

Challenges of Microfinance institutions on the remittance Market.

Can CIDERURAL implement and provide remittance services in a viable way?

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Executive summary

The three main questions that will be treated in this paper are:

- The challenges of microfinance institutions on the remittance market
- Should CIDERURAL implement and provide remittance services?
- Can CIDERURAL provide money transfer services in a viable way?

Before starting to answer these three questions, an overview will be given of the different concepts and factors that are important in the remittance market. In order to do so we will look at the definition of remittances and their characteristics. Moreover the reasons that motivate the remitter to transfer money as well as the role of remittances for the receiver will be examined.

The functioning of the remittance market will be enlightened. Consequently we will analyze the different actors on the remittance market, the transmission mechanisms used to do so and the client's needs and expectations regarding money transfers. Leading us to ask what the challenges are on the remittance market and why they should enter this market. As a result we will enumerate the reasons to enter the money transfer market for microfinance institutions as well as the opportunities and threats it entails. Finally we will look at the different ways microfinance institutions can position themselves on the money transfer market when they have decided to enter this market.

The third chapter will introduce the institution where I will be completing my internship that is CIDERURAL. As CIDERURAL is a savings and credit cooperative we will examine its particularities. Bearing this in mind we will try to understand who would become CIDERURAL's main competitors when entering this money transfer market. If it happens to be a very developed market with fierce competition it will be important for us to understand where exactly these competitors are active and to whom, how and at what costs they are providing their remittance services. Since some microfinance institutions have the advantage of being regionally implanted and presents in more remote areas, allowing them to create their own niche market for money transfers, we will need to analyze if this is the case for CIDERURAL.

Leading us to ask the following question in chapter IV: "Can CIDERURAL implement and provide remittance services?" Subsequently inspecting its legal framework, as means to better understand its institutional capacities for entering the Peruvian remittance market. Moreover we will try to understand the characteristics of Peruvian money transfers. Therefore demographic and economic characteristics of both senders and receivers of money transfers in Peru as well as of CIDERURAL's clients will be investigated. All this will be done through the help of CIDERURAL's participating partners and members. Our project aims to join efforts in order to form a remittance network between CIDERURAL's partners. Hence each partner should be contacted individually in order to ask them to participate to the development of this new service. This will allow us to better understand if there is a need for such a service at client level and institutional level. Finally when all this is undertaken and understood we can ask ourselves if CIDERURAL should enter this remittance market in Peru. Therefore opportunities and limitations for CIDERURAL when implementing remittances will be enounced.

Chapter V is an introduction to the operational aspect of forming a network between CIDERURAL's partner savings and credit cooperatives. This chapter is merely designed to put forward the first steps of the practical realization of the interconnection of cooperatives and understand the viability of the project.

Finally chapter VI, relates my experience at CIDERURAL, providing insights on my visits and reunions.

