costs associated with it. According to the World

Bank, the global average of remittance's transaction costs is around 7% . Average fees for remittances to East Asia is even higher at 8.4%, which is second highest in the world after Sub-Saharan Africa.

Not aware of the transaction fees associated with each international transfer



How much of the internationally transferred money do you think these transaction fees make up?



¹⁰ <https://www.adb.org/sites/default/files/publication/419611/migration-remittances-development-asia.pdf>

However, our report shows that there is a substantial knowledge gap between senders and receivers when it comes to the associated transaction costs of remittances. For instance, almost a third of receivers (29%) in Indonesia expressed that they are unaware of the exact cost of transaction fees, closely followed by Vietnam at 27%.

Upon closer look at the results, we find that at least half of receivers across all four markets think transaction fees only make up between 2% to 5% of total remittance money, which sits in stark contrast to the average cost for remittances to Asia, according to World Bank.

Financial sacrifices are very much a part of what senders undergo due to a lack of financial literacy, it is evident that receivers too often lack an understanding of the true cost of remittances. Without proper financial education, they may never empathize with their loved ones working abroad.

This lack of knowledge contributes to relatively exorbitant remittance fees because of the high number of unbanked communities for both senders and receivers. Many of them lack access to basic non-cash financial services and often pay a steep premium for access and liquidity. Financial costs aside, many senders and receivers also still adopt an outdated approach of queuing inefficiently outside licensed money transfer agents, which are often only in diaspora urban communities and do not have a strong rural network. They are unaware of alternatives for managing opportunity costs such as long travelling and queuing times that make this option not as viable as compared to mobile or other digital payment methods.

Moreover, the old-fashioned approach of lining up outside physical money transfer agents would not be feasible particularly in the current climate where the escalating coronavirus outbreak has kept many consumers at home. If the epidemic were to worsen, remittance transfers via such traditional methods would no longer work, rendering mobile or other digital payment methods more indispensable than ever.



Amplifying the Impact of Remittances

The findings of this report show that the pursuit of improving economic circumstances can often come with significant personal cost and place stress on migrant workers and their families. Not only is it important for regulators and businesses collectively to continue to find ways to support these worker communities, but more collective efforts must be made to lower transaction fees.

In many cases, the cost of remittance transactions is expensive relative to the incomes of migrant workers. Therefore, any reduction in transaction costs can result in a significantly higher residual income in the pockets of migrants and eventually higher remittance funds for receiving families.

According to the World Bank, a five percent reduction in transaction costs would provide an additional US\$16 billion¹¹ each year for receivers each year than they do now. This added income could mean more opportunities for consumption, savings, as well as, sustainable investment in emerging economies.

Today, one of the United Nations Sustainable Development Goals includes having transaction costs for remittances reduced to less than 3 percent and eliminating remittance corridors with costs higher than 5 percent by 2030¹². Risk concerns and a lack of transparency may also in part fuel higher costs. Therefore governments, regulators, financial institutions and even money transfer operators need to work together to streamline remittance services and also promote competition and

innovation. Increasing the accessibility of remittance channels by implementing new digital platforms and technologies will go a long way in increasing financial inclusion and lowering costs.

New remittance platforms such as UniTeller's digital platform, uLink (<http://ulinkremit.com/>), is an example of a service providing instant money transfers on a secure platform, without any need for the sender to visit a physical branch.

By having the private and public sector work closely together in raising awareness of these solutions, migrant investments beyond remittances can vastly change the development landscape of local communities, if given appropriate options.



¹¹ <https://remittanceprices.worldbank.org/en/about-remittance-prices-worldwide>

¹² <https://www.un.org/development/desa/en/news/population/remittances-matter.html>

About the Report

Both Sides of the Coin: The Sender's Story is the second installment of UniTeller's survey of low-income remittance recipients and senders in the United States and Asia. Findings are based on 1,911 interviews 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 United States.



Methodology

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.

Average number of remittance payments 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.



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