



## Results of Survey of Individuals Making Cross-Border Remittances

The Russian Federation is a major participant in cross-border remittances in the world being the most important donor for partner countries in the post-Soviet area. Remittances from Russia showed outpacing growth rates compared with the dynamics of other balance of payments items. In 2013, the deficit on cross-border transactions of individuals reached another historical maximum of US\$39.2 billion.

The structure of the Russian Federation's remittances reflects the specifics of relationships of the CIS countries' households with non-CIS countries' households. The purposes of remittances to the advanced countries, as a rule, include transfers of funds to bank accounts and also acquisitions of foreign real estate. Therefore, bank transfers made by resident individuals through opening an account dominate the structure of remittances. The amount of transactions carried out through money transfer operators (MTOs) was relatively small: in 2013, their volume stood at US\$2.8 billion or 5% of the total amount of remittances.

At the same time, funds transfers to the CIS countries have been related primarily to migrants' work activities and remittances without quid pro quo by residents originating from CIS countries to their native countries. That is why relatively inexpensive and accessible remittances made through MTOs have dominated the structure of remittances. In 2013, US\$21.7 billion were remitted from Russia to the CIS countries, of which US\$20.8 billion (89%) were remitted through MTOs. Uzbekistan, Tajikistan, Ukraine, and Kyrgyzstan have been the major recipients of Russian remittances made through MTOs.

Over the entire observation period since 2003, the turnover of remittances made through MTOs has grown 14.5-fold (reaching US\$27.6 billion in 2013). The annual growth rate of the volume of remittances has averaged 36%. The main factors fostering development of the segment of remittances through MTOs have been the following:

- growth of the US dollar equivalent of migrants' wages at Russian companies;
- active promotion of Russian MTOs in the CIS markets;
- replacement of cash settlements by organised non-cash transactions;
- development of modern technologies;
- steady downward trend in tariffs of commission fees charged by MTOs: in 2013, the average fee charged from a customer for transferring funds abroad went down to the minimum of 1.7%, which is three times less than the cost in 2003.



Despite the developed system of primary data collection about cross-border remittances made by individuals through MTOs, the specifics of this type of transactions does not allow to reliably determine their composition by purpose and by residential status of senders/recipients. Due to this, in addition to regular data collection according to bank reporting forms, starting from 2012 the Bank of Russia together with major MTOs has been conducting semi-annual surveys of individuals making and receiving cross-border remittances. The present review covers the results of survey questionnaires collected within the following periods:

- 20 - 24 August 2012;
- 18 - 22 March 2013 and 26 - 30 August 2013;
- 17 - 21 February 2014.

According to World Bank data<sup>1</sup>, cross-border remittances by individuals play an important role in shaping global capital flows. In 2013, the total volume of cross-border remittances reached US\$404 billion. Their volume is expected to increase to US\$516 billion in 2016, while the annual rate of growth in the medium term will average 8.4%. In a geographical breakdown, the bulk of remittances flows went to Asia-Pacific countries (US\$112 billion) and Latin America (US\$61 billion).

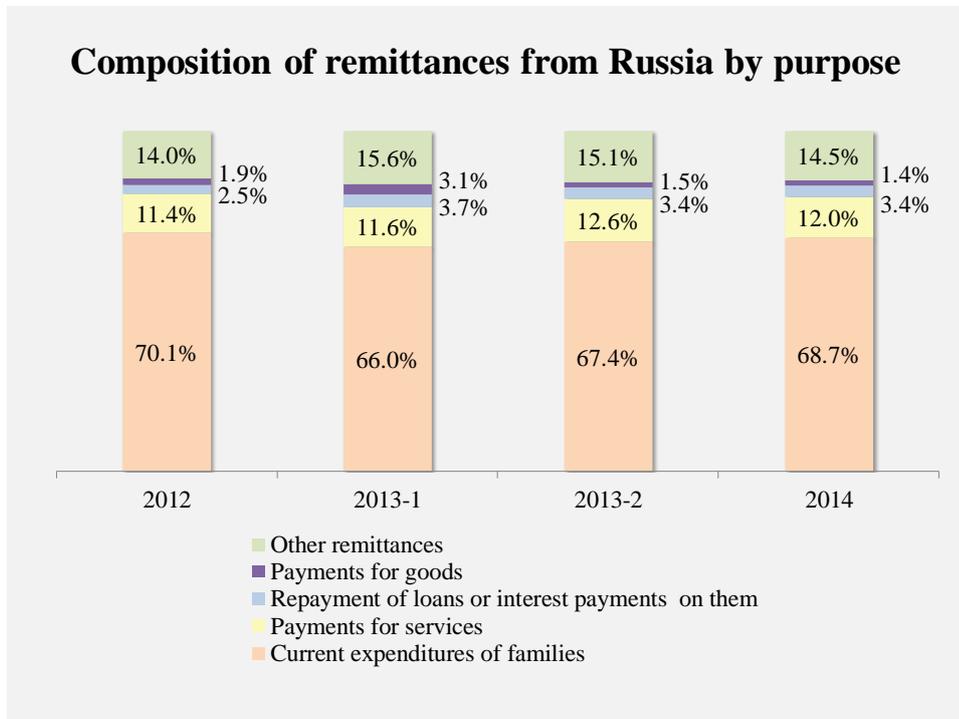
Cross-border remittances have become one of the main channels of reallocating resources of advanced countries for the benefit of the emerging markets. In a number of emerging market economies remittances of residents working abroad make up a significant share of their GDP. For example, in Tajikistan this share stands at 52%, in Kyrgyzstan – 31%, in Moldova – 25%.

<sup>1</sup> See: Migration and Development Brief. The World Bank. April 11, 2014. P. 3.

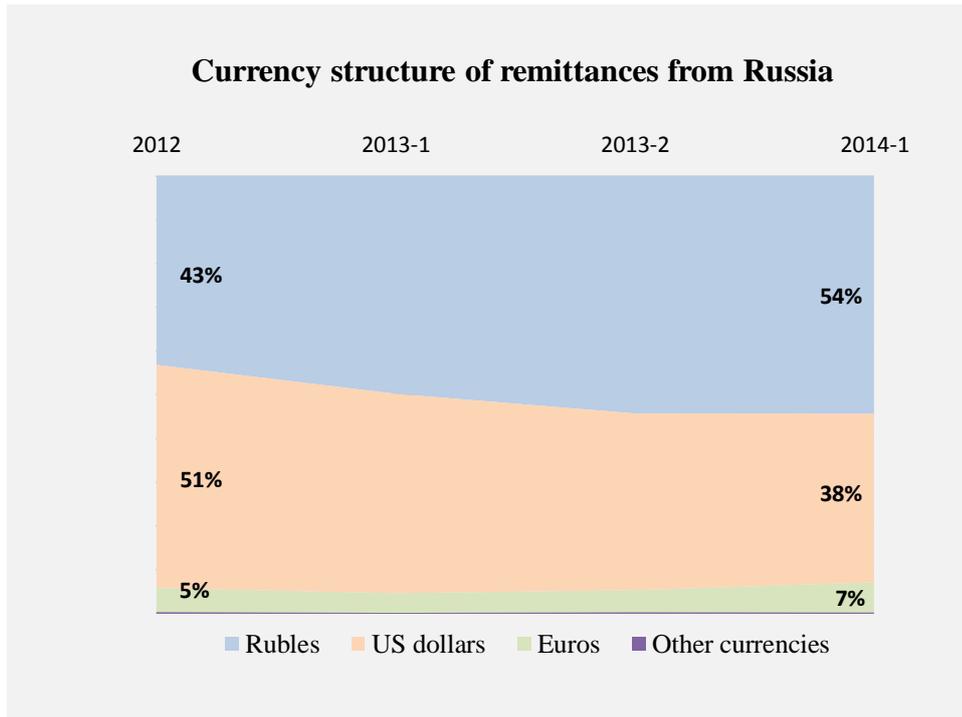
## 1. Remittances from Russia

The results of the survey reveal that an overwhelming majority of respondents made outbound remittances from Russia (averaging 84.9% based on the four surveys). More than half of the senders (59.3%) indicated that they were not residents of the Russian Federation.

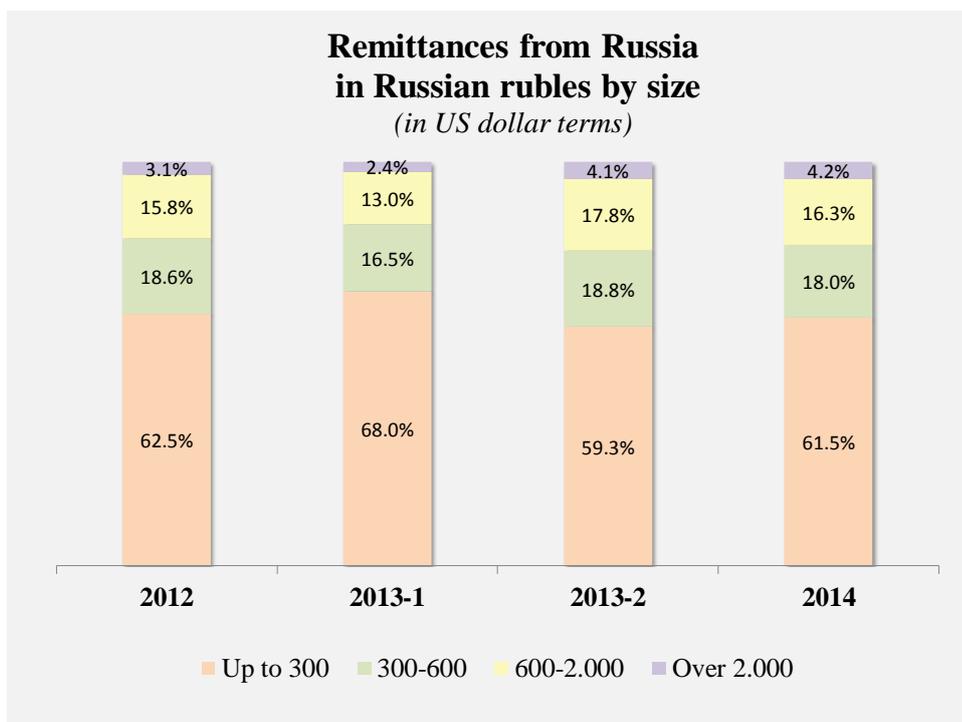
The most common purpose of individuals' remittances from Russia was transferring funds to cover current expenditures of their families (67.8%). Most of respondents (68.9%), who indicated that purpose, were non-residents. Other purposes included payments for services, repayment of principal amounts or interest on loans, payments for goods (11.7%, 3.3% and 2.3% based on the results of surveys in 2012, 2013 and 2014 respectively).



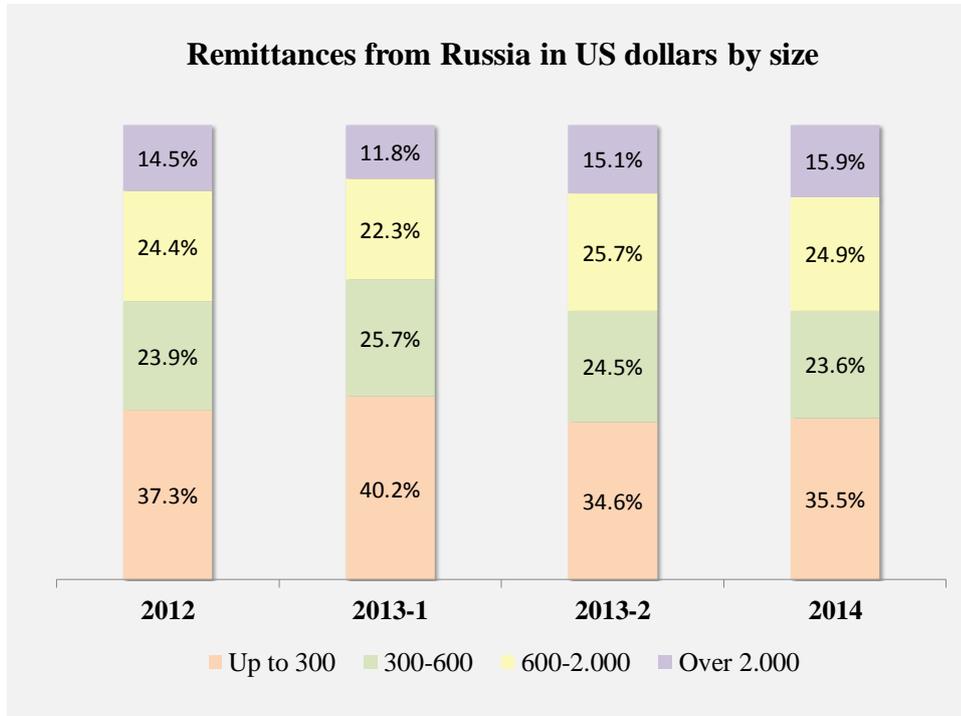
The analysis of the currency of remittances indicated by respondents in the questionnaires showed an absolute dominance of three currencies: Russian rubles, US dollars and euros (48.8%, 45.8% and 5.2% based on the survey results in 2012–2014 respectively). According to the results of the latest survey, the share of rubles has increased by 11.2 p.p. as compared with the results of the survey in 2012. The increase was largely due to the diminished share of the US dollar as a remittance currency (by 12.6 pp).



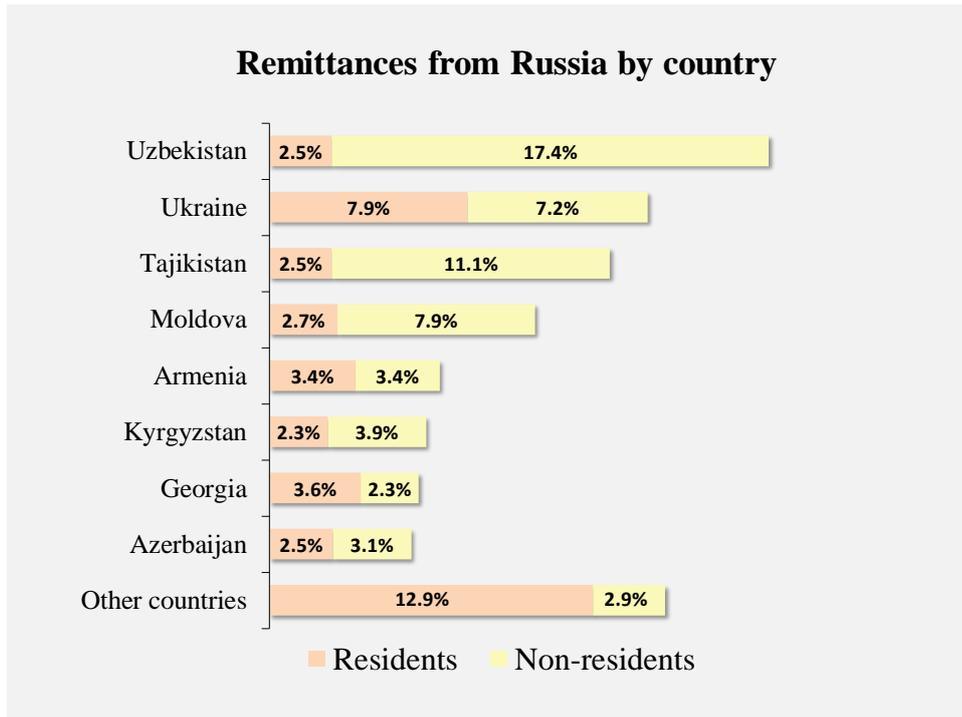
According to the results of the four surveys, a larger part (59.3% to 68% depending on the date of survey) of respondents, who had made remittances in Russian rubles, indicated that the amount of their transactions did not exceed the equivalent of US\$300. The share of remittances in the range of US\$300–600 stood at 16.5% to 18.8%; in the range of US\$600–2,000 accounted for 13.0% to 17.8%; and the share of remittances exceeding US\$2,000 varied from 2.4% to 4.2%.



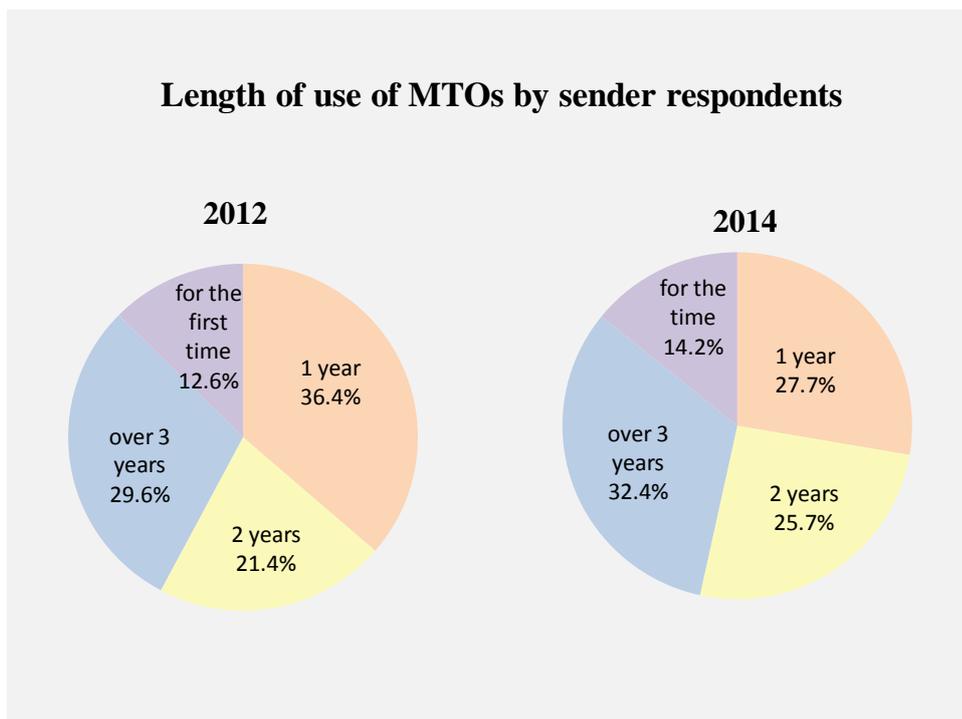
Most significant remittances were registered in US dollars. About a third of remittances on average were made in the range of up to US\$300. The share of remittances in the range of US\$300–600 stood at 23.6% to 25.7%; in the range of US\$600–2,000 they varied from 22.3% to 25.7%; and the share of remittances exceeding US\$2,000 was within 11.8% to 15.9% span.



According to the survey results, among the recipient countries of remittances from Russia the leaders were Uzbekistan (19.9%), Ukraine (15.1%), Tajikistan (13.6%), and Moldova (10.6%). Among respondents, who indicated that they were not Russian residents, remittances were most often sent to the Central Asia countries (Uzbekistan, Tajikistan), and also to Moldova. Other important destinations of remittances were Armenia (6.8%), Kyrgyzstan (6.2%), Georgia (6.0%), and Azerbaijan (5.6%). Other countries accounted for the remaining 15.8% of the total.



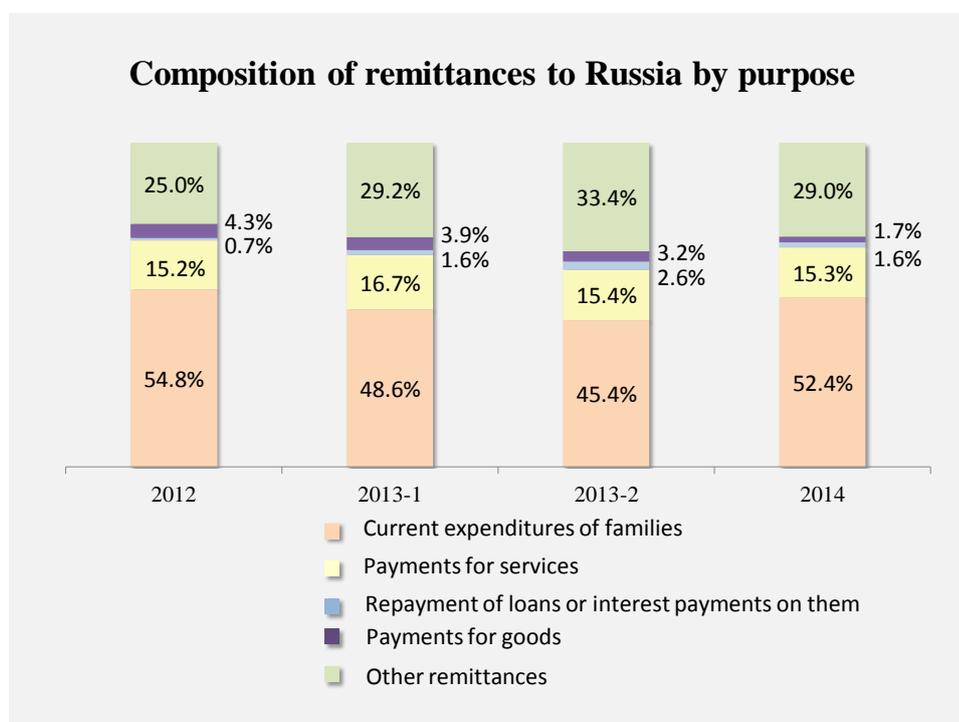
The results of the survey have revealed that the share of respondents using MTOs for a long time is on the rise. Thus, the share of senders using MTOs for over three years grew from 29.6% in 2012 to 32.4% in 2014. The share of respondents, who have used MTOs for two years, also increased from 21.4% in 2012 to 25.7% in 2014. The share of respondents, who have used MTOs in the course of one year, decreased respectively from 36.4% in 2012 to 27.7% in 2014. The smallest group of respondents (12.6% in 2012 and 14.2% in 2014) said that they used MTOs for the first time.



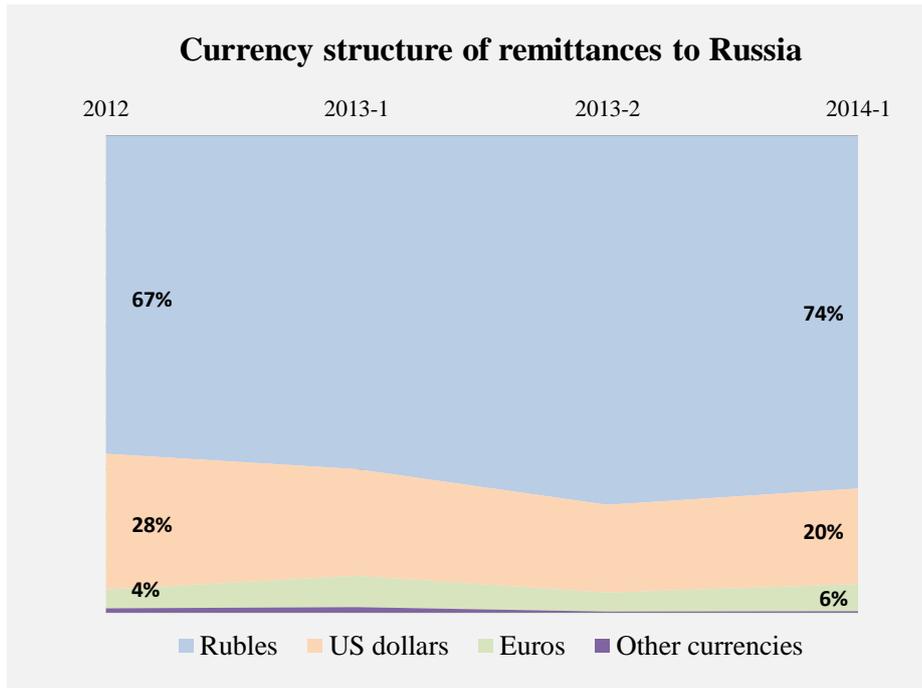
## 2. Remittances to Russia

Among the survey participants the share of respondent recipients of remittances from abroad increased twofold: from 11.4% in 2012 to 22.1% in 2014. The majority of them (72.9% on average) were residents.

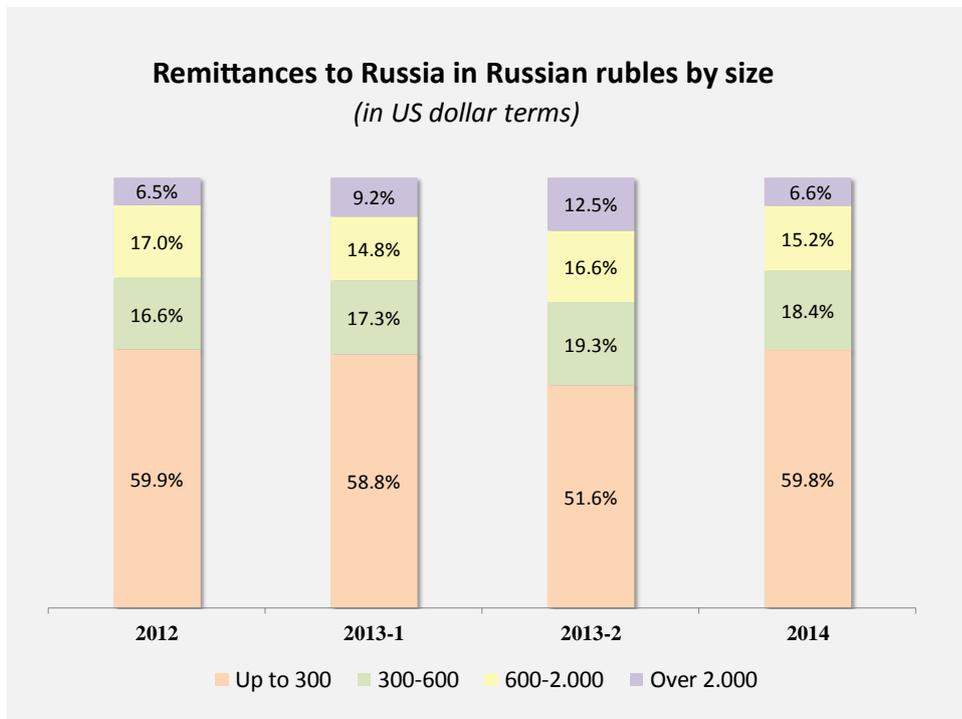
The main purpose of both the inflows and outflows of remittances was financing the current expenditures of families: 45.4% to 54.8% of respondents indicated that purpose in different survey periods. The second important purpose category of receipts (15.9% on average) related to payments for education, health treatment, and also for tourist services. Remittances in favour of individuals in the form of payment for goods and for the purpose of repaying loans and making interest payments on them accounted on average for 3.4% and 1.6% respectively under the four surveys.



Based on the survey results, within the currency structure of remittances received the share of rubles increased from 66.7% in 2012 to 74.0% in 2014. The weight of US dollar receipts decreased from 28.5% in 2012 to 20.0% in 2014. The shares of euros and other currencies remained insignificant (on average 5.4% and 0.8% respectively).

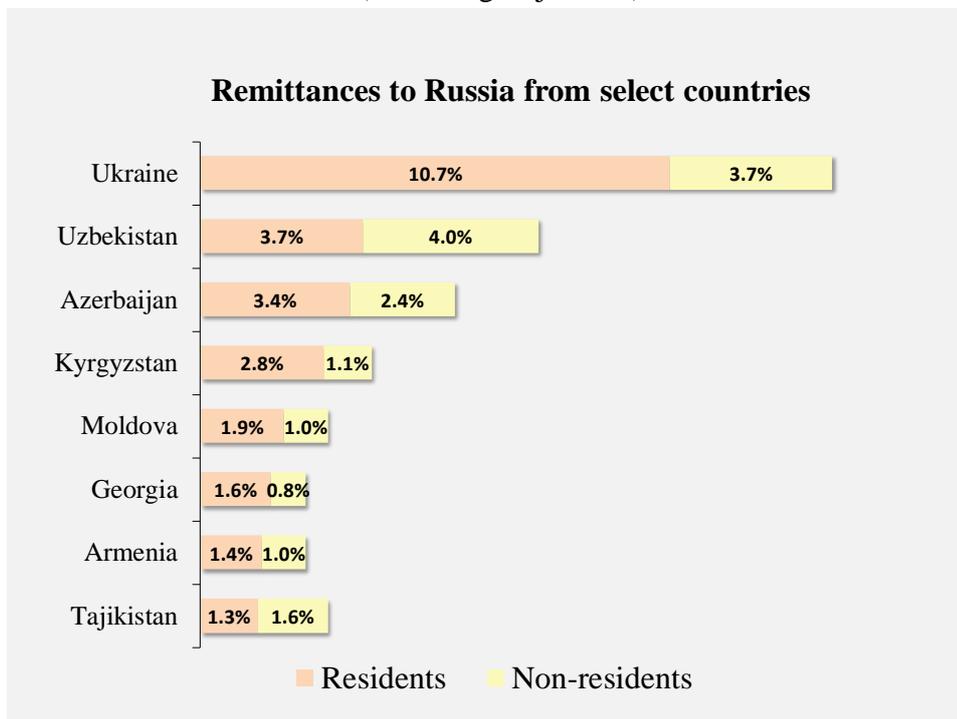


As was the case with outgoing remittances, the bulk of remittances received was in small amounts (up to US\$300). In ruble payments their share varied from 51.6% to 59.9%. Remittances in the range equivalent to US\$300-600 accounted on average for 17.9%. Respondents received more significant amounts (US\$600 and more in dollar terms) less frequently: their total weight did not exceed 29.1%.

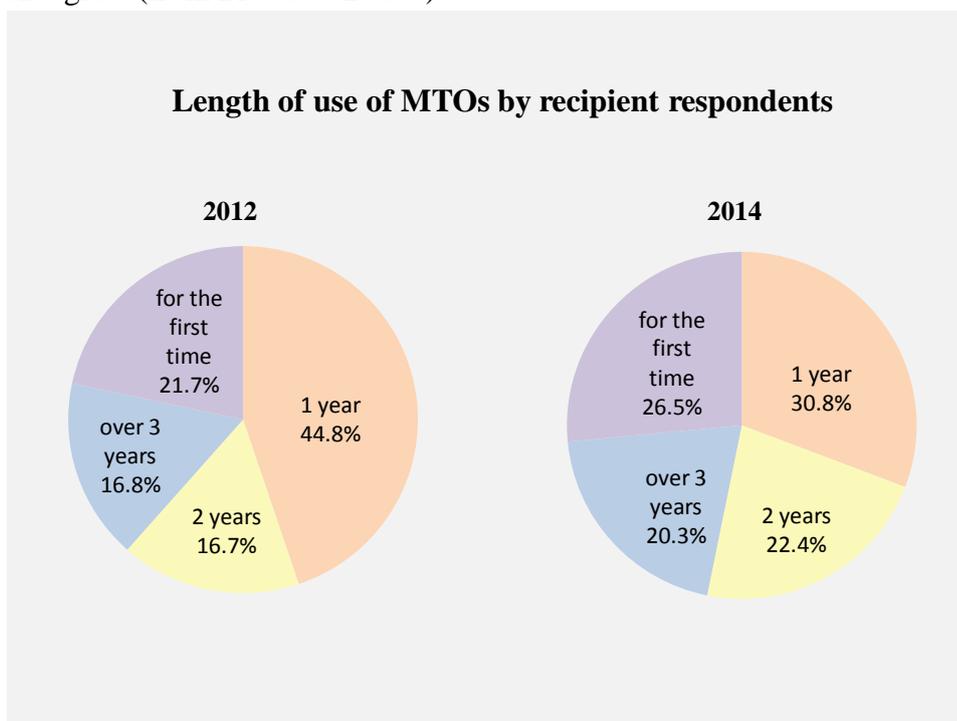


The major counterparty countries included Ukraine (14.4%), Uzbekistan (7.7%) and Azerbaijan (5.8%). Remittances from these jurisdictions were received

largely for the benefit of residents. Residents accounted for the major part of remittances from other countries (excluding Tajikistan).



In terms of length of use of MTOs the most common answer was ‘One year’, although its share (30.8%) contracted by 14 p.p. according to the 2014 survey as compared with the 2012 survey. The contraction was largely due to the increase in the share of respondents using MTOs for over two years rising from 33.5% in 2012 to 42.7% in 2014. The share of respondents, who received remittances for the first time, also grew (from 21.7% to 26.5%).





### *Procedure for conducting surveys*

- 1.1. The primary aim of surveys was to determine the composition of remittances by purpose and obtain additional data on senders/recipients for improving the methodology for calculating indicators of cross-border transactions of individuals<sup>1</sup> reflected in the balance of payments of the Russian Federation under the items: personal transfers<sup>2</sup> and personal remittances<sup>3</sup>.
- 1.2. The survey was voluntary and was conducted among resident and non-resident individuals sending remittances abroad or receiving remittances from abroad.
- 1.3. Each survey implied filling in paper questionnaire forms by senders/recipients both on their own and with the help of employees of credit institutions on the premises where the survey was conducted.
- 1.4. The time for conducting surveys (in the first and third quarters of the year) was chosen for the purpose of collecting more informative data on transactions taking into account the seasonality factor of remittances. Each survey was conducted during five business days.
- 1.5. The questionnaire form included seven questions under the following items:
  - 1) Direction of remittance;
  - 2) Residential status of individual;
  - 3) Purpose of remittance;
  - 4) Currency of remittance;
  - 5) Range of remittance amount;
  - 6) Country of sender/recipient;
  - 7) Length of using money transfer systems.
- 1.6. At different times 8 to 12 credit institutions currently providing MTO services in the Russian Federation participated in the surveys (see the Table below).
- 1.7. Based on the results of processing data, in August 2012 16,069 questionnaire forms were recognised as filled correctly; in March 2013 there were 22,807 of such forms; in August 2013 - 5,574; and in February 2014 the number of such forms was 8,250. The reduction in the number of filled-in questionnaires according to the results of the latest two surveys was caused by the refusal of one credit institution to continue to take part in the survey due to the lack of premises to service customers, as well as by the recognition of questionnaires received from another credit institution as filled incorrectly.

<sup>1</sup> Cross-border transactions of individuals are cross-border non-cash money transfers to Russia for the benefit of resident and nonresident individuals and money transfers from Russia of resident and nonresident individuals made via credit institutions (with or without opening of account) including remittances via MTOs.

<sup>2</sup> Personal transfers cover both gratuitous remittances from households abroad in favour of households located on the territory of the reporting country and similar transfers from resident households abroad.

<sup>3</sup> Personal remittances are household incomes coming from abroad from their members and from non-resident households and related, as a rule, to temporary or permanent migration of the population.



Name of credit institution, which took part in distribution of questionnaires	Name of money transfer system
RNKO PAYMENT CENTRE LLC CB UNISTREAM OJSC JSCB RUSSLAVBANK CJSC JSCB INTERCOOPBANK OJSC Raiffeisenbank CJSC JSCB Sviaz-Bank OJSC MCB MOSCOMPRIVATBANK CJSC NKO WESTERN UNION DP VOSTOK LLC CB Anelik RU LLC NKO LEADER CJSC Sberbank of Russia OJSC Representative office of MoneyGram	Zolotaya Korona Unistream Contact InterExpress Bistraya Pochta Blizko PrivatMoney Western Union Anelik Leader Colibri MoneyGram

1.8. The proportion of senders and recipients in the structure of remittances, as well as geographical breakdown of remittances obtained as a result of processing questionnaires corresponded overall to the similar ratios obtained on the basis of data on individuals' cross-border transfers collected by the Bank of Russia within the framework of regular bank reports<sup>4</sup>.

<sup>4</sup> The sources of information on remittances are credit institutions' reports submitted according to Form 0409407 'Data on Cross-Border Transfers of Individuals'.