BINDURA UNIVERSITY OF SCIENCE EDUCATION

A STUDY INTO MONEY TRANSFER AGENCIES’ IMPACT ON FOREIGN CURRENCY GENERATION IN ZIMBABWE FROM 2007 TO 2012

SUBMITTED BY
STANFORD HATLANI
(B0924068)

SUPERVISOR
MR CHIKOMBA

A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE BACHELOR OF COMMERCE HONOURS DEGREE IN FINANCIAL INTELLIGENCE OF BINDURA UNIVERSITY OF SCIENCE EDUCATION. FACULTY OF COMMERCE
(November 2012)
ABSTRACT

In many Less Economically Developed Countries (LEDCS), remittance payments from migrant workers in are increasingly becoming a significant source of foreign currency for the home countries. This research investigates the effectiveness and efficacy of Money Transfer Agencies (MTAs) in Zimbabwe in generating foreign currency for the economy using time series data over the period from 2007 up to the period of submission of the project. This research is important to the Zimbabwean Government, the RBZ, boards, management and staff of money transfer agencies, bureaux de change and banking institutions in educating them about the major recommendations. The literature reviewed the theoretical and empirical aspects of best remittance practice. Exploratory research was used to enable the gaining of insight into the general nature of the effectiveness of best remittance practices adopted by the Zimbabwe MTAs. Attention was devoted to three MTAs (Easylink, Western Union and MoneyGram Money Transfer Systems) and a panel of seventy (70) individual Zimbabwean immigrants as the sample population for the study upon which stratified random sampling was employed. Eighty questionnaires were sent out and an overall response rate of 94% was achieved. Data was presented and analysed using graphs and tables. It was found out that remittance service institutions were not being fully utilised as intermediaries of generating foreign currency for the Zimbabwean economy. The operational risks in the remittance transfer system were found to be properly managed with some institutions employing risk prioritisation process in the management of MTAs. However, the majority of immigrants revealed that they lacked trust in the MTAs due to the financial institution crises that occurred in Zimbabwe during 2004 and 2008. The research concluded that the Zimbabwean remittance system is implementing effective best remittance practices in line with the global trends and standards set by the Reserve Bank.
of Zimbabwe. The study also recommends a number of policy issues to adopt. These arise from the results of the analysis in relation to the need to increase the MTAs’ network distribution to the rural areas and to form partnerships with other players like high schools and hospitals; need for the Government to assist in the provision of proper documentation to illegal migrants (e.g. asylum papers) to facilitate registration with MTAs. The research also suggested the implementation of the Dodd Frank Policy in Zimbabwe since there are no signs of preparatory efforts to adopt it.