

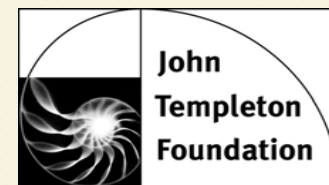


# Capitalizing on Remittances

*FINCA Latin America and Remittance Product Design*

*April 17, 2009*

**Yulya Spantchak**





## Today's Discussion

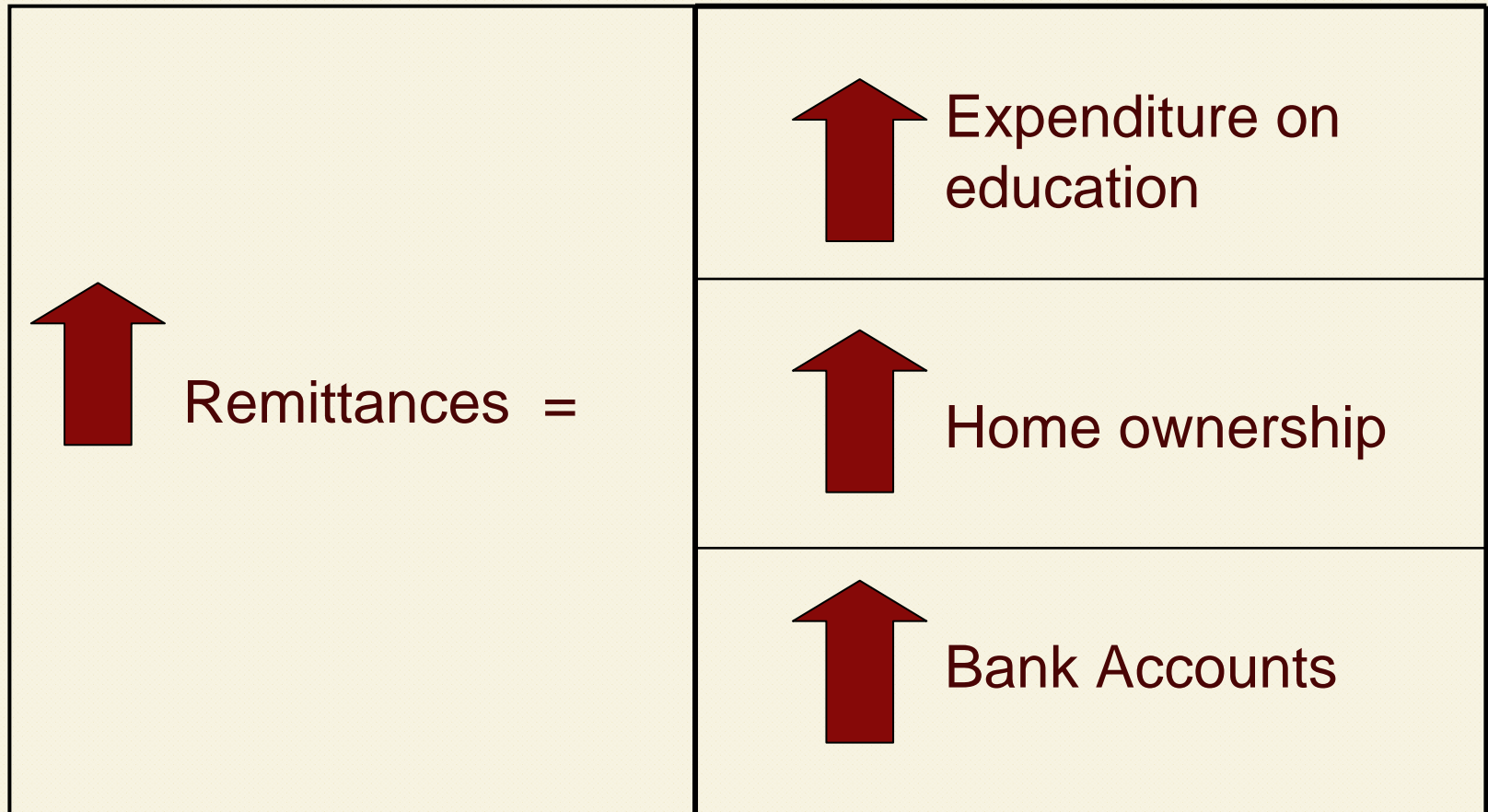
- Executive Summary
- Key Findings
- Implications
- Methodology
- Data and Statistical Analysis
- Limitations
- Next Steps and Conclusion
- Questions

## Executive Summary

- How do remittances relate to poverty alleviation and international development?
- Do remittances contribute to increased consumption, savings and business development for FINCA clients?
- What is the role for FINCA in the remittance market?



## Executive Summary



## **Executive Summary**

- **FINCA in the remittance market?**
  - **Transfer services.**
  - **Link to educational loans.**
  - **“Sticky remittances” linked to savings incentives.**



## Today's Discussion

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## **Key Findings**

- Higher remittances showed higher:
  - Daily per Capita Expenditure (DPCE).
  - Education expenditure.
  - Discretionary expenditure.

## **Key Findings**

- Clients with remittances are more likely to have:
  - Savings and checking accounts.
  - Access to credit, prior to becoming FINCA clients.
  - Homes.
  - Electronics.



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## Implications

- Remittances:
  - Not used only for consumption smoothing.
  - May be linked to poverty reduction.
  - May affect children's schooling.
  - Increase savings and formalized banking.

## **Implications for FINCA**

- Mission impact.
- Expand FINCA's client base and portfolio.
- Increase the formalization of remittance transfers.
- Contribute to development of unique products such as educational loans or incentive-driven savings of remittances.



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## **Methodology**

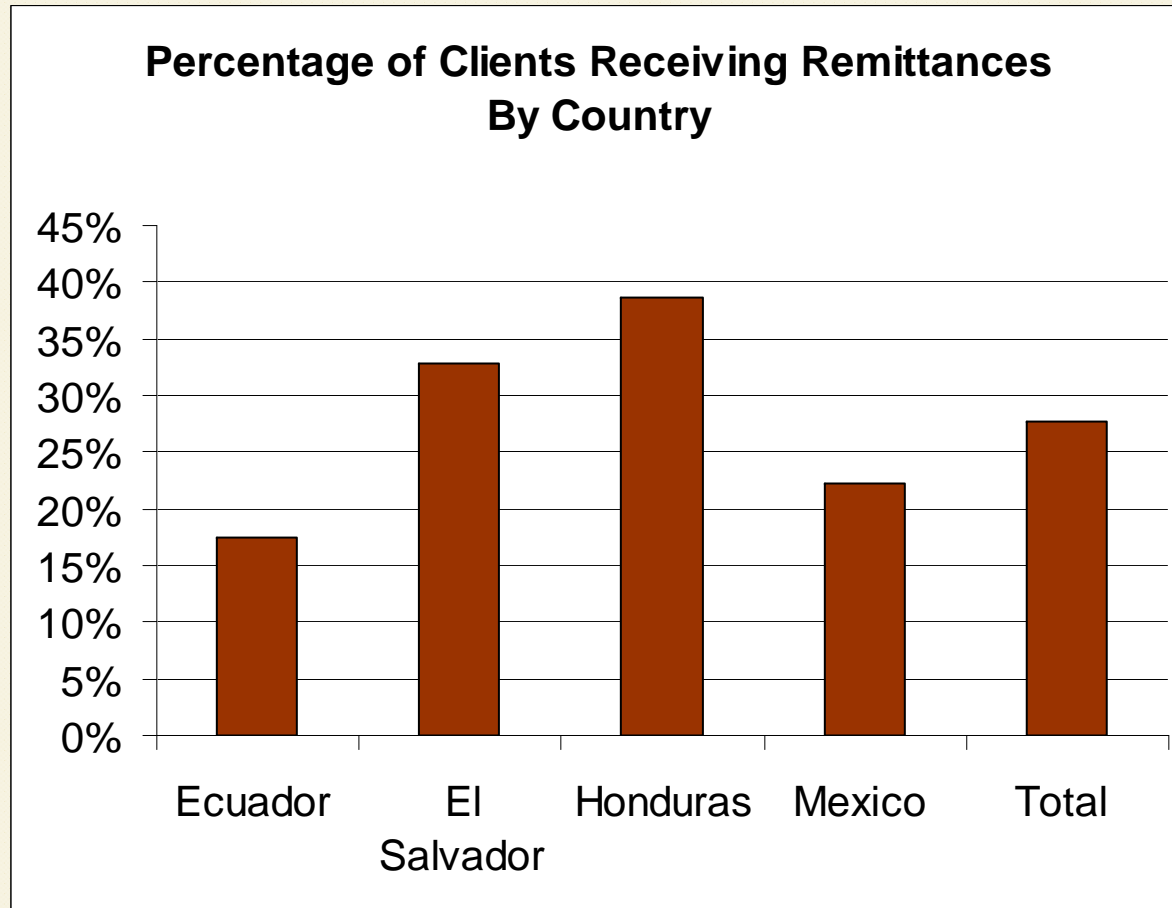
- Data gathered in Summer 2008.
- Ecuador, El Salvador, Honduras and Mexico.
- FINCA Client Assessment Tool
- Remittances calculated into US dollars and weekly rate.
- Analysis uses remittance amounts and consumption variables, while controlling for household size and DPCE.



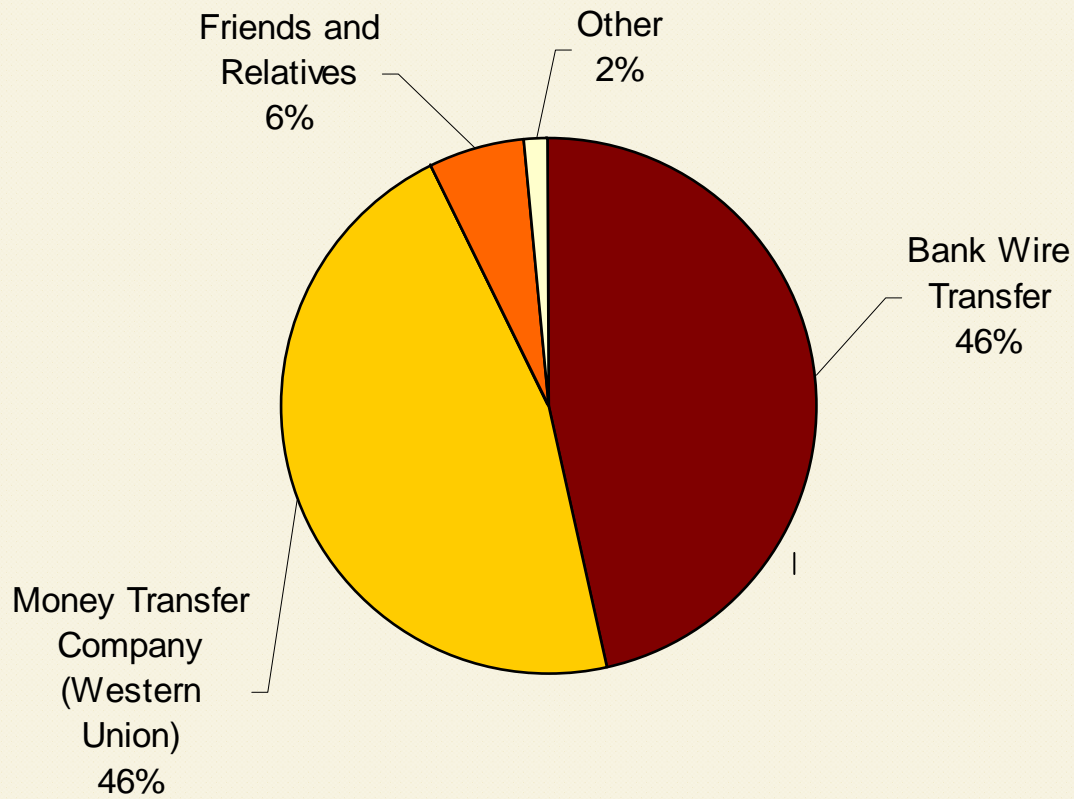
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## Data and Statistical Analysis



# Data and Statistical Analysis



## Data and Statistical Analysis

- Clients who receive remittances:
  - Are 13% more likely to own a home.
  - Are more likely (39% vs. 28%) to have bank accounts
- Clients who receive larger remittances:
  - Show a higher overall DPCE
  - Tend to spend more on education





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## Limitations

- Analysis limited to FINCA clients in Latin America.
- No data on the length of time clients have been receiving remittances.
- Findings are correlations.
- Demographic data focuses on those who **receive** remittances; picture more vague on who **sends** remittances.



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## **Next Steps**

- Short term: Offer remittances as part of core suite of products.
- Medium term: Sign payout agreements with appropriate money transfer organizations (e.g., WU, RIA, SIGUE).
- Long term: Develop FINCA-branded proprietary wire transfer

# Next Steps



## **Conclusion**

- Strong correlation between remittances and reduction of poverty, which FINCA can build on with its products.
- Strong potential to capitalize in post-industrialized countries (Eurasia and Caucasus regions)
- FINCA can further contribute to its mission of poverty reduction by expanding remittance services and build its strong bottom line.

# Thank you

