Migrant remittances have become a stable source of income for most developing countries, proving to be more stable flow than official development assistance (ODA) and other private capital flows (Maimbo 2003; Sander 2003). Global remittance flows currently exceed $420 billion, about $317 billion of which goes to developing countries—more than three times the ODA these countries now receive and more than 10 times the $2.98 billion in remittances they received in 1975 (World Bank 2009).

Studies analyzing the impact of remittances show that these flows are beneficial at all levels—individual, household, community, and national. This trend is no different in Ghana, where migrant remittances increased from about $449 million in 1999 to $1.8 billion in 2008, far exceeding ODA (Bank of Ghana 2008). The World Bank figures on migration and remittances show a smaller increase in remittances to Ghana, from $31 million in 1999 to $128 million in 2008 (World Bank 2009).

Remittance and Migration Trends

The rapid growth in migrant remittance volumes and the proliferation of money transfer institutions (both formal and informal) have boosted the contribution of remittances to the development and growth of the Ghanaian economy. They have helped many households get through
income disruptions and have financed education, real estate, and small businesses. Partially offsetting these positive contributions, however, is the exodus of skilled workers from Ghana to developed countries such as the United Kingdom and the United States—a migration with a major impact on the country’s economic and social sectors.

A large portion of remittances to Ghana are transferred through informal channels, and this method reduces the potential contribution of remittances to development—through financial sector deepening, credit multiplier effects, savings, and investment. Remittance flows outside the formal financial sector also raise issues of money laundering and other financial crimes.

Apart from cash transfers through the formal financial system, the fourth Ghana Living Standards Survey (GLSS 4), conducted in 1999, estimated that cash remittances accounted for 20 percent of total private inward remittances (Quartey 2006). Therefore, it is reasonable to conclude that a considerable amount of remittances are sent through informal means such as home associations and friends or illegally through nonbank financial intermediaries. According to at least one survey, as figure 5.1 shows, an estimated 64 percent of remittance inflows may be sent through a friend, relative, or other intermediary of the sender.

Remittances have an impact on the Ghanaian economy through investment in housing, which has spinoff effects on a large number of businesses (Mazzucato, van den Boom, and Nsowah-Nuamah 2004). The GLSS 3 and 4 also reported that remittances significantly improved household welfare. The bulk of remittances, however, are reserved for private consumption and recurrent expenditures, including living expenses, school fees, hospital bills, weddings and other social activities, funerals, repayment of debt, and the costs of migrating abroad.

According to the figures in table 5.1, an estimated 17–25 percent of remittances are used for small businesses, housing development, and other uses (Black, King, and Tiemoko 2003; Asiedu 2005; Quartey 2006). Thus, migrant remittances enhance the growth of the private sector through their impact on the financing of small- and medium-scale enterprises.

The analysis in this chapter is based also on a 2008 survey of remittance service providers (RSPs) in Ghana for the policy-oriented research project on Migration, Remittances and Development, undertaken jointly by the World Bank and the African Development Bank (AfDB). The findings are expected to provide a better understanding of the RSP market and to help national policy makers in Sub-Saharan Africa to enhance the RSPs’ impact on development.
The changing trends in technology and the interdependency among regions of the world have resulted in the migration of both professionals and nonprofessionals either to other places in their home countries or to other parts of the world. The migrants’ reasons vary from a need to

### Figure 5.1 Remittance Transmission Channels in Ghana

% respondents selecting each option as primary choice

![Figure 5.1](image)

**Source:** Survey of remittance senders (Orozco and others 2005).

### Table 5.1 Uses of Migrant Remittances in Ghana

<table>
<thead>
<tr>
<th>Uses</th>
<th>Respondents</th>
<th>Share of all uses (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Living expenses</td>
<td>79</td>
<td>47.59</td>
</tr>
<tr>
<td>School fees</td>
<td>45</td>
<td>27.11</td>
</tr>
<tr>
<td>Working capital</td>
<td>6</td>
<td>3.61</td>
</tr>
<tr>
<td>Investment for sender</td>
<td>22</td>
<td>13.25</td>
</tr>
<tr>
<td>Funeral expenses</td>
<td>2</td>
<td>1.20</td>
</tr>
<tr>
<td>Social activities</td>
<td>5</td>
<td>3.01</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
<td>4.22</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>166</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source:* Quartey 2006.

### Destinations of Migrants

The changing trends in technology and the interdependency among regions of the world have resulted in the migration of both professionals and nonprofessionals either to other places in their home countries or to other parts of the world. The migrants’ reasons vary from a need to
practice their trade to a desire for particular training or education. Other reasons such as tourism and national missions cause people to migrate to other countries. While away from home, migrants maintain their family and business ties as well as the flow of communication, which encourages them to send money home for consumption or investment.

Ghana has a long history of migration dating back to antiquity, and the internal movement of people from one town to another has been an integral part of the culture and economy. There has also been a long history of migration from Ghana to the West African subregion and the rest of the continent. This trend changed with time, however, and migrant destinations eventually expanded to include Europe, North America, the Middle East, and Asia, as figure 5.2 illustrates. Migration to the West African subregion, especially to Côte d’Ivoire and Nigeria, has continued. Migrants were initially skilled workers and professionals, but in the early 1980s, many unskilled workers also migrated (Anarfi and others 2003).

Complete, reliable migration data about the numbers of Ghanian emigrants are difficult to obtain. Institutions in Ghana have not made such data consistently available, and various estimates may have been based

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**Figure 5.2  Destinations of Ghanaian Emigrants**

on differing definitions, assumptions, and time periods. The varying estimates have included the following:

- In 2000, an estimated total of 906,698 Ghanaians (4.56 percent of the country’s population) lived outside Ghana (World Bank 2006).\(^4\)
- In 2006, an estimated 189,461 Ghanaians resided in the 33 Organisation for Economic Co-operation and Development member countries, representing less than 1 percent of the estimated total population of 22.1 million (EU 2006).\(^5\)
- According to data from the various country embassies in Ghana, an estimated 461,549 Ghanaians live in Europe and North America, and 1 million more Ghanaians live in other African countries. On this basis, Twum-Baah (2005) concluded that approximately 1.5 million Ghanaians live outside the country—not 3 million, as some publications reported. However, this estimate excludes Ghanaians in the Gulf States and Asia.
- Both the Ghana Statistical Service and the Ghana Immigration Service lack data about Ghanaians living abroad. Recent data from the Ministry of Foreign Affairs indicate that 107,487 Ghanaians were registered with Ghana missions in 33 countries, but the ministry estimates that this number exceeds half a million.\(^6\)

**Internal Migration**

Some authors have described Ghanaians as migratory (Caldwell 1969). Indeed, internal and cross-border migration has long been a significant livelihood strategy for Ghanaians (Kabki 2007). From all indications, internal migration began before independence (in 1957) and has continued ever since. The trend is notably a rural-to-urban shift, and internal migrants represented 13 percent and 17 percent of the total population in 1960 and 1970, respectively. As of 2000, 27.4 percent of Ghana’s 18.9 million people lived outside their places of birth. Intra- and interregional migrants were 9.9 percent and 17.5 percent of the total population, respectively.\(^7\)

North-south migration has been prevalent in the country, in part because of the different ecological zones. In view of the heavy dependence on small-scale agriculture, usually for subsistence, the long dry season constitutes a lean farming season and provides an opportunity for many people in the north to move southward to work instead of remaining idle in their localities. They return at the beginning of the rainy season to resume their farming. This type of migration is temporal, cyclical, and dominated by males.
The types of internal migration observed in Ghana include rural-to-urban, intrarural, urban-to-rural, and intraurban. The volume and intensity of these movements keep changing and are influenced by the social and economic factors that shape migrants’ aspirations. The GLSS 4 results showed that rural areas receive more than 60 percent of internal migrants; intrarural migration, 32 percent; urban-to-rural migration, 35 percent; interurban migration, 23 percent; and rural-to-urban, 10 percent.

Internal migrants maintain links with their hometowns. Even when they are away, they contribute to the development of their indigenous communities through the payment of levies and transfers. Caldwell (1969) observed that migration may lead to a decline in family ties, but it rarely removes migrants from their communities, and few Ghanaians would desire that. These hometown connections are fostered through visits during funerals, festivals, and marriage ceremonies. There is a view that if one migrates and does not return, then he or she is “aimless.” Thus, the purpose of migration is to acquire wealth and experience to benefit the hometown.

**Remittance Sources**

Most of the remittances to Ghana are sent by Ghanaian migrants living outside the African continent, primarily from the United States and Canada (Quartey and Blankson 2004). In 2004, remittances received through money transfer institutions amounted to almost $970 million—$665.7 million of which came from those two countries. The United Kingdom is the third-largest source, with $163.3 million; followed by the European Union, with $96.8 million; and other countries, which accounted for $25.1 million. The United Kingdom and European Union account for 18 percent and 14.6 percent of remittances to Ghana, respectively.

The Economic Community of West African States (ECOWAS) and the rest of Africa accounted for $11.7 million and $7.5 million, respectively (Bank of Ghana 2004). Data from the central bank show that the United States and Canada accounted for a combined 76 percent in 2005, 63 percent in 2006, and 59 percent in 2007. The amount of money sent from the United States and Canada has been decreasing over the three-year period, while figures from other regions are on the rise. Remittances from the United States may have declined because of stricter laws regarding the transfer of money.

**Characteristics of the Remittance Industry**

For the purpose of the 2008 RSP survey in Ghana, remittances were broadly defined as “person-to-person” transfers of resources, whether
cross-border or within the country. The survey therefore captured only transfers sent by migrants and received by relatives. It included RSPs both in the formal sector (including commercial banks, money transfer operators [MTOs] and in the Ghanian postal service [Ghana Post]) and the informal sector (nonfinancial institutions such as retail shops and travel agencies).

**Methodological Issues**

The RSP survey questionnaire and a cover letter were sent to the head offices of all the formal financial institutions (banks and nonbank financial institutions), all of which are based in the capital city, Accra.\(^{12}\) Informal RSPs (in view of the illegal nature of their business) were suspicious of interviewers when initially contacted.\(^{13}\) To get responses from this sector, a discussion guide was developed from the original questionnaire. The guide focused on all the key areas of the questionnaire: the regulatory and business environment; remittance costs; access and identification requirements; and remittance volumes, sources, and destinations.

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**Figure 5.3 Sources of Remittance Inflows to Ghana through Banks, 2007**

% of remittance inflows

![Pie chart showing remittance inflows to Ghana through banks in 2007](chart.png)


*Note:* The data apply only to remittances sent through the banking sector and exclude noncash remittances and remittances sent through informal means. ECOWAS = Economic Community of West African States.
The definition of migrant remittances (as previously stated, person-to-person transfers of resources cross-border or within-country) was a bit problematic because it was difficult for almost all the RSPs to disaggregate their migrant remittances from certain other capital flows; hence, they provided the bulk volumes. In addition, most of the RSPs lacked specific remittance units or departments where data could be compiled and easily accessed. The gathering of data and other information from RSPs in Ghana often required contacting various departments separately because the RSPs lacked internal coordination on remittances, and this contributed to delays in completing the questionnaire.

Although the introduction of universal banking in Ghana has enabled all the banks to engage in remittance services, the traditional commercial banks have the advantage of extensive branch networks and, therefore, more coverage. At the time of the survey, 22 banks and 4 nonbank financial institutions were authorized to process inward remittances. The nonbank financial institutions include MTOs and Ghana Post. Some of these institutions are also authorized to process outward remittances. Various informal businesses also offer remittance services. Nine banking institutions and two nonbank financial institutions responded to the questionnaire and are included in the survey—a response rate of about 50 percent.

**Types and Coverage of Remittance Firms**

Private commercial banks made up 73 percent of the responding RSPs. A state-owned bank, Ghana Post, and an MTO each accounted for about 9 percent of the responding RSPs, as figure 5.4 depicts.

All of the firms engage in international remittances, and about 20 percent also exchange currencies for RSPs and for domestic and international messaging services. About 36 percent of the firms receive domestic remittances, provide domestic settlement services, and send international remittances. Slightly fewer than 30 percent of the firms send domestic remittances and provide cross-border settlement services. Currency exchanges are not allowed to operate remittance services, but they do so informally because they have access to large amounts of currency and can easily provide the services to their known clients.

**Partnerships and Agreements with Money Transfer Operators**

About 82 percent of the RSP firms, comprising mainly private commercial banks and Ghana Post, operate in partnership with MTOs such as Western Union, Vigo Money Transfer, and MoneyGram. However,
partnerships between MTOs and mobile phone companies or other telecommunications service providers are virtually nonexistent in Ghana.

All the firms indicated that these partnerships are not exclusive and that they were free to engage in other arrangements. Although all of the firms in partnerships have access to the remittance payment infrastructure through the MTO partner (for example, Western Union or Vigo), they do not all have access to the distribution network and currency exchange.

Most of the financial sector RSPs are in major urban areas. The ARB Apex Bank caters to the rural population through the rural banking network and collaborates with some of the nonbank financial institutions such as the MTO Express Funds International, which has a market share of 34 percent. Because Express Funds International has six main branches in the country, its partnership with ARB Apex Bank is important to reach

![Figure 5.4 RSP Types in Ghana](image-url)

*Source:* Author’s compilation from 2008 RSP survey in Ghana.

*Note:* Percentages derived from the 11 formal sector RSPs that responded to the survey.
most of the rural population. However, most of the private commercial banks also have branches in the rural areas.

Ghana Post offers remittance services in partnership with Western Union. Its core business enables it to provide wide coverage through about 96 branches in the urban and rural areas.

Firms in partnership with Western Union receive 20 percent of the commission on remittances, although this percentage varies depending on the source country. Firms partnering with MoneyGram receive about 13 percent of the pretax profit plus 3.5 percent of the commission on remittances.

**Remittance Instruments**

Electronic funds transfer is the most popular instrument for remittance transactions and is used by all the RSP firms. The majority (9) receives commissions through partnership arrangements with MTOs (figure 5.5). Most of the surveyed financial institutions also use account-to-account transfers, bank (floats or loans), and checks.

Few institutions use prepaid debit cards or money orders (figure 5.6). The use of money transfers through mobile phones and prepaid cards for use at designated retailers remains a gray area, and none of the firms reported using those instruments. Even though there is widespread access to mobile phones, people generally use them for calls; banking-by-phone use is limited, possibly because the technology is not trusted and customers need more time to get accustomed to it.

**Figure 5.5  Partnership Benefits to RSP Firms**

<table>
<thead>
<tr>
<th>Benefit from Partnership</th>
<th>Number of Responding Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of Profit</td>
<td>2</td>
</tr>
<tr>
<td>Share of Commission</td>
<td>9</td>
</tr>
<tr>
<td>Payment Infrastructure</td>
<td>8</td>
</tr>
<tr>
<td>Distribution Network</td>
<td>4</td>
</tr>
<tr>
<td>Currency Exchange</td>
<td>3</td>
</tr>
</tbody>
</table>

*Source:* Author’s compilation from 2008 RSP survey in Ghana.

*Note:* “RSP Firms” denotes only formal RSPs.
Most financial institutions also do not use Internet transfers because Ghana has a low Internet penetration rate. However, completion of the fiber-optic backbone will reduce the cost associated with the Internet, and this model might become more common in the future.

As for the informal RSPs, the case study in box 5.1 illustrates the nature of the informal remittance business, which is illegal in Ghana, and the difficulty of tracking activities in that sector.

### Access to Other Financial Services

The banking institutions use remittance transfers as an opportunity to sell formal banking products to customers. The survey revealed that banks offer deposits and savings products to both senders and recipients of remittances. This practice is to be expected because banks usually want more customers, and they believe that convincing customers to
The RSP survey interviewed two informal RSPs: a shoe seller and a pharmacy operator. The shoe seller, permanently based in Ghana, sells men’s shoes and clothes, which he usually imports from Italy with the help of a relative who lives in Italy. He never goes to Italy himself. The relative buys and ships the goods to Ghana, and the shop owner marks up the prices of the goods before selling them. The relative in Italy is more interested in the repayment of the sum invested in buying and shipping the goods than in the profits. To ensure the security of his investment (in terms of repayment and devaluation effects), the migrant (the person staying in Italy) collects money from friends and close relations who want to remit money to Ghana and instructs his partner in Ghana to disburse the amount collected in the local currency, Ghanian cedis (¢).

According to the shop owner, no commission is paid on the transaction. A form of identification is typically required, and the payment is usually made in the retail shop, but it is sometimes sent to the houses of the recipients, who normally reside in Accra and its environs. On average, remittances of up to ¢4,000 ($1=¢1.2) could be received in a month.

The shop owner revealed that he sometimes pays people before a settlement is made to his partner in Italy. He began the remittance business about six years ago and it is growing, but although business is good, he is not ready to venture into full-time money transfer services.

sender to allocate remittance funds to a specific purpose in Ghana—such as purchasing real estate or paying hospital bills or school fees—on behalf of a designated beneficiary and even to invest in financial instruments such as Treasury bills, mutual funds, and certificates of deposit. This product is popular among Ghanaian migrants in the United Kingdom.

The Regulatory and Business Environment

The Ghanaian financial institutions reported that the country’s current laws and regulations present no major challenges to their business activities, specifically in remittance transmission. Of the surveyed RSPs, 55 percent of the firms perceived these laws as a minor obstacle and 45 percent as no obstacle. Financial sector reforms, described in box 5.2, have made it easier for institutions to engage in remittance services if they meet the regulatory requirements.

Of all the financial institutions surveyed, most of the firms (89 percent)—including the private commercial banks and the state-owned banks—indicated that they pay no fee to conduct cross-border money transfers. Ghana Post, by its articles of incorporation, is permitted to provide money transfer services, but because it is not a bank, it pays a $10,000 annual fee to conduct cross-border money transfers.

Ghana Post noted that, to fulfill anti-money-laundering (AML) requirements, the central bank limits currency exchange holdings and remittance inflows. This may also account for why some banks cited AML laws as a significant obstacle to their remittance service businesses. By central bank directive, no cash exceeding $10,000 can be brought into the country. More than 90 percent of the RSP firms confirmed that they must also file currency transaction reports with the central bank and that the reports are required for any amount. More than 90 percent of the firms indicated that they report suspicious activities to the central bank as the regulatory authority.

Entry Barriers

The primary regulatory burden for any RSP firm is the central bank’s €7 million minimum capital requirement. Most of the survey respondents consider access to financial infrastructure, a distribution network, and capital as barriers to starting a remittance service business. Because these requirements are all within the service provider’s domain, any provider that can satisfy them would not find obtaining a license to be difficult. The RSP survey respondents ranked AML laws, licensing regulations, and
Box 5.2

The Financial Sector in Ghana

Ghana has been pursuing financial sector reforms to enhance financial development since 1983. To facilitate the reform process, the country passed laws such as the P.N.D.C. Law 225 in 1989 and later the Banking Act (Act 673) in 2004. The reform also liberalized controls on interest rates and bank credit. As part of the process of liberalization, the Bank of Ghana introduced "universal banking" in the first quarter of 2003. Universal banking allows banks to undertake commercial, development, investment, or merchant banking without the need for separate licenses. The enactment of these laws added depth and diversity to the financial system (Gockel 2003).

To further deepen the financial system, the country enacted the Foreign Exchange Act (Act 723) in December 2006. This Act, which replaced the Exchange Control Act of 1961, partially liberalized the capital account. Among its provisions, it allowed for the repatriation of funds from Ghana without prior central bank approval and allowed nonresidents and foreigners to open currency exchange accounts in Ghana. The Act also regulates currency exchange businesses and provides for related matters.

To reduce overdependence on cash-based transactions, the Bank of Ghana also is undertaking reforms in the legal, institutional, and infrastructural framework of the payments system to make the Ghanaian financial system modern and competitive. As part of this process, the bank has implemented the real-time gross settlement (RTGS) system for high-value payments. The RTGS has helped create an environment for safe, sound, secure, and timely payments. It has also reduced systemic payment and settlement risks because payment orders are settled almost instantaneously.

To complement the RGTS, the Bank of Ghana introduced a paper-based credit clearing system to facilitate the settlement of low-value payments. The bank plans to migrate these settlements to an electronic platform in the near future. The bank also established a National Switch (E-Zwich) payment platform and ATM network to establish a common platform for all payment transactions within the country. This common platform would result in the integration of all existing bank switches and allow banks without switches (such as ARB Apex Bank) to join the common switch at low cost. It would also enable the interoperability of all ATMs and the settlement of payment transactions by customers of different banks at points of sale. The introduction of these technological advancements in the financial system would make remittance transfers much more flexible and encourage the use of technology by senders and recipients.

capital requirements as the most significant barriers to entering the remittance business, as shown in Table 5.2.

Most of the survey respondents did not perceive exchange control requirements to be a significant barrier, but the few who did ranked it as a major obstacle. In addition, firms are not typically required to charge taxes on remittance services, rendering tax policy a relatively low entry barrier as well.

**Competitive Factors**

Most survey respondents perceived competition from informal RSPs to be a significant (major, moderate, or minor) obstacle to their business activities, as Figure 5.7 shows. Eleven percent considered informal RSPs to be “no obstacle.” Although half of the respondents reported that access to financing is an obstacle in doing business, it is unclear whether that is why informal RSPs pose such a challenge. On the contrary, when asked to identify their major competitors, most of the financial institutions named banks and nonbank financial institutions.

**Remittance Fees and Identification Requirements**

As noted above, Ghana’s laws and regulations governing remittance services are progressive and, in general, do not present significant barriers to the RSPs’ business operations. However, formal sector remittance fees and identification requirements may create a preference among migrants for informal RSPs.

Informal RSPs typically know their clients personally and are thus more likely to waive identification requirements. Exchange rate volatility

<table>
<thead>
<tr>
<th>Rating</th>
<th>Licensing requirements</th>
<th>Capital requirement</th>
<th>AML laws</th>
<th>Clearing and settlement systems</th>
<th>Tax policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>0</td>
<td>3</td>
<td>1</td>
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<tr>
<td>3</td>
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<td>0</td>
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<td>0</td>
</tr>
<tr>
<td>4</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>5</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

**Table 5.2 RSP Perceptions of Laws and Regulations as Entry Barriers**

*number of RSP firms rating each regulation type as a barrier*

*Source:* Author's compilation from 2008 RSP survey in Ghana.

*Note:* In the survey ratings, 1 = high barrier, 5 = low barrier.
also might increase customers’ preference for informal channels. Because remittances that pass through formal channels are always paid to the recipients in the local currency (Ghanian cedis), some recipients believe they lose money in the conversion because the MTOs use lower exchange rates than the prevailing market rate. The informal channels sometimes pay their clients in dollars because the money is sometimes sent through someone traveling to the country.

**Remittance service fees.** The RSP survey indicated that remittance fees are normally paid by the senders if funds are received in Ghanian cedis. Money transfer charges, however, depend on the RSP. Most of the surveyed providers refused to disclose their transfer fees for strategic reasons, but according to a Bank of Ghana study in 2004, transfers through smaller (national) companies cost between $1.50 and $3.00 for every $100.00 sent. The study also revealed that sending fees are 1.5–2.5 percent of the amount sent if transmitted through a commercial bank and 2.0–3.5 percent of the amount sent through nonbank operators such as Western Union. However, Express Funds International notes that for every $200 sent
from the United Kingdom or the United States, the average fees are 4 percent and 5–6 percent, respectively.

Within the informal sector, remittance service fees are difficult to quantify and depend on the agreement between the sender and the agent bringing the money into the country. There are typically no commission charges.

**Identification requirements.** The financial institutions offering remittance services always require identification documents—a requirement that prevents poor households from using the formal sector. People with little means can afford neither the time nor expense to obtain a passport or a drivers’ license. However, the Electoral Commission of Ghana opened the voters’ register for the December 2008 elections, and the turnout was high. Henceforth, most recipients will be able to use the voter’s identification card that was issued as a form of identification when receiving a transfer.

**Conclusions and Recommendations**

The introduction of universal banking, as a result of the financial sector reforms in Ghana, has favored banks in the remittance business. According to the 2008 RSP survey, remittance flows through the banks increased from 2005 through 2007, with the banks increasing their collective market share of the private remittance business. Remittances through non-bank financial institutions decreased from 2005 through 2007, perhaps because people have more confidence in the banks or because the banks have added rural branches. In addition, many of the nonbank financial institutions have relatively few branches and thus have to partner with the banks to transfer money to customers in the rural areas.

**The Remittance Instrument Outlook**

In general, the remittance industry uses traditional instruments such as electronic funds transfers, account-to-account transfers, and checks. Money orders and prepaid debit cards are used but are not popular among the firms. The use of mobile phones for money transfers has not been introduced on any significant scale in Ghana even though mobile phone penetration is relatively high.

Nor are Internet transfers prevalent among most financial institutions, partly because the Internet penetration rate in the country is still low. However, customers may be more inclined to use online instruments when the fiber-optic backbone is completed and costs are reduced. In addition,
the Bank of Ghana recently introduced National Switch (E-Zwich) to allow the establishment of a common platform for all payment transactions in the country. This would integrate all bank switches and allow banks without switches to join the common switch at significantly reduced costs. With the introduction of the E-Zwich card, financial institutions are expected to launch a product that will enable remittance recipients to access money transfers through the card.

**The Regulatory Outlook**
The RSP survey respondents generally believe that the regulatory environment affecting remittance services is effective and that the current laws and regulations present no major challenges to business operations. Recent financial sector reforms have made it easier for institutions to provide remittance services if they meet the regulatory requirements. The formal RSPs’ requirement for a reliable form of identification, however, creates business for informal RSPs that do not require such identification because they know their clients on a personal level.

**The Remittance Fee Outlook**
The survey also revealed that remittance senders usually pay the fees if funds are received in Ghanian cedis, but the transfer charges vary by RSP. The survey could not gather enough specific information about the commissions and charges paid by remittance senders, but a 2004 Bank of Ghana study found the charges to be high. Further study of the senders’ transaction costs may provide a clearer picture.

**The Remittance Source Outlook**
Remittance volumes from the United States and Canada have been decreasing since 2005, while those from other regions of the world are on the rise. U.S. remittances may be declining because of more stringent money transfer laws. That constraint notwithstanding, the increase in remittances from all the other regions presents potentially interesting opportunities for RSPs and policy makers.

**Recommendations**
RSPs provide valuable services in Ghana, significantly increasing the volume of funds sent by migrants. However, high transfer fees and restrictions on payment to recipients in foreign currencies are challenges to the MTOs and have allowed informal transfer businesses to
thrive. It is therefore important that the monetary authorities provide incentives for people to receive transfers in any currency of their choice.

In addition, outward remittances through MTOs such as Western Union are outlawed in Ghana. This prohibition is a major limitation to migrants who invest in Ghana and would like to transfer funds to their destination countries for emergency financial needs. A timely review of this policy will be beneficial, especially considering the effects of the global financial crisis on migrants.

Notes

1. The two sources’ widely differing figures have not been reconciled. Whereas the Bank of Ghana bases its estimate on survey data from remittance service providers in Ghana, the World Bank and International Monetary Fund use Balance of Payments estimates.


3. The upper end of the range (25 percent) would comprise all uses listed in table 5.1 except for living expenses and school fees.

4. The total is based on United Nations Development Programme 2000 population data.

5. This migration figure excludes an estimated 22,847 Ghanaians living in Germany during the same period, according to the Organisation for Economic Co-operation and Development Continuous Reporting System of Migration.

6. Compilation of data on Ghanaians abroad is ongoing, and the recent data were obtained in September 2008.


10. The data apply only to remittances sent through the banking sector and exclude noncash remittances and remittances sent through informal means.

11. The Ghana survey began on May 28, 2008, and was completed on August 9, 2008. Follow-up surveys were conducted until November 2008 to supplement the information already gathered.
12. Follow-up telephone calls (mostly to the offices of the chief executives and managing directors) were made to ask whether the questionnaire had been received and was being completed. In most cases, the questionnaires were sent to the remittances, treasury, or research and strategic planning departments. Appointments were booked to meet officials charged with completing the questionnaire and to explain the importance of the survey. Because the completion of the questionnaire was not part of the officials’ regular duties, at least three phone calls had to be made weekly to remind respondents about the urgency of the questionnaire. In addition to the phone calls, weekly visits were made to the respondents’ offices. Another strategy was to use personal contacts at some of the banks to encourage officials to complete the questionnaire. Because of some major gaps in the data gathered from the survey, follow-up questionnaires were sent to most of the surveyed RSPs to fill in the gaps.

13. In Ghana, all informal RSPs are illegal because they are not licensed by the Bank of Ghana to perform remittance services.

References


