

Constraints in the UK to Ghana Remittances Market



Survey Analysis and Policy Recommendations

Prepared by

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Executive Summary

This report assesses the UK to Ghana remittance corridor, addressing both the UK and Ghanaian regulatory environments, the products and services available on the market and the remittance patterns of the UK-based Ghanaian Diaspora. Remittances go hand-in-hand with poverty reduction and will continue to be important for Ghana's development as it makes the transition to a Middle-Income Country. A primary research study is conducted comprising of interviews with money transfer operators (MTOs) offering a Ghanaian service and a survey of the Ghanaian Diaspora. From this, challenges and opportunities are identified, and a number of recommendations are made to different stakeholders, each with varying associated costs and levels of impact.

Improvements in the remittance corridor can be made through increasing competition, improving convenience, access and trust as well as expanding the range of products and services available on the market for both the sender and receiver. The benefits include reducing the cost (thereby increasing remittance volumes into Ghana), incentivising informal remitters to use formal channels, improving Ghana's balance of payments, as well as more indirect effects such as increasing financial inclusion, improving financial literacy and using remittances to finance specific areas of development.

The UK to Ghana corridor is found to be competitive in comparison to other UK to Africa corridors. However, this report highlights that this will not continue to be the case if changes are not made moving forward. In adopting a forward-looking approach, the analysis shows that there are a number of significant weaknesses and challenges in both the UK and Ghanaian markets that will impede competitiveness in the future, if not addressed. These will disadvantage the consumers of remittances, the Government of Ghana and money transfer operators.

There are a number of key areas that should be addressed in order to position the Ghana remittances market to be as efficiently as possible. These initiatives are broad-ranging and involve a number of stakeholders in both the UK and Ghana. It is important that mechanisms are introduced to communicate these and to monitor progress. Mechanisms can include the establishment of a taskforce, briefings, newsletters, educational forums as well as many others.

SUMMARY of the OPPORTUNITIES

(1) Overall, the UK to Ghana remittance corridor is competitively priced but traditional by nature. Moving forward changes are needed in both the UK and Ghanaian market in order to take advantage of new business models

The UK side of the market is found to be competitive - compared to other UK to African corridors - with a range of products on offer, a price responsive Diaspora and, in general, a clear and unencumbered regulatory environment. At present the most commonly used remittance service in this corridor is cash-to-cash with 98% of all survey respondents using this transfer method. Within the cash-to-cash market there are a number of service providers that operate; although two dominate in terms of market share. Rates are lower than the UK average at an average of 6.63% of the send amount¹. However, prices in the UK to Ghana corridor are low in comparison to the cost to other African countries and so are profit margins

¹ World Bank Remittance Prices Worldwide Q3 2010

in the traditional cash-to-cash operating models². As such the money transfer market is changing slowly and new business models are being developed, such as automating the system through available technologies - for example: online, prepaid cards and mobile services - to provide cheaper and more convenient services. It is important, if the UK to Ghana remittance market is to remain competitive, that the Ghanaian Diaspora and the Ghanaian receive market is actively encouraged to take advantage of, and adapt to, these developments.

Money transfer operators need to introduce alternative business models to those currently in existence if they are to continue growing.

(2) Despite all the prerequisites necessary for adoption, uptake of available technologies is slow in the UK, highlighting the need for incentive pricing schemes and awareness campaigns among the Diaspora

Whilst the UK Diaspora is relatively highly banked with high penetration of both mobile phones and Internet usage, their willingness to use these new technologies for remittances is low. This is attributed to a number of factors, including a lack of awareness among the UK Diaspora, not a large enough price incentive offered by the new MTOs and/or problems in accessing the funds in Ghana at the 'last mile'. The Ghanaian community in the UK is found to be distrustful of the Internet as a means of transferring money and the potential for fraudulent activity. Operators therefore need to develop initiatives to build awareness and trust with regards to online services. Furthermore, operators should reflect the reduced costs in providing a more automated service in their pricing in order to incentivise senders to switch to these new transfer methods. Online service providers should also develop options with regards to payout locations in Ghana to be of real value to the community.

(3) Constraints in the Ghanaian market are affecting the efficiency of remittance flows and the attractiveness of the formal market

The full potential of the efficiencies and the technological advancements in the UK market are also being constrained by certain shortcomings in the Ghanaian market. There are real opportunities to address these, improve the UK to Ghana remittance corridor and leverage off them for wider effect.

a) Many of the new remittance products are reliant on the recipient holding a bank account

Many of the new, more efficient and cheaper products and services coming to market require the recipient to hold a bank account. Senders of money transfers in the UK to Ghana market relay it is difficult for Ghanaians to open a bank account in Ghana. This therefore constrains the range of remittance services that can be used. The Central Bank needs to take measures to address this and adopt a top-down approach to address problems with financial access and literacy in Ghana. Moving forward, in order for consumers to take advantage of new products and services it is imperative that the number of people using formal financial banking methods increases. Development partners can take a proactive role in developing education programmes to address

² 'Supply Side Constraints for Remittance Service Providers in the UK' (February 2010) by DMA for DfID

financial access, inclusion and literacy in Ghana. The private sector also needs to revisit its business models in order to offer more financial services to Ghanaians residing in Ghana.

b) Regulation in Ghana restricts the options for payout networks

In addition, the Bank of Ghana also has a role to play in reducing the dependency on banks in the money transfer process. At present regulation in Ghana means that remittance payout outlets are confined to banks and the Post Office or agents that have to be visited by the Bank of Ghana. All international remittances into Ghana must be channelled through these institutions. This regulation restricts competition in the market (and thus prices) and affects the convenience for rural recipients where long travel distances can be expensive in terms of both time and cost. These factors contribute to making the informal market more attractive. A change in the regulation, to open up the international remittance market to other outlets, such as retail outlets and mobile phone kiosks, would therefore help to tackle some of these issues. It is acknowledged that the Bank of Ghana has issued guidance notes on Branchless Banking for a bank-led model. This is a good step in the right direction but implementation of non-bank agents is extremely slow due to the requirement for the bank of Ghana to visit every single agent location.

In many countries - including Kenya, the Philippines, Bangladesh, Jamaica and India– it is possible to send remittances without having to use banks. Providing regulation that is accommodating to new business models will be increasingly important moving forward. New technological advancements in mobile phones and Internet, and as such new operating models, highlight the need to amend regulation, or the implementation and interpretation of regulation, to accommodate and reflect changes in the market. Domestic mobile remittances in Ghana are already well-established through MTN, Tigo and Zain. These MNOs use networks of kiosks to allow senders and receivers to cash-in and cash-out of their mobile phone. Similar outlet arrangements could be utilised for picking up international remittances.

(4) The Diaspora wants more control over remittance spending and so there are opportunities to develop new remittance products accordingly

The survey investigated the demand for alternative products and services demanded by the Ghanaian Diaspora but not currently offered. Interestingly, it was found that 65% of those surveyed expressed a desire to have more control over how the money they are sending is spent. Direct channelling of funds into schemes through remittances would help to eliminate common trust issues around the misuse of funds. Research and collaboration between the UK operators and their Ghanaian counterparts should explore the opportunity for using MTOs and remittances to pay directly for items such as education, health and community projects and financial credits.

(5) Ghanaian banks should consider expanding into the UK market and offering remittance services and a range of other financial services to the Diaspora

Ghanaian banks have a role to play both at home and abroad. Currently they are not present at a retail level in the UK and rely on agency agreements with MTOs to transfer money to their Ghana networks. There is therefore a real opportunity for Ghanaian banks to establish

retail outlets in key areas in the UK. This would enable them to offer remittance services, removing agent fees, and also leverage off this relationship to offer additional products and services. Successful examples of this are UBL from Pakistan and ICICI from India that offer reduced remittance rates to incentivise their customers. Ghanaian banks could use their brand awareness and connection with Ghana to generate significant long-term relationships with individual members of the Diaspora. This would help improve financial inclusion among the UK based Diaspora.

(6) Overall, communication, education and awareness is key in both the UK and Ghana in improving financial literacy and generating awareness with respect to new products available on the market and in changing behaviour patterns

The research emphasised the need for communication, education and awareness in both the UK and Ghana markets. Automating the remittance service in both the UK and in Ghana and removing the need for agents will help to reduce the costs and reduce the size of the informal market. However, whilst there are a number of new (more automated) services coming to the market, which offer more convenient, safer and cheaper services, the uptake from the Ghanaian Diaspora is slow. It is therefore imperative to build awareness and trust in the new transfer methods by disseminating information. Information, such as the benefits from the introduction of the new PSD regulation and eMoney Directive in Europe which include the safeguarding of customer's money and consumer protection measures, will also help senders to make informed decisions between the formal and informal channels and choose between different remittance service providers.

Whilst consideration needs to be given as to which channels to use to reach the Diaspora, it is important that these messages are received and that behaviour patterns are encouraged to change. Encouragingly uptake of new products and services by the Ghanaian Diaspora is likely to have a knock-on effect into the receive market. The Ghanaian Diaspora has a high level and use of financial services and products. New transfer methods in general require a deeper level of financial knowledge than previously existed. Thus there is an opportunity to leverage off this and encourage the transfer of knowledge from the UK Diaspora to their Ghanaian friends and family with regards to financial services and products. This may help to address problems with financial inclusion in Ghana. It is proposed that a comprehensive communication initiative is undertaken to achieve such benefits.

Fortunately, the Ghanaian Diaspora is very involved in community groups and organisations and there is already a well developed range of media channels directed at them. These provide a useful platform from which to educate the UK Diaspora with regards to new operators, prices, new alternative transfer methods and their relative benefits as well as other awareness campaigns to promote financial literacy and inclusion among both the UK based Ghanaian Diaspora and the recipients in Ghana and present investment opportunities in Ghana.

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Part 1 **Report Structure and Methodology**

1.1 **Background**

Some 200 million people live and work away from their countries of origin³. The money that they send home to their friends and families – ‘remittances’ - is vital to developing countries and a crucial source of foreign exchange for them. The World Bank estimates that global remittances to developing countries are \$338 billion⁴ through official channels and that, until the international economic crisis, they were growing by more than 10% per annum. In many countries, remittances are larger than aid flows and almost as large as foreign direct investment. For seven countries, remittance inflows exceed 20% of GDP⁵.

In 2008, UK remittances outflows were estimated to be £4.1 billion⁶, though alternative sources of information produce somewhat different figures. Informal remittances, which are widely used though difficult to quantify, are likely to increase this total significantly. It is estimated that roughly one third of the 4.5 million⁷ people from minority ethnic groups in the UK send money home. Although remittances can take the form of physical goods e.g. the purchase of a television which is then sent or taken back the remitter’s place of origin, for the purposes of this report ‘remittances’ refers to the transfer of funds from the remitter or sender to the recipient, be that family, friends, a business or someone else.

Over the past decade, remittances have had a significant impact on the economy of Ghana. According to the Bank of Ghana (BoG) private remittances to Ghana have increased from about \$449 million in 1999 to \$1.79 billion in 2009; equating to 11% of GDP⁸, 90% of the value of foreign direct investment (US\$2.12bn⁹) and exceeding Official Development Assistance. According to the Bank of Ghana \$626.6 million of total remittance inflows went to individual Ghanaians in the first half of 2010 year, compared with \$604 million last year. Despite economic growth measured at 7.2% in 2008¹⁰, income levels are still low in Ghana, estimated at US\$713 per capita per annum in 2008¹¹ and in 2005 it was reported that approximately 28.5% of the population lived below the poverty line¹². Furthermore, remittances sent from the UK are estimated to count for roughly 25% of money transmitted through formal channels into Ghana.

³ World Migration 2005

⁴ Source: World Bank Migration and Remittance Trends 2009 – November 2009

⁵ Source: World Bank Migration and Remittance Trends 2009 – November 2009

⁶ Source: Office of National Statistics, United Kingdom

⁷ Source: BME study 2006

⁸ Bank of Ghana Annual Report 2009. ⁸ It should be noted that the official figures from the Bank of Ghana for the size of the remittance market at \$1.9bn in 2008 differ significantly from the value contained in the 2011 Migration and Remittances Factbook published by the World Bank which places the market at \$12mn. This difference is partially explained by different sources used for the data and also by the different definitions of what constitutes a remittance. Strong caveats as to the accuracy of the data are mentioned in the Migration and Remittances Factbook and it is a recognised fact that there is room for improvement on the accuracy of statistics in respect of remittances. It is the opinion of the authors of this report that the size of the flows are of a significant level and closer to the levels identified by the Bank of Ghana. This view is based upon comparable data for other similar countries. Nonetheless care should be exercised in viewing the data on market size.

⁹ World Bank Investment Report; FDI inflows

¹⁰ Ghana Statistical Service

¹¹ Ghana Statistical Service

¹² 2005/2006 Ghana Living Standards Survey

Increasing the inflow of remittances, reducing the cost of these migrant money transfers and encouraging the flow of more formal remittances therefore holds significant potential for Ghana's economic development. Put into context, it is estimated that the average cost of sending remittances to Ghana is 7% of the send amount. Given that formal remittances account for approximately 11% of GDP it therefore follows that remittance fees account for 0.8% of GDP. Improving the efficiency and reducing the cost of sending remittances to Ghana will thus have a significant impact on the Ghanaian economy.

The use of formal channel remittances plays an important role in alleviating foreign exchange constraints and supporting the balance of payments in many developing countries. The greater stability of remittances, compared with other capital flows, contributes to the stability of the recipient country's economy by compensating for foreign exchange losses due to macroeconomic shocks. Remittance flows can allow financial institutions to improve their liquidity, expand their lending operations if clients deposit their remittances, access hard foreign currency at advantageous rates, earn fee-income and cross-sell additional financial services.

At the individual level, remittances play a significant role in reducing poverty. Beneficiaries often depend on remittances to cover day-to-day living expenses, improving their quality of life, as well as improving conditions in rural communities where financial capital is scarce for small business investment - impacting on national growth and capital accumulation.

Inflow of remittances therefore holds significant potential for Ghana's economic development. In order to maximise the benefits of this, it is important that these inflows are channelled through the formal remittance market to enable more accurate recording of data, and to provide policy-makers with more reliable information with which to develop monetary and financial policy and regulations.

1.2 Objectives

In order to help the Government of Ghana implement its Financial Services Sector Strategic Plan (FINSSP), the Economic Management Capacity Building (EMCB) project was created with development partners. Part of this included reducing the costs and barriers to formal remittance flows, increasing the efficiency of remittance channels within Ghana, deepening access to finance and financial inclusion and enhancing the impact of remittances on economic growth and poverty reduction.

This study aims to address two of the components:

1. Legal and regulatory constraints to the use of formal remittance channels in Ghana
2. identifying Sender End Constraints to the use of formal channels

The primary objective of this report is to identify sender end constraints to the flow of remittances through formal channels (this includes transaction costs and other barriers) and to recommend measures to address them. The report also recommends measures to leverage on synergies between the sender end and demand side of the remittance value chain.

1.3 Report Structure

Part 1 provides the background to the report, highlighting the objectives and the

methodology used to obtain the required information. Part 2 provides an overview and some background to what other studies have been conducted in relation to the UK-Ghana corridor. Short summaries are provided to enable the reader to easily conduct further research if required. In Parts 3 and 4 reviews of the UK and Ghana licensing and regulatory environments are presented respectively, identifying recent changes and existing constraints in the market. In Part 5, the products currently existing in the UK to Ghana market are profiled, whilst in Part 6 and 7 these are looked at in relation to sender profiles and preferences. In Part 8, overall findings and conclusions are presented and finally, in Part 9, recommendations are made. Recommendations are categorised according to who should take action and a high level cost versus impact assessment. In Part 10, recommendations specific to DfID are provided in more detail.

1.4 Methodology

A range of methods were employed in the completion of this project to ensure that an accurate depiction of the barriers and challenges experienced by stakeholders was provided.

1.4.1 Literature Review

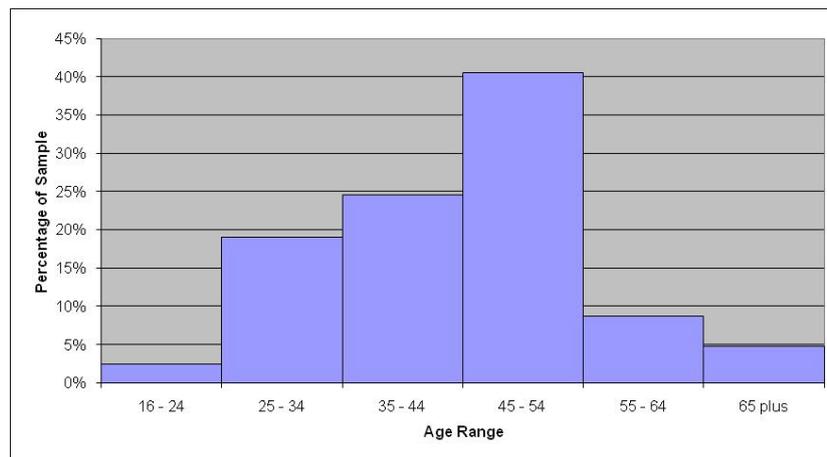
A desk study was conducted to review all previous major studies and research carried out on the UK to Ghana corridor. In addition, an analysis of the Bank of Ghana's Banking Acts and Amendments over the past decade was conducted and an assessment of the UK's existing regulatory environment, especially under the new Payment Services Directive (PSD), was also undertaken.

1.4.2 Survey

To understand the needs and demands of the Ghanaian Diaspora that use money transfer services, DMA conducted an in-depth survey of 160 Ghanaians living in the UK. The survey was developed through consultation with DFID, Coffey and members of the UK based Ghanaian community. A Community Officer with strong links with the Ghanaian Diaspora was appointed for the project.

Every effort was made to ensure that the sample distribution reflected the demographics of the true population as much as possible. In this case, the 'true population' is the UK Ghanaian Diaspora. As such, the sample included a broad demographic; with roughly 50% men and 50% women; with respondents from Birmingham and London, (two UK cities with large Ghanaian populations) with ages ranging from the 16 to 24 age bracket to the 65 plus (see Table 1); and with representatives from a number of different employment statuses and jobs.

Table 1: Age Distribution of Sample



1.4.3 In-Depth Meetings

DMA drew upon its extensive experience of managing a price comparison remittance service provider website (www.moneymove.org) and its close relationships with both industry and consumers in African markets in the UK to develop a comprehensive target list of whom to interview.

As such, the sample of Remittance Service Providers (RSPs) interviewed accurately reflected the variety of operators in the UK market, including:

- Different types of RSPs (banks, formal MTOs, informal MTOs)
- Different sizes of RSPs (International, multi-corridor, single-corridor)
- Different product offerings (cash-cash / bank-bank / online / prepaid etc)

A series of in-depth interviews were conducted with 10 different money transfer operators in the UK. Operators were asked to provide details of their business model(s) and share their experiences of operating in this corridor. Please see Section 12.3 for the guidelines for the meetings.

Information given by the RSPs was provided confidentially. Whilst this information forms the basis of much of the report, none is attributed to specific operators.

1.4.4 Focus Groups

Two different types of focus groups were held:

1. Informal Market: due to the difficulty in identifying the informal market, by its very nature, a focus group was held in order to understand from the consumers' perspective its popularity, benefits and perceived risk.
2. Feedback and Comment: once all primary and secondary research had been collected and ideas and findings formulated, a number of focus groups were held with members of the Ghanaian Diaspora to obtain further feedback on the overall results and conclusions and to discuss the recommendations.

Part 2 Literature Review

Summary

A number of key studies around remittance flows into Ghana and the market itself have been produced over the last decade; their focus has ranged from the comparison of inflows from key send markets to drawing conclusions on the impact of remittances in Ghana to assessing the effect the regulatory environment has on the market to comparing the nature of formal and informal channels.

The aim of this section is to provide an understanding and some background to which other studies have been conducted in relation to the UK-Ghana corridor. In each instance a brief description of the methodology, content and high level findings are provided. It is evident that much work has been undertaken on the Ghana remittance market, however, no study has concentrated on the constraints from the UK sender's perspective which makes this study ground breaking in its scope and focus.

In the past few years studies on remittances have begun to receive increasing international attention specifically in terms of cross-country research and in-depth country specific studies. With regards to the remittance market in and to Ghana, only a handful of studies have been conducted in recent years. The literature varies significantly in approach, for example, Dr E.K.Y. Addison's paper from the Bank of Ghana (2004)¹³ takes a theoretical approach presenting high-level, broad explanations on the macroeconomic impact of remittances in Ghana and draws links between the theory and the statistics.

Others have taken a more technical and quantitative focus to the theory, such as the report by USAID (2005)¹⁴. This study sampled 321, 276 and 226 individuals from the US, UK and Germany respectively who remitted to Ghana and compared the three markets. The study used Ordinary Least Squares multiple regression analysis to estimate the determinants of the average amount of money sent to Ghana. Results showed that those who send more than the average are "older, less educated, have higher incomes, are in more regular phone contact with their relatives, and send money with less frequency but over a longer period of time". The study also analysed the impact of remittances on the country's economy and analysed the transnational relationship between a Diaspora and the home country through their "5Ts": transportation, telecommunication, tourism, transfer of money and nostalgic trade.

USAID (2005a)¹⁵ examined the institutional frameworks that govern remittances to Ghana, with a particular focus on the frameworks affecting volumes and values of inward remittances and those that affect financial sector intermediation. The paper also reported the findings from two surveys, one on remittance institutions in Ghana and one on remittance

¹³ The Macroeconomic Impact of Remittances in Ghana (2004),

¹⁴ Diasporas, Development and Transnational Integration: Ghanaians in the US, UK and Germany (2005)

¹⁵ The Project Country Report on Private Remittance Flows to Ghana (2005a)

recipients within Ghana. The first found that The Bank of Ghana's policies and regulations on opening outlets to pay remittances are seen as "*appropriate but rigid and bureaucratic*" and that The Bank was seen to not be doing enough to reduce the existence of illegal operators. Respondents of the survey suggested the following would improve remittance services in Ghana:

- improving the speed of transactions;
- allowing payment in foreign currencies ;
- opening more remittance houses;
- improving telecommunications;
- providing more education on the availability of remittance houses.

Respondents were in general found to perceive remittance businesses as having positive impacts on the economy through job creation, revenue generation through taxes, providing foreign exchange to finance external debts and fostering investment.

In the second survey, 254 individual remittance recipients were surveyed from both urban and rural areas in Ghana. For the majority of respondents, remittances constituted a significant source of income and were a major contributor to household income. The majority had benefited from remittances for between one to five years. The survey showed that fees are not normally charged for remittance payments paid out in Ghana except for payments in a foreign currency, which range between 2.5 percent to 3.5 percent of the amount due. Recipients were unaware of the exchange rate used by remittance houses thinking that the inter-bank exchange rate was the one adopted. Ownership of bank accounts was high among respondents however very few kept the money they received in their bank accounts.

"In all, 70 percent of respondents had bank accounts. However considering the fact that only twelve percent of respondents left some of the monies they received in bank accounts, one gets the impression that these accounts are not kept active. The main reason cited for not having bank accounts was the fact that they did not have enough money to save (63 percent)." (p35)

Ghana Commercial Bank (GCB), Barclays Bank (Barclays) and Agricultural Development Bank (ADB) were the banks most highly cited for receiving remittance transactions. The survey found that Western Union was the transfer agency most used by most banks. Good interest rates were cited as the most important motivator in encouraging people to save in banks.

In 2009 Dr. Peter Quartey, from the University of Ghana's Centre for Migration Studies, conducted further research in a Country Case Study on Ghana using the World Bank's Survey of Remittance Services in Sub-Saharan Africa. The survey on the Ghanaian commercial banks, MTOs and post-offices captured roughly 50% of the market; with nine banking institutions and two non-banking institutions responding to the questionnaire. Quartey also interviewed a number of informal RSPs and further analysed the remittance market in Ghana; assessing the barriers to entry, exchange controls, competition, laws and regulations, fees and identification requirements.

In 2005 COMPAS (the Centre for Migration – Policy and Society)¹⁶ tackled a more challenging area – informal remittances.

“The Bank of Ghana estimates that informal flows are at least as high as recorded flows (Addison 2004: 6).” (p.5)

This report gives a brief overview of the use of informal remittance systems among Ghanaians before giving a more detailed analysis of the different types of informal remittance systems used; including foreign exchange bureaus, MTOs, couriers and the facilitation through MFIs. The study examined the determinants of informal remittances to Ghana, looking more specifically at the role of the family and the role of Diaspora groups and ethnic and hometown associations. The report found that:

“the use of informal remittance systems is related to the background of the migrant and the frequency with which remittances are sent” where “less-skilled migrants tended to send remittances more often, and were more likely to use formal channels (and) elite migrants often remitted informally, especially through courier services or cash-in-hand transfers during their own trips back to Ghana” (p15).

The study concluded that there are a number of channels through which remittances are sent outside the formal system of banks and transfer agencies; noting that:

“...this is not necessarily a bad thing, in that most of the money goes directly to households or is used by migrants for investment in businesses or property” and that any policies aimed at influencing informal remittances should not restrict their flow but enhance the reliability and competitiveness of formal channels” (p15).

In 2008 Developing Markets Associates (DMA) conducted a survey on the Providers of Migrant Remittance Services in the United Kingdom to Africa for the World Bank. The report is based on a survey of providers in the UK to the sub-Saharan market and makes policy recommendations based on the findings. From an operator’s viewpoint the report outlined the characteristics of the market including the competitive landscape, barriers to entry, regulatory environment and pricing approach. It is the first systematic survey of providers that has been undertaken in the UK market. The report found that the average fees and foreign exchange charges in Ghana were among the lowest in sub-Saharan African and comparable to those of Nigeria (see Table 2). Ghana was found to be one of the largest markets, one of the most competitive and the operators have a strong community presence and that most are regulated.

¹⁶ COMPAS (2005) ‘Ghana Country Study’; Chapter on “Informal Remittance Systems in Africa, Caribbean and Pacific (ACP) countries”, commissioned by the Department of International Development (DFID) UK, the European Community’s Poverty Reduction Effectiveness Programme (EC-PREP), and Deloitte & Touche

Table 2: Remittance Pricing by Corridor for Main African Corridors (Sep 2008)

Country	Type of Op	# Ops	£100			£250		
			Ave fee	Ave FX %	Total cost %	Ave fee	Ave FX %	Ave total
DR Congo	MTOs	5	8.18	3.96	12.14	17.18	3.96	11.06
Ethiopia	MTOs	6	7.82	2.67	10.49	16.82	2.67	9.4
Ghana	MTOs	17	4.52	3.76	8.28	10.36	3.76	7.9
Ghana	All	19	5.63	3.62	9.25	10.85	3.77	8.11
Kenya	MTOs	14	6.49	4.45	10.94	11.67	4.45	9.12
Kenya	All	18	9.27	4.62	13.89	13.3	4.62	9.94
Nigeria	MTOs	20	5.64	2.46	8.1	12.99	2.46	7.4
Nigeria	All	22	6.5	2.54	9.03	13.18	2.75	7.76
Rwanda	MTOs	3	7.3	5.28	12.58	13.3	5.28	10.6
S Leone	MTOs	10	4.89	4.86	9.74	10.69	4.86	9.13
Somalia	MTOs	4	4.25	2.15	6.4	11.38	2.15	6.7
S Africa	MTOs	10	5.9	5.23	11.13	7.1	5.23	8.07
S Africa	All	14	9.64	4.78	14.42	10.5	4.78	8.98
Uganda	MTOs	5	4.6	6.93	11.53	9.4	6.93	10.69
Uganda	All	7	7.57	6.05	13.62	11	6.05	10.45
Zambia	MTOs	4	10.23	3.11	13.34	18.35	3.11	10.06
Zambia	All	6	11.82	3.86	15.68	17.23	3.86	10.39
Zimbabwe	MTOs	5	6.58	6.19	12.77	12.58	6.19	11.22
Average	MTOs		6.37	4.25	10.62	12.65	4.25	9.28
Average	All		7.4	4.49	11.89	13.36	4.51	9.79
Average Dec 4 08	MTOs		6.14	3.6	9.53	12.62	3.6	8.31

Source: Providers of Migrant Remittance Services in the United Kingdom to Africa for the World Bank, 2008

Part 3 **UK Regulatory Overview**

Summary

The UK regulatory environment is relatively 'light touch' with the result that there are believed to be over 1,750 operators working in the remittances market. All UK remittances regulation is now driven by two European Union regulations: the recently introduced Payments Services Directive (PSD) and the Anti-Money Laundering Directive.

The PSD was introduced in November 2009 and for the first time creates a pan-European registration and authorisation environment for money transfer businesses. The PSD will make it easier for businesses to operate throughout the EU and will bring greater competition and increased transparency to remittances. Most businesses view the current regulatory environment in the UK as a 'necessary evil' and are able to meet the main requirements.

3.1 Overview

The UK regulatory environment is one that aims to facilitate international money transfers whilst minimising the risk of criminal activity.

In November 2009 the regulatory environment changed across Europe when a new regulatory regime came into existence as a result of a piece of legislation called the Payments Services Directive (PSD). The PSD is an EU wide directive aimed at standardising retail payment services across the European Economic Area. Encompassing 31 countries in total, it aims to remove barriers to entry and encourage fair competition in payment services, establishing an equal set of rules across the region as well as improving transparency for consumers.

Theoretically this removes a number of barriers to entry that previously restricted competition. Time will tell how effective the implementation of the PSD will be although it would be naïve to think that it will have a significant impact in the short term.

The PSD introduced a new classification of business – the Payments Institution (PI). PIs have, in effect, replaced Money Service Businesses (MSBs) and are regulated in the UK by the Financial Services Authority (FSA). There are two types of PIs: Authorised and Small.

All existing MSBs must apply to the FSA for Authorisation or Registration as a PI and pay the relevant fees.¹⁷

A benefit for PIs that become Authorised is that they can use their Authorisation to ‘passport’ in to other EEA countries. In practice this means that they can transfer their licence to any other EEA country without the requirement to go through extensive local regulatory procedures.

Whilst the PSD came into force on 1 November 2009 there is currently a transitional period during which time companies need to register. Businesses in operation before 25 December 2007 and requiring registration as Authorised PIs can delay the process until 1 May 2011 (applications must be submitted by 1 February 2011), companies looking to be registered as Small PIs must do so by 25 December 2010, with their applications to be in by 25 September 2010.

Banks, building societies, authorised e-money issuers, small e-money issuers, Post Office Limited and certain public bodies are able to continue providing services and do not need to register under the PSD.

Aside from the PSD there are other areas that regulation has an impact. These include: the EU Anti-Money Laundering Directive (which is outlined in section 3.2); that there is no legally set maximum fee for cross-border money transfers; there is no regulatory limit on the amount of foreign exchange holdings or remittance inflows; and that there is no requirement to charge VAT on remittances as it is a zero rated product.

3.2 Payment Institutions and the Payment Services Directive

This section summarises the specifications for becoming a PI.

3.2.1 Small PI

To qualify for registration as a small PI, a firm must meet the following conditions:

- Average monthly payment transactions (over the preceding 12 months) must not exceed €3million;
- None of the individuals responsible for managing the business have been convicted of offences relating to money laundering or terrorist financing or other financial crimes;
- Head office, registered office or place of residence must be in the UK; and
- Must comply with the registration requirements of the Money Laundering Regulations 2007, where those requirements apply to it.

3.2.2 Authorised PI

If a business does not qualify as a small PI, or wishes to passport into other EEA States, then they must apply to become an authorised PI.

¹⁷ For reference according to HMRC there were 1,751 Money Service Businesses registered in June 2008. As of 22 February 2010 the FSA had received 502 applications to be a small PI and 83 applications to become an Authorised PI.

A company needs to give highly detailed information about their payment services business, including, among other things:

- Details of the payment services business they carry out;
- The governance arrangements and internal procedures in place;
- How capital requirements will be met;
- Details of the individuals responsible for payment services; and
- Details of any persons with qualifying holdings.

The relevant fees shown in Table 3 appear costly, however once an application is approved as an Authorised PI a company can operate within other European countries covered by the directive, thus reducing further administration and registration costs in those countries.

There are numerous fees involved. All those registering will require to be registered with the FSA for Money Laundering Regulations (MLR), for which there is a flat fee of £100 if the business is not already registered. The attached table shows this and other relevant fees.

Table 3: Small and Authorised PI Fees

Small PI	Costs	Authorised PI	Costs
One-off MLR fee:	£100	One-off MLR fee:	£100
One-off application fee:	£500	One-off application fee:	£1,500*
Annual fee:	£400	Annual fee:	Income based
Additional variable annual fee:	n/a	Additional variable annual fee:	Income based
Fine for late submission of forms	£250	Fine for late submission of forms	£250

*The application fee for Authorised PIs varies, the value here refers to money transfer operators with less than 2,500 agents.

Once registered, companies are required to provide reports on both a quarterly and an annual basis. Additionally, there will be an annual fee which is £400 for Small PIs but which will be a variable fee based on income for Authorised PIs.

3.3 Safeguarding

To help protect customers' funds whilst they are being held by the payment institution, authorised PIs must implement one of two specified safeguarding measures. The two measures are, broadly:

- Segregate the funds received for payment services from others, or
- Arrange for the funds received for payment services to be covered by an insurance policy or by a comparable guarantee from a UK or EEA authorised insurer, bank or building society.

In practice the first option is the only one available to PIs, as there are no suitable insurance products available in the market. This means that firms must make sure that they have sufficient funds in a 'client account' at a bank (or similar approved investment) to cover the value of the transactions that have not been collected within 24 hours of being sent. Many businesses that operate with agents are not able to collect the value from their agent within this time frame and must therefore tie up some of their working capital in being able to meet this requirement.

3.4 Identification requirements

Another aspect of regulation is anti-money laundering (AML). Being able to identify the customer correctly is a critical part of an effective anti-money laundering policy. There is not a necessity to see identification documents for a one-off transaction that is below EUR 1,000 in value and does not arouse suspicions but each transaction must be screened against names that are listed on government 'watch' lists. Such a robust procedure must be in place to identify any possible misuse of an MTO's business. All agents and businesses are required to report any suspicious transactions.

As transaction limits are set in Euros there is no standardised transaction limit in Pounds Sterling. UK based MTOs are therefore free to set their transaction limit provided it is less than or equal to EUR 1,000. When interviewing operators, it was found that operators in the UK are setting transaction limits at between £600 and £750 - below which customers do not need to show ID. To avoid undue competition, in an area that RSPs should not be competing in, it is recommended that in the UK the FSA addresses this issue and sets a standardised limit across the board.

To comply with AML regulations each RSP has to have a Money Laundering Reporting Officer (MLRO). This is the responsible person within the organisation who needs to ensure that anti-money laundering policy is implemented effectively. In smaller MTOs the role of MLRO will be but one part of the role of a senior manager or business owner. In larger businesses the MLRO will be a senior stand-alone role and they may well lead a team of anti-money laundering specialists.

In addition, each MTO/PI must be registered with HMRC for anti-money laundering purposes. There is a fee of £120 per location per year.

3.4.1 Agents

There are no significant restrictions on appointing agents in the UK, hence why there are over 35,000 locations that people can send and receive money from.

An MTO/PI is responsible for ensuring that its agents are trained in the correct anti-money laundering procedures and that they are compliant with all appropriate regulations. This means that they must have adequate staff to not only review every transaction from a central function but also that they must be able to visit each agent on a regular basis as defined in their AML audit policy.

3.5 Electronic Money

The regulation of electronic money is changing. On 30 April 2011, the second Electronic Money Directive (2EMD) will be implemented in the UK, affecting the requirements for electronic money issuers. In common with the current regime, the new regime will not alter the way in which banks and building societies are able to issue electronic money. Businesses that are not banks or building societies will need to apply to be authorised or registered with the FSA to issue electronic money; they will then be known as electronic money institutions. This will have major implications for cross-border mobile payments. Of particular note is that if a business is established an eMoney issuer then it will be able to offer all of the activities that a payment institution can do.

3.6 RSPs' Views of Regulation

Interviews with MTOs operating in this corridor in general reported that the UK regulatory environment was not unduly burdensome or costly and was often cited as a “necessary evil”. Many considered it in their best business interest to know their customer and ensure that funds channelled through their business were legitimate.

Encouragingly, through interviews with MTOs operating in this corridor, it was observed that many were taking pro-active steps towards regulation. In particular they are:

1. Reporting illegal operators, operating without a licence or who are believed to be non-compliant, to the authorities
2. Advertising and promoting the benefits of PSD authorisation to the Ghanaian community especially with regards to safe-guarding. Given the costs and opportunity costs involved in authorisation, MTOs want their customers to know and be aware of the relative benefits of dealing with a regulated business. Promotional activities include Ghanaian MTOs going on local radio to discuss the introduction of the PSD and its benefits to the customer.

Part 4 **Ghana Regulatory Overview**

Summary

The Ghana regulatory environment has become more competitive in recent years. It is highly bank dominated and there are still significant barriers to entry which are driven by regulatory restrictions and cumbersome approval processes. There is also a high degree of confusion to operators in the UK as to which exchange rate they should use for sending money to Ghana.

Improvements should be made to make it easier for non-financial retail networks in rural areas to be able to offer remittance services (as agents of banks or money transfer companies), for the post office to be able to offer additional money transfer services and for money transfer companies to be able to transfer money outside of Ghana. Additionally, the Bank of Ghana should make extensive efforts to explain and enforce the current exchange rate regulations. Finally, an enabling environment should be created to ensure that there is a deeper penetration of ATMs and point-of-sale systems throughout the country and particularly in rural areas.

Ghana's regulatory environment with regards to remittances has changed significantly in recent years and has led to a more competitive market. However, feedback from UK MTOs interviewed for this project has highlighted that there are still a number of areas that need to be addressed to create an environment that is conducive to creating a more open and inclusive remittance market.

4.1 Types of organisations that are able to offer remittances

The Bank of Ghana is the regulatory authority in Ghana and responsible for controlling the financial market place. In recent years it has introduced a number of measures that affect the remittance market, the impact of which are outlined below.

4.1.1 Banks and Authorised Dealers

Only Authorised Dealers are able to provide inward money transfer services. Although the term Authorised Dealers includes banks and foreign exchange bureaux it is banks that dominate the market place. This is due to a combination of high capital requirements to be a bank and a strict approval process for new entrants.

Capital requirements for a bank are GHS60m (US\$42m) and to be a remittance provider a company needs to have a minimum paid up capital of GHS 7m (US\$5m). These represent a significant barrier to new entrants. Nevertheless, there are currently 27 banks in Ghana – a country where only 5% of the population have bank accounts.

Banks partner with international money transfer companies to act as payout locations. Bank networks are primarily centred in the main urban areas and are therefore not able to reach

the rural locations. The exception to this is the ARB Apex network which covers a range of rural financial and credit institutions and provides extensive coverage in rural locations.

4.1.2 Agents

Banks are able to appoint businesses to act as their agents. However, each individual location must meet certain criteria and must be visited by a representative from the Bank of Ghana. This has resulted in very few non-bank financial agents being approved or established.

In other countries, e.g. Kenya or Brazil, non-bank retail operations in rural areas have been permitted to offer financial service products (including remittances) under regulatory control and this has resulted in a much greater penetration of financial services into rural areas.

It is recommended that a slightly more pragmatic approach be taken in this area, perhaps based on international best practice, so that a detailed procedure is agreed with the bank/principal and that it is not necessary for the Bank of Ghana to visit every potential agent location.

4.1.3 Exclusivity clauses

BoG has recently introduced regulations that make it illegal for a Ghanaian business to enter into an exclusive agreement with a money transfer company. This means that a bank is now able to offer the services of more than one international remittance partner. Already there are examples of where a Ghanaian Bank offers both Western Union and MoneyGram services from the same outlets. This move is to be welcomed and encouraged. It is recommended that this be extended to the Post Office as well.

4.1.4 Branchless Banking

In 2008 the Bank of Ghana issued guidelines for branchless banking (Notice No. BG/GOV/SEC/2008/21). These guidelines have been issued as part of a broader strategy to create an enabling regulatory environment to promote branchless banking.

Branchless banking in Ghana is only allowed to be undertaken by licensed deposit-taking financial institutions (bank and non-bank) or their agents. Agents can include telcos, fuel distribution companies, merchants, Post Office, etc. and can be using a range of technologies, not just those limited to mobile phone (like GPRS, POS terminals etc.). To ensure maximum connectivity and outreach as well as interoperability, the 'many-to-many' mobile model is the only permissible mobile model in Ghana. Exclusive partnerships are not allowed. Mobile network operators (MNOs) must partner with a minimum of three banks who in turn recruit merchants (where cash-in and cash-out take place).

4.2 Foreign Exchange rates

One area that many of the UK MTOs raised as a cause for concern is the area of the exchange rate that is used to send money to Ghana.

The regulations state that any organisation sending money to Ghana must use the BoG central rate that is posted every day on their website. This central rate removes the potential for an MTO to be able to make a profit on the foreign exchange rate charged to consumers and has resulted in the UK to Ghana being one of the most competitive African remittances market.

Most of the smaller operators in the UK are aware of this regulation and often receive the appropriate exchange rate from their partner bank in Ghana on a daily basis. However, some of the larger operators do not follow this regulation or methodology. Their exchange rates are set by centralised trading rooms using electronic trading systems. They do not appear to take the Ghana FX regulations into account and often add a foreign exchange margin.

This difference of approach has led to confusion between operators and an inequality in the market place. Some of the UK operators feel that they are missing out on an additional revenue opportunity by not charging an FX margin whilst others do not feel that there is enough clarity about what the correct legal situation is. Consumers may be paying more for their remittances than they should be as a result of this situation.

It is recommended that, as a minimum, BoG contacts all banks within Ghana who offer remittance services and all international money transfer companies that send money to Ghana to clarify the situation. This should be a clear communication which sets out the regulations and the responsibilities of the banks and MTOs. In doing so BoG should recognise that this is a highly unusual situation in the global remittances market as it is not normal for a receiving country to mandate the exchange rate that is used by the sending business and that it is very difficult to enforce. If it wishes to maintain the regulation then it must be prepared to enforce it.

4.3 Transfers outside of Ghana

Ghanaian citizens are allowed to transfer up to \$10,000 per annum outside of Ghana from their bank account. This service can only be provided by banks and most UK based money transfer companies requested the ability to be able to offer international transfers from Ghana. This would have the potential advantage of encouraging more people to use the mainstream financial services and may improve financial inclusion in Ghana.

4.4 Payment systems

Whilst outside the scope of this report, it is relevant to make brief mention of the fact that Ghana has recently established a National Payment Switch (E-ZWICH) which allows the establishment of a common platform for all domestic payments which is resulting in the integration of all the existing bank switches and will allow those banks that do not have switches (e.g. ARB Apex Bank) to join a common switch at significantly reduced costs. It also allows for the interoperability of all ATMs and the settlement of payment transactions by customers of different banks at points of sale (POS). These changes should result in remittances being even more flexible and act as a strong entry point to encourage remittance receivers to use newer methods of technology which in turn will lead to greater financial inclusion.

At the current time ATM and POS penetration is low and programmes that are driven by banks but encouraged by Government are recommended.

Part 5 UK Service Providers to Ghana

Summary

The UK to Ghana market is arguably one of the better remittance markets from the UK to Africa with a range of products on offer and a high level of competition between operators. Most providers find it a relatively rewarding and straightforward market to work in. One well-known brand even told us “we love Ghana as a remittances market”.

For cash-to-cash services the average ‘total cost’ for low-level transfers (up to £300) is around 7% of the value sent (based on data published by the World Bank in the last quarter of 2009¹⁸), which is considerably cheaper than many other UK corridors. Costs vary according to the amount sent and the speed of delivery. Cash-to-cash service providers are the most popular type of MTO because they are convenient, relatively cheap and relatively easy to access for the beneficiary. Many operators work hard to build a long standing, loyal relationship with customers.

Bank account-to-bank account transfers are in general significantly more expensive, costing approximately 20%-40% of a £100 transfer and 10-15% of a remittance of £300. Services are not only constrained by price, but also the need for both the sender and recipient to have bank accounts. Some banks are beginning to address these issues. Moving forward, UK banks could play an important role in the development of the UK to Ghana remittances market, both in terms of financial literacy and inclusion in the UK and potentially as a conduit towards greater levels of financial inclusion in Ghana.

The cheapest prices, in terms of what is charged at the send end, are the online and prepaid card providers (the new technology providers). However, costs can mount up when end-to-end value chains are taken into account. The online and pre-paid card providers surveyed generally cost the sender between 2% to 5% of the amount they are sending (up to £300) – but there are usually card or account management fees which can amount to over £100 per year and the beneficiary will incur a withdrawal fee for accessing funds through VISA or MasterCard networks or from their bank account. The majority of beneficiaries in a country such as Ghana are in a low-income bracket. Losing, for example, 4% of the transfer value at the receive end (through withdrawal fees) will have a significant negative impact on their finances.

Alternative transfer providers, such as online and prepaid cards can offer real incentives to the sender both in terms of low remittance fees and remote access to funds etc. However, operators are currently less established and trusted and furthermore, are constrained by the need for the beneficiary to be banked or have regular access to a banking network as well as the additional costs incurred to access funds. In order for the new transfer providers to compete with the traditional cash-to-cash MTOs – many of whom are long established in the

¹⁸ <http://remittanceprices.worldbank.org>

UK-Ghana market and work well with the communities – or even to carve out a corner of the market for themselves, the online and prepaid card providers will be reliant on regulatory changes taking place in Ghana and indeed a shift towards greater financial awareness and inclusiveness amongst beneficiaries.

The UK-Ghana corridor is a relatively robust and competitive market and is served by a wide range of formal Remittance Service Providers (RSPs) ranging from corridor specialists such as Unity Link to international market leaders such as Western Union offering cash-to-cash services, high street banks and online operators such as MoneyBookers. Prices and speeds of transfer vary considerably between providers, especially when UK banks are taken into account.

The table in Section 12.1 gives an overview of some of the main MTOs working in the UK to Ghana corridor and offers a comparison of the prices and services available based on mystery shopping exercises conducted by DMA. As is evident from the table, there is considerable variation in the costs involved in sending money to Ghana. In this sample, to send £100 cash-to-cash, costs range from £3.57 to £12.00 for a less than one hour delivery; from £1.41 to £16.79 for a same day delivery; and £3.00 to £9.00 for a next day transfer (www.moneymove.org 10/12/09; please refer to the table of UK-Ghana prices in Section 12: Appendix). This demonstrates the non-uniformity in costs in this market even within the same transfer method.

The following section examines the UK to Ghana remittance market, looking at

1. the cash/bank-to-cash services,
2. bank services and
3. newer advanced methods of transfer

In each of these sub-sections, the overall business model is outlined, examples of these business models analysed and variations in the service provision, costs and constraints according to operators active in the market provided.

5.1 Cash/Bank-to-Cash

Cash-to-cash is the traditional method of remitting funds and continues to dominate the formal market globally. It is currently the primary service offered by the majority of remittance providers, from worldwide brand leaders to small, independent corridor specialists.

The cash-to-cash service allows the sender to visit an MTO agent, deposit cash with the agent and for the beneficiary to collect cash from an agent in the receive country (see Figure 1). Note that in most cases the receiver is paid their money prior to the foreign agent being credited with funds.

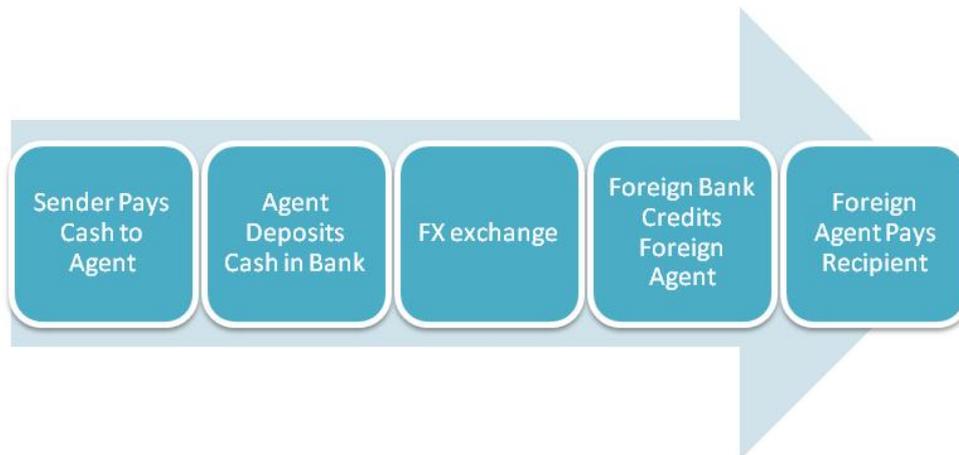


Figure 1: Cash – to – cash service

In the UK remittance market many of the smaller MTOs offer a bank to cash service (see Figure 2) at the send-end through which the customer deposits the send amount (plus fee) in the MTO's UK bank account, the MTO is then notified of the payment by either the customer or the bank itself and the transfer is activated. The payment is then sent in the same way as a cash-to-cash payment and released and/or settled through the MTO notifying its receiving bank/agent in Ghana with which it has a holding account.

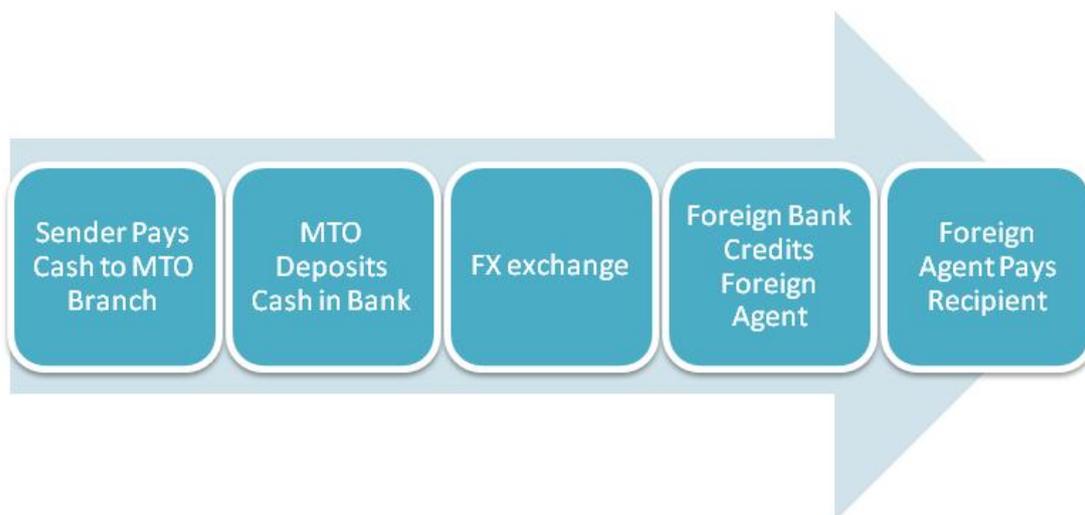


Figure 2: bank – to – cash service

The bank-to-cash service provides remote access at the send-end for customers who are not in the proximity of a branch or indeed have a lack of mobility. This transfer method is therefore largely used by independent MTOs or corridor specialists who do not have a particularly wide agent network. The bank to cash service is generally the same price as traditional cash-to-cash methods and once the bank deposit has been registered with the MTO, the transfer speed is generally that which is offered by the MTO in the cash-to-cash product.

The majority of the corridor specialists surveyed for this report offer the bank to cash service. All stipulate that a customer must provide basic ID and registration details before being able to access this service. Once the customer's ID has been accepted by the MTO and they have registered with the company there are no further ID requirements for using this service.

None of the individual survey respondents referred specifically to the bank to cash service – however, it was not listed as a specific product/option in the questionnaire. It can be assumed that respondents would use it intermittently, if for instance their circumstances meant they were only able to access a provider's services remotely. From the MTOs' perspective there is value offering this service, not only in the convenience it offers for their customers but also because it eliminates agent costs and some of the bank charges associated with the handling of cash.

Examples of service providers

In terms of the sample taken for this report, there are three main different types of service providers offering a cash-to-cash service. These are:

1. International Service Providers
2. Africa Specialists
3. Corridor Specialists

These service providers are analysed in more detail below.

5.1.1 International Remittance Service Providers

The majority of international providers operating in the UK offer a remittance service to Ghana and have agents or outlets throughout the country. The UK-Ghana market is dominated by the corridor specialists who offer competitive prices and know their customers well. That said, even in a well-served corridor such as UK to Ghana, the internationals do have selling points – primarily easy access to their outlets and services, brand awareness (e.g. the 'black and gold'), and a reputation for reliable and secure remittance services.

The largest and most high profile internationals providers operating in the UK market are Western Union, MoneyGram, Ria and Coinstar. Of these, both globally and for most African corridors, the market leader is Western Union (the most used international provider by the survey respondents).

Western Union offers a three-tiered service for UK-Ghana transfers – an instant cash-to-cash, a next day cash-to-cash service and an instant online service. It also offers a credit/debit card service via its call-centre. MoneyGram followed by Ria are Western Union's main competition among the internationals. MoneyGram and Ria offer cash-to-cash services through which the sender pays over the counter at a branch or agent.

The fee paid by users tends to depend on the speed of delivery. For example, with Western Union users of the instant service pay a fee from around 9% to 12% of the transfer value for low-level remittances (transfers of up to £300 for the purposes of this report) depending on the amount sent. Users of the cheaper, next day service pay a fee of around 4% to 5% of the transfer amount depending on the amount sent. It is important to note that the next day service is only available for cash-to-cash transfers through a Western Union branch or agent. Western Union's online instant service to Ghana is about 3% cheaper to use than its debit/credit or cash equivalents, which suggests that this product's usage is being promoted.

For UK- Ghana low-level remittances, MoneyGram charges a fee of between 4 to 5% of the amount sent, whereas Ria charges exactly 3% commission on whatever the send amount is.

Another source of revenue for MTOs is the foreign exchange (FX) spread which fluctuates depending on the MTO's preference, competitors in the corridor and the volatility in the UK to receive-countries exchange rate. The FX margin applied by Western Union can range from 1% to 3%. At the time of writing, MoneyGram's margin against the market rate was just under 1%, whilst Ria's margin was well over 10% (based on DMA mystery shopping Q409). It is interesting to note that Ria is currently producing unusually high margins through the FX rates it is offering.

Thus, the total cost of a low-level remittance from the UK to Ghana using Western Union can range from 5%-15% of the amount sent – depending on product choice and the daily FX rates set by the company. Of the high profile internationals Coinstar currently offer the best price for UK-Ghana remittances. Users of its cash-to-cash service pay 4% commission and in fact can gain slightly on the FX margin, because this provider tends to offer an extremely competitive FX rate. This may be due to this provider not considering the UK-Ghana corridor as one of its major markets or indeed the fact that it is counterbalancing a relatively limited UK-Ghana network with a highly competitive price structure.

Although it is a stated legal requirement for all remittances flowing into Ghana to be subject to exchange rates set by the Bank of Ghana, the leading multi-nationals set their own daily rates (see Part 4 on Ghana Regulation).

Receive networks in Ghana are dominated by bank branches which limits the options recipients have for collecting funds. The international providers have agreements with a number of Ghana's numerous commercial banks for their collection networks. MoneyGram has agreements with, amongst others, Merchant Bank, Ghana Commercial Bank and Intercontinental Bank; Coinstar also uses Merchant Bank as well as International Commercial Bank, UT Bank and UNI Bank Ltd. Ria uses Merchant Bank whilst Western Union has an agreement with Ghana Post – which has an extensive network throughout the country – as well as agreements with banks such as Ecobank, Agricultural Bank and the Trust Bank.

Significantly, Western Union has recently expanded its rural network in Ghana by opening up pick up locations for its systems through 124 of Ghana's 500 or so rural (community) banks, an initiative it has developed with ARB Apex Bank which manages and coordinates the rural banks. This is a move that will improve access for rural communities as the rural banks have significant outreach. Although Express Funds works with several rural banks, Western Union is the dominant provider operating through the network. The drawback for the consumer is the lack of choice of service – cost, product etc.

5.1.2 Africa Specialists

There are a number of UK-based 'Africa specialists' that offer remittance services to Ghana (and in one case a Jamaican provider) and whilst their market share – both individually and collectively – appears to be significantly lower than the corridor specialists, they do offer reasonably competitive services. Generally they offer a cash-to-cash service.

Three of the most significant multiple country operators in the market are Global link, World Link Finance and Swift Cash. Of these, the first two are Africa specialists and the latter is a Jamaica (Caribbean) specialist that has more recently opened up remittance services to a number of African countries.

Global Link and World Link Finance both use fee band price structures and offer a fee of £4.00 for transfers of £100 rising to £12.00 for transfers of £300 – because a fee band system is employed the customer also pays £12.00 for sending £250 (i.e. sending £200-£300 costs £12.00). Global Link uses daily rates supplied by the Bank of Ghana (BoG) whereas World Link Finance sets it own. This is reflected in the fact that at the time of writing Global Link’s FX margin was virtually zero percent against the daily market rate, while World Link Finance’s was close to 4%.

In total, the cost for the sender of a low-level remittance to Ghana using Global Link is around 4% of the amount sent; whereas the cost is around 8% using World Link Finance’s service. Swift Cash offers a fee of 5% of the send amount and receives its daily FX rates from Merchant Bank, its partner bank in Ghana. The daily rates supplied by Merchant Bank are those set by the Bank of Ghana.

5.1.3 Corridor Specialists

Corridor specialists include Unity Link, Express Funds and First African Remittances. They offer a cash-to-cash product and have UK locations in and around Diaspora community areas. These MTOs work hard to try to create a loyal customer base, as their consumers are notoriously responsive to changes in price.

The corridor specialists offer similar price band structures for low-level remittances in comparison to the international service providers, whereas for larger amounts i.e. over £2,000 – they offer a flat 3% commission. Unity Link and Express Funds – the two largest corridor specialists – both offer a fee of £4.00 for transfers of £100 rising to £12.00 for transfers of £300. These fees are not commission percentage charges and are based on fee bands that the providers employ. First African Remittances charges £3.00 to transfer £100 and £1.00 per £100 hundred pounds sent thereafter. Unity Link has 85 branches in the UK, Express Funds has 200 and First African Remittances has seven (six in London and one in Manchester).

Unlike the internationals, the corridor specialists’ use the daily FX rates set by the Bank of Ghana, either through their partner bank(s) in Ghana or directly from the Central Bank. Therefore the corridor specialists do not make a profit on an FX margin and the profit they make is on the remittance fee and/or other financial products that the consumer takes up.

Unity Link uses Ghana Commercial Bank as its partner/receiving bank in Ghana and has two affiliate offices, Express Funds works with a number of partners including First Atlantic Bank, Unibank, Express Funds Ghana and Apex rural bank network; First African Remittances Ltd has a partnership with Merchant Bank and has four affiliate offices in Ghana.

Whilst the smaller providers we have discussed, such as the corridor specialists, are well established in the market, are regulated and run good business models, they have difficulties in their relationships with UK banks. The banks perceive small MTOs as being high-risk businesses and only one high street bank regularly offers account services to African providers. Even then the service is expensive – with one surveyed provider stating that it pays nearly £12,000 per quarter in bank charges. It is evident that the smaller providers would be able to work far more efficiently and profitably if their access to bank facilities was improved and if the charges were not so obstructive – this, in turn, would enable them to be more competitive in the market.

5.2 Banks

In order to use a bank-to-bank service, senders must hold an account with a UK bank and the recipient must also have a bank account (see Figure 3). For the majority, the sender has to visit a branch of the bank and instruct the bank to make an international payment unless the customer has enabled telephone banking in which case they would be able to complete the transfer over the phone. As yet, most UK banks do not offer this service online, but according to some this will change in the forthcoming year. The advantage of using a bank to bank service is that money can be transferred to a bank account anywhere in the world. UK banks typically use SWIFT to make international transfers; if the beneficiary's bank is not a SWIFT member then a correspondent bank that is on SWIFT is also used.

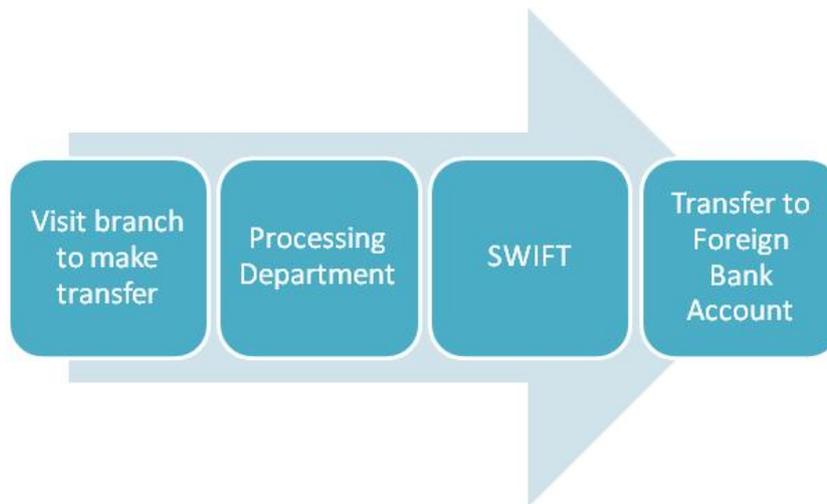


Figure 3: Bank – to – bank service

Bank account-to-account transfers can be made to Ghana through all UK high street banks. The banks offer flat money transfer fees (generally for low-level to high-level remittances), which can range from around GBP9.00 (HSBC Passport account) to GBP30.00 (HSBC non-Passport account). In order to make an international payment through a UK bank, the consumer must be an account holder with the bank. For many of the UK banks it is difficult to obtain an exchange rate for a remittance into a non-major currency (e.g. GHS), even when the account holder is initiating the transfer. Typically, international bank transfers take 3-5 days but can be dependent on the clearing (regulatory) system in the receive country or the receive bank itself.

Example: Non-Resident Indian (NRI) Initiative

Some banks have used remittances as a hook to attract new customers and to cross-sell to other products and services. Barclays Bank has adopted a commercially viable initiative that directly links remittances and financial inclusion in the UK. It is a twofold financial inclusion approach focusing on remittances to bring NRI's access to UK banking facilities and access to overseas banking simultaneously. Barclays have created a one-stop-shop for home and host country banking. The initiative has been tailored to the specific needs of the NRI with Indian language speakers in key locations, a low opening balance, free international ATM and debit card, a cheque book for the account holder and mandated holder, and free money transfers.

The Indian community in the UK is large enough to have attracted the attention of many banks. These cannot be described as 'loss leaders' as the banks are still earning foreign exchange revenue but compared to the normal charges for remittances via banks they are considerably discounted. The concept is that these same customers will avail themselves of additional products from the bank, such as savings accounts, insurance products, etc. which will earn revenue.

UK banks do not class low-level remittances (especially in north-south corridors) as a priority service area and do not see the profitability in competing with the well-established MTOs. With the introduction of HSBC's Passport Account and Barclay's Non-Resident Indian Account (see Box), there is some evidence that there is a move amongst certain banks to attract customers to their financial products by offering, for example, fee-free remittances services to customers who open a specific type of account or service.

UK high street banks are not large players in the UK-Africa market. Although more of the banks are offering accounts that are aimed at migrants such as HSBC's Passport account and Lloyds/TSB's Silver account (for Poles only). They rely on the recipient being a bank account holder – as their international payment services are predominantly account-to-account transfers.

In terms of cost, speed and accessibility it is clear that the UK banks do not currently offer competitive low-level remittance services to Ghana.

5.3 Online/Prepaid card providers

There is no standardised business model for online operators. However, Figure 4 provides an overview of a simple online money transfer process. Online MTOs currently offer a set price independent of where the money is being remitted to but there is no need for this to be the standard model.



Figure 4: Online money transfer process

There is a growing industry of online remittance providers in the UK. Two of the most prominent companies operating in the UK, Moneybookers and iKobo offer a worldwide money transfer service, providing the consumer(s) has banking facilities to draw on. Once registered, the consumer opens an 'online account' with the provider into which funds can be uploaded (either from a debit or credit card) and transferred onto a card (prepaid, debit or credit card) or into a bank account held by the beneficiary. Moneybookers do not charge a fee for uploading funds onto a UK based Moneybookers account. The beneficiary in Ghana is charged £1.57 (or equivalent) to withdraw (transfer) received funds from their Moneybookers account into their Ghanaian bank account. The transaction also costs an additional 1.99% due to the FX margin employed by Moneybookers. (This is based on MasterCard's daily settlement rate – for example, if MasterCard is offering 2.25 GHC to the pound, a Moneybookers customer will receive 2.21 GHC. The only method of withdrawing funds from a Moneybookers account is a credit into a receiving bank account which takes from 2-5 days with Moneybookers. This is obviously a limitation to its ability to appeal to the mass market.

iKobo is an online remittance service provider that uses US\$ as its base currency for all transactions. To access iKobo's services the consumer must first create a customer profile and activate it through email correspondence. Once the account has been activated the user can upload funds into their iKobo account from a credit card (this is the only means of uploading funds into an iKobo account from the UK. In the US, funds can be uploaded from a US bank account). The beneficiary is supplied with a VISA iKobo Pre-paid card through which they can access funds – through VISA networks – that have been uploaded onto their Pre-paid card (the receipt of this card incurs a FedEx fee of around USD 28.00). iKobo uses a USD based fee band structure. For low-level remittances from the UK to Ghana the consumer pays USD 11.50 to send USD 200, rising to USD 21.25 to send USD 500 – between around 4% to 6% of the send amount. iKobo uses VISA FX rates for its FX margins. Despite the fact that this provider advertises an instant money transfer service, the clearing of funds from the initial activation by the sender to funds being accessible on the beneficiary's Pre-paid card can take up to eight days.

In the current market, online providers such as Moneybookers and iKobo are targeting consumers who will typically remit between OECD (or Eurozone) countries, so they do not

perceive a Diaspora such as the Ghanaian community as a key consumer base. The lack of financial access that a typical receiver in Ghana has and indeed the relative lack of a nationwide VISA or in particular MasterCard network in the country renders the online products offered by Moneybookers or iKobo as at best a restrictive, and for the vast majority, an unviable option at this time. However, there is the potential for online providers' services to become a realistic consumer option for a market such as UK-Ghana if significant changes are brought to bear in Ghana's financial services environment or indeed through the development of new technologies such as mobile payment networks through which, online providers could work.

At the supply side, the key advantage that an online provider has over most traditional MTOs is that it does not require the services of a send-agent (whose rates of commission can be up to 40% in the UK) and therefore eliminates a significant proportion of its costs. With reduced overheads, providers have the incentive to be more competitive price wise, benefiting the consumer and the market as a whole.

5.4 Prepaid Cards

Prepaid cards are regularly marketed as an alternative product to bank (current) accounts – especially for migrant workers who find it difficult to open a bank account in the country in which they are residing and are often 'excluded' from their host country's financial services infrastructure. Various prepaid card products have gained popularity in the United States amongst, in particular, the Hispanic migrant workers from countries such as Mexico. Their value – to 'financially excluded' migrant workers – is the lack of eligibility requirements for obtaining a basic product, the relatively low costs involved in purchasing and using the product and the ability to use them as a debit card primarily through VISA or MasterCard networks. They can also be regarded as a tool towards financial inclusion in many markets – as through managing a card successfully and building up a relationship with the card provider, a cardholder's financial literacy and profile develops and they potentially become fully banked.

Prepaid cards are widely presented as a competitive remittance product whereby the primary cardholder purchases a receive or companion card for a recipient who is able to draw funds from the companion card (generally through VISA or MasterCard ATMs or outlets) once a money transfer has been activated by the sender (primary card holder). Money transfers tend to be 'officially fee-free' through pre-paid card systems – however 'hidden costs' are incurred such as card management fees, the payment of an FX margin (usually pegged to the card brand's rates), and a withdrawal fee. To a large extent the value of the prepaid card service in a specific corridor (i.e. UK-Ghana) can also be measured by the level of financial infrastructure that exists in the receive country. Where Prepaid card services are concerned – essentially, the expanse and/or penetration of the card provider's network in the receive country through retail outlets and/or ATM outlets.

One well known prepaid card company effectively offers a two-tiered card service:

1/ A personalised prepaid card – to be eligible for the 'personalised card', the customer must have an acceptable KYC profile and meet basic ID requirements, however they do not need to be a UK bank account holder. The maximum upload limit is £3,000. In order to use the

card for remittances the customer is required to purchase a ‘companion card’ (receiving card), which can be used at MasterCard locations.

2/ Instant cash prepaid card – the only eligibility requirement for the ‘instant cash card’ is the ability to pay the initial fee. The maximum upload limit is £650. An instant cash cardholder is not able to use the ‘companion card’ (remittances) facility until they have built up a KYC profile with the company. This can be achieved by meeting the monthly management fee requirements (£2.50) over a six-twelve month period.

There are a large number of Prepaid card products on offer in the UK – ranging from fairly well established brands such as Tuxedo and White Eagle to newer products such as Neon and Splash.

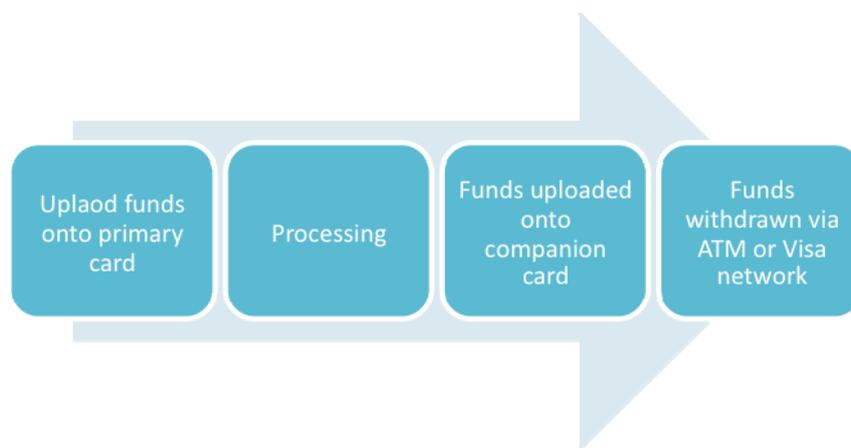


Figure 5: Prepaid card process

As a Pre paid cardholder does not usually need to have a bank account or significant credit history, the product tends to be targeted at teenagers or migrants. There is a lot of competition in the market so card prices change frequently with providers often advertising reduced costs etc. on the various price comparison sites that have sprung up in recent months.

At the time of writing White Eagle was offering a (reduced) fee of £4.95 for issuance of the primary ‘Freedom’ card and £4.99 for the Companion card, which is used by the beneficiary to access funds. Further to these initial costs the primary cardholder pays a card management fee of £2.50 per month and the beneficiary incurs a fee of £2.50 (or equivalent) for withdrawing (or accessing) funds – this applies to any funds that are remitted to the beneficiary. Although remittances are fee free for the sender a 3% charge is applied to the FX rate used by the provider for whatever currency is being sent. White Eagle uses MasterCard’s daily rates for remittances, so, for example, if MasterCard’s daily rate for UK-Ghana transactions is 2.25 GHS to the pound, White Eagle will offer 2.18 GHS to the pound. The speed of transfer is more or less instant once the transfer has been activated (generally through the providers SME service).

Another UK-based Prepaid card provider that promotes its remittance product is Money X Express. In fact this provider currently advertises its services in a number of agents that primarily serve African Diaspora groups which suggests that it targeting its services at the

communities. Pricewise, Money X Express issues its Primary 'blue card' for free but the beneficiary's 'yellow receivers card' costs £9.95. There is a monthly management fee if £3.25. As is the case with the White Eagle Freedom card, the Money X Express product uses MasterCard for its payment systems and also uses its daily rates – unlike White Eagle no percentage charge is applied to the FX rate, however there is a 2% sending charge on the amount sent for instant transfers.

The two Prepaid card products described are just two amongst many products on offer in the UK and while prices vary the fee structures are broadly the same. Most UK prepaid card products use Maestro, MasterCard or VISA networks (and rates) for their payment systems.

It is safe to assume there is a correlation between the emergence of online and prepaid card remittance providers in recent years and the spread of Eastern and southern Eastern Diasporas around Western Europe. Indeed the UK based prepaid card provider that was interviewed for this survey originally targeted Polish and Bulgarian immigrants (who tend to have good levels of financial literacy and come from upper middle-income countries with reasonably developed financial services infrastructures) as its consumer base.

However, the worldwide recession is seeing Eastern Europeans return home in large numbers so in the short term at least this market will shrink. This provider is attempting to counteract the impact of this trend by marketing its product(s) for more established UK based Diasporas. Although no specific figures were given, it claims to have a growing consumer base amongst UK-based first and second-generation African Diaspora members – with uptake amongst Ghanaians being second only to Nigerians amongst sub-Saharan African communities.

In Ghana, VISA and MasterCard networks are predominantly confined to ATM machines in the major cities, major shops, hotels and airports. VISA is the dominant brand and whilst mobile POS machines are promoted as a card outlet they have yet to find a footing in, for instance, retail or postal locations. In the long term, POS machines could provide a solution for accessing prepaid card payments in relatively remote or rural locations – they are now widespread throughout the UK. However, there is a cost for using the machines, which coupled with the withdrawal fee that is generally incurred for using a prepaid card product, would burden the recipient with significant pick-up costs. This is a cost factor which is usually avoided by using cash-to-cash products and which would be perceived as a major drawback for potential consumers.

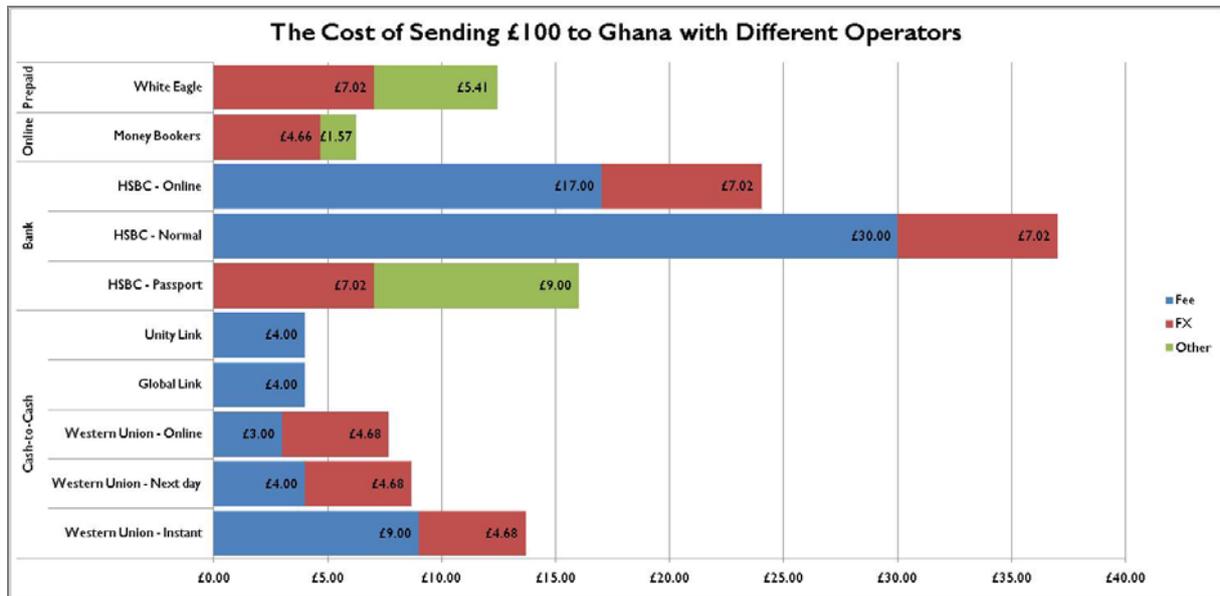
A major challenge faced by prepaid card providers in the UK market (at the send end) generally is a lack of brand or indeed product awareness. Until this is rectified uptake will continue to be relatively small amongst Diaspora groups. The entry into the prepaid card market of global brands such as O2 will significantly increase its profile but the prepaid card industry currently remains – at best – a niche market in the UK.

5.5 Comparative Cost of Services

Figure 6 provides a comparative analysis of the cost of sending £100 to Ghana from the UK with a number of different UK operators. It is evident from the figure that there is a large range in costs depending on the service provider and the type of service chosen. Using a

bank to make a transfer of £100 is the most expensive in the sample at a total of £37. Sending money cash-to-cash by one of the Africa or corridor specialists is the cheapest, with only a flat fee of £4 and no margin on the foreign exchange. The Figure also clearly shows that the means of generating revenue is different in the newer methods of transfer where costs are incurred through means such as withdrawal fees and card management monthly charges.

Figure 6: The Cost of Sending £100 to Ghana with Different UK Operators¹⁹



5.6 Mobile Phones

Mobile phone subscriptions in Ghana are at the 12 million mark according to NCA statistics— in other words well over half the adult population owns a mobile phone. These figures indicate that for a market such as Ghana mobile phone networks represent a potentially huge channel for inbound remittances with far greater outreach into rural communities and usage amongst poor people than traditional ATM networks or uptake of bank accounts.

In a country such as Ghana, where much of the population has little or no access to banks and their networks, a mobile payment system where funds are accessed/withdrawn either through a mobile network’s own agent base or can be used through the phone itself for e-payments – i.e. for bill or airtime payment etc. – mobile payments would provide a genuine alternative to cash-to-cash products.

The potential of mobile phone networks as a tool for remittances has been on the global agenda for some time – the GSMA forecasts that the 'formal' global remittance market could be grown from around US\$300 billion today to over US\$1 trillion in five years with the help of mobile communications. Increasingly, mobile networks are being used for domestic

¹⁹ HSBC is used here as an indication of the prices offered by UK high street banks, especially for Africa corridors where they are generally uncompetitive against the MTOs. At the time of data collection, most banks charged around £30 GBP for non-OECD remittances.

payments in African countries but there is yet to be any widespread development of cross border mobile payment products. For instance there are currently no UK remittance providers offering a service to Ghana through a mobile payment system.

Kenya is one African country which is leading the way in mobile remittances. In 2007, through DFID seed funding, the M-PESA mobile payment service was set up and has rapidly become extremely popular – early adopters of the service were urban migrants who use it to send money to their families in rural areas where funds can be withdrawn through local agents. The success of the M-PESA product (domestically) has led to the launch of a pilot cross border scheme in-which M-PESA has partnered with a number of UK providers – including specific Western Union agents – who are providing cash-in locations in the UK where consumers can remit funds (pay in cash) to a receiver’s M-PESA account. Western Union is also offering a service to M-PESA accounts through its online and debit/credit card products.

A pilot such as the UK-M-PESA model has the potential to have a real impact on the way remittances are channelled from the UK to Africa where mobile phone subscriptions are huge. In order for mobile remittances to become a mainstream product there are challenges to be addressed such as keeping prices competitive with cash-to-cash products, overcoming country specific regulatory barriers and ensuring receiving agents ‘floats’ are kept topped up. However, the often-cited prediction that mobile payments are ‘the future of the remittances industry’ could well hold true and in Ghana the nationwide mobile networks such as MTN, Zain and Tigo have levels of penetration across the country that would make the product accessible throughout all communities. As yet there are no international mobile remittance services from the UK to Ghana. However, as mobile banking becomes more commonplace and widespread in Ghana it is likely that international remittance service providers will link into these networks.

5.7 Additional Products & Services

Jamaica National Building Society

One impressive model is Jamaica National Building Society (JNBS). It provides remittance products to the Caribbean through its subsidiary – JN Money Services and has been proactive in developing its range of remittance-based products and providing incentives for increasing their developmental impact.

JN Money Transfer Affinity Card Programme: A sending product is the recently implemented JN Money Transfer Affinity Card Programme: this ‘gift aid’ package allows cardholders to transfer funds to JNBS outlets in Jamaica while donating 50% of their fee to a Jamaican charity/organisation of their choice.

Money Shops: In Jamaica, JNBS has developed its ‘Community banking concept’ by opening ‘money shops’ across the island. The money shops provide access to remitted funds as well as a range of affiliated financial services – such as banking and loans schemes and are designed to be convenient and accessible for rural dwellers in terms of their locations, opening hours and diverse product ranges.

Savings and loan schemes

JNBS offers Jamaican Diaspora members the facility of remitting funds into loan and/or savings schemes back home. This product improves financial literacy and encourages formal money flows into the Jamaican banking sector. As well as this, returnees are in a position to 'educate' and promote awareness of financial products within their communities in Jamaica.

It should be emphasised that Jamaica's receive environment is far more conducive to trans-national products than that which currently exists in Ghana. It is less constrained by Central Bank regulations and access to networks and products is more widespread. Of course, Ghana is a far larger and more populous country with a far larger rural poor – which fundamentally, is more of a challenge for a remittance model.

However, JNBS provides a paradigm of how, within an enabling environment, a provider is able to develop its financial product range through and in tandem with its remittance services, creating financial opportunities and tangible outcomes for its consumers and their communities.

A notable proportion of the providers operating in the UK-Ghana market offer additional products to their money transfer services – such as savings and loan schemes, freight services and travel options. While products such as these are generally offered extraneously to the providers' remittance services there is the potential for additional financial products to be leveraged through remittances and certain providers stated that they were looking at ways of synergising the use of their remittance services with additional financial products. For instance, one provider currently offers loans and saving schemes to its UK based customers, which, although officially unaffiliated to its remittance product, can be applied for by a consumer who has built up a credit profile with the provider by regularly using its remittance service. Incentives such as this develop financial literacy and expand the financial horizons amongst consumers who, may well be financially excluded in their host county and have low expectations of the financial products available to them.

A significant challenge is expanding affiliated products into a receive environment such as Ghana's, which will be achieved through promoting and developing transnational financial products/services. Of the survey respondents, a significant percentage suggested that they would like to have more control over what their remittances are used for. When given a list of specific criteria, some suggested business or property investment, others suggested education, and the largest percentage – 'Health – doctor/hospital fees and medicine'. There is huge scope for channelling remittances (more effectively) into areas such as these but their success is arguably dependent on factors such as the development of supportive legal frameworks, the encouragement through government of UK-banks to work with/via corridor specialists to broaden the range of attractive remittance products, changes in the regulatory environment – such as the easing of eligibility requirements for Ghanaian bank accounts that accept foreign deposits, the setting up of MFIs to manage received funds and in indeed uptake by consumers themselves.

5.8 Informal Service Providers

In 2004 it was estimated by the Bank of Ghana that “*informal flows are at least as high as recorded flows (Addison 2004: 6).*”

The growth of a competitive and reliable UK-Ghana formal remittance market in recent decades has led to the demise of a once flourishing informal market. Before the establishment of the formal market – including multinational remittance providers such as Western Union and corridor specialists such as Unity Link, the UK’s Ghanaian community was served by independent, unregulated operators for their remittance needs.

Generally referred to as Buy and Sell Traders, these operators had a number of methods of remitting funds and entered into trust-based relationships with their customers. However, the services were often unreliable and open to corruption, an outcome of which led to the growth and uptake of formal remittance services by Diaspora members.

Buy and Sell Traders usually worked in one of three ways:

1/ The UK based customer pays the amount (in cash/sterling) to be remitted to the Buy and Sell Trader as well as whatever commission is being charged. The Buy and Sell Trader arranges for the money to be paid to the recipient in Ghana – through their distribution network. The recipient is paid in Cedi based on the conversion rate offered by the Buy and Sell Trader.

2/ The recipient is paid an agreed amount in Cedi through the Buy and Sell Trader’s distribution network. The settlement is then made in the UK (in cash/sterling) by the remitter.

3/ The UK based customer pays the funds to be remitted as well as the commission into the Buy and Sell Trader’s UK bank account. The funds are then paid out in Cedi to the recipient in Ghana based on the Buy and Sell Trader’s conversion rates.

Because of their informality, these trust based methods were regularly abused or mismanaged. Abuses included funds arriving late, the receive amount being less than had been agreed or indeed not being paid out at all. Conversely, traders could suffer through their customers failing to settle transactions after funds had already been paid out in Ghana.

According to Ghanaian community members the Buy and Sell Trader system has all but died out and with the majority of survey respondents expressing general levels of satisfaction with their (formal) remittance product and indeed the shift towards formal products in global markets generally, it is likely to remain a thing of the past. In the current market the dominant informal transfer method is the carrying of funds by community members travelling to Ghana from the UK.

The carrying of funds home by Ghanaians provides a valuable ‘informal’ remittance service – especially for recipients who have limited access to financial outlets but its impracticalities are self-explanatory both in terms of the opportunity costs incurred (through travel etc), and the time and location constraints.

Compared with certain other countries in Africa, the informal transfer corridor from the UK to Ghana is relatively small and inactive. This is in stark contrast to a market such as UK-Nigeria which has a thriving parallel market, accounting for roughly one third of all remittances sent. It is to be expected that from more tightly regulated European markets such as France, Germany and to a lesser extent the Netherlands (where there is less choice in the formal sector), a significantly larger percentage of informal remittances will flow into to Ghana. Their usage is relatively small in the UK because of the service value found amongst formal operators, especially the corridor specialists.

5.9 Community Outreach

Of the providers interviewed, most stated that they regularly promoted their services in the community, either through sponsoring events or by advertising their products through the media. Predictably, it is larger companies who are able to pay for the greatest exposure but smaller companies are also aware of the advantages of using Diaspora networks to promote their services and use them accordingly. Popular means of dissemination include:

- **Traditional Media**
The Ghanaian Diaspora in the UK is well connected with a number of community newspapers, radio and TV channels.
- **Community Websites**
Community websites such as Ghana Web (www.ghanaweb.com) and Modern Ghana (www.modernghana.com) currently display a wide range of advertisements for products such as cheap flights and mobile airtime top ups. 19% of respondents said that they used these websites to keep in touch with the community.
- **Church and Community Groups**
There is a frequent interaction in churches and between the Diaspora and the community at home. In these instances, information is often disseminated informally through word of mouth and through more traditional means such as literature.

It is clear that as the prevalence of online resources grows and increases their effectiveness as marketing tools, there will be key channels through which companies can both advertise their services and make them instantly accessible. For an online provider, or indeed an established provider, promoting a (new) online product, visibility on a community website (e.g. a link through to the provider's website) could provide a one stop route to the advertised product itself emphasising both the convenience and cost effectiveness of the service for both provider and consumer.

Part 6 Remittance Sender Profiling

Summary

The propensity to remit is higher among the Ghanaian Diaspora than many other migrant communities in the UK, with 80% of those surveyed reporting to remit money back home primarily due to the employment climate in Ghana in comparison to the UK. Close family relatives are found to be the main beneficiaries. The average send amount is found to be less than the national average at £170 compared with £324 across all communities, but sent more frequently with an average of four times per annum compared with 3.5 nationally. The majority of senders send money home on a monthly basis. Senders are found to be actively involved in community groups and organisations and keep abreast with community news through a number of different media and other informal channels.

Approximately one third of the 4.5 million people from minority ethnic groups in the UK are thought likely to send money home. In 2008, UK remittances outflows were estimated to be £4.1 billion²⁰, although there are some variations on this estimation, for example, the World Bank estimate it at £5.05 billion. In addition, it is also estimated by the UK Remittances TaskForce that approximately £2 billion gets sent every year through informal channels.

The 2001 UK Census, the last UK census, recorded 56,112 Ghanaian-born people living in the UK. More recent estimates (2008) from the Office for National Statistics put the figure at 92,000²¹. The main Ghanaian population in the UK is in London and can be especially found in the boroughs of Southwark, Lambeth, Newham, Hackney, Haringey, Lewisham, Croydon and Brent. Specific districts of concentration include Dalston, Harlesden and Brixton. Outside London, there are large populations in Manchester and Birmingham²². Roughly two-thirds (63.70%) of recent Ghanaian immigrants to the UK of working age are employed (compared to 73.49% for British born people regardless of race or ethnic background); 17.19% of recent immigrants are low earners, which equates to less than £149.20 a week (compared to 21.08% for British-born people), and 3.13% are high earners, which is more than £750 per week (compared to 6.98% for British-born people). The percentages for settled immigrants

²⁰ Source: Office of National Statistics, United Kingdom

²¹ Country-of-birth database - Organisation for Economic Co-operation and Development <http://www.oecd.org/dataoecd/18/23/34792376.xls> and "Table 1.3: Estimated population resident in the United Kingdom, by foreign country of birth, 60 most common countries of birth, January 2008 to December 2008". Office for National Statistics. http://www.statistics.gov.uk/downloads/theme_population/Population-by-country-of-birth-and-nationality-Jan08-Dec08.zip. Retrieved 2009-09-29

²² Arthur, John A. (2008). *The African Diaspora in the United States and Europe: The Ghanaian Experience*. Aldershot: Ashgate. p. 159. ISBN 0754648419. <http://books.google.co.uk/books?id=OHq2eXIVMykC&lpg=PA158&ots=knW4G-kGsk&dq=ghanaians%20in%20britain&pg=PA159#v=onepage&q=&f=false>.

are slightly different, 69.51% are employed, with 15.04% being low earners and 5.31% high earners²³.

This section reviews the profiles of Ghanaians remitting to Ghana, the depth of financial penetration in the community, the main recipients, the frequency and typical amounts sent and the reasons for sending money home. To form the basis of this, as outlined in Section 1.4, 160 Ghanaians living in either London or Birmingham were interviewed with regards to their remittance activities to Ghana. These two cities were chosen because of their large Ghanaian Diaspora.

Of the 160 questioned, 80% were found to send money back to Ghana on a regular basis. The high proportion of remitters within the Ghanaian migrant community, especially in comparison with the estimated 33% of migrants that remit at a global level, reveals the intense customary responsibility felt by UK migrant Ghanaians to send money back home. Given that the purpose of the study is to analyse remittance patterns, only those individuals sending money back to Ghana more than three times per annum have been considered as 'remitters' and therefore are included in the analysis.

It was deemed inappropriate to enquire specifically with regards to the annual income of those surveyed. Instead respondents were asked to provide both their employment status and job title to give some indication of their financial situation. All of those surveyed were in full-time or part-time work, retired or students. None of the respondents were unemployed. Employment ranged from typically lower paid jobs, such as hairdressers and nurses, to higher paid jobs, such as accountants, managers, executives and engineers.

Table 4 is taken from a survey conducted by Datta (2007) on immigrants living in London. Her survey findings give an indication of typical monthly income earnings across migrants in 2007.

Table 4: Income Distribution of Respondents

Income Per Month	No of respondents
Less than £199	2 (1.3%)
Between £200-499	10 (6.5%)
Between £500-999	58 (37.9%)
Between £1000 – 1499	55 (35.9%)
Between £1500 – 1999	16 (10.5%)
More than £2000	12 (7.8%)
Total	153

Source: Kavita Datta Financial Inclusion Migrants 2007 (p13)

6.1 Financial Inclusion in the Ghanaian Diaspora

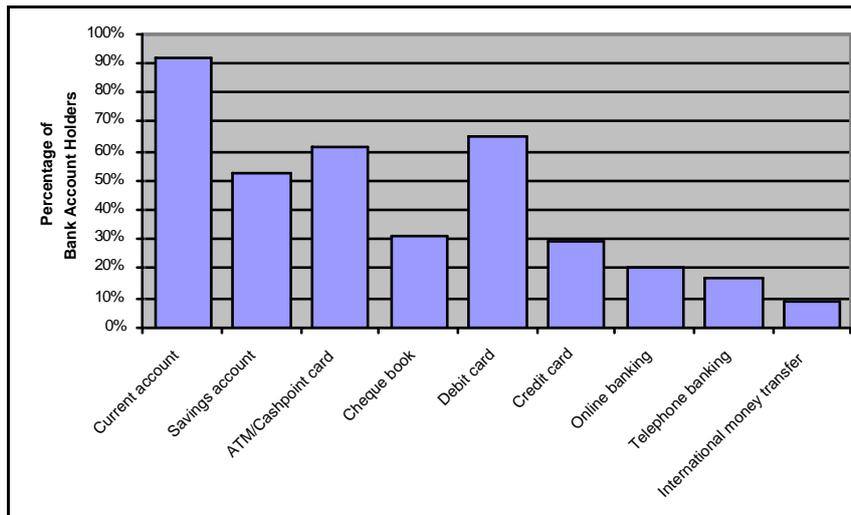
Despite the finding by Fine et al., 2005 and the Treasury, 2007

“that particular social groups were disproportionately represented among financially excluded populations including the young, old, unemployed, low-paid, black and ethnic minority groups as well as undocumented migrants” (Datta 2007),

²³ Source: http://news.bbc.co.uk/1/shared/spl/hi/uk/05/born_abroad/economics/html/overview.stm 2001

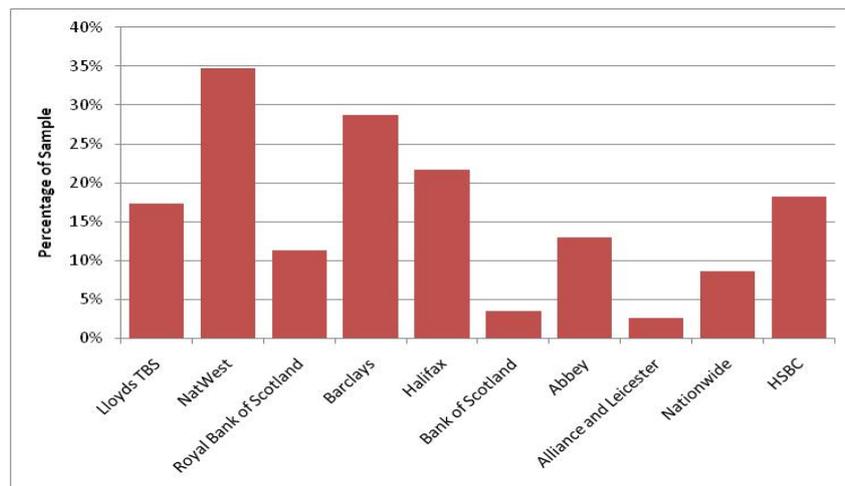
the level of financial inclusion within the Ghanaian Diaspora in the UK is relatively high. Nearly 90% of those surveyed held a UK bank account (see Table 5), with nearly half of all respondents holding more than one bank account, with the average person holding 1.4 accounts. Around 60% have an ATM or debit card and half of those surveyed have a savings account. The demand for credit and more technologically advanced products and services is considerably lower, with less than 30% holding a credit card and less than 20% using online or telephone banking facilities.

Table 5: Financial Services Used



Like the majority of the UK population, the Ghanaian community bank with standard high street banks. NatWest is the most commonly used UK bank (see Table 6), with 35% of sample respondents using their services, followed by Barclays (29%) and Halifax (22%).

Table 6: Most Commonly Used Bank Accounts in Diaspora



6.2 Main Recipients

The main recipients of remittances are parents with 64% of all those sampled sending

money back to their parents. 48% send money to a spouse and 45% to other relatives. Only 26% of those interviewed had children that lived overseas (presumably in Ghana) of which 73% send money back to them. Other recipients include friends; grandparents; themselves; and business partners (see Table 7).

Table 7: Main Recipients of Remittances

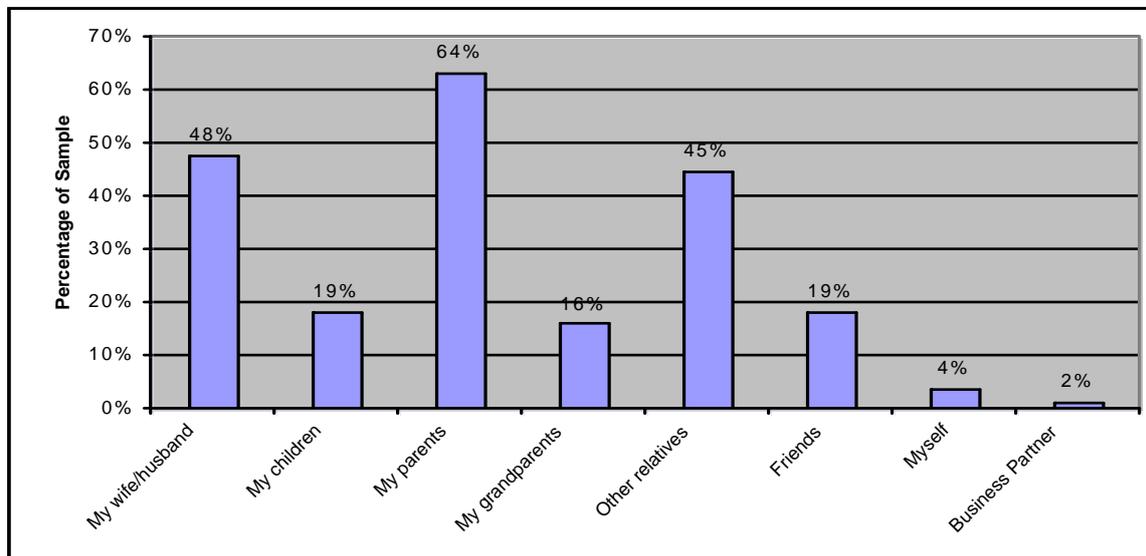
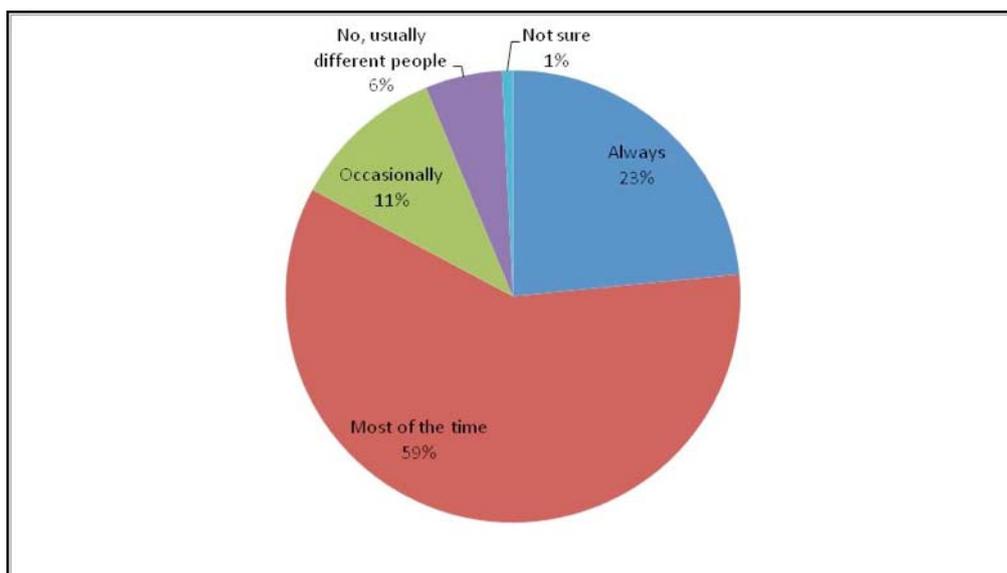


Figure 6 shows that Ghanaian remittance patterns are pretty fixed, with 23% reporting to always send money to the same people and 60% mostly sending money to the same recipients.

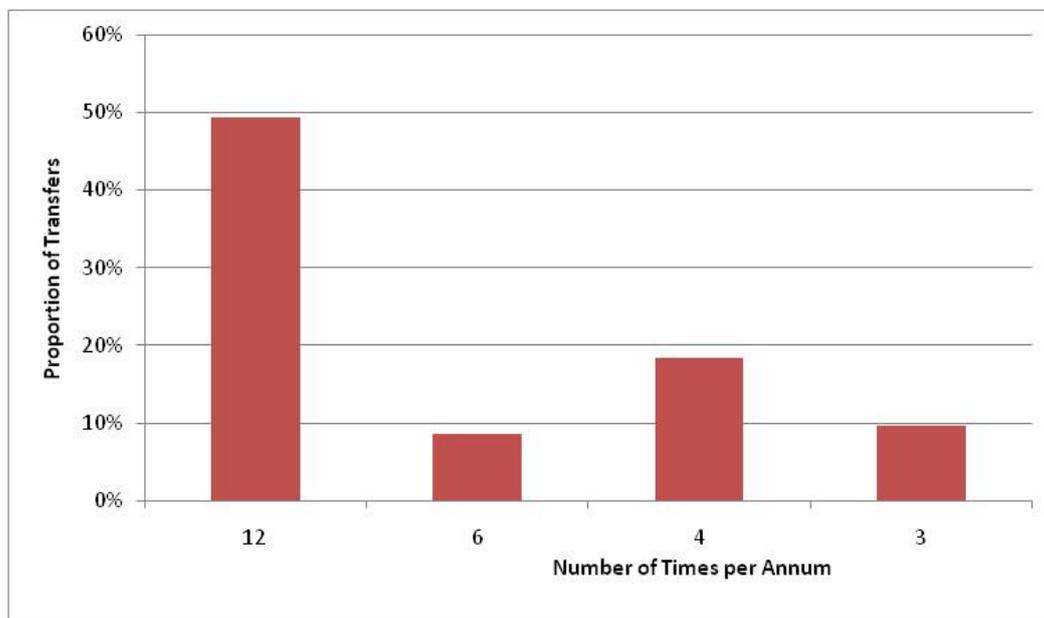
Figure 7: Frequency with which money is sent to the same beneficiaries



6.3 Send Amount and Frequency

A DFID survey in 2005²⁴ estimated that for UK remitters the median amount to be sent is £324, with 3.5 transactions a year. Results from the survey indicate that the Ghanaian Diaspora send money at approximately the same frequency as the national average, whilst the median is four times per year and the mode, considerably higher, at 12 times (see Table 8). Nearly half of all transfers are sent on a monthly basis, with quarterly being the next most common. Over half, 58% and 59%, of all remittances to a spouse or parents are sent on a monthly basis. Money tends to be transferred more infrequently, either quarterly or annually, to the less prevalent type of recipient (friends, grandparents).

Table 8: Frequency of Money Transfers

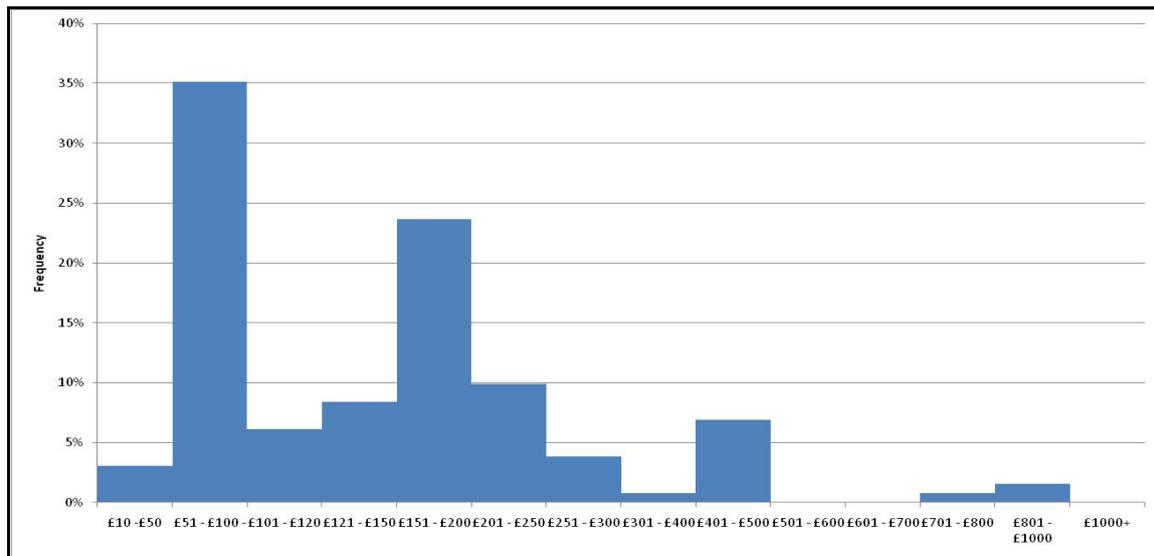


Encouragingly, there is little difference between the frequency with which money is actually being remitted and the frequency with which senders would like to send money back. This suggests that the cost of sending money back to Ghana is not having a significant impact on how regularly money is sent.

Survey results show that the UK Ghanaian Diaspora tend to remit smaller amounts than the national average (£324); the median amount sent is between £201 and £250; the mean approximately £170; whilst the mode amount is smaller still at £50 to £100. From these results it is evident that the Ghanaian Diaspora has a preference for sending their money in small amounts frequently, even compared with the national average. Table 9 shows the values that are being sent.

²⁴ Sending Money Home – DFID 2005

Table 9: Typical Amount Sent in an Individual Transfer



Broad estimates show that the average annual amount sent per person per annum is approximately £2,250 per person, ranging from £150 (£25 every two months) to £10,800 (£900 per month). Given the average annual net income in the UK was £22,000 in 2007 according to the Office for National Statistics, (a monthly net income of £1,388), combined with the assumption that immigrants earn less than the national average, estimates suggest that a significant proportion of earnings (almost 20% assuming £1,000 monthly income) are sent back home by the Ghanaian Diaspora.

Unsurprisingly, the main reasons that those surveyed cited as to why they send money back home were to do with:

1. Being the main wage earner for the family (50%)
2. Being able to earn more in the UK than at home (64%)
3. The little work available in Ghana (26%)

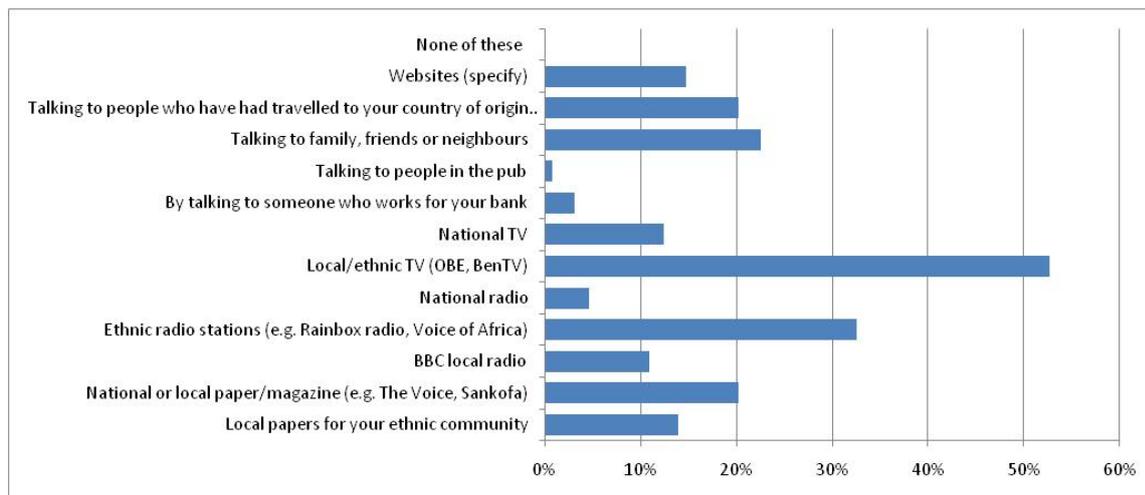
6.4 Community Groups

Over half (52%) of the Ghanaian Diaspora interviewed belong to either Ghanaian organisations or groups. The most popular within the sample were:

- Birmingham Ghana Union - support/social welfare club for Ghanaians based in Birmingham
- Ekuona Abusua - collective of the Ekuona Clan/family
- Ghana Blackstars - collective of young professional British-Ghanaians
- Miracle Club - support/social welfare club for Ghanaians based in East London
- Agona Fankobaa - support/social welfare club for Ghanaians originally from the Agona Swedru area
- Ghana Nurses Association
- Juaso Citizens - support/social welfare club for Ghanaians from the Joasu area of Ghana
- West London Association of Ghanaians

Figure 7 gives an overview of the most common channels used to access community information. It is evident from the figure that local / ethnic TV is the most commonly used medium followed by ethnic radio stations. Over half of all respondents keep up to date with what is happening in Ghana and in the local community through ethnic TV stations, such as OBE TV and Ben TV. A third listen to ethnic radio stations, such as Rainbow and/or Voice of Africa and 20% use national/local papers for the ethnic community (Sankofa and The Voice). Roughly a third use informal channels such as talking to friends, neighbours and/or people that have recently travelled to Ghana to stay in touch with what is happening in the community.

Figure 8: Sources used for information that is important to the migrant and/or family



Part 7 **Survey Results with regards to Remittance Products and Services**

Summary

Despite the number of different products on offer, overall the Ghanaian community is found to be relatively conservative and traditional in their chosen method of transfer. From the number of providers operating in the cash-to-cash market combined with the clear preference for one operator, it follows that the market is working competitively with a high level of transparency and communication that has translated into a clear market leader.

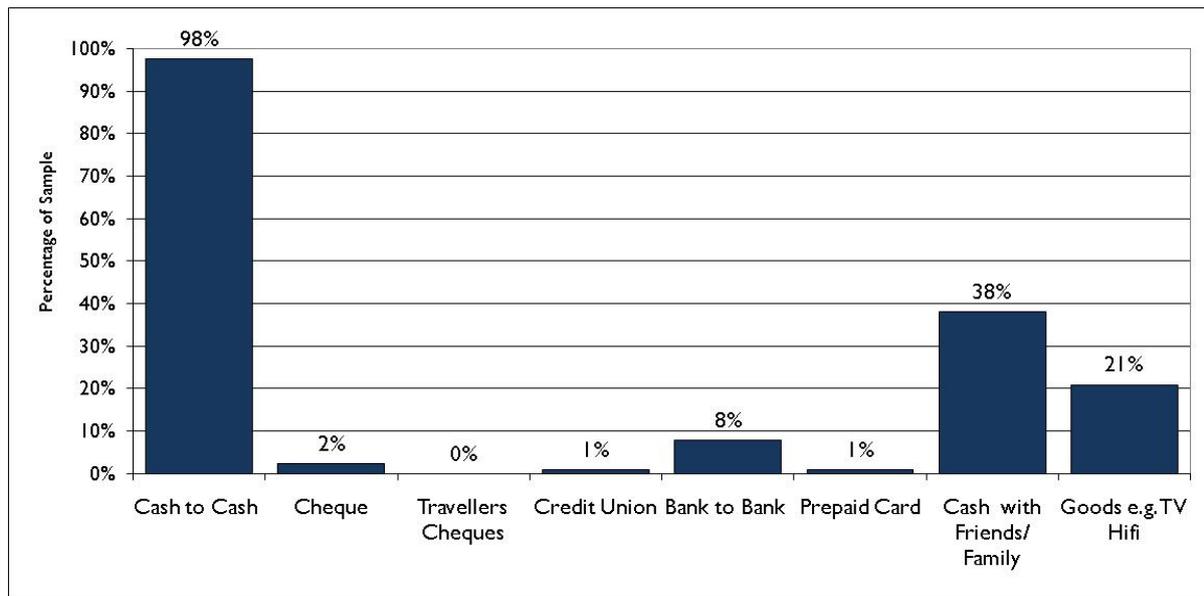
Research shows that Ghanaian remitters take into account other factors aside from price such as quality, trust, convenience, accessibility and/or reliability of service. Over the years, the cost effective and high level services provided in this corridor have eroded the use of the informal market. Only 30% of survey respondents had used informal remittance channels, with less than 5% ranking it as their preferred transfer method. The majority of survey respondents were either 'satisfied' or 'very satisfied' with the formal transfer services provided to them and as such are unlikely to adopt new products unless it is able to offer significant cost savings in addition to increased reliability and convenience.

Whilst the UK Diaspora is relatively highly banked with high penetration of both mobile phones and the internet, their willingness to use these new technologies for remittances is somewhat more constrained. This could be attributed to a number of factors, including a lack of awareness among the UK Diaspora, not a large enough price incentive offered by the new MTOs and/or problems in accessing the funds in Ghana at the 'last mile'.

In this section, survey results are used to understand the Ghanaian Diaspora's experiences and preferences with regards to the remittance services currently available in the UK-Ghana market.

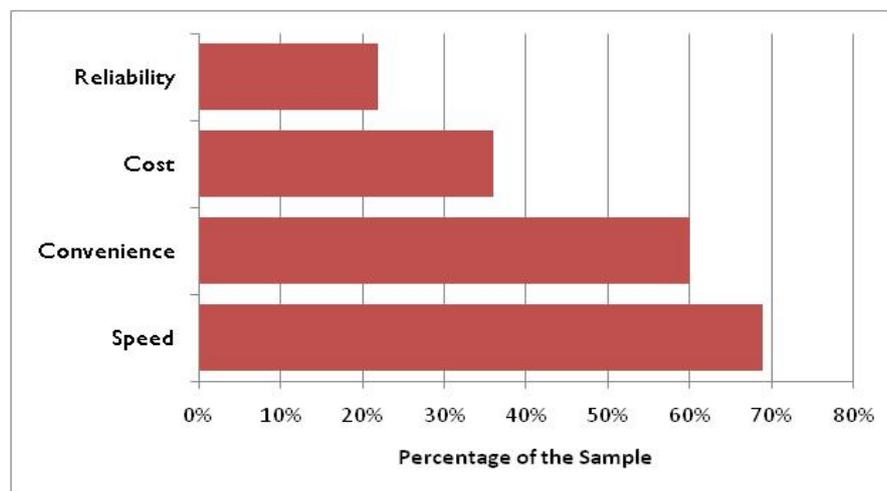
Despite the range of services on offer in the UK (as discussed in Part 5), sending money cash-to-cash is by far the most popular choice for the Ghanaian Diaspora in the UK to send money home. 98% of all respondents claim to use cash-to-cash services, with only 8% using bank-to-bank services. Furthermore, bank services are never used as a preferred choice. Other transfer methods such as credit union or prepaid cards are barely used by the community at all.

Table 10: Methods of Money Transfer



It is predominantly the UK-based sender that is responsible for deciding which method is used to transfer funds. The main reasons that senders cite for their sending choice are shown in Table 11, and show that whilst price is an important factor in the consumers' choice, other non-price factors such as the speed with which the transfer can be made and the convenience of the UK and Ghanaian network are actually considered more important.

Table 11: Main Reasons Cited Behind Sending Choice

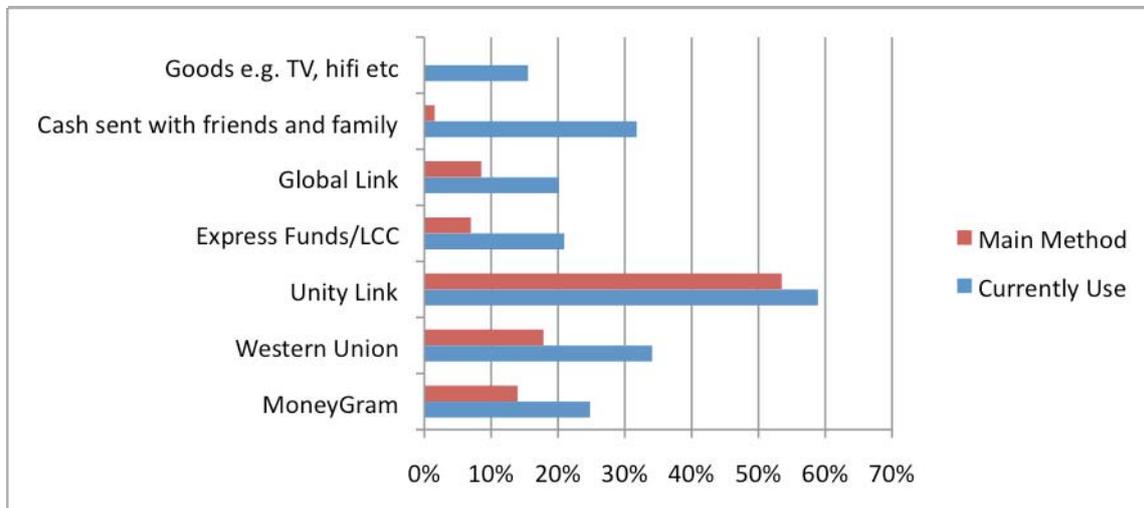


7.1 Cash-to-Cash

In the cash-to-cash market, where Western Union often dominates, results indicate that in the UK to Ghana corridor there is a clear prevalence for using one specific UK to Ghana cash-to-cash corridor specialist (Unity Link). The vast majority have used this service at some point and continue to use it as their main choice of provider. Whilst other formal providers, mainly international market leaders (such as Western Union and MoneyGram), are used by some, they were rarely cited as the main method of transfer and interestingly

tended to be associated with a higher cost service and moreover, dissatisfaction with regard to the exchange rate they were offered. This is consistent with the findings in Section 5.1.1 that highlights that international MTOs are setting their own FX spread, whilst smaller operators are using the Bank of Ghana's daily rate.

Table 12: Currently Used and Main Method of Transfer



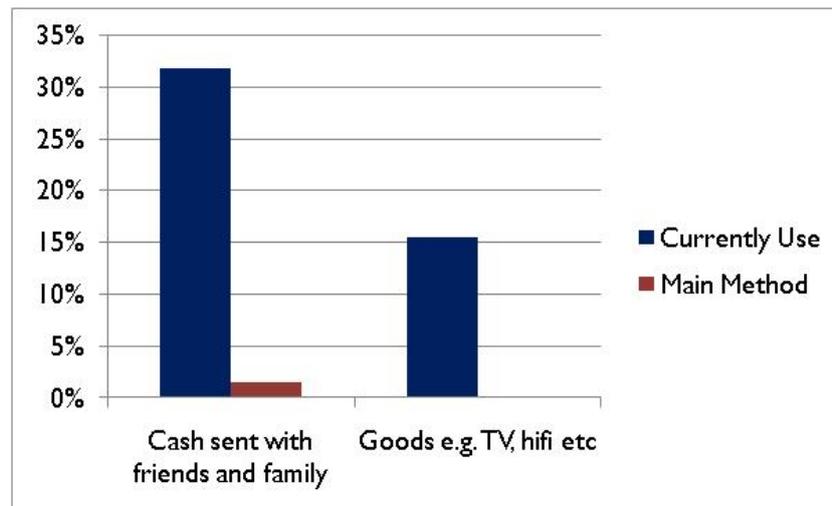
7.2 Banks

Whilst it was seen in Part 6, Table 5 that over 70% of the survey respondents have a UK bank account with many of them using a variety of account products, from credit cards to online banking facilities, less than 10% use their bank accounts for ‘international money transfer’. Given the depth of financial penetration within the community this indicates that the lack of use of the bank-to-bank remittance service is not a result of limited financial inclusion among senders, but is probably due to the cost of the service they offer and the problems with access in Ghana. Due to their flat fee cost structure, the banks’ services are only competitive for large money transfers. As seen from Section 6.3 remittances from the UK to Ghana tend to be relatively small, averaging £170 per transaction, which makes bank fees relatively expensive.

7.3 Informal Market

Informal transfer methods, such as sending money with friends or family or sending money in the form of hard goods (hi-fi, TV etc), are used by 32% and 16% of respondents respectively (see Table 13). However, less than 5% said that it was their main method of transfer.

Table 13: Use of Informal Remittance Channels



This indicates that the vast majority of respondents habitually use alternative formal channels to remit money but, when and if the opportunity arises, will carry cash to Ghana – either personally or through friends and family who are travelling home. With the prices and availability of air travel between the UK and Ghana becoming more consumer-orientated – in part due to the growth and success of the Ghanaian Diaspora – travelling with funds has become a viable option.

A known benefit of using this method is the fact that the remitter carries sterling and is then able to shop around for the best conversion rates on the black market in Ghana. Dealers are usually located in and around major airports. Community members tend to have a good knowledge of the black market and are able to get very competitive rates when they exchange sterling for cedi.

In focus groups, several community members stated that they used informal transfer methods to get funds to friends or family living in particularly remote areas where there is limited access to a formal receiving network.

As an example, one community member stated that she regularly remits to one relative who lives near an urban area through a formal provider, who then physically delivers the funds to another relative who lives in a remote village. She stressed that she does not travel to Ghana for the specific purpose of remitting to her family member, but usually takes cash when she does. She added that the formal market would be improved by providers having the ability to expand their receive networks into retail outlets and post offices although she believed that stringent regulation would be needed and that uptake would be slow because there would be trust issues around mismanagement and even embezzlement of remitted funds by, for example, retail outlet managers.

7.4 Main Difficulties Associated with Sending Money to Ghana

Table 14 gives an overview of the main problems associated with sending money to Ghana from the perspective of the UK-based sender. The main difficulty experienced in sending money to Ghana from the UK, was the need to make an international telephone call to the recipient when they have sent the money, with 81% of those surveyed citing this as a problem. This is interesting as many of the MTOs offer a service to customers to SMS the reference number directly to the recipient free of charge. The uptake for the service was poorly utilised by consumers. Another main difficulty, cited by 71% of sample senders, is the need for the recipient to produce identification in Ghana when picking up funds.

Table 14: Main Difficulties Experienced in Sending Money to Ghana from the UK

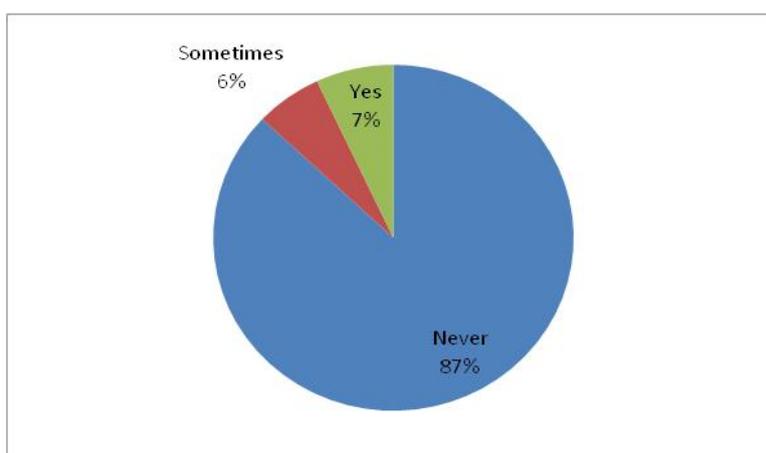
Main Difficulties Associated with Sending Money	Percentage of Sample
I have to make an international call to tell the receiver I have sent the money	81%
The person I am sending money to needs to produce identification	71%
Expensive	17%
I have to travel a long way to send money	9%
I do not feel safe carrying cash into the place I send from	7%
The person I am sending money to has to travel a long way to collect it	5%
I need to have a bank account	4%
I have to produce identification	3%
The person I am sending money to needs a bank account	2%
I don't know how much will be collected in Ghana	1%

Only 17% of senders considered transferring money to Ghana as expensive. Nearly all senders spend between £4 and £5 on fees when sending £100 (5%). This corresponds with the fees charged by the most popular corridor specialists, Unity Link. It is interesting to note from the table in Section 12.1 that this is not actually the cheapest MTO fee on offer. This reaffirms that whilst consumers are to some extent responsive to price, they also take into consideration other factors (such as speed and convenience and networks in Ghana).

There is a very high level of satisfaction with the exchange rate offered by service providers. Over 90% don't know of any other costs associated with foreign exchange. Again, this is consistent with the choice of service provider that most of those surveyed use, as it is generally only the internationals and banks that make money through the foreign exchange spread in this corridor.

Barely any of the survey respondents were asked for ID for using their chosen cash-to-cash service at UK outlets; 87% were never asked to provide ID on sending money; with 6% sometimes. Most providers have a threshold for using cash-to-cash services – usually between £600 and £750. Survey respondents tend to remit considerably less than the threshold amounts which explains the results.

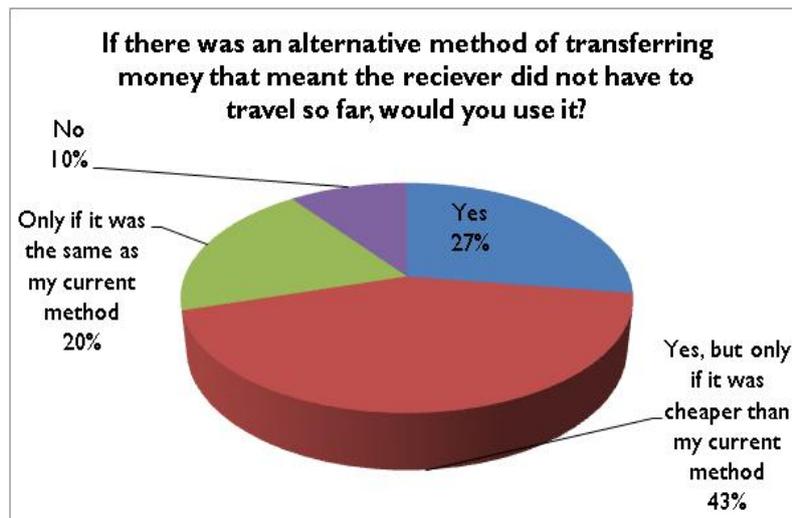
Table 15: Percentage of Senders Asked to Provide ID



Interestingly, one provider stated that it was planning to make ID compulsory through 2010 – i.e. basic ID will be a requirement for any amount sent through an agent and through the implementation of this policy, the company will create a database and tracking system for all of its customers. The provider was of the opinion that introducing a customer database would both improve the efficiency of its service and understanding of its customer base. It was also keen for its receiving bank in Ghana to have access to a (shared) customer database because this would greatly improve the recipient’s experience in the receiving bank’s outlets. One provider said that it has compulsory that basic ID was required for all cash-to-cash transactions. However, although the MTO in question considers itself to be a UK-Ghana market leader, none of the consumer survey respondents said that they use its services.

According to the senders, the average time needed by recipients to travel in order to collect transferred funds is 90 minutes with the maximum being 24 hours. Only 5% cite distance to travel as a problem. As to be expected there is a positive relationship between the distances they have to travel and whether senders would consider using another service. The majority say that they would consider another transfer method if the recipient did not have to travel so far and if it were cheaper than their current method (43%) and 27% reported that they would switch regardless of price (see Figure 10). This is consistent with earlier findings that convenience is a more important factor than price in determining which service provider to use, especially when there is not a large disparity in price.

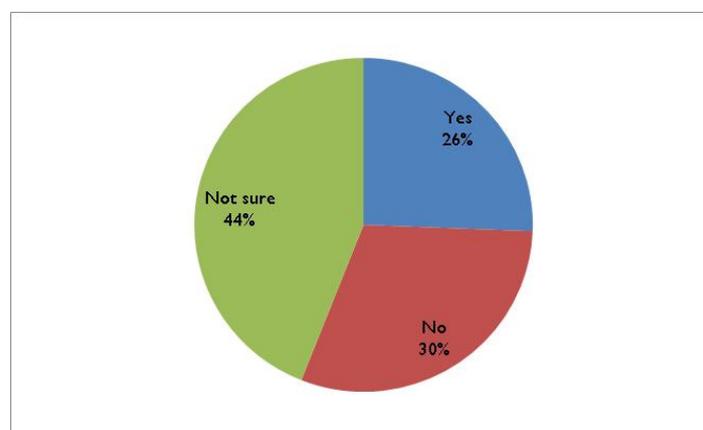
Figure 9: Willingness to Use Alternative Transfer Methods



7.5 Senders Views in Relation to Alternative Transfer Methods

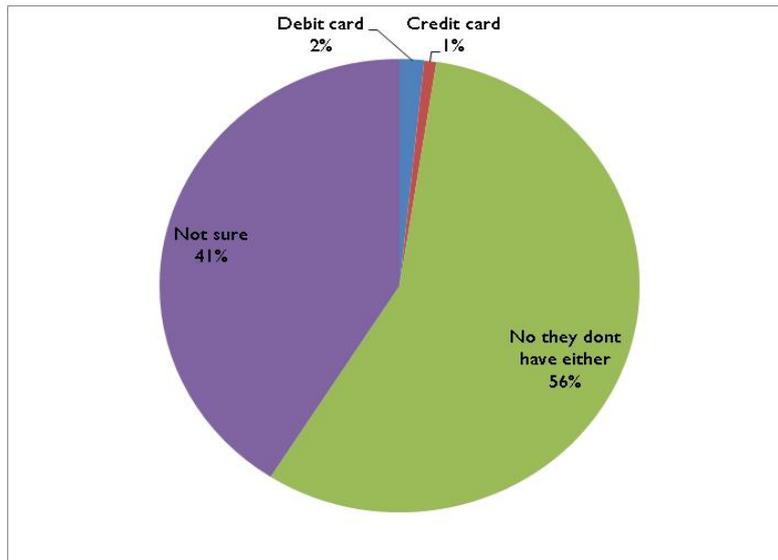
According to those surveyed, over two thirds (67%) of recipients in Ghana have “access” to a bank account. This is consistent with the findings of USAID (2005a) where 70% of the Ghanaian community are found to have a bank account (see Section 2). Only 26% of recipients definitely have an ATM/ cash-point card, with a further 44% possibly.

Figure 10: ATM/Cash-Point Cards among Most Common Recipients



Only 2% have a debit and 1% a credit card (see Figure 12). 57% are known not to have either a credit or debit card. The relatively low utilisation of banking services in Ghana is likely to be causing a significant barrier to new transfer methods to Ghana especially those that rely on the recipient having access to ATM / debit or credit cards, such as online services and bank-to-bank services. Underdeveloped receive networks will undermine any efforts in the UK send-market to develop more cost effective, efficient, reliable and faster products and the additional fringe benefits that many of these new providers offer.

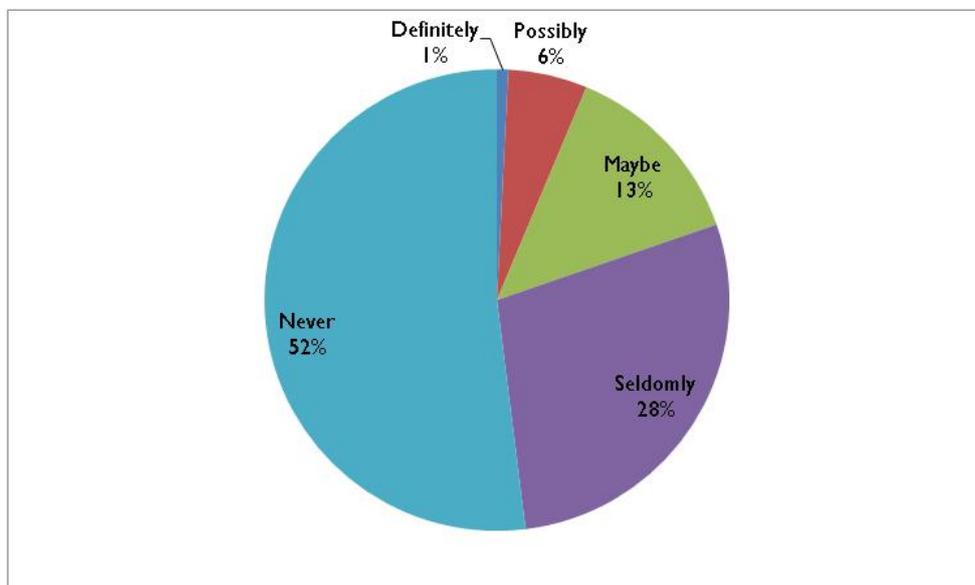
Figure 11: Recipient with Debit / Credit Card



7.5.1 Prepaid Cards

In testing the respondents’ openness to alternative transfer methods, over half (52%) of respondents said they have never considered using prepaid cards or a debit card for sending money home. At present none of those surveyed actually use a prepaid card product. Only a small minority (20%) of respondents said they might consider using a prepaid card product.

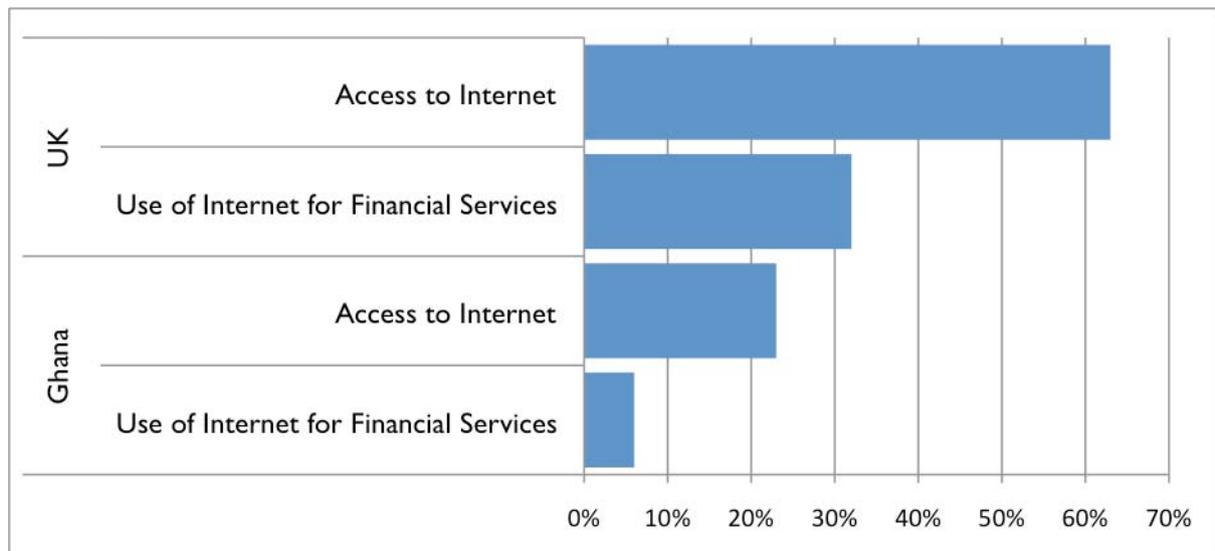
Figure 12: To what extent the sender would consider using a Debit or Prepaid Card for sending money home?



7.5.2 Online

In order to use online services not only must senders and receivers have a bank account, but they must also have access to the internet and the confidence to use the internet for financial services. Table 16 gives an indication of how many UK-based Ghanaians has access to the internet. Nearly two thirds (63%) of those surveyed in the UK have access to the internet and a third would consider using the Internet for financial services.

Table 16: Access to the internet in the UK and Ghana and Use for Financial Services



However, currently none of the respondents use an online service to remit money from the UK to Ghana. Furthermore, even those survey respondents who regularly use online banking facilities to manage their bank accounts are not attracted by online remittance services providers. This could be for a variety of reasons:

1. the high satisfaction levels among senders in this market
2. the price disparity between the more traditional transfer methods and online are not wide enough to entice people to try the online services
3. access issues in the receive network - with regards to the recipients in Ghana, the prevalence of the internet is significantly lower with only a quarter having access and only 6% would consider using it for financial services
4. lack of knowledge with regards to the new transfer methods available in the market

Despite the survey findings, from the point of view of the online MTOs there is evidence of some uptake of online services by second-generation remitters in the market and the expectation is that usage will grow in coming years as online services become more accessible at the send end. Many of the UK based operators provide a remote ordering service that allows the sender to make their payment online through a domestic transfer directly into the MTOs bank account. The receive-end (or 'last mile') is still handled, in the more traditional way, through cash payouts. This is because there are access issues in Ghana where there is a relatively under-developed financial infrastructure. Purely online RSPs will generally require the recipient as well as the sender to either be a bank account holder and/or have ATM access (generally VISA or MasterCard).

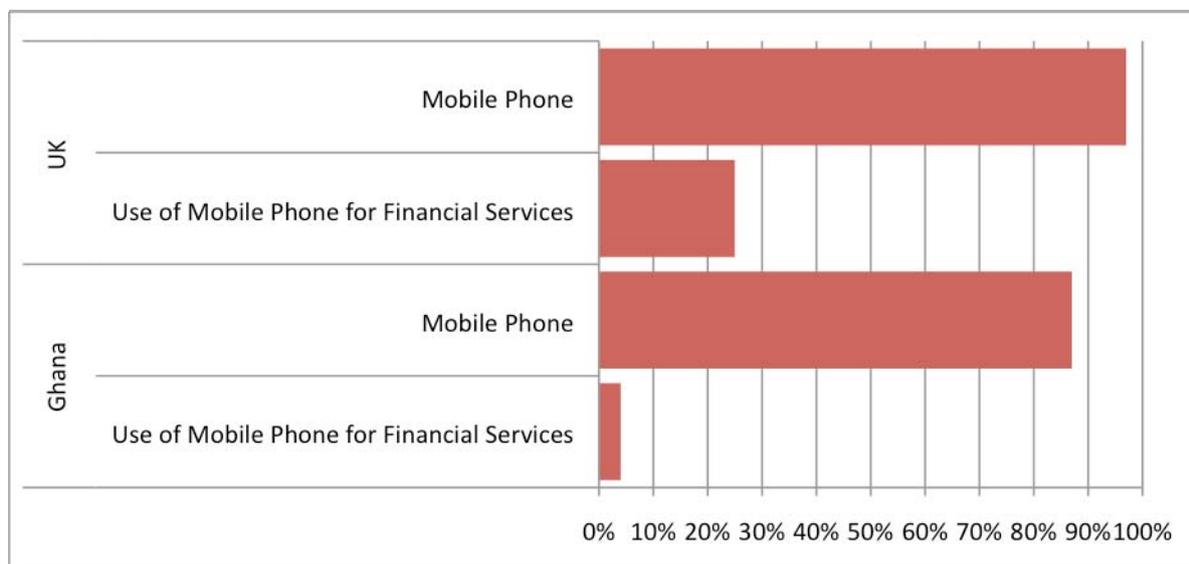
There are a number of factors that will inevitably lead to increased uptake of online remittance products both amongst UK based Diasporas in general, and amongst a community such as UK-based Ghanaians. An increase in the availability of online remittance products; marketing campaigns targeting individual communities; improvements in the products themselves; the proliferation of Internet accessibility in UK households; and, an increasingly IT literate and online savvy base of consumers. In all probability, if a consumer survey such as this were to be carried out five years from now, there would be a marked

increase in respondents using online remittance products. This would be dependent, however, on the product on offer being a viable and competitive alternative to the cash-to-cash product.

7.5.3 Mobile Phones

It is evident from Table 17 that the use of mobile phones is very high among both senders in the UK (97%) and recipients in Ghana (87%) indicating that they have the infrastructure to make mobile transfers. Currently the use of mobile phones for financial services is a lot less prevalent, with 25% of the UK Ghanaian Diaspora using their phone for such services and only 4% of the Ghanaian. This is not discouraging, as at present there are not many financial services offered through the mobile phone (generally constrained to paying for airtime products) and may also infer a lack of trust in the system. The success of international money transfers by mobile phone as offered by MPESA in Kenya and G-Cash in the Philippines (see Section 5.5) indicates that there is a growing demand for this service. As discussed, this service is currently not available in the UK to Ghana corridor.

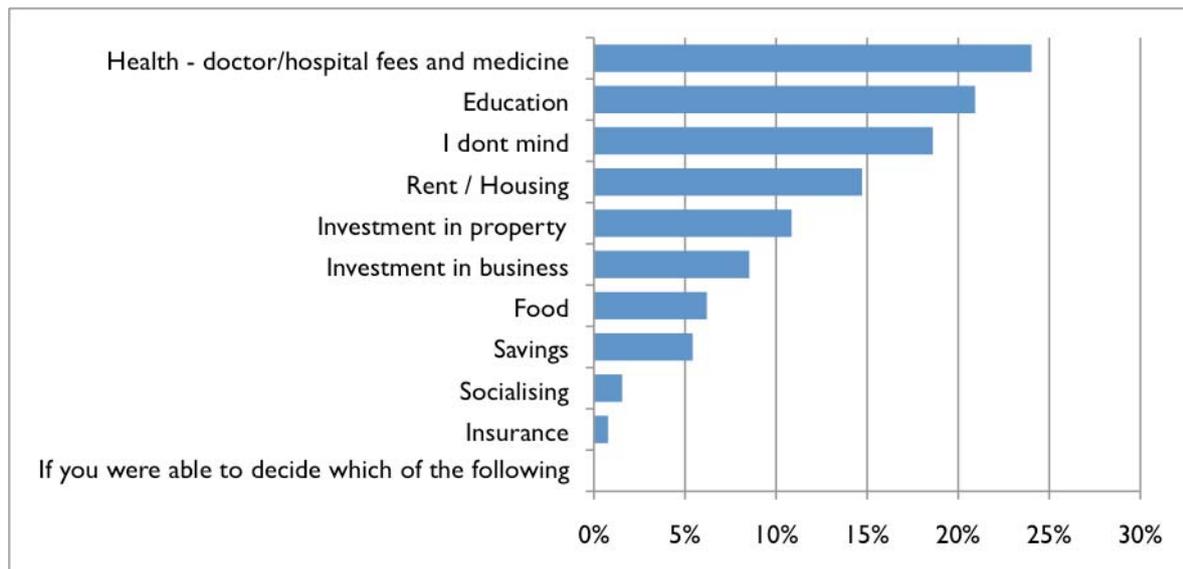
Table 17: Mobile Phones in UK Senders and Ghanaian Recipients



7.6 Preferences over Where Remittances Are Spent

In assessing the demand for alternative and new transfer methods and products, survey respondents were asked whether they would like the opportunity to decide where the money that they send home is spent. Nearly a fifth (19%) said that they do not mind where the money is spent, whereas the majority seemed to welcome the prospect of having some control over the expenditure of money. Being able to pay for health care was the most commonly cited (24%) expenditure category that survey respondents want to be able to pay directly for. Similarly, education also featured highly with 21% of respondents welcoming the opportunity to be able to pay school fees directly through remittances. Other preferences included housing and investing in property and businesses.

Table 18: Categories that the Sender would like to be able to pay directly into



7.7 Remittances Awareness through Dissemination

As has been shown in previous sections there are a number of channels in place to reach the UK based Ghanaian Diaspora and the Ghanaian Diaspora is, in turn, relatively receptive to them. The Ghanaian Diaspora is community orientated; both in terms of interacting with community media, events and focal points in the UK and in terms of retaining strong links with family and friends back home.

There are a number of ways that this can be utilised to improve the remittance service between the UK and Ghana. Key messages that could be publicised in the various media solutions are highlighted below - many of which flow into the recommendations and are covered in more detail there.

1. Benefits of using formal remittance services as opposed to informal
2. Benefits of the PSD and safeguarded money
3. Transparency and competition in the market
4. New market players or existing operators offering new products or prices
5. New technologies available to the UK based remitter
6. Educate the UK Diaspora to increase financial literacy via the use of new technologies
7. Educate the Ghanaian Diaspora with regards to financial literacy

Part 8 Findings

8.1 UK regulations

There is a new regulatory regime in place, the Payment Services Regulations (PSD), introduced on 1 November 2009 across the EU. The PSD creates a new category of business; the Payments Institution (PI). There are two sorts of PIs – Authorised and Small.

An authorised PI needs to go through a diligent approval process whereas the small PI needs only to provide a minimal amount of information. There are considerable benefits to both the consumer and the PI from authorisation, including the safeguarding of money and ability to passport through Europe respectively. The regime will take some time come into effect throughout Europe and to be properly implemented throughout.

Operators must also comply with Anti-Money Laundering (AML) Regulations which are standardised throughout the EU. Identification must be taken for any transaction over Euro 1,000 or local currency equivalent. As a result UK based operators have set their own transaction limits for taking ID and thus vary from operator to operator. This causes confusion for consumers and also means businesses are competing in areas that should not be grounds for competition.

Overall most operators feel that the level of regulation is quite appropriate for the level of risk in the market place. Although some smaller money transfer companies said that they found it very difficult to open bank accounts for their own business. The only bank that consistently helped them was Barclays.

8.2 Ghana Regulatory Environment

The Ghanaian regulatory environment has been improved in recent years and in general is not considered to be overly burdensome or restrictive to UK operators. However, clarification is needed on the exchange rate regulation and most operators would like to be able to send money out of Ghana as well as send it in. In addition, efforts to ensure that services are available in rural areas, probably through the use of agents, are required.

8.3 UK Supplier surveys

The UK to Ghana remittance corridor has a number of different service providers operating, providing different types of transfer methods at different speeds, levels of convenience and cost. The Ghana corridor is considered one of the more competitive corridors from the UK, with a more even playing field than to most other countries. Most operators appeared to understand their customers well and felt they were doing a good job in delivering to their needs.

The cash-to-cash business model is the most prevalent in the market. Other service providers included banks and alternative methods, such as pre-paid cards or the internet. There has not been as much progress in Ghana with mobile payments as in some other

African countries Two or three of the specialists in sending money to Ghana are also acting as agents for banks in Ghana and are helping Ghanaians in the UK to open bank accounts.

Many of the UK based MTOs found it hard to establish payout networks in Ghana due to restrictions on what type of businesses could offer the services in Ghana.

All the operators had well developed marketing programmes targeted at Ghanaians. There is well established Ghanaian media in the UK. Methods included supporting community activities (which was very common), to working with the High Commission, Ghanaian press, SMS messaging, TV (OBE and BEN) and radio (some of which is pirate radio).

8.4 Highlights of Consumer Surveys

There were 160 consumer surveys conducted by questionnaire and a number of in depth interviews and focus groups were also undertaken.

The UK Diaspora is found to be relatively well banked with over 90% of people surveyed holding a UK bank account. The most popular bank was NatWest followed by Barclays and Halifax. Around 60% of people used a debit/ATM card with savings accounts also popular.

The most popular frequency for sending money was 12 times a year (nearly 50%), followed by 18% sending 4 times a year, 10% sending 3 times a year and 9% sending 6 times a year. Money is most frequently sent to parents or a spouse and is mainly sent to the same person. The most frequent send amount is between £51 and £100 with £151 - £200 being the next most popular. Unsurprisingly money is remitted because the person can earn more in the UK than Ghana and the person sending the money is the main wage earner.

98% of those surveyed used a cash-to-cash transfer to remit money back home to Ghana, around 40% send money with friends or family and only 8% used to account to account transfers. Only 2% use the informal transfer method (sending money with friends or family) as their main method of transfer. The sender chooses which method to use. The most popular companies used were Unity Link (58%) with Western Union (32%) and MoneyGram (23%) being next. The majority of senders were paying between £4 and £5 per £100 spent which tallies with the actual charges. The reasons behind preferred transfer methods were speed and convenience.

Overall, the UK Diaspora was extremely satisfied with the services on offer, especially with regards to the exchange rate. The main difficulties senders experienced in sending money were that the receiver needs ID (71%) and that the sender has to make an international call to tell the receiver that the money has been sent (81%). Only 17% of respondents thought that sending money transfers was expensive.

A surprisingly high number (67%) of senders thought that the recipient had access to a bank account, whilst 26% thought they had access to an ATM card and only 3% access to a debit or credit card. Nearly every UK based sender had a mobile phone and most receivers in Ghana also had access to a phone. Around two thirds of senders had access to the internet although internet use for financial services is not particularly high. A relatively low number of people considered using a mobile phone or the internet for making money transfers.

Part 9 **Recommendations**

The recommendations in this document are derived from the findings of the desk research and more importantly, the primary research that was conducted for this ground-breaking project. Where possible the link to the relevant supporting research has been provided. Although in a number of cases the recommendations are a result of a combination of a number of the key findings.

9.1 UK Regulation

(1) Continue to promote formal transfer methods and act against informal methods

Explanation	<p>Although only 2% of the Ghanaian community regularly use the informal channels such as sending money with friends and family as their main transfer method, over a third claim to use this service at some point.</p> <p>Continue in the drive to increase transparency and competition in the formal market through current and future campaigns/projects and advertise with regards to the risk of the informal market in community media.</p> <p>The Ghanaian and UK regulatory authorities should take positive enforcement action where appropriate against known informal operators. In addition, it is believed that many of the informal transactions in Ghana are paid out at markets using sterling currency that is hand carried by the people into Ghana. It is believed that airline crew may be involved in this practice. Some further investigation in Ghana may help in this regard.</p>
Benefits	<p>Improved provision of service. Reduced risk. Reduced crime and money laundering. Greater volume and lower prices</p>
Ownership	<p>The Ghanaian and UK regulatory authorities should take positive enforcement action where appropriate against known informal operators.</p>
Effectiveness	<p>High Investment Medium</p>

(2) Make it easier for UK MTOs to be able to open bank accounts for their business

Explanation	<p>Some of the smaller operators in the UK find it extremely hard to open bank accounts for their MTO business.</p> <p>This issue is not specifically restricted to the UK to Ghana corridor but is a consistent problem within the UK remittance industry. The UK Money Transfer Association has developed a good dialogue with the banks on this area but apart from Barclays most banks do not want to work with money transfer businesses as they perceive them as too high a risk compared to the rewards that they can earn from them.</p> <p>It is to be hoped that the Payment Services Regulations (PSRs) and the new regime that has been established will at least help the Authorised Payments Institutions. However, it is strongly recommended that discussions are held with the FSA and the British Bankers Association on this subject and that if positive changes are not seen that it is requested that the matter is referred to the Office of Fair Trading</p>			
Benefits	<p>More competition in the market. Reduced banking costs for operating MTOs. Reduced costs for consumers.</p>			
Ownership	<p>Discussions with the FSA and British Bankers Association. Refer to Office of Fair Trade if necessary.</p>			
Effectiveness	<table border="1"> <tr> <td data-bbox="591 1182 927 1270">Medium</td> <td data-bbox="927 1182 1592 1270">Investment</td> <td data-bbox="1592 1182 1928 1270">Low</td> </tr> </table>	Medium	Investment	Low
Medium	Investment	Low		

(3) Guidance on the GBP limit for ID Requirements

Explanation	<p>There is some inconsistency with regard to the threshold for ID requirements amongst UK providers. The current model is based on an out of date Euro-Sterling conversion rate and the exact figure varies between operators (between £0 for banks and £600 - £750 for MTOs).</p> <p>The threshold should not be lowered significantly as this will drive a percentage of consumers away from the formal market. Whilst it is known that the FSA/HMRC do not wish to set a fixed limit in GBP it is recommended that they provide guidance in this area. The Anti-money laundering requirements could be used as the catalyst for this but the levels that people require ID at should not be used for competitive positioning.</p>	
Benefits	<p>Standardisation across the market. Removal of levels that people require ID as a competitive issue</p>	
Ownership	FSA	
Effectiveness	<p>Low</p>	<p>Investment</p> <p>Low</p>

9.2 Ghana Regulation

(4) Open remittance services to other outlets

Explanation	<p>Regulation by the Bank of Ghana means that the remittance outlets are dominated by banks (and the Post Office) and do not reach the rural areas.</p> <p>A change in the regulations to open up the remittance service to other outlets – i.e. retail outlets and Ghana Post which would significantly improve access in rural areas. Since the ability of banks to enter into exclusive contracts was abolished, a few banks have signed with other operators and provide receivers with a choice. However, this does not address the lack of rural access and hence enabling retail locations to offer payout and other services would be desirable</p>		
Benefits	Improve rural access and aid financial inclusion		
Ownership	Bank of Ghana		
Effectiveness	High	Investment	Low

(5) Make it easier for Ghanaians to get a bank account

<p>Explanation</p>	<p>At present the senders of money transfers believe that it is extremely difficult to set up a bank account in Ghana.</p> <p>The Central Bank needs to take measures to address this and take a top-down approach to address financial access, inclusion and literacy within Ghana. This is one of the main hurdles that is affecting the development of the UK-Ghana remittance corridor, as developments and improvements in the UK are constrained by the financial illiteracy in Ghana that the newer technologies and transfer methods are reliant on. In order to cut costs in the future, it is imperative that the number of people using formal financial banking methods increases</p> <p>International development agencies can also take a proactive role in encouraging innovation and in developing education programmes</p>			
<p>Benefits</p>	<p>Address financial access, inclusion and literacy in Ghana</p>			
<p>Ownership</p>	<p>Banks (develop new products); Bank of Ghana (top-down approach); International Development Agencies/DfID (encourage innovation and developing education programmes)</p>			
<p>Effectiveness</p>	<table border="0"> <tr> <td data-bbox="571 1109 896 1211" style="background-color: red; color: white; text-align: center; vertical-align: middle;">High</td> <td data-bbox="896 1109 1534 1211" style="text-align: center; vertical-align: middle;">Investment</td> <td data-bbox="1534 1109 1845 1211" style="background-color: yellow; text-align: center; vertical-align: middle;">Medium</td> </tr> </table>	High	Investment	Medium
High	Investment	Medium		

(6) Allow MTOs to transmit money out of Ghana

<p>Explanation</p>	<p>The Bank of Ghana currently does not allow MTOs to send funds out of Ghana.</p> <p>It is understood that the Bank of Ghana wishes to control foreign currency that is sent out of the country but a number of the MTOs felt that if this were allowed then it would result in improvements in the country. Permitting Ghana MTOs to transmit money will open up a new agent network, new outlets in Ghana, assist in financial inclusion and help financial literacy.</p>		
<p>Benefits</p>	<p>May lead to new agent networks. Assist in financial inclusion and help financial literacy.</p>		
<p>Ownership</p>	<p>Bank of Ghana</p>		
<p>Effectiveness</p>	<p>Medium</p>	<p>Investment</p>	<p>Low</p>

(7) More ATM / Visa / MasterCard facilities in Ghana

<p>Current Situation</p>	<p>ATMs, Visa and MasterCard are not widely used in Ghana, especially outside of the main cities. This therefore constrains the adoption of new money transfer methods which rely on this type of banking facility and the associated money transfer options.</p> <p>The Central Bank should encourage Banks to provide more facilities throughout the country to make the adoption and absorption of these banking facilities more common and widespread. This will help improve the technological advancement and development of the money transfer market and reduce problems to do with the time taken to collect remittances by recipients.</p>		
<p>Benefits</p>	<p>Adoption and absorption of banking facilities more common and widespread. Help improve technological advancement of the money transfer market. Reduce problems in time taken to collect remittances by recipients.</p>		
<p>Ownership</p>	<p>Banks</p>		
<p>Effectiveness</p>	<p>High</p>	<p>Investment</p>	<p>High</p>

9.3 Industry

(8) Develop 'remittances for a specific purpose' products

Explanation	<p>Although there are a number of transfer methods available in the UK-Ghana corridor, the opportunity for UK based banks and MTOs to develop horizontally and vertically is underexplored. 65% of the Ghanaian Diaspora said that they would like more control on how the money that they are sending is spent. Direct channelling of funds into schemes through remittances would help to eliminate trust issues around the misuse of funds, which is a common concern. Research and collaboration between the UK operators and their Ghanaian counterparts to explore the opportunity and demand for using MTOs and remittances to pay directly for:</p> <ul style="list-style-type: none"> a. Education / school fees (clear demand) b. Health c. Community projects (through the Church) d. Mortgages / Loans / credit e. Construction; finance management companies / MFIs f. Use remittances to get credit history g. Pensions – develop market for banked returnees 	
Benefits	Improved service. Better financial inclusion in Ghana; increased savings	
Ownership	Industry-led (backing from DFID)	
Effectiveness	High	Investment Low

(9) Improve the use of online services

<p>Explanation</p>	<p>The Ghanaian community is currently very distrustful of the internet and the potential for fraudulent activity. Current online products are deemed to be inefficient and not cost effective.</p> <ul style="list-style-type: none"> • Operators to develop initiatives to build awareness and trust of online services to help reduce the cost of remitting • Operators could make it more financially attractive to use online services as there are positive benefits for them in the long-run from moving away from the traditional agent model • In order to make online products as attractive as possible the payout locations would need to use bank counter outlets or retail networks in Ghana to be of real value to the community • Although conservative in their approach to change in general a government led initiative to educate the Ghanaian Diaspora on the value of the internet would pay broader dividends than just money transfers. In addition, the Diaspora can play a role in educating their families at home. 			
<p>Benefits</p>	<p>Cheaper service provision; deeper financial knowledge</p>			
<p>Ownership</p>	<p>Operators, Government and UK Diaspora</p>			
<p>Effectiveness</p>	<table border="1"> <tr> <td data-bbox="560 1133 896 1243"> <p>High</p> </td> <td data-bbox="896 1133 1523 1243"> <p>Investment</p> </td> <td data-bbox="1523 1133 1850 1243"> <p>Medium</p> </td> </tr> </table>	<p>High</p>	<p>Investment</p>	<p>Medium</p>
<p>High</p>	<p>Investment</p>	<p>Medium</p>		

(10) Encourage banks to offer more competitive money transfer services

Currently banks are very uncompetitive on price and not attractive or used by the Diaspora despite the highly banked population. There are severe service limitations as most international payments are account-to-account and relatively slow. Banks will only transfer money for their own account holders and perceive that it is expensive for them to offer international transfers.

Explanation

- Encourage Government driven initiatives to persuade banks of the potential of this market and the benefits from harnessing it through first mover advantage.
- Educate banks as to the benefits for their business of using remittances as a tool to attract more profitable customers.
- Ensure banks offer more competitive pricing through more transparency
- Publish pricing of remittance services through different providers to ensure that customers and potential customers are aware of the competitive offerings. This may help encourage banks to realise their uncompetitive position.

Benefits

More competitively priced services

Ownership

Ghanaian and UK regulatory authorities

Effectiveness

Medium

Investment

Low

(11) Encourage Ghanaian banks to open operations in the UK

Explanation	<p>Currently Ghanaian banks are not present at a retail level in the UK and rely on agency agreements with MTOs to transfer money to their Ghana networks. If they established a limited number of retail outlets in the key areas in the UK then they could offer remittance services where no agent fees were required and also they could offer additional products and services.</p> <p>Ghanaian banks could use their strong brand awareness and connection with Ghana to generate significant long-term relationships with individual members of the Diaspora.</p>			
Benefits	<p>Aid to financial inclusion. Banks can offer services directly to core customer base. Potentially more competitively priced services.</p>			
Ownership	Ghanaian banks			
Effectiveness	<table border="0"> <tr> <td data-bbox="577 991 898 1086" style="background-color: red; color: white; text-align: center;">High</td> <td data-bbox="913 1007 1070 1035" style="text-align: center;">Investment</td> <td data-bbox="1541 991 1861 1086" style="background-color: yellow; text-align: center;">Medium</td> </tr> </table>	High	Investment	Medium
High	Investment	Medium		

9.4 Education and Awareness

(12) Use the Ghanaian Diaspora to educate those in Ghana

Explanation	<p>The Ghanaian Diaspora is fairly well educated, especially with regards to newer technologies (internet and mobile phones) and financial literacy and services.</p> <p>Use dissemination techniques to provide information to the UK Diaspora. Develop new products and services and improve the money transfer and financial systems in Ghana. Once these products are available then a full scale communication initiative can be undertaken.</p> <p>Initiatives that use the UK based Ghanaian community to educate the Ghanaian's back home about financial services and new products can have real benefits. Thought needs to be given as to which messages are best suited to using this channel.</p>		
Benefits	Improved service. Lower costs. Uptake of new technologies. Financial inclusion in Ghana.		
Ownership	DFID		
Effectiveness	High	Investment	Medium

(13) Create a Ghana specific price comparison and community website

Explanation	<p>The Diaspora are known to use community websites. This practice should leveraged to provide a wide range of remittances with regards to remittances and the connected financial inclusion benefits. In addition, a site that provides customers with true comparisons of the remittance products from many send markets will aid transparency and increase the use of formal channels.</p> <p>Such a site could be used for education and community information as well as for benefits that are directly related to remittances.</p>			
Benefits	<p>Improve transparency in the market. Help to reduce costs to the consumers. Community out-reach and way of educating and informing the Ghanaian Diaspora of new transfer methods.</p>			
Ownership	Bank of Ghana / DFID			
Effectiveness	<table border="0"> <tr> <td data-bbox="577 991 898 1086" style="background-color: #FFD700; text-align: center;">Medium</td> <td data-bbox="913 1007 1070 1034" style="text-align: center;">Investment</td> <td data-bbox="1541 991 1861 1086" style="background-color: #90EE90; text-align: center;">Low</td> </tr> </table>	Medium	Investment	Low
Medium	Investment	Low		

(14) Integrated campaign to ensure key messages are received by the Diaspora in the UK

<p>Explanation</p>	<p>The Ghanaian Diaspora in the UK works well with a number of community radio and TV channels. Most use these channels to stay involved and engaged in the Ghanaian community. Therefore, it should be easy to reach out and educate the population through a number of different mediums. MTOs seem to be actively involved in generating awareness, self-promotion, self-regulation and are reactive to the needs of the consumer.</p> <ul style="list-style-type: none"> • An integrated campaign using a combination of community events (especially churches), radio, TV, press, SMS-based and internet/email communications • The High Commission in the UK should be used as a sounding board and a conduit for communication activities in the UK • Specific recommendations have highlighted in previous sections where there is the opportunity to use dissemination techniques to provide information to the UK Diaspora • There is an overriding need to develop new products and services and improve the money transfer and financial systems in Ghana in order to maximise the effectiveness of an outreach programme. Once these products are available then a full scale communication initiative can be undertaken. 			
<p>Benefits</p>	<p>Improved service. Lower costs. Uptake new technologies. Financial inclusion in Ghana.</p>			
<p>Ownership</p>	<p>DFID</p>			
<p>Effectiveness</p>	<table border="1"> <tr> <td data-bbox="560 1228 896 1348"> <p>Medium</p> </td> <td data-bbox="896 1228 1523 1348"> <p>Investment</p> </td> <td data-bbox="1523 1228 1843 1348"> <p>Medium</p> </td> </tr> </table>	<p>Medium</p>	<p>Investment</p>	<p>Medium</p>
<p>Medium</p>	<p>Investment</p>	<p>Medium</p>		

9.5 Recommendation Summary

	Effect	Invest	Ownership
UK Regulation			
(1) Continue to promote formal transfer methods & take action against informal	High	Medium	Ghanaian and UK regulatory authorities
(2) Make it easier for MTOs in the UK to open bank accounts	Medium	Low	FSA
(3) Guidance on the GBP limit for ID Requirements	Low	Low	FSA (through PSD)
Ghana Regulation			
(4) Open remittance services to other outlets	High	Low	BoG
(5) Make it easier for Ghanaians to get a bank account in Ghana	High	Medium	Banks et al.
(6) Allow MTOs to transmit money out of Ghana	Medium	Low	BoG
(7) More ATM / Visa / MasterCard facilities	High	High	Banks

Industry

(8) Purchase specific remittances	High	Low	Industry-led (backing from DFID)
(9) Improve the use of online services	High	Medium	Government & UK Diaspora
(10) Encourage banks to offer more competitive money transfer services	Medium	Low	Ghanaian & UK regulators
(11) Encourage Ghanaian banks to open operations in the UK	High	Medium	Ghanaian Banks

Education and Awareness

(12) Use the Ghanaian Diaspora to educate those in Ghana	High	Medium	DFID
(13) Create a Ghana specific price comparison and community website	Medium	Low	BoG / DFID
(14) Integrated campaign to ensure key messages are received by the Diaspora in the UK	Medium	Medium	DFID

Part 10 **DFID Specific Recommendations**

This section identifies specific recommendations for DfID that could make a significant difference to the UK to Ghana remittances corridor.

10.1 Dissemination of the results for the report

The recommendations in this report are for a range of stakeholders. This indicates that to make significant improvements in the market a joint effort between regulators, development organisations, government and the private sector will be required.

The first recommendation is self-evident. DFID will need to disseminate the report to key stakeholders. A workshop has already been held in Ghana but many of the actions are the responsibility of UK based stakeholders. Therefore a comprehensive communication plan should be developed for Ghana based stakeholders and consideration given as to how to deliver the message to the UK based entities. Consideration should be given as to whether assistance can be made by DFID in the UK and/or whether an external party may be useful in delivering the messaging and helping to bring some of the desired changes.

DFID could also consider establishing a working group to develop a plan for each recommendation, establishing the correct support to achieve set goals and to review progress. The representatives on the Working Group should include representatives from the key stakeholder groups and those who are tasked with implementation.

10.2 Ghana Remittance Website

Stemming from G8 and World Bank recommendations there is an increasing awareness amongst governments with regards to the positive impact of remittances in developing countries. A number of national remittance price comparison sites have been built in recent years – most backed by government agencies; the countries for which websites have been built include Australia, France, Germany, Italy, the Netherlands, New Zealand and Norway. A website for a net recipient of remittances, Mexico, is currently being developed. An example of one such site is www.moneymove.org. The site provides information on the true costs of sending (two) fixed sums in the corridors covered. (The true costs include the margin percentage the consumer pays on the operator's FX rate and any cost that may be incurred by the beneficiary.) It further provides information on the accessibility of a provider's network/services in both the send and receive country.

The website, www.sendmoneypacific.org, as well as providing price comparisons on remittances from Australia and New Zealand to the Pacific Islands, provides specific news items for the Island communities and engages in community events through the promotion of the website and the distribution of related literature. By working with and listening to the communities the site is building up its brand awareness amongst them and is receiving an increasing number of visitors and uptake in registrations.

The Ghanaian Diaspora would be well served by a resource, partly modelled on Send Money Pacific. To be of real value it should provide coverage on remittance products in Ghana's most significant send markets (globally and not just from the UK) and focus on community activities and relevant news items as well as providing links to and resources for, for example, education in financial literacy and affiliated financial products. It could also provide information on domestic transfers (i.e. urban to rural) and effectively become a tool for Ghanaians both at home and abroad. Information and education attached to the website should also be disseminated through literature and training and designed to actively reach rural communities in Ghana. This could be achieved through, for instance, engaging with the ARB APEX rural bank network – which manages five hundred banks in rural areas. A programme should be developed and coordinated (i.e. by DFID and APEX) through which rural bank staff members are given the opportunity to improve their financial literacy and/or knowledge of new technologies with 'lead on schemes' whereby they are able to educate and incentivise rural community members, especially remittance beneficiaries, into accessing savings, investment or loan schemes to give them more options for their finances and improve their future economic prospects.

10.3 Educate the Ghanaian Diaspora with regards to financial literacy

Educate the Ghanaian Diaspora in the UK to support initiatives happening in the UK. Innovation and new technologies in the UK will not be utilised by the Ghanaian Diaspora if the recipients in Ghana are not happy to or in a position to use them. This may mean in the future that the Ghanaians miss out on cheaper, faster, more convenient money transfer services, and more importantly the other benefits that are associated with financial inclusion.

Through speaking to members of the community, it became apparent that an increasing number of second generation Ghanaians are strengthening their ties with their home communities in Ghana with a number looking at opportunities such as property investment and longer term planning to become returnees. This trend in itself presents the opportunity for community members returning home –who in all probability will have had access to financial products in the UK, and indeed may well have been regular remitters – to pass on their financial literacy to (in effect 'educate') members of their home community who have not had the opportunity or means to become financially included.

Encouraging cooperation of the type described would be achieved through channels such as DFID awareness campaigns and potentially by bringing both UK and Ghanaian banks into the picture to promote accessible services. The long-term benefits could be hugely significant in creating unprecedented levels of financial literacy and therefore inclusion for a new generation of Ghanaians – many of whom are already IT savvy and own mobile phones.

With an increasingly prosperous and community conscious Diaspora and the growth of new technologies in Ghana itself, there is great potential for new entrants into the corridor to get their messages across – their effectiveness will, to a large extent, be dependent on the lessening of Central Bank restrictions in Ghana – which impede receive networks – and

developments in the country's financial infrastructure. Indeed, in the longer term, the success and sustainability of many of the measures recommended in this report are interdependent on one and other. In the shorter term, the dissemination of transparent information on remittance (and related) products – targeted at the Diaspora – would be an achievable measure towards bringing significant advancements to the market.

A more financially included community would by definition have greatly improved access to (and be more likely to take up) alternative (to cash to cash) remittance products such as online and prepaid card products whose payment systems require beneficiaries to have bank account or VISA or MasterCard ATM access (whilst, where the latter is concerned, the current restrictions are primarily due to the lack of ATM networks outside of the major cities in Ghana, there is very little card usage amongst beneficiaries). Should bank-to-bank remittance prices come down in the UK-Ghana corridor these would also be far more accessible to a banked beneficiary.

10.4 Financial education and inclusion programmes for Ghanaians in Ghana

Although this report is driven from send end research one of the clear imperatives is that there is a need to improve financial inclusion in Ghana. Failing to do so will hinder poverty alleviation measures. In relation to remittances a lack of access to mainstream financial services will result in a restriction on the pace of development of non-traditional remittance services.

It is therefore recommended that DFID actively embarks on programmes that enhance financial literacy and education in conjunction with the Ghana Government. These programmes should be run in conjunction with regulated financial service organisations and should be focused on those in rural areas and those who are financially excluded. In practice DFID will need to allocate funds and to develop an allocation method that works with leaders in the field and encourages innovation. Any such programme will need to have a highly results based measurement mechanism.

Part 11 **Glossary**

ACP - Africa, Caribbean and Pacific (countries)

ADB – Agricultural Development Bank

AML – Anti-Money Laundering

ATM – Automated Teller Machine

BoG – Bank of Ghana

BOP – Balance of Payments

COT - Commission on Turnover

DfID – Department for International Development

DMA – Developing Markets Associates Ltd

EC-PREP - European Community's Poverty Reduction Effectiveness Programme

EMCB-FSR - Economic Management Capacity Building Project-Financial Sector Reform

E-ZWICH – Ghana's National Switch

FDI – Foreign Direct Investment

FSA – Financial Services Authority

FX – Foreign Exchange

GCB – Ghana Commercial Bank

GDP –Gross Domestic Product

HMRC – Her Majesty's Revenue and Customs

IT – Information Technology

KYC – Know Your Customer

MFI – Microfinance Institution

MOU – Memorandum of Understanding

MERBAN – Merchant Bank Ghana

MSB – Money Services Business

MTO – Money Transfer Operator

NBFIs - Non-Banking Financial Institutions

NRI – Non-Resident Indian

OECD – Organisation for Economic Co-Operation and Development

POS – Points of Sale

PSD - Payments Services Directive

RSP – Remittance Service Provider

SAR - Suspicious Activity Report

SMS – Short Message Service

SWIFT - Society for Worldwide Interbank Financial Telecommunication

UKMTA - UK Money Transmitters Association

USAID – United States Agency for International Development

VAT – Value Added Tax

Part 12 Appendix

12.1 Remittance Prices from UK to Ghana for Cash-to-Cash Services

Remittance prices from Country UKto Ghana								
	Transfer Method	Speed	£100.00				Day/Time	Inter-bank FX
			Fee	FX rate	Fx margin	Total cost		
Western Union	Cash-Cash	Less than one hour	12.00	2.32	0.00%	12.00	10/12/2009	2.32
MoneyGram	Cash-Cash	Less than one hour	4.99	2.3	0.86%	5.85	10/12/2009	2.32
Express Funds	Cash-Cash	Less than one hour	4.00	2.32	-0.43%	3.57	15/12/2009	2.31
U-transfer.com	Cash-Cash	Same day	4.00	2.38	-2.59%	1.41	10/12/2009	2.32
Ria Envia	Cash-Cash	Same day	3.00	2	13.79%	16.79	11/12/2009	2.32
Coinstar Money Transfer	Cash-Cash	Same day	4.00	2.33	-0.43%	3.57	10/12/2009	2.32
Unity Link	Cash-Cash	Same day	4.00	2.32	0.00%	4.00	10/12/2009	2.32
SwiftCash	Cash-Cash	Same day	5.00	2.39	-3.02%	1.98	11/12/2009	2.32
Global Link	Cash-Cash	Same day	4.00	2.32	0.00%	4.00	10/12/2009	2.32
Money Remittance Worldw ide	Cash-Cash	Nextday	3.00	2.32	0.00%	3.00	11/12/2009	2.32
World Money Move	Cash-Cash	Nextday	6.00	2.26	3.00%	9.00	16/12/2009	2.33
World LinkFinance	Cash-Cash	Nextday	4.00	2.33	-0.43%	3.57	10/12/2009	2.32
Western Union (nextday service)	Cash-Cash	Nextday	4.90	2.32	0.00%	4.90	10/12/2009	2.32
Double Crown International	Cash-Cash	Nextday	10.00	2.38	-2.59%	7.41	10/12/2009	2.32
Express Global Finance	Cash-Cash	Nextday	8.00	2.4	-3.45%	4.55	10/12/2009	2.32
		Average	5.39	2.31	0.32%	5.71		

Source: www.moneymove.org

12.2 DFID Ghana Supplier Side Constraints Survey

23 March 2011

Objectives:

- Understand the demographics and different categories of individuals sending money to Ghana from the UK
- Understand the popularity of different methods that are used to transfer money
- Understand what constraints there may be in using the existing money transfer mechanisms
- Understand the senders perception of what the receiver uses the money for
- Understand what the senders may like their money to be used for
- Understand the penetration of mobile phones, ATMs and pre-paid cards

Screening

We are conducting a survey on sending money to friends and family in Ghana. The purpose of the survey is for research purposes only and is to help explore people's attitudes to sending money to Ghana and to find out how the companies involved could make it easier for you to use the service.

The questionnaire will take approximately 20 minutes to complete. No-one will be able to trace the answers that you give back to you.

First please answer the following general questions about yourself

S1 Do you send money to friends or family members in Ghana?

<input type="checkbox"/>
<input type="checkbox"/>

Yes – continue to S2

No ; Please finish the survey here

S2 How often do you send money to friends or relatives in Ghana?

Please tick one answer only

<input type="checkbox"/>	Less than once a year	- Please finish the survey here
<input type="checkbox"/>	1-2 times a year	- Please finish the survey here
<input type="checkbox"/>	3 or more times a year	- Continue to Q1

Q1

And in particular whom do you send money to? And how many times a year do you send money to them?

Please tick as many answers as appropriate

		Who do you send money to?	How many times a year?
1	My wife/husband		
2	My children		
3	My parents		
4	My grandparents		
5	Other relatives		
6	Friends		
7	Myself		
8	Other, specify		

Q2 To what extent do you always send money to the same person?

Please tick one answer only

1	Always	
2	Most of the time	
3	Occasionally	
4	No, usually different people	
5	Not sure	

Q3 For what reasons do you send money to this person/these people?

Please tick all that apply

1	Because I am the main wage earner for my family	
2	Because I can earn more in the UK than I/ they can at home	
3	Because they are retired	
4	Because there is very little work available in their country	
5	Because it is easier to send money than Birthday or other presents	
6	Other (specify)	

Q4 Approximately how much money do you typically send on each occasion that you send money to this person/these people?

Please answer to the nearest £1

Numeric_____

£10 -£50	
£51 - £100 -	
£101 - £120	
£121 - £150	
£151 - £200	
£201 - £250	
£251 - £300	
£301 - £400	
£401 - £500	
£501 - £600	
£601 - £700	

£701 - £800	
£801 - £1000	
£1001 - £1200	
£1201 – 20,000	

Q5 How many times a year would you like to send the amount that you answered in question 4 during a typical year?

Number of times a year

0	1	2	3	4	5	6	8	10	11	12	More than 12

The next questions are about whether you have a relationship with a bank

Q6 Do you personally have a bank account in the UK?

1	Yes	
2	No	

If you answered no to question 7 please go to question 9.

Q7 Which UK banks do you currently hold an account with?

Please tick all that apply

1	Lloyds TSB	
2	Natwest	
3	Royal Bank of Scotland	
4	Barclays	
5	Halifax	

6	Bank of Scotland	
7	Abbey	
8	Alliance & Leicester	
9	Nationwide	
10	HSBC	
11	Co-operative Bank	
12	Citi Bank	
13	Other (specify)	
14		

Q8 Which of the following bank products and services do you use regularly?

Please tick all that apply

1	Current account	
2	Savings account	
3	ATM/Cashpoint card	
4	Cheque book	
5	Debit card	
6	Credit card	
7	Online banking	
8	Telephone banking	
9	International money transfers	
10	Other (specify).....	

Sending money to Ghana

The next few questions are about the money that you send overseas to recipients

Q9 How do you send money to friends and relatives in other countries?

Please tick all that apply

1	Cash to cash (for example Western Union)	
2	Cheque	
3	Travellers Cheques	
4	A credit union	
5	Bank to bank transfer	
6	Prepaid money transfer card	
7	Cash sent with friends and family visiting	
8	Goods, e.g. tv, hi-fi etc	
9	Other (specify)	

Q10 Who decides which method to use?

Please tick all that apply

		I do	The receiver	A joint decision
1	Cash to cash (for example Western Union)			
2	Cheque			
3	Travellers Cheques			
4	A credit union			
5	Bank to bank transfer			

6	Prepaid money transfer card			
7	Cash sent with friends and family visiting			
8	Goods, e.g. tv, hi-fi etc			
9	Other (specify)			

Q11 For what reasons do you prefer to use these methods to send money home?

Please tick all that apply

1	Convenient for me	
2	Fast	
3	Cheap for me	
4	Reliable for me	
5	Costs less for the recipient	
6	Other (specify)	

Q12 Are there any reasons why this choice of method is preferred by the person you send money to?

1	Convenient for them	
2	Fast	
3	Cheap for them	
4	Reliable for them	
5	The exchange rate is better	
6	Only option available to them	
7	Other (specify)	

Q13 Overall, who would you say has the greatest influence on which method to send money home is chosen?

1	I do	
2	The person I am sending the money to	
3	Both	

Q14 Which of the following companies do you currently use for sending money to Ghana?

1	MoneyGram	
2	Western Union	
3	Unity Link	
4	Express Funds/LCC	
5	Global Link	
6	Swiftcash	
7	EPS International	
8	Coinstar Money Transfers	
9	White Eagle	
10	Cash sent with friends and family	
11	Goods, e.g. tv, hi-fi etc	
12	Your bank	
13	Other (specify)	

Q15 Which is the **main method** that you use for sending money to Ghana?

1	MoneyGram	
2	Western Union	
3	Unity Link	
4	Express Funds/LCC	
5	Global Link	

6	Swiftcash	
7	EPS International	
8	Coinstar Money Transfers	
9	White Eagle	
10	Your bank	
11	Other (specify)	

Q16 When sending money are you asked to provide any identification?

1	Yes	
2	No	
3	Sometimes	
4	Not sure	

Q17 When sending money to Ghana do you face any of the following difficulties?

(Tick all that apply)

1	I have to travel a long way to send money	
2	I do not feel safe carrying cash into the place I send from	
3	Expensive	
4	I don't know how much will be collected in Ghana	
5	The person I am sending money to has to travel a long way to collect it	
6	I have to make an international call to tell the receiver I have sent the money	
7	I have to produce identification	
8	I need to have a bank account	
9	The person I am sending money to needs a bank account	
10	The person I am sending money to needs to produce identification	

11	Other (specify)	
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The next few questions are about the recipients of your money and how they use banking services

Q18 Does the person(s) that you most often send money to have access to a bank account?

1	Yes	
2	No	
3	Not sure	

Q19 Do they use an ATM/Cashpoint card?

1	Yes	
2	No	
3	Not sure	

Q20 Do they use a credit or debit card?

1	Debit card	
2	Credit card	
3	No, they don't have either	

Q21 Thinking about the main method that you use to transfer money home (Q13) do you know what fees/charges you are required to pay (if any) in terms of (money or percentage):

Yes in £	
Yes in %	
Don't	

--	--

£_____ Fees (please answer to the nearest £1
or tick don't know if you aren't sure)

% Fees

_____ I don't pay any fees / charges

Q22 Do you know of any other costs associated with foreign exchange that you be charged when sending money overseas?

1	Yes	
2	No	
3	Not sure	

IF YES

Q23 What are these costs for?

(Please state)

Q24 How satisfied are you with the exchange rate you get when you send money home using (Provider mentioned at Q13)? Please give a score from 1-5 to indicate how satisfied you are using the following scale.

1	Very satisfied	
2	Satisfied	
3	Not sure	
4	Dissatisfied	
5	Very dissatisfied	

Q25 Approximately how long (if at all) does it take the recipient you send money to travel to the outlet where they can then collect the money?

Please answer to the nearest minute (for example 90 minutes)

Amount in minutes _____

They don't need to travel to collect the money (GO TO Q24)

Q26 If there was an alternative to your current method of transferring money that meant that the receiver did not have travel so far would you use it?

1	Yes	
2	Yes, but only if it was cheaper than my current method	
3	Only if it was the same as my current method	
4	No	

Q27 To what extent would you consider using a debit or prepaid card for sending money home (e.g. putting funds onto a card and send the card to family and friends overseas for them to use at an ATM or in shops)?

To what extent would you consider using a debit or prepaid card for sending money home?				
Definitely	Possibly	Maybe	Seldomly	Never

The next few questions are about what the money that you send is used for

Q28 What do you understand that the money you send is used for:

Please tick all that apply

1	Food	
2	Rent/housing	
3	Education – school fees	
4	Health – doctor/hospital fees and medicines	
5	Savings	
6	Investment in property	

7	Investment in a business	
8	Socialising	
9	Clothing	
10	Upkeep of child/children and/or spouse	
11	Other (specify)	

Q29 What would you like the money to be spent on?

1	Food	
2	Rent/housing	
3	Education – school fees	
4	Health – doctor/hospital fees and medicines	
5	Savings	
6	Investment in property	
7	Investment in a business	
8	Socialising	
9	I don't mind	
10	Other (specify)	

Q30 Would you like to be able to **decide** how the money that you send is spent?
(Would you like to specify what the money you send is spent on or pay certain items directly from the UK?)

1	Yes	
2	No (go to Q 29)	
3	Not sure	

Q31 If you were able to **decide** which of the following would you like to be able to pay (into) from the UK? (The item would be used in Ghana)

1	Food	
2	Rent/housing	
3	Education – school fees	
4	Health – doctor/hospital fees and medicines	
5	Savings	
6	Investment in property	
7	Investment in a business	
8	Insurance	
9	Socialising	
10	I don't mind	
11	Other (specify)	

The next few questions are about Internet & Mobile Phone Usage

Q32 Do you have access to the internet? Would you use it to access financial services?

1		Have internet	Would use for financial services
2	Yes		
3	No		
4	Not sure		

Q33 Does the most frequent recipient of the money which you send have access to the internet. Would they use it to access financial services?

1		Have internet	Would use for financial services
2	Yes		
3	No		

4	Not sure		
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Q34 Do you currently own a mobile phone?

1	Yes	
2	No	
3	Not sure	

Q35 Does your friend or family member in (in country from Q1) have a mobile phone?

1	Yes	
2	No	
3	Not sure	

Q36 Do you or the receiver of the money you send use your mobile phone for financial transactions?

		You	Receiver
1	Yes		
2	No		
3	Not sure		

Q37 If yes which types of services are used or would you like to use on the mobile phone?

		You	Receiver
1	Money transfer		

2	Buy phone airtime		
3	Bank account transfers		
4	Check statement		
5	Other.....please specify below		

Marketing

Q38 Do you belong to any Ghanaian organisations or groups in the UK?

Yes	No

If you answered yes please list the organizations:

Q39 I would now like you to think about sources of information.

What sources of information do you use to keep up with things that are important to you and your family?

Please tick all that apply.

1	Local papers for your ethnic community	
2	National or local paper/magazine (e.g. The Voice, Sankofa)	
3	BBC local radio	
4	Ethnic radio stations (e.g. Rainbox radio, Voice of Africa)	
5	National radio	
6	Local/ethnic TV (OBE, BenTV)	
7	National TV	
8	By talking to someone who works for your bank	
9	Talking to people in the pub	
10	Talking to family, friends or neighbours	
11	Talking to people who have had travelled to your country of origin recently	
12	Websites (specify)	
13	Other (specify)	
14	None of these	

Demographics

In the final section of the questionnaire please provide a little more information about yourself. This information is only used for profiling purposes and will not be released to other companies.

D1 Please confirm your gender

1	Male	
2	Female	

D2 How old are you?

16-24	
25-34	
35-44	
45-54	
55-64	
65 plus	

D3 Are you:

Married	
Cohabiting	
Divorced/separated	
Widowed	
Single	

D4 Are you:

Employed full time	
Employed part time	
Not working	
A housewife	
Retired	
Student	

D5 What is the occupation of the chief wage earner of the house?

Write in _____

D6 If retired what did you do before you retired?

Write in _____

D7 Do you have children under the age of 16?

1	Yes	
2	No	
3	Not sure	

D8 Do your children live in the UK or overseas?

1	UK	
2	Overseas	

Thank you very much for completing this survey.

12.3 Draft Template for Remittance Service Provider Interviews – formal and informal

This interview guidance sheet will provide qualitative information to be used in the supply DCP Ghana supply side research. Topics include remittance mechanisms for money transfers by businesses transferring to Ghana, barriers to conducting a remittance business, settlement systems for remittance service providers, links between remittances and other financial products etc.

The researchers are to use this template as a guide and must record any data and financial information that is provided. Of necessity these topics are not an exhaustive list but each of the 10 key theme areas must be addressed.

Topics

1 How is the money sent?

Remittance products

- Cash transfers, electronic (bank) transfers, checks, money order
- Mobile money transfers (phones), store value cards, internet transfers
- What are the most used channels/products?

2 Settlement Systems

- How do you settle your remittance transactions?
- What difficulties do you face in settling the remittance transactions? (describe which system you use—bank or non-bank)

3 Access to financial services

- Do you offer any other products besides remittances? checking/ savings accounts, consumer loans

4 Who are your main competitors (informal market and formal markets)?

Number of firms, types of firms, coverage in urban (largest city, medium-sized cities) and rural areas

5 Entry barriers to starting a remittance service business (e.g. minimum capital requirements), impediments to conducting a remittance business, market failures

6 How is your business affected by exchange controls, AML/CFT, and know-your-customer (KYC) requirements?

7 Remittance fees for major remittance corridors, differences in fees & FX commission for different corridors

8 Identification requirements (national identification card, passport, proof of physical address etc.) that may limit access of poor households

9 Remittance volumes, sources, and destinations

- avg. size of transactions
- Currency in which remittances are sent/received, seasonality

10 What other businesses are you involved in?