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**State Secretariat for Economic Affairs SECO**



**Remittance  
Grant Facility**

# Remittance Grant Facility Ghana Remittance Study Report

January 2020



## **Executive Summary**

### **Introduction**

As part of the Remittances Grant Facility, the SECO commissioned and funded research into the Ghanaian remittances market to better understand market dynamics, to develop effective tools to improve the operating environment for remittance service providers, including winners of the RGF, and to encourage growth in and usage of formal remittances channels by the Ghanaian diaspora sending funds to their family and friends.

### **Methodology**

DMA Global were commissioned to undertake the study between June and December 2019. The focus of the research included: a review of the market structure for sending remittances to Ghana, including the products and services available and the costs of these; a literature review of previous studies completed on the Ghanaian remittances market, with a consolidation of recommendations for how to improve the operating environment; and, an assessment of the legal and regulatory framework, identifying potential bottlenecks that could be addressed to encourage the use of formal channels. Demand side research, focusing on the users of remittance channels to and from Ghana, was also a major component of the work, with DMAG teams interviewing remittances senders in the UK, USA, Nigeria, and the Netherlands. Receivers of international remittances were interviewed in Accra and Cape Coast, following consultation with remittance stakeholders in the industry on target locations. In total 99 remittance senders and receivers participated in 10 focus groups around the world.

### **Key Findings**

There were a number of key findings from the research, with a series of recommendations made, based on the objectives of the study.

Whilst emigration from Ghana has slowed over the last 5 years, there has been consistent growth in the total value of inbound remittances to the country, making the nation the second largest receiver in sub Saharan Africa, after Nigeria.

Almost 50% of Ghanaian emigrants reside in another African country, however 70% of inbound remittances come from Ghanaians living outside of the African continent.

Over half of senders and receivers of remittances state that the funds were being provided to support their general needs. Funds tended to be sent on a monthly basis, with an equal split of sending in cash and digitally. For senders in the USA over 80% sent funds digitally, with the opposite being true for those in Nigeria, where over 95% of senders did so using cash. A similar divide between the USA and Nigeria was also found with those sending through regulated channels. 100% of US senders interviewed sent funds through a formal regulated channel, whilst the majority of those sending from Nigeria did so informally (through unregulated transfer methods), either through the bus network or with friends and family traveling between Ghana and Nigeria. Cost and convenience were cited as the main reason for the choice of product. Interestingly for receivers of inbound remittances, they tended to vary their receiving method based on the amount being sent and what those funds were being used for. Larger amounts tended to be picked up in cash, so as to avoid paying significant mobile money cash out fees.

The average cost of sending USD 200 to Ghana in Q3 2019 is 8.2% of the send amount. The cost of sending USD 200 was on the decline between 2013 and 2018 (from 11.5% to 7.9%),

however, increases in the FX margin charged by service providers has seen the price increase over the last 12 months (by about 1 percentage point).

The remittance market, as it pertains to service providers, is a competitive one. A wide range of service providers operate in the market, and there has been significant growth in the number of digital players offering services. This is both at the sending end, where transactions are initiated and on the receiving end in Ghana, where the transaction is terminated. Companies like World Remit and SendWave are increasing their presence and market share amongst Ghanaian diasporans, and this is coupled with significant growth in the use of mobile money, where remittances are received directly onto a mobile wallet. Cash continues to be the preferred method for many, particularly for larger transactions of GHC2000 and above.

The Exchange Control Act 2006 governs the foreign exchange regime in Ghana. The regulatory environment for international remittances is generally sound, however the bank-led model for licensing, which requires that a bank hold the authorisation for all international remittances products in Ghana is restrictive. Consumer protection legislation specific to international money transfers is also lacking and this can leave consumers vulnerable to additional undisclosed charges at the receive end of the transaction.

The act also requires that the exchange rate for international remittances be determined by the Bank of Ghana (BoG), however this has proven difficult to enforce, making the market challenging for those RSPs that do comply with BoG rate. The law also denotes that outbound international payments be restricted to authorised dealers only, significantly limiting the number of products and services available for outbound transactions. The lack of services is reflected in the very high price charged for outbound remittances in select corridors (around 14% of the send amount). Money laundering and fraud is a significant issue in the market for all stakeholders in the value chain, including customers.

### **Recommendations**

27 recommendations have been made to key stakeholders in the market – including the Bank of Ghana, Diaspora Affairs Office, Office of the President, Ministry of Finance, Ministry of Foreign Affairs and the Financial Intelligence Center. A summary of these is provided below:

	Priority	Recommendations	Level of Effort to Implement	Investment
1	High	Financial institutions should develop remittance linked financial products for both senders and receivers of remittance transactions.	High	Medium
2	High	To better support diaspora finance and the ability to innovate, BoG, DAO, MoF, MFA and the banks should develop a campaign around 'banking their diaspora' to channel more productive investments, as well as create opportunities to introduce beneficiaries to a broader range of financial services including savings and affordable insurance products.	Medium	Medium
3	High	Increase revenue generating opportunities through product innovation in the receive market environment. This will ultimately help to drive down cost of remitting.	High	Medium
4	Medium	Consumer protection regulations, particularly in the areas of disclosure of fees should be extended to include international remittances transactions, for both inward and outbound remittances.	Medium	Medium
5	High	Remittance Service Providers authorized to operate in the Ghanaian market should be required to disclose the total costs of a transaction, including whether there are additional charges at the receive end of the transaction.	Low	Medium
6	Medium	An MoU should be reached between Postal Regulatory Authority and Bank of Ghana on Post remittances, and Ghana Post should report to the soon to be established Remittances Unit.	Low	Low
7	High	Bank of Ghana and the Financial Intelligence Center should issue instructions/guidance on the AML/CFT guidelines for international remittances transaction, highlighting roles and responsibilities of institutions involved in the transaction.	Medium	Medium
8	High	The upper limit for receiving remittances onto a wallet should be reviewed to encourage larger value transactions to be terminated into a mobile wallet – to help address cash out fraud issues.	Low	Medium
9	High	Bank of Ghana should review the requirement for International Money Transfer Operators to use the Bank of Ghana rate for sending to the country due to the challenges in enforcing.	Medium	Medium
10	High	Consideration should be given to International Money Transfer Operators being licensed in their own right or at a minimum, Non-Bank Financial Institutions should be allowed to partner directly with International Money Transfer Operators.	Medium	Medium
11	High	Bank of Ghana and other key stakeholders in Ghana, the regulator in main send markets (FCA in the UK, relevant state regulators in the US (such as Maryland), and Central Bank of Nigeria) should collaborate to address issues of fraud in the market.	High	Medium

	Priority	Recommendations	Level of Effort to Implement	Investment
12	Medium	Ghana should leverage the Ghana Card in addressing issues with fraudulent accounts etc. Authorities should learn from the experience in Nigeria with the BVN, and their approach to ensuring all accounts are linked to biometric information.	Medium	Medium
13	Low	KYC procedures should be improved to reflect the cultural specificities of the country – particularly regarding naming convention.	Low	Medium
14	Medium	Law enforcement processes should be improved to increase the prosecution of fraudsters in the market.	High	High
15	High	Ensure remittances are recognized as a tool for financial inclusion (FI) in the FI strategy and digital financial services policy documents. This is vital in order to gain support for digital related actions.	Low	Medium
16	High	Pay-out partners should take advantage of inbound remittances transactions to offer financial literacy training to beneficiaries.	Medium	Medium
17	High	Product development should be accompanied by extensive financial education of remittances beneficiaries. This should be administered by the private sector as a public good with help from government to agree the right messaging.	Medium	High
18	High	Financial Education initiatives should be developed to include financial literacy training on international remittances, including improving the understanding of total cost of international remittance transactions and how they are derived.	High	High
19	High	International Money Transfer Operators should work more closely with Fintechs to leverage inbound remittances as a tool for financial inclusion.	High	High
20	High	Improve data collection to help inform innovation in the market and encourage product design. Reliable data will help policy development.	High	Medium
21	Low	GhIPPs should explore potential challenges around settlement of inbound remittances transactions into bank accounts.	Low	Low
22	Medium	A working group on international remittances and development should be established for international organizations working on the topic to ensure coherent programming and to minimize duplication of effort.	Low	Medium
23	High	Improved coordination across government stakeholders, namely BoG, DAO, MoF, MFA, will really help to develop a coherent approach that will provide confidence to private sector operators and users of remittances.	Low	Medium
24	Medium	Establish informal working group between industry and central bank to discuss International Money Transfer market issues such as opening the market for regional payments and how Bank of Ghana concerns around risks can be mitigated.	Low	Medium

	Priority	Recommendations	Level of Effort to Implement	Investment
25	Medium	Bank of Ghana should work with private sector partners to pilot potential models for regional payments and/or outbound remittances exploring digital outbound remittances in collaboration with a Bank/Mobile Money Operator.	High	Medium
26	High	Finalize the diaspora policy. This is a valuable tool and the longer it is delayed the less confidence non-government stakeholders will have in it.	Low	Low
27	Medium	More engagement and research with the diaspora should be programmed to better understand consumer perceptions of the market. Get a better sense of the types of products and services the diaspora may be interested in.	Medium	High

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## **About DMA Global**

This report was produced under the Remittances Grant Facility, funded by SECO. DMA Global Limited (DMAG) were commissioned to undertake the study. Headquartered in central London with a regional office in Sydney and Accra, DMAG is a leading payments consultancy engaged by both the public and private sector to deliver projects around the world. Since the company was founded in 2007, it has established a global team of over 60 experts. DMAG's core competencies include:

### **1. Remittances and Payment Systems**

Working with the public sector to maximise the development impact of remittances, including: designing innovative financing mechanisms for government to encourage the uptake of digital remittance channels; managing price comparison websites ([www.sendmoneypacific.org](http://www.sendmoneypacific.org), [www.sendmoneyasia.org](http://www.sendmoneyasia.org) and [www.sendmoneyafrica-auair.org](http://www.sendmoneyafrica-auair.org)) and the data collection for the World Bank's Remittance Prices Worldwide site – <https://remittanceprices.worldbank.org/en>; and corridor and domestic market payment system diagnostics.

DMAG also works with private payment companies advising on product design, market entry, product launches, commercialisation strategies and licensing. The DMAG team has a long track record in the design and launch of digital payment solutions, either online or via mobile phone, and has worked with a range of FinTech companies to build business models and cases for these products, as well as providing network, regulatory and licensing support.

### **2. Financial Inclusion and Access**

The DMAG team bring expertise in product development and financial education aimed at enhancing financial inclusion in developing countries. DMAG works with donors and partners in the delivery of result-driven financial literacy training to remittance recipients. To date, DMAG's project team has delivered financial literacy programmes in Africa, Latin America, the Caribbean, and Eastern Europe/Caucasus.

### **3. Diaspora Investment**

DMAG works to enhance diasporas' contributions to development, as well as profiling diaspora groups to assess their interest in investing in their country of origin. DMAG's research and analysis is used to inform governments, multilaterals and the private sector on product design and outreach strategies for tapping diaspora savings for economic development.

## Acronyms

ACP-EU	African Caribbean and Pacific – European Union Action
ACH	Automated Clearing House
ADEPT	Africa Europe Diaspora Development Platform
AFFORD	The African Foundation for Development
AIR	African Institute for Remittances
AML/CFT	Anti-money laundering/countering financing of terrorism regulations
BOG	Bank of Ghana
BVN	Bank Validation Number
CGAP	Consultative Group to Assist the Poor
CPMI	Committee for Payments and Market Infrastructure
DAO	Diaspora Affairs Office, Office of the President
ECOWAS	Economic Community of West African States
eKYC	Electronic Know Your Customer
GhiPSS	Ghana Interbank Payment and Settlement System
ID	Identification Documentation
IMT	International Money Transfer
IOM	International Organization for Migration
IMTO	International Money Transfer Operator
MADE	Migration and Development West Africa Programme
MFA&RI	Ministry of Foreign Affairs and Regional Integration
MMO	Mobile Money Operator
MNO	Mobile Network Operator
MFA	Ministry of Foreign Affairs
MOF	Ministry of Finance seee34
NIA	National Identification Authority
NIBSS	Nigerian Interbank Settlement System
NBFI	Non-bank Financial Institution
MFA&RI	Ministry of Foreign Affairs and Regional Integration
ODA	Official Development Assistance
P2P	Person-to-person payment
PSP	Payment Services Provider
PSS	Payment and Systems Act 2019
RPW	Remittance Prices Worldwide
RSP	Remittance Service Provider
SEC	Securities and Exchange Commission

## Glossary

Access point	Locations where end users can send/receive remittance transfers. Access points can be physical (e.g. bank branches, post offices, shops) or virtual (e.g. websites, telephones, mobile wallets)
Agent	An entity that distributes remittance transfers on behalf of an RSP
Diaspora	Diasporas are broadly defined as individuals and members of networks, associations and communities, who have left their country of origin, but maintain links with their homelands. This concept covers more settled expatriate communities, migrant workers based abroad temporarily, expatriates with the nationality of the host country, dual nationals, and second-/third generation migrants, among others.
Documented Migrant Worker	A migrant worker or members of his or her family authorized to enter, to stay and to engage in a remunerated activity in the State of employment pursuant to the law of that State and to international agreements to which that State is a party ( <i>Art. 5(a), International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families, 1990</i> ).
Exclusivity condition	An exclusivity condition is where an RSP allows its agents or other RSPs to offer its remittance service only on the condition that they do not offer any other remittance service.
Financial inclusion	Financial Inclusion is understood in a broad framework including access, usage and quality of a range of financial services. <sup>[1]</sup>
Formal vs informal remittances	Various definitions are used to describe informal vs formal transactions, often interchangeably – for example, ‘illegal’ vs ‘legal’, ‘documented’ vs ‘undocumented’ and ‘regulated’ vs ‘unregulated’ transactions. For the purpose of this report formal transactions refer to those transactions which are handled by regulated businesses in compliance with laws at both ends of the transaction. Informal transactions are therefore seen as those which are either not fully compliant with the legal framework in either the send or receive country and/or,

which are carried out by an entity which is not licensed to undertake the transaction.

International remittances

A cross-border person-to-person payment of relatively low value. In practice, the transfers are typically recurrent payments by migrant workers (e.g. who send money to their families in their home country every month). In the report, the term “remittance” is used for simplicity. Therefore, it is assumed the transfer is international.

Irregular migration

Movement that takes place outside the regulatory norms of the sending, transit and receiving countries. There is no clear or universally accepted definition of irregular migration. From the perspective of destination countries, it is entry, stay or work in a country without the necessary authorization or documents required under immigration regulations. From the perspective of the sending country, the irregularity is for example seen in cases in which a person crosses an international boundary without a valid passport or travel document or does not fulfil the administrative requirements for leaving the country. For the purpose of this report, the definition is used broadly to encompass those migrants who do not have the necessary authorization or documents under the immigration regulations of the host country and is therefore used interchangeably with ‘undocumented migrant’.

Money transfer operator

A non-deposit taking payment service provider where the service involves payment per transfer (or possibly payment for a set or series of transfers) by the sender to the payment service provider (for example, by cash or bank transfer), as opposed to a situation where the payment service provider debits an account held by the sender at the payment service provider.

Payment service provider (PSP)

An entity that provides payment services (remittances and/or other payments). This includes both entities that take deposits and allow transfers of funds to be made from those deposits (i.e. most banks and many non-bank deposit-takers) and non-deposit takers that transfer funds (e.g. money transfer operators).

Price

The total cost to the end users of sending a remittance transfer (including the fees charged to the sender and recipient and the margin by which the exchange rate

charged to the end users is above the current interbank exchange rate).

Remittance Channel	For the purpose of this report, remittance channel refers to the method by which a remittance payment is made.
Remittance Service Provider (RSP)	An entity, operating as a business, that provides a remittance service for a price to end users, either directly or through agents.
Regular Migration	Migration that occurs through recognized, authorized channels.
Undocumented migrant	A non-national who enters or stays in a country without the appropriate documentation. This includes, among others: a person (a) who has no legal documentation to enter a country but manages to enter clandestinely, (b) who enters or stays using fraudulent documentation, (c) who, after entering using legal documentation, has stayed beyond the time authorized or has otherwise violated the terms of entry and remained without authorization.
Verticals	Specific use cases. in other words, where there is a specific customer group, solution or product used. An example would be where mobile payments are used for government payments.

## 1. INTRODUCTION

Ghana's current government has demonstrated a strong commitment to its comprehensive digitisation agenda, that will have important and needed ramifications for Ghana's ever-growing remittance market. This commitment can be seen across various flagship projects such as Ghana Post GPS digital addressing, the roll out of the Ghana Card (a National biometric ID), and the use of distributed ledger technology (DLT) for the Digitisation of Land Title registration. These three projects all play an important role in know-your-customer (KYC) regulations that are critical to improving access to, and use of, a range of financial services and products by the mass population.

Ghana's financial sector has also been undergoing significant digital transformations over the last five years, which has been driven by the consistent and growing use of mobile money. Between 2012 and 2017, there was over 100% year-on-year growth in mobile money transaction volumes, and nearly 50% growth between 2017 and 2018. By 2018, there were 13 million active mobile money accounts, equating to about 1 in every 3 mobile voice subscriptions having a mobile money account linked to it. Additionally, from 2014 to 2018, mobile money overtook cheques as the leading non-cash payment instrument in both volume of transactions and total value, although cheques remain the preferred method for large value transactions.

The growth of mobile money and other electronic and digital payment methods can be attributed directly to Ghana's robust payments infrastructure that allows for interoperability across various providers. All banks in Ghana, including rural ones, have access to and participate in this ecosystem and in 2018, Ghana Interbank Payment and Settlement System (GhIPSS) facilitated the addition of mobile wallets to this ecosystem. These advancements in Ghana's payment system have led to the diversification of digital international remittance termination channels. For some major players, digital termination of inbound remittances transactions is fast overtaking cash pick up in terms of volume of transaction.

Programs such as the Remittance Grant Facility (RGF), established by the Governments of Ghana and Switzerland, funded by the State Secretariat for Economic Affairs (SECO) and managed by KPMG International Development Advisory Services (IDAS), continue to transform Ghana's remittance market. The RGF is a USD2.6 million challenge fund, aimed at facilitating the flow of remittances through formal channels to poor and rural Ghanaians, and in the process, enhance the impact of remittances on economic growth and poverty reduction. Successful organizations or companies have received a grant, after submitting innovative proposals, that address one or more of the four RGF objectives: 1. Improve remittances efficiency and cost, 2. Improve remittance first and/or last mile access, 3. Faster remittances and 4. Remittance backed financial products.

Through the RGF and funded by SECO, KPMG commissioned DMA Global to undertake a Ghana remittance market diagnostic on behalf of the Ministry of Finance. The study is public good research for the benefit of all stakeholders in Ghana's remittance market and commenced in June 2019.

This report outlines the findings from the diagnostic. Section 2 of this report analyses trends in migration and remittances to Ghana, including total average cost to send. Section 3 provides an overview of the remittance market structure and section 4 is a literature review of similar research of the Ghana remittance market. Section 5 provides an assessment of Ghana's remittance policy and regulation. Section 6 examines policy and project coherence. Section 7 summarises discussions with supply side stakeholders on the challenges within the market, customer characteristic and insight sought from remittance consumers, before section 8 provides an overview of the key findings from demand side research held with both senders

and receivers of remittances. Section 9 makes recommendations on how the remittance market in Ghana can continue to be improved, with specific and targeted recommendations for policy and regulatory reforms.

### **Objective of the Study**

The objective of the study is to provide a better understanding of the remittance market environment in Ghana and assist the Ministry of Finance and the Government of Ghana to:

- Develop frameworks for channelling significant volumes of remittances through official sources and for easy measurement
- Develop policies that will facilitate the channelling of remittances into productive investments
- Develop appropriate educational and awareness-creating models to generate interest in the use of official channels for remittances and for productive investments
- Contribute to the development of the policy and regulatory framework for the efficient running of the remittances market
- Provide information for the generation of ideas that will link government's quest for development to the mobilization of diaspora funds/resources
- Give government a fuller understanding of the Intra-African remittance market

### **Methodology**

For this study both primary and secondary research techniques have been used.

#### **Primary research**

Including:

- Consultation workshops with supply side stakeholders in the Ghana remittance market. A full list of interviewees provided in Appendix 1.
- 10 focus group discussions (FGDs) held with remittance senders in the UK (2) US (2), The Netherlands (1) and Nigeria (2), and remittance receivers in Ghana (3).

#### **Desk-based research (secondary research)**

Including:

- A review of existing studies and reports on the Ghana remittance market
- Global and national databases on migrant stocks, flows and remittance volumes
- Regulations and policy on the licensing of remittance service providers and compliance frameworks in Ghana.

This study, specifically the supply side review, has been guided by the 'General Principles for International Remittance Services'<sup>1</sup>, published by the Committee on Payment and Settlement Systems at the World Bank and designed to assist the authorities in their goal to improve the market for remittance transfers.

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<sup>1</sup> <https://www.bis.org/cpmi/publ/d76.pdf>

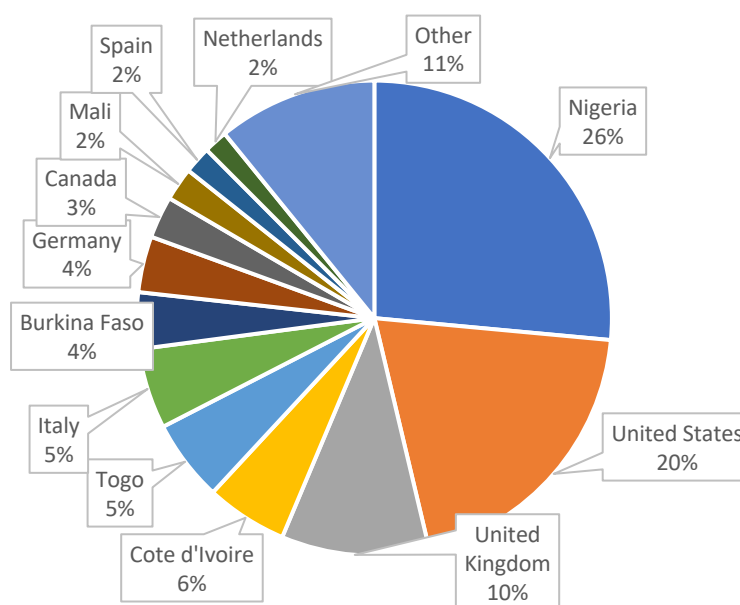
## 2. BACKGROUND: MIGRATION, REMITTANCE FLOWS, PRICING AND TRENDS

This section provides a high-level overview of migration from Ghana, the remittances sent home and where funds are sent from. This section also presents the average total cost of sending money to Ghana as published by the World Bank’s Remittance Prices Worldwide database.

### Migration

Ghana has an estimated 865,204 diaspora living in countries around the world<sup>2</sup>. Total numbers are considered to be much larger than this when weak processes for diaspora data collection and irregular migration are taken into account. 26% of the diaspora reside in the largest host country, Nigeria, followed by the US (20%) and the UK (10%)<sup>3</sup>. In recent years, the steady growth in the size of the diaspora in the Netherlands has also been noted. Almost half of the diaspora have emigrated to countries within Africa, Cote d’Ivoire (6%), Togo (5%) and Burkina Faso (4%) are also hosts to growing diaspora communities<sup>4</sup>.

Figure 1: Ghanaian Migrant Stocks, 2017



Source: World Bank Bilateral Migrant Stock Matrix 2017

While Ghana’s total migrant stock abroad continues to grow, the growth rate of Ghanaians moving abroad is steadily declining. Between 2010 and 2013 emigration grew by 12% but only increased by 5% between 2013 and 2017.<sup>5</sup>

### Remittances

This decline in overseas movement of Ghanaians has not affected Ghana’s remittance inflows, which continue to increase. In 2019, an estimated, USD3.7 billion in formal remittances inflows was sent to Ghana<sup>6</sup>, about 7.4% of the GDP. Ghana is the 2<sup>nd</sup> highest

<sup>2</sup> World Bank (2017) Bilateral Migrant Stock Matrix

<sup>3</sup> World Bank (2017) Bilateral Migrant Stock Matrix

<sup>4</sup> World Bank (2017) Bilateral Migrant Stock Matrix

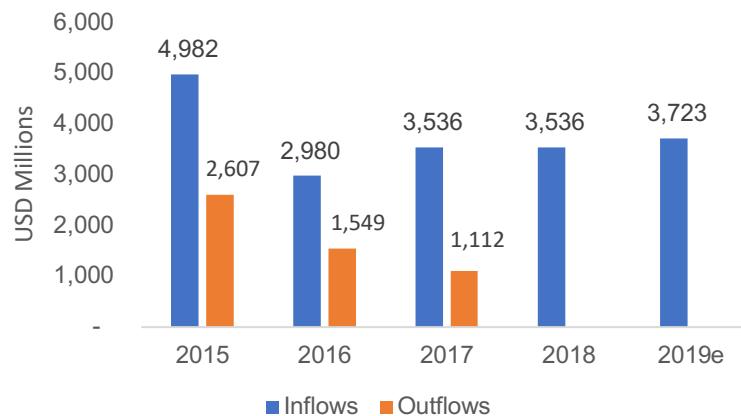
<sup>5</sup> World Bank (2017) Bilateral Migrant Stock Matrix

<sup>6</sup> World Bank (2019) Remittance Inflows



receiver of remittances in Sub-Saharan Africa after Nigeria. Inbound remittance flows to Ghana hit their all-time peak in 2015 of just under USD5 billion, an indication of increasing remittance transactions and formal use, as well as improved remittance data capture. Following a decline in 2016 (see Figure 2), inflows are showing a steady upward trend that is expected to continue into 2020.

Figure 2: Remittance flows to and from Ghana, 2015 – 2019e

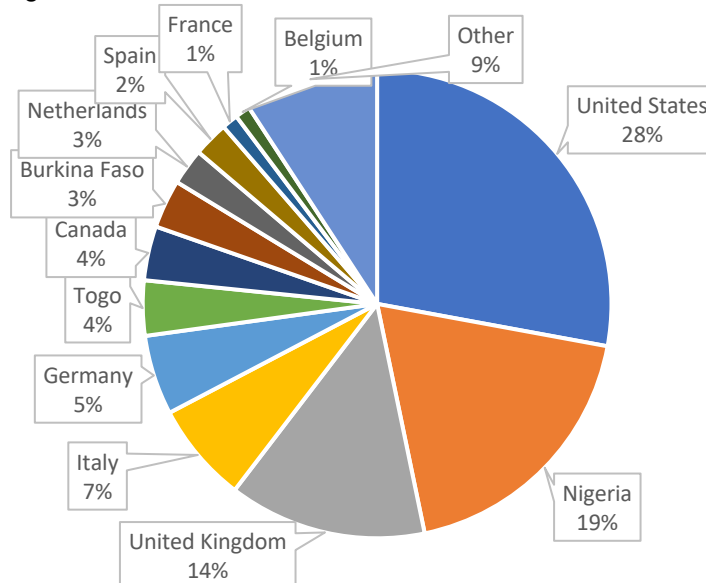


Source: Source: World Bank Remittance Inflows, 2019

Remittance outflows from Ghana were estimated to be USD 1.1 billion in 2017, a decline on previous years. Low volumes are due to restrictions on the provision of outbound remittance services. Only three banks in Ghana are authorised to provide outbound P2P money transfer services to both banked and non-banked customers, and this is restricted to low value remittance transactions.

In line with migration trends, the largest remittance corridors to Ghana’s are the US (28%), Nigeria (19%) and the UK (14%)<sup>7</sup>. Remittances sent from within Africa account for 30% of total inflows<sup>8</sup>.

Figure 3: Remittance inflows from Ghana's Send Markets, 2017



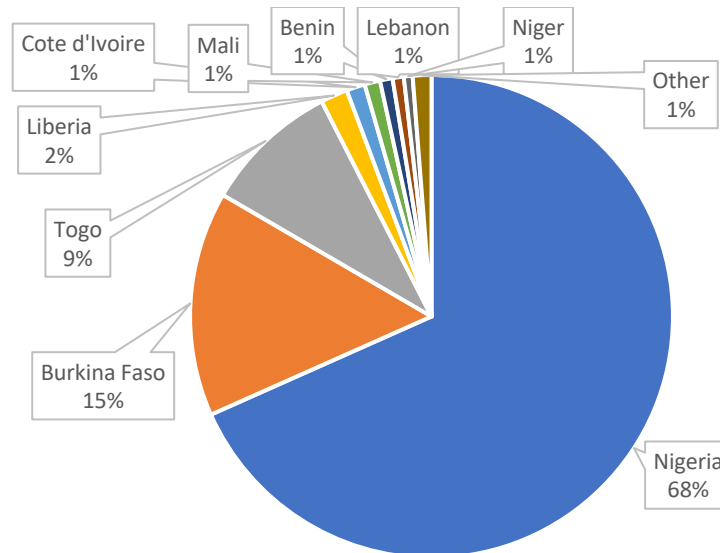
<sup>7</sup> World Bank (2017) Bilateral Remittance Matrix

<sup>8</sup> World Bank (2017) Bilateral Remittance Matrix

Source: World Bank Bilateral Remittance Matrix, 2017

98% of outbound remittances are sent to countries in Sub-Saharan Africa (SSA) and this reflects the fact that most migrants living in Ghana came from those countries. Nigeria is the largest receiver of remittances from Ghana with 68% of total flows, or USD890 Million. Burkina Faso and Togo receive 15% and 9% respectively.

Figure 4: Remittance flows to Ghana's Receive Markets, 2017



Source: World Bank Bilateral Remittance Matrix

It is suggested that as much as 50% of remittances to SSA are sent informally, either through family and friends or by using non-registered operators<sup>9</sup>. This would value remittances sent to Ghana at USD5.5 billion per year. Informal remittances are particularly prevalent intra-Africa, where there are land borders, exchange controls, where formal channels can be expensive, and countries do not allow irregular migrants to participate in formal financial services.

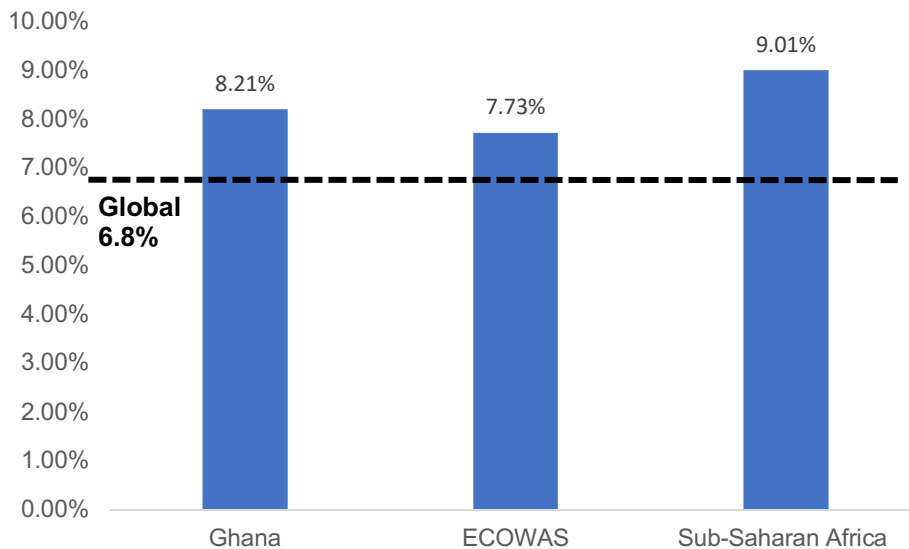
### Remittance Pricing

The current average cost to send USD200 to Ghana is 8.2% of the send amount<sup>10</sup>. This is more expensive than the global average of 6.8% and sending to countries in the ECOWAS region (7.7%), but cheaper than the SSA average of 9%, the most expensive in the world.

<sup>9</sup><http://documents.worldbank.org/curated/en/248331468193493657/pdf/613100PUB0mark158344B09780821384756.pdf>

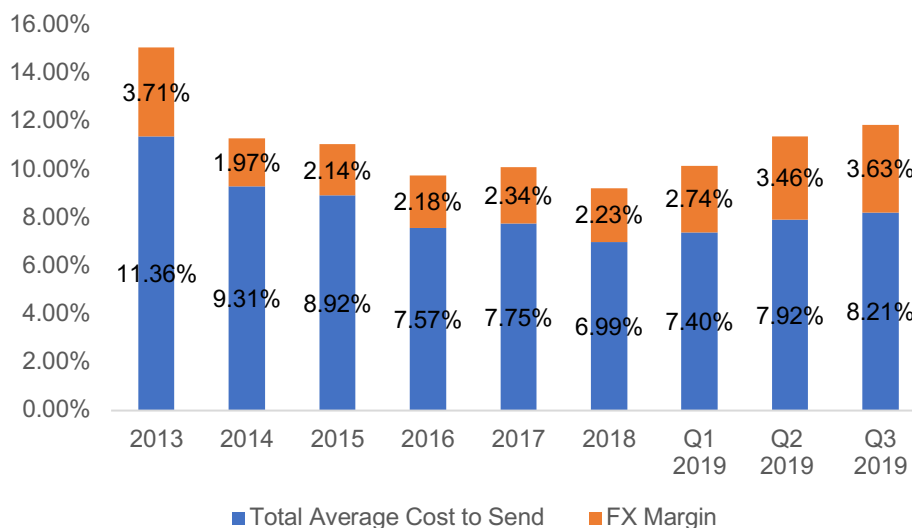
<sup>10</sup> The World Bank, Remittance Prices Worldwide, available at <http://remittanceprices.worldbank.org>

Figure 5: Current Average Cost to Send USD 200 to Ghana Compared



Overall remittance prices to Ghana have been decreasing since 2013 from 11.5% to 8.2%. However, sending costs have increased over 1% between 2018 and Q3 2019. This price increase could be attributed to the foreign exchange margin charged by remittance service providers for remittances to Ghana. The foreign exchange margin increased by 1.4% since 2018 (see figure 6).

Figure 6: Average Cost of Sending USD200 to Ghana 2013 – Q3 2019



Source: World Bank Remittance Prices Worldwide

Despite receiver costs not being included<sup>11</sup>, mobile money and other digital transactions are considered to be cheaper than cash-to-cash remittance services, which are the most

<sup>11</sup> Receiver costs include the cost for either transferring remittances received onto a mobile wallet to another wallet, for bill payment services, or the fees incurred from withdrawing an inbound remittance from a mobile wallet. This cost is 1% of the transfer amount, capped at GHC 10.

expensive products in the market. The cost of digital transaction to Ghana have rapidly decreased from 11.9% in 2013 to 8.2% in Q3 2019. Transfers initiated via cash have decreased from 10.3% to 9% over the same time period.

Intra Africa remittance costs are the highest regional costs in the world. The most expensive corridor surveyed by the World Bank's Remittance Prices Worldwide database (RPW) is South Africa to Zimbabwe at 19% of the total cost of a remittance transaction. The same is true when sending a remittance from Ghana to another African country. The cost of sending USD 200 from Ghana to Nigeria was 16.4% in Q3 2019. The high cost of formal channels, and the lower cost of informal channels, results in large informal flows (given the prevalence of intra-African migration). For example, in West Africa, 87% of migrants stay within the region<sup>12</sup>. The high cost of formal intra-African remittances is due to the lack of formal channels between corridors, stringent exchange controls on outbound remittances, the high costs these channels attract, the ease of migration within many regions<sup>13</sup>, and the high rate of informal channels for meeting remittances needs.

It should be noted that average total costs are indicative at best, due to limitations when comparing products and services across corridors. Further, Remittance Prices Worldwide (RPW) only covers 5 send markets to Ghana (US, UK, Canada, Netherlands and Germany) and as mentioned, does not reflect any costs incurred by the receiver. It should also be noted that RPW does not cover cost of informal transactions, as these are by their very nature, difficult to track.

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<sup>12</sup> DMA Global – “Strengthening and Harmonizing Data Collection on Regional Remittances Flows in the ECOWAS region” written for ACP-EU Action

<sup>13</sup> As part of ECOWAS, Ghana is signed on to the Protocol for Free Movement of Persons and Goods which leads to mostly porous borders between the 15 ECOWAS countries.

### 3. GHANA REMITTANCES MARKET STRUCTURE

This section provides an overview of Ghana's remittance market including recent developments in the financial sector, mobile money growth, and the current remittance value chain in Ghana.

After turbulence in Ghana's financial sector, the BoG has been implementing a comprehensive reform agenda to strengthen financial regulatory and supervisory frameworks, bolstering the banking sector and regaining public confidence. Since 2017, several institutions licensed by the BoG were acquired, merged or closed in order to clean up and stabilize the sector.

Ghana's domestic payments infrastructure has advanced in a short amount of time, rapidly digitising and contributing to the reduction in remittance costs across the market. All licensed financial institutions are able to access the payments ecosystem, either directly or through a partner bank. Since 2018, Mobile Money Operators (MMOs) and rural banks have had access to the GH-Link, a payment switch for ATM and POS interoperability, which also facilitates GhIPSS Instant Pay (GIP), an interoperable platform for instant payments across bank accounts and mobile wallets.

The incorporation of mobile money into the larger payment infrastructure, as well as the prevalence of mobile money agents across the country, has seen the increase of mobile money use and payment access points. Currently, there are over 13 million mobile money accounts, meaning about one-third of the 40 million mobile voice subscriptions across Ghana also own a mobile money account. Additionally, there are over 180,000 active mobile money agents throughout the country, about 800 agent outlets per 100,000 people<sup>14</sup> – offering Ghanaians access to formal financial services. The result has been Ghana's financial inclusion levels rising to 57% in 2017, one of the highest observed in SSA. Women, those living in rural areas, the poorest 40% of the population, and those out of work remain the least included. The northern-eastern regions of Ghana still have limited access to all types of financial services, falling well below the national median for financial access points<sup>15</sup>.

Though the Agent Banking Guidelines (2018) are expected to increase the number of banking agents across the country, growth of traditional financial service access points, such as ATMs and bank branches, has been stagnant in recent years. Contrastingly, digital payments volumes have rapidly increased, with 50% of the population over 15 having made a digital payment in the last 12 months in 2017, compared to only 25% in 2014.

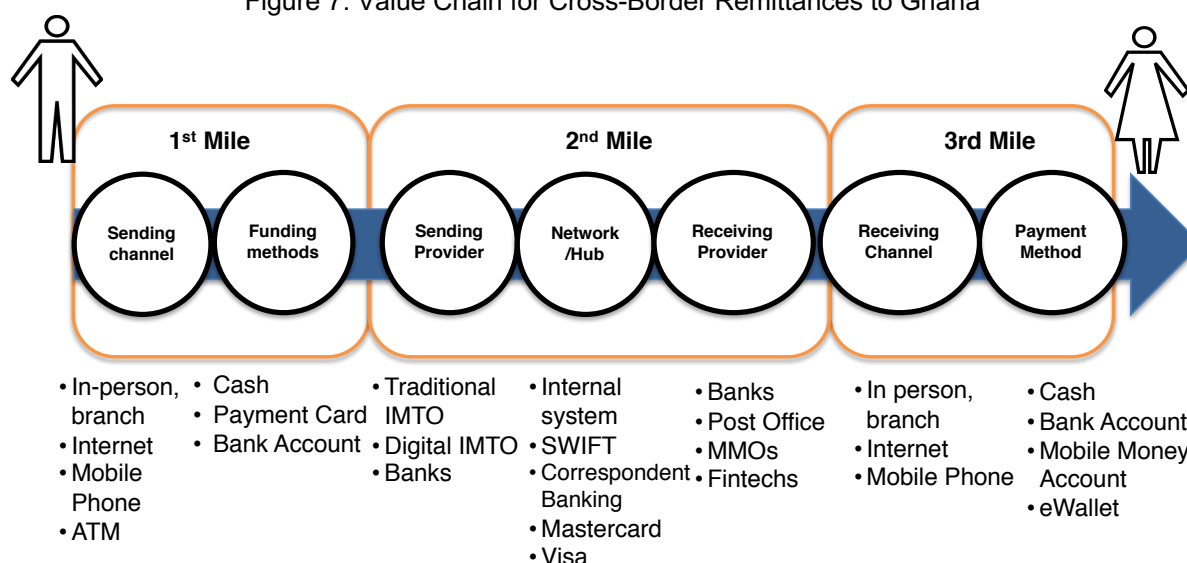
Ghana's remittance market is quite competitive, due in part to the accessibility of the payment systems, the abolition of exclusivity clauses, and the diversity of termination channels. While there is no public register of IMTOs in Ghana, making it difficult to confirm, with certainty, the number of operators in the market, most banks and all MMOs are active in the remittance ecosystem. Figure 7 provides an overview of the range of different service providers and services that are available to consumers, including pay-in and pay-out options.

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<sup>14</sup> IMF (2017) Financial Access Survey

<sup>15</sup> <http://finclusionlab.org/blog/ghana-one-country-two-realities>

Figure 7: Value Chain for Cross-Border Remittances to Ghana



Inbound international remittances can be terminated via several methods including cash, digital wallet (mobile money or eWallet), account (bank or savings and loans) and post office pick-up.<sup>16</sup> Additionally, there is a wide range of RSP types operating in the Ghanaian remittance market, including IMTOs such as Western Union and MoneyGram, digital money transfer operators such as World Remit and SendWave, and corridor specialists such as Unity Link and Boss Revolution. Mobile money termination is on the rise, but international remittances sent via mobile money are almost non-existent due to the unwillingness of mobile money providers in other countries to facilitate cross-border remittances services.

Outbound remittances payments can only be facilitated through a bank in Ghana. Exchange controls hindering the flow of outbound remittances from Ghana mean that Ecobank, UBA and Access Bank are the only three banks authorised to offer low value outbound P2P remittance transactions from Ghana to other African markets. They also dominate the intra-African inbound remittance flows through their services: Rapid Transfer, AfriCash, and Access Africa respectively, all of which are cash-to-cash services.

Several innovations continue to change the landscape of Ghana’s remittance market and improve financial inclusion across the country. Domestic aggregators are making it possible for new IMTOs to easily and quickly enter the market by removing the time-consuming task of establishing new partnerships in order to grow a pay-out network. The fintech sub-sector is also innovating the first and last mile of remittances by improving consumer send experiences and offering tailored financial services to remittance beneficiaries. (It should be noted that the grantees of the RGF are part of the Fintechs leveraging remittances for economic growth and financial inclusion, using technology).

<sup>16</sup> The World Bank, Remittance Prices Worldwide, available at <http://remittanceprices.worldbank.org>

## 4. LITERATURE REVIEW

This section presents an overview of the literature available on the Ghanaian remittance market.

Given the amount of research undertaken on the Ghanaian remittances market and Ghanaian diaspora, a summary of the learning gained to date is important, not only to ensure that the necessary policy developments recommended across the various studies are implemented, but also to consolidate those findings for stakeholders, in one useful document, again ensuring all the findings and recommendations made are recognised and effectively implemented. To date there are six reports that focus on this market either focussing on the experience from senders' perspective or on the receive market, and one report that focuses on both.

### Study 1: **Constraints in the UK to Ghana Remittances Market**<sup>17</sup>

Year: **2011**

Author: **DFID**

The first study to explore the Ghanaian remittance market was in 2011 and set out to identify the constraints in sending money from the UK to Ghana, from both the consumer perspective and the operational environment. Interviews with service providers and regulators was supported by a consumer-survey that was substantiated with findings from focus groups discussions.

The key findings from the research was that the main method for sending remittances was cash (98% of senders), with 30% of responders using informal channels, sending through family and friends. Overall, the majority of senders were happy with their consumer experience.

The main barriers identified in the market were predominantly from the service providers and the report makes a series of targeted recommendations to different stakeholders. The de-risking by banks of MTOs is highlighted as a challenge, as well as restrictions in Ghana on the types of businesses that can pay-out remittances (banks only at that time). Restrictions on outbound payments was also cited as a major barrier for supply side stakeholders.

### Study 2: **Public Private Dialogue (PPD) Facilitating Remittance Transfers to Africa: The Germany – Ghana Corridor, Hamburg, Germany**<sup>18</sup>

Year: **2017**

Author: **AIR**

More recently, in 2017 a Public Private Dialogue (PPD) was held in Germany focused on facilitating remittances from another EU-based send market; Germany to Ghana. Over 40 policy makers, private sector actors, members of the Ghanaian diaspora in Germany the wider civil society and researchers were invited to the PPD. The main findings were that a lack of service affordability, accessibility and availability all contribute to the use of informal channels. Migrants are further discouraged from using formal services by a lack of information about services, uncertainty around the processes involved (e.g. identification requirements), but also mistrust towards financial institutions. Promoting awareness and knowledge among the diaspora of different services and their costs is crucial, and trust-building measures came out

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<sup>17</sup> <https://www.global-dma.com/sites/default/files/2018-11/Constraints-UK-Ghana.pdf>

<sup>18</sup> This event was organized by the African Institute for Remittances (AIR) with the support of the German Federal Ministry for Economic Cooperation and Development (BMZ) and the Sector Project Migration and Development of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

as an area requiring attention. Financial literacy is needed among migrants, especially around formal and informal services.

Other recommendations to come from the process suggested that, as personal remittances are typically small amounts by nature, relaxation of documentation requirements (KYC) and less stringent compliance regulations should be considered on the sending side. The event report highlights recommendations made on the day, and similar to the 2011 UK study, it is suggested that dialogue should continue on de-risking and the closure of bank accounts of providers offering remittances transfers. It was agreed that exchange controls limiting the outflow of remittances from Ghana, should be relaxed.

Much of the event focused on supporting new technology providers and the adoption of these solutions, citing infrastructure challenges such as internet connectivity in rural areas in Ghana and limited financial and digital literacy in both send and receive countries. The event report calls for more efficient and streamlined digital KYC in send countries and regulation to be considered to support technological innovation. Finally, the report highlights discussions held on the role of different stakeholders involved in improving these markets and presents how they can work together more collaboratively to achieve the desired results.

**Study 3: Migration and Development (MADE) West Africa Project: Promoting the Positive Potential of Migrants for Development the Case of Ghana and Sierra Leone<sup>19</sup>**

Year: 2018

Author: **AFFORD**

In 2018, AFFORD conducted a study 'MADE West Africa Project: Promoting the Positive Potential of Migrants for Development the Case of Ghana and Sierra Leone'. Surveys were conducted in the UK, Netherlands and Ghana to understand both the send and receive markets. The aim was to assess the impact of remittance inflows, promote the potential of migrants and draw out any challenges to inflows. Conversely to other studies, results for these surveys indicate that bank transfers were the most common channel for sending money home. However, this may have been due to sampling as surveys were conducted online and the report indicates that the majority were educated professionals. As such, costs were indicated as the major barrier. The report recommended that eliminating barriers to the uptake of digital is paramount, especially in reducing dependency on informal channels, and that Ghana's government should focus on improved data collection on remittances.

**Study 4: Understanding the Investment Potential of the Ghanaian Diaspora<sup>20</sup>**

Year: 2018

Author: **Commonwealth Secretariat**

The 2018 flagship Commonwealth Diaspora Investor Survey was commissioned by the Commonwealth Secretariat to provide robust evidence to stakeholders aiming to leverage diaspora capital. The survey was administered to 452 Ghanaian diaspora members in the UK and 2 focus group discussions were also conducted.

92% of diaspora members send money to friends and family in Ghana, a cultural norm to support their family back home. Senders were mainly motivated to send money to benefit friends and family (88%) but also had a desire to contribute to Ghana's economic development (26%). Corruption, weak legal framework and excessive red tape were the main barriers to

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<sup>19</sup><https://afford-uk.org/wp-content/uploads/2019/10/MADE-MIGRATION-AND-DEVELOPMENT-WEST-AFRICA-PROJECT-2018.pdf>

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<https://thecommonwealth.org/sites/default/files/inline/Understanding%20the%20Investment%20Potential%20of%20the%20Ghanaian%20Diaspora.pdf>



further investment in Ghana. A weakness of the survey is that the majority of respondents were first generation diaspora (87%) and therefore may have stronger connections with Ghana.

**Study 5: Baseline Survey on the Use of Rural Post Offices for Remittances in Africa<sup>21</sup>**

Year: **2018**

Author: **IOM**

IFAD, through the Financing Facility for Remittances (FFR), conducted a baseline survey on the use of rural post offices to facilitate remittance transactions to/from African countries. Approximately 400 rural remittances senders and receivers participated in 2018. Remittances were the most common financial service used among rural populations in Ghana at 89%. The most frequently used (52%) and most preferred (50%) channel for remittance receipt was mobile money.

39% of rural dwellers stated that their main reason for visiting a post office branch was to conduct a remittance transaction. The majority of transactions are domestic, with international remittances accounting for only 24%. There is, however, strong interest from consumers (72%) to receive international remittances through a post office. High fees, cash and service availability, travel time/cost to pay-out location, and the time taken to complete a transaction were the main barriers highlighted by customers when using post office remittance services.

The study concluded that Ghana's rural population are enthusiastic about conducting financial transactions through postal networks as they have an established use of them and the local proximity. There is an opportunity to leverage a wide network coverage, further enhanced through partnerships with MMOs and retailers.

Overall recommendations were to enable a technology-based service to keep up with the current state of Ghana's remittance market and to allow post offices to conduct more value added services, drive awareness of the existence of remittance services at post offices, convey a more modern image and to use ongoing market research as a long term systematic tool for marketing.

Finally, the two remaining studies have focused on Ghana purely as a receive market. In 2017, Ghana Statistical Services conducted a Baseline Assessment of Ghana Household Remittances and in 2019, IOM completed a Review of Financial Transfers and Remittance Mechanisms to Develop Recommendations for Remittances for Development.

**Study 6: Baseline Assessment of Household Remittances<sup>22</sup>**

Year: **2017**

Author: **IOM**

The Household survey included 1200 households and found that 57% of interviewed households indicated they had relatives and friends living in the diaspora. More than half of all recipients said that they received their remittances through money transfer operators (MTOs) (53%). A further 39% received remittances informally through friends and family and 16% had personally carried cash into the country themselves. Major challenges faced when receiving remittance included transfer time (25%), accessibility of service (23%), privacy (22%) and perceived risk (15%). Costs incurred when receiving were a challenge for 11% of

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<sup>21</sup>[https://www.ifad.org/documents/38714170/40187194/baseline\\_postal.pdf/793f956f-2756-454f-b95b-45e3c0426d1b](https://www.ifad.org/documents/38714170/40187194/baseline_postal.pdf/793f956f-2756-454f-b95b-45e3c0426d1b)

<sup>22</sup><https://www.iom.int/sites/default/files/country/docs/ghana/Baseline-Assessment-of-Household-Remittances-Ghana.pdf>

households, 24% said they had incurred costs of between GHS10-99 and 4% said they had incurred remittance receiving costs of higher than GHS10.

The study concluded that in order to reduce the cost of remittances, policymakers should focus on remittance channels between Ghana and the UK, the US, Germany and Italy, the main send countries. Based on the size of remittance flows, the assessment captured the potential for remittances to continue improving the lives of household recipients and for future investment.

### **Study 7: Review Financial Transfers and Remittances Mechanisms to Develop Concrete Recommendations to Harness Remittances for Development**

Year: **2019**

Author: **IOM**

The most recent study by IOM in 2019 focuses mainly on the supply side of the remittance market, through interviews with government stakeholders and service providers. The market was assessed against the General Principles for International Remittances<sup>23</sup>. Findings showed that if the digital potential of Ghana's remittance market is realised, then the remittance market could be fully digital by 2025. The implementation of the recently passed Payment Systems and Services Act will see the full emergence of a digital ecosystem, that encourages competition across a range of RSPs. The cost of remittances continues to decline with the prevalence of digital remittance termination, but prices are still well above the global average and SDG target of 3%. Cash pay-outs are increasingly targeted for fraudulent activity, presenting an opportunity to promote the consumer safeguards that digital pay-outs offer. However mobile money transaction limits are preventing the termination of large value digital inbound remittances. Meaning larger value inbound remittances transactions must be terminated as a cash pay-out/pick-up. RSPs show continued interest in digital outbound remittance, despite reluctance from the regulator.

A number of recommendations came out of the study for government stakeholders and RSPs in the market, with varying priority and effort levels. High level priorities for RSPs are to continue to use product innovation in the receive market environment to drive down the cost of remittances. Financial education and inclusion efforts should be increased working closely with Fintechs and ensuring product development is accompanied by remittance specific financial literacy training, for both senders and beneficiaries.

The government of Ghana are recommended to explore authorising IMTOs in their own right or at least allowing them to partner with non-bank financial institutions. Consideration should also be given to opening the market to non-financial institutions such as supermarkets. Remittance data collection should be improved to inform innovation in the market, encourage product design and support policy development. In order to gain support for digital related actions, remittances should be recognized as a tool for financial inclusion (FI) in the country's financial inclusion strategy and digital financial services policy documents. The requirement for RSPs to use the BoG rate for sending to the country should be removed, as it is unenforceable and serves no purpose. RSPs should be required to disclose the total costs of a transaction, including whether there are additional charges at the receiving end of the transaction. Upper limits for receiving remittances as mobile money should be reviewed to encourage larger value transactions to be digitally terminated. Key stakeholders in Ghana and regulators in the main send markets should collaborate to address issues of fraud. Finalisation of the diaspora policy and improved coordination across government stakeholders to develop a coherent approach, will provide confidence to non-government stakeholders and users of remittances.

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<sup>23</sup> <https://www.bis.org/cpmi/publ/d76.pdf>

Both RSPs and the Ghana government were recommended to work together in order to ‘bank the diaspora’, providing diaspora accounts to open up the market to channel more productive investments, as well as create opportunities to introduce beneficiaries to a broader range of financial products and services.

The research that has been undertaken provides a comprehensive overview of the market as a whole. Specifically, studies carried out between 2017 and 2019 provide valuable and current insights into, both the supply and demand side, of the remittance market, making tangible and implementable recommendations for policy makers. It is important that these recommendations be taken up by the necessary ministries and implemented.

A number of key findings were identified from the literature review, these are listed below split by their impact on the supply or demand side of Ghana’s remittance market.

### Supply Side Findings

1. There is a clear need for continued adoption of digital international remittances in Ghana, addressing clear challenges in affordability, accessibility and availability, consumer protection and the use of informal channels.
2. Continued reform of Ghana’s payment regulation is necessary to support remittance innovation, opening the market up to new providers, products and services, and increasing the clarity and maneuverability of existing providers.
3. Financial education awareness remains a key tool for all stakeholders in the remittance market to increase financial literacy and inclusion. There is increased opportunity in marketing products and services to more literate and have a better included consumer base, and a chance to build trust with remittances senders and receivers. (The Pakistan Remittances Initiative (see Appendix 2.1) is an example of a comprehensive engagement and marketing approach taken by a government towards remittances, resulting in significant market improvements.)
4. Improvements in data collection are essential to in order to positively impact future policy and intervention regarding remittances.
5. Interest in outbound remittances continues to be expressed by all remittance service providers in the market but is not welcomed by the regulator.

### Demand Side Findings

1. The cost of remittances remains the major challenge faced by consumers when sending and receiving remittances.
2. The high use of informal remittance channels is impacted by the cost, but also transfer time, convenience, privacy and perceived risk.
3. Traditional cash services offered by MTOs are the main method for sending and receiving remittance transfers, but the use of mobile money to terminate remittance transactions is growing.
4. Trust needs to be built between remittance senders and receivers, and all stakeholders in Ghana’s remittance market. Regular engagement and communication are required.

## 5. REGULATORY REVIEW

The policy and regulatory environment governing the Ghanaian payments market has undergone significant changes in recent months. The introduction of the Payment Systems Services Act in early 2019, has established a framework from which the payments landscape in Ghana can grow, through the development of effective payment services and products that meet the needs of every Ghanaian.

The international remittances market, given its multi-jurisdictional nature, cuts across a number of legislative areas and at times makes the regulatory environment difficult to navigate. This is particularly true for new entrants into the market. Typically, there are a number of laws, regulations and/or instructions that will form the basis of legal oversight of the remittances sub-sector.

Similarly, the policy environment for international remittances is seldom one directional. Policies relating to financial services and payments are extremely important to the effective operation of the remittances market. Migration policies in multiple markets can also have a significant impact on how the remittances market functions, given that economic migrants tend to be the main source of international remittances transactions. Indeed, remittances as a financial product, as well as a tool for economic development, are quite unique in their placement as a cross-cutting issue. This requires policy makers, who wouldn't naturally engage, to come together to develop a coherent and effective policy framework ensuring both the potential to support economic development, and the risks associated with cross border payments are effectively managed.

This section provides an overview of the policy and regulatory considerations affecting the Ghanaian remittances market, building on the previous studies completed in recent years to ensure coherent and complimentary recommendations.

In early 2019, DMAG conducted a detailed review of the regulatory environment for remittances. The review included a number of relevant laws and regulations – all of which are outlined in table 1.

Table 1: Overview of Payments Systems Legislation

Relevant Law/ Regulation	Description	Updates/ Developments	Directly or Indirectly Relevant to International Remittances Market?
Bank of Ghana Act, 2002, Act 612	Gives BoG authority to oversee the payment and settlement system in Ghana. Specifically, 'The promotion, regulation and supervision of payment and settlement systems; and the facilitation of the clearing of cheques and other credit instruments for banking institutions.		Indirectly
The Payment Systems Act, 2003, Act 662*	Further empowers BoG to 'establish, operate, promote and supervise payment, funds transfer, clearing and settlement systems subject to such rules as it may publish and to designate any other	This act has now been replaced by the Payment Systems	Directly

Relevant Law/ Regulation	Description	Updates/ Developments	Directly or Indirectly Relevant to International Remittances Market?
	payment, funds transfer, clearing and settlement systems operating in the country, which the Bank considers to be in public interest’.	Services Act 2019, Act 987.	
Banking (Amendment) Act, 2007, Act 738	An amendment of the Banking Act 2004, Act 673. Facilitates the establishment of international financial services centre that seeks to attract foreign direct investment, income from licence fees payable in foreign currencies, create employment, enhance local skills and knowledge and strengthen the financial sector through investment banking’.		Indirectly
Banks and Specialised Deposit Taking Institutions Act, Act 930			
The Bills of Exchange Act, 1961, Act 55	Specifies how cheques are drawn, accepted and paid.		
Foreign Exchange Act 2006, Act 723	An Act to provide for the exchange of foreign currency, for international payment transactions and foreign exchange transfers; to regulate foreign exchange business and to provide for related matters.		Directly
Anti-Money Laundering Act 2008, Act 749	Outlines money laundering definitions and offences, as well as providing an overview of the establishment of the Financial Intelligence Centre. Covers issues pertaining to suspicious transaction reporting. The act also outlines accountable institutions, including those that trade in foreign exchange, currency market instruments or transferable securities.		Directly
Electronic Transaction Act 2008, Act 772	An act to provide for the regulation to electronic communications and related transactions, and to provide for connected purposes.		Indirectly
Non-Bank Financial Institutions Act 2008, Act 774	The act applies to non-bank financial institutions (including leasing operations, mortgage finance operations, money transfer services, non-deposit taking microfinance services and credit union operations) and outlines the application and licensing procedures, as well as supervision and reporting requirements.		Directly

Relevant Law/ Regulation	Description	Updates/ Developments	Directly or Indirectly Relevant to International Remittances Market?
<b>Regulations, Guidelines and Licensing Procedures</b>			
Guidelines for E-Money Issuers in Ghana	The guidelines promote the availability and acceptance of electronic money as a retail payment medium, with the potential to increase financial inclusion and specify necessary safeguards and controls to mitigate the risks associated with e-money and ensure consumer protection safeguards.	These guidelines replace 'the previous Guidelines for Branchless Banking, including the requirement for a many-to-many model and the applicability only to deposit taking financial institutions'	Directly
Requirements for Non-Bank Financial Institutions Licenses	Covers the licensing of a range of non-bank financial institutions including; leasing operations, mortgage finance operations, money transfer services, non-deposit taking microfinance services and credit union operations.		Directly

The focus of the review was to identify areas within the regulatory framework that could be improved, to encourage effective use of international remittance transactions for financial inclusion and economic development, as well as the safeguarding of customer funds and the financial sector as a whole. The main recommendations were as follows;

1. Consumer protection regulations, particularly in the areas of disclosure of fees should be extended to include international remittances transactions, for both inward and outbound remittances.
2. RSPs authorized to operate in the Ghanaian market should be required to disclose the total costs of a transaction, including whether there are additional charges at the receive end of the transaction.

Financial consumer protection in Ghana currently does not extend to cover international remittances transactions and is currently only specific to the credit industry. The current legislation focuses on two main areas, disclosure and product transparency, as well as consumer recourse mechanisms. Both of these areas are of particular importance to the international remittances market as well, for both senders and receivers.

In the case of the send market, which is a different financial jurisdiction to Ghana, it is the responsibility of the regulator in that market to ensure that users of international remittances transactions there are adequately covered by the legal framework. For the main send markets to Ghana, this is the case. The European Economic Area and the UK, all have effective

financial consumer protection frameworks, derived from the Payment Services Directive 2 (PSD2). In the case of Nigeria, the Central Bank of Nigeria have been working to establish financial consumer protection legislation for a number of years.

For receivers of international remittances, the responsibility falls on the Bank of Ghana to protect remittances receivers – which they are currently not doing.

There have been reports of fees and charges being levied at cash pick up locations for international money transfers. These charges were not initially disclosed at the outset of the transaction and should not be levied. With the growth of mobile money being used as a means of terminating international remittances transactions, disclosures should be made to both senders and receivers that by using this method of transfer, additional charges will be levied once the beneficiary decides to cash out the funds, or makes a domestic transfer from their mobile money account. While the e-Money guidelines issued by Bank of Ghana, include specific requirements for consumer protection, currently information is not shared with beneficiaries as to the charges they will be receiving once they decide to cash out or move the funds received. Interestingly a number of participants in focus groups, raised the issue of excessive charging, as a barrier to receiving international remittances transactions onto their wallet.

3. An MoU should be reached between Postal Regulatory Authority and BoG on remittances sent through Ghana Post, and Ghana Post should report to the soon to be established Remittances Unit.

It is understood that Ghana Post report to BoG on their international remittances business. However, it is unclear whether an MoU has been established between the Postal Regulatory authority and Bank of Ghana, that outlines this reporting requirement and the fact that for international remittances transactions, the Bank of Ghana is the principle regulator. Such an MoU is important for preventing regulatory arbitrage, clarifying the reporting requirements of Ghana Post for the sub segment of their business.

4. Bank of Ghana and the Financial Intelligence Centre should issue instructions/guidance on the AML/CFT guidelines for international remittance transactions, highlighting roles and responsibilities of institutions involved in the transaction. This should have a specific focus on the roles of aggregators and what their responsibilities should be (once they become licensed PSPs).

As Ghana continues to develop its digital payments ecosystem, an increasing number of payment service providers are finding ways to create efficiencies in the traditional remittances value chain. One particular area is in offering aggregation services to IMTOs. A number of Fintechs are currently facilitating termination of international remittances transactions to multiple instruments in Ghana, minimising the need for IMTOs to integrate to multiple pay-out partners in order to offer a full range of termination points for remittances receivers. Consultations with the industry have highlighted some inconsistencies across players on AML/CFT reporting and responsibilities. In the current AML/CFT framework there is no specific guidance on the responsibilities of aggregators in this regard. It has also been reported that where a transaction route into Ghana comprises a number of institutions, there can be challenges with obtaining information on the origin of the transaction, making it difficult for terminating institutions to uphold their obligations under AML/CFT rules. Updated AML/CFT guidelines was a key step identified for improvement in the case of The Saudi Arabian Monetary Authority (SAMA) (See Appendix 2.2), which saw improvements and remittance cost reduction.

5. The upper limit for receiving IMT onto a wallet should be reviewed to encourage larger value transactions to be terminated into a mobile wallet – to help address cash pick-up fraud issues.

The current upper limit for terminating international money transfer transactions onto a mobile wallet is in the region of GHS2400 or USD 444.24. Whilst this captures a large proportion of inbound transactions (Western Union reports an average transaction size of USD350), larger value transactions, that are urgent in nature, usually have to be terminated as a cash pick up, given the upper limit on mobile money. Mobile money continues to grow as a payment channel in Ghana. With consistent growth in merchant acceptance downstream, coupled with a strong agenda for digitising all payment types to support financial inclusion, allowing larger value transactions to terminate onto a mobile wallet, would be consistent with the government's current agenda. While direct to bank account services are available when sending remittances to Ghana, they tend to take longer for funds to arrive in the beneficiary and to be more expensive than other options.

A major finding from the research – from both a supply and demand side perspective – has been the challenges with dealing with fraudulent activity, particularly with regards to cash pick up services. By allowing digital termination of larger value inbound transactions onto mobile money, some of these issues could be addressed.

6. Bank of Ghana should remove the requirement for IMTOs to use the BoG rate for sending to the country (as it is unenforceable and serves no purpose).

Under the regulations it is expected that all IMTOs adhere to the foreign exchange rate published by Bank of Ghana for all international money transfer transactions undertaken with the Ghana Cedi. Because the rule is difficult to enforce a number of IMTOs do not adhere to it, with the view that they can offer more competitive rates to customers, above the official rate provided by those IMTOs who do adhere to the rules. For those that fall in line with BoG requirements, this can be quite frustrating, and a number of complaints were made during the consultation phase of the research.

7. Consideration should be given to amending the Foreign Exchange Act 2006, to allow IMTOs to be licensed in their own right or as a minimum, NBFIs should be allowed to partner directly with IMTOs to terminate international remittances transactions.
8. Consideration should be given to opening the market to non-financial institutions such as supermarkets to be able to terminate international remittances transactions. This will allow for further diversification of products at the retail level.

Currently in order to offer international money transfer services, non-bank financial institutions, including money transfer operators and payment service providers, must partner with a bank to be authorised by the Bank of Ghana to provide services. This is the requirement under the current Foreign Exchange Act 2006. Although the Payment Systems Services Act 2017 outlines a new legal framework for governing the payment sector, including international remittances, creating a new class of license for payment service providers, it upholds the current bank-led model for conducting inbound international money transfer services to Ghana.

The requirement to include banks in the commercial arrangements regarding international money transfer is leading to overly cumbersome value chains for terminating transactions in

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<sup>24</sup> At an exchange rate of 5.4



Ghana. These are designed to satisfy the regulatory requirements enforced by the BoG as outlined in the Foreign Exchange Act.

Furthermore, by allowing non-financial institutions (such as supermarkets) to terminate inbound remittances, given the relatively low value of transactions, space would be created to innovate in new areas of the domestic payment market, such as remittance linked gift cards and/or shopping vouchers.

9.

Authorities should learn from the experience in Nigeria with the Bank Verification Number, and their approach to ensuring that all accounts are linked to biometric information.

The Biometric Verification Number (BVN) project, implemented in Nigeria in 2014, uniquely verifies the identity of each Bank's customer for 'know your customer' (KYC) purposes. This address issues of fraud in the system, increases the efficiency of banking operations and also enables customer access to future credit facilities. A BVN is generated with a customer's details which includes fingerprint and facial image. (See Appendix 2.3). 32 million bank customers have been registered to date<sup>25</sup>.

The Ghana Card rollout with biometrics could be an opportunity for launching a Ghanaian Biometric Verification Number. Across Ghana individuals are being enrolled to receive their biometric ID card, which will become the de facto national ID card for the country. Because the card is being issued for both resident and non-resident Ghanaians, it can be used to effectively tackle some of the fraudulent activity seen within the marketplace. The capturing of biometric information at the point of enrolment for the card can also be utilized in other areas to minimize fraud.

10. Bank of Ghana, other key stakeholders and the regulator in main send markets (Financial Conduct Authority in the UK, Relevant state regulators in the US (such as Maryland), and Central Bank of Nigeria) should collaborate to address issues of fraud in the market.

The multi-jurisdictional nature of international remittances transactions usually means that multiple stakeholders must come together to address the challenges within the marketplace. Dialogue amongst regulators on both the sending and receiving side of the transaction will be important in tackling issues faced in the Ghanaian remittances market; fraudulent transactions and activities; consumer protection challenges around disclosure of fees; transparent pricing; and, effective AML/CFT processes that ensure full oversight of a complete remittance transaction, from initiation through to termination.

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<sup>25</sup> <https://www.dermalog.com/success-stories/nigeria/>

## 6. POLICY AND PROJECT COHERENCE

Policy and programme/project coherence relating to improving the remittances market is an important area, given the number of stakeholders active in the space. Alongside a review of relevant laws and regulations governing the remittances market, this study also reviewed current and upcoming programmes of key stakeholders and international organisations supporting the growth of payments, remittances and diaspora affairs in Ghana. This section of the report provides an overview of their activities.

### **AFFORD**

The African Foundation for Development's (AFFORD) aim is to leverage the contributions of the Diaspora for development in Africa. This is through areas such as job creation and skills transfer. In order to do this, they look at financial resources, remittances, investments, intellectual skills and political/social backgrounds.

Alongside the Government of Kenya, the African Institute for Remittances (AIR) and the Africa-Europe Diaspora Development Platform (ADEPT), AFFORD agreed to the Nairobi Action Plan in 2016, to promote faster, safer and cheaper remittances.

The Migration and Development West Africa programme, MADE, started in 2018, focuses on research on remittance flows and the impact of them on the economy of Ghana. Linked to this is the research into the potential of diaspora for developments in the case of Ghana and Sierra Leone more broadly. This research was conducted through surveys and approximately 170 interviews.

AFFORD have also created a remittance policy fact sheet for Ghana, currently in draft, focused on reducing the costs of remittances. There are plans in the pipeline to test the appetite for the formation of a remittances working group and the scheduling of policy round table.

### **IOM**

The International Organization for Migration is also an active player in this space. To date they have completed research on remittance sending migrants communities (to Ghana) and have shared these findings with the Ministry of Foreign Affairs and Ministry of Finance.

More recently, the IOM have completed a project with the Diaspora Affairs Office and the Office of the President to create recommendations to harness remittances for development. The report is currently being validated before publication.

One of the key comments from the IOM is that there is a lot of work going on in this space in Ghana, however it doesn't always get the right platform. From this comes the challenge of securing the buy-in for concrete implementation of the recommendations.

### **CGAP (Consultative Group to Assist the Poor)**

CGAP was another organisation consulted for this study and whilst their work doesn't exclusively focus on remittances, there is a focus on barriers that constrain digital financial services from market level and provide recommendations to address these barriers.

CGAP's work on policy in the financial sector has led to the inclusion of eKYC via Ghana Card in the PSS Act. This will make it easier to authenticate those with lower KYC requirements.

CGAP have also worked on the barrier of data. The Bank of Ghana is collecting and disseminating data to support the whole sector. Currently, CGAP are waiting for the Bank of Ghana to incorporate this into their reporting system dynamically. CGAP have recently been in communication with the Bank of Ghana to support them with a dedicated remittance desk, that would eventually evolve into a remittance unit. Current capacity issues in the Payment System Department at the BoG mean that timelines are uncertain.

## 7. SUPPLY SIDE STAKEHOLDER CONSULTATION

DMAG held a series of workshops with a variety of stakeholders in the market. These included representatives from: banks, money transfer operators, mobile money operators, Fintechs, and donor organisations.

The aim of the workshops was to gain a detailed insight into the current market environment and to reconfirm market challenges that had been raised during previous studies of the market. Importantly, the workshops were used to gain ideas and thoughts from providers of remittances services on the type of information that would be useful to obtain from users of remittances services. The objective here was to be able to feedback information from consumers, to the industry to inform product design and development.

The workshops focused on current challenges within the market and ideas for how the money transfer experience could be improved for consumers. The workshops also aimed to encourage stakeholder engagement, which currently is quite challenging. One of the key outcomes was the acknowledgment that there needs to be a better relationship between supply side stakeholders and the Bank of Ghana, as this seems to underpin all the challenges that were discussed.

Stakeholders from across the board put forward key challenges in the remittance market. This section provides a high-level summary and analysis of these challenges. A number of issues were raised, and most stakeholders were in agreement. These can broadly fit into the categories of; regulation, financial education and awareness and data issues.

### **Licensing**

The biggest challenge that stakeholders have is in regulation and policy. Licensing requirements for remittance service providers (RSPs) is a key challenge for the majority of stakeholders. Firstly, the requirement for a bank partner to terminate inbound remittances. This adds a layer of complexity and cost to the transactions, leading to increased cost of service especially when multiple partners are involved. The second challenge around licensing is the time it takes for an application (new institution or new product) to be approved by BoG. After applying for the license, there is no clear timeframe for when it will be approved, which creates a great deal of frustration, whilst also promoting a lack of transparency. There was a view that size of business, legitimacy and assets owned by the business are all contributing factors to approval waiting times.

### **Capital Requirement**

Stakeholders from MMOs addressed the issue that under the PSS Act they have a GHS30 million capital requirement, which they considered to be disproportionate considering their size. As a group, the MMOs have asked the BoG for clarity on this additional requirement.

The topic of outbound remittances was raised in the workshops. The stakeholders believed that it would be better for their business and the customer if they were able to offer a full range of products and services. The MTOs present discussed that they were getting constant requests to deliver an outbound service. Stakeholders also mentioned that by not allowing outbound remittances, it restricts the focus of investments.

### **Transaction Limits**

Transaction limits are also a challenge for MMOs, with a daily limit of GHC 300 and monthly limit of GHC 3,000, making them unable to facilitate large value transactions.

### **KYC**

Know-Your-Customer (KYC) challenges in bank locations stem from major issues in identification. ID systems are not integrated and there is no standard naming convention on IDs. This leads to frequent flagging of transactions as fraudulent, when details provided by the sender on the receiver don't match a receiver's identity documents. This additional cost associated with addressing challenges arising from naming convention issues are usually passed on to the pay-out agent. A further burden is the fact there is no centralised, real-time system for remittances or a reporting mechanism for the quick resolution of KYC issues, leaving the customer (and operator) frustrated. Overall there needs to be a shift in behaviour regarding KYC because currently the perception amongst users of remittance services is that they are unfairly penalised for issues relating to the ineffective systems of service providers.

### **The Cost of Compliance and Fraudulent Activities**

Compliance was an issue that was raised in all workshops held. The increasing cost of compliance, against declining remittances revenues was cited as a major concern.

The level of fraudulent transactions within the market was also raised as a challenge. Coupled with this was the challenge with law enforcements' ability to actually seek out and prosecute fraudsters.

Within this, two elements of fraud were mentioned; romance fraud where the sender is manipulated into sending money to someone, they believe they are romantically involved with. The second is internal 'teller fraud'. This involves the theft of a transaction reference number at a pay-out location by a 3<sup>rd</sup> party. Funds are then sent to a different location and cashed out before the intended recipient can complete their transaction.

Many of the financial institutions who raised these challenges were confident in their abilities to identify perpetrators of fraudulent activity. Where they faced challenges was in how those fraudsters were then handled by law enforcement in Ghana. There was a strong opinion that more effective tools of law enforcement needed to be developed to address this growing issue within the international payments market to Ghana.

### **Financial Literacy and Awareness**

There was a consensus amongst a number of stakeholders that financial literacy is a consistent challenge within the remittances market. There is a general lack of understanding of the remittance market from the customer, making it difficult to introduce and promote new products. The lack of awareness and understanding of digital was also highlighted and as a result, there are issues in promoting digital services. Western Union has had success in the UAE and Saudi Arabia with providing targeted financial education (See Appendix 2.4)

### **Data**

The availability, sharing and reliability of data relating to remittances, was cited by all stakeholder groups as a challenge. Examples included data on the sender, information on the sending market, alongside the reason for sending, are not readily shared with terminating partners or aggregators by the principle IMTO. IMTOs and MMOs were also keen for data on market size to be shared. The view of stakeholders was that access to this would better equip operators to provide targeted marketing of their remittance products and services to consumers.

### **Payment Infrastructure**

A new challenge raised by an MTO stakeholder is the error handling and reliability levels of international remittances facilitated by bank transfer, utilizing GhiPPS. Error handling was described as vague with key pieces of data missing. Specifically, once an error has been raised the current system does not provide any details on status, reasons for failure and next steps.

## **Focus Group Themes from Stakeholders to Target Customers**

The second part of the workshops was used to identify what the stakeholders needed to know from their customers in order to improve the remittances environment. The stakeholders had different interests depending on whether the customer was a receiver or sender of remittances.

### **Remittance Receivers**

For receivers of remittances, the stakeholders wanted to understand the following: the usage of remittances, including what they are used for and why. They also wanted to know how often remittances were received per month.

It was important to understand the channel used by customers, and stakeholders wanted to understand their experience using that channel. This included the affordability, the accessibility, the availability and whether this is their preferred channel. Following on from this, if their current option is not the preferred one, how would they prefer to receive money, would they be comfortable receiving money from a bank, would they be comfortable receiving money into a mobile wallet. The key is to understand what causes the customer to make their decision, and what indicators would make them change.

The stakeholders wanted to know what kind of ID customers use to receive remittances and what they would prefer to use.

Stakeholders wanted to understand the decision-making process. Questions were centred around the most convenient, comfortable way to receive money and the factors considered when choosing what bank/products to use.

Stakeholders also wanted to understand what usage or understanding customers have of financial products. Whether there was an interest in financial products, or interest in remittance backed financial products. Within is, would there be any interest in additional services or incentives apart from just being able to receive remittances.

Ghana has seen a great rise in the use of digital over the past few years, stakeholders wanted to understand from the customers if digital is desired, and if not, what constraints or pain points there are in using digital.

Interestingly, the stakeholders wanted to delve into whether there was an interest in sending remittances (from the perspective of traditional receivers) from Ghana. What they wanted to understand was if customers were aware of any sending/outbound requirements, and if they were aware of any people who did send remittances and what that was for.

Informal remittances were a key discussion point in the workshops, so the stakeholders wanted to know the customers view on what is driving informal use. And more importantly, what will it take to formalise remittances for a 'typical' customer.

### **Remittance Senders**

From the perspective of the sender of remittances, the stakeholders firstly wanted to understand the motivation or purpose for sending money. Following this was how often remittances are sent.

The stakeholders generally wanted to know about the beneficiaries. They wanted to know who the money is sent to, if there are multiple beneficiaries and where they are located.

In terms of the methods used to send remittances, the stakeholders wanted to know which channels were used, what their preferred method would be, what influences their choice and what they define as a 'best channel'.

In terms of influences, the stakeholders wanted to understand whether the choice of provider lay with the sender or receiver of remittances. Further, if the charges in Ghana influenced their choice in RSP.

Focus group themes raised by stakeholders were used to develop focus group discussion guides to help steer conversations with remittance senders and receivers.

## 8. FINDINGS FROM DEMAND SIDE RESEARCH

DMAG conducted 10 focus groups discussions (FGDs) with consumers that send remittances to Ghana and consumers that receive remittances in Ghana. FGDs were held with remittance senders in the UK (2), US (2), The Netherlands (1) and Nigeria (2), and remittance receivers in Ghana (3). FGDs discussed remittance sending behaviours and preferences, reasons for choosing certain methods and providers, informal and formal remittance services, challenges and experience in sending money home, awareness of service providers and interest in government investments.

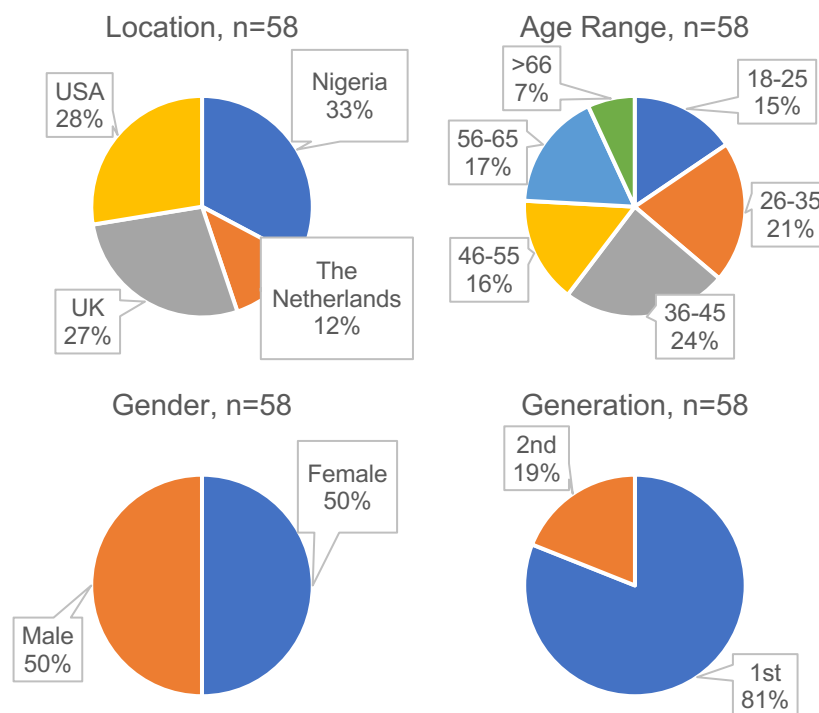
This section of the report provides an overview of the key findings from the demand side research. It is important to note that the findings are from small samples of each community in specific locations, and therefore may not be representative of the population as a whole. Appendix 3 provides the full list of questions in the FGDs for both senders and receivers.

### Remittance Senders

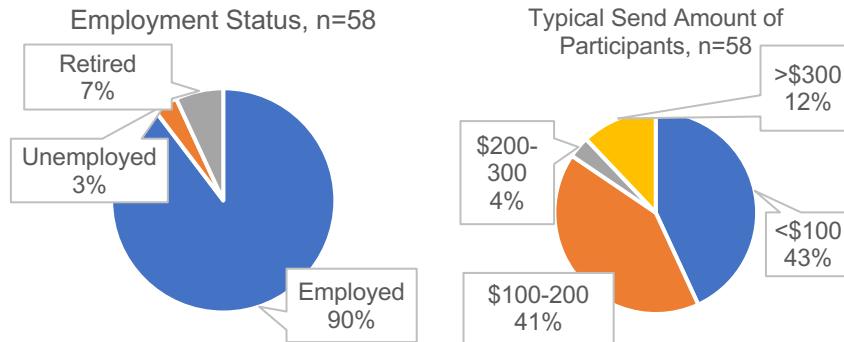
#### FGD Sample Demographics

This section provides the overall demographics for 58 FGD participants surveyed in Ghana's remittance send markets.

Figure 8: Remittance Senders Demographics







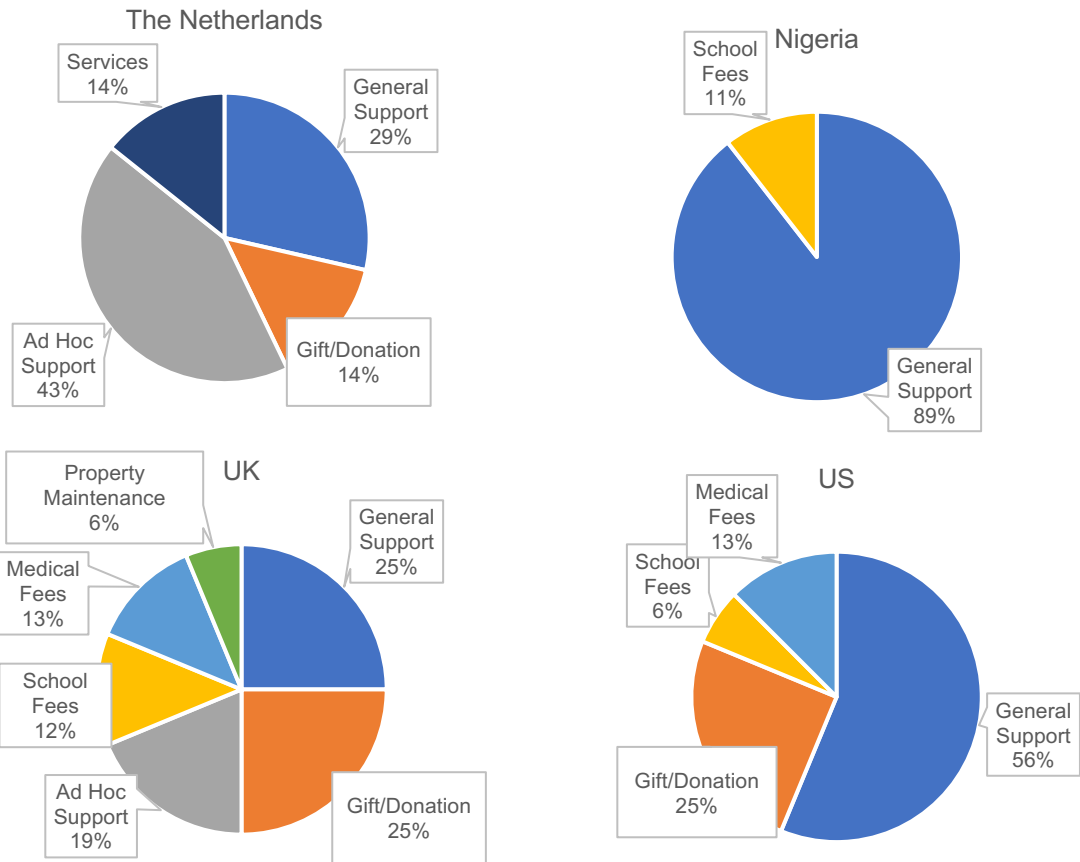
**There is a high level of financial inclusion amongst Ghanaian remittances senders.** 98% of participants in the remittance senders' FGDs had bank accounts (and sometimes multiple). Only one participant in Nigeria did not have a bank account, as they had been unable to visit their prospective bank and provide requested KYC documents.

In the UK, accounts were held at both traditional and digital banks. Monzo, a digital, mobile-only bank, is popular due to instant notifications, transaction categorisation features and overall convenience. Bank accounts from more traditional banks in the UK often come with a benefits package that includes insurance. Online payment systems, PayPal and Applepay, are most popular in the US and the Netherlands. Other than bank accounts and debit cards, the Nigerian participants did not have any other formal financial products.

**General high use of online banking and online shopping indicate a high level of trust in online financial services.** 93% of participants bank online and 67% of participants shop online. Reasons cited for use include convenience, ease of use and trackability. UK and US participants mostly transact online via credit cards, due to increased consumer protection when purchasing. In the Netherlands, 86% of participants use iDEAL, a national e-commerce payments system that allows users to pay for online goods directly from their bank account. Cash is the preferred payment method for Nigerian participants, even for those that bank online (79%). When shopping online, participants prefer to initiate the transaction online and then pay in cash, due to past negative experiences of network systems and the payments system. However, when it comes to large transactions, they prefer to avoid cash.

**55% of remittance senders said that the funds were being provided to support the general needs of friends and family.** Figure 9 shows that the majority of remittances sent from Nigeria are for general support (89%), with the remainder being sent for school fees. After general support, gifts and donations are the main reason that remittances are sent from the UK and US both at 25%. The Netherlands mainly send remittances for ad hoc support (43%).

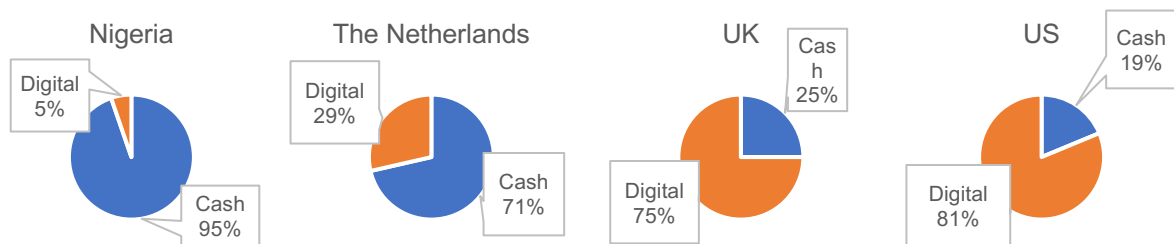
Figure 9: Remittances Senders Purpose from Remitting by Country



**67% of participants send remittances monthly or more frequently.** Nigerian participants sent the most frequently, with 70% sending monthly and 10% sending more frequently than that. In the UK and US, over a third of participants sent remittances less than once a year.

**Cash and digital methods as the main sending channel were an almost 50/50 split in terms of use amongst remittance sender participants.** Figure 10 shows that in Nigeria remittances are sent almost exclusively by cash (95%) and the Netherlands also show a strong preference towards cash with 71% of participants using it as their main method. The majority of participants in UK and US use digital remittances, 75% and 81% respectively, as their main send method.

Figure 10: Remittance Sender Main Remittance Send Methods by Country



**Whilst informal remittances were sent by only 20% of participants overall, 95% of remittances from Nigeria are sent informally.** In Nigeria, the majority of participants use an informal remittance agent to send money home. Agents are known and used by a number of Ghanaians in the community. A popular service used by participants charges approx. USD3 for sending USD0 -140, regardless of the foreign exchange rate. Participants were very happy with the service offered and do not see any current incentive to transition to another channel.

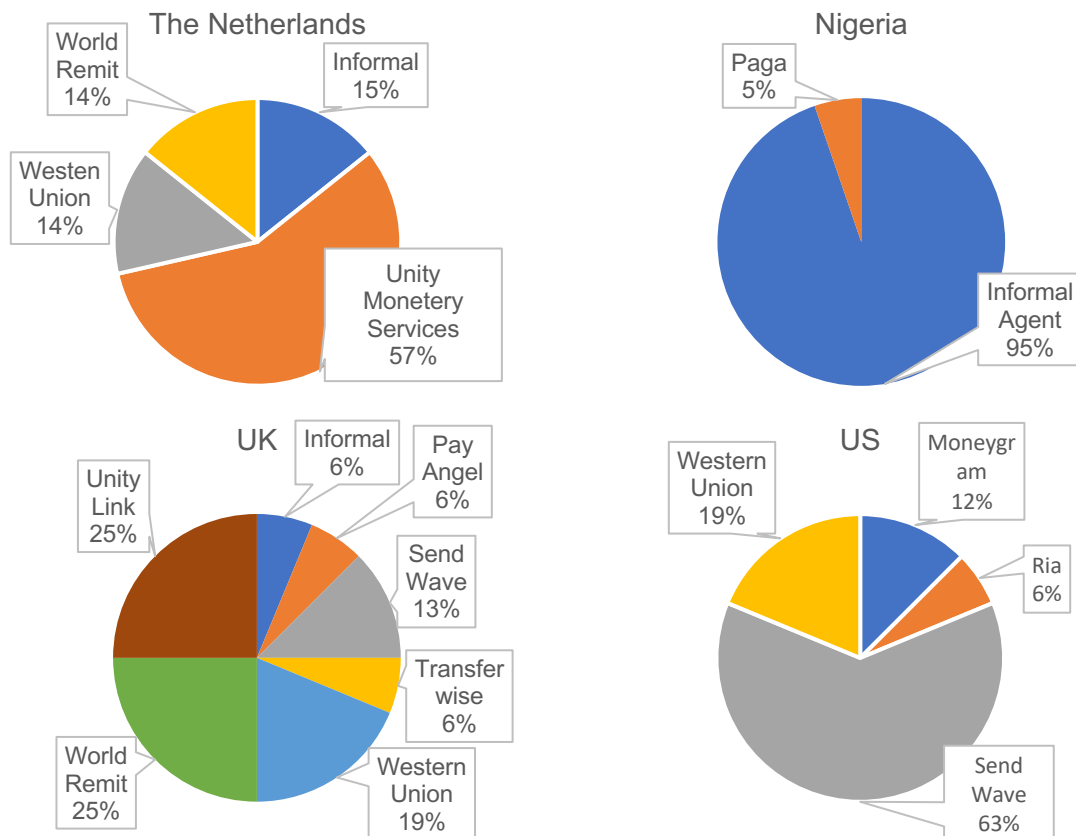
*“If it’s not cheaper than Kofi, nothing will make me change. Write that down.”*

Nigeria

Some participants have and may still use a driver with a transport company to send money back to Ghana. The transaction can take a week to urban areas and up to 3 weeks to rural areas. There was a risk that money wouldn’t arrive or some of the money would be missing, even when the driver was known to them. Participants who had used this service all had an experience with theft of their remittances. One participant sent money a week ahead of their trip to Ghana, they arrived before the transaction, which in the end failed to ever arrive. The cost to use these services can be up to 10% of the remittance being sent.

**Whilst SendWave was the most popular remittance provider amongst participants overall (21%), the choice of the main remittance provider(s) was distinct in each send country.** Figure 11 shows The Netherlands favoured Unity Monetary Services with 57% and that 95% of Nigerian participants used informal services. Send Wave was the most popular choice in the US (63%), especially with younger participants. One US participant makes digital transaction on behalf of older family members, who refuse to transition over to digital. In the UK, Unity Link (25%) and World Remit (25%) were the most used remittance providers.

Figure 11: Remittance Senders Main Remittance Providers by Country

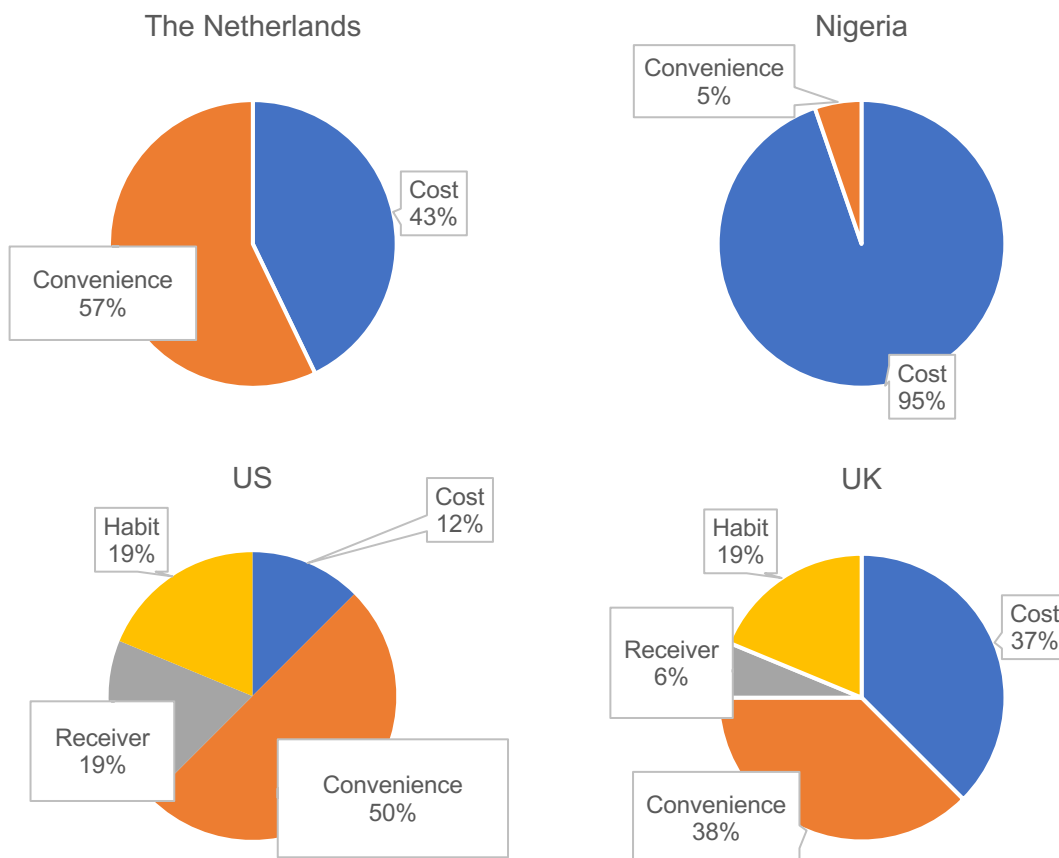


**Cost and convenience are the main drivers behind use of a remittance method amongst all remittance sender participants.** 50% of participants said cost was the main factor and 33% said convenience. In Nigeria, almost 100% of the participants base their remittance method use on cost. 19% of both UK and US participants said that their chosen remittance method is based on habit.

*"I like it because it's convenient; at my fingertips and they money goes over in minutes if not seconds."*

US

Figure 12: Remittance Senders Reasons for Method of Use



**The cost of sending remittances ranged from USD 0 to USD10.** For digital remittances, costs ranged from free to USD4 for sending USD100 amongst participants. Fees for cash remittances ranged between USD6 and USD10 to send USD 100. The majority of participants were not aware of the foreign exchange rate when sending money.

*I don't pay attention to the exchange rate. If I have to send, I send.*

The Netherlands

**The chosen remittance channel for a transaction is typically what is most convenient for the sender.** 80% of participants said that they are the send method decision maker, though a small number of participants said they will check what pay-out options are available to receiver and take that into account when making their decision

*"It's most important that they receive. It doesn't matter how it's sent"*

The Netherlands

**Only 10% of participants have ever received a remittance sent from Ghana.** Two US participants had been sent money from Ghana when they were students via wire transfer. Three Nigerian participants were sent money informally, through the same channels they send remittances with. One Nigerian participant was sent USD1200 through the banking system and had to apply for a Nigerian national ID card before being able to terminate their transaction. Overall, participants were surprised that you could receive money from Ghana and only one participant said that they would not want to receive.

**95% of participants are willing to support government initiatives to invest in Ghana.** All participants that expressed interest said that they would prefer to invest in a known project with full transparency and clear communication about who is involved, the investment term and the rate of return. The foreign exchange rate would need to be attractive and the process of taking future dividends out of Ghana in hard currency would need to be made simple. A decision on whether to invest could only be made after critical review of available information.

*“I need to trust that I’m actually going to get my money back”*

US

Only one participant expressed that they felt that their investment would be safer if held with the government, based on bonds raised in the past. Recent weakness in the banking sector and reports of what the government consider priority projects were both raised as concerns that had increased perceived risk for potential investing in Ghana.

3 participants banked and invested in Ghana through treasury bills and mutual funds and one participant through property. Participants expressed interest in participating in financial products and services in Ghana. A UK participant raised issues with trying to bank in Ghana as part of the diaspora and the complicated administrative processes faced.

*“The government need to make it easier to open a diaspora account so that dividends could be reinvested in safe vehicles like treasury bills.”*

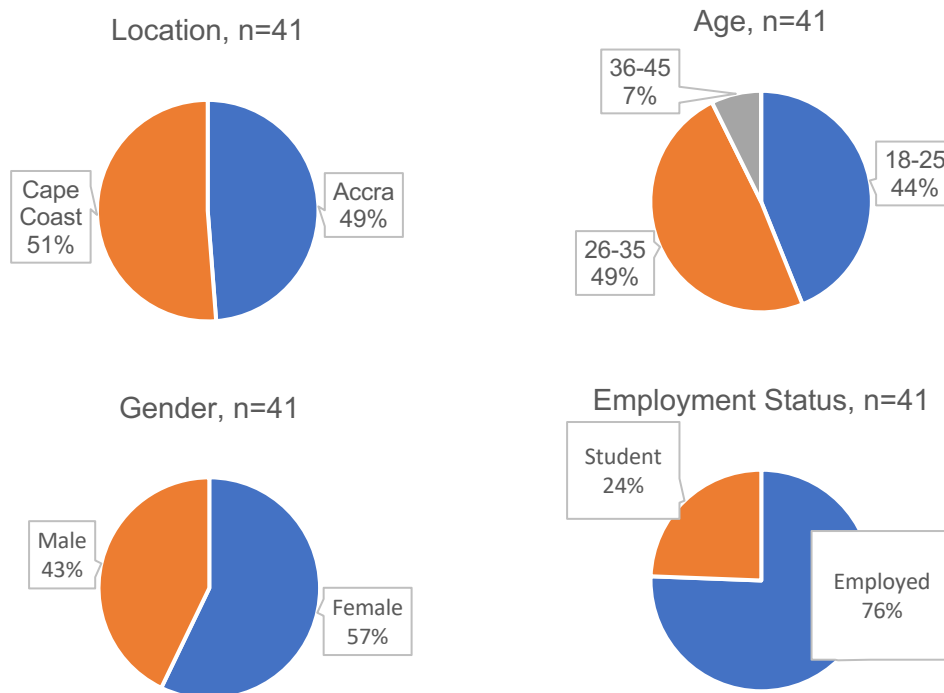
UK

## Remittance Receivers

### FGD Sample Demographics

This section provides the overall demographics for 41 FGD participants surveyed in Ghana as remittance receivers.

Figure 13: Remittance Receiver Demographics

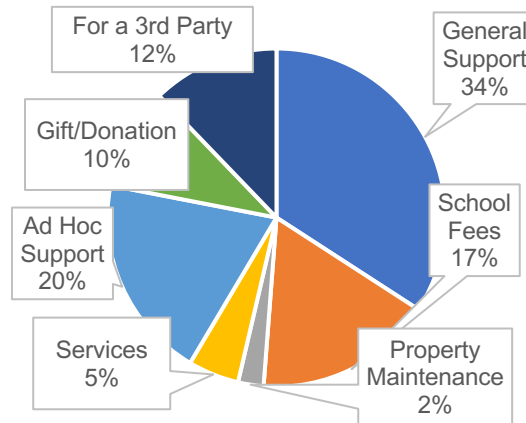


**100% of participants have a mobile money account and 95% of the have a bank account.** All account holders had a savings account, used as an everyday account, to avoid minimum account balances and charges on current account. 17% of participants also had a current account.

34% of participants have invested in Treasury Bills in the past when interest rates were high at 20%+, but current interest rates make them less attractive. A participant raised a point that customers with a low financial literacy can often see an interest rate and think that it will be applied monthly rather than annually. One participant has a government bond and receives interest every year that they reinvest. This investment is based on personal income and was advertised through GCB. Two participants fell victim to unrealistic interest saving rates from financial institutions and lost their investment when they collapsed.

**The most common use of remittances received by participants was for general support (34%).** Figure 14 shows that this is followed by ad hoc support (20%) and school fees (17%). 12% of participants said they received remittances on behalf of a third party who were unable to receive remittances themselves because due to ID limitations.

Figure 14: Remittance Receivers Purpose of Remittances

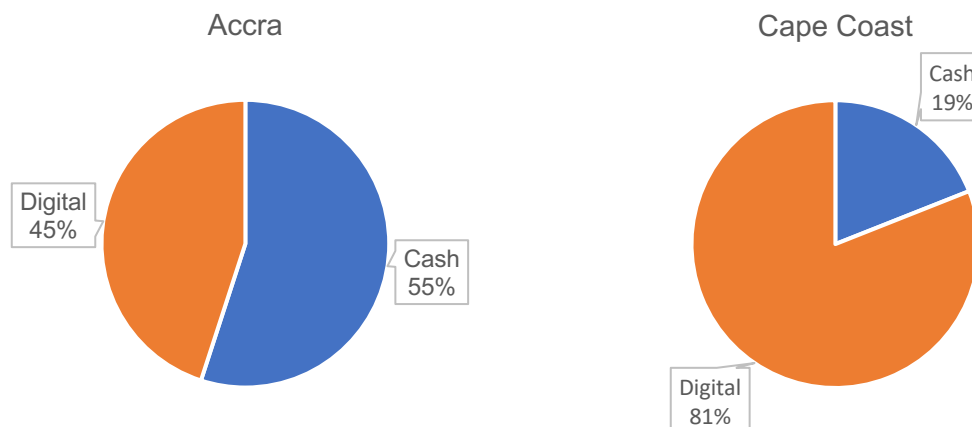


14% of participants said they were able to save a portion of the remittances they received. All of the remittance savers said that they saved regularly and typically saved between 10% and 50% of their remittances. The purpose of the savings was mainly as contingency for any emergencies in the short term. Generally, participants did not receive enough remittances to save consistently.

**42% of participants receive their remittances monthly or more frequently.** Receive patterns were similar for participants in both Accra and Cape Coast. Remittances were received quarterly by 29% of participants, annually by 2% and less frequently by 27%.

**Digital termination is the main method of receiving remittances, used by 63% of participants overall.** Figure 15 shows that in Accra, there is an almost 50/50 split in terms of cash and digital use. In Cape Coast, digital remittance termination is more popular with usage by 81% of participants. Mobile money is the most popular digital receive method used to receive remittances (89%). The use of a bank account to terminate a remittance was low amongst participants at 12%.

Figure 15: Remittance Receivers Main Receive Methods



**Whilst the majority of participants received remittances through formal channels, 29% had been the recipient of an informal remittance in the past.** Informal was not the main receive method for any of the focus group participants. One participant had been sent remittances via letter through the international postal network in the past, as they were too

young to own a form of ID. All participants were aware of informal remittance transactions taking place. Better exchanges rates of foreign currency, no charges and proximity were all given as benefits of informal remittances.

*“It was just easier as the person bringing the remittance was coming to stay in my house”*  
Accra

The main challenges of remitting informally were the risk of theft of remittances (even if the person is known to you) and long wait times, depending on travel schedules. All the participants agreed that they did not think that informal remittances would ever stop but believe that there are steps that can be taken to encourage the informal into formal. Participants suggested steps included lower costs, more efficient and effective services, improvements in the customer experience when visiting a bank pay-out location, and promotions and incentives as reward for loyalty.

**Participants stated that the decision maker for method used to send was the solely the senders.** Whilst the remittance service used may not be the preferred method of the receiver, generally participants felt that as the receiver, they couldn't impose their channel preference on the sender.

**Lack of fees, habit and familiarity with the process were all cited as reasons behind the continued use of cash termination.** Participants who were students preferred to receive remittances for school fees at the bank, as they could pay their school fees during the same visit. Transactions can take up to 24hrs to reach Ghana and participants usually wait that long before going to cash out. Travel to the pay-out locations varied from 5 mins to 1.5 hours.

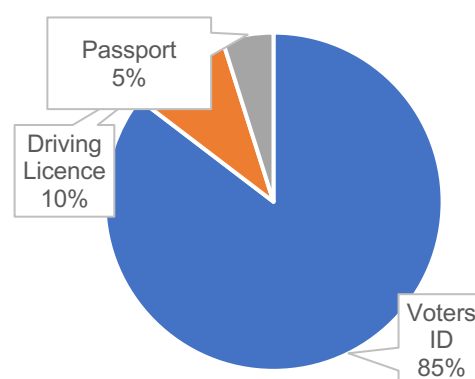
*“I always let a day pass before going to collect my remittance as there is always an issue with something.”*

Accra

For large amounts especially, participants prefer to receive their remittances at a bank pay-out location to avoid the 1% charge incurred on mobile money cash-out.

**ID is the major challenge around cash pick up of remittances.** Figure 16 shows 80% of participants use their Voters ID card as their main form of ID and this is often the only form of ID held. 15% of participants used their driving licence or passport to collect remittances. Only two participants in all of the focus groups said they had registered for the Ghana Card and neither had ever used it to try and collect their remittances.

Figure 16: Remittance Receivers ID Used to Receive



*“If I don't have my ID, there is no way that I can collect my remittance.”*



Accra

**There are a number of ways for a receiver to fail KYC due to ID.** Lack of a standard ID naming convention in Ghana means that a person's name can be represented in any order on an ID, unlike some of the main sending countries to Ghana who have a clearly defined convention. When senders are completing transaction details, they may only have the option to provide a first and last name. If this does not match the receiver's ID, then they are unable to collect their remittance.

*"Resolving the issue of my name on my ID, not matching my name on the transaction because my mother had added my middle when sending, took up to 3 days going back and forth to resolve"*

Accra

No participant had ever been asked by the sender what ID they were going to use to collect a remittance before it was sent. An often-used solution to ID issues is to have the remittance sent to a 3<sup>rd</sup> party, that is known to have a valid ID for pay-out.

Overall, participants felt that banks are being too heavy handed when it comes to KYC procedures. They often ask questions but don't seem to capture the data on their system at the time of asking, and forms required to be filled out, usually ask the same questions of the beneficiary. Participants feel that it is more of an interrogation, then a request for information. Young, male participants especially felt that they were unfairly targeted for interrogation by bank staff.

*"I received \$500 and the bank told me that only a fraudster received those amounts of money. I had to get the sender to recall the transaction and split it into two."*

Cape Coast

**Transition to digital is being driven by ID issues during cash termination.** Amongst the participants that use digital channels, this was the main reason for transition. Word of mouth recommendations from friends and family were also highlighted as a key driver for moving from cash to digital. All users of digital termination had been recommended and had recommended it to others. Participants said that they could see the digital payments landscape changing in Ghana and they understood the benefits that this brings, leading to more and more people transitioning over from cash.

*"People are really recommending sending straight to mobile money when they have a good experience."*

Accra

**The main benefits of digital termination are the speed, efficiency and convenience, with transaction notifications straight to your phone.** Some participants felt that remittances received into their mobile money wallet helped them to limit spending, compared to when they had received cash. None of the participants had experienced any issues with digital remittances.

*"More people are using mobile money than banks because it's easier and faster. No stress."*

Cape Coast

**Participants felt that a lack of understanding of digital financial services is the greatest potential challenge for the transition from cash.** Unreliable systems and fears of hacking were also potential challenges that participants could foresee, based on experiences with the banking system and payment systems in Ghana. Past experiences with other digital

transactions could also be a challenge. A participant shared that after receiving incorrect goods from Jumia<sup>26</sup>, it took 7 months for a refund to be processed making them sceptical of digital transactions altogether. One participant has had an issue with her mobile money account since she ported her sim to another provider, that her MMO has been unable to resolve. They receive their remittance through a third party as a work around. A challenge specific to participants in Cape Coast was the lack of late-night options for mobile money cash out. Most mobile money agents close before 9pm due to security issues.

**Only 27% of participants had experience sending or attempting to send remittances from Ghana.** When sending, bank transfer was the most popular choice, but a long and complicated process and high fees were cited as challenges of this.

*“I tried to send money to Nigeria and the process was so difficult meant that I ended up not send the money via a formal method.”*

*Cape Coast*

One participant had a challenge when trying to send university fees to the US. The transaction was flagged as too large and had to be split into two smaller transactions at a cost of USD70 each. They also had to open a USD account to facilitate the transaction.

Two participants had had the experience of sending credit to someone outside of Ghana, both were one-off transactions.

**There was no awareness amongst participants of remittance backed products and no participant had been offered a remittance backed product by any RSP.** Just over 50% of participants said that they would be interested in a remittance back product if offered. If the process of obtaining a remittance backed product was onerous, this would dissuade them from adopting it.

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<sup>26</sup> Jumia is a consumer goods e-commerce retail platform with a presence across 13 African countries

## 9. RECOMMENDATIONS

Following consultations with both demand and supply side stakeholders a number of areas for improvement to the remittances market have emerged. This section provides an overview of key recommendations to a range of stakeholders within the remittances market.

The objective of the study is to provide a better understanding of the remittance market environment in Ghana and assist the Ministry of Finance and the Government of Ghana to:

- Develop frameworks for channelling significant volumes of remittances through official sources and for easy measurement
- Develop policies that will facilitate the channelling of remittances into productive investments
- Develop appropriate educational and awareness-creating models to generate interest in the use of official channels for remittances and for productive investments
- Contribute to the development of policy and regulatory frameworks for the efficient running of the remittances market
- Provide information for the generation of ideas that will link government's quest for development to the mobilization of diaspora funds/resources
- Give government a fuller understanding of the Intra-African remittance market

The recommendations made are in line with meeting these objectives.

For each recommendation the following is outlined:

- a. Priority.
- b. Level of Effort. This is an estimate of the degree of difficult to implement – Low, Medium, High.
- c. Investment. This is an estimate of the cost to implement the recommendation – Low, Medium, High.
- d. Key Actions. These provide an insight into the types of activities that would be required to implement the relevant recommendations.
- e. Primary Stakeholder(s). The government ministries, departments and agencies that would own and drive the implementation of the recommendation.
- f. Secondary Stakeholder(s). The institutions that would participate in the implementation of the recommendation.

Given the literature review undertaken, consideration has been given to previous recommendations made. Where these are yet to be implemented, they have been included here.

	Recommendation	Priority	Difficulty	Investment	Key actions	Primary Stakeholders				Secondary Stakeholders
						Bank of Ghana	Diaspora Affairs Office	Ministry of Finance	Ministry of Foreign Affairs	
1	<p><b>Financial institutions should develop remittance linked financial products for both senders and receivers of remittance transactions.</b></p> <p><i>Areas of particular interest include: linked savings accounts, credit lines to support new business ventures as well as leasing of tools and machinery, against remittance receipts. There was strong interest from remittance beneficiaries in government treasury bills and bonds. Encouraging beneficiaries to save a percentage of their remittances into government securities could be an area of product development.</i></p>	H	H	M	<ul style="list-style-type: none"> <li>- Communication to industry</li> <li>- Populate website industry with best practices</li> <li>- Produce guidance notes</li> </ul>	√	√	√	√	Bank Financial Institutions
2	<p>To better support diaspora finance and the ability to innovate, the Bank of Ghana, Diaspora Affairs Office, Ministry of Finance, Ministry of Foreign Affairs and the banks should <b>develop a campaign around ‘banking their diaspora’</b>.</p> <p><i>Diaspora accounts will open up the market to be able to channel more productive investments, as well as create opportunities to introduce beneficiaries to a broader range of financial services including savings and affordable insurance products.</i></p>	H	M	M	<ul style="list-style-type: none"> <li>- Produce briefs for agencies</li> <li>- Design and undertake media campaign</li> </ul>	√	√	√	√	Bank Financial Institutions
3	<p><b>Increase revenue generating opportunities through product innovation in the receive market environment.</b> This will ultimately help to drive down cost of remitting.</p>	H	H	M	Design initiative, administer funds to cover innovation matched funded initiatives and technical assistance	√				International Money Transfer Operators

	<i>This can be done by developing a small innovation support fund (possibly matched funding) and provide technical assistance to IMTOs and Fintechs to encourage the development of new products.</i>								
4	<b>Consumer protection regulations, particularly in the areas of disclosure of fees should be extended to include international remittances transactions, for both inward and outbound remittances</b> (see recommendation 24 for more information/emphasis on sending remittances out of Ghana).	M	M	M	- Regulations to be developed by BoG and circulated to industry as well as being posted on the website	√			Remittance Service Providers (terminating partners)
5	<b>Remittance Service Providers authorized to operate in the Ghanaian market should be required to disclose the total costs of a transaction, including whether there are additional charges at the receiving end of the transaction.</b>	H	L	M	- Guidance to be created - Communication with RSPs developed	√			Bank Financial Institutions
6	<b>A MoU should be reached between Postal Regulatory Authority and Bank of Ghana on for remittances handled by Ghana Post.</b>  <i>GhanaPost partners with IMTOs and is also developing its own wallet and payment services. As GhanaPost 'reports' to Postal Regulatory Authority but offers financial services it is important, for competition and market equality purposes, that GhanaPost reports on its remittance related activities to the Bank of Ghana and to its soon-to-be-established Remittances Unit in particular.</i>	M	L	L	- Facilitate discussions between BoG and Post Office	√			Ghana Post, Ministry of Communications
7	<b>Bank of Ghana and the Financial Intelligence Centre should issue instructions/guidance on the AML/CFT guidelines for international remittance transactions</b> , highlighting roles and responsibilities of institutions involved in the transaction.	H	M	M	- Liaison with BoG and FIC to produce guidelines - Post guidelines on website - Communicate guidance to RSPs	√			Financial Intelligence Center

	<i>This should have specific focus on the roles of aggregators and what their responsibilities should be (once they become licensed PSPs).</i>								
8	<p><b>The upper limit for receiving remittances onto a wallet should be reviewed to encourage larger value transactions to be terminated into a mobile wallet</b> – to help address cash out fraud issues.</p> <p><i>(Note, limits were increased during the COVID-19 crisis to</i></p> <ul style="list-style-type: none"> <li>- GH¢1,000 for minimum KYC accounts;</li> <li>- GH¢10,000 for medium KYC accounts; and,</li> <li>- GH¢20,000 for enhanced KYC account</li> </ul> <p><i>These limits are deemed appropriate at the current times by key stakeholders</i></p>	H	L	M	<ul style="list-style-type: none"> <li>- Facilitate discussions with relevant parties</li> <li>- Circulate updates to all stakeholders as progress is made</li> </ul>	√			Remittance Service Providers
9	<p><b>Bank of Ghana should have a further broader discussion on the exchange rates to be used by MTOs.</b></p>	H	M	M	<ul style="list-style-type: none"> <li>- Collate information from IMTOs</li> <li>- Convene meetings between BoG and IMTOs</li> <li>- If changes made the place information on website and communicate nationally and globally</li> </ul>	√		√	Bank Financial Institutions
10	<p><b>Consideration should be given to International Money Transfer Operators being licensed in their own right</b> or at a minimum, Non-Bank Financial Institutions should be allowed to partner directly with International Money Transfer Operators.</p> <p><i>Furthermore, consideration should be given to opening the market to non-financial institutions such as supermarkets. This will allow for further diversification of product at the retail level.</i></p>	H	M	M	<ul style="list-style-type: none"> <li>- Obtain information from IMTOs</li> <li>- Circulate updates</li> <li>- Provide guidance</li> </ul>	√			Non Bank Financial Institutions and Non Financial Institutions

11	<b>Bank of Ghana and other key stakeholders including the regulator in main send markets (FCA in the UK, relevant state regulators in the US (such as Maryland), and Central Bank of Nigeria) should collaborate to address issues of fraud in the market.</b>	H	H	M	- Production of a briefing paper comparing different regulatory regimes globally	√	√	√	√	Regulators in remittances send markets
12	<b>Ghana should leverage the Ghana Card in addressing issues with fraudulent accounts etc.</b> Authorities should learn from the experience in Nigeria with the BVN, and their approach to ensuring all accounts are linked to biometric information.	M	M	M	- Convene discussions with experts in Nigeria and Ghana - Provide guidance	√				GhIPPS, National Identification Authority
13	<b>KYC procedures should be improved to reflect the cultural specificities of the country – particularly regarding naming convention.</b>	L	L	M	- Convene discussions with stakeholders - Communicate updated procedures - Place guidance on website	√				Remittance Service Providers
14	<b>Law enforcement processes should be improved to increase the prosecution of fraudsters in the market.</b>	M	H	H	- Liaise with law enforcement and RSPs to determine abuses - Education campaigns for consumers to be developed	√		√		Financial Intelligence Center, Ghana Police
15	<b>Ensure remittances are recognized as a tool for financial inclusion (FI) in the FI strategy and digital financial services policy documents.</b> This is vital in order to gain support for digital related actions.	H	L	M	- Prepare briefings for other departments - Participate in inter-departmental meetings			√		Development Partners
16	<b>Pay-out partners should take advantage of inbound remittances transactions to offer financial literacy training to beneficiaries.</b>	H	M	M	- Design simple communications for pay-out businesses - 'How to' guides - Add guides to website			√		Remittance Service Providers (terminating partners)
17	<b>Product development should be accompanied by extensive financial education of remittances beneficiaries.</b>	H	M	H	- Design/commission education tools - Train/liase with private sector on how to promote this	√	√	√	√	Bank Financial Institutions

	<i>This should be administered by the private sector as a public good with help from government to agree the right messaging.</i>								
18	<p><b>Financial Education initiatives should be developed to include financial literacy training on international remittances.</b></p> <p><i>This should cover a clear definition of remittances (as opposed to other funds inflows into Ghana). It should also include efforts to improve understanding of total cost of international remittance transactions</i></p>	H	H	H	<ul style="list-style-type: none"> <li>- Design/commission education tools</li> <li>- Develop multi-media campaign</li> <li>- Train/liaise with private sector on how to promote this</li> </ul>	√		√	Bank Financial Institutions
19	<p><b>International Money Transfer Operators should work more closely with Fintechs to leverage inbound remittances as a tool for financial inclusion.</b></p>	H	H	H	<ul style="list-style-type: none"> <li>- Design communication tools to advise IMTOs and Fintechs on areas of potential co-operation</li> <li>- Facilitate introductions</li> <li>- Publicise on website</li> </ul>	√		√	Remittance Service Providers
20	<p><b>Improve data collection</b> to help inform innovation in the market and encourage product design. Reliable data will help policy development.</p> <p><i>Data in the following areas would be useful: remittance inflows, outflows; usage of remittances, regional breakdowns of where remittances are being terminated within Ghana and the source countries for remittance flows.</i></p>	H	H	M	<ul style="list-style-type: none"> <li>- Liaise with all stakeholders</li> <li>- Work with BoG to determine most important data requirements</li> <li>- Help make data publicly available</li> </ul>	√			Remittance Service Partners
21	<p><b>GhiPPs should explore potential challenges around settlement of inbound remittances transactions into bank accounts.</b></p>	L	L	L		√			GhiPPS
22	<p><b>A working group on international remittances and development should be established for international organizations</b> working on the topic to ensure coherent programming and to minimize duplication of effort.</p> <p><i>This working group should operate in conjunction with the governmental stakeholder group on diaspora and</i></p>	M	L	M			√		Development Partners



	<i>remittances currently chaired by the Diaspora Affairs Office, Office of the President</i>									
23	<p><b>Improved coordination across government stakeholders</b>, namely BoG, DAO, MoF, MFA, will really help to develop a coherent approach that will provide confidence to private sector operators and users of remittances.</p> <p><i>The formation of a multi-ministry remittances group will help to achieve this. (see recommendation 22).</i></p>	H	L	M		√	√	√	√	
24	<p><b>Establish informal working group between industry and central bank</b> to discuss International Money Transfer market issues such as opening the market for regional payments and how Bank of Ghana concerns around risks can be mitigated.</p>	M	L	M	- Production of short briefing papers	√	√	√	√	Remittance Service Providers
25	<p><b>Bank of Ghana should work with private sector partners to pilot potential models for regional payments and/or outbound remittances exploring digital outbound remittances in collaboration with a Bank/Mobile Money Operator.</b></p> <p><i>The objective should be to assess demand and identify true risks to the system, which will help with knowledge sharing and the development of a risk based approach. Work should include exploring prefunding models to help mitigate settlement risk.</i></p>	Me	H	M	- Liaison between BoG and private sector - Secretariat services	√		√		Regional Payments Providers
26	<p><b>Finalize the diaspora policy.</b> This is a valuable tool and the longer it is delayed the less confidence non-government stakeholders will have in it.</p> <p><i>Consideration should be given to aligning it with the “Beyond the Return” agenda</i></p>	H	L	L			√		√	Other Government Ministries

27	<p><b>More engagement and research with the diaspora should be programmed</b> to better understand consumer perceptions of the market. Get a better sense of the types of products and services the diaspora may be interested in.</p>	M	M	H	<ul style="list-style-type: none"> <li>- Develop a brief for research projects</li> <li>- Liaise with all stakeholders to determine what information is needed with the diaspora</li> <li>- Disseminate feedback</li> <li>- Fund research with the diaspora</li> <li>- Deliver the results in a user-friendly way</li> </ul>		√		√	Financial Institutions in Ghana
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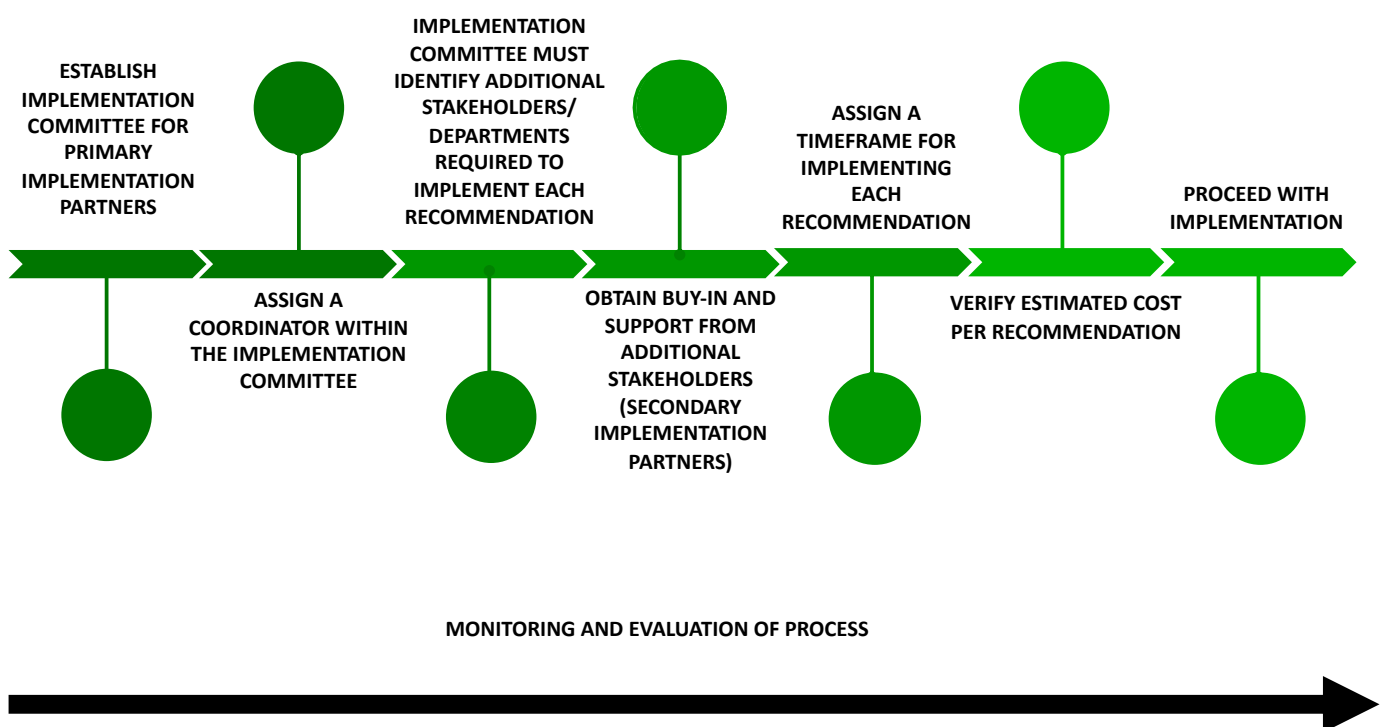
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**Difficulty reflects the estimated level of effort required to implement**

## 10. ROADMAP

Successful implementation of the recommendations set out in this study could have a significant impact on the continued improvement of Ghana's remittances market. Coordinated processes and action from all stakeholders involved will be key. This section provides a roadmap that identifies and guides the key steps to implement the recommendations in this study.

Figure 17: Recommendations Implementation Roadmap



The roadmap outlines 7 steps with a monitoring and evaluation process running throughout.

The steps are:

1. Establish implementation committee for primary implementation partners - For ownership and leadership.
2. Assign a coordinator within the implementation committee - For overall project management.
3. Implementation committee must identify additional stakeholders/ departments required to implement each recommendation
4. Obtain buy-in and support from additional stakeholders (secondary implementation partners)
5. Assign a timeframe for implementing each recommendation
6. Verify estimated cost per recommendation
7. Proceed with implementation

Monitoring and evaluation are essential to ensure that the recommendation implementation roadmap remains fit for purpose. Effective monitoring and evaluation can highlight issues,

improve performance and ensure accountability. The implementation committee established in step 1 should own the monitoring and evaluation process.

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## **12. APPENDIX**

Appendix 1: Interviews

Appendix 2: Good Practice

Appendix 3: Focus Group Discussion Guides

## Appendix 2: Good Practice

### Appendix 2.1 Pakistan Remittances Initiative

The Pakistan Remittance Initiative (PRI) was launched in August 2009 as a joint programme between the State Bank of Pakistan, Ministry of Overseas Pakistanis & Human Resource Development and Ministry of Finance with two specific objectives: 1. Facilitating and supporting the safer, cheaper, convenient and efficient flow of remittances through formal channels and 2. Creating investment opportunities in Pakistan for overseas Pakistanis.

**Strategy** – A multifaceted approach which included:

- Enhancement of outreach – A focus on establishing bilateral arrangements between Pakistani banks and international RSPs to increase the number of channels for transferring money into Pakistan. PRI encouraged banks to establish arrangements and set up a rapid approval process. This increased the number of relationships from less than 80 to over 900.
- Enhancement of distribution channels – Including improving the service of post office and microfinance banks and identification of remittance rich areas. In total it has added as many as 10,000 physical locations in Pakistan for receiving remittances.
- Improvements in payment system infrastructure – Instrumental in improving the payment systems such as cash over the counter and inter-bank settlements.
- Innovative remittance products – PRI provides advisory services to banks for introducing innovative remittance products such as cards and internet-based remittances and so on.
- Subsidized earnings and prize incentives – In 2009 the Government announced reimbursement of the marketing expenses to banks for attracting remittances. This means that the Pakistani Government pays a sum of USD 6.50 for every transaction over USD 200 that is paid out. This is on condition that the sender is not charged a fee and that the FX margin is capped at 1%. The USD 6.50 is paid to the paying out party in Pakistan and shared between the sending and receiving agents.
- Pre-Departure Briefings – Remittance briefing sessions at protectorate offices for capturing potential overseas Pakistanis and for opening bank accounts before leaving the country.
- Training Programs are regularly held for Pakistani payout banks and agents. They cover topics such as new product development, customer identification, the value of remittance customers and so on.
- 

#### **Impact and Growth in Value of Remittances**

Increased the number of contractual partnerships between Pakistani FIs and international RSPs. This has led to more formal options for sending money to Pakistan.

Added over 10,000 physical locations in Pakistan for receiving remittances – bringing in new players (commercial banks, microfinance banks, exchange companies, Pakistan Post).

Reduced remittance delivery time and reduced cost - average cost in Q1 2018 for sending to Pakistan was 4.8% – this included 4.68% from UK (7.32% in Q2 2008), 4.47% from UAE (4.77% in Q2 2008) and 3.29% from Saudi Arabia (5.71% in Q2 2008). This has plateaued in since 2016 where similar levels were recorded. However, it is important to note that WB data on cost of sending remittances is a simple average and is not exhaustive. Since a large part of remittances to Pakistan are covered under Free Send Model, as mentioned above, the weighted average of cost of sending remittances should be quite low.

Home remittances to Pakistan have witnessed a phenomenal growth in recent years. According to the World Bank remittances rose from USD 5.1 billion in 2006 to USD 19.6 billion in 2018 – an almost four-fold increase in 12 years. Research has shown that even considering the growth of the Pakistani diaspora over the same period, the increase in remittances surpasses the organic rate of growth. For example, only 70% of the overall growth of 230% in the volume of remittances can be explained by the increase in number of workers. A careful look at flows from individual countries shows that the increase in official remittances was most marked in the United Kingdom's case, where it increased from USD 605 million in 2008/09 to USD 1.5 billion in 2011/12. There was also a significant increase in the Kingdom of Saudi Arabia and the UAE, where aggressive marketing by Pakistani banks (taking advantage of the PRI's financial incentives) helped to divert remittances towards official channels.

## Appendix 2.2 Remittance Centres Project Saudi Arabia

The Saudi Arabian Monetary Authority (“SAMA”) initiated the “Remittance Centres Project” at the end of 2016 and completed it by the end of 2017. The Project’s objective was to review the remittances environment and identify areas of improvement, with a particular focus on the centres’ working hours, pricing and service quality, as well as the technology utilization and electronic channels.

Following the successful experience of using the Saudi Post offices as a network for offering remittance services, SAMA is currently looking to promote similar experience through the deployment of Agent Banking. The Agent Banking proposition will seek to address both the competitiveness and the accessibility of remittance transfers to all relevant geographical areas. The AML/CFT guidelines will be updated according to legislation to provide better clarity to remittance service providers with regard to their regulatory compliance commitment (e.g. account opening requirements).

The outcome of financial surveys undertaken by the Kingdom of Saudi Arabia (KSA) will be used to continue the enhancement of financial literacy through targeted initiatives.

KSA is also considering the establishment of a remittance price database. Different measures to increase cost transparency will be studied, including the consideration for the establishment of a remittance price database.

<https://www.gfmd.org/pfp/ppd/10357>

## Appendix 2.3 BVN in Nigeria

With the increasing incidents of compromise on conventional security systems (password and PIN), there is a high demand for greater security for access to sensitive or personal information in the Banking System. In recent times, biometric technologies have been used to analyse human characteristics as an enhanced form of authentication for real-time security processes.

Biometrics refers to identifying an individual based on physiological or behavioural attributes – fingerprint, signature etc.

The Central Bank of Nigeria through the Banker’ Committee and in collaboration with all banks in Nigeria on February 14, 2014 launched a centralized biometric identification system for the banking industry tagged Bank Verification Number (BVN).

The BVN uniquely identifies every customer across the Nigeria Banking industry using biometric details. It is a requirement for operating a bank account in Nigeria as no withdrawal shall be made on accounts without validated BVN (customers in diaspora accounts were exempted till January 31, 2016).

### The Benefits

- BVN gives a unique identity that can be verified across the Nigerian Banking Industry (not peculiar to one Bank)
- Customers Bank Accounts are protected from unauthorized access
- It will address issues of identity theft, thus reduce exposure to fraud
- The BVN will enhance the Banking Industry chances of being able to fish out blacklisted customers
- Reduce queue in Banking Halls
- Standardized efficiency of Banking operations
- The Customers unique BVN is accepted as a means of identification across ALL Nigerian Banks

#### **Appendix 2.4: Western Union Financial Education in UAE and Saudi Arabia**

The private sector can be extremely influential in financial education. In the UAE and Saudi Arabia, Western Union has launched the program “Apna Sapna,” which is translated as “Our Dream” from Hindi and Urdu. This program encourages financial education for migrant workers in these two countries. Apart from the workshops, Apna Sapna also provides free booklets that list a variety of “recognized and legitimate savings schemes” in countries where most of the migrant workers came from such as India, Bangladesh, and Pakistan. As of 2016, a total of 18,500 migrant trainings had been conducted since the launch of the program in 2014 (PR Newswire 2016).



## Appendix 2: Interviews

### **RGF Grantees**

20<sup>th</sup> August 2019

Dream Oval

Express Pay

IT Consortium

nSano

PayInc Ghana Limited

Zeeepay

28<sup>th</sup> August 2019

### **Development Organizations**

AFFORD

CGAP

International Organization for Migration

29<sup>th</sup> August 2019

### **Mobile Money Operators**

MTN Money

Airtel Tigo Money

2<sup>nd</sup> September 2019

### **Banks**

Access Bank

ARB Apex Bank

Ecobank

Fidelity Bank

Stanbic Bank

3<sup>rd</sup> September 2019

### **Money Transfer Operators**

Sendwave

Western Union

World Remit

## Focus Group Discussion Guide Sending Remittances

The aim is to create a natural, relaxed and open conversation on attitudes, habits, and behaviours. The goal is an open, flexible discussion that remains firmly on topic. FGDs will be conducted online and audio recorded

### INTRODUCTION AND CODE OF CONDUCT

**Time: 5 minutes**

My name is XXXX and I am from DMA Global, an independent research organization.

First of all, I would like to thank you for taking part in this discussion - it plays an important part in the client's efforts to achieve a better understanding of the remittance habits of people like yourselves, and how to provide products and services that will best assist you. You have all been gathered here today to give your insights into your experience sending money to [GHANA].

Our job is to hear about the experiences and opinions of different people, such as you. We are interested in what everyone in this room has to say – please make sure you share what you think with the moderator(s) and the people around you. There are no right or wrong answers. Everyone's view is equally valid. Please understand that everything you say will be confidential – we will not share your private information about you with the client or anyone else.

Our discussion will last around 60 minutes. We have quite a few questions that we would like to get through, so we might have to move through them quickly.

### GAIN CONSENT FOR AUDIO RECORDING

### Icebreaker

**Time: 10 minutes**

If we could start by introducing ourselves – everyone should say their first name and a little bit about themselves, such as their occupation, whether they have children, how long you have lived in the UK – 1<sup>st</sup>/2<sup>nd</sup>/3<sup>rd</sup> generation, how frequently you send money home etc.

**MODERATOR TO START BY INTRODUCING HER/HIMSELF. USE GROUP INTROS AND OTHER ICE-BREAKING TECHNIQUES AS NEEDED.**

\* The Moderator will be sensitive to discussing migrant's status.

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### Use of Formal and Informal Financial Services

**Time: 10-15 minutes**

Do you use any financial services or have any accounts in [SEND COUNTRY]?

IF YES: What kind of financial services or accounts do you have?

PROBE ON: bank accounts (traditional, digital), debit cards, credit cards, types of insurance (home, car, life, etc.), loans from financial institutions, savings groups, Apple pay, PayPal account, other eWallets (Skrill account) etc.

IF YES, PROBE ON: using the internet for financial transactions – shopping online / internet banking / paying for utilities. How do you pay for transactions online?

IF YES: Why did you choose this service or account in particular?

E.g. I trust it, my friends or family has it/recommended it, I don't have other options, my employer uses it, etc.

IF NO: Why do you not have any financial services or accounts?

E.g. I prefer to keep money in cash, I don't need one, I don't trust banks, I don't have the right documents to get one, I use someone else's, I don't know about other options, etc.

IF NO: Have you had financial services or accounts in the past (OR: before coming to [SEND COUNTRY])?

IF NO: Where do you keep your money? In another place or account?

What type of payment accounts do you have? For instance, when you are paying for things like school fees, utility bills, groceries, etc. how do you make those payments? E.g. Cash, credit/debit cards, pre-paid cards, PayPal etc.

PROBE ON: Why do you choose to pay in this way?

What financial/payment services or accounts do you not have but you'd like?

PROBE ON: why do you not have them currently? Why would you like them?

## Remittances

Time: 20- 30  
minutes

How do you send money home to GHANA?

PROBE ON: Where does the transaction take place? Is it in person? Through a friend or business? Through a grocery store / supermarket /post office / hairdresser? Online? Through a bank account? An agent with cash / bank card?

ASK RESPONDENTS TO NAME BUSINESS

PROBE ON: Why did you choose this service? Do you always use the same provider and method?

PROBE ON: Did you choose the method / service provider or the receiver? What do you think about when choosing the service? Whether they take and deliver cash, or if its online or an app?

PROBE ON: Does the receiver have a say in the service? Why?

PROBE ON: How much do you typically send?

How much does your transaction usually cost? Do the charges in Ghana influence your choice of payment provider?

PROBE ON: If you were to send [SEND COUNTRY CURRENCY]100 using this service, how much would you pay in fees? And do you know how much of that is foreign exchange?

PROBE ON: Was there anything in particular that you did or did not like about this service?

E.g. The money took a long time to get there, affordable/not (for sender or recipient), conveniently located/not (for sender or recipient), reliable/not, customer service, easy to use/not, etc.

PROBE ON: Do you know other [INSERT COUNTRY] that send money this way / or are other methods preferred?

IF YES, PROBE: Would you send money more often if there was an easier / cheaper / more convenient way to do so?

How often are you making transactions? Why this amount of time?

Do you usually visit an agent and pay by cash to send money home?

IF YES, PROBE: Why? Are they conveniently located to you? Social aspect? Cost? Trust?

IF YES, PROBE: Why do you pay via cash rather than with a card? Benefits of cash over card? Do you prefer to pay for your remittances in cash or by card or bank transfer? Why? Is this the same for other things you pay for e.g. do you prefer to pay for your shopping in cash? Or your electricity bill in cash? Why do you pay for remittances in cash specifically?

IF YES, PROBE: Does your remittance provider offer an online service or via using an app? Have you ever used this?

IF YES, PROBE: Do you need to provide ID every time you visit your local agent?

IF YES, PROBE: What ID do you need to provide?

IF YES, PROBE: Do you think this is the most competitively priced service available?

IF NO, PROBE: What alternative service do you use? Why?

IF NO, PROBE: What are the benefits / disadvantages?

### **Purpose of Remittance**

**Time: 10-15 minutes**

Who are you sending remittances to? Parents, children, spouse, friends etc.

Where are your recipients located – rural/urban?

What is the money used for in Ghana?

Food/rent/education/health/investment/savings

### **Receiving remittances from Ghana**

Have you ever received remittances from Ghana? Would you want to?

Have you received airtime from Ghana – or know anyone who has? Would you want to? Do you know much about this?

### **CONCLUSION**

**Time: 5 minutes**

Do you have anything to add on the subjects that we have discussed today?

Did we miss anything that is very important to you when you think of money?

THANK THE PARTICIPANTS AND ASK IF THERE ARE ANY QUESTIONS ABOUT THE RESEARCH OR ADDITIONAL INFORMATION THEY WOULD LIKE TO SHARE, AND CLOSE.

# Focus Group Discussion Guide

## Receiving Remittances

The aim is to create a natural, relaxed and open conversation on attitudes, habits, and behaviours. The goal is an open, flexible discussion that remains firmly on topic. FGDs will be conducted online and audio recorded

INTRODUCTION AND CODE OF CONDUCT	Time: 5 minutes
<p>My name is XXXX and I am from DMA Global, an independent research organization.</p> <p>First of all, I would like to thank you for taking part in this discussion - it plays an important part in the client's efforts to achieve a better understanding of the remittance habits of people like yourselves, and how to provide products and services that will best assist you. You have all been gathered here today to gain insights into your experience receiving remittances.</p> <p>Our job is to hear about the experiences and opinions of different people, such as you. We are interested in what everyone in this room has to say – please make sure you share what you think with the moderator(s) and the people around you. There are no right or wrong answers. Everyone's view is equally valid. Please understand that everything you say will be confidential – we will not share your private information about you with the client or anyone else.</p> <p>Our discussion will last around 60 minutes. We have quite a few questions that we would like to get through, so we might have to move through them quickly.</p> <p><b>GAIN CONSENT FOR AUDIO RECORDING</b></p>	

Icebreaker	Time: 5 minutes
<p>If we could start by introducing ourselves – everyone should say their first name and a little bit about themselves, such as their occupation, whether they have children, how frequently you receive money etc.</p> <p><b>MODERATOR TO START BY INTRODUCING HER/HIMSELF. USE GROUP INTROS AND OTHER ICE-BREAKING TECHNIQUES AS NEEDED.</b></p>	

Remittance Receiving Habits	Time: 5 -10 minutes
<p>How often do you receive remittances? Weekly, monthly, every 3 months, annually etc.</p> <p>Who sends you remittances – family, friends etc.?</p> <p>Where do you receive remittances from?</p>	

Purpose of Remittance	Time: 5 -10 minutes
<p>What do you usually use the remittances for? Bills, food, health, education, rent?</p> <p>Are you receiving on behalf of a 3<sup>rd</sup> party – do you pass on remittances to another person? If so, why?</p>	

Method of Receiving Remittances	Time: 10-15 minutes

Through which method do you usually receive remittances – cash, bank account, mobile money?  
 Why do you choose this method? – is it the sender who chooses or do you?  
 If the answer is sender – why do they prefer this method?  
 Have they tried others?  
 Do you have to pay anything to receive money? e.g. Do the operators take fees before you get the money?  
 If you receive by cash – why this method?  
 Is this your preferred way to receive money?  
 Which money transfer operator do you go to? Which one would you prefer to go to?  
 How close is your nearest branch?  
 How long do you have to wait to get the money?  
 Do you ever have any issues receiving money in this method?  
 Which ID do you need to bring to receive your remittances? Are you happy with this, if you could choose what ID would you like to use?  
 Have you ever tried any other method of receiving remittances?  
 If you could receive into a bank branch or a mobile wallet, would you want to?

If you receive into a bank account – why?  
 Is this your preferred way to receive money?  
 Which bank do you use? Would this be your first choice of bank?  
 Does it cost you anything to receive money into an account?  
 How long does it take you receive the money?  
 Do you any have any issues receiving this method?  
 Which ID do you need to bring to receive your remittances? Are you happy with this way, if it was up to you, which ID would you like to use?  
 Have you ever tried any other form of receiving remittances? Which do you prefer?

If you receive money via mobile money, why? Where did you hear about it? Who introduced you to this method?  
 Are you happy with this way to receive remittances?  
 Which company do you use?  
 Does it cost you anything to receive money via mobile money?  
 How long does it take?  
 Have you ever had any issues with this method?  
 Explain to those who do not know how it works – what is mobile money?  
 Have you ever used other methods of receiving remittances?

### Financial Products

**Time: 10-15  
minutes**

Do you have a bank account?  
 What type of accounts do you have?  
 Do you have any stocks or bonds?  
 Do you save any remittances?  
 If yes, what are these savings for?  
 Do you save on behalf of the sender?  
 Do you have any investments?  
 If yes, what are they?  
 How did you hear about them?  
 Are they long term investments?

Would you be interested in remittance backed financial products? [moderator to explain what these could be]

Remittance Sending	Time: 5 minutes
<p>Do you send remittances? If so, where to? Who is receiving remittances? What are these remittances used for? Have you ever sent remittances? If you have not remittances, do you know anyone who has?</p>	

Informal Remittances	Time: 5 minutes
<p>Are you aware of informal remittances? People sending money not through a formal financial institution such as MTO, bank, mobile money... so informal is if a person was to take cash on a plane/bus etc. What is your view on informal? Do you see any problems with it? What do you think keeps it going? Do you think it will ever not exist? What do you think it would take for people not to use informal methods?</p>	

Digital Remittances	Time: 5 minutes
<p>Does anyone here receive remittances digitally? Do you think that there is a demand for digital remittances here? Do you think digital is becoming more popular? Do you see any challenges with digital? Have either you, or someone you know, had any issues with digital services? What do you think the positives of using digital remittances is?</p>	

CONCLUSION	Time: 5 minutes
<p>Do you have anything to add on the subjects that we have discussed today? Did we miss anything that is very important to you when you think of money?</p> <p>THANK THE PARTICIPANTS AND ASK IF THERE ARE ANY QUESTIONS ABOUT THE RESEARCH OR ADDITIONAL INFORMATION THEY WOULD LIKE TO SHARE, AND CLOSE.</p>	