

# Constraints in the UK to Ghana Remittances Market

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## Introduction



Over the past decade, remittances have had a significant impact on the economy of Ghana. According to the Bank of Ghana (BoG), remittances to Ghana have increased from about \$450 million in 1999 to \$1.8 billion in 2009, equivalent to 11% of GDP and exceeding Official Development Assistance. Increasing the flow of remittances, reducing the cost of these migrant money transfers and encouraging the flow of more formal remittances holds significant importance for Ghana's economic development.

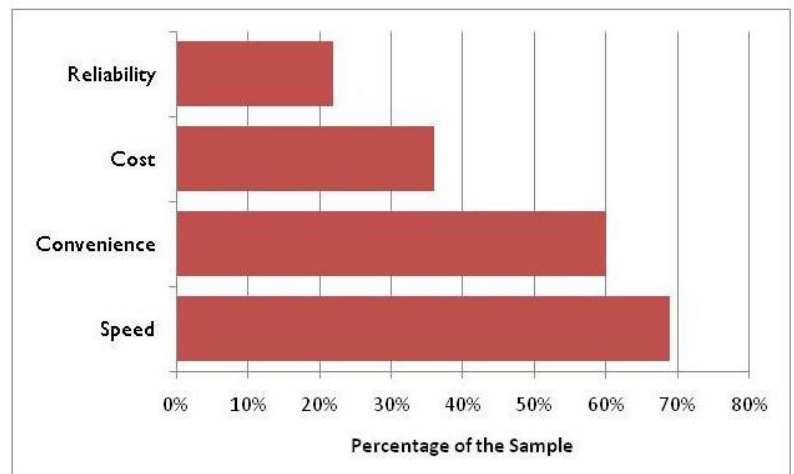
A recent report<sup>1</sup> by Developing Markets Associates (DMA) has concluded that the UK-Ghana remittance corridor is fairly competitive. However it highlights that this will not continue to be the case if changes are not made. The analysis shows that there are a number of significant weaknesses and challenges in both the UK and Ghanaian markets that will seriously impede competitiveness in the future if not addressed. These will disadvantage the consumers of remittances, the Government of Ghana and money transfer operators.

## Summary Findings

**Improvements in the remittance corridor can be made through:**

- increasing competition;
- improving convenience, access and trust;
- expanding the range of products and services available - for both the sender and receiver.

*Main reason cited behind sending choice*



<sup>1</sup> The full report is available to be downloaded at [www.developingmarket.com](http://www.developingmarket.com) and <http://ukinghana.fco.gov.uk>

## The benefits include:

- reducing the cost;
- incentivising informal remitters to use formal channels;
- improving Ghana's balance of payments.

## Indirect effects comprise:

- increasing financial inclusion;
- improving financial literacy;
- using remittances to finance specific areas of development

## Opportunities

- (1) Changes are needed in both the UK and Ghanaian markets in order to position them to take advantage of new business models;
- (2) Despite all the prerequisites being in place, uptake of available technologies is slow in the UK, thus highlighting the need for incentive pricing schemes and awareness campaigns among the Diaspora;
- (3) Constraints in the Ghanaian market are affecting the efficiency of remittance flows and the attractiveness of the formal remittance market;
  - a. Many of the new remittance products are reliant on the recipient having a bank account;
  - b. Regulation in Ghana restricts the options for payout networks;
- (4) The Diaspora want more control over remittance spending and so there are opportunities to develop new remittance products;
- (5) Ghanaian banks should consider expanding into the UK market and offering remittance services and a range of other financial services to the Diaspora;
- (6) Overall, communication, education and awareness are key in both the UK and Ghana, to improving financial literacy, generating awareness with respect to new products available on the market, and in changing behaviour patterns.

## Recommended actions

### UK Regulation:

- Continue to promote formal transfer methods and discourage against informal methods;
- Make it easier for UK MTOs to open bank accounts for their business;
- Guidance on transaction limit for identification requirements.

### Ghana Regulation:

- Open remittance services to outlets other than banks;
- Make it easier for Ghanaians to open a bank account;
- Allow MTOs to transmit money out of Ghana.

### Industry:

- Develop 'remittances for a specific purpose' products;
- Increase the use of online services;
- Encourage banks to offer more competitive money transfer services;
- Encourage Ghanaian banks to open operations in the UK;
- More ATM / Visa / MasterCard facilities in Ghana.

