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Understanding Cost Patterns in Remittance Corridors of Sub-Saharan Africa

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Why Remittances Matter

- $56B remittances to SSA in 2024 – lifeline for millions

  >10% of GDP in several countries;

  >20% in Gambia, Lesotho, Cape Verde.

- Critical for poverty reduction, education, health, and household consumption

Cost Problem

- SSA is the most expensive region for remittances
  - Global average (Q1 2025, $200): 6.3%
  - SSA average: 7.97%

Region	Cost
Sub-Saharan Africa	7.97
Europe & Central Asia	6.25
Middle East & North Africa	6.24
Latin America & Caribbean	6.15
East Asia & Pacific	5.96
South Asia	5.03

- SDG 10.c goal: <3% costs, eliminate >5% corridors by 2030

Study Objective & Dataset

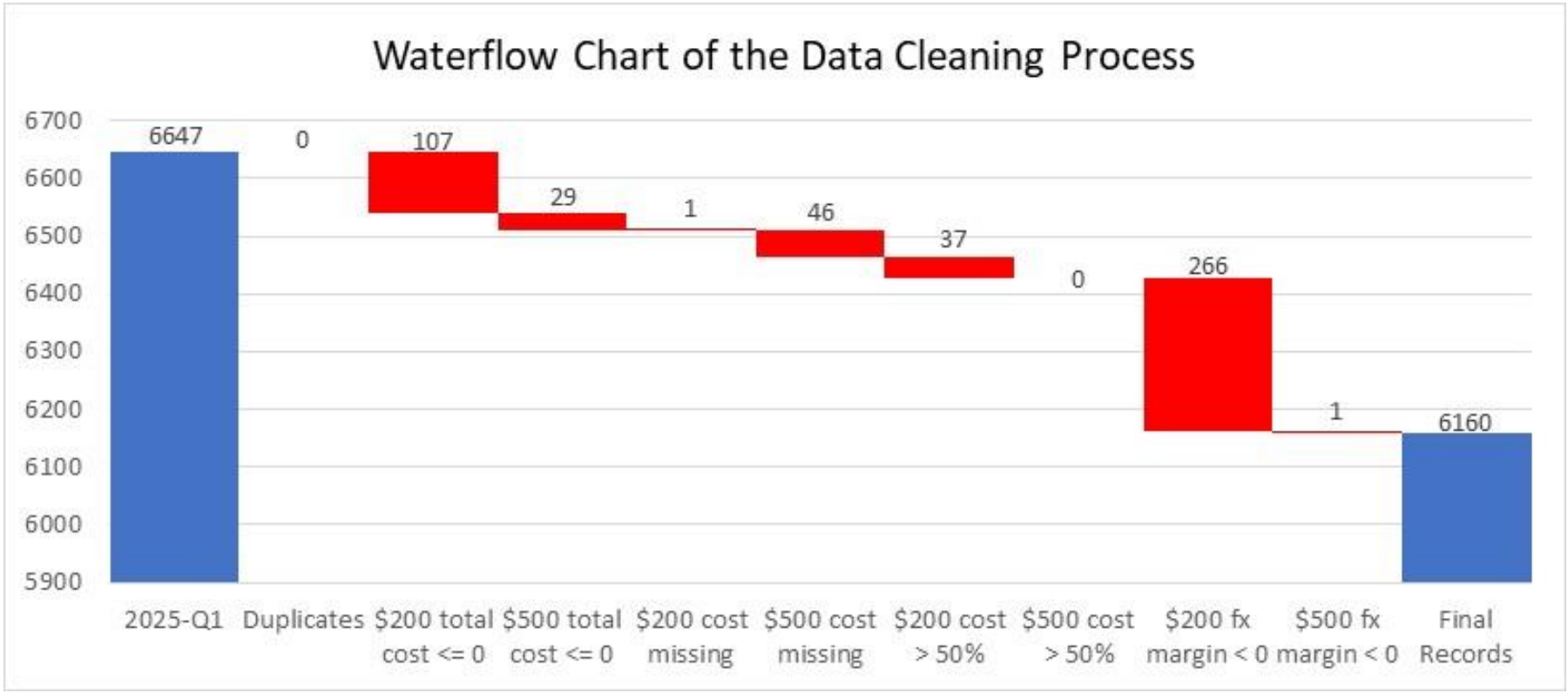
- Study the disparities in cost of remittance in Sub-Saharan Africa[1]
- Understand the structural drivers for the costs, and the role of DPI
- Possible policy initiatives to rationalize the costs

Dataset

- World Bank Remittance Prices Worldwide (RPW)
- Coverage: 367 corridors, 48 sending, 105 receiving countries
- Data available: 36 quarters (2016 – 2025)
- Focus: Q1 2025; historical data used for trend

[1] *Sub-Saharan Africa has been referred as SSA in this document.*

Data Cleaning Waterflow Chart



For $200 transfers: 1,334 corridor-level observations

Statistical Approach

- Analysis was conducted at two levels –
  - Analysis of the corridors
  - Analysis of the countries (based on destination)

- Analysis
  - For a particular quarter – for this the average cost was calculated. Both – for corridor and for country.
  - Trend analysis – the volatility of cost was measured through Coefficient of Variation (CV)

    [<20% stable], [20–50% moderate], [>50% volatile]

Analysis Results

- SSA avg = 7.97% vs Global = 6.3% vs South Asia = 5.03%
- A higher proportion of SSA corridors are in the higher ranges of cost.
- Very wide distribution of costs, ranging from 2 .2% to 25.7%
- Worryingly, costs have remained stable.

Range of CV	# of Corridors	Proportion
<=20%	43	50.6%
20% to 50%	38	45.9%
50% to 75%	2	2.4%
75% to 100%	1	1.2%

- Global data shows that costs below 1% are also feasible

Analysis Results

- Financial inclusion parameters (Findex 2025) data does not discriminate between the high- and low- cost countries.
  - Averages for high- and low- cost countries were compared for significance
- MTOs provide significant higher efficiency in transferring funds, as compared to the banks. They are also significantly cheaper than banks.
- Monetary Unions
  - Functioning monetary unions (ECOWAS and WAEMU) have a significantly lower costs.

Payment Infrastructure Gaps

- RTGS: nearly universal but not 24/7
- ACH: only 31% SSA
- FPS: 38% vs 61% global
- Card switches: 73% vs 80% global

Monetary Unions & Remittance Costs (Q1 2025)

- ECOWAS: 6.9% avg; 13% below SSA avg
- WAEMU: 6.3% avg; 21.3% below SSA avg
- SADC: 10.6% avg; 32.9% above SSA avg
- EAMU/EAPS: 7.99–8.55%; around SSA average
- Strong unions = lower costs; Weak blocs = higher costs

Implications of Monetary Union Findings

- Integration helps: shared currency + settlement reduce costs
- SADC: SADC-RTGS, no retail system → high costs
- EAMU mixed: no common settlement infra
- Next step: ACHs must evolve into 24x7 fast payment systems (FPS) – Globally > 60 FPS are upgrade of ACH to provide economies of scale, scope, cost and quick implementation.
- Key Insight: Monetary Union cuts FX barriers, but FPS + non-bank access needed

Partial DPI Progress

- Ghana: biometric ID + GHIPSS
- Nigeria: NIP + APIs
- Kenya: M-Pesa + IPSL (domestic only)
- South Africa: PayShap (bank-only)
- Weak cross-border, non-banks excluded

Regional Systems – PAPSS & Buna

- PAPSS: 144 banks + 15 central banks, no volume data, bank-only
- Buna: 116 institutions, USD 3.2B in 2024, ~180k txns/year
- Wholesale RTGS focus, retail absent
- Key Insight: PAPSS information not available publicly, Buna transparent but RTGS-centric

Global Benchmark Corridors

- 6.7% of global corridors had a cost below the SDG 10.c goal
  - **Kuwait → Pakistan: 0.84%**
  - **Bahrain → Pakistan: 0.97%**
- Significantly, it shows that costs <1% are achievable
- Enablers: digital ID, instant payments, APIs, FX transparency, fintech competition

- Citibank Global Transfers in 2000 – within Citibank - cross border remittances had met SDG goals then!!!

SSA vs Global

- SSA: fragmented, regulatory silos, cash-heavy
- Global: open, digital, interoperable
- Shared geography/currency ≠ low cost (Senegal→Mali paradox)

Policy Pillars for SSA

- Build inclusive DPI: digital ID, RTPS, open APIs
- Implement fast retail payment systems, by upgrading monetary union systems
  - Help in economies of scales
  - Globally 60% of the faster payment systems are by upgrading ACH
- Other faster payment systems can be linked using BIS Nexus Solution, which is ready to roll out.
- Expand access beyond banks: wallets, mobile, fintechs
- Promote consumer awareness: FX transparency, cost tools, batching
- Harmonize regulation & corridors: AfCFTA pilots

Other Possible Options

- StableCoins
- Tokenized deposits
- Leveraging international card network
  - Visa Direct
  - MasterCard Send

- Batching money transfers can reduce the costs
  - Leveraging the lower cost for sending $500
  - 12 monthly transactions of $200 vs 5 transactions of $500 can result in 23.4%
  - However, might not be feasible for blue-collared and migrant labourers

Why DPI Matters

- DPI will allow the payments to become an invisible rail, and reduce transaction cost
- Cross-border interoperability → cheaper, faster
- Global examples: India UPI, Brazil PIX

Conclusion

- SSA = most expensive region (~8%)
- Costs remaining stable over 9 years
- Structural issues: banks + cash-heavy
- DPI + non-bank access + integration = solution
- Monetary unions: convert ACHs into FPS for quick gains
- Vision: From highest-cost → most innovative region

THANK YOU!

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