



Greenback 2.0
REMITTANCES CHAMPION CITIES

Migrants' Remittances from the United Kingdom

International remittances and access to financial
services for migrants in London, UK

A GREENBACK 2.0 REPORT



WORLD BANK GROUP



JULY 2015



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A survey by DMA

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FOREWORD

Overview of remittances

DFID recognizes the importance of remittances to developing countries, in particular for those in poverty. It recognizes that remittances may finance food, housing, health and education and also sometimes investments. The UK is keen that remittance costs are low and remittance channels also need to be secure and legitimate. For this, an open and competitive market of reliable players and participation of both banks and money transfer operators is essential as is clear information and rights for remitters. DFID supports work both in the UK but in particular abroad both on regulation and with the market players.

The importance of Somalia remittances and the diaspora

Worldwide remittances to Somalia account for approximately half of Somalia's gross national income and exceed the amount the country receives in humanitarian aid, development aid, and foreign direct investment combined. The Somalia Diaspora in the UK remits approximately \$500 million per year. 90% of the remittances are used to buy food, healthcare and fund education.

Support to the UK-Somali remittance corridor

The UK Government established the UK-Somali Safer Corridor Initiative ("SCI"), which combines a series of both measures in the UK and Somalia to support the flow of remittances through more transparent, legitimate, and traceable channels, in a way that could reduce the risk of use for illicit purposes.

Actions taken in the first mile (UK) are aimed at improving the compliance standards of UK-based Money Transfer Operators (MTOs), thereby giving greater confidence to the financial sector. The UK has liaised with the market players in the second mile (Dubai) which is regulated by the UAE authorities. At the third mile (Somalia) DFID is supporting the Somalia Government regulation and supervision of the remittances sector through a trusted Agent, as part of a longer term program to support the formalization of the financial sector in Somalia.

Throughout 2014 and 2015 the UK Government has monitored developments in the UK-Somalia remittance corridor closely and maintained regular contact with UK commercial banks, SOMSA members, money remitters, the Somali community and other stakeholders.

The DFID funded survey into remittance sending behavior that was carried out by Developing Markets Associates for the World Bank Project Greenback 2.0, is thus an extremely useful piece of research for DFID and helped inform the Safer Corridor Initiative.

Gail Warrander
Head of Investment and Finance Team
Department for International Development (DFID)



EXECUTIVE SUMMARY

Overview of the project

Project Greenback 2.0 is a project led by the World Bank, aimed at supporting the development of an efficient and transparent remittances market. Project Greenback 2.0 was launched in Turin, Italy in 2013 and Montreuil, France in 2014.

Following the crisis affecting Somali money transfer operators' access to bank accounts in the UK, the World Bank has been supporting UK authorities in the UK-Somalia Safer Corridor Initiative. It is within this context that a survey of migrants residing in London was commissioned to DMA to investigate the level of financial inclusion and the remittance sending practices.

The survey collected 602 in-depth interviews of migrants from Bangladeshi, Ghanaian, Romanian and Somali communities. The survey looks at the economic and financial profile of migrants, as well as their financial behaviors. There is an emphasis on sending remittances and access to financial services.

Demographic breakdown

The vast majority of the sample declared to be legally residing in the UK, either as a British citizen or, in the case of Romanian respondents, as a European Union national. The range of education achieved varied across the sample, however 40 percent of respondents across all four community sub-samples had completed some secondary schooling, while 21.2 percent had a bachelor's degree or equivalent, and 14 percent had achieved a masters or PhD level of education. The vast majority of the sample reported being in permanent employment, although a significant portion of Romanian men reported being contractors or freelance.

Income, savings and financial inclusion

Differences arise across the subsamples with regards to income. Romanians declared the highest average individual income (with 48.7 percent reporting a monthly net income of greater than £1,500), while Somalis declare the lowest average income in the sample (with 70.6 percent reporting a monthly net income of less than £1,500). As noted in Turin, the relatively better economic position of Romanians could be attributed to having acquired EU citizenship in 2007, which may ease their integration. On a positive note, the majority of respondents reported that their income has become more constant and secure since their arrival in the UK.

In general, the data collected points to a relatively high level of financial access for interviewed migrants, with 95 percent of respondents being banked. The respondents reported high usage of formal financial services and products, including 53 percent or respondents using online banking. While the majority of Romanian, Ghanaians and Bangladeshi respondents reported being able to save some of their income each month,

67 percent of Somali respondents reported not being able to save some of their income each month. This may be connected to the relatively low individual monthly incomes of Somali respondents, and the relatively high amount of remittances sent home on a regular basis.

Remittance habits

With regards to sending remittances, 53.8 percent of respondents reported sending cash through a money transfer operator. 26.5 percent of respondents use bank transfers, with much smaller proportions sending cash to an account, cash in hand or using prepaid cards. The majority of respondents send remittances each month, and while the cost of the transaction is an important consideration, 41 percent of respondents cited the speed of the service as a crucial factor when choosing a service. Ease of use and the security of the channel were also cited significantly by respondents.

In reporting transaction costs, many respondents only reported the fee. While respondents may consider foreign exchange rates when sending remittances, the majority of respondents did not report the foreign exchange margin or other costs when asked how much they were charged for sending remittances. This illustrates that there is a role for greater awareness and tools that allow remitters to better understand and calculate the costs incurred when sending money.

In the context of recent bank derisking, which has affected money transfer operators' access to banking services, this does not seem to have had a large effect on changing remitters' method of sending. This was particularly evident in the Somali community, where 94.4 percent of respondents reported that since they arrived in the UK, their main method of sending remittances has not changed. However, the ability of migrants to continue sending remittances through efficient means and to use their operator of choice remains a concern.

Conclusions

Overall the survey provides insights into how the remittance market currently functions in the UK and migrants' access to financial services. Based on the findings there are a few areas that would be worth further investigation:

- The differences in average monthly income levels across communities
- Perceptions of sophisticated financial tools such as insurance, and how to increase uptake
- Specific interventions for the Somali community where tools and techniques for increasing savings could be implemented

1

INTRODUCTION

Remittances often play an important role in the household income of recipients, contributing to daily consumption needs, housing, education and healthcare. On a larger scale, they can also represent a significant financial inflow for recipient economies. Greater recognition of the importance of these flows is demonstrated by the increased role played by governments and development actors in harnessing the potential of remittances for economic development and channeling them towards productive investment. More recently, the link between remittances and financial inclusion has also been given greater attention as development actors better understand the opportunity to introduce remittance senders and receivers to other vital forms of financial services.

It is within this context that the World Bank launched “Project Greenback 2.0—Remittances Champion Cities” in 2013.¹ Turin, Italy and Montreuil, France have been the first and second Champion City, respectively. The central goals of the Project are to understand the local remittances market alongside the financial needs of migrants sending remittances to their country of origin, and implement initiatives—on both the send and receive side—that increase transparency and contribute to increase the efficiency of remittance services.

¹ Further information on Project Greenback 2.0 can be found at <http://remittanceprices.worldbank.org>.

As part of this Project, a survey was carried out on remittance senders residing in London to investigate their level of financial inclusion and their remittance sending practices.

This report will share key findings from the research, starting with an overview in Section 2 of the international remittance context and the UK remittance market. It also provides a view on trends in the UK market, particularly in the wake of significant bank de-risking, leading many remittance service providers (RSPs) to seek out alternative banking solutions. Section 3 outlines the objectives of the research, the survey design and the sampling techniques for the fieldwork. This is followed by Section 4, which presents the empirical findings of the 602 interviews collected. It begins with demographic and economic characteristics of the participants before focusing on migrants’ attitudes and behaviors regarding remittance sending, using financial services, and savings and investment. Given the current environment for remittance service providers in the UK (and in several other countries) and the global commitment to reducing remittance costs, there is a focus on the service providers used and the costs incurred.

Finally, the report concludes with a summary of the main findings and provides recommendations on addressing the barriers and issues faced by migrants in London regarding financial and remittance services, as well as potential areas of further inquiry.

2

INTERNATIONAL REMITTANCES & SENDING REMITTANCES FROM THE UK

Global context

Global remittance flows to developing countries are estimated to reach \$440² billion in 2015. Remittances are one of the most tangible contributions of migrants to their countries of origin and represent a growing financial flow for developing countries, as Figure 1 shows. These flows are approximately three times larger than official development assistance and are significantly larger and more stable than foreign direct

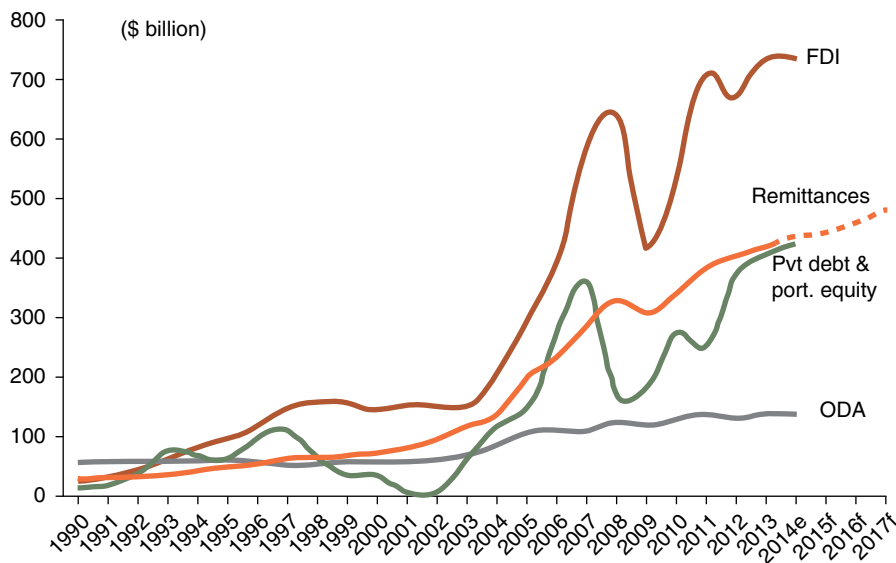
investment to developing countries. Remittances also provide an important source of foreign exchange, which can help countries support balance of payments. Further to this, remittances tend to be less volatile and more stable in the wake of external shocks, and can in fact increase in times of crisis (i.e. disasters and humanitarian emergencies).

At the micro level, remittances constitute an important source of household income. They support basic consumption, as well as investments in education, entrepreneurship and healthcare.

² The World Bank, 2014, 'Migration and Development Brief 24', <http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1288990760745/MigrationandDevelopmentBrief24.pdf>.

³ Ibid.

FIGURE 1: International financial flows, 1990–2017³



The development agenda surrounding remittances has increasingly become a priority; a fact that is illustrated by the G8's 2009 commitment (and later the G20 in 2011) to reduce the price of sending remittances to five percent of face value sent by 2014 (the 5x5 objective). This goal was re-endorsed at the 2014 G20 Summit in Brisbane in November 2014 where the agreement was that the target is for remittance costs to be no more than 5 percent of face value.⁴

UK remittances market

MIGRATION TO THE UK

The UK is a major host of migrants, and London remains a global center for migration with approximately 3.8 million residents, out of a total

population of 8.6⁵ million, born outside of the UK. According to the 2011 census the foreign born population of the UK was estimated at 7.5 million. A significant proportion of the foreign born population is believed to send remittances from the UK, which were an estimated USD 2,222 million in 2013,⁶ driving the demand for money transfer services in the UK. Figure 2 illustrates the fluctuating yet continuing immigration into the UK, with over 600,000 arrivals over 2010 and 2011.

The top ten key receivers of remittances from the UK are illustrated in Figure 3. These ten corridors reflect many of the top key country migrant communities in the UK (including from developing countries), illustrating the link between the size of the migrant community and the size of the flow of remittances (Figure 4).

⁴ We commit to take strong practical measures to reduce the global average cost of transferring remittances to five percent and to enhance financial inclusion as a priority.

⁵ Office of National Statistics & Greater London Authority, 2015. 'Population Change 1939–2015' <http://data.london.gov.uk/dataset/population-change-1939-2015> (Last accessed 17 April 2015).

⁶ The World Bank, 2014. 'Remittance outflows' http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1288990760745/RemittanceData_Outflows_Oct2014.xls (Last accessed 17 April 2015) This data should be taken with caution as official data on remittance flows is not collected by the UK government.

⁷ Office of National Statistics, 2013.

FIGURE 2: Arrivals of foreign born individuals in England and Wales⁷

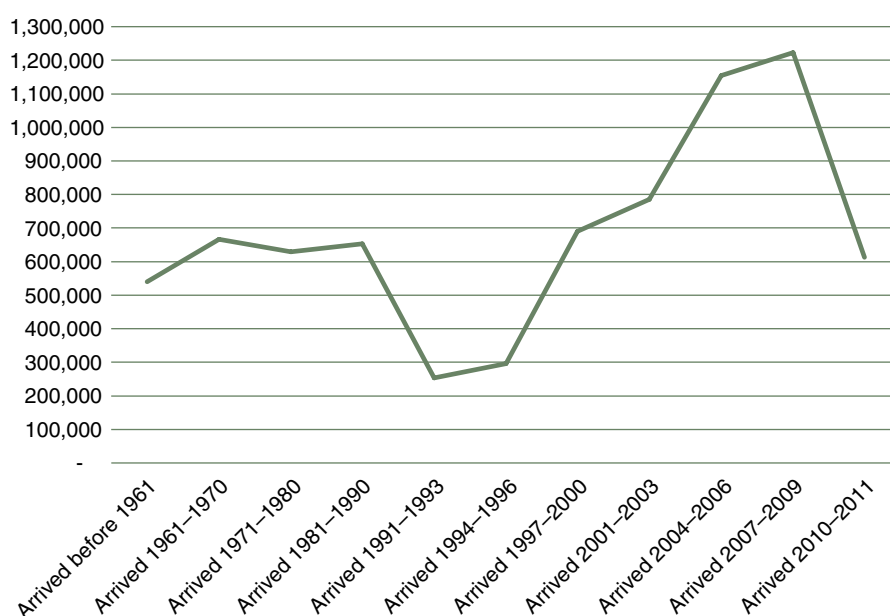
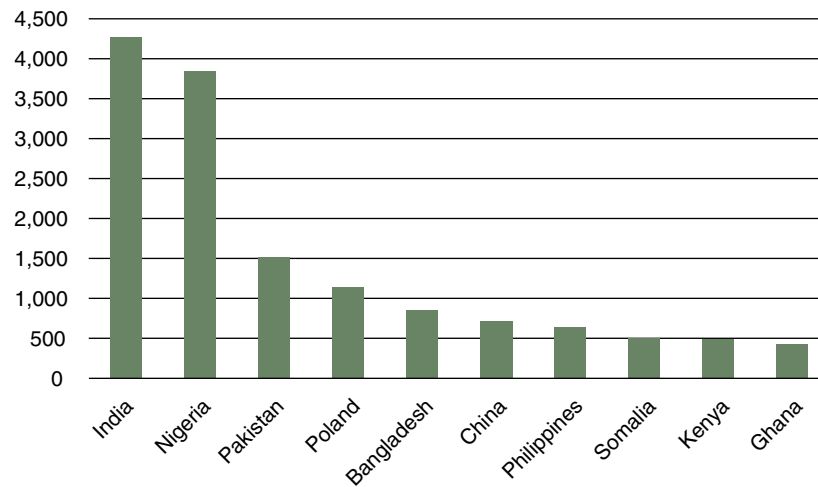
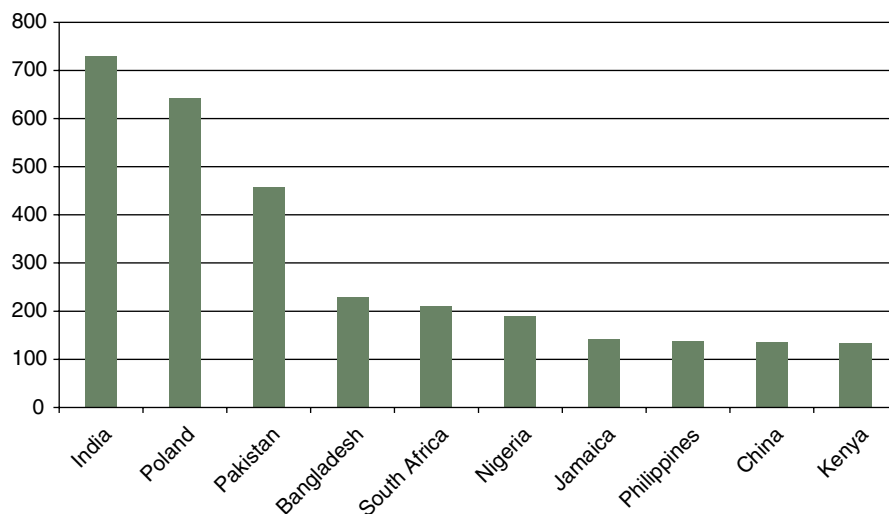


FIGURE 3: Top 10 key remittance receiving countries from the UK (US\$ millions)⁸**FIGURE 4: Top 10 key remittance receiving countries of birth for immigrants in the UK (in '000s)⁹**

UK REMITTANCES MARKET

The UK remittance market is relatively competitive and offers consumers a range of services, from the traditional 'cash to cash' products through agents, transfers to and from bank accounts, as well as online and mobile services.

The regulatory environment for remittance services in the UK has been geared towards

encouraging competition. There are a number of MTOs who serve a broad range of communities sending money home.

Whilst the regulatory regime is relatively open, allowing small corridor specialists to flourish alongside global MTOs, the broader global regulatory environment is becoming increasingly difficult for large numbers of non-bank remittance services providers (RSPs) to continue providing remittance services on behalf of their clients. Several UK banks have been in the process of 'de-risking'—no longer providing banking services (and therefore access to the international

⁸ The World Bank, 2010. 'Bilateral Remittances Matrix'.

⁹ London Datastore, 2011. 'Census data—Population By Country Of Birth' <http://data.london.gov.uk/dataset/population-country-birth> (Last accessed 17 April 2015).

payments system) to clients that they consider high-risk, such as those providing money transfer services internationally. This has meant that non-bank RSPs that have lost their bank accounts have had to find alternative arrangements in order to continue operations. This challenge has come to the attention of development stakeholders¹⁰ and is a great concern, particularly for countries such as Somalia, where remittances are

an important lifeline in an environment that lacks formal banking infrastructure.¹¹

In addition to providing greater insight into senders' behaviors and financial inclusion levels, the research also provides some intelligence on whether the shifts in the UK remittances market as a result of this de-risking has had a marked impact on consumers.

¹⁰ The World Bank Group, 2013. 'Barriers to access to payment systems in sending countries and proposed solutions' http://siteresources.worldbank.org/FINANCIALSECTOR/Resources/282044-1359488786791/barriers_web.pdf.

¹¹ Reuters, 2014. 'Somalis panic as cash flow dries up after US remittance lifeline cut' <http://www.reuters.com/article/2015/02/19/us-somalia-money-remittances-idUSKBN0LN0GN20150219> (Last accessed 17 April 2015).

3

THE GREENBACK 2.0 SURVEY: RESEARCH OBJECTIVES AND DATA COLLECTION

Under the Greenback 2.0 Project, this survey of migrants in London draws on the design of research already undertaken in Turin and Montreuil, and has been tailored to the London context. There were three main phases of the research:

1. Research design and the definition of the sample structure
2. Data collection, input and analysis
3. Preparation of the final report

Research objectives

The aim of the research was to investigate the level of financial inclusion and remittance sending patterns of migrants in London. The survey focused on both migrants' current financial and remittance behaviors, as well as their needs and level of access. It was important to understand what barriers or issues these migrant communities face with regards to accessing or using these services. One of the purposes was also to explore migrants' level of financial inclusion and prevalent practices in sending remittances to their origin countries.

Sample structure definition

London is one of the most ethnically diverse cities in the world, with more than a third of the population born outside of the UK.¹² The communities of focus for the research are:

Bangladeshi—Estimated 129,000 nationals residing in London, and is the third largest migrant community in London. Comprise the largest

migrant group in Tower Hamlets, at 17.6 percent of the migrant population.¹³ There is one main Bangladeshi bank who handles bank account credits and cash pay-outs as well as a small number of corridor MTOs serving this community.

Ghanaian—Estimated 20,000 nationals residing in London. Ghanaians are particularly prominent in the boroughs of Lambeth, Southwark and Brent. Ghanaian remittance senders are served by a number of global MTOs as well as corridor specialists.

Romanian—An estimated 57,000 Romanians live in London.¹⁴ Romanians are the second largest migrant population by country of birth in Brent at 3.6 percent of the Borough population. There are no significant corridor operators sending to Romania but the large global operators provide comprehensive services to this country.

Somali—It is estimated that about 25,000 people of Somali nationality reside in London.¹⁵ The boroughs of Tower Hamlets, Brent, Ealing and Haringey have the largest numbers of Somalis. There are a number of corridor specialists, who mainly provide cash to cash services.

Tables 1 and 2 provide some context from a remittances angle for the communities that were surveyed. Bangladesh represents the largest flow of remittances from the UK according to the available data for the four communities and also has the lowest price. On the other hand Romania has the smallest flow and the highest price.

Figure 5 shows the London boroughs where the research was undertaken. These communities

¹² Office of National Statistics, 2013. 'Key Statistics for Local Authorities in England and Wales'. <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%20percent3A77-286262> (Last accessed 17 April 2015).

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Annual Population Survey, 2012.

TABLE 1: Remittance flows from UK to focus countries¹⁶

Remittances Flows from UK to:	US\$ millions
Bangladesh	853
Ghana	433
Romania	71
Somalia	500

TABLE 2: Average total cost to send¹⁷

Country	Average Total Cost of Sending £120 %	Average Total Cost of Sending £300 %
Bangladesh	5	2.3
Ghana	8.1	5.3
Romania	11.4	6.9
Somalia	6.5	6.5

differ in geographical position, socio-economic levels and modes of migration to the UK. Factors such as the size of the migrant community, the average cost of sending remittances for that

community from the UK, and the types of remittance services available to that community were also taken into consideration. Additionally, Somali RSPs have been particularly affected by the withdrawal by UK banks from the provision of banking services to RSPs and the data collected provides some insight into how senders have been impacted.

The total sample size is 602 individuals, and is comprised of 4 relatively equal subsamples based on the citizenship at birth of the participants (Somalia, Ghana, Romania and Bangladesh). The sample is composed of foreign-born individuals residing in London at the time of the interview from the four selected countries.

The eligibility criteria to be included in the survey sample were:

1. Have resided in the UK for at least one year (with or without regular residence status);
2. Live in London, with particular emphasis on the boroughs of Brent, Ealing and Tower Hamlets;
3. Have an income (through any type of job or occupation); and
4. Have sent remittances to his/her country of origin at least once in the past 12 months.

¹⁶ The World Bank, 2012. 'Bilateral Remittances Matrix'.

¹⁷ Remittance Prices Worldwide, 2015. <https://remittanceprices.worldbank.org> (Last accessed 17 April 2015).

FIGURE 5: London Boroughs



Sampling method and surveying technique

There is currently limited data on the distribution of migrant residents across London or on their employment status. Further to this, there is very little data on the presence of irregular residents. Given that the reference migrant population is not fully known in advance, a 'center sampling technique', following the technique employed in the research in Turin, has been utilized.

First, a number of 'centers' were identified: associations, places of work, services, shops, community

centers, religious centers etc. From these entry points, researchers approached potential participants. Researchers also employed the 'snowball sampling' method to gain introductions to further survey participants.

The survey was conducted by a team of eight researchers using paper and pencil interviews using printed questionnaires. The interviews lasted approximately 25–35 minutes each. The questionnaire is structured with close-ended questions, skips and connected sections.

4

EMPIRICAL FINDINGS

Demographic and economic profile

The demographic profile of the final sample is reported in Table 3 on the next page. It includes statistics on gender, age, education level and marital status of the 602 interviewed individuals. This data has been divided by community and includes statistics on gender, age, education level, and marital status.

The overall sample was biased towards men (34 percent of the people interviewed are women). The overall sample is significantly impacted by Bangladesh where only 14 percent of respondents were women. This is to be expected as previous surveys have shown that the vast majority of senders to Bangladesh are men, who tend to manage financial matters in the household, including remittance sending.

Senders in the Ghanaian and Somali communities were more evenly balanced with a slight bias towards male senders. For the Somali community this was somewhat surprising given that a previous assumption of many stakeholders was that this was a community where the majority of senders are men. The Romanian sample also showed a bias towards men which is the opposite of that seen in the research for Greenback 2.0 in Turin. There are no official figures that show employment by community but anecdotal evidence indicates that in Turin there are many women operating as domestic workers which is different to London where many Romanians are employed in laboring and construction businesses.

Sixty-two percent of respondents are aged between 26 and 45. This is consistent with many other studies that profile remittance senders and

also corresponds to the profile of the working population of the UK.

The range of education achieved for the respondents varied with relatively few having a low level of education and the vast majority having received at least secondary education and approximately 30 percent having achieved at least a bachelor's degree. Over 11 percent have secured a master's degree.

Whilst there are some differences amongst the communities surveyed, these are not particularly large. The Bangladeshi sample showed both the highest proportion of master's level educated participants and the highest proportion of lower secondary level educated participants. The other communities are reasonably similar with the Somali community showing high levels at both upper secondary and bachelor degree educational attainments.

Nearly half of respondents are married with most of the remainder stating that they are single. Interestingly, in the male dominated Bangladeshi sample, 69 percent of respondents are married whilst only 32 percent of Romanians are.

Figure 6 shows the legal status of respondents when they entered the UK whilst Table 4 shows their current legal status. As can be expected, the vast majority of Romanians stated that they did not require a visa to enter the UK.¹⁸ The majority of Somalis (94 percent) made applications for asylum upon entry. Many Bangladeshis and Ghanaians had student visas, tourist visas, work visas, or British nationality at entry. Surprisingly, many Bangladeshi, Ghanaian, and Somali respondents stated that a visa was not required for their entry.

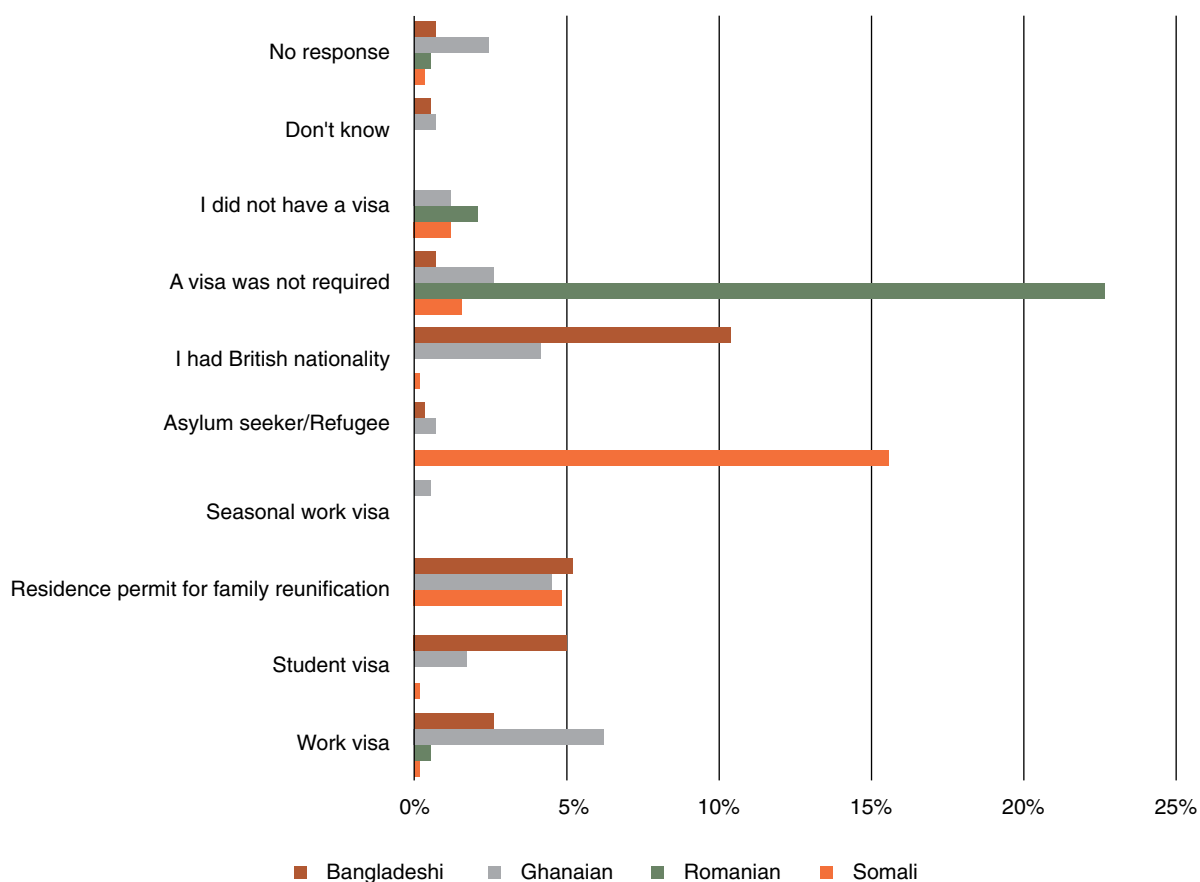
¹⁸ This is due to the freedom of movement provisions for EU members.

TABLE 3: Main characteristics of the sample, by country of origin

		Bangladeshi	Ghanaian	Romanian	Somali
Sex	Female	23	69	58	65
	Male	129	76	89	84
	did not answer		5	3	1
Age Class	16-20	0	1	2	6
	21-25	11	3	25	11
	26-30	34	9	52	20
	31-35	35	14	24	22
	36-40	31	25	15	20
	41-45	16	21	11	25
	46-50	7	15	7	15
	51-55	10	14	3	8
	56-60	4	19	1	1
	61-65	2	11	0	6
	65+	0	7	0	3
	did not answer	0	11	10	13
Education Level	None: Illiterate	0	1	0	6
	None: I can read and write	2	4	1	10
	Primary school	2	13	2	5
	Lower secondary school	33	16	14	23
	Upper secondary school	35	37	35	48
	Post-secondary non-tertiary	6	6	19	3
	Higher education short-cycle/ foundation course	13	16	21	16
	Bachelor's degree or equivalent	27	33	37	31
	Masters	35	16	20	7
	PhD or equivalent	1	3	1	1
	did not answer	0	3	0	0
Marital Status	Married	108	70	50	72
	Widowed	0	6	1	3
	Divorced	2	10	12	8
	Separated	2	16	1	4
	Common-law	0	1	4	0
	Single	42	41	69	60
	Other	0	2	12	2

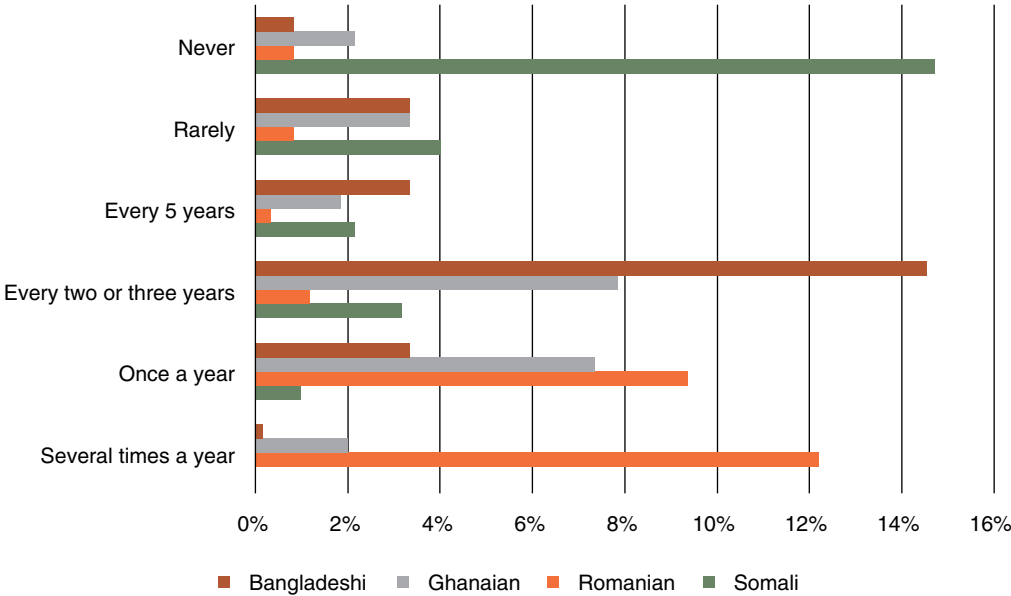
Regarding current legal status, the majority of respondents have gained British citizenship, or in the case of Romanian respondents they have an EU nationality. There is a small proportion of respondents that do not have regularized status.

There is a variation between the surveyed communities on how often they visit their country of origin (Figure 7). Not surprisingly given that Romania is in the EU and is the closest country to the UK geographically, this community visits their

FIGURE 6: Status upon entry to the UK, percentage of total sample**TABLE 4: Current legal status**

	Somali	Romanian	Ghanaian	Bangladeshi
Work visa	0	1	24	11
Student visa	0	0	0	19
Residence visa for family reunification	0	0	18	18
Seasonal work visa	0	0	2	2
Asylum seeker/Refugee	21	0	1	4
I have British nationality	105	1	69	91
I have the nationality of another EU country	22	141	8	1
I have a long-term EC residence permit	0	0	1	0
I do not have a visa/permit, it has expired and was not renewed	0	0	3	0
I do not have a visa/permit and never have	0	0	5	0
Don't know	0	2	5	0
No response	0	4	11	4

FIGURE 7: How often do you visit your country of origin? Percentage of total sample



country of origin several times a year. This compares to over 80 percent of Somalis who never visit their country of origin. This is to be expected given the security situation across the territories. The Bangladeshi community maintain their home ties but given the entry requirements into the UK and the expense and distance in travelling to Bangladesh, they return home every two to three years. The data for Ghana is a bit more balanced with over 40 percent of the community visiting every year and a similar number visiting every two to three years.

Job type, occupation, and sectors

All migrants included in the sample and interviewed had some form of work (Figure 8). This was to ensure that each participant had control over financial resources with regards to sending remittances. Migrants were asked to describe their main job or occupation, the one they consider the most important in terms of hours, earnings or stability without prejudice for informal occupations or non-regular jobs.

FIGURE 8: Job distribution by type of contract, percentage of total sample

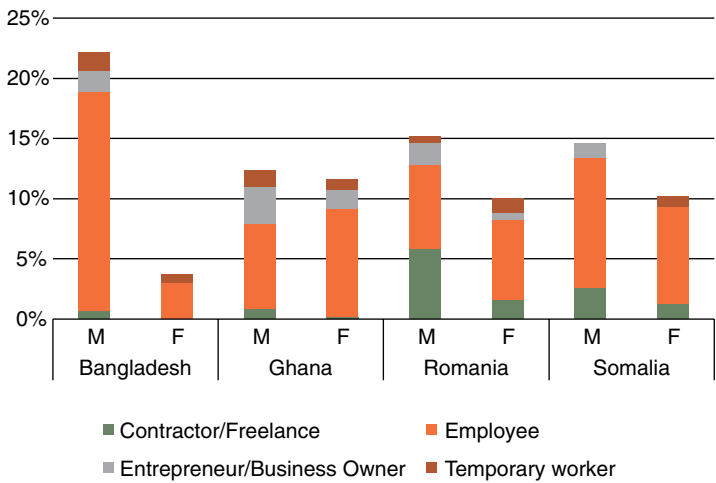


Figure 9 shows that most people who are working are in employment. Relatively few respondents are contracting and similarly there are few entrepreneurs or business owners. The largest such group is to be found in the male Ghanaian community.

Proportionately few of the sample are undertaking temporary work, and this category of work is undertaken by a larger proportion of Romanian men than the other communities. This aligns with the overwhelming response from Romanians that they return home several times a year or at least once a year, and the fact that their status is regularized in the UK.

Figure 10 shows that the male sample works more hours per week than the female sample. This may partially explain the disparity in incomes seen in

the survey. What is noticeable is that over 30 per cent of women and 60 percent of men work at least 35 hours per week with a sizeable portion working over 45 hours. This latter level is heading towards the maximum number of hours that should be worked in the UK.

Thirty-five percent of females across the sample are in part time work (i.e. 25 hours or less) whilst the equivalent number for men is 20 percent. Part-time work is often associated with students given that they are only allowed to work for 20 hours a week.

Respondents were asked to describe their main job or occupation, which they consider to be the most important in terms of hours, earnings or job stability (Figure 11). A large proportion of the sample work in the service sector, while a

FIGURE 9: Hours worked per week (by gender), percentage of total sample

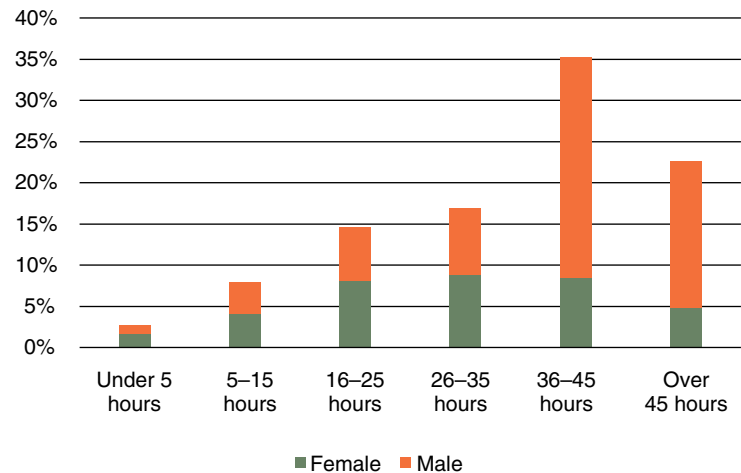


FIGURE 10: Number of hours worked per week by community, percentage of total sample

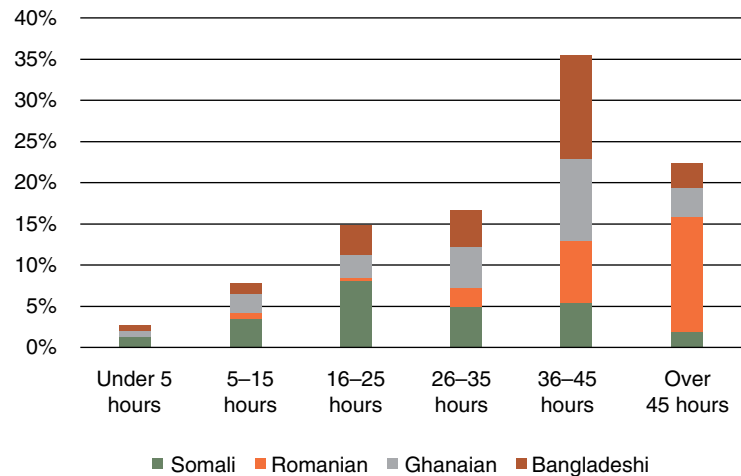
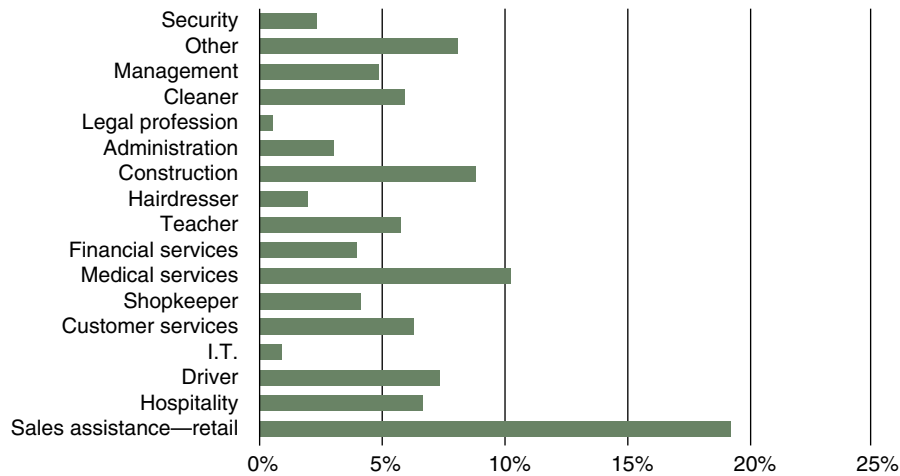


FIGURE 11: Sectors of occupation, percentage of total sample

smaller proportion work in higher skilled occupation sectors. The vast majority of respondents in medical services are carers or nurses, however this category also includes doctors. A high number of respondents work in retail positions, and the occupations stated by respondents' fits with the data received on the type of contract (i.e. the majority are employees).

Individual income

Figure 12, below, illustrates individual income averages for the four subsamples, while Figure 14 shows the individual income averages by gender. As in Turin, Romanians declare the highest average individual income, whilst Somalis declare the lowest average individual income in the sample.

The survey also shows that overall women earn less than men (Figure 13). This result is consistent with all other income surveys for any community in the UK. Interestingly, the data also shows that the higher the income bracket being surveyed, the less the share of that bracket that women have. Again, this is consistent with other income data throughout the UK.

On a positive note, the majority of respondents from all communities reported that their individual income has increased since their arrival to the UK (Figure 14). This was followed by those reporting that their individual income had remained the same since their arrival.

In a similar vein, the majority of respondents from all communities reported that their income had become more constant, secure or reliable since their arrival in the UK (Figure 15).

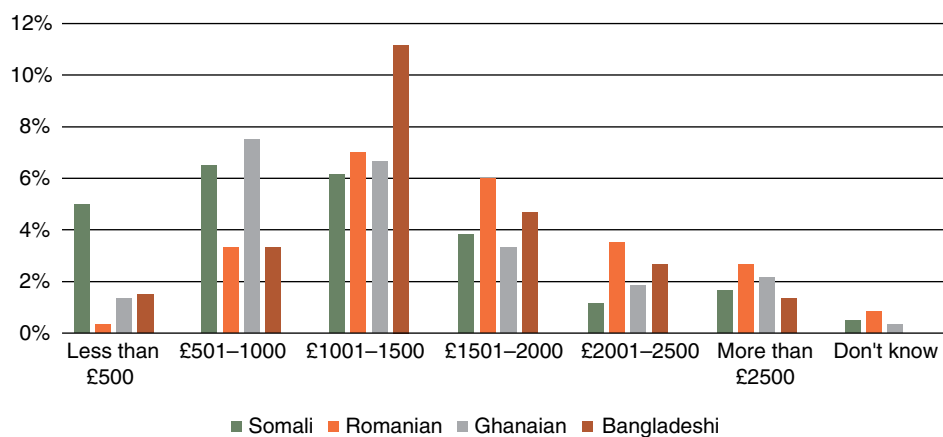
FIGURE 12: Income brackets by country of origin, percentage of total sample

FIGURE 13: Income brackets by gender, percentage of total sample

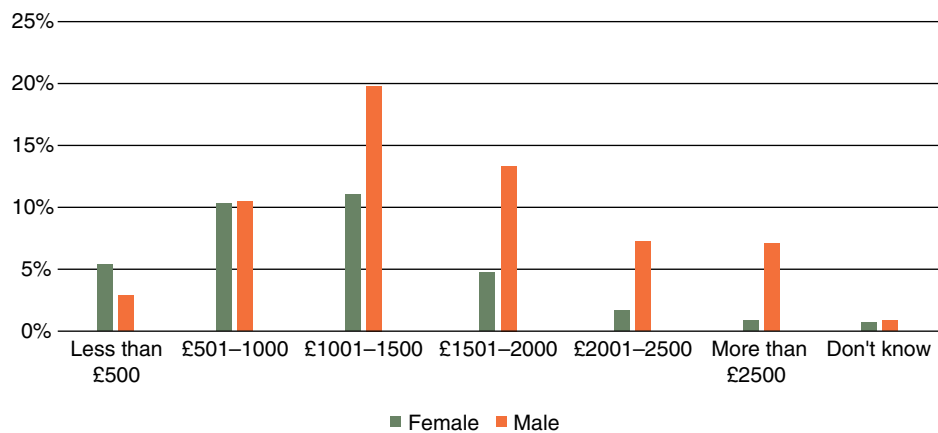


FIGURE 14: Individual income: level since arrival in UK, percentage of total sample

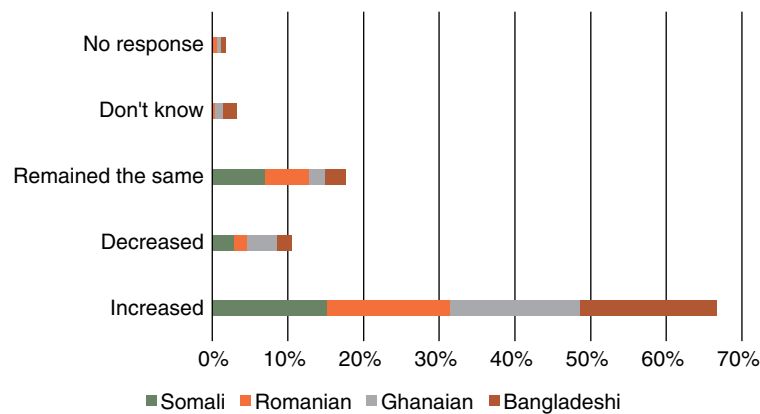
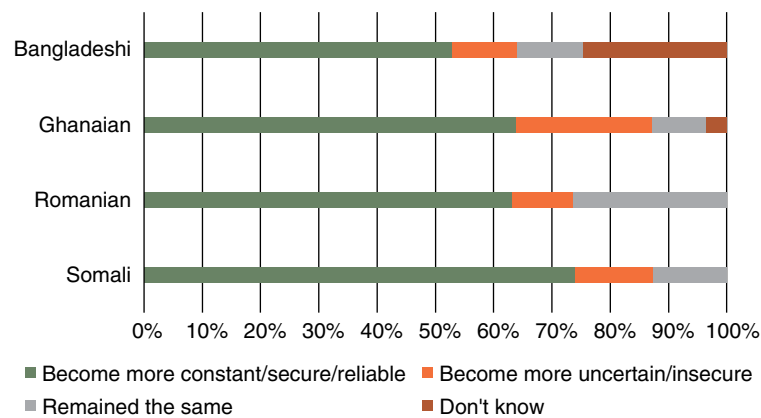


FIGURE 15: Individual income: trend since arrival in the UK, percentage of community sample



Savings and financial inclusion

An entire section of the survey was dedicated to understanding respondents' savings habits and financial inclusion levels.

Savings

The majority of Romanian, Ghanaian and Bangladeshi respondents reported that they were able to save at least some of their income (Figure 16). Many Somali respondents reported that they were unable to save each month, which correlates with the relatively low reported

monthly individual incomes and the relatively high amount of remittances sent regularly by the Somali community.

For those able to save some of their income each month, the amount of money saved can be significant (Figure 17). For men the amount is over GBP500 and for women it is GBP400 (Figure 18). This represents between 30 and 40 percent of income and therefore demonstrates the savings ability and relatively high financial literacy levels of the respondents. It can be assumed that for many respondents these savings are then partially put towards the money that is sent home.

FIGURE 16: Are you able to save some of your income? Percentage of community sample

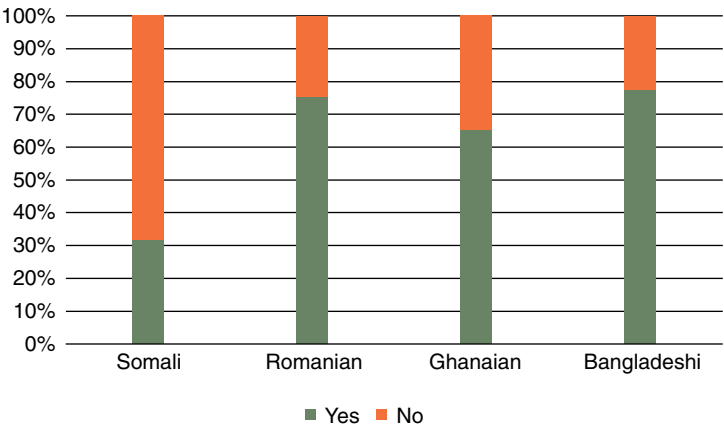


FIGURE 17: If able to save some income, the average amount saved each month (£) by gender

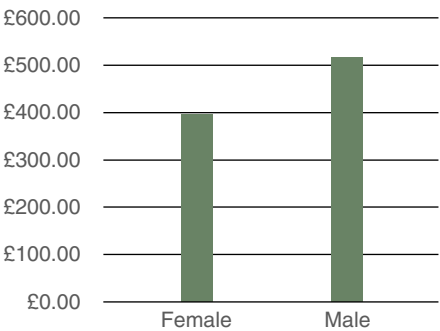
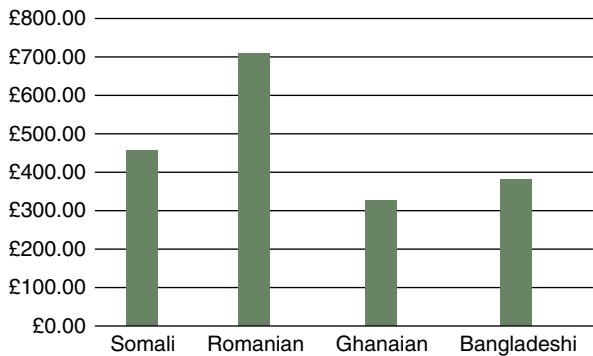


FIGURE 18: If able to save some income, the average amount saved each month (£) by community



Banking products and services

The vast majority of respondents have an account at a UK high street bank (Figure 19). A significant proportion of Romanians also have an account in their country of origin, which fits with many of them returning home on a regular basis and also planning on returning home to live.

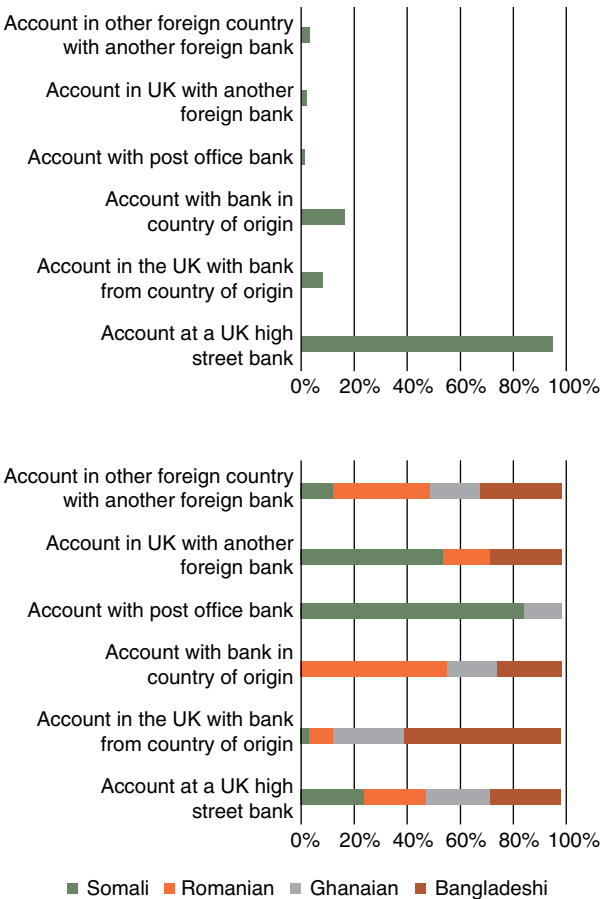
As shown in Figure 20, the sample use a broad range of banking services and are not just restricted to traditional transactional banking. Although there are differences between the communities, there is a relatively high level of sophistication shown across the sample.

Based on the products that are used by each community it could be deduced that more traditional forms of banking services (e.g. paying bills etc.) are utilized by the Somali community whilst some of the more innovative services such as online banking are more frequently used by the Romanian community. Mobile and online banking are more popular with Romanians and Bangladeshis than with other communities.

Bangladeshis are most likely to have an account in the UK and a proportion also have an account at a bank in their own country. This result reflects the fact that of the sample countries, only Bangladesh has well entrenched banks in the UK, e.g. Sonali Bank. This option is not available to the other communities that were surveyed. Romanians were the least likely to have an account at a UK bank (although a high number still did) but were most likely to have an account in their country of origin.

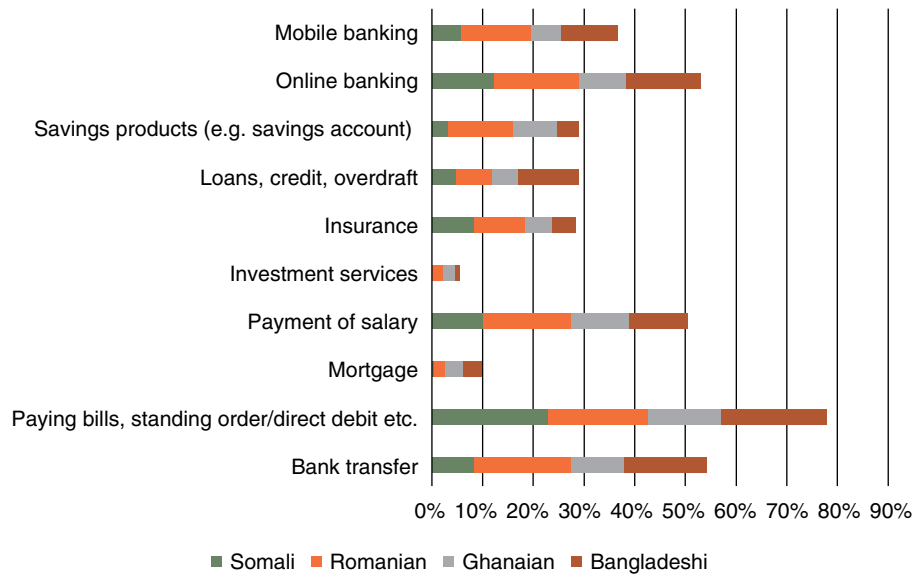
The use of cards is popular among those surveyed (Figure 21). The debit card is by far the most popular such device, with credit cards second and other products, such as pre-paid cards, performing particularly poorly. This data would be consistent with the key features of the UK payments market and also perhaps questions the market

FIGURE 19 (I AND II): Where do you have a bank account (please tick all that apply)? Percentage of total sample and percentage by community

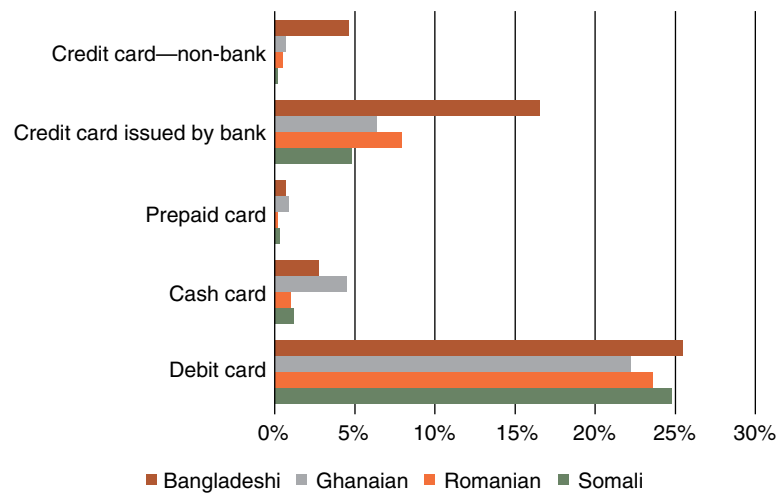


penetration of the pre-paid card (PPC). The PPC has been particularly popular as a concept positioned for migrants. It would appear from the data that the popularity of such products is limited in the UK.

People chose to open an account with a particular bank for a broad range of reasons, illustrated in Figure 22. The most prevalent reason was one of a convenient location, this was followed

FIGURE 20: What services do you use (tick all that apply), percentage of services

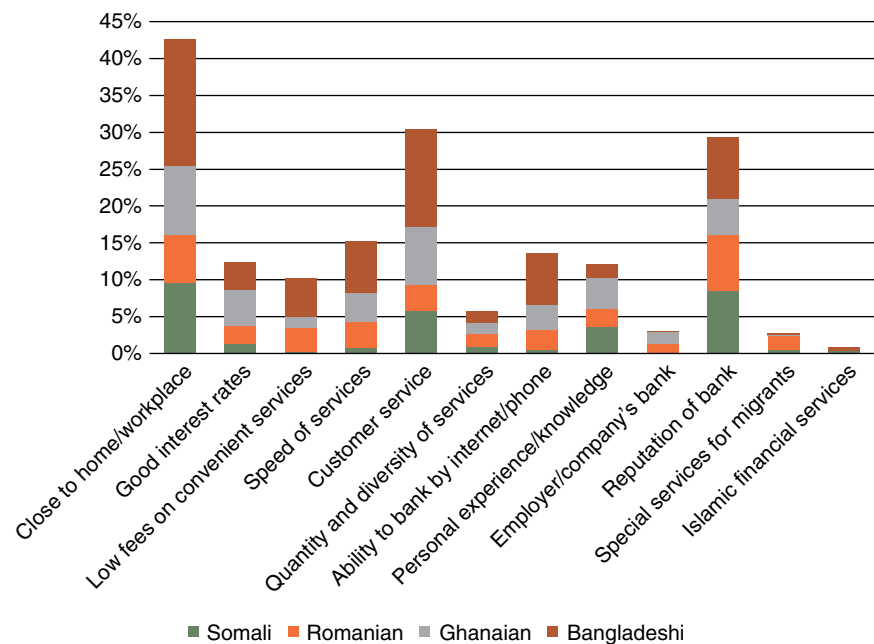
Note that mobile banking is defined as the ability to access/make a financial service from your mobile phone.

FIGURE 21: Card products used, percentage of products

by customer service and the reputation of the bank. Interestingly the ability to bank by Internet or phone was the fifth ranked attribute and this should provide encouragement to technologically advanced businesses.

It would appear from the above that people do not make a positive choice of which bank to open an account with, but rather base their decision on convenience factors. This relative inertia may provide an opportunity for new market entrants.

FIGURE 22: Why did you choose the bank that you use? Top 3 responses.



Access to credit

On average, just over 20 percent of the sample have a loan (Figure 23). This is broadly in line with the results from the communities that were surveyed in Turin. There are differences between the communities, with over 40 percent of Bangladeshis having taken out a loan, whilst just 15 percent of Somalis have done so. For Somalis, where the community is almost 100% Muslim, Islamic banking rules limit the attractiveness of loans whilst for some other communities the use of loans is more common.

Figure 24 shows that most respondents who had a loan felt that they would be able to repay it.

For those who have a loan, the vast majority use a formal provider (Figure 25). Banks were cited as the place where most participants would go if they needed a loan (Figure 26). However, this was closely followed by friends and family in the UK as a source of financial support.

FIGURE 23: Do you have a loan? Percentage of total sample

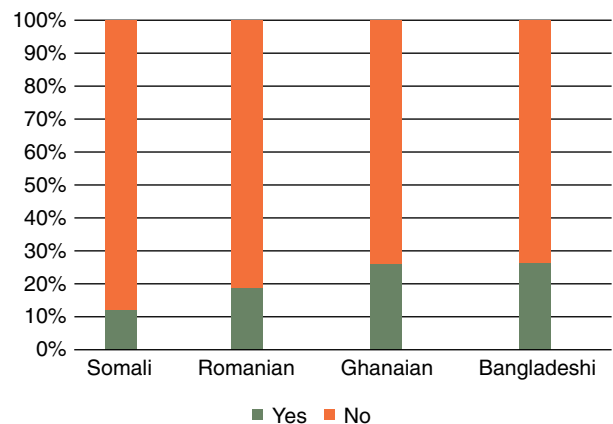


FIGURE 24: If you have a loan, do you think you will be able to repay it? Percentage of responses

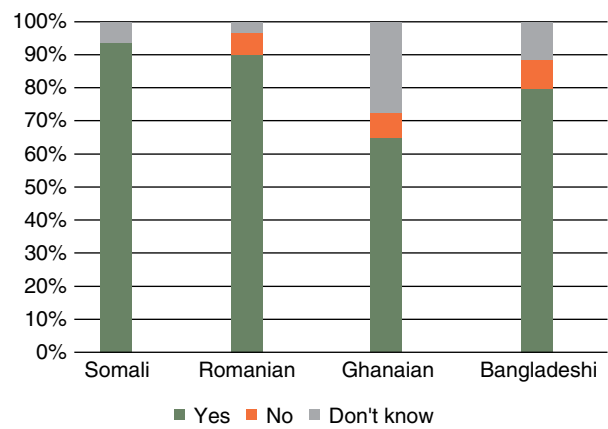


FIGURE 25: If you do have a loan, where is it from? Percentage of responses

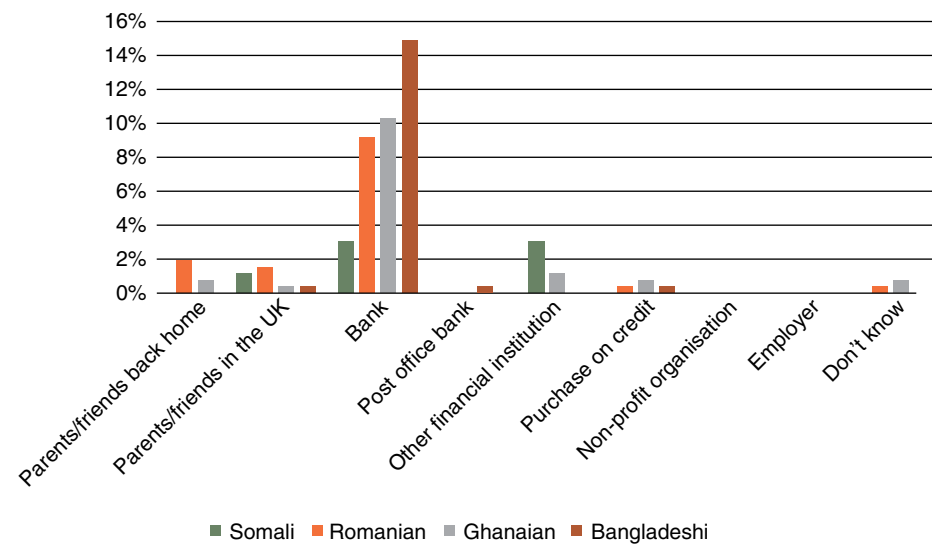
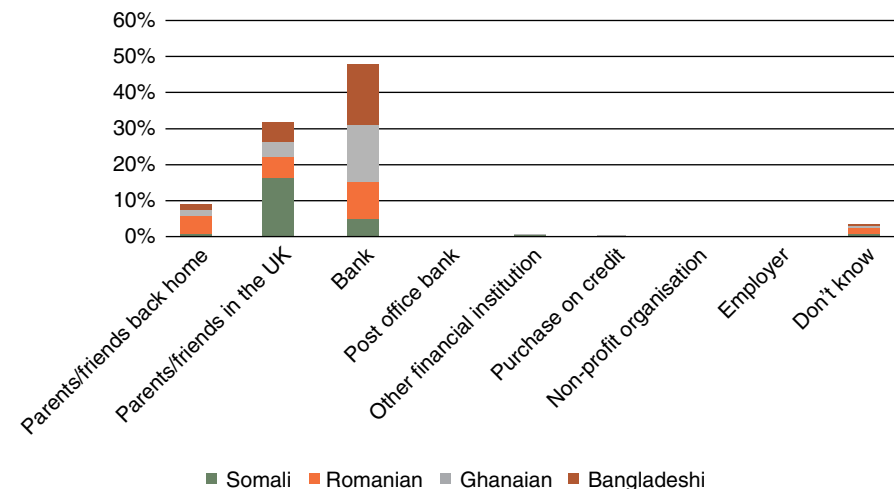


FIGURE 26: If you needed a loan, who would you turn to? Percentage of total sample



Remittance behaviors: flows, recipients, operators and costs

MAIN RECIPIENTS AND MOTIVATIONS

Parents were reported as the most common beneficiary of remittances, this was followed closely by siblings (Figure 27). Given that a large proportion of participants have gained British nationality, it is likely that respondents' children reside in the UK rather than in the country of origin and are therefore not large recipients of remittances.

For Romanians however, many have children living in the country of origin. This finding provides an explanation into the frequency of travel back

home for Romanians, alongside the amount they remit and the propensity of respondents who state that they will return to Romania to live on a permanent basis.

Of the communities sampled, Ghanaians cited children as the recipient of remittances more than any other community. They also return home frequently, suggesting very close ties with their country of origin.

As Figure 28 shows, Romanian males send by far the highest average amount of remittance each year. It was noted that a large group of Romanian males who work in construction live in hostels where their cost of living is relatively low, meaning

FIGURE 27: Who do you send to? Percentage of responses

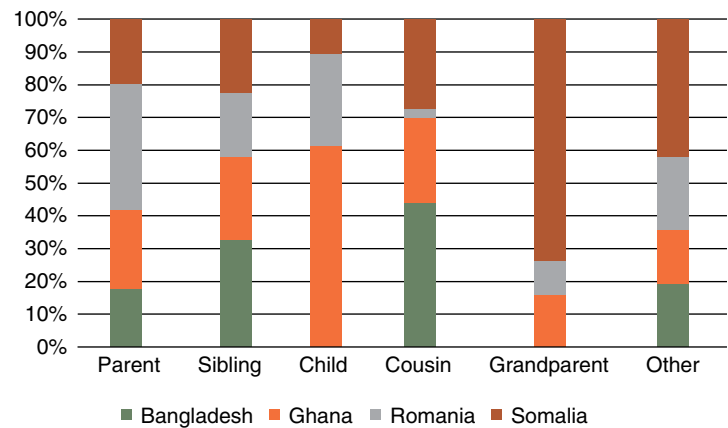


FIGURE 28: Average amount sent per year (by community and gender)

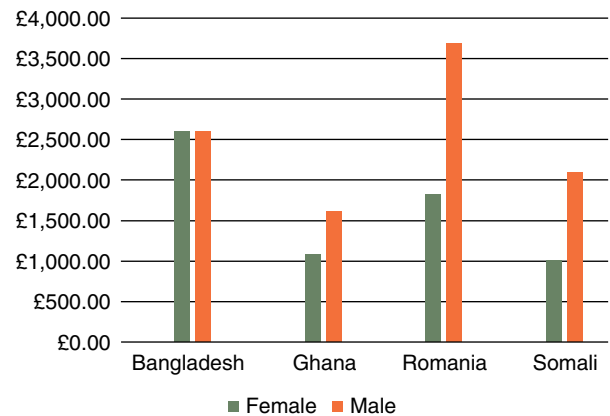
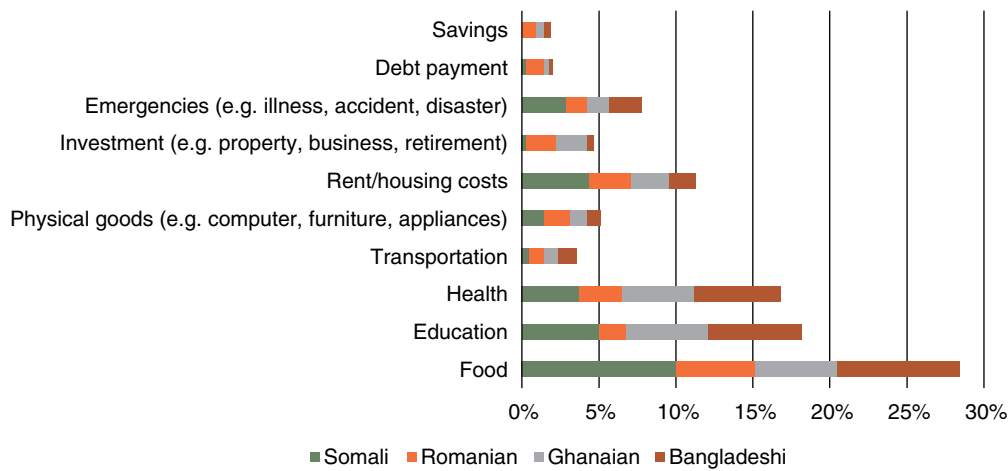


FIGURE 29: What is the money sent used for? (Ranked in importance from 1 to 3)



they are able to send a significant proportion of their earnings home each month.

Interestingly, Bangladeshi men and women send the same average amount each month. This suggests that Bangladeshi women send a higher proportion of their earnings home, given that women tend to have lower incomes than men. Alternatively their husband may provide some of the funds that a wife sends home even though this would not be counted as income by the wife. Further research would be required in order to provide a valid answer to this challenge.

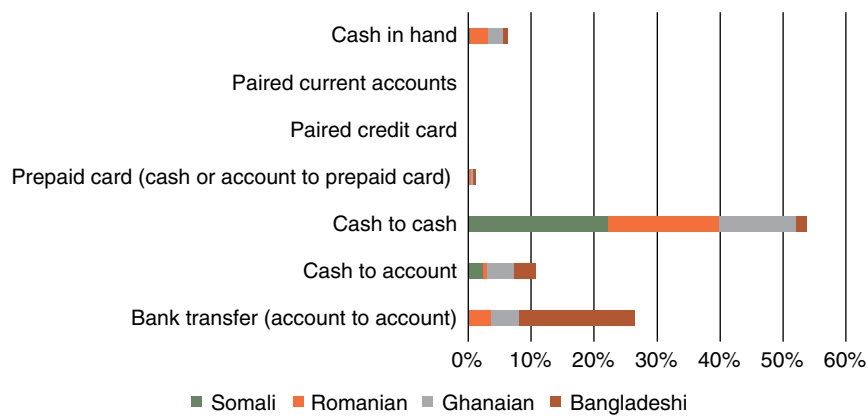
As Figure 29 shows, respondents were asked what the money that was sent home was used for. Consistent with many other surveys, food is the main

reason, closely followed by education and health. Investment does not appear to be a particularly strong reason for people to send remittances.

Channels and remittance services providers

Cash-to-cash is the most popular way of sending money with all of the communities except for the Bangladeshis (Figure 30). Pay-out in cash is, in reality, the only method used by Somalis except for a few who hand carry the cash. Given the lack of alternatives available to this community in the UK the data confirms previous preconceptions about this community's way of sending money. What is most noteworthy in these research results

FIGURE 30: How do you primarily send money?

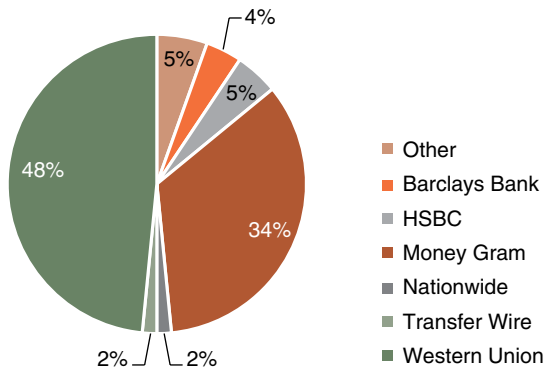


is that the Bangladeshi community sends money via bank transfer more than they send cash. This is not a result that previous research has indicated and may be driven partly by relatively recent developments in the Bangladesh market which have improved the domestic payments environment tremendously. It is also important to note that the vast majority of Bangladeshis in the sample were interviewed in Tower Hamlets, where a number of Bangladeshi banks have representative offices offering convenient remittance services. It is our view that a broader survey of London could have impacted this finding, possibly increasing to a certain extent the relevance of cash to cash services for Bangladesh.

Figure 31 shows that Western Union and MoneyGram account for 82 percent of the market for sending from the UK to Romania. Interestingly the gap between the market shares of each company is lower than might be expected based on their global market shares, but is probably driven by the fact that MoneyGram is available via the post office which has the largest branch network in the UK. Other mainstream MTOs do not have any sizeable market share despite having extensive networks of pay-out locations in Romania.

As shown in Figure 32, nearly three-quarters of the Somali community surveyed use Dahabshiil. It has long been understood that Dahabshiil was the largest operator in this community, but the scale of their market position was perhaps not so well understood. The next largest company is Amal with 9 percent. This means that the

FIGURE 31: Distribution of operators (Romania)



remaining 16 companies account for 13 percent of the market.

Figure 33 demonstrates that for Ghana there is a more even split in market share between the different operators. The largest providers are Unity Link, 1st African, Western Union and MoneyGram with numerous smaller operators also present. The Ghanaian owned specialists have gained significant market share, also thanks to Bank of Ghana's policy to no longer allow exclusivity agreements, which contributed to a more open market place.

Figure 34 shows that fifty percent of Bangladeshi respondents surveyed use Sonali Bank (a Bangladeshi bank) to facilitate remittance transfers, however a large range of over 28 providers were reported. To some extent the results reflect where the survey was undertaken, which was in Tower Hamlets and the surrounding area. Whilst Sonali Bank is known to have a good share of the UK-Bangladesh market, its showing in the survey is arguably boosted by the fact that its main London Branch is located in Tower Hamlets, which does a high level of business in account and cash counter remittances.

It would be expected that if the survey were undertaken in other areas of London or indeed in other UK cities with large Bangladeshi communities but without a Sonali Bank presence the results would differ. For example, Ezremit, which has branches in North and West London, is known to have a strong customer base amongst the Bangladeshi community which would probably be reflected if the survey was carried out in e.g. the Wembley area; whereas if the survey was conducted in Birmingham or Manchester an MTO

FIGURE 32: Distribution of operators (Somalia)

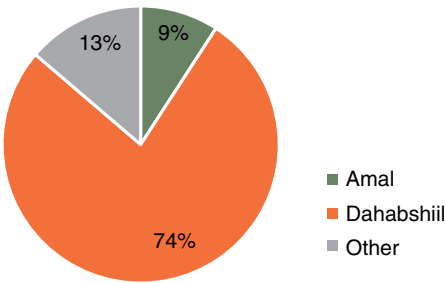
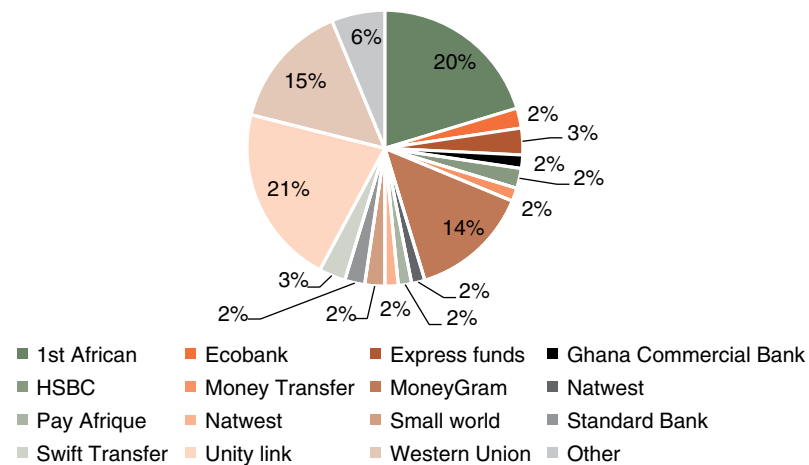
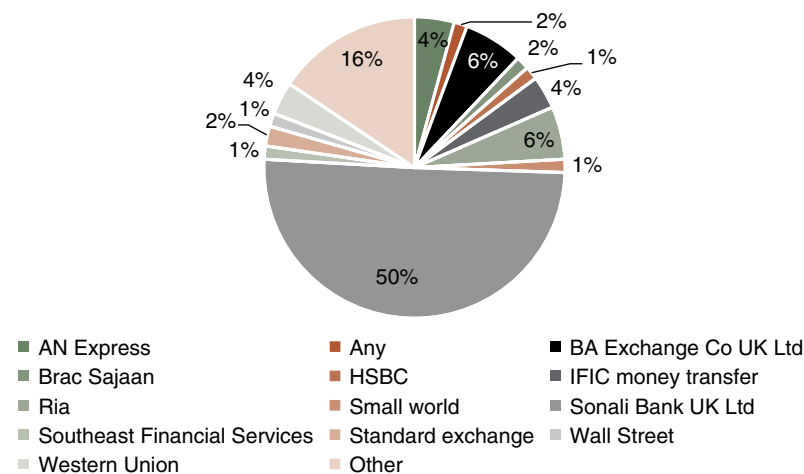


FIGURE 33: Distribution of operators (Ghana)**FIGURE 34: Distribution of operators (Bangladesh)**

such as BRAC Sajaan (which has busy agents in these cities) would be expected to have a stronger showing than it does in the Tower Hamlets based survey.

This data clearly shows that most remittance transactions are completed at a counter and that the use of online and phone transfers is minimal (Figure 35). A low segment of the sample use the post office. Interestingly the only service that is available at the post office is MoneyGram and therefore this may explain why the numbers are relatively low. Whilst the data on the use of the internet and phone transactions is low it does show that these options are being used by some which, again, indicates that the application of

technology could be successful and also could help to reduce transaction costs.

Services that deliver remittances to the beneficiary within an hour are the most popular (Figure 36). Given that for Somalis, the vast majority of remittances are used for food and basic necessities, it follows that speed of service is a key consideration.¹⁹ Given that the majority of Bangladeshis in the sample use account services to send money home, it is unsurprising that it takes

¹⁹ Additionally, all the operators sending to Somalia advise that funds are available within minutes and therefore it is expected that this community would advise that their service is available on the same day or within an hour.

FIGURE 35 (I AND II): Where do you complete the transaction? Percentage of total responses and breakdown by community

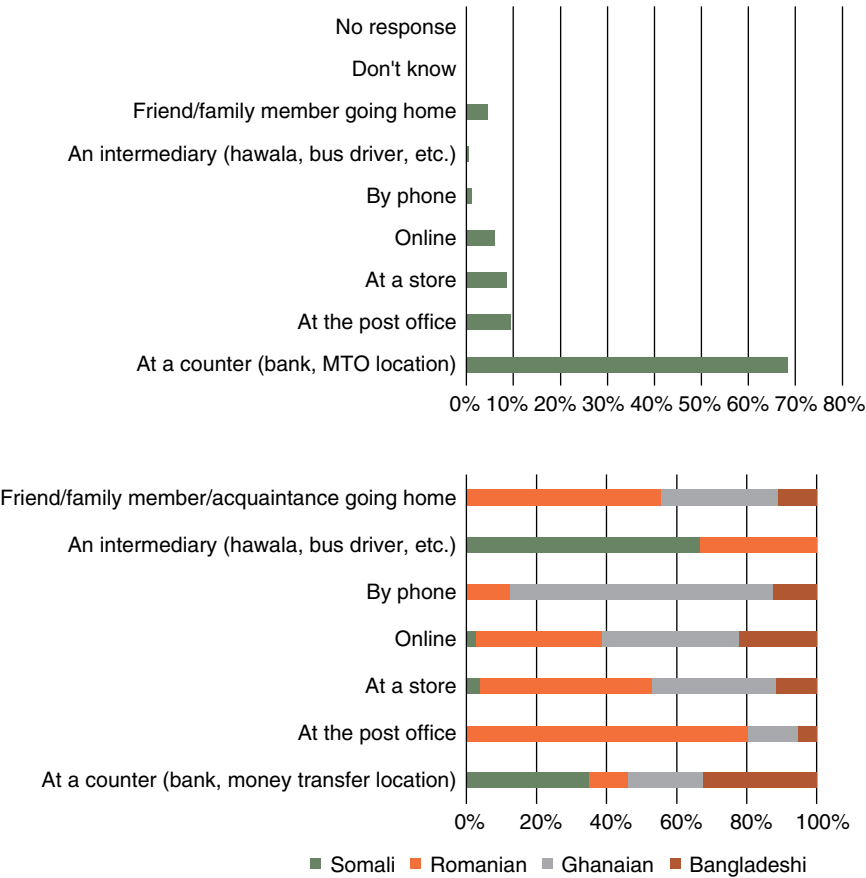


FIGURE 36: What is the speed of service? Percentage of responses

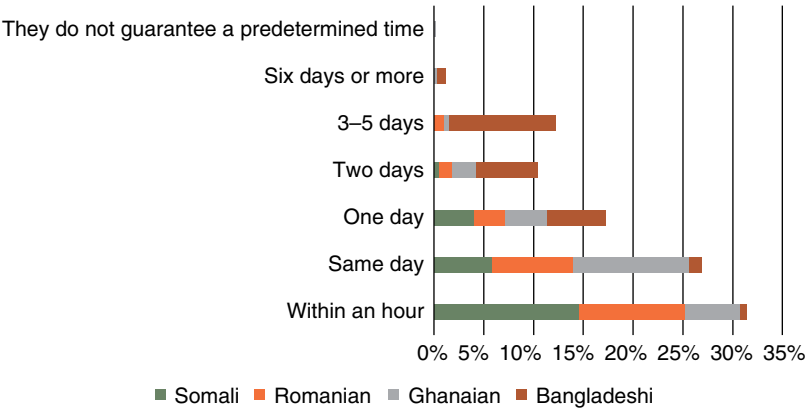
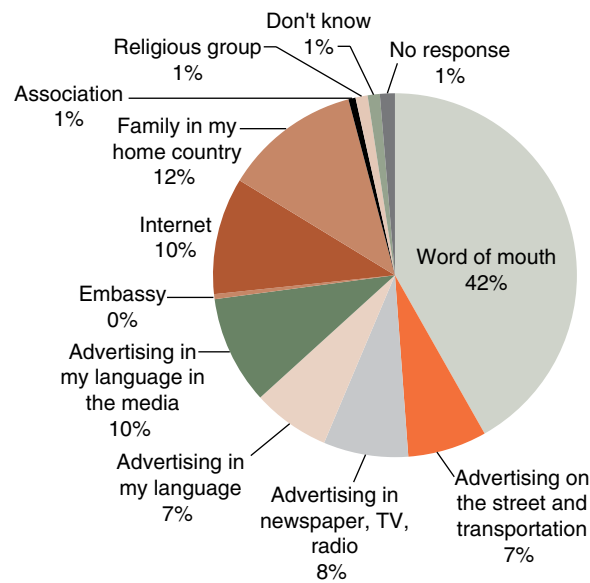


FIGURE 37: How did you choose your main channel for sending remittances?



3–5 days for funds to be received. This would suggest that factors other than speed are of greater importance to this community. It is understood that other surveys conducted for private sector operators have also identified trust in the service provider as an important consideration when choosing a service.

Word of mouth has always been the main driver of information on remittances and the research confirms this phenomenon (Figure 37). What is interesting is that the next most popular reason is ‘family in home country’ which accounts for around 12 percent. This shows that receivers can have a role to play in deciding which product to use and this is particularly so for factors such as

the convenience of pay-out locations and new product launches.

The internet is the main information source for around 10 percent of senders. New and existing providers use the internet to promote their products and it would appear that this activity is proving effective and certainly more so than more traditional forms of promotion, e.g. print advertising.

Remittance volumes

Figure 38 shows that the majority of respondents send money every month. However, a large proportion of Bangladeshis send 2–4 times a year,

FIGURE 38: Frequency of transaction

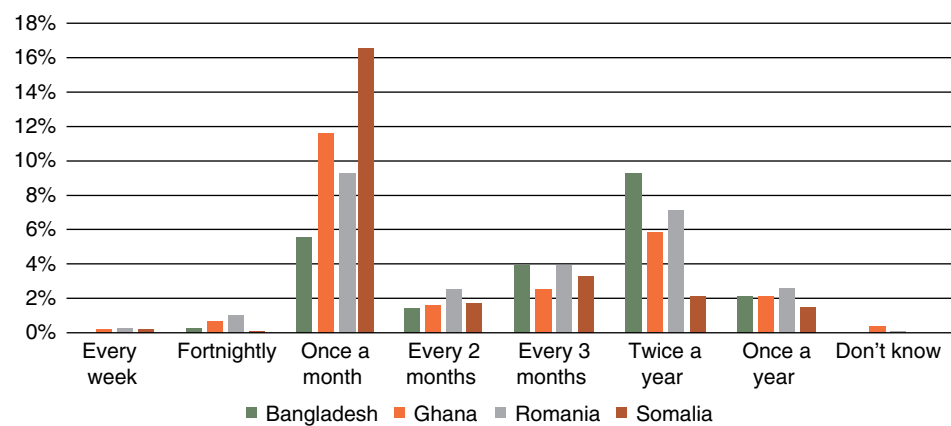
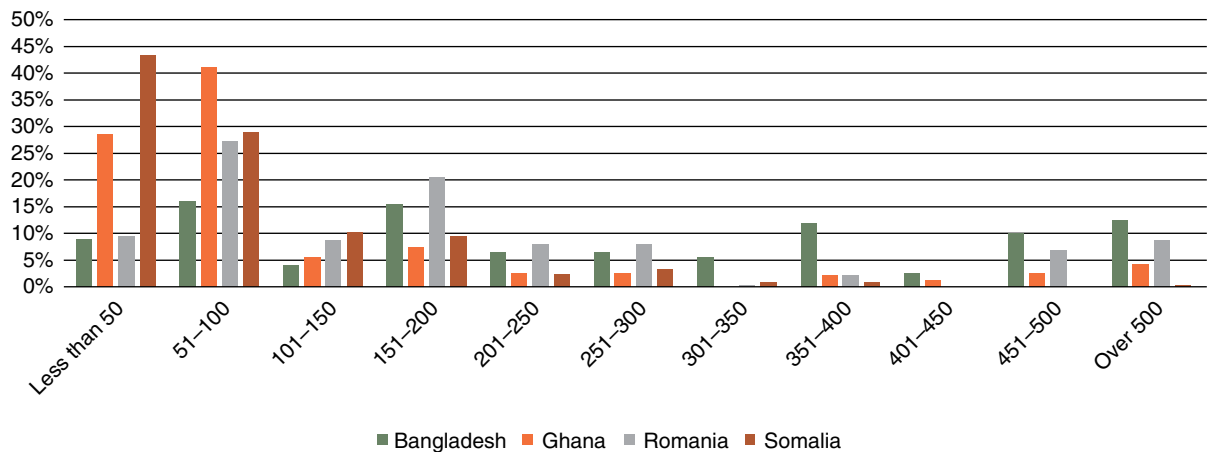


FIGURE 39: Average transaction amount



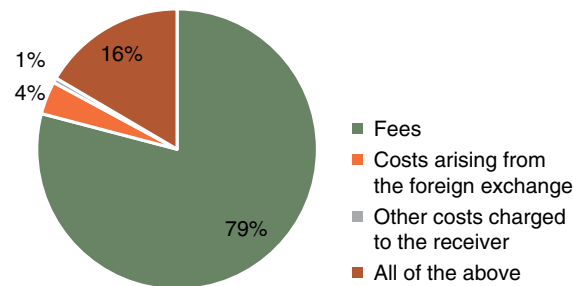
which may partly explain why they may choose a slower speed of service.

Figure 39 demonstrates that the most frequent transaction size for Somalis and Ghanaians is £100 or less, while Bangladeshis and Romanians report a broader range of transaction sizes.

Perceptions of transaction costs

The survey questioned respondents to understand their perceptions of costs associated with remittance transactions (Figure 40). Respondents were asked to estimate what the cost for each average transaction was in either percentage or pound sterling terms. They were also asked what the reported cost was composed of (i.e. fees

FIGURE 40: Perceptions of transaction costs



only, costs arising from foreign exchange, other costs charged to the receiver or all of the above) (Figure 41). The consolidated results show that only 21 percent of respondents reported the total cost, a foreign exchange charge, or any other cost

FIGURE 41: What are remittance costs composed of?

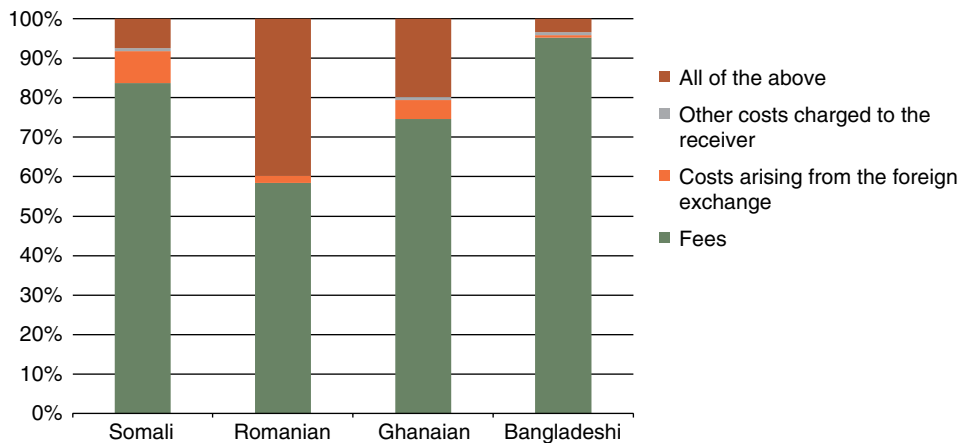


TABLE 5: Perceived cost of remittance transaction

Country	Estimated Costs as a Percent for Those Who Thought There Was Only a Fee	Estimated Costs as a Percent for Those Who Thought There Was a Fee and FX	Actual Costs Percent ²⁰
Somalia	5.0	5.0	6.5
Romania	7.7	6.8	11.4
Ghana	3.9	3.9	8.1
Bangladesh	1.5	N/A	5.0

apart from a transaction fee. The result is significant as all transactions to the four countries covered in this survey do actually include a foreign exchange margin, and in some cases, additional fees to the receiver. This may indicate that consumers are not aware of or are unable to clearly report the items that comprise the total cost beyond the transaction fee. This was also a finding of the Greenback study in Turin.

When looking at this phenomenon by subsample, it can be seen that less than 5 percent of Bangladeshi respondents reported any currency exchange or other costs. A significant proportion of Romanians reported that the figure they quoted was the total cost, however it is unclear whether they indeed understood the full cost of a transaction, or if they believed that the fee represented the total cost.

Ninety-eight percent of Bangladeshi respondents reported that fees were the only cost element for their transaction. They estimated this cost at 1.5 percent of the send amount.

For Ghanaians, 65 percent of the subsample reported fees were the only cost and put the level at 3.85 percent of the amount sent. Only 17 percent of this subsample claimed to have reported the total cost (including foreign exchange costs) and they put the average total cost at 6.45 percent.

For Romanians, 56 percent of those who answered this question only reported fees when talking about costs. For them, the average fee reported was 9.85 percent. Of those who quoted total cost, the average was 6.8 percent of the send amount.

For Somalis, almost all who quoted the cost as a percentage did so at the 5 percent mark. For those who quoted in GBP, they quoted an average cost of 5.56 percent for fee only.

Table 5 shows a comparison between the actual cost of transaction and the perceived cost.

The results should be treated with caution as there is no direct link in comparing, for a particular respondent, a particular response with actual transaction costs they incurred in their transaction. However, as a broad conclusion it would appear that the perception of costs and the realities are quite different and that respondents perceived costs to be lower than they actually are.

Advantages and disadvantages of remittance channels

The majority of respondents cited speed as the main advantage of their primary method of sending remittances (Figure 42). This was followed by cost and reliability. None of the respondents cited their lack of papers or tax reasons as a reason for choosing a particular service.

Interestingly, the majority of respondents reported that there were no downsides to their primary method of sending (Figure 43). This may reflect part of the reasoning behind why consumers are not likely to change their method of sending.

²⁰ The World Bank, Q1 2015. <http://remittanceprices.worldbank.org> (Last accessed 17 April 2015).

FIGURE 42: What are the advantages of your primary method of sending remittances?

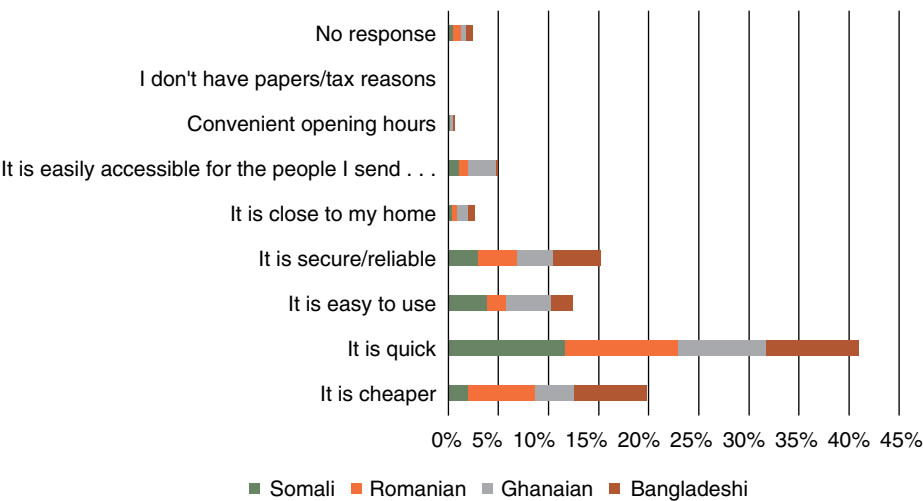
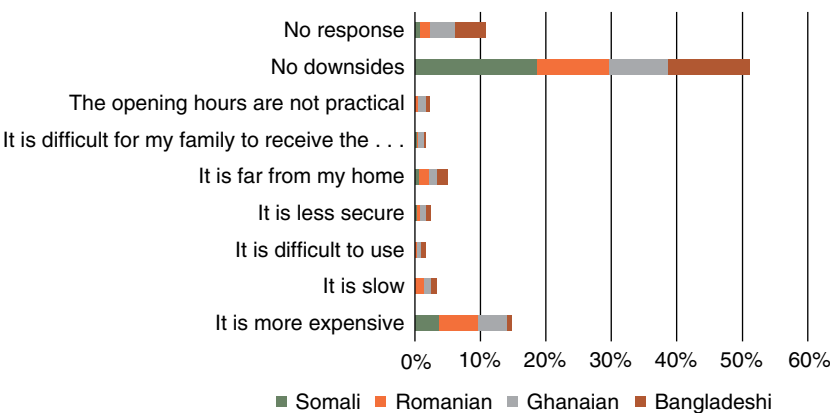


FIGURE 43: What are the drawbacks of your primary method of sending?



Trends in remittances

Significantly, the vast majority of senders have never had a problem when sending remittances (Figure 44). This was reported across all four subsamples.

When asked who they would turn to if they did encounter an issue, the vast majority of respondents reported that they would turn to the management of the service provider (Figure 45).

Significantly, Somalis appear to be the least likely to change their method of sending remittances (Figure 46). It is understood that particular

providers specialize in serving certain regions of the Somali territories, thus consumer choice is also driven by pay-out location on the receive side. The complete sample also sees little movement in the main method of sending remittances. For those who have changed their method of sending, a significant proportion are Ghanaians and Romanians who have switched from carrying cash by hand to a formal method (Figure 47).

For the Somali, Ghanaian, and Bangladeshi communities, the majority of respondents stated that the amount of remittances they send has increased (Figure 48), and noted that the reason

FIGURE 44 (I AND II): What problems in the past have you had with this channel? Percentage of total response and breakdown by community

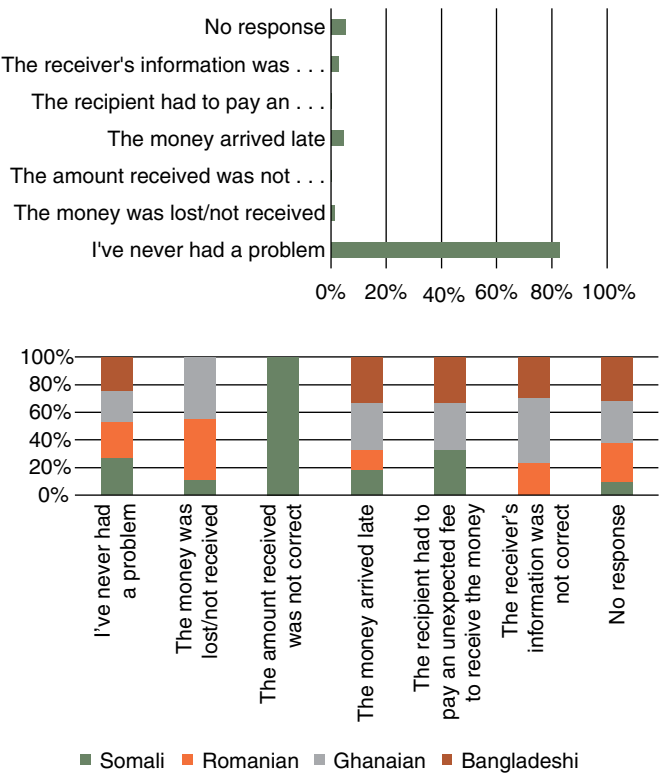


FIGURE 45: If you did have a problem, who did you turn to for help?

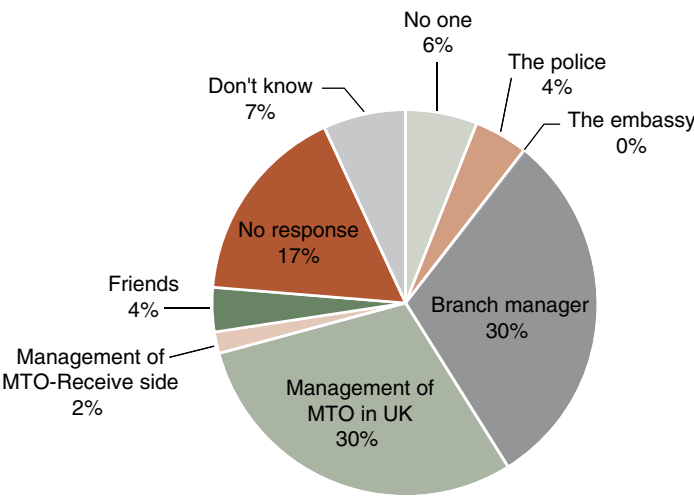


FIGURE 46: Since you arrived has your main method of sending remittances changed?

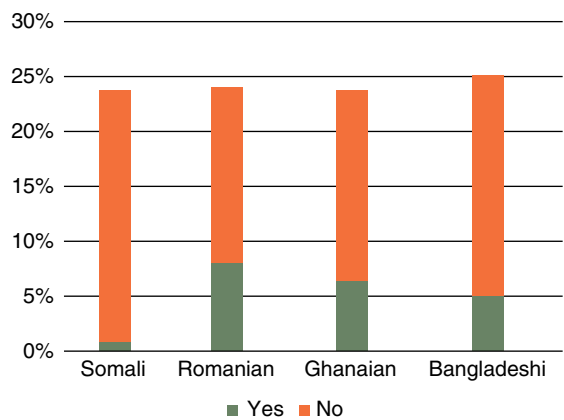


FIGURE 47: If yes, what method did you use previously?

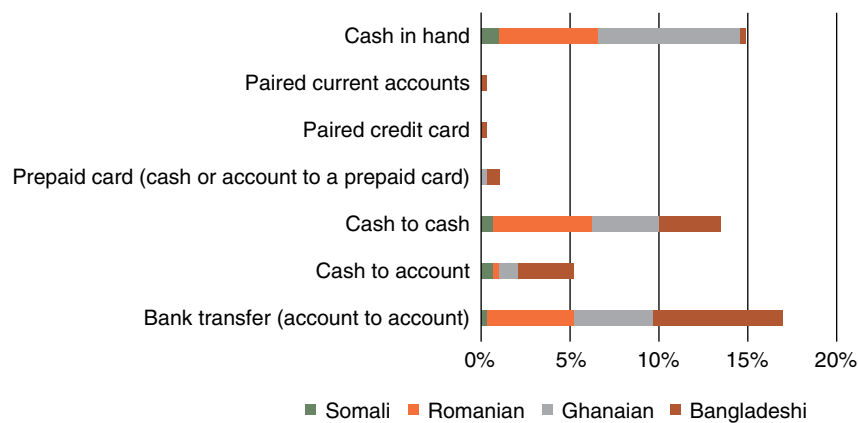


FIGURE 48: Has the amount you send increased, decreased or stayed the same since your arrival in the UK?

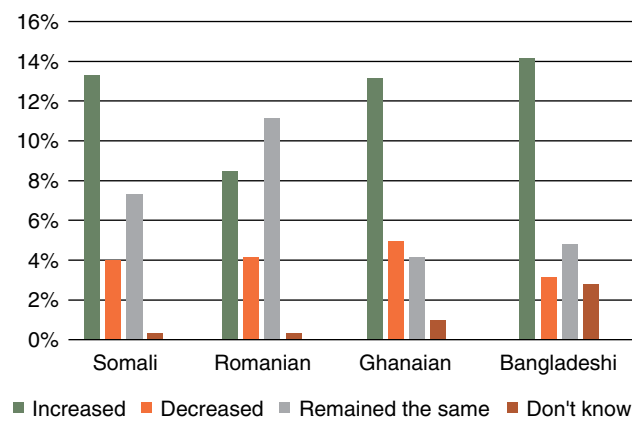
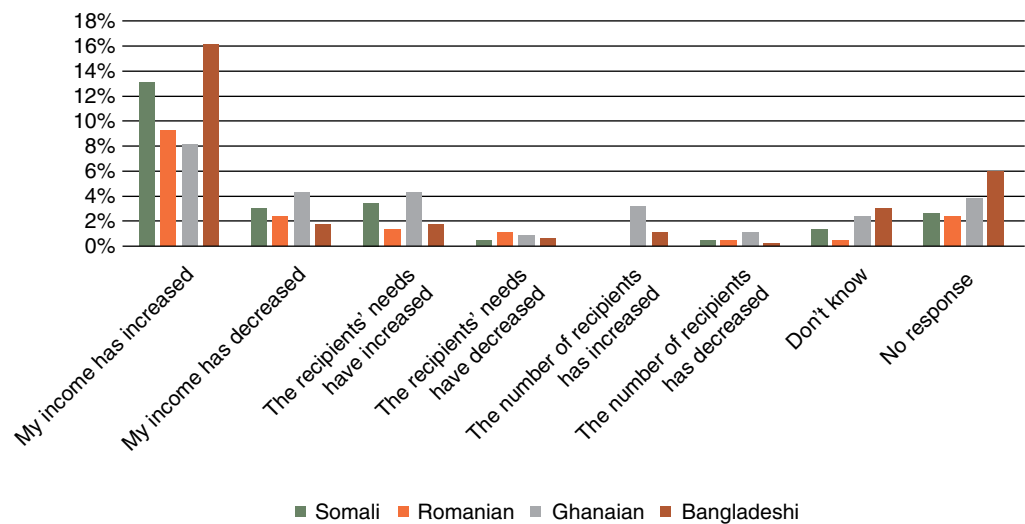


FIGURE 49: What is the reason for the change?



for the change was an increase in income (Figure 49). There was a more even split for Romanians on the amount of remittance sent increasing or remaining the same.

Received remittances

Unsurprisingly, the vast majority of respondents (almost 90 percent) report that they do not receive any remittances in comparison to about 10 percent who do receive money (Figure 50).

Of the few who do receive funds, the majority receive money from parents (Figure 51). For some participants, this may correlate with having a student visa, and needing some funds for tuition and other necessities. The majority of recipients are those from the Bangladeshi community.

FIGURE 50: Do you receive remittances?

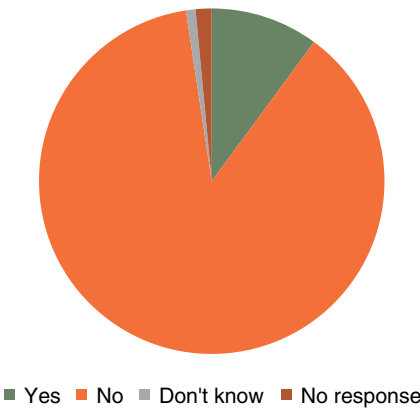
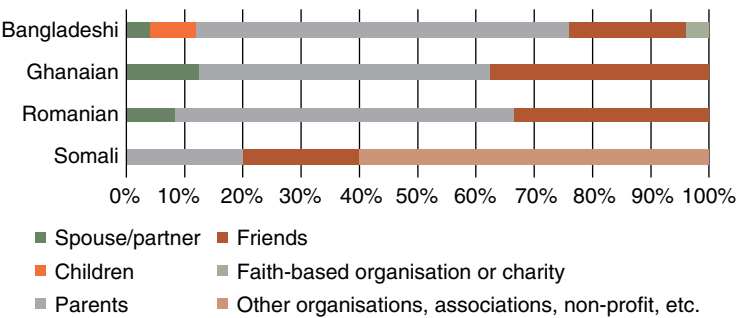


FIGURE 51: If yes, who sends you money? Percentage of responses



Internet and mobile phone use

Virtually every person who was surveyed has a mobile phone (Table 6). This is not surprising at all given that mobile phone penetration in the UK stands at 92 percent²¹ and mobile phone based services are ubiquitous in the areas where the surveys were conducted.

What is perhaps of more interest is that over 80 percent of respondents have a smart phone. This is particularly relevant as this may encourage new types of remittance service that are available

on the internet or are based on other new technologies. In addition, this will make communication with remittance senders easier and present the right conditions for initiatives for app based remittance price transparency tools.

It can be seen in Figure 52 that the majority of the sample have used their phones for straightforward functions; calls, SMS and even accessing the internet. A smaller, but significant, segment use apps and go on social networks. Interestingly only 15 percent of people have made payments via their phones. Studies in this area indicate that this may well be driven by a mixture of lack of education in this area, together with uncertainty as to the security of such payments.

²¹ Ofcom, 2014. 'The Communication Market Report' http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr14/2014_UK_CMR.pdf..

TABLE 6: Mobile phone penetration

	Somali	Romanian	Ghanaian	Bangladeshi
#	Mobile phone?			
Yes	147	147	140	150
No	2	1	6	0
	If yes, smart phone?			
Yes	113	127	110	138
No	33	20	28	12

FIGURE 52: What do you use your phone for? (Choose up to 3 answers)

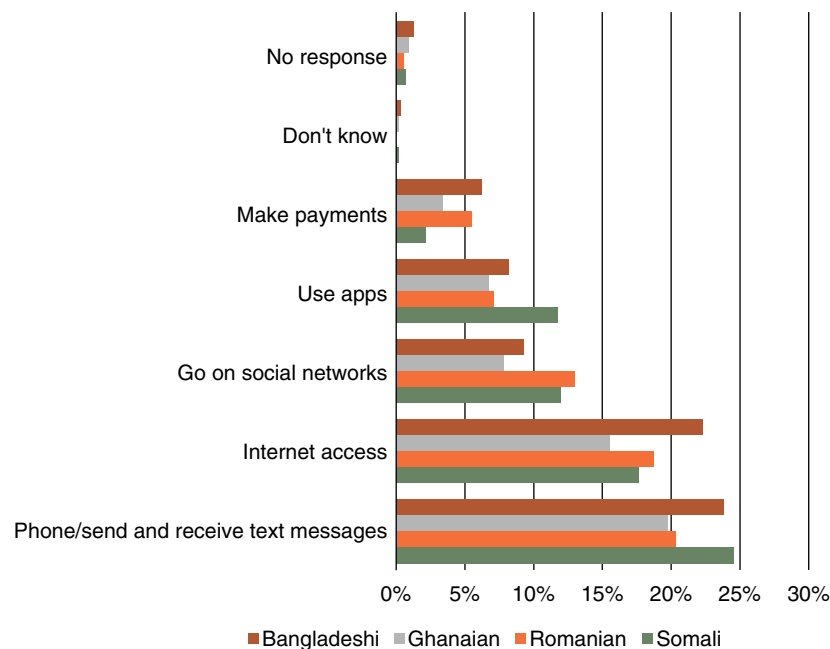
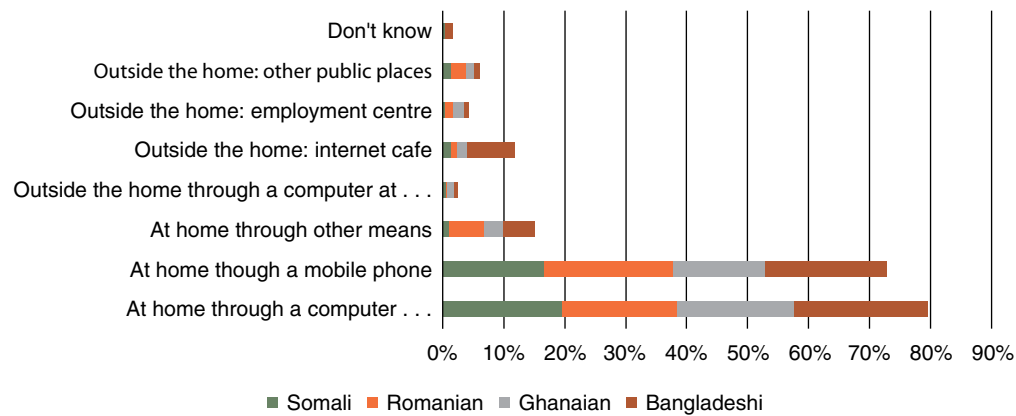


FIGURE 53: Where and how do you access the internet?



The vast majority of people access the internet at home with the sample evenly split between access via a computer or a mobile (Figure 53). Traditionally, many migrants used internet cafes as a primary place of access. Reductions in the cost

of computers and smart phones together with cultural changes has meant that the vast majority of the sample are now able to use the internet from the convenience of their own home.

5

CONCLUSIONS

The survey conducted as part of Project Greenback 2.0 provided a detailed overview of the financial and remittances habits of four migrant communities residing in London. An investigation into the income and saving habits of the Ghanaian, Romanian, Somali and Bangladeshi communities has provided useful conclusions on financial inclusion levels amongst migrant communities. It has also highlighted the extent to which respondents are able to support their families in their home country.

The findings obtained outline a number of significant trends both within each community and across the sample as a whole, these have been grouped into three main areas;

- Income and financial inclusion
- Remittances habits
- Access and use of technology

INCOME AND FINANCIAL INCLUSION

With over 65 percent of the sample in employed work, main sources of income are stable allowing for the vast majority of respondents to save a proportion of their income (on average between 30–40 percent of income is saved each month). The one community that stated in larger numbers that they were unable to save were the Somalis, who incidentally were also the most frequent senders of remittances (albeit lower amounts); they also had some of lowest income levels across the sample. 2013 data from the ONS puts median gross weekly income earnings in London at £658 (approximately £2851 in monthly income). The most commonly cited personal income bracket across the sample was between £1001–1500 per month, which is a weekly income of approximately £346. This is markedly lower than the median income levels seen in London as a whole.

Whilst these communities commonly cited that since arrival to the UK their income has increased, and become more stable, they remain relatively low earners when compared to London averages. Given the education levels seen, it would be of interest to investigate further why these communities see lower income levels.

A positive outcome of the survey was the high level of financial inclusion and bankarization seen—over 95 percent of respondents stated that they have a bank account. The data suggests a high level of financial literacy, given the range of banking products and services used (at least a quarter of the sample stated that they had some form of insurance and/or savings product—illustrating the sophistication in financial products acquired by respondents). Financial literacy levels observed are unsurprising given the high general level of education across the sample. However, this finding is not conclusive and given the relatively low income levels seen, further financial literacy training to mitigate potential shocks and identifying suitable products for doing so, could be of benefit. While we have seen some use of insurance products, these are low in comparison with the use of other products.

Specific interventions for the Somali community (given that 68 percent of respondents have stated that they have been unable to save) that provide tools and techniques for saving would be advantageous.

REMITTANCE HABITS

Basic necessities are the most common reasons why money is sent, and cash-to-cash is by far the most prevalent service used. Remittances are generally sent on a monthly basis with the most commonly cited amount sent, being no more than £100. Sixty-nine percent of respondents

stated only the fee as the cost charged for sending remittances, seeming less aware of the foreign exchange margin they are charged. Eighty percent of respondents stated that they have never had a problem with the remittance channel that they use, which may explain the reluctance to seek out alternative methods of sending.

Given the recent changes in the remittances market in the UK pertaining to derisking, a stand-out finding from the sample is the lack of switching of the service used as reported by respondents. Seventy-six percent of all respondents state that they have not changed the way that they send money home, and 94 percent of the Somali respondents reported that they were still using the same company despite the well-publicized difficulties that this community is experiencing.²² This finding could be interpreted in a number of ways, but it is certainly worth noting that 83 percent of respondents use either Dahabshiil (74 percent) or Amal (9 percent), both of whom are still providing services to consumers, despite having had issues maintaining UK bank accounts. This would suggest that for operators who have lost their bank accounts, they are currently still offering services, limiting disruptions to consumers. It would be useful to continue tracking this situation to identify if any such change will occur as the situation becomes more challenging for MTOs to continue to offer services.

²² BBC, 2013. 'Barclays account shutdown raises Somali fears' <http://www.bbc.co.uk/news/business-23255853> (Last accessed 17 April 2015).

ACCESS AND USE OF TECHNOLOGY

Mobile phone and internet use across the sample is incredibly high. A large proportion of respondents also use smartphones. Just over 500 respondents use either mobile banking or online banking services, suggesting a good understanding of how technology can be applied to improve access to financial services. This is particularly interesting given the prevalence of cash-to-cash services used by respondents in place of other technology-driven remittance service. An opportunity clearly exists for technology driven services or providers to increase customer uptake beyond where it stands currently. A useful finding that might support this trend is the fact that the majority of respondents heard about their current service by word of mouth (42 percent). Services that have previously invested time and effort in developing relationships with specific communities are seeing the long lasting benefit of those activities, making it difficult for new entrants to gain real traction.

Overall the survey provides concrete insights, providing an evidence base in support of how the remittances market is understood to be functioning in the UK currently. What is particularly insightful is the level of education and financial inclusion prevalent within each community. Migrants continue to be active financial supporters of their families back home; given the relatively low income levels, work to reduce the cost of sending money home is a useful and worthwhile activity for all stakeholders.

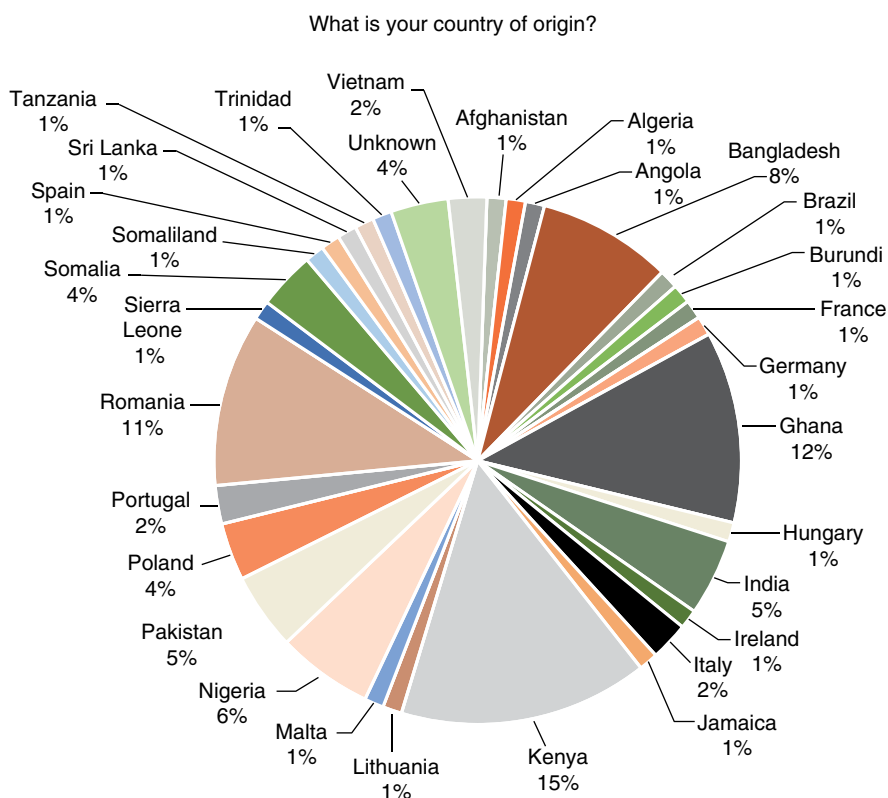
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ANNEX 1—SMEs SURVEY FINDINGS

In parallel with the main survey presented in this report, a survey was carried out on diaspora entrepreneurs in London to better understand their payment habits and use of financial services.

Diaspora communities residing in London were surveyed from February to May 2015 as a continuation of remittance related research for Project Greenback 2.0 that focused on Bangladeshi, Ghanaian, Romanian, and Somali communities. This note provides a high level overview of the results obtained from the SME survey.

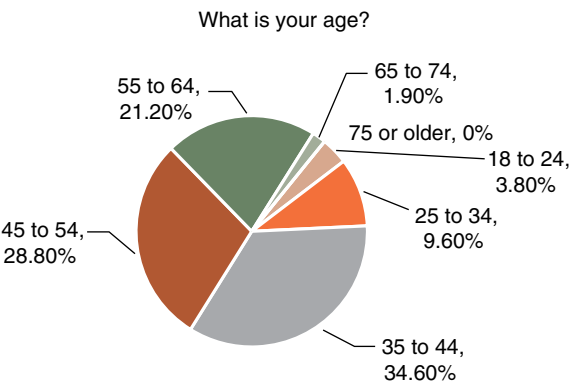


Key findings

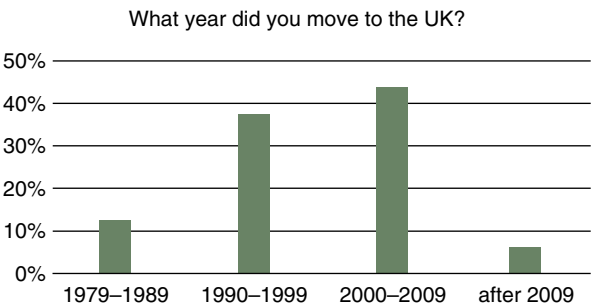
The main eligibility requirements for this survey include respondents being born outside of the UK and owning their own business. In total 85 respondents completed the survey, and respondents came from a wide range of countries.

1. Demographic information

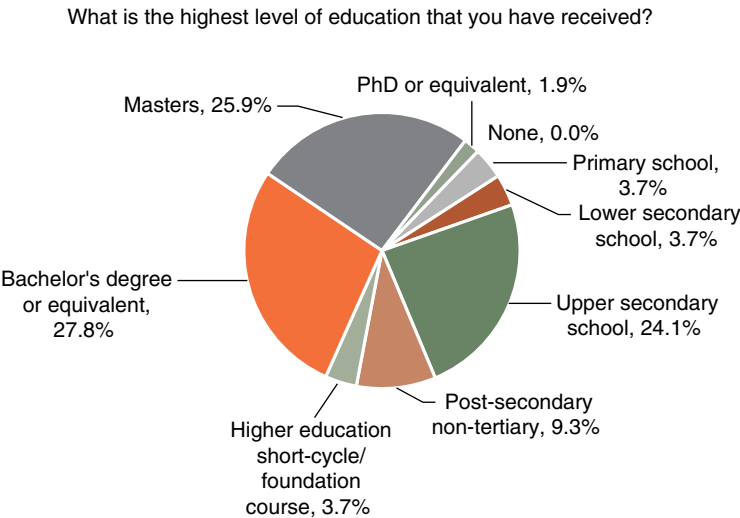
The survey collected demographic information on respondents. Thirty-eight percent of respondents are female, and over a third are between 35 and 44 years of age. The data shows that there are relatively few young entrepreneurs in the sample.



The majority of respondents moved to the UK in the previous decade, followed closely by those who moved to the UK between 1990 and 1999.

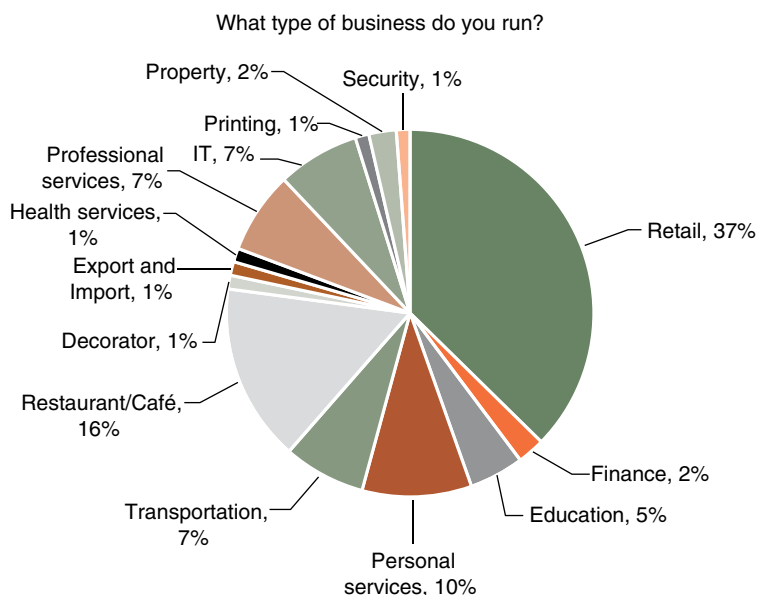


Respondents are relatively highly educated, with well over half having achieved at least a bachelor's degree or equivalent.



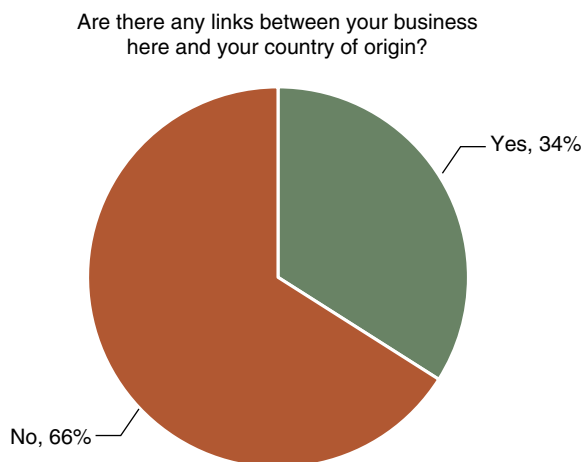
2. Business

Respondents were asked some questions about their businesses. Almost half (48 percent) of respondents started their business between 2000 and 2009 and 43 percent started their business since 2009. The most reported business sectors across the sample included retail, restaurant/cafes, and personal services (such as salons, barbers). This may reflect the relative ease of accessing entrepreneurs in retail and shop settings in comparison to other settings, rather than a true indication of the sectors diaspora entrepreneurs are involved in.



When asked how many employees the business has, the average number reported is 4.7, and when asked if employees are primarily from the same diaspora group, the response was fairly even, with 48.9 percent stating yes and 51.1 percent stating no.

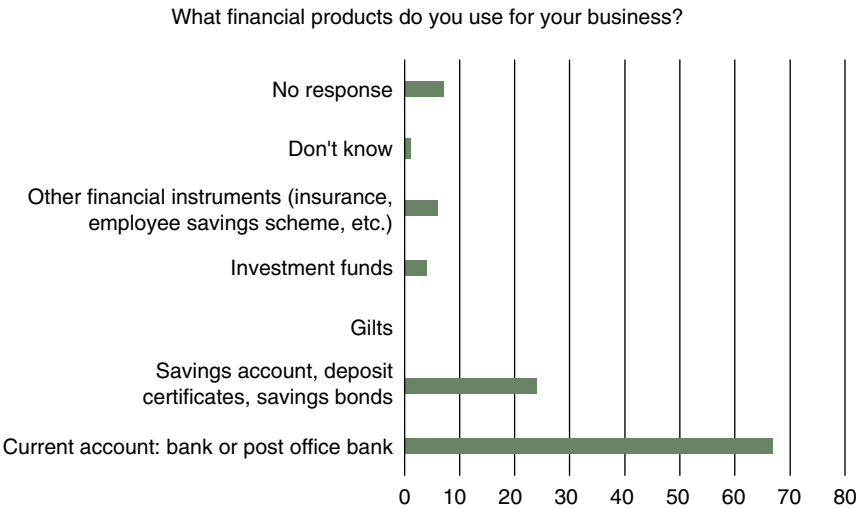
The average annual turnover reported by respondents is £756,188.20, while the median average turnover is £84,500. Additionally, the average profit margin reported is 31 percent.



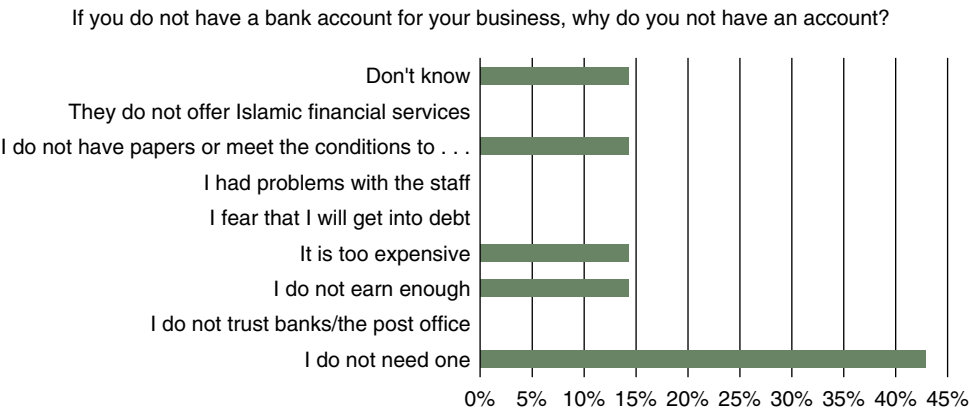
Thirty-four percent of respondents reported a link between their businesses in the UK and in their country of origin. When asked to describe the link, several reported the import of goods for sale in the UK while others reported that their country of origin provides a customer base/market for their business.

3. Financial services

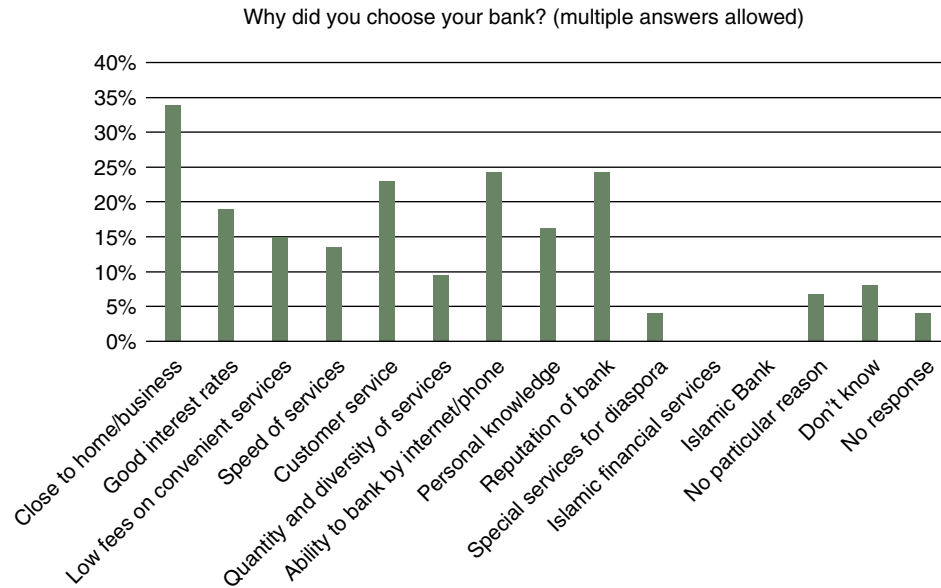
The survey also enquired into the respondents' use of financial services for their businesses.



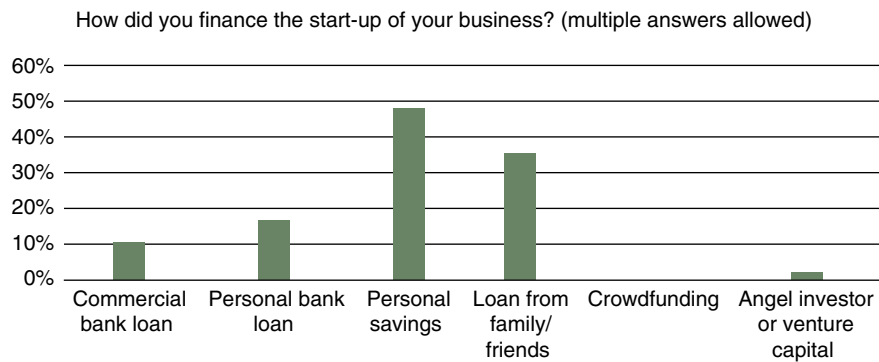
The vast majority of respondents reported using some type of financial services for their business, mainly in the form of a current account. Only 8 percent of respondents reported not having a bank account for their business, with the main reason being that it is not needed.



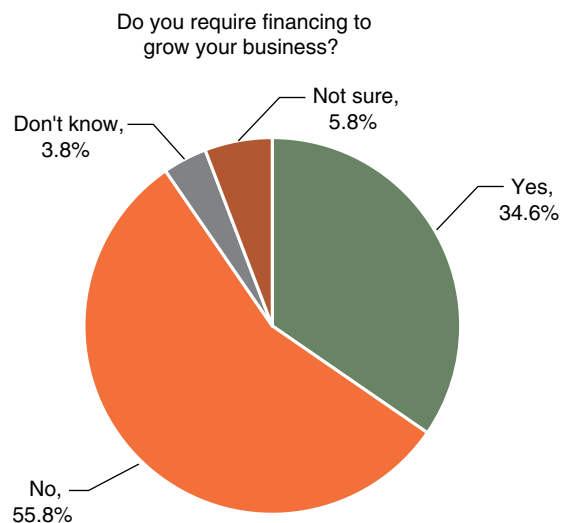
When asked for the reasons behind the choice of bank to use, respondents provided a range of answers including proximity, reputation of bank, and ability to bank by internet/phone as the most frequent answers.



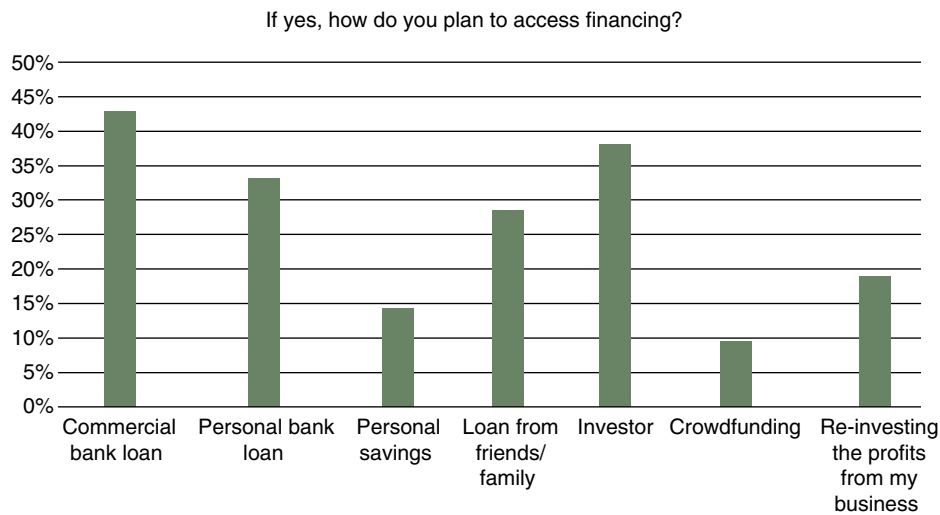
When asked if they currently had a loan, the overwhelming majority (75 percent) reported no. This is reflected in majority of respondents reporting that they financed the start-up of their business through personal savings.



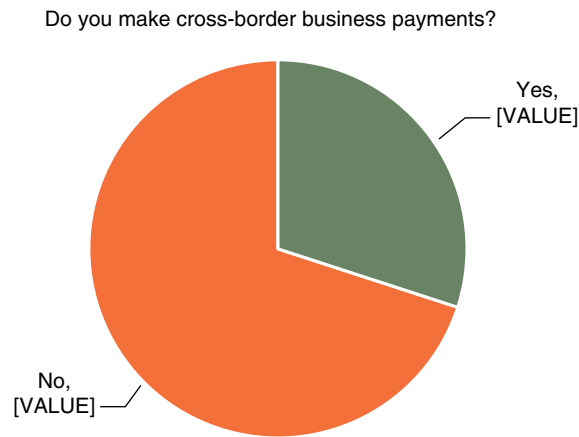
Respondents were also asked whether they require financing to grow their business and if yes, how they planned to access such financing.



Even though the majority of respondents financed the start of their business through personal savings, the majority of those who did plan to access further financing planned to do so through bank loans or an investor.

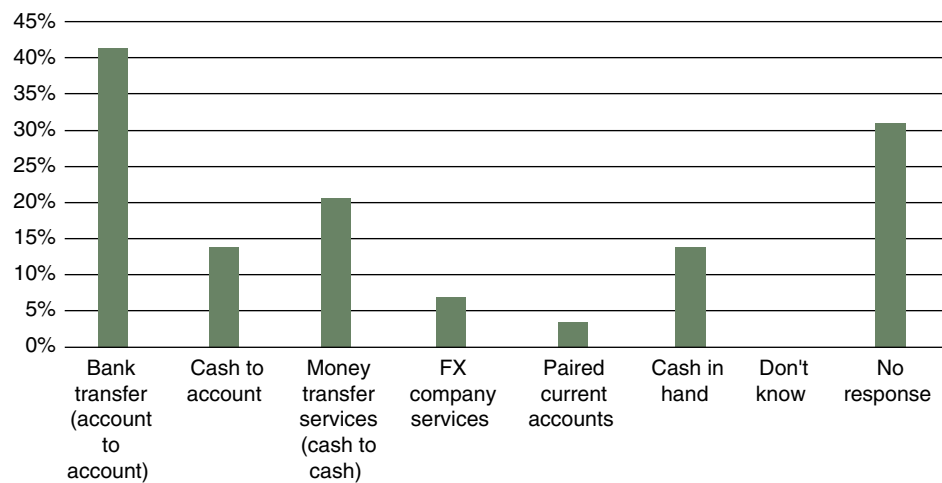


Turning to payments, the survey inquired whether respondents made cross-border business payments. The majority (70 percent) reported no.



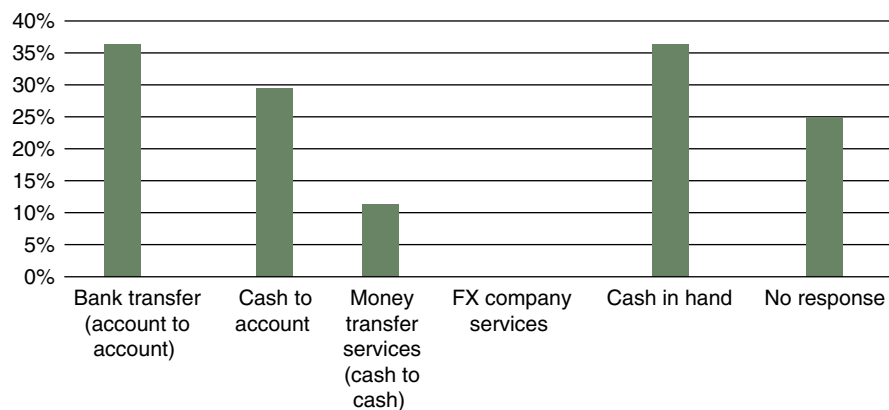
For those who do make business payments, the majority use bank transfers.

If yes, how do you make those business payments?



In contrast, when asked how they receive business payments, there was a relatively significant portion of payments that were received in cash.

How do you receive business payments? (multiple answers allowed)



Conclusion

The survey, which was conducted over a wide range of communities, shows that in many ways diaspora SMEs are not noticeably different to other SMEs. In particular:

- The majority of migrant SME entrepreneurs are over 35 years old.
- They are highly educated with at least half having a degree and a quarter a Master's degree.
- Most SMEs have employees, some are from their own community but an equal number are not.
- Around a third of respondents have direct links with their country of origin.
- Most SMEs surveyed have banking relationships and use mainstream services.
- Most SMEs were established using the owner's personal funds or through borrowing from family and friends. As might be expected, there is little evidence that borrowing from a bank was used to establish a business.

- A third of respondents are looking to raise further finance, with around half looking to do so via banks and other formal financial products
- These businesses require greater levels of international payments than other community groups. They utilize mainstream bank-operated payment facilities as the norm. Their use of international money transfer services is quite limited for business payments.

Diaspora SMEs in London are incredibly diverse, and this paper has given a snapshot of the insights gained from the short survey undertaken. A deeper analysis of specific sectors that entrepreneurs work in or the potential barriers migrant entrepreneurs face in accessing formal financial services could provide fruitful areas of further research.

ANNEX 2—FROM SURVEY DESIGN TO FIELD WORK: A METHODOLOGICAL NOTE

The questionnaire

To align with the research undertaken previously in Turin and Montreuil, the questionnaire used for this research was based on the questionnaires from those projects and adapted for the London context. The original questionnaire used in Turin was inspired by past studies and surveys on migration and remittances.²³

As far as possible, the questions were translated and formulated to elicit the most relevant information from participants while also allowing a comparison of survey results with research undertaken in other Champion Cities.

The questionnaire structure was intended to first understand whether or not to include a potential target migrant in the sample by asking four eligibility questions. This was followed by sections focusing on demography, financial inclusion, remittances, income and earnings, employment, and legal status.

Training of interviewers and testing

The project manager coordinated a fieldwork team composed of eight interviewers. Prior to the fieldwork, the interviewers attended a training session on the project objectives and on the broad structure of and reasons for the study. During the session, the entire content of the questionnaire and strategies for the sample definition and interview process were discussed.

Interviewers were given draft questionnaires and encouraged to practice undertaking the survey

prior to the launch of the fieldwork. During this pilot, it was noted that some of the wording and sequence of the questions needed further clarification to elicit the appropriate response. Feedback from the pilot was discussed with the project manager and integrated into the final questionnaire.

In addition to the final questionnaires, interviewers were also given:

- A guide with practical information, detailed description of each section of the questionnaire and clarification on terms and definitions
- Confidentiality agreement signed by the interviewers and the project manager
- Assistance with contacting centers and accessing entry points
- Vouchers in the value of £10 for a local supermarket or in the form of a SIM card with £10 calling credit.

The fieldwork: sampling strategy and entry points

The fieldwork took place from January 9 to February 25, 2015. The pilot interviews took place from December 12 to 21, 2014.

Interviewers were divided into four teams of two people, with each team focusing on a specific community. This allowed the interviewers to work together and coordinate on approaching entry points and undertaking interviews. This also allowed the interviewers to gain the trust of community 'gatekeepers' who could introduce them to additional entry points and to gain further understanding of the assigned community.

Given that the fieldwork was undertaken during the winter, it was particularly helpful for interviewers to be able to set up and approach participants

²³ World Bank, 2014. 'Migrants' Remittances from Italy' https://remittanceprices.worldbank.org/sites/default/files/migrants_remittances_italy.pdf.

indoors, generally at a community center, religious center, in a shop or at malls, where they could anonymously approach participants. These locations were also valuable in that the diversity of locations allowed access to migrants from a range of ages, lengths of stay, and socio-economic backgrounds.

Additionally, interviewers were available to conduct interviews at various times of the day and different times throughout the week. This meant they were able to intercept participants with varying working hours and individual and religious practices.

Feedback from fieldwork

Overall, there was relatively little difficulty in establishing areas and places to find participants. However, gaining the community's trust was the key challenge for every community. Interviewers noted that being from the community or speaking their respective language, would have helped in gaining trust.

In addition, the interviewers for the Bangladeshi community, noticed that though language barrier was only an issue with the older generation, other potential participants were nonetheless suspicious of them. And since men are the main remitters within that community, being sensitive to Bangladeshi cultural norm, added to the challenge of finding participants.

Similarly Somali men (particularly of the older generation) were reluctant to be interviewed. This initially challenged the goal to achieve a balanced sample structure. Moreover, the interviewers reported that many potential participants claimed that this kind study had already been undertaken, which gave them further cause to not participate. For both Bangladeshi and Somali communities, the interviewers relied on building relationships via community-run businesses (Bangladeshi) and community leaders (Somali) in order to access participants.

Both interviewers for the Romanian community are Romanians and therefore did not experience the aforementioned challenges. However, finding a broader range of Romanian respondents proved difficult. This was due to an overwhelming number of lower income migrants willing to participate for

the incentive (£10 voucher for a UK supermarket), whereas middle to higher income range respondents were indifferent.

Likewise, one of the interviewers for the Ghanaian community is Ghanaian and reported that upon finding out about her background, potential participants became more willing to partake, perceiving this as 'helping a community member'. Nevertheless, Ghanaians needed assurance as to the research's impartial authenticity, due to an assumption that the research was for an existing or new MTO.

Across all four communities, participants found the survey too lengthy and too repetitive in places. They also had some issues understanding the format of the questions on banking products. Some interviewers felt that limiting answers to one or three responses was detrimental. In fact, all interviewers reported that participants had problems selecting what the remittances were used for. Participants, found it hard to choose between the different options, which often resulted in their selecting the first three options on the list.

Most participants were not so interested in how the data would be used. Some claimed that this type of study had already been conducted. This was more so with the Somali community and the occasional Ghanaian participants. Ghanaians also claimed that the fees of money transfer operators were too high.

Nevertheless, despite the challenges, the survey's length and the sensitive nature of the finance and legal status questions, participants did not refuse to participate. Overall, there was a high completion rate.

Data entry, cleaning and analysis

As the interviews were completed, researchers submitted completed questionnaires to the research team on a regular basis. This allowed the research team to keep track of the data over the survey period and monitor progress.

Once the surveys were submitted, the recorded data was uploaded to an online survey tool. Once all the data was uploaded, the dataset was exported and processed by the research team for data analysis.



Migrants' Remittances from the United Kingdom

International remittances and access to financial services for migrants in London, UK