

DYNAMICS AND DEVELOPMENT TRENDS OF THE INTERNATIONAL MONEY TRANSFERS IN THE REPUBLIC OF ARMENIA

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Key words: money transfers, outflow, inflow, net inflow, commercial bank, individual, currency

Introduction

As a result of the development of international relations, including the expansion of economic ties, international money transfers are becoming an integral part of financial transactions at both the business and personal level. Armenia also doesn't remain unparticipated in the process of economic management in keeping international money transfers in the center of attention and considering alternative, modern opportunities for its development. The importance of the influence of international money transfers in the economy, as well as the need for a comprehensive analysis of their dynamics in the context of various geopolitical and regional developments, justify the relevance of the chosen topic. In accordance with the goal, the following issues have been identified:

- to present the essence of the concept of "international money transfer",
- to identify the main goals of international money transfers,
- to address the factors that affect the choice of an option to make an international money transfer,
- to study the dynamics of international money transfers made by commercial banks of Armenia, analyzing the cause-and-effect relationships,
- to calculate the ratio of the inflow of remittances to GDP,
- to present the factors determining the development trends of international money transfers.

Methodology

In order to analyze the dynamics of international money transfers among individuals in Armenia, the methods based on mathematical formula calculations, comparison of statistical deviations and logical reasoning have been used in the research. In international practice, it is customary to analyze money transfers 's inflow to the country and the outflow abroad by individuals with the following quantitative indicators:

- annual volume of inflow and outflow of remittances,
- annual volume of net inflow of remittances by countries,
- annual volume of general and non-commercial remittances,
- annual volume of personal money transfers according to the balance of payments,
- monetary composition and structure of monetary inflows and outflows of transfers of natural persons,

- currency composition and structure of the amount of remittances by individuals,
- ratio of the inflow of remittances to the GDP, etc.

Among the listed points, the indicators were calculated and analyzed for which the relevant data were available.

Literature review

In the context of the world economy development current trends and formats, the international money transfers continue to have a stable impact on the socio-economic spheres of different countries. The first money transfers were made over the telegraph network more than 150 years ago: in 1872, Western Union launched the telegraphic money transfer mechanism in America. In this case, a person would pay money to a telegraph station, and then the telegraph station would send a telegram instructing the destination-operator to pay the specific amount to the third-side-person using the appropriate password. A fee was charged for the service of "transmitting" money to people being far away from the sender [Standage, 2007, page 119]. A remittance is a written or telegraphic order from the sender to the paying organization to pay the amount to the person named in the remittance [Borisov, 2013, p. 491]. Money transfers usually are carried out by credit and postal institutions [Raisberg, 2007, p. 293]. Thus, an international money transfer is a payment-settlement transaction when its parties, the sender and the recipient, are located in different countries. International remittances cover a wide range of business activities, including paying overseas suppliers for goods, paying overseas employees, and receiving payments from overseas customers. In practice, the main purposes of international money transfers are payment for goods/services, remuneration of counterparties, payment of dividends, investment operations, financial market transactions, travel expenses, charitable donations, etc. [Stripe Inc, 2023, Payments].

There are various options for making international money transfers, and the choice depends on the size of the commission fees, the volume, the speed (time) and the guarantees/security of the transactions, as well as the requirements for the sender and the recipient. Intra-republic and international money transfers in Armenia are regulated by relevant legal acts and are controlled by the Central Bank of Armenia. According to that, under the national legislation, the funds transfer is a process aimed at the complete performance of the payment-settlement service defined by the Law of the Republic of Armenia On Payment Systems and Settlement Organizations [Law on payment and settlement system and payment and settlement organisations, 2004, Article 3], as a result of which the financial funds and the relevant order from the payer in cash or from his/her bank or electronic money processing account is ensured and the beneficiary provision of these funds in cash or on its account by a financial organization authorized to provide settlement services [Regulation 19.1 2024, Article 3]. The Armenian banks make international transfers using their correspondent accounts with foreign banks via the SWIFT telecommunica-

tions network. Those Armenian banks which don't have correspondence with foreign bank will make their international transfers via the above mentioned banks by using their foreign currency accounts with banks abroad [CBA, 2024, Payment Systems]. SWIFT (Society for Worldwide Interbank Financial Telecommunication) is a member-owned financial telecommunication organization, which enables financial institutions around the world to send and receive information about financial transactions (money transfers, letters of credit, securities transactions, etc.) in a secure, standardized and reliable environment due to its global network [SWIFT, 2024, About Us]. Various digital tools are currently used for international retail money transfers – mobile apps (PayPal, Venmo, Western Union, Cash App, Revolut, Wise. Etc.), digital wallets (G Pay, Apple Pay), payment cards and international fast money transfer systems (without opening accounts).

The international fast money transfers are currency-based operations carried out by the individuals through banks or settlement organizations, which are not related to business activities [Online Dictionary, 2024, Banking terms]. Moreover, without opening an account, the sender can make a transfer intended for cash payment both in personal name and in another person's name. Business entities make their international payments by traditional bank accounts, while international money transfers of physical persons are made mostly via money transfer systems [CBA, 2024, Payment Systems]. In contrast to commission fees for bank account transfers, the fee for international money transfers without opening an account varies from 1% to 20% in Armenia, depending on the amount transferred and the transfer period usually lasts up to one day. Nowadays, commercial banks of RA mainly serve MoneyGram, RIA, InetliExpress and MoneyTun international fast money transfer systems [Commercial banks of RA, 2024].

Analysis

Currently, international money transfers of individuals without opening a bank account in Armenia are carried out through 18 commercial banks operating in the territory of the Republic of Armenia and "STAK MONEY TRANSFER" CJSC - a money transfer operator licensed by the Central Bank of Armenia. The data in Table 1 prove that in the period under study, the difference between the inflow and outflow of remittances of individuals, including individual entrepreneurs, the net inflow, was positive, that is, transfers to Armenia have always exceeded transfers sent abroad from Armenia, and the net inflow index fluctuated. It is noteworthy that the highest rate of net inflow was recorded in 2022, which increased by about 193% compared to the previous year, and by 36% compared to 2023. The fluctuations are because of population mechanical movements due to the political/war situation prevailing in Armenia and economically interconnected countries. Observing the distribution of international transfers by month, it should be noted that it was the same over the three years: in the context of seasonality, the inflow

was passive in January-February, and activity was demonstrated in October-November, due to the remittances made by those engaged in unpaid work.

Table 1. The dynamics of the total monthly transfers received from abroad and made abroad in the name of individuals through RA commercial banks (thousand USD)¹

Months	2021			2022			2023		
	Inflow	Outflow	Net Inflow	Inflow	Outflow	Net Inflow	Inflow	Outflow	Net Inflow
January	114,447	82,138	32,309	127,895	87,438	40,457	386,085	215,893	170,192
February	131,705	100,789	30,916	180,121	124,019	56,102	713,946	381,820	332,126
March	159,443	93,583	65,860	252,638	158,904	93,734	482,433	431,561	50,872
April	167,914	93,809	74,106	299,463	132,874	166,589	462,615	296,060	166,555
May	174,854	96,583	78,271	412,116	143,018	269,098	435,420	387,866	47,554
June	199,803	98,382	101,421	597,786	229,841	367,944	444,586	314,201	130,385
July	198,343	97,634	100,709	567,721	432,325	135,396	377,303	243,955	133,348
August	193,597	100,860	92,737	472,283	181,090	291,192	517,483	315,104	202,380
September	196,699	102,816	93,883	551,552	242,528	309,024	444,429	347,456	96,973
October	185,436	112,659	72,777	618,051	291,127	326,923	543,265	417,881	125,384
November	176,270	113,231	63,039	519,853	294,532	225,321	411,690	372,065	39,625
December	210,424	133,137	77,287	590,932	289,069	301,862	476,271	316,951	159,320
Total	2,108,936	1,225,622	883,315	5,190,411	2,606,767	2,583,644	5,695,527	4,040,814	1,654,713

Regarding the annual volume of remittances, the Central Bank of RA maintains statistics for 50 countries, among which the majority of remittances in absolute numbers are to the Russian Federation and the USA. UAE, Spain, Great Britain, Monaco, Russia and Singapore stand out with a negative indicator of net inflow, where significant sums were transferred from Armenia in 2023. The dynamics of net inflow is described in different scenarios in the context of the study of the neighboring states of Armenia. 2021-2023 during this period, no money transfer transaction was registered from Armenia to Azerbaijan and vice versa. In the same period, the volume of remittances from Turkey fluctuated, and the outflow increased quite a bit, and the outflow always exceeded the inflow: for example, in 2023 outflow exceeded inflow by 79%. During the mentioned three years, the inflow of money from Iran to Armenia increased, but the outflow increased in a larger and less stable volume, as a result of which the net inflow index fluctuated. In 2023, compared to 2021, the indicator increased by 39%, and compared to 2022, it decreased by 2,602%, which was due to the outflow of 5,200 thousand US dollars in the given year. With the proportional dynamics of inflow and outflow volumes, money transfers from Georgia to Armenia and vice versa are relatively stable, although in 2023 the outflow exceeded the inflow by 59%.

¹ Source: The website of the Central Bank of RA, External Sector Statistics: <https://www.cba.am>

Table 2. The dynamics of the money transfers received from abroad and made abroad in the name of individuals through the commercial banks of the Republic of Armenia, by countries (thousand USD)¹

N	Countries	2021		2022		2023		Relative deviation of net inflows in 2023 compared to	
		Inflow	Outflow	Inflow	Outflow	Inflow	Outflow	2021	2022
1	Australia	7,537	1,156	8,989	3,261	10,148	7,777	-63	-59
2	Austria	19,228	13,316	29,003	21,449	35,403	16,871	214	145
3	AUE	24,829	43,274	38,278	275,314	74,442	571,014	2,592	109
4	USA	580,327	189,049	670,949	327,766	663,251	465,051	-49	-42
5	Belgium	17,121	5,898	17,617	15,780	22,694	25,439	-124	-249
6	Belarus	3,151	6,273	6,495	5,276	6,333	5,784	-118	-55
7	Bulgaria	4,262	3,849	7,715	7,971	8,472	10,223	-524	585
8	Germany	67,497	32,427	77,781	111,147	102,759	125,470	-165	-32
9	Denmark	3,326	1,213	7,211	1,411	4,211	2,018	4	-62
10	Egypt	589	3,951	863	3,395	568	2,493	-43	-24
11	Turkey	1,603	6,166	1,515	11,762	3,401	16,363	184	26
12	Israel	7,234	1,518	11,816	7,489	12,210	15,513	-158	-176
13	Spain	15,029	18,195	16,770	66,682	23,009	132,499	3,359	119
14	Ireland	23,703	1,577	46,206	1,243	63,351	1,834	178	37
15	Italy	6,757	18,604	13,450	45,384	14,237	74,115	405	88
16	Iran	188	3,116	420	258	1,139	5,200	39	-2,602
17	Polans	7,361	10,511	9,338	19,078	10,189	32,115	596	125
18	Latvia	3,011	8,718	11,721	9,527	6,612	8,744	-63	-197
19	Luxemburg	7,692	2,177	23,798	5,543	10,268	13,790	-164	-119
20	Lebanon	7,391	3,378	3,842	1,993	5,045	3,487	-61	-16
21	Liechtenstein	1,051	271	2,051	1,074	3,926	3,421	-35	-48
22	Lithuania	4,397	2,200	11,328	12,767	21,990	31,708	-542	576
23	Canada	18,391	10,303	20,954	31,221	20,715	32,824	-250	18
24	Korea	1,294	1,665	1,144	4,037	1,379	4,548	755	10
25	Cyprus	5,275	19,126	14,690	30,557	27,213	45,705	34	17
N	Countries	2021		2022		2023		Relative deviation of net inflows in 2023 compared to	
		Inflow	Outflow	Inflow	Outflow	Inflow	Outflow	2021	2022
26	Hong kong	4,348	12,471	12,311	10,893	9,029	43,898	329	-2,558
27	Jordan	1,807	970	1,501	2,442	2,184	791	66	-248
28	Greece	8,103	12,898	8,724	30,033	9,987	63,969	1,026	153
29	India	1,935	3,003	2,575	3,522	3,200	3,329	-88	-86
30	Kazakhstan	89,282	5,878	56,352	8,662	43,634	25,122	-78	-61
31	Kyrgyzstan	4,216	1,316	4,227	1,984	4,017	3,507	-82	-77
32	Japan	1,133	1,059	1,247	3,259	1,389	3,612	-3,073	10
33	Great Britain	41,030	28,992	61,283	285,669	76,214	289,180	-1,869	-5
34	Isle of Man	2,811	97	31,280	252	19,389	61	612	-38
35	Monacco	620	1,591	9,056	65,086	31,318	405,875	38,491	568
36	The Netherlands	15,245	5,800	18,069	14,479	23,053	21,655	-85	-61
37	Sweden	5,299	1,150	6,323	2,846	5,007	5,826	-120	-124
38	Switzerland	52,247	138,616	95,750	293,395	140,842	236,425	11	-52
39	Czech Republic	8,136	4,211	12,834	10,552	19,107	13,242	49	157
40	China	2,299	78,198	3,937	88,813	5,374	86,059	6	-5
41	Portugal	674	4,457	1,663	7,368	1,985	19,431	361	206
42	Russia	865,580	401,807	3,598,175	452,967	3,945,873	641,428	613	5
43	Saudi Arabia	4,315	14	6,768	63	3,696	106	-17	-46
44	Singapur	5,303	6,474	8,116	6,582	9,319	131,569	10,346	-8,071
45	Georgia	27,386	38,135	62,620	146,319	51,263	124,787	584	-12
46	Uzbekistan	4,832	8,740	6,245	7,364	8,120	8,634	-87	-54
47	Ukraine	18,692	19,714	3,945	23,333	1,164	15,630	1,315	-25
48	Qatar	3,129	634	3,080	3,027	3,727	1,669	-18	3,830
49	Kuwait	9,397	221	8,686	1,086	6,654	2,394	-54	-44
50	France	56,491	21,189	59,350	50,053	53,365	81,683	-180	-405
51	Other countries	36,380	20,058	52,350	65,332	63,649	156,929	-671	619
	Total	2,108,936	1,225,622	5,190,411	2,606,767	5,695,527	4,040,814	87	-36

¹ The table was compiled by the author using the data of RA CB, www.cba.am

In 2023, Egypt ranks 50th in the volume of remittances to Armenia (\$568,000, a decrease of 34% compared to the previous year), and in terms of the volume of remittances from Armenia, the offshore zone Isle of Man (\$61,000, a decrease of 76%). Russia, the USA, Germany, France and Kazakhstan lead the top five countries in terms of the volume of non-commercial remittances to Armenia over the three years under review.

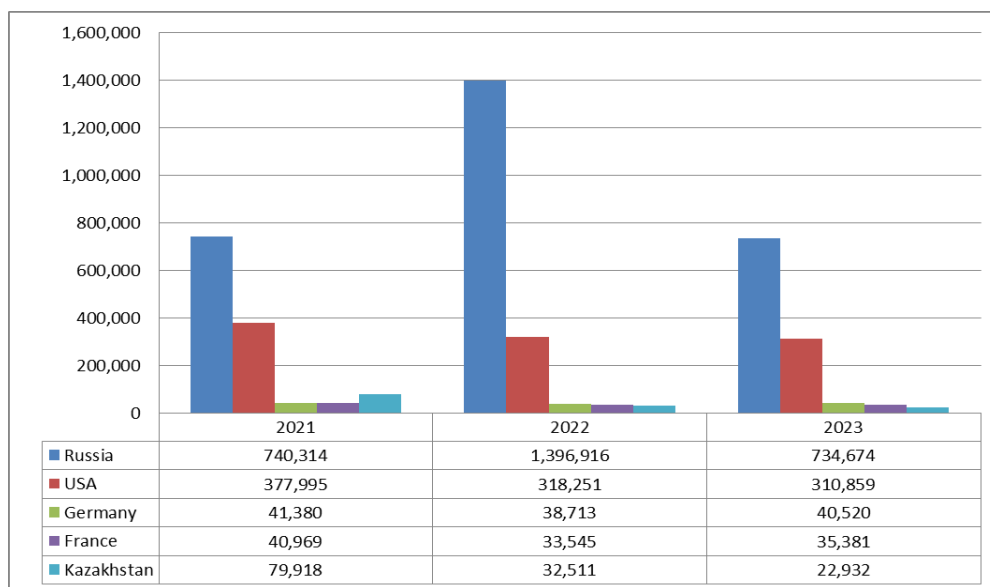


Figure 1. The dynamics of non-commercial remittances from other countries to the Armenia in the name of individuals through the commercial banks of the Republic of Armenia, by top 5 countries (thousand USD)¹

It should be noted that according to the statistical methodology of the Central Bank of RA, non-commercial transfers for individuals are considered to be:

a. gratuitous financial funds received from abroad (transferred abroad) in the name of the client, the purpose of which is to meet current needs, in particular, current financial assistance and donations (except of financial assistance received/transferred for the purchase of real estate, proceeds from the sale of real estate, investments and construction works), allowances, pensions and other similar means.

b. the salary received (paid) for work, when the beneficiary worked in an organization located abroad and receives the salary while already being in his country.

The data on Figure 2 prove that in the three years under study, especially during the last two years, the total monetary inflow to Armenia has increased significantly, while

¹ The figure was compiled by the author on the basis of the data published in the official website of the Central Bank of RA, External Sector Statistics
<https://www.cba.am/am/SitePages/statexternalsector.aspx>

the non-commercial inflow has fluctuated, and in recent years its share in the structure of the total inflow has decreased, respectively making 38% and 23%, which is due to the lack of attractiveness of working in the Russian Federation for RA citizens and the sanctions applied against the Russian Federation.

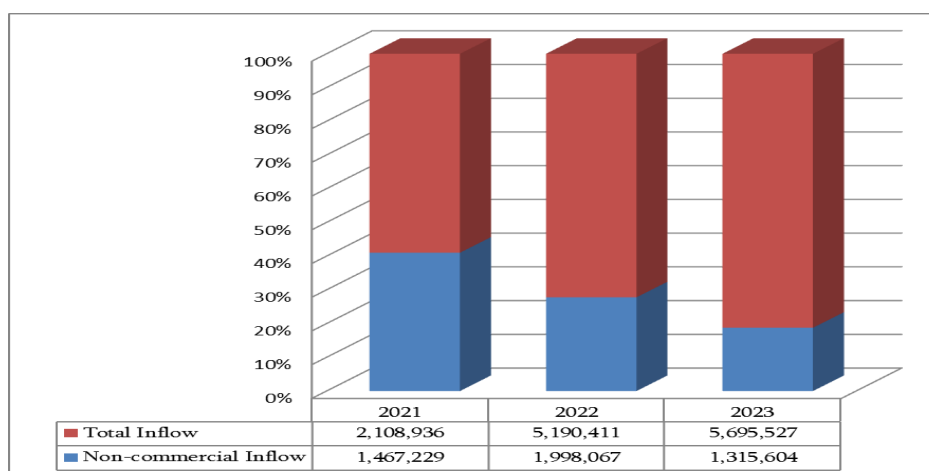


Figure 2. The dynamics of general and non-commercial remittances from other countries in the name of individuals through RA commercial banks (thousand USD)¹

In the framework of international money transfers, it is also interesting to present personal money transfers to RA according to the balance of payments.

Table 3. The dynamics of personal money transfers to RA according to the balance of payments (mln USD)²

Money Transfers to Armenia	2021	2022	2023	Relative deviation of net inflows in 2023 compared to	
				2021	2022
Net salary of employees	310	418	454	47	9
Net earnings for seasonal workers classified as services	62	83	91	47	9
Personal transfers	1,140	1,479	839	-26	-43
Capital transfers	48	51	20	-58	-61
Total	1,559	2,031	1,404	-10	-31

As it would be seen in the data of Table 3, during the years under study, personal transfers had the main share in the structure of personal money transfers to RA (respectively: 73%, 73% and 60%), although in the last year it decreased by 43% compared to the

¹ The figure was compiled by the author based on data of RA CB: www.cba.am

² Source: The website of the RA Central Bank: www.cba.am

previous one, which due to the inflow of relokants, while individuals mainly transfer money for commercial purposes.

Table 4. Currency-based volume composition of inflows and outflows of remittances made by individuals (thousand USD) ¹

Currency	2021		2022		2023	
	Inflow	Outflow	Inflow	Outflow	Inflow	Outflow
AMD	25,097	21,607	76,563	31,937	103,859	37,916
EUR	298,317	209,968	742,057	654,495	728,472	1,308,152
RUR	679,884	227,119	2,352,187	408,059	3,280,544	585,339
USD	1,088,852	741,372	1,963,326	1,373,733	1,527,688	1,760,257
Other	16,786	25,555	56,278	138,543	54,963	349,150
Total	2,108,936	1,225,622	5,190,411	2,606,767	5,695,526	4,040,814

Based on the data in Table 4, it can be stated that in the currency structure of the volumes of remittances made by individuals to Armenia in the last 2 years, the inflow in rubles is in the leading position, and in the currency structure of the volumes of remittances made from Armenia to other countries in the last 3 years, the outflow in US dollars. In addition to studying the dynamics of international money transfers according to the volume of currencies, it is also aimed to observe quantitative indicators:

Table 5. Currency-based quantitative composition of inflows and outflows of remittances made by individuals (thousand USD)²

Currency	2021		2022		2023	
	Inflow	Outflow	Inflow	Outflow	Inflow	Outflow
AMD	140,415	55,607	310,638	65,237	274,866	70,837
EUR	322,265	32,646	375,357	59,151	354,150	75,122
RUR	2,106,288	237,559	2,167,748	288,394	1,809,698	317,681
USD	934,855	137,505	995,450	133,746	783,474	127,984
Other	3,034	1,937	3,994	3,518	4,577	6,105
Total	3,506,857	465,254	3,853,187	550,046	3,226,765	597,729

In contrast to the volume of remittances, when analyzing quantitative indicators by currency, it was found that the quantitative inflow of remittances in AMD, Euros, RUR and USD always exceeded outflows, which means that a larger number of transfers have been made to Armenia by individuals than vice versa. In terms of economic analysis, it is important to present the dynamics of the ratio of the inflow of remittances to Armenia to the gross domestic product (GDP) of Armenia.

¹ The table was compiled by the author based on the data published by the RA commercial banks

² The table was compiled by the author based on the data published by the RA commercial banks

Table 6. Dynamics of remittance inflow and GDP ratio¹

Indicators	Unit of measure	2021	2022	2023	The relative deviation 2023/2022 (%,+/-)
GDP	thousand USD	17,790,784	21,632,186	24,186,316	12
Remittance inflow	thousand USD	2,108,936	5,190,411	5,695,527	10
Inflow/GDP	%	11.9	24.0	23.5	-2

Table 6 shows that the absolute values of GDP and remittances to RA increased in the last three years, but their ratio decreased by 2 percentage points in 2023 compared to the previous year. Summarizing, it should be noted that from a general objective point of view, the changes in the indicators characterizing the dynamics of international money transfers in RA are mainly due to geopolitical developments. In addition, the trends in the development of international money transfers are influenced by inflationary conditions, changes in the level of employment, anti-shadow administrative mechanisms, and tools offered by international money transfer organizations.

Conclusion

Based on the studies, calculations and analyses, the following conclusions can be drawn regarding the dynamics of international money transfers in RA and their development trends:

- international money transfers in Armenia are mainly carried out through international fast money transfer systems and SWIFT,
- in the studied period, the net inflow of money transfers in Armenia was positive, that is, transfers to Armenia always exceeded transfers sent abroad from Armenia,
- the inflow of remittances in Armenia has a seasonal nature, and the transactions are passive in January-February,
- according to the statistics of the annual volume of remittances of Armenia, among 50 countries, most of the remittances belong to the RF and the USA,
- UAE, Spain, Great Britain, Monaco, Russia and Singapore are the main destinations of outflow of remittances from Armenia,
- Regarding the neighboring states of RA, it is noteworthy that the volume of outflow of money transfers to Turkey has increased, but no money transfers have been made to Azerbaijan,
- in 2023 the least cash inflow to Armenia was from Egypt,
- Russia, USA, Germany, France and Kazakhstan lead the top five of the list on the volume of non-commercial remittances to Armenia in 2021-2023..

¹ The table was compiled by the author based on the data published on the official websites of the Central Bank of Armenia (cba.am) and the National Statistical Committee (armstat.am).

- the share of non-commercial inflows to RA decreased in the structure of total remittances inflow during the study period, which is reasoned by the events taking place in Russia, in particular, the lack of attractiveness of labor opportunities in Russia for RA citizens and the sanctions applied against Russia,
- fluctuations in remittances from RF to Armenia, with a downward trend, are due to the fact that reluctant individuals transfer money mainly for commercial purposes,
- one of the reasons for the decrease in remittances from Russia to Armenia is the partial suspension of the MIR payment system as a result of the sanctions applied against Russia, as well as the devaluation of the ruble, because of which the attractiveness of working in Russia has decreased,
- the lack of inflow of remittances from Russia to Armenia in 2023 is related to the transfer of savings/investments to Armenia in 2022 as a result of the Russian-Ukrainian conflict,
- the volume inflow of remittances is in the main ruble, the volume outflow is in USD,
- the quantitative inflow of remittances in AMD, Euro, RUR and USD has always exceeded the outflow,
- the share of the remittances in the structure of RA's GDP in 2021-2023. fluctuated, although a two-digit indicator has been fixed.

Based on the main provisions and analyzes of the performed research, it should be singled out as a scientific innovation that the indicators were presented in a formalized style in the work, in particular, the currency-based, quantitative and geographical characteristics, which allow in-depth observation of the economic trends in the development of international money transfers. In other words, the dynamics of international remittances has been presented in the context of a comparative analysis of 3 indicators, keeping parallels between the causal relationships of their changes according to quantitative, geographical and currency indicators.

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Key words: money transfers, outflow, inflow, net inflow, commercial bank, individual, currency

The importance of the study of international remittances is justified by the fact that they are important in revealing cause-and-effect relationships in the context of evaluating the development trends of the RA economy, so the article aims to comprehensively analyze the dynamics of international remittances in Armenia. Within the framework of the issues coming from the purpose of the research, the essence of the concept of "international money transfer" was presented in the article, the main goals of international money transfers have been distinguished, the factors that influence the choice of the option of making an international money transfer have been referred to, the dynamics of the international money transfers of the Armenian commercial banks have been studied by analyzing cause-effect relationships, the index of the ratio of remittance inflow to GDP has been calculated, the factors determining the development trends of international remittances have been presented. For the research, the methods based on mathematical formula calculations, comparison of statistical deviations and logical reasoning have been used in the scientific paper. At the end of the article, main points have been listed as a conclusion, which can be basis for making professional justified judgments and processing development scenarios for international remittance within theoretical and practical researches.