William's Update

Remittances

William Clinton Co

August 6, 2025

Abstract

This paper examines the current environment of remittance measurement, identifying key literature and data sources while also addressing topics discussed during William and Michael's meeting on July 24, 2025.

Table of contents

1 Introduction

Overall, there are now improved methods for measuring remittances compared to older approaches such as population inference. However, obtaining accurate data on remittances remains a significant challenge. To better understand how remittances are measured, a good starting point is High Priority which is from the World Bank Group. Another useful resource is Medium-High Priority, provided by the United Nations Capital Development Fund. The main challenges in remittance measurement include defining what constitutes a remittance and distinguishing between different measurement approaches, such as macro-level and micro-level methods. Although measurement techniques have become more accurate, considerable errors and uncertainties persist. For further discussion on measurement reliability, see Arcangelo et al., 2023.

2 Wise (TransferWise) Business Model

Wise is a fintech company that facilitates **low-cost, international money transfers**. It operates on a unique peer-to-peer model.

2.1 Core Business Model

2.1.1 1. Peer-to-Peer (P2P) Currency Matching

Wise avoids moving money across borders by matching users sending in opposite directions: - E.g., If someone sends CAD to the UK and another sends GBP to Canada, Wise matches them. - Money stays within local banking systems, reducing fees and increasing speed.

2.1.2 2. Revenue from Transfer Fees

Wise charges: - **Fixed fee** per transaction. - **Variable fee** (percentage of the amount sent).

Example: A $1,000 USD transfer to the UK might cost only $5–7, compared to $40+ via a bank.

---

3 Dataset on remitances

3.1 Problem (William's Notes) Challenges and Methods in Measuring Remittance Transactions

3.1.1 Low Quality of Data

- Statistical remittance data are often unreliable or incomplete.

3.1.2 Nature of Remittances

- **Heterogeneous**: Numerous small transactions carried out by individuals.
- **Multiple Channels**:
    - **Formal**: e.g., electronic wire transfers.
    - **Informal**: e.g., hand-carried cash or goods across borders.

3.1.3 Detection and Reporting Issues

- **Small transaction sizes** often evade standard data collection systems.
- **Informal transactions** are typically underreported or excluded from balance of payments (BoP) data.

3.2 Measurement Approaches

3.2.1 Direct Measurement

- Includes **transaction reporting** and **surveys**.
- Considered ideal when feasible.

3.2.2 Combined Methods

- Some countries use a **hybrid approach**:
  - Combine **direct measurement** with **estimates** where data are lacking.

3.2.3 Model-Based Approaches

- Models are used to:
  - **Fill data gaps**.
  - **Estimate global totals**.
- The **accuracy** of these models depends on the **reliability of input data**.

3.2.4 Assumptions and Limitations

- **Indirect data** require **assumptions** to convert into remittance figures.
- Assumptions must be **plausible**, but are often **untestable or unverifiable in practice**.

3.3 Observed Datasets

- SDGs Today Remittance
- World Bank Remittance
- Dropbox Remittance Folder

3.4 Literature

3.4.1 Takeaway

3.4.1.1 Summary: Challenges and Improvements in Remittance Data Collection

3.4.1.1.1 Key Challenges

- **Poor data quality**: Despite increased interest, statistics on remittances are still inconsistent and incomplete.
- **Global discrepancies**: In 2023, reported outward flows were only two-thirds of reported inward flows, highlighting growing asymmetries.
- **Informal channels**: A significant share of remittances is sent through informal means (e.g., hand-carried cash), which often goes untracked.
- **Inconsistent methods**: Countries use different concepts, definitions, and recording practices, leading to classification errors.

- **Impact of digitalization**: The rise of digital platforms, especially post-COVID, has reshaped remittance flows, but existing measurement tools lag behind.

3.4.1.1.2 Ongoing Initiatives

- **RemitStat (World Bank)** RemitStat : A global initiative involving 46 countries, Eurostat, and the IMF, aiming to improve remittance data.
- **TT-GA (IMF Task Team on Global Asymmetries)** Preliminary Report : Established in October 2023 to investigate data gaps, legal and methodological barriers, and propose solutions.

3.4.2 High Priority

3.4.2.1 Understanding what defines a remittance World Development Report 2023 (Module 8)

- Migrant remittances: Alternative money transfer channels

- Migration and Development Brief (June 2024) (see page 19)

- World Development Report 2023: Migrants, Refugees, and Societies

- Remittance Prices Worldwide Quarterly Issue (Dec 2024)

- What Explains Remittance Fees? (Beck et al., 2022)

3.4.2.2 Macro Level Measurements

- International Transactions in Remittances: Guide for Compilers and Users, October 2009
- World Bank Measurement of remittances
- Balance of Payments and International Investment Position Manual - Sixth Edition (BPM6)

3.4.2.3 Micro Level Measurements

- Finding measures with the least noise Arcangelo et al., 2023
- Guides on survey design Measuring remittances through surveys: Methodological and conceptual issues for survey designers and data analysts
- How reliable are survey estimates of remittances? Evidence from a cross-reporting survey exercise

3.4.3 Medium-High Priority

- United Nations Capital Development Fund
  - Survey Strategy and Questionnaire (UNCDF)
  - See Chapter 2, page 13 (Brown and Soto, 2015)

3.4.4 Low Priority

- Informal Remitances Estimation
  - Uncertain quality
- (Yang,2011) Migrant Remittances
  - High academic standing

- – Outdated
- World Bank Working Paper, 2010
  - – Outdated