

Best routes to send money abroad

Only four channels are available to send money abroad. But each has different charges and levels of convenience

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Convenience first: Anjum Padyal now uses Net banking to send money every month to her daughter in the US. Photo Priyanka Parashar/Mint

The amount of money that Indians send abroad—be it to buy an asset or to fund education—has been increasing. According to data on the website of Reserve Bank of India (RBI), outward remittances totalled \$447 million in December 2015. This was also the largest amount ever to be remitted abroad in a single month. In December 2014, the amount stood at \$95 million.

Large portions of the money sent abroad in December 2015 was to fund education (\$128 million, or about 29%) and for “maintenance of relatives” (\$155 million, or 35%). The total amount, however, is not much when compared to remittances received. According to World Bank’s Migration and Remittances Factbook 2016, India was the largest remittance receiving country, with an estimated \$72 billion in 2015. Compared to this, according to the RBI website, outward remittances totalled \$3.27 billion in 2015—this shows that inflows are 22 times more than the outflows.

“The amount of money that is remitted outwards is much lower than that which comes into the country. There are stricter rules, too, when it comes to sending money abroad,” said Vishal Dhawan, a certified

financial planner and founder of Plan Ahead Wealth Advisors Pvt. Ltd.

With so many people receiving money from here, which are the best ways to transfer money abroad? But before we delve into the details, here are some rules one must know pertaining to outward remittances.

Rules to follow

Early last year, the outward remittance limit under the Liberalised Remittance Scheme (LRS) for Indian individuals was raised from \$125,000 to \$250,000 by RBI. Under this scheme, you are allowed to remit for the purpose of personal and leisure visits, business visits, employment abroad, gifts and donations, maintenance of close relatives abroad, expenses in connection with medical treatment abroad, and studies abroad.

For the know-your-customer (KYC) process, a copy of your Permanent Account Number (PAN) is a must. You also need to fill up a form to state purpose of remittance (Form A2, which is an application-cum-declaration form). There is also Form 15 CA (used for collecting information regarding payments that are taxable in the hands of recipient non-resident) or Form 15 CB (an alternate way to getting tax clearance instead of a certificate from an income-tax assessing officer). These forms are available on various websites such as those of banks, of the income tax Department and also National Securities Depository Ltd.

If a remitter has a bank account but hasn’t maintained it for a year or more, she has to then provide her latest income-tax assessment order or return filed. You would need these documents when you approach a channel to remit money.

Transfer channels

There are various ways to receive money in India, but not so many if you want to send money abroad. For inward remittances, there are foreign exchange websites and many apps. For instance, Xpress Money, a global money exchanger, launched its app XOPO in October 2015, through which money can be remitted to India. ICICI Bank Ltd has the Money2India app for users in the US to remit to India using Facebook contacts. One can also use PayPal.

But to send money abroad from India, you can only use banks, money changers, some travel companies, and some non-banking finance

companies (NBFCs).

However, a few innovations are taking place in this sector. For instance, Thomas Cook India Pvt. Ltd launched a foreign exchange app in November. ICICI Bank has Money2World, an online outward remittance facility for Indian customers of other banks. This can be used to remit to any bank account in the world.

“The choice of channel will depend on the quantum of money you want to send as well as the frequency. You also need to be mindful of the exchange rate,” said Lovaii Navlakhi, founder and chief executive officer, International Money Matters Pvt. Ltd.

Let us take a look at how these channels stack up against each other on the three parameters of cost, time taken, and exchange rate.

What's on offer?

Mint Money checked the websites of various banks, money changers and NBFCs and called their customer care centres to find out the fees and the convenience with which money can be transferred. Here's what we found out.

Banks: This is probably the most popular route. Through banks you can transfer money abroad through wire transfers, Net banking, and by foreign currency cheques and demand drafts. In 2009, RBI allowed money to be transferred online, and with that the use of cheques and demand drafts has reduced. “Cheques and demand drafts are usually used now if one has to gift money to relatives,” said Dhawan.

Delhi-resident Anjum Padyal's daughter, Aanchal, has finished three years of her five-year course in California, USA. Padyal, a physical education professor at Delhi University, and her husband send around \$1,000 every month as pocket money to their daughter, which she uses to pay for rent, books, travel, food, and other expenses. “Till about a year back, we used to visit the bank branch to remit the money, but now we do it online. It's much more convenient, and the forms are the same for transacting online,” said Padyal. The parents and the daughter both have accounts with the same bank.

The cost of transfer varies across banks, but private banks are usually more expensive than public sector peers. Sample this: HDFC Bank Ltd charges `500 for transfers up to \$500, or `1,000 for a higher amount. ICICI Bank charges `750 for Internet transfers, and `1,000 if done from a branch.

Compared to these, State Bank of India (SBI) charges 0.125% of the amount or a minimum of `125, according to its website. Punjab National Bank, too, has similar charges. (See table for more details.)

The time taken for the money to reach the recipient, too, varies across banks—usually 48-72 hours if sent via Internet; cheques and demand drafts take a few days.

In terms of exchange rates offered, again, private banks are more expensive. For instance, on 8 March, HDFC Bank was offering `68.31 to one US dollar, while SBI was giving `68.15.

Money changers: Although there are many small money changers that will send your money, it is better to opt for a bigger, more well-known one. Money changers, too, allow for online transfer of money.

“We are seeing strong uptake for remittances via our online foreign exchange store, and this is particularly significant for the student or educational remittances segment,” said Mahesh Iyer, chief operating officer, Thomas Cook India. For Thomas Cook, Iyer said, the company's product range is a plus point from a consumer perspective, including outbound remittance for education and maintenance of close relatives. “Those who already have our products come to us for their remittance needs as well,” said Iyer.

But do keep in mind that while you can buy foreign currency demand drafts from a money changer, you will have to mail it yourself.

The fee that money changers charge is similar to that of private sector banks. UAE Exchange India, for example, charges a uniform `980 (irrespective of amount), while Thomas Cook charges a flat `750. Time taken is typically 48 hours.

What you need to keep in mind here is that with money changers, there is a longer KYC process. This is because unlike a bank, which will already have many of your details such as bank account number, PAN, address and so on, you will have to provide these afresh to the money changer. Bank account details (of both sender and receiver), and copy of an ID of the sender are needed.

If sending money for education related expenses, you will have to provide a copy of the fee structure.

Some, like Thomas Cook, require you to visit a branch once to deliver the documents in order to process the request. Others like the UAE

Exchange allow you to scan the documents and send. Even after this, the money changer has to go through a bank to route the transfer.

In terms of exchange rates, again, they are better than private sector banks, but not as good as public sector banks. For instance, on 8 March, UAE Exchange was offering `66.61 for a dollar, and Thomas Cook `67.90.

NBFCs: These are the new kids on the block, but there aren't many participants yet. Facilities offered are similar to that of a money changer —they have online money transfers and although you can buy demand drafts, the NBFC will not send it.

"More people will use websites to remit money rather than visit the branch or send cheques and drafts. Even though initially the cost advantage may not be passed on to the end-customer, this will happen slowly and the cost of remittance will come down," said K.R Bijimon, chief general manager, Muthoot Finance Ltd. The average remittance through the NBFC's website is \$800.

With regards to fees, some NBFCs charge depending on the money's destination. For instance, Muthoot Finance charges \$2.75 (about `189 @ 67.16) for transferring money to the US via Net banking, and \$6 (about `403) if sent through its branch. If sending to the UK, the cost is £3.99 (about `384 @ 96.24) for Net banking and £4.99 (`480) through a branch.

Some charge a flat fee. For example, Centrum Capital Ltd (through its foreign exchange services arm, buyforex.com), charges a uniform rate of `250.

Just like money changers, even though NBFCs transfer the money within a day, you will need to give your details and of the two bank accounts.

Further, the exchange rate offered is on the higher side. For instance, on 8 March, Muthoot Finance offered `67.35 for a dollar, and Centrum at `67.56.

Mint Money take

"Mostly, money is remitted abroad for the purpose of education and maintenance of relatives, which means that the money has to be sent frequently, and the amount may be high. In case of an emergency, a bank would be a faster route, as it is convenient and the KYC requirement is lesser," said Navlakhi.

Before choosing which channel to use, be sure of the purpose, amounts involved, frequency and the KYC requirements.

For example, if you are sending a small amount as a gift (a one-time transaction) and you have a few days in hand, you may choose your bank (especially if public sector) because of convenience and lower cost. But if you need the money to reach quickly, then an NBFC may be of help, despite the longer KYC. If convenience is paramount, then banks may be better.