Connecting during Covid-19

Digital remittance sending practices during the pandemic: Opportunities & limitations

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Community Spotlight Workshop (2) Report

25th November 2021

Introduction

Widespread calls to 'keep remittances moving' during the pandemic, and the common expectation of post-Covid-19 'bounce-back' illustrate the growing dependence of the international development edifice on 'development finance' (Kapur, 2004), while raising important questions about how well policymakers understand these flows. Focusing upon the care and cash remittance practices of Somali, Brazilian and Indian migrants in London, our project, *Connecting during Covid: Practices of care, remittance sending and digitisation*, argues for a more holistic understanding of remittance sending during times of crisis.

As part of our research on remittance patterns during the pandemic, we have been examining remittance sending mechanisms. Within the context of global reports of a shift towards digitally mediated remittance sending (World Bank, 2021), in this Community Spotlight Workshop, we addressed the following sequence of questions:

1. **How/did remittance sending practices shift during Covid-19? What were the key drivers of any changes?**
2. **Have remitters continued to use digital payments as lockdowns have eased? Which groups have gone back to cash-based remittance sending and why?**
3. **What are the key barriers in the take up of digital payments? How might these be addressed?**

This report presents preliminary findings from our research as well as insights from 17 representatives of migrant and third sector organisations, local policy makers, industry stakeholders and remittance senders who attended this online workshop.

Emerging data from our survey of 357 migrant households suggest some shifts to digital remittance mechanisms in the UK. Key findings are:

Research findings from survey data

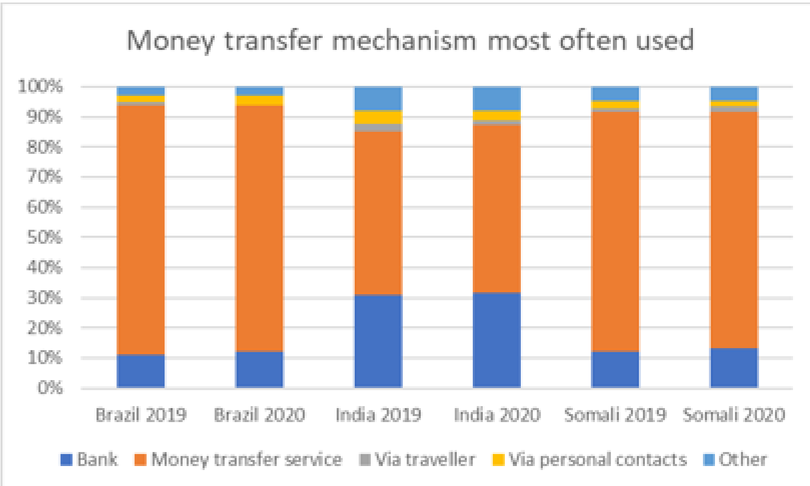
In terms of the money transfer mechanism[1] people most often used to send money abroad (as seen in Figure 1):

- The most popular mechanism overall in 2019/2020 was money transfer services, used by around 80% of Somali and Brazilian participants, and just over half the Indian participants answering this question.
- Second most popular for all communities was the bank, used by just over 10% of Brazilian and Somali participants, and just over 30% of Indians.
- Other mechanisms were used relatively rarely.

[1] "Money Transfer Businesses main financial activity is the provision of intra-household transfers. These comprise of firms licensed or registered to provide money remittance as a primary commercial activity, and includes mobile network operators, exchange houses, Money Transfer Operators who act as network providers, as well as Payment Institutions, which may offer remittances as part of a vaster range of financial services" (World Bank, 2014: 15).

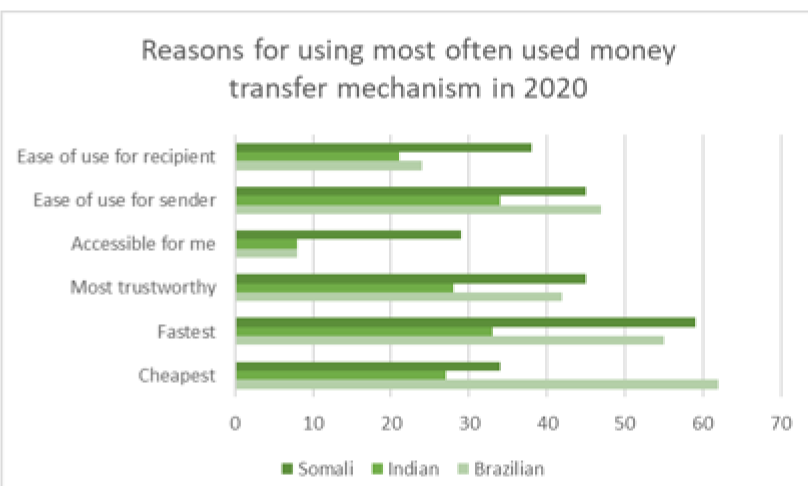
- The mechanisms used changed little between 2019 and 2020 – presumably because although high street money transfer services did close, they also reopened relatively quickly.

Figure 1



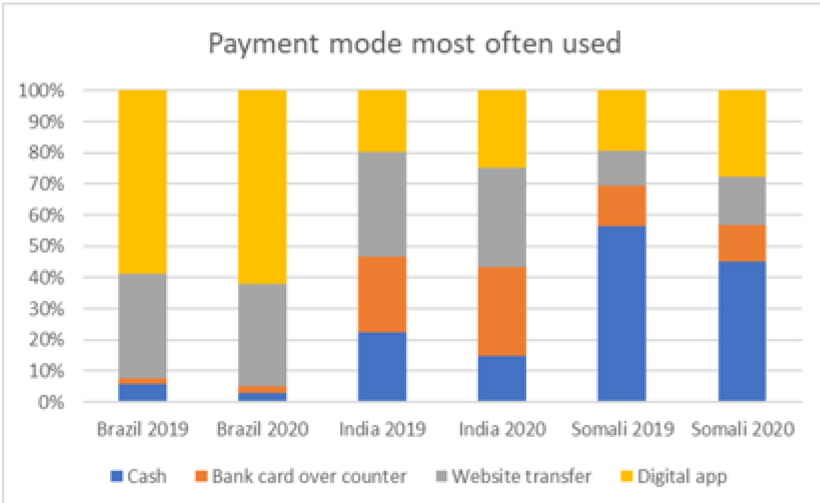
We asked respondents to indicate why they chose the most often used mechanism in 2020. People could vote for as many factors as they chose, **as seen in Figure 2**. Overall, the most reported consideration was speed (48%), followed by ease of use for sender (41%), cost (40%), trustworthiness (38%), ease of use for recipient (27%). Accessibility for sender was the least reported consideration for all communities, but arguably it somewhat overlaps with ease of use for sender. For Brazilian participants, the most popular consideration was cheapness (58%) followed by speed (51%). For Indian participants, the most popular considerations were ease of use for sender (41%) and speed (40%). For Somali participants, the most widely emphasised consideration was speed (51%), followed by trustworthiness and ease of use for sender (both 39%). The most noticeable differences were that Brazilians emphasised cost more than the other communities.

Figure 2:



Moving beyond the question of what type of business or mechanism respondents used, **we also asked respondents what payment mode they used most often.**

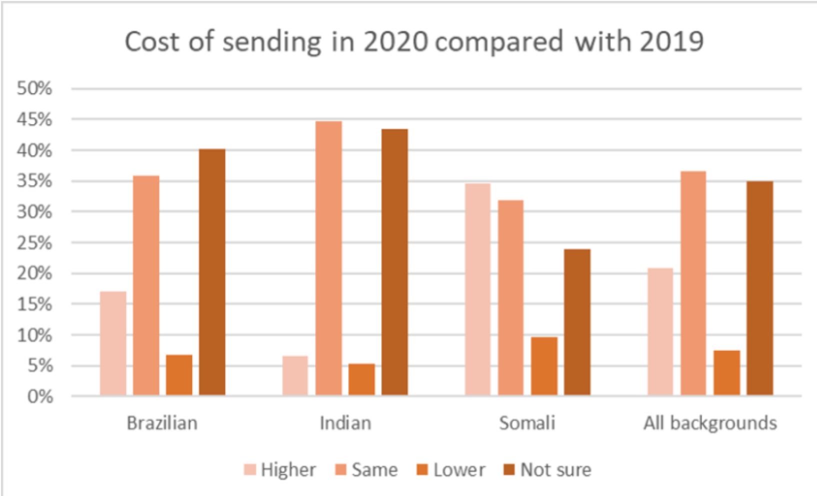
Figure 3



Here there was more variation between communities:

- Brazilian participants predominantly used digital apps and to a lesser extent, website transfers, with only a slight shift between 2019 and 2020 – involving an increase in use of digital apps at the expense of already very limited cash payments.
- Indian practices were more diversified, with around a third using website transfers, and the rest fairly evenly distributed between digital apps, bank cards over the counter, and cash. Although cash declined in 2020 in favour of bank cards and digital apps.
- Somali participants stood out in tending to prefer cash payments, although this decreased from 56% in 2019 to 45% in 2020, with migration to online, mainly towards digital apps.
- Across communities, there was a shift between 2019 and 2020 away from cash, but perhaps not as dramatic as you might expect, and with quite a lot of variation in the scope of the increase from 3% for Brazilians to around 10% for Somali participants.
- One theme in comments was anxiety around attending physical venues prompting transition to online, but another was respondents not knowing how to use website or apps, particularly older respondents, or not being able to because they do not have a bank account (a finding which was reflected in this Community Spotlight Workshop).

Figure 4



Looking at changes in the *cost* of sending money across communities:

- Around a third of respondents were not sure how the cost had changed. This was *least* prominent in the Somali community, where it only applied to a quarter of participants, whereas in the Brazilian and Indian communities around 40% were uncertain about cost changes.

Shifts to remittance sending practices during the Covid-19 pandemic

Paying particular attention to the sending practices of remittances, in our Community Spotlight Workshops stakeholders documented various ways in which the pandemic had caused remitters to alter their sending practices, some of which reflect our survey findings. One participant from an international money transfer company noted that Somalis have been disproportionately affected by the pandemic, with the loss of many elders in their community. This outcome instilled fear in elder community members, particularly in relation to handling cash and perceived heightened risk of virus transmission. This provided an impetus for them to use digital forms of money transfer, despite previously relying heavily on cash. A further explanation given for the shift to digital mechanisms was that, specifically in the first wave of the pandemic, the flow of cash was restricted since money transfer companies were not declared essential services and thus remained closed, affecting both sending and receiving countries.

As expected, it was noted that the digital uptake occurred primarily in the younger generation, aged 18 to 40 years who recognised the ease and efficiency of sending via digital means as well as the reduced risk of spreading the virus. In addition, security issues such as shop premises being broken into instilled fear of their cash being stolen, which acted as a further catalyst for the transition to digital sending.

Sending money digitally has now been seen as convenient by community members, and the representative from a money transfer agency noted that this shift is set to continue, suggesting that the pandemic has acted as a "turning point" in remittance sending practices. The increased number of remitters using digital services was said to have caused the customer service team at the money transfer agency to be inundated with remittance sending queries. This increase in the need for customer support was also mentioned by a development consultancy representative who noted that for providers who offer a combination of both cash and digital services, the uptake of digital services, in comparison to cash transfers, increased significantly. In order to facilitate the transition to digital remittance sending, providers were organising bespoke tutorials on how to send digitally, illustrating the adaptability shown by money transfer companies in times of crisis.

This illustrates that whilst there has been not a "digital revolution", the pandemic has marked a potential turning point that needs to be understood further. The key drivers mentioned were concerns about health, disruption to services (both front and back-end operations) and trust/security issues. This increased demand is met by money transfer service companies adapting their practices and launching online programs, whilst offering prompt customer service response to support online service use. Amongst participants there was some disagreement regarding the shift to digital platforms, which is elaborated on below.

Key barriers in the take up of digital payments

Delegates mentioned a range of barriers to the take up of digital payments. One remitter from the Indian community mentioned the heightened security risk of sending digitally, as well as the challenges of doing so for those who did not have UK bank accounts.

Within the global remittance marketplace, and drawing on the examples of Ethiopia and Nigeria, a participant noted that transaction costs and fees largely determined payment modes. Here cash and informal transactions predominate due to lower costs in comparison to digitally mediated remittance sending. There was some debate about the cost of sending remittances, with one participant stating that digital costs were higher than cash-based means and another stating they were lower.

A further barrier highlighted by Somali representatives was the lack of digital awareness, particularly prevalent in the older generation. Older people could rely on the help of their younger family members (who were at home during the lock downs) to send remittances digitally. However, once the lockdowns ended, and younger people went back to work, this was not always possible. As such, the older generation went back to the traditional mechanisms of remitting, given the shame and embarrassment associated with asking for support once more.

In addition, one workshop delegate who owns a money transfer agency reported that while there is a combination of digital and 'traditional' (cash) transfer methods, in his view, most remitters continue to use 'traditional' means of sending. The elderly population were said to be the first remitters who began sending partly motivated by religious beliefs. When they initially started to remit there were no digital services available, thus they are familiar and comfortable with handling cash. He alluded to the trust and rapport built between customer and agent which has solidified over time. Therefore, despite the younger generation using digital means to remit, the greater number of elderly remitters are the ones who are likely to continue remitting through traditional practices. Coupled with their comfort of knowing the agent and using the medium of cash to remit, this delegate mentioned that certain customers who are transferring money do not have access to bank accounts, restricting their ability to send digitally.

Conclusion

The second Community Spotlight Workshop provided rich insight into people's everyday experiences of remitting in times of crisis, the shift to digital payments, and the associated opportunities and limitations. On the one hand, remitters adopted digital payment methods due to closures of retail outlets, fears of contracting the virus and ease of remitting online. On the other hand, remitters also highlighted a lack of trust in online transactions, not having bank accounts, digital illiteracy and worries about fees and exchange rates as factors limiting their (sustained) use of digital payment systems.

Many of these issues regarding drivers and barriers of online interactions resonate with evidence from community-based organisations who were trying to support people through online means during lockdowns, when usually interactions were face to face. Whilst it is important to recognise the innovation and success of these online spheres, it is crucial to note that some people were left out and thus struggled with isolation and loneliness more so during this period. Our additional survey and continuing research will see us further understand shifts from industry perspective and remittance shifts during 2021, to gauge further sustainability and prospects in terms of digitisation.

References

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- World Bank. (2021). *Defying Predictions, Remittance Flows Remain Strong During COVID-19 Crisis.* [online] Available at: https://www.worldbank.org/en/news/press-release/2021/05/12/defying-predictions-remittance-flows-remain-strong-during-covid-19-crisis.