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Cost of Remittance: A priority Area for G20 Member Countries

Sushil Kumar*

Abstract: As one of the largest development finance flows, remittance offers immense potential to contribute to the achievement of Agenda 2030 and financial inclusion. On the other side, the high cost of remittances stops them from reaching their full potential. Thus, this issue becomes crucial not only for recipient countries' social and economic development, but it also help to improve financial inclusion. In addition, remittance has proven to be a more stable source of foreign capital for low and middle-income countries than foreign direct investment and official development assistance. Thus, it is widely considered a potential source of funding for economic development in developing nations. Since 2009, there has been a global drive to reduce the cost of remittances. The average cost of sending money home was 6.23 per cent around the world in 2021. It is more than the G20 goal of 5 per cent and more than twice as much as the Sustainable Development Goal, (SDG), of 3 per cent by 2030. The study finds that the cost of remittance is crucial in determining the total amount of formal remittances. A one per cent reduction in the cost of remitting USD 200 would result in an additional USD 6.05 billion being sent to low and middle-income countries. There is a substantial variance in the cost of remittances, with high costs in low-income countries and low costs in high-income countries. The study recommendes that G20 countries need to strengthen the policies that directly reduce the cost of remittance to fulfill the G20 commitment and SDG targets, and should also utilize existing technology, such as mobile money transfer, block chain technology, and Fintech to send the remittances.

Keywords: G20, Cost of Remittances, SDGs, Digital Technology
JEL: F24; F20

1. Introduction

The G20 recognises that cross-border remittance flows constitute a key driver for economic growth and prosperity in developing countries, as well as a significant source of income for millions of migrant families.[1]

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The G20 countries account for around 50 per cent of the remittance flow. It is important to mention that at the global level flow of remittances increased from USD 515 billion in 2011 to USD 773 billion in 2021. More specifically, it increased from USD 223 billion to USD 379 billion in low and lower-middle income countries.[2] It is now exceeding the sum of foreign direct investment and official development assistance (ODA) to these countries (World Bank, 2021). It is worth noting that the cost of sending USD 200[3] across international borders remained high in 2021, averaging 6.23 per cent of the amount transferred.[4] The high cost of remittances has received significant attention from G20 leaders and G8[5] leaders. The first roadmap of international efforts to drive remittance costs down was adopted in 2004 (see Table A1 in the appendix) and specific efforts to reduce the cost of remittances began in 2009 when the G8 summit was held in L'Aquila, Italy. At that time, leaders of the G8 committed to reducing the global average cost of remittances to five per cent (at that time, the average cost of remittance was around 10 per cent) in the next five years, a target that has come to be known as the 5×5 target.[6]

In terms of G20's efforts to reduce the remittance costs it was at the G20 Summit in Cannes in 2011[7] that the commitment was reaffirmed, and it was agreed that efforts would be made to reduce the global average cost of remittance transfers from ten per cent to five per cent by 2014[8] (see table A2 in appendix). In 2014, the G20 countries vowed to "*We commit to take strong practical measures to reduce the global average cost of transferring remittances to five per cent .....*"[9] In 2015 (Under the Turkey's G20 presidency), G20 countries announced their national Remittances Plans- "*Our G20 National Remittance Plans developed this year include concrete actions towards our commitment to reduce the global average cost of transferring remittances to five per cent with a view to align with the SDGs and Addis Ababa Action Agenda*[10]". During Saudi Arabia's G20 Presidency in 2020, remittances were identified as a critical action area important to boosting digital financial inclusion; this led to the adoption of the 2020 G20 Financial Inclusion Action Plan (FIAP).[11]

The most recent commitment to lower the cost of remittances was made in 2015 when the cost of remittances was included in the Sustainable Development Goals.

> *SDG 10.c commits, by 2030, to reduce less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent.*[12]

The economic and social importance of remittance has received a lot of attention in the literature, but there is a dearth of literature investigating the cost of remittance.[13] However, it is necessary to explain why the cost of remittance deserves consideration. The simple and straight answer is that they are costly, and their high cost is a burden on millions of poor people[14]. Furthermore, remittances to the world's poorest countries are substantially more expensive. As a result, not only does a significant portion of remittances get lost along the route, but those who need them the most are also the ones who suffer the most (Da Silva Filho, 2021).

According to the Remittance Prices Worldwide (RPW)[15] database, the global average cost of remittances was 6.21 per cent at the end of 2021. Given the World Bank's (2022) estimate that the global volume of remittances reached USD 773.19 billion in 2021, this would indicate that more than USD 48 billion in remittances did not reach those who needed them. The situation is direr for poorer nations. According to the RPW database, the average cost of sending remittances to SSA nations reached 8.22 per cent by the end of 2021. Moreover, for many African nations, the cost is even higher (For example Sending USD 200 from Tanzania to Kenya costs 29.2 per cent of the transaction amount see figure A1).

In addition to lowering the cost of remittances, one of the goals of the global development agenda is to expand the financial inclusion of migrant workers and recipients of remittances by removing barriers and promoting opportunities for widening the access to and use of financial services (Naceur et al. 2020). Remittances can promote remitters' and receivers' financial inclusion[16]. They can provide access to other financial services. Widening access to bank accounts for migrants and remittance beneficiaries can boost the digitalization of financial services, including remittances.

In this context, it is crucial to analyse the cost of remittance, what are the factors responsible for high remittance costs, and what are policy recommendations for policymaker more specifically, how to reduce the cost of remittance and achieve the G20 commitments and SDGs targets. The remaining sections of the paper are divided into five sections (including the introductory section). Section 2 provides a brief discussion on the targets of G20 for remittances. Section 3 provides an overview of the Global flow of remittance and analysis of remittance costs is covered in Section 4 and the final section provides a conclusion and way forward.

2. G20 Member Countries' Targets for Remittances

As discussed in section 1, remittances are a vital instrument for the financing of development activities in developing countries, and G20 member countries have been working on ways of lowering the cost of remittances, specifically, under India's presidency, how G20 can make a concrete proposal to achieve the goal of reducing remittance costs by 3 per cent. In this context, it is important to analyse the G20 remittance targets. Recently the G20 member countries endorsed a roadmap to improve cross-border payments (the new roadmap also includes specific targets for remittances) in 2020, developed by the Financial Stability Board (FSB) in collaboration with the Committee on Payments and Market Infrastructures (CPMI) of the Bank for International Settlements (BIS) and other relevant international organizations and standard- setting bodies (BIS, 2022).[17] The main remittance targets of G20 countries can be divided into four categories: cost, speed, access, and transparency (see Table 1).[18]

3. Global and G20 Member Countries' s Flow of Remittance

While section 2 of this paper discussed the specific targets of G20 regarding the remittance, this section analyses the major trends of remittance flow to low income, lower middle income and upper middle-income countries. This section also analyse the regional flow of remittance, which provides information about the importance of remittance region-wise.

Table 1: G20 member countries' targets for remittances[19]

	Target
Cost	Reaffirm UN SDG: By 2030, the global average cost of sending USD 200 remittance should not exceed 3 per cent, with no corridors above 5 per cent.
Speed	By the end-2027, 75 per cent of cross-border remittance payments in every corridor should be available to recipients within one hour of payment initiation and the rest within one business day.
Access	By the end of 2027, more than 90 per cent of persons (including those without bank accounts) who intend to send or receive a remittance payment will have access to an electronic cross-border remittance payment method.
Transparency	By the end of 2027, all payment service providers must provide the following information regarding cross-border payments to payers and payees: total transaction cost (showing all relevant charges, including sending and receiving fees including those of any intermediaries, FX rate and currency conversion charges); the expected time to deliver funds; tracking of payment status; and terms of service.)

Source: Financial Stability Board (FSB), 2022.

This section also analyses the flow of remittances from G20 countries from 2011-2020. At last, this section will provide important insight for the Indian G20 presidency to discuss this issue in mind the interest of the global south. Table 2 shows the volume of remittance flows by countries' income level, and some crucial evidence emerges. First, remittances to low-income countries account for a tiny share of the total remittance flow worldwide. Remittances to low-income countries have increased from 0.6 billion USD in 1990 to 12.8 billion USD in 2021. Between 1990 and 2021, it grew by about 10 per cent annually, and its share in the world's total remittance slightly increased from 1.04 per cent in 1990 to 1.65 per cent in 2021. Second, lower-middle, and upper middle-income countries accounted for roughly 76 per cent of total remittance flows in 2021 which were USD 26.8 billion in 1990. Over the time period from 1990 to 2021, it increased by approximately 10.50 per cent annually. It is also important to note that the flow of remittances to high incomes countries also increased from USD 30 billion in 1990 to USD 168 billion in 2021. In absolute number, the entire value of worldwide remittances was USD 773.2 billion in 2021, compared to a figure of USD 57.4 billion back in 1990. It has expanded more than thirteen-fold since 1990 (see Table 2).

Table 2: Global Flow of Remittance (USD billion)

Income Group	Low income	Lower middle income	Upper middle income	High income	World
1990	0.6	16.4	10.4	30.0	57.4
2000	1.3	40.4	29.2	52.1	123.1
2010	8.3	187.8	142.1	129.0	467.8
2011	8.1	215.2	155.7	135.4	515.0
2012	9.9	240.7	153.1	143.8	548.1
2013	10.3	248.9	163.5	147.1	570.3
2014	11.3	266.8	172.9	156.7	608.2
2015	11.5	268.1	174.3	156.5	611.0
2016	11.8	262.4	172.5	149.9	597.2
2017	7.7	284.7	186.1	151.8	630.6
2018	11.7	313.5	201.1	156.1	682.7
2019	11.5	328.7	212.4	161.3	714.2
2020	10.8	337.8	208.5	161.3	718.8
2021	12.8	366.8	225.1	168.0	773.2

Source: Author's Calculation of data of remittance (personal remittances, received (current US$) from World Development Indicators (World Bank). Classifications of countries are according to the World Bank's classification. Note data of North Macedonia Venezuela, RB included in total.

Table 2 shows that between 1990 and 2021, global remittances increased by around 9 per cent per annum, but over the same time period, it increased by more than 10 per cent in low and middle-income countries.

3.1 Regional Flow of Remittances

As the previous section discussed the remittance flow by income group, it is vital to analyse the flow of remittance by region, showing how a region depends on remittance. As shown in Table 2 (previous section), global remittances have increased more than thirteenfold so in this context, it is essential to examine the major trends of regional remittance flows. Remittances to East Asia and the Pacific increased from USD 107 billion to USD 133 billion between 2011 and 2021, as shown in Table 3. It has increased by more than 2 per cent per annuam. However, recently it has declined as a result of COVID-19. It is important to mention that smaller economies like Tonga (43.9 per cent), Samoa (31.53 per cent), and the Marshall Islands (12.4 per cent) are the top recipients in the region in terms of their share of GDP. Remittances to the Philippines benefited from job creation and salary increases in the United States, where a significant percentage of Filipino migrants reside.[20]

In 2021, remittance inflows to Europe and Central Asia climbed by 7.8 per cent, hitting new highs of USD 74 billion compared to USD 42 billion in 2011. The expansion was mostly attributable to increased economic activity in the European Union and rising energy prices.[21] In 2021, remittance receipts in Tajikistan, Kyrgyzstan, Kosovo, and Moldova were 34.4 per cent, 32.77 per cent, 18.69 per cent, and 15.24 per cent of GDP, respectively. In 2021, remittances to Latin America and the Caribbean (LAC) increased significantly compared to the previous year (see Table 3). Since 2011, it has expanded by more than twofold. Between 2011 and 2021, this region's global share grew from about 12 per cent to 17 per cent.

South Asia, where remittances have grown from USD 95 billion in 2011 to USD 157 billion in 2021, is the most important region in terms of the flow of remittances. In 2021, South Asia got 20.31 per cent of global remittances. It's worth noting that India accounted for more than 56 per cent of remittances to South Asia. From 2011 to 2021, remittances to Sub-Saharan Africa climbed from USD 37 billion to USD 49 billion. Nigeria, Ghana, Kenya, Senegal, and Zimbabwe accounted for more than 65 per cent of African remittances.

Table 3: Remittance Flows by Region (USD billion), 2011-2021

Remittance Flows to Low and Middle Income Countries (USD billion)											
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
East Asia & Pacific	107	108	116	123	128	128	134	143	148	137	133
Europe & Central Asia	42	46	52	57	49	48	55	62	68	69	74
Latin America & Caribbean	60	60	61	64	68	74	81	89	96	104	131
Middle East & North Africa	38	45	46	53	50	49	52	52	54	57	61
South Asia	95	107	110	115	117	111	116	131	139	147	157
Sub-Saharan Africa	37	38	38	40	42	39	42	49	47	43	49
Low and middle-income countries	380	404	423	451	454	447	479	527	553	558	605
World	515	548	570	608	611	597	631	683	714	719	773
Share of Low and middle-income countries in total (%)	74	74	74	74	74	75	76	77	77	78	78

Source: Author's Calculation of data of remittance (personal remittances, received (current US$) from World Development Indicators (World Bank). The Global Average Total Cost is calculated as the average total cost for sending USD 200 with all RSPs worldwide. In other terms, the global average total cost is the simple average of the total cost for sending USD 200 charged by each single RSP included in the RPW database[22]

Remittance flows to low- and middle-income countries (LMICs) were to exceed USD 605 billion in 2021, representing a significant increase of 8.6 per cent from the previous year (table 4). When compared to foreign direct investment (FDI), official development aid (ODA), and portfolio investments, remittances represent a significantly larger proportion of the total amount of external financing received by LMICs. In the year 2020, when the world economy was in a state of decline, foreign direct investment (FDI) fell by 12 per cent, and as a result, remittances emerged as the most reliable and important source of international financing for developing countries (World Bank, 2022).

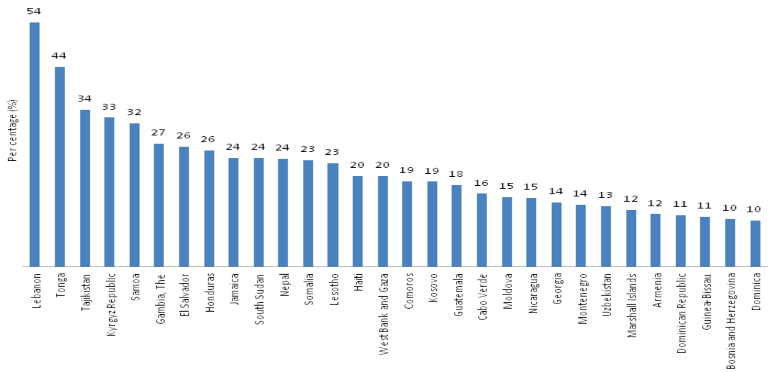
In this context cost of remittance is an important issue for developing countries so it can be better understood by looking at the geography of remittance flows, not only because prices vary widely among regions and countries, but also because the volume of remittances has a significant impact on the costs due of economies of scale (Filho, 2021). Furthermore, competition is expected to be fiercer for higher-volume corridors, which are expected to attract more remittance service providers (RSP). Figures A1 and A2 (see appendix) show the top ten receiving and sending countries for remittances in 2021. One notable stylistic fact is the high concentration on both sides. While the top ten sending countries account for over 67 per cent of global remittance outflows, the top ten receiving countries account for roughly 50 per cent of remittance inflows. India and Mexico were the top remittance-receiving countries in terms of dollar value in 2021, getting USD 89 billion and USD 54.1 billion, respectively (see Figure A1 Appendix). China and the Philippines are the next two places, receiving USD 53 billion and USD 36.7 billion, respectively. It is important to note that remittances are not only beneficial to developing nations. Developed nations such as France and Germany were among the leading receivers in 2021.

3.2 Remittances as Percentage of GDP

When it comes to remittances as a per centage of GDP, however, the rankings (which are based on 2021 statistics) are somewhat different.

Countries with small populations but large migrant flows end up at the top of this list, led by Lebanon (where remittances account for 54 per cent of GDP) and followed by Tonga (44 per cent), Tajikistan (34 per cent), Kyrgyz Republic (33 per cent), Samoa (32 per cent), The Gambia (27 per cent), El Salvador and Honduras (both 26 per cent) and Jamaica, South Sudan and Nepal (24 per cent). One important point to note is that the majority of top recipients are from smaller economies, for which remittances are a significant source of external funding and are among the least volatile of inflows, indicating that remittances play a greater role in these countries' economic and social development (see Figure 1)

Figure 1: Top-30 Remittance-Receiving Countries in 2021 (% of GDP)



Source: Author's Calculation of data of remittance (personal remittances, received (current US$) from World Development Indicators (World Bank).

The United States is the greatest source of remittances, accounting for USD 74.6 billion in recorded outward flows in 2021. Saudi Arabia and China are the second and third largest sources, respectively (see Figure A2 in Appendix).

3.3 Flow of Remittance from G20 Member Countries

As analyzed in the preceding section, the geographical distribution of remittances. It is equally important to analyse the outflow of remittances from G20 member countries. The total amount of remittances from G20 countries increased from USD 290.4 billion in 2011 to USD 376.7 billion in 2021, an increase of 2.63 per cent between 2011 and 2021 (Table 4). It is important to note that in 2021, the EU, the United States, Saudi Arabia, and China accounted for 70 per cent of the outflow of remittances from G20 member countries. The share of G20 nations in the global remittance flow fell from 56 per cent in 2011 to 49 per cent in 2021 (see Table 4).

Table 4: Outflow of Remittance from G20 member Countries (USD billion), 2011-2021

Country Name	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
European Union	92.2	85.2	92.5	94.8	87.1	91.0	101.9	107.7	110.0	108.4	122.5
United States	50.9	52.4	55.0	57.2	60.7	62.9	64.1	66.8	71.6	66.5	72.7
Saudi Arabia	28.5	29.5	35.0	36.9	38.8	37.8	36.1	33.9	31.2	34.6	40.7
China	1.6	1.8	1.7	4.2	5.7	6.2	16.3	16.5	15.1	18.3	22.9
Germany	16.1	15.6	20.0	20.1	18.2	19.3	21.7	18.1	17.8	15.7	17.3
Russian Federation	26.0	31.6	37.2	32.6	19.7	16.2	20.6	22.3	22.2	16.9	16.8
France	12.9	12.6	13.4	13.7	12.8	13.3	13.8	15.0	15.0	14.8	16.1
Italy	14.5	11.8	11.6	11.1	8.9	8.7	8.8	9.9	9.6	10.2	12.2
United Kingdom	9.9	10.1	10.5	11.6	10.7	10.2	9.8	10.4	10.4	9.4	10.1
Korea, Rep.	10.0	9.8	9.4	10.0	8.7	10.8	12.9	13.5	11.2	9.7	9.8
India	4.1	5.0	6.4	6.2	4.9	5.6	7.0	6.8	7.5	7.0	8.2
Canada	5.6	5.6	5.7	5.9	5.1	5.3	6.5	7.6	8.8	6.8	7.2
Japan	4.5	4.0	2.9	4.2	4.0	5.1	5.3	6.2	6.8	8.2	6.1
Indonesia	3.2	3.6	4.0	4.1	4.6	5.2	5.2	5.1	5.1	4.5	4.3
Australia	6.6	7.1	7.3	7.0	6.0	6.2	6.8	7.3	7.4	4.4	3.8
Brazil	1.1	1.1	1.2	1.5	1.3	1.4	2.2	2.3	2.2	1.6	1.8
Turkiye	0.3	0.4	0.7	0.8	0.9	1.1	1.1	1.5	1.7	1.3	1.5
South Africa	1.4	1.3	1.2	1.1	1.0	0.9	1.0	1.1	1.1	0.9	1.1
Mexico	0.0	0.0	0.9	1.0	0.8	0.7	0.8	1.0	1.0	0.9	1.1
Argentina	1.1	1.0	0.9	0.7	0.7	0.8	1.1	1.0	0.7	0.5	0.6
Total of G20	290.4	289.4	317.3	324.9	300.6	308.5	343.0	354.1	356.4	340.7	376.7
World Total	515.0	548.1	570.3	608.2	611.0	597.2	630.6	682.7	714.2	718.8	773.2
Share of G20 in World total	56.4	52.8	55.6	53.4	49.2	51.7	54.4	51.9	49.9	47.4	48.7

Source: Author's Calculation of data of remittance (personal remittances, received (current US$) from World Development Indicators (World Bank). Personal remittances, paid[23]

4. Cost of Remittances and G20

This section attempts to analyse the global cost of remittances, as well as the cost of remittances from the G20 member countries. In 2021, the global average cost of remittance was (sending USD 200) at 6.23 per cent (USD 12.46) (see Table 5). This is more than twice as much as the Sustainable Development Goal, (SDG), goal of 3 per cent by 2030 and G20 commitments. As table 1 (section 2) shows that the worldwide volume of remittances was USD 773 billion in 2021. This would imply that more than USD 48 billion in remittances did not reach those in need. The poorer countries have a gloomier situation. According to the World Bank, the average cost of sending remittances to low-income countries in 2021 was a whopping 8.46 per cent (USD 16.92) (see Table 5).

Table 5 shows that the cost of remittances varies across income groups. The average transaction cost in low-income countries was 8.46 per cent in 2021, lower-middle-income countries were 5.63 per cent, and upper-middle-income countries were 6.74 per cent. It is important to note that remittance costs in high-income countries were 5.75 per cent in 2021, close to the G20 commitment but approximately 2.75 per cent short of the Sustainable Development Goals target. Recent research indicates that remittances are a significant source of external financing for low and lower-middle income countries. The high cost of remittance leaves the sender with less money. Specifically, Ahmed *et al.* (2021) pointed out that a reduction in remittance costs significantly impacts the amount of remittances received by developing nations. According to the study's findings, a one per cent reduction in the cost of sending USD 200 is connected with as much as a 1.6 per cent rise in remittance inflows. Recently GPFI (2021) pointed out that overall remittance prices have decreased by 3.29 per centage points since 2009. World Bank (2021) found that the flow of remittance to low- and middle-income countries[25] is expected to exceed the total of foreign direct investment (FDI) and

Table 5: Cost of Remittances ($ billion)

Year	Low Income			High income			Lower middle income			Upper middle income			Total		
	Personal remittances, received (US$ billions)	Average transaction cost (%)	Cost (US$ billion)	Personal remittances, received (US$ billion	Average transaction cost (%)	Cost (US$ billion)	Personal remittances, received (US$ billion	Average transaction cost (%)	Cost (US$ billion)	Personal remittances, received (US$ billion	Average transaction cost (%)	Cost (US$ billion)	Personal remittances, received (US$ billion	Average transaction cost (%)	Cost (US$ billion)
2011	8.06	10.69	0.86	135.45	9.80	13.27	215.22	8.40	18.08	155.72	9.41	14.65	514.99	9.10	46.86
2012	9.90	10.55	1.04	143.83	9.59	13.79	240.73	8.36	20.12	153.12	9.71	14.87	548.10	9.18	50.32
2013	10.30	10.57	1.09	147.08	7.59	11.16	248.94	8.24	20.51	163.51	9.42	15.40	570.34	8.95	51.05
2014	11.26	10.03	1.13	156.72	6.58	10.31	266.78	7.58	20.22	172.93	8.96	15.49	608.20	8.35	50.79
2015	11.54	8.21	0.95	156.55	6.66	10.43	268.15	6.87	18.42	174.30	8.32	14.50	611.03	7.54	46.07
2016	11.77	8.55	1.01	149.93	6.70	10.05	262.44	6.56	17.22	172.48	8.23	14.20	597.20	7.34	43.83
2017	7.74	7.87	0.61	151.79	6.18	9.38	284.71	6.56	18.68	186.09	7.94	14.78	630.64	7.18	45.28
2018	11.66	7.59	0.89	156.10	5.90	9.21	313.46	6.43	20.16	201.12	7.62	15.33	682.69	6.96	47.52
2019	11.45	7.49	0.86	161.31	5.86	9.45	328.65	6.23	20.48	212.42	7.55	16.04	714.18	6.83	48.78
2020	10.76	8.59	0.92	161.28	5.75	9.27	337.80	6.07	20.50	208.51	7.13	14.87	718.80	6.71	48.23
2021	12.81	8.46	1.08	167.97	5.75	9.66	366.83	5.63	20.65	225.08	6.74	15.17	773.19	6.23	48.17

Source: Author's Calculation of data of remittance (personal remittances, received (current US$) from World Development Indicators (World Bank). The Average Cost is calculated as the simple average total cost for sending USD 200 from remittance service providers, as captured by the World Bank Remittances Prices Worldwide[24].

overseas development assistance (ODA) in 2021. However, sending remittances to poor countries has some of the highest transaction costs in the world. From 2011 to 2021, the average cost of sending USD 200 to low income nations was 8.46 per cent of the transaction value, well exceeding the global average of 6.23 per cent (see Table 5).

It is also important to mention that the cost of global remittances has declined from 9.1 per cent in 2011 to 6.2 per cent in 2021 (32 per cent decline over ten-year period), while in LICs it declines was from 10.7 per cent to 8.5 per cent (21 per cent). The HICs witnessed greater decline from 9.8 per cent to 5.7 per cent (42 per cent), followed by UMICs from 9.4 per cent to 6.7 per cent (29 per cent). Comparing the rate of decline in the cost of remittances between 2011 and 2021, we found that high-income countries reduced the cost of remittances much more rapidly than the other income group (see Table 5). It is worth mentioning here that the transaction cost of remittance by mobile money was 3.9 per cent (World Bank, 2022), making it the most cost-effective method, when compared to other methods of transferring remittance in 2021 and just over 40 per cent of low and middle-income countries' populations are connected to the internet, compared to almost 75 per cent of the population in high-income countries. This is more likely than any other cause for the steadily decreasing cost of remittances in high-income countries. In addition, the regulatory and administrative costs, the amount transferred, the transfer mechanism, the destination country's financial infrastructure, and the intensity of market competition all have a role in determining the transfer fee charged (in both the sending and receiving country).[26] Moreover, the exchange rate used in the transaction might have a substantial impact on the amount actually sent to the recipient.

4.1 Cost of Remittances by Regions

As shown in Table A4 (see appendix), the average cost of remittance in East Asia and the Pacific was 10.14 per cent in 2011 and which declined to 6.27 per cent in 2021, still it is more than twice the SDGs target. South

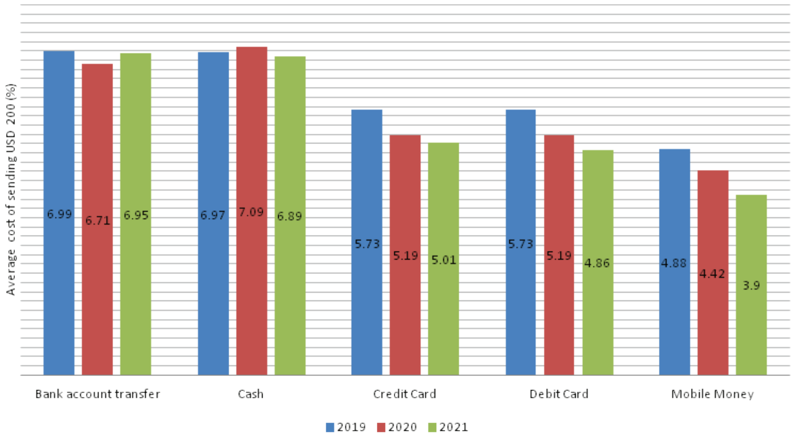
Asia is the receiving region with the lowest average cost of 4.46 per cent, while Sub-Saharan Africa is the region with the highest average cost of 8.22 per cent in 2021. Notably, the global cost of remittances has decreased dramatically from 9.10 per cent in 2011 to 6.23 per cent in 2021, yet it is still greater than the G20 and the SDGs commitment. Since 2018, the cost of remittances has been going down in Latin America & Caribbean, and by 2021, it dropped to 5.65 per cent. This region is the second-cheapest place to receive remittances, after South Asia.

The cost of remittances to low- and middle-income countries has also reduced dramatically, from 9.08 per cent in 2011 to 6.25 per cent in 2021, as seen in Table A4. The reduction in the cost of remittance would result in more money remaining in the hand of the remittance sender and their families. It would have a significant effect on the income levels of the sender's family. Indeed, if the cost of sending remittances could be reduced by five percentage points relative to the value sent, remittance recipients in developing countries would receive over USD 16 billion more each year than now.[27]

4.2 Cost Structure of Remittance

The most recent findings from RPW's[28] analysis of their data reveal that sending remittances using mobile money is more cost-effective than using traditional channels like banks, cash, credit cards, and debit cards. Due to high fixed costs and compliance requirements, retail customers don't prefer banks to remit funds globally (Chandramouli, 2012). When compared to the cost of sending the same amount of money through a bank, which was 6.95 per cent on average in 2021, utilizing mobile money resulted in a cost of 3.9 per cent, which suggests that mobile money is driving a price revolution in international remittances (see Figure 2) which has a potential to achieve the SDGs target 10C. The average cost when using cash was 6.95 per cent. Sending money using a debit card cost 4.86 per cent while transaction using a credit card cost 5.01 per cent in 2021.

Figure 2: Average cost of sending international remittances (% of transacted value)



Source: World Bank[29]

It is important to mention that the total value of overseas remittances sent and received through mobile money reached USD 16 billion in 2021, representing a growth of 48 per cent from the previous year. However, mobile money only accounts for three per cent of all remittances globally.[30] This indicates a significant opportunity to digitize remittances and provide methods that are both quicker and more cost-effective for sending money internationally (GSMA, 2022). According to the findings of the 2021 Global Adoption Survey, however, more than 40 per cent of mobile money providers still do not provide any international remittance services to their customers. The use of technology for remittances, such as mobile phones, ATMs, UPI, and point-of-sale (POS), can cut remittance costs and increase the reach of formal remittances to migrant worker families whom banks do not usually service. Technology-based remittance services can be linked to various agents, such as post offices, exchange houses, stores, gas stations, and MFIs, to facilitate access (ADB and World Bank, 2018). Mobile money services are another way that technology can make money transfers faster and easier. Usually, mobile network operators give them to their customers. They are electronic wallets that are linked to the customer's mobile phone number. With these e-wallets, people can use their cell phones to transfer money, pay bills, and deposit and withdraw cash (ADB, 2016). Customers don't need access to the internet or a smartphone to use an electronic wallet. They can also use regular mobile phones that can connect to a mobile-cellular network. The main benefit of these products is that you don't need a formal bank account to open a mobile money account (Hahm *et al*, 2021)

4.3 Trends in Remittance Costs in G20 Countries

The G20 recognizes remittance's role in achieving strong, sustainable and balanced growth. It represents a significant source of income for millions of families and businesses globally and facilitates financial inclusion. In 2011, G20 leaders agreed to work to reduce the global average cost of transferring remittances from 10 to 5 per cent by 2014. Since then, the concerted efforts by G20 members, operators, and recipients have decreased the G20 average cost to 6.3 per cent, its lowest level yet. Given progress to date, the G20 recommits to the 3 per cent target to maintain momentum and translate the G20 ambition into practical development outcomes. The G20 recognizes that (a) reducing the costs of remittances and increasing their development impact is a long-term goal; (b) market settings influence costs in both sending and receiving countries; and (c) a global goal plays a valuable role in encouraging action. Reducing the costs of remittance could enhance financial inclusion and investment opportunities for development. This is especially pertinent in the 2030 Agenda for Sustainable Development.

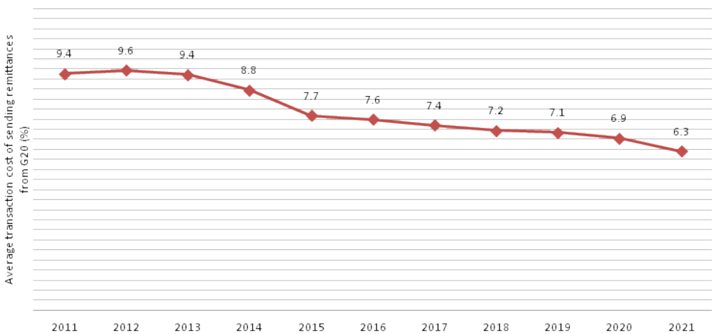
It is important to note that the G20 has started working on the roadmap for cross-border payments, which includes retail and wholesale cross-border payments as well as remittances. It identifies the challenges to safe and efficient cross-border payments, develops the building blocks to overcome these challenges, and constructs an actionable implementation plan (GPFI, 2021). The action plan has five areas of emphasis:

- Committing to a public-private partnership to improve cross-border payments;

- Coordinating systems for regulation, supervision, and oversight;
- Improving existing payment infrastructures and arrangements to meet the needs of the cross-border payments market;
- Increasing data quality and straight-through processing by upgrading data and market practices, and
- Exploring the potential role of new payment infrastructures and arrangements.

From this perspective, it is important to examine the current state of the cost of remittances from G20 countries (within G20 many members are also recipients of remittances, for example, India and China). The cost of remitting from G20 countries declined from 9.4 per cent in 2011 to 6.3 per cent in 2021. As shown in Figure 3, there has been a declining trend in the average transaction cost of sending remittances; however, the cost of sending varies significantly across countries. As G20 efforts and promises on remittances continue and the focus is widened, it is necessary to sustain the existing level of attention on cost reduction. Without continued attention, further improvements would not be possible and the achievements of the last few years could be lost, with the potential risk of reversing to higher cost levels.[31]

Figure 3: Average transaction cost of sending remittances from G20 (%)



Source: Author's calculation data of from World Bank. Note: data is from Australia, Brazil, Canada, France, Germany, India, Italy, Japan, Korea Republic, Russia, Saudi Arabia, South Africa, Turkey, USA and UK.

During the Saudi Arabia Presidency of the G20 in 2020, remittances were also recognized as a key action area integral to promoting digital financial inclusion, which led to the adoption of the G20 Financial Inclusion Action Plan (FIAP) for 2020. In its action areas identified for the period 2021-23, FIAP calls for the development of responsible, innovative payment systems to support progress in reducing the cost of remittances (GPFI, 2021).

4.4 Steps Taken by G20 Members Countries for Reducing the Cost of Remittance

The G20 recognises that remittances are a key driver of economic growth and prosperity in developing nations. The G20 announced its Plan to Facilitate Remittance Flows in 2014. This plan also included a framework for country-led initiatives to reduce the cost of sending remittances. In 2015, the G20 countries announced their National Remittances Plans and agreed that the GPFI would look at progress every year and update the plans every two years GPFI, 2021). Remittances were also recognized as a key action area integral to promoting digital financial inclusion during Saudi Arabia's G20 presidency in 2020, leading to the adoption of the 2020 G20 Financial Inclusion Action Plan (FIAP). In its identified action areas for the period 2021-23, the G20 2020 FIAP calls for the development of responsible and innovative payment systems to support the reduction of the cost of remittances (GPFI, 2022). Individually, in response to the commitments reiterated over the years, the G20 countries have taken a number of steps to reduce the cost of remittances. The actions taken by the member states cover a wide range of categories and are mostly based on the World Bank's General Principles for International Remittances Service (see annex A3). In addition to adopting reforms in the areas of competition, transparency, consumer protection, the legal and regulatory framework, the efficiency of the national payment systems infrastructure, and financial literacy (World Bank, 2014). In addition, Australia, Brazil, China, the European Union, Germany, Japan and the United States of America have undertaken further efforts to improve regulatory and policy initiatives to support the resilience of the remittances markets (see Table A5 Annexure)

4.5 Drivers of Cost of Remittance

The remittance market is served worldwide by commercial banks, money transfer operators (MTOs),[32] foreign exchange houses, post offices, and a wide range of other businesses that act as agents and sub-agents. Recently, The International Monetary Fund (IMF) (2021) noted that remittance costs are influenced by a wide range of factors, which can be divided into four categories: market structure, firm-specific factors, demand-related factors, and regulatory factors (see Table 6).

Table 6: Factors of High Remittance Cost

S.N.	Study	Factors that affect the cost of remittances
1	World Bank (2013)	Destination, transfer method, payments infrastructure, awareness and education levels of migrants, income levels, the extent of market competition, and the prevailing rules and regulations.
3	RBI (2018)	Destination; transfer method; payments infrastructure; the size of remittance; extent of market competition; and the prevailing regulations in both source and destination countries.
2	World Bank (2021)	High fee and foreign exchange (FX) margin and non-digital services of remittances
4	IMF (2021)	Market structure, firm-specific, demand-related, and regulatory factors.
5	ADB (2021)	A lack of competition; operational costs, particularly if it is a cash-to-cash service needing agents at both ends; compliance and know your-customer (KYC) costs; de-risking.

Source: compiled by the author.

As shown in Table 6, the factors contributing to the high remittance costs were a lack of competition[33] in the market, a high foreign exchange margin, non-digital remittance services, regulations in both the source and destination countries and a lack of payment infrastructure. It is important to mention that bringing down costs does not have to mean cutting into the profits of remittance service providers. The cost of providing these services often depends on things outside of the service providers' control (market structure, level of competition, migrant stock). Also, if prices were lower, people would send money more often, which would bring more business to the service providers (Ratha, 2006, Freund & Spatafora, 2008).

Furthermore, the cost of remittance varies across corridors, depending on exchange rate margins, fixed fees charged by service providers, originating mode (online or branch), instrument mode, and revenue sharing arrangements between the intermediaries involved in the transaction (e.g., correspondent bank and beneficiary bank) (EXIM Bank 2016 and RBI, 2018). However, apart from these factors, the remittance costs were also affected by migrants' knowledge and level of education, level of income, and competition in the market (World Bank, 2012).

The recent World Bank (2021) pointed out that one of the most important factors leading to high remittance prices is a lack of transparency in the market. So due to this reason, the remittance sender cannot compare prices. The sender tends to continue to patronize traditional market players because they are unaware of and cannot compare the services, fees, and speed of their existing remittance services against other products. RBI (2018) study indicated that the cost of sending USD 200 to India varies from 0 per cent to 22.7 per cent depending on the form of transfer. It was noted that remittances by direct transfer to the account were the least expensive, but remittances via SWIFT were the most costly and remittance costs are mostly caused by the lack of overseas branches and the need to use Nostro accounts for remittances.[34] When remittances are made through banks rather than through digital channels or through money transmitters offering cash-to-cash services, the fees associated with the transaction tend to be higher (Beck, Janfils and Kpodar 2022, Ratha and Riedberg 2005) and according to recent World Bank data, the most expensive way to send USD 200 is through banks (10.4 per cent), followed by post offices (8.3 per cent) and MTOs (5.2 per cent), and the cheapest way is through mobile operators (3 per cent), while Naghavi and Scharwatt (2018) estimate that sending USD 200 via mobile money costs just 1.7 per cent.

Reducing the cost of sending money home is an important policy goal. This can help bring more remittances into the formal economy, help more people access financial services, and raise the net income of receiving households (Ahmed et al., 2021). The high cost of sending money through formal channels is why migrants use informal channels (Gibson et al., 2006; Yang, 2011). Freund and Spatafora (2008) and Ahmed and Martnez-Zarzoso (2016) also suggest that a greater cost either decreases the flow to the home country or enhances the transfer of funds through the informal sector.

4.6 Digital Remittances[35]

The cost of sending remittances remains prohibitively high. It is dropping, but it is not falling quickly enough. Furthermore, it is still far too high for many remittance routes. As section 3 of this paper shows that the global average cost of transferring USD 200 in 2021 was 6.23 per cent, and the transaction cost of remittance by mobile money was 3.9 per cent, making it the most cost-effective method when compared to other methods of transferring remittance. According to a recent report by GSMA (2022), the mobile money[36] industry completed more than one trillion dollars' worth of transactions in 2021. The year-over-year increases in transaction values have been driven by new customer uptake as well as a growing number of mobile money use cases and in 2021, there were 1.35 billion mobile money accounts, up from 134 million in 2012. Additionally, mobile money- enabled remittances have grown faster, by 48 per cent, to reach USD 15.9 billion, which is 2.06 per cent of global remittances in 2021. This suggests that even after seeing amazing development, the mobile money channel has a significant amount of potential to tap into. In addition to this, it is essential to highlight the rapid transformation taking place in the global remittance market. There is a possibility that people who are financially excluded could be reached via the introduction of innovative mobile money services and branchless banking technologies, which also have the ability to drastically reduce the costs of remittances.

Developing countries should promote the use of technology for remittance transfers, such as mobile wallets and block chain. This would lower costs while also increasing transparency. For Instance, recently the Reserve Bank of India has issued licenses for the establishment of Payment banks and Small Finance banks, which will target small savers and may help change the Indian remittances market. The payments banks are authorized to offer remittance services via mobile telephones, and a large proportion of the approved entities are mobile operators. New entrants are likely to improve competition, decrease remittance costs, and expand the formal remittance sector.[37] In this context, the cost of remittances can be decreased by utilizing emerging technologies such as fintech and block chain. G20 nations must place a greater emphasis on digital remittance in order to achieve the SDGs' remittance ambition.

5. Way Forward and Policy Recommendations

Since the 2004 G8 Sea Island Summit, country leaders, international financial institutions (IFIs), global standard-setting organisations (SSBs), and world leaders (G8 and G20) have emphasized reducing the cost of sending remittances. In response, the CPSS and the WB (CPSS and WB, 2007) set up a task force to come up with principles for international remittance services. Simultaneously, the G8 and G20 issued subsequent declarations emphasising their commitment to this agenda, and a Global Remittances Working Group was established. The specific target for reducing remittance costs was also included in SDGs that were launched in 2015, and more recently, FSB developed a roadmap to enhance cross-border payment flows, including remittances.[38] All of the G20 member countries have made significant progress towards lowering the cost of remittances. For example, the average remittance cost was 9.10 per cent in 2011, but it has since been reduced to 6.23 per cent; however, it is still higher than the SDGs' targets. Sub-Saharan Africa is the most expensive region in terms of remittance costs, whilst South Asia is the cheapest. It is also crucial to mention that remittance costs also vary from corridor to corridor. Italian G20 Presidency emphasized the impact of remittances as an indicator of cost reduction, a tool for accessing the formal economy, savings, credit, and small businesses, and a push for financial inclusion of the most vulnerable segments of the population.

At the global level, there are a lot of innovative solutions, such as the recent India and Singapore linked the UPI network with Singapore's PayNow, enabling instant fund transfer between users in both countries which will also significantly reduce the cost of remittances as well as the amount of time it takes to make transfers. India is implementing a similar arrangement with other nations, including the UAE, Mauritius, Nepal and Bhutan, etc. Under the Indian presidency of the G20, countries should agree to cut the cost of remittances to 3 per cent by 2027. This would save developing countries around USD 48 billion. The recent G20 Global Partnership for Financial Inclusion (GPFI) Meeting under the G20 India Presidency focused on the benefits of Digital Public Infrastructure (DPI) and how it can be used to increase financial inclusion and inclusive growth. This meeting highlighted the economies of scale, inter-operabilities, and other benefits of DPI. In the framework of the GPFI, the G20 countries adopted a new template for their National Remittance Plans Update. This template takes into account the new realities of the market and pays special attention to how the crisis has affected remittance markets and what the G20 countries have done about it.

The Leaders' Declarations issued during the G20 summit include a number of commitments that can be linked, either directly or indirectly, to international remittances. In particular, paragraph 49, which is dedicated to financial inclusion, provides an extensive report on the work done on remittances during the Italian Presidency. This paragraph also restates the G20's commitment to "continue facilitation of the flow of remittances and the reduction of average remittance transfer costs."

This study also finds that remittances play a critical role in low- and middle-income countries (LMICs). Remittances to some countries account for more than 50 per cent of GDP, and remittances to LMICs reached USD 366.83 billion in 2021, a figure that was much higher than foreign direct investment flows in the same year. Considering how vital remittances are to many developing countries, the key findings underline the necessity for continuous global policy initiatives to cut transaction costs. The G20 can play an important role by encouraging competition among money transfer companies and banks.

The study also mentions that transaction cost reduction could be achieved by enhancing competition in the banking sector, promoting financial development, and reducing the volatility of exchange rates, among other things. Reduction in the cost of remittances also helps to reduce the informal flow of remittances, where some studies indicated that informal remittances might account for anywhere between 35 and 75 per cent of official remittances.[39]

The important way forward is that digitizing the remittance value chain from the sender to the receiver and removing dependency on agents will help reduce transaction costs. Mobile phone technology, mobile money, digital currencies and cryptocurrencies, distributed ledger technology, electronic identification, verification and cloud technology can make cross-border payments negligible in cost instant and audible technically.[40] The emergence of digital channels and, more recently, cryptocurrencies are being hailed for its promise of reducing remittance costs (World Bank, 2022) and a recent GSMA study pointed out that mobile money is vital for achieving the target 10C and the average cost of sending USD 200 using mobile money stands at 1.7 per cent. Even when mobile money cash-out fees are included, sending USD 200 is still significantly lower than the average cost of sending remittances via other formal remittance service providers, including banks and mobile transfer operators (MTOs).

The Indian presidency should strongly emphasize lowering the cost of remittances as a top objective. The leaders of the G20 countries are well aware that low and middle income countries are the primary recipients of global remittances and that decreasing transaction costs is critical for these countries to achieve their development goals. With a 1 per cent reduction in remittance costs, an additional USD 6.05 billion would flow into low- and middle income countries, demonstrating a great deal at stake for these countries. Based on the findings of this study, it is recommended that G20 countries strengthen the policies that directly reduce the cost of remittance and need to fulfill the G20 commitment and SDG targets.

G20 member countries should consider supporting a comprehensive approach to reforming the infrastructure of retail payment systems and adopting innovative technologies that lower transaction costs, promote financial inclusion[41] and encourage non-bank organizations to provide remittance services, thereby improving competition among service providers in the marketplace. Competition may have been boosted by the recent entry of new competitors such as fintech companies, while digitalization may have decreased information asymmetries more broadly across the financial sector (IMF, 2022). Fintech companies charge significantly and consistently lower fees than traditional money transfer companies and banks. This is due to their unique business model, which does not rely on brick-and-mortar agents but operates solely via the Internet and mobile devices.[42] Future efforts should also focus on South-to-South corridors, where remittance costs are higher and a reduction would have a greater impact. In South-to-South corridors, migrants send less money, and high costs affect them more than elsewhere.[43]

Endnotes

1 GPFI (2022)

2 Personal remittances, received (current USD) (Personal remittances comprise personal transfers and compensation of employees. Personal transfers consist of all current transfers in cash or in kind made or received by resident households to or from nonresident households. Personal transfers thus include all current transfers between resident and nonresident individuals. Compensation of employees refers to the income of border, seasonal, and other short-term workers who are employed in an economy where they are not resident and of residents employed by nonresident entities.

3 Global targets for reduction of remittances cost have focused on the USD 200 (or local currency equivalent) as the amount sent, which is believed to be an accurate representation of a typical remittance transaction size.

4 Average transaction cost of sending remittances to a specific country (%) (Average transaction cost of sending remittance to a specific country is the average of the total transaction cost in percentage of the amount sent for sending USD 200 charged by each single remittance service provider (RSP) included in the Remittance Prices Worldwide (RPW) database to a specific country.

[5] Since 2014 Russia is not part of this group

[6] IMF (2021)

[7] G20 (2014)

[8] http://www.g20.utoronto.ca/2014/g20_plan_facilitate_remittance_flows.pdf

[9] http://www.g20.utoronto.ca/2014/brisbane_g20_leaders_summit_communique.pdf

[10] http://www.g20.utoronto.ca/2015/151116-communique.pdf

[11] GPFI 2022

[12] https://www.un.org/en/observances/remittances-day/background#:~:text=The%20role%20of%20remittances%20in%20achieving%20the%20SDGs&text=c%20commits%2C%20by%202030%2C%20to,SDGs%20in%20addition%20to%2010.

[13] One noteworthy exception is Beck and Peria (2009)

[14] See Filho, 2021

[15] In 2008, the World Bank developed the first global database for international remittance prices to promote cost reductions. Remittances Prices Worldwide (RPW) covered 14 sending and 67 receiving countries, totalling 120 corridors. Since then, it's grown to 400 corridors. Although the RPW survey initiated in 2008 the database is only available from 2011

[16] See Naceur *et al*. (2020)

[17] As part of this work, the working group has also developed specific targets for remittances

[18] In 2020, the G20 made enhancing cross-border payments a priority. Making cross-border payments, including remittances, faster, cheaper, and more transparent and inclusive, while maintaining their safety and security (FSB,2023).

[19] See Nina Engström and André Reslow (2022)

[20] World Bank 2022

[21] World Bank 2022

[22] https://remittanceprices.worldbank.org/data-download

[23] Personal remittances comprise personal transfers and compensation of employees. Personal transfers consist of all current transfers in cash or in kind made or received by resident households to or from nonresident households. Personal transfers thus include all current transfers between resident and nonresident individuals. Compensation of employees refers to the income of border, seasonal, and other short-term workers who are employed in an economy where they are not resident and of residents employed by nonresident entities. Data are the sum of two items defined in the sixth edition of the IMF's Balance of Payments Manual: personal transfers and compensation of employees (WDI, 2022).

[24] https://remittanceprices.worldbank.org/data-download

[25] excluding China

[26] https://sgp.fas.org/crs/misc/R43217.pdf

[27] https://remittanceprices.worldbank.org/en/about-remittance-prices-worldwide

[28] Remittance Prices Worldwide (RPW) monitors remittance prices across all geographic regions of the world. Launched in September 2008, RPW monitors the cost incurred by remitters when sending money along major remittance corridors. RPW is used as a reference for measuring progress towards global cost reduction objectives, including the G20 commitment to reduce the global average to 5 per cent, which is being pursued in partnership with governments, service providers, and other stakeholders.

[29] https://remittanceprices.worldbank.org/sites/default/files/rpw_main_report_and_annex_q221.pdf

[30] Despite increased digitalization due in part to Covid-19, the majority of remittances are still cash-to-cash (Ardic et. Al, 2022)

[31] World Bank, 2014.

[32] MTOs are financial institutions that move funds across international borders on behalf of their clients utilizing either their internal systems or cross-border banking networks (RBI, 2018).

[33] For instance, the less competition there is in a market, the greater the market power of the firms operating in that market, and the higher the prices are likely to be as a result. Additionally, the wider the market, the greater the likelihood that it will attract more competitors, and the greater the likelihood that economies of scale will kick in, driving down costs.

[34] https://saarcfinance.org/collaborativestudy.pdf

[35] Digital remittances are defined as those that are sent via a payment instrument in an online or self-assisted manner, and received into a transaction account, i.e. bank account, transaction account maintained at a non-bank deposit taking institution (such as a post office), mobile money or e-money account (World Bank, 2021).

[36] Mobile Money: A service is considered a mobile money service if it meets the following criteria: A mobile money service includes transferring money and making and receiving payments using the mobile phone; The service must be available to the unbanked (e.g. people who do not have access to a formal account at a financial institution); The service must offer a network of physical transactional points, which can include agents, outside of bank branches and ATMs that make the service widely accessible to everyone, Mobile banking or payment services (e.g. Apple Pay and Google Wallet) that offer the mobile phone as just another channel to access a traditional banking product are not included and Payment services linked to a traditional banking product or credit card, such as Apple Pay and Google Wallet, are not included (GSMA) (IFAD and World Bank, 2021).

[37] https://saarcfinance.org/collaborativestudy.pdf

[38] Ardic et al (2022)

[39] Freund (2005)

[40] https://www.bruegel.org/2018/04/the-cost-of-remittances/

[41] https://www.findevgateway.org/sites/default/files/publications/files/report_on_the_remittance_agenda_of_the_g20.pdf

[42] Hahm *et al.* (2021)

[43] World Bank 2014

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Appendix

Table A1: G8 Commitments on Remittance

Sr. No	G8	Commitments
1	Sea Island, June 9, 2004	G8 countries will work with the World Bank, IMF, and other bodies to improve data on remittance flows and to develop standards for data collection in both sending and receiving countries. G8 countries will also lead an international effort to help reduce the cost of sending remittances. The developmental impact of these flows may be fostered by increasing financial options for the recipients of these flows. Reduce the cost of remittance services through the promotion of competition, the use of innovative payment instruments, and by enhancing access to formal financial systems in sending and receiving countries.
2	2007 Heiligendamm, Germany	Continuing to enhance the effectiveness of remittances of Diaspora Africans to their home countries via the formal sector by pushing ahead the implementation of measures resolved at the G8 Summit on Sea Island in 2004. This includes simplifying and reducing transaction costs and improving access to financial services.
3	2009 L'Aquila, Italy	Given the development impact of remittance flows, we will facilitate a more efficient transfer and improved use of remittances and enhance cooperation between national and international organizations, in order to implement the recommendations of the 2007 Berlin G8 Conference and of the Global Remittances Working Group established in 2009 and coordinated by the World Bank. We will work to achieve in particular the objective of a reduction of the global average costs of transferring remittances from the present 10% to 5% in 5 years through enhanced information, transparency, competition and cooperation with partners, generating a significant net increase in income for migrants and their families in the developing world.

Source: Compiled by author from G8 leader declarations

Table A2: G20 commitments on Remittance

Sr. No	G20 Summits	Commitments
1	2010 Seoul Summit	We will Improve income security and resilience to adverse shocks by assisting developing countries to enhance social protection programs, including through further implementation of the UN Global Pulse Initiative, and by facilitating the implementation of initiatives aimed at a quantified reduction of the average cost of transferring remittances. (Development)
2	2011 Cannes Summit	We will work to reduce the average cost of transferring remittances from 10 per cent to 5 per cent by 2014, contributing to the release of an additional 15 billion USD per year for recipient families. (Development)
3	2013 St. Petersburg Summit	We will consider 2014 innovative results-based mechanisms to further reduce the cost of transferring remittances to developing countries (Development). In line with the target G20 leaders set in 2011 (commitment 58), we will continue working to reduce the global average cost of transferring remittances. (Development)
4	2014 Brisbane Summit	We commit to take strong practical measures to reduce the global average cost of transferring remittances to five per cent (Development)

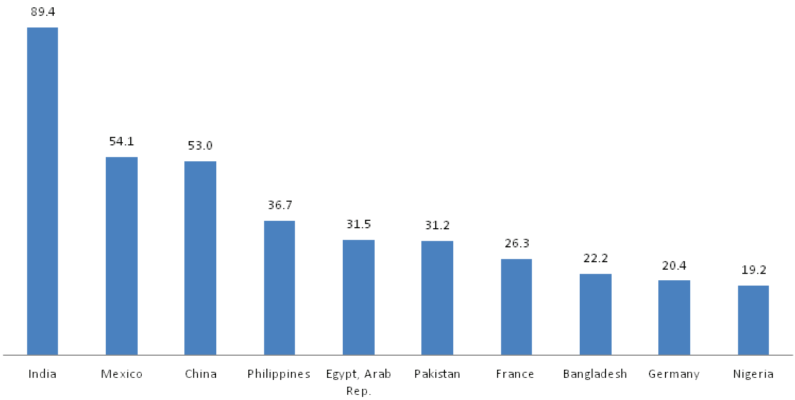
Table A2 continued...

Table A2 continued...

5	2015 Antalya Summit	Our G20 National Remittance Plans developed this year include concrete actions towards our commitment to reduce the global average cost of transferring remittances to five per cent with a view to align with the SDGs and Addis Ababa Action Agenda. (Development).
6	2017 G20 Hamburg Summit	Take strong practical measures to reduce the global average cost of transferring remittances. (migration and refugees) Align the G20 commitment with the 2030 Agenda of reducing transaction costs to 3 per cent of remittances or less by 2030 and eliminating remittance corridors with costs higher than 5 per cent (Development). Review, update and promote the implementation of G20 National Remittances Plans accordingly. (migration and refugees). To further improve the environment for remittances, we also support progress made by the GPFI with regard to facilitating remittances, including by promoting actions and policies that could lower their costs, while ensuring the quality of remittance services and their impact on local economic development (Development).
7	2021 G20 Rome Summit	We support the GPFI in bringing forward the monitoring of National Remittances Plans, also gathering more granular data (development). We strongly encourage the continued facilitation of the flow of remittances and the reduction of average remittance transfer costs. (development)

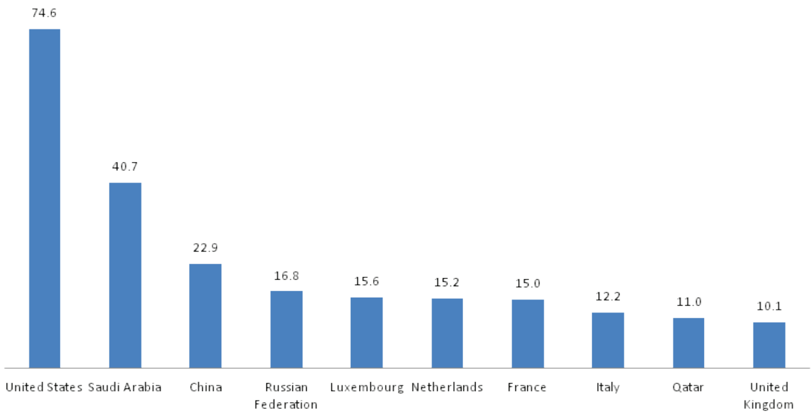
Source: Compiled by author from G20 leader declarations

Figure A1: Inflow of Remittance from Top -10 Countries (USD billion) in 2021



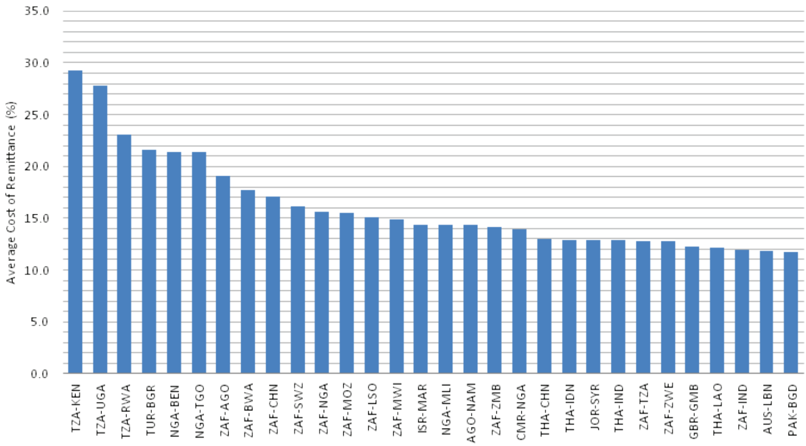
Source: Author's Calculation of data of remittance (personal remittances, received (current US$) from World Development Indicators (World Bank).

Figure A2: Outflow of Remittance from Top -10 Countries (USD billion) in 2021



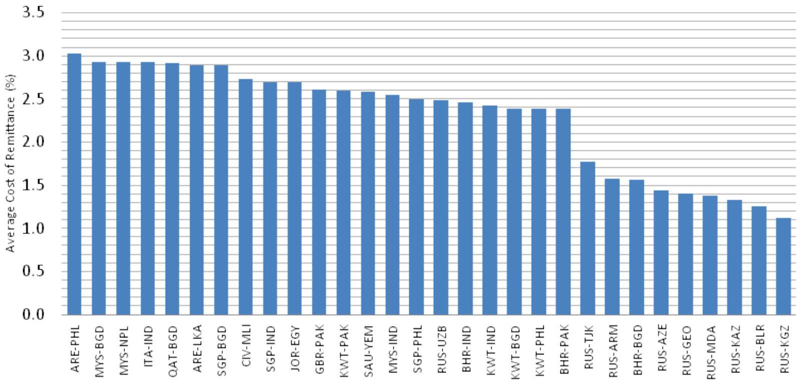
Source: Author's Calculation of data of remittance (personal remittances, received (current US$) from World Development Indicators (World Bank).

Figure A3: Top-30 most costly corridors (2021)



Source: Remittance Prices Worldwide Database. Average over the 2021 Q1-2021 Q4 period.

Figure A4: Top-30 Least Costly Corridors (2021)



Source: Remittance Prices Worldwide Database. Average over the 2021 Q1-2021 Q4 period.

Table A3: The General Principles of Remittance

Sr. No	Principals	Explanation
1	Transparency and consumer protection	The market for remittance services should be transparent and have adequate consumer protection.
2	Payment system infrastructure	Improvements to payment system infrastructure that have the potential to increase the efficiency of remittance services should be encouraged.
3	Legal and regulatory environment	Remittance services should be supported by a sound, predictable, nondiscriminatory and proportionate legal and regulatory framework in relevant jurisdictions.
4	Market structure and competition	Competitive market conditions, including appropriate access to domestic payment infrastructures, should be fostered in the remittance industry.
5	Governance and risk management	Remittance services should be supported by appropriate governance and risk management practices

Source: World Bank (2007)

Table A4: Average transaction cost (%)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
East Asia & Pacific	10.14	9.41	9.03	8.59	8.07	8.37	7.98	7.37	7.16	7.07	6.27
Europe & Central Asia	7.28	7.42	7.51	7.29	6.61	6.35	6.55	6.75	6.72	6.48	6.31
Latin America & Caribbean	7.31	7.94	7.49	6.50	6.46	6.18	5.94	6.14	6.11	5.96	5.65
Middle East & North Africa	8.92	10.32	10.01	9.85	8.28	7.33	7.32	7.06	6.84	7.18	6.38
South Asia	6.71	6.98	7.36	6.67	5.82	5.48	5.46	5.29	5.00	5.02	4.46
Sub-Saharan Africa	12.49	12.38	12.18	11.46	9.77	9.52	9.38	9.09	9.11	8.64	8.22
Low and middle-income countries	9.08	9.16	9.00	8.41	7.56	7.35	7.20	6.98	6.84	6.75	6.25
World	9.10	9.18	8.95	8.35	7.54	7.34	7.18	6.96	6.83	6.71	6.23

Source: Author's Calculation data of remittance (personal remittances, received (current US$) from World Development Indicators (World Bank).

Table A5: Recent initiatives implemented by major sending countries to improve the enabling environment for remittance services

Sr.No.	Country	Recent measures
	Australia	Guidelines for best practise have been developed by Australia for international money transfers, with the goals of increasing price transparency and supporting competition. To help consumers compare money transfer costs between Australia and South East Asia and the Pacific, the government is supporting price comparison websites.
	Brazil	Brazil is revising its legal framework for the foreign exchange market, which will permit the adoption of new business models for remittance services that boost market efficiency, competition, and financial inclusion.
	Canada	Continues to support international initiatives such as the FSB's initiative to enhance cross-border payments
	China	Expanding the use of digital channels and increasing market competition for remittance services, strengthening the regulatory framework, and enhancing financial and digital literacy.
	European Union	Declared remittance services as essential services, increased market transparency, and supported digitalization among other legal and policy actions.
	France	Started the project DIASDEV in partnership with the Caisse des dépôts in France, Italy, Morocco, Senegal, and Tunisia to encourage investments made by the diaspora and provide financial education on remittances.
	Germany	Consumer protection, linking remittances to financial inclusion, regulatory frameworks, gender issues, data on diaspora and remittance dynamics, and pricing comparison portals remain the focus.

Table A5 continued...

Table A5 continued...

	India	Central Bank of India has taken steps to encourage digital remittances through the use of new business models. RBI and Monetary Authority of Singapore (MAS) recently announced a plan to connect their fast payment systems, UPI and PayNow for the purpose of cross border remittances.
	Italy	Allows video-identification and feedback systems for customer due diligence (CDD) using reliable technologically innovative solutions. In addition, it has revived the Intergovernmental Table on Remittances, which identifies public and private measures and strategies for enabling remittance flows through low-cost, customer-centric formal financial services.
	Japan	Amendment of the Payment Services Act in 2021 to allow high-value remittances by non-bank businesses and flexible transfer amount regulations.
	Mexico	Initiation in 2021 of a Banking Program to assist migrants and their families. Remotely opening low-risk bank accounts for migrants and using digital tools to locate currency exchange facilities.
	Russia	Improved its payment systems infrastructure to facilitate remittances, especially P2P payments, to EAEU and CIS countries. Mir cards can now send transfers to beneficiaries using national payment operator cards from Belarus, Kyrgyzstan, and Uzbekistan.
	Saudi Arabia	Customers' access to remittance services was greatly simplified by the rise in the usage of digital channels and the implementation of measures to simplify remote account opening. During this time period, broader tax and financial incentives were implemented, which benefitted the remittance market.

Table A5 continued...

Table A5 continued...

	Spain	Declare financial services as essential, including non-bank RSPs and their agents. Working on measures to safeguard consumer protection, financial stability, competition, and market efficiency, as well as AML/CFT.
	Switzerland	A new Federal Law on Blockchain and Distributed Ledger Technology went into force in 2021, with an emphasis on using innovative financial services to provide low-cost remittance services.
	United Arab Emirates	Focus on digitalization of remittances and regulatory framework improvements.
	United Kingdom	Identify opportunities that support greater access to low-cost, secure digital remittance services. Notable initiatives include the Call to Action initiative with the Swiss government, support for the FSB and CPMI roadmap for cross-border payments, a cross-government action plan to address market constraints for UK senders that keep remittances prices high, and support for the FATF project on unintended consequences of AML/CFT standards.
	United States of America	Continues to encourage the use of regulated channels for remittances, adoption of a risk-based approach to anti-money laundering and continues to work on remittance issues through the Financial Action Task Force (FATF) and the Financial Stability Board (FSB)

Source: Various Report of Global Partnership for Financial Inclusion (2021 and 22) update to leaders on progress towards the G20 remittance target.

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