

Development of Remittance Country Corridors

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Outline

- Impact of remittances
- Barriers to development
- Policies
- Private sector
- Further recommendations



General consensus: direct impact of remittances

- Macroeconomic – B of P
 - Valuable foreign exchange
 - Finance exports
- Microeconomic –
 - Direct reduction in poverty, recipients - poor
 - General consumption and investment – micro enterprise, property, private sector development



General consensus: indirect impact of remittances

- “Trickle down”
- Through formal banking channels – improve financial access – “banked”
- Further multiplier effects
 - Savings products
 - Pensions
 - Mortgages
 - Other financial products and services



DFID remittance country partnerships

- Migrant remittances
- Bangladesh, Nigeria, Ghana
- Sea Island – G8 objective
- 3 Objectives:
 - Reduce barriers (including transactions costs) to formal remittance channels
 - Enhance pro poor financial access
 - Strengthen capacity in the financial sector



Why encourage use of formal channels?

- Strengthens financial sector
- Informal mechanisms allow under/over invoicing of goods, and tax evasion
- Distorted statistics
- Distorted policy making
- Formal channels allow migrants to access to the banking sector



Snap shot of remittance corridors - Bangladesh

- Remittances: 5% of GDP
- Further 1-3% of GDP through informal means
- Mainly from Saudi Arabia, US, UAE, Kuwait, UK, Oman (in that order)
- Uses
 - Housing
 - Consumption
 - investment



Bangladesh:

Formal channels (banks, MTOs)	46%
Hundi	40%
Friends and relatives	5%
Hand carried	8%
Other	1%



Snap shot of remittance corridors – Nigeria

- International remittances >\$2bn
- 1-3% of GDP
- Mainly from US, UK, Italy, Spain and France
- Formal channels mainly MTOs
- Static formal market
- Informal channels – tribal networks
- Limited rural outreach
- Limited technology



Snap shot of remittance corridors - Ghana

- Remittances: 10% of GDP
- Mainly from US, Canada, UK, EU, Ecowas
- To rural and urban areas
- Evidence of poverty reduction
- Mainly MTOs, dynamic market, with a lot of new entry
- Pro active Government



Problems/barriers/challenges

- Receiving Country
 - ID constraints
 - Licensing
 - Lack of outreach networks
 - Lack of payment systems
 - Lack of telecoms technology
 - Excessive regulation
 - Security problems associated with cash
 - Literacy



Problems/barriers/challenges

- Sending country
 - Excessive regulation
 - Outreach networks
 - ID constraints



Problems/barriers/challenges

- Private sector banks
 - Complacency
 - Lack of retail banking
 - Cash based economy
 - Restricted sender access
 - Reputational risk
 - AML
 - Reluctance to channel remittances into financial products



Problems/barriers/challenges

- Competition problems
 - Restrictive agreements
 - First mover advantages
 - Barriers to entry



Problems/barriers/challenges

- Lack of market information
- Values/volumes – formal and informal
- Competitive constraint from informal channels



Pro active policies – receiving governments

- Bangladesh
 - wage earners bond
 - Migration orientation
 - Working with donors
- Ghana
 - Central bank recognition
- US Mexico – partnership
- Philippines
 - Migration policies



Private sector developments

- Ghana – dynamic market –competitive
- Bangladesh – new developments re MFIs
- Philippines – mobile technology



Donor recommendations – private sector

- Innovative business models through challenge funding
- HHD survey information dissemination
- Address competition concerns
- Encourage corresponding relationships with overseas banks



Recommendations for developing country governments

- TA to central bank – legal framework
- National payments strategy
- Implementation of FATF standards
- Develop an automated clearing house
- Encourage the development of retail payment networks
- Review licensing restrictions
- Working with informal actors



Further donor recommendations

- Further research on pro poor impacts
- Better data collection for private sector and Government/donor policy making
- Cross country impact study on AML CTF
- World Bank/CPSS Remittance Principals Task Force
- DFID UK products and costs survey
 - www.sendmoneyhome.org (FT article)



Sending money home? >>>

Leading the British government's fight against world poverty

DFID Department for International Development

Welcome to sendmoneyhome >

Useful information for consumers

[Country summaries](#)

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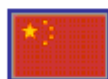
[Conclusions](#)

[Recommendations](#)

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Bangladesh



China



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Money transfers

If you want to send money home, there is a range of money transfer products and services to choose from.

Some offer convenience, others a low price, and others speed or security.

The UK Government has financed a survey to help you compare these services and choose the deal that is right for you.

The information from the survey is included in the pages of this website and also in a number of country-specific leaflets that are available from Profile Business Intelligence and your normal local community outlets.

The countries covered within this website, the report and the country-specific leaflets are:

• Bangladesh, China, Ghana, India, Kenya and Nigeria

If you have any information or experiences you would like to share with us, whether you are a money sender

Contact us



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MoneyGram	✓	x	x	x
Travelex Money Transfer	✓	x	x	LC
Western Union	✓	x	x	x

IMO = international monetary order PES = priority electronic SWIFT LC = Loyalty Club

Speed of transfer

Speed of transfer through UK banks

Provider	Speed of transfer
Abbey	up to 5 days
Barclays	up to 8 days
Citibank	up to 5 days
Co-operative	up to 5 days
HBOS	3-5 days, depends on recipient bank
HSBC	Depends on local clearing/practice
Lloyds TSB	up to 3 days
Nationwide	Depends on local clearing/practice
NatWest	up to 5 days
RBS	up to 5 days

Note: These times may vary depending on the type of transfer chosen with each provider and agent/branch in recipient country

Speed of transfer through money transfer operators

Provider	Speed of transfer
Chequepoint*	up to 24 hours
First Remit	up to 24 hours

Concluding remarks

- Country corridors developing
- Vibrant private sector
- Governments and donors waking up
- Transaction costs falling
- Formal methods substitute for informal channels
- Attention needed for regulatory and policy framework and private sector development



Further information

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- Papers available on request

