ESCAP
Economic and Social Commission for Asia and the Pacific

Social Development Division

Remittances in Asia and the Pacific – a focus on North and Central Asia



Author :
Anna Prokhorova

ESCAP Working Paper :
January 2025

Disclaimer: The designations employed and the presentation of the material in this policy brief do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries. Where the designation "country or area" appears, it covers countries, territories, cities or areas. Bibliographical and other references have, wherever possible, been verified. The United Nations bears no responsibility for the availability or functioning of URLs. The opinions, figures and estimates set forth in this publication should not necessarily be considered as reflecting the views or carrying the endorsement of the United Nations. The mention of firm names and commercial products does not imply the endorsement of the United Nations.

This paper has been issued without formal editing

Please cite this paper as:

Remittances in Asia and the Pacific – a focus on North and Central Asia. 2025.

United Nations ESCAP, Social Development Division, January 2025. Bangkok.

About the author:

Anna Prokhorova is an independent consultant who drafted the paper commissioned by ESCAP

Available at:

https://unescap.org/kp/2024/remittances-asia-and-pacific-focus-north-and-central-asia

Tracking number: *ESCAP / 6-WP / 101*

Contents

LIST OF ACRONYMS 5

EXECUTIVE SUMMARY 6

INTRODUCTION 8

1 Remittance flows in Asia and the Pacific – corridors and costs 10

2 Factors influencing remittance costs 21

3 Least costly remittance corridors in Asia and the Pacific 26

4 Most costly remittance corridors in Asia and the Pacific 32

5 Conclusion 35

6 Recommendations 36

7 References 38

8 Annex 40

List of acronyms

AML/CFT	Anti-Money Laundering and Countering the Financing of Terrorism
ASEAN	Association of Southeast Asian Nations
CIS	Commonwealth of Independent States
FATF	Financial Action Task Force
GCC	Gulf Cooperation Council
GCM	Global Compact for Safe, Orderly and Regular Migration
KNOMAD	Global Knowledge Partnership on Migration and Development
LMIC	Low-and Middle-Income Countries
MTO	Money Transfer Operator
SDGs	Sustainable Development Goals
RPW	Remittance Prices Worldwide
RSP	Remittance Service Provider

Executive Summary

Remittances play a critical role in many countries of Asia and the Pacific. Among remittance senders, women are an important group. They make up approximately 50 per cent of all migrants in the region. They tend to remit lower amounts than men, but to remit more frequently, which increases their remittance costs. Women migrants generally have more limited access to financial services. They frequently lack the financial digital literacy skills which would enable them to tap new service providers and reduce their remittance costs.

In 2023, six out of 10 of the top remittance-receiving countries in the world were in Asia and the Pacific. Listed according to the total value of the remittances received, these countries were India, China, the Philippines, Pakistan, Bangladesh and Uzbekistan. Yet measured by the value of remittances as a share of gross domestic product (GDP), the four most remittance-dependent countries in the region were Tajikistan, Tonga, Samoa and Nepal. Although most migration occurs within the region, the highest remittance inflows come from migration destinations outside Asia and the Pacific, especially from Saudi Arabia and United Arab Emirates.

Remittances by migrants provide critical financial support to families around the world. Yet to reach a family in need, money must cross borders. The amount of money that ultimately reaches the recipient is often less than the amount sent. To address the issue of remittance costs, the 2030 Agenda for Sustainable Development includes a Sustainable Development Goal target (10c) that, by 20230, calls for the reduction of transaction costs to less than 3 per cent and the elimination of remittance corridors with costs higher than 5 per cent.

In Asia and the Pacific, several remittance corridors have lower costs than others. These include corridors between source countries, such as the Russian Federation, Gulf Cooperation Council (GCC) countries, Malaysia and Singapore, and recipient countries, such as India, Kyrgyzstan, the Philippines, Tajikistan and Uzbekistan and several other Central Asian Republic countries. The four most costly corridors located within Asia and Pacific include Thailand as a remittance-sending country. The fifth most expensive corridor in the region links Australia to Vanuatu.

This paper's analysis focuses on the factors contributing to lower remittance costs in two groups of corridors: those where remittances come from the Russian Federation and those where they come from Malaysia. To understand the specific factors behind affordable remittances better, the opposite end of the spectrum is also considered: the costliest corridors, where remittances originate from Thailand and Australia. The analysis focuses on four factors identified as reducing remittance costs: remittance cost architecture, remittance market arrangements, digitalization of remittance services and remittance users' behaviour. The results indicate that the factors contributing to higher or lower remittance affordability differ significantly across the corridors.

The low costs in remittance transfer corridors involving the Russian Federation are due to the absence of foreign exchange rate margins and the use of the same currency, the Russian Ruble, in countries of origin and destination. When the transfer cannot be undertaken using Russian Rubles, the foreign exchange rate margin increases the costs of remittances for recipients. The remittance market in Malaysia is highly competitive compared to that in the Russian Federation. The use of international remittance hubs has facilitated the expansion of the remittance market in Malaysia. The remittance market of the Russian Federation is dominated by local providers. International remittance service providers, such as Western Union, lost their exclusivity contracts in the Russian Federation in 2004, after which time they could not compete with local providers to service remittance corridors linking the Russian Federation to countries in North and Central Asia. Both in

Malaysia and the Russian Federation, the digitalization of remittance services does not play a significant role in reducing average remittance costs. In Malaysia, a significant share of undocumented workers still prefers sending remittances informally to avoid Know-Your-Customer procedures. Informal remittance services are also an attractive alternative in terms of transparency, convenience, speed and reliability. Recently, demand for money transfer services in the Russian Federation has grown as the Russian Federation citizens living in other parts of Asia and the Pacific have used them from abroad to access their personal finances.

In costlier corridors, the cause of high prices differs according to the country of origin. In Thailand, the transfer fee contributes the most to the total remittance cost, and bank transfers, whether done via the Internet or in person, are the most expensive method. Yet in Australia, banks offer much lower costs for online transfers compared to standard bank branch transfers. What Thai and Australian remittance markets have in common is that the choice of remittance service providers is limited to banks and money transfer operators (MTOs). In Australia, local banks' weak relationships with banks in remittance destinations contribute to extremely high fees for bank transfers and a lower presence of MTOs. Due to the small value of transactions and limited payment partners, MTOs in Australia apply a tiered pricing model for the corridors linking the country to Pacific Island countries, which contributes to higher total remittance costs. Strict Know-Your-Customer rules applied by the Thai regulators push migrant workers to choose informal remittance channels. Migrant workers without proper documentation are denied access to formal remittance services and are forced to use informal channels and methods. Remittance incentives introduced by sending-countries, such as Bangladesh, are only accessible to regular migrants.

Cash is still a dominant payment method in Asia and the Pacific. A low level of trust in digital financial services combined with limited transparency of bank transactions and high fees, make remittance senders opt for informal, cash remittances both in Thailand and Australia. Compared to the Pacific Island countries, the countries receiving remittances from Thailand have a more developed financial infrastructure. However, informal channels remain the preferred method even for remittance senders who have a bank account in their countries of origin, such as in Myanmar.

- Based on research, this paper identifies specific factors that determine remittance costs that should be further considered when designing future interventions to reduce these costs:

- The fee component of remittance costs is largely associated with the operational costs of the remittance service providers. This is an area where there is scope for authorities to regulate and establish mechanisms to reduce remittance costs.

- Cash remittances are not necessarily more costly than digital remittances – thus, digitization per se will not automatically reduce costs.

- Cost transparency appears to be an important advantage of informal remittance channels.

- Migrant workers change their remittance behaviour depending on the financial infrastructure of the country of origin and destination, their type of employment, their gender and their location.

Introduction

Remittances contribute to inclusive and sustainable development. They represent private capital and support the consumption of families, households and communities. By covering costs associated with housing, food, education and health care, they contribute to poverty reduction. According to the World Bank, in 2023, migrants sent an estimated $860 billion in remittances, and for many low- and middle-income countries, remittances represent a considerable share of their gross domestic product (GDP).

The importance of remittances for inclusive and sustainable development has been recognized internationally, such as in the 2030 Agenda for Sustainable Development (SDG 10), the Addis Ababa Action Agenda (paragraph 40) and the Global Compact for Safe, Orderly and Regular Migration (objective 20). Both sending and receiving countries have recognized the importance of remittances to boost economic development. However, barriers to the fast, safe and cheap transfer of remittances remain high. International money transfers are more secure if funds go through formal channels, such as money transfer operators (MTOs), banks, post offices or mobile operators. However, this security often comes at a price and the affordability of money transfer services remains a pressing issue.

In response to this challenge, Sustainable Development Goal 10, target 10.c, calls for the reduction of remittances' transaction costs by 3 per cent by 2030 and for the elimination of remittance corridors with costs higher than 5 per cent. In 2018, the Global Compact for Migration addressed the affordability of remittances and called for promoting faster, safer and cheaper transfer of remittances and financial inclusion of migrants (objective 20). Migrant women and girls, particularly those without a regular migration status, face significant barriers to accessing formal banking, financial services and technologies as they struggle to fulfil administrative requirements such as proof of residency.[1] It is in this context that the Global Compact for Migration calls for gender-responsive programmes and instruments that enhance the financial inclusion of migrant women.

Progress regarding the reduction of the global average cost of remittances has been tracked since 2008, when the World Bank launched the Remittance Prices Worldwide database (RPW).[2] Most recent estimates (Q3 2023) show that the global average cost of remittances is 6.2 per cent of the sent amount compared to 7.5 per cent in Q3 2015. South Asia remains the subregion with the lowest cost for recipients, registering an average cost of 5.4 per cent in Q3 2023. Sub-Saharan Africa is the most expensive subregion to send money to, with costs recorded at 7.4 per cent of the average transaction in Q3 2023. At both global and regional levels, remittance costs remain well above the SDG target of 3 per cent.

Although the headline estimates are discouraging, closer analysis reveals more positive results. Within the same region, the cost of remittances varies significantly across the corridors which link remittance sending countries to recipient countries. Low-cost corridors can be found in several subregions: Russian Federation-Tajikistan (0.99 per cent) in Europe and Central Asia; Malaysia-Philippines (3.4 per cent) in East Asia and the Pacific; Saudi-Arabia – Yemen (2.5 per cent) in the Middle East and North Africa; United Arab Emirates-Pakistan (1.52 per cent) in the Middle East and South Asia; and Senegal-Mali (1.4 per cent) in sub-Saharan Africa (World Bank, 2023a; RPW, 2023).[3;4] Some subregions have a higher concentration of low-cost remittance corridors than others. For example, there are high concentrations of such corridors in South-East Asia where Malaysia is a remittance-sending country and the Phil-

1 UN Women. Policies and Practice. A guide to gender-responsive implementation of the Global Compact for Migration. Available at: https://ppguide.unwomen.org/objective/20. Accessed 5 December 2023.

2 RPW database was launched as a monitoring instrument within the framework of the so-called '5x5 objective' - a public commitment to reduce the cost of remittances by five per centage points over five years. This initiative was endorsed by the G8 and the G20 in 2009.

3 As of Q2 2023. World Bank, 2023b.

4 Remittance Prices Worldwide database. Available at: https://remittanceprices.worldbank.org/. Accessed 5 December 2023.

ippines a recipient country, and in Europe and Central Asia where the Russian Federation is a remittance-sending country, and Central Asian republics are recipient countries. The corridors connecting the United Arab Emirates and South Asian countries are also low-cost.[5]

Available remittance cost data indicate that globally, the progress towards SDG target 10.c is very slow. There do exist parts of the world where remittance costs have declined and already reached this target, but there remains much progress to be made for the target to be achieved across the board. With this in mind, the objective of this paper is to analyze remittance costs in Asia and the Pacific with a focus on North and Central Asia. It is to describe levels and trends in remittance flows and their costs and to identify factors that contribute to lower remittance costs or constrain the progress towards SDG target 10c.

Data and methods

The findings of the paper are informed by desk research. The data on remittance flows are mostly taken from the World Bank and Migration and Development Briefs which are also published by the World Bank.[6] The data represent a compilation of remittance statistics produced by national banks, except for the remittance flow forecasts. National banks are required to follow methodological guidelines for compiling remittance statistics as recommended by the latest edition of the International Monetary Fund's Balance of Payments Manual published in 2009. Comparability of the remittance flow data is dependent on the industry's compliance with these methodological guidelines.

Information on remittance costs is provided by the World Bank which publishes quarterly data updates.[7] At the time of writing this paper, the latest update available on average remittance costs referred to Q3 2023. Comparable data are available for the period 2011-2023. Data refer to the costs incurred by remitters when sending the equivalent of $200 and $500 along major remittance corridors. Since Q2 2016, 48 remittance sending countries and 105 receiving countries have been covered, for a total of 367 country corridors worldwide. The underlying database tracks the cost of sending remittances using the following four main remittance service providers: banks, money transfer operators (MTOs), mobile operators and post offices. MTOs include both traditional providers and innovative, fintech operators. On average, 21.5 services per corridor are tracked (World Bank, 2023a; RPW,2023).

In 2022, the database on remittance costs stopped including the Russian Federation in the overall analysis. As a result, remittance cost estimates for the Russian Federation are no longer part of the regional estimates. When considering least costly remittance corridors originating in the Russian Federation, the paper therefore uses Q4 2021 data and information on a limited number of MTOs in the Russian Federation from the latest World Bank quarterly report (World Bank/ KNOMAD, 2023).

5 According to the World Bank, Europe and Central Asia includes the following ESCAP members: Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Russian Federation, Tajikistan, Türkiye, Turkmenistan, and Uzbekistan. (World Bank Country and Lending Groups – World Bank Data Help Desk). Accessed 19 November 2024..

6 https://www.knomad.org/data/remittances. Accessed 5 December 2023.

7 Remittance Prices Worldwide database. Available at: https://remittanceprices.worldbank.org/. Accessed 5 December 2023.



1 Remittance flows in Asia and the Pacific – corridors and costs

1.1 Top remittance receiving and remittance sending countries in Asia and the Pacific

The role of Asia and the Pacific in the global distribution of migration and remittance flows is hard to overstate. The region is home to 60 per cent of the global population and migration levels in the region remain high, mostly between countries in the region.[8] Most immigrants reside in South and South-West Asia and North and Central Asia. South and South-West Asia is also the subregion with the highest number of emigrants. A large proportion of migration within the region is work related.[9]

Similar to the global level, about 50 per cent of migrants in the Asia-Pacific region are women. However, in some countries of the region, the share of migrant women exceeds 50 per cent. This concerns women emigrating from countries in North and Central Asia, such as Kazakhstan and the Russian Federation, and from countries in South-East Asia such as Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, the Philippines and Thailand.[10] Official data on female migrant labour from Asia show that up to 80 per cent of Indonesian workers abroad are women (ABDI, OECD and ILO, 2022). The percentage of female migrants is particularly high in certain migration corridors, such as those linking Indonesia, the Philippines and Thailand to Hong Kong, China or Sri Lanka to Jordan (World Development Report, 2023; World Bank, 2023b). The demand for female migrant labour is high in sectors such as health care, domestic work, entertainment, manufacturing and textiles. Migrant worker numbers are projected to rise in these sectors.[11]

Remittances play an important role in the economies of Asia and the Pacific. Between 2009-2019, the inflow of remittances to the region grew from $183 billion to almost $330 billion, with the South and South-West Asia subregion leading in absolute numbers (ESCAP, 2020). During the same period, the outflow of remittances rose from $62 to $110 billion. This rise was driven by the North and Central Asia subregion until 2014, and later by the East and North-East Asia subregion (ESCAP, 2020). The Russian Federation determines the outward remittance dynamics in the North and Central Asia subregion. In 2014, remittance outflows from the Russian Federation declined, in terms of their value measured in US dollars. They were negatively impacted

8 For the Philippines, however, key destinations of migrants are two GCC countries, Saudi Arabia and the United Arab Emirates.

9 https://www.unescap.org/resources/asia-pacific-migration-report-2020

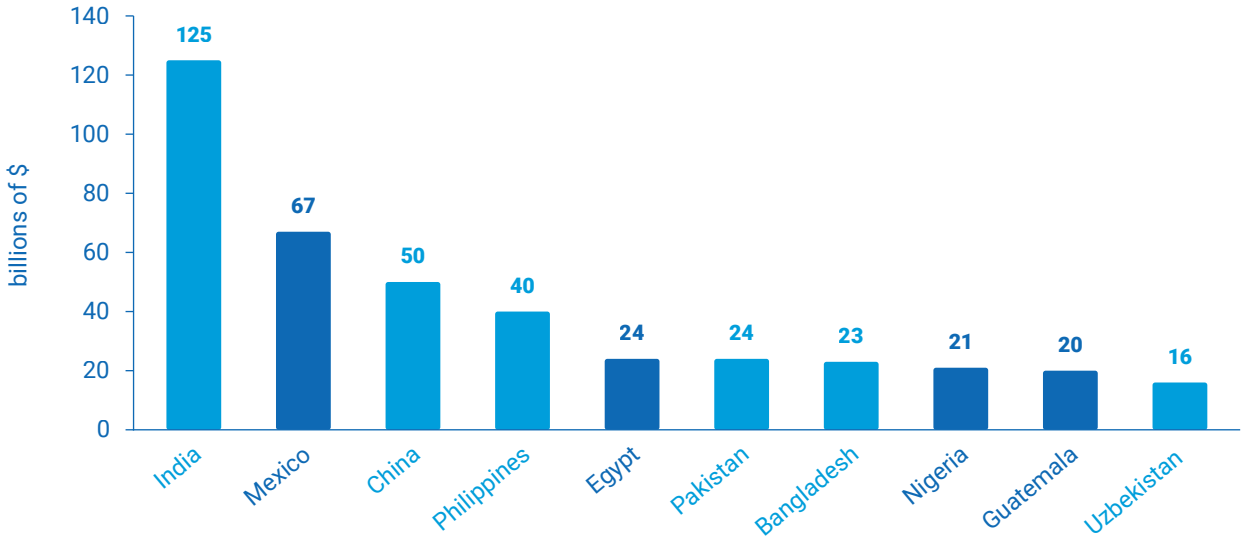
10 United Nations Department of Economic and Social Affairs, Population Division (2020). International Migrant Stock 2020.

11 Ibid.

by the broader context of an economic recession and a fall in oil prices (ESCAP, 2020). Yet in 2022, remittance outflows from the Russian Federation reached a record high, driven by the migration of capital linked to the relocation of the Russian Federation companies and citizens, as well as by the strengthening of the Russian ruble (Ratha et al., 2023a).

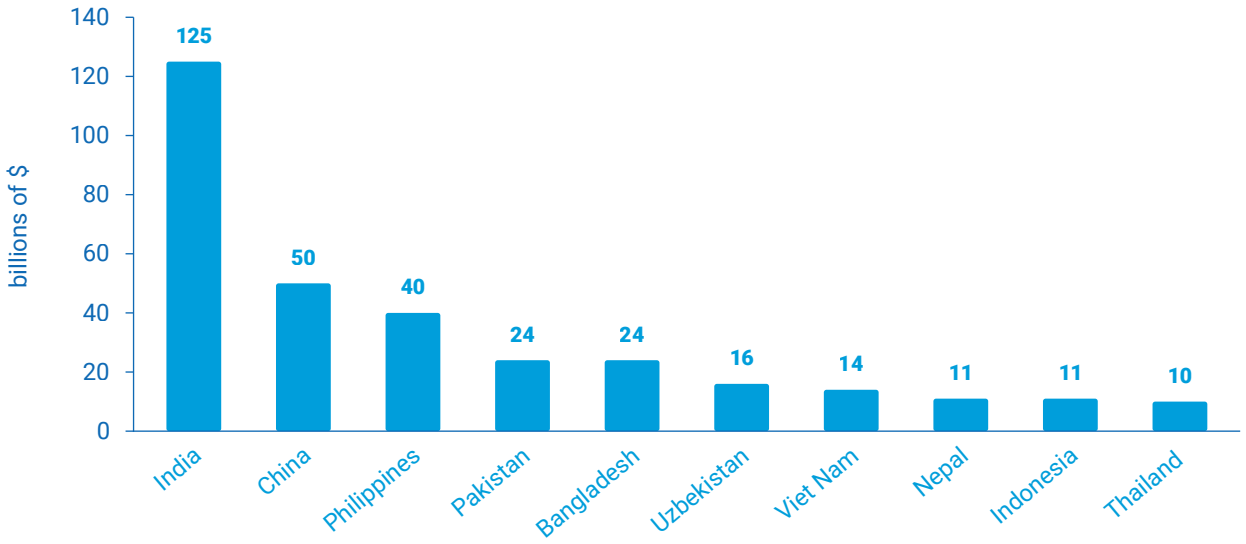
In 2023, six out of the top 10 remittance-receiving low- and middle-income countries (LMICs) worldwide were in Asia and the Pacific: India, China, the Philippines, Pakistan, Bangladesh and Uzbekistan (figure 1). Within the Asia-Pacific region, the top-10 remittance recipient countries would also include Viet Nam, Nepal, Indonesia and Thailand (figure 2).

Figure 1 Top 10 remittance recipient low- and middle-income countries, globally, 2023 estimates



Source: World Bank/KNOMAD data, 2023. Accessed 5 December 2023.

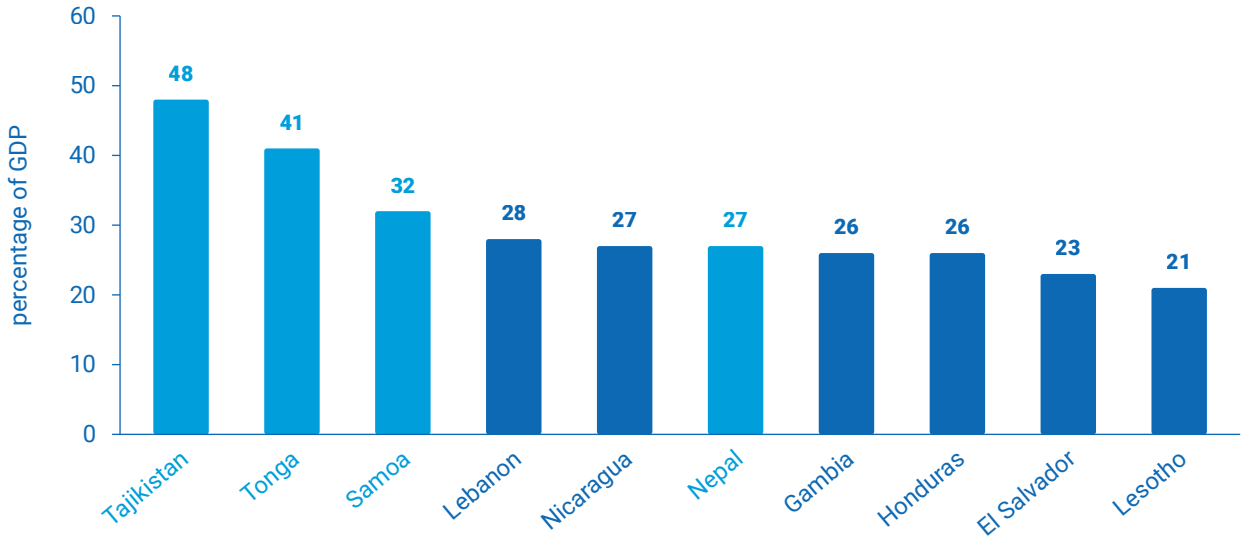
Figure 2 Top 10 remittance recipient countries, Asia and the Pacific, 2023 estimates



Source: World Bank/KNOMAD data, 2023. Accessed 5 December 2023.

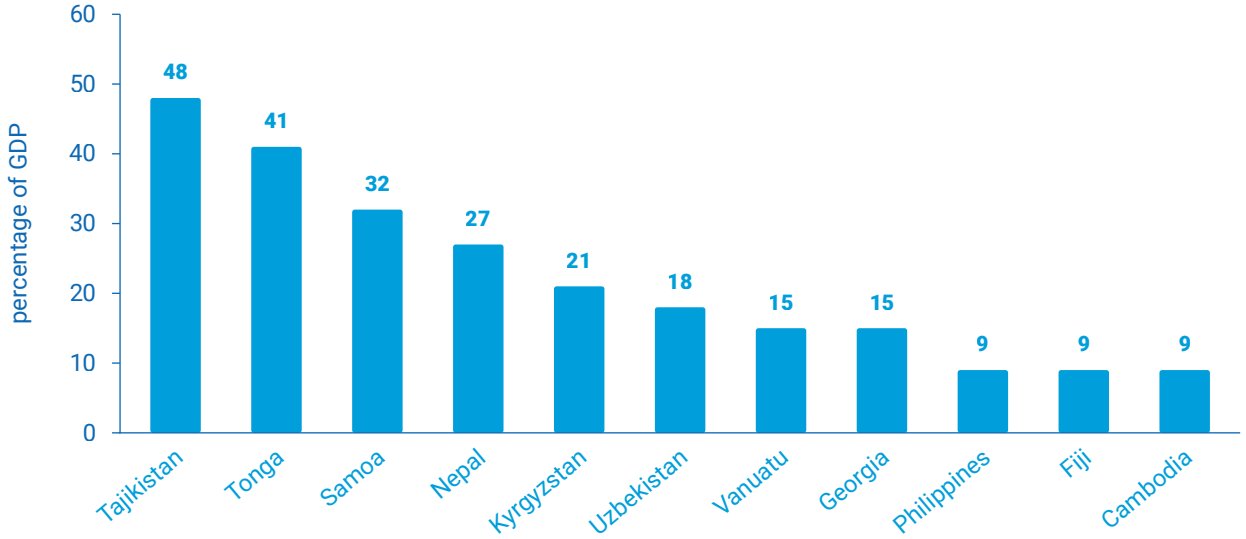
In 2023, the list of the 10 countries which are most dependent on remittances – measured as total remittances as a share of GDP – included four other countries of the Asia-Pacific region. These countries were Tajikistan (48 per cent of GDP), Tonga (41 per cent), Samoa (32 per cent) and Nepal (27 per cent). Within the Asia-Pa-cific region, the 10 most remittance-dependent coun-tries also include Fiji, Georgia, Kyrgyzstan, the Philip-pines and Uzbekistan (figures 3-4).

Figure 3 Top 10 remittance dependent countries, globally, 2023 estimates, percentage of GDP



Source: World Bank/KNOMAD data, 2023. Accessed 5 December 2023.

Figure 4 Top 10 remittance dependent countries, in the Asia-Pacific region, 2023 estimates, percentage of GDP



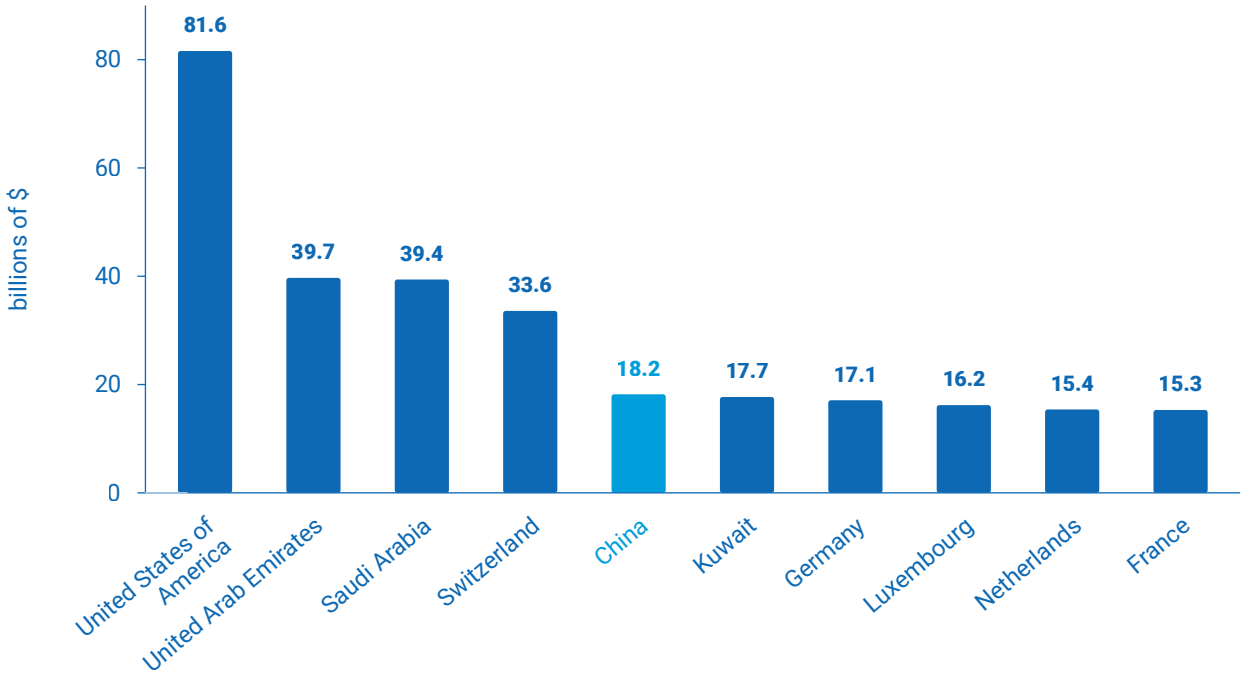
Source: World Bank/KNOMAD data, 2023. Accessed 5 December 2023.

The countries in figures 2 and 4 are the main remittance-receiving countries in Asia and the Pacific. Remittance inflows in some of these countries are due to large diaspora populations residing and working abroad, including China and India. These two countries have respectively the fourth and third largest diaspora populations abroad. Bangladesh, Pakistan and the Philippines also have large diaspora populations (UN DESA, 2021).

Although most migration occurs within the region, the most substantial remittance inflows are coming from migration destinations outside Asia and the Pacific, specifically from several Gulf Cooperation Council (GCC) countries, where migrants make up high proportions of the total population. In 2020, migrants accounted for 88 per cent of the population in the United Arab Emirates, almost 73 per cent in Kuwait, 77 per cent in Qatar and 55 per cent in Bahrain. Importantly, many migrants came to GCC countries from the key remittance receiving Asian countries mentioned above: India, Pakistan, Bangladesh, Nepal, as well as Indonesia and the Philippines (UN DESA, 2021). It is estimated that over 90 per cent of Indian workers chose to go to oil-producing countries in the Gulf subregion (John, 2018).

In 2021, China and the Russian Federation were in the top 10 remittance sending countries globally (World Bank, 2023a), with $23 billion and $16 billion of remittance outflows, respectively.[12] Within the Asia-Pacific region, other major countries of remittance outflows include India, Malaysia and the Republic of Korea. Thailand and Australia share the 5th position, with remittance outflows estimated at $6.5 billion in 2022 (World Bank/KNOMAD, 2023). In its remittance dataset for 2022, the World Bank indicates a steep drop in total remittance outflows from the Russian Federation (to $5.8 billion) while noting record amounts of money transferred from the Russian Federation to North and Central Asian countries in the same year (World Bank/KNOMAD, 2023). The primary source of the remittance data for the Russian Federation in not available because the Central Bank of Russia officially stopped publishing remittance data on its website after 2021. The data on remittance outflows from the Russian Federation can nonetheless be estimated based on the statistics of remittance inflows collated by recipient countries. Apart from the Russian Federation, Kazakhstan is another North and Central Asian country among the top 10 remittance-sending countries in the Asia-Pacific region. Kazakhstan registered an estimated $2.4 billion of remittance outflows in 2022 (figure 6).

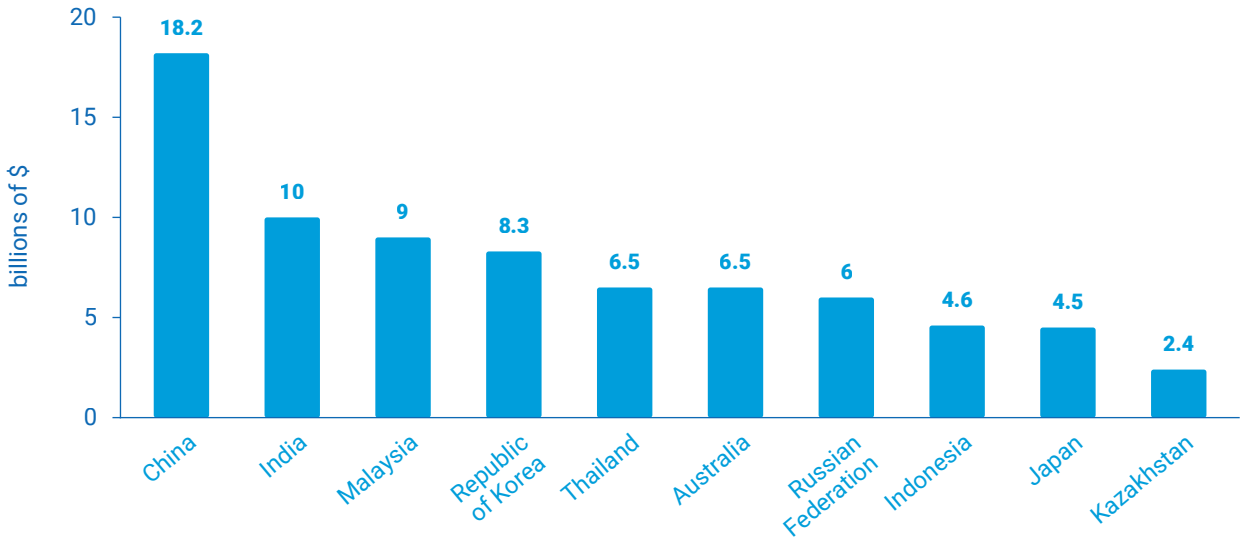
Figure 5 Top 10 remittance-sending countries, globally, 2022



Source: World Bank/KNOMAD data, 2023. Accessed 5 December 2023.

12 In the remittance dataset for 2022, World Bank indicates a steep drop in total remittance outflows from Russia (to $5.8 billion) while acknowledging the record amounts of money transfers from Russia to North and Central Asia countries in the same year (World Bank/KNOMAD 2023). The primary source of the remittance data for Russia in not available, since the Central Bank of Russia officially stopped publishing remittance data on the website after 2021. Therefore, we suggest interpreting Russia's remittance estimates after 2021, with caution.

Figure 6 Top 10 remittance sending countries in Asia-Pacific region, 2022, billions of $



Source: World Bank/KNOMAD data, 2023. Accessed 5 December 2023.

Table 1 provides an overview of the volume of remittances sent and received in Asia and the Pacific by major remittance sending and remittance receiving countries. In absolute terms and listed in decreasing order of total remittances received, India, China, the Philippines, Pakistan and Bangladesh are the top five recipient countries in the region. China, India, Malaysia, Republic of Korea, Australia and Thailand are the top five remittance-sending countries in the region. At the subregional level, South-East Asia and South and South-West Asia have the highest concentration of countries sending the largest amounts of remittances. The North and Central Asia subregion has two remittance sending countries, the Russian Federation and Kazakhstan, and one recipient country, Uzbekistan. In the Pacific, Australia is the only country in absolute terms to be among the top 10 remittance recipients. However, in relative terms, countries that are most dependent on remittances are mainly found in two subregions: the Pacific and North and Central Asia (Table 2). Table 2 focuses on the importance of remittances as a proportion of GDP. In Asia and the Pacific, countries with the largest level of remittances measured as a share of GDP are Tajikistan, Tonga, Samoa, Nepal and Kyrgyzstan.

Table 1 Top remittance-sending and recipient countries in Asia and the Pacific, billions of $

Subregions	Top 10 remittance recipient countries in Asia and the Pacific, as of 2023e	Top 10 remittance-sending countries in Asia and the Pacific, as of 2022 (billion USD)
East and North-East Asia	China ($50 billion)	China ($18 billion) Republic of Korea ($8 billion) Japan ($5 billion)
South-East Asia	Philippines ($40 billion) Viet Nam ($14 billion) Indonesia ($11 billion) Thailand ($10 billion)	Malaysia ($9 billion) Thailand ($7 billion) Indonesia ($5 billion)

Subregions	Top 10 remittance recipient countries in Asia and the Pacific, as of 2023e	Top 10 remittance-sending countries in Asia and the Pacific, as of 2022 (billion USD)
South and South-West Asia	India ($125 billion) Bangladesh ($23 billion) Nepal ($11 billion) Pakistan ($24 billion)	India ($10 billion)
North and Central Asia	Uzbekistan ($16 billion)	Russian Federation ($6 billion) Kazakhstan ($2 billion)
The Pacific		Australia ($7 billion)

Source: Author, based on the World Bank/KNOMAD data. Accessed 5 December 2023.

Table 2 Top remittance recipient countries in the Asia-Pacific region, by share of GDP

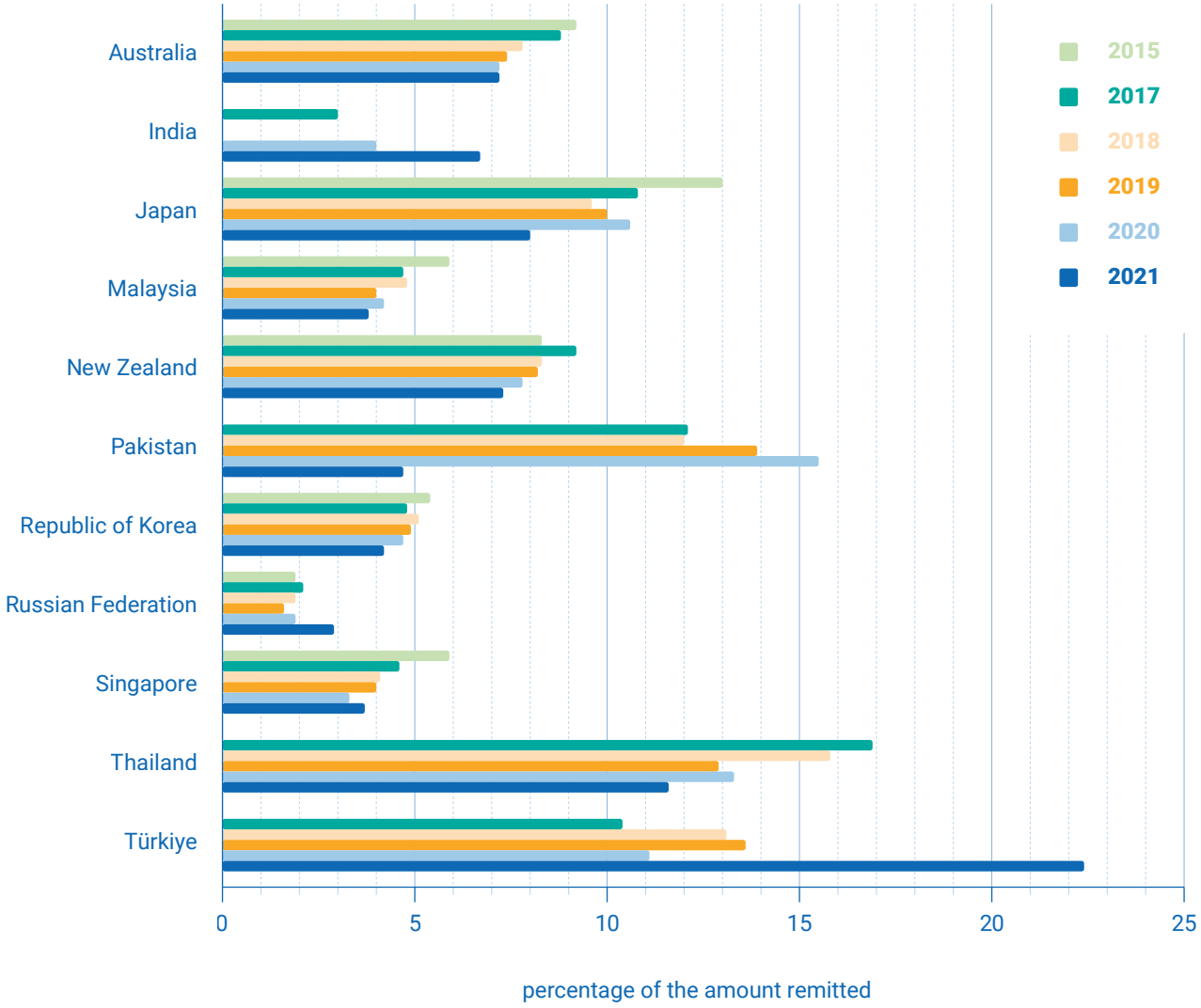
Subregions	Country (per cent of GDP, 2023 estimates)
East and North-East Asia	
South-East Asia	Cambodia (9%) Philippines (9%)
South and South-West Asia	Nepal (27%)
North and Central Asia	Uzbekistan (18%) Kyrgyzstan (21%) Georgia (15%) Tajikistan (48%)
The Pacific	Fiji (9%) Vanuatu (15%) Samoa (32%) Tonga (41%)

Source: Author, based on the World Bank/KNOMAD data. Accessed 5 December 2023.

1.2 Remittance corridors and costs in Asia and the Pacific

According to the World Bank's RPW Database, the global average cost of sending $200 to LMICs was 6.2 per cent in the fourth quarter of 2022, more than twice as high as the Sustainable Development Goal target of 3 per cent. Several countries in Asia and the Pacific, some of them are LMICs, play an important role in the distribution of remittance inflows and outflows at the global level. Moreover, some countries in the region have very low-cost remittance services. Available data indicates, that among remittance source countries of the Asia-Pacific region, only the Russian Federation offers a remittance service that on average has a cost that is already aligned with SDG target 10c.

Figure 7 Average remittance costs of sending $200 for a sending country, in the Asia-Pacific region, between 2015-2021, percentage of the amount sent



Source: ESCAP. SDG Gateway Asia-Pacific, Available at: https://dataexplorer.unescap.org. Accessed 5 December 2023.

The World Bank has undertaken analyses of the dynamics of remittance flows and costs across six regions, and these include countries from Asia and the Pacific. South Asia, East Asia and the Pacific, Europe and Central Asia all have remittance corridors for which the average remittance cost is equal or below to 3 per cent.[13;14;15] As of Q3 2023, the South Asia subregion was the closest to the SDG target 10c, followed by East Asia and the Pacific (World Bank/KNOMAD, 2023).[16]

South Asia

In 2023, South Asia continued to show the lowest average remittance cost of 5.4 per cent among the World Bank subregions covering Asia and the Pacific.[17] According to data from Q2 2023, the five least costly corridors in South Asia met the SDG target of 3 per cent, with Malaysia-India being the corridor with the lowest cost (1.9 per cent).

13 South Asia region (according to World Bank) includes Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka.

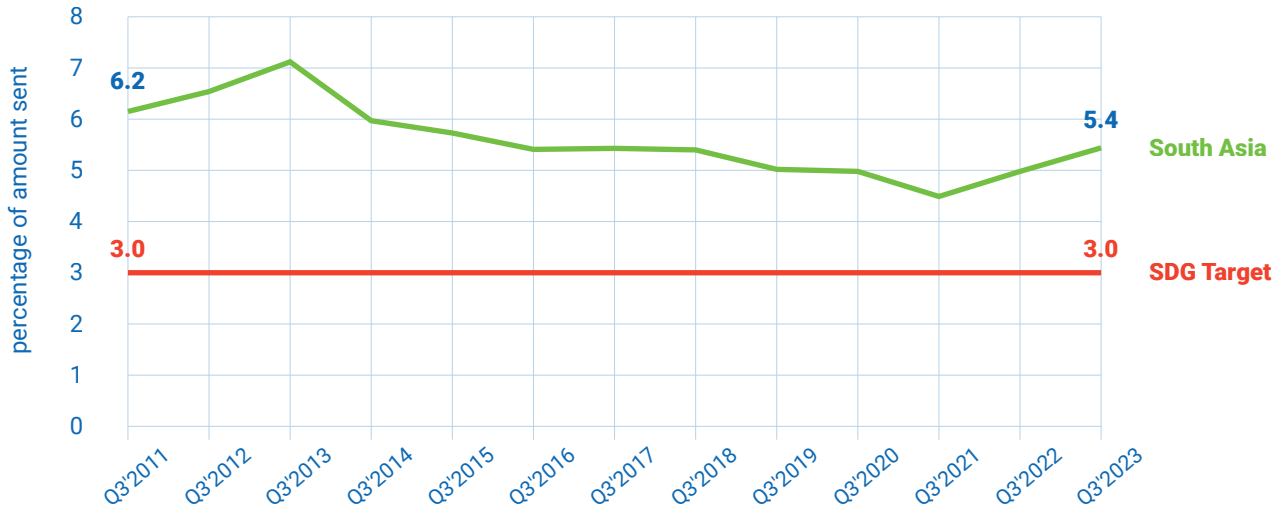
14 East Asia and Pacific region includes Cambodia, China, Indonesia, Korea, Lao PDR, Malaysia, Myanmar, Pacific Islands, Papua New Guinea, Philippines, Singapore, Thailand, Timor Leste, Viet Nam.

15 Europe and Central Asia region includes Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Georgia, Kazakhstan, Kosovo, Kyrgyz Republic, Moldova, Montenegro, North Macedonia, Poland, Romania, Russian Federation, Serbia, Tajikistan, Türkiye, Turkmenistan, Ukraine, Uzbekistan.

16 The World Bank analyses dynamics of remittance flows and costs across six regions, three of them include Asian countries: South Asia, East Asia and Pacific, Europe and Central Asia.

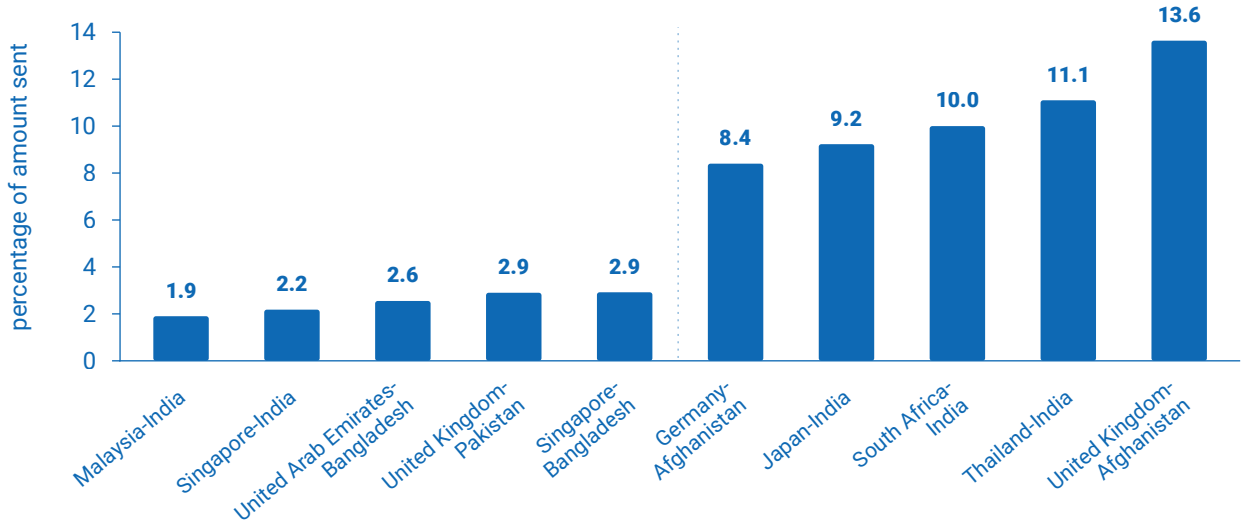
17 Compared to Sub-Saharan Africa, for example, where the cost dropped from 12.41 per cent in Q3 2011 to 7.39 per cent in Q3 2023.

Figure 8 Average total remittance cost of sending $200 or equivalent in South Asia compared to the SDG target 10c, Q3 2011-2023



Source: World Bank/KNOMAD data. Accessed 5 December 2023.

Figure 9 Top 5 least costly and top 5 most costly remittance corridors in South Asia, Q2 2023



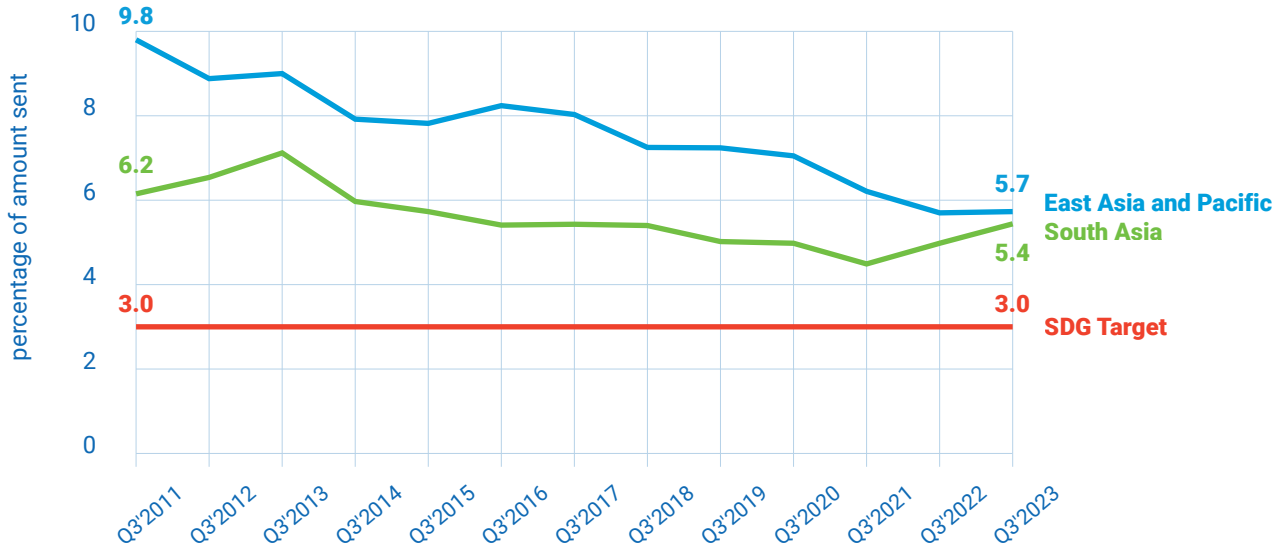
Source: World Bank/KNOMAD data. Accessed 5 December 2023.

East Asia and Pacific

As of Q3 2023, the East Asia and Pacific subregion ranked as the second-best performer in terms of remittance cost reduction, after South Asia. Between 2011-2023, the average total remittance costs in the subregion declined from 9.8 to 5.7 per cent, reaching the subregion's historical minimum.

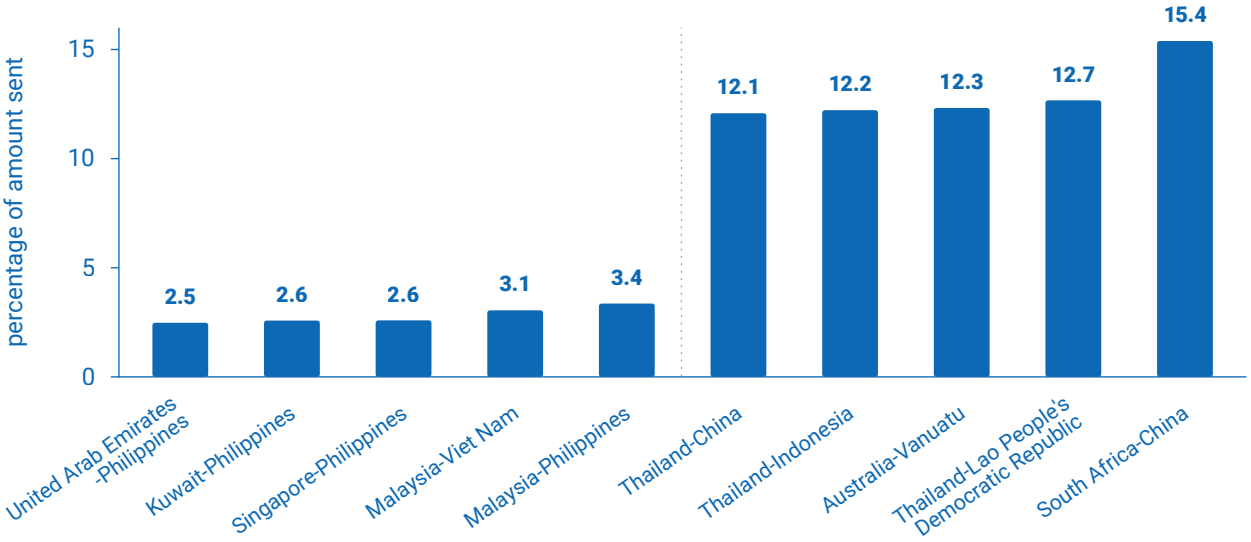
There are three remittance corridors in the subregion where average total remittance costs are below 3 per cent, according to data from Q2 2023. The most affordable corridors in the subregion are those in which the Philippines is a recipient country. The five least expensive corridors in the subregion also include two corridors in which Malaysia is a sending country and two corridors in which countries in the GCC are sending countries. Thailand is a sending country in three of the five most expensive remittance corridors, and two out of five of the most expensive corridors have China as a remittance-receiving country. There is a difference of over 13 percentage points between the least expensive and most expensive remittance corridor (figure 11).

Figure 10 Average total remittance cost of sending $200 or equivalent, East Asia and Pacific compared to South Asia and SDG target, Q3 2011-2023



Source: World Bank/KNOMAD data. Accessed 5 December 2023.

Figure 11 Five least costly and five most costly remittance corridors, East Asia and Pacific, Q2 2023



Source: World Bank/KNOMAD data. Accessed 5 December 2023.

China and the Philippines are two major recipients of remittances in the subregion. In 2023, total remittance inflows to these countries were estimated to be $49.5 billion and $40 billion, respectively (Ratha et al., 2023b).

Around 40 per cent of the total inflow to the Philippines originates from the United States of America. As things stood in the Q3 2023, the five least costly remittance corridors in which the Philippines is a remittance recipient country are those linking the country to the United Arab Emirates (2.6 per cent), Singapore (2.6 per cent), Kuwait (2.8 per cent), Spain (3.1 per cent) and Malaysia

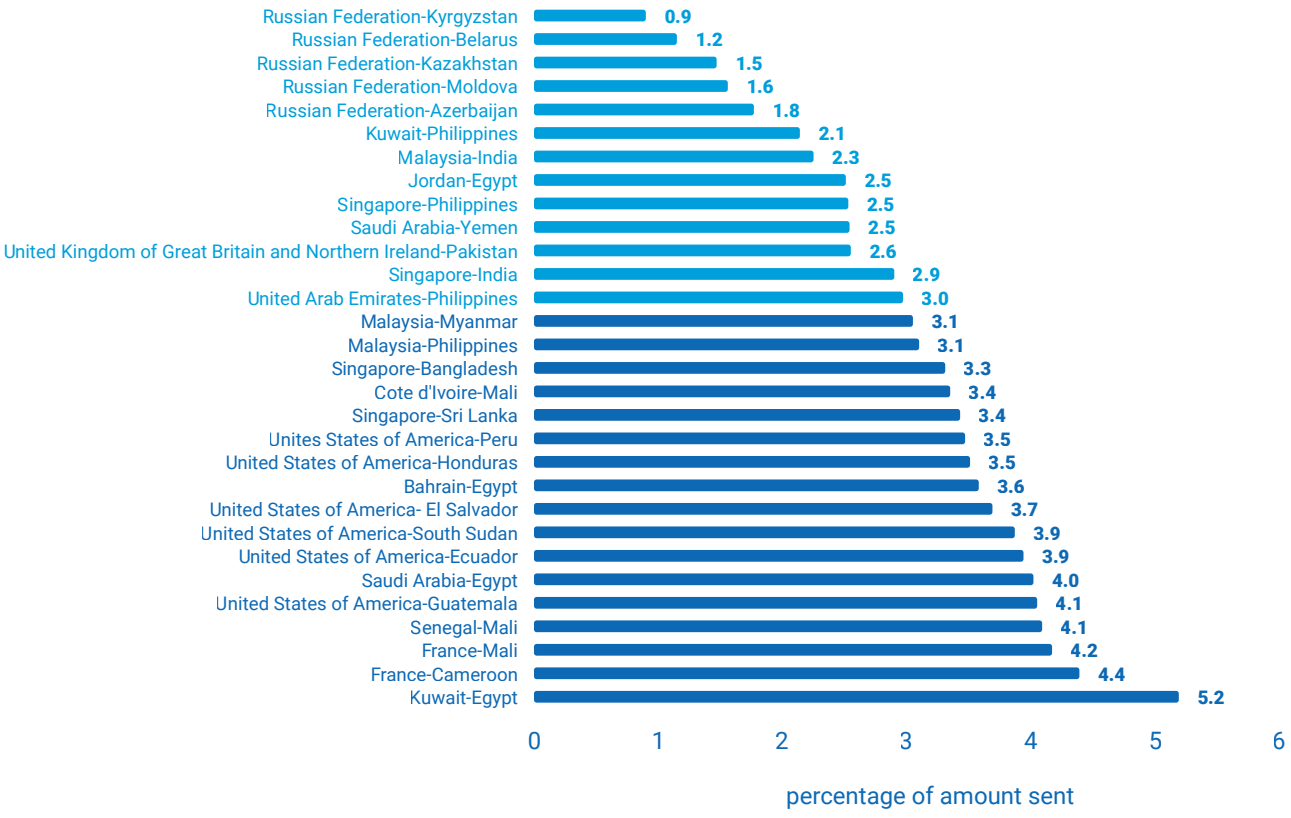
(3.4 per cent).[18] These countries are listed in the order of remittance cost increase. The five least costly corridors in which China is a recipient country link it to Malaysia (3.1 per cent), New Zealand (4.1 per cent), Singapore (4.2 per cent), the Republic of Korea (5.0 per cent) and Canada (5.8 per cent).

Malaysia, Singapore, as well as countries in the GCC thus appear to play an important role in shaping low-cost remittance corridors alongside other remittance sending countries located in East Asia. Within the subregion, Malaysia and Singapore seem to provide the most affordable remittance services to migrants, especially those from the Philippines and Viet Nam. The United Arab Emirates and Kuwait provide the most affordable remittance services from outside the region. By contrast, Thailand is a sending country with relatively high remittance costs within the South-East Asia subregion.

Europe and Central Asia

The average cost of sending $200 to Europe and Central Asia is estimated both including and excluding the Russian Federation. This is because corridors linking the Russian Federation to former republics of the Union of Socialist Soviet Republics have been historically the most economical. Until 2021, the five most affordable remittance corridors were those which linked the Russian Federation as a country of origin to countries of Central Asia and the Southern Caucasus as recipient countries. For all these corridors, remittance costs were below 3 per cent (World Bank/KNOMAD, 2021). From 2022 onwards, the average cost for Europe and Central Asia excludes data on corridors where remittances originate in the Russian Federation. In the last quarter of 2021, five remittance corridors which had the Russian Federation as the source of remittances ranked as the least expensive in the world (figure 12).

Figure 12 Top 30 least costly remittance corridors, globally, Q4 2021



Source: compiled by the author, using corridor ranking from Migration and Development Brief #39, World Bank/KNOMAD. Accessed 5 December 2023.

In Q3 2023, the RPW Quarterly Report indicated that remittance service providers in a few Russian Federation corridors had resumed services. The countries to which transfer services remain unavailable include Estonia, Latvia, Lithuania and Ukraine. The available data indicate that corridors originating in the Russian Federation remain the cheapest in terms of remittance costs, although in the Russian Federation-Uzbekistan corridor, the cost of remittances grew from 2.7 per cent in Q4 2021 to 3.2 per cent in Q3 2023. Uzbekistan, with a total remittance inflow of $16.1 billion in 2023, remains a major remittance recipient in the region. The Russian

18 Remittance Prices Worldwide database.

Federation-Tajikistan corridor has the lowest remittance costs in Q3 2023, as these stood at 0.8 per cent (Ratha et al., 2023b). Thus, remittance corridors with the Russian Federation as the sending country remain low-cost corridors, despite financial sanctions imposed on the Russian Federation since February 2022. Table 3 lists the low-cost and high-cost remittance corridors in Asia and the Pacific.

Table 3 Least costly and most costly remittance corridors in Asia and the Pacific, by subregions, per cent

Subregions of Asia and the Pacific	Least costly remittance corridors and average remittance cost as of Q2 2023	Most costly remittance corridors and average remittance cost as of Q2 2023
East and North-East Asia		Japan-India (9.23%)
South-East Asia	Malaysia-India (1.9%) Malaysia-Viet Nam (3.05%) Malaysia-Philippines (3.36%) Singapore-Bangladesh (2.92%)	Thailand-India (11.1%) Thailand-Indonesia (12.22%) Thailand-China (12.08%) Thailand- Lao People's Democratic Republic (12.67%)
South and South-West Asia	Singapore-India (2.18%)	
North and Central Asia	Russian Federation-Kyrgyzstan (0.96%) Russian Federation-Belarus (0.99%) Russian Federation-Tajikistan (0.99%) Russian Federation-Moldova (0.99%) Russian Federation-Kazakhstan (0.99%) Russian Federation-Azerbaijan (1%)	
The Pacific		Australia-Vanuatu (12.37%)

Source: Compiled by author, based on World Bank, RPW database. Accessed 10 April 2024.

In light of the above findings, the costs in groups of remittance corridors in the Asia-Pacific region have been explored through case studies of the most economical and costliest corridors. They span three subregions of Asia and the Pacific: North and Central Asia (the Russian Federation-originating corridors), South-East Asia (Malaysia-originating corridors) and the Pacific (Australia-Vanuatu corridor).

Corridors which are the most economical and where Malaysia and the Russian Federation are the source of remittance flows are considered in Chapter 3. These two countries are the source of three of the most economical corridors in Asia and the Pacific. Corridors which are the costliest and where Thailand and Australia are the sources of remittances are considered in Chapter 4. Thailand is the source of four of the costliest remittance corridors in the region. The Australia-Vanuatu corridor is the costliest corridor in the Pacific. All these corridors indicate the important role of actors in the country of origin in determining remittance pricing.

Main findings

- Remittances play an important role in the economies of Asia and the Pacific. In 2023, six out of the top 10 remittance-receiving countries in the world were located in Asia and the Pacific. In the order of the absolute value of remittances received, these countries were India, China, the Philippines, Pakistan, Bangladesh and Uzbekistan.

- Within the Asia-Pacific region, the four most remittance-dependent countries, measured by the absolute value of remittances as a share of GDP, included Tajikistan, Tonga, Samoa and Nepal.

- Although most migration occurs within the region, the highest remittance inflows are coming from migration destinations outside Asia and the Pacific, specifically from several GCC countries.

- In terms of remittance costs, several corridors within the region have lower costs compared to other corridors. These include corridors with the Russian Federation, countries of the GCC, Malaysia and Singapore as sending countries, and the Philippines, India, Moldova and several central Asian Republics (Kyrgyzstan, Tajikistan and Uzbekistan) as the receiving countries.

- Based on 2023 RPW data, Malaysia appears to be the most important remittance-sending country within the region with the lowest remittance costs. Outside the region, countries of the GCC are equally low-cost remittance sending countries.
- Based on 2021 RPW data, the Russian Federation corridors in North and Central Asia dominate the list of most affordable remittance corridors globally.
- Among the five most costly corridors located within Asia and Pacific, four corridors include Thailand as a remittance-sending country. The fifth most expensive corridor in the region links Australia to Vanuatu.



2 Factors influencing remittance costs

Despite global, regional and national commitments, remittance costs remain high globally and in Asia and the Pacific. A plethora of reasons explain high remittance costs in the region. These include underdeveloped financial infrastructure, limited competition, lack of transparency and trust in the financial system, regulatory obstacles, restricted access to the banking sector by remittance senders and receivers, insufficient digital and financial literacy skills and migrants' lack of identification documents. Yet across some corridors, lower remittance costs are the result of economies of scale: a larger market for remittances, underpinned by close economic ties and a large migrant population can lead to lower costs (IMF, 2021; Beck et al, 2022). For women, remittance costs are higher than for men. Women's access to financial markets is constrained due to social norms and because they often work in the informal labour market from which it is difficult to access formal remittance systems. Moreover, women's financial and digital literacy skills are often lower than men's. They tend to remit smaller amounts of their income more frequently, increasing their transaction costs.

Financial technology (fintech), such as mobile money and cryptocurrencies have demonstrated the potential to reduce remittance costs, because digitalization allows remittance service providers to reduce operational costs on physical infrastructure. However, mobile money and digital remittances accessibility depend on senders' internet access and on having an affordable smartphone to make use of new fintech apps (Sohst, 2024). The digital divide, caused by the lack of infrastructure in remote areas, insufficient skills and a mistrust of digital financial technology systems prevent many from using digital tools to transfer remittances (Hahm et al., 2019). This section offers a structured overview of the key factors contributing to the remittance costs.

2.1 Remittance cost architecture

As with any financial transaction, profit motivates the execution of a remittance transfer by a remittance ser-

vice provider (RSP). In the case of remittances, two components of the transaction determine this profit: the service fee and the exchange rate margin (FX margin). The latter is a de facto fee that is not always obvious to the sender. Understanding how each component is structured and how each component can be changed is crucial for designing appropriate measures to reduce remittance costs.

The fee can be flat or floating. Flat rate pricing involves charging a single, fixed rate for a particular service. In the case of remittance services, a flat rate usually means a minimum fee charged regardless of the amount of money that is being transferred. In most cases, the fee for remittance services is calculated as a fixed share of the amount to be sent. The FX margin is a mark-up the RSPs add to the real exchange rate to convert money between currencies. These two cost components are provided in the RPW database for each RSP within a given remittance corridor.[19] Quite often, when the RSP claims to charge zero fee for a money transfer, they conceal another component determining the total cost that remains in place, the FX margin. Around 20 per cent of entries in the RPW database show a zero FX margin implying that this element of cost was not disclosed to the sender or was not known by the sender when sending money (IMF, 2021, p.21)) However, when migrants send money abroad, they are buying another country's currency. When they send money to their home countries, a cross-exchange rate is applied for the conversion into US dollars before the money is exchanged for the currency of the receiving country.[20] This cross-exchange rate is not fixed and can be quite high (Kpodar et al, 2021). The fluctuations in the average cost of sending via mobile operators since 2021 have largely been due to the fluctuations in the average FX margin (World Bank, Q3 2023).

Although this varies between remittance corridors, it is often not clear which of the components determining remittance costs contributes the most to the total remittance cost at a given time (Beck et al, 2022). Developing policies to bring down remittance costs, therefore, requires close collaboration between sending and receiving countries, governments and the private sector.

2.2 Remittance market arrangements

When setting a price, RSPs may also consider their competitors and operational expenses. Indeed, there is evidence that the larger the number of RSPs in a corridor, the lower the average total remittance costs. Traditionally, the World Bank has distinguished between four key types of RSPs – banks, MTOs, mobile operators and post offices. Among these, banks tend to provide the costliest remittance services, while mobile operators provide the most affordable (World Bank, 2023a). It is frequently the case that not all types of RSPs are present in one country. A variety of remittance market models can be identified (World Bank, 2014; p.16) and these are set out below.

1) The bank-only model, in which only banks are allowed to provide remittance services; thus, if an MTO wishes to enter the market, it needs to partner with a bank. This model yields minimum competition and typically leads to higher service fees.

2) The bank-and-post-office-only model, in which postal financial services are also allowed to provide remittance services in addition to banks. This model enables more competition and increases the number of access points for both senders and recipients.

3) The multiple service provider model allows a broad range of institutions, including banks, non-bank financial institutions and MTOs to offer remittance services. This model allows for a more competitive remittance market and lower remittance fees (World Bank,2014; p.16).

Providing remittance services requires partnerships. When a cross-border transfer is conducted, the domestic remittance service provider needs to send money to the chosen RSP in the recipient country. Usually, this relies on a relationship with a correspondent bank. The correspondent bank is usually either a large bank or a local branch or subsidiary of the bank initiating the payment. Correspondent banks are vital for small economies dependent on remittances, as their local banks are often relatively small and lack the international network needed to offer cross-border payment services (Davies, 2023). The reduction in correspondent banking relationships implies that some cross-border payment activity, especially if it involves small countries, needs to go through a longer chain of banks. This can increase the cost to end-user (Cipriani et al, 2023).

A reason for which a correspondent banking relationship can be lost is the failure of RSPs to comply with enhanced regulations focused on anti-money laundering and combatting the financing of terrorism (AML/

19 The Remittance Prices Worldwide database (available at remittanceprices.worldbank.org) is compiled by the World Bank and updated on the quarterly basis, using a method of mystery shopping survey.

20 Cross currency rates are exchange rates between two different currencies where neither currency is USD. These rates help determine the value of one currency in terms of another currency directly, without involving USD as an intermediary.

CFT).[21] AML/CFT policies require institutions to conduct due diligence on their respondent banks and implement thorough Know-Your-Customer procedures to verify the identities of their customers, monitor transactions for suspicious activity and report these to the relevant authorities (FATF, 2016). It has become apparent that MTOs are risky partners for banks to work with due to the almost anonymous procedure of sending cash (Kpodar et al, 2021). Between 2012-2018, evidence suggests that the withdrawal of correspondent banking relationships affected almost every region. MTOs in poor countries and conflict zones have been particularly affected by the withdrawal.

2.3 Digitalization of remittance services

One way to bring remittance costs down is to switch to digital (non-cash) remittances. This reduces the need for physical service branches, thereby lowering total remittance costs. According to the World Bank, mobile money stands out as the cheapest way of sending money abroad: 4.2 per cent in Q3 2023. Globally, the average cost of sending $200 via mobile operators has been fluctuating around 3 per cent and most recently has fallen to 1.5 – 2.0 per cent on average. However, digital transfers still require relationships with financial services operators to facilitate the transmission of funds between countries. A reliable digital infrastructure, such as communications cables, cellular towers and mobile phones is essential to underpin the relationship (Collins, 2023).

Digitalization of the remittance market requires users to have financial digital literacy skills. This can be particularly challenging in countries where people are used to cash-based transfers. Sometimes, such a switch is made quickly, just as it happened for many remittance senders during the COVID-19 pandemic, due to limited access to the physical places from which money could be sent during the lockdown months. The World Bank Findex survey showed that in 2021, two-thirds of adults worldwide made or received a digital payment. The share of digital payments in developing economies grew from 35 per cent in 2014 to 57 per cent in 2021. In developing economies, in 2021, 71 per cent of people had an account at a bank, other financial institution or with a mobile money provider. This was up from 63 per cent in 2017 and 42 per cent in 2011 (World Bank, 2023a).

Digital remittances have evolved in parallel to mobile and online banking technology. Many new operators have entered the marketplace and developed global businesses in digital and mobile commerce in response to the increasing demand (Harris and Prohorova, 2021).

2.4 Remittance senders' behaviour

The COVID-19 pandemic demonstrated that migrant choices could impact the market structure and competition, since supply followed demand. Most recent research on remittance users' behaviour aims to understand what drives migrants' choices and which strategies remittance senders adopt to adjust to high remittance costs.

One important factor widely covered in the literature is the role of financial literacy. It is assumed that a higher level of financial literacy allows a remittance sender and a recipient to make more informed choices (Gibson et al., 2014). The choices may concern a particular remittance service provider or a particular method of transfer. Some studies also reveal gender differences in remittance behaviour (Box 1). Sending remittances is a regular practice among economic migrants. Migrant workers send on average US$200 to US$300 home every one to two months (IFAD, 2024). When deciding in favor of a particular method, they mostly rely on information from their peers. Learning about the cheapest options available appears to be relatively simple as remitters exchange their experiences (Kpodar et al, 2021). Importantly, trust is a key determinant of the remittance service method. Recent research confirms that social interactions and social networks are powerful tools for behavioural change (Harris and Prohorova, 2021).

Access to formal banking and other financial services for migrant workers in destination countries is often conditional on the availability of valid documents. Passport, proof of address or pay slips are required by traditional banks to meet the Know-Your-Customer requirements. In countries where money is sent to, barriers to financial inclusion and the digitalization of remittances are linked to the affordability of banking products such as debit cards or their limited functionality (Prokhorova et al, 2023).[13]

When the accessibility of financial services and products is not an issue, individual customer preferences and experiences can guide the choice of RSPs. For dig-

21 Financial Action Task Force (FATF) is an intergovernmental organization established in 1989 by the G-7. FATF develops AML/CFT guidance on effective supervision and enforcement. Remittance services outside the banking sector were either not regulated at all or only lightly regulated prior to the introduction of the FATF Special Recommendations in 2001. International standards and principles that govern remittances were developed for the following reasons: (a) as a response to the 11 September 2001 terrorist attacks on the United States of America; (b) due to concerns about unregulated money remitters such as hawalas; (c) the expansion of international MTOs in many countries, and (d) the emergence of new large and small remittance companies as migration increased. This was the first time that remittance service providers became subject to government oversight and were required to be either registered with or licensed by a competent authority under AML/CFT requirements.

Box 1 Gender dimension of remittances

Globally, women account for about 50 per cent of the international migrant stock. Remittances sent by women migrant workers make up to 50 per cent of the global formal remittances. However, due to certain cultural norms, as well as occupational specificificites, female remittance senders may find themselves in a different situation to men when making decisions about money transfers.

- In general, female migrant workers tend to earn less than their male counterparts but are more likely to send home a higher proportion of their earnings and more frequently, thus paying more for money transfers.
- Women migrant workers are more likely to allocate the remittances they receive for health, education, family needs and community development. In some countries, legislation restricts women's access to and control over property, limiting their ability to use remittances to acquire assets in their home country.
- Female migrant workers may have limited access to digital remittance options, including mobile money. Women are 19 per cent less likely than men to use the Internet. Gender gaps in smartphone ownership and overall mobile phone ownership stand at 17 per cent and 7 per cent, respectively.
- Women's digital literacy skills are often lower compared to men's due to fewer educational opportunities to obtain such skills.
- Whereas men generally send remittances to their wives, women migrant workers send remittances to the person or people who look after their children during their absence. Women often send remittances to their extended family.
- Single women migrant workers might be pressured by their families to send the maximum amount of possible to their families. This increases the risk of these women accepting unsafe, arduous work and living in insalubrious conditions to maximize their remittances.
- Gender discrimination in destination countries contributes to denying women migrant workers fair and transparent access to the banking system. Prejudice means they are not recognized as important clients by RSPs.

Sources: UN Women (2017a, b, 2020), GSMA (2023).

ital remittance service providers, seamless customer onboarding is vital for growing their customer base and retaining users. Meanwhile, Know-Your-Customer requirements and a lengthy process of registration may deter digitally inexperienced users and migrants without permanent address in the destination country (AFI, 2020).[22]

Gender is indeed a key determinant of the behaviour of remittance service users. In LMICs, the financial literacy gender gap, financial inclusion gender gap, IT literacy and internet access gender gap and gender pay gap are all disadvantages faced by women migrants as remittance service users. For example, in 2023, women were 19 per cent less likely than men to use mobile internet, and 17 per cent less likely to own a smartphone (GSMA, 2023). These challenges notwithstanding, global indicators can conceal individual countries' specificities. In countries such as Indonesia and the Philippines, women were more likely than men to have a bank account in both 2014 and 2017 (GPFI, 2020). However, when considering gender disaggregated data, it is important to remember that migrant women profiles may differ from that of other women in the same country of origin due to 'immigrant selectivity effect' (Spörlein and Kristen, 2019). Unfortunately, sample household survey data in destination countries usually covers a resident population, without distinguishing respondents by migrant status.

When women migrant workers do remit higher proportions of their earnings, it is not necessarily linked to a heavier cost burden. For example, a study on Indonesian domestic workers revealed that despite women's low wages, they were better savers and sent home a greater share of their earnings in remittances than men. Female migrant workers covered by the study saved an average of 69 per cent of their monthly income, remitting an average of 1.8 times of their monthly earnings in their last transfer (Rahman, 2011).

Qualitative research on remittance senders reveals differences in life circumstances between female and male migrant workers that may impact their behaviour.

22 For example, social cards in Azerbaijan used for receiving government transfers, cannot be used for receiving remittances.

For example, whereas men generally send remittances to their wives, women migrant workers generally send remittances to those who look after their children during their absence as well as to their extended family. Single women migrant workers can be pressured by their families to send the maximum amount of their remittances to their families. The gender dimension of remittance behaviour of international migrants remains quite limited and would benefit from further study.

Main findings

- Remittance costs depend on the remittance cost architecture (service fee and FX margin), remittance market arrangements, the degree of digitalization of remittance services and the behaviour of RSP users.

- The RPW database provides much data for quantitative analysis of remittance cost factors but with certain limitations. The FX margin is not a fully transparent element of the remittance cost architecture. It is therefore challenging to determine the degree of its influence on total remittance costs.

- Internal market regulations play a role as determinants of market competitiveness, which is especially important in relation to the number of specialized (non-bank) RSPs in the market.

- International regulations associated with financial action task force (FATF) recommendations may increase operational costs of Remittance service providers and put upward pressure on remittance fees and total cost.

- Digitalization is one way to reduce remittance costs. The uptake of digital payment instruments such as bank cards and mobile money wallets corresponds to the level of financial inclusion of remittance users.

- Formal financial inclusion of prospective digital remittance users is often linked to the level of trust in banks, especially in migrants' countries of origin. For digital remittance service providers, a key success factor is associated with a fast and easy onboarding experience which may be challenging to deliver while complying with existing Know-Your-Customer requirements.

- Remittances sent by women migrant workers make up to 50 per cent of the global formal remittances. However, due to certain cultural norms, as well as occupational peculiarities, female remittance senders may find themselves in a different situation to men when making decisions about money transfers.

- Gender may also impact on the remittance behaviour of senders and recipients. Gender gaps in financial inclusion may disadvantage both men and women depending on the country in question.

- Female remittance senders may bear higher costs because of limited access to cheaper digital methods due to lower IT skills, or because they send money more frequently and that the amounts tend to be lower than those sent by men. Processes should be considered to distinguish between the women in general and those with a migration background to better meet female migrants' needs. This points to the need to collect more accurate data on financial resilience, disaggregated by sex and migrant status.



3 Least costly remittance corridors in Asia and the Pacific

This section presents two case studies of remittance corridors with relatively low costs for remittance transfers. The first is focused on the corridors originating in the Russian Federation and the second on the corridors originating in Malaysia. The objective is to identify which of the factors highlighted in the previous chapter determine remittance costs in these corridors.

3.1 Remittance corridors originating in the Russian Federation

The RPW database covers 13 remittance corridors originating in the Russian Federation, including seven corridors in the North and Central Asia subregion. These corridors represent all the countries of the subregion, except Turkmenistan. In Q4 2021, the average cost of sending remittances from the Russian Federation ranged from 0.9 per cent for Kyrgyzstan to 2.7 per cent in Uzbekistan.[23] Between 2015 and 2021, the average total cost of remittances remained below 3 per cent across all corridors in North and Central Asia. The World Bank supplement data indicates that in 2022, remittance costs increased in the corridor linking the Russian Federation to Uzbekistan compared to the period between 2015 and 2021 (3.6 per cent in Q3 2022, 3.1 per cent in Q4 2022) but went down in 2023 (1.4 per cent in Q1 2023), (World Bank, 2023b).

Remittance cost architecture: zero FX margin

The phenomenon of low-cost remittances in North and Central Asia is explained by a specific remittance cost architecture. Money is mostly sent and delivered in the same currency, the Russian ruble, and this eliminates the FX margin which is typically charged by RSPs. Remittance corridors involving the Russian Federation have consequently had a much lower total average cost of remittances since 2010 (World Bank, 2010).[24]

Although all post-Soviet republics in the subregion introduced their own national currencies after the dissolution of the Union of Socialist Soviet Republics, the Ruble remained an important currency in their economies due to their strong trade partnerships with the Russian Federation. In the early 1990s, the post-Soviet countries of the established Commonwealth of Independent States (CIS) decided to coordinate their strategies in the field of currency regulations. They established an Interstate Bank in 1993.[25]

The Ruble exchange rate in the CIS countries depends on the Ruble to Euro and US dollar exchange rates (Golodova, 2014). It played no role in determining remittance costs when remittances were sent and delivered in Rubles. However, this is no longer always the case. For instance, since 2018 all remittances sent in Rubles to Tajikistan have to be converted into the national currency, the Somoni (National Bank of Tajikistan's Directive #204). Due to this regulation, Tajik migrants reportedly lost up to 10 per cent of the amounts remitted.[26] Similarly, if Rubles are sent to a bank card linked to a national payment system, such as HUMO in Uzbekistan, Korti Milli in Tajikistan, or Elcart in Kyrgyzstan, the funds can only be cashed in the national currencies of the recipient countries. This means that when remittances cannot be delivered in Rubles, the FX margin increases remittance costs for recipients. However, the RPW database does not reflect this in the total cost reported by the RSP in the Russian Federation. This is because the RSP in the country where the remittances are sent is often not aware of the exchange rate applied in the recipient country.

Remittance market regulations: low competition but no exclusivity agreements

The remittance market in the Russian Federation is dominated by the local MTOs. In 2010, over 20 remittance service providers were operating in the country. Some service providers left the market after the Bank of Russia revoked the licenses from correspondent banks, such as Migom in 2014. Since then, market leaders in the Russian Federation have been the Russian MTOs: Zolotaya Korona, CONTACT and Unistream. Together they accounted for more than 70 per cent of the

23 The last update on corridors involving the Russian Federation available in the Remittance Prices Worldwide database online.

24 Uzbekistan might be an exception, with US dollar being the preferred currency for receiving the transferred money.

25 The goal of the Interstate Bank is to promote economic integration and development of the national economies of the CIS countries by providing a mechanism for cross-border settlements in national currencies, servicing foreign trade transactions and joint integration projects. www.isbnk.org/ru/about_general.html. Accessed 5 December 2023.

26 Migrants' family members: Give us our remittances in Rubles! Ozodi Radio. https://rus.ozodi.org/a/29984203.html. Accessed 5 December 2023.

providers in the market (OECD, 2018).[27] Western Union and MoneyGram covered a very small share of the market, specialized in money transfers beyond North and Central Asia.[28] More recently, banks have started offering affordable and convenient remittance services too. Sberbank is the most popular among migrant workers (Harris & Prohorova, 2021). In 2022-2023, in response to the financial sanctions and growing demand for money transfer services from the relocated citizens of the Russian Federation, more banks have entered the cross-border money transfer market.

International MTOs were not successful in the Russian Federation because in 2004, the Russian Ministry of Antimonopoly Policy ruled that exclusivity clauses were illegal. As a result, the exclusivity clause included into all Western Union contracts with more than 200 banks in the Russian Federation was cancelled and revoked (IMF 2022). This led to a liberalization of the market and the emergence of more MTOs.

Digitalization of remittances

Digital remittance transfers started appearing in the Russian Federation as early as 2015. By the time of the pandemic, key RSPs already had digital transfers available through their mobile applications or webpage. In 2020, Sberbank online app started to provide a fully digital remittance service which enabled the sending of remittances to the debit cards of several commercial banks in Kyrgyzstan and Tajikistan at a fee of approximately 1 per cent. Such a transfer only required entering the recipient's phone number brings additional convenience to the operation (Harris & Prohorova, 2021).

Digitalization of remittance services in the Russian Federation resulted in increased expenses for remittance senders, which is contrary to what has been seen in other countries. Bank cards issued in the Russian Federation were the most popular and widely available method of sending money digitally. While issuing the card does not involve high fees, each bank still charges a monthly service fee. Additionally, a fully digital transfer - from card to card – has at times resulted in an increase in total remittance costs for the receiving end due to the FX margin and the automatic conversion of Rubles into the national currency of the recipient country. The fee charged by MTOs did not change noticeably.

Remittance user behaviour

There is almost no cost difference between cash-based and digital remittances in the corridors in North and Central Asia, and the same MTO offer both options. Migrant workers from Central Asia, residing in the Russian Federation, nonetheless still prefer cash-based transfers (Harris and Prohorova 2021). A recent study in Azerbaijan has showm that male remittance recipients may prefer digital methods, while female recipients sometimes feel more comfortable with cash remittances (Prohorova and al., 2022). Cultural and social norms appear to impact remittance behaviour in Azerbaijan too. Traditionally, people give only cash as a wedding present and sending remittances is perceived as a man's duty and responsibility. Daughters abroad therefore tend to send money to their parents not as a regular means of financial support but on special occasions. Importantly, the remittance recipient is not necessarily the final beneficiary of remittances: sometimes money is received on behalf of other relatives who cannot themselves collect the money (Prohorova and al., 2022).

In 2022, MTO services were actively used by Russian nationals who relocated to countries within the North and Central Asia subregion. They transferred money to themselves which was the only means of accessing their money stored in Visa and Mastercard. The money transfer in this case was only half digital, meaning that a bank card issued in the Russian Federation was used to fund the transfer, but in the destination country the recipient picked it up in cash (Prohorova and al., 2022). Relying on the flexibility of available transfer methods, Russian nationals were able to overcome financial inclusion challenges in destination countries.

Most recently, Russian MTOs have started expanding their services beyond the subregion, targeting South-East Asia. This strategic move is the result of increased demand from Russian citizens who have either relocated abroad or have become bank card holders linked to Union Pay, a Chinese payment system used by Russians as an alternative to VISA and Mastercard.[29] The Russian money transfer operator Zolotaya Korona recently informed customers that users can transfer Rubles (converted into US dollars) to UnionPay cards issued in China, Indonesia, Malaysia, Singapore, and Thailand via a mobile app. As in the case with the remittances within North and Central Asia, there is no service fee.[30;31] The FX margin remains to be defined based on the Ruble-US dollar exchange rate applied by Zolotaya Korona.

27 In February 2024, CONTACT payment system stopped working after the Central Bank of Russia revoked the license of its operator - QIWI Bank. https://www.cbr.ru/press/pr/?file=63844103083985557 1BANK_SECTOR.htm. Accessed 5 December 2023.

28 MoneyGram quit the Russian market in 2021, Western Union left in 2022.

29 Both Visa and Mastercard suspended their operations in the Russian Federation starting in 2022, see: https://bosfera.ru/press-release/zolotaya-korona-realizovala-servis-denezhnyh-perevodov-na-karty-unionpay?amp. Accessed 5 December 2023.

30 Chinese UnionPay comes to Russians' rescue abroad. Available at: https://banks.am/en/news/fintech/25197. Accessed 5 December 2023.

31 For all transfers funded by Rubles. https://koronapay.com/transfers/akcii/pages/perevody-na-karty-unionpay.aspx. Accessed 5 December 2023.

Box 2 Women and Finances in North and Central Asia

North and Central Asia is diverse when it comes to both social norms and the gender gap in financial inclusion. These could be important factors influencing the remittance behavior of women who send or receive remittances from the Russian Federation, including by digital transfer.

- Being a woman is an obstacle to financial inclusion, measured by the share of the population with a financial account, in five countries of the subregion. In Turkmenistan, Tajikistan, Azerbaijan, Armenia and Uzbekistan, women are 2-5 per cent less likely to have a financial account than men (Poghosyan, 2023).
- In Azerbaijan, financial inclusion is 5.2 per cent higher for men aged 18-20 compared to young women. In Armenia, the share of women with a high level of financial knowledge was 41 per cent, compared to 51 per cent of men (ABDI, 2019).
- All things being equal, men were more likely than women to have a high financial knowledge score in Armenia, Azerbaijan and Tajikistan. In Kazakhstan and the Russian Federation, there was either no gender gap in financial knowledge or only a slight difference (OECD, 2018).
- In Tajikistan and Kyrgyzstan, women have different reasons for not using a bank account. In Tajikistan, this is due to lack of financial literacy (44 per cent), while in Kyrgyzstan low trust in banks (40 per cent) is the main cause (IFC, 2022).
- Over half of women in Kyrgyzstan (62 per cent) and Tajikistan (51 per cent) say that "women cannot always use household income for things important to them". In Tajikistan, 28 per cent of women admit that "cultural dictates that women should give all of their money to their family". In Kyrgyzstan, only 5 per cent of women share this view (IFC, 2022).

Gender aspects of migration and remittances of migrants in the Russian Federation

Considering available data on international migration to the Russian Federation, male migrants appear to constitute the majority of remittance senders. The latest migrant survey conducted in 2019 showed that the total share of migrant women was approximately 19 or 20 per cent (Florinskaya, 2022).[32] However, within the total female migrant inflow to the Russian Federation, the largest share originated in CIS countries. Three Central Asian countries made up about 40 per cent of these female migrants: Kyrgyzstan (15 per cent), Uzbekistan (13 per cent) and Tajikistan (12 per cent). Thus, remittances sent by women are likely to be directed mostly to these Central Asian republics.

On average, female migrant workers are older than male workers. Forty-eight per cent of male workers are aged between 18 and 29, while among women, the share of 30-39-year-olds makes up the largest proportion of female migrant workers (34 per cent).[33] At this age, women might already have children who are aged between 8 and 17, since in the Central Asia countries, women often give birth to their first child at the age of 22-23.[34] Thus, these women are most likely to send money home to support their children who have already reached school age or even graduated from secondary school. In many cases, women migrate with their spouses and children, which is especially the case for migrants from Kyrgyzstan (Peshkova, 2021). When entire families migrate, the cost of living in the country of destination, including for childcare, typically reduces the amount of remittances that can be sent (Peshkova, 2021). Remittances sent to support children are usually meant to cover educational expenses and the personal needs of the child (Peshkova, 2021). The size and frequency of remittances sent by women therefore depend on the specific needs of their children and their age.

Key employment sectors for female migrants in the Russian Federation are retail and wholesale commerce (49 per cent), communal and social sector services (14 per cent) and hospitality services (11 per cent). Compared to women, more male migrants work in construction (22.4 per cent), while the other two most popular sectors are also retail and wholesale commerce (27 per cent) and communal and social sector services (14 per cent), (Florinskaya, 2022). The domestic work sector absorbs only 6 per cent of female migrant labour and 9

32 Conducted by Russian Federal Statistical Service every 5 years.

33 Ibid.

34 UNECE data on the mean age of women at birth of first child, for Kyrgyzstan, Tajikistan and Uzbekistan. https://w3.unece.org/PXWeb/en/Table?IndicatorCode=34. Accessed 5 December 2023.

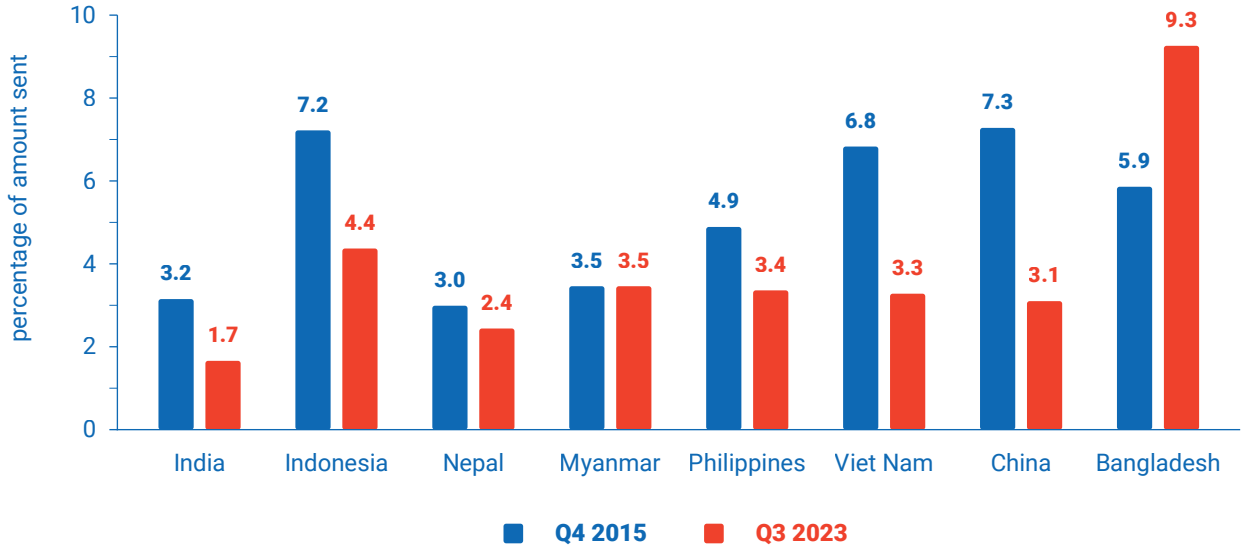
per cent of male migrant labour. As of 2019, female domestic workers in the Russian Federation were mostly represented by Kazakh and Kyrgyz migrants, among the Central Asian republics, 35 and 32 per cent respectively, of the total number of surveyed migrants were from these countries.

Around 50 per cent of female domestic workers in the Russian Federation were engaged in house cleaning and housekeeping activities, while about 70 per cent of male domestic workers were involved in construction work and the renovation of private houses. Where domestic workers do not need to pay for housing, their living expenses are lower compared to migrants working in other sectors. These employment conditions may lead to larger amounts of remittances. At the same time, because they are more dependent on their employers and often have no formal employment contracts, domestic workers are a vulnerable category. They are more exposed to wage delays which have a negative impact on the regularity of their remittances (Karachurina et al., 2013).

3.2 Remittance corridors originating in Malaysia

The RPW database covers nine remittance corridors originating in Malaysia, all of them located within the Asia-Pacific region, mostly in South-East Asia. In Q3 2023, the average total remittance cost across these corridors ranged between 1.7 per cent in the Malaysia-India corridor and 9.3 per cent in the Malaysia-Bangladesh corridor. The latter registered a sharp increase of the cost compared to 3.1 per cent in Q2 2023 (see figure 13). Noticeable reductions of the costs are seen for corridors between Malaysia and Viet Nam and China. Very little or no progress has been made towards reducing remittance costs in the corridors between Malaysia and Myanmar and Nepal.

Figure 13 Malaysia-originating remittance corridors, SDG target remittance cost progress, 2015-2023



Source: Remittance Prices Worldwide database. Accessed 5 December 2023.

Remittance cost architecture: low FX margins

The remittance cost architecture in Malaysia differs from that of the Russian Federation. Retail pricing of remittance transfer costs in Malaysia generally consists of a flat transaction fee and a foreign exchange margin (FX margin). RSPs compete on the FX margin. Anecdotal evidence suggests that migrant workers in Malaysia are sometimes able to negotiate reductions to the advertised foreign exchange rates in RSP branches, particularly if they are able to combine the remittances of fellow migrant workers and obtain volume discounts (Macmillan and Blechman, 2019).

The RWP database sometimes indicates a substantial difference in FX margin applied by MTOs and banks in Malaysia. For example, for the Malaysia-Indonesia corridor, in Q3 2023 the FX margin ranged between 0.4 per cent with Western Union (total cost at 1.3 per cent) and 6.7 per cent with CIMB Group (total cost at 9.9 per cent in the Malaysia-Philippines corridor, the CIMB Group FX margin component was lower, and the fee component

was higher, but the total remittance cost was about the same (9.7 per cent).[35] The total cost provided by the same RSP does not therefore differentiate between remittance destinations. However, in Q2 2023, the same RSP's total cost was just 3.8 per cent for the Malaysia-Indonesia corridor and 2.5 per cent in the Malaysia-Philippines corridor. Importantly, both components of the remittance costs changed. The RPW database shows that remittance costs can change significantly within the same corridor and the same RSP, and that banks can adjust their fees to be as low as MTOs.

From the perspective of remittance senders in Malaysia and elsewhere, it is important that low-cost remittance services are readily available at all times. To benefit from affordable remittances, they need to be aware of all available options.

Remittance market arrangements: high competition and easy cross-border partnerships

Malaysia has a very competitive remittance transfer services market, and the existing regulatory framework allows several organizations to operate in the market either as principal RSPs or agents.

Both bank and non-bank organizations can be licensed as RSPs.[36] Unlike most countries belonging to the Association of South-East Asian Nations (ASEAN), where direct access to the payment infrastructure is limited to banks and MTOs, Malaysia offers direct access to a variety of institutions including post offices, micro-finance institutions and mobile network operators. In 2019, in Malaysia, there were approximately 330 money services business licensees, only 36 of which were remittance service providers. Many non-bank remittance service providers have partnerships with banks which allow for remittances to be deposited directly into bank accounts. Similarly, banks that provide remittance services sometimes have partnerships with pawn shops and other non-bank remittance service providers to permit the bank remittance customers to pick up cash at non-bank branches and agent locations (Macmillan and Blechman, 2019).

Importantly, regulatory frameworks in Malaysia allow remittance service providers to establish partnerships with remittance platforms, otherwise known as "international remittance hubs". Malaysia's Central Bank (Bank Negara Malaysia) does not require a separate license for such hubs as long as they do not undertake retail activities (Sbeih et al., 2019). By engaging a hub, a sending RSP can easily expand its business into a new corridor relatively rapidly and economically. It can establish direct commercial relationships and technical integration with multiple receiving remittance service providers in each new corridor. Due to the high transaction volumes, they process, these hubs are often able to negotiate more competitive rates with receiving providers than individual sending providers. Malaysia's central bank does not require a separate license for such hubs if they do not have retail activities (Macmillan and Blechman, 2019).

Digitalization of remittance services

As in the case of the Russian Federation originating remittance corridors, digitalization of remittance services is not a means to decrease the total remittance cost in Malaysia. However, all MTOs listed in the RPW database for Malaysian corridors provide services via the Internet, while more costly remittance services from banks rare provided via bank branches. Despite the availability of digital remittance services, the most common method used is direct interaction with a branch or agent of the RSP to whom cash is handed over. Reportedly, migrant workers view handing over cash to a real person as more secure and reliable than a digital transaction (Macmillan and Blechman, 2019).

Remittance users' behaviour

Despite affordable formal remittance services, migrant workers in Malaysia have been extensively using informal remittance channels. A study conducted in the Malaysia-Indonesia corridor in 2014 explained that the use of informal channels was in part fostered by the migrant worker employment agency system. The broker who introduced the worker to an employment agency could also help to set the initial migration costs. The worker had then to send a portion of the earnings to the broker to settle the debt. For an additional fee, the broker could also deliver money to the workers' families. Many continued to use this system even after the debt was cleared as the convenience of using a known and trusted system for transferring money outweighed for many migrant workers the benefits of using formal channels (UNCDF, 2014).

Informality of remittances in the Asia-Pacific region remains widespread (Isaaks and Capal, 2019). This might be linked to the significant number of undocumented migrants. For example, rural undocumented migrant workers in Malaysia prefer the informal hawala system due to its anonymity (avoidance of the necessary "Know-Your-Customer" requirements at formal access points) and low penetration of remittance infrastructure beyond the cities (GSMA, 2020). Labour migration policies in Malaysia have provisions for migrant workers according to their country of origin and gender. For example, Bangladeshis are allowed to work only in the plantation sector, but not as domestic workers. Filipino women are primarily employed as domestic helpers (World Bank, 2019). Thus, women migrants working as

35 https://remittanceprices.worldbank.org/corridor/Malaysia/Indonesia

36 "Overview of the regulatory framework for money services in Malaysia", online. Available at: www.azmilaw.com/insights/overview-of-the-regulatory-framework-for-money-services-in-malaysia/. Accessed 21 January 2025.

domestic helpers might have better access to the formal remittance infrastructure as their jobs are mostly located in urban areas. Recent evidence suggests different remittance patterns of male and female migrants from the Philippines. According to the survey of Overseas Filipino Workers in 2022, more women (82 per cent) than men (69 per cent) send remittances in cash through formal channels. Informal methods are more popular among male migrant workers (28 compared to 12 per cent of women). This distribution may also reflect the fact that in the Philippines, women are more likely to own a bank account than men. This pattern of financial inclusion of women migrant workers in the Philippines is influenced by societal, cultural and behavioural factors, rather than regulations that specifically focus on women (AFI, 2020).

Main findings

- Migrant corridors originating in the Russian Federation and Malaysia provide migrant workers with stable low-cost remittance services, with one exception: the remittance corridor between Malaysia and Bangladesh in Q3 2023.

- The low cost of remittance corridors involving the Russian Federation are due to the absence of FX margins as the same currency, the Russian Ruble, is used in the countries of origin and destination. However, when the transfer cannot be undertaken using Russian Rubles, the FX margin increases the costs of migrant remittances in the recipient country.

- Economies of scale, strong economic and historical ties and a high level of integration of the financial systems of the Russian Federation and Central Asia countries, all contribute to lowering remittance costs in the corridors across the North and Central Asia subregion.

- The remittance market in Malaysia is highly competitive compared to the market in the Russian Federation. However, money business regulations in Malaysia provide various collaboration options for a diversity of actors in the remittance market. In Malaysia, the use of "international remittance hubs" facilitates the expansion of the remittance services by local providers.

- The remittance market of the Russian Federation is dominated by local providers. International remittance service providers, such as Western Union, lost their exclusivity contracts in 2004 and could not compete with local remittance service providers in the remittance corridors liking the Russian Federation to countries in North and Central Asia.

- Digitalization of remittance services both in Malaysia and the Russian Federation does not play a significant role in reducing average total remittance costs. In the case of Malaysia, a significant share of undocumented workers still prefers sending remittances informally to avoid Know-Your-Customer procedures. Informal remittance services are considered an attractive alternative in terms of transparency, convenience, speed and reliability.

- Recently, demand for money transfer services in the Russian Federation has grown as Russian citizens living in other parts of Asia and the Pacific use them to access their personal finances from abroad.

- Female migrant workers in Malaysia working in the domestic help sector have better access to formal financial infrastructure in urban areas than men who work mostly in semi-urban and rural areas.



4 Most costly remittance corridors in Asia and the Pacific

This section presents two case studies of remittance corridors that offer relatively high costs for remittance transfers: one is focused on corridors originating in Thailand, the other on corridors originating in Australia. The objective is to identify which of the factors outlined in section 2 play a role in determining remittance costs.

4.1 Remittance corridors originating in Thailand

The RPW database covers seven remittance corridors originating in Thailand. All corridors are located within the Asia-Pacific region and remittance costs are high in all of them. The costs for sending $200 from Thailand to other countries in the region ranges from 8.7 per cent to transfer remittances to Myanmar to 12.7 per cent to make a transfer to Lao People's Democratic Republic.

Remittance cost architecture

In the corridor linking Thailand to Cambodia, the FX margin component of the cost is low both for Bank RSPs and MTOs, reaching the maximum of 3.4 per cent. The fee component of the cost is therefore heavier, especially for bank transfers. The total average cost difference between these two types of remittance service providers is great: 3.9 per cent for MTOs and 16.3 per cent for banks. A similar composition of the remittance cost – high fee and low FX margin - is characteristic of all remittance corridors originating in Thailand. Besides high official fees for remittances, migrants sending money to Myanmar through ATMs from Thailand, have reported that the correspondent bank also charged the recipient for currency conversion and that the exchange rate was worse than that of informal channels (Wantanasombut, 2022).

Remittance market arrangements

Remittance corridors originating in Thailand are dominated either by banks or MTOs which have been granted foreign exchange licenses by the Ministry of Finance. Two international providers, Western Union and MoneyGram, are present in Thailand, but their services are more costly than in Malaysia. For example, Western Union remittance costs in the Thailand-Indonesia corridor were 3.8-5.0 per cent, while in the Malaysia-Indonesia corridor, they were 1.3-2.9 per cent in Q3 2023.[37] More competition in the Malaysian remittance market appears to keep remittance costs lower compared to Thailand.

Bangladesh and Pakistan, countries which receive remittances from migrant workers in Thailand, have introduced remittance incentives for formal channels to lower remittance costs. In Bangladesh, the government and banks offer up to a 5 per cent top-up to every amount transferred through banks and other licensed channels. The incentive is paid in the local currency either as cash (for cash over the counter payments), or directly into bank accounts. In this way, migrants effectively have their remittance expenses reimbursed.[38]

Strict Know-Your-Customer rules applied by the Thai regulators - the Bank of Thailand and the Anti-Money Laundering Office – to comply with AML/CFT procedures, require migrant workers to show at least three different identification documents to be able to process their remittance via a bank remittance service provider. Additionally, a bank account must be opened to use an ATM, and many migrant workers are not able to communicate well in Thai or English. Therefore, migrant workers without proper documents have no access to formal remittance services and are forced to use informal channels and methods (Wantanasombut, 2022). The method of informal remittance transfers known as 'hundi' is widely used in Thailand. Through this informal channel, money is passed to the receiver within one day, and the fee is lower than that of the formal banking system (ADB, 2021).

Digitalization of remittances

Recent research on the Thailand-Myanmar remittance corridor revealed that digitalization of banking services in Myanmar strengthened the informal remittance network, as it enabled remittance agents to send money faster and more easily than before. They no longer need to rely on an expansive network, operation costs are reduced by technology, and 'hundi' agents can now provide a broader variety of services, including transferring the funds into a bank account in Myanmar or adding the funds into an e-wallet. Social media platforms help to facilitate immediate confirmation of the transfer, and the recipient can collect the funds within one or two hours (Wantanasombut, 2022). In the case of migrant workers from Bangladesh in Thailand, women migrants

37 https://remittanceprices.worldbank.org/

38 The Bangladesh government's Cash Incentive for Inward Wage Remittances. https://help.riamoneytransfer.com/hc/en-us/articles/21151668479121-The-Bangladesh-government-s-Cash-Incentive-for-Inward-Wage-Remittances. Accessed 5 December 2023.

might be less prepared to switch to digital remittances. Often, they are less likely to own a phone and know how to operate it (AFI, 2020).

Remittance users' behaviour

Cash remains dominant among remittance senders and receivers in Asia and the Pacific for several reasons. These include the feeling of greater control over a transaction which involves giving cash to an agent or picking it up in person. Similarly, trust in the agent is a key factor in the remittance transaction and it is often easier to trust a person than a digital device (ADB, 2021). . For undocumented migrants, the anonymity which cash transfers provide is an important factor. Labour migration into Thailand is governed under the Royal Ordinance Concerning the Management of Employment of Migrant Workers B.E. 2560 (2017). The Royal Ordinance sets out that the only official channel for migrant workers in elementary occupations to enter Thailand is through a set of bilateral MOUs on employment cooperation with the governments of Cambodia, the Lao People's Democratic Republic and Myanmar (ILO, 2021). Despite these arrangements, many migrant workers come to Thailand through irregular channels, mostly due to the lack of finances to fund regular labour migration. They can sometimes regularize their status at a later date during regularization campaigns.

4.2 Remittance corridors originating in Australia

The RPW database covers 16 remittance corridors originating from Australia, 14 of them are within the Asia-Pacific region. As of Q3 2023, the five least costly corridors are those connecting Australia with India (4.2 per cent), Indonesia (3.9 per cent), the Philippines (4.0 per cent), Sri Lanka (4.9 per cent) and Pakistan (3.7 per cent). The three most costly corridors connect Australia with Vanuatu (11.5 per cent), Tonga (7.5 per cent) and Samoa (7.5 per cent). Even the least costly corridors originating from Australia are therefore still above the SDG target of 3 per cent.

Remittance cost architecture

While average total remittance costs in the Australia-Vanuatu corridor are 11.5 per cent, banks offer money transfer services for 26.0 per cent (Westpac) and 22.5 per cent (National Australia Bank). Both options are transfers meant for bank clients. Online bank transfers are cheaper and stood at 10.0 per cent (Westpac) and 7.24 per cent (National Australia Bank) in Q3 2023. However, only 40 per cent of Pacific Islanders have access to formal banking services.

The FX margin component for remittance costs is highest for the remittance corridors originating in Australia corridors. It reaches 8.5 per cent for Tonga, 7.3 per cent for Samoa and 10.0 per cent for Vanuatu. Transparency of the remittance costs is a recognized issue in Australia. In 2019, the Australian Competition and Consumer Commission released guidance addressing the problem of hidden fees and FX margins. It advised MTOs to provide an online calculator that estimates the total amount sent to the recipient. However, the calculator is only applicable to online, not cash-to-cash operators, in a market where cash-to-cash remitting dominates (Collins, 2023).

Operational costs for conducting cash transfers in the Pacific are high. Kiosks accepting cash in Australia must transfer electronically to countries in the Pacific, where cash is needed for disbursement at the receiving kiosk. Therefore, MTO applies "tiered pricing", meaning that fees are higher when the remittance amount is lower. Pacific Island remittances generally tend to be of low value and to cut costs many Pacific Islanders remit in cash as a group using Australia Post.

Remittance market arrangements: exclusivity agreements and lost CBR

There are only very few organizations active in the remittance market in Australia. Mostly banks and international MTOs serve as principal remittance service providers. Exclusivity contracts enjoyed by Western Union and MoneyGram with Australia Post offices and 7-Eleven stores constrains competition (Collins, 2023). Banks provide one of the few alternatives to using MTOs in the Pacific. However, the lack of relationships between Australian and Pacific banks has reduced competition and increased transaction prices (Davies, 2023). Moreover, banks can also deny MTOs access to accounts to facilitate their own transfers, which are higher than those of MTOs. In 2014, almost 20 remittance firms sued Australia's second biggest lender, Westpac Banking Corp, which was about to close their accounts. Westpac argued in court that the matter was beyond their control as it could not guarantee making payments on behalf of remitters as a correspondent bank overseas may refuse to accept the transaction (Pandey, 2014).

The Pacific is one of the least banked subregions in the world, and only two in five people from the Pacific hold bank accounts. The reasons include low penetration of bank branches in remote areas, as well as problems with identification documents. Having a largely "unbanked" region means that promoting lower remittance costs for bank transfers would affect only a small portion of remittance service users with bank accounts (Collins, 2023).

Digitalization of remittance services

The digitalization of remittances is closely linked to the

digitalization of financial services in general and financial behaviour. Countries in the Pacific are different in their stage of readiness for fintech adoption, with Fiji, Samoa and Tonga showing greater readiness for digital transformation of remittance services and remittance behaviour (Hahm et al., 2019).

A recent Vanuatu survey (UNCDF, 2023) revealed that the perceptions of risks associated with digital financial services existed and that two in five adults (40 per cent) believed such services were risky for "ordinary people". A similar number of adults (44 per cent) did not trust an automated service to provide financial advice. People generally worried about their ability to keep up with evolving technologies and 57 per cent agreed with the statement, "I feel like technology is leaving me behind". Respondents were also concerned about their ability to manage or mitigate risks associated with the use of digital financial tools.

However, the COVID-19 pandemic led to a wider adoption of digital transfer services among some Pacific Island people. In 2020, in Fiji and Samoa, digital remittances increased by up to 400 per cent. The amount of money sent to Fiji via one mobile money wallet app quadrupled in six months. However, Fiji is an exception in a region which lacks enough mobile phones with "wallet" technology. Mobile internet penetration in the population has improved from 18 per cent in 2018 to around 27 per cent in 2022, but mobile subscriptions and smartphone adoption has remained considerably lower than the global average (Collins, 2023).

Remittance users' behaviour

Within the Australia-Tonga remittance corridor, which is one of the three most expensive Pacific corridors, the RPW database indicates RSPs providing services with a total cost below 3 per cent are available. However, migrant workers have kept using the costliest money transfer operator, which is Western Union. In Q3 2023, total costs of sending money from Australia to Tonga by Western Union was between 11.0 and 11.7 per cent.[39] A recent study based on the results of the Pacific Labour Mobility Survey revealed several factors could facilitate switching from cash remittances to cheaper online services in Tonga. The first factor was the exposure to new information due to migration experiences, frequent transfer of remittances and living in Tongatapu.[40] The second was exposure to the migration experience of others and their use of online transfers through banks or MTOs. Third, the frequent transfer of remittances increased the probability of migrant workers using MTOs. Moreover, survey respondents explained that they choose a high-cost remittance service provider because it was the easiest to use compared to other services (Maeda et al., 2024).

Main findings

- Remittance pricing in migration corridors originating in Thailand is different from the pricing in Australia. In Thailand, the fee contributes the most to the total remittance cost and bank transfers, via internet or bank branch, are the most expensive methods. In Australia, banks offer much lower costs for online transfers compared to standard bank branch transfers.

- Remittance market models in Thailand and Australia have the following in common: the choice of remittance service providers is limited to banks and money transfer operators. For Australia, weak correspondent bank relationships contribute to extremely high fees for bank transfers and a lower presence of money transfer operators.

- High remittance costs in the corridors originating in Australia, reflect the absence of economies of scale and the limited integration into the international financial system of the recipient countries. Due to the small value of transactions and limited payment partners, money transfer operators in Australia apply a "tiered pricing" model to transfers to the Pacific islands, which contributes to higher total remittance costs.

- Strict Know-Your-Customer rules applied by the Thai regulators push migrant workers to choose informal remittance channels. Migrant workers without proper documents have no access to formal remittance services and are forced to use informal channels and methods. Remittance incentives introduced by recieving countries, such as Bangladesh, are accessible only for regular migrants.

- Cash is still a dominant payment method in Asia and the Pacific. The low level of trust in digital financial services combined with the low transparency of bank transactions and high fees, make remittance senders opt for informal cash remittances both in Thailand and Australia.

- Compared to the Pacific islands, the recipient countries of remittance corridors originating in Thailand have a more developed financial infrastructure. However, informal channels remain the preferred transfer method, even for remittance senders who have a bank account in their country of origin. This is the case in the corridor linking Thailand to Myanmar.

39 https://remittanceprices.worldbank.org/. Accessed 5 December 2023.

40 Tongatapu is the main island of Tonga and the site of its capital, Nuku'alofa.

5 Conclusion

Remittances provide important financial support to families around the world. However, before reaching a family in need, money has to cross borders. The amount of money that ultimately reaches a recipient is often less than the amount sent. To address the issue of remittances costs, the 2030 Agenda included a Sustainable Development Goal, target 10c that called for a reduction in transaction costs to less than 3 per cent by 2030 and the elimination of remittance corridors with costs higher than 5 per cent.

There are several low-cost remittance corridors in Asia and the Pacific. These corridors are concentrated in North and Central Asia, with remittances flowing coming from the Russian Federation. There are also low-cost remittance corridors in South-East Asia where low costs flows originate in Malaysia. Among the 5 most costly corridors located within the region, four corridors include Thailand as a remittance-sending country in the South-East Asia subregion. The fifth most expensive corridor is the one from Australia to Vanuatu in the Pacific.

Since about 50 per cent of all migrants in Asia and the Pacific are women, they also constitute an important groups of remittance senders in in the region. Often, they remit less but more often, which increases their remittance costs. They generally have less access to financial services or lack the financial digital literacy skills which would allow them greater access to digital service providers and help them reduce their remittance costs.

The analysis of four groups of corridors in the Asia-Pacific region focused on four factors which could be used to reduce remittance costs: remittance cost architecture, remittance market arrangements, digitalization of remittance services and remittance users' behaviour. This analysis came to the following conclusions:

- Low or zero FX margins can be found in both high-cost and low-cost remittance corridors. The FX margin can, however, be a misleading indicator to determine the affordability of remittances. In some cases, a zero FX margin applies to the person sending the remittance, while a substantial FX margin cost is born by the person who receives the remittance.

- Low costs of remittances in corridors with the Russian Federation as the origin country can be attributed to the absence of an FX margin, because the entire transaction is undertaken in the same currency, the Russian Ruble. However, when the transfer cannot be delivered in Rubles, the FX margin can be high in the recipient country.

- Economies of scale support more affordable remittance services in the corridors originating in the Russian Federation and within the North and Central Asia subregion. Conversely, in the case of Australian corridors, high cost of remittance services can be attributed, to a certain extent, to the lack of economies of scale and limited integration into the international financial system.

- The fee component of the remittance cost architecture contributes to higher total remittance costs when the value of the transaction is small and the RSP applies tiered pricing whereby the fee increases when a smaller amount of money is transferred. In some cases, digitalization can reduce the fee component of the cost. The remittance cost architecture for the Australia-Vanuatu corridor reflects the downside effect of the digitalization on the cost of bank transfers. However, only 40 per cent of Pacific Islanders have access to formal banking services.

- Costs associated with transmitting remittances informally are more transparent compared to formal channels where a hidden FX margin can be applied at the receiving end of the corridor. The evidence from the Thailand-Myanmar corridor shows that transparency may play a decisive role for migrants when choosing between formal and informal channels, while the costs and fees are a secondary consideration.

- Formal cash remittances are not necessarily more costly than formal digital remittances, at least not in the corridors involving the Russian Federation, where the costs of remittance are already very low.

- Low costs of remittances, once established, seem to remain resilient to external and internal shocks. For the low-cost Russian Federation and Malaysian corridors, the average total remittance costs have been at the same level since 2010-2011. This points to the importance of keeping costs down from the outset when establishing a remittance market.

- The competitiveness of the remittance market is country specific. The Malaysian market is highly competitive compared to that of the Russian Federation, but it allows collaboration between different actors. In Malaysia, RSPs can easily expand

their business into a new corridor through international remittance hubs, because international remittance platforms do not require a separate license to enter into a partnership with a local RSP. The Russian remittance market is less competitive and dominated by local RSPs. In both cases, the remittance costs in the relevant corridors have already met the SDG target.

- Exclusivity agreements have contributed to high remittance costs in the Russian Federation where they were terminated in 2004 and remittance costs declined. Exclusivity clauses continue to negatively affect the remittance market in Australia, where Western Union benefits from exclusive access to the most popular venues for sending remittances.

- The AML/CFT procedure and Know-Your-Customer rules are a major barrier to low-cost remittance services. Migrants with irregular status and without relevant documents cannot access formal remittance services as they cannot pass the Know-Your-Customer procedure. Banks often avoid correspondent relationships with MTOs, considering them high-risk partners in view of AML/CFT standards. The Pacific corridors originating in Australia are an example of the negative impact of these factors on the total average remittance costs.

- Anecdotal evidence and the findings of qualitative studies reveal a number of strategies that migrant workers apply to reduce the ultimate cost of remittances. These include negotiating the exchange rate, group transfers and topping up bank cards from abroad.

- Migrant workers adjust their remittance behaviour depending on the financial infrastructure in the countries of origin and destination, the type of work they perform, their gender and their location. Both men and women who work in rural areas, for example, prefer to use the informal remittance market available in these areas, because lack of time prevents them from travelling to urban areas to use ATMs or a bank branch.

- Remittance behaviour of men and women differ for several reasons. For example, women in South-East Asia often work in urban areas, in sectors such as health care or entertainment, in which the existing financial infrastructure makes it easier for them to use formal channels to transfer funds.

- Women's level of financial inclusion differs country by country. In countries of origin and destination where women migrant workers have less access to digital channels, they often experience higher remittance costs. Moreover, because of cultural norms and legislation in countries of origin, the money women send home is more likely to be used for consumption than investment.

- Evidence from selected countries show that women tend to send smaller amounts of money but more frequently than men. When remittance costs depend on the amount sent, women pay more for each transfer.

6 Recommendations

The recommendations below aim to enhance the list of actions under Objective 20 of the Global Compact for Safe, Orderly and Regular Migration (GCM): Promote faster, safer and cheaper transfer of remittances and foster financial inclusion of migrants.[41]

a) Develop a road map to reduce the transaction costs of migrant remittances.

- In countries where remittance costs have already reached SDG target 10c, an alternative remittance affordability roadmap could be developed to support the implementation of mechanisms and measures which ensure the stability of low-cost remittances across various types of RSPs, alongside credible monitoring tools.

- To achieve lower remittance service fees, financial regulators should consider measures to reduce the operational costs of RSPs. Remittance cost architecture analysis could inform measures targeting the supply-side of the remittance market. Different types of RSPs may follow a different logic when determining pricing and regulators should therefore consider distinguishing between them. The practice in Malaysia, where remittance service providers can work through remittance hubs to access various markets in a more cost-efficient way, could be built on.

- A roadmap should include a research component to ensure the availability of relevant evidence to inform remittance related measures and policies. This research should include the gathering of gen-

41 Resolution adopted by the General Assembly on 19 December 2018. Global Compact for Safe, Orderly and Regular Migration. https://documents.un.org/doc/undoc/gen/n18/451/99/pdf/n1845199.pdf?token=7vFL0z24ql1xS7AJrm&fe=true

der-specific remittance data and further evidence on informal remittance practices.

- Informal remittance methods should be studied to inform the further development of formal channels. Informal remittances have been working for centuries and remain very relevant to many migrant workers. An improved understanding of the behavioural patterns and psychological motivations which lead migrants to prefer informal remittance channels could underpin the more effective promotion of formal remittance options.

- The collection of gender-specific data on remittance behaviour of migrant workers should become an integral component of labour migration studies and financial inclusion surveys. Female migrants constitute a significant share of remittance senders in the Asia-Pacific region. However, information about their international remittance practices and general financial behaviour is scarce. While conducting stand-alone specialized surveys might be a costly data collection exercise, a more affordable approach could be to develop a migration and remittance module. This module could be integrated into a regular household survey conducted in countries from which migration originates.

b) Promote and support the United Nations International Day of Family Remittances.

- The International Day of Family Remittances should be used to motivate remittance service providers to design more affordable offers for migrant clients and encourage financial sector actors to engage more closely with this category of prospective and existing clients, especially women and people in rural areas where financial infrastructure is limited.

c) Harmonize remittance market regulations along corridors.

d) Establish regulatory frameworks to promote a competitive and innovative remittance market.

- Policymakers and financial regulators from high-cost remittance corridors may benefit from partnerships, knowledge exchange and capacity-building programmes with countries from low-cost corridors. Asia, including East Asia and Pacific, South Asia and Central Asia, has valuable experience in establishing low-cost remittance corridors.

e) Develop innovative technological solutions for remittance transfer, such as mobile payments, digital tools or e-banking.

- IT infrastructure that allows migrant workers to have barrier-free and affordable access is essential for increasing the uptake of digital remittances and other innovative solutions for money transfer. As demonstrated in the case of Russian Federation money transfer operators, a combination of digital and cash instruments is often the best option for migrants transferring remittances. Where they exist and are convenient for the migrants transmitting and family members receiving remittances, a combination of methods should be supported.

f) Provide accessible information on remittance transfer costs by provider and channel, such as through comparison websites.

- Ensuring 100 per cent transparency is a challenging task, considering that the FX margin component at the receiving end of the corridor may be unknown to the sender. This should be clearly communicated to remittance service users who should be protected by Consumer Rights Protection laws. Considering the limited access some categories have to the Internet; alternative information dissemination channels should also be considered.

g) Develop programmes and instruments to promote investments from remittance senders in local development and entrepreneurship in countries of origin.

h) Enable migrant women to open bank accounts and access financial literacy training and formal remittance transfer systems.

i) Provide access to and develop banking solutions and financial instruments for migrants, including low-income and female-headed households.

- Tailoring financial products and remittance services to meet women's needs could enhance women's financial inclusion. Collecting and sharing good practices of gender-specific approaches to the provision of financial services could motivate RSPs and other financial sector actors to apply practices that are compatible with women's needs to their work and to design women-focused financial products.

7 References

ADBI, OECD, and ILO (2022). *Labour migration in Asia: COVID-19: Impacts, challenges and policy responses:* Asian Development Bank Publication

ADB (2021). *Harnessing digitalization for remittances in Asia and the Pacific:* Asian Development Bank Publication. July 2021

AFI (2020). *Lessons on enhancing women's financial inclusions using digital services*. Alliance for Financial Inclusion Publication

Beck, T., Janfils, M., and Kpodar, K (2022) *What explains remittance fees? Panel Evidence*.Working Paper 22/63: International Monetary Fund

Cipriani, M., Goldberg, L., and La Spada, G (2023). *Financial Sanctions, SWIFT, and the Architecture of the International Payments System. Journal of Economic Perspectives. Vol 37, No.1:* American Economic Association

Collins, J (2023). *Reducing remittance costs in the Pacific Islands. Policy Brief: Lowy Institute* https://www.lowyinstitute.org/publications/reducing-remittance-costs-pacific-islands

Davies, M (2023). *Correspondent banking in the Pacific:* Reserve Bank of Australia

ESCAP (2020). *Asia-Pacific Migration Report 2020: Assessing Implementation of the Global Compact for Migration (ST/ESCAP/2801)*. Economic and Social Commission for Asia and the Pacific

FATF (2016). *Guidance on Correspondent Banking Services:* Financial Action Task Force

Florinskaya, Y (2022). *Female Labor Migration to Russia: November Donor Countries, Niches in the Labor Market. Studies on Russian Economic Development, Vol 33, No.1 (February), pp. 55-64:* Springer Nature Link

Gibson, J., McKenzie, D., and B, Zia (2014). *The Impact of Financial Literacy Training for Migrants. Vol.28, No.1 (2014), pp. 130-161. Policy Research Working Paper 6073:* The World Bank

GSMA (2023). *The Mobile Economy 2023:* Global System for Mobile Communications
(2020). *The State of Mobile Internet Connectivity 2020:* Global System for Mobile Communications

Golodova, Z (2014). Currency policies of the CIS countries: key issues and implementation // *Finance and Credit. Issues 27(603)*, pp. 2-10.

Hahm, H., Subhanij, T., and R, Almeida (2019). *Finteching remittances in Paradise: a path to sustainable development. Working Paper Series. Macroeconomic Policy and Financing for Development Division:* ESCAP

Harris, D., and Prokhorova, A (2021). *The Role of Digital Remittances: Consolidated Findings from Supply and Demand Research:* International Organization for Migration

IFAD (2024). *14 Reasons Why Remittances are Important:* International Fund for Agricultural Development

Kpodar, K., Miachila, M., Quayyum, S., and Gammadigbe, V (2021) Defying the Odds: Remittances During the COVID-19 Pandemic. IMF Working Paper (WP/21/186). International Monetary Fund

ILO (2021). *Working and employment conditions in the agriculture sector in Thailand:* International Labour Organization

Isaaks, L., and Capal, J (2019). *Remittances: Harnessing the $1 trillion remittances market to accelerate access to inclusive finance:* Data Migration Assistant Presentation

John, R. (2018). *Oil Price–Migration Nexus in India. Vol 4, Issue 1. pp. 75-91:* Sage Journals

Karachurina, L., Florinskaya, Y., and Prokhorova, A (2013). *Higher Wages Vs. Social and Legal Insecurity: Migrant Domestic Workers in Russia and Kazakhstan. International Migration & Integration 20, 639–658 (2019):* Springer Nature Link

Macmillan, R., and Blechman, J (2019). *Regulation of cross-border non-bank remittances in the Philippines-Malaysia corridor:* CGAP

Maeda, H., Edwards, R., and Suryadarma, D (2024). *Remittances from Tongan Migrant Workers: Channels, Costs, and Potential Gains from Switching. ADBI Working Paper 1427. Tokyo:* Asian Development Bank Institute

OECD (2018). *Levels of financial literacy in Eurasia:* Organizaion for Economic Co-operation and Development

Pandey, S (2014). *Remittance firms sue Australia's Westpac as banks shun money transfer firms:* Reuters.

Peshkova, V (2021). *Transnational Childhood. Part II: The Place and Role of Children in Migration from Central Asia to Russia:* Monitoring of Public Opinion: *Economic and Social Changes. No. 5.* P. 450–473.

Prohorova, A., Gafarov, I., and Taghiyeva, S (2022). *Digital remittances in post-pandemic Azerbaijan: supply- and demand-side analysis:* International Organization for Migration

Rahman, M (2011). Gender dimensions of remittances: a study of Indonesian domestic workers in East and South-east Asia. UN Development Fund for Women

Ratha, D., Chandra, V., Kim, EJ., Plaza, S., and Shaw, W (2023b). *Migration and Development Brief 39: Leveraging Diaspora Finances for Private Capital Mobilization:* World Bank, Washington, DC.

Ratha, D., Plaza, S., Kim, E.J., Chandra, V., Kurasha, N. and B. Pradhan (2023a). *Migration and Development Brief 38: Remittances Remain Resilient but Are Slowing:* KNOMAD–World Bank, Washington, DC.

Sbeih, S., Cook, W., and Staschen, S (2019). *Cheaper Remittances: How Malaysia and the Philippines Paved the Way:* CGAP

Sohst, R (2024). *Leaving No One Behind: Inclusive Fintech for Remittances.* Washington, DC: Migration Policy Institute

Spörlein, C., and Kristen, C (2019). Why We Should Care About Regional Origins: Educational Selectivity Among Refugees and Labor Migrants in Western Europe. Vol 4: Frontiers

UNCDF (2014). *Women in the move. Harnessing the economic force of cross-border mobility in ASEAN:* UN Capital Development Fund
(2023). *Assessing Digital and Financing Literacy Survey in Vanuatu: A Survey on Knowledge, Skills and Access:* UN Capital Development Fund

UN DESA (2021). *International Migration 2020 Highlights:* UN Department of Economic and Social Affairs

UN Women (17a). *Women migrant workers and remittances. Policy Brief #3:* UN Women
(17b). Women migrant workers contributions to development. Policy Brief #2: UN Women
(2020). Migrant women and remittances: exploring the data from selected countries. Policy Brief: UN Women

Wantanasombut, A (2022). *Sending Money Back Home: Banking Digitalization, Myanmar Migrant Workers, and the Thailand-Myanmar Border Trade. Vol 11, Issue 3. pp. 451-475:* Southeast Asian Studies

World Bank (2023a). *Global Financial Inclusion (Global Findex) Database:* The World Bank Group
(2014). *Remittances to developing countries to stay robust this year, despite increased deportations of migrant workers:* The World Bank Group., p.16
(2019). *Malaysia: estimating the number of foreign workers:* The World Bank Group
(2023b). *Remittance Prices Worldwide Quarterly. Analysis of trends in cost of remittance services:* The World Bank Group

World Bank/KNOMAD (2023). Remittances Database online. Accessed 5 December 2023.

World Development Report (2023). *World Development Report 2023: Migrants, Refugees, and Societies:* World Bank Group

8 Annex

GCM Objective 20: Promote faster, safer, and cheaper transfer of remittances and foster financial inclusion of migrants

36. We commit to promote faster, safer and cheaper remittances by further developing existing conducive policy and regulatory environments that enable competition, regulation and innovation on the remittance market and by providing gender-responsive programmes and instruments that enhance the financial inclusion of migrants and their families. We further commit to optimize the transformative impact of remittances on the well-being of migrant workers and their families, as well as on the sustainable development of countries, while respecting that remittances constitute an important source of private capital and cannot be equated to other international financial flows, such as foreign direct investment, official development assistance or other public sources of financing for development.

To realize this commitment, we will draw from the following actions:

(a) Develop a road map to reduce the transaction costs of migrant remittances to less than 3 per cent and eliminate remittance corridors with costs higher than 5 per cent by 2030 in line with target 10.c of the 2030 Agenda for Sustainable Development.

(b) Promote and support the United Nations International Day of Family Remittances and the International Fund for Agricultural Development Global Forum on Remittances, Investment and Development as an important platform to build and strengthen partnerships for innovative solutions on cheaper, faster and safer transfer of remittances with all relevant stakeholders.

(c) Harmonize remittance market regulations and increase the interoperability of remittance infrastructure along corridors by ensuring that measures to combat illicit financial flows and money-laundering do not impede migrant remittances through undue, excessive or discriminatory policies.

(d) Establish conducive policy and regulatory frameworks that promote a competitive and innovative remittance market, remove unwarranted obstacles to non - bank remittance service providers in accessing payment system infrastructure, apply tax exemptions or incentives to remittance transfers, promote market access to diverse service providers, incentivize the private sector to expand remittance services, and A/RES/73/195 Global Compact for Safe, Orderly and Regular Migration 30/36 18-22354 enhance the security and predictability of low-value transactions by bearing in mind de-risking concerns, and developing a methodology to distinguish remittances from illicit flows, in consultation with remittance service providers and financial regulators.

(e) Develop innovative technological solutions for remittance transfer, such as mobile payments, digital tools or e-banking, to reduce costs, improve speed, enhance security, increase transfer through regular channels and open up gender responsive distribution channels to underserved populations, including persons in rural areas, persons with low levels of literacy and persons with disabilities.

(f) Provide accessible information on remittance transfer costs by provider and channel, such as comparison websites, in order to increase the transparency and competition on the remittance transfer market and promote financial literacy and inclusion of migrants and their families through education and training.

(g) Develop programmes and instruments to promote investments from remittance senders in local development and entrepreneurship in countries of origin, such as through matching-grant mechanisms, municipal bonds and partnerships with hometown associations, in order to enhance the transformative potential of remittances beyond the individual households of migrant workers at all skills levels.

(h) Enable migrant women to access financial literacy training and formal remittance transfer systems, as well as to open a bank account and own and manage financial assets, investments and businesses as means to address gender inequalities and foster their active participation in the economy.

(i) Provide access to and develop banking solutions and financial instruments for migrants, including low-income and female-headed households, such as bank accounts that permit direct deposits by employers, savings accounts, loans and credits in cooperation with the banking sector.



ESCAP

Economic and Social Commission for Asia and the Pacific

Follow us :

unescap

united-nations-escap

@unitednationsescap

www.unescap.org