



Chapter 3 - FINANCIAL EDUCATION

3.3 REMITTANCES



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Remittances

A remittance means transferring money from the country you are living in to family member and/ or friends to your country of origin. Remittance service providers fall into two categories:

Formal

Organizations that provide several types of financial transactions or services, including money transfers/remittances, loans, deposits and insurance.

→ This type of provider includes commercial and rural banks, MFIs, cooperatives, credit unions and money exchange operators.

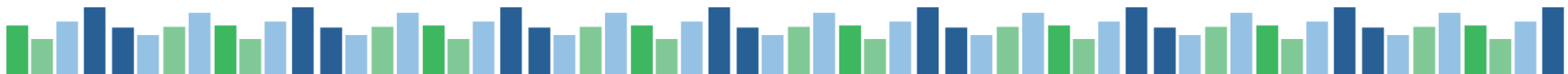
Informal

Organizations that provide transactions involving only money transfers or remittances.

→ This type of provider includes money transfer operators, retail shop, and transportation providers.

What is the best choice for the sender (the person sending the money)?

	Advantages	Disadvantage
Formal	<ul style="list-style-type: none"> - Security (money is safe) - Liquidity (for saving) - Large, long-term loans - Cost - Reliability - Privacy - Choice of products - Allows clients to build a credit history - Operates within banking laws if registered - Access to financial advice and other financial products 	<ul style="list-style-type: none"> - Can be far away for rural residents - Restricted hours - Minimum deposit requirements may be too high - Charges fees on many accounts - Long lines take time
Informal	<ul style="list-style-type: none"> - Access - Proximity - Speed - Trust (it may be located at the local store and the client may have known the person for a long time) 	<ul style="list-style-type: none"> - They don't offer other financial services that might help receivers make the most of their remittances - It might be unsafe to claim the remittance in the place - It is more expensive for the family members abroad



Remittances

What is the best choice for the receiver (the person receiving the money?)

To help remittance receivers choose the best remittance service provider for their needs, it is important to ask the remittance service provider questions related to accessibility, cost, safety, convenience and ease of use.

- Can they receive the remittance directly into a saving account?
- Will they receive a bank statement for their account with remittance deposits?
- Can they receive the remittance with an ATM or debit card?
- What other products will be available to them if they receive the remittance here?
- Can they receive a loan for a small business or a house if they receive the remittance here?
- How long does it take to receive a remittance from the city where the sender lives?

