Kenya cross-border informal remittances demand-side research report (Individual and MSEs)
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Abbreviations

BoP  Balance of Payments
CBK  Central Bank of Kenya
EAC  East African Community
EAPS  East African Payment System
FDI  Foreign direct investment
FX  Foreign Exchange
FSPs  Financial service providers
IMF  International Monetary Fund
IMT  International Money Transfer
KCB  Kenya Commercial Bank
KEPSS  Kenya Electronic Payment and Settlement System
KNBS  Kenya National Bureau of Statistics
Kshs  Kenya Shillings
KYC  Know-your-customer
LMICs  Low- and middle-income countries
MFA  Ministry of Foreign Affairs
MM  Mobile Money
MNO  Mobile Network Operator
MSEs  Micro- and small-sized enterprises
ONA  One network area
P2P  Person-to-person
PSPs  Payment service providers
REPSS  Regional Payment and Settlement System
ROSCA  Rotational Savings and Credit Associations
SACCO  Savings and Credit Organization
SDGs  Sustainable Development Goals
SIM  Subscriber Identification Module
SIIT  Surcharges on incoming international traffic
TZS  Tanzania Shillings
UGX  Uganda Shillings
UK  United Kingdom
UNDESA  United Nations Department of Economic and Social Affairs
US  United States
USSD  Unstructured Supplementary Service Data
USD  United States Dollar
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There are an estimated 72,000 Kenyans residing in other East African Community (EAC) countries out of a total 535,000 people globally, which is over 10 percent of all Kenyan expatriates (UNDESA, 2020). Formal remittance inflows from the EAC into Kenya were USD 69 million in 2020 and accounted for only 2 percent of total remittance inflows (Central Bank of Kenya, 2021).

The premise of this study is based on previous interviews that have suggested that informal channels may be common for payments within the region, and therefore remittance flows from the EAC may be underestimated. However, there is little validation of this and no indication as to the scale, operations or impact of these flows. Furthermore, it is not clear what is driving, if it exists, informality in the market and whether there are barriers to formal services.

The Central Bank of Kenya (CBK) is committed to improving data on remittances and has recently started publishing remittance inflows by month and corridor. Furthermore, in December 2021 the CBK launched the Diaspora Survey and collaborates with the Kenya National Bureau of Statistics (KNBS) and FSD Kenya to conduct surveys aimed at providing deeper insights into remittance patterns in Kenya through Continuous Household Surveys and FinAccess Survey. These resources do not publish any data specifically on how remittances are made in the region, nor the prevalence of informal channels within these corridors.

The CBK’s pioneering diaspora remittances survey was conducted between March and May 2021 in collaboration with the Kenya National Bureau of Statistics (KNBS) and the Ministry of Foreign Affairs (MFA). The survey was aimed at collecting insights into remittance flows to Kenya from abroad and mainly targeted Kenyans working or living abroad and sending funds back home.

- Of the 1,321 respondents, 70 percent had sent remittances through formal channels including money transfer companies, banks, and mobile money operators. Funds were sent monthly to direct family members and mostly for household expenses, investment in real estate and mortgage payment. In-kind remittances (such as personally carrying money home to Kenya, sending money with friends and relatives, or using a courier company) averaged between USD 500-5,000 and were less frequent.
- Average transaction costs ranged from 4-5 percent and there was a notably high preference for digital services due to convenience, efficiency in terms of speed /
prompt service and ease of access.
• Majority of respondents indicated that they are aware of investment opportunities in Kenya, in particular opportunities in land or real estate, stock market and government securities.
• Challenges faced while sending cross-border transfers included high costs, hidden charges, and slow transfer durations. There was resilience to the COVID-19 pandemic although reduced volumes were noted in Asia and Europe to Kenya; however, most respondents expected to maintain their levels of support to their families.

Understanding the prevalence, usage and volumes of remittances sent through informal remittance channels are, by their very nature, unknown. Not having a gauge on the volumes of remittances sent through informal channels means that the true scale of remittances in different corridors are unknown which, in turn, affects public and private sector decision-making. In addition, there are risks to the consumer as money sent through informal channels is not protected against loss or theft. Furthermore, money sent through these channels generally do not meet country’s compliance requirements to help with identifying money being sent for illicit purposes.

The only way to obtain information on the use of informal remittances is through demand-side research. Whilst this opportunities in land or real estate, stock market and government securities.

Challenges faced while sending cross-border transfers included high costs, hidden charges, and slow transfer durations. There was resilience to the COVID-19 pandemic although reduced volumes were noted in Asia and Europe to Kenya; however, most respondents expected to maintain their levels of support to their families.

The only way to obtain information on the use of informal remittances is through demand-side research. Whilst this survey contains insights, caution should be exercised around the robustness of the results as:

1. People do not always want to disclose the use of informal in surveys; and
2. People are not always aware that they are using informal channels.

The objective of this study is therefore to use demand-side research to shed light on how cross-border payments are being made in the region and to understand the scale and prevalence of informal channels. This falls under a broader goal to improve access to formal remittances and low-value trade payments across the region, especially through digital channels, and to aid policy makers, donors and businesses to make more informed decisions. The research focuses on four of the main remittance corridors in the region: Kenya-Uganda and Kenya-Tanzania in both directions.

The report is structured as follows:

• Chapter 1 provides background information on remittances in Kenya and in the region, outlines the study methodology and categorises the different types of formal and informal services
• Chapter 2 outlines the research findings on individuals sending money in the region
• Chapter 3 provides insights from informal remittance service providers
• Chapter 4 reports the findings from micro- and small-enterprises (MSEs) sending money across the focus corridors
• Chapter 5 is the conclusion and recommendations

2 This is especially the case where formal channels (such as mobile money wallets) are used to send money
1.1. Study methodology

For this demand-side research a targeted phased approach was used, focusing on in-depth one-on-one interviews with respondents sending and receiving money intra-regionally both as remittances and/or payments for low-value trade.

In total, we spoke to 103 individuals across the three categories and four corridors: 68 individual remitters, 23 MSEs and 13 service providers. The sample is therefore not statistically representative of the regional diaspora population, micro- and small-sized enterprises (MSEs) or informal agents. However, study findings are illustrative of the various remittance channels used, user behaviours, user perceptions and knowledge. These insights are useful for providing lessons and guiding policy action as well as informing future research studies.

<table>
<thead>
<tr>
<th></th>
<th>Individual remitters</th>
<th>MSEs</th>
<th>Service providers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uganda to Kenya</td>
<td>18</td>
<td>12</td>
<td>2</td>
<td>32</td>
</tr>
<tr>
<td>Kenya to Uganda</td>
<td>24</td>
<td>9</td>
<td>4</td>
<td>37</td>
</tr>
<tr>
<td>Kenya to Tanzania</td>
<td>12</td>
<td>1</td>
<td>5</td>
<td>18</td>
</tr>
<tr>
<td>Tanzania to Kenya</td>
<td>14</td>
<td>1</td>
<td>1</td>
<td>16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>68</strong></td>
<td><strong>23</strong></td>
<td><strong>12</strong></td>
<td><strong>103</strong></td>
</tr>
</tbody>
</table>

Table 1: Research participant numbers across four EAC corridors, 2022

To note, the corridor and category breakdown is segmented by primary corridor or category, as six individuals operated as MSEs and individual remitters, and five service providers provided money transfer services across both directions of the corridor. We have avoided double counting these individuals to prevent confusion and selected their categorisation based on, in the case of service providers, their highest volume corridor, and, in the case of individual remitters/MSEs, their main reason for sending regular cross-border transfers.

A chain-referral sampling method (snowball sampling) was used, based on identifying people within the respective communities and incentivising them to find other people that met the eligibility criteria. Participants were screened through questions to confirm they had sent or received a cross-border transfer in the focus corridors within the last 12 months. The interviews were conducted predominantly over the telephone with a few conducted in person.

To ensure demographic representation across the sample, individuals were segmented by gender, location, age and profession. MSEs were segmented according to size and location. Informal service providers were also interviewed to provide further insights into the business models used, target clients, services offered, pricing, and transaction flows at the front and back end of the remittance value chain.

The research study faced several logistical obstacles for the team to overcome. Please see Annex 1 for further details.
1.2. Definitions and transfer methods

This section provides useful definitions and introduces new categories of money transfer services that represent how people are transferring money across the region.

Definition of remittances

“Personal transfers consisting of all current transfers in cash or in-kind made or received by resident households to or from non-resident households and are a subset of current transfers sent between individuals.”

Informal versus formal remittances

There are various remittance products and services available on the market, and broadly these can be categorised as either ‘formal’ or ‘informal’:

- **Formal remittance services**: Services that are offered by an entity licensed to conduct cross-border transfers and handle exchange of foreign currency.
- **Informal remittances services**: Services offered by entities that are not legally licensed or permitted to conduct cross-border remittances or foreign currency exchange. Cash money and goods taken by individuals, friends and family across the border beyond what is permitted for personal use are included in this definition of informal remittances. Whilst this is not illegal in most countries for funds and goods to be carried across the border up to a certain threshold, this method is still classified as informal, as a chargeable service as the entity is not licensed to perform such transactions.

<table>
<thead>
<tr>
<th>Legal Status</th>
<th>Channel</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal</td>
<td>Bank account (mobile banking) to mobile network operator (MNO) mobile wallet</td>
<td>KCB (Kenya) to MTN (Uganda)</td>
</tr>
<tr>
<td></td>
<td>MTO cash-based</td>
<td>Western Union agent</td>
</tr>
<tr>
<td></td>
<td>MTO digital (app-based or online)</td>
<td>World Remit</td>
</tr>
<tr>
<td></td>
<td>Registered MNO mobile wallet to registered MNO mobile wallet</td>
<td>M-PESA Global to MTN/Airtel Uganda or Airtel/Vodacom/TigoPesa IMT Tanzania</td>
</tr>
<tr>
<td></td>
<td>Bank account transfer*344# M-PESA USSD or app solution</td>
<td>Stanbic (Uganda) to Equity Bank (Kenya) M-PESA (Pay Bill functionality) (available from Kenya to Tanzania only)</td>
</tr>
<tr>
<td>Informal</td>
<td>Giving cash to family/friends or carrying cash themselves</td>
<td>Physically giving cash when they are travelling across borders</td>
</tr>
<tr>
<td></td>
<td>Sender visiting non-registered agent of receive country MNO in the send country</td>
<td>Sender visiting non-registered M-PESA agent in Uganda or MTN agent at Kenyan border to top-up their mobile wallet or send money to a receiver directly with a wallet from the same provider but in another country</td>
</tr>
<tr>
<td></td>
<td>Receiver visiting non-registered MNO agent of send country in receive country</td>
<td>Receiver visiting non-registered M-PESA agent in Uganda to cash-out funds from their M-PESA wallet</td>
</tr>
<tr>
<td></td>
<td>Giving cash to non-registered business to do transaction (bus)</td>
<td>Giving cash to a business or bus company to physically transport to next country destination.</td>
</tr>
</tbody>
</table>

Throughout the course of the interviews, the different methods and channels used by individuals and MSEs for funds transfer have been documented and categorised. Table 2 outlines the different methods of money transfer that have been observed through the course of this primary research. This table shows that there are new categories of informal remittance channels, mainly around senders and receivers visiting non-registered MNO agents, that are not typically recognised as informal remittances or included in surveys or research accordingly.

<table>
<thead>
<tr>
<th>Legal Status</th>
<th>Channel</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bank account (mobile banking)</td>
<td>Most regular travellers hold at least one SIM card for each country they regularly visit. Traveller A will top up their M-PESA wallet when in Kenya and their MTN wallet when in Uganda and can then transfer funds across the Kenya-Uganda border in a domestic, P2P transaction without the exchange of currency</td>
</tr>
<tr>
<td></td>
<td>Multiple SIM cards with regular travel + local top up</td>
<td></td>
</tr>
<tr>
<td>Non - remittance</td>
<td>Domestic bank transfer</td>
<td>Senders initiating the remittance transaction whilst overseas, but from their bank in the receive country (there is no physical cross-border flow of funds)</td>
</tr>
<tr>
<td></td>
<td>Domestic bank transfer to domestic mobile wallet</td>
<td>Bank to wallet functionality where an individual remitter is roaming in Tanzania but has a Kenyan account and can transfer funds from the Kenyan account to M-PESA wallet and send to a receiver in Kenya</td>
</tr>
</tbody>
</table>
INDIVIDUALS CROSS-BORDER TRANSFER PATTERNS
This section provides an overview of the main remittance channels used to send money home, broken down by focus corridor, and provides an analysis of drivers and barriers to remittance services. Annex 2 provides details on the profiles of individual remitters.

2.1. Informal versus formal: Individual remittance channels in four EAC Corridors

Overall, the interviews showed that, across the four corridors, formal channels were the preferred method for sending money home, but that informal channels were available, active and used by many as their preferred method. Nearly 70 percent of respondents sent funds using formal channels as their primary method, with nearly 30 percent using informal channels.

Respondents were largely unaware of the formality or informality of services used. Digital channels were mainly presumed to be formal even where transaction flows were informal.

A key characteristic of the region is the ubiquity of mobile wallets and the prevalence of multiple SIM cards held by people that are travelling in the region or working in other countries. Multiple SIM card ownership was mostly for purposes of conducting cross-border transfer. People with multiple SIM cards had various arrangements for adding e-value to their mobile wallets including formal methods such as bank to wallet transfers, topping up through local agents or receiving funds. Informal e-value top up methods included through informal agents or exchanging currency at the border for top up. This was particularly common with frequent travelers across the region. This indicates a fluidity of money and as a result remitters are not always aware when the cross-border “remittance” is actually being made (see Table 1 in 1.2. Definitions and Transfer Methods).

<table>
<thead>
<tr>
<th>Remittance Channel</th>
<th>Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal</td>
<td>79%</td>
</tr>
<tr>
<td>Informal</td>
<td>29%</td>
</tr>
<tr>
<td>Non-Remittance</td>
<td>2%</td>
</tr>
</tbody>
</table>

Figure 1: Preferred Remittance channel for participants sending and/or receiving remittances across four corridors in the East African Community, n=68

---

2 percent of participants were sending non-remittance transactions i.e. money intended to be a cross-border remittance, but the method used rendered it a domestic transfer.

3 The One Area Network (ONA) initiative launched by the EAC in 2014 has played a huge role in driving remittances in the East African region, particularly between Kenya, Uganda and Tanzania which have the highest levels of mobile money adoption. The initiative was a joint commitment of member countries to create a ONA where rates for outgoing voice traffic would be capped, mobile roaming charges eliminated and surcharges on incoming international traffic (SIIT) removed. This would result in significantly lower roaming rates within the five economies of the EAC (Burundi, Kenya, Rwanda, Tanzania, Uganda and South Sudan). The outcome is that respondents had multiple SIM cards and would leverage roaming services to be able to top up mobile wallets overseas through unregistered agents and initiate transfers as domestic transfers from overseas.
Figure 2 below shows whether the preferred method for sending money across the region was informal or formal by corridor. The Uganda to Kenya and Kenya to Tanzania corridors had the highest occurrences of informality, whereas the Kenya to Tanzania and Tanzania to Kenya corridors were more formalised.

**Figure 2: Prevalence of formal vs. informal remittance channels across four EAC corridors, n=68**

### 2.2. Kenya to Uganda

Figure 3 shows that nearly half of people sending money from Kenya to Uganda sent funds to the beneficiaries’ M-PESA wallets (registered in Kenya). The recipient in Uganda would then use their roaming service to cash out at an unregistered M-PESA agent in Uganda (see Box 1 for more detail on how this works).

A smaller proportion of those interviewed were seeking out an MTN or Airtel agent in Kenya to enable top up of MTN/Airtel mobile wallet whilst they were roaming. They would then send money directly to the recipients MTN/Airtel wallet in Uganda.

The research suggests that there is a much higher presence of informal M-PESA agents in Uganda and Tanzania than MTN, Airtel, Vodacom or TigoPesa agents in Kenya, demonstrating the ubiquity of M-PESA across the region.
Unregistered agents facilitating cross-border remittances are particularly prevalent in Kampala but also within the Tanzania and Uganda at border points with Kenya. In this research the use of unregistered M-PESA agents was primarily amongst individuals receiving money from Kenya in Uganda or among Kenyans roaming on M-PESA in Uganda who required top-up services.

A network of agents offers informal cross-border M-PESA transfers either by (a) facilitating top-up of the customers’ M-PESA wallets in a foreign country; (b) sending cross-border transfers on behalf of customers using their own wallets; or (c) facilitating cash-out of remittances sent from a foreign country either to a customers’ wallet or to their own wallet on behalf of a customer. Such agents are not licensed to carry out cross-border remittance services, but users are often unaware that they are utilising informal channels.

The mobile money exchange component of these services means transfers that may be intended as cross-border remittances are, in fact, a domestic mobile money transfer. This is the case up until a beneficiary cashes out at an unregistered outlet and receives UGX either in cash or into an MTN or Airtel wallet, at which point the unregistered agent is providing a cross-border remittance service and handling the foreign exchange.

Box 1: Unregistered M-PESA agents
### Three scenarios where unregistered M-PESA Agents are used for Cross-border Remittances in EAC

<table>
<thead>
<tr>
<th>OPTION A: Sender tops up their roaming M-PESA wallet while at overseas with an unregistered M-PESA agent and sends money from their M-PESA wallet</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sending from Uganda to Kenya</strong></td>
</tr>
<tr>
<td>• The Kenyan migrant keeps their M-PESA mobile wallet (from Kenya) and uses roaming services whilst in Uganda.</td>
</tr>
<tr>
<td>• The Kenyan migrant visits an unlicensed M-PESA agent in Uganda</td>
</tr>
<tr>
<td>• The Kenyan migrant gives the UGX cash or sends UGX mobile money to the agent</td>
</tr>
<tr>
<td>• The agent receives UGX in cash or in mobile money into their MTN/Airtel Ugandan mobile wallet.</td>
</tr>
<tr>
<td>• The agent maintains a Kenyan M-PESA wallet in Uganda with shilling (Kshs) float on their M-Pesa wallet.</td>
</tr>
<tr>
<td>• The agent converts the UGX amount into the KSHs equivalent and tops-up the customer’s Kenyan M-PESA wallet from their on Kenyan MPESA wallet</td>
</tr>
<tr>
<td>• The Kenyan migrant in Uganda sends a remittance from their roaming M-PESA wallet to the beneficiary’s M-PESA wallet in Kenya. This is actually a domestic transfer from a roaming SIM</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPTION B: The sender visits an unregistered MPESA agent in Uganda he uses their own MPESA wallet to transfer money to someone in Kenya on the sender’s behalf</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sending from Uganda to Kenya</strong></td>
</tr>
<tr>
<td>• The Kenyan migrant goes to an unlicensed agent in Uganda</td>
</tr>
<tr>
<td>• The Kenyan migrant pays the agent UGX in cash or mobile money using a domestic money transfer (using MTN/Airtel).</td>
</tr>
<tr>
<td>• The agent maintains a Kenyan M-PESA wallet whilst in Uganda with Shillings (Kshs.) float on their M-PESA wallet.</td>
</tr>
<tr>
<td>• The agent converts the UGX amount into the equivalent</td>
</tr>
<tr>
<td>• The agent uses their own M-PESA mobile wallet to transfer money to the intended remittance beneficiary’s M-PESA wallet in Kenya. This is recorded as a domestic money transfer from a roaming SIM</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPTION C: The sender in Kenya sends money to an unregistered agent’s M-PESA wallet in Uganda who will give the intended beneficiary the value in local currency</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sending from Kenya to Uganda</strong></td>
</tr>
<tr>
<td>• The Ugandan migrant opens an M-PESA mobile wallet in Kenya</td>
</tr>
<tr>
<td>• The Ugandan migrant sends KSHS. from their Kenyan M-PESA wallet to M-PESA wallet of an unlicensed agent based in Uganda.</td>
</tr>
<tr>
<td>• The unregistered agent in Uganda maintains a Kenyan M-PESAallet in Uganda.</td>
</tr>
<tr>
<td>• The agent converts the Kshs. amount into the UGX equivalent</td>
</tr>
<tr>
<td>• The remittance in Uganda visits the unlicensed agent in Uganda and receives UGX cash or UGX mobile money from the agents MTN or Airtel allet</td>
</tr>
</tbody>
</table>

*Figure 3: Preferred channels used by individual remitters, Kenya to Uganda (n=24) and Uganda to Kenya (n=18) corridors*
2.3. Uganda to Kenya

Figure 3 also shows that most respondents sending money from Uganda to Kenya preferred to use formal channels as their primary method. This was by sending money from MTN IMT or Airtel’s IMT services to M-PESA (33 percent of those interviewed). Other formal service providers included banks such as Equity via the Equitel solution, Chipper Cash and Western Union.

A third of people used informal channels as their preferred method from Uganda to Kenya, choosing to visit an M-PESA agent (unregistered) in Uganda and either top-up their M-PESA wallets or ask the agent to make the remittance transaction on their behalf (see Box 1 for more information).
2.4. Kenya to Tanzania

Figure 5 shows that in the Kenya to Tanzania corridor all individuals interviewed were using formal channels. They were evenly distributed between those using the formal M-PESA Global service and those using M-PESA’s *334# service. Box 2 provides more information on the M-PESA *334# service.

The *334# is M-PESA Kenya’s new dedicated M-PESA USSD code and app service which is in pilot phase. This service is considerably cheaper than the M-PESA Global service and considered ‘free’ by many users (though DMAG research showed a 3.90% FX margin (for further analysis please see Table 6 in Annex 4). It is a pay bill function and therefore does not have standard features such as displaying sending fees and FX conversion before the transfer is sent. This method was particularly prevalent with the Tanzanian clothes traders in Kenya who used it because it had no sending fees. However, senders were unaware of FX margins applied as this information was not provided before or after the transaction, difference between principal sums sent and amounts received were attributed to fluctuating FX rates.

Senders using the *334# USSD and app versions were mostly aware of the existence of the M-PESA Global Service in the market but had not tried using it and perceived it as costly. There was limited awareness about the service amongst those who did not use it, for example, the Tanzanian clothes traders who used the USSD and mobile app service were unaware of the M-PESA Global service.

Box 2: M-PESA *334#
2.5. Tanzania to Kenya

Figure 5 also shows that people sending remittances from Tanzania to Kenya were mainly sent via mobile money (57 percent of those interviewed). Respondents mostly sent funds through Vodacom M-PESA and TigoPesa directly to Safaricom M-PESA. Other direct formal methods included the use of Dahabshil Money Transfer.

Informal mobile money transfers were also evident in the Tanzania to Kenya corridor, with a few interviewees visiting M-PESA Safaricom agents in Tanzania. Others were roaming on Safaricom M-PESA in Tanzania and sent funds to another Safaricom M-PESA wallet in Kenya. They topped up e-value at informal agent outlets mainly at the border.

Those interviewed said Safaricom agents existed but were hard to come by (quite different from the experience in Uganda). Interviews with informal service providers; however, show that there are informal remittance services being offered using M-PESA Safaricom in Tanzania, particularly through the bus network and from agents closer to the border (see Chapter 3).

2.6 Analysis of drivers and barriers to remittance services

The decision on which money transfer service provider or channel to use was mainly made by senders. In most cases, they consulted with receivers and took into consideration receivers’ convenience when cashing out.

As seen in the previous section, mobile money-based services were the main method used to transfer funds. The key drivers for using mobile money were convenience, speed, affordability and security (Annex 3 provides information on some of the challenges people experienced with their formal providers). Mobile money providers are well known businesses and considered affordable, credible and trusted.

As seen in Section 2.1, most of the people surveyed who prefer to use informal remittance services are using unregistered PSP agents. The choice to use these was mainly driven by the availability of such services in the corridor and the ease and convenience of accessing them. A few users cited cost as being a secondary driver.

Participants who prefer these informal methods were often unaware that they are informal and therefore the lack of consumer protection that comes from the use of unlicensed payment systems. However, the instant nature of transfers by the unregistered agents reduces the risk of theft. This group also tended to be less aware of the formal PSP international money transfer services (e.g. M-PESA Global or MTN IMT).

The research did not show any clear correlations between the use of informal money transfer services and age, occupation, gender or levels of financial inclusion.
Participants were mostly financially included, with 96 percent ownership of mobile money accounts and 57 percent bank account ownership, on average over the four corridors (see Figure 6). Those interviewed that did not own their own mobile money accounts accessed their money regularly through friends’ or family’s accounts. While the region is renowned for high levels of financial inclusion, respondents for this study were required to have sent or received a cross-border remittance within one year, which is likely to omit financially excluded individuals.

As such, meeting know-your-customer (KYC) requirements was also not a challenge for most people, with most having mobile wallets in one or both countries and the necessary ID required to send cross-border remittances. IDs were not required for every transaction but were mainly available when required.

Furthermore, the use of informal did not seem to be driven by the send amount, with people using both informal and formal to send larger and smaller send amounts.

\[\text{Figure 6}: \text{Individual remitters financial inclusion levels, } n=68\]

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<table>
<thead>
<tr>
<th>Amount of money sent per transaction, by channel type (USD equivalent)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All channels</strong></td>
</tr>
<tr>
<td>Less than $10</td>
</tr>
<tr>
<td>Afghanistan</td>
</tr>
<tr>
<td><strong>Non - remittance</strong></td>
</tr>
<tr>
<td>Mobile wallet</td>
</tr>
<tr>
<td>Mobile money</td>
</tr>
<tr>
<td><strong>Formal</strong></td>
</tr>
<tr>
<td>Mobile wallet</td>
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</table>

<table>
<thead>
<tr>
<th>Mobile wallet ownership, by corridor</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All corridors average</strong></td>
</tr>
<tr>
<td>Mobile wallet in send country only</td>
</tr>
<tr>
<td>Afghanistan</td>
</tr>
<tr>
<td>Uganda to Kenya</td>
</tr>
<tr>
<td>Kenya to Uganda</td>
</tr>
<tr>
<td>Tanzania to Kenya</td>
</tr>
<tr>
<td>Kenya to Tanzania</td>
</tr>
</tbody>
</table>

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\[\text{The exception is for a group of Tanzanian workers in Kenya who were unable to register a SIM card or mobile wallet due to lack of proper KYC documentation which led to their usage of informal cash services.}\]
Respondents mostly used one channel regularly, a few interchanged between two or more. Knowledge of additional remittance channels was quite basic and generally limited. Respondents learned about new products and services mostly by word-of-mouth from family and friends and from promotional messages on social media. Referrals from existing customers were particularly effective in creating awareness of informal services. There was generally limited interest in learning about other cross-border channels and not many individuals shopped around for better deals.

When asked which other cross-border remittance service they were aware of, respondents were most conversant with traditional MTOs (particularly Western Union) and bank transfers. Other providers that people were aware of are World Remit, Skrill, PayPal and Chipper Cash.

Commercial banks with presence across East Africa, such as KCB and Equity Bank, were the primary transfer method for three individual remitters (4 percent of sample) and two MSEs (9 percent of sample) due to the ability to transfer funds across borders at low prices. However, those respondents indicated that FX rates were usually unfavourable and both sender and receiver had to have accounts in the same bank. Bank accounts were also used mostly for higher value transfers but were also perceived to be costly especially with FX conversion rates. In Uganda, respondents preferred regionally integrated banks such as Equity and KCB; however, this trend did not emerge in Tanzania despite the presence of the same integrated banks.

Generally, there is a perception among those participants who preferred informal channels, that informal remittance service providers are cheaper than formal service providers; this is one of the drivers for use of informal methods. Table 3 shows pricing of sending USD 200 equivalent by informal service providers (February-March 2022).

![Figure 7: Average amount of money sent per transaction, by channel type, n=68](image-url)
Analysis indicates that there are significant variations in the cost of informal services, including fee and FX margin against the inter-bank rate. For example, the total cost of using unregistered M-PESA agents in Uganda and Tanzania is reported to be negative due to a favourable exchange rate. This shows that the informal agents in these corridors can offer better rates than the formal service providers. Table 4 shows how these rates compare to formal service providers in the Uganda to Kenya corridor. Interestingly, informal cash carrying services tend to be more expensive, suggesting that people are willing to pay a premium for money sent and received in cash (see Annex 4 for corridor pricing comparison tables).

<table>
<thead>
<tr>
<th>Corridor</th>
<th>Informal method of Transfer</th>
<th>Fee</th>
<th>FX Margin</th>
<th>Total Cost (% send amount)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uganda to Kenya</td>
<td>Unregistered MPESA Agent in Uganda (Agent 1)</td>
<td>0.0%</td>
<td>-5.4%</td>
<td>-5.4%</td>
</tr>
<tr>
<td></td>
<td>Unregistered MPESA Agent in Uganda (Agent 2)</td>
<td>0.0%</td>
<td>-0.6%</td>
<td>-0.6%</td>
</tr>
<tr>
<td></td>
<td>Unregistered MPESA Agent in Uganda (Agent 3)</td>
<td>0.0%</td>
<td>-5.4%</td>
<td>-5.4%</td>
</tr>
<tr>
<td>Kenya to Uganda</td>
<td>Carrying cash on tucks</td>
<td>15.0%</td>
<td>6.4%</td>
<td>6.4%</td>
</tr>
<tr>
<td>Kenya to Tanzania</td>
<td>Unregistered MPESA Safaricom Agent in Tanzania and carries cash</td>
<td>0.0%</td>
<td>1.5%</td>
<td>11.5%</td>
</tr>
<tr>
<td></td>
<td>Carrying cash on trucks</td>
<td>10.0%</td>
<td>-0.6%</td>
<td>7.9%</td>
</tr>
<tr>
<td></td>
<td>Cash based (goods transfer business)</td>
<td>8.0%</td>
<td>-0.1%</td>
<td>-5.4%</td>
</tr>
<tr>
<td>Tanzania to Kenya</td>
<td>Unregistered MPESA Safaricom Agent in Tanzania</td>
<td>0.0%</td>
<td>-13.3%</td>
<td>-13.3%</td>
</tr>
<tr>
<td></td>
<td>Unregistered M-PESA Safaricom agent in Tanzania and carrying cash in buses</td>
<td>0.0%</td>
<td>-2.3%</td>
<td>-2.3%</td>
</tr>
</tbody>
</table>

Table 3: Informal service providers pricing models

Table 4: Pricing Data for the Uganda to Kenya (mystery shopping / various dates from 2021-2022)
3 INFORMAL SERVICE PROVIDERS
Informal service providers often had other primary and secondary sources of income. These included working as long-distance cargo truck drivers, bus drivers or conductors or owning trucks, clothing stores, salons and grocery stores. While most agents had physical premises, four were roving providers who delivered their services to customer premises. Although some were licensed for their primary businesses, none were licensed to offer cross-border transfers.

Most of the informal agents offer informal mobile wallet transfers, with some also offering cash-based services. The two types and their business models are outlined below.

Type 1: Unregistered mobile money agents offering cross-border remittances

Unregistered mobile money agents maintain mobile money accounts in the different countries and maintain a float on their various P2P mobile money accounts to be able to initiate a domestic transaction on behalf of their customers.

Most informal PSPs exchange currency at the border, amongst other ‘agents’ offering similar services or via informal money changers. Some have contacts at the border and send funds via mobile money, then have it converted and sent back in the desired currency. Agents indicate that the best exchange rates are found at border points, making this transaction a significant part of the cross-border remittance business (this is consistent with the pricing seen in tables 3 and 4 above).

Most agents offer services in both directions within each corridor, in order to balance their cash and e-value reserves (i.e. both Tanzania to Kenya and Kenya to Tanzania). As such, the agents do not always need to settle but can reserve excess foreign currency until it is required by a customer. Others exchange any excess currency at the border, for example one roaming mobile money agents uses their job on the buses to exchange money at the border to keep their mobile wallets topped up with float.
Type 2: Informal cash-based remittance services

Four of the informal service providers interviewed owned long-distance trucks that transported goods across borders and carried cash and exchanged currency at the border. These services targeted other truck drivers, traders, police officers, businessmen involved in illicit activity (money laundering and drug trade), and unregistered migrants that lack the necessary documents to open formal accounts and wallets* and sometimes financial and digital literacy too.

Depending on the size of the business, those operating cash carrying services on trucks would maintain at least one, if not two, physical locations where customers would visit to pay. Pay-out operations at the receiving end typically functioned in a more mobile manner e.g. receivers visiting a specified bus stop.

Several informal providers advertise their business to customers as a cash-based service but would then credit their personal mobile wallet or bank account once they had received a large volume of currency to minimise the risk of theft or notice by border officials. There were limits to how much cash could be ferried across border points (USD 3,500) hence any excess cash was sent via bank or mobile money. The amount of local currency cash carried across the border varied across providers: one Kenya to Tanzania agent stated their threshold was Kshs 200,000, with another provide from Kenya to Uganda having a lower threshold of Kshs 10,000-20,000.

Some service providers specified that they did not deal in foreign exchange transactions and would deliver the sending currency to recipients and leave them to conduct their own money exchange. Others would transfer at the border to obtain the most favourable rates.

None of the informal service providers require identification from the senders. However, in some cases the providers will ask to see the remittance beneficiaries’ national identification in receive countries, as a means of verifying the money is being paid out to the intended person.

*In Kenya it is not possible to obtain a local bank account or mobile money account without showing your passport and residency status at the branch or service centre. This means that unregistered migrants are not able to use local digital remittance services.
MICRO- AND SMALL ENTERPRISES (MSES) MONEY TRANSFER PATTERNS
4 Micro- and small enterprises (MSEs) money transfer patterns

As part of the study, twenty-three MSEs sending money across these corridors were interviewed. MSEs interviewed were involved in a range of different businesses including ICT, trade in agricultural supplies and produce, retail (including clothing, fashion, beauty and groceries), and other businesses such as construction and plastic imports. 30 percent of the MSEs interviewed were unregistered and 70 percent had licensed, formal operations.

Figure 8: MSE Business Types, n=23

Most mobile money products are individual focused not business focused. The currency exchange can be so high that the funds received are less. It’s a direct expense and can reduce the profit margin. For people doing business [in another country], opening an account when you’re not a citizen is a challenge.”

Uganda to Kenya (Sender), Male, 53, operating IT spares and accessories business on Kampala Road in Uganda and buys his stock from Kenya

Those interviewed generally ran small businesses, working as sole traders or as an employer with up to five employees. MSEs had generally been in operation for a period of two to three years. Money was sent predominantly for purchasing stock and materials for business, with two MSEs receiving, rather than sending, payments for products sold or services rendered.

Overall, their financial inclusion rates were higher than individual remitters. All had bank accounts apart from one person. However, unlike individual remitters, MSEs tended to only have bank accounts and mobile wallets in one country. Only one participant without a bank account used cash-based remittance service of going to the border to give cash and collect stock.
Despite high levels of financial inclusion among this group, informal methods dominated amongst MSE participants, accounting for 70 percent of preferred options. The most popular informal method was receivers visiting non-registered MNO agent of send-country in receive country (e.g. M-PESA agent in Uganda or Tanzania), accounting for 35 percent of all methods and 50 percent of all informal methods. Unregistered businesses were more likely to use informal methods, but not exclusively, with 60 percent of registered businesses using these methods too.

**Figure 9: Average sending amount by MSEs across EAC corridors, n=23**

Send amounts are higher than for individual remitters, with 30 percent of respondents sending between USD 1,000 and USD 5,000 as their usual transactions (see Figure 9).

**Figure 10: Choice of remittance channels by unregistered vs. registered MSEs, n=23**
Figure 11 shows that MSEs typically sending larger amounts were more likely to use formal channels and, within this, to use banks. However, this is not consistently the case and some larger value payments are also made through informal channels.

MSEs tended to use more than one method to transfer money across borders, choosing services that offered better fees and FX rates, particularly varying usage between mobile money and banks. Mobile money was for receiving low-value payments, while banks more likely to be used when sending or receiving high-value payments from other businesses. Banks were favourable in this instance for providing proper records, proof of payment and secure documents.

‘Digital solutions are the way to go, as banking can be challenge [as a cross-border trader]: You bank a cheque that doesn’t reflect on your account for close to a week. When you start throwing your toys around, the bank branch says it’s in Uganda and the Ugandan bank branch says it’s in Kenya. Every once in a while, you have to write loads of emails to get things moving, you have to be nuisance. M-PESA is pretty seamless, it is easier than banking in multiple ways.’

Uganda to Kenya (Sender), Male, 45, registered business export fresh produce to Kenya from Uganda

Some MSE respondents considered daily transaction limits of mobile money wallets to be low and insufficient, especially for trade purposes. Mobile money wallet daily transaction limits currently average USD 1,500 and app-based services average USD 5,000 with a USD 10,000 maximum balance.

MSEs using formal channels enjoyed the confirmation receipts and digital payment history afforded by formal remittance channels. Formal services also had the benefit of ‘inbuilt’ rates set by the parent service providers and communicated to users.

MSEs were also found to have more awareness of different service providers and were more price-sensitive, selecting specific services according to their send amounts and the transaction limits.
The main operators that MSEs mentioned aside from their primary sending method were Western Union, Chipper Cash, World Remit and Wave. Nearly a fifth of MSEs had no knowledge of any alternative products or services beyond their current (and only) sending method. One interviewee, who owns a software development and sends from Kenya to Tanzania, mentioned the YellowCard cryptocurrency trading site, saying ‘you can cash in via M-PESA then can send funds to another wallet in Tanzania in cash or crypto.’
5 CONCLUSION
Conclusion

Overall, the research found that the majority of individual remitters interviewed (70 percent) were using formal channels as their primary remittance service. However, informal channels do exist and are used by a third of people interviewed as their primary method (up to 50 percent in one corridor).

The research also focused on how MSE are making cross-border transfers for business purposes. The research indicates that MSEs also use formal and informal services but are more likely to use informal services (70 percent) than individual remitters, despite having high levels of financial inclusion. While unregistered businesses were more likely to use informal methods, 60 percent of registered businesses were using these methods too. MSEs also differed from individual remitters through their greater awareness of other financial products and price sensitive approach to service choice; MSEs are more likely than individual remitters to use different services for different send amounts and recipients.

The relatively high use of informal remittance services found in this study among the four EAC corridors also has implications in terms of preventing money laundering and terrorist financing, as customers are not required to provide identification and transactions are not recorded or screened.

Finally, the CBK has been focusing on improving its remittance volumes data through providing formal flows broken down by corridor on a monthly basis. Furthermore, the CBK Diaspora Survey, FinAccess Surveys and the KNBS Continuous Household Survey all provide insights into remittances and formal versus informal flows. Failing to include informal channels that use unregistered PSP agents will lead to under-estimating and under-reporting the true scale of remittances and cross-border payments in the region. Poor data leads to misinformed business and policy decisions.
6 RECOMMENDATIONS
6.1. Remittance Payment Service Providers

Service improvements: Service providers can address recurrent network outages and amend transaction limits beyond the current USD 1,500 for mobile money. The Central Bank of Kenya sets the thresholds for transaction limits as per their AML/CFT policies. Some FSPs bring it even lower just to be on the safe side.

Customer awareness: Awareness of sending fees and FX margins is low, particularly with services that advertise free pricing but mark-up FX rates. PSPs can develop targeted awareness programs which address corridor specific gaps such as available cross-border remittance products and services and their functionalities, issue resolution channels, distribution networks, pricing and FX and how to determine formal and informal services.

Interoperability: The survey findings indicated fragmentation of cross-border transfers in the region. Interoperability is limited to domestic payment systems. For banks with integration across the region, services are not seamless. Regional, and eventually continental, integration is key to easing and reducing costs of cross-border transfers. MNOs with presence in the EAC countries can leverage provision of cross-border remittances in these countries.

MSEs use cross-border payment platforms designed for personal remittances: Designing low- to medium-cost tailored solutions that address their specific needs would add value. Such needs include KYC, transaction limits, product interfaces and costs. Transaction limits can be reviewed and increased on a tiered KYC basis where additional KYC documents will unlock higher transaction limits.

Remittance-linked services: There are opportunities to layer remittance-linked services – such as diaspora banking, diaspora investments, seamless payments for utilities, pensions and insurance services – that leverage the high adoption of mobile money in the EAC. Apart from the returns on investment, these would also serve as retention strategies to encourage usage of formal cross-border payment services in the region.

6.2. Regulators

Expansion of KEPSS and EAPSS: As outlined in the National Payment Systems Strategy 2020-2025, efforts to increase usage of the KEPSS and EAPSS would include processing of cross-border transfers through these systems and permitting non-bank PSPs, such as MNOs, to participate at a retail level.

Consumer Protection: Enforce price transparency, especially with ‘no fee’ pricing offers, to indicate that FSPs make money from FX margins and conversions. Support provision of credible price comparison websites where users can gather useful information to guide their choice of service providers.

Reporting of informal cross-border transfers: Although the study findings established higher usage of formal services compared to informal services, the actual sizing of the digital informal market remains unknown as cross-border transactions involving currency exchange are reported as domestic transfers. The CBK could consider extending its reporting to cover such transactions, as they could affect the total value of cross-border transfers.

6.3. Development Partners

Support further research and action points for development of the cross-border payments ecosystem: Various research and action areas can be derived from the findings of this study. These include: support for targeted awareness campaigns; further research into sizing the digital informal market; mapping of MSE needs and regulations for cross-border transfers; assessment of the impact of taxation on cross-border remittances in the region; and development of low-value trade payment systems suitable for MSEs.
Specific question ideas for the Kenyan HH survey on remittances:

**General guidance:**

- The survey should be formulated so that the data (on values, transactions, transfer method, reasons for transfer etc) can be broken down by corridor (e.g. at a country level). Policy makers and service providers want to see corridor level data rather than aggregate country level data, as characteristics can vary significantly by corridor (e.g. characteristics within the EAC compared with from money sent from GCC or North America).
- The survey should be formulated so that it is possible to differentiate between whether someone is sending and/or receiving money in the data – as again – the characteristics can be different.

**Specific Questions:**

1. **Sizing the digital informal market** – questions on the transfer method should include:

   **Question:** What transfer method do you use to (a) send money and (b) receive money to/from those living abroad?

   The following should be added to the standard list:

   **Receiving:**
   a. The sender uses their M-PESA wallet whilst overseas and tops up with an M-PESA agent that is based in the sending country (not Kenya) (this is informal)
   b. The sender uses their M-PESA wallet whilst overseas to send remittances, but tops up their wallet using their Kenyan bank account or whilst they are visiting Kenya (this is not strictly a cross-border remittance)

   **Sending:**
   c. I send money to their M-PESA wallet that is roaming overseas, they find an M-PESA agent in that country to cash-out
   d. I send money to their M-PESA wallet and they transfer this money into their bank account

2. **Understanding the use of informal**
   If the sender / receiver uses informal channels – then to ask why? This should include:
   a. Tax evasion
   b. No records
   c. No thresholds on the amount that can be sent
   d. Avoid taxes on mobile money
   e. Cheaper
   f. More convenient
   g. No ID, documentation and paper-work required.
   h. More trust
   i. Awareness – (e.g not aware of other mobile money cross border services)

3. **Transparency and price comparisons**
   Would you use a price comparison website to check remittance prices?
   a. Every transaction
   b. Only if they had all service providers on there
   c. No
   d. Available through USSD

4. **Sending remittances to yourself**
   Do you send money to yourself – to your own bank account or mobile money account in Kenya?
   a. Do you save money in Kenya?
   b. Do you invest in companies / stocks / shares etc?
   c. Do you invest in government bonds?
   d. Do you invest in real estate in Kenya?
   e. Do you give to charity in Kenya?

5. **Challenges with formal remittance services**
   Include:
   a. Are the transaction limits on MM cross-border remittances a problem for you?

6. **SME Business Cross-Border Transactions**
   a. Type of business (employee in large / medium / small enterprise) / sole trader etc.
   b. Do you send money across border for business purposes?
   c. What is the business purposes?
   d. What money transfer service do you use?
   e. Frequency of transactions
   f. Average send amount / total send amount per annum
   g. Is this the same money transfer system as remittances?
   h. Do you always use the same service? If not, why?
   i. What do you like about this service for business purposes?
   1. Maintaining transaction records
ii. Good customer service
iii. Price
iv. Good exchange rate
v. Other financial services – loans, business account, insurance etc
vi. No ID required once registered
vii. Digital – convenient from anywhere
6 ANNEXES
Annex 1: Challenges in the Data Collection

The research study faced several logistical obstacles for the team to overcome. These obstacles included:

- **Respondent recruitment using the snowball technique proved challenging**, time consuming and introduced an element of selection bias, thus limiting the diversity of respondents. Diaspora organizations in the region were few in number and fairly inactive, and therefore not useful for identifying large diaspora communities. The team encouraged respondents who were not well-represented to become finders through referring their friends and colleagues as a way of ensuring diversity.

- The study aimed at maximising representation of the selected categories; however, **the use of telephone interviews had the potential to exclude lower-income segments** who may not have mobile devices but receive funds directly or through friends or relatives.

- **Respondent participation in the different corridors varied widely**, for example, there was much higher response on the Uganda to Kenya corridor with 18 individual remitters and 12 MSEs compared to the Kenya to Tanzania corridor with 12 remitters and one MSE.

- **Identifying individual cross-border remitters proved easier than identifying MSEs** sending cross-border transfers given that majority did not want visibility into their methods of transferring funds; this was due to fear of attracting the attention of competitors, law enforcement or tax authorities. MSE respondents were strongly encouraged to refer other MSEs sending and receiving cross-border funds.

- **Focus groups are considered an effective interview method for generating information on collective views as well as making comparison of a homogenous groups’ experiences and beliefs.** As such, eight focus groups were planned, two on each of the four corridors. Though COVID-19 conditions necessitated cancellation of travel to Uganda, the one focus group conducted online generated useful insights. However, **several logistical challenges were faced in attempting to conduct this online focus group**, including poor connectivity, poor timekeeping by the participants and a lack of a suitable interview venue. For this study, focus groups were therefore limited to one session and one-to-one interviews were chosen as a more appropriate and feasible main research method.

- **Whilst most COVID-19 pandemic restrictions had been lifted during the research period, the onset of the Omicron variant coincided with the peak period for data collection during the study.** Planned travel to Uganda was therefore cancelled and one-on-one phone interviews were conducted instead. Though these interviews elicited in-depth insights, this data collection method required the research to be conducted over a longer time period.
Annex 2: Individual Remitter Profiles

There were more males sending and receiving remittances than females. Of the 68 participants, Seventy-five percent of the respondents were male and 25 percent female. Although not statistically representative, it slightly mirrors previous studies which have registered higher rates of men sending money than women; Pangea Trust study (42.5 percent female; 57.5 percent male) and CBK diaspora survey (40 percent female and 60 percent male). This pattern was evident across the four corridors.

Figure 12: Participants’ demographics, n=68

Figure 13: Individual Remitters’ Occupations

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Over 90 percent of funds were sent for financial support of family and friends (household expenses, rent, food, medical care, educational expenses, school fees and emergency funds). 15 percent of participants sent remittances for investment in their own or their family’s business, land or property, including the purchase of livestock, purchase of building materials and payment for construction work, and buying stock or paying staff.

The majority (65 percent) of individual remitters sent funds ranging from USD 30 to USD 200. Remitters most frequently send funds every month (51 percent), followed by every fortnight (29 percent) (Figure 15).

![Figure 14: Individual Remitters' knowledge of other cross-border products, n=68](image1)

![Figure 15: Frequency of Sending Money and Average Amounts sent per transaction](image2)
Annex 3: Challenges Experienced by Respondents with Formal Remittance Services

**Network Outages**: This was the most cited challenge faced by individual remitters, MSEs and agents particularly while using mobile money. Platforms have cut-out when a transaction is midway, leaving the parties unsure of its status. Additionally, SMS confirmation delays were common. In the three countries, e-issuer regulations require agents not to hold customer funds during a network outage and consider a transaction complete when an SMS confirmation is received.

However, when services are restored, agents sometimes lose money because the transactions were effectively completed even though an SMS confirmation was not instantly received. Network outages frequently occur during high peak seasons and following scheduled maintenance periods.

**Mobile network coverage**: While there is strong network coverage in the three countries, respondents indicated that some rural areas were not well covered, especially with roaming services. They were therefore unable to carry out transactions, as a result agent networks in such areas were generally sparse.

**Distribution networks**: Mobile money and cash agents were well distributed, but respondents indicated that bank branches were concentrated around urban areas with limited availability in rural areas. Agency banking bridged this gap to a small extent, but such agents were also located close to bank branches.

**Likelihood of sending funds to a wrong recipient**: Although MNOs in the three countries have provided mechanisms to confirm recipients of mobile money prior to completing the transaction, incidences of sending money to wrong numbers were common. The chances of recovering such funds were extremely limited.
Annex 4: Corridor pricing comparisons

Figure 16: Pricing comparison for sending USD 200 equivalent across four EAC corridors

Table 5: Kenya to Uganda Pricing

The Kenya to Tanzania corridor was the most expensive corridor surveyed, M-PESA global charges had comparatively high FX margins (18.65 percent and 20.04 percent) even though fees were minimal therefore total cost remains high.
Table 6: Kenya to Tanzania Pricing

High sending fees and fluctuating foreign exchange rates: The general cost of sending transfers across borders was considered high. Most respondents were aware of how much they paid as sending fees. On the Kenya to Tanzania corridor, all respondents interviewed used the new Safaricom M-PESA service with no sending fees for this reason. However, there was limited knowledge on FX exchange margins and the exact amounts recipients would receive once these charges were levied. The majority of senders indicated that there had been high currency fluctuations in the period following lockdowns and movement restrictions occasioned by the COVID-19 pandemic. The pricing analysis shows that some providers charge reasonably priced fees and FX margins. However, there are huge variances: for example, on the Kenya to Tanzania corridor, M-PESA Global charges FX margins ranging between 18.65 percent and 20.04 percent, which significantly increases the total transaction cost. The Kenya to Uganda corridor has the most favourable pricing range, spanning from 2.76 percent to 3.2 percent for formal services. Informal services are priced much higher (12 percent sending fees) in comparison.

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Fee</th>
<th>FX margin</th>
<th>Total cost (% send amount)</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Union</td>
<td>1.20%</td>
<td>2.00%</td>
<td>3.20%</td>
<td>Q2 2021</td>
</tr>
<tr>
<td>Dahabshiil</td>
<td>2.40%</td>
<td>1.38%</td>
<td>3.78%</td>
<td>Q2 2021</td>
</tr>
<tr>
<td>Eversend</td>
<td>1.17%</td>
<td>2.44%</td>
<td>3.61%</td>
<td>Q2 2021</td>
</tr>
<tr>
<td>M-PESA *334#</td>
<td>0.00%</td>
<td>3.90%*</td>
<td>3.90%</td>
<td>10/03/2022</td>
</tr>
<tr>
<td>M-PESA Global</td>
<td>1.94%</td>
<td>18.65%</td>
<td>20.59%</td>
<td>Q2 2021</td>
</tr>
<tr>
<td>M-PESA Global</td>
<td>1.95%</td>
<td>20.04%</td>
<td>21.99%</td>
<td>Q2 2021</td>
</tr>
<tr>
<td>Informal-Unregistered M-PESA Safaricom agent in Tanzania and carries cash</td>
<td>0.00%</td>
<td>6.40%</td>
<td>6.40%</td>
<td>02/03/2022</td>
</tr>
<tr>
<td>Cash-based service - Registered goods transfer business but carrying cash on trucks</td>
<td>10.00%</td>
<td>1.48%</td>
<td>11.48%</td>
<td>11/02/2022</td>
</tr>
<tr>
<td>Cash-based service - Registered goods transfer business but carrying cash on trucks</td>
<td>8.00%</td>
<td>0.00%</td>
<td>8.00%</td>
<td>04/03/2022</td>
</tr>
</tbody>
</table>

Table 6: Kenya to Tanzania Pricing

USD 200 equivalent (Kshs 18,000)
Annex 5: MSE Profiles

The study had more male MSEs owners than female, but a more even gender distribution than amongst the individual remitters interviewed. Most participants were aged 25-34 years, like that of individual remitters, but there was greater representation of older age brackets than amongst the individual remitters sample.

Figure 17: MSE Age and Gender distribution, n=23

Figure 18: MSE awareness of alternative service providers, n=23