

# REMITTANCES AND DEVELOPMENT IN HONDURAS

Bridging Opportunities

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## Introduction

This report offers insights and recommendations about the relationship between remittances and development as means to enhancing the possibilities of Honduras' economic modernization. The following memo is based on the consensus of a commission<sup>1</sup> on Remittances and Development in Honduras.

The commission met three times to address critical issues relating to migration, remittances, and development options. The following report contains the material addressed and recommendations considered.

## Migration and Remittances to Honduras

Honduran migration is a post-Hurricane Mitch reality that has increased in intensity during the height of insecurity and violence, and, more recently, due to the complexities of the global economy and the effects of the pandemic on state fragility. The number of Hondurans emigrating has increased from 350,000 in 2000 to over 1.3 million in 2023. Similarly, the flow of remittances has increased 10 times and the weight of these flows relative to the national economy is nearly one third of total income. The continued outflow of migration shows an increasing pattern over the past five years, particularly in irregular migration, which, in turn, has been key to remittance growth. Irregular migration, mostly in the form of encounters at the US-Mexico border, points to a steady outflow of people to the United States equal to more than 2.4% of the Honduran population—70% of which is part of the working age population.

**TABLE 1: KEY INDICATORS ON MIGRATION AND REMITTANCES TO HONDURAS**

Source: World Bank Development Indicators; UNDESA, Inter-American Dialogue

	2000	2010	2015	2020	2023
<b>Migrants</b>	342,103	587,503	729,855	985,077	1,310,453
<b>Remittances</b>	\$610,441,530	\$2,617,906,839	\$3,666,201,326	\$5,576,000,000	\$7,372,054,100
<b>Principal</b>	200	220	260	300	340
<b>Share of GDP (%)</b>	<b>6.6</b>	<b>16.5</b>	<b>17.5</b>	<b>23.4</b>	<b>28</b>

**TABLE 2: RECENT MIGRATION PATTERNS AND PATHS TO THE UNITED STATES**

Source: DHS, US Immigration Statistics, USDOS. Note that 90% of outmigration is to the United States. \*irregular entry estimates uses DHS formula (including people released as well as undetected unlawful entries; \*\* visa overstayers around 1.7% of all tourist visas; \*\*\* estimate of adults who arrived and started sending on same year of arrival.

CategoryS	2018	2019	2020	2021	2022	2023	Annual Growth
<b>A. Legal permanent residence</b>	6,997	6,045	2,250	3,156	7,563	7,941	2%
<b>B. Estimate of irregular entry*</b>	101,655	203,416	25,245	169,362	122,187	136,064	5%
<b>C. US Border encounters</b>	116,845	233,812	52,594	352,838	193,947	234,593	12%
<b>D. Visa over stayers**</b>	730	1,419	842	577	737	751	0%
<b>E. H2B, H2A Visas</b>	1,150	1,135	1,317	2,668	5,116	5,653	30%
<b>F. Deportations</b>	28,894	41,800	21,139	10,790	16,487	11,439	-14%
<b>Total Migration [A+B+D+E]</b>	110,123	212,399	28,654	174,332	135,157	149,918	5%
<b>Migrant Replenishment</b>	<b>81,229</b>	<b>170,599</b>	<b>7,515</b>	163,542	118,670	138,479	9%
<b>Outmigration [A+B+C+D+E]</b>	312,784	276,206		371,752	274,386	<b>169,903</b>	-10%
<b>New remitters***</b>	39,644	76,208	10,315	62,760	48,657	43,152	1%
<b>Outmigration as share of population</b>	2%	2.6%	0	3.6%	2.2%	2.4%	3%

There is a strong probability that migration will continue although the intensity in which it has occurred may be less so in 2024. This may be mostly due to immigration restrictions in 2024 and the political climate in the United States over immigration control. In 2024, a slight continuity of migration without growth would suggest that the flow of

remittances will remain steady but with a less pronounced growth differing by two digits experienced years before. However, the dependency on these flows is increasing among households receiving money across the country highlighting the importance of these earnings on asset building and consumption.

**TABLE 3: REMITTANCES TO HONDURAS IN 2024**

Source: Central Bank of Honduras; IAD estimates based on migration patterns.

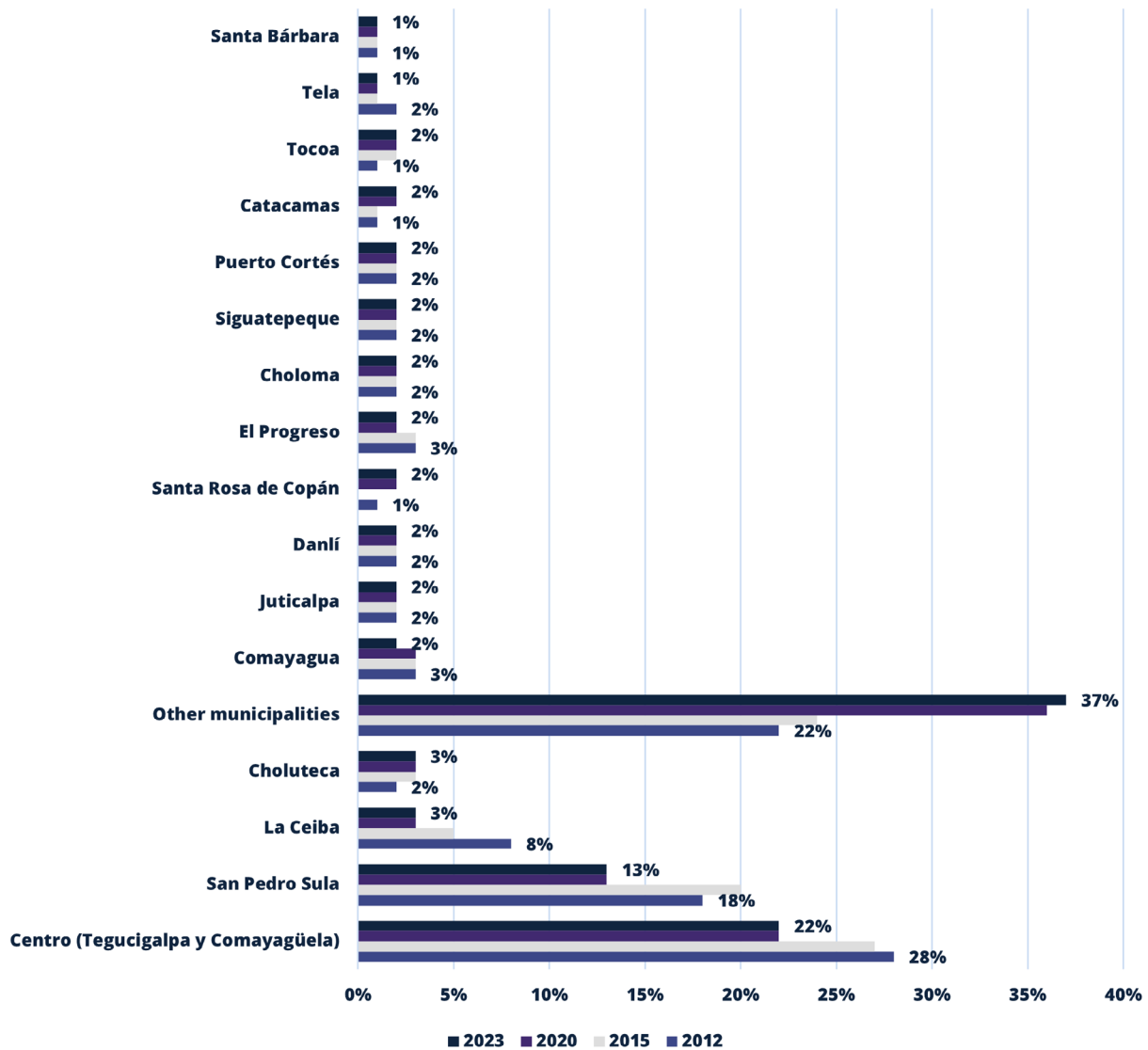
	2023	2024
<b>Remittance senders</b>	<b>1,310,453</b>	<b>1,408,868</b>
<b>Natural sender increase without migration</b>	14,408	14,415
<b>With new migrant senders from arrivals</b>	43,152	42,000
<b>New migrant arrivals</b>	149,918	140,000
<b>Remittances (US\$,000,000)</b>	9,194	9,314
<b>Households receiving</b>	51%	54%
<b>Remittances Growth</b>	6%	3%

One factor explaining continued migration is structural: migration responds to underlying economic factors, such as the size of the informal economy. The spread of places where people are emigrating also illustrates a possible

factor explaining economies of scale. In 2012, about two thirds of emigration originated in eight municipalities, and by 2023, it was half that.

**FIGURE 1: MIGRATION AND REMITTANCE RECIPIENTS BY MUNICIPALITY**

Source: Data collected by the IAD using payout location points.



## Remittances and Asset Building Among Recipients

Remittances have an effect on asset building. The point of departure over the relationship between remittances and development is their effect on income. Remittances directly increase disposable income which typically turns into saving accumulation. Of the total income earned (remittances included) savings are set aside. As disposable income increases through increased remittances, so too do savings. Thus, among households, remittances contribute to build liquid and fixed assets.

Despite the fact that most remittance recipients retrieve remittances from financial institutions, most of their liquid assets (cash savings) are outside depository institutions and kept informally. While this disconnect is a major devel-

opment challenge, addressing it can contribute to financial inclusion across the nation.

The table on the following page offers a snapshot of the financial profile of remittance recipients across several major remittance recipient nationalities. As the table shows, the majority of recipients save, but only a handful hold their money at depository institutions. Moreover, the stocks of savings are not negligible and may be comparable to one quarter's income.

**TABLE 4: SAVINGS CHARACTERISTICS OF REMITTANCE RECIPIENTS**

Source: Inter-American Dialogue. Financial Education Programs, 2011 – 2023, remittance recipient intake datasets.

Region	Country	People who save (%)	Formally saving (%)	Amount Received in Remittances		
				Do not save	Save (US\$)	Amount of savings
Caucasus	Georgia	48	7.3	4000	3300	1500
	Azerbaijan	80	23	5054	6276	150
	Armenia	47	17.2	3517	4186	2468
	Moldova	72	19	2167	5179	1478
Central Asia	Tajikistan	33	32.3	1747	2299	498
	Kyrgyzstan	38	14.3	1744	2244	1636
	Uzbekistan	42	31	2295	2300	980
Africa	Morocco	66	21.3	850	1200	1749
	Senegal	53	3.1	2600	1800	206
Latin America and Caribbean	Guatemala	69	45	3036	4107	900
	Jamaica	79	65	2192	3899	1455
	Mexico	59	11.9	2431	3190	650
	Nicaragua	43	17.4	2735	3509	500
	Paraguay	63	18.8	963	1363	250

Our analysis has also shown that the intention to migrate increases among those who receive remittances but do not have savings formalized. Moreover, the intention to migrate correlates negatively among those who formalize their savings.

Financial access in Honduras is a pending task, one for which in which financial institutions are committed to participating. At the same time, remittance recipients exhibit a higher savings capacity, though, as in other parts of the world, they do not enjoy all the benefits provided by financial access.

Our survey analysis of Honduran remittances points to at least four key issues. First, most immediate remittance recipients are women homemakers, people working in the informal sector, and students. Second, of those who receive remittances, which amount to 1.3 million households, the majority (59%) do not own a bank account, yet they own savings (60%). Compared to those who do not receive remittances, this group has more resources saved and also owns more bank accounts. The room to expand financial access, however, is important because at economies of scale, it may amount to a minimum of 800,000 individuals plus another family member in the household.

**TABLE 5: SAVING AND OWNING BANK ACCOUNTS**

Source: Survey of Hondurans, 2022

	Receives remittances	Does not receive remittances
Does not own a bank account	59.00%	73.30%
Owens a bank account	41.00%	26.70%
Does not save	40.00%	89.90%
Save	60.00%	9.00%

Another very important aspect is that women are more financially disenfranchised, despite that they are the majority of remittance recipients. Just over one third of women remittance recipients own a bank account and a similar number is able to save. This finding highlights the urgency in financially empowering women in order to offer pathways to economic independence. Finally, remittance

recipients' stock of savings is supported by strong income received, relative to those who do not receive remittances. This finding enhances the importance of accelerating a formalization strategy that can leverage their income and savings in order to strengthen their resources and the effects of trickledown in the nation.



**TABLE 6: GENDER DIFFERENCES AND RECEIVING REMITTANCES**

Source: Survey of Hondurans, 2022

	Receives remittances		Do not receive remittances	
	Male	Female	Male	Female
Does not own a bank account	45.50%	63.90%	74.00%	72.80%
Owens a bank account	54.50%	36.10%	26.00%	27.20%
Saves	45.50%	38.30%	9.30%	10.60%
Does not save	54.50%	61.70%	90.70%	89.40%

**TABLE 7: INCOME DIFFERENCES AMONG REMITTANCE RECIPIENTS AND NON-RECIPIENTS**

Source: Survey of Hondurans, 2022

	Receives remittances	Does not receive remittances
Total income	\$6,438	\$2,583

## A Development Strategy for Honduras Leveraging Remittances

A development perspective and an approach to mitigating the source factors of migration includes leveraging all sources of wealth generation that can contribute to increase earnings substantively. Therefore, it is important to integrate the economic contributions of migrants (such as remittances) to link them to strategies of asset building – particularly local savings formalization and mobilization (through financial education and credit) and investments in human capital, like education.

Migrant investments, donations, and remittances can be leveraged to build both human and economic capital in those more migration-dependent countries and localities. There is an important remittance and migration related value chain associated with savings: its formalization, and the opportunities it offers for asset-building.<sup>2</sup> We have demonstrated that the increase in disposable income from remittance transfers increases savings capabilities.<sup>3</sup>

Our research and work in the Central America region show that financial advising can help formalize at least 20% of savings among remittance recipients. Moreover, savings formalization reduces the intention to migrate.<sup>4</sup> Formalizing savings not only helps people to build wealth (which is negatively correlated to the intention to migrate), but also helps communities by making capital available for local entrepreneurs, informal or formal.

Formalizing savings and mobilizing them into credit for entrepreneurs will enhance a new competitive and productive space. At the core of savings mobilization is the targeting of entrepreneurs in a largely informal and un-competitive setting. The informal economy lies at the intersection of un-

derdevelopment, the root causes of migration, and migrant capital.

In this sense, expanding credit to new sectors—such as education and skills development—for which no substantive financing has existed before, will increase productivity.<sup>5</sup>

It is important to reorient investment with existing resources, including those that leverage remittance savings. A strategy should consider annually formalizing and mobilizing a critical mass of savings among the 1.3 million remittance recipients and bring resources into the formal financial sector, all while generating profits and increasing inclusion.

### The Pathway to Leveraging Remittances for Development in Honduras

A pathway to development supported by remittances should include leveraging these flows through savings formalization of disposable income. This involves introducing a development strategy of financial inclusion to increase assets in Honduras.

The strategic approach includes a solution or model, the participation of key players, and a goal centered perspective as commitments to achieve among partners.

#### A leveraging solution

This strategy requires the participation of financial institutions, targeting remittance recipient households, including [women] remittance recipients, young adults, microenterprises, and rural households. It also requires a good approach to formalize savings. This memo provides three main recommendations, first, to establish a financial advising effort to maximize the savings among remittance recipients by formalizing them into the financial sector. Second, to develop mechanisms to mobilize these savings into credit, while incentivizing remittance recipients to acquire credit for key economic activities. Third, to engage



remittance service providers and payers in Honduras on an approach that increases payments into account deposits or digital deposits.

### A) Financial Advising as Financial Inclusion for Remittance Recipients

Lessons from other experiences signal that financial advising contributes effectively to recipients' savings formalization. Using financial advice, the approach will target vulnerable populations subject to economic hardship or with an intention to migrate because of the former. The financial inclusion strategy will help individuals and businesses have or increase financial access, build assets, strengthen the financial ecosystem to a wider network at the bottom of the social pyramid, and will make migration less likely.

The approach uses financial education and employs a successful and innovative strategy that promotes financial inclusion, education, and savings formalization. It forms, informs, and converts transactional clients into account deposit holders and borrowers, bringing their informal savings into the formal financial system.

The strategy for financial advising includes at least five components: a) financial sector partnerships; b) pedagogical training known as SEXI (statement, explanation, example, implication), accompanied with behavior economic techniques; c) a one-to-one 20-minute-long educational session; d) financial behavior and impact analysis; and e) knowledge diffusion and transfer to partners based on an individual financial profile dataset built in the context of advising.

**Financial advising can help formalize at least 20% of savings among remittance recipients.**

The expected result builds knowledge on basic individual finances (about budgeting, saving, credit, insurance, and payments) and modifies financial behavior with greater appreciation for financial products, savings, and credit in particular. It informs and forms remittance recipients to adopt mobile payment technology, showing the benefits of digital financial instruments (increased savings or disposable income and ease of transactions).

### B) Digital Payment Expansion

Because money transfer modernization has reached a critical mass of senders with the option to transfer money directly into recipient's account, it is important to increase

online remittance origination and transaction payments into accounts and mobile wallets among a minimum share of remittance recipients.

Currently only 10% of remittances are deposited into bank accounts or digital wallets and less than 25% originates online. Were remittance transfers to increase via online, costs would drop further, and financial access would increase.

The percentage cost relative to the amount 'bought' varies depending on the average consumer choice of sending and receiving vehicle be it cash, bank account transfer, credit card, payment in US dollars only, deposited into a bank account, or cash pick up.

Currently, the cost of sending money to Honduras is 3.1% with 83% of these transactions originating in cash. The cost of sending online and paying into account is far lower than 3%.

Moreover, ensuring that online origination is connected to electronic deposits in Honduras, rather than cash withdrawal, will increase financial access.

The strategy consists of working with remittance companies to encourage consumers to originate transfers online increasing transfers through financial partners and encourage recipients to ensure their transfers are deposited into a bank account or a mobile wallet. Utilizing financial advising in this effort, the strategy should aim to ensure that a critical mass of clients receive remittances through their account or a mobile wallet.

Central to this effort is providing digital financial system integration for local merchants. Providing recipients with user-friendly electronic and digital payment vehicles that can honor transactions at local merchant stores is a critical glue that connects the payment value chain. Local merchants are the missing 'intermediator of financial inclusion and a key player that connects users with providers. Therefore connecting merchants to bank systems and providing them with digital payment vehicles will create incentives for remittance recipients to use their accounts to perform payments.

### C) Credit and Coaching

It is also important to provide credit to remittance recipients because experience suggests that they exhibit a demand for savings formalization as well as investments. Central to this effort is supporting recipients to build fixed assets by helping them acquire business or mortgage loans.

Offering low-cost mortgages to remittance clients screened through financial advising and business coaching to businesses, for whom a part of their income originates from remittances, will strengthen assets and investment options. The demand for credit for business activities is

achieved through advice and technical support, such as [business coaching](#), and in turn to make their operation more competitive and profitable.

### Partners

The effort requires joint collaboration between private sector players, as well as government agencies involved and committed to promoting financial inclusion. These partners include a representative subset of the financial sector participating in remittance payments, including banking, non-banking financial institutions as well as credit unions.

The purpose of their participation is to ensure that the partnership includes those who are performing together at least half to two thirds of remittances paid, that is between 800,000 to one million transactions, enough to guarantee a critical mass to reach out during a three-year time period through a staged strategy that reaches one third of that number every year.

### Goal Centered Approach

The success of such a strategy requires consideration of minimum notional goals to be explored over a five-year period. The three-year expected results are as follows:

- At least 15% receive financial advice, of which 60% are women; 70% are remittance recipients; 60% youth between 18-40.

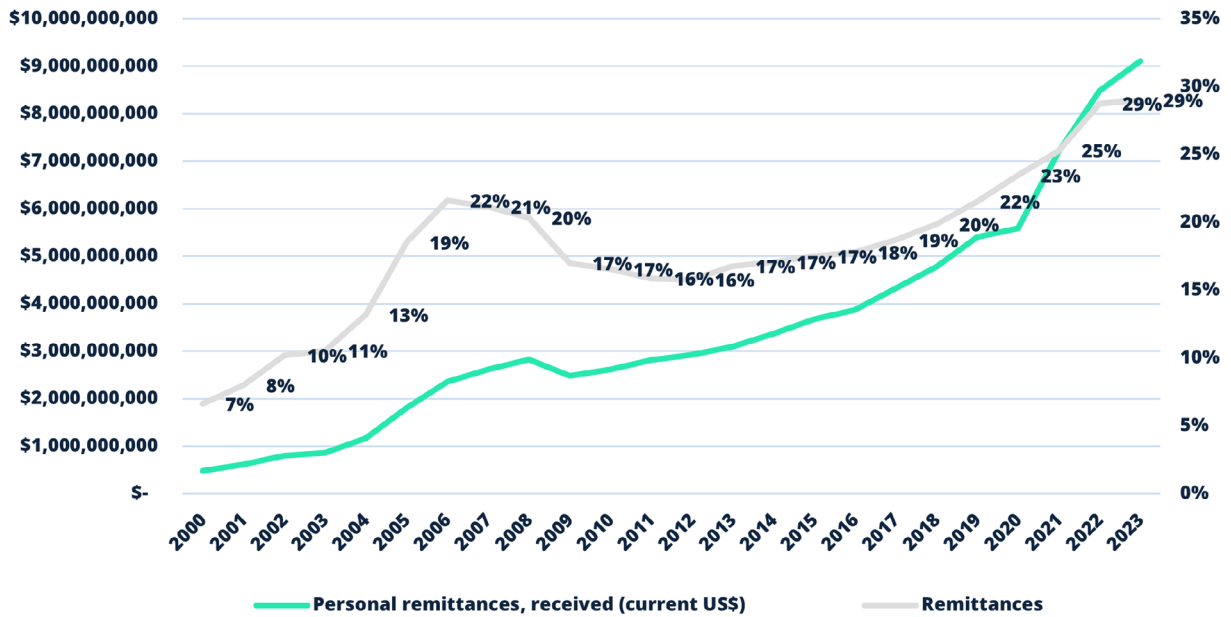
- Ensure that, every year, between 3 and 5% of those receiving advice formalize their savings in the financial system
- Mobilize these savings into credit and increase credit offering to the larger remittance recipient population (in the form of mortgage and business loans)
- Ensure that at least 1% of remittance recipients to receive remittances deposited into accounts or wallets
- Reach out to a critical mass of merchants to ensure their digital integration into the payment system

The selected groups are a natural choice. Working informally, and lacking access to guidance and tools hampers the income generation of millions of Hondurans. Moreover, many households are headed by women, working as homemakers, with meager remuneration and dependence on their male partners, curtailing economic independence. Our data on Honduras show that income is typically lower among: (a) rural residents; (b) women; and (c) informal and agricultural workers. Compensating for remittances, the difference in incomes between these groups and less vulnerable populations is significant. In municipalities that have more than a 40% rural population, the average household income is US\$2,650. Homemakers are especially impoverished, with incomes averaging US\$2,110 per year, excluding remittances.

# APPENDIX

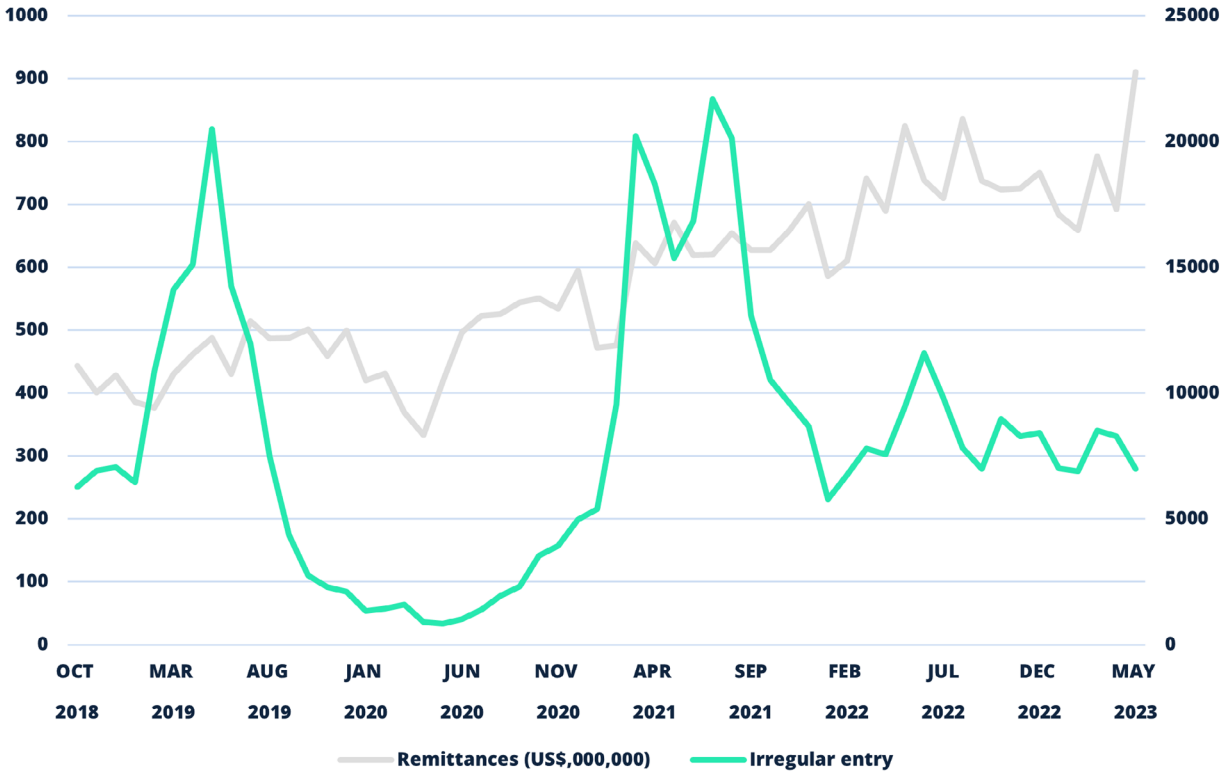
## REMITTANCES AND WEIGHT IN THE ECONOMY

Source: Central Bank of Honduras



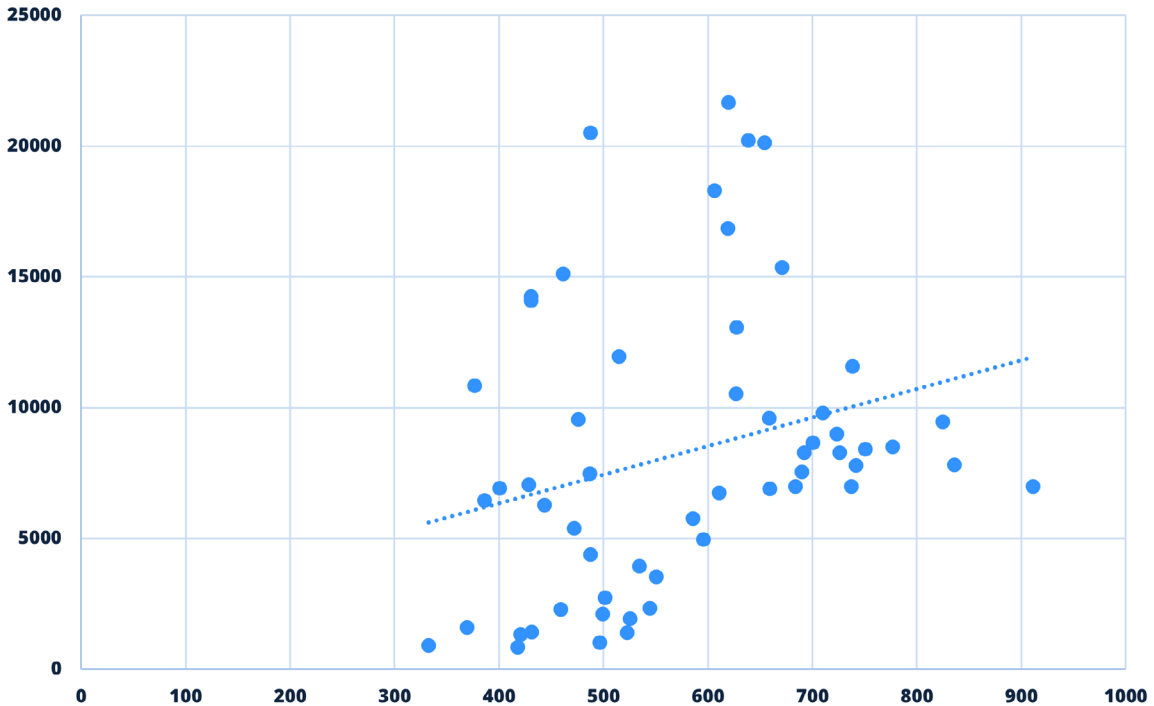
**REMITTANCES AND MIGRATION FROM HONDURAS TO THE US: MIGRANTS START TO SEND 7.5 MONTHS AFTER ARRIVING**

Source: Central Bank of Honduras, Department of Homeland Security (DHS): Nationwide Encounters



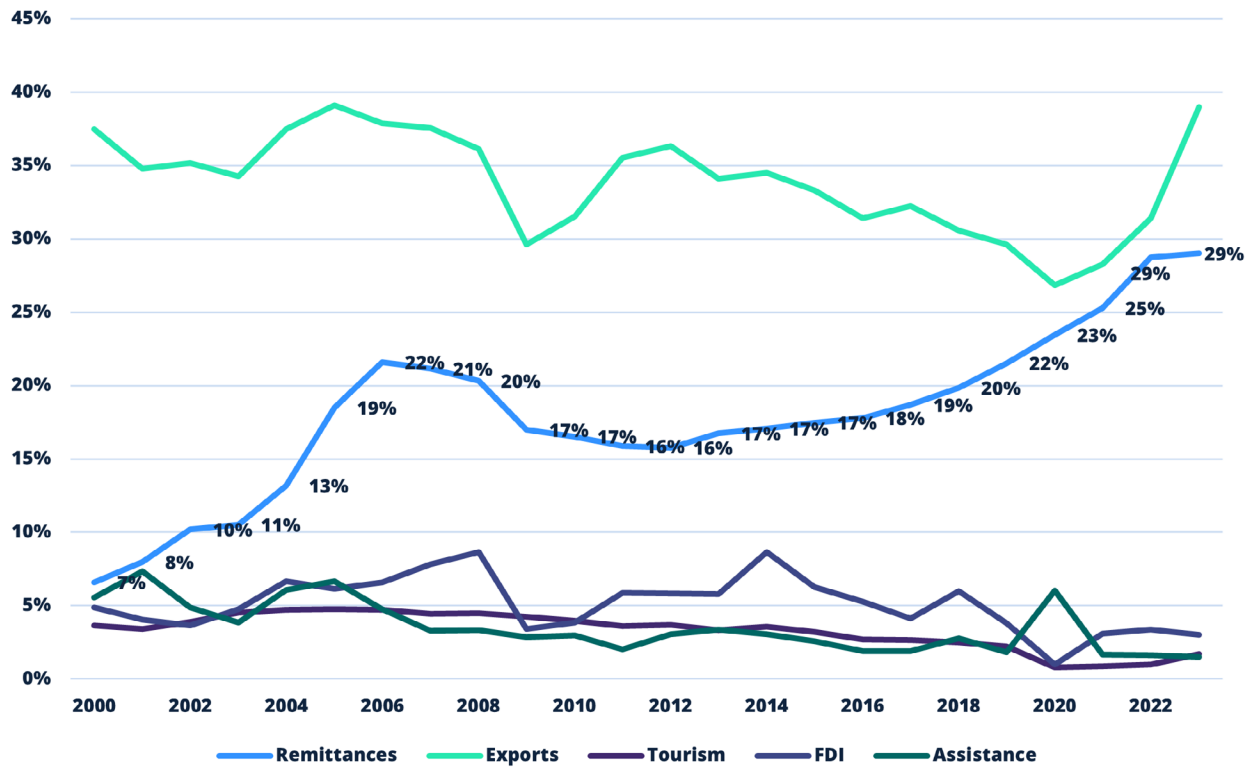
**REMITTANCES AND IRREGULAR MIGRATION**

Source: Central Bank of Honduras, Department of Homeland Security (DHS): Nationwide Encounters



**ECONOMIC WEIGHT OF REMITTANCES IN THE HONDURAN ECONOMY**

Source: Central Bank of Honduras



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1. The commission met three times to address critical issues relating to migration, remittances, and development options. The following report contains the material addressed and recommendations considered. Key commission members included: Maricruz Aparicio (Fundacion Covelo), Paul Dwyer (Viamericas), Armando Castañeda (Airpak), Hugo Noe Pino (Asamblea Legislativa), Heiner Jimenez (Banco Azteca), Karina Mejia (Banco Lafise), Eugenio Nigro (Remitly), Larisa Vargas (Ficohsa).
2. See for example, Chapter 6, Orozco, Manuel. *Migrant Remittances and Development in the Global Economy*. Boulder: Lynne Rienner, 2013.
3. Orozco, Manuel. *Understanding Income in El Salvador (2016)*. Washington, DC. IAD.
4. Inter-American Dialogue. *Opportunities for My Community Project: A Strategy for Guatemala*, August, 2018.
5. Financing for education is typically only available for college education in private universities. However, financing education is key to economic growth and development.



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