



# Send Money Africa

[www.sendmoneyafrica-auair.org](http://www.sendmoneyafrica-auair.org)

July 2016

The Send Money Africa (SMA) remittance prices database provides data on the cost of sending remittances from selected countries worldwide to a number of countries in Africa, as well as for some transactions within the African continent. The data is collected on a quarterly basis from a sample of the most used Remittance Service Providers (RSPs). The data analysis in this report is based on the latest collection which was for Q2 2016 (2<sup>nd</sup> July 2016) and was obtained from a total of 533 different remittance services.

## Key findings

- The **average total cost** of sending money to and within Africa in Q2 2016 was **9.00 percent** – an increase from Q1 2016, when the average total cost was recorded at **8.88 percent**.
- The cost of sending money to Africa in Q2 2016 was **1.40 percentage points** more expensive than the global average cost for the same period, which measured at **7.60 percent** according to **Remittance Prices Worldwide** (see <http://remittanceprices.worldbank.org>).
- The **10 most expensive corridors** were all **intra-African**, with eight of the most expensive originating from South Africa.
- The least expensive corridor is **UAE to Egypt**, followed by **Germany to Nigeria** and **Senegal to Mali**.
- The most expensive send markets among those surveyed are **South Africa** and **Tanzania**. The cheapest originating markets are the **UAE** followed by **Senegal, Saudi Arabia** and **France**.
- **Commercial banks** continue to be the most expensive type of provider. The cheapest are **Post Offices** and **Money Transfer Operators (MTOs)**.
- **Bank account products** are the most expensive with the newer, technology-driven products of **mobile** and **online** remittances being among the cheapest.

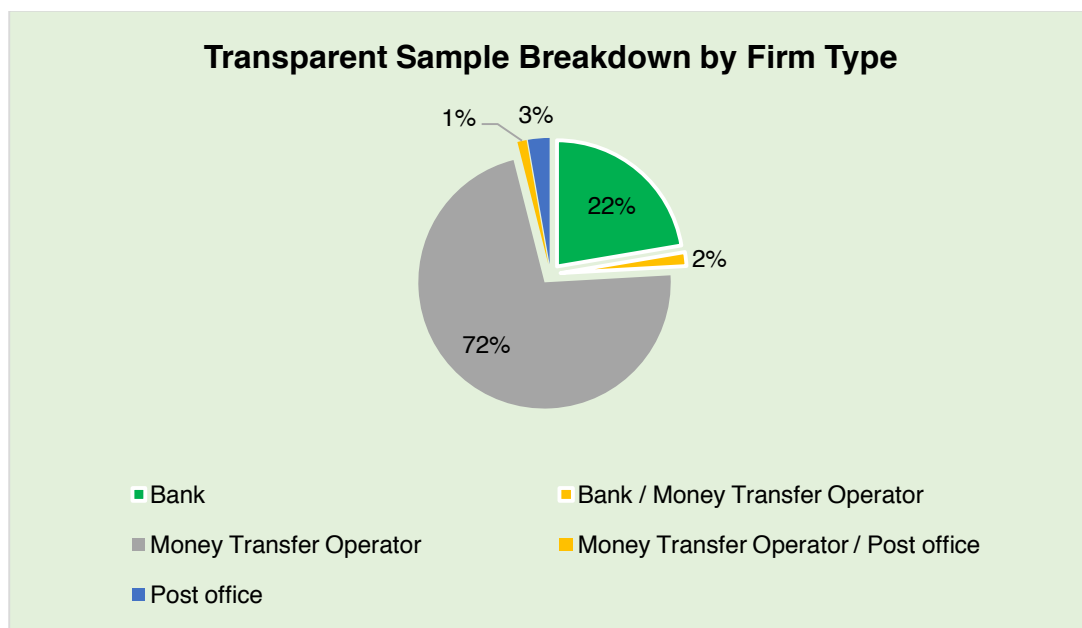
## Sample

www.sendmoneyafrica-auair.org allows users to compare the costs applied by remittance service providers (RSPs) to send money from 15 major sending countries across Europe, the Middle East, North America, and within Africa itself, to 28 African receiving countries, for a total of 53 "country corridors".

The number of services covered by Send Money Africa has decreased marginally from 540 services in the Q1 2016 survey (March 2<sup>nd</sup> 2016) to 533 in the current survey (June 30<sup>th</sup> 2016). Some providers are deemed to be non-transparent and although they are included in the database online they are removed from the sample for the data analysis. (Please see appendix 1 for more information).

Of the 533 RSPs that were surveyed, 27 services (5.07 percent) were deemed non-transparent. As a group, banks are non-transparent significantly more often than the other types of provider<sup>1</sup>. Due to this, a small number of relatively expensive and generally non-transparent bank account-to-bank account services have been removed from the survey over time. Banks represent around 22 percent of the total sample and account for 85 percent of non-transparent surveyed services (graph 2).

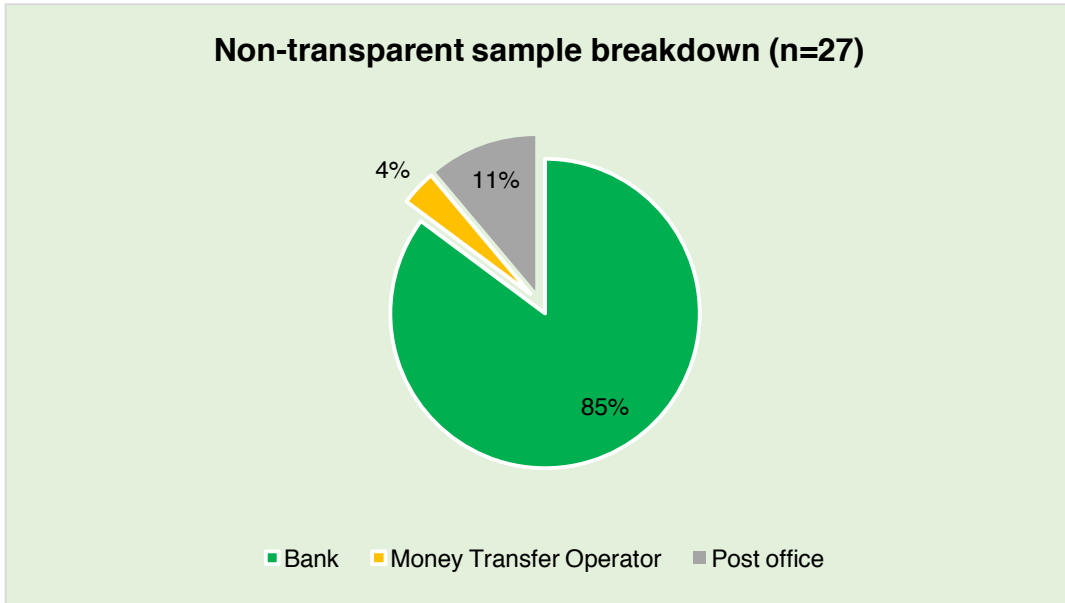
**Money Transfer Operators (MTOs)** make up 72 percent of the sample which is down from 74 percent in Q1, the share of banks in the survey has risen slightly to 22 percent from 21 last quarter. The share of Post Offices offering MTOs' services fell from 5 to 1 percent.



Graph 1

<sup>1</sup> The majority of non-transparent banks are in European countries such as France, Germany, Italy and the Netherlands, where they are consistently unable to provide an exchange rate for the currency of the African destination countries. Since the inception of the survey in 2011, very few non-transparent banks have become transparent.

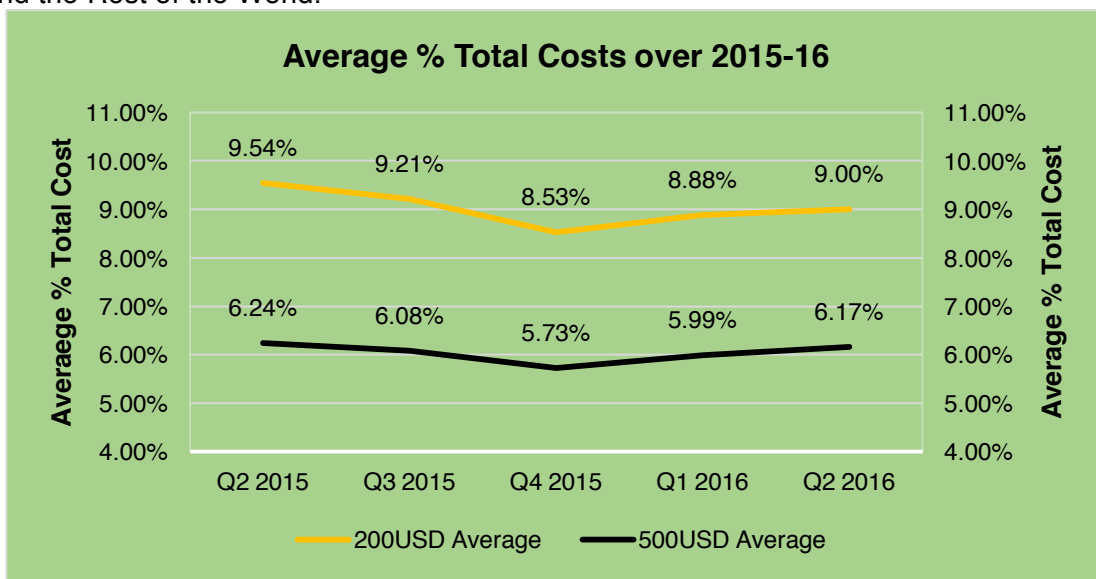
### Non-transparent sample breakdown (n=27)



Graph 2

**The average Total Cost of sending money to Africa increased and it remains 1.40 percent higher than the global average**

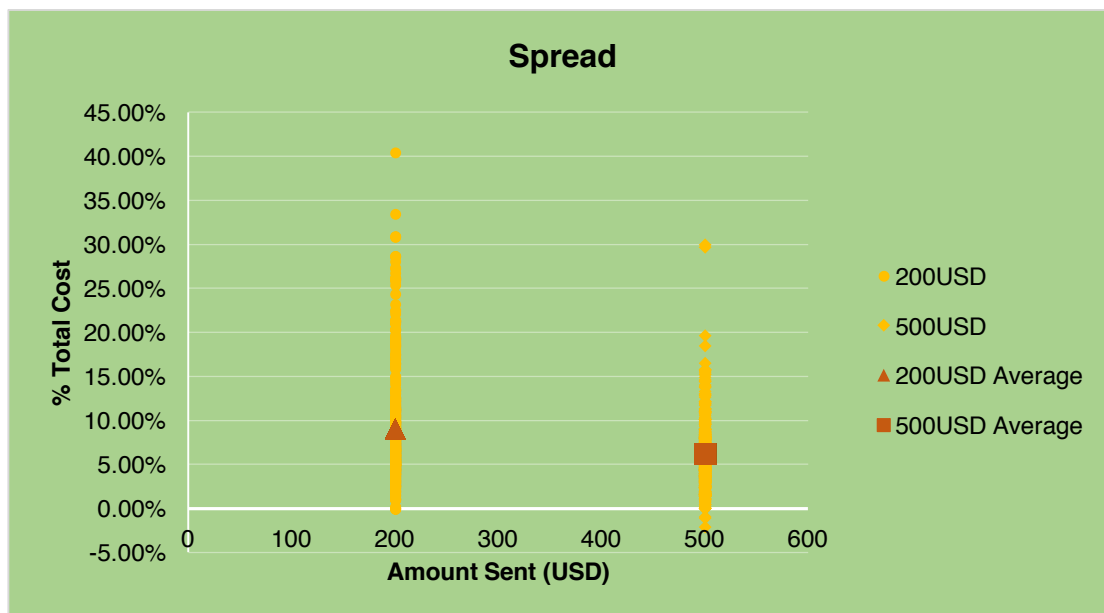
The average total cost of sending USD200 to and within Africa in Q2 2016 was 9.00 percent, which represents a second consecutive increase in average total costs from 8.88 percent in Q1 and 8.52 percent in Q4 2015. The cost of sending USD500 also increased between the quarters, moving up 0.18 percentage points to 6.17 percent from 5.99 percent. The increase in costs from the Q1 survey can partly be explained by some strong currency movements, and a significant increase in total costs for remittances originating from South Africa, specifically to Botswana and Mozambique. The global Remittance Prices Worldwide average in Q2<sup>2</sup> to send USD200 was 7.60 percent, a gap of 1.40 percentage points compared to the SMA average. This is a marginally wider gap than the last quarter and represents a continuation in the move away from the previous trend of a narrower cost gap between remittances in Africa and the Rest of the World.



Graph 3

<sup>2</sup> This is the average for 365 corridors around the world

Overall, the average cost has decreased by just over half a percentage point for the year (Q2 2015 to Q2 2016). The trend was similar for USD500 send amount which also fell, from 6.24 percent in Q2 2015 to 6.18 percent in Q2 2016.



Graph 4

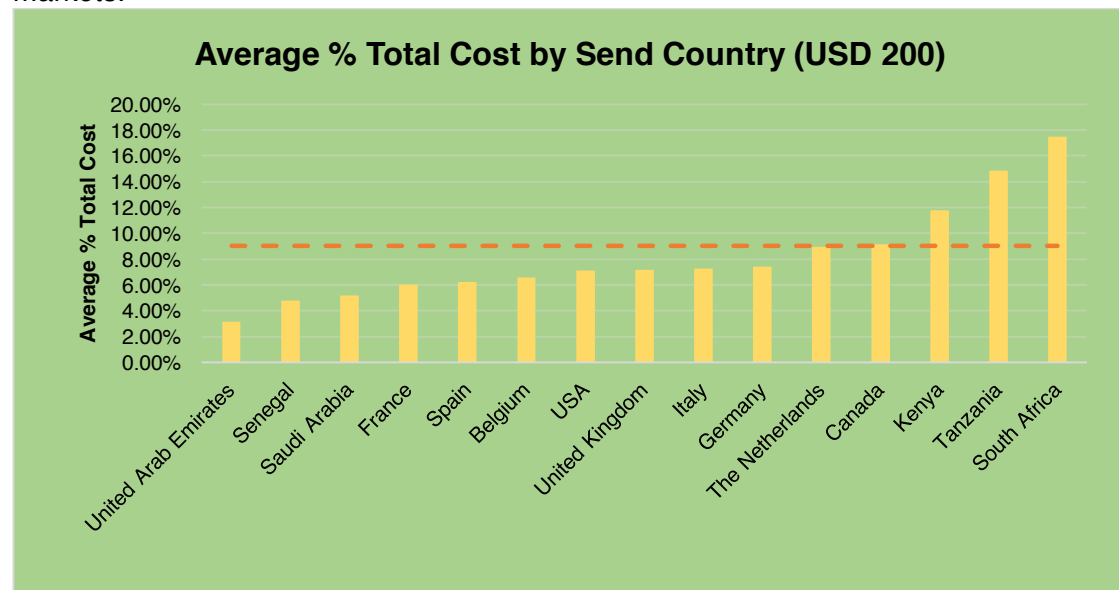
Graph 4, above, shows the spread in the total cost between the most, and least, costly services offered in the market for sending USD200 and USD500 to Africa. The standard deviation in the cost of sending USD200 in Q2 2016 is close to double that for sending USD500, 0.06031 to 0.03628 respectively, the difference of variation relative to last quarter's distribution has widened only by a small increment, suggesting remittance markets to Africa remained reasonably stable in the face of widening FX margins. The consistently large difference in price bunching may be due to the fact that many banks offer a flat fee which does not vary between the USD200 and USD500 amounts surveyed, but which is obviously lower as a percentage when applied to the USD500 amount. This is contrary to MTOs who frequently operate on a price band basis (although this is not always the case).

Though spreads have increased marginally in this quarter, this is unlikely to signal a shift away from more competitive markets. Globally, as larger, more multinational RSPs lose their ability to exert market power in underserved corridors, smaller firms with new technologies are now coming to the fore.

It is also worth noting the presence of some surprising negative costs in the data. These tend to arise when parallel or 'grey' exchange rates operate in certain markets. In these circumstances, it is likely that some operators use a different interbank rate than the official one, which, in turn, leads to a negative *measured* foreign exchange margin and thus a lower total cost, though these services have been left out of 200USD average calculations.

## Average total cost of sending money to and within Africa varies by sending market

The cost of sending money to and within Africa varies considerably among sending markets.



Graph 5

The most expensive sending markets in the sample are African countries; specifically, South Africa and Tanzania, where the cost of sending USD200 is found to be 17.47 and 14.85 percent of the send amount respectively. Here, there are a limited number of service options and, as a consequence, relatively expensive bank account services are very prevalent in these surveys (over 50 percent of South Africa's transparent survey data comes from banks).

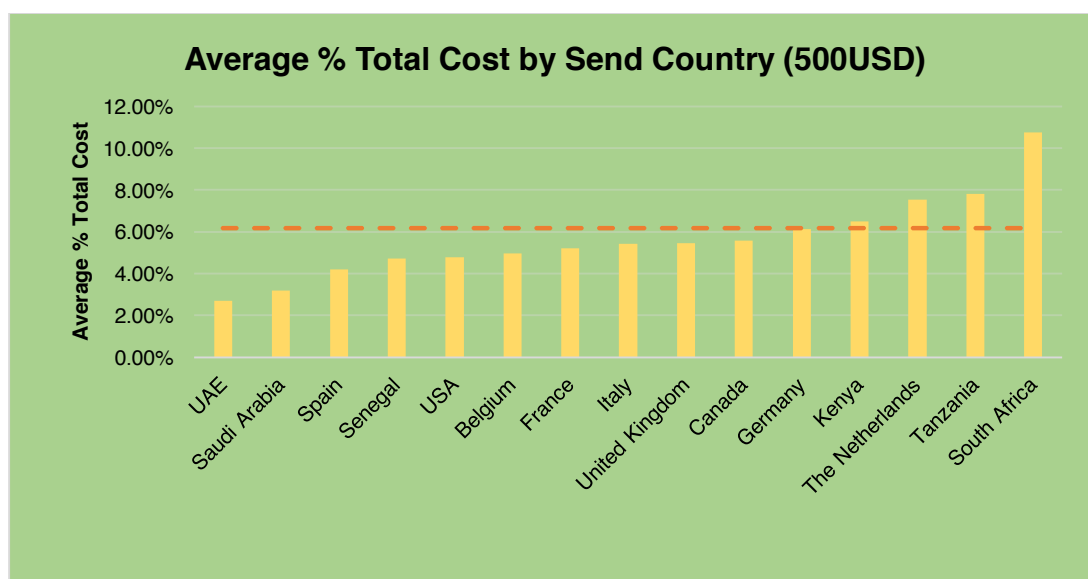
The cheapest sending market in the survey was found to be the United Arab Emirates, which measured at 3.16 percent followed by Senegal which measured at 4.80 percent in Q2 2016. The other Gulf market in the sample, Saudi Arabia, has returned to its position as the third cheapest send country in the survey after unusually high FX costs were recorded in Q1 2016, where the average costs was 6.82 percent compared to Q2's 5.16 percent. Generally speaking, the competitiveness of Gulf markets in comparison to other sending markets in the sample reflects the high level of competition present as a result of their large migrant populations and busy exchange houses. Senegal outbound is a rather special case due to the fact that it sends to countries that use the same currency, which puts the FX margin at zero<sup>3</sup>. In addition, one significant factor in the relatively low cost of a number of the Eurozone-African remittances markets is the fact that the Euro is pegged to the CFA currency employed by West African Francophone receive markets – hence no FX charge is incurred, reducing the cost of the remittance.

Outside of Africa, Canada was once again measured as the most expensive send market at 9.16 percent, with Europe's most expensive send market found to be The Netherlands at 8.94 percent. This is a surprising result, due mostly to the fact The

<sup>3</sup> The only corridor from Senegal surveyed in SMA is to Mali, who share the use of the West African CFA; thus total cost is taken up by sending fees alone, rather than additional exchange rate margins RSPs would usually charge. This keeps total costs low.

Netherlands was the fifth cheapest send market to Africa last year, but, a combination of factors including Germany's (historically Europe's most expensive send market) increasingly digital, open and competitive marketplace as well as rising FX margins from the Netherlands, have pushed Dutch-to-African remittance costs to the highest in Europe.

The costs in other European markets covered in the sample, have remained close to the centre of the cost distribution. This is largely due, with the exception of The Netherlands, to continued modest decreases in average total costs across Europe as newer, relatively cheap services have entered the market. The UK remittances market, whose average cost was measured at 6.87 percent for sending USD200 to Africa, is one of Europe's most competitive in terms of choice and to a lesser extent cost.



Graph 6

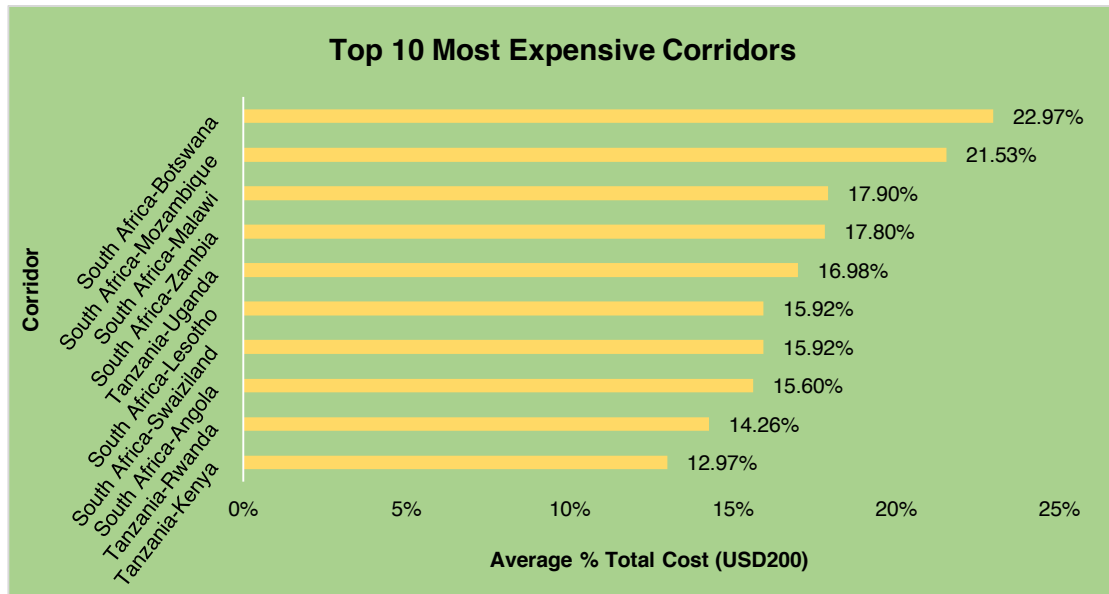
Graph 6 shows the average cost of sending USD500 to Africa by send country. With the exception of Germany as the third most expensive country, the pattern is broadly similar to sending USD200, with South Africa and Tanzania amongst the most expensive countries – measured at 10.76 and 7.80 percent for sending USD500 respectively. The UAE remains the least expensive send country, though it is substantially more expensive to send larger amounts of money here than in Q1 2016, costing on average 2.70 percent to last quarter's 1.51. Overall, there is generally an economy of scale in sending larger amounts of money to Africa, evidenced by consistently lower averages for sending USD500 compared to USD200.

### The top 10 most expensive Corridors are intra-African

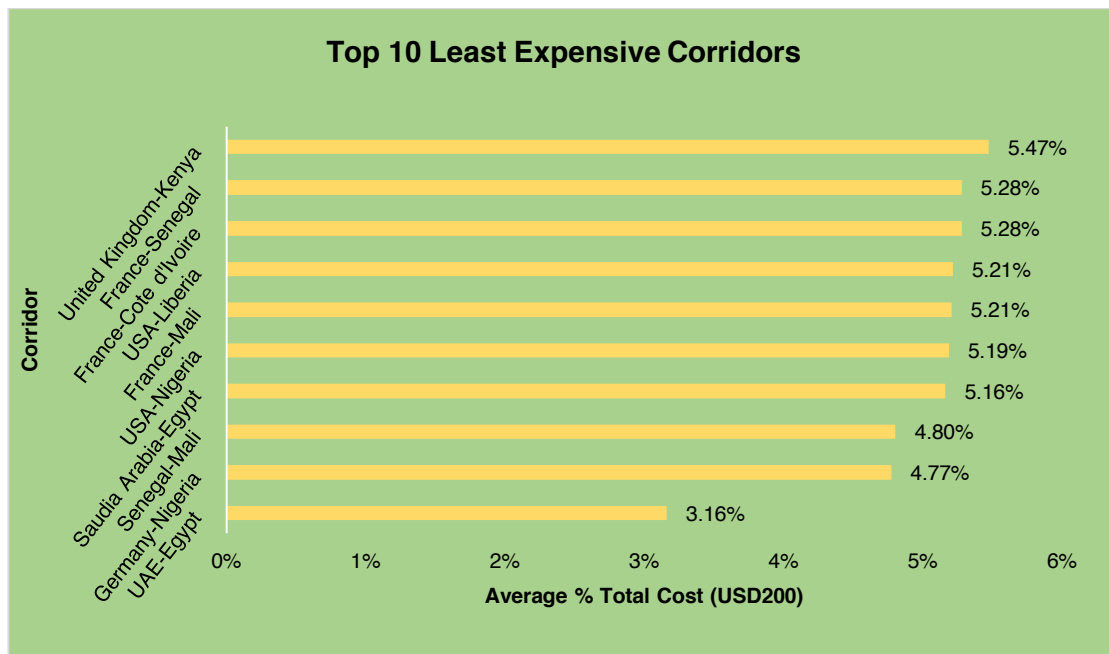
It is not unexpected that all of the 10 most expensive corridors are intra-African corridors; largely from South Africa whose market is comprised of a number of relatively expensive bank account services (as shown in Graph 7). The most expensive corridor in the sample is South Africa to Botswana which averaged at 22.97 percent, 4.21 percentage points higher than the most expensive corridor last quarter, suggesting the rise in the African average has again been driven mostly by South Africa cost changes. South Africa origin corridors now also take up the top eight spots on the most expensive corridor list. Although the order in which these corridors appear

changes from survey to survey – generally due to fluctuations in the FX margins recorded – South Africa origin corridors have seen costs increase by an average of 1.19 percentage points this quarter, driven predominantly by FX margin widening, which could be due to the strengthening of the rand against certain receive currencies.

Though a number of new licenses have been granted in South Africa, which could lead to increased competition in due course and ultimately to a drop in price, the opposite has been observed. This is largely due to a widening of foreign exchange margins across the board, with fees staying reasonably stable while costs have risen.



Graph 7



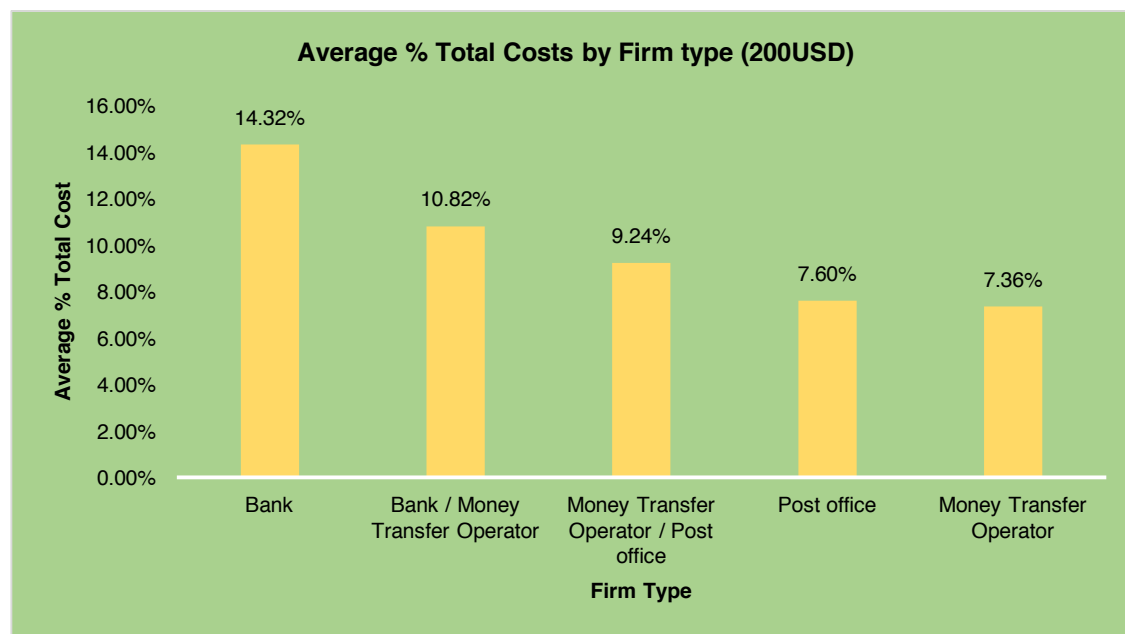
Graph 8

Graph 8 shows the 10 cheapest corridors in the sample. The cheapest corridor was found to be UAE to Egypt – measured at 3.16 percent – which is consistent with previous surveys. As Graph 8 shows, there is a notable French presence in corridors which are

amongst the cheapest in the sample, indicating that remittance costs are reduced when exchange margins are not present<sup>4</sup>.

The 10 least expensive corridors are far more geographically widespread than the Africa-centric top-ranked expensive corridors; including, along with the UAE, relatively competitive sending markets with large African Diasporas such as USA, France and the United Kingdom.

**Average cost of sending money to and within Africa by RSP type. MTOs are the least expensive and banks are the most expensive.**



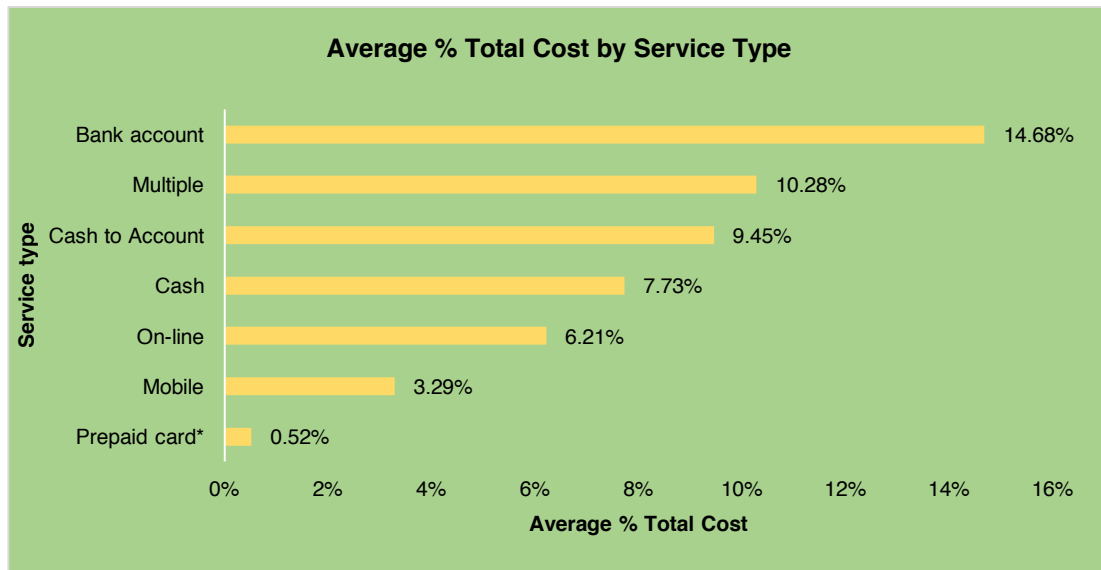
Graph 9

As Graph 9 shows, products offered by MTOs are the least expensive services for sending money to Africa, and cost on average 7.36 percent. Post Offices are down on the previous iteration, costing 7.60 percent on average. It is worth noting, whilst dedicated Post Office services tend to be cost effective, they also tend to be far slower than the average MTO service, with the transaction taking a number of days from start to completion in many cases. And, in a number of the send countries surveyed the national Post Office offers an affiliate MTO service in addition to its own remittance service, or does not actually offer an independent remittance service, but rather operates purely as an agent for the MTO. With an average total cost of 14.32 percent, commercial banks continue to be the most expensive RSP type in Q2 2016, although prices have fallen by 1.02 percentage points from last quarter. The relatively high cost for bank account transfers is due to the fact that they rarely offer dedicated services to remittance senders. As a result, the vast majority of services included in the sample are expensive wire (SWIFT) transfer services, designed for transferring amounts that are higher than the typical remittance and generally more cost effective for North-North remittances. In particular, only a few banks in the entire African Continent, offer a competitive money transfer service targeting remittance senders who need to send small amounts from one African country to another.

<sup>4</sup> The Euro to West African and Central African CFA exchange rate is fixed, this means RSPs often put zero margins on their buy/sell Forex margins, a key component of the total cost.



**Average cost of sending money to Africa by service type. Prepaid cards and mobile operators offer the lowest cost services.**



Graph 10 \*: These results are biased downward by negative foreign exchange margins on these services.

Prepaid cards continue to be the cheapest method of sending money to and within Africa, though they make up a very small sub-section of our sample, are only present in the UK and usually offer exchange rates better than the “market” rate. They are also not a good solution for many African markets as there is little supporting infrastructure in many of the countries. Next, mobile services (remittances to a mobile wallet either through a cash, mobile or bank account payment depending on the provider) are found to be second cheapest in the survey with services here remaining at 4.84 percent from last quarter for USD200 transfers. The online based remittance industry has also seen average costs rise, up to 6.21 percent from 5.97 percent last quarter, while the number of services surveyed in this sector has grown marginally to 116 from 114 in Q1 2016. Mobile and online continue to be influential in the future outlook for remittance costs to, from, and within the Africa region. Giving users mobile and online access generally allows for quicker, easier and more transparent price comparison by consumers, as well as encouraging competition and innovation between providers through reduced barriers to entry, which lead to lower prices. Cash services – again mostly provided by MTOs – and by far the most dominant method of sending money to Africa, are measured at 7.78 percent; remittance services from a cash source to an account are slightly cheaper at 6.76 percent. Bank account services are still by some distance the most expensive method to transfer money to and within Africa, with an average total cost of 14.68 percent.

**Summary**

Q2 2016 showed that remittance prices rose slightly during the quarter to 9.00 percent, Africa remains the most expensive region in the world to receive remittances, the most expensive corridors remain the intra-African corridors and money transfer operators offer the lowest price services. The newer technologies offer lower costs than either cash or bank account based products.

## Appendix: Africa average

The average for Africa as shown in this report is calculated as follows:

The total of the average price for each corridor (excluding any non-transparent providers) divided by the number of corridors. It should be noted that the average for SendMoneyAfrica is different to that which the World Bank publishes as part of its RemittancePricesWorldwide (RPW) website as RPW shows the average for Sub-Saharan Africa only whereas SMA includes the whole of Africa.

## Appendix: Non-transparent providers

Non-transparent providers fail to provide information in easily accessible and understandable forms on one or more of the following: the total price (i.e. fees at both ends, foreign exchange rate offered, taxes and other costs to the customers), the factors that influence the price (e.g. how the recipient is paid, or ability of the sender to provide complete information such as an account number and bank identifier), the time it will take for the funds to reach the receiver, or the specific locations of the RSP access points in both sending and receiving countries. In particular, quite often providers do not disclose the exchange rate applied to the transaction and, therefore, do not reveal the full cost. Including them in the sample when calculating the average would bias the results, since the real total cost of these RSPs is not known.

## Appendix: Market Share

The main objective is to ensure that 80 percent of the official market for each corridor was surveyed. The competitiveness in terms of choice of each corridor has had a direct impact on the number of banks surveyed for that corridor. The more competitive the market, the higher the proportion of MTOs making up the desired 80 percent surveyed. This has reduced the number of banks surveyed in these markets.

## Glossary of different types of services

1. **Account to account:** the sender transfers funds from their bank account into the beneficiary's bank account in the receiving country.
2. **Account to cash:** the sender transfers funds from their bank account to a branch or agent in the receiving country where the beneficiary can pick up the funds in cash.
3. **Cash to account:** the sender pays cash over the counter to transfer funds to the beneficiary's bank account in the receiving country.
4. **Cash to cash:** the sender pays cash over the counter at a branch or agent to transfer funds to a branch or agent in the receiving country where the beneficiary can pick up the funds in cash.
5. **Cash to mobile:** the sender pays cash over the counter at a branch or agent to transfer funds into the beneficiary's mobile account in the receiving country. Depending on the service, the beneficiary can then use the funds as e-money through their mobile provider or pick up the funds in cash from a branch or agent of their mobile provider.

6. **Mobile to cash:** the sender transfers funds from their mobile account to an affiliated branch or agent in the receiving country where the beneficiary can pick up the funds in cash.
7. **Multiple to account:** the sender can choose from a number of options – card, bank account, cash – to transfer funds to the beneficiary’s bank account in the receiving country.
8. **Multiple to cash:** the sender can choose from a number of options – card, bank account, cash – to transfer funds to a branch or agent in the receiving country where the beneficiary can pick up the funds in cash.
9. **Multiple to mobile:** the sender can choose from a number of options – card, bank account, cash – to transfer funds into the beneficiary’s mobile account in the receiving country. Depending on the service, the beneficiary can then use the funds as e-money through their mobile provider or pick up the funds in cash from a branch or agent of their mobile provider.
10. **Online to account:** the sender uses an online service (platform) to transfer funds from a card or account into the beneficiary’s bank account in the receiving country.
11. **Online to cash:** the sender uses an online service (platform) to transfer funds from a card or account to a branch or agent in the receiving country where the beneficiary can pick up the funds in cash.
12. **Prepaid to prepaid:** the sender uses a primary (prepaid) card to transfer uploaded funds to the beneficiary’s companion card. The beneficiary can then collect the funds from an affiliated ATM network in the receiving country.