

REPORT | DECEMBER 2018

Moving Money and Mindsets

REDUCING POVERTY
THROUGH FINANCIAL SECTOR DEVELOPMENT



Moving Money and Mindsets

About FSD Africa

Based in Nairobi, Kenya, Financial Sector Deepening Africa (FSD Africa) is a non-profit company funded by UK Aid from the Department for International Development (DFID). It transforms financial markets in sub-Saharan Africa and the economies they serve to create jobs, build resilience and reduce poverty.

FSD Africa provides technical know-how and risk-bearing capital to champions of change whose ideas, influence and actions will make finance more useful to African businesses and households. It operates as a “market catalyst” and follows the “making markets work for the poor” approach, which advocates for development impact at pace and scale, but critically, which lasts beyond the lifetime of any given project or transaction.

Through financial inclusion initiatives, FSD Africa builds access to finance at individual and household levels. Through its capital market development work, FSD Africa increases investment into projects and enterprises that drive inclusive economic growth and transformation. As a regional platform, FSD Africa encourages collaboration, knowledge transfer and market-building activities both within and across borders, and especially in fragile and conflicted-affected states (FCAS).

Where there are opportunities to drive financial market transformation more quickly and intensively through capital investment, FSD Africa will deploy equity, loans or guarantees as the situation requires.

FSD Africa’s strategy focuses on five main areas:

- **Financial Systems:** Interventions in priority sectors, designed to increase access to finance to empower and reduce the vulnerability of the poor.
- **Financial Markets:** Interventions designed to spur poverty reduction through economic growth and job creation by increasing the availability of long term finance for investment.
- **Financial Institutions:** Direct interventions with financial institutions to support implementation of strategies that reach large numbers of beneficiaries, especially through technology-led innovation.
- **Development Capital:** Investment of concessional capital (equity, loans etc.) into financial companies, funds or other structures (e.g. guarantee schemes) where the investment is expected to contribute meaningfully to financial market development.
- **Fragile states:** Interventions targeting a group of fragile states (Sierra Leone, DRC and Zimbabwe) and refugees in order to push the boundaries of the market development into more difficult environments.

About DMA Global

This report was produced for FSD Africa by DMA Global Limited (DMAG). Headquartered in central London with a regional office in Sydney, 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, www.sendmoneyasia.org and 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.

List of Abbreviations and Acronyms

AEMI	Authorised Electronic Money Institution
API	Authorised Payments Institution
DFID	Department for International Development
FCA	Financial Conduct Authority
FCAS	Fragile and Conflict Affected State
FGD	Focus Group Discussion
FX	Foreign Exchange
HMRC	Her Majesty's Revenue and Customs
ID	Identification
KYC	Know Your Customer
KYCC	Know Your Customer's Customer
MM	Mobile Money
MTO	Money Transfer Operator
NIBSS	Nigeria Inter-Bank Settlement System
NIPs	Nigeria Instant Payments
RPW	Remittance Prices Worldwide
RSP	Remittance Service Provider
SDG	Sustainable Development Goal
SPI	Small Payments Institution

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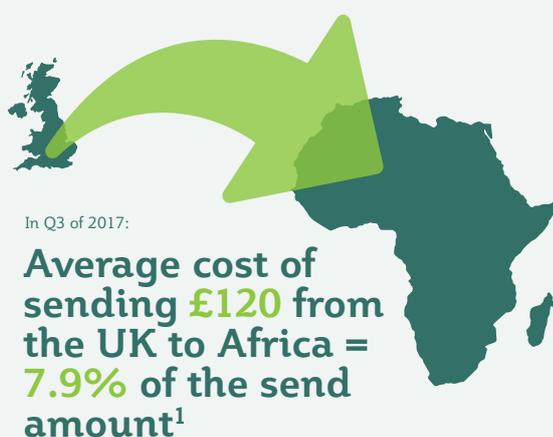
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Executive Summary

The UK government is committed to reducing the cost of sending and scaling up formal remittance flows from the UK to Africa.

In 2015, the government committed to the UN's Sustainable Development Goal (SDG 10.7c., which states that the global average cost of remittances should be no more than 3% of the send amount by 2030, with no single corridor being more than 5%.



Global average = 7.2%

While overall average costs are similar, there are considerable variations within send costs due to the receive-country and/or the sending method. The average cost of sending money from the UK ranged from 13.1% of the send amount to Ethiopia, to 4.8% to Nigeria, and from 9.9% using the cash/agent service from the UK to Africa, to 6.3% for transactions initiated online. Research conducted in 2015 and 2016 showed that sending remittances in cash via agents was the preferred method for transferring remittances from the UK to Africa, with an estimated 90% of senders using these services², and yet this is a more expensive method than others. Digitising the initiation of the money transfer in the UK by removing the need for an agent, is one way to reduce the cost of sending money home from the UK to Africa³.

With its goal to reduce costs and scale formal flows, the UK Department for International Development (DFID) and its Africa-based partner, FSD Africa, are interested in exploring whether there are ways of accelerating the migration of remittance senders from cash to digital channels. Key to this is understanding the reasons behind a preference for cash, the main motivators for change, any barriers that exist and lessons for digital service providers.

To seek answers to these questions, in 2017 DMA conducted eight focus groups discussions (FGDs) across seven African communities based in London. In total, 74 people of varying ages, sex, migrant and socio-economic status, occupations and length of time in the UK, attended the FGDs. The findings presented in this report are therefore from a small sample and should only be interpreted as indicative, at best providing some valuable insights into the market. Findings are in no way conclusive or representative of the African diaspora living in the UK. Nevertheless, they do offer helpful insights.

The most surprising, but encouraging finding from this research is that the use of online remittance services has seemingly surged in recent years, with roughly half of the FGD participants now using formal online services. These participants, for the most part, report having switched to using online services within the last one to two years.

The FGDs suggest that the 'stickiness of cash' with respect to sending remittances, varies significantly between diaspora communities. Cash was found to be most 'sticky' amongst diaspora from DRC, Zimbabwe and Sierra Leone. Only two out of twelve participants from the DRC had used online services. These are also the 'receive-countries' with the least-developed domestic payment systems. A developed domestic payment system is essential for the growth of international digital remittance services. Conversely, the use of online services was most common (and cash least 'sticky') among the Tanzanian, Ghanaian and Kenyan participants. Within the Tanzanian FGD, all but one participant was using an online service as their preferred method of transfer. These are also the receive-countries with the more developed domestic payment infrastructures.

The discussions highlighted a few factors driving the shift from cash to online. These include the payout

¹ World Bank's Remittance Prices Worldwide (RPW) database Q3, 2017

² FSDA/DMA (2017) and Greenback 2.0 (2015)

³ FSD Africa/DMA (2017)

network in the receive-country, especially as it impacts on the following: whether online-only remittance service providers (RSPs) can enter and compete effectively in a given corridor; the price incentives offered by online service providers; and the convenience of online services. These drivers work collaboratively. For example, a digital payments infrastructure in the receive-market is enabling online-only RSPs to compete in the market, offering competitive prices and a convenient, streamlined consumer experience. Across the FGDs, the main trigger behind a shift in the sending method or operator was a recommendation from a friend or family member who had a successful experience with a service. Other triggers were the convenience offered by online services when people wanted to send money out of hours, in an emergency, or in another situation where the sender was unable to get to an agent.

Discussions suggest that the shift in consumer behaviour has predominantly taken place in the last two years because of growth in the use of digital payment instruments among recipients in certain receive-countries. This has been combined with a multiplier effect, spreading through communities, of the cost of savings and convenience to be gained from online service providers.

Among the diaspora communities where there remains a reliance on cash networks in the receive-countries, the FGDs suggest that there is a much higher dependence on the largest RSPs who have established extensive, trusted cash payout networks. In these corridors, smaller operators, including online-only RSPs, are not able to compete effectively. Similarly, within

these communities, awareness about online remittance services, including the online services offered by the largest RSPs and the pricing incentives offered for online services, was very low. The FGDs suggest that in these communities, the largest RSPs are not pushing their online services and their agents have no incentive to promote this shift.

The FGDs also brought to light other barriers that exist to the use of online services including: the perceived difficulty in the registration and onboarding process; the security (or perceived security) threat of online operators; and barriers for the older generation on the use of technology. The discussions also signified a resistance to change by some participants due to the benefits they consider from visiting an agent, including customer service, reliability, convenience and agent accountability.

For the Nigerians, 12 of the 14 FGD participants sent money home using informal methods. The FGDs show that behaviour in the UK to Nigeria remittance corridor is heavily influenced by the Nigerian government's exchange controls and the existence of a black market.

Encouragingly, the FGDs suggest that the trend to shift from the cash/agent model to online money transfer services from the UK to Africa is already underway, especially within certain African diaspora communities, with the findings providing key insights into drivers and triggers for behavioural change and a blueprint to follow. The following recommendations are based on what could be done to expedite this trend and are further elaborated in this report.

Recommendations



SECTION 1

Introduction



1. Introduction

The UK government is committed to reducing the cost of sending and scaling up formal remittance flows from the UK to Africa. In 2015, the government committed to the UN’s Sustainable Development Goal (SDG 10.7c.), which states that the global average cost of remittances should be no more than 3% of the send amount by 2030, with no single corridor being more than 5%. In Q3 2017, the average cost of sending £120 from the UK to Africa was 7.9% of the send amount⁴ compared with a global average of 7.2%. While the average costs are fairly similar, they conceal significant variations between ‘receive-countries’ and sending method. Average costs ranged from 13.1% of the ‘send amount’ to send money from the UK to Ethiopia, to 4.8% to Nigeria, and from 9.9% using the cash/agent service from the UK to Africa, to 6.3% for transactions initiated online. Digitising the initiation of a money transfer in the UK, by removing the need for an agent, is one way to reduce the amount being paid for sending money home from the UK to Africa (FSD/DMA, 2017).

With its goal to reduce costs and scale formal flows, DFID and its Africa-based partner, FSD Africa, are interested in exploring whether there are interventions that could accelerate the migration of remittance senders from cash to digital channels.

Research conducted in 2015 and 2016 showed that sending remittances in cash, via agents, is the preferred method used for sending international remittances from the UK to Africa, with an estimated ninety percent of senders using these services⁵. This is irrespective of the fact that smart phone, bank account and internet access penetration is high among African remittance senders (Greenback 2.0, 2015). Using FGDs with diaspora communities residing in London, a demand side assessment was undertaken to understand why users of remittance services to Africa have such a strong preference for cash and agent-based services, preferring them to digital channels. This research uses the results from the FGDs to:



⁴ All remittance pricing is taken from the World Bank’s Remittance Prices Worldwide (RPW) database unless otherwise stated.
⁵ In 2015 93% of Western Union’s global revenue was generated from cash-to-cash services. The Greenback 2.0 survey in 2015 conducted with African diaspora communities in the UK estimated that over 90% of transactions were initiated at a counter, at the post office, or at a store and less than 5% online. Interviews held with digital service providers in 2016 by the authors estimated their collective market share at between only 5% and 10%.

Structure of the report



SECTION 1 gives an overview of the research methodology.



SECTION 2 provides background information on the money transfer methods available in the UK to the Africa remittance market and remittance pricing within these corridors.



SECTION 3 presents the findings from the FGDs.



SECTION 4 presents suggestions from the FGD participants on ways to migrate people from the cash/agent model to online.



SECTION 5 outlines recommendations for stakeholders on interventions that could help remittance senders to migrate from cash to digital channels in the UK.

It should be noted that the findings presented in this report are based on a sample of 74 people who attended the FGDs and should therefore only be interpreted as indicative at best, and in no way be considered conclusive,

or representative of the African diaspora living in the UK and sending money to friends and family overseas. The results are based on qualitative survey methodologies and are not quantitatively significant.

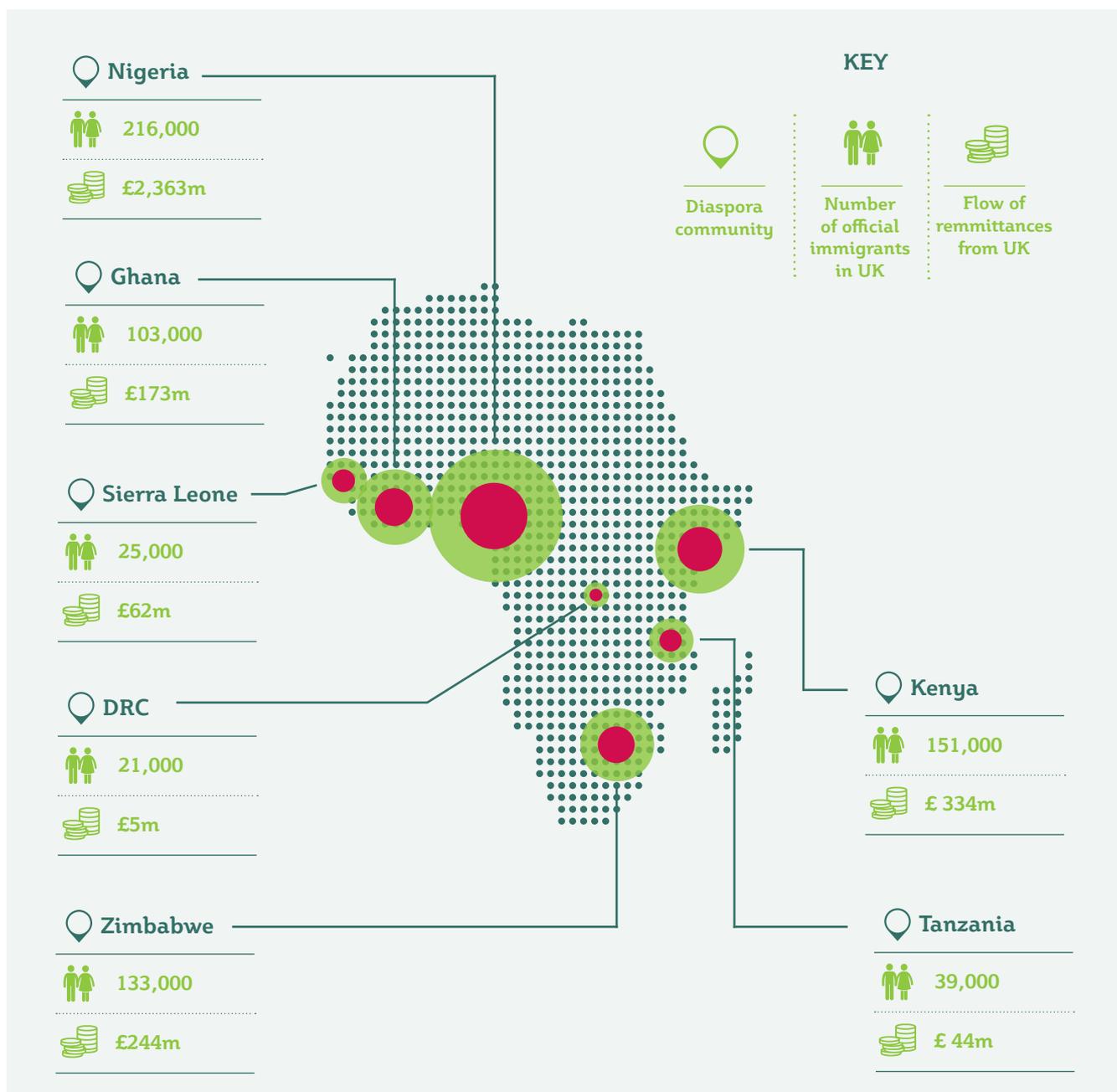
1.2 Research methodology and data collection

To seek answers to the research questions outlined above, eight FGDs were held during the summer of 2017, made up of seven African diaspora communities based in London. A profile of these communities is provided in Figure 1. The figure shows the number

of official migrants in the UK by community and the respective formal flow of remittances, as this is where data is available. In both cases, the actual numbers are unknown and may be significantly higher⁶, as there are challenges with accurate measurement.

⁶ For example, anecdotal, unconfirmed announcements suggest that the number of Nigerians residing in London was over 1 million in 2013 (<https://www.vanguardngr.com/2013/05/over-1m-nigerians-live-in-london-mayor-of-london/>)

Figure 1: Migration stock and remittance flow data for sample countries



Source: UN 2015 Migration Data and World Bank Bilateral Remittance Flow Data, 2015

	Main migrant areas in UK	Reasons for surveying
○ Nigeria	London, Manchester, Birmingham, Liverpool, Leeds	Largest UK to Africa corridor
○ Kenya	London, South East, East Midlands	Significant UK to Africa corridor. Strong digital domestic payments market
○ Zimbabwe	London, Leeds, Luton	FCAS with options for digital pay-out
○ Ghana	London, Reading, South East, Liverpool	Significant UK to Africa corridor. Improving digital domestic payments market
○ Tanzania	London, Birmingham, Manchester, Reading	Expensive corridor from the UK
○ Sierra Leone	London, Manchester, Liverpool	FCAS
○ DRC	Greater London	Large informal market and FCAS

Given the large volumes of remittances sent from the UK to Nigeria, two FGDs made up of the Nigerian diaspora, were held. As many African migrants reside in or around London, all FGDs were held in London. Participants were of mixed sexes, ages, socio-economic status, occupations and length of time spent in the UK. Appendix 1 provides further details on the sample demographics. All participants had sent at least one remittance in the last three months. They were screened

by telephone ahead of the FGDs to ensure they sent remittances to Africa on a regular basis.

Each focus group included seven to twelve people, lasted for 90 minutes and was held during July and August 2017. The sample size across the eight groups was 74. FGDs were moderated using a discussion guide and were followed by an individual multiple-choice questionnaire, which was used to confirm some of the information gleaned during the FGD.

Figure 2: Place of birth and gender

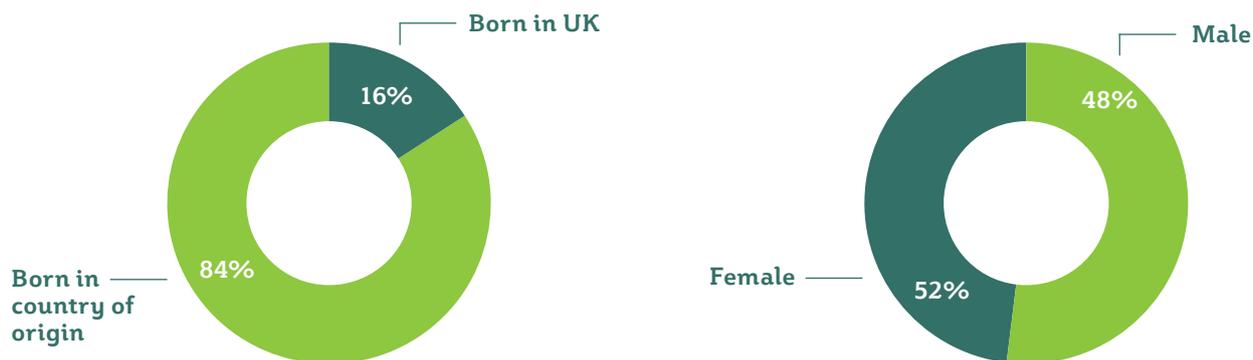


Figure 3: Age range

Age Range of sample, n=74

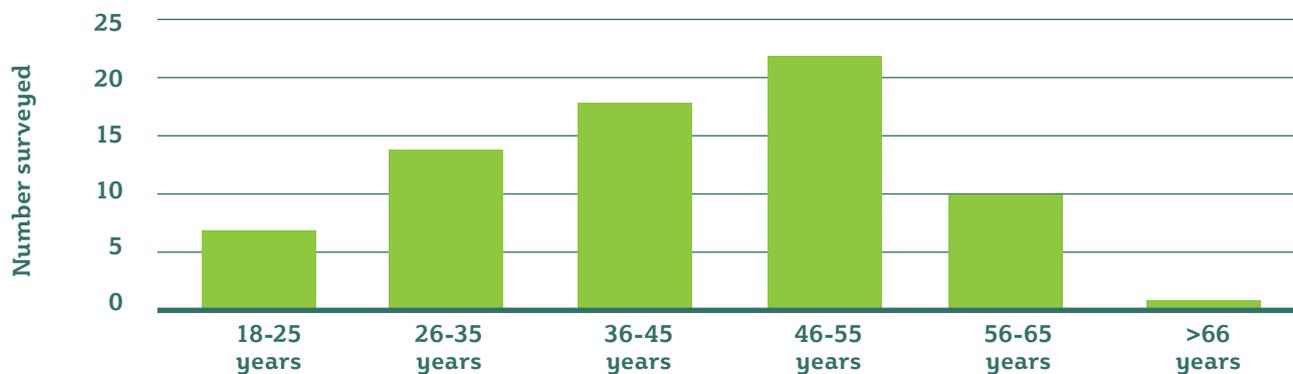
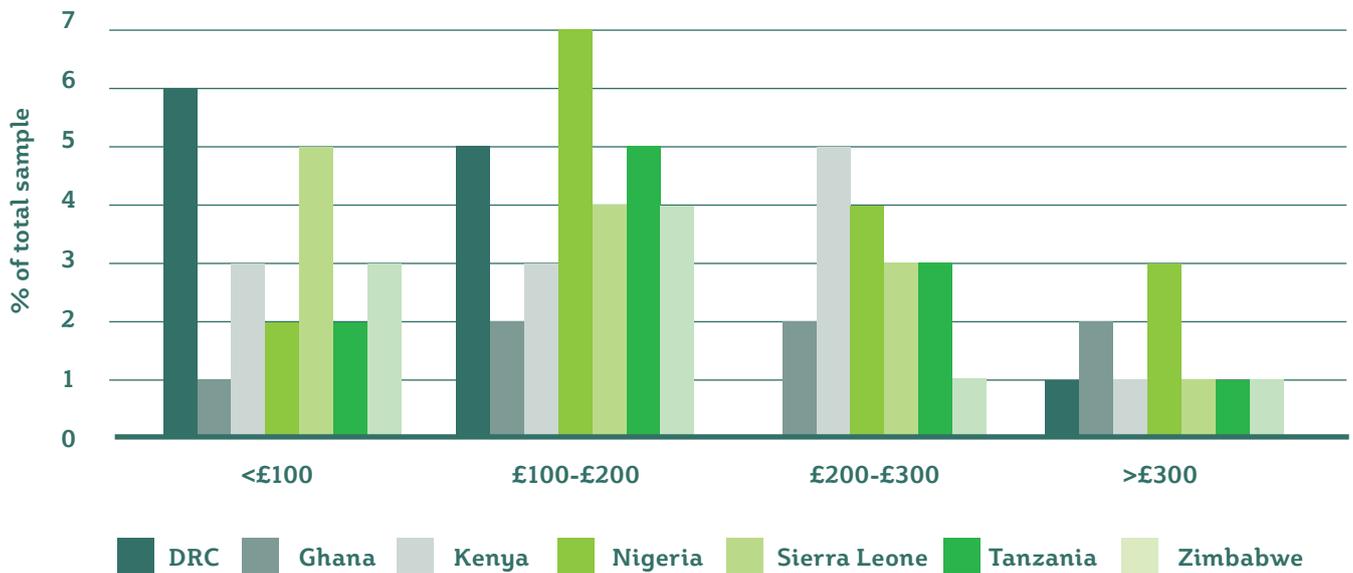


Figure 4: Typical send amount by individual

Sent amount of each remittance sent, n=74



Figure 5: Send amount by diaspora community
Typical send amount by diaspora community, n=74

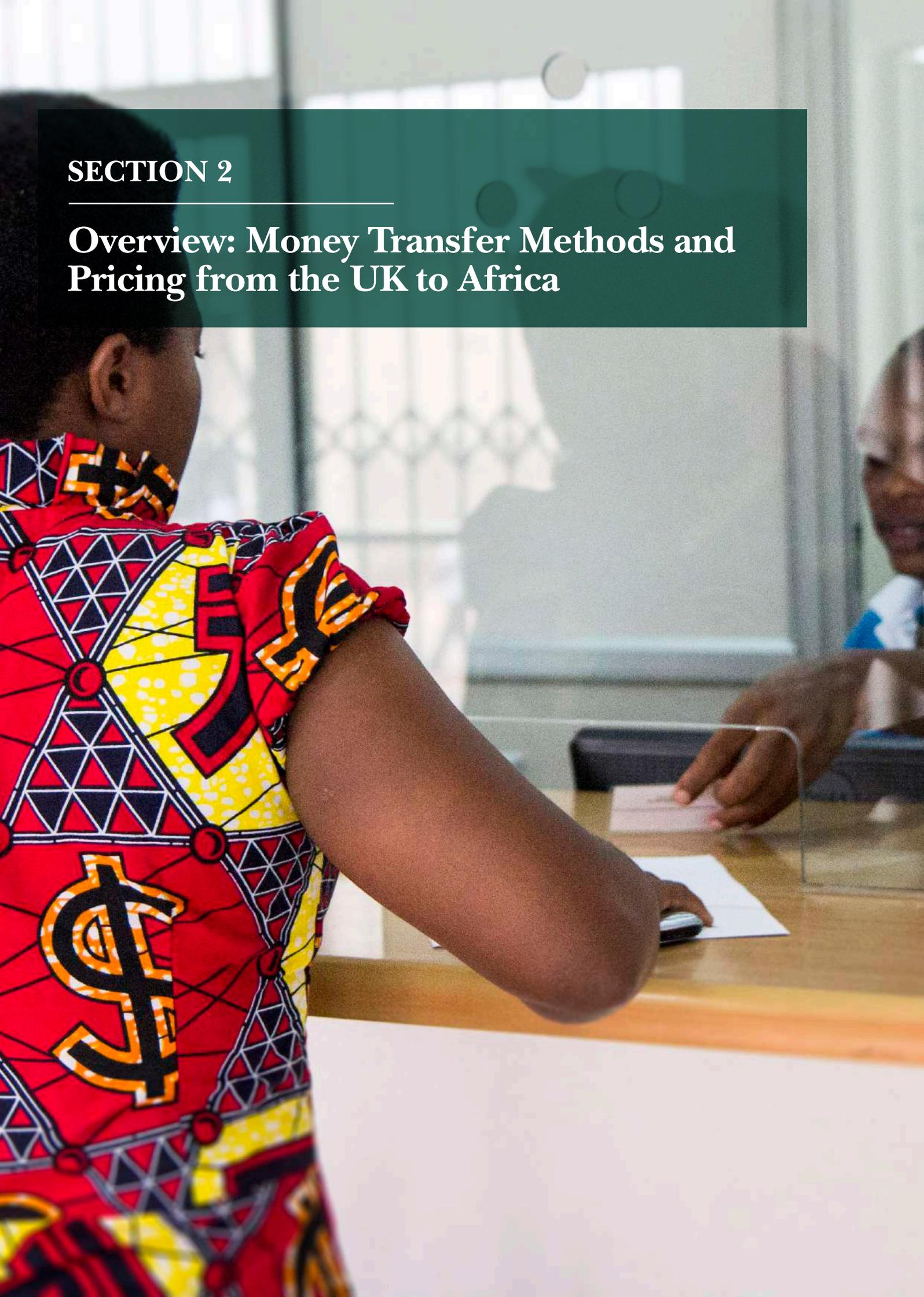


Given the small sample size, the results and findings presented in this paper are not statistically significant, nor necessarily reflect the experiences or behaviour of the whole population. The FGDs aim only to shed some light on the behaviours, experiences and decision-making factors of remittance senders. The sample was

subject to further bias given that the FGDs were held in the evening, to ensure people working during the day could attend. This negatively affected the ability to attract the 65 plus age range, mothers with young children, or people working in the evenings.

SECTION 2

Overview: Money Transfer Methods and Pricing from the UK to Africa



2. Overview: Money Transfer Methods and Pricing from the UK to Africa

This section provides an overview of the remittance market from the UK to Africa, to contextualise and frame the findings from the FGDs. The information

provided in this section is not taken from the FGDs but from other research conducted by the authors, unless otherwise stated.

2.1 Money transfer methods and definitions

There are several options for sending money to Africa from the UK. In the UK remittance market, there are both formal and informal operators. Whilst there is a clear distinction from a legal perspective, it should be noted that the legal status of a remittance RSP is often unknown or unclear to the consumer at the point of sale.

Formal service providers

For the purposes of this report, *formal remittance providers* are registered as either a Small or Authorised Payments Institution (SPI or API) or as an Authorised E-money Institution (AEMI⁷) with the Financial Conduct Authority (FCA) and registered with HM Revenue and Customs (HMRC) for anti-money

laundering purposes⁸. The UK has over 800 SPIs, 300 APIs and 65 AEMIs registered, many of whom provide international money transfer services⁹. Some registered PIs operate on a very small scale, and therefore size is not always a good proxy for informality. In the UK, formal RSPs typically operate from physical premises and/or use a network of agents to process transactions, check ID and collect payments on behalf of the principal RSP. The registered RSP is responsible for monitoring the agents for compliance, providing them with required systems and registering them with HMRC and FCA.

RSPs in the UK offer a choice of different services, with a range of variables:

Range of variables offered by UK-based RSPs

			
<p>Payment instruments</p> <hr style="width: 20%; margin: 5px auto;"/> <p>Customers can pay for their transaction using a number of methods including cash; paying by debit, credit or prepaid card; e-wallet or m-wallet, and bank account transfer to a UK bank account.</p>	<p>Access points</p> <hr style="width: 20%; margin: 5px auto;"/> <p>Including agent, RSP branch, a website or a mobile app.</p>	<p>Pick up methods</p> <hr style="width: 20%; margin: 5px auto;"/> <p>Including in cash, a card, a bank account or an m-wallet.</p>	<p>Speed of service</p> <hr style="width: 20%; margin: 5px auto;"/> <p>Within minutes, an hour, the next day or 3 to 5 days.</p>

⁷ Note that AEMIs are registered/supervised by the FCA for AML purposes whilst SPIs and APIs are supervised by HMRC.
⁸ There is not always consensus on when and how the formal/informal distinction in international remittances is used. It can depend on the corridor in question and the regulatory framework that governs operating within it. Thus, the use of informal and formal in this report is relevant to services initiated in the UK context only.
⁹ Financial Conduct Authority Financial Services Register 2017.

RSPs offer different and multiple services, and are also known to vary which services they offer between corridors. Box 1 provides the terminology used in the report for online and offline transfers.

Box 1 • Terminology for online and offline transactions

ONLINE transactions:

Transactions instructed and paid for through a formal RSP's website and/or a mobile app. Payment is made either by debit or credit card or UK bank account transfer.

OFFLINE transactions include:

- Cash/agent – payments made in cash at an agent/branch of a formal RSP.
- Card/agent – payments made using a prepaid card/debit/credit card at an agent/branch of a formal RSP.
- Bank transfer/RSP – online UK bank transfer to RSP's UK account accompanied by a call or message to a call centre or branch of a formal RSP.
- Informal transactions – including friends and family and informal agents (cash/informal agent and bank transfer/informal agent). See section below.
- Bank transfer/bank – payments made by making an international transfer directly from a UK bank account to a bank account in the receive-country.

Informal service providers

Informal service providers provide cross-border money transfer services, but are not registered with the FCA or

HMRC. Informal methods of transfer include family and friends and the use of informal agents.



Family and friends

A friend or family member physically carrying the cash to the receive-country and giving it to the intended beneficiary in cash, or

the sender giving the money (via cash or a UK bank account transfer) to a friend or family member in the UK who has liquidity in the receive-country and is willing to pay out to the beneficiary on the sender's behalf, either in cash, via bank account or m-wallet.



Informal agents

For the purposes of the report informal operators are termed as 'informal agents' (as compared to formal agents providing services on behalf of a formal RSP). Given these agents are operating outside UK regulation (in other words, illegally) for international remittance services, there is no information with respect to the number of informal agents operating in the UK or the scale of their operations.

It is understood that informal service providers mainly receive payments in cash, or in person at their home or business (e.g. shipping agents and nostalgia diaspora shops), while some offer an option to make an online bank transfer to the agent's UK bank account. With this latter option, the transfer of funds is accompanied by a call, email, WhatsApp message or SMS where the sender provides the transaction details. Given the agent is informal, the sender is not required to provide any identification for the transaction. There were reports in the FGDs of informal agents changing their bank account details frequently to avoid arousing suspicion with their bank provider and potentially the authorities.

"After the terror [attacks] they [informal agents] stopped, or they would give you a different bank account every time because they were being asked so many questions... it became a hassle to pay someone new every time."

Tanzania

The business and operational model for informal agents varies depending on the receive-country environment. In Nigeria, where there is reported to be a relatively high use of bank accounts among remittance beneficiaries, informal agents, or their counterparts in Nigeria, are reported to maintain a bank account or multiple bank accounts in Nigeria with a balance held in local currency. When a UK sender instructs a transaction, the informal agent in turn instructs a domestic bank account-to-bank account transfer in Nigeria to be made to the recipient’s account. The introduction of Nigeria Instant Payments (NIPs) by the Nigerian Inter-Bank Settlement System (NIBSS) enables banks to facilitate payments instantly between all bank accounts and for free. The recipient will therefore receive the funds within minutes and often gets a text message to acknowledge receipt of funds, which can be shared with the sender.

The introduction of NIPs and the use of bank accounts by remittance recipients provides informal

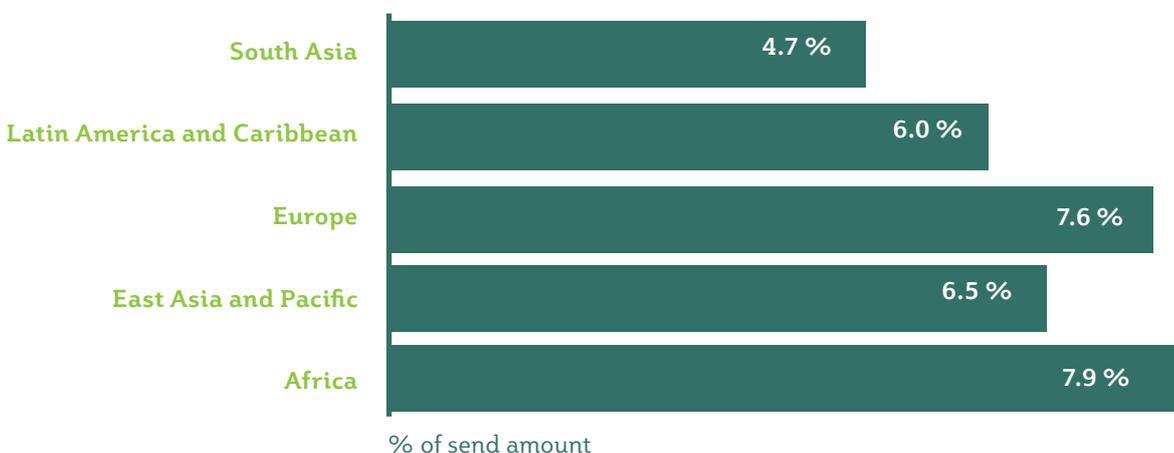
agents access to large, digital payout networks. In effect, the informal agent in the UK is tapping into the formal, digital payments infrastructure in Nigeria. Reports from the FGDs indicate that this is a competitive and active market in the UK, although it has not been possible to gauge the number of agents, the scale of their operations or the structure of networks in the UK.

Where a digital infrastructure is not so well developed in the receive-market, such as the Democratic Republic of Congo (DRC), informal agents are constrained to paying out in cash. UK based informal agents are therefore often traders, or partnered with traders, that have both a demand for Pound Sterling liquidity in the UK and Congolese Francs (CFR) or US dollar cash-liquidity in the receive-country. The informal agent is at an advantage if their receive-country counterpart has multiple cash payout locations. Given the reliance on paying out cash, the informal agents in these countries are generally confined to operating at a more localised level.

2.2 Remittance pricing from the UK to Africa

On average, sending money from the UK to Africa is more expensive than sending to any other region (see Figure 1).

Figure 6: Average total cost of sending £120 from the UK to different regions, Q3 2017



Source: Remittance Prices Worldwide, Q3 2017¹⁰

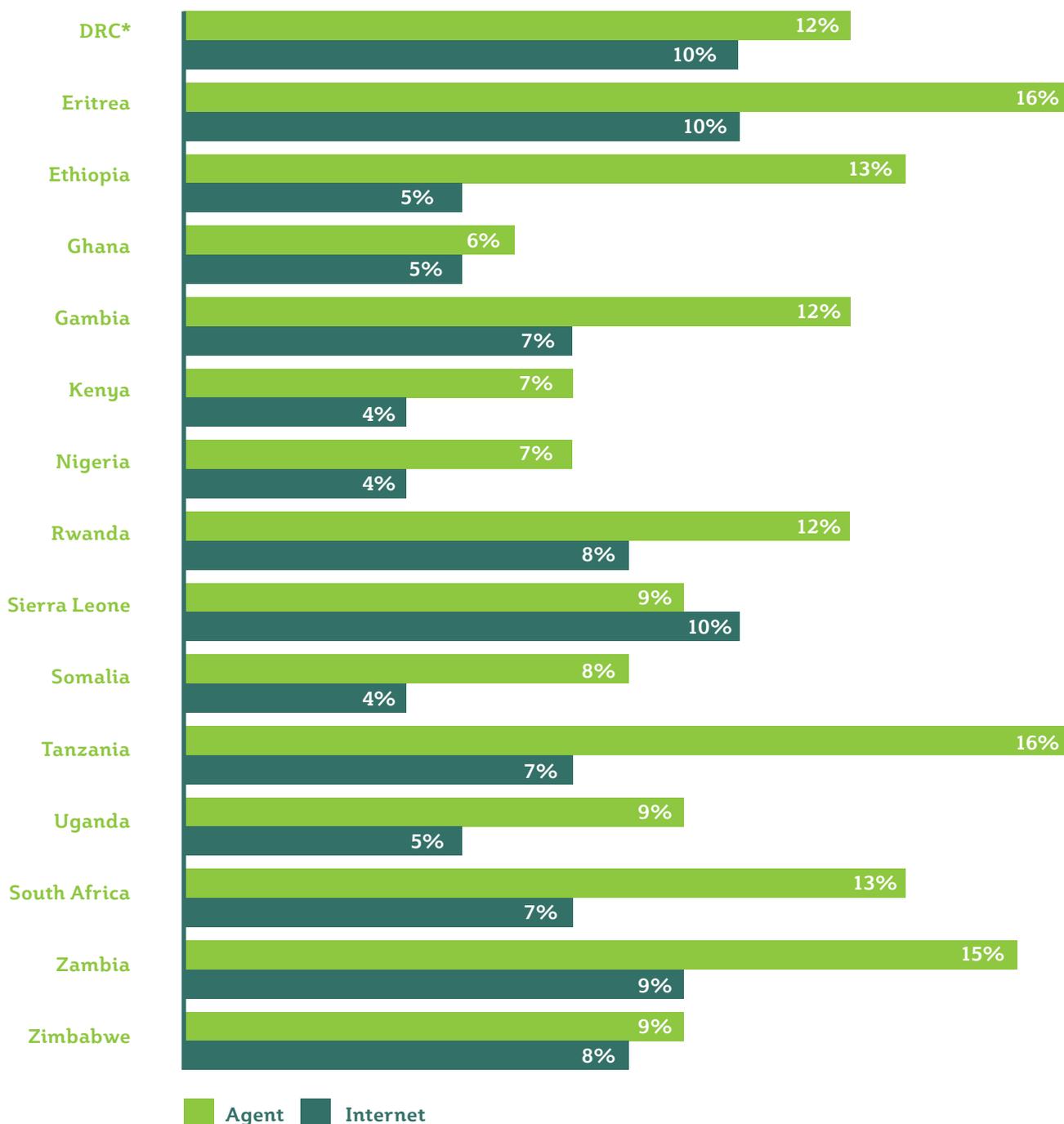
Sending money using cash by visiting a branch or agent is, consistently across corridors, on average more expensive than sending money online, through a

website, using a bank account transfer or debit/credit card (see Figure 7¹¹).

¹⁰ This data is only indicative, as World Bank’s Remittance Prices Worldwide only surveys 33 of the largest corridors from the UK. For example, sending money UK to Europe includes five countries in Eastern Europe.

¹¹ The pricing data presented in this report is taken from the World Bank’s Remittance Prices Worldwide (RPW) Q3 2107 dataset and is the mean-average of total costs across services for sending UK£120 (US\$200). RPW data captures at least 80% of each corridor. Average cost data is unweighted according to service provider or services used and therefore data is indicative only and does not necessarily accurately reflect what customers are paying to send money in a specific corridor.

Figure 7: Average total cost of sending £120 from the UK to Africa using an agent/internet, Q3 2017



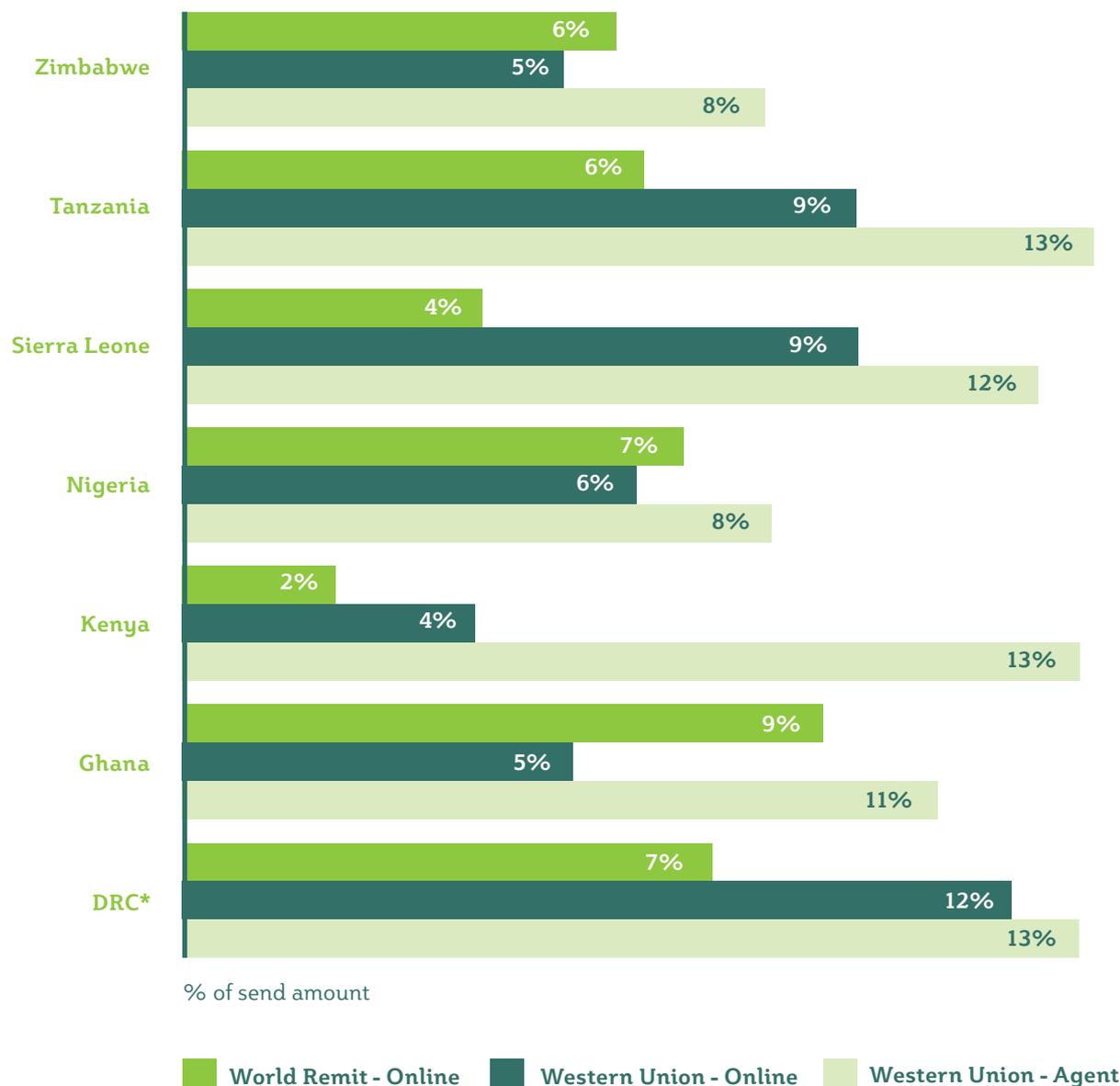
*DRC data is not included in RPW. DRC includes mystery shopping prices for Western Union, MoneyGram and WorldRemit from November 2017.

Source: Remittance Prices Worldwide, Q3 2017

It should be noted that within these average costs there are, however, significant variations according to service provider and products and the way money transfers are priced does not always make it easy for the customer to compare across products. For example, whilst pricing is often, in theory, transparent, with the RSP providing all costs at the point of sale, understanding the total cost

requires the consumer to sum the fee with the margin that the RSP is making on the foreign exchange. Furthermore, remittance pricing varies not only over time and by corridor, but also according to the send amount, the speed of service, the paying in option and the paying out options. Pricing is often tiered and sometimes promotions are offered for limited times.

Figure 8: Average fee and foreign exchange cost of sending £120 from the UK to Africa using different operators, Q3 2017



*UK to DRC is not included in RPW, therefore the data presented is from a mystery shopping exercise in November 2017.

Source: Remittance Prices Worldwide, Q3 2017

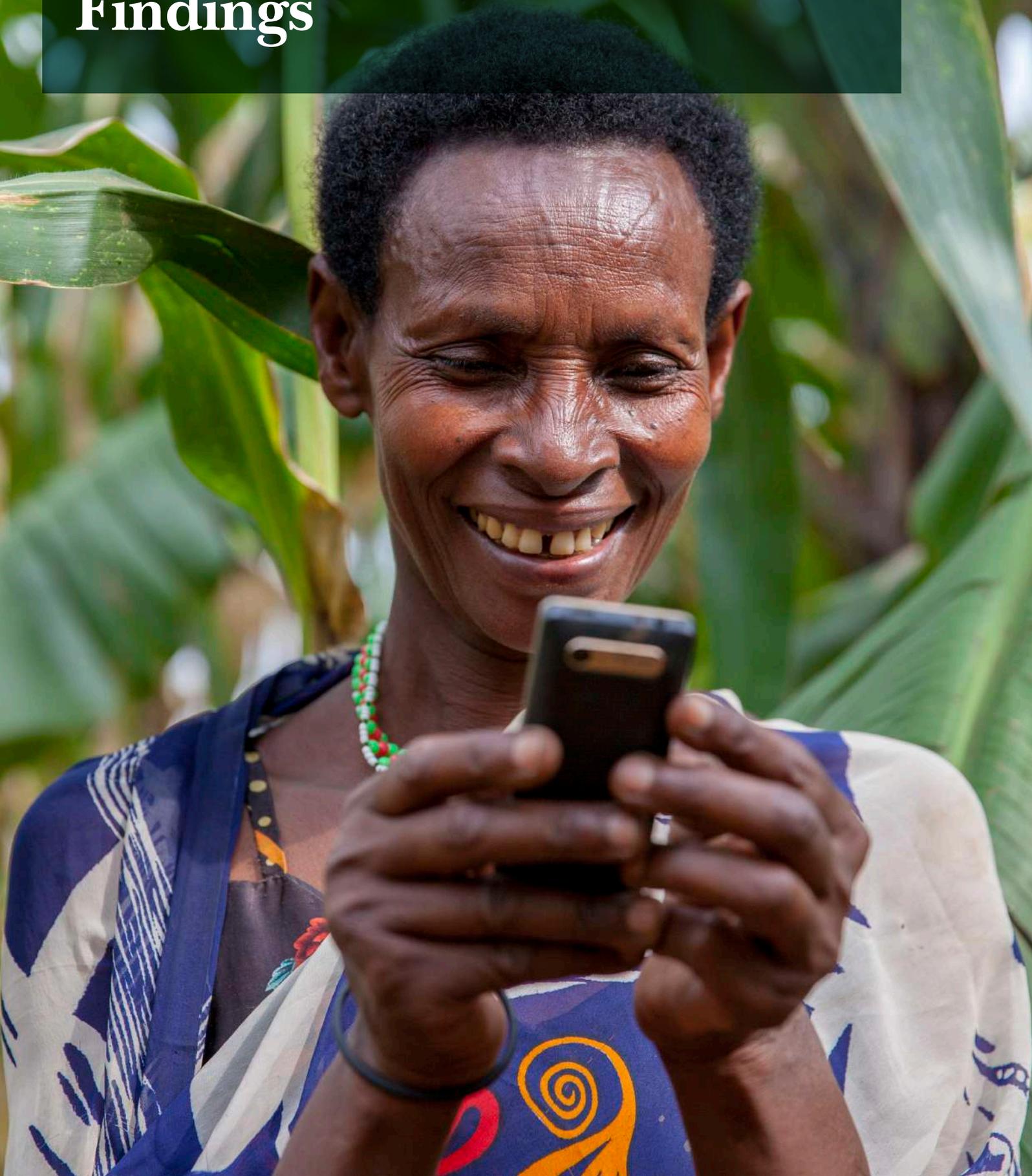
Figure 8 shows the total cost of sending money in each of the corridors sampled in the FGDs by highlighting three popular services (Western Union online, Western Union agent and WorldRemit online) in Q3 2017. It shows that the online services were, consistently across corridors, cheaper than visiting a Western Union agent. In some corridors, such as the DRC, the difference

between Western Union’s agent and online services was small¹²; whereas in other corridors such as Kenya the difference was significant. In Q3 2017 in most corridors, except Nigeria and Ghana, WorldRemit, an exclusively online money transfer service, offered a more competitively priced service compared with Western Union’s online service.

¹² While Figure 8 shows that Western Union’s agent service is more expensive than using online, a further breakdown of the data shows that for the UK to DRC, the online service paying by card is more expensive than using an agent, while their online service paying by bank transfer is cheaper. The data presented is an average of the two services.

SECTION 3

Findings



3. Findings

This section outlines the main findings from the FGDs and a follow-up multiple choice survey that was completed by FGD participants. To support the analysis, this section is interspersed with direct quotations from the FGDs.

Section 3.1 presents the FGD participants’ current and main methods for sending money home, whilst Section 3.2 breaks down this data by diaspora community, drawing out trends in behaviour across the different communities. Section 3.3 presents the main drivers

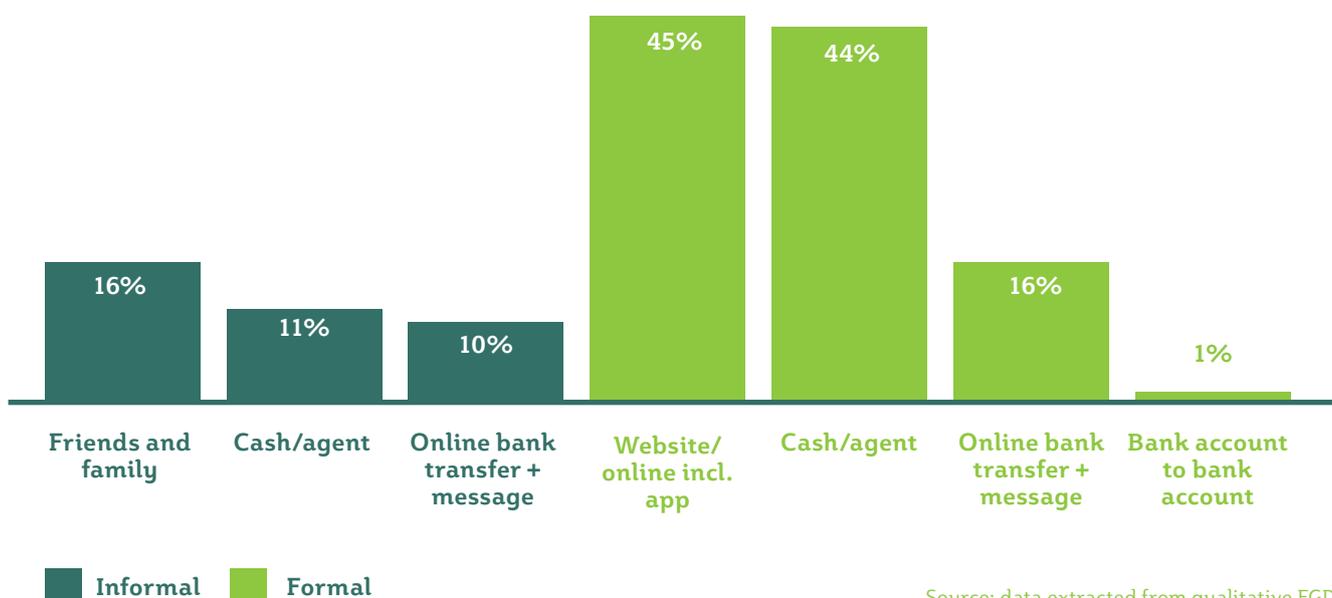
and triggers behind the observed shift to using online services by participants in the last couple of years. Section 3.4 looks at the reasons why other participants are still using the cash/agent model as their main method of transfer, and pay in cash rather than via debit or credit card. Section 3.5 outlines the drivers for using informal services, and finally, in Section 3.6 the FGD participants’ suggestions of ways to help migrate people from using cash to online are presented.

3.1 The use of online services has surged in the last few years

The most surprising finding to come out of the FGDs is the incidence of participants using online services. Figure 9 shows the main methods that FGD participants are using to send money home¹³. Almost half of the FGD participants reported that they were currently using online services, which contrasts with data from 2015/2016

that suggested that 90% of remittances from the UK to Africa were being paid in cash at an agent/branch¹⁴. This result is not inconsistent with participant responses in the FGDs who, for the most part, report to having switched to using online services within the last two years.

Figure 9: Methods chosen for sending remittances from the UK to Africa¹⁵



Source: data extracted from qualitative FGDs

¹³ Figure 9 quantitatively displays the qualitative findings from the FGDs. Furthermore, many of the participants have a long history of sending money home, and have used and tried a range of products and service providers over the years. Figure 9, however, displays participants’ reported current main method(s).

¹⁴ In 2015 93% of Western Union’s global revenue was generated from cash-to-cash services. The Greenback 2.0 survey in 2015 conducted with African diaspora communities in the UK estimated that over 90% of transactions were initiated at a counter, at the post office, or at a store and less than 5% online. Interviews held with digital service providers in 2016 by the authors estimated their collective market share at between only 5% and 10%.

¹⁵ Note respondents were able to select more than one method.

Figure 9 shows that roughly half of the FGD participants are using online services provided by formal remittance service providers (RSPs), and half are still visiting an agent or branch of a formal RSP. A fifth of participants use a hybrid method and send a bank transfer to their RSP with a supporting call/message to provide transaction details. Just over a quarter of people reported using an informal service as their main method of transfer, with friends and family being the most popular option.

The use of account-to-account services provided by banks was very low among participants as a current method of sending money, with only one lady from Tanzania using her bank to send money overseas when paying tuition fees. A few other participants reported having used their bank for large one-off payments in the past, or having trialled their bank’s services but had not continued to use them. The main reasons behind this decision were the costs involved, the time taken for funds to reach the beneficiary, and the banking infrastructure (or lack thereof) in the receive-country.

“We used to use bank-to-bank transfer but because of the time lapse and charges, even though I pay charges in the UK, they will take out charges [in Zimbabwe] and it was inconsistent, so we stopped.”

Zimbabwe

In a few of the FGDs, there was discussion about the option of depositing funds in the UK through a bank with branches in both countries and withdrawing money in the receive-country. However, none of the participants had actually used these services, nor considered the costs involved.

“Now there is a bank called Exim bank, if you have a card for Exim bank ... your friend can go and open an account for you; if you want money here, somebody can deposit the money, and you can also send money ... to receive in Tanzania.”

Tanzania

3.2 The ‘stickiness’ of cash varies across diaspora community

While the sample size was small, findings from the FGDs suggest that there are distinct patterns of behaviour between each community in terms of the choices made for sending money home. The FGDs suggest that the ‘stickiness’ of cash (the phenomenon that people still use cash-based remittance products despite the ready availability of digital alternatives) varies between diaspora

communities due to the specific nuances of each market. Figure 10 provides a snapshot of the ‘stickiness’ of cash in each FGD diaspora community, based on the relative number of people using cash versus online services in each FGD, and with cash being most ‘sticky’ among the DRC diaspora and least so among the Tanzanians. Further detail on each community is provided in the section below.

Figure 10: Scale of ‘stickiness’ of cash for sending remittances from the UK to African countries

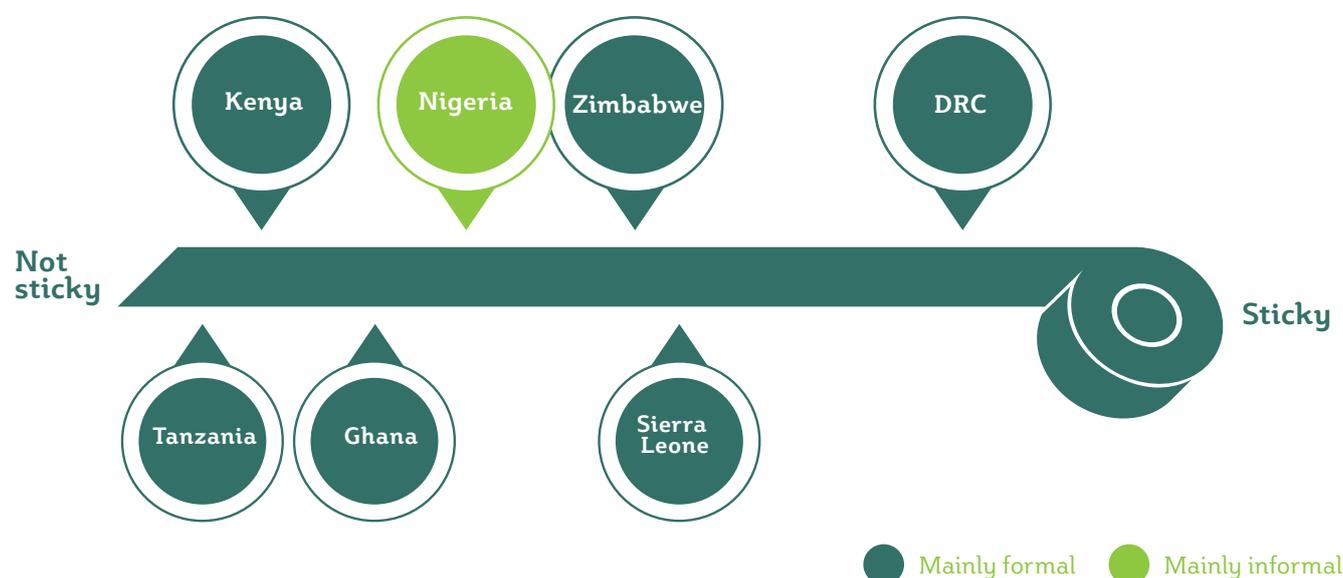
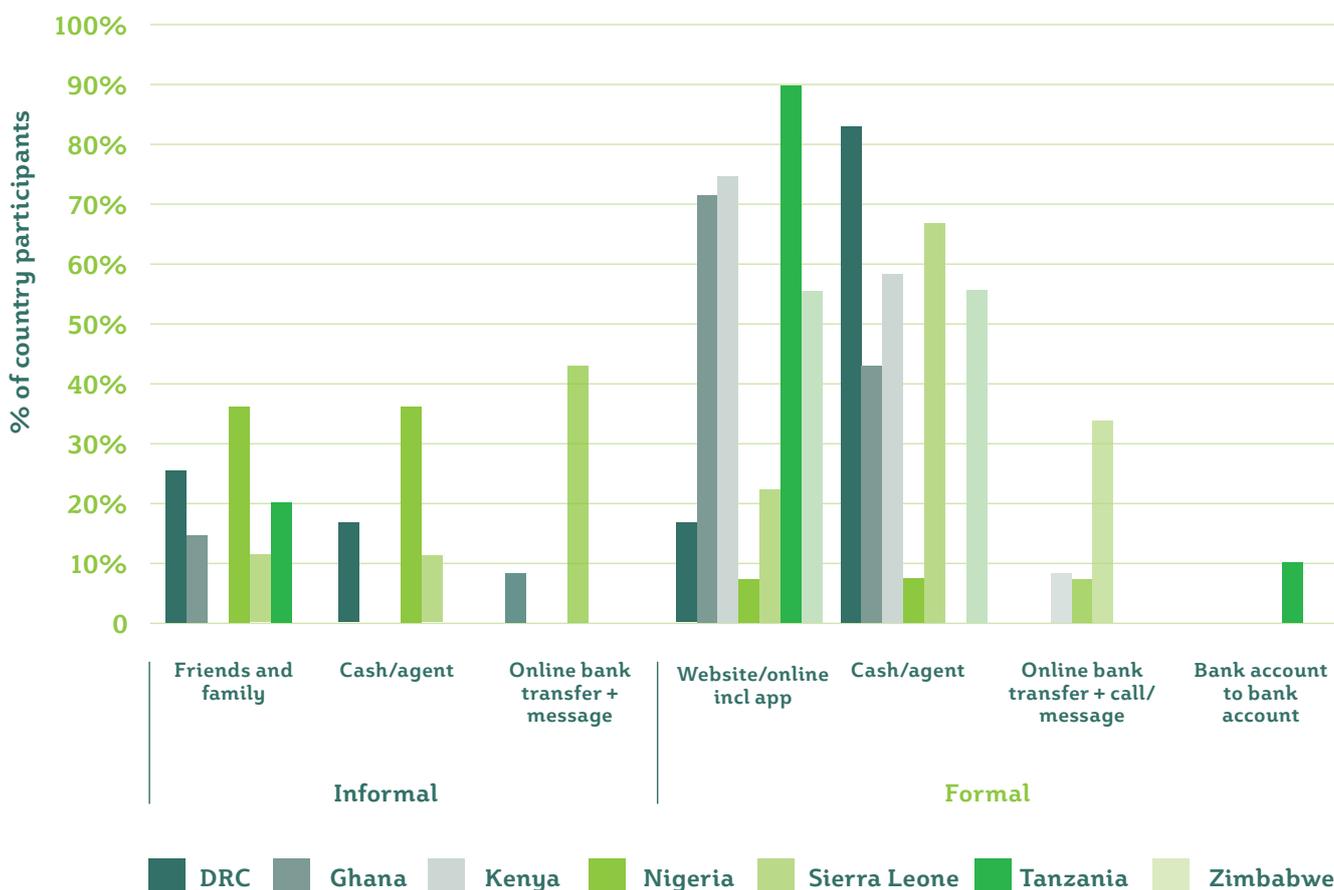


Figure 11 below shows the current, main methods of transfer used by diaspora communities according to FGD participants¹⁶. These participants considered

their behaviour to be representative of their broader community.

Figure 11: Sample results - methods chosen for sending remittances from the UK by the African diaspora

Sample size, n=74



Source: data extracted from qualitative FGDs



Tanzania

All Tanzanian participants, except one, who only uses friends and family, currently use online service providers – either through a website or an app. WorldRemit was the most popular service provider used, with a few participants also using Western Union’s online service and one participant using the Wave app. Most participants reported having switched to using online in the last year, with some early adopters in the last two to three years. All senders were sending to an m-wallet or bank account in Tanzania. Participants report that there are informal agents operating, mainly Somalis, but none in the group reported currently using them to send money home.

¹⁶ As with Figure 9, the quantitative data shown in Figure 10 has been extracted from the qualitative FGDs and represents the information participants provided in the discussions.



Kenya

Kenyan participants reported using a mixture of both online and offline services, with WorldRemit again being the preferred online operator and with a couple of participants using the Wave app. The other preferred sending option was an RSP known as both MapExpress/Sky Forex (half of the participants use it due to its reported competitive pricing), which has a few different agent locations in the UK that senders need to visit to pay-in cash. Most participants reported using more than one operator. Payout was mainly into an M-Pesa m-wallet and, in one instance, cash.



Zimbabwe

In the Zimbabwean FGD, four out of the nine participants sent money online using WorldRemit, Western Union and Cassava Remit, with the remaining five participants still using cash. Interestingly, all online users were making, or had at some point made payments into an EcoCash m-wallet account.

The main operator of choice among the Zimbabweans was Western Union, with six out of the nine choosing their services as their main method of transfer. Only one person was using Western Union's online service. Western Union was chosen for:

- Having the most extensive agent distribution network across Zimbabwe
- Being one of the only ways to get US dollars into the country due to the lack of cash available¹⁷
- Having no queues as they have separate pick up locations from the banks (unlike MoneyGram)
- Having no fees for collecting cash.

While informal operators had been used in the past, at present no one reported using these services.



Sierra Leone

Six of the nine Sierra Leonean FGD participants sent money by visiting an agent and paying in cash. The preferred operators were Western Union, MoneyGram and Afro International. The two participants using online services used Western Union. Three participants used smaller RSPs – Navos International and Kanson – where senders make a bank transfer or go to an RSP. Payout was, consistently across all participants, in cash. A few of the smaller RSPs in Sierra Leone were partnered with PayPoint, a local cash payout network (not related to the UK company of the same name). One person used a well-known, informal agent occasionally.

“Now I use Afro International ... I pay in cash to them and they go and collect cash from their PayPoint as they have PayPoint all over Sierra Leone, from the cities to the province.”

Sierra Leone

¹⁷ Zimbabwe uses the US dollar as its official currency. Currently there is a shortage of physical cash in the country and the government has introduced incentives to encourage remittance receipts to be paid in digital currency credited to m-wallets.



Democratic Republic of Congo

The DRC is the corridor surveyed where cash-to-cash was most prevalent. Ten out of the twelve participants used cash-to-cash with Western Union to send money home. Western Union was again favoured for its payout network in a country where the prevalence of bank accounts and mobile money accounts among recipients was reported to be low (significantly less than ten percent for bank accounts and non-existent for mobile money accounts¹⁸). One person reported using the Western Union app, though mentioned they paid a premium for this service in relation to visiting a local Western Union agent (see Figure 8 for pricing). Three people had experience of using informal agents, with one person exclusively using them.



Ghana

Six out of eight Ghanaian participants reported using online services. MoneyGram, Western Union and WorldRemit were the preferred operators. As with other communities, most Ghanaians reported switching to online within the last year. The payout method varied between a bank account, m-wallet and cash via an agent.



Nigeria

Twelve of the fourteen Nigerian participants sent money home using informal methods, which were preferred as the sender benefitted from getting a black-market exchange rate. Ten out of the fourteen participants reported to be using informal agents, with the remaining choosing to use friends and family.

A number of Nigerian participants reported to have previously used formal operators, including both cash and online services, had, however, chosen to find informal means due to the spread between the official and black-market rates¹⁹. A few of the informal agents offer a bank account/informal agent service (which participants often referred to as 'online'). One person was using an online service provider, Voxstone, which apparently offers the black-market rate. Other participants were not aware of this service. Payout by the informal agents was, without exception, into a Nigerian bank account.

“The digital payout system has got much better ... everybody is [now] using internet banking.”

Nigeria

“I can send money from my house, straight to my account or any person’s account ... the majority of [informal agents] do instant transfer, that is within five minutes and I can go online and check it.”

Nigeria

I used to use WorldRemit, and this app called TransferWise, but for some reason they stopped a few years ago ... and now I give the money to my aunt’s account and she knows someone that is travelling because the rates are much better.”

Nigeria

¹⁸ The penetration of mobile money is currently very low in DRC due to the geographical, regulatory and logistical challenges in the country.

¹⁹ Over the last two years there has been a significant difference between the official and black-market exchange rates in Nigeria. Action from the Central Bank of Nigeria, granting additional licences to new RSPs and introducing a new official money transfer operators’ exchange rate, has since led to a narrowing of the black-market exchange rates in the second half of 2017.

3.3 Drivers behind the switch to online services

This section presents the main drivers, highlighted through the FGDs, behind the switch to using online services and identifies triggers that have caused this shift to take place.

The main drivers identified are:

 <p>The payout options available in the receive-country</p>	 <p>A price incentive for using online</p>	 <p>Word of mouth recommendations</p>	 <p>The convenience offered by online service providers</p>	 <p>The digital age and marketing</p>
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Each of these drivers is examined in more detail below.

A key observation from the FGDs is the small number of online operators being used, or known about, by participants. The main online operators used were WorldRemit, Western Union and MoneyGram, with only a few participants using smaller RSPs such as Cassava Remit, the Wave app and Voxstone. Over half of the participants were unaware of most of the online services that are available to them. As an example, Ghanaian participants were unaware that SambaPay offer an online service from the UK to Ghana, and instead travel to SambaPay agents to pay in cash.

3.3.1 Payout options available in the receive-country

Across FGDs it was reported that the recipient plays a key role in determining how money is sent from the UK. Senders communicate with the recipient ahead of sending the money (or at least the first time the money is to be sent) to identify and determine where money can and should be collected from, or deposited to.

“The reason I used Cassava is because they have EcoCash where I can pay bills or send money straight to the school ... I’ve never really checked the rates, and they are normally quite steady.”

Zimbabwe

Interestingly, how the money is received by the recipient, whether in cash or deposited into an account or mobile wallet, seems to impact the choice of access point for the sender in the UK (agent versus online). Across the FGDs, the majority of participants using online services were from the Tanzanian, Kenyan and Ghanaian diaspora communities. In turn, these are the receive-countries with the most developed digital payment infrastructures, particularly in the use of mobile money. The FGDs suggest there is a strong correlation between the decision to send money online from the UK and recipients receiving money digitally (into an m-wallet or bank account).

“My family actually requested that we send through MoneyGram, I think there is an office nearby.”

Sierra Leone

“Everybody has mobile money, even if they don’t have a phone they have a sim card ... the mobile is their bank for most of them, rather than putting it in a bank.”

Tanzania

Moderator: “Has mobile money changed the way you send money?”

Whole group: “Big Time ... if there is an emergency I just go on my phone and send.”

Tanzania

In Zimbabwe, the four participants that sent money online from the UK were paying money into an EcoCash m-wallet in Zimbabwe. For all recipients wanting to receive money in cash, senders sent cash.

“That’s the theme, for the majority of us, what we decide here is determined by the needs of the recipient. It is not decided here.”

Zimbabwe

Possible explanations driving this trend in behaviour include the following:

Online-only RSPs have been able to compete effectively in countries with more developed digital payment infrastructures. These countries compete with the larger, traditional RSPs through access to large (digital) payout networks, making millions of recipients accessible. Online-only RSPs are gaining traction and market share by undercutting the traditional RSPs on price, aggressively marketing their products in these corridors and offering a more streamlined onboarding and customer experience.

WorldRemit, and to a much lesser extent the Wave app, are online-only service providers that are being used extensively by FGD participants to send money to Tanzania, Ghana and Kenya. These operators have not had the same success in the receive-markets that are still more dependent on cash payout networks (DRC, Zimbabwe and Sierra Leone).

Recipients requesting to receive funds digitally challenge the customary cash-to-cash money transfer model. The cash/agent-to-cash/agent model is traditionally associated with sending money home and is still very strong.

“It’s that relationship that you have, the familiarity ... and the process for me, of getting cash is kind of in my subconscious ... the adverts as well are a sort of visual thing, it’s what I’ve been doing for years.”

Zimbabwe

The FGDs suggest that where digital payments are commonly used for domestic transactions in the receive-country, like in Kenya with M-Pesa, the traditional model is challenged. As remittance recipients request to receive money digitally, senders seem to become more comfortable with the idea of sending money through digital channels themselves.

3.3.2 A price incentive for sending online

Once a sender has established that the RSP has the payout network suitable to reach their recipient, senders report being motivated enough to consider shopping around by price (both for the fees and the exchange rate they will pay), although comparisons were found to be challenging and tiresome. Box 2 provides more information on this. The competitive rates offered by online service providers and/or for online services in some corridors (see Figure 8) have been a key driver behind the switch to online. However, for many participants the price advantages of online services are still unknown.

“I used Western Union [cash-to-cash], but it was very expensive, and then I tried WorldRemit, but I didn’t like it, so I went back to Western Union, but with the app this time, and it is quicker and cheaper [than going to an agent].”

Tanzania

“Traditional money transfers like Western Union are known to be expensive, and new players like WorldRemit and all the digital money transfers are cheaper because they don’t have as high costs.”

Zimbabwe

The Kenyan participants’ behaviour highlights their sensitivity to price. Kenya has the most well-developed mobile money market globally, yet Kenyan FGD participants did not exclusively use online services providers, unlike the Tanzanians, but also visited an agent/branch to pay in cash, because the cash-only operator offered more competitive rates.

3.3.3 Word of mouth recommendations

When discussing with FGD participants the main drivers and triggers for switching from using cash at an agent to online, recommendations from friends and family members that had tried and had had a successful experience with the service was, across communities and cited time-and-time again, the main motivator behind a change in operators and sending method.

“Somebody vouches [a service] ... so because of what they said I went online ... and once I set it all up it was there.”

Nigeria

“I don’t exactly go onto Google and look for other ways to send money, I just stick to what I know unless a family friend [suggests a new way].”

Nigeria

“For me using Western Union is just word of mouth, it’s what I know most people in my circle use, so until maybe someone else says ‘why don’t you try WorldRemit’ and I get a good review from them, then I will try it.”

Zimbabwe

The importance of personal recommendations (‘word of mouth’) within communities cannot be overstated. Diaspora communities, especially the larger ones such as Nigeria, Ghana, Tanzania and Kenya, were reported to be very interconnected. Most participants were active on multiple WhatsApp groups including community groups, friend groups, extended family groups and cross-border family groups. Information and recommendations on the cheapest and most convenient ways to send money were reported to be passed on through word of mouth and through these groupings.

Box 2 • Shopping around for the best service

The extent to which participants shop around varied between diaspora groups and participants. Given that comparing remittance services and pricing is fairly challenging, many participants expressed a malaise to shopping around and were more influenced by recommendations from friends and family. At most, participants tend to check a couple of their preferred service providers’ prices (FX rates and fees) each time they send money.

In Zimbabwe and the DRC, where participants considered a limited number of service providers to be competitive, little shopping around was observed. In the countries where RSPs or informal agents can access large populations through existing payment networks (banks, mobile network operators and/or cash distribution networks, such as PayPoint in Sierra Leone), more price checking was reported.

It was also reportedly easier for online users to compare costs across service providers. Participants using an agent (formal or informal) either telephone or visit the agent to enquire about rates and fees. Participants living in areas with lots of agents representing different RSPs were more likely to shop around.

The informal agents, especially in Nigeria, were reported to use social media extensively to update people on their rates. Informal agents create and access large community WhatsApp groups to send updates and promote their services. However, participants still required a personal recommendation before using a new service provider.

“I don’t want the headache of shopping around.”

Nigeria

3.3.4 The convenience offered by online service providers

Another important driver behind a shift to using online services among the FGD participants was the convenience and efficiency that it afforded them, in terms of not having to get cash, travel to an agent, queue, or only send money in office hours.

“For me the biggest issue is queuing and filling out forms, if you make a mistake you have to start again and this thing about having to produce ID, most of the time you’re not carrying anything ... but if details are on the phone then you can do in your own time anywhere ... even when in Zim I send money to self.”

Zimbabwe

Participants reported the online-only RSPs to have straightforward and easy-to-use registration processes. Once a payee has been set up, their details are stored in the system, thus making it simple for them to send another payment.

“I like WorldRemit for one reason, first of all you get the money instantly, and then the charges you can compare with Western Union ... you can deposit straight into a bank account or straight into someone’s phone (with different phone providers) ... you can choose if you want it in local shillings or US dollars.”

Tanzania

“I was using Western Union as well, like most of my mates here – visiting an agent, paying cash – and then I changed it to WorldRemit, more than a year ... it is quite easy, if you have the app with WorldRemit they can deduct the money from your bank and transfer the money to Tanzania and they can receive the money onto their mobile phone and their charge is quite good too.”

Tanzania

“The initial stage [of Western Union online] is quite long because you have to send ID and it has to be manually approved and that can take a couple of hours, but after that it is a simple 10-minute process ... give the receiver the code and they can pick up the cash”

Ghana

The value attached to the convenience of using online can be most clearly observed among those participants that have been prepared to pay a premium or incur small additional costs for using the online service²⁰. For example:

1. Among Kenyan participants and a Ghanaian participant, they opt to use online services even when they are aware of more competitive cash services that meet their payout requirements being available.

“In terms of convenience if the difference [in rates/commission] is not that big then I will go with MoneyGram because I can literally be on my phone and just do it.”

Kenya

“It’s a time versus money thing really.”

Ghana

2. In the DRC one participant reportedly paid a premium to use Western Union’s online service²¹.

“Anything that stops me going out in winter is a motivation ... I was just searching to see whether they have an app ... so I downloaded it and I had to go through the security ... I could only send a maximum of £500 a year, until they had to verify my ID – it took a week or so – and then increased the limit. I found the process very easy. The only thing is, it was £2 more than going to a shop – you have all these options to pay by card, PayPal, bank transfer etc. ... a month later, I saw the price had gone down ... but the shop is still cheaper – but for £1.50 or £2 its ok.”

DRC

²⁰ On average, and in most cases, online services are cheaper than cash services (see Section 2.2). However, at the time of writing there were a few online services that were more expensive than using cash services.

²¹ On review of Western Union’s pricing, they offer two online services: (1) through bank transfer which is more competitively priced than at the agent and (2) through debit/credit card which is more expensive than at the agent (DMA mystery shopping, November 2017).

For many participants it was the convenience offered by online service providers that triggered them to try an online service for the first time, including when:

- There is a need to send money urgently in the case of an emergency;
- The system is down at an agent;
- Senders want to send money out of hours: in the evening, at night or on public holidays;
- Senders need to send money to themselves while they are visiting their country of origin, as many use mobile money when they are in the receive-country.

“I had to send money back home, but it was a public holiday back there, and it was quite late ... so I went online, I like Googling, searching for options, so there was an app for Western Union and I downloaded the app and then there was also WorldRemit, so I downloaded both of them and then I started looking and when I saw WorldRemit and I see Tigo, M-Pesa, Airtel that was it. They bought me.”

Tanzania

“I was in Ghana and I had run out of money ... my friend who was here [UK] asked whether I had an MTN sim card and she'll send me mobile money. She told me to go to a kiosk and register it [sim] and she sent me money ... when I returned I asked her how she did it and she said through WorldRemit ...she said, ‘OMG it's literally the best thing to send money to anywhere in Africa ... it's easier, the commission is close to nothing, option to Tigo mobile money, banks, MoneyGram, or Ghana Commercial Bank’ ... so someone told me about it.”

Ghana

“If they [the receiver] needs the money urgently then I will do it [send money] through MoneyGram [online] because they can pick the money up now ... if I had the time to research where else they can get more money and if I had time to travel to the place, then I would do it.”

Ghana

3.3.5 The digital-age and marketing

Where ‘word of mouth’ recommendations were not promoting the use of online within a community, some participants report having searched on Google for Western Union or MoneyGram’s online service or through their phone for either company’s app. For most, this action was prompted by the assumption that most companies now offer an online service, rather than having seen any advertising by these companies for online services.

“With regards to MoneyGram, anywhere you go, it's advertised, everywhere you go, on TV it's on there ... for using them as a money transfer, but we're in that age where everything is done online these days, so research and it will tell you, you can do it online, so that's what I did.”

Ghana

Facebook was the main platform for adverts that participants had responded positively to, suggesting that advertisements that were directly tailored to their corridor, such as UK to Ghana, were the most effective. A few participants also recalled advertisements on diaspora-community websites.

Using Western Union app - “I saw the advert on Facebook for the [Western Union] app and thought I would try it.”

Sierra Leone

“I think social media is quite big ... Facebook and WhatsApp because there are all sorts of groups and communities and I hear about sending cash or buying things from Zim on Facebook ... people also rely on word of mouth ... WorldRemit adverts don't specify to Zimbabwe.”

Zimbabwe

“Most people don't want to change, if it's not broken don't change it, a lot of people will stick to what they know and stick with it a for a long time, the only difference that changes that is a lot of marketing and where WorldRemit have come in and spent a lot of money on advertising online, and you can't ignore that.”

Zimbabwe

The uptake of online was, unsurprisingly, mostly used by the younger participants and the more technologically savvy.

“My mobile phone is my office, so I’ve got my internet banking here, I check my accounts maybe two or three times in an hour, so I know what comes in and what goes out ... the bank will send you a text if you have sent money and you reply ‘Y’ or ‘N’ ... as far as I’m concerned it is safe.”

Sierra Leone

3.3.6 Summary

Section 3.3 has presented a number of drivers reportedly responsible for the shift in recent years among FGD

participants from the cash/agent model to online. Whilst these drivers have been presented individually, the findings suggest that they are not working in isolation, but rather working together to motivate a shift in behaviour, especially within certain corridors. For example, a digital payments infrastructure in the receive-market is enabling online-only RSPs to compete in the market, offering competitive prices and a convenient, streamlined consumer experience.

Why has this shift in behaviour mainly taken place in the last two years? The FGDs suggest that in certain UK to Africa corridors, more widespread adoption of digital payment instruments in the receive-country has combined with traction in the message, among diaspora communities (through ‘word of mouth’), that online remittance services are offering competitive, trusted solutions in the UK.

3.4 Reasons why people still visit an agent and pay in cash

Despite the positive shift towards online remittance services, half of the FGD participants sending money to Africa from the UK are still choosing to do it by visiting an agent and giving them cash. This is despite 96% of participants having a bank account²² and nearly 90% accessing the internet daily²³. This section draws out

the main reasons people cited as to why they choose to continue using the cash/agent model, together with the reasons behind these choices.

The participants still using this model can be categorised into three distinct groups.

Group 1

Participants who are aware of online services and use them sometimes, but not exclusively as they have sourced alternative attractive services from cash-only RSPs. Comprising mainly participants from the Kenyan diaspora, and a few from the Ghana, for these participants the service of online RSPs is not considered competitive enough to warrant only using online²⁴.

Group 2

Participants who are unaware of online services. This group comprised participants from each of the diaspora communities surveyed, except for Tanzania and Kenya where all participants were aware of online services.

Group 3

Participants who are aware of online services, but choose not to, or are restricted from, using them. This group comprised participants from all the diaspora communities surveyed.

Each of these groups is examined in more detail below. At the end of the section, consolidated findings as to

why these senders tend to use cash rather than cards at agents is also presented.

²² Three participants, over the age of 46, from the DRC did not have a bank account.

²³ With 5% of FGD participants accessing the internet every few days, 7% once a week and 3% not at all.

²⁴ Interestingly, a participant from the Ghanaian FGD reported travelling to a SambaMoney agent to pay in cash when he has time, and using MoneyGram online for convenience. SambaMoney offers an online service through their website, but the participant was unaware of this.

3.4.1 Group 1 – Awareness of online services, but choose to use cash-only RSPs

In several cases, the main barrier to using online services is that the preferred sending operator does not offer an online service. For example:

- **RSPs not offering online service** It was reported that MoneyGram, Dahabshiil²⁵ and other smaller RSPs do not consistently offer an online service. People wanting to use these services are therefore restricted to visiting an agent or, where available and aware, making a payment into an account and calling to instruct the payment. Operators such as MapExpress, in the UK to Kenya corridor, do not offer an online service, yet due to a solid reputation and competitive pricing, some Kenyans travel across London to use it when they can and use online service providers as a back up.
- **Informal agents** Due to the nature of being informal, informal agents tend to deal in cash and do not offer an online service. Many of those participants currently using informal agents had previously used online services, or still use online formal services for the convenience they afford. Many of the Nigerian FGD participants indicated that if their informal agents offered an online service they would use it. See Section 3.5 for further details.

3.4.2 Group 2 – Lack of awareness of online services

Lack of awareness was mainly identified as a problem in the DRC, Zimbabwe and Sierra Leone, where there is also a heavier reliance on cash in the payout of remittances. In the most extreme case in the DRC, only one person had heard of online services. This is despite the operators being used to send money to these markets

by FGD participants and offering online services in these corridors at more competitive prices (see Figure 8).

The quotation below from the DRC FGD demonstrates a lack of understanding that money can be sent online in the UK and still received in cash by the recipient.

“How then do they receive the money if you do it on a computer?”

DRC

Even in the more advanced markets, there was still some confusion surrounding the use of online services, with one Kenyan instructing payments via the Western Union app, but then visiting the agent to make the payment. He was not aware that Western Union offered the option to pay via the app.

“The only down side [to the Western Union app] is that you have to go to the agent and give them the number on your phone and then you give them the money ... I only use the app when there are big queues.”

Kenya

Not being aware of online services meant participants were not aware of any price incentive for using them. Across all the communities, awareness with regards to the range of online service operators was generally very limited. Elderly participants were less likely to have heard of, or researched, online services.

²⁵ One of the largest African money transfer businesses, operating in 126 countries across the world, 40 of which are in Africa.

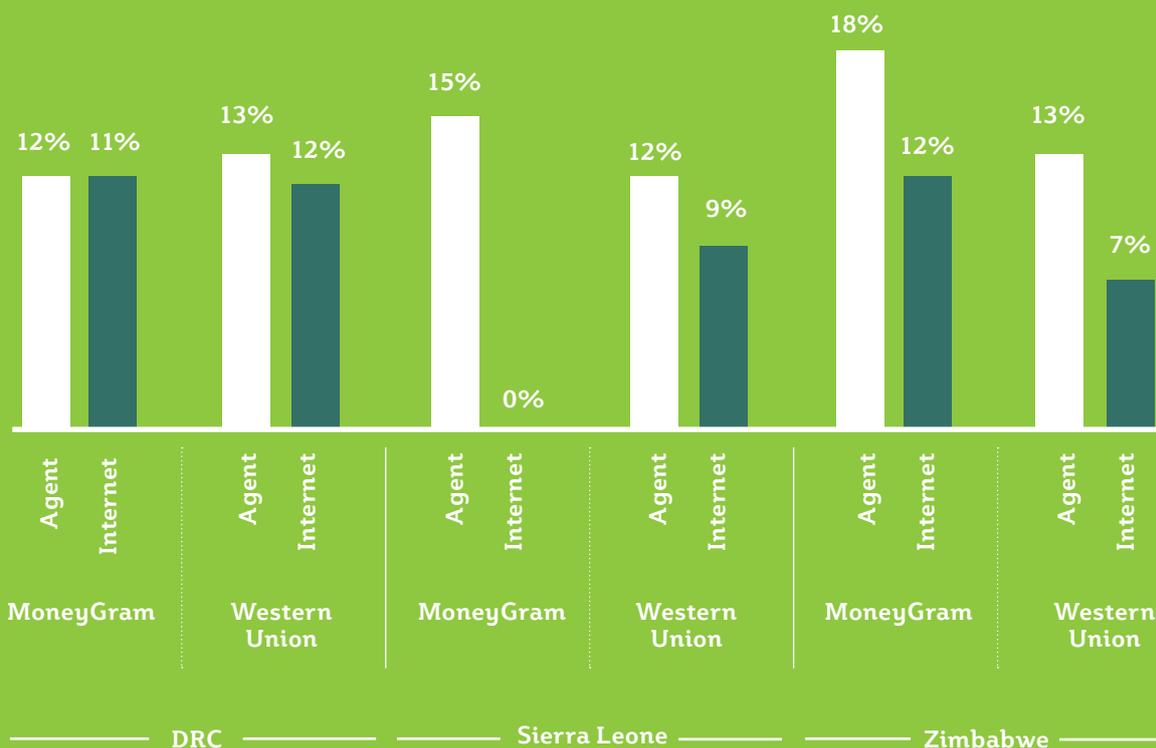
Box 3: Western Union and MoneyGram are not pushing the use of online in cash-corridors

In the receive-countries such as the DRC, Zimbabwe and, to a slightly lesser extent, Sierra Leone, the FGDs revealed that there was a significant reliance from participants on the large, cash-payment networks developed by the well-known and trusted brands of Western Union and MoneyGram. In these markets, the smaller operators were less able to compete due to their limited, and unknown payout networks.

Participants accredited their brand loyalty to the extensive, liquid and well-established payout networks and brand profiles of these operators, which instil trust that the money will arrive securely. In the DRC, participants cited Western Union’s agent network as the key driver behind their decision. Bank networks were not trusted to pay out cash, due to poor security, long queues and bribes required to collect funds, and no one reported knowing anyone using mobile money.

In the FGDs where Western Union and MoneyGram services were used extensively, most participants also sent the money by visiting an agent and paying in cash. This is despite Western Union and MoneyGram both offering online services from the UK to the DRC and Zimbabwe, Western Union offering a UK to Sierra Leone online service, and many of these services being more competitively priced than sending money via an agent (see Figure 8).

Figure 12: The cost of sending £120 from the UK to African Countries by the largest MTOs
% of the send amount, Q3 2017



Source: RPW, Q3 2017

The FGDs suggested that the large operators, especially in these corridors, were not actively promoting their online services to UK senders. Many of the users of Western Union or MoneyGram were not aware of an online service or app and did not feel that the option or the benefits had been communicated to them by the RSP or agents. Participants from Sierra Leone and Zimbabwe said that MoneyGram did not offer an online service.

3.4.3 Group 3 – Choosing not to use online: reasons and barriers

Those participants who are aware of online services, but choose not to use them (Group 3), raised a number of

benefits to using cash and also barriers to using online services. These are presented in the sections below. All FSDs brought up a number of factors which can be grouped into two areas:



1. Benefits of using the cash/agent model

Habit, the reliability and trust of existing methods and brands and convenience were cited among Group 3 participants as the main reasons behind the continued use of the cash/agent model. Each of these can all be proxies for maintaining the status quo and demonstrate a resistance to change.

Habit and reliability. The majority of participants, across all FGDs, have used cash-to-cash services by visiting an agent. This is not surprising as it used to be the only way to make transfers through an RSP. Thus, a key reason cited behind the continued use of cash was habit, with a switch to online services requiring a change to current behaviour. While the FGDs suggest that roughly half of participants have made this switch, especially in the last year within certain communities, for others the motivation is yet to come. Participants report that they have found a method that works for them, in that the money arrives, often through a trusted service provider and, as such, they keep using the same service.

Convenience. The convenience afforded by the cash/agent model was also considered a key determining factor, with ‘convenience’ encompassing many attributes. Participants cited the convenience of agents’ locations, with most not having far to travel to visit one, and many areas boasting a range of different RSPs and/or agents within a short distance from the sender’s home or work place. This physical convenience of visiting an agent reduced people’s desire to shop around.

“I think it’s just force of habit, I do have online banking, I’m not a big shopper, but I do buy things online from time to time and I don’t have a PayPal account ... I could be persuaded to do it online, I just haven’t investigated it – as I said, it’s just so close by.”

Sierra Leone

“It is just habit, getting out of the habit would be the biggest thing.”

Zimbabwe

“There is one post office, the man there knows I come in all the time, so it is quite regular, so I don’t get asked for anything [ID] ... I’ve known Western Union all my life, I’ve always used it and so has my mum.”

Sierra Leone

Furthermore, there was a reported convenience to paying in cash when you have cash. Some participants still have or keep money in cash, especially those paid in cash, and thus choose to send money in cash.

“If I have cash, I use cash.”

Kenya

Customer service and accountability. While a few FGD participants were disgruntled with the repatriation process of funds when a mistake had been made, in general people were fairly satisfied with the service they received from their RSP’s agent when paying in cash. Participants perceived better accountability and customer service with an agent.

Agents were reported to help in completing forms, the repatriation of funds, or in cases where the sender needs to change the name of the receiver. It was observed among many in this group that if something went wrong it would be easier to return to the agent to resolve the issue than trying to address it through online or telephone customer services. There was a perceived security benefit that senders could return to an agent and hold them physically accountable.

“Sometimes at agents you don’t need to give ID, if they know you and you are a good customer ... sometimes they ask for the phone number of the sender ... they put everything on there, your ID ... Now it has changed, every day you have to show your ID, even for £20.”

DRC

“With my local agent, I know the people ... and I have a very good relationship, so I can go there for a quick service without over complicating.”

DRC

“If I do online ... and send you £500 and you haven’t received it, who am I going to ask? Who am I going to call and ask those questions? Cos the agent I can talk to him 1-to-1 ... I’ve given him the money, I have a receipt, it’s me and him.”

Ghana

“For me there is an assurance of talking to people directly and paying in cash, although it is quicker online, I trust talking to people.”

Zimbabwe

Know your customer (KYC) requirements. KYC requirements were not perceived to be an issue in the cash/agent model, with many agents apparently not requiring the sender to present ID, provided payments were below a certain threshold²⁶. Other benefits included the agent recognising a repeat customer and therefore not requiring ID for each transaction and keeping sender and recipient details on file to streamline the process²⁷.

2. Barriers to online services – registration, customer service, KYC and security

Many of the reasons articulated behind a preference for cash are, in turn, barriers to using online services, including the registration process, customer service, KYC challenges, security and age.

Registration. For many of the FGD participants who were aware of online services but opting not to use them, the process involved was commonly cited as a major barrier. The lengthy process, involving multiple steps and the verification of ID, combined with an unknown lag-time between registering and being able to send money, deterred people from using online services.

Several participants within Group 2 reported having started the process, but being put off by the time it took, the multiple questions involved, or the KYC requirements, and subsequently reverted to their previous, cash-based methods. These complaints were most common with Western Union’s online service. Personal failed attempts, coupled with tales from friends and family about poor customer service, seem to have compounded these opinions among communities. FGDs suggest that the largest, cash-based RSPs are not offering a streamlined online customer experience compared with the newer, online-only service providers.

“I started completing the forms...I don’t have the patience to keep completing forms with all my details.”

Zimbabwe

²⁶ It should be noted that since June 2017 there has been a change in requirements in the UK. From that date, all transaction senders, regardless of the value, need to meet ‘know your customer’ (KYC) requirements including providing ID. As the change was being introduced at the time the FGDs were being conducted this may explain some inconsistencies in the responses.

²⁷ In actual fact, ID is required at the onset of any relationship with a remittance sender. The data can be stored for the future use but a customer must have produced ID at the initial transaction to enable KYC measures to be undertaken.

“The verification process takes 1 or 2 weeks and people are impatient – if Western Union online was much quicker a lot of people would use it.”

DRC

“If your passport has expired then you cannot send the money ... you need to find somebody who can send for you.”

DRC

Customer Service. Participants report that the larger RSPs are not offering a complete online solution, but rather directing online users to visit agents when there is a challenge, or additional KYC requirements.

In Ghana, people having different names was also cited as a potential problem for using online. For a few participants that had tried online, the request by the RSP for additional ID for sending larger amounts acted as a barrier to further use of online.

“If you make a mistake then you have to go to an agent. It’s more expensive and if you make a mistake it tells you to go [to the agent].”

DRC

“I did try it [Western Union online] but then there was a cap of £800 and you have to set up the whole nine yards.”

Zimbabwe

“I’ve had a few issues with Western Union [online] especially because my bank tends to block that transaction and then ... it becomes a nightmare, so that’s when I visit an agent with cash”

Zimbabwe

KYC barriers in the receive-country. Another issue raised was that with the newer, online operators, there was uncertainty as to what ID would be required for receivers to collect the cash. This uncertainty, which was expressed particularly in the case of Sierra Leone, seemed to result in a ‘stickiness’ to using familiar services.

Previously using Western Union app –

“They change now, and they say this time around you have to walk to the local branch and use cash and bring your ID, and then you can send money ... you can’t start using the app ... you have no access, you can put all your information ... but at the point of payment it doesn’t go through ... and you have to walk to the agent ... now I go to my local agent.”

Sierra Leone

“The first priority for me is the recipient back home. With WorldRemit, where in Freetown is their office? If their office is on the west side of Freetown and my friend is in Waterloo on the other side ... also, the conditions behind it ... especially the worst part is if the WorldRemit are asking for the ID – a passport or an ID card”

Sierra Leone

KYC barriers in the UK. Not having the appropriate ID was also something touched upon in both the DRC and Ghanaian FGDs, although no one reported this to be a personal issue for themselves.

Perceived security risk with using online service providers. A barrier frequently cited among Group 2 participants to using online services, especially among the older generation and in the Sierra Leone community, was the risk of identity theft and fraud when making payments online²⁸.

“Immigration – a lot of people don’t have papers, and don’t have their own passports, over-stayers. They send cash ... you can give any name. A lot of people have immigration issues and for them it’s impossible to go online ... you’ve got to be legal ... that’s the biggest fear.”

Ghana

As the data suggests, some of the participants are cautious across the board and make all payments in cash, expressing discomfort in providing information to a website. Others make some financial transactions online, but either use PayPal for their online payments to provide an additional layer of security, or feel that

²⁸ Nearly 60% of participants, across FGDs, have done online shopping using a debit /credit card and over 45% use PayPal.

RSPs are a higher risk than other service providers, such as Amazon and eBay and online banking.

“If I don’t know the site then I won’t use my card” – previous experience of identity theft “I used [online banking] before but not now ... I’m too scared”

Sierra Leone

“If it’s not PayPal then I don’t use my cards online.”

Sierra Leone

The fact that for money transfers the sender is required to provide not only bank details, but personal identification, made security-concerned participants feel more vulnerable to identity theft. The receive country was also a contributory factor, with a perceived higher threat level because the money is being sent to countries in Africa.

Age and technology. The only two FGD participants who did not go online were both over 56 years old, from the DRC and Zimbabwe. However, in general the older generation were less likely to use online remittance services. Of the eleven participants over 56 years old, nine reported using cash-to-cash and two online. Where older people used online services, there were reports of having to get younger people to conduct the transaction on their behalf and of forgetting their password. The barriers for the older generation stemmed from how comfortable they were with using the technology, fear of online security and language barriers.

“There is a generation gap, so if I send my parents anything, and I tell them they can use online, it’s a long conversation, whereas if I send it to my cousins, they understand, they know how to work it as they have the app, but for my parents they would prefer to have cash, then they know where they are starting.”

Zimbabwe

“It is very common for an African to work with cash ... the older generation (60s/70s) prefer working with cash because of their relationship with the agent.”

Tanzania

“My mum would rely on me to do it ... but for her to do it online, that’s a no, no.”

Ghana

3.4.4 Reasons participants pay in cash at the agent and not by card

According to the FGD participants, most agents do not offer a facility to pay by card and rather have a preference to be paid in cash. In cases where agents had offered the service to participants, only a couple of participants stated that they had made use of it, with others preferring to use cash due to perceived security risks involved and the limits on cards.

“Sometimes pay cash, sometimes pay card, depends on what I feel like.”

DRC

“Sometimes, I don’t trust the operator to pay by card.”

DRC

Agents in the UK are often convenience stores or other small businesses and many participants suggested they were not comfortable paying by card in this type of establishment for fear the agent may scan the card and/or see the card’s pin number.

“The service is available, but you can only go up to a certain amount, over a certain amount the bank won’t authorise you, so you have to go to the bank [and collect cash] ... [even with smaller amounts] sometimes they can see your pin number and you can get in trouble, they can take your money ... because of all these things, we don’t want to use our cards in that type of shop.”

Ghana

3.4.5 Summary

The FGDs suggest that there is a challenge for traditional cash-based RSPs with respect to technology. They want to keep their agents happy, but also need to offer customers new ways of transacting to compete with new, online market entrants.

The FGDs suggest that companies like Western Union and MoneyGram are not encouraging people to use online services unless forced to do so²⁹. In receive-countries where there is limited competition from new market entrants, there is little incentive for the established players to cannibalise their own businesses. Furthermore, from the RSPs’ agents’ perspective, there is no incentive for agents to pass on information about online services.

3.5 Drivers behind the use of informal agents

This section presents the findings from the FGDs on the main drivers for using the informal market to send money home. Section 2.1 provides definitions for the formal versus informal market. As displayed in Figure 11, most participants, except for those from the Nigerian FGDs, did not report using the informal market as their main method of transfer.

The use of informal agents was most prevalent among the Nigerian diaspora, where 12 out of the 14 participants used them as their main method of transfer. In Zimbabwe, Ghana, Tanzania and Kenya none of the participants reported currently using informal agents. In the DRC one participant used an informal agent exclusively and two had used one in the past, while in Sierra Leone one participant used an informal agent occasionally. However, most of these participants had, at some stage, sent money home with close family members and friends when they were travelling, due to there being no fees or commission and also for the convenience. Most participants were aware of informal agents.

Price incentive. The FGDs indicated that the parallel foreign exchange market in Nigeria, where the black-market rate is significantly higher than the official rate, has driven senders (who previously used formal methods of transfer) to seek informal means.

“There’s a parallel market, and I’m always going to go to the one that is more profitable to me.”

Nigeria

Competition on rates between informal agents within the Nigerian community in the UK is reportedly intense, with informal agents aggressively marketing their services (see Box 2 in Section 3.3.3). Participants, however, still relied on personal recommendations to source trusted agents, and then compare between them and negotiate.

“I compare rates [between two informal agents] ... and haggle!”

Nigeria

Trust and reliability. The banks’ payment infrastructure in Nigeria, and the reportedly high use of bank accounts among recipients, has reduced the risk to senders of sending money informally. The recipient receives funds into their bank account within minutes of the transaction being initiated in the UK and the recipient gets an SMS notification that they share with the sender. Despite this reassurance, trust is still a significant factor when choosing an informal agent.

“For me trust – has to be someone that I know well, so that if anything happens to my money ... I come to your house and I know where to find you.”

Nigeria

²⁹ There are three possible reasons for this: (1) Although they advertise online services, there is no price incentive to match. (2) They feel a responsibility to their agents and therefore do not push these services in corridors where they do not have to compete with online-only RSPs (3) The agents themselves have no incentive to push people towards digital services.

Approximately half of the Nigerians using informal agents sent money through a bank transfer to the informal agent and half visited the informal agent and paid in cash. The decision was mainly driven by whether their preferred, trusted agent offered a bank transfer/informal agent service or required the sender to pay in cash.

“Maybe because I’m used to it, it’s local ... I do some shopping ... I’ve always used the same agent for a couple of years now and he’s reliable – as long as he’s reliable that’s the main thing.”

Nigeria

In those receive-countries that are more dependent on cash, informal agents are constrained by their payout networks and rely on senders being physically close in the UK to deposit cash, while also having a payout location close to the recipient in the receive-country. See Section 3.1 for further details. Representatives from Sierra Leone and the DRC were not aware of any marketing activities by the informal agents. The main challenges and concerns voiced with the use of informal agents stemmed from trust, security and liquidity in cash-based receive-markets.

“The private [informal] agents do not have large networks to pay out and can sometimes take a long time to take the money back home.”

DRC

KYC avoidance. Informal agents were recognised by participants as a preferred option for senders without the ID required to send money formally. None of the FGD participants included themselves in this group, but knew people for whom this was a problem. A number of participants had used informal agents when sending large sums to avoid additional KYC requirements from their formal service provider³⁰.

“Western Union has a limit on the amount you can send, so then you do tend to [go to informal agents] but there are not a lot of people who do it ... [because of] trust issues and the demographic of where people are, the traditional money transfer operators and payout network are much more convenient.”

Zimbabwe

“There is obviously going to be a lot of charge when you send a lot of money, say £5,000 and through an [informal] agent it is quite cheap ... there is a certain limit (£4,000) with Western Union and it is a lot of hassle ... with an agent you don’t really care about the exchange rate because at least you can send more than £5000 [can’t do that at Western Union].”

Tanzania

“Over a certain limit then need to use friends or family that are travelling.”

Ghana

Credit payments. Informal agents reportedly offered a credit service to customers once a relationship had been established. As such, FGD participants saw a benefit to using informal agents in that they could take advantage of these services when required.

“I will say to [agent’s name] please send the money and I will find time to bring you the cash and she will do it ... As long as there is trust between you and the agent.”

Sierra Leone

³⁰ This behaviour is logical. There are often additional documents that are required to transfer larger amounts such as proof of the source of the funds. Some people would prefer not to provide this or are unable to do so.

3.6 Headline findings

This section attempts to recap on the key headline messages emerging from the findings presented in Section 3.

1. The most surprising, but encouraging, finding from the FGDs is that the use of online remittance services has seemingly surged in two years, with roughly half of participants now using formal online services.

2. The FGDs suggest that the 'stickiness' of cash varies significantly between diaspora communities. Cash was found to be most 'sticky' in the DRC, Zimbabwe and Sierra Leone, which are also the countries with underdeveloped domestic payment systems – a well-functioning payment system being essential for the development of international digital remittance services. Conversely, the use of online services was most common (with cash least 'sticky') among the Tanzanian, Ghanaian and Kenyan participants, that is, the receive-countries with the more developed domestic payment infrastructures.

3. Discussions suggest that the main drivers behind the shift to online are: the payout network in the receive-country, especially its impact in enabling online-only RSPs to compete effectively; the price incentives offered by online service providers; and the convenience of online services.

4. The main triggers prompting a shift in behaviour were personal 'word of mouth' recommendations for an online service and wanting to send money out of hours, in an emergency or in another situation where the sender was unable to get to an agent.

5. The FGDs indicate that the shift in behaviour towards online services has predominantly taken place in the last two years because of growth in the use of digital payment instruments among recipients, and messages spreading through communities of the cost savings and convenience offered by online service providers.

6. Among the diaspora communities, where there is a reliance on cash networks in the receive-countries, the FGDs suggest that there is a much higher dependence on the largest established RSPs with extensive cash payout networks, such as Western Union and MoneyGram. Smaller operators, including online-only RSPs, are not able to compete effectively.

7. Within these same communities, awareness about online remittance services (including those from the largest RSPs) and the pricing incentives offered for online services was low. Agents have no incentive to address this.

8. The FGDs suggest that there are other barriers to using online services, including the registration process, the perceived security of online operators, the age of sender, and the benefits afforded by using cash-based agents, including habit, reliability and convenience of agents. These present a resistance to change.

9. The FGDs show that behaviour in the UK to Nigeria remittance corridor is heavily influenced by the Nigerian government's exchange controls and the existence of a black market.

SECTION 4

Suggestions to Enable People to Migrate from Cash to Online in the UK



4. Suggestions to Enable People to Migrate from Cash to Online in the UK

At the end of each FGD, participants were asked to consider ways that government, non-governmental organisations and the private sector can try to help people migrate from visiting agents and paying in cash to going online to instruct payments. The range of responses given is presented below.

Overall, the participants were impressed and welcomed the attention on reducing the cost of remittances and enthusiastically suggested ideas. Most participants appreciated that achieving this would require a shift to digital systems to streamline cost structures, as they have seen across other sectors such as paying council bills or parking. A few representatives,

notably from the elder participants and those wary of online security, presented some resistance to these concepts.

“Shut [the cash/agent model] so there are no other options, it will take 100 years to change the mentality of the people.”

Zimbabwe

None of the participants voiced any concern with regards to the loss of income by agents.

Suggestions included:

1. Competitive rates

Across FGDs, there was consensus that the efficiencies and cost savings of online services need to be passed onto the customer in the form of lower prices. Participants want to be incentivised through pricing to make the shift to using online. There was also a call for online operators to offer a more simplified fee structure that would make it easier to understand and compare prices. All the Nigerians called for online operators to be able to offer the black market rate.

“There needs to be a flat, simplified set up and it needs to be much cheaper than everyone else.”

Zimbabwe

2. A streamlined process communicated more effectively

Participants vented a frustration with poor communication on what is involved in using online services and the benefits from these services. Points they wanted clearer messaging on were:

1. Registration process, including how long it will take and the KYC requirements and thresholds
2. Benefits of using the service
3. Information on the receive-market, including payout locations, KYC requirements, thresholds on amounts paid out and currency options.

“I work visually so it would nice to have a chart and see what are the benefits, because there is a lot going on, there are people selling loads of things.”

Zimbabwe

3. Better awareness and communication channels

Better awareness and communication was repeatedly highlighted as a main way to achieve a change in behaviour. Most commonly, people want to receive messages about services from someone trusted in their community, ideally through 'word of mouth' from someone that had successfully used the service.

Having said that, social media was also cited as a valuable tool for messaging. It was highlighted that messaging needs to be targeted at a specific community, ideally through Facebook and Instagram.

Participants also advocated the idea of service providers visiting their communities and giving demonstrations of how to use their service, as well as explaining the benefits. Within the Nigerian community, people were aware of WorldRemit using well-known people within the community to endorse, and be affiliated to their products.

"They're just not doing enough advertising ... unless you knew somebody who had used them, you wouldn't trust them [operators] ... and it doesn't work in our community, its word of mouth, friends and family if they've used it and it's worked for them."

Nigeria

"Tigo [a mobile money provider in Ghana] they show you how it's done ... they show someone in America online, do this, do that ... they show a picture of someone receiving it in Ghana, do this, do that ... More adverts to say how easy it is, because it is easy."

Ghana

4. Improved security

A few participants suggested that online operators should allow you to pay by PayPal. They felt this would afford users an extra layer of confidence, as they would be dealing with only one operator for payment and wouldn't need to reveal card details to the operator.

"I would prefer if we had something like PayPal in that format ... With PayPal, they don't see your full card number ... Your money is safe, you can always claim your money back and with every transaction you automatically get an email ... and the security is really, really good."

Sierra Leone

5. Promotions

To overcome the effort in registering for online services, a number of people suggested the use of promotions. The most common suggestion was for online service providers to offer the first transfer for free, to compensate for the up-front time required to set up the account and to allow people to trial the service. One participant from Ghana shared that when a bank offered commission-free services, he then sent a lot of money. Referral schemes were also suggested as another mechanism.

However, a participant from Zimbabwe stressed the importance of communicating what the future rates will be when running a promotion, drawing on experience of EcoCash in Zimbabwe not being transparent with future rates.

"If they offered to pay my charges for setting myself up and my first transaction is free then I would use it [Western Union online]."

Zimbabwe

6. Improve the digital payments infrastructure in the receive-country

This was especially called for in Zimbabwe and the DRC, where FGD participants identified a need for new operators.

“The technology in the recipient country will have to be looked into ... Zimbabwe doesn't have the facility at the moment.”

Zimbabwe

7. Government guarantee schemes

Government guarantee schemes were suggested in both the Nigerian and the Ghanaian FGDs, with government guaranteeing to customers that money sent through online operators would arrive at the recipient. If funds did not arrive the government would guarantee to repay the lost funds.

It was suggested that the guaranteeing body needs to be in both the send and receive-country, and that people needed to know where to go if their money was lost.

“If you could guarantee them that nothing goes wrong.”

Ghana

“If there is any glitch, I [need to] know the regulating body ... any guaranteeing body would help ... the regulating bodies, there should be some affiliation to those in Nigeria ... so that at that end as well, the body here can trace it to whoever they are doing business with there ... we have a lot of them ... but to execute and enforce these things ... we have these bodies ... but it's not done.”

Nigeria

8. Price comparison websites

These were presented as an option by the moderator. Some participants considered them a helpful idea. However, it was suggested that a barrier to these services is when personal information is required up front³¹. Others also expressed concern surrounding 'fake news' and not always being able to trust these sites to be accurate.

“If they asked me to complete it without filling in details etc. then yeah it would be good ... but you've got to bring into account that social media can be fake news and you can dismiss it like that.”

Zimbabwe

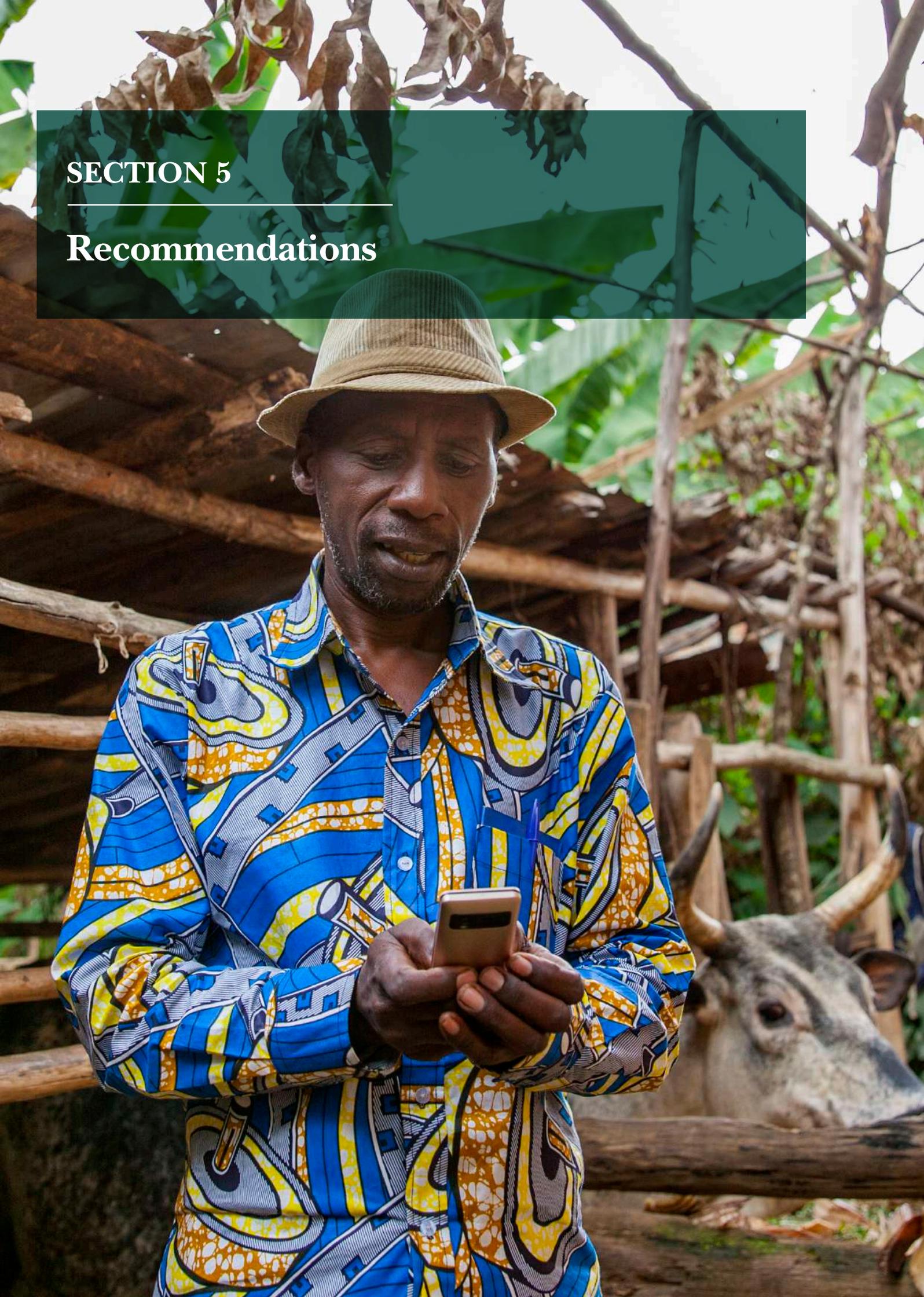
9. Gift aid

One participant from Sierra Leone suggested that the government designed a policy similar to 'Gift Aid' where, if you could show that the funds being sent were for expenses aligned with development goals (for example, schooling), that the government would add an additional 20%.

³¹ This is not required on the World Bank certified remittance price comparison websites, but is often a trait of price comparison websites in the UK where the sender is required to register to see the comparison (e.g. which.co.uk)

SECTION 5

Recommendations



5. Recommendations

This section offers recommendations on how to expedite the trend from the cash/agent model to online money transfer services from the UK to Africa, based on the findings presented in previous sections. Encouragingly, as stated, the FGDs suggest that this trend is already underway, especially within certain African diaspora communities.

It should be understood that the recommendations presented are based purely on the feedback given by the

small sample of FGD participants interviewed during this research.

Each recommendation is targeted at one or more specific stakeholder (owner) proposed to carry the action forward, and provides a high-level indicator as to the potential benefit (reward) of expediting senders to use online services in the UK.

1. Develop mechanisms to support UK-based RSPs interested in offering online services to Africa

Owner:	UK government / RSPs/donors/market facilitators (including FSDA)	Reward:	Low  High
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Many UK-based RSPs mentioned in the FGDs do not offer an online service. These companies include the likes of MapExpress/SkyForex, Dahabshiil and Navos International.

A phased approach is recommended:

- Interview RSPs that are currently providing remittance services from the UK to Africa through the cash/agent and/or the bank transfer/RSP model. Understand their reasons and barriers for not providing online services and identify any technical requirements they may have with regards to offering online services.
- Make available technical expertise to those that wish to provide online services. This may include consultancy support and advisory services to RSPs on systems changes and process redesign, as well as introductions to vendors. Assistance should be provided on the condition that RSPs will offer an online service and incentivise its use through lower pricing.

It is recommended that this intervention is delivered alongside Recommendations 2 and 3.

2. Guidance to RSPs on simplifying the registration process required to access their online services

Owner:	UK government / RSPs/market facilitators (including FSDA)	Reward:	Low  High
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The process of registering for online services was identified as a key barrier to online services among FGD participants. A number of participants had tried to use an online service and had become frustrated by this process and returned to the agent/cash model as a result.

It is therefore recommended that guidance is made available to RSPs on how to maximise the customer experience online and through a mobile app, including options for streamlining the registration and onboarding process and customer service support.

3. Guidance to RSPs on marketing online services and communicating to customers

Owner:	UK government / UK MTA/IAMTN/RSPs/ market facilitators (including FSDA)	Reward:	Low  High
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Awareness of online services was low in many of the diaspora communities surveyed, including the online services provided by the largest RSPs – Western Union and MoneyGram – as well as those of smaller operators such as Voxstone. RSPs such as Afro International and SambaPay offer online services, but senders using their services were unaware of this option and travelled to agents to make cash payments.

It is recommended that guidance is provided to RSPs on marketing and communicating online services to customers. The guidance could include:

- The high-level findings from this research indicating the low awareness of online services among participants, especially in some communities, and that existing marketing messages are not working.
- Lessons from the FGDs, including the importance of visual messaging and tailoring messages to specific diaspora communities.
- An online and offline communications template that RSPs can amend with visuals, showing the process of sending money online (and receiving in cash) and the benefits of sending money online.
- An online and offline template outlining the key information that customers want to be informed about, upfront, including:
 - The registration process/onboarding – outlining at the start the steps required and how long it will take
 - Receive-country details including the payout network and locations, the options for payout and the ID requirements for the recipient to collect funds
 - Cost – making it a simple and transparent cost structure and offering comparisons with main operators in the market and offline services
 - Customer service – what customers can expect in terms of wait times, UK customer service team with multiple languages, etc.
 - Regulation and enforcement – i.e. the security of their funds and to whom customers can go if their money is lost.
- Marketing guidance – including:
 - Opportunities to use social media (Facebook, Instagram and WhatsApp) and especially community groups and networks to promote online services and their price incentives
 - Getting representatives out into the community and community leaders to endorse their products and do live demonstrations with the online service at community events, including church meetings
 - Sponsoring events
 - Promotions where the first transfer is free to incentivise people to go through the online registration process.
- Existing RSP networks, including the Association of UK Payment Institutions (AUKPI) and the International Association of Money Transfer Networks (IAMTN), could be leveraged to make UK’s RSPs aware of this guidance.
- Furthermore, a public private partnership involving the digital RSPs to be created, which would look to commission influencers in the communities to change perceptions about online remittances and to fund a campaign educating people in London about online money transfer services³².

³² Note that this would not have to involve a significant amount of money.

4. Mobilise diaspora leaders and influencers to understand and sensitise their communities on the benefits of online remittance services

Owner:	UK government departments/NGOs/ diaspora leaders	Reward:	Low  High
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Mobilise African diaspora leaders, especially in the communities where cash is 'sticky', to bring awareness to online services. Interactions could outline:

- The agenda to move people away from cash to digital to reduce the cost of sending money home
- Awareness of online service providers in their community with relative prices
- The payout options in the receive-country
- The enrolment and transaction processes and customer service that is available
- A demonstration of registering and onboarding
- Security – how to tell if an RSP is registered.

Government departments and NGOs with close ties to the diaspora communities could be leveraged to mobilise these leaders.

5. Improve digital payment infrastructures and/or cash payout networks in the receive countries

Owner:	Receive-country governments/donors/market facilitators (including FSDA)	Reward:	Low  High
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Findings from the FGDs suggest that receive-countries with well-established digital payment infrastructures, including bank accounts or mobile wallets, have more UK-based senders using online services. Developed digital payment systems in the receive-country enable online-only RSPs to compete effectively in corridors. There is already much work and investment being made across Africa by governments and donor organisations to develop digital payments infrastructures.

High-level findings from this research should therefore be shared with donor organisations to provide further support for this work and evidence that these efforts will help to reduce the cost of cross-border remittances and achieve the SDG 10c.



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