

CHAPTER 21

Cuban Remittance Agencies in the U.S.: A Survey

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Abstract: This paper examines the principal characteristics of U.S. based "bricks and mortar" Cuban remittances forwarding agencies (RFs). Particular emphasis is given to the analysis of their geographic concentration, product and service offerings in terms of cash remittances, the transaction costs associated with these products and services, and the amount of time required to send and receive these remittances to Havana and other parts of the island.

Introduction

Despite the implementation of remittance and travel restrictions (RTRs) by the Bush Administration on June 30, 2004, and the replacement of the U.S. dollar (USD) with the convertible peso (CUC) by the Cuban government in October of that year, family remittances continue to play a key role in the Cuban economy. During the 2001-2006 period, remittances to Cuba increased 27.5%, from \$730 million in 2001 to an estimated \$931 million in 2006, representing an annual growth rate of 5.5% (Pérez-López & Díaz-Briquets, 2005; González-Corzo and Larson, 2006; International Fund for Agricultural Development [IFAD], 2007). In 2001, remittances represented 45.4% of the value of Cuba's merchandise exports, and 43.1% of the gross hard currency receipts generated by international tourism. By the end of 2006, the ratio of remittances to merchandise exports declined to 33.7%, mostly due to an increase in Cuba's export capacity; however, the ratio of remittances to gross receipts from tourism remained virtually unchanged at 43.5% (Anuario Estadístico de Cuba (AEC), 2006).

A recent World Bank report titled, "Remittances and Development: Lessons from Latin America," shows that remittances are directly linked to lower poverty levels, improvements in education, and better health indicators in receiving countries (Fajzylber and López, 2008). Remit-

tances also contribute to economic growth and investment, and are associated with lower levels of macroeconomic and exchange rate volatility (Fajzylber and López, 2008).

At the microeconomic, or more precisely the household level, remittances also play a critical role in the economies of the receiving countries. The World Bank study (referenced above) also found that for each percentage point increase in the ratio of remittances to gross domestic product (GDP), the share of the population living in poverty is reduced by an average of 0.4% (Fajzylber and López, 2008). Remittances also have a positive impact on bank deposits and the mobilization of credit in receiving countries. According to the World Bank, a 1% point increase in remittances results in approximately 2% to 3% increase in bank deposits and credit in receiving countries (Fajzylber and López, 2008).

In the case of Cuba, an estimated 60% of the population receives remittances on a regular basis (Mesa-Lago, 2005), and the majority of remittances (90% or more) are used for consumption (González-Corzo & Larson, 2006). Despite existing limitations on small-scale, privately operated enterprises, and the lack of comprehensive field studies analyzing the effects of remittances on these types of firms in Cuba, anecdotal accounts suggest that in some cases remittances are channeled towards productive investments, mostly in the informal sector.¹

Given the importance of remittances in the Cuban economy, and despite the critical role that U.S. based remittances forwarding agencies (RFs) play in facilitating the transfer of these unilateral flows of private capital, very few studies have focused on these agencies, which are vital components of Cuba's "remittances market."² To address this gap in the

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1. During a recent visit to Cuba on January 2008, one of the authors spoke with several small business operators in *Villa Clara* province. Many of these entrepreneurs relied on regular family remittances to obtain essential inputs from state-run "hard currency stores" (or *tiendas de recaudación de divisas-TRDs*), and the informal economy. The majority operated privately owned restaurants or paladares, one or two-room *hostals* or *casas de huéspedes*, and private taxis (*taxis particulares*). Some of these enterprises were registered or authorized to operate legally, while others operated without official government authorization.
 2. A country's "remittances market" consists of the remittances senders (or remitters), the receivers, and the channels and mechanisms to send and receive remittances. For more on Cuba's remittances market, see Gonzalez-Corzo and Larson (2006).

literature on remittances to Cuba, this study examines the principal characteristics of U.S. based, “bricks and mortar,” Cuban remittances forwarding agencies (RFs), with a particular emphasis on their geographic concentration, their product and service offerings, the transaction costs associated with these products and services, and the amount of time required for their delivery to Havana and other parts of the island.

Methodology

To achieve this objective, we compiled a list of Cuban remittances forwarding agencies (RFs) operating in the United States. Upon completion of this list, we conducted a longitudinal survey, which was used as the primary tool to gather data for our study. We employed a purposive approach to the selection of the sample included in our study. All the remittance forwarding agencies (RFs) included in our survey were authorized to provide remittances forwarding services to Cuba, operated in the United States and its territories, and functioned as a “bricks and mortar” operation (i.e., had a physical location such as a branch or office, where customers can go in person) rather than a Web-based money transfer organization (MTO).

During the course of this study, we conducted a total of 88 surveys or interviews. Whenever possible, the survey included face-to-face (or in person) interviews with the employees or representatives of the Cuban remittances forwarding agencies (RFs) included in our study. This type of fieldwork required multiple visits by the researchers (or authors of this study) to 15 remittances forwarding agencies (RFs) in Miami, FL, Hialeah, Florida, West New York, NJ, and Union City, NJ. The rest of the surveys or interviews (73) were conducted over the telephone.

The data were collected over a six-month period ranging from October 1, 2007 to April 30, 2008. At the end of the survey (or data collection) period, we conducted a post-survey validation, involving callbacks or revisits to 25% (or 22 remittances forwarding agencies—RFs) of the sample of included in our study.

Findings

Geographic Concentration

Our survey revealed that out of a total of 88 “bricks and mortar” Cuban remittances forwarding agencies registered in the United States, 67 were located in Florida, and the rest (31) were scattered across states and territories with a notable Cuban presence such as California (6), New Jersey (5), and Puerto Rico (3). Other U.S. states where these agencies were located also included: the District of Columbia (1), Illinois (1), Louisiana (1), Nevada (1), New York (1), and Oregon (1). Table 21-1 shows the distribution of Cuban remittances forwarding agencies (RFs) by state at the end of 2006.

TABLE 21-1. Cuban Remittances Forwarding Agencies (RFs) by State

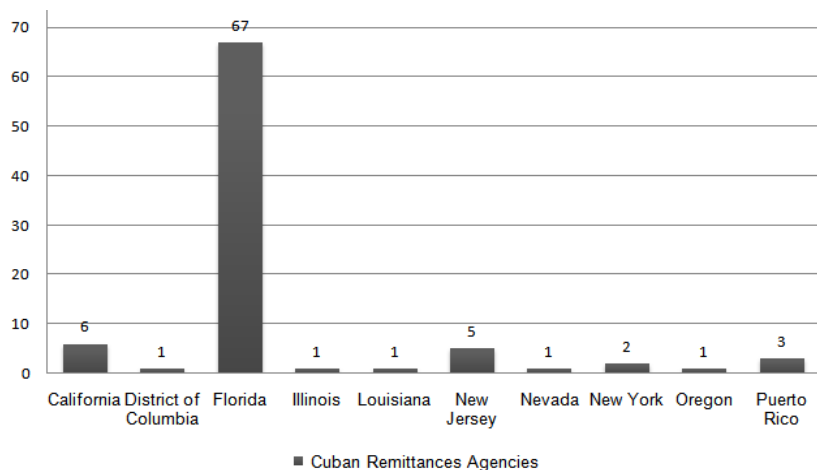
State	Cuban Remittances Agencies	Percentage of Total RFs
California	6	6.8%
District of Columbia	1	1.1%
Florida	67	76.1%
Illinois	1	1.1%
Louisiana	1	1.1%
New Jersey	5	5.7%
Nevada	1	1.1%
New York	2	2.3%
Oregon	1	1.1%
Puerto Rico	3	3.4%
TOTAL	88	100.0%

In percentage terms, more than three-quarters of the Cuban remittances forwarding agencies (RFs) in the U.S. at the end of 2006 were located in Florida (76.1%), and the rest were located in states and territories with relatively large concentrations of Cubans and Cuban-Americans such as California (6.8%), New Jersey (5.7%), Puerto Rico (3.4%), and New York (2.3%). Figure 21-1 shows the distribution of Cuban remit-

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tances forwarding agencies (RFs) by state, and their corresponding share of the total agencies registered in the United States at the end of 2006.

FIGURE 21-1. Cuban Remittances Forwarding Agencies (RFs) by State



One interesting finding from our research is the fact that there are no agencies registered in Texas, even though at the end of 2006 approximately 2.4% of the Cuban population in the United States lived in the Lone Star State, and Texas was ranked in fifth place in terms of its share of the U.S. Cuban population (González-Corzo, 2007). Another rather surprising, and interesting, finding was the relatively small number of Cuban remittances forwarding agencies (RFs) located in New Jersey (5), given the Garden State's traditional role as a principal destination for Cubans residing in the United States.

We used a linear regression model to analyze the relationship between the geographical concentration of the Cuban community in the United States and the concentration of Cuban remittances forwarding agencies (RFs). The number of Cuban remittances forwarding agencies (RFs) in U.S. cities with three (3) RFs or more was defined as the dependent variable, and the Cuban population as the independent variable.³

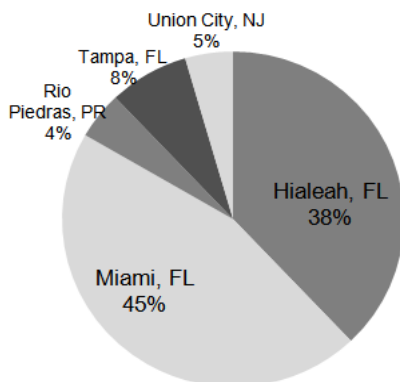
As Table 21-2 indicates, the U.S. cities with the largest share of Cuban remittances forwarding agencies (RFs) were: (1) Miami, FL

TABLE 21-2. Cuban Remittances Forwarding Agencies (RFs) by City (Cities with 3 or More RFs)

City	Remittances Forwarding Agencies (RFs)	Percentage of Total RFs
Hialeah, FL	25	28.4%
Miami, FL	30	34.1%
Rio Pedras, PR	3	3.4%
Tampa, FL	5	5.7%
Union City, NJ	3	3.4%

(34.1%); (2) Hialeah, FL (28.4%); (3) Tampa, FL (5.7%); and (4) Union City, NJ (3.4%).

FIGURE 21-2. Cuban Remittance Forwarding Agencies (RFs) by City (Cities of 3 or More RFs)

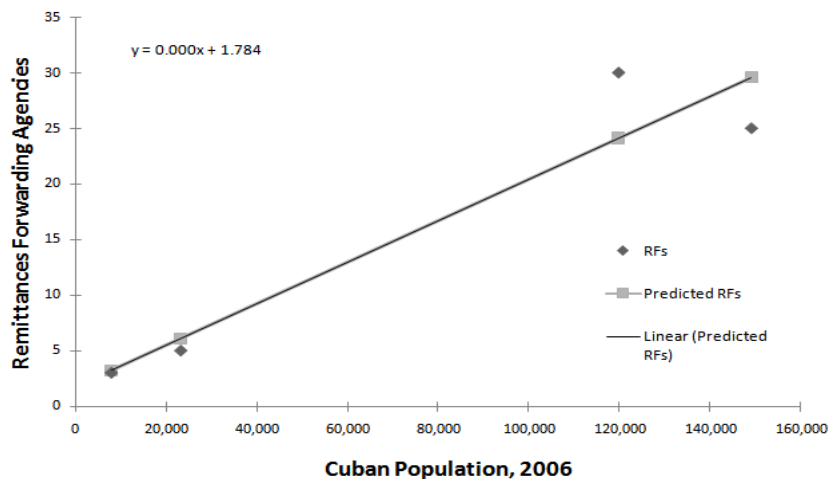


As expected, our study found a strong (positive) correlation between the concentration of the Cuban community and the concentration of agencies authorized to send remittances to Cuba in the United States (see Figure 21-3).⁴

3. The estimates for the Cuban population (the independent variable) were obtained from the most recent (2006) American Community Survey (ACS) Fact Finder report.

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FIGURE 21-3. Relationship Between Concentration of Cuban RF Agencies for U.S. Cities with 3 or More RFs



Given that approximately 17.7% of the Cuban population in the United States resides in Miami, FL and Hialeah, FL (“American Community Survey” [ACS], 2006), we found a disproportionate concentration of Cuban remittances forwarding agencies (RFs) in these historical Cuban (ethnic) enclaves.⁵ The agencies located in Miami and Hialeah (FL) repre-

4. Our regression analysis produced a coefficient of determination (R^2) of 0.8996, and an “adjusted R^2 ” of 0.8495, suggesting that there is a strong (positive) correlation between the two variables included in our study.
5. According to the 2006 American Community Survey (ACS), an estimated 148,965 persons of Cuban origin or ancestry lived in Hialeah, FL in 2006. Similarly, in 2006 there were approximately 119,685 persons of Cuban origin or ancestry living in Miami, FL. Combined, the Cuban-origin population of these two Miami-Dade County (FL) municipalities (268,650) represented 17.7% of the total U.S. Cuban population in 2006 (1,520,271). In Hialeah (FL), the Cuban-origin population (148,965) represented more than three-quarters (75.4%) of the Hispanic or Latino population in 2006. Miami’s (FL) Cuban population (119,685) represented close to half (48.5%) of the Hispanic or Latino population in 2006. At the county level, the 767,349 persons of Cuban origin living in Miami-Dade County (FL) at the end of 2006 represented an estimated 52.1% of the County’s total Hispanic or Latino population.

sent (a combined) 62.5% of the total Cuban remittances forwarding agencies (RFs) in the United States at the time of our study.

Services Offered

While 54 out of the 88 agencies licensed to forward remittances to Cuba (RFs) included in our survey (or 61.4%) currently send remittances on behalf of their clients, our study found that 34 agencies (or 38.6%) no longer offer such services. The principal reasons cited for the apparent exit of these agencies from the remittances forwarding (RF) business included: increased competition from online and non-U.S. sources (i.e. virtual and “real” agencies located in Canada, Europe, and Latin America), higher operating costs (i.e. labor, rent, and other inputs), new regulations, on both the Cuban and U.S. sides, governing each country’s respective “remittances markets.”

Transaction Costs

Our survey revealed that the commissions (or transaction costs) charged by U.S. based Cuban remittances forwarding (RF) agencies primarily depend on the amount sent.

Compared to the rest of Latin America and the Caribbean, Cuban remitters pay extremely high transaction costs (or commission fees). As Table 21-3 demonstrates, the typical commission fee charged by the agencies included in our study varies in inverse relation with the amount sent. For instance, a remitter wishing to send \$50 to a relative in Cuba would pay a commission fee of \$20, or 40% of the amount sent. By contrast, if the same person were to send \$300 (the maximum quarterly amount allowed under current U.S. law),⁶ he or she would have to pay a commission fee of \$25, or 8.3% of the amount remitted.

However, given the unique characteristics of the Cuban remittances market González-Corzo and Larson, 2006), focusing only on the commission fees charged by the remittances forwarding agencies (RFs) understates the real cost of sending remittances to Cuba. Since the implementation of Resolution No. 80 in 2004, and Agreements 13 and 15

6. See Sullivan (2007) for more details on current U.S. Remittances and Travel Restrictions (RTRs) to Cuba.

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TABLE 21-3. Estimated costs of sending remittances to Cuba using data collected in our survey

Amount Sent (USD)	Currency Delivered in Cuba	Commission Fee (USD)	Commission Fee as % of Amount Sent	CADECA USD/CUC Conversion Fee	Amount Received by Recipient (CUC)	Total Transaction Cost for Remitter (USD)	Total Transaction Cost as % of Amount Sent
\$50	USD	\$20	40.0%	20.0%	40	\$30	60.0%
\$100	USD	\$15	15.0%	20.0%	80	\$35	35.0%
\$150	USD	\$20	13.3%	20.0%	120	\$50	33.3%
\$200	USD	\$25	12.5%	20.0%	160	\$65	32.5%
\$250	USD	\$25	10.0%	20.0%	200	\$75	30.0%
\$300	USD	\$25	8.3%	20.0%	240	\$85	28.3%

in 2005 by Cuba's Central Bank (Banco Central de Cuba [BCC]), remittances receivers in Cuba are charged a 20% "conversion fee" each time they exchange U.S. dollars for Cuban convertible pesos (CUCs). Technically speaking, the remitter (or sender) incurs this additional cost, which increases the total cost of sending remittances to Cuba. As Table 3 shows, after incorporating the 20% "conversion fee" charged by State-run exchange house, CADECA, the total cost of sending \$50 to Cuba increases from \$20 (or 40% of the amount sent) to \$30 (or 60% of the amount sent). Similarly, adding the 20% "conversion fee" increases the cost of sending \$300 from \$25 (or 8.3% of the amount sent) to \$85 (or 28.3% of the amount sent).

Delivery Times

The amount of time that it takes to deliver remittances sent to Cuba using the services offered by the agencies included in our study varies by destination. On average, we found that it takes between 48 and 72 hours (or 2 and 3 days) to deliver remittances to the City of Havana (Table 21-4). However, remittances sent to cities and towns located in other provinces, particularly in Eastern Cuba, can take as long as 10 to 15 days to reach their final destination (Table 21-4).

Some of factors that influence the time it takes to delivery remittances to destinations outside the City of Havana include: the distance between the final destination and Havana, the relative accessibility of the receiver's

TABLE 21-4. Cuba: Remittances Delivery Times

	Distance from Havana (km)	Delivery Time (Days)
Havana	-	1-2
Matanzas	81.1	1-3
Cienfuegos	256	4-5
Santa Clara	268	4-5
Camaguey	545	7
Holguin	760	7-10
Santiago de Cuba	880	7-10

home (rural destinations typically require more time than their urban counterparts), and the ability of the “delivery person” to secure an effective and reliable means of transportation.

Conclusions

This study examined the principal characteristics of “bricks and mortar” Cuban remittances forwarding agencies (RFs) in the United States. In particular, we analyzed their geographic concentration; product and service offerings, transaction costs, and the amount of time required deliver remittances to Havana and other parts of the island.

To accomplish this goal, we conducted a total of 88 surveys or interviews between October 2007 and April 2008. Whenever possible, we included face-to-face (or in person) interviews with the employees or representatives of the Cuban remittances forwarding agencies (RFs) included in our study.

In terms of the geographical concentration, we found a strong (positive) correlation between the concentration of the Cuban community and the concentration of Cuban remittances forwarding agencies (RFs) in those communities. Not surprisingly, we found the majority of Cuban remittances forwarding agencies (RFs) in the United States (67 out of 88) were located in Florida. The rest were scattered across different cities in the United States and Puerto Rico with a notable Cuban presence. The U.S. cities with the largest share of Cuban remittances forwarding agencies (RFs) were: Miami, FL (30); Hialeah, FL (25); Tampa, FL (5); and Union City, NJ (3).

Findings

With respect to the types of services offered (i.e., whether or not they send remittances to Cuba), we found that 54 out of the 88 Cuban remittances forwarding agencies (RFs) (or 61.4%) included in our survey currently send remittances on behalf of their clients, while 34 agencies (or 38.6%) no longer offer such services. This was primarily attributed to increased competition (particularly from online money transfer organizations (MTOs), higher operating costs, and more stringent U.S. and Cuban regulations.

In terms of transaction costs, our study found that Cuban remitters pay relatively high transaction costs compared to the rest of Latin America and the Caribbean. Commission fees for sending remittances to Cuba range from 8% on the low end of the spectrum to 40% on the high end, placing Cuba among the most expensive “remittances markets” in the world in terms of transaction costs.

Finally, our study revealed that, similar to other countries in Latin America and the Caribbean and the rest of the world, the amount of time that it takes to deliver remittances sent to Cuba varies by destination, with remittances sent to Havana and its vicinities taking less time than those sent to the rest of the island.

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