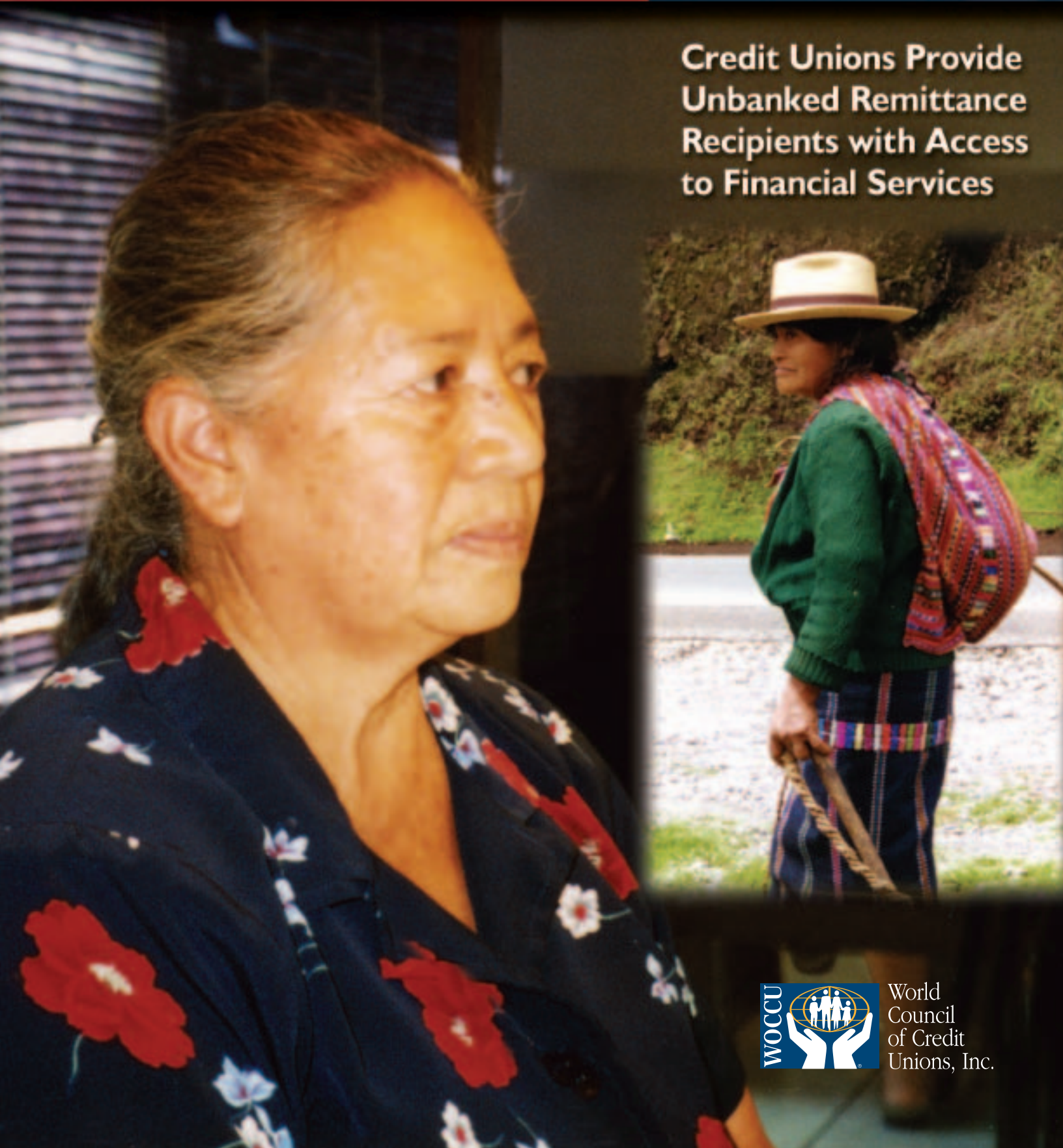


FOCUS

Guatemala

Volume 2 • June 2005

**Credit Unions Provide
Unbanked Remittance
Recipients with Access
to Financial Services**



World
Council
of Credit
Unions, Inc.

Focus on Guatemala

CONFIRMING EXPECTATIONS

World Council of Credit Unions, Inc. (WOCCU) provides credit unions in the United States and developing countries with a vehicle to bank unbanked remittance senders and recipients through its International Remittance Network (IRnet®). *Focus Guatemala* presents the highlights of an in-depth household survey that WOCCU conducted among remittance recipients at Guatemalan credit unions in the spring of 2004. The survey findings indicate that poor unbanked remittance recipients who receive their monies at IRnet® credit unions become members, deposit some savings and participate in the financial sector.

THE IMPORTANCE OF REMITTANCES TO THE GUATEMALAN ECONOMY

Remittances—monies sent by migrants to their families in their places of origin—were estimated at over \$100 billion worldwide in 2004. Forty-five billion dollars were sent to Latin America and the Caribbean. Guatemala alone received an estimated \$2.7 billion.

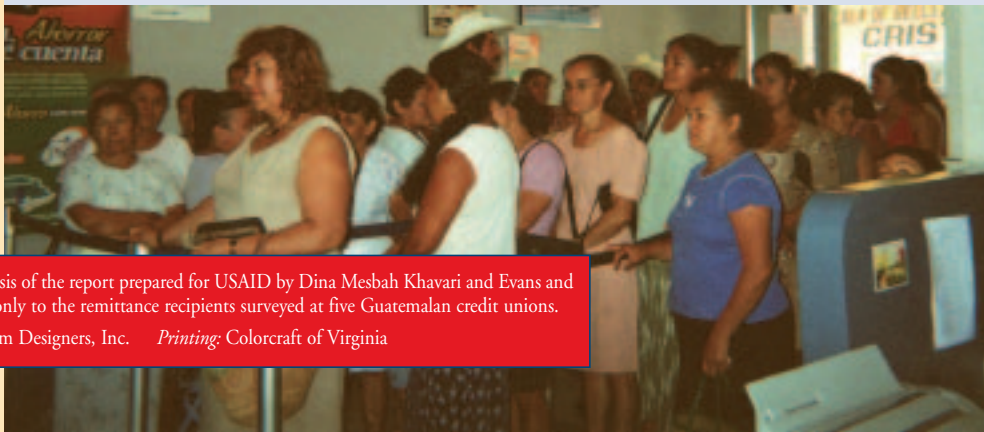
On average, recipient households in Guatemala received \$4,940 in remittances during the year preceding the survey. Average annual remittances per capita were \$990 (the 2003 GDP per capita in Guatemala was \$2,008). Seventy-five percent of recipients received a remittance at least once a month, most from one consistent sender. The average remittance was \$320 and the median size of each was \$200.

*All amounts in U.S. dollars



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WOCCU implemented an in-depth survey of 502 member and non-member users of IRnet® services at the five credit unions with the highest market share in Guatemala to learn about remittance recipients and examine the role credit unions play in remittance distribution. The five credit unions were: ACREDICOM, COOSADECO, ECOSABA, *Guayacán* and *Parroquial Guadalupeña*. The study was funded by the U.S. Agency for International Development (USAID) Office of Microenterprise Development through the Accelerating Microenterprise Advancement Project (AMAP).



This brochure, prepared by Anna Cora Evans and Janette Klaehn, is a synopsis of the report prepared for USAID by Dina Mesbah Khavari and Evans and Klaehn available at www.microlinks.org. The findings presented here refer only to the remittance recipients surveyed at five Guatemalan credit unions.

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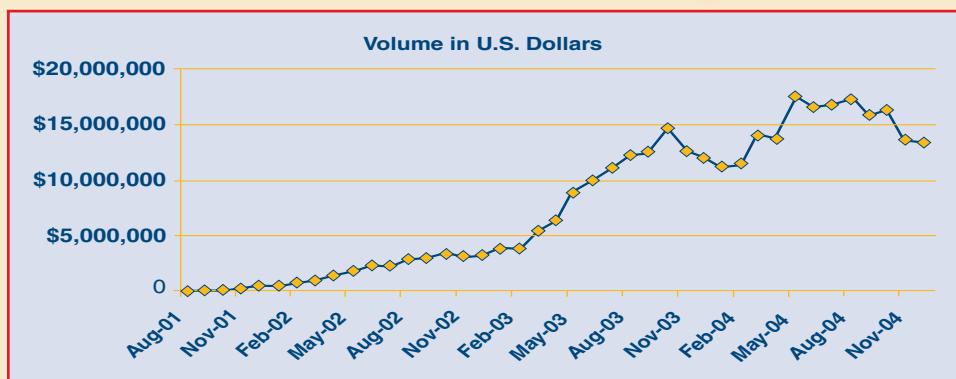


CREDIT UNIONS INCREASE ACCESS

Credit unions in Guatemala provide rapid, accessible remittance distribution services. Since initiating the service in 2001, the credit unions affiliated to the *Federación Nacional de Cooperativas de Ahorro y Crédito* (FENACCOAC) have enjoyed steady growth in both number of transactions and volume of remittances distributed. By year-end 2004, the 25 credit unions had achieved a 6.7% market share: distributing 407,000 remittances for a total of \$179 million to both members and non-members in 125 branches throughout the country.

Remittance distribution provides the credit unions with an opportunity to expand access to financial services. Indeed, credit union membership increased from 331,000 in August 2001 to more than 563,000 at year-end 2004. The percentage of remittances collected by members (versus non-members) has remained at a constant 30% over the same period.

Remittance Growth in Guatemalan Credit Unions

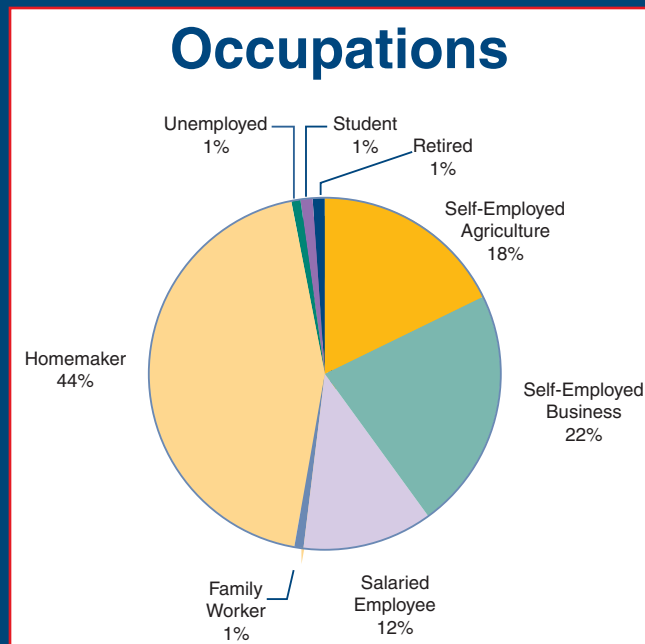


WHO USES CREDIT UNION REMITTANCE SERVICES?

The survey reveals that the credit unions' remittance services reach populations that are largely unbanked. Key demographic characteristics stand out:

- Women receive the vast majority (73%) of remittances.
- The average age of recipients is 40, and male recipients tend to be older (average 46 years old) than female recipients (average 38 years old).
- Education levels are very low—only 20% of the remittance recipients surveyed have more than primary school education.
- Ethnic backgrounds are diverse. At ECOSABA, 55% of the recipients have an indigenous dialect as their first language.

The occupations of the recipients vary across credit unions, largely reflecting the differences between urban and rural environments. Nearly half (47%) of the recipients form part of the economically inactive population—homemakers, students, retirees and unemployed. Homemaker is the most common occupation (44%). Other important occupations include: self-employment (22%), agriculture (18%) and salaried employees or day laborers (12%). At





How Do RECIPIENTS USE THEIR REMITTANCES?

More than 90% of the recipients report using *some* remittance monies to cover basic needs – food, clothing, transportation and housing. The second and third *most common* uses of remittances are to cover health and education expenses. Most (56%) name basic needs as their *primary* use. 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%, cash at home was the *primary* use.

Recipients' Multiple Uses of Remittances	
Basic needs	93%
Health	85%
Education	73%
Deposits in financial institutions	54%
Keep as cash	48%
Emergency	45%
Agriculture	30%
Pay off loans not from financial institutions	26%
Buy, build or remodel house or residential property	23%
Weddings, funerals, births, etc.	14%
Start, expand or operate business	13%
Pay off loans from financial institutions	8%
Vehicles for personal use	7%

Recipients' Primary Use of Remittances	
Basic needs	56%
Buy, build or remodel home or residential property	10%
Pay off loans not from financial institutions	9%
Health	7%
Education	6%
Agriculture	4%
Keep as cash	3%
Deposits in financial institutions	2%
Pay off loans from financial institutions	1%
Start, expand or operate business	1%
Other	1%

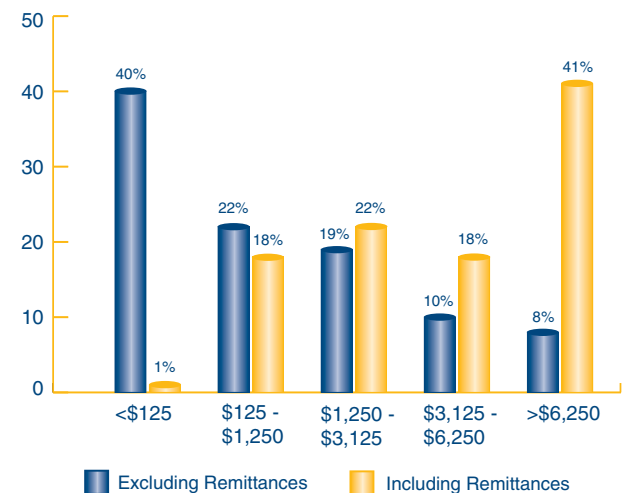


ACREDICOM, 50% of the recipients report self-employed agriculture as their primary occupation.

Most recipients come from poor households. Excluding remittances, virtually 62% of households have a per capita cash income of less than \$1 per day.

Remittances are primary income sources for recipients. As the graph illustrates, without remittances, 40% of households have cash income of less than \$125 per year. In other words, they have virtually no other source of cash income beyond the remittances they receive. When remittances are included, 41% of households have annual incomes of \$6,250, or \$17 per day for an average of five household members.

Distribution of Annual Household Income With and Without Remittances



Both the average annual household income 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 almost equalizes household income between male and female remittance recipients.



RECIPIENT SAVINGS AND BORROWING BEHAVIOR

Savings

Fifty-four percent of recipients surveyed save a portion of their cash remittances in financial institutions. Sixty-two percent of these savers identify credit unions as the institutions in which they deposit most of their saved remittances. There is greater potential for mobilizing savings. Of the respondents who did not deposit any part of their remittances in a financial institution, 65% express a willingness to deposit an average of 22% of their remittances into an account.

A comparison of total savings between member and non-member remittance recipients offers evidence of the important role credit unions play in mobilizing savings. Controlling for wealth levels, average total savings for the member recipients are significantly higher than for non-member recipients from poor households. Member recipients from households with total wealth levels below \$15,625 saved on average four times more than non-member recipients from households of the same wealth levels (\$6,385 versus \$1,565 saved per year).

Credit

Thirty percent of recipients' households had either received or were paying off a cash loan during the year preceding the survey. For 12% of these households, the primary source of credit was informal moneylenders. Only 5% of recipient households had received or were paying off a household loan from a credit union. This percentage rose to 12% among member recipient households. When supplier loans were also considered, the percentage of households using credit (in cash or kind) increased from 30% to 35%. 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 or to be paying off a loan (30%).

THE URBAN/RURAL DIFFERENCE

The survey revealed critical differences between rural and urban credit unions. 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. The importance of location rises to 57% among respondents at the most rural of the credit unions.

Credit unions in the rural areas have been more successful in recruiting members and mobilizing savings from remittance recipients than their urban counterparts. The percentage of credit union member recipients is higher at the more rural credit unions, ECOSABA (83%) and ACREDICOM (34%), than at the urban locations of *Parroquial Guadalupeana* (13%) and COOSADECO (13%).

The percentage of recipients who report credit unions as their primary financial institution for depositing part of their remittance is very high in ECOSABA (100%) and ACREDICOM (89%). Significantly fewer recipients deposit most of their remittances at the credit union in the urban branches of *Parroquial Guadalupeana* (17%) and COOSADECO (30%). The rural credit unions have captured the largest share of total household savings. ECOSABA and ACREDICOM hold more than 90% of recipient household accounts and 80% of their savings volume while *Parroquial Guadalupeana* and COOSADECO hold less than 25% of accounts and 10% of volume.

LEVERAGING REMITTANCES TO BANK THE UNBANKED

Less than half (44%) of non-member remittance recipients have an account at a financial institution. Through the provision of remittance services, credit unions can bank the unbanked recipients by offering them financial services beyond remittances as they come in to collect their monies.

Almost three quarters (74%) of member recipients have been members of their credit unions for less than three years (remittance distribution began in 2001). Forty percent of members name remittance services as the primary reason for having joined the credit union. The second most common reason members cite for joining is access to savings services (27%).

Guided by the Guatemala survey findings, WOCCU will continue to work with credit unions to develop their remittance distribution capabilities and assist them to bring more unbanked remittance recipients into the financial sector by designing, marketing and cross-selling remittance-linked savings and loan products.



Credit unions in Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico and Nicaragua distribute remittances through WOCCU's IRnet® program. From August 2001 to March 2005, credit unions distributed a total of 1,456,285 transactions for \$634.9 million. IRnet® enables remittance senders in the United States to make wire transfers from 200 credit unions (with multiple points of service) in 32 states and 3,500 independent VIGO outlets in 39 states, to 42 countries in Latin America, Asia, Africa and Europe. Through IRnet®, consumers in Mexico may also receive remittances originated in MoneyGram agents worldwide. Neither remittance senders nor the recipients are legally required to be credit union members to use the IRnet® transfer services.



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