

Venezuela could be a medium-term growth target for remittance companies

Article

The news: A growing migrant community in the US and a lack of formal remittance channels is creating an opening in Venezuela for US-based remittance firms to grow, according to a

report from Washington-based think tank Inter-American Dialogue (IAD) cited by Bloomberg.

Here's why: Remittance inflows into Latin America will reach **\$135.26 billion in 2022**, making up 17.5% of global remittance inflows, according to our forecasts. Bringing Venezuela into the formal remittance system would expand this already huge opportunity.

- Venezuela's remittance inflows are **expected to total \$4.2 billion this year**, per the report, with 29% of Venezuelan households receiving money from abroad. **And 38% of these transfers came from the US.**
- Despite those large transfer flows, **only 3% of payments** are sent through formal remittance channels. Instead, Venezuelans will send physical cash into the country by mail or someone traveling to the country. Some people also use third parties who have access to payment apps like **Zelle**, and others rely on crypto payments.
- The sector is largely informal because political tensions and past currency controls have severed Venezuela's relationships with foreign banks.

Why this matters: In the medium term, we expect Venezuela to be a prime growth opportunity for US-based remittance providers.

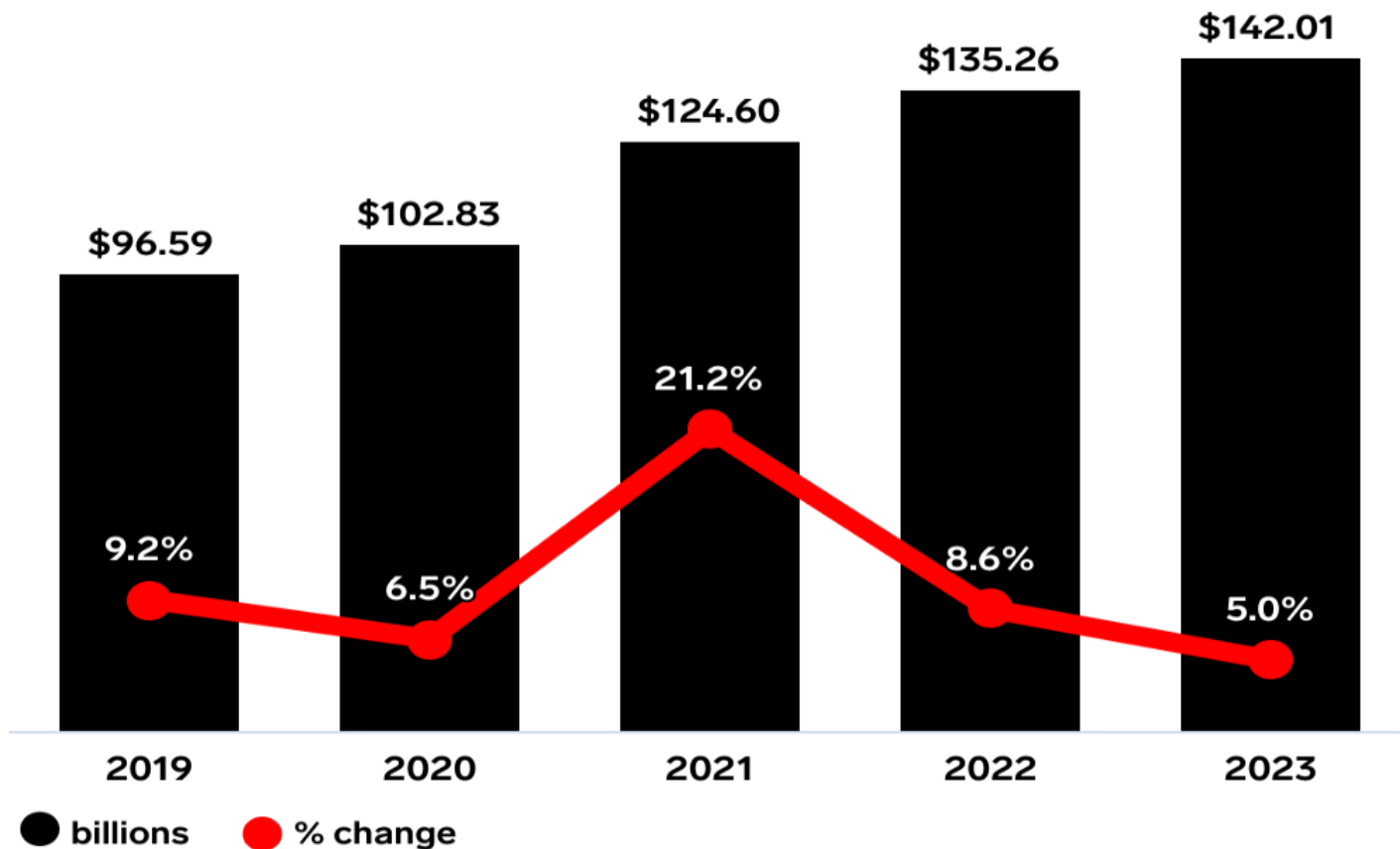
- Some US sanctions against Venezuela may soon be eased, according to the IAD report, which would make it easier for US businesses to operate in the country.
- Caracas may also embrace the US dollar for everyday transactions, according to Inter-American Dialogue.
- These changes would take time to be implemented but could incentivize foreign business interest.

The state of Venezuela's financial system sets up US remittance providers for success in the country: **About 80% of adults in Venezuela have bank accounts**, one of the highest financial inclusion rates in the region, according to the IAD report. This eliminates a big stumbling block for US remittance providers.

The big takeaway: As US-based remittance providers explore growth in Latin America, Venezuela presents a large untapped opportunity. While they will have to monitor how political dynamics unfold, US-based providers can bolster their presence in this region and rack up payments revenues.

Remittance Inflow

Latin America, 2019-2023



Note: Exchange Rate; the value of money sent home by citizens working abroad to their country of origin; examples include a citizen of this country working in another country and sending money back home through a financial institution or money transfer service, such as Western Union

Source: eMarketer, December 2021

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