

# The Remittance Boom

by Antonio Barbangelo

**The growth of global immigrant populations has also seen a boom in wire transfers headed home.**

**While agencies handle much of the traffic, banks are beginning to get into the act.**

In 2011, the global immigrant population sent home \$370 billion dollars in remittances. In some countries, remittances represent a key growth factor. Their total volume is three times the size of all official assistance to national development. But formal channels (banks and wire transfers) are used in only half of all delivery of cash to home countries, with the rest tucked into suitcases.

The mainstream market is firmly in the hands of a handful of major companies, which as Western Union. Italy, which totaled €7.4 billion in remittances in 2011, has seen the birth of banks dedicated entirely to getting immigrant money safely home. Foreign banks in countries with high numbers of immigrants are beginning to take an interest in the process.

More than 215 million people (some three percent of the global population) reside outside their countries of birth. According the World Bank, the \$370 billion sent home in 2011 is large enough to have a direct impact on the growth rate of some Asian or African nations. Equally surprising, and important, was the World Bank's observation that remittances are now three times larger than the total of official developmental assistance (from NGOs and supranational organizations).

The remittance industry is beginning to whet the appetite of an increasing number of international banks, leading to inter-bank agreements as well as expanding ties between banks and remittance giants such as Western Union, MoneyGram and Ria.

"The remittance market is expanding," says Marco Marcocci, president of the volunteer organization Migrants and Banks and the author of a book by the same name. "Until a decade ago, there only a few big players

on the global market, including Western Union and Money Gram. Since then, there's been a proliferation of money transfer companies. Competition has increased and capillarity agencies have developed, namely smaller companies that specialize in sending money to specific regions, with the focus on South America and Eastern Europe."

The remittance market represents a mound of cash of nearly unfathomable dimension. According to the experts, formal channels (money transfer companies and banks) are responsible for only about half of the global money flow home, which means the \$370 billion figure suggested by the World Bank, OECD and Eurostat probably needs doubling. "The rest of the money travels old style, in a suitcase," says Andrea Cavazzoli, who heads the Corporate Social Responsibility wing of the BPER banking group. "The money is usually carried overland. After all, buses leave every week from Rome or Milan headed for Eastern European destinations."

Adds Simona Beretta, a professor of international economic policy at the Catholic University of Milan: "Banks play an important role, but money transfer companies are more active. And even more active than those companies are the international cash flows that use more informal channels."

A substantial portion of the remittance market, experts say, exists well below official radar, but quantifying it remains difficult.

## Big Business

Some 70 percent of all European remittances come from Germany, Spain, France and Italy, which together with England and the Netherlands have the greatest

number of foreign citizens (32.5 million, according to Eurostat). In 2010, the 27 EU countries yielded €31.2 billion, three percent more than 2009 and 61 percent more than in 2004. "The economic crisis in Europe has slowed the trend," says Stefano d'Addona, an associate professor of economics at the University of Roma Tre. "The remittance amounts shipped to countries of origin in 2009 was down over 2008 by nine percent to other European countries and by two percent to non-European countries. There was something of a bounce back in 2010."

Says Valeria Benvenuti, a researcher Leone Moressa Foundation (a study and research center created by the Mestre small business association):

"The recession hit immigrants hard, generating

an increase in the return-home phenomenon. Some people lost their jobs and are voluntarily choosing to go home." Plenty of foreign workers have quit their Italian jobs and, using cash obtained from the TFR system (severance indemnity), are choosing to open micro-businesses at home.

Among the EU's 27 states, Italy is the second largest, after Spain, in terms of money volume transferred home. Italy's "remittance crisis" came a year after the European one first hit. In 2010, Italian remittances stood at €6.57 billion (down 2.6 percent from 2009). But the drop was temporary. "Last year [2011], the flow out of Italy was registered at €7.39 billion," says Benvenuti, "an increase of 12.5 percent over the previous year. It also increased per capita: just over



A Western Union office in Manila.

€1,600, compared to €1,552 in 2010.” Rome, Milan, Naples, Prato (with 91 percent of remittances China-bound) and Florence were Italy’s remittance capitals.

Remittances also suggest GDP variables, between the amount of money produced domestically and the amount actually spent. Still, the €7.39 billion shipped home from Italy in 2011 accounted for only 0.47 percent of total national wealth. The incoming amounts were even more modest. “According to World Bank statistics, the remittances entering Italy in 2009 totaled \$2.6 billion,” says the Catholic University’s Beretta. “That number became \$3.4 billion in 2010. It basically represents sums earned by young Italians working abroad and sending money home to their families.”

**Accounts and Special Offers**

Italy is home to some 4.5 million foreign nationals. As a result, banks and money transfer companies are extremely active. Most foreigners in Italy tend to rely on official money transfer agencies. “The profile of the immigrant who goes to the bank to transfer money is different from one who goes to an agency,” says Beretta. “The latter, in general, has is aiming to send money home to his or her family. Wiring money through an agency is easier because it’s more flexible and there’s

usually an extensive network of small outlets in the home country. Also, wire transfer companies tend to offer more services than the banking sectors.

The banking sector has gradually tuned into foreigners, but from a different perspective. Banks are beginning to target foreign families or families of foreign origin who are now rooted in Italy. Immigrants that bank regularly usually aren’t the same ones who send home remittances. Yes, he or she may still be sending some money home, but only a fraction of their savings.”

Meanwhile, banks are working to widen the scope of their products offers to foreigners. In 2009, Monte dei Paschi di Siena created a program called “Paschi without Borders” (€5 per quarter for 20 operations). Rome’s Banca di Credito Cooperativa has started a similar program called “Conto in Italy.” Biverbanca’s Cassa di Risparmio di Biella e Vercelli introduced “BiverSenzaFrontiere” while the BPER group has come up with “Conto World,” which has multilingual brochures. Banca Popolare di Milano is offering variations on its so-called “Extraordinario” plan, depending on the number of operations, small (€11.5 per quarter) and “large” (€18). Options tend to be extensive. These packages usually emphasize a bank account, credit card, ATM, insurance policy, and

so on. Sometimes there’s even a credit and a loyalty card for discounts on commissions and fees. “Banks these days are more conscious of foreigners,” says BPER’s Cavazzoli. “There are plenty of special offers, usually focused on specific groups or special events. Take 2004, the year of the devastating tsunami. Our group decided to reduce all fees to those who sending money home to Indian and Pacific Ocean countries affected by the tragedy.”

In recent years, Italian banks have signed a number of deals with national banking associations in the countries that receive the bulk of wire transfers. “They’re basically bilateral inter-bank deals,” says Roma Tre’s d’Addona. “Italian banks have signed one with the Romanians and another with the Filipinos. If an immigrant opens an account in Italy he or she can send money in these two countries with smaller commissions, which makes going to a bank a more attractive option.”

There have been other similar deals. Mexico, since the presidency of Vicente Fox (who served from 2000 to 2006), has attempted to use the banking system to assist the country’s more underprivileged classes. The Banco del Ahorro Nacional y Servicios Financieros (Bansefi) attempts to make it easier for remittances, particularly from the United States, to reach their destinations.

**Tailor-Made Banks**

In Italy, deals with wire transfer companies are on the rise. The Italian post office system (8,000 branches) and CEO Massimo Sarmi reached a deal with MoneyGram that covers 194 countries. Wire transfer companies have grown into global giants. MoneyGram is a Minneapolis, Minnesota-based multinational listed on the New York Stock Exchange. It has 270,000 local agents around the world and 2,600 employees in Italy alone, where it’s been present in 1995 and now has 15,000 outlets. It ranks behind Western Union, also listed on Wall Street, which boasts some 500,000 international outlets. In Italy, Western Union works with a number of money transfer services, including Vigo, Orlandi Valuta and Pago Facil, through 18,000 retail outlets (with 4,000 branches and 14,000 business). It also furnishes services from Italy’s 30,000 Lottomatica outlets and has separate agreements with DHL, Moneynet, Unicredit, Intesa Sanpaolo and other major banks.

The third key player in the wire transfer empire is Ria Financial Services, which has 112,000 employees in 130 countries. Ria also has a strong Italian presence.

Remittance growth has been facilitated by new technology. In both Europe and the U.S. anyone can



Rome’s multiethnic Piazza Vittorio Market.

**Table 1**  
Remittances from Italy, 2011

	€ remittances (billions)	% value	2010/11 change
Cina	2.537	34,3	39,7
Romania	894	12,1	3,0
Philippines	601	8,1	-19,1
Marocco	300	4,1	5,8
Bangladesh	290	3,9	31,4
Senegal	245	3,3	2,7
India	206	2,8	54,3
Perù	194	2,6	1,4
Brazil	182	2,5	27,9
Ukraine	166	2,2	11,9

Source: Fondazione Leone Moressa based on Bank of Italy, ISTAT, and IMF data.

**Table 2**  
Top Remittance Countries

	Remittances in \$ billions
India	55,0
China	51,0
Mexico	22,6
Philippines	21,3
France	15,9
Germany	11,6
Bangladesh	11,1
Belgium	10,4
Spain	10,2
Nigeria	10,0

Fonte: World Bank Migration and Remittances Factbook 2011..



Money transfer companies compete in Athens.

### Transparency, Not Speed

Competition in the remittance industry has grown organically in the countries that produce the largest number of immigrants. This competition has in turn help generate greater market transparency.

For example, the site [www.mandasoldiacasa.it](http://www.mandasoldiacasa.it), commissioned by the World Bank, now permits immigrants to compare costs before sending money home. The Italian version of the site is managed by CESPI (Center for International Political Studies) and it has its online equivalents elsewhere in the world.

Remittances sent via wire transfer are tightly regulated. In Italy, for example, the sums wired can't exceed €1,000 a week, though on average immigrants sent their cash home in €300-€400 blocks. Commissions vary by transfer, depending on the country of destination. They usually range between 1.5 and four percent.

Most migrants send money home to specific wire transfer outlets, usually located closest to their village, town or city. "The money transfer company dictates the speed of the transfer itself," says **Marco Marcocci**, president of the volunteer organization Migrants and Banks. "But speed costs money, and in general it's not a priority. Most immigrants send money home once a month. The whole idea is to help makes ends meet for their families. The higher their local sending fees, the less the family receives at home, and in some countries €15 is enough to start a micro-enterprise or buy some cattle."

transfer money directly from an ATM, and recipient families can even upload the transfer via a phone app.

Business "remittances" are so central to day-to-day life that both banks and dedicated platforms have emerged to meet the demand. In 2006, the UniCredit Group created "Agenzia Tu," an ad hoc structure for foreign citizens and "atypical" workers. Today, "Agenzia Tu" has 12 offices in various northern Italian cities and three in Milan. The idea is to eliminate both the physical and psychological hurdles to official transfers. Automated stations and access to web technology ensure privacy. There are also specific hours (10.20 a.m. to 2.20 p.m. and 3:45 p.m. to 6.15

p.m.) intended to accommodate customers during lunch breaks or after the end of the working day.

Extrabanca, created in 2010 by well-traveled Andrea Orlandini, formerly of Gillette and Nikko Sim Italy, and Cameroonian entrepreneur Otto Bitjoka, a longtime Italian resident who studied in both Paris and Perugia, Italy (Bitjoka founded Talea, a school that teaches talented Italian immigrants). Orlandini and Bitjoka are president and vice president, respectively, of Extrabanca, which has two branches, one each in Milan and Brescia, 35 employees (20 of foreign origin) that represent 14 different nationalities.

Extrabanca's shareholders included Assicurazioni Generali, Fondazione Cariplo and about 40 medium-large private companies located in north-central Italy.

Older is Banca Italo Romena, founded in 1980, a Treviso-based Italian company with a branch in Bucharest and 22 others located throughout Romania. Since 2000, the bank has been part of the Veneto Banca Group of Montebelluna. It has been particularly attentive to the growth of small and medium-sized countries as well as to handling remittances sent to Eastern Europe by Italian-based individuals and families.

Some foreign banks, operating under Italian law, have also gotten into the remittance business. Among the most active is Latvia's PrivaBank, which opened a Rome branch 2010 and has a mainly Latvian, Russian and Ukraine clientele.

### Money and Growth

"Asia is the continent that benefits the most from Italian remittances," says Benvenuti. "The macro Asian area concentrates some €4 billion in transfers, or 52 percent of all cash flow, with 24.4 percent remaining within European borders, 12.1 headed for the Americas 11.5 percent for Africa."

The country that receives the largest amount of money from Italy is China (€2.5 billion), followed by Romania (€894 million), the Philippines (€601 million) and Morocco (€300 million) [See table 1].

According to Eurostat, Spain sends most of its cash to Colombia, Ecuador and Bolivia, while Germany funnels most of its funds to Turkey. Immigrants living



AP Photo/A. Medichini

Ethnic workers on a Rome bus.

in France favor Morocco while those in Greece wire money to Albania.

The World Bank's Migration and Remittances Factbook 2011 notes that the country that received the most in remittances for the calendar year 2010 was India (\$55 billion) followed by China (\$51 billion), Mexico (\$22.6), the Philippines (\$21.3), and surprisingly, France (\$15.9 billion), in fifth place [See table 2].

The Asia is by far the largest recipient continent. As for output volume, based on 2010 data, the United States (\$48.3 billion) ranks first, followed by Saudi Arabia (\$26 billion), Switzerland (\$19.6 billion) and Russia (\$18.6 billion). In some areas, incoming remittances represent a key domestic growth factor.

The subject has generated considerable debate and a variety of viewpoints. "Most analysis considers remittances as a kind of social safety net for countries that receive them," observes d'Addona. "They increase the consumer spending by the households that receive. But remittances don't contribute to an increase in GDP."

In some cases, the data is striking. The World Bank Factbook's ranking of remittances in relation to GDP puts Tajikistan in first place, which immigrants send home cash totals that equal 35 percent of GDP. The African country of Lesotho receives remittances worth 25 percent of national wealth. In Eastern Europe, Moldova gets cash influxes worth 23 percent of GDP, the same as Nepal.