Central banks and UN working to improve remittance data

Flows are critical income sources for many economies, but data is often limited.

Central banks are working together with an agency of the United Nations to improve data on remittances, which remains patchy despite the flows being critically important to many economies.

Even the best databases on remittance flows “lack some precision”, said Robin Gravesteijn, a lead researcher with the UN Capital Development Fund, which is working to make remittances cheaper and more accessible.

In remarks during a panel discussion today (June 8), Gravesteijn said data is sometimes only available on an annual basis, and may not be granular enough to reveal details such as the purpose of the flow or the age and gender of the person sending it.

The South African Reserve Bank has gone further than most in improving data on remittances and is now trying to harmonise data across the Southern African Development Community.
Constance Libusha, a senior business systems analyst at the central bank, said the data had a range of important applications, from economic policy making to financial intelligence, customs tracking, financial inclusion and the Sarb's own risk management. “Most of this information tells us a story,” she said.

The Sarb has established a system of unique codes to track why a remittance is being sent – for instance whether it is a gift, maintenance payment, or money being sent home by a foreign contractor. The South African central bank is also relatively unusual in that it tracks the gender of the person sending the money. Overall, the largest flows are to Zimbabwe, but women send more to Mozambique.

Like the Sarb, the Bank of Mexico collects more detailed data on remittances than most. The data is particularly important to Mexico, which is the second-largest recipient of remittances worldwide, after India.

The Mexican central bank developed a national register of remittance companies in 2002, including standardised reporting. In 2012 it rolled out further regulations that allowed it to identify regional information on flows. The information is aggregated and published on a monthly basis.

The data shows the “resilience” of remittance flows during the Covid-19 pandemic, said Lizbeth Leyva, a manager at the Bank of Mexico. Indeed, rather than falling, as many had feared, remittances surged in 2020. Leyva partly attributes this to the unusually generous stimulus measures in the US, which supported migrant workers who are often excluded from unemployment insurance.

Good remittance data opens up many policy avenues for a central bank. Leyva said the Bank of Mexico used the data as an important input to its analysis of how the economy was recovering from Covid-19, noting that for many regions, remittances make up a “substantial part” of people’s income.

The data has also been cross-referenced with data on bank branches to identify areas where it is difficult for people to collect remittances. The government now has a project underway to fill the gaps.
The growing use of digital payment channels could have benefits for central banks wanting to track remittances, noted Saransh Verma, director of analytics at TerraPay, a remittance provider. Electronic flows make fighting money laundering easier, he added.

UNCDP’s Gravesteijn added, however, that the rise of electronic remittances could have a downside. Women are more likely to use cash-based remittances, so Gravesteijn warned the shift to digital – which accelerated during Covid-19 – “may leave women behind”.

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