

Project Greenback 2.0

Financial Behavior of Remittance Senders/Receivers in Gradačac SECO-Funded Remittances and Payments Program in Bosnia and Herzegovina

In the context of the Remittances and Payments Program (RPP) in Bosnia and Herzegovina (BiH), one component focuses on the financial capability of migrants and their families, using the Project Greenback 2.0 approach of the World Bank. The main objective is to increase the capability of migrants and their families to use the financial services offered by banks and other financial institutions, while also encouraging the use of regulated channels to send/receive remittances, and in doing so, decreasing the reliance on unregulated channels. Based on the Baseline survey on Remittance Beneficiaries Financial Behaviors in Bosnia and Herzegovina, and some additional criteria, Gradačac was selected as a “Champion City” for remittances for Project Greenback 2.0 in Bosnia and Herzegovina.

PROJECT GREENBACK 2.0

Project Greenback 2.0 consists of identifying Remittances Champion Cities or territories, where a series of measures are implemented to foster the development of a sound

remittances market. Activities cover multiple fields, following a comprehensive approach. The Project focuses on the demand side, promoting financial literacy and awareness campaigns locally, and at the same time it interacts with the remittance service providers, with the objective of encouraging demand-driven best practices. Finally, the Project is in constant communication with the relevant public authorities to report the findings of the work in the field and inspire possible reforms.

In the Champion City, the project team works on activities such as (i) implementing financial education programs, using a combination of traditional and innovative tools; (ii) liaising with remittance service providers to promote adoption of best practices and customer-oriented initiatives; and (iii) raise awareness on the topic of remittance and other financial services leveraging on community-driven initiatives as well as initiatives led by the project team.

In addition, the project team also works directly with the ultimate beneficiaries of remittance services, the families receiving money from their relatives abroad, and aims to gather a deeper knowledge and understanding of the issues they face and to use this information to inform and inspire policies and reforms.

In doing so, Project Greenback 2.0 aims to (i) increase financial literacy and expand access to financial services for remittance senders and receivers in selected communities; (ii) to help remittance service providers and other financial institutions gain a deeper understanding of the needs of remittance recipients, and encourage them to develop customer-oriented financial services for this target population; and (iii) to increase efficiency of the remittances market by leveraging field experience to inform public policies. The project also aims to promote the use of available electronic payments instruments and education on their usage.





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LEARNING NEEDS ASSESSMENT IN GRADAČAC

For the first phase of Project Greenback 2.0 in Gradačac, the assessment of the needs, habits, behaviour and financial knowledge among remittance senders and receivers in order to develop tailored educational content, a series of focus group discussions with remittance receivers took place in Gradačac between 29 October and 1 November 2018, in cooperation with the Gradačac Community Foundation and with support from the Gradačac Municipality.

Fifty-five people took part in the focus groups for remittance receivers, of which 41 were women and 14 were men. Six focus group discussions took place in total. The participants were diverse in terms of gender, age, education, place of residence, social status and employment. This diversity reflects efforts to include different population categories in order to get a clearer picture of the habits, experiences, behaviors, knowledge, and financial inclusion of remittance receivers.

A discussion was also held with representatives of commercial financial institutions (banks) operating in Gradačac area in order to get a comprehensive insight into the banks’ activities, their presence in the area, the use of products and services, as well as common habits and behaviors in dealings with consumers from the area. Furthermore, in order to analyse the needs, habits, behaviors

and financial knowledge of remittance senders, a questionnaire with 22 questions primarily referring to their position, experience and expectations was sent to 35 e-mail addresses in the second half of December.

“PERCEPTIONS AND HABITS OF REMITTANCE USERS IN GRADAČAC MUNICIPALITY”—A REPORT

Based on the focus group discussions as well as the questionnaires returned by remittance senders, the team performed a qualitative analysis to gain a comprehensive insight of the economic, educational, and financial positions, with the aim of providing recommendations for possible improvements for remittance senders and recipients.

The use of money transfer channels among remittance receivers varies, and very few receivers said outright that they only use a single channel. Nevertheless, based on their statements it is possible to differentiate between those who prefer one or the other—about half of them prefer regulated, and the other half prefer unregulated money transfer channels. Unregulated channels are used more frequently than regulated ones.

Receivers generally do not make any recommendations to senders in terms of specific money transfer channels, and usually leave this decision to the sender. It is important to note that none of the participant types (either senders or receivers) were able to tell much about the price and availability of regulated transfer channels. Even though they were not able to provide the correct answer regarding regulated transfer costs, most participants still believe this option would be too expensive and not suitable to their needs. The inability to answer this question could also mean that unregulated channels are usually chosen simply out of habit. Participants (both senders and receivers) mainly turned to regulated channels if there is an emergency.

However, some participants pointed out that, when sending money through unregulated channels (via a bus driver or another intermediary) there is also a possible risk of money being seized at the border. Furthermore, these transfers are never registered, which carries a risk that a certain amount might get lost or stolen.

Receivers and senders do not sufficiently take into consideration the option of sending and receiving money directly through bank accounts, preferring money transfer operators (MTOs) or personal



deliveries instead, even though most participants already had bank accounts or were using other financial products or services. The MTOs had the leading role and have been recognized by senders and receivers as the safest and fastest service on the market, which were widely available and easily accessible, even though they were often taken as a synonym for high costs.

Another outcome of the focus group discussions was the inherent mistrust in the domestic financial sector in Bosnia and Herzegovina among remittance senders, which could also explain their relative reluctance to consider commercial banks as partners in money transfers.

PURPOSE OF USE OF REMITTANCES

Most receivers are using remittances to cover daily expenditures (food, medicine, and other everyday financial commitments). Remittances form an integral part of their income, and they plan their expenditures based on the expected inflow. Asked directly if they ever consider remittances as a capital for starting a business, or a collateral for financial products or services, none of the participants provide an affirmative answer. Interestingly, the recent economic migrations have led to a rise in the number of senders who have been abroad for less than 5 years. Therefore, at the moment they are an important group of senders with a tendency to keep growing (a new generation of diaspora). Most of the surveyed senders were under 45 years of age (a significantly younger demographic than receivers) and are actively involved in the labor market.

SUGGESTIONS FOR POSSIBLE IMPROVEMENTS—

SWITCHING TO REGULATED CHANNELS

In order to test the expectations and interest among remittance recipients about possible improvements to regulated transfer services, and to assess possible motivation for switching to regulated channels, participants were asked what new possibilities would persuade them to either start using regulated channels or expand their current sporadic or continuous use of such channels.

Around one third of participants think that greater competition would lead to lowering of prices, and thus would contribute to wider use of regulated channels. The participants also said that higher demand for this service could contribute to lowering of costs. Apart from the cost, almost half the of participants said that

speed is also an important factor. Given that half the participants had mentioned that transfer fees are too expensive, it is safe to assume that cutting of costs, greater focus by financial institutions on inclusion, and better education would contribute to wider use of regulated money transfer channels. Most of receivers said that regulated channels offer more advantages (transparency, safety, speed, receipts).

However, half the participants do not regularly use regulated channels. Their stated reason is that, despite the advantages, they either are not used to using them, or lack enough knowledge for using regulated channels. It has also been noticed that most receivers have a passive attitude towards gaining knowledge. In other

words, they feel they would be obliged to use a product according to set parameters regardless of their own knowledge. None of the receivers knew anything about banking agreements and consumer protection mechanisms. This points to a conclusion that prejudice and lack of knowledge are the key reasons for financial exclusion of those who are not using a single product or service.

IMPORTANCE OF TRANSPARENCY AND FINANCIAL EDUCATION

The findings of the analysis show a very low level of financial literacy among remittance recipients and senders, especially the elderly. They showed poor knowledge about the costs of regulated money transfer channels, which indicate that they do not have sufficient information or education about financial products and services, which in turn provides an opportunity for the financial sector, i.e. the service providers, to promote better, more transparent and more accessible services.

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