

MoneyGram remittance costs are just 5%

MoneyGram remittance costs are 5% or less depending on the size of the transaction, MoneyGram's Vice President for Africa Hervé Chomel told a media roundtable on Thursday (7 February).



Last week, the World Bank said that bringing the cost of remittances down to 5% from the current 12.4% average would put US\$4bn more in the pockets of Africa's migrants and their families who rely on remittances for survival.

The G8 and the G20 established 5% as the target average remittance price to reach by 2014.

Africa's overseas workers, who sent close to US\$60bn in remittances last year, pay more to send money home than any other migrant group. According to the World Bank's Send Money Africa database, sub-Saharan Africa is the most expensive region to send money to.

The World Bank noted that remittance costs in SA, Tanzania, and Ghana are the most expensive sending countries in Africa, with prices averaging 20.7%, 19.7%, and 19.0% respectively, due to several factors including limited competition in the market for cross-border payments.

MoneyGram is the world's second largest money transfer company globally with Western Union being the largest.

Its services are available in 310,000 locations and 197 countries. Among the few countries where it does not operate are North Korea, Iran, Somalia and Syria.

It was founded in 1940 as Travellers Express, has 2,500 employees and has been operating in SA for the past ten years with operational centres, in Casablanca and Lagos.

As it US-based, it is subject both to local and American regulations on money laundering and other financial transfer legislation. Last year it forfeited US\$100m related to an investigation by the US Attorney's Office for the Middle District of Pennsylvania and incurred US\$19.2m in legal costs.

This meant that it reported a loss before income taxes of US\$8.9m even though revenue grew by 7% to US\$1.3bn.

Overall money transfer transaction volumes grew by 14% led by an 18% increase in sends originating outside the US. There was a 13% increase in cross-border sends from the US, while intra-US transaction volumes rose by 10%.

"Africa is no exception to our growth," MoneyGram vice-president for Europe and Africa, Carl Scheible said.

"Over the last few months we have seen a substantial increase in our send and receive services," he said. "The addition of a mobile service with FNB has been well received in SA, and supports our vision of driving convenience and accessibility for our customers," he added.

"Globally, we've grown our self-service and new channel revenue by 50% in the last quarter, which represented 5% of our total money transfer revenue. We are excited about leveraging technology opportunities as an alternative to our traditional bricks and mortar channels, both in SA and the rest of the region. We believe that with an array of alternative channels, we will cater to the specific needs of a burgeoning market."

According to the World Bank, SA is the third largest recipient of African migrants in the world, estimated at 1.8m people.

Close to 900,000 South Africans living abroad send money back to their families. Almost 50% of all remittance users send funds once a month.

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