

For many Africans living abroad, remittances are a vital lifeline to family and friends back home, but sending money home can be costly. In fact, the cost of remittances to Africa is the highest in the world at 10.6%.

Incumbents have high fees and slow speeds. In many African countries, the national post office is partnered with only one money transfer operator, leaving recipients with few choices other than to accept the high fees.

Digital remittance companies are changing the landscape and improving financial inclusion by providing better rates than incumbents at speed. As a result, they're seeing a rapid increase in demand. However, these remittance companies still face challenges in providing this vital service.

The Problem:

Most of the cost of sending money to Africa comes from fees charged by banks and other financial institutions. Digital remittance companies offer a solution to this issue but face cross-border remittance payments challenges like illiquid currencies and FX risk that can make providing a fast, lower-cost service difficult.

Illiquid currencies

African currencies tend to be "illiquid currencies" that are not widely traded on international currency markets. This lack of liquidity can make it difficult and expensive to convert African currencies into other major currencies like GBP or the US dollar. The largest share of digital remittance transactions in Africa is GBP into African currencies, opening up issues of liquidity that need to be addressed. This can make it difficult to provide competitive rates for customers looking to send money abroad.

FX risk

FX risk is the possibility that changes in exchange rates will adversely impact a company's financial performance. For remittance companies, this risk is amplified by the fact that they frequently have to hold large amounts of both local currency and foreign currency. This can lead to significant losses if the exchange rate moves against them.

The Solution:

By leveraging [REDACTED]'s technology, remittance companies can overcome these problems to offer fast, reliable, low-cost remittance services at scale.

Access illiquid currencies

With [REDACTED], remittance companies have access to a wide range of illiquid currencies, helping them keep rates low and improve their overall competitiveness. In addition, [REDACTED]'s technology makes it easy to convert between currencies, further simplifying the process for customers.

Hedging currencies

Another benefit of using [REDACTED] is the ability to hedge currencies. This feature allows remittance companies to protect themselves from fluctuations in exchange rates by setting a rate they are comfortable with and then executing transactions at that rate. This can help remittance companies avoid surprise costs and ensure they are able to provide consistent rates for their customers.

Direct payout in local African currencies

[REDACTED] also offers direct payouts in local African currencies. By directly paying out in local currencies, remittance companies can save on conversion costs and provide their customers with faster service. In addition, this feature can help to improve customer satisfaction by reducing the amount of time customers have to wait for their money.

By using [REDACTED] technology, remittance companies can provide their customers with the fast, low-cost service they need at scale. This can help to improve financial inclusion in Africa by supplying people with access to the funds they need quickly and affordably. Digital remittance companies can use our services to speed up cross-border payments and reduce costs; revolutionizing how people send money to Africa.