

MIGRANT Remittances

EDITORIAL

Money Transfer Service Fees— It's a Jungle Out There

Much of the debate surrounding migrant remittances in recent years has focused on the relatively high costs of money transfer services. Calls for greater transparency, more competition, and fair pricing have been made repeatedly and were also echoed in the G8 Sea Island Summit in 2004.

Observers have noted that in some high-volume and competitive markets, prices have indeed dropped substantially in a relatively short period. Competition seems to be the greatest driver behind these drops. Many consider access to information—so that clients can compare services—another key factor in lowering costs. Government agencies and donors have consequently sought to generate better information and more competition.

Similarly, as financial services and the Internet converge through online banking and payments, service providers increasingly offer either online money transfer or at least information about their products on the web. This development may lead to greater transparency of information, at least for those with either direct or indirect access to the Internet. In this newsletter, we explore some of the information sources available via the Internet.

As an experiment, the *Migrant Remittances* team searched the Internet for prices charged for typical migrant remittance transfers. We found that information about costs is difficult and time-consuming to gather. Moreover, Internet and “street” prices can differ.

To facilitate access to price information, some websites now offer comparisons of service fees within one or several markets or corridors. We introduce two such websites in this issue: Sending Money Home? (www.sendmoneyhome.org), supported by the U.K. Department for International Development (DFID), which focuses on the U.K. remittances market; and Profeco (www.profeco.gob.mx/html/inicio/inicio.htm), provided by the Mexican Procuraduría Federal del Consumidor (the Federal Attorney's Office for the Consumer), which aims to protect the rights of consumers in Mexico.

While the availability of information on money transfer services and fees has improved, it is not as transparent and readily available to migrants as one might wish. Unlike price comparisons for mobile phone charges for instance, information on money transfers is much harder to find and price comparisons are typically sponsored by public entities.

We hope you will find this issue of *Migrant Remittances* again useful in your work and look forward to your feedback and news. You will find that for this issue we have valiantly stuck to the original concept of four pages.

Cerstin Sander (editor) and Anke Wolf (co-editor)

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Looking to Make Informed Choices?

People wishing to send money home must often contend with a jungle of services. In high-volume locations, money transfer providers abound and the terms of service are often far from clear. In low-volume locations, in contrast, customers face a desert, where just knowing where to go is important. In either case, it can be hard to know where to start, which is why many migrants typically choose what they already know or what family and friends use.

“Mystery Shopping” on the Internet

The *Migrant Remittances* team set out to find money transfer fee information by scouring the Internet. We focused on international money transfers within selected corridors between common source and destination countries. To keep the task manageable, we restricted our search to fees, disregarding costs such as access to services and currency exchange rates.

We sought to compare the fees of several types of money transfer providers in different sending corridors (for example, Europe or North America to Asia, Africa, or Latin America). Amounts to be remitted were US\$100 and \$500. Wherever possible, we selected a global market leader, such as Western Union or MoneyGram, and a local or regional money transfer service, along with service examples from commercial banks.

We realized that having access to the Internet does not readily translate into access to reliable, transparent information about the cheapest or best remittance provider. Information about fees for money transfers is still difficult to gather and opaque, even for computer-literate professionals familiar with financial services for remittances. Though focusing solely on the fees for a fixed remittance, we found it challenging to get the information and to draw comparisons because of the different ways to transfer money, such as electronic or cash transfers, bank drafts, or online transfers.

What we learned in terms of pricing, price transparency, and consumer friendliness can best be illustrated with the following examples:

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Western Union offers fee information on its webpage (www.westernunion.com) for sending remittances from the United States, Canada, the United Kingdom, and several other common source countries to every country in the world. While Western Union's Internet prices are fairly standardized, its real local prices differ. Using the online product, transfers from the United States to Asia incur a fee of \$20 for sending \$100 and \$51 for sending \$500. Comparing these to prices charged at different Western Union service points in the United States, we found that for the same transfers the locally charged fees were lower and ranged between \$11–\$15 for \$100 and \$14–\$43 for \$500.

Transfers from Canada using Western Union's Internet service to India, Bangladesh, and Sri Lanka all cost US\$22 for sending US\$100; the regional exception is the Philippines, where the fee is lower, with US\$11. Similarly, U.S. and Canadian Western Union fees for transfers to Mexico are lower than for those to other Latin American countries.

Searching commercial banks' websites to identify their money transfer services proved fairly cumbersome. Finding the products and their fees was not straightforward in many cases, and some sites list a telephone number instead of providing online information. This search also requires a high level of literacy in financial service acronyms because only a few webpages explain them.

With regard to transfers from the United States to Latin America, we found that Bank of America, like some other banks, does not charge any fees for transferring remittances to Mexico using the bank's "Safe-Send" service, but it charges \$35 for other countries such as Peru, Colombia, and Haiti.

Finally, for transfers from the United Kingdom to Asia, Africa, and Latin America, most of the commercial banks, such as Barclays and Citibank, consistently charge between £20 and £30 for sending £100 by electronic transfer (using SWIFT) to all destinations. However, there is a huge difference in fees charged by large commercial banks and other providers, often related to the destination. A money transfer of £100 to Ghana, for instance, carries a £5 fee when sent with Ghana International Bank and a £30 fee with Citibank via SWIFT. Halifax Bank also competes with lower fees; it charges £14 to send £100 to countries such as Ghana and Nigeria.

Overall, it is taxing and frustrating for an individual to compare costs via the Internet. Similar results—that is, partial and often conflicting information—could be gained by visiting each service provider or by relying on word-of-mouth accounts.

This underlines the value of webpages that collate information on costs of remittances which allows consumers to better compare services. Although such consolidated information about money transfer options remains limited, two organizations are attempting to fill the gap in some key markets. One of them targets migrants in the United Kingdom; the other targets Mexican migrants. Typically, though, they can provide but a gauge as the market changes quickly—special time-bound offers become available and prices provided for any one destination can differ based on the service used or the source city.

Price Comparison Sites

Sending Money Home?—United Kingdom

Migrants and diaspora in the United Kingdom can benefit from a new initiative, *Sending Money Home?* Its website provides a portal of information on money transfers and costs. This is the first impartial initiative in the United Kingdom to compare transfer fees, exchange rates, the speed and method of transfer, and other aspects of sending money abroad.

Initially the site has focused on services between the United Kingdom and Bangladesh, China, Ghana, India, Kenya, and Nigeria. In the future, other sending countries will be included. The initiative provides information on and comparisons of money transfer operators, banks, and building societies in the United Kingdom that offer money transfer services to these countries. Published concurrently with the launch of the website in March 2005 were 500,000 country-specific leaflets that included information in five languages. These were distributed through community centers, places of worship, shops, and other outlets across the United Kingdom to reach as many of the relevant diaspora as possible.

DFID supported the launch of the initiative, building on a 2004 survey. The survey highlighted the options available for those wishing to send money home and identified information customers said they would like to have at their fingertips to make an informed decision as to the most suitable provider for their purposes.

An additional aim of *Sending Money Home?* is to foster competition in the marketplace by encouraging providers to demonstrate greater transparency. If consumers are armed with more information, it is anticipated that providers will need to improve their services, offer more innovative products, and reduce their fees.

The website has so far received 33,000 visits from a variety of countries. Customer feedback has shown that remittance senders use the information to verify the deals they are offered, while organizations such as the Consultative Group to Assist the Poor, the World Bank, Oxfam, and the U.S. Government Accountability Office have used the website as a resource for research and policy formulation. Since many migrants and diaspora members in the United Kingdom do not have direct access to the Internet, the initiative has worked to ensure that the message is widely received by offering information in alternative formats, such as the leaflets. Because focus group work has shown that word of mouth is the most important factor in the decision-making process when sending money, an approach using a variety of media stands the greatest chance of providing trusted information to any given community.

Countries eventually to be included on the website and in leaflets include Ethiopia, Jamaica, Kenya, and Rwanda. The initiative also will soon encompass remittances sent to the developing world from other key sending countries. Information on services from France and Belgium to Rwanda will be the first addition.

Although *Sending Money Home?* was initiated by the U.K. government, DFID and Profile Business Intelligence, which has managed the initiative, are continuing to seek new partners to include more

countries. They wish to develop the service's potential to offer advice to senders of money on a global scale by working with other governments and donors, the private sector, and multinational agencies.

Quién es Quién en el Envío de Dinero—México

Mexico's Profeco—the Procuraduría Federal del Consumidor (the Federal Attorney's Office for the Consumer)—seeks to protect the rights of consumers throughout Mexico. In 1998, Profeco developed an innovative online program, *Quién es Quién en el Envío de Dinero* (*Who's Who in Sending Money*). The program provides information about money transfer service providers for nine major U.S. cities with large Mexican populations, including Chicago, Dallas, New York, and Los Angeles.

Each city has its own chart of information, updated weekly, with details on transfer service providers, including cost, exchange rate, time required to complete the transfer, and points of service in sending and receiving locations. Chicago, for example, lists 16 service providers that charge between \$3.00 and \$17.56 to send \$300 to Mexico (as of November 21, 2005). Some service providers allow receivers to get their cash through a network of automated teller machines; others through bank branches or points of service in supermarkets or through the offices of telephone service providers.

Profeco disseminates this information by posting the charts in its offices and in Mexican consulates in the United States, through a tollfree number in Mexico, and via its website. To reach more consumers, it is building relationships with migrant associations in the United States and with local governments in states with large Mexican populations, such as Texas.

More than 25 banks provide this information, in part so that they can have access to these reports, which give them “the pulse of the market.” Roberto Bello Salcedo, General Director of Consumer Studies at Profeco, says that one of its goals is to create more transparency and competition in the marketplace. It has so far recorded a drop in prices of up to 50 percent in some markets and more breadth and depth of services in both urban and rural areas.

Useful links:

- www.profeco.gob.mx/html/envio/envio.htm
For market trends, see “Programa ¿Quién es quién en el envío de dinero de Estados Unidos a México? Origen y evolución” at www.profeco.gob.mx/html/envio/evolucion.pdf
For comparisons (e.g., from Chicago), see www.profeco.gob.mx/html/envio/envioc.pdf
- www.sendmoneyhome.org
The Sending Money Home? report can be found at www.sendmoneyhome.org/NewFiles/Full%20report.pdf

Initiatives

DFID

Launch of UK Remittances Working Group Report

The UK Remittances Working Group was established by DFID in

the second half of 2004. Its objective is to stimulate private-sector activity in the remittance market to developing/emerging nations to further the government's goals for developing countries through research, discussion, and information sharing. The Working Group's report, *The UK Remittances Market*, provides an overview of remittances from the United Kingdom and makes recommendations to increase the flow of remittances through registered channels. The report was launched on November 15, 2005, and is available at www.dfid.gov.uk/pubs/files/uk-remittances-report.pdf

SECO

The Swiss Forum for Migration and Population Studies (SFM), the International Organization for Migration (IOM), and the European Bank for Reconstruction and Development (EBRD) will carry out a nine-month remittances-for-development initiative of the Government of Switzerland's State Secretariat for Economic Affairs (SECO). The aim of this action-research and planning initiative is to collect, analyze, and present information about remittance transfers by the Serbian diaspora in Switzerland and their impacts and use in migrant-sending households, as well as to document other kinds of policies and practices affecting remittance flows between Switzerland and Serbia-Montenegro. The results of the research will be used to develop concrete, feasible investment strategies to enhance the development impact of remittances in Serbia-Montenegro, including new forms of collaborative investment involving SECO, the Serbian diaspora in Switzerland, and other strategic partners. (contacts: Jennifer Petree, jpetree@iom.int; Janine Dahinden, janine.dahinden@unine.ch)

Information Surfing the Web

- www.adb.org/Documents/Events/2005/ADB-IADB-MIF-UNDP/program.asp
Remittances and Poverty Reduction: Learning from Regional Experiences and Perspectives. Joint Conference on Remittances, September 12–13, 2005, Manila, Philippines; sponsored by the Asian Development Bank (ADB), Inter-American Development Bank (IADB), Multilateral Investment Fund (MIF), and United Nations Development Programme (UNDP).
- www.federalreserve.gov/boarddocs/rptcongress/annual04/fro04.pdf
“Remittances and Immigrant Markets: Opportunities and Challenges.”
- www.folade.org
Proceedings of the conference Microfinanzas como canal de remesas alternativo; Problemas Claves, Prácticas, Riesgos y Oportunidades, September 22–24, 2005, Zacatecas, Mexico.
- www.frbsservices.org
Federal Reserve Financial Services Information Page with information on clearing house services with various countries.
- www.unfpa.org/upload/lib_pub_file/487_filename_migration_report_2005.pdf
International Migration and the Millennium Development Goals: Selected Papers of the UNFPA Expert Group Meeting, May 11–12, 2005, Marrakech, Morocco.

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- www.remesas.org/seminario.html
Agenda and documents from conference Las Remesas de los Emigrantes en Iberoamérica, September 23, 2005, Madrid, Spain.

Events

- February 3, 2006 – The African Diaspora Fund—Linking Diaspora Remittances to Investment and Development, World Forum Convention Center, The Hague, The Netherlands. African Diaspora Summit, supported by Novib Oxfam, Netherlands. Contact: AF-RONETH, Amsterdam, info@afroneth.nl; www.afroneth.nl/afronethnews.html
- February 9–10, 2006 – Ministerial Conference of the Least Developed Countries on Enhancing the Development Impact of Remittances, Cotonou, Benin. Organized by the Benin Ministry of Foreign Affairs and Ministry of Finance; the UN Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries, and Small Island Developing States; and the International Organization for Migration. For information, contact Sarah Mohsen at smohsen@iom.int

Publications

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- Lerch, M., and P. Wanner. “Determinants of the Reception of Migrant Remittances and their Impact on Poverty in Albania,” *Geographica Helvetica* Issue 3 /2005, pp. 201–9.
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- Novib. *The Role of Migrants and Their Remittances in Development*, Conference Report of the Novib International Expert Meeting, November 19–20, 2004, www.novib.nl/gap
- Schiff, Maurice, and Caglar Ozden (eds.). *International Migration, Remittances, and the Brain Drain*, World Bank, October 2005, <http://econ.worldbank.org/external/default/main?theSitePK=1572893&contentMDK=20693491&pagePK=64168182&piPK=64168060>
- World Bank. *Global Economic Prospects 2006: Economic Implications of Remittances and Migration*, Washington, D.C., November 2005, <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/GEPEXT/TGEP2006/menuPK:1026834~pagePK:64167702~piPK:64167676~theSitePK:1026804,00.htmlEXTGEP2006/menuPK:1026834~pagePK:64167702~piPK:64167676~theSitePK:1026804,00.html>

MIGRANT REMITTANCES

Migrant Remittances is a forum to share information about migrant remittances (debates, new developments or initiatives, new data, case studies, and publications). It is distributed electronically and contains links to access more information.

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www.livelihoods.org/hot_topics/migration/remittancesindex.html#3

or

www.sendmoneyhome.org/Contents/industry%20news.html