

REACHING GEORGIA'S RURAL POOR THROUGH MOBILE REMITTANCES

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0. EXECUTIVE SUMMARY

This report is produced in the framework of the project “Reaching Georgia's Rural Poor through Mobile Remittances”, funded by the Financing Facility for Remittances (“FFR”) of the International Fund for Agricultural Development (“IFAD”) and co-funded by Mobile Finance Eurasia (“MFE”) and JSC MFO Crystal. It relates to the following project objective and output:

“The overall goal of the project is to enhance the self-reliance of poor rural households through improved financial literacy and access to financial services. The project will facilitate access for remittance beneficiaries through deployment of a transformative mobile finance system, which will bring financial services to those beyond the reach of the financial industry”.

Project Objective B.1: Carry out a market research on migrant remittances, value-added financial services and training needs (financial literacy) of migrants and their families in Georgia and Greece. Extend this market research also to migrants living in one of the following countries: Turkey, Italy or USA to lay the foundations for future project outreach. In carrying out this activity, Crystal will draw on IOM studies as relevant ensuring that the FFR grant is not used for expenses in gathering of information which is already available in IOM studies.

Output B.1: Comprehensive report produced covering market research on remittances, financial services and training needs of the Target Group and of migrants living in Greece and either Turkey, Italy or the USA.

The principal methodology used for this research was in-depth interview with individuals in Georgia and their relatives in Greece, who regularly send money home. The findings were reconciled with the already available empirical research. Finally, some of the gaps were filled by the focus group in Greece and interviews with representatives of the migrant community and money transfer intermediaries.

The objective of the research was formulated as follows: to establish a demand on mobile finance and value-added services (micro loans, insurance and savings), assess the level of financial education, needs, patterns of behavior and preferences of migrants and their families who regularly send/receive funds remitted from Greece/Italy to Georgia.

Key conclusions are related to the demand on mobile finance service and other value-added services such as micro-loans, micro-insurance and savings/deposit accounts in Greece and Georgia’s rural areas. The report highlighted critical success factors and made suggestions on the suite of services, service price, service distribution and communication channels. It also informed the project team on mobile phone skills and handsets used by customers which will help to tailor the operating model

The research revealed an obvious opportunity for the development of the mobile finance service, which can be complemented by the wide range of value-added products for remittance recipients in rural areas. This will require an adequate product development (micro-loans, micro-insurance and savings/deposits) and well-designed outreach strategy. There are many findings in this report which offers an excellent basis for drafting the future marketing strategy.

1. METHODOLOGY

The research was designed to meet the project needs and answer the project objective (B.1) and project output (B.1).

The objective of the research was formulated as follows: to establish a demand on mobile finance and value-added services (micro loans, insurance and savings), assess the level of financial education, needs, patterns of behavior and preferences of migrants and their families who regularly send/receive funds remitted from Greece/Italy to Georgia.

For the purposes of IFAD-funded project the focus was made on Greece-Georgia corridor in order to ensure the delivery of the rest of project objectives (from C.1 to F.1 inclusive).

The project team identified available empirical research. These reports include various studies conducted by International Organization for Migration, the European Bank for Reconstruction and Development, World Bank and others (see section Previous Research below). The remittance data was obtained from the National Bank of Georgia to demonstrate recent trends in cross-border remittances.

In order to build on the achievements of the previous research undertakings and complement them with more practical findings which would be critical for the deployment of the mobile finance service in Georgia, the project team decided to use the in-depth interview as a main method of this research.

One of the reasons for choosing this method was the acute limitations of the quantitative research due to the lack of reliable primary data. Moreover, quite good body of research has been already created based on quantitative surveys and empirical analysis of statistical data.

The research based on in-depth interviews was designed to look into the nuances which could not be addressed by previous research. For example, to look into how migrants and their families manage their finance, how they make decisions, what they know and how they learn about financial products, what matters to them most when they send remittances, what are their mobile phone skills and habits, would they be interested in mobile finance service and why. This research was commissioned to obtain a comprehensive qualitative picture of the target group and their financial needs.

In total, there have been 45 in-depth interviews conducted, including 33 in rural and urban areas of Georgia and 12 in Greece (Athens and Thessaloniki). The audio recordings of these interviews have been transcribed to the textual files which were analyzed by the team of researchers. The outcomes were interpreted by the project team and additional finding obtained from the focus group and individual interviews with migrants in Athens. This has been finally complemented by evidence gathered from money transfer intermediaries in Athens.

This report has a paramount importance for the success and sustainability of the mobile finance service to be launched in the frames of the IFAD FFR project. A good understanding of customer needs and clear, simple value proposition are critical elements for the success of mobile finance projects. The findings of this report have been digested by Mobile Remittance Consortium members during the MRC workshop. The separate report regarding this workshop (output B.2) is available from Crystal Fund.

2. THE SCOPE OF WORK

The objectives of the research was to establish a demand on mobile finance and value-added services (micro loans, insurance and savings), level of financial education, needs, patterns of behavior and preferences of migrants and their families who regularly send/receive funds remitted from Greece/Italy to Georgia. The following components were identified:

1. **Consolidation of existing empirical research (EBRD, IOM and others), analysis of NBG statistics to establish:**
 - Concentration of Georgian migrants by countries and specifically in Greece/Italy;
 - Remittance flows, including those from Greece/Italy;
 - Characteristics of remittance channels used by migrants and specifically those in Greece (amounts, patterns, purpose etc);

2. **In-depth interviews with potential users of mobile finance service in Imereti region, Tbilisi and Dusheti;**
 - A. Personal Details
 - *Age, occupation, income level*
 - *Members of household, migrants etc.*

 - B. Remittances
 - *Remittance patterns (amount, frequency);*
 - *Purpose/utilization of remittances (spend, what for, save, invest);*
 - *Where/how they access their remittances*
 - *Approximate cost/time involved*
 - *Current service providers/strengths & weaknesses*
 - *What they value most (convenience, time, security, currency choice etc.)*

 - C. Financial Literacy
 - *Do they budget family finance? For how long they plan ahead? Do they and how control their costs?*
 - *Do they save, deposit, invest? If no, why not?*
 - *What is their perception of a loan? Interest? What is the acceptable loan interest rate?*
 - *Are they aware of APR (Annual Percentage Rate)?*
 - *How they understand insurance?*
 - *Are they aware of how to protect their savings/revenues from currency exchange rate changes;*

 - D. Financial services and access
 - *Payment services they use (air-time refill, utilities, money transfers to others etc.)- volume, frequency*
 - *Financial services they use (bank accounts, loans, insurance and savings);*
 - *Would they like to get micro-loans, insurance (health, property, life, agro) and savings accounts;*
 - *How they access financial services (travel – how long/cost; Internet-banking, instant payment machines, POS terminals, plastic cards etc.);*

E. Mobile phones and skills

- *Mobile phone skills – do they use SMS, USSD, WAP, mobile Internet, Java or other applications*
- *Are they used to PINs/passwords while using the phone, plastic card etc; how confidential they keep it;*
- *Mobile operators and handsets (type, number) used; phone bill;*
- *Methods of air-time refill;*

F. Demand for mobile finance services

- *Would they send/receive money using their mobile phone? Why?*
- *What is actual demand on transfers, utility payments, merchant payments, m-remittances etc; How many and which transaction (hypothetically) per user per month?*
- *Acceptable price for service – how much would they pay for a typical transaction (\$ 100 sent from Greece, 50 GEL sent to/from Tbilisi/region, bill payment etc)*
- *What a service provider should ensure/do to make them use this service regularly?*
- *Rational ways of service distribution – where, how, by whom they would prefer being registered/subscribed for new service?*
- *How they would suggest promote the service (personal instruction, TV, radio, paper any other channel)*

G. Preferable Agent Locations

- *Where they would prefer making cash-in and cash-out transactions?*
- *Do they prefer interacting with a person (they know, they do not know) or carry it out via instant payment service or bank account;*
- *Would they like to receive salaries, pensions or other payments to their phone?*

3. In-depth telephone interviews of migrants in Greece (Athens/Thessaloniki);

A. Personal Details

- *Age, occupation, income level*
- *Members of household in Greece/Georgia*

B. Remittances

- *Remittance patterns (amount, frequency); How much they send/To whom/Where/How frequently/Which currency etc?*
- *Purpose/utilization of remittances (spend, what for, save, invest);*
- *Where/how they send their remittances; Currently used service providers/their strengths and weaknesses;*
- *Approximate cost/time involved in sending remittances*
- *What they value most (convenience for them/for recipients, time, security, currency choice etc.)*

C. Financial Literacy

- *Do they budget family finance? For how long they plan ahead? Do they and how control their costs?*
- *Do they save, deposit, invest? If no, why not?*
- *What is their perception of a loan? Interest? What is the acceptable loan interest rate?*
- *Are they aware of APR (Annual Percentage Rate)?*

- *How they understand insurance?*
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- *What a service provider should ensure/do to make them use this service regularly?*
- *Rational ways of service distribution – where, how, by whom they would prefer being registered/subscribed for new service?*
- *How they would suggest promote the service (personal instruction, TV, radio, paper any other channel)*
- *What are the best ways of reaching/communicating Georgian migrants in Greece (for the purposes of the project - those from Imereti);*

H. Preferable Agent Locations (in Greece)

- *Where they would prefer making cash-in and cash-out transactions?*
- *Do they prefer interacting with a person (they know, they do not know) or carry it out via instant payment service or bank account;*
- *Would they like to receive salaries, pensions or other payments to their phone?*
- *Would they or people they know be interested to act as agents;*

4. **Focus group and interviews in Greece**

Some of the gaps left from phone-based interview were filled/clarified through the focus group held on October 15th in Athens, Greece with 8 representatives of the migrant community. In addition, there have been 4 meetings held with money transfer intermediaries in Athens. In addition, the project team had several individual meetings with Georgian migrants in Greece. The findings have been reflected in the conclusions.

3. PREVIOUS RESEARCH

The previously conducted research helped the project team to establish the following key facts:

3.1 Number of migrants and volume of remittances (Greece and in Italy)

According to the study commissioned by IOM¹, the decline of population from 1989 census and census carried out in 2003 was 1.1 million. This does not necessarily reflect the actual number of migrants who consider themselves as temporary migrants, have families in Georgia and regularly send remittances to their family members. A significant number of those who left Georgia during the turbulent years of mid 90s', after the dismantling of the Soviet "iron curtain", were not ethnically Georgian and left no families in Georgia. Therefore, the number of migrants who have families in Georgia and hence are likely to send money home is lower than 1.1 m.

Key facts & figures:

- Population 4.4 m including 3.5 m adults
- GDP per capita US\$ 2,450 (real)
- Number of economically active migrants 600,000
- Remittances \$ 1.125 bn per annum (growing)
- 9% of population received remittances
- EBRD: average \$ 165 sent 8 time a year;
- Key originating countries are the Russian Federation (54%), the US (8.1%), Greece (7.2%), Ukraine (7.7%), Italy (5.5%) and others.

According to the household surveys carried out by EBRD² and CRRC for the Global Development Network³ the ratio of absent migrants sending money to their families is between 8 and 15% of population respectively. According to the Department of Statistics the current population of Georgia is 4.4 million (as of the 1st of January 2010).

If we regard this as a remaining population (about 88% of total), the number of migrants regularly sending money to their families is around 600,000. This is about

60% of the total number of Georgian emigrants estimated by the World Bank⁴.

Nine percent of Georgian adults – approximately 317,000 people – received remittances on a regular basis during 2006. According to the survey about 1 million Georgians benefited from these remittances.

Remittances from Greece and Italy

15% of all remittance senders were from Greece, which means 47,000 adults directly benefit from remittances, excluding their family members.

According to CRRC survey the ratio of Georgian migrants living in Greece is about 14% of the total number, which makes approximately 84,000. This is 25% more than the World Bank's mentioned estimate but the difference can be attributed to the time difference of these two reports (World Bank in 2005 and CRRC in 2009), because there was an obvious growth of migrant population in Greece.

According to the State Minister for Diaspora Issues of Georgia, there are 150,000 Georgian migrants living in Greece, but this may again include ethnically Greek population which left for Greece after the dissolution of the Soviet Union.

¹ Feasibility study on the use of mobile phones for facilitating international money transfers to Georgia written for the International Organization of Migration by George Welton (29 May 2009)

² EBRD - Georgia National Public Opinion Survey on Remittances. London: EBRD, 2007.

³ Caucasus Research Resource Centre, Data Initiative 2007

⁴ World Bank, Development Prospects Group (2008) Migration and Remittances Fact book 2008. Ratha and Shaw (2007)

Another method for establishing the number of migrants in Greece (and Italy) is to analyze the flow of remittances. In 2009, the total amount of remittances sent via money transfer systems was \$ 60m and \$46 m from Greece and Italy respectively. This figure does not include remittances sent via personal bank accounts, which is less significant for Greece and Italy, but there is quite a material share of remittances which is sent via informal channels, especially from Greece (due to geographic proximity and bus services to Georgia). It is impossible to assess the exact amounts of remittances sent through these channels and the number of people using this type of service.

According to Bendixen and Associates⁵, there was the following distribution between formal and informal transfers in Georgia in 2007:

	Urban	Rural	Total
Informal	16.98 %	15.76 %	32.74 %
Formal	41.09 %	25.62 %	66.71%
Total	58.62 %	41.38 %	100.00 %

According to migrants living in Greece, the number of individuals using informal services has significantly gone down in recent year as more reliable money transfer services have been introduced. In result we can assume that the real flow of remittances is higher than \$ 60m and \$ 46m per annum – perhaps 20-30% higher than these figures.

Table 1: Volume of cross-border remittances sent via money remittance systems, according to the National Bank of Georgia:

	2007	2008	2009	2010 (3q)	2010* (4q)
USA	\$115,724	\$69,426	\$68,100	\$52,153	\$69,538
Spain	\$29,280	\$21,326	\$21,283	\$15,979	\$21,306
Turkey	\$17,420	\$22,975	\$25,855	\$24,203	\$32,271
Italy		\$37,438	\$46,311	\$36,560	\$48,746
Russian Federation	\$544,633	\$688,093	\$450,258	\$379,186	\$505,581
Greece	\$26,024	\$52,589	\$60,399	\$43,886	\$58,515
Ukraine	\$19,810	\$77,492	\$65,110	\$40,832	\$54,442
Other countries	\$113,265	\$118,837	\$104,283	\$77,766	\$103,688
Total	\$866,156	\$1,088,177	\$841,598	\$670,565	\$894,087
Growth per annum		25.6%	-22.7%		6.2%
Greece % from total	3.0%	4.8%	7.2%	6.5%	6.5%
Growth		102.1%	14.9%		-3.1%
Italy % from total		3.4%	5.5%	5.5%	5.5%
Growth			23.7%		5.3%

* 2010 (4q) provides a forecast for 4 quarters/12 month based on linear increase of remittances based on the dynamic of first 3 quarters; as monthly seasonality chart showed above the flow of remittances usually goes up in the last quarter.

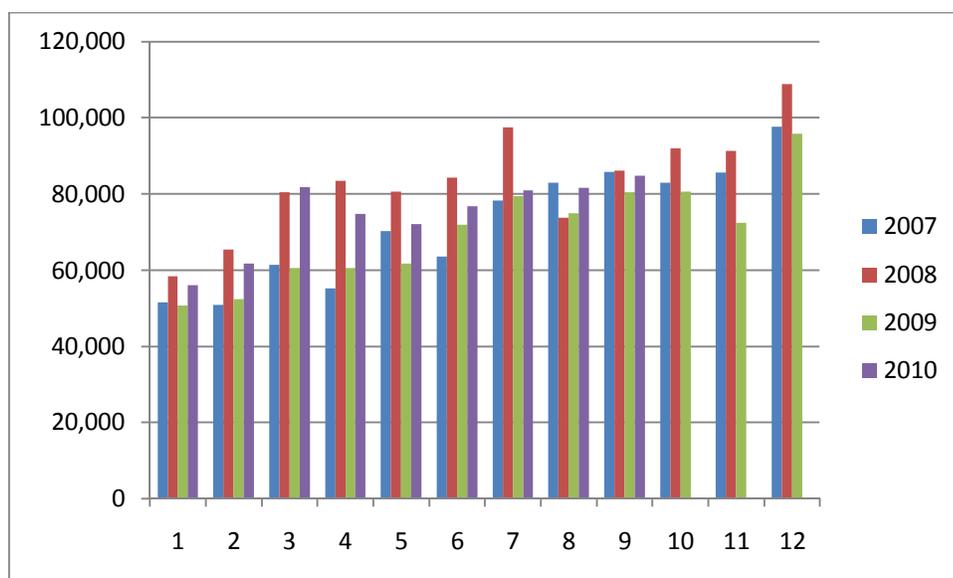
⁵ Survey of the South Caucasus by EBRD. 2007

In spite of the overall reduction of the flow of remittances in 2009 (by 22.7%), the amounts remitted from Greece and Italy grew by 14.9% and 23.7% respectively. Taking into consideration economic difficulties of Euro-zone, especially sharp reduction of economic output in Greece, the increase in remittances may represent the fact that greater number of migrants started using formal channels, rather than it was a result of increase in revenues or numbers of cash-generating migrants. This hypothesis was confirmed by interviews with Georgian Diaspora in Athens.

EBRD’s household survey suggested the average amount of remittances in 2007 was \$ 165 which was sent in average 8 times per annum. This may not be an accurate figure for Greece and Italy as there are dramatic differences in occupational backgrounds, revenues, percentage of funds sent to home etc. between Greece, Italy and the rest of countries with Georgian migrants, i.e. Russian Federation.

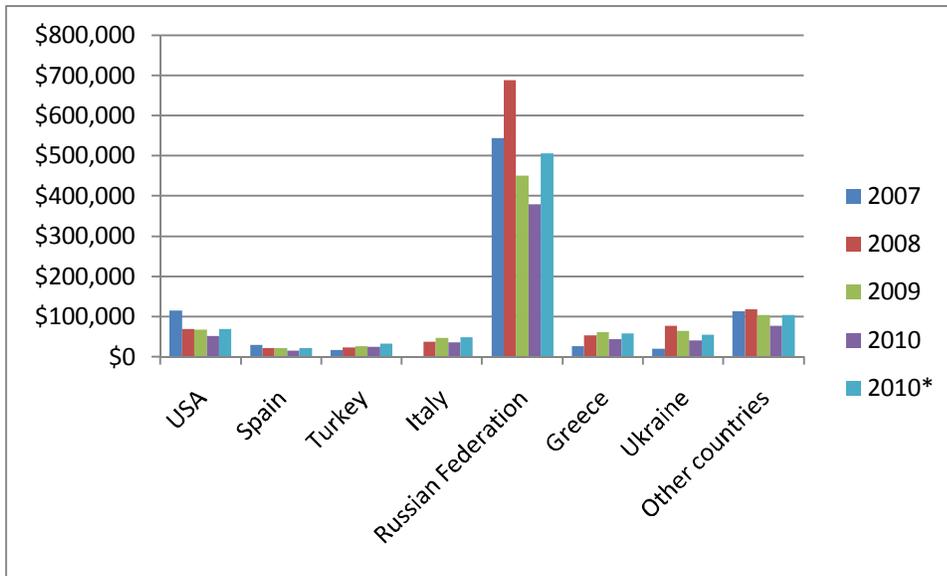
In fact, according to the findings by Crystal Fund which cannot be statistically generalized due to the chosen research method, the amount of monthly remittance by average migrant (overwhelming majority are women, looking after elderly people or babysitting) is much bigger compared to EBRD’s conclusion and varies from \$ 400 to \$ 600 per month. It is obvious though that not all migrants manage to regularly send money home.

The chart below shows monthly dynamic of remittances by years:



The next chart (below) shows the sources of remittances by countries and by years⁶:

⁶ Data of transactions by money transfer networks/systems, supplied by the National Bank of Georgia



3.2 Current methods used for sending remittances

According to the National Bank of Georgia, the following money transfer systems/remittance networks are present in Georgia:

Remittance System	US\$ in 2009	%
Western union	185,589,697	22.1%
Unistream	101,046,873	12.0%
Anelik	96,477,947	11.5%
Contact	80,771,609	9.6%
Money gram	62,967,774	7.5%
Ria	40,545,211	4.8%
Bistraya Pochta	36,604,765	4.3%
Intelexpress	36,265,746	4.3%
Leader	27,868,336	3.3%
Migom	20,131,796	2.4%
Inter express	15,696,376	1.9%
Zolotaya Korona	12,938,807	1.5%
Other systems	108,996,686	13.0%
TOTAL	732,601,314	

It is still surprising that the Western Union keeps such a significant share of the market taking into consideration high cost of the service.

The following table provides a comparison of commission fees for remittance for top 7 companies⁷:

Charge for \$200		Explanation (for \$200/200 Euro transfer)
Western Union	4-6%	Prices differ depending on sender and receiver. This is \$10 from Russia, \$10 from the Ukraine, \$8 from the United States and 9 Euros from Greece;
Anelik	0.5% or 3%	Anelik charges a flat 3% charge unless the amount exceeds \$5000 and then the fee ranges between 0.5 - 0.9%. 0.5% is only available from limited locations;
Contact	2-3% (CIS)	From Russia they charge 2%. From other CIS countries 3% and fees differ outside of that region;
Unistream	2%-4%	From Russia \$5, from Armenia \$4, from US \$8;
Moneygram	2.5-10%	From Russia charge is \$5, from Ukraine 10 Euro, from Greece 19 Euro and from Germany 14 Euro, from the US \$10, from Armenia \$20;
Bistraya Pochta	2% (CIS)	Within CIS countries they have a flat 2% charge. For Greece their charge is 16 Euros flat rate. Half of this fee is paid by sender and the other half by the recipient;
Leader	1.2-2%	1.2% tariff is only received when money is sent to the microfinance organisation Alfa-Express. Otherwise the rate is 2%.

In the course of the market research in Greece, the following prices were detected⁸:

Method of Remittance	Commission Fee percentage
Western Union	
Sending up to EUR 200	4.5%
Note: can receive only EUR or USD (not GEL); new service D2B ("direct to bank") is favorable for larger sums, for sending EUR 100 it costs EUR 18; for EUR 1,000 – EUR 44 and for EUR 10,000 – it costs just EUR 87;	
Intel-Express	
Sending up to EUR 200	4.0%
Note: can be received in GEL at the rate displayed in the outlet \$ 1 = 2,4850 GEL, while the NBG rate was 2.5233 and TBC Bank was selling EUR at 2,4630 GEL, which indicates a narrow spread/good rate for clients;	
Money Gram	
Sending up to EUR 200	3.5%
Note: can send only EUR or USD; D2B possible with Georgian banks; the most inexpensive service with more almost 1000 locations in Greece, but not widely used by Georgian migrants;	
Typical bus office or "Graphio"	
Sending up to EUR 200	2.0%
Note: this is effectively informal transfer, equivalent to "Hawala" as there are dozens of such companies not regulated by central banks, performing remittances services. Commission depends on the speed of delivery.	

⁷ Feasibility study on the use of mobile phones for facilitating international money transfers to Georgia written for the International Organization of Migration by George Welton (29 May 2009); Source: Information obtained directly from interviews/web-sites of the different companies

⁸ Prices as of 17 October 2010 at Omonia Square, Athens, Greece; this is a key location which is visited by significant number of Georgian migrants in Athens every Sunday.

3.3 Market size for cross-border remittances

From the figures presented above it is clear that the annual flow of remittance to Georgia is approximately \$ 75m and \$ 55m per annum⁹ from Greece and Italy respectively. The entire flow of remittances, excluding transfers via personal bank accounts is around \$ 1,125 bn.

Based on various reports mentioned above the number of Georgian migrants who regularly send money to Georgia varies from 25,000 to 50,000 and from 17,500 to 35,000 in Greece and Italy respectively.

As far as the commission income is concerned, it can be calculated at 3.5%, which represents lower end of fee for both corridors. The total market for remittance income is therefore \$ 2.6 m for Greece and \$ 1.9 m for Italy. This revenue base is usually split in half among remittance origination (sending) and pay-out (receiving) networks, or sometimes it is split in three between sending network, receiving network and the international remittance hub enabling the transaction. Hence the total market for remittance for Greece-Georgia corridor is from \$ 870K to \$ 1.3m. For Italy the market size is from \$ 630K to \$ 950K. As for the entire market size for all remittance, it ranges from \$13m to \$20m per annum.

3.4 Financial Inclusion and Opportunities for Agriculture

Agriculture employs 52.5% of the country's workforce (63.2% of all employees), but the share of agriculture in GDP has fallen from 19.3% to 8.3% between 2003 and 2008, pointing towards the acute lack of modernization in agriculture and relative impoverishment of population living in rural areas.

Key facts & figures:

- 19 banks with 636 branches and outlets and 40 MFIs
- 1400 ATMs and Bank POS Terminals 6400
- 3.1 m plastic cards
- 41% of households have some sort of debt
- 5% of population has some sort of savings
- Deposits accounts under 25,000 GEL: 160,000 accounts in GEL and 120,000 in USD

Rural population is overwhelmingly unbanked with cash as the main and mostly the only instrument for exchange. "In Georgia, approximately eleven percent of remittance recipients have bank accounts. Recipients in urban areas are five times more likely than recipients in rural areas to have a bank account. Those recipients in higher income brackets tend to have bank accounts more than those in lower income brackets"¹⁰.

The access to bank services has recently improved with more ATMs and Point-of-Sale terminal and plastic cards being issues. In fact, plastic cards have become the most widely distributed financial product (3,1 m plastic cards issues as of September 2010). But it is difficult to assess the percentage of banked population based on the number plastic card, as an individual may have in average 2-3 cards. According to CRRC's recent household survey, only 41% of households have some sort of debt (not necessarily with formal financial institution) and just 5% of households maintain some sort of savings (again not necessarily in the bank).

⁹ This is calculated on the basis of multiplication of \$ 60m and \$ 46m – the annual flows according to the National Bank of Georgia, to approximate share of remittances through informal channels, at 25% in Greece and 20% in Italy. Total flow of remittances is \$ 900m x 1.25 = \$ 1.125 bn.

¹⁰ "Worker Remittances and the Financial Sector: issues and lessons in the South Caucasus" Manuel Orozco, commissioned by EBRD 2007

However, the depth and quality of financial inclusion brought by plastic cards is rather limited due to the concentration of ATMs in big cities, low distribution of Point-of-Sale network and low utilization of cards by customers.

As it was mentioned above, 317 thousand people (9% of Georgian adults) were recipients of remittances in 2007 with about one million Georgians benefiting in total. 47% of those remittance recipients are rural households. This means more than 150,000 adults in rural areas of Georgia can benefit from simplified access to remittances and value added financial services envisaged by Crystal Fund’s project. The majority of these households are financially dependent on remittances sent by their relatives.

Key facts & figures (CGAP):

- Survey looked at 16 providers in Afghanistan, Brazil, Cambodia, Cote d’Ivoire, India, Kenya, Pakistan, the Philippines, South Africa and Tanzania;
- 5 times quicker growth than in microfinance sector;
- On average, branchless banking is 19% cheaper than banks
- The lower the transaction value - on average 38% cheaper than commercial banks
- Branchless banking is 54% cheaper than informal options for money transfer.

On other hand there is a great opportunity in Georgia’s agriculture. According to the study¹¹ commissioned by UNDP, “Georgia has vast untapped agricultural potential, so much so that it could increase its value of farm production fivefold. The agro-industrial sector could experience an expansion of a similar magnitude. There are domestic and international markets to absorb this expanded output. Success would go far towards providing a solid economic base as the nation gradually diversifies. It would address many problems associated with rural poverty, underemployment, and nutritional deficiencies”.

The box above presents recent findings from study of the branchless banking models by CGAP¹².

3.5 Market for Value-Added Financial Services

Taking account of this untapped potential of Georgian agriculture, it can be profitable for all parties involved to maximize the use of remittances for productive activities. The flow of remittances can be leveraged with micro-loans. Some portion of remittances can be utilized for insurance products allowing better management of financial risks. Finally, it is possible to encourage increase of savings accounts.

This potentially represents the following demand for value-added services, at least 85% of which is not met:

Value Added Services	Greece-Georgia	All Corridors
	Rural Portfolio	Rural Portfolio
Number of potential clients	22,500	150,000
Micro-loans		
Potential number	11250	37500

¹¹ Green Fields, The Reality and Promise of Georgian Agriculture, By David B. Land 2009

¹² CGAP Focus Note No 66, September 2010 by Claudia McKay and Mark Pickens

Average size	\$1,500	\$1,500
Micro-loan portfolio	\$16,875,000	\$56,250,000
Micro-insurance		
Potential number	16875	75000
Average size (annual)	\$120	\$120
Micro-insurance portfolio	\$2,025,000	\$9,000,000
Savings		
Potential number	11250	60000
Average size (annual)	\$600	\$600
Savings portfolio	\$6,750,000	\$36,000,000

This table demonstrates an impressive business potential which can be unleashed by bringing two groups of overwhelmingly unbanked population (remittance senders and rural remittance recipients) into the financial system. This represents a conservative estimate in terms of number of the target group, possible outreach and the volume of the mentioned products.

3.6 Number of Mobile Phone Users

The population of Georgia is 4.4 m as of 1 January 2010. The number of adults, equal to number of voters is about 3.5 million¹³. In fact, the size of workforce is almost 2 million, while employed are just 1.6 million with almost 2/3 employed in agriculture.

As far as the number of mobile phone users is concerned, according to the Georgia National Communication Commission, it makes 3.06 million by the end of 2009, which is 200 thousand users more than in 2008. This market is served by three MNOs: Geocell LLC (part of TeliaSonera Group) with 46% of the subscribership base, Magti GSM LLC with 43% and Mobitel LLC (Beeline) with 11% of subscribership base.

Key facts & figures:

- Mobile phone users - 3 million
- Mobile penetration 81.04% by GSMA
- Geocell LLC - 46%, Magti GSM LLC - 43% and Mobitel LLC (Beeline) - 11% of subscribership base;
- ARPU - \$ 12 (to compare with US voice and data ARPU of about \$50 or EUR 23 in the EU in 2009)
- Growth in Value-Added Services (4 times in 2009) and mobile internet (6 times in 2009).

The total revenue from mobile communication has fallen in 2009 after impressive growth of 53% (2006), 8.35% (2007) and 26% (2008). Although, there is a strong growth in Value-Added Services (4 times in 2009) and mobile internet (6 times in 2009).

The average revenue per user in 2009 was 22.1 GEL per month, which is more than \$ 12 (to compare with US voice and data ARPU of about \$50 or EUR 23 in the EU in 2009).

The mobile penetration in Georgia, as it is measured by GSM Association¹⁴, stands at 81.04% which is higher than average of 70% internationally.

¹³ According to the Department of Statistics of Georgia and Central Election Commission of Georgia

¹⁴ Mobile money deployment tracker by GSMA;

The project envisages a development of the MNO agnostic mobile finance system which will enable subscribers of any operator to use mobile finance service. The following market penetration is realistic taking account of potential competition with similar or alternative services:

Description	I year	II year	III year
Market penetration ¹⁵	2.28%	9.34%	16.76%
Active Users (Average)	30,000	170,000	390,000
Active Users by the end of period	57,000	280,000	500,000

The project envisages reaching 50,000 and 150,000 users by the end of year one and two respectively following the launch of the platform, which represents an achievable target considering the total number of potential user.

4. RESEARCH FINDINGS

This section includes findings from the in-depth interview in Georgia and Greece.

4.1 Residents of Georgia

Section 1: Personal Details

General information

Most of the respondents said they lived in families of three or four, sometimes even seven members, though there were also a few who lived alone. Many of the respondents also included family members who are currently living in Greece as parts of their household. Among the family members who stay in Georgia, there is mostly only one person who is employed, while in some cases, all the family members are unemployed and live on remittances. The jobs that the respondents named differ. Some said they fixed mobile phones or washing machines, while others had their own businesses (small groceries, shops, a minibus line, or a metal workshop), with only a few respondents saying they worked at a bank or a financial organization. The monthly income of these families varies from GEL 100 to GEL 3,000¹⁶. Most of the respondents said their family income was more than GEL 700 per month, including pensions, different allowances, and remittances sent from family members living in other countries (mostly in Greece). Only a few respondents stated that their income was less than GEL 500 per month.

The majority of respondents were identified with the help of MFO Crystal, which means they would represent Crystal borrowers as a distinctive group of relatively economically active families with absent migrants. These families already use formal financial service.

¹⁵ Market penetration implies the percentage of Mobile Finance Platform active users to the total number of mobile phone users in Georgia.

¹⁶ Currency exchange rates in September 2010 were in average US\$ 1.8325 and EUR 2.3865 to one Georgian Lari.

Household members outside Georgia

The household members of these respondents have mostly emigrated to Greece (Athens, and, in a few cases, Thessaloniki and Argos). Only two respondents said that their relatives had emigrated to Moscow, Russia, and Milan, Italy. According to the interviews, it turns out that it is mostly women who emigrate (mothers, sisters, aunts, daughters, in-laws, etc.). Almost all of them look after old people or, in some cases, work as babysitters. In some families, men have emigrated as well, most of them working at construction sites or still looking for a job. The emigration process began a long time ago and is still continuing. According to the respondents, some household members emigrated several months ago, some several years ago, while others have already lived in other countries for more than ten years. The process continues as more women decide to migrate to Greece, but it is getting increasingly difficult to find a job and the salaries are quite low.

The occupational background is very important for remittance corridor. In case of Greece, overwhelming majority of migrants are women and due to the peculiarity of their profession their jobs were not affected by financial crisis; this for example had a negative impact on group of Albanian migrants which used to be predominantly employed in construction sector.

Section 2: Financial Literacy

Budgeting family income and expenses

In each family, budgeting income and expenses takes place differently. Some families plan family expenses a month ahead, while others do it one or two weeks ahead or even “write down the expenses every day.” Mostly, budgeting is related with the date of receiving income (a salary or a remittance). When families know exactly how much they have for the next month, it is easier for them to plan. Several respondents even said they never planned or calculated the expenses. At the same time, budget planning is done by different family members in different families. Some respondents declared that it was women who planned the expenses in their families, while others said that spouses decided how to plan the budget each month together. In most of the families, it is the utility bills that are paid in the first place, followed by everything else (food, clothes, etc.). Many respondents pointed out that remittances that they received from their relatives were used for major expenses, such as buying a car and furniture or repairing a house or a flat.

Savings

More than half of the respondents stated that they currently didn't have any kind of savings. In most cases, the reason they named was the same - low income. However, some respondents said the reason for not having any savings was ongoing house/flat repairs and that all the money was needed to buy the materials and pay the workers. Several respondents noted that they had taken out loans from different banks and, for the time being, were not able to make any savings.

Half of those who reported having savings, said they kept them at home, and another half stated they kept them in banks, both in Georgian Lari and US Dollars. As one of the respondents said, he kept the money at home “because it is closer when you need it.” On the other hand, the respondents who made deposits in banks said it was a safer way of keeping money.

Most of the respondents said they would start their own business or expand the business they already had with their current or future savings. Others prefer to buy a new house or a flat for the next generations, or to repair the old one. Only a few respondents said they would buy a car or furniture with the saved money.

According to CRRC 2009 household survey on the depth of financial service, 41% of respondents have some sort of debt with only 5% of respondents having some form of savings. This may indicate the objective insufficiency of income to meet basic needs, but it may also imply to the poor saving culture, which can be addressed through the financial literacy interventions.

Ownership of plastic cards

Most of the respondents declared that they didn't have their own plastic cards, while only a few respondents answered positively to this question. Most of those who had plastic cards said they didn't remember their own PIN code, but stated that their family members did know the PIN codes of their cards and sometimes used them. Almost every respondent noted that they didn't know anybody else's PIN code, but several of them said they knew the PIN codes of their spouses' plastic cards and sometimes used them.

This indicates there is very low culture of PIN codes and passwords and the mobile finance service provider should plan awareness raising campaign to ensure the transaction security and data safety.

Section 3: Financial Services

Financial services used during the last 12 months

The respondents said they had used all types of financial services listed in the question, such as payment of utility bills, money transfers from abroad, bank accounts, loans, insurance, time deposits, and "debts" (from private persons), though with different frequency. The service they named most frequently was money transfers from abroad. The respondents named different banks and financial organizations through which they received remittances. Payment of utility bills and loans are also widely used financial services according to the respondents. The majority stated that they had taken out loans from micro finance organization "Crystal," while a few of them also mentioned consumer loans from "Crystal."

Some respondents said they had opened bank accounts and/or taken out insurance, though the accounts were mainly used to receive remittances or salaries. The respondents who had taken out insurance noted that they had got it from the organizations that employed them, with one of them saying it was "the insurance for the poor." As for time deposits, debts from private persons, credit cards, and "pension cards," these services turned out to be less popular among the respondents.

Duration and method of use

The respondents who have frequent relations with banks said that they had used these financial services for more than the last 12 months. Some mentioned two years, while others even named periods of time lasting for eight or nine years. For the majority of the respondents, it is easier to use these financial services through bank offices where they go every time they need something. In most cases, the bank offices are very close to the respondents' homes or workplaces, so they go on foot without having to incur any expenses. Other respondents stated that the bank offices were quite far, and those who didn't have a car had to get there by bus, minibus, or even taxi. In these cases, it cost them from 40 Tetri to GEL 6 to get to the bank, depending on what kind of transport they used and how far the bank was.

There is a vivid difference in proximity of bank branches for urban and rural population. While urban residents had practically no difficulty of a visit their bank branch, the rural respondents mentioned quick significant travel expenses and time needed to access their banks.

Getting information

Today people mostly get information about everything from television, and financial services are no exception. Most of the respondents named TV commercials and other types of advertising as their main source of information about new financial products. However, the respondents also named bank offices where the employees themselves informed people about their new products. As the interviews showed, friends and acquaintances also play quite an important role in spreading the information. Many respondents noted that sometimes it was exactly friends and acquaintances (neighbors, colleagues, etc.) who had given them information about new financial products.

Only a few respondents mentioned the Internet, radio, newspapers, and "private experience" as sources of information.

The most necessary financial services

The respondents named different financial services as the most necessary for them; almost a half of them emphasized the necessity of loans, while several of them singled out money transfers from abroad. Other services like Internet banking, time deposits, consumer loans, and terminals were mentioned just once by several respondents. There were also those who thought that each service was important on its own and could not single out any one of them, while several others did not know the answer to this question.

Satisfaction with service quality

Almost every respondent evaluated the quality of the service they used positively. Most of them liked and were satisfied with it, saying that everything was easy and fast. Some of them even mentioned the word - "ideal" when describing it. However, as one of the respondents observed, the service was satisfactory, but it "could be even better."

On the other hand, there were respondents who were not as satisfied as others. The main reason for dissatisfaction was that they could not take out loans from different banks at the same time, which was sometimes necessary for them. Similarly, one respondent observed that "it is unfair when because of one delay in payment you can't get a loan next time. Why don't they look at how well I was paying in the other months?"

Information about other services

The respondents are mostly uninformed about the financial services that they aren't currently using. Only several respondents said that they were very well informed about other services, while the rest of them gave negative answers.

Trust in banks

Almost everyone said they trusted banks, but the reasons given were different. Most of them trusted banks because they liked the service they offered, they had never had problems, or they did not think that banks lied to the people. Several respondents said they had to trust banks, because they need them. Some others stated that they trusted them because of the "They trust me, and I trust them" principle. There were also several original reasons for trusting banks. As one of the respondents noted, "The whole Georgia trusts them, why shouldn't I?"

However, some respondents think that not all banks can be trusted, because sometimes the banks make mistakes and have technical errors.

The Annual Percentage Rate (APR)

Most respondents are familiar with the Annual Percentage Rate, but some connect it with loans and some with deposits, depending on which service they are currently using. However, in both cases, the respondents understand it as an annual percentage added to the amount of the loan they took out from a bank, or the sum they keep in a bank as a deposit. The amounts of the APR named by the respondents differed, with some saying it was 2% and others thinking that it was 16%, 20%, 25%, or even 28%. A few respondents declared that they had heard the "phrase", but had no idea what it meant. Many respondents honestly acknowledged that they had never heard of the Annual Percentage Rate and didn't know what it meant.

Interest in financial services

In general, the respondents expressed a negative attitude toward such financial services as loans, micro loans, insurance, and time deposits. Most of them said they were not currently interested either in loans and deposits or in insurance.

Those respondents who said they were interested in micro loans stressed the importance of lower interest rates, though some of them mentioned a monthly interest rate, while others the annual one. Also, it is important for them that the procedures are simpler and faster and the loans are given for longer terms, in larger sums, and with a grace period of one month. On the other hand, several respondents said they were satisfied with all the current conditions.

As for insurance, several respondents said they were interested in different types of insurance (health, agro, property etc.). They mainly mentioned health insurance, but the insurance of cars and houses, as well as business insurance, was also mentioned. The only reason people named for not taking out insurance was their low income and fear of not being able to pay for it.

The same is true about time deposits. The reason why people don't make time deposits is their low income. The respondents noted that it was the lack of money that prevented them from making time deposits. On the other hand, some respondents stated they were interested in this service and had already made deposits in banks.

Section 4: Remittances

Types of assistance

According to the respondents, the prevailing pattern of assistance that their emigrant family members send constitutes a combination of monetary and non-monetary assistance, such as home appliances, household goods, food products, or clothes. Among the home appliances and electronic equipment, the respondents mentioned a wide variety of items, such as cameras, laptops, and mobile phones, as well as electric meat grinders and mixers. It is also common for the emigrants to send clothes and food products, but, as for food, they mainly send sweets or specific food products that are not easily available in Georgia. One respondent, for example, pointed out that she mainly cooked food for her children with olive oil sent from Greece, since the olive oil that was sold in Georgia was of poorer quality. However, in many cases, the respondents stated that they received "mainly money," and more than a third of them said they only received monetary assistance from their family members.

Frequency and amount of remittances

The majority of the respondents said their family members sent them money once a month, but several of them stated that they received remittances twice or three times a month. Remittances are sometimes connected to urgent family needs, but, in general, they are sent when the family member living abroad

receives a salary. There are also those who receive a remittance once in every two or three months, but, in view of the general picture, this pattern is an exception rather than a trend.

If we divide the amounts of remittances into four categories, about a half of the respondents receives up to 200 Euros on a single occasion, while out of the other half, the percentages of those who receive average amounts of 201-400 Euros, 401-600 Euros, and more than 601 are divided almost equally. The biggest amounts named were 800 Euros and 1,000 Euros, while the smallest remittances amounted to 50 Euros.

Currency used and means of transferring money

The main currency used in remittances is the Euro, but there are a few cases when the senders prefer transferring money in Dollars or in Lari, sometimes on the request of the recipient. Some recipients also convert the remittances into Lari before they withdraw them from a bank.

The respondents named four different methods of sending remittances that their family members used – transfer of money from one bank account to another, instant transfers via instant transfer services (also sent through a bank), sending money by means of a tour company office, and through bus passengers travelling from Greece to Georgia. The three mediums that are used with almost equal frequency are instant transfers, tour company offices, and transfers from account to account. The instant transfer services that the senders most often use are Western Union, MoneyGram, and Anelik, while the Georgian bank in which most withdrawals take place is Liberty Bank. The reasons named for using instant transfers were their convenience, simplicity, safety, and speed, while bank-to-bank transfers were praised for their relative cheapness in comparison with instant transfers. The respondents said the senders used tour company offices, because they charged less than banks, and they were satisfied with sending money through their friends and relatives, because it didn't cost them anything.

Speed of remittances

The respondents who receive remittances through instant transfers said they received money on the same day, but they named different time intervals between sending and receipt, varying from three minutes to four hours (e.g. because of queues in Liberty Bank). Those who receive remittances through bank-to-bank transfers mainly said it took them one or two hours to receive the money, with one of them saying the money was available in 15 minutes. The time interval named by the respondents who receive remittances through the offices of tour companies also varied, ranging from as little as two minutes to three or four days, with the majority saying they received money within the same day. And those who receive money through passengers coming from Greece to Georgia said they received money in two or three days.

Expenses incurred

About a half of the respondents pointed out that they incurred no expenses when receiving remittances, but another half stated that they had to spend small sums ranging from GEL 1 to GEL 6 in transportation costs related to getting to and from the bank. As for the time needed to receive the remittances, they also named different time intervals, depending on their proximity to banks and offices of tour companies. The respondents walk and drive to these establishments, spending from two minutes to one hour on the way or while standing in queue, with most of them naming time intervals of less than half an hour.

As for the expenses incurred by family members who send the remittances, the respondents said that they paid from 2% to 4% when sending money through the offices of tour companies and from 4% to 10% when using instant transfer services, such as Western Union, Anelik, MoneyGram, etc. And for remittances sent from one bank account to another, the senders paid 1% of the sum. Some of the respondents were unaware of the

amount of fees involved, while those whose family members send money through bus passengers said it cost them nothing.

In addition, the respondents stated that the senders had to spend from 2 Euros to 5 Euros in transportation costs when travelling within the same settlement and from 10 Euros to 20 Euros when they had to travel by bus from one settlement to another.

Problems encountered

Most of the respondents said they hadn't encountered any problems when receiving remittances, but some of them mentioned various difficulties. One of the respondents who receives remittances through bus passengers said there had been a misunderstanding about his surname, which wasn't solved until he had phoned to Greece, while another mentioned delays caused by a bus being late due to technical reasons. Yet another respondent mentioned a delay caused by a roadblock when he was going to a bank. One of the problems was connected with misspelling a letter in the code of the bank account, due to which a respondent was not able to receive money in a bank and had to wait until the mistake was corrected. Similarly, one respondent said her money was withdrawn by a person with the same name and surname, and she had to wait for a month until this problem was solved.

Suggested improvements and notions of an ideal service

About a half of the respondents expressed their satisfaction with the services they used, saying they wouldn't make any improvements. However, another half stated that they would prefer lower fees and better, faster, and more convenient customer service. For example, several respondents who use instant money transfers pointed out that a fee of 1% would be more acceptable, while others complained about long queues, delays, and indifference of bank operators. One of the respondents said it would save his money if he could receive the remittances locally, in Samtredia, while another stated that it would be better if the money was delivered to his home.

When asked to imagine the details of an ideal service, some of the respondents expressed a wish that the fees were lower or nonexistent; others wished that they didn't have to go far and stand in queue to receive the money; and several of them said it would be ideal if they had a plastic card on which the remittances would be deposited and with which they could make withdrawals from ATMs. A few respondents also expressed a wish to have even more comfortable conditions, such as delivery of the remittances to their home or the possibility to withdraw the money by any family member using their own ID cards. Overall, there was a clear demand for speed and simplicity. Some of them though regarded the service they used as ideal and didn't see a necessary to make it any better.

Section 5: Using the Money

Allocation of money and decision-making on how to spend it

A big part of the respondents said the remittances were intended for concrete expenses. Among the things they spend the money on are interests on bank loans, home repairs, household goods, home appliances, furniture, tuition of their children, as well as everyday family expenses. However, there were also those who didn't plan how to use the remittances in advance and made these decisions spontaneously, as well as those who sometimes planned and sometimes not.

The respondents named several different patterns of planning how to spend the remittances. Some families mostly make this decision jointly, while in other families there is one person (e.g. the husband or the eldest

member of the family – a grandmother, a father, etc.) who usually decides this issue one-sidedly. However, sometimes these decisions are determined in advance by an interest loan that the family is repaying.

As for keeping to the plan, some respondents said they always managed to spend the remittances as planned, while others noted that the decisions sometimes changed because of unexpected expenses or problems.

Section 6: Mobile Phones

Ownership, models and age of mobile phones and mobile networks used

Most respondents said that two or three members of their families had mobile phones, while some of them named other numbers from one to six. The three main brands of mobile phones owned by the respondents' family members were Nokia, Samsung, and Sony Ericsson, with a couple of Siemenses and Motorolas and a single Blackberry. The models included Nokia N70, N72, N95, C500, and 6300; Samsung E250, E450, and P260; and Sony Ericsson C902, CA750, and G200. The ages of the phones ranged from two months to six years, with most of them between one to three years old.

With several exceptions who are Bani or Beeline subscribers, the majority of the respondents are customers of Geocell or Magti. However, some of them use both networks. This may create certain distortion in number of actual mobile phone users, as some of them have 2 or 3 active SIM cards and phones.

Mobile phone applications and their use

Some of the respondents stated that their mobile phones had such applications as Java, games, photo and video cameras, organizer, and the Internet, as well as Skype, Opera, and the "odnoklassniki" program. But a big part of them were either uninterested in these applications or didn't know about them.

In particular, the majority of the respondents had not activated the Internet in their mobile phones. The reasons they named were the lack of time, interest, or knowledge, as well as the fee for mobile Internet and technical problems of their phones that made it impossible to use this service. Yet another common reason was that they preferred to use the Internet from their home or office computers. With the exception of one user, the few respondents who used the Internet in their phones did so regularly, at least for half an hour per day.

At the same time, a big part of the respondents said they only used their mobile phones to make calls and send/receive SMS messages, with some of them saying they only made calls. Roughly a half of the respondents using the SMS service send/receive 1 to 20 SMS messages per day, while several most active users send/receive 50, 70, and even 150 or 200 messages, with the number of sent and received messages mainly coinciding for each respondent. The others, however, said they didn't like or were not comfortable with sending/receiving messages and used this service very seldom.

There were some who stated that they only used a part of the capabilities of their mobile phones, such as listening to music, playing games, and surfing mobile Internet, as well as getting preferential credits and prices. Only a couple of the respondents said they used all the functions that their mobile phones offered.

As for filling the balance of the mobile phone, the most common means of doing it among the respondents are pay boxes and POS terminals, but some of them prefer Mono or Lai-Lai cards, or use both methods.

Section 7: Mobile Finance

Awareness of money transfers via mobile phone

About a half of the respondents said they hadn't heard of this service. On the other hand, some of those who had heard about it often confused it with balance transfers from one mobile phone to another, while others named a number of possibilities that this service offered, such as sending and receiving money transfers, paying utility bills and taxes, and making bets in a bookmaker's office. One respondent even said that "those who have a good mobile phone can do everything with it."

Interest in and necessity of the service

Most of the respondents expressed at least a slight interest in such a service, but others said they were doubtful or wouldn't be interested. One respondent remarked that he found such a service hard to imagine until he saw it at work, while another stated that he hadn't thought about using "something like that." Other reasons the respondents named for their lack of interest were that it would be harder to economize money if it was deposited on a mobile account, or that they preferred dealing with a bank.

When asked about the necessity of such a service, some of the respondents said that it was necessary for them, since it was a convenient and practical way of transferring money which would save their time and effort. Others, however, had some reservations, stating that the service would be necessary if it functioned well, cost less than transportation costs, and didn't create any delays and obstacles. There were also those who said they didn't need such a service for the time being, but might need it in the future.

Preferable transactions and frequency of usage

The respondents named a number of transactions for which they would use this service, such as payment of utility bills, money transfers, remittances, and payment of loans and installments, as well as currency conversions and filling the balance of their phones. Out of these, transactions involving payment of utilities and remittances figured prominently in the answers. Some respondents said they would use the service for all the possible transactions, while one of them stated that he would also use it to make payments in shops.

When asked about the frequency of usage, a typical answer of the respondents was that they would use the service for utility bills about three times a month and for remittances as many times as they were sent. As for other transactions, such as payment of loans/micro loans, currency conversions, and filling the balance, they respondents said they would use them according to necessity.

Acceptable fees

Most of the respondents named GEL 1 or GEL 2 as an acceptable fee for transferring GEL 20 within Georgia, though there were also those who didn't wish to pay more than 1% of the sum (20 tetri) or were ready to pay as much as GEL 3. As for an acceptable fee for transferring GEL 50, the respondents also named different sums ranging from GEL 1 to GEL 5, with most of them willing to pay from GEL 1 to GEL 3. As for a fee for GEL 100, the respondents named sums from GEL 1 to GEL 7, but most of them were unwilling to pay more than GEL 2.

As for money transfers from abroad, the majority of the respondents were willing to pay a fee from 2 Euros to 5 Euros per 100 Euros, with a couple of them saying they could pay no more than 1 Euro or as much as 7 or 10 Euros.

Respondents said paying from 2 to 10% for in country and cross-border remittances would be feasible, provided transactions are secure, fast and convenient. In general, they are prepared to pay less for utility payments (1-3%), but here time-saving opportunity looks attractive to them.

Most of the respondents were unwilling to pay more than 50 tetri or GEL 1 as a fee for utility bills, with some of them naming 1% or 3% of the total sum to be paid as an acceptable amount. However, there were also those who would pay GEL 2 or GEL 3 per payment to avoid standing in queue in a bank. Some respondents also stated that there should be no additional fees for the payment of utility bills.

The respondents also named different amounts as an acceptable fee for the transfer of salaries and pensions via mobile phone, such as 50 tetri, GEL 1, GEL 2, and GEL 5 per single salary/pension, as well as 1% to 3% of the total sum to be received.

Necessary preconditions for becoming a regular consumer

When talking about the preconditions that should be met in order for them to become regular consumers, several respondents stated that the fees should be lower than in banks and they shouldn't exceed the bus fare needed to get to a bank. Others emphasized that the service should be simple and faster, without any technical obstacles or delays, and that the operators should be attentive to consumers. One of the respondents emphasized a need for separate service centers where there would be no queues, while another said they should be located in shops. In addition, it was stated that the service should be reliable and cover the entire Georgia. There were also those who said they would try the service once and remain regular consumers if they liked it.

Recommended places and methods of advertising

The respondents suggested several methods of disseminating information about the service. One medium which most of the respondents advised to use was TV, in particular, the Rustavi 2, Imedi, and Georgia channels, as well as Rioni for Kutaisi residents. Some of them suggested placing commercials, while others suggested promoting the service through news programs like Courier and Business Courier on Rustavi 2. Several respondents also mentioned the Internet, newspapers, and radio stations, such as Fortuna airing on the 106.9 FM frequency.

Yet another method suggested by the respondents was advertising the service through street billboards and announcements posted in building entrances, metro carriages, and banks, as well as distributing flyers/booklets in the streets. Some also said information should be disseminated by sales agents and credit offices of banks. There were also those who stressed the importance of word of mouth advertising, including in Greece, saying that those who liked the new service would inform their friends about it.

Convenient places for service centers

The respondents named a number of places where it would be convenient for them to access the service centers, such as mini-markets, banks, Magti and Geocell offices, shopping centers, schools, newspapers booths, and bus stations. Some of them also stressed that they should be available all the time and recommended using establishments that work till late at night or 24 hours a day, such as chemist's shops. They also pointed out that such centers should be located in central places or near their home to be accessible, with one of them saying they should be "within a 15-minute walk."

The respondents also talked about geographic locations where the service centers should be located, saying that they should be opened both in towns and villages, as well as in the resorts.

Machine vs. person, the factor of personal acquaintance

The majority of the respondents expressed a preference to deal with an operator when depositing or receiving cash, at least until they got used to using a machine. They said they could easily make a mistake when dealing

with a machine, while an operator could explain the details of the new service if they had problems understanding them. Others, however, preferred dealing with a machine, pointing out that under a machine-based system there would be no queues and no paperwork involved and that machines would work 24 hours a day as well as on weekends. There were also those who gave a preference to one of the two options, but said they would also be comfortable with another.

Most of those who preferred dealing with an operator said that the factor of personal acquaintance was important but not decisive, pointing out that they would trust an acquaintance more and that he/she would explain the terms of the service better. However, there were also those who stated that this factor “isn’t very important” or “doesn’t make any difference.”

Preferable method of subscription

The majority of the respondents preferred to subscribe to the service by visiting the service centers themselves, saying that if a sales agent visited them at home, they might be busy doing something or be away in town. One of the respondents also observed that “when they visit you, you don’t look at them seriously.” Others, however, preferred being visited at home or at the workplace, stating that in that case they would feel “more at home” and “sit down and talk properly” with a sales agent. Several respondents also suggested sending SMS messages with the information about the service to potential subscribers who could then become subscribers by entering a special code or visiting a service center.

Necessity of the service

Roughly a half of the respondents stated that such a service was necessary for them, because it would simplify making financial transactions and save their time and energy. One of them also emphasized the factor of confidentiality, saying that he didn’t want anyone to know how much money he received. But some respondents also named several preconditions, saying that in order for them to subscribe, the service had to be affordable, comfortable, and fast, without any delays. One of them put it in this way: “It’s really necessary if it’s more mobile, less time-consuming, and more comfortable.” Others, however, pointed out that the concept of the service sounded good, but didn’t show particular enthusiasm for subscribing. There were also those who didn’t need such a service yet, but might need it in the future. Those who stated that the service wasn’t necessary for them mainly based their argument on the fact that they were used to doing things in the traditional ways and were quite content with it.

4.2 Migrants in Greece

Section 1: Personal Details

General information

The respondents come from various Georgian cities: Kutaisi, Khoni, Tkibuli, etc. Most of them left Georgia with the hope of recovering from their dire financial situation. After the dissolution of the Soviet Union, some of them had opened small businesses, while others had become engaged in trade, but they could not succeed. Their incomes were too small to sustain their large families. In addition, most of them had taken out large interest loans for their businesses which they were not able to repay. This led them to leave for Greece in order to get better jobs and higher income. Most of them left their families (children, spouses, parents, and parents-in-law) in Georgia.

At the time of leaving Georgia, some respondents were assisted financially by their families, though most of them still had to take interest loans from banks. Some of the respondents had no problems with getting visas

from the Greek Embassy, since they had received invitations from their relatives living in Greece, but others live in Greece illegally. Those who live in Greece legally visit their families in Georgia once every six months.

Current jobs

Out of 12 respondents, 11 are females, and ten of them work as nurses of old people. Their remuneration varies from 400 Euros to 1,000 Euros per month. Although one of the respondents said that “It is hard for men to find a job in Greece,” the male respondent stated that he performed repair works and was quite satisfied with his income, which sometimes even reached 3,000 Euros.

Section 2: Financial Literacy

Managing income and savings

The interviews with the respondents show that they are quite capable of allocating their income adequately: They manage to pay utility bills both in Greece and Georgia, make monthly payments to banks to cover the loans, and send money to their families in Georgia. Because of so many expenses, most of them don't have any savings, though they state that if they had some savings, they would spend them for the welfare of their families.

Some of those with savings keep their money in a bank, while others prefer to keep it at home, as they don't know how long to keep it and in which form. Both the respondents who have savings and those who don't prefer to keep money in Euros, stating that since they live in the European Union, their level of confidence in this currency is high.

Plastic cards

Only two of the 12 respondents have their own plastic cards and know their PIN codes. These respondents stated that no one else knew the PIN codes of their cards and no one used them, adding that they, too, didn't know the PIN codes of others.

Section 3: Financial Services

Services used in the last 12 months and methods of use

In the last 12 months, the respondents used instant money transfers most extensively, mainly using the services of Intel Express. Those who live near bank offices walk to get there, not spending money on transportation, while those living far from them take a bus and pay 1 Euro for bus fare.

Most respondents have used the money transfer services for three to six years. They visit banks for two purposes: to transfer money to their families in Georgia and to repay their loans. Those who have taken bank loans are satisfied with the loan repayment method, in particular, with the periodic payment system.

The respondents do not use any other ways of transferring money, such as the Internet, POS terminals, plastic cards, etc. Only one of the respondents mentioned Grafio, by means of which she could send money at any time (for a certain fee). She cannot leave the old person under her care alone during work hours and contacts Grafio through which she transfers the desired amount, paying the transferred amount later, when she is free to visit the office.

Regarding their current needs, the respondents state that the most necessary financial service is money transfers. They are satisfied with the existing conditions and service quality, though they state that it would be desirable if more banks were available to transfer money and save the deposits.

Most respondents trust banks. None of them has had any problems with money transfers and quality of service. The most important thing for the respondents is the guarantee that their family members will receive the remittances without any problems, and, most importantly, in a very short time.

Insurance

Although not all the respondents have insurance, all of them stated that this service was of great importance for them. The respondents with no insurance stated that if they had enough money, they would primarily use the insurance service. Those insured were satisfied with the terms and conditions of their health insurance and said that they would like to insure their movable and immovable property as well, but such services were not affordable for them.

Time deposits

None of the respondents has made a time deposit in a bank. There are two reasons for this: First, most of them don't have sufficient money, and, second, there are not informed about what a time deposit is and what the terms and conditions are for the use of this service.

The Annual Percentage Rate (APR)

Only two respondents have some information about the Annual Percentage Rate (APR), both of whom heard it from bank employees. The other respondents are not interested in the terms of loans, noting that they would only borrow money if it were a long-term loan, with about 4- or 5-year term and 2 or 3 percent monthly interest rate.

Sources of information

For the respondents living in Greece, the sources of information about the types of financial services are Georgian newspapers and magazines, which are available at all the Georgian offices, for example, in Grafio. None of the respondents receives such information from TV.

Section 4: Remittances

Remittance patterns

About a half of the respondents send both monetary and non-monetary assistance, such as home appliances, household goods, food products, or clothes, though the rest of them stated they only sent money. One respondent said there were no shops near her workplace where she could buy food products or household goods. Another reason named for sending only money was that the respondent's family in Georgia could buy what they needed with the money themselves. No one said that they did not send any remittances.

Most often, the respondents send remittances to their children and spouses. Among other family members who receive the remittances are the respondents' sisters, parents, parents-in-law, and other relatives, but this only happens when the needs of the respondents' their children and spouses have already been satisfied.

The majority of the respondents send remittances once or twice a month, while others do it 4-5 times a month, depending on family needs. Most respondents stated that they sent about 300 Euros on a single occasion, but the sums named varied within a range of 20 Euros and 1, 200 Euros, with a few respondents sending about

700-800 Euros on a single occasion. There were also those who did not remember how much they sent. The main currency used for remittances is the Euro, but there were a few cases when the senders also transferred money in dollars and in Lari.

Means of money transfer and fees

The services the respondents use to send money differ, but the reasons for choosing a concrete service are similar. Most respondents use banks, such as the Bank of Georgia, Alpha Bank, and Liberty Bank, while some of them use instant money transfer companies like Intel Express, Western Union, and MoneyGram. There are also a few who send remittances through the offices of tour companies. The respondents said that they chose this or that means of sending money, because it offered faster and easier service than others did for a similar fee. A few others also named unavailability of other services near their workplace as the reason.

Most respondents pay 4 Euros to send 100 Euros. However, one of them said she paid as much as 15 Euros to send 100 Euros, because she used the services of Western Union. It should be noted, though, that the fees decrease as the amount of money sent increases. In addition, if the recipient doesn't need the money urgently, it is possible to send 100 Euros for only 2 Euros, but this service is only available through the offices of tour companies mentioned above.

Expenses incurred and speed of money transfers

Most respondents stated that if they used banks, instant money transfer services, or the offices of tour companies, their families could receive the money within an hour, but if they sent money via a bus or paid a lower fee in the office, the money arrived within several days. The majority of the respondents stated that they incurred no additional expenses when sending money, though a couple of them pointed out they had to spend 1 or 2 Euros in transportation costs to get to the banks or offices where they sent the money from. All the respondents stated that they did not encounter any problems in sending remittances, though one of them mentioned calligraphic errors, such as misspelled surnames in documents, which sometimes caused problems and delays.

Satisfaction with money transfer services

About half of the respondents emphasized that they were satisfied with the work of money transfer services. However, one of them said that even though she was satisfied, she would welcome seeing some improvements in order not to waste time in standing in queue as she had to do sometimes. "There are no problems with the service, but sometimes we have to stand in queue because there are too many people. The time factor is very important for us," she explained. The rest of the respondents did not know what they would improve. No one was critical of the service they used.

When describing an ideal financial service, nearly all of the respondents mentioned low fees and a possibility to send money without going out of home. "For me, it would be ideal if I could send remittances without going out of home and received a notification that the recipients had received the money. I would also like the fee to be lower," explained one emigrant.

Using the money

All the respondents pointed out that the remittances were intended for concrete expenses, such as covering a loan or different living expenses. Most of the respondents decide how the remittances should be spent together with other family members (in the cases of female respondents, mostly with their husbands), though one male respondent said he just sent remittances without asking his family what they were going to use the money for. By contrast, another respondent stated that her family decided how the money was going to be spent without asking her.

Section 5: Mobile Phones and Related Skills

Using mobile phones

All the respondents have a mobile phone. As for brands, most of them own a Nokia, while others have a Samsung or a Motorola. However, nearly all the respondents were unaware and uninterested in what applications were downloaded to their mobile phones, with only one of them saying that they had activated WAP/GPRS. At the same time, almost all the respondents said their mobile phones included some games, and all of them stated that they used cards to fill the balance.

All the respondents pointed out that they did not use the capabilities of their mobile phones fully, and only made calls and sent SMS messages. On average, most respondents send and receive between two and ten SMS messages per day, depending on the necessity. At the same time, all the respondents emphasized that they preferred calling to sending messages. None of them had activated the Internet in their mobile phones, since they were not interested in mobile Internet and preferred using computers.

The majority of the respondents stated that nearly all members of their families in Georgia had a mobile phone. There was no case when none of their family members had a mobile phone.

Section 6: Mobile finance

Awareness of mobile finance services

With one exception, all of the respondents remarked that they had not heard about making money transfers via a mobile phone. However, the majority of them showed a keen interest in such a service, saying that it would be easier to use and save their time. "This sounds great, I like it very much. Sometimes I do not have time to go, and I need about 20 Euros to go to office. I live in a suburb and have to take a taxi. That's a great idea," said one of them. A few respondents were less enthusiastic, but promised to think about the service.

Demand for the service, acceptable fees and preconditions for subscription

Most of the respondents pointed out that the service would be necessary and that they would mostly use it to make remittances, with one of them saying that she would use everything this service offered. As for the frequency of usage, most respondents stated that, since they received salaries once a month, they would send remittances with the same frequency. Others, however, said that it would depend on the needs of their families and that they might send money more frequently.

The main point that the respondents made about fees was that the cheaper the service would be compared with other services, the more popular it would become. Most of the respondents suggested a fee of 2-3 Euros per remittance of 100 Euros, while some suggested no more than 1.5 Euro. One respondent even said that a fee of about 7-8% would be acceptable.

The key point the respondents made was that in order for them to become regular consumers, they had to trust the service and the conditions had to be favorable, meaning lower fees and timesaving procedures. One of them said she would first use the service once to see how it worked and then decide whether to become a regular consumer or not.

Suggestions about promoting the service

The respondents suggested disseminating information about the service mainly with advertisements on Georgian TV channels, magazines, newspapers, and websites. The TV channels suggested as the most suitable for this purpose were Imedi and Rustavi 2, while Sarke, Tbilisebi, Gza, KvirisPalitra, and Karibche were named as the most popular Georgian magazines and newspapers which every Georgian emigrant read. The respondents also suggested the websites - bude.ge, tvali.ge, odnaclassniki.ru, and babajana.ge – as useful tools to spread this information.

In addition, one of the respondents suggested spreading information with brochures that could be distributed on Omonia Square -the place where Georgian emigrants go to meet every Sunday. And a few people also promised they would spread the information among their acquaintances.

Preferable locations of service centers, machine vs. person

Omonia Square was also named as a suitable place for a service center. Several respondents also suggested opening service centers in supermarkets, banks, and 24-hour chemist's shops.

The emigrants didn't have the same opinion on whether it's more convenient to deal with an automated system or with a person. About a half of the respondents preferred dealing with an automated system, as it would be faster and safer, while another half preferred dealing with a person, since they could ask him/her questions if they didn't understand something.

At the same time, the factor of personal acquaintance seems important for Georgian emigrants. Most of the respondents said they preferred dealing with a person they knew, because they would trust such a person more.

Preferable method of subscription

The respondents' answers also differed about their preferable method of subscription to the new service. Some of them said it would be better if a sales agent came to their house, while others preferred being visited at their workplace. And for several of them, it didn't make a difference whether they were visited or paid a visit themselves.

To sum up, nearly all the respondents emphasized that such a service would be necessary and comfortable if it were cheap, timesaving, of high quality, and reliable. However, one of them said he was less certain about the necessity of such a service, because there were already plenty of offices and banks in Greece from which money could be transferred to Georgia.

5. INTERPRETATION AND CONCLUSIONS

Customer profile, behavior patterns and preferences

- The majority of economically active migrants are female working as care-providers for elderly people and as babysitters; due to this occupational background the income of migrants and remittance flows from these countries has not been significantly affected by economic slow-down;
- The migrant monetary revenues in Greece and Italy are generally higher than those from Russian Federation or Ukraine ranging from US\$ 200 to US\$ 800, where approximately US\$ 200 is sent to Georgia every month; statistically, average remittance sent by Georgian migrant from Greece is from \$125 to \$250 and in case of Italy from \$ 130 to \$ 260;
- There are migrants who value human interaction while sending money which gives them reassurance that it will reach their relatives, whereas there are migrants who prefer to avoid traveling and spending time to reach the limited number of places in Greece where they can use the service;
- Convenience and control of funds become key success factors; price reduction would be an important addition to the value proposition; currency conversion options are important where narrow spreads for currency exchange rates are calculated and increasingly taken into account by migrants;
- There is a great demand on migrants being able to manage their finances independently, they are keen to save and use value-added financial services;

Existing providers of the service

- The money transfer sector is competitive and there a small potential for prices going down with existing business models; all providers are looking at ways to offer innovation to the customers and therefore, there is a big interest towards mobile finance services;
- There are “more expensive” money transfer systems, such as Western Union which are internationally recognized brands and there are “less expensive” money transfer systems, which target specific group of migrants (Intel Express, Anelik etc.);
- In Greece, Georgian customers gave a preference to low-cost and localized services; there is still a significant share (approximately 25%) of migrants using informal channels;

Demand on mobile finance

- Greece and Italy are significant markets for facilitation of cross-border remittances; total market size in terms of commission revenue for the pay-out intermediaries (in Georgia) is from \$ 870K to \$ 1.3m for Greece and from \$ 630K to \$ 950K for Italy. As for the entire market size for all remittance flowing to Georgia, it ranges from \$13m to \$20m per annum;
- It is noteworthy that, in contrast from traditional money transfer intermediaries, the commission fees from cross-border remittances is not the core revenue driver for mobile finance service provider; every remittance will be cascaded in the range of financial transactions within the mobile finance system offering new services to customers;

- In terms of the number of customers, the number of Georgian migrants who regularly send money to Georgia can vary from 25,00 to 50,000 and from 17,500 to 35,000 in Greece and Italy respectively; these individuals are concentrated in several large cities and can be easily reached by well-organized Diaspora networks;
- The share of informal channels is going down, but it still represents a significant portion with about 25% of the market being served by informal providers;

Demand for value-added services

- About the half of remittances flow to rural areas, which means at least 150,000 adults in rural areas of Georgia can benefit from simplified access to remittances from Greece and value-added financial services; this is translated in about 22,500 people in rural areas who regularly receive remittances from Greece;
- This represent untapped potential for financial institutions: in terms of financing only rural households receiving remittances, Crystal Fund estimates there is a market of \$ 17 m for loans, \$2 m for basic health and life insurance and up to \$7 m deposit portfolio only for rural households of Georgian migrants in Greece;

Financial Education

- Financial literacy and financial inclusion is a problem for both ends of the remittance corridor; there is a clear lack of awareness about financial services which could be beneficial for both migrants and their families, especially in rural areas; both groups would benefit from general training on budgeting, access to fair credit and financial risk management;

The following conclusion can be established in result of this market research:

- Mobile finance services can offer greater convenience, cost/time saving opportunity and better control of funds to migrants who regularly send money home;
- To capture a larger part of the market in Greece the service should be available in both forms: “cash-to-mobile” and “mobile-to-mobile”;
- There should be a choice of a currency, so any user in Greece or Georgia can freely convert electronic value from one currency to another on the basis of competitive exchange rates;
- In Greece (and Italy) the service should be localized and customized, so it is available in Georgian and there should be a good customer service available;
- Pricing should be within the lower end of prices by providers, which is approximately 3.5% for small amounts of up to EUR 200;
- Mobile finance solution should include multiple channels (SMS, WAP/GPRS and Mobile Internet) to capture all handsets and all MNO subscribers; furthermore, it is critical to offer web interface in

addition to the mobile, as majority of customers in Greece already have PC mainly used for calling/skyping with relatives;

- Migrants are interested in the wide suite of services, including on-line (on-distance) merchant payment, bill payments and crucially important transactions with financial institutions; there is a demand on savings and deposit accounts;
- There is a significant demand on mobile finance services in Georgia, especially in rural communities where cash remains the only or most frequently used instrument and there is a very high mobile phone penetration;
- New service will offer significant savings to rural customers as they will be offered an opportunity to cash-out their remittances from the widely distributed agent network or carry on with electronic remittances and payments immediately after they receive a remittance or other incoming transfer;
- There is a scope for the wide range of value-added products to be offered to remittance recipients in rural areas; this will require adequate product development (micro-loans, micro-insurance and savings/deposits) and well-designed outreach strategy. There are many findings in this report which offers an excellent basis for tailoring a marketing strategy.

IN-DEPTH INTERVIEW GUIDE FOR RESPONDENTS IN GEORGIA

Section 1: Personal Details

1. Please tell me about the members of your household who are currently living with you in (settlement name).
 - What is your job?
 - Who else has a job in your household?
 - Where does he/she work?
 - Approximately how much is your household's monthly income?
 - Which member of your household is currently living abroad/in Greece?
 - In which city in Greece?
 - What is his/her job?
 - How long has he/she been abroad?

Section 2: Financial Literacy

2. Please tell me, how do you budget you family income and expenses?
 - How do you do that?
 - For how long do you plan ahead?
 - How do you control your expenses?
 - Do you or a member of your household currently have savings?
 - What kind of savings? (Deposit in a bank/cash at home/other.)
 - Do you use the profit/surplus for investment? (Purchasing a flat or a piece of property, investing in a business, and other.)
 - If you had a profit/savings/surplus, how would you use it?
 - How do you protect your savings from depreciation? (In which currency? By which method?)

If no:

- What prevents you from making savings?
3. Do you currently have a plastic card of your own?
 - Do you remember the PIN code of this card?
 - Does anyone else know the PIN code? Who?
 - Does anyone else use your plastic card?
 - Do you know anyone else's PIN code?

Section 3: Financial Services

4. What kind of financial services have you used during the last 12 months? Please list all of them.
 - Payment of utility bills
 - Money transfers

- A bank account (What kind?)
 - A loan (What kind?)
 - Insurance
 - A time deposit
 - A “debt” (from a private person)
 - Other
- How long have you been using (the aforementioned) financial service?
 - How do you use this financial service?
 - You go to a bank or other financial organization.
 - How far? How? What is the fare?
 - Via the Internet
 - With instant payment machines (pay boxes, POS terminals)
 - With plastic cards
 - Other (In particular?)
 - Which sources do you use most often to get information about the types of financial services?

5. Considering your current demands, which form of financial services do you consider the most necessary for you?

- How would you evaluate the quality of this service (in a bank/credit union)? Why do you think so?
- How well are you informed about the financial products you are not currently using?

6. Overall, how much do you trust banks/credit institutions? Why?

7. Have you heard about the Annual Percentage Rate (APR)? How do you understand it?

8. Are you or a member of your household interested in the following financial services?

- A loan or a micro loan
 - In which case would you receive a (consumer) micro loan?
 - What are the acceptable conditions for receiving a loan? (Interest rate/collateral/minimum and maximum amount/other.)
- Insurance
 - Health
 - Property
 - Life
 - Agro
 - Car
 - Other
- Making a time deposit

Section 4: Remittances

9. During the last 12 months, what assistance has your household received from a household member living abroad?

- Food products/household goods/money/other?

If money:

10. On average, how often does he/she send you remittances?

- On average, how much money does he/she send you on a single occasion?
- As a rule, in which currency does he/she send it?
- Which means of sending money does he/she use?
 - And which means/system does he/she use most often? Why?
- How soon (in how many days) do you receive the sum after it has been sent?
- Considering absolutely all the expenses, what expenses does your household have to incur when receiving money? (Commission on sending, commission on receipt, additional expenses (transportation, conversion, time, other.))
- Again considering all the expenses, what expenses does the member of your household living abroad have to incur when sending money?
- Do you or the member of your household living abroad encounter any problems in this process?
- What would you improve in their services (convenience, time, security, choice of currency, other)?

11. Talking about the conditions of receiving remittances from abroad, please describe the details of an ideal (financial) service for you?

Section 5: Using the Money

12. As a rule, are remittances received from abroad intended to cover any concrete expenses or not?

- How do you make a decision on how this money is going to be spent?
 - How well do you manage to plan exactly how you are going to use the money?
- Which member of your household makes this decision most often?

Section 6: Mobile Phones

13. How many members of your household currently have a mobile phone?

14. Please tell me the model/age of all these mobile phones (a basic, intermediate or smart phone - based on visual inspection).

15. Which mobile operator network is your mobile phone connected to?

16. What applications are downloaded to your mobile phone? Games? Java applications?

17. How fully do you personally use the capabilities of your mobile phone? Do you use all the functions?

- On average, how many SMS messages do you send/receive per day?
- Have you activated the Internet, WAP/GPRS?
 - If yes: How often do you use it?
 - If no: Why not?

18. How do you usually fill the balance of your mobile phone?

Section 7: Mobile Finance

19. Have you heard about making money transfers via a mobile phone?

- What have you heard?
- How interested would you be in such a service?

20. How necessary is such a service for you?

- What kind of transactions would you use it for? (Money transfers/paying utility bills/making payments in shops/other.)
- Which service would you use and how many times per month? In particular, what kind of transactions would you use it for?
- What would be an acceptable fee for this service?
 - A. For example, a fee of GEL 20, 50, and 100 for money transfers within Georgia?
 - B. A fee of 100 Euros for money transfers from abroad to Georgia?
 - C. A fee for the payment of utility bills?
 - D. Transfer of a salary, pension, and other income via phone transfer?

21. In what case would you become a regular consumer of such a service?

22. Where and how would it be advisable to disseminate information about such a service? (TV channels/methods)

23. Which would be the most convenient places for service centers/persons where you could deposit and/or receive cash? (Mini-markets with pay boxes, schools, and other establishments.)

24. Would it be more convenient for you to deal with an automated system/machine or with an operator/person?

- If with a person: How important is the factor of personal acquaintance?
- How would you prefer subscribing to the new service? (A visit to your home, a visit to your workplace, etc.)

25. Summing everything up, how necessary is such a service for you? Why?

IN-DEPTH INTERVIEW GUIDE FOR RESPONDENTS IN GREECE

Section 1: Personal Details

1. Please tell me how you went to Greece. How did you make this decision? How did you go?
 - From whom did you receive help in this process?
 - What did you do before you left for Greece?
 - Where did you live? (Name of the settlement)
 - How long have you been in Greece?
2. What is your job?
 - Approximately how much is your monthly income?
3. Who are you living with in Greece?
 - Which member(s) of your household is/are living in Georgia?
 - When did you last visit Georgia?
 - On average, how often do you manage to visit Georgia?

Section 2: Financial Literacy

4. Please tell me, how do you budget you income and expenses?
 - How do you do that?
 - For how long do you plan ahead?
 - How do you control your expenses?
 - Do you currently have savings?
 - What kind of savings? (Deposit in a bank/cash at home/other.)
 - Do you use the profit/surplus for investment? (Purchasing a flat or a piece of property, investing in a business, and other.)
 - If you had a profit/savings/surplus, how would you use it?
 - How do you protect your savings from depreciation? (In which currency? By which method?)

If no:

- What prevents you from making savings?
5. Do you currently have a plastic card of your own?
 - Do you remember the PIN code of this card?
 - Does anyone else know the PIN code? Who?
 - Does anyone else use your plastic card?
 - Do you know anyone else's PIN code?
 - Whose PIN code do you know?

Section 3: Financial Services

6. What kind of financial services have you used during the last 12 months? Please list all of them.

- Payment of utility bills
 - Money transfers
 - A bank account (What kind?)
 - A loan (What kind?)
 - Insurance
 - A time deposit
 - A "debt" (from a private person)
 - Other
- (Ask about all the services named.) How long have you been using (the aforementioned) financial service(s)?
 - How do you use this financial service in particular?
 - You go to a bank or other financial organization.
 - How far? How? What is the fare?
 - Via the Internet
 - With instant payment machines (pay boxes, POS terminals)
 - With plastic cards
 - Other (In particular?)
 - Which sources do you use most often to get information about the types of financial services?

7. Considering your current demands, which form of financial services do you consider the most necessary for you?

- How would you evaluate the quality of this service (in a bank/credit organization)? Why do you think so?
- How well are you informed about the financial products you are not currently using?

8. Overall, how much do you trust banks/credit institutions? Why?

9. Have you heard about the Annual Percentage Rate (APR)? How do you understand it?

10. How interested are you in the following financial services now?

- A loan or a micro loan
- In which case would you receive a (consumer) micro loan?
 - What are the acceptable conditions for receiving a loan? (Interest rate/collateral/minimum and maximum amount/other.)
- Insurance
 - Health
 - Property
 - Life

- Agro
- Car
- Other

- Making a time deposit

Section 4: Remittances

11. During the last 12 months, have you sent any assistance to Georgia?

- In particular, what did you send? (Food products/household goods/money/other?)

If money:

12. Who did you sent remittances to most often?

- (Relationship to the respondent – no name or surname)

13. On average, how often do you send him/her remittances?

- On average, how much money do you send him/her on a single occasion?
- As a rule, in which currency do you send it?
- Which means of sending money do you use?
 - And which means/system do you use most often? Why?
 - How much does it cost you to send 100 Euros?
- How soon (in how many days) does the recipient receive the sum after it has been sent?
- Considering absolutely all the expenses (e.g. transportation costs, etc.), what expenses do you incur when sending money?
- Do you encounter any problems in this process? In particular?
- What would you improve in this service (convenience, time, security, choice of currency, other)?

14. Please describe the details of an ideal (financial) service for you.

- In Greece
- In Georgia

Section 5: Using the Money

15. As a rule, are the remittances you send intended to cover any concrete expenses or not?

- How are decisions made on how exactly this money is going to be spent?
- Who makes this decision most often?

Section 6: Mobile Phones

16. Do you currently have a mobile phone?

- Which model?

17. What applications are downloaded to your mobile phone? Games? Java applications?

18. How fully do you use the capabilities of your mobile phone? Do you use all the functions?

- On average, how many SMS messages do you send/receive per day?
- Have you activated the Internet, WAP/GPRS?
 - If yes: How often do you use it?
 - If no: Why not?

19. How do you usually fill the balance of your mobile phone?

20. How many members of your family in Georgia have a mobile phone?

Section 7: Mobile Finance

21. Have you heard about making money transfers via a mobile phone?

- What have you heard?
- How interested would you be in such a service? (Explain.)

22. How necessary is such a service for you?

- What kind of transactions would you use it for? (Money transfers/paying utility bills/making payments in shops/other.)
- Which service would you use and how many times per month? In particular, what kind of transactions would you use it for?
- What would be an acceptable fee for this service?
 - A. For example, a fee of 100 Euros for money transfers from abroad to Georgia?

23. In what case would you become a regular consumer of such a service?

24. Where and how would it be advisable to disseminate information about such a service? (TV channels/methods)

25. Which would be the most convenient places for service centers/persons where you could deposit and/or receive cash? (Mini-markets with pay boxes, schools, and other establishments)

26. Would it be more convenient for you to deal with an automated system/machine or with an operator/person?

- If with a person: How important is the factor of personal acquaintance?
- How would you prefer subscribing to the new service? (A visit to your home, a visit to your workplace, etc.)

27. Summing everything up, how necessary is such a service for you? Why?

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