



Ghana Country Study

A part of the report on Informal Remittance Systems in Africa, Caribbean and Pacific (ACP) countries (Ref: RO2CS008)

Commissioning institutions:
Department of International Development (DFID) UK
European Community's Poverty Reduction Effectiveness Programme
(EC-PREP)
Deloitte & Touche

Adam Higazi
University of Oxford

15 January 2005

ESRC Centre on Migration, Policy and Society (COMPAS)
University of Oxford, 58 Banbury Road, Oxford OX2 6QS, UK
T - +44/0 1865 274711, F - +44/0 1865 274718,
W: – www.compas.ox.ac.uk E: info@compas.ox.ac.uk

Table of contents

1. Introduction	2
2. Characteristics and dispersal of Ghanaian migrants	2
3. Estimates on the volume of informal (unrecorded) flows to Ghana	4
4. The use of informal remittance systems amongst Ghanaians	7
5. Types of informal remittance systems.....	9
<i>Foreign exchange bureaus.....</i>	<i>9</i>
<i>Money transfer operators.....</i>	<i>10</i>
<i>Courier services and cash-in-hand transfers</i>	<i>10</i>
<i>Facilitation of remittances through micro-finance institutions</i>	<i>11</i>
6. Determinants of informal remittances to Ghana	12
<i>The role of the family</i>	<i>12</i>
<i>Diaspora groups and ethnic or hometown associations</i>	<i>13</i>
7. Conclusions	14
Bibliography	15

I. Introduction

A large population of Ghanaians lives outside Ghana, and their contribution to the Ghanaian economy and to individual households is increasingly recognized. The next section of this paper gives an overview of the scale and character of Ghanaian migration. Mass emigration in the 1970s and 1980s has helped to sustain a steady flow of migrants up to the present and created a large diaspora that spans Europe, North America and elsewhere. This has shaped remittance flows, the volumes of which are difficult to measure accurately, as discussed in the third section. Estimates on formal remittances made by the IMF, World Bank and Bank of Ghana are analysed and the size of informal remittance flows compared to formal flows is discussed, and the importance of the Ghana Living Standards Survey as a means of gauging the impact of remittances on households throughout Ghana is highlighted.

Section four of the paper deals with the various systems used to send remittances informally. Macroeconomic conditions in Ghana, characterized by high inflation and economic uncertainty as a result of dependence on a narrow export base of primary commodities, explain why informal transfer methods remain competitive. Money transfer operators in developed countries, often working from Ghanaian stores, and foreign exchange bureaux are critical elements of the informal transfer system. Courier services and cash-in-hand transfers are also popular among Ghanaian migrants, but the popularity of couriers compared to money transfer operators is difficult to substantiate.

The last part of section four examines the role of micro-finance institutions in remittance transfers, which are seen to be more potential than actual receivers of remittances. Section five looks more closely at the determinants of informal remittances, particularly the role of the family, and of diaspora groups and hometown associations. The available research suggests that the characteristics of migrants and the initial reasons and strategies for migration have a strong influence on the size of remittances and the channels used to send them. Overall, however, existing research on informal remittance systems used by Ghanaian migrants only allows for a broad analysis of the main trends rather than a finely tuned evaluation. There is enough evidence to suggest that informal remittances are an important component of migrant transfers, but more detailed primary research would be needed to establish the specific scale and organization of informal systems.

2. Characteristics and dispersal of Ghanaian migrants

Migration patterns from and to Ghana have been through several phases since the 1960s and show the importance of both regional and inter-continental flows. Up to the late 1960s, Ghana was a country of net immigration, but economic deterioration led to the expulsion from Ghana of around 250,000 mainly West African migrants between 1969 and early 1970 by the military régime of the time.¹ The emigration of Ghanaians started after 1965 and was sustained by continued economic decay throughout the 1970s until the mid-1980s. The mass emigration led to the establishment of a diaspora that spans Europe, North America, the Middle East and Asia. Regional migration also intensified, particularly to Nigeria and Ivory Coast. A very wide spectrum of people emigrated – initially skilled workers and

¹ This is thought to have had a negative effect on Ghana, because the migrants took capital away with them, and their absence destroyed the trading nexus that migrants had established in Ghana (Brydon 1985: 564).

professionals – but by the early 1980s this included many unskilled and semi-skilled workers (Anarfi & Kwankye et al. 2003).

Migration from Ghana to Nigeria was especially high during the 1970s: as the economic situation in Ghana deteriorated the Nigerian economy boomed, driven by the dramatic increase in oil prices after 1973. Most of the migrants who went to Nigeria did not intend to stay permanently, and many worked in Nigeria for short periods at a time, returning to Ghana with savings to support themselves and their families. But in the early 1980s the incumbent military régime in Nigeria ordered the expulsion of foreign workers, about half of whom were Ghanaian. Official estimates put the number of Ghanaians expelled in 1983–1985 at between 900,000 and 1.2 million (Brydon 1985: 571). The expulsions were a populist action in response to contractions in the economy and were not primarily brought about by changes in the labour market. This was a catastrophe for Ghana – thousands died on the journey home and there was a critical shortage of food and commodities to supply the returnees. The expulsions caused profound changes to the migration order in West Africa (Van Hear 1998) as the destination countries of Ghanaian migrants, especially professionals, became more diverse (Anarfi & Kwankye et al. 2003; Van Hear 1998). Nevertheless, available evidence suggests that many Ghanaians returned to Nigeria in the late 1980s (Peil 1995: 358–59); Nigeria is still the main destination for Ghanaian migrants within the region (Eurostat 2000).

While Ghanaian migrants within Africa are a significant source of remittances, the majority of remittances are sent to Ghana from outside Africa. Migration outside West Africa has been sustained by the lack of economic opportunities within the region, and growing disparities with developed countries. The fact that there is now an established Ghanaian diaspora means more Ghanaians have contacts and social ties with people outside the region. Networks between resident Ghanaians and those in the diaspora have helped facilitate remittance-sending as well as further migration. As Peil observed:

The evidence suggests that emigration streams are growing, almost regardless of Ghana's economic recovery, because the basic patterns have been established and contacts are available (Peil 1995: 358).

There are large Ghanaian communities across the EU and North America in particular, and consequently remittances come from a diverse range of countries. The current number of Ghanaian émigrés is uncertain, but several estimates have been made. A recent estimate of Ghana's migration arrived at a figure of three million Ghanaians abroad, compared to a resident population of about 20 million.² In the 1990s it was estimated that 12 per cent of the population were living abroad and that Ghanaians form the largest Sub-Saharan African population in the EU (Akyeampong 2000: 204). Peil (1995:357) points out that there was “no major emigration stream” for Ghanaian migrants, and this remains true, as indicated in statistics published by Eurostat (2000). Ghanaian migration flows were initially concentrated on the USA and UK, but there is now also a large Ghanaian population in Canada – by the mid-1990s an estimated 20,000 in Toronto alone – and in Germany, Italy and The Netherlands. Reports on the actual number of Ghanaians in different countries often conflict – SOPEMI put the number of Ghanaians resident in the US at 104,000 for 2001 and 114,335

² “About 3 Million Ghanaians Live Abroad”. *Diasporan News*, 16 September 2004. <http://www.ghanaweb.com>.

for Canada. But Akyeampong (2000: 211) quotes an estimate on the number of Ghanaians in the US by the mid-1990s in the range of 200,000 and 400,000. The British Home Office states that 21,485 Ghanaians arrived in the UK in the decade 1990–2001, but this figure is difficult to substantiate (Anarfi and Kwankye et al. 2003: 8).

As well as the number of migrants and their country of residence, remittances are influenced by the characteristics of migrants and the original purpose of their move. Peil (1995) found that the majority of Ghanaian migrants do not intend to migrate permanently, and few seek citizenship in the countries they migrate to. This suggests an intention of return, which makes remittances more likely. Studies by the Sussex Centre for Migration Research point to the importance of return migration and find a positive correlation between return and the frequency and volume of remittances sent by migrants (Ammassari and Black 2001; Tiemoko 2003). But Akyeampong (2000: 211) contests Peil's findings on the temporary nature of Ghanaians' stay in the USA, indicating that many Ghanaian professionals in the USA have acquired permanent residency or citizenship. The literature therefore points towards a variety of migration strategies and outcomes among Ghanaian migrants, which are likely to affect remittance-sending (including the method used to remit).

Another aspect of contemporary migration trends is the mobility of migrants, especially of the highly skilled. Frequent trips are made back to Ghana, during which time money may be physically carried into Ghana. Mobility means that migrants maintain contact with home, which enables returnees to keep up networks established during the period of residence outside Ghana. Social networks and contacts within and outside Ghana are often used for informal remittance sending, providing the trust and information that is necessary.

Lastly, undocumented migrants from Ghana are also present in many developed countries. The occurrence of Ghanaian illegal migration is indicated by data from the Ghana Immigration Service, which states that more than 2,000 Ghanaians were deported from 58 countries worldwide in 1993 (Van Hear 1998: 206). Reliable estimates on the number of undocumented migrants are obviously difficult to make, but it is likely that undocumented migrants still send remittances back to Ghana. It is possible that some of the money they send could be recorded because some formal channels – particularly transfer agencies such as Western Union – are still open to them, as they do not require identification for transactions below a set threshold.³ However, the remittance practices of undocumented Ghanaian migrants have not been researched, so it is difficult to know how much money they remit and how the money is sent.

3. Estimates on the volume of informal (unrecorded) flows to Ghana

The importance of remittances as a source of foreign exchange is widely acknowledged in Ghana but there is less agreement on the volume of remittance flows coming into the country. The Bank of Ghana is one of the few national banks in Africa to collect statistics on remittances, which it requires from registered banks and transfer agencies. The estimates of formal remittances made by the Bank of Ghana are higher than those given in the IMF's Balance of Payments (BoP) statistics and the World Bank's Global Development Report (GDR) (which uses statistics derived from the BoP data). None of these data sets take into

³ In the UK, Western Union sets the threshold at £600, above which a passport or other official piece of identification is required.

account informal remittance flows, which are likely to be substantial. The Bank of Ghana estimates that informal flows are at least as high as recorded flows (Addison 2004: 6). Preliminary findings from Mazzacato, van den Boom and Nsowah-Nuamah (2004: 1) of the Ghana Transnational Networks research programme in Amsterdam indicate that as much as 65 per cent of total remittances may be sent informally. In contrast, a study by Anarfi and Kwankye et al. (2003) suggests that the majority of migrant transfers are made through formal routes, “with a significant positive relationship between the frequency of remitting and likelihood of using a formal channel”.

Official data sets, especially the BoP statistics, suggest that remittance volumes for Ghana as a percentage of GDP are lower than for many other African states. According to BoP/GDF data, Ghana is not in the top ten remittance recipients in Africa, which is perhaps surprising given the mass emigration experienced by the country during the 1970s and 1980s and the now large diaspora communities. The relatively low level of remittances recorded in official statistics may partly be a result of under-reporting by banks and transfer agencies. This may be changing following more stringent reporting rules recently implemented by the Bank of Ghana, designed to improve the detail and accuracy of remittance data. The steady increase in recorded remittances (that is, those sent through formal channels) shows in the World Bank’s Global Development Finance report for 2004. This could be a result of better recording, or reflect a genuine increase in remittance transfers. A possible reason for any increase in formal transfers could be increased trust in official financial institutions, as macroeconomic indicators improved in the 1990s and exchange controls were relaxed. Despite the increases, the GDF figures are still low for Ghana compared to other low-income countries and make up only about 5 per cent of net international resource flows. This figure does not, however, take into account the volume of remittances transferred through informal systems. But even using the GDF data set, recorded remittances are still important – higher than the GDP contribution of foreign direct investment, although lower than ODA.

Table I: Worker remittances and compensation of employees (US\$ millions), Ghana, 1970–2002

1970	1980	1990	1996	1997	1998	1999	2000	2001	2002
0	1	6	28	26	30	31	32	46	44

Source: Global Development Finance Report, World Bank, 2004.

The Bank of Ghana recently produced a report on the macroeconomic impact of remittances that showed much higher figures than those in the GDF.⁴ The bank’s data show that recorded private unrequited transfers⁵ increased from US\$200 million in 1990 to US\$680 million in 2002, and a further jump to a provisional figure of over US\$1 billion in 2003. The increase in remittances shown in the Bank of Ghana data is equivalent to a rise in the GDP share for remittances from 3.3 per cent in 1990 to 11.0 per cent in 2002 and a

⁴ Addison, E. K.Y. *The Macroeconomic Impact of Remittances*. Bank of Ghana, September 2004. <http://www.undp-gha.org/Pages/Events%20&%20Conferences/sessions.htm>.

⁵ Private unrequited transfers are defined by Kapur (2004: 1) as “the narrowest definition of remittances”, that is “money sent to family and friends on which there are no claims by the sender ... unlike other financial flows such as debt and equity flows”.

provisional 13.3 per cent for 2003. The increases shown in the Bank of Ghana's data are due to actual increases in remittances and improved reporting by financial institutions involved in remittance transfers. But the figures are still not necessarily accurate reflections of remittances sent through official channels – for example, it is difficult to disaggregate export proceeds from remittances in recorded transfers. Nonetheless, since January 2004 further refinements have been made and the Bank of Ghana now requires statistics from banks and transfer companies on a monthly basis that break down and identify the source of transfers (Addison 2004).

In the first six months of 2004 the principal source of remittances was North America (the USA and Canada), followed by the UK. In the Bank of Ghana's data, banks appear as the main official channel used for remittance transfers, accounting for 92 per cent of transfers in the first half of 2004 compared to 8 per cent for non-bank transfer agencies (Addison 2004: 16). This is possible, but there is collaboration between banks and (formal) transfer agencies that the statistics may not account for. A prime example is between Western Union and the Agricultural Development Bank, which has branches throughout Ghana. Western Union charges lower transfer rates to Ghana and Nigeria compared to the rest of Africa because of the high demand, and its main partner in Ghana is the ADB, which serves as the collection point for Ghanaians receiving money through Western Union. Although money is transferred by Western Union, it is likely to be recorded as a bank transfer because it is received by the ADB. Moreover, the official figures do not take into account informal transfers, as Addison observes:

Based on our [Bank of Ghana] estimates the reported figures could represent only about half the actual total. At least as much is transferred through informal and unrecorded channels which makes it impossible to measure the precise amount (Addison 2004: 6).

Given the Bank's estimate of US\$ 1 billion in unrequited transfers for 2003, and taking that figure as the upper limit for remittances through formal channels, informal remittances to Ghana could be as much again. In contrast, Anarfi et al. (2000) estimated that only 5 per cent of remittances to Ghana are sent through formal channels, while 95 per cent are sent "in-kind". This estimate was made before improvements in monitoring by the Bank of Ghana, thus some of the transfers that Anarfi claims were made outside formal channels may in fact have been formal, but not captured in the data. In-kind transfers also include goods, but it is unclear how accurate the estimates are for such goods as oppose to standard imports.

Despite the inaccuracies, some methods can give an approximation of informal remittance flows. First, it may be possible to estimate informal flows in a similar way that private-sector transfers used to be measured by the Bank of Ghana – that is, in terms of their observed relationships with GDP. This, however, is speculative. The second method is to sample Ghanaian migrants in the countries they are sending the remittances from. If representative samples could be achieved and the mean frequency and volume of transactions calculated, it would be possible to estimate the overall volume of informal remittances sent to Ghana. This was the principle employed by Blackwell and Seddon (2004) in their study on informal remittances sent from the UK, but the estimates were made from weak data sets with numerous qualifications. There is currently no viable data available in the countries that remittances are being sent from that could be used to estimate the aggregate volume of

informal remittances sent by Ghanaian migrants. The third, and most likely, way of assessing the volume and impact of informal remittances is through surveys in Ghana itself. The main one is the Ghana Living Standards Survey (GLSS). This is a large household survey conducted throughout Ghana that collects data on a wide range of indicators and social trends, including migration and remittances. The GLSS is useful for analysing remittances, because it focuses on households rather than individuals, giving a better idea of the family strategies that often underlie decisions to migrate.

The impacts of remittances can be analysed in terms of the welfare outcomes of migration on sending households. Litchfield and Waddington (2003) find a positive correlation between welfare and migration in the 1991/2 and 1998/9 GLSS. However, most of the migration they refer to was internal. Their research indicates a decline in positive net benefits in 1998/9 compared to 1991/2, but it is not clear if this also applies to international migration. Furthermore, their research does not indicate the volumes of remittances sent by migrants, or the mode of transmission, but rather consumption expenditures, poverty incidence and school enrolment of migrant households compared to non-migrant households.

Mazzucato, van den Boom and Nsowah-Nuamahl (2004) tackle some of these issues, also using GLSS data from the 1998/9 survey. They report that remittances from outside Africa constitute 37 per cent of total flows into Ghana but that this group of givers only make up 12 per cent of Ghanaians sending remittances (Mazzucato, van den Boom and Nsowah-Nuamahl 2004: 3). This is perhaps surprising, but they find that only 3 per cent of givers and 3 per cent of total remittance inflows come from other African countries, while remittances sent by internal migrants constitute the other 60 per cent of household remittance receipts. While the figure for international transactions seems low, they point out that money transferred from abroad may pass through internal transfer channels before it arrives with the intended recipient. This would suggest the 37 per cent figure is an underestimate, but nonetheless, highlights that migration dynamics within Ghana are of central importance for many households, particularly when they do not have relatives overseas. Indications are that remittances may be equal to formal remittances, but this cannot be substantiated on the basis of current data. The scope of the GLSS suggests that it is a possible means of gaining more accurate data on informal remittances sent to Ghana, if that is deemed necessary.

4. The use of informal remittance systems amongst Ghanaians

Informal remittances tend to be most significant in countries with relatively undeveloped banking sectors and where trade and exchange-rate restrictions encourage parallel markets and foreign exchange rates. Macroeconomic policies in Ghana do not appear to encourage conditions for the informal, unregulated or parallel transmission channels for remittances. The Bank of Ghana sets the official exchange rate by averaging the exchange rates of the licensed banks, which are liberalized and determine their own exchange rates. However, inflation, fluctuations in the value of the cedi and general susceptibility to the vagaries of the global market for a narrow range of export commodities lead to Ghana being characterized by high levels of economic uncertainty. This generates some of the conditions necessary for parallel and informal markets for remittance transfers and foreign exchange quite apart from any foreign-exchange regulatory régime.

Ghanaian migrants do indeed use a range of informal channels to transfer remittances, depending on circumstances at a particular time. There is some anecdotal evidence to suggest that Ghanaians lack trust in informal remittance services offered by “ethnic” stores and forex bureaus and prefer couriers and formal channels. This is very difficult to substantiate on the basis of existing research. There are indications that certain groups of Ghanaian migrants rely more heavily on informal channels than others, so the degree of trust in informal systems may also depend on the social and economic background of the migrant. Research by Tiemoko (2004) suggests that migrants who remit less frequently are more likely to use informal channels. Migrants who send remittances tend to do so on a regular basis, but less-skilled migrants were generally found to send remittances more often than élites, and were more likely to remit through formal channels. It is not clear which variable correlates with the use of informal channels: is the use of informal systems positively correlated to the skill level of the migrant or the frequency with which remittances are made? Tiemoko suggests élites travel back to Ghana more often, which makes it easier for them to carry money back with them in the process. This form of informal remittance – carrying money to Ghana “in the back pocket” – is clearly important. If this is the preferred remittance method of élites it may partly explain why they remit less frequently, although a more convincing explanation may be the motivation and strategy for migration in the first place.

The decision to migrate tends to be taken more independently by élites than by the less-skilled, who often require financial support for the migration from family members. Migration of less-skilled workers is more likely to be part of a family or household strategy where the main aim is to raise income for the family through remittances. Less-skilled migrants and migrants from poorer backgrounds have family members that expect and rely on remittances more than those of the élite, therefore they remit more frequently than élite migrants. However, we cannot conclude from this that less-skilled migrants prefer formal remittance channels, although if this is true, perhaps one reason is the greater incentive of the less-skilled (because they tend to earn less) to reduce financial risk, which may be associated with informal systems.

On the other hand, the financial infrastructure does not extend very effectively into rural areas of Ghana, which may encourage informal means of remitting outside the main cities. Micro-finance institutions, meanwhile, are more extensive, but the literature does not indicate that they currently have a role in remittance transfers. It could be worth researching whether micro-finance institutions could be strengthened if their role in remittance transactions was promoted through policy. Critically, research is also needed in Ghana into the relative impacts of formal and informal flows. It is often assumed that remittances are sent informally because of the inefficiency of formal transfer methods, and that this, as Sander and Maimbo (2003: 5) put it, “limits the potential of remittances to contribute to development”. This is difficult to prove in the absence of research on the effects of remittances sent formally compared to those sent informally. Policies orientated towards the easing of restrictions on informal remittance flows could also be beneficial. There is also overlap between formal and informal remittance systems: part of the transfer process may take place informally but use may also be made of formal services.

5. Types of informal remittance systems

Foreign exchange bureaus

Exchange-rate fluctuations and economic uncertainty allow foreign exchange bureaus (usually referred to as *forex*) to undercut the official exchange rate and benefit from devaluations in the cedi relative to hard currencies. Their competitive rates mean forex bureaus are commonly used for foreign exchange transactions and anecdotal evidence suggests they may also be key players in informal remittance systems in Ghana.

Law prohibits forex bureaus from making international money transfers. The Bank of Ghana regulates forex bureaus. The restrictions to their practices were extended in 2003, as set out in a public communication by the Bank.⁶ The regulations make clear that to act within the law forex bureaus must limit their involvement to the final transaction in which foreign currency is converted to cedi, and avoid any role in the actual transfer process. If their role is limited to exchange rather than transmission, their importance is not necessarily undermined. They offer better exchange rates than the banks, a main reason for migrants' aversion to banks and use of informal channels. Furthermore, while there are large numbers of licensed forex bureaus in Accra and other cities in Ghana, there are also shops and other small businesses that do not have a forex licence but are involved in unregulated foreign exchange and money transfer activities. Informal transfers are often made from so-called "ethnic stores" in the migrant's country of residence and the money is received at unregulated agencies or forex bureaus in Ghana. Transactions typically go through by the next working day, but the rate is set on the date of transfer. These unregulated systems are attractive to many migrants because the transfer costs tend to be lower than at banks and "formal" money transmitters. It is also reported that transfer costs among informal operators have been falling as a result of increased competition. For transactions from the UK, for example, there was apparently a transaction charge of £10 in 1991, compared to £5 in 2000 and £3 in 2004.⁷ As already stated, exchange rates at forex bureaus also tend to be more favourable than banks, so there is a double saving.

A further advantage of forex bureaus is their reach, since they are much more extensive than banks and formal operators. Banks are principally based in the main commercial areas of towns and cities, whereas forex bureaus are found both within and outside cities, and are perhaps more appealing to people who do not normally use banks. A recent report estimates that only 5 per cent of Ghanaians have a bank account.⁸ The unfamiliarity of recipients with banks may be a critical factor in the choice of forex bureaus and other informal systems. As with banks and formal transfer operators, money is given to the recipient in Ghana in local currency. But a risk inherent in informal operators is that some are reported to cheat by handing over fewer cedi than they should. This is possible due to the relatively low value of the cedi, which means large wads of money are usually handed over in each transaction. It would take a long time to count the money and therefore the system tends to work on trust.

⁶ Bank of Ghana: Notice to the Public and Operators of Forex Bureaus. Revised Forex Bureau Regulations, January 2003. <http://www.bog.gov.gh/notices/notice03/forex1.htm>.

⁷ This is anecdotal evidence given by a Ghanaian migrant in London for transactions through "ethnic" Ghanaian stores in the capital.

⁸ *Ghana Review International*, 5 October 2004.

Money transfer operators

There is a wide variety of informal money transfer operators used by Ghanaian migrants to send remittances. The remittance sending operators, working principally from developed countries, are as much a part of informal remittance systems as their receiving counterparts in Ghana. Migrants often prefer to use the transfer services offered by Ghanaian-owned shops or small businesses in their country of residence than banks or “formal” money transfer operators such as Western Union and Moneygram. This preference may be as a result of the savings made by using informal transfer methods, but it may also be linked to social and cultural ties that encourage Ghanaian migrants to utilize and support the services offered by other Ghanaians.

Social networks sometimes take the form of associations among Ghanaian migrants that offer community solidarity and support, or exist as a result of religious links, such as belonging to the same church. Social and cultural ties take different forms, but often help inform people’s economic choices.

The niche that informal transfer companies fill in the market is shaped by competition and financial conditions in the countries in which they operate. Particularly since September 11th, most countries now require money transfer operators to have an official licence, but it is unclear whether the majority of Ghanaian transfer operators, often operating from small shops or businesses, are in fact licensed. Their reliance on trust means the incentive to retain it is strong and they have a strong self-interest to operate honestly. However, as the next section highlights, this trust is not always in existence. Nevertheless, money transfer operators are very widely used. The British Customs and Excise Authority recently completed a survey of money transfer businesses operating in the UK to monitor their compliance with money laundering laws. The results indicated Ghana is prominent among destinations served by such informal transfer businesses – within the top ten by UK-based money transfer operators.

Courier services and cash-in-hand transfers

Money and in-kind transfers are carried by hand to Ghana by returning or visiting migrants and by couriers who offer direct money transfer services as a business. Indications are that Africans in general send a greater proportion of remittances through hand-carrying of cash or kind than other migrant groups (Africarecruit 2003; Blackwell and Seddon 2004). This may also be true for Ghanaian migrants, but it is difficult to substantiate. The physical transportation of remittances to Ghana includes money transferred in cash or travellers cheques and goods, usually consumer durables, brought into the country by migrants for their families to use or sell to other people. These transfers are very difficult to trace and do not enter official estimates of remittance volumes for Ghana. It seems reasonable to assume that the greater the mobility of migrants, the greater cash-in-hand transfers are likely to be, since this form of transfer depends on making trips back to Ghana.

There are perhaps two possible ways to explore how much foreign currency is brought into the country by hand. The first may be to examine the receipts of forex bureaus, which have to be submitted to the government for auditing inspection. However, forex transactions do not solely cover remittances, so this method may be imprecise. A second way may be to

survey Ghanaian migrants in the main destination countries, to gain a clearer understanding of their remittance practices and how much money in cash or goods they send to Ghana through couriers, carry themselves or through other informal means.

A small survey in the UK by Africarecruit (2003), a London-based agency, found that among the 173 African respondents to the survey only 5 per cent sent remittances through banks and 30 per cent through international money transfer operators, while 36 per cent remitted using cash-in-hand transfers. The survey is small and did not give any details of the nationality of the respondents, but it gives some indication that cash-in-hand transfers and courier services may be important. Research by Blackwell and Seddon (2004) suggest that couriers are often used by Ghanaians, but this is again a general impression from people interviewed rather than a representative sample of Ghanaian migrants:

Nigerians and Ghanaians interviewed ... have indicated that there is often a preference for taking the funds (in cash or in the form of purchased commodities) directly, or for engaging a courier to smuggle the funds into the receiving country and take them direct to the ultimate recipient (Blackwell and Seddon 2004: 13).

One of Blackwell and Seddon's informants claimed that a lack of trust among Ghanaians meant they do not rely on "indirect transfer systems". They stated that a large number of courier services operate into Ghana, most of them apparently controlled by Akan. It is not clear why courier services require less trust than "indirect transfer systems", except that there are likely to be less operators involved, so if the courier is trusted there could be less perceived risk.

Facilitation of remittances through micro-finance institutions

A recent study by World Bank shows a wide array of rural and micro-finance institutions (RMFI) in Ghana that allow people to save and gain access to credit outside the commercial banking system. The impact of informal remittances on micro-finance institutions is not explored, but other commentators have recommended strengthening the policy links between micro-finance initiatives and remittances (Puri and Ritzema 1999; Sander 2003). The World Bank report is broadly supportive of government efforts to develop RMFIs, but critically notes that the outreach of the system is not extensive enough and does not touch large sections of the rural poor. Nevertheless, the major commercial banks are only used by about 5 per cent of households, largely because of the high minimum-deposit requirements. Sixty per cent of the money supply in Ghana is outside the commercial banking system, some of which is caught in rural and community banks, which have assets worth about 4 per cent of the commercial banking system, with savings and loan companies and credit unions holding a further 2 per cent. The rural and community banks fall within the formal system and are regulated by the Bank of Ghana under the Banking Law. However, they are prohibited from undertaking foreign exchange operations. Credit Unions are considered semi-formal in that they are formally registered but unlicensed. While rural and micro-finance do not appear to have much of a current role in remittance transfers, their potential as receivers may be worth exploring on the basis of their accessibility and because they could act as intermediaries with the formal financial sector. As Puri and Ritzema (1999: 16) suggest, if micro-finance institutions could be induced to capture more informal remittances, they could design savings and credit schemes to assist migrants in investing their earnings and support them in entrepreneurial activities.

6. Determinants of informal remittances to Ghana

Among Ghanaian migrants there are numerous factors that affect the tendency to remit, the volume of remittances and the channels through which remittances are sent. This section assesses the influence of family ties and obligations on informal remittance patterns and the role of home-town associations and diaspora networks in facilitating and promoting remittances. These are some of the main social and cultural dimensions of Ghanaian informal remittance systems, and they work through and shape the sending mechanisms discussed above.

The role of the family

Family obligations and links, which include extended as well as immediate family, are critical in promoting remittance transfers. A study by Tiemoko (2003) shows that migrants are more likely to send remittances when family members influence the initial decision to migrate. He also found that, on average, family-influenced migrants remitted significantly higher amounts per transfer and had remitted higher maximum amounts than Ghanaians whose decision to migrate had been taken more independently of family. This trend was particularly noticeable for Ghanaian migrants compared to Ivorian migrants. On average, Ghanaian family-influenced migrants remitted twice as much as Ghanaians whose decision to migrate was taken more independently of their families.

The method used to send remittances varies, but is shaped by the needs of family members and migrants. Mazzucato, van den Boom and Nsowah-Nuamah (2004), for example, highlight the purchase of state bonds as a means of generating income for family members. This allows members of the family to withdraw money for their upkeep and reduces the frequency with which remittances have to be made. Another innovative scheme is where migrants take out health insurance in their country of residence that also covers relatives in Ghana should they need medical care. This is a “formal” in-kind transfer that would not necessarily be recorded in official remittance data.

The influence of family on migrant remittance practices varies between élite and less-skilled migrants. Tiemoko (2003) surveyed 304 migrants who had returned to Ghana between August 2000 and January 2001. Of the less-skilled migrants, 69 per cent said their stay abroad had been family influenced, compared to 56 per cent of the élite category. Women were more likely than men to have been influenced by their families in their decision to migrate. Remittances were usually expected by the family and were a key reason for the initial migration decision of family-induced migrants. The remittances were generally part of a family or household economic strategy, and unsurprisingly the survey showed the remittances went mainly to family members, especially parents.

Some Ghanaian migrants also remitted for the purpose of starting a business on return or for housing construction. This was often a joint project undertaken with other family members. The less-skilled migrants planning to return to Ghana were more likely to use their remittances to finance a ‘project’ compared to élite migrants that planned to return. Among the élite, those for whom the decision to migrate was family-influenced were more likely to invest in projects back home. Family-influenced migrants were also shown to stay longer in the country of destination on average than migrants who were less influenced by

family in their decision to migrate. Several studies have indicated that remittances tend to decline as the migrant's length of stay abroad increases, but this would need researching in the case of Ghanaian migrants. This observation may be weakened if it is true that most Ghanaian migrants tend to return home – contrary to Akyeampong's (2000) assertion – or at least state their intention to return, even if this is after several years.

As the prime recipients of remittances, families have a central role in determining the way in which remittances are sent. Relatives often provide important information on factors affecting the flow of remittances, such as investment opportunities, financial conditions, and the cheapest and most efficient channels through which to send money. Remittances are more likely to be sustained when the migrant plans to eventually return (Ammassari and Black 2001), but different remittance patterns have been observed among returnees. A survey by Black, King and Tiemoko (2003) on the role of remittances in promoting small enterprise development in Ghana found that self-employed returnees on average remitted more money home more often when they were away compared to returnees who went into waged labour on return. This is largely because the money remitted by self-employed returnees was used to begin businesses, the initial investments for which were made when they were away. A connected factor may be that many of the self-employed begin businesses as part of a joint venture with members of their family. Remittances are therefore part of an obligation to family members, who may have helped financially with the initial costs of migration. Where families help meet the costs of migration, the amounts remitted tend to be higher when the distance and costs of migration are greater (Ammassari and Black 2001).

Transnational connections and sustained contact with family members in Ghana increase the incentive of migrants to remit and the volume and frequency of remittances. But do social networks influence whether remittances are sent formally or informally? It is likely that active social ties between migrants and family members and other contacts in Ghana could provide the personal links and local information necessary for informal remittance sending. Family networks are often the main social networks available to migrants and are likely to shape the form of remittances. The principal concerns of both migrant and family are generally to remit through the cheapest, most secure and efficient channels available. The influence of the family in the selection of remittance channels is likely to be greatest for migrants whose initial migration was supported or influenced by the family, and where remittances are part of an "implicit contractual agreement" between emigrants and their families (Ammassari and Black 2001: 9).

Diaspora groups and ethnic or hometown associations

The two main forms of associational life in the Ghanaian diaspora are Ghanaian churches and ethnic associations (Akyeampong 2000: 208). Diaspora associations provide support to Ghanaian migrants and encourage solidarity. Pentecostal churches, which celebrate "the trans-national and the trans-cultural embodied in international mobility" often assist new migrants and are an important social reference for many Ghanaians in the diaspora (Akyeampong 2000: 209). Pentecostal churches outside Ghana are usually affiliated to a church inside and are thus an important means of communication between Ghanaians abroad and those at home.

Ethnic associations also promote active links with communities in Ghana and some raise funds for development projects. Publications such as *West Africa* and *Ghana International Review* convey the breadth of associational life in the Ghanaian diaspora, and the *Okyeame* website provides a worldwide forum for the discussion of Ghanaian issues. Akyeamong (2000) describes how Asante Associations in the USA model themselves on the traditional Asante political system, installing chiefs, kings and queen mothers. Some of the key members of these associations may not have participated in such ceremonies when they were in Ghana, but the recreation of traditional culture helps to sustain community identities and solidarity among Ghanaians when they are abroad.

Ethnic identity tends to be more important in cities with large Ghanaian émigré populations. Henry and Mohan (2003) point out that due to the large number of Ghanaians in London associations are often formed on the basis of ethnicity rather than national identity. However, their research showed that the Ghanaian community in Milton Keynes, a much smaller town, identified itself principally in national terms. Ethnic associations usually define themselves in relation to a smaller geographical area and group of people than nationally based associations. This suggests they could be more involved with migrant remittances than national associations: “Without a specific geographical focus and defined group of beneficiaries it is likely to be difficult to mobilise transnational migrants’ limited resources for development” (Henry and Mohan 2003: 619).

This observation does not apply consistently in Henry and Mohan’s research, however, because generic Ghanaian migrant associations and more specific ethnic associations have sent either money or commodities such as clothes and school books back to Ghana. Furthermore, hometown associations are often weak because migrants tend to come from cities and have few links to their ancestral towns, other than to relatives who may reside there, in which case they remit directly to them rather than to projects in the town. But the precise contribution and relevance of Ghanaian hometown associations is difficult to judge on the basis of published research. There appears to be some support for development outside the main cities. For example, Akologo (2004) observes that diaspora-based groups are supporting district assemblies in the relatively poor region of Brong Ahafo. District assemblies are local government institutions that form the backbone of the proposed decentralization process in Ghana and have a role in local and regional development.

Overall, the evidence indicates that Ghanaian diaspora and hometown associations support projects and communities in Ghana both materially and financially. However, it is not clear what methods of transfer are used to make remittances. It is possible that banks and formal transfer agencies are used, but the extensive connections and networks that these associations have – in the diaspora and in Ghana – indicates they would also have the means to remit either money or goods informally.

7. Conclusions

Informal remittances constitute a large proportion of total migrant remittances to Ghana, but it is not possible to be sure of their exact size in the absence of detailed survey data. The Ghana Living Standards Survey shows the welfare benefits to households where family members have migrated and indicates the size and origin of remittances. The importance of international remittance flows is evident, but internal remittances are also very important. The GLSS does not provide details of the transfer method of remittances, but it may be

worth exploring whether it could be used for further research if more information is needed on informal transfer systems.

Available research indicates that the use of informal remittance systems is related to the background of the migrant and the frequency with which remittances are sent. Research on Ghana at the Sussex Centre for Migration Research found that less-skilled migrants tended to send remittances more often, and were more likely to use formal channels. Elite migrants often remitted informally, especially through courier services or cash-in-hand transfers during their own trips back to Ghana. The fact that informal remittance systems often tend to be cheaper than formal channels suggests many less-skilled migrants could be expected to use them – the evidence on the propensity to use formal channels by less-skilled migrants therefore seems inconclusive.

The purpose of migration and the role of the family in facilitating migration have an impact on the volume, frequency and possibly method of remittance transfers. Courier and cash-in-hand systems, money transfer operators and foreign exchange bureaus are all likely to be significant informal remittance channels. They may be used in combination, depending on circumstance. Courier and cash-in-hand systems involve either paying a trusted person who is offering the service, or are used during trips back by the migrants themselves. Hard currency that is carried into Ghana will most likely be exchanged at forex bureaus, which are licensed and therefore “formal”, but tend to have a better exchange rate than banks. Forex bureaus are regulated by the Bank of Ghana and prohibited by law from involvement in money transfers. There may, however, be unlicensed shops or small businesses in Ghana that receive remittance transfers from similar operators abroad.

There is therefore a variety of channels through which remittances can be sent outside the formal system of banks and transfer agencies. This is not necessarily a bad thing, in that most of the money goes directly to households or is used by migrants for investment in businesses or property. Any policies aimed at influencing informal remittances should not restrict their flow but enhance the reliability and competitiveness of formal channels. The role of remittances in rural development could also be explored, particularly through their connection to micro-finance institutions, which could benefit from investment to generate the credit needed to support farmers.

Bibliography

Addison, E. K. Y. (2004) *The Macroeconomic Impact of Remittances*. Presentation by the Director of Research, Bank of Ghana, at the conference on migration and development, Accra, September 2004. Available at <http://www.undp-gha.org/Document/MD%20CONF%20-%20PAPER%20BY%20E.%20K.%20Y.pdf>.

Akologo, S. Z. (2004) *The Role of Diaspora Based Organisations (DBOs) in Socio-Economic Development in Ghana at the Local Level*. Presented at the Conference on Migration and Development, Accra, September 2004.

Akyeampong, E. (2000) “Africans in the Diaspora: The Diaspora in Africa”. *African Affairs* 99: 183–215.

Africarecruit (2003) *Survey on Remittances and Skills*. Available at

<http://www.cbc-link.com/africarecruit/downloads/Africarecruit%20survey-%20remittances%20and%20Skills.ppt>.

Ammassari, S. and Black, R. (2001) *Harnessing the Potential of Migration and Return to Promote Development: Applying Concepts to West Africa*. Sussex Centre for Migration Research, July 2001.

Anarfi, J.K., Awusabo-Asare, K. and Nsowah-Nuamah, N.N.N. (2000) *Push and pull factors of international migration: country report - Ghana*. Accra. Luxembourg, Eurostat Working Papers: 3/2000/E/no. 10.

Anarfi, J. and Kwankye, S., with Ababio, O-M, and Tiemoko, R. (2003) *Migration from and to Ghana: A Background Paper*. Development Research Centre on Migration, Globalisation and Poverty, Sussex, December 2003.

Black, R., King, R., Tiemoko, R. (2003) *Migration, Return and Small Enterprise Development in Ghana: A Route out of Poverty?* International Workshop on Migration and Poverty in West Africa, University of Sussex, 13–14 March.

Blackwell, M. and Seddon, D. (2004) *Informal Remittances from the UK: Values, Flows and Mechanisms*. A Report to DFID by the Overseas Development Group, Norwich, March 2004.

Brydon, L. (1985) "Ghanaian Responses to the Nigerian Expulsions of 1983". *African Affairs* 84: 561–585.

Eurostat (2000) *Push and Pull Factors of International Migration: A Comparative Report*. Eurostat Theme I: General Statistics. Publication of the European Commission.

Global Development Finance: Harnessing Cyclical Gains for Development. World Bank Group, 2004.

Henry, L. and Mohan, G. (2003) "Making Homes: the Ghanaian Diaspora, Institutions and Development". *Journal of International Development* 15: 611–622.

Litchfield, J. and Waddington, H. (2003) *Migration and Poverty in Ghana: Evidence from the Ghana Living Standards Survey*. Sussex Centre for Migration Research, Working Paper No. 10, March 2003.

Kapur, D. (2004) *Remittances: The New Development Mantra?* G24 Discussion Paper Series, No. 29. United Nations Conference on Trade and Development (UNCTAD), April. Available at http://www.unctad.org/en/docs/gdsmdpbg2420045_en.pdf.

Mazzucato, V., van den Boom, B. and Nsowah-Nuamah, N.N.N. (2004) *The Impact of International Remittances on Local Living Standards: Evidence for Households in Ghana*. Paper presented at the UNDP conference on migration and development in Accra, September 2004. Available at <http://www.undp-gha.org/Pages/Events%20&%20Conferences/sessions.htm>.

Peil, M. (1995). "Ghanaians Abroad". *African Affairs* 94: 345–367.

Puri, S. and Ritzema, T. (1999) *Migrant Worker Remittances, Micro-finance and the Informal Economy: Prospects and Issues*. Working Paper No. 21, Social Finance Unit, International Labour Organization.

Sander, C. (2003) *Capturing a Market Share? Migrant Remittance Transfers and Commercialisation of Microfinance in Africa*. Bannock Consulting, July 2003.

Sander, C. and Maimbo, S. M. (2003) *Migrant Labor Remittances in Africa: Reducing Obstacles to Development Contributions*. World Bank, November 2003.

Tiemoko, R. (2004) *Understanding the Opportunities for and Challenges to Migrants' Investment in Côte d'Ivoire and Ghana*. Africa Regional Sexuality Resource Centre, Lagos.

Tiemoko, R. (2003) *Migration, Return and Socio-Economic Change in West Africa: the Role of the Family*. Sussex Centre for Migration Research, Working Paper No. 15, March 2003.

Van Hear, N. (1998) *New Diasporas: The mass exodus, dispersal and regrouping of migrant communities*. London: UCL Press.