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CREDIT UNION REMITTANCE SERVICES IN GUATEMALA:

**EXPANDING THE ACCESS OF LOW-INCOME REMITTANCE RECIPIENTS TO
FINANCIAL INSTITUTIONS**

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EXECUTIVE SUMMARY

Remittances—monies sent by migrants to their families in their places of origin—were estimated at over \$100 billion worldwide in 2004. Remittances to Latin America and the Caribbean—the number one destination for remittances worldwide—were estimated to have reached \$45 billion in 2004. Guatemala received an estimated \$2.7 billion in 2004 (IADB/MIF, 2005).

More than three-quarters of remittance recipients in Central America—77% of those in Guatemala, specifically—do not have bank accounts (IADB/MIF, 2003b). Through the provision of remittance services, credit unions can “bank the unbanked,” opening doors of the formal financial system to unbanked remittance recipients.

Credit unions in Guatemala play an important role in the provision of quality, accessible remittance distribution services to poor and low-income recipients. Since beginning the service in August 2001, 25 credit unions affiliated to the *Federación Nacional de Cooperativas de Ahorro y Crédito* (FENACOAC) have enjoyed a steady growth in both number of transactions and volume. By year-end 2004, the 25 credit unions had achieved a 6.7% market share, distributing \$178.8 million in remittances to both members and non-members throughout Guatemala.

Remittance distribution provides the credit unions with an important opportunity to expand their membership. While the credit unions have grown their remittance service significantly and increased member-client outreach (from just under 331,000 in August 2001 to more than 563,000 in December 2004), the percentage of remittances collected by members (versus non-members) has remained relatively constant (30%). This constant relationship demonstrates that 1) the number of members collecting remittances is growing; 2) remittance distribution is providing the credit unions with a vehicle to grow their memberships; and 3) the fact that the percentage of member recipients remains at 30% of total recipients suggests that credit unions could (and should) do more to tap into this market with additional financial services.

In order to examine the role credit unions play as providers of remittance distribution services, the World Council of Credit Unions, Inc. (WOCCU) implemented the first in-depth survey of users of its International Remittance Network (IRnet) services at the five credit unions with the highest market share in Guatemala during the spring of 2004. The five credit unions are: ACREDICOM, COOSADECO, ECOSABA, Parroquial Guadalupeana and Guayacan. In each credit union, the survey was carried out in the two branches with the highest level of remittance activity, with the exception of ECOSABA where the survey was carried out only in the one branch that distributes three-quarters of the total remittances received through the credit union. Interviews were conducted with 100 remittance recipients per credit union (102 at COOSADECO), for a total of 502 individuals surveyed about their households. The study was funded by the U.S. Agency for International Development (USAID) Office of Microenterprise Development through the Accelerating Microenterprise Advancement Project (AMAP). WOCCU is a subcontractor to the IBM AMAP Financial Services consortium.

The survey was designed to 1) identify who uses the remittance services provided by the Guatemalan credit unions, according to basic demographic characteristics; 2) determine how much, how often and from whom recipients receive remittances, as well as how they use the

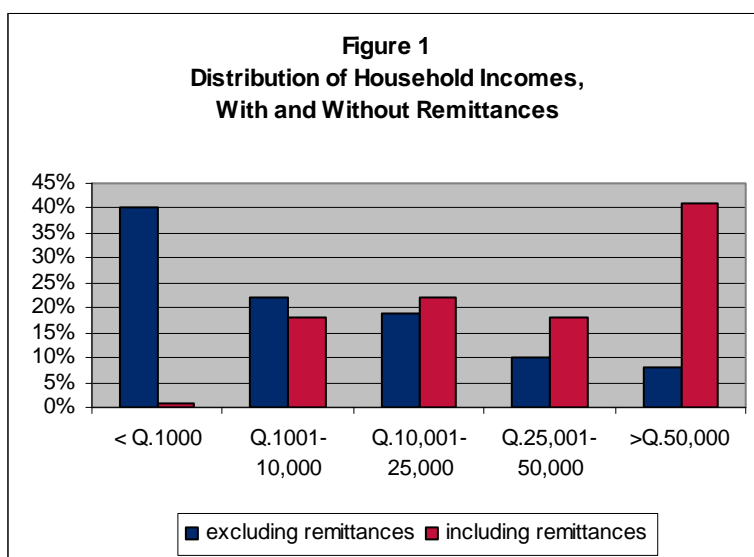
monies received; and 3) understand remittance recipients' participation in savings and credit markets, identifying clearly the extent to which they currently make use of additional financial services provided by the credit unions.

The survey identified key demographic characteristics of remittance recipients at the Guatemalan credit unions. Women make up almost three-quarters (73%) of recipients. The average recipient age is 40. The recipients have very low levels of education – only 20% of the remittance recipients in the sample have more than primary school education. The recipients have diverse ethnic backgrounds. At ECOSABA, 55% of the recipients have a first language that is not Spanish. At the other four credit unions, just over 85% of the recipients are native Spanish-speakers. The average household size is five people.

Overall, the most common occupation for the recipients is “homemaker” (44%). Sixty-one percent of female recipients report their primary occupation as homemakers. Other occupations include: self-employment (22%), agriculture (18%) and salaried employees or wage workers (12%). At rural ACREDICOM, half of the recipients report agriculture/animal husbandry as their primary occupation. The information by occupation reveals that respondents primarily engaged in agricultural production have the lowest household cash incomes of the sample.

Both the average annual household incomes (excluding remittances) and the average household wealth levels of female recipients are about 50% lower than those of male recipients. The inclusion of remittances in the income calculation; however, almost equalizes household income between male and female remittance recipients.

The survey revealed that remittances are an important source of primary income for recipients (Figure 1). Forty percent of the respondents' households have no other source of cash income beyond the remittances they receive. When remittances are included, 41% of households have annual incomes of Q.50,000 (\$6,250). The average total of annual remittances received by recipient households is \$4,940. In per capita terms, average annual remittances are \$990 (as a point of reference, the 2003 GDP per capita in Guatemala was \$2,008). Most recipients come from very poor households; excluding remittances, 62% of sample households have a per capita cash income of less than \$1 per day.



Q.8=\$1

Seventy-five percent of the recipients receive a remittance at least once a month. The average and median sizes of remittances sent to respondents in the sample are \$320 and \$200, respectively.

Respondent perceptions of credit union remittance services are very positive. Forty percent of the members surveyed name remittance services as their primary reason for joining the credit union. When asked to identify the single most important advantage of using the credit union remittance services, the largest group of recipients (25%) cites the credit unions' location (57% of respondents at the most rural of the credit unions cite location). Other reasons include speedy and timely remittance delivery.

The provision of remittance services provides an opportunity for credit unions to mobilize savings: they can encourage recipients to deposit a portion of their incoming remittances into savings accounts as they collect them. Nevertheless, the potential for mobilizing savings from incoming remittances depends heavily on the expenditure pattern of the recipients. More than 90% of the respondents report using some remittance monies and most recipients (56%) report their primary use of cash remittances for covering basic needs—food, clothing, transport and housing. The distant second (10%) primary use of cash remittances is buying, building or remodeling a residential property. Forty-eight percent of respondents report keeping some cash at home (for 3% it was the primary use).

A comparison of total savings between member and non-member remittance recipients offers evidence of the important role credit unions already play in mobilizing savings from their members: controlling for wealth levels, average total savings for the members are higher than for non-members for those in the lowest three wealth quintiles. Overall, 54% of respondents report saving a portion of their 2003 cash remittances in financial institutions. Sixty-two percent of these respondents identify credit unions as the institutions in which they deposit most of their saved remittances. There is greater potential still: of the respondents who did not deposit any part of their remittances in a financial institution in 2003, 65% express a willingness to deposit, on average, 22% of their remittances into an account.

The survey revealed that 30% of remittance recipients' households have either received or are paying off a loan. The primary source of credit is not credit unions, but rather informal moneylenders (12%). Only 5% of the overall remittance recipients have received or are paying off a household loan from a credit union; this percentage rises to 12% among member recipients. Supplier credit (i.e., loans in the form of input supplies or merchandise) is another source of credit for the households in the sample; loans from input suppliers are reported by 9% of the sample households. When supplier loans are considered, the percentage of households using credit (in cash or kind) increases from 30% to 35%. Analysis of credit behavior by occupation shows that respondents whose primary occupation is self-employment in business are the most likely to have either received a loan or to be paying off a loan in 2003 (30%).

To help determine whether recipients of remittances in the credit unions are constrained in their access to credit, respondents were asked a series of questions regarding their experiences and perceptions of borrowing in the formal credit markets, specifically from banks and from credit unions. Based on their responses to these questions, respondents were then classified as credit constrained (if they desire but are unable to obtain credit at a going market rate) or unconstrained (if they did not want a loan given the loan terms, they did not need a loan or they actually received the loan amount for which they applied).

The survey confirmed that respondents from poorer households are more likely to be constrained in their access to bank loans. Approximately a quarter of the respondents who were credit constrained in banks experienced or perceived no constraints in credit unions (15% that had not applied for credit union loans and 10% that had).

The survey revealed some key differences among rural and urban credit unions. Household incomes tend to be significantly lower among recipients in rural credit unions, while recipients at credit union branches located in the capital city report the highest incomes. Recipients' reliance on credit unions to distribute their remittances is also highest among clients of the rural credit unions where fewer alternatives are available in the local markets.

Credit unions in the rural areas have met with greater success in recruiting members and mobilizing savings from remittance recipients than their urban counterparts. The percentage of recipients who report credit unions as their primary financial institution for depositing part of their remittance is very high among recipients in the more rural-based credit unions, ECOSABA (100%) and ACREDICOM (89%). By contrast, the percentage of recipients who deposit most of their remittances at a credit union is lowest in the urban locations of Parroquial Guadalupeana (17%) and COOSADECO (30%).

Less than half of non-member remittance recipients have an account at a financial institution. The provision of remittance services provides the credit unions with a vehicle to reach out to these unbanked clients with financial services beyond remittances. The rural credit unions in the survey have done this to a greater extent than their urban counterparts. Credit unions in both rural and urban environments need to capitalize on the positive perceptions and trustful relationships they have established with non-member remittance recipients to bring them into the formal financial sector by creating and cross-selling additional appropriate financial products.

I. CREDIT UNIONS: PROMISING PLAYERS IN THE GUATEMALAN REMITTANCE MARKET

Remittances—monies sent by migrants to their families in their places of origin—were estimated at over \$100 billion worldwide in 2004. Remittances to Latin America and the Caribbean (LAC)—the number one destination for remittances worldwide—were estimated to have reached \$45 billion in 2004 (IADB/MIF, 2005). Guatemala—the focus of this study—received an estimated \$2.7 billion in 2004 (IADB/MIF, 2005).

The importance of remittances to the economies of the LAC region cannot be overstated. They exceeded the combined total of foreign direct investment (FDI) and official development assistance (ODA) to the region (IADB/MIF 2005). Remittances are particularly important for the small and poor countries of Central America. In 2003, remittance flows to Guatemala accounted for 8.5% of the country's GDP (World Bank, 2004).

A significant share of remittances goes to rural areas, where incomes are typically below national averages. In Guatemala, the percentage of the rural population living below the poverty line is approximately three times that of the urban population (World Bank, 2004).

More than three-quarters of remittance recipients in Central America—77% of those in Guatemala, specifically—do not have bank accounts (IADB/MIF, 2003b). Through the provision of remittance services, credit unions can “bank the unbanked,” opening doors of the formal financial system to unbanked remittance recipients. Recipients of remittances through credit unions have an opportunity to become familiar with, and eventually take advantage of, other financial services offered by credit unions (e.g., interest-bearing savings accounts, credit and insurance).

In 1999, the World Council of Credit Unions, Inc. (WOCCU), its affiliate national credit union organizations and U.S. credit unions, launched the International Remittance Network (IRnet). In 2000, WOCCU formed a partnership with VIGO Remittance Corporation to access the latter’s extensive sending infrastructure in the U.S. IRnet services, as of December 2004, enable remittance senders in the United States to make wire transfers from 199 credit unions (with multiple points of service) in 32 states and approximately 3,500 VIGO outlets in 39 states to 41 countries in Latin America, Asia, Africa, Europe and Australia.

In Guatemala, 25 credit unions affiliated with the *Federación Nacional de Cooperativas de Ahorro y Crédito de Guatemala* (FENACOAC) have been distributing remittances through IRnet since August 2001. Together, these credit unions serve 563,446 member-clients through 125 points of service in all 22 of Guatemala’s departments, and in 96 of the country’s 331 municipalities as of December 2004.

Structure of the Report

- Part I of this report introduces the role of credit unions in Guatemala as distributors of remittances.
- Part II describes the profile of remittance recipients at credit unions, presenting summary statistics on the economic and demographic characteristics of the survey respondents and their families. The significant differences in the demographic and economic characteristics of the respondents and their households will help explain remittance activities, as well as savings and borrowing patterns, in the subsequent chapters.
- Part III analyzes survey respondents’ and their households’ use of remittance services; evaluates the total value of remittances received by the respondents; and discusses recipients’ use of their remittance monies.
- Part IV explores the savings behavior and credit access of the survey respondents and their households; and compares member and non-member remittance recipients’ use of financial services provided by credit unions and other financial institutions.
- Part V concludes the report with final reflections.
- Broad trends common to all surveyed credit unions are identified. Evaluation of unique conditions at individual credit unions is also included to highlight meaningful differences or credit union-specific circumstances.

A. THE EXPANSION OF CREDIT UNION REMITTANCE SERVICES IN GUATEMALA

The number and volume of remittances distributed by Guatemalan credit unions have grown rapidly and steadily since the program began in August 2001. In 2004, the FENACOAC-affiliated credit unions achieved 6.7% of market share in the Guatemalan remittance market: \$178.8 million of the \$2.7 billion market.

By December 2004, credit unions in Guatemala distribute over 35,000 transfers per month. In 2004, over 407,000 remittance transactions with a cumulative volume of \$179 million were distributed by the 25 Guatemalan credit unions affiliated with FENACOAC (Table 1.1). The number of member-clients in the 25 FENACOAC-affiliated credit unions has grown from just over 331,000 in August 2001 to more than 563,000 in December 2004.

Table 1.1 Growth of Credit Union Remittance Services in Guatemala

	2002	2003	2004
Number of Transactions	53,893	245,154	407,504
Volume of Transactions (US\$)	26,634,737	114,259,733	178,792,292
Source: WOCCU			

Five credit unions—ACREDICOM, COOSADECO, ECOSABA, Guayacan and Parroquial Guadalupeana—accounted for 56% of the number of remittances distributed by FENACOAC-affiliated credit unions from August 2001 through December 2003. These five credit unions distributed 16,651 remittances in December 2003, of which 72% were to non-members, and 28% to members (Table 1.2). The percentage of remittances distributed to credit union members remained practically the same (30%) through December 2004. Membership in these five credit unions increased by 40% from 151,500 member-clients in August 2001 to 216,400 member-clients in December 2004.

Table 1.2

Membership Status of Remittance Recipients on the Day of Remittance Transaction at the Five Credit Unions Most Active in the Guatemalan Remittance Market

	December 2003		December 2004	
STATUS	N	%	N	%
Non-Members	11,962	71.8%	12,749	69.5%
Members	4,689	28.2%	5,602	30.5%
Total	16,651	100.0%	18,351	100.0%
Source: FENACOAC				

The percentage of remittances collected by credit union members ranges between 13% and 34% in the cases of ACREDICOM, COOSADECO, Parroquial Guadalupeana and Guayacan. The exception is ECOSABA credit union, which has been implementing a successful program of membership recruitment among remittance recipients. Nearly 85% of remittances distributed by ECOSABA in December 2004 were to credit union members.

B. A SURVEY OF MEMBER AND NON-MEMBER REMITTANCE RECIPIENTS

1. Purpose of the Survey

In order to examine the role credit unions play as providers of remittance distribution services, WOCCU implemented the first in-depth survey of users of *IRnet* services in Guatemala during the spring of 2004. This study was funded by USAID's Office of Microenterprise Development through the Accelerating Microenterprise Advancement Project (AMAP). WOCCU is a subcontractor to the IBM AMAP Financial Services consortium.

WOCCU's household-level survey of both credit union member and non-member remittance recipients was designed to:

- Detail the profile of remittance recipients in Guatemalan credit unions, and compare member and non-member remittance recipients in terms of their demographic and economic characteristics.
- Calculate the volume of remittances received by respondents and their households, and identify the purposes for which they use those funds.
- Compare respondents' use of remittance services provided by the credit unions to their use of alternative methods of remittance transfer.
- Evaluate remittance recipients' access to and use of financial services, and compare the savings behavior and credit access of member and non-member recipients.
- Determine whether remittance recipients are satisfied with the quality of remittance services provided by the Guatemalan credit unions.

2. Survey Area and Methodology

ACREDICOM, COOSADECO, ECOSABA, Guayacan and Parroquial Guadalupeana, the five credit unions with the highest levels of remittance activities in 2003, were selected for inclusion in the study. At each credit union, the two branches with the highest level of remittance activity were selected for sampling (Table 1.3). The exception was ECOSABA credit union, where surveys were conducted at the one branch that alone accounted for three-quarters of the total number of remittances received at ECOSABA in 2003. Interviews were conducted with 100 remittance recipients per credit union (102 at COOSADECO) in April/May 2004.

Table 1.3 Sample Credit Unions: Surveyed Branches and Their Location

Credit Union	Branch	Municipality	Department	Population of Municipality ⁽¹⁾
ACREDICOM	Tejutla*	Tejutla	San Marcos	27,672
	Tacaná	Tacaná	San Marcos	62,620
COOSADECO	Malacatán	Malacatán	San Marcos	70,834
	Avenida Bolivar	Guatemala**	Guatemala	942,348
ECOSABA	San Raymundo	San Raymundo	Guatemala	22,615
PARROQUIAL GUADALUPANA	Metro Norte	Guatemala**	Guatemala	942,348
	Plaza Florida	Guatemala**	Guatemala	942,348
GUAYACAN	Jalapa	Jalapa***	Jalapa	105,796
	Asunción Mita	Asunción Mita	Jutiapa	40, 391
*: Credit union headquarters; **: Capital of Department and of country; ***: Capital of Department				

Credit Union	Branch	Municipality	Department	Population of Municipality ⁽¹⁾
⁽¹⁾ Source: Instituto Nacional de Estadística (2003)				



II. WHO USES THE REMITTANCE SERVICES OF GUATEMALAN CREDIT UNIONS? A SOCIO-ECONOMIC PROFILE OF REMITTANCE RECIPIENTS AND THEIR HOUSEHOLDS

This section uses the survey data to sketch the basic demographic and economic characteristics of the survey respondents (member and non-member remittance recipients at five credit unions in Guatemala) and their families in order to answer the following questions:

- Who uses the remittance services of credit unions in Guatemala?
- What characteristics distinguish member and non-member remittance recipients?

The socio-economic profile of remittance recipients will enable readers to develop a better picture of the market niche of the credit unions. In particular, this information can be used to:

- Determine if the existing credit union remittance distribution network meets the needs and preferences of those on the receiving end of the remittance market.
- Identify the areas of weak credit union membership penetration in the remittance market.
- Identify the factors that determine a remittance recipient's decision to join a credit union.
- Define markets among member remittance recipients, and target those markets by attending to their financial needs.
- Recognize, among users of credit union remittance services, groups that demonstrate the potential for savings mobilization.

Finally, the socio-economic characteristics discussed here will be used in subsequent parts to explain differences in remittance, savings and borrowing activities of the respondents and their families.

A. DEMOGRAPHIC CHARACTERISTICS OF SURVEY RESPONDENTS

Important criteria used to characterize users of credit union remittance services include: gender, age, education, ethnicity, family structure and household size.

1. Gender

The vast majority of people receiving remittances at the Guatemalan credit unions are women. The percentage of female remittance recipients at the credit unions (73%) is considerably higher than their representation in the population as a whole (51%). On the other hand, those who send money to respondents in the sample tend to be male (in 82% of the cases). Credit unions in Guatemala will need to pay attention to the financial needs of women if they are to recruit among this population of remittance recipients.

2. Age

The average remittance recipient in the sample is 40 years old. At 46 years of age, male remittance recipients are on average older than female remittance recipients, who average 38 years in age.

Individuals in different age groups are at very distinct stages of their economic lives, with distinct savings and borrowing behaviors and needs. Approximately two-thirds of the remittance recipients interviewed at the credit unions are in the "prime" borrowing ages of 18 to 44, while approximately one-third of those surveyed are in the "prime" savings age range of 45 to 64.

3. Education Levels

In general, education levels of remittance recipients in the sample are very low. Twenty-three percent of those surveyed have had no formal schooling at all. Only 20% of the remittance recipients in the sample have more than primary school education. Despite their low formal education levels, the illiteracy rate for respondents in the sample (22%) compares positively to a 30% adult illiteracy rate for Guatemala as a whole in 2002 (The World Bank, 2004).

4. Ethnicity

Guatemala is a country rich in ethnic diversity. At the San Raymundo branch of ECOSABA, where 75% of the credit union's remittances are distributed, 55% of remittance recipients had a language other than Spanish as their mother tongue. More than 85% of remittance recipients in the other four credit unions were native Spanish-speakers.

Credit unions need to consider their clients' ethnic backgrounds in staffing, creating appropriate marketing materials and developing targeted programs.

5. Family Structure and Household Size

The majority of the remittance recipients in the sample are either married or have a common-law spouse. Nearly 65% describe themselves as the head of their households in Guatemala. The proportion of remittance recipients who are heads of their households is lower for female than for male recipients of remittances, but still quite high at 57%.

Remittances potentially benefit large numbers of people as recipients interviewed at the credit unions tend to belong to rather large households. The average household size is five people. Not counting family members who have migrated abroad in search of work, 42% of remittance recipients belong to households with six or more members, 6% belong to households with 10 members or more.

6. Relationship to Remitters

In 39% of the cases, remittances sent to respondents were from a son or a daughter. In 29% of the cases, they were sent by a spouse/partner. In only 14% of the cases, remittances received by respondents were from a sibling.

Women are more likely to receive remittances from their spouses than men. Men on the other hand, are more likely to receive remittances from their children.

B. ECONOMIC CHARACTERISTICS OF SURVEY RESPONDENTS

The survey instrument collected extensive data that was used to characterize the economic profile of remittance recipients: their labor market participation, their commercial and agricultural activities, their incomes from these activities and their asset structure. Variations in respondents'

productive activities, income and wealth may explain differences in their remittance activities, their savings behavior and their borrowing patterns.

1. Occupational Categories

By far the most common occupation for the remittance recipients interviewed is “homemaker” (44%). In total, nearly half of the recipients in the sample--the homemakers, the students, the retirees and the unemployed--form part of the economically inactive population.

After homemaker, the most commonly reported primary occupation for this group of remittance recipients is self-employment in commerce, production or services (22% of respondents). Approximately, one-fifth of respondents (18%) are primarily involved in agriculture and/or animal husbandry. About 12% of the remittance recipients interviewed are salaried employees or wage workers.

The primary occupations of remittance recipients vary across credit unions, largely reflecting the differences between the rural and urban environments. Half of the remittance recipients at ACREDICOM credit union (also known as *Movimiento Campesino* credit union) reported their primary occupation as agriculture/animal husbandry. Recipients at ECOSABA credit union are also more likely to report agriculture/animal husbandry as their primary occupation than self-employment in business.

Parroquial Guadalupana, in Guatemala City, is the only credit union where remittance recipients are equally likely to be salaried employees as self-employed in business (23%).

2. Income Distribution

Information on remittance recipients’ annual household incomes, *excluding* the remittances that they receive, is presented in Table 2.1.¹

Table 2.1 Annual Household Income, Excluding Remittances
(in Quetzales, Q.8=\$1)

	N	Mean	Income Distribution				
			1,000 or less	1,001 to 10,000	10,001 to 25,000	25,000 to 50,000	50,001 or more
OVERALL	369	14,401	40%	22%	19%	10%	8%
By Credit Union ACREDICOM	74	6,178	64%	24%	3%	4%	5%

¹ The information on incomes should be interpreted with caution. First, a large percentage of the households engaged in agricultural production only produced crops for home consumption. The estimation of the market value of their output was beyond the scope of the survey. The collected data on cash earnings underestimates true incomes for these households. Second, collecting information on households’ business earnings through recall proved to be more difficult than anticipated (many of the businesses were very small enterprises whose owners did not keep detailed accounts on their incomes and expenditures).

	N	Mean	Income Distribution				
			1,000 or less	1,001 to 10,000	10,001 to 25,000	25,000 to 50,000	50,001 or more
COOSADECO	72	19,549	31%	23%	25%	11%	10%
ECOSABA	85	8,837	42%	29%	16%	10%	3%
P. GUADALUPANA	64	26,198	30%	11%	24%	11%	24%
GUAYACAN	74	11,317	42%	22%	22%	10%	4%
By Gender of Respondent							
Male	106	19,191	23%	33%	22%	9%	12%
Female	263	12,521	47%	18%	18%	10%	7%
By Primary Occupation							
Self-employed Agri.	80	4,598	46%	45%	6%	2%	2%
Self-employed Bus.	58	25,222	6%	32%	31%	19%	13%
Salaried Employee	41	33,030	0%	12%	45%	19%	25%
Homemaker	176	9,335	60%	14%	14%	7%	5%
Other	14	26,489	18%	15%	28%	21%	18%

The information presented in Table 2.1 indicates that 40% of the respondents' households have no other source of cash income than the remittances they receive (having reported receiving Q.1,000 [\$125] for annual household income). More than 80% of respondents have annual household incomes of less than Q.25,000 (\$3,125). Considering that the survey found the average household to be comprised of five individuals, 62% of sample households have per capita incomes, exclusive of remittances, of less than Q.2,000 (\$250), which is less than \$1 per day. To put this amount in perspective, Guatemala's GDP per capita in 2003 was \$2,008 (www.worldbank.org/data/).

The information by occupation reveals that respondents primarily engaged in agricultural production have the lowest household cash incomes of the sample. So many are subsistence farmers--growing crops for home consumption--that 91% have annual household incomes in cash of less than Q.10,000 (\$1,250). Homemakers constitute another low-income group, 60% of them have no other source of cash income beyond remittances. By comparison, respondents engaged in salaried or wage employment and those who are primarily self-employed in business have the highest household cash incomes in the sample.

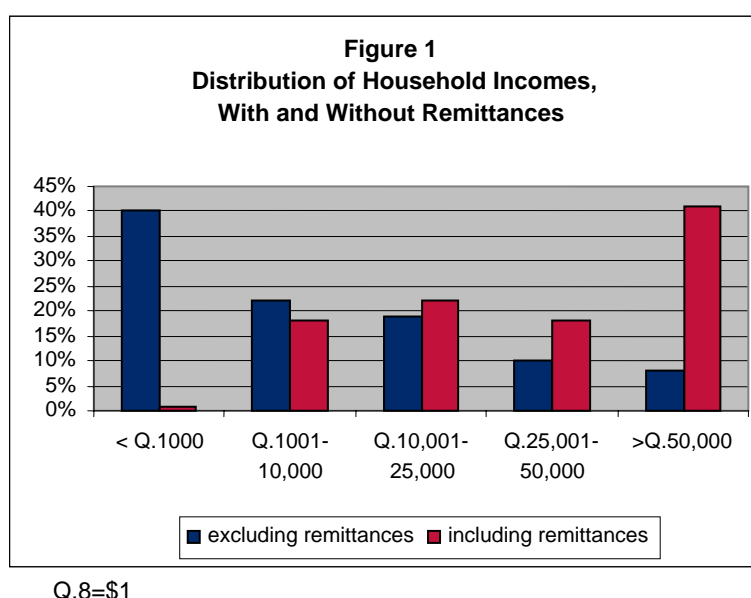
The rural versus urban location of credit unions can explain differences in their clients' household income levels, particularly in the cases of ACREDICOM and Parroquial Guadalupe credit unions. The information by credit union indicates that rural remittance recipients at ACREDICOM credit union have the lowest annual household incomes before remittances. Excluding the remittances that they receive, 88% of respondents at that credit union earn less than Q.10,000 (\$1,250). Of the credit unions surveyed, ACREDICOM has the highest percentage of respondents engaged primarily in agricultural production.

On the other hand, with an average annual income of Q.26,198 (\$3,275), respondents at Parroquial Guadalupe in Guatemala City have the highest annual incomes before remittances. A quarter of respondents from this credit union have household incomes of

Q.50,000 (\$6,250) or more, in addition to the remittances that they receive. Parroquial Guadalupeana is the credit union with the highest percentage of salaried or wage employment among remittance recipients.

Male respondents have average annual household incomes 50% higher than female respondents' (Q.19,191 compared to Q.12,521, or \$2,399 versus \$1,565). Nearly half (47%) of female respondents' households have no other source of cash income than the remittances they or their households receive.

Households' income distribution changes radically when remittances (in cash and kind) received by the households are considered. With the inclusion of remittances, the percentage of respondents with household annual incomes of less than Q.25,000 (\$3,125) is halved (from 80% to 41%). Figure 1 compares the distribution of household incomes with and without remittances.



With the inclusion of remittances, the difference between male and female remittance recipients is greatly reduced, and even partially reversed (Table 2.2). When remittances are included, average household incomes for male (Q.58,962 or \$7,370) and female (Q.55,259 or \$6,907) remittance recipients are much more comparable.

Table 2.2 Annual Household Income, including Remittances
(in Quetzales, Q.8=\$1)

	N	Mean	Income Distribution				
			1,000 or less	1,001 to 10,000	10,001 to 25,000	25,000 to 50,000	50,001 or more
OVERALL	352	56,277	1%	18%	22%	18%	41%
By Credit Union ACREDICOM	69	31,299	4%	41%	21%	14%	20%

	N	Mean	Income Distribution				
			1,000 or less	1,001 to 10,000	10,001 to 25,000	25,000 to 50,000	50,001 or more
COOSADECO	69	56,813	2%	16%	20%	23%	40%
ECOSABA	84	54,272	2%	19%	27%	14%	38%
P. GUADALUPANA	60	72,376	2%	3%	17%	20%	58%
GUAYACAN	70	58,003	0%	18%	20%	19%	43%
By Gender of Respondent							
Male	97	58,962	0%	24%	22%	19%	35%
Female	255	55,259	2%	15%	21%	18%	44%
By Primary Occupation							
Self-employed Agri.	75	34,071	1%	36%	28%	14%	22%
Self-employed Bus.	54	75,925	0%	6%	20%	17%	56%
Salaried Employee	38	79,355	0%	0%	13%	22%	65%
Homemaker	171	53,587	3%	19%	23%	17%	38%
Other	14	55,417	0%	11%	7%	42%	40%

3. Distribution of Wealth

Recipients may use their remittances to acquire assets: purchasing or building a home; and buying farmland, agricultural equipment or inputs to work the land, etc. (see Part III). Assets, in turn, are likely to be a crucial determinant of credit access (through the provision of collateral) and, thus, of production behavior in general (see Part IV).

Special emphasis was given in the WOCCU survey to obtain information on the approximate values of all (residential, business, agricultural) assets owned by the remittance recipients and their households. Business assets may be land and buildings, machinery and equipment used in the business, vehicles owned and used by the business, and inventories. The main components of agricultural assets are land, livestock and agricultural machinery. Finally, residential assets include all residential properties owned by the respondents and their households, and any vehicles owned which are not used for business or agriculture.

The average household wealth level for the sample of remittance recipients as a whole is Q.138,432 (or about \$17,300). Remittance recipients at Parroquial Guadalupe, Guayacan and ACREDICOM credit unions are among the wealthiest in the sample. The distribution of households across wealth quintiles (which were defined for the entire sample²) show that 46% of recipients at Parroquial Guadalupe and 53% of recipients at Guayacan are among the top two quintiles of wealth holders. On the other hand, remittance recipients at ECOSABA credit union (primarily indigenous people) are among the poorest with approximately 55% of remittance recipients in the lowest two wealth quintiles.

² The ranges of wealth corresponding to each quintile for this sample are Q.0-20,000 (\$0-2,500), Q.20,000-60,000 (\$2,500-7,500), Q.60,000-125,000 (\$7,500-15,625), Q.125,000-225,000 (\$15,625-28,125) and greater than Q.225,000 (\$28,125).

The information by occupation indicates that respondents who are primarily self-employed in business have the highest level of household wealth in the sample (Q.204,796 or \$25,600). Agriculturalists, who were found to have the lowest level of household cash income in the sample, have the second highest level household wealth (primarily in the form of agricultural land). On the other hand, salaried employees, who have the highest level of household cash income in the sample, hold fewer assets: their household wealth level is Q.145,000 (\$18,131). Finally, homemakers have the lowest level of household wealth in the sample.

Female remittance recipients who make up the group of homemakers tend to belong to households that are poorer in terms of their ownership of assets. Average household wealth levels for male remittance recipients (Q.177,598 or \$22,200) are almost 50% higher than female recipients' (Q.122,371 or \$15,296). Twenty-four percent of female recipients fall in the lowest wealth quintile, compared to 14% of the male recipients. On the other hand, 26% of the male recipients belong to the top wealth quintile, compared to 15% of the female recipients.

C. CREDIT UNION MEMBERSHIP

Having outlined the socio-economic profile of credit union remittance service users in Guatemala, this section proceeds to identify the characteristics that distinguish remittance recipients who are members of the credit unions from the non-members and briefly discusses members' reasons for joining the credit unions.

1. How Do Members and Non-Members Differ?

Women outnumber men for both members and non-members, but the percentage of women is greater among members (79%) than non-members (70%). In other words, women remittance recipients have been slightly more likely to join the credit union than the men.

Educational levels are low for both groups of remittance recipients, but more so for members than non-members. Seventy-five percent of member recipients have not completed their primary education, as compared to 57% of the non-members.

Household incomes (including remittances) appear to be higher for member than non-member remittance recipients. The proportion of remittance recipients with household cash incomes below Q.10,000 (\$1,250) is higher for non-members than for members (24% versus 12%).

On the other hand, member recipients belong to households with lower wealth levels than non-member recipients: 47% of member recipients belong to the lower two wealth quintiles and 53% to the top three quintiles; 37% of non-member recipients belong to the lower two wealth quintiles and 62% to the top three quintiles (Note: the poorest remittance recipients in the sample are from ECOSABA, the credit union where remittance recipients are predominantly members of the credit union).

2. Reasons for Joining the Credit Union

The survey asked member respondents to identify the credit union service that had motivated them to join the credit union. Most member remittance recipients (40%) cited credit unions'

remittance services directly (Table 2.3). Twenty-seven percent cited savings services and 15% loan services. These results suggest that one of the key goals of the credit unions' remittance distribution service—to increase access to financial services among the population of unbanked remittance recipients—has been met.

Table 2.3 Member Remittance Recipients: Why Did You Join the Credit Union?

		Savings services	Loan services	Remittance services	Insurance services	No info
OVERALL	189	27%	15%	40%	2%	16%

3. Length of Membership

Given the significant role remittance services have played in recipients' decision to join the credit unions, and given the relatively short period of time this service has been available at Guatemalan credit unions (late 2001), it is not surprising that many member remittance recipients have not belonged to their credit unions for very long. Seventy-four percent of member recipients joined their credit unions three years ago or less—25% have been with the credit unions for less than one year. These findings suggest that nearly three-quarters of current member recipients became members of the credit unions as a result of receiving remittances there during the last three years.

Principal Findings of Part II

- Women make up almost three-quarters of remittance recipients at the Guatemalan credit unions.
- Sixty-one percent of these female remittance recipients report their primary occupation as homemakers.
- For the sample as a whole, nearly half of the recipients in the sample—the homemakers, the students, the retirees and the unemployed—form part of the economically inactive population.
- Excluding remittances, 62% of sample households have a per capita cash income of less than \$1 per day.
- Both the average annual household incomes (excluding remittances) and the average household wealth levels of female remittance recipients are approximately 50% lower than those of male recipients.
- With the inclusion of remittances, the percentage of respondents with household annual incomes of less than Q.25,000 (\$3,125) is halved (from 80% to 41%). The inclusion of remittances almost equalizes household incomes between male and female remittance recipients.
- Approximately 30% of remittances distributed at the five sample credit unions in December 2004 were collected by credit union members. Women recipients are more likely to become credit union members than men.
- For both female and male members in the sample, credit union remittance services were most often cited as their primary reason for joining the credit unions. This finding suggests that the credit unions are making important strides towards the key objective of bringing 'unbanked' remittance recipients into the formal financial system.

III. REMITTANCE PRACTICES

Respondents were asked in detail about all remittances they had received over the course of the year preceding (and including) the interview: number of remitters, number and value of each remittance received; and the most common transmittal method used by each friend or relative sending them money.³

Most respondents (69%) receive remittances from only one remitter, but there are also many who have received remittances from more than one remitter during the preceding year. In fact, 24% of respondents had received remittances from two different remitters, and 7% had received remittances from three or more different remitters. The survey respondents are not the only members of their households who receive remittances. Of the 502 people interviewed, 13% had other household members who had also received remittances over the same period.

Also, while it is not the focus of this study, it is important to note that in addition to cash remittances, some households receive remittances in kind. Overall, 26% of the households surveyed had received merchandise or gifts such as clothing, electro-domestic goods or medicine from friends and relatives living abroad in 2003.

This section of the report analyzes survey respondents' and their households' use of remittance services provided by credit unions and other remittance transfer companies (section A); evaluates the total value of remittances received by the respondents (section B); discusses recipients' use of their remittance monies (section C); and, finally, evaluates remittance recipients' familiarity and satisfaction with the remittance services provided by credit unions (section D).

A. USE OF REMITTANCE SERVICES

1. Point of Origin

Ninety-nine percent of remittances received by respondents in the sample originated in the United States; the remaining one percent originated in Canada. The WOCCU survey also obtained information on the U.S. states sending remittances to recipients at the five sampled credit unions. Almost 75% of those sending remittances to the sample of respondents during the previous year resided in the four U.S. states of New York (28%), Virginia (20%), California (16%) and Massachusetts (10%).

2. Methods of Remittance Distribution

Immigrants can use a variety of ways to send money to their relatives back home: through international money transfer companies, through financial institutions like banks and credit

³ Depending on the exact date of the interview, the respondents were asked about remittances received during the period April/May 2003 - April/May 2004.

unions, by mail, or by hand delivering the money (either themselves or via a third party known as an *encomendero*).

Overall, 94% of survey respondents rely on credit unions regularly to receive their remittances. In addition, 9% of the recipients had at least one friend or relative who relied primarily on money transfer companies to send them money: 3% had at least one friend or relative primarily using a method of transmittal which relied on commercial banks to distribute the money to recipients in Guatemala (these percentages do not add up to 100%, as each respondent may receive remittances from several remitters, and those remitters may be using different methods of transmittal).

Reliance on credit unions to receive remittances varies notably by the membership status of the recipients. Eighteen percent of the non-member remittance recipients interviewed indicated that they had at least one friend or relative who used methods of transmittal that relied on other types of institutions to disburse the funds to them. By contrast, only 5% of remittance recipients who are already credit union members receive remittances most commonly through money transfer companies or commercial banks.

3. Size and Frequency of Remittances

The average size of a remittance sent to respondents in the sample is Q.2,559 (\$320). The median size of a remittance sent to the respondents is Q.1,600 (\$200). Forty-one percent of transfers range between \$100 and \$300.

Seventy-five percent of those who send remittances to our sample of respondents dispatch money at least once a month. By comparison, remittance recipients surveyed in the 2003 IADB-MIF national-level study receive an average of \$150 in remittances eight times a year (IADB/MIF, 2003b).

B. HOW MUCH DO THEY RECEIVE?

At the overall sample level, respondents had received, on average, a total of Q.37,662 (\$4,708) in cash remittances over a one-year period. Respondents' households had received a total of Q.39,491 (\$4,936) in cash remittances over that period. Given an average household size of five for the sample as a whole, the per capita amount of cash remittances received per year is Q.7,898 (\$987), or 49% of the GDP per capita of \$2,008 in 2003. In addition, households receive, on average, Q.1,262 (\$158) in remittances in kind.⁴

Respondents who are credit union members receive substantially more in total cash remittances than those who are non-members (Q.54,570 [\$6,821] versus Q.28,647 [\$3,581]).

Heads of households receive substantially more in total cash remittances than other household members (Q.41,652 [\$5,207] versus Q.30,368 [\$3,796]). On the other hand, differentiation by gender and occupation indicates that women receive only slightly less in total cash remittances than men (Q.37,165 [\$4,646] versus Q.39,071 [\$4,884]), and that the total received in cash remittances by respondents who are homemakers ranks high among the different occupational

⁴ Note that this figure is calculated over all the households in the sample, not just those who were receiving remittances in kind. The averages do exclude households with missing values for each variable.

categories. This particular group of respondents, more often than others in the sample, is dependent on the income they receive from abroad.

Finally, the information by wealth indicates that lower-wealth households receive less in total remittances than those in the higher wealth categories. For the sample of Guatemalan households surveyed, reliance on remittances as a source of income does not decrease with higher wealth levels.

C. USE OF REMITTANCES

The expenditure pattern of remittance recipients is central to any discussion regarding the potential to mobilize savings from remittance recipients. The survey asked respondents to list all the different expenses for which they used the remittances they had received in 2003 (Table 3.1), as well as to identify their primary use of the remittance funds (Table 3.2).⁵

Table 3.1 Respondents' Uses of Cash Remittances Received in 2003

OVERALL	N=463
Basic Needs*	93%
Health	85%
Education	73%
Deposits in Financial Institutions	54%
Keep as Cash	48%
Emergency	45%
Agriculture	30%
Repay Loans (NOT from financial institutions)	26%
Buy, Build or Remodel Home or Residential Property	23%
Wedding, Funeral, Births, etc. (Life Cycle)	14%
Start, Expand or Operate Business	13%
Repay Loans from Financial Institutions	8%
Vehicles for Personal Use	7%
Other	0%

*Basic needs include food, clothing, transport and housing.

Table 3.2 Respondents' Primary Expenditure of Cash Remittances Received in 2003

OVERALL	N=463
Basic Needs*	56%
Buy, Build or Remodel Home or Residential Property	10%
Repay Loans (NOT from financial institutions)	9%
Health	7%

⁵ Tables 3.1 and 3.2 do not take into account those who were receiving remittances for the very first time at the time of the interview in April/May 2004.

OVERALL	N=463
Education	6%
Agriculture	4%
Keep as Cash	3%
Deposits in Financial Institutions	2%
Start, Expand or Operate Business	1%
Repay Loans from Financial Institutions	1%
Other	1%
Vehicles for Personal Use	0%
Wedding, Funeral, Births, etc. (Life Cycle)	0%
Emergency	0%

*Basic needs include food, clothing, transport and housing.

The results clearly show the principal use of remittances to be basic needs such as food, clothes, transport and rent. More than 90% of those interviewed spent at least part of their remittances on these basic expenses (Table 3.1), and 56% used most of their remittance money for these expenses (Table 3.2). Basic household expenditures were the primary use of remittance funds for respondents from all age, gender and wealth categories. As household wealth increased, respondents were less likely to spend most of their remittances on basic needs. Women were more likely to spend the remittances they received on basic household expenditures than men.

The second most common expense for which remittance recipients use the money they receive is health: 85% used at least part of their remittances for health expenditures; 7% of recipients identified health expenditures as their primary use of remittances received in 2003. This was more likely to be true of older than of younger recipients.

The third most common use of remittance monies is education, on which 73% of respondents spent at least part of their additional income from remittances. Use of remittance monies for education is greater among younger recipients (under 44) than older ones (55 and older).

Use of remittance money for investments (in business, in agriculture or in residential property) was much less important than for basic household expenditures, health or education. In fact, investments in agriculture and business were the primary use of remittances for less than 5% of the individual remittance recipients (Table 3.2). Recipients from wealthier households, however, were more likely to invest at least part of their remittances in business or agriculture. Also, remittances received by men were more likely to be spent on investments in agriculture or residential property than remittances received by women. Finally, remittance recipients whose primary occupation was self-employed business, and even more so for those whose primary occupation was agriculture, were much more likely to spend at least part of their remittances on productive investments.⁶

Fifty-four percent of the remittance recipients in the sample deposit at least part of the money they receive in a financial institution (Table 3.1). This percentage increases with the wealth of the recipients (from 46% for those in the lowest household wealth quintile to 64% for those in

⁶ A recent study of remittance recipients in rural Mexico concludes that remittance monies spent on agricultural inputs such as land and cattle enable households engaged in agricultural production to continue their activities despite the fact that—like the large percentage of subsistence farmers in our sample of remittance recipients—they earn no cash income from these activities (El Colegio de la Frontera Norte, 2002, cited in Orozco, 2003).

the highest quintile). It is higher for women (58%) than for men (42%), and it is noticeably higher for credit union members (85%) than non-members (36%). On the other hand, in 48% of the cases for the sample overall, and across all categories, respondents reported keeping part of their remittances in the form of cash. Three percent of respondents kept the largest part of their remittances as cash (Table 3.2).

Finally, a significant proportion of remittance recipients reported using part of their remittances to pay off loans, especially loans from informal sources of credit (such as loans from moneylenders, coyotes, friends or relatives). For as many as nine percent, paying off these loans was their primary use of the remittances received. Repayment of loans is a more common use of remittances among younger remittance recipients.

Seventy-one percent of respondents reported that the decision regarding the use of remittances was made by the recipients (respondents and other members of their households) in Guatemala. In 14% of the cases, the decision was made by the remitter, and in 16% of the cases, both senders and recipients were involved in the decision.⁷

D. PERCEPTIONS OF CREDIT UNIONS' REMITTANCE SERVICES

The survey included a number of attitudinal questions designed to assess respondents' familiarity with and perceptions of credit unions' remittance distribution services, and to evaluate recipients' satisfaction with the quality of service provided by credit unions.

1. IMAGES OF CREDIT UNION REMITTANCE SERVICES

Perceptions of credit unions' remittance services affect both member and non-member recipients' willingness to continue using these services, and the likelihood of non-members joining the credit unions to become savers, borrowers and insurance policyholders. Survey respondents were asked to state whether they agreed or disagreed with a series of statements about credit union remittance services.

In general, perceptions of credit union services among respondents are very positive: practically all remittance recipients at the credit unions agreed with the statements that "credit unions offer a convenient service for receiving remittances from abroad" (97%) and that "credit unions provide secure remittance transfers from abroad" (96%). Moreover, 89% agreed that "credit unions manage remittance transfers in an honest and transparent fashion;" only 2% disagreed with that statement. Lastly, only 12% of remittance recipients were in agreement with the statement that "credit unions charge too much for remittance transfers;" 51% disagreed with the statement. Also, a very large percentage of respondents overall (37%) stated that they did not know the relative costs of remittance transfers between credit unions and other remittance service providers. Remitters may not be very well informed about the explicit cost of sending money from abroad because the method of remittance transfer is generally decided and paid for by the remitters.

⁷ The percentages add up to 101% due to rounding.

2. SATISFACTION WITH CREDIT UNIONS' REMITTANCE SERVICES

When remittance recipients were asked what they considered to be the single most important advantage of using the remittance services of a credit union, overall, the largest group (a quarter of the respondents) cited the location of the credit union. This advantage is particularly important to respondents at ECOSABA credit union: 57% of respondents at the San Raymundo branch of ECOSABA (one of only two financial institutions in the municipality of less than 23,000 people) consider location to be the most important advantage of the credit union's remittance distribution service. At ACREDICOM, COOSADECO, Parroquial Guadalupeana and Guayacan credit unions, respondents value the speedy and timely remittance service of credit unions over the credit unions' location.

Principal Findings of Part III

- Remittances are a significant source of income for the recipients surveyed at the Guatemalan credit unions: the average annual remittances received by recipient households were \$4,940. By comparison, their average annual household cash income (excluding remittances) was \$1,800.
- Recipients' reliance on credit unions to receive their remittances varies by location. It is highest among clients of the more rural-based credit unions that face little competition in their zones of influence; it is lowest among recipients at more urban credit unions who have access to alternative institutions distributing remittances.
- When asked to identify the single most important advantage of using the remittance services of a credit union, the largest group of recipients (a quarter of the respondents) cites the credit unions' location.
- More than 90% of those interviewed spent a portion of their remittances on basic household needs, defined as food, clothes, transport and rent; for 56%, this is the primary use of their remittance money.
- Fifty-four percent of the remittance recipients in the WOCCU sample deposit at least part of the money they receive in a financial institution. This percentage is higher for women than for men, and it is considerably higher for members than for non-members.
- In general, perceptions of credit union remittance services among respondents are very positive.

IV. REMITTANCE RECIPIENTS' PARTICIPATION IN SAVINGS AND CREDIT MARKETS

The evidence on the use of remittances presented in Part III suggests that remittance monies are used principally to meet the receiving households' basic needs. The evidence also indicates that remittance recipients 1) save a portion of their money, both in accounts in financial institutions and in the form of cash at home; and 2) use part of their remittances to pay off loans, both from formal financial institutions and from informal sources of credit such as moneylenders, friends or relatives. To a lesser extent, remittance recipients interviewed in credit unions use their remittance monies for productive investments in business and agriculture.

One objective of credit union remittance distribution services is to increase remittance recipients' participation in the formal financial sector by providing them with 1) secure and interest-bearing savings opportunities for their remittance monies; and 2) access to affordable borrowing opportunities which enhance their capacity to use the remittances in a productive way.

A. SAVINGS BEHAVIOR OF MEMBER AND NON-MEMBER REMITTANCE RECIPIENTS

This section of the report analyzes the savings behavior of surveyed remittance recipients and their households to:

- Identify the demographic and economic characteristics that explain differences in the savings behavior of remittance recipients.
- Profile remittance recipients' use of the savings services provided by credit unions and other financial institutions.
- Compare the savings behavior of member and non-member remittance recipients.

1. WHO SAVES? REMITTANCE RECIPIENTS WITH ACCOUNTS AT FINANCIAL INSTITUTIONS

Currently, 63% of remittance recipients surveyed at the five credit unions have an account at a financial institution. The percentage goes up to 72% when both the individual recipients and their households are considered.

All remittance recipients who are credit union members must open an account (a *cuenta de aportaciones* or share account) at the credit union as part of their membership requirement.⁸ Non-member remittance recipients who are not bound by the credit union membership requirement to have an account are much less likely to have one at a financial institution. Less than half (44%) of the non-member recipients themselves and only slightly more than half (57%) of their households have an account at a financial institution. This data underscores the potential role of credit unions in providing savings services to a segment of the population that is currently underserved by the market.

2. REASONS FOR NOT SAVING IN A FINANCIAL INSTITUTION

Remittance recipients who do not use the savings services at a financial institution were asked to identify the reason why they did not have an account. By far, remittance recipients' main reason for not having an account at a financial institution was insufficient income (65%). Nevertheless, 11% of the respondents who do not have an account state that the reason is because "they are not used to saving." Only 5% of the respondents mentioned that they do not have an account because they consider other types of investments to be more profitable. Finally, 5% did not have an account because they do not know how or where to open an account, or believed that they would not meet the requirements needed to open an account.

⁸ At ECOSABA credit union, the account that new members are required to open is called a "*cuenta de capital*."

3. MOBILIZING SAVINGS FROM REMITTANCE RECIPIENTS

a. Willingness to Save Remittance Monies

As shown in Part III, only 54% of those respondents who had received remittances during 2003 had saved part of those remittances in a financial institution.⁹ Respondents who are currently receiving remittances and are not saving any part of these remittances in a financial institution were asked whether or not they would be interested in doing so.

Only 35% of respondents were not interested in depositing any portion of their remittances in an account at a financial institution. The percentage is higher for older, male respondents. It is also higher among non-member recipients. On the other hand, it is uniform across occupational categories.

Sixty-five percent of respondents did express an interest in depositing part of their cash remittances into an account at a financial institution such as a bank or a credit union, even though they do not do so currently. The percentage is significantly higher for female respondents and for those who are already credit union members.

Respondents interested in saving were then asked what percentage of their annual cash remittances they would be willing to deposit in an account. While these remittance recipients do not currently save any portion of their remittances in a financial institution, they expressed a willingness to deposit 22% of their remittances in an account at a financial institution.

b. Respondents' Primary Savings Institutions for Their Remittances

Respondents who did save part of their 2003 cash remittances in a financial institution were asked to identify the institution at which they deposited most of the saved remittances: 62% mentioned credit unions, 32% private banks and 6% public banks.

The overwhelming majority (96%) of remittance recipients who were members of the sample credit unions say that credit unions hold most of their saved remittances. Non-member remittance recipients, on the other hand, are more likely to save part of their remittances in a public or private bank (86%) than in a credit union (14%). Non-member remittance recipients who do deposit part of their remittances in a credit union are either depositing that money in youth savings accounts opened in their children's names, or in a credit union account belonging to another member of their household.¹⁰

Respondents' choice of a primary financial institution to deposit remittances does vary greatly by credit union. The percentage of recipients who say that they deposit most of their remittances at a credit union is highest in the more rural-based credit unions, ECOSABA (100%) and ACREDICOM (89%). The percentage of recipients who say that they deposit most of their remittances at a credit union is lowest in COOSADECO (30%) and especially in Parroquial Guadalupana (17%), the most urban credit union branches in the sample, which face the greatest competition in their zones of influence.

⁹ This percentage does not take into account those who were receiving remittances for the very first time at the time of the interview in April/May 2004.

¹⁰ In Guatemalan credit unions, non-members can open savings accounts for their children (less than 18 years of age).

The two most common reasons remittance recipients gave for selecting a credit union as the primary institution in which they deposited part of their remittances are greater security for savings (22%) and location (20%). In addition, 14% directly mentioned credit unions' remittance services as an incentive to deposit their remittance monies there.

The primary reasons why remittance recipients at the credit unions chose a bank rather than a credit union as the primary depository for their remittances bring to light areas in which credit unions could do more to attract savers away from their principal competitors. The most common reasons given by respondents for choosing a bank as the primary institution in which to deposit part of their remittances are habit and loyalty (25%) and location (18%). Regardless of the type of financial institution where respondents deposit most of their remittances, location appears to be a key factor in the choice of primary savings institution.

4. CHARACTERISTICS OF SAVERS

The purpose of this section is to analyze the relationship between respondents' socio-economic characteristics and their savings behavior. At the overall sample level, individual remittance recipients have Q.6,092 (\$762) in total savings, equaling 38% of 2003 GDP per capita. Their households have a total of Q.7,531 (\$941) in savings, illustrating that remittance recipients are the principal savers in their households.¹¹

Gender plays an important role in remittance recipients' savings behavior. Men have average savings levels that are more than one and a half times greater than female remittance recipients' (Q.8,004 [\$1001] for men versus Q.5,394 [\$674] for women).

Savings behavior also varies across different occupational categories. Not surprisingly given the gender differences noted above, average savings levels are lowest among homemakers, all of whom are women. The highest average total savings levels are recorded for agriculturalists, followed by salaried or wage workers, and lastly business owners. One possible explanation for the lower savings levels maintained in accounts by business owners relative to salaried employees may be the former's alternative investment opportunities; they may save in the form of investing back into the business.

Age also plays a role in respondents' savings behavior. Savings levels are highest for more mature respondents who have had more time to build up their savings (those in the 45-54 and 55-64 age categories). After the age of 65, respondents begin to spend their savings and savings levels fall as a result.

Average savings levels of respondents and their households are also strongly and positively correlated with income. Respondents with a yearly household income of over Q.100,000 (\$12,500) average Q.9,792 (\$1,224) in total savings, while average savings levels for the lowest income group is Q.3,578 (\$447).

Finally, while respondents' individual and household savings do not increase progressively as the household wealth level increases, they are clearly at their highest for those in the wealthiest category.

¹¹ Averages are calculated across all respondents in the samples not just those with savings. A note of caution on this assertion is that savers are more likely to know detailed information about their own accounts than those of other household members.

5. THE SAVINGS MARKET

a. Financial Institutions' Share of Remittance Recipients' Household Savings

The financial data collected in the survey was used to construct different types of institutions' shares of respondents' *household* savings (in terms of both number and volume of accounts).¹² The results are presented in Table 4.1.

**Table 4.1 Financial Institutions' Share of Total Household Savings
in terms of number of accounts and volume of savings**

	Credit Union		Public Bank		Private Bank	
	#	Vol	#	Vol	#	Vol
OVERALL	55%	34%	8%	10%	37%	56%
By Credit Union						
ACREDICOM	91%	84%	5%	6%	4%	10%
COOSADECO	23%	9%	9%	4%	68%	87%
ECOSABA	95%	99%	2%	1%	3%	0%
P.GUADALUPANA	19%	3%	12%	4%	69%	92%
GUAYACAN	56%	12%	10%	28%	34%	60%
By Type of Respondent						
Member	92%	83%	1%	4%	6%	13%
Non-Member	16%	7%	14%	13%	70%	80%
By Household Wealth						
1st quintile	59%	43%	3%	10%	38%	47%
2nd quintile	79%	83%	7%	8%	14%	9%
3rd quintile	61%	62%	9%	0%	31%	38%
4th quintile	57%	31%	5%	8%	38%	61%
5th quintile	41%	14%	10%	12%	49%	73%

Overall, credit unions currently hold 55% of the number of recipient households' accounts, but 34% of the volume of their financial savings. That is, two-thirds of the total savings volume of remittance recipients' households (66%) is held in other types of financial institutions. Credit unions' main competitors are private banks, which hold 56% of the volume of remittance recipients' household savings. Public banks hold 10%.

The percentage of recipients' household savings held at other financial institutions is greater in the more urban credit unions. Most notably, remittance recipients at COOSADECO and Parroquial Guadalupe credit unions keep 91% and 96% respectively of their household savings outside credit unions, almost entirely in private banks, and those from Guayacan hold 88% of their household savings outside credit unions, with almost 30% held in public banks.

¹² The information in Table 4.1 refers to household savings, that is the savings of all members of the household.

By sharp contrast, almost 85% of the household savings of remittance recipients at ACREDICOM and 99% of the household savings of those at ECOSABA are held in credit unions.¹³ The three branches surveyed in the case of these two credit unions are located in rural areas where access to other financial institutions is limited. The Tejutla branch of ACREDICOM and the San Raymundo branch of ECOSABA, in particular, are located in municipalities with populations of less than 30,000 (see Part I).

The differences in sample credit unions' share of household savings are also related to these credit unions' membership recruitment among the users of their remittance services. The information presented in Table 4.1 shows that, in the case of non-member remittance recipients, 93% of the volume of their household savings is held outside credit unions.¹⁴ At COOSADECO and Parroquial Guadalupana--where the percentage of members among remittance recipients is lowest--the credit union's share of their recipients' volume of financial savings is the lowest.

In comparison, in the case of member recipients, 83% of the households' savings are held in credit unions. At ECOSABA credit union--where more than 80% of remittance recipients are members of the credit union--the credit union's share of the recipients' volume of household savings is the greatest (99%).

Finally, credit unions' share of the financial savings of the households who use their remittance services decreases significantly with wealth (with the exception of the remittance recipients in the lowest wealth quintile): credit unions hold 83% of the financial savings of households in the second wealth quintile, but only 14% of the household savings of the wealthiest users of their remittance services. This finding suggests that credit unions' efforts to mobilize savings would benefit from attracting savings held elsewhere by their more affluent remittance service clients.

6. SAVINGS MOBILIZATION: A COMPARISON OF MEMBER AND NON-MEMBER REMITTANCE RECIPIENTS

At the overall sample level, total savings per respondent are slightly higher for members than they are for non-member remittance recipients--in three out of the five credit unions, members save substantially more than non-members. Both male and (especially) female member remittance recipients have higher total savings levels than their non-member counterparts.

Remittance recipients primarily engaged in business or salaried employment save more in the case of non-members than members, but homemakers--among the poorest groups in the sample--save substantially more as members than as non-members. Savings levels of agriculturalists are slightly higher for members than non-members.

Lastly, controlling for wealth levels, the average savings levels for member recipients are higher than for non-member recipients for those in the lowest three wealth quintiles. These comparisons offer compelling evidence of the important role credit unions play in mobilizing savings from their members, especially among the lowest wealth categories.

¹³ Note, however, that in a small number of cases, these savings are held at credit unions other than the one where the remittance recipient is being interviewed.

¹⁴ Seven percent of these non-member respondents' household savings are held in credit unions. This is money deposited in credit union accounts opened in their children's names, money held in credit union accounts by other members of their households, or money held by the respondents themselves in credit unions other than the one where they were being interviewed.

B. THE CREDIT ACCESS OF MEMBER AND NON-MEMBER REMITTANCE RECIPIENTS

This section focuses on the borrowing behavior of member and non-member remittance recipients. Survey respondents were asked about the sources of all of their own and their families' loans that were either received or outstanding in 2003.

This information is used to characterize households' use of the lending services provided by formal and informal sources of credit (section 1) and to identify the demographic and economic characteristics—which can explain their borrowing behavior (section 2).

Access to credit cannot be simply defined as the proportion of a group with loans, without controlling for demand, or for whether the members of that group consider themselves constrained in their borrowing efforts. Using additional survey data on respondents' experiences and perceptions of borrowing in formal credit markets, section 3 addresses the issue of credit demand by trying to identify whether remittance recipients were constrained in their access to credit from formal lending institutions (respondents are constrained in their access to credit if they wish but are unable to obtain credit from banks or credit unions at a going market rate).

1. USE OF CREDIT MARKET ALTERNATIVES

Table 4.2 presents the percentage of remittance recipients' households with loans from different sources.

Table 4.2 Households' Use of Loans (in Cash and Kind) from Various Lenders

LOANS IN CASH	Credit union	5%
	Public bank	2%
	Private bank	3%
	Finance company	1%
	Moneylender	12%
	Merchant/trader	1%
	Relative/friend	8%
	Other sources	1%
	LOANS IN CASH FROM ANY SOURCE	30%
	Supplier credit	9%
	LOANS OR SUPPLIER CREDIT	35%

At the overall sample level, 30% of remittance recipients' households had either received or were still paying off a loan (in cash) in 2003. Supplier credit (i.e., loans in the form of input supplies or merchandise) is a less important source of credit for the households in the sample: loans from input suppliers are reported by 9% of the sample households. When supplier loans are considered, the percentage of households using credit (in cash or kind) increases from 30% to 35%.

The most common source of cash loans to remittance recipients' households is moneylenders (12%). The second most common form of loans in cash for recipients' households is an informal loan from friends or relatives (8%). Only 5% of remittance recipients at the five credit unions either had received or were still paying off a household loan from a credit union in 2003. The percentage is even lower for loans from either public or private banks.

Credit unions provide loans only to their members. The percentage of remittance recipients whose households had a loan from a credit union in 2003 was 12% for credit union members, and 2% for recipients who were not credit union members.

2. CHARACTERISTICS OF BORROWERS

The purpose of this section is to identify characteristics of respondents and their households that could explain differences in their borrowing behavior. The different categories used to analyze the borrowing behavior of remittance recipients and of their households are age, gender, income and wealth.

a. Borrowing Behavior by Gender

There does not appear to be any obvious gender bias in remittance recipients' use of credit services: the percentage of respondents who had received or were still paying off a loan in 2003 was very similar for men and women.

Further research to obtain more detailed information on loan sizes would be necessary to draw any conclusions on women's share of the volume of loans relative to men's share (women's participation in borrowing activities would be equal to men's participation if women had the same average loan size as men and if their share of the total volume of loans was equal to their weight in the sample).

b. Borrowing Behavior by Age

The percentage of remittance recipients who had any loans in 2003 (and specifically the percentage of those who had loans from moneylenders) declines with age: 9% of remittance recipients from the oldest age group (older than 65) had received or were still paying off any loans in 2003, compared to 27% of those in the youngest age group (younger than 25). Any conclusions regarding each age group's share of the total number and volume of loans would require further research to obtain more detailed information on loan sizes.

c. Borrowing Behavior by Occupation

Analysis of credit behavior by occupation shows that respondents whose primary occupation is self-employment in business were the most likely to have either received a loan or to be paying off a loan in 2003 (30%).

Homemakers (respondents who have no occupation outside the home) and respondents who are primarily involved in agriculture were the least likely to have had loans in 2003 (18% and 19% respectively). As previously noted, many of the households involved in agriculture in this sample produce crops only for home consumption; they therefore may not be in a position to finance their production expenses with credit.

Finally, 23% of salaried workers had either received or were paying off a loan in 2003. The purposes for which these loans were used (e.g., housing, education, business as a secondary occupation, etc.) are not known.

d. Borrowing Behavior by Income

The data indicates that use of loans from formal lending institutions (credit unions, banks and finance companies) is correlated with income, while use of loans from more informal sources (moneylenders, friends and family) is either not related to income, or only weakly and inversely related to income.

e. Wealth and Access to Credit

Use of credit by remittance recipients' households appears to decline as household wealth increases. Remittance recipients' households from the bottom three wealth quintiles were more likely to have loans in 2003 than recipients' households from the top two wealth quintiles.

Moreover, analysis by source of loan suggests that while use of loans from moneylenders declines with wealth, use of loans from more formal institutions (credit unions, banks and finance companies) appears to increase with household wealth.

3. DEMAND FOR CREDIT

In the previous two discussions of credit behavior, access to credit was defined as the proportion of a group with loans, not controlling for demand, or for whether the members of that group consider themselves constrained in their borrowing efforts. This section addresses the issue of credit demand.¹⁵

To help determine whether recipients of remittances in the credit unions are constrained in their access to credit, respondents were asked a series of questions regarding their experiences and perceptions of borrowing in the formal credit markets, specifically from banks and from credit unions. Based on their responses to these questions, respondents were then classified as credit constrained (if they desire but are unable to obtain credit at a going market rate) or unconstrained (if they did not want a loan given the loan terms, they did not need a loan or they actually received the loan amount for which they applied).

The distribution of respondents into the different constraint categories based on their credit experiences with banks support the hypothesis that respondents from poorer households are more likely to be constrained in their access to bank loans (Table 4.3). Respondents who are credit constrained in banks have an average household wealth level of Q.98,995 (\$12,374), which is approximately a third less than the average household wealth for unconstrained respondents.

¹⁵ The methodology used has been adapted from Barham, Boucher and Carter (1996).

Table 4.3 Credit Experiences with Banks (N=502)

	Constrained	Unconstrained	Undetermined
Proportion of Respondents	21%	78%	1%
Average Household Wealth (in Quetzales)	98,995	147,021	326,217

Q.8=\$1

Approximately a quarter of the respondents who were credit constrained in banks experienced or perceived no constraints in credit unions (15% that had not applied for credit union loans and 10% that had) (Table 4.4).

Table 4.4 Bank-Constrained Respondents' Credit Experiences in Credit Unions (N=105)

	Constrained	Unconstrained		Undetermined
		Did not apply for CU loans	Did apply for CU loans	
Proportion of Respondents	73%	15%	10%	2%
Average Household Wealth (in Quetzales)	91,783	128,826		69,419

Q.8=\$1

Bank-constrained respondents who are unconstrained in credit unions have average households wealth levels (Q. 128,826 or \$16,103) that are higher than those who are constrained in credit unions (Q. 91,783 or \$11,473). In other words, while credit unions ease the constraints experienced and perceived by some respondents in banks, they do not do so for the poorest households. A point for further analysis will be for the credit unions to determine if and how they should effectively incorporate steady remittance income into their credit analysis practices in order to provide greater access to poor, credit-constrained remittance recipients.

Principal Findings of Part IV
Savings Behavior:

- Credit unions can play an important role in providing savings services to a segment of the population that is currently underserved by the market. Less than half of non-member remittance recipients have an account at a financial institution.
- A comparison of total savings between member and non-member remittance recipients offers evidence of the important role credit unions already play in mobilizing savings from their members: controlling for wealth levels, average total savings for members were higher than for non-members for those in the lowest three wealth quintiles.
- Credit unions can mobilize savings by encouraging recipients to set aside a portion of their incoming remittances into savings accounts at the credit unions. Fifty-four percent of remittance recipients report saving a portion of their 2003 cash remittances in financial institutions. Sixty-two percent of these respondents identified credit unions as the institutions in which they deposited most of their saved remittances.

- Of the respondents who did not deposit any part of their 2003 remittances in a financial institution, 65% expressed a willingness to deposit, on average, 22% of their remittances in an account.

Credit Access:

- In 2003, 30% of remittance recipients' households had either received or were paying off a loan. The primary source of credit to remittance recipients' households, both members and non-members, are moneylenders.
- Only 5% of remittance recipients had received or were paying off a household loan from a credit union in 2003; the percentage goes up to 12% for member recipients. Over time, as member recipients (25% of whom have been members for less than one year) become more familiar with the credit unions' services, they may increase their use of credit union loan services.
- Nevertheless, comparisons of remittance recipients' current borrowing behavior across both income and wealth categories suggest relatively low access to loans in formal credit markets for low income and low wealth households.
- Analysis of recipients' experiences and perceptions of borrowing from banks indicates that remittance recipients from poorer households are more likely than wealthier households to be constrained in their access to banks loans, i.e., desiring but unable to obtain bank loans at the going market rates. Credit unions do ease the constraints experienced or perceived by some respondents in banks.

V. FINAL REFLECTIONS

Credit unions in Guatemala play an important role in the provision of quality, accessible remittance distribution services to poor and low-income recipients. Since beginning the service in August 2001, the 25 FENACOAC-affiliated credit unions have enjoyed a steady growth in both number of transactions and volume. By year-end 2004, the 25 credit unions had achieved a 6.7% market share, distributing \$178.8 million in remittances to both members and non-members.

Remittance distribution provides the credit unions with an important opportunity to expand their membership by attracting new members from the pool of non-member remittance clients. The credit unions have grown their remittance service significantly and increased member-client outreach (from just under 331,000 in August 2001 to more than 563,000 in December 2004). The fact that the percentage of remittances collected by members versus non-member clients has remained relatively constant (30%) as the number of remittances distributed has increased exponentially reflects that remittance distribution is indeed providing the credit unions with a vehicle to grow their memberships. Also, of the member recipients surveyed, credit union remittance services were most often cited (40%) as their primary reason for joining the credit unions.

Credit unions could (and should) do more to tap into this market by cross-selling their other financial services to non-member remittance clients. In ECOSABA, where the credit union has launched a successful membership recruitment program, nearly 85% of the remittances distributed were to members. ECOSABA's success demonstrates that there is demand among the non-member recipients for the credit unions' other financial services, but that credit unions must create and promote products that attend to the needs of remittance recipients (whose

demographic and economic characteristics, as well as their savings and borrowing behavior, have been identified using this survey data) if they are to meet the demand.

The findings of the survey confirm that the primary users of credit union remittance services in Guatemala are low-income families, primarily female-headed households. Remittances are an important source of primary income for recipients surveyed, particularly in the case of female homemakers. Forty percent of the respondents' households had no other source of cash income beyond the remittances they receive (this finding was true for 60% of homemakers). The average annual remittances received by recipient households overall were \$4,940. In per capita terms, average annual remittances were \$990 (as a point of reference, the 2003 GDP per capita in Guatemala was \$2,008).

The provision of remittance services provides an opportunity for credit unions to mobilize savings: they can encourage recipients to deposit a portion of their incoming remittances into savings accounts as they collect them. The potential for mobilizing savings from incoming remittances depends heavily on the expenditure pattern of the recipients. More than 90% of the respondents reported using some remittance monies and most recipients (56%) reported their primary use of cash remittances for covering basic needs—food, clothing, transport and housing. The distant second (10%) primary use of cash remittances was buying, building or remodeling a residential property. Given that 48% of respondents reported keeping some amount (for 3% it was the primary use) of the remittance received as cash at home, credit unions should be able to develop appropriate products and related campaigns to encourage recipients to deposit their money stored at home into savings accounts at the credit union.

In many cases, credit unions are already capturing savings: 54% of remittance recipients reported saving a portion of their 2003 cash remittances in financial institutions. Sixty-two percent of these respondents identified credit unions as the institutions in which they deposited most of their saved remittances. There is greater potential still: of the 46% of respondents who did not deposit any part of their remittances in a financial institution, 65% expressed a willingness to deposit, on average, 22% of their remittances into an account.

Credit unions' main competitors are private banks, where 56% of overall remittance recipients' household savings deposited in financial institutions is held (just 13% of members' household savings are deposited in private banks, while the vast majority [80%] of non-members' household savings are held in private banks).

Credit unions in rural areas are stronger than their urban counterparts in mobilizing savings from remittance recipients. The percentage of recipients who choose credit unions as their primary financial institution for depositing part of their remittance is very high among recipients served by rural credit unions, ECOSABA (100%) and ACREDICOM (89%). Urban credit unions face a greater challenge to capturing the savings of remittances recipients—30% of recipients at COOSADECO and 17% of recipients at Parroquial Guadalupe branches located in Guatemala City choose credit unions as their primary financial institutions for depositing a portion of their remittances.

The survey results suggest that credit unions fill a key niche by providing savings services to remittance recipients in the smaller rural communities. Since recipients in remote areas have less financial service alternatives, the credit unions can more easily build relationships and attract recipients to become members by providing high-quality remittance services. The credit unions located in more urban environments—with much greater competition in their zones of

influence--will need to run focused membership and savings mobilization campaigns in order to mobilize savings from both member and non-member remittance recipients.

With respect to credit access, the survey found that 30% of remittance recipients' households had either received or were paying off a loan. The primary source of credit was not credit unions, but rather informal moneylenders. Remittance recipients are borrowing, but they are doing so at higher costs. Only 5% of the overall remittance recipients had received or were paying off a household loan from a credit union; this percentage rose to 12% among member recipients. Credit unions could ease credit constraints for more remittance recipients by considering steady remittance income in credit analysis, developing appropriate products that respond to the borrowing needs of remittance recipients and cross-selling those products as recipients come in to the credit union to collect their monies.

Less than half of non-member remittance recipients have an account at a financial institution. The provision of remittance services provides the credit unions with an opportunity to reach out to unbanked clients with financial services beyond remittances. The survey indicates that credit unions, particularly in the rural areas, are doing this to some extent, but could do so on a greater scale. The urban credit unions have not been as successful in encouraging respondents to join and begin saving in the credit union.

Among both members and non-members, perceptions of credit union remittance services are very positive. Credit unions in both rural and urban environments need to capitalize on the relationship of trust that they have established and continue to build with non-member remittance recipients in order to bring more unbanked recipients into the formal financial sector.

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