



How the Somali Remittance Works in Western Countries?

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Title:	How the Somali remittance works in western countries?
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Abstract:	
<p>The research investigated the barriers and the challenges that Somali Remittance Companies face and how they operate within stringent rules and regulations. Also, the research examined how the Somali diaspora sends money to their families who live in Somalia. The study also aimed at the various companies that transfer money, focusing on the systems they use, such as digital or regular transfer money.</p> <p>Furthermore, the research also focused on the expansion that the Somali Remittance Companies have made since their business's birth, which approximately dates from the 1970s.</p> <p>The research highlighted the various factors that affect both the customers and the Remittances Companies and how those challenges weaken the home country's economic growth that often depends on the money transferred for the diaspora communities.</p> <p>The data is collected from in-depth interviews with five respondents to get more information about how the remittance companies function in general. The theoretical part is based on existing research, journals, and other relevant documents. The study demonstrated that a large number of the population who live in Somalia depend on the money that is transferred from abroad.</p> <p>The results of the research highlighted that five different companies were participated and shown that both male and female customers remit the same amount of money to their families. Also, their age group was categorized into two groups, 25 to 64 and 18 to 24, based on their income. Another critical aspect of the results shown that remittance business is easier and less bureaucratic when the customers want to send their home countries as there are no official banks for the money destination.</p>	
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1. REMITTANCE BUSINESS

This chapter briefly highlights the components that cover the introduction of the remittance, such as the background of the research, the research questions, limitations, and the thesis structure. The introduction chapter will provide the reader with insight into the research focus and background information.

1.1 Introduction

For the last three decades, Somali remittance businesses have been expanding in terms of quality and quantity ("UN-OHRLLS," n.d.). These companies' challenges are also increasing, particularly in western countries (Maimbo, 2006). Some of these challenges could be attributed to the laws and the policies that govern money transfers (Lindley & Mosley, 2014). Some other constraints could be related to the destination point of the transferred money; for instance, the recipient may live in a remote area in which the companies do not operate. Another crucial factor relevant to the challenges could be that most customers (senders) do not understand how the remittance companies operate. Therefore, in this research, the researcher investigates how these challenges affect the remittance companies and how they can be ameliorated.

1.2 Background

The Somali civil war broke out in the 1980s, and many Somali communities have fled from the country. Some immigrated to neighboring countries such as Ethiopia, Kenya, and Yemen. Others reached Europe, North America, and Australia. Due to the civil war, the country's economy collapsed (Oxfam, 2013). Therefore, those who reached safely in foreign countries sent money as remittance to those still in Somalia who could not afford to leave.

According to a 2013 Oxfam report, more than half a million Somali refugees are residing worldwide. These Somali refugees and those in the Arabian Peninsula have supported their

families and relatives back home by sending money through remittance (International Organization for Migration, 2014).

Oxfam also stated that Somali immigrants send around 1.3 billion dollars per year. Sixteen percent of that total comes from the USA, with the remainder coming from other western and Arabian countries. The recipients utilize the money to cover their basic needs, such as food, health, education, and rent (Oxfam, 2013). However, Somali remittance companies, particularly those in the USA, face complicated regulations set by the government to declare, such as where the money came from and where it is going. This hinders business expansion and affects customers who send money to their families (Oxfam, 2013). Similarly, European law has introduced new regulations that increase the cost of the service that is being used to transfer money (Rift Valley, 2018).

According to research conducted by Rift Valley (2018), it is estimated that 40% of the Somali people who live inside Somalia depend on the money they receive from abroad. The report also added that the money they receive from remittance is between 50 to 300 dollars (Rift Valley, 2018). Around 80.7% of Somali refugees who live abroad send money to their origin countries regularly through remittance. Some people open savings accounts in the remittance industry to save money (Benson, Heger, Sorensen, Wise, 2016).

Remittance has been growing in countries worldwide for the last ten years (World Bank, 2014). Increasing numbers of remittances focus on political rule-makers (O, and N, 2006). Nevertheless, money transfer through remittance is a subject that gives interest and consideration to international scholars how the system works.

The remittance trade started to grow from small personal businesses to big companies owned by Somali people in the 90s, and this growth continues. However, the Somali diaspora is the predominantly demographic who use this service (Maimbo, 2006). The growth of these companies facilitates easy transfer of funds and helps the country's economy grow. Also, it is an important part of the everyday living of the people who stay inside Somalia. From the time war broke out, there has been no central bank operating that gives rules on how they work or rates. The remittance

industry facilitated international charity and United Nations to use when implementing projects in Somalia (OXFAM, 2013).

Due to the lack of a central banking system in Somalia, remittance and telecommunication play a role in making corporations that able digital payments to improve, increasing the speed of the transactions and reducing the cost of sending money. This money is saved by the Security World Bank (2017). The mobile money service is more reliable, and customers save their money on their mobiles to use as credit cards.

The World Bank estimated that around 60% of Somali people get their salary and other allowances through mobile money transfers. Remittance (Hawala) companies are increasingly partnering with mobile network operators to transfer international money directly to mobile accounts (World Bank, 2017).

Dahabshiil and Amal are the biggest Hawala (remittance) companies and transfer their customer's funds through mobile services called e-Dahab and Zaad. Remittance companies are making competition between them to send customers mobile (Oxfam, 2013). Customers prefer to receive remittance money through their mobile rather than visiting the remittance offices, which takes a longer time.

In September 2001, the attack on New York twin towers affected remittance companies. Due to new rules introduced, some of the assets of remittance companies were frozen, such as those of Barakad Remittances. Western countries created a new system that required remittance companies to register and apply for a license to prevent money laundering (Hamza, 2006).

The main challenges that faced the remittance business post- 11 September were the western media and the lack of rules and regulations in Somalia (Hamza, 2006). Remittance companies work in a conflict environment, yet the customers trust their service. The remittance industry serves towns, villages, and rural areas (Maimbo, 2006). Maimbo (2016) argues that business is still trusted and sustainable unless a traditional central bank operates and people trust.

1.3 Research aim

This research investigates how Somali refugees in western countries send money to their families who live in Somalia and understand how they contribute to economic growth. The other challenges that remittance companies face and the problems that money senders and recipients encounter from the companies' services.

1.4 Research questions

The following objectives will comprise the core of this thesis.

RQ1: How do Somali remittance companies operate, and what challenges do they face in terms of rules and regulations within the countries that they work?

RQ2: What role do remittance play in the Economy of Somalia and innovations produce?

RQ3: What are the advantages and disadvantages of the remittances?

1.5 Limitations

This study was conducted primary research in Finland and Sweden. Several factors have affected the shape of the research. Although the research target group was interviewed, the period over which the research was conducted was only nine days. It would be better if more time would have been allocated.

Furthermore, the availability of the interviewees was another constraint. The sample of the participants consisted of five different companies; therefore, the findings cannot be used to represent all remittance companies. More sampling would hence be an advantage. Furthermore, the coronavirus pandemic has limited the movement of the researcher, and conducting face-to-face interviews was problematic. Finally, initial trust between the researcher and the research

participants was quite limited. However, despite the constraints above, the researcher managed to mitigate their impact on the overall quality of the study.

1.6 Structure of the thesis

This thesis consists of five sections: Introduction, Theoretical Framework, Methodology, Results, and Discussion. The theoretical framework presents all information concerning the previous articles and other documents about remittances services. The methodology highlights how the research is conducted. After the research data is collected, the results were presented, and the final section of the study will present the discussion and recommendations.

2. THEORETICAL FRAMEWORK

The theoretical framework discusses how the business works globally in terms of money transfers. The first part highlights the history of Somali remittance companies. Followed by the availability of Somali remittance companies and how the systems work, and the criteria of choosing that the sender uses to select the appropriate remittance company. The third section highlights the challenges businesses face, such as deliveries, new regulations, and lack of information about the cooperation between remittance companies and contemporary banks. The fourth section discusses the positive impact of the UN and INGOs on money transfers. The final part presents the advantages and disadvantages of online transfer.

2.1 Remittances business services

Remittances are funds sent from one person to another person who lives in another country, mainly low- and middle-income countries. Remittances or Hawala services allow funds to be transferred wirelessly, by mail, electronically and using cheques (Murphy, 2019).

The remittance business depends on commission on the money sent by the customers to their families or friends. Also, a large number of their income comes from international charities (NGO's) and the United Nations (UN) (Murphy, 2019).

In 2019 the World Bank reported that around 529 billion USD is sent annually through remittances to low and middle-income countries. In each transaction, on average, it is estimated around 200 USD to be transferred. Banks charge 11% commission, while the postage charge is estimated at 10%, and the cost of the service sending of money internationally is 10% (Murphy, 2019). Based on the research Murphy, 2019, the Somali remittance companies are the cheaper cost of the service, which is 5% commission, when sending large money, the cost of the service is less.

The World Bank also stated in 2019, the first country that exceeds receipt money from remittance is India which receives 79 billion; the second country is China 67 billion; the third one is Mexico 36 billion. The fourth Philippine, 34 billion, and the fifth is Egypt, 29 billion. Venezuelan people become to immigrate to another country and start sending their home country around 1.5 billion. Also, another study conducted by (Murphy, 2019) presented similar data with the world bank.

Somali immigrants in western and Arab countries send around 1.3 billion to their home country each year (Oxfam, 2013).

2.2 History of Somali Remittances companies

In the early 1970, male Somali's started to travel to the Gulf countries to work and began sending money back home through remittances. The agents (remittance companies) were collecting cash from workers. Although recipients were obtaining the money that was being remitted, it took weeks or even months for them to receive the money ("UN-OHRLLS," n.d.).

Dahabshiil, founded in 1970, was the first company and the most significant Somali remittance company and is now the largest Somali remittance business, with around 2000 employees and 400 branches. The company headquarters is in the United Kingdom and has 130 offices in Somalia with 130 units and other worldwide agents. Dahabshiil is under the umbrella called SOMTA,

which remittance companies' part of it, and the headquartered is in London (Chalmers and Hassan, p.28, 2008). Company transfer money in US Dollar money and member of the Somali Money Transfer Association SOMTA is an umbrella that other Somali remittances also member.

Qaran is the second-largest Somali remittance company and was founded in 2005. The company headquarters are in Dubai and London, and the company has 175 branches, 64 in the United Kingdom and 60 units in Somalia. Charity funds are free of charge for a SOMTA umbrella member (Chalmers and Hassan, p.28, 2008). Qaran remittance is close now; most of the shareholders made the new remittance called Taaj, and Taaj is now the second-largest remittance and works as a mobile money transfer.

Mustaqbal is the third-largest remittance headquarters in Dubai, has 58 agents globally, 8 in Somalia and 49 in the United Kingdom, and is a member of SOMTA.

Amal Express, founded in 1997 as a remittance business, has 32 agents, 15 in Somalia and 17 in the United Kingdom. The company is the fourth member of SOMTA and has its headquarters in Dubai. Now Amal is the third-largest Somali remittance company.

Many remittance companies, such as Kaah Express, Hodan Global, Olympic Amana Express, Iftin Express, and Tawakal Express, operate in the same way the companies are a different size medium and small company (Chalmers and Hassan, p.28/29, 2008). Many transfer companies have been opened nowadays like Guulpay, Huda, Transfer galaxy, which sent through mobile money as Taaj.

2.3 The availability of Somali Remittance companies

Somali remittance companies play a significant part in the country's economic growth, as many customers send money to their family or friends (Chalmers and Hassan, p.46, 2008).

Remittance services allow the Somali diaspora to send money and provide the service to make a profit. The other role organizations play is hiring employees and participating in community assistance, such as when droughts and floods occur (Chalmers and Hassan, p.46, 2008). Also,

Chalmers and Hassan 2008 stated that the Remittance businesses invest in local businesses to create opportunities for small businesses to grow.

Remittance companies provide reliable and fast services in urban and rural areas where local government banks do not operate. Central banks have not served in Somalia over the last three decades. Fortunately, senders and receivers trust the service provided by Hawala. The disadvantage the remittance companies is that they failed to build the trust for local Somali people to save their money remittance like banks ("UN-OHRLLS," n.d.). The Somali community cannot easily trust to keep or to save remittance companies. Such companies do not guarantee the company files for bankruptcy or if other problems occur; for instance, one company shareholders went bankrupt, which resulted in some of the customers who had saved money lost their money, and senders took time to get their money back.

2.4 How the Somali Remittance system works.

The Somali remittance system follows a process whereby the customer wants to send money visits to the local remittance company and provides the agent with money and the recipient's details. The remittance owner holds details of both the sender and recipient after the company makes the money transfer online. The client immediately contacts the recipient and informs them that the funds have been sent. This is confirmed at the recipient's end. Most clients use this process to send money back to their homes (Chalmers and Hassan, p.26/27, 2008). Before there is a lack of internet or telephones, remittance companies used radiophones to inform local agencies receiving money. When the client sends money to his/her family/friends, make more details like the recipient's fourth name and the tribes they belong. Most local customers do not have a telephone service, but customers visit the agent's office to check whether their relatives sent money or not.

After collecting the client's money, the remittance businesses immediately deposit the funds to local banks and transfer remittance where they have headquarters. Most companies have their main office in Dubai (Chalmers and Hassan, p.26/27, 2008). After 11 September 2001, western countries imposed stringent rules and regulations on remittance companies. Therefore, the

remittance companies must collect the sender's details, such as their telephone number and address, to ensure that the agent does not transfer money to the wrong people or terrorists.

2.5 Choosing a Remittance company (Hawala)

Customers of remittance companies have many considerations, such as whether the company is safe and secure, the cost of the transfer, and the speed. Surveys show that, as the customers wish to send money to their relatives or friends, their primary concern is safety and security. Both the sender and recipient must trust the company providing the service. The second consideration is how quickly the recipient will receive the money, and the third is the cost of making the transfer. Some customers prefer the cheapest method, and last is knowing the recipient agent or sender and know each other personally, or they are the same clan. In Somalia, the same tribe group is more important than friendly (Chalmers and Hassan, p.29/30, 2008).

After choosing the remittance company, the communication between the recipient, an agent of the company, and the sender is organizing very highly. As soon as the sender sends the money, the recipient agent contacts the money recipient, asking if they were expecting money, who was sending, the amount of money he/she was expecting. The sender then contacts the recipient to check the amount of cash received (Chalmers and Hassan, p.26, 2008). The local agents to match the recipient's details is for security instead of taking money to the wrong person or wrong amount.

2.6 Challenges that Remittance companies face

After September 2001, Somali remittance companies faced new challenges that the western countries imposed, such as continuously checking where the company is sending money and who is sending money. However, despite the stringent rules and regulations, Companies were growing from small business to medium business from starting the 1990's, hoping it becomes difficult to continue because Western governments condemn that terrorists use the service (Maimbo 2006).

Generally, the owners of remittance companies are Somalis, and most of their customers are Somalis. Some of the customers have been using the service from the beginning in the 1990s to

2001 majority of remittances company they do not make registered as a business also were not paying the tax the country serving and sometimes money transferring from the customer is not safe (Maimbo, 2006). It is often reported that local banks refuse when the amount of money is enormous.

Remittance companies that operate in Somalia have an office in an unsafe environment. It is, therefore, sometimes complicated to open offices, and that delays the provision of the service they provide. Thus, the business often works traditionally. The agent people live in the area that the clients live also; therefore, they are more likely to trust how they operate. In most small villages, towns, Somali diaspora, and western countries, the remittance service is available and operates well organized (Maimbo, 2006).

Businesses face a challenge that they cannot overcome and where remittance business operates to work became difficult to develop. Other challenges include serving conflict areas, new regulations, security, management, competitor businesses, and media (Maimbo, 2006).

By the time the 11 September attacks happened to the twin towers, the largest companies called Al-Barakat were condemned that remittance gives financial support to a terrorist. Western countries imposed new regulations that demand remittance companies and customers to report transactions, which caused the business's cost to increase. Remittance companies adopted these rules, but they restrict business activities (Maimbo, 2006).

One of the essential concerns for western countries in making such regulations is to protect against money laundering, terrorist financing and legally block the remittance accounts (Lindley & Mosley, 2014).

Customers who are using money transfers online through remittance meet difficult situations, while customers do not have access to banking services to send money (Lindley & Mosley, 2014).

2.6.1 Delivery challenges

In Somalia, it is challenging to send remittances to certain areas because of the poor infrastructure. During the rainy season, the roads become unusable, and it is not easy to travel and deliver money. Insecurity issues in Somalia surround the civil war of the last thirty years (Maimbo, 2006).

One of the executive money transfer operatives said that in the capital city of Somalia, Mogadishu is sometimes difficult to move funds freely to customers from outside the country. Due to the weak security, remittance companies have started to open branches everywhere in Mogadishu to be more easily reachable. The businesses have become more developed in the big cities or towns (Maimbo, 2006).

Hargeisa is the second city in Somalia. It is also a populated area the delivery service is more efficient than the other town like Mogadishu of a strong government presence that increases security. But, Hargeisa has the same issue in that traditional banks do not operate a money delivery service. As said, one of the agent business make delivery everywhere in Somalia (Maimbo, 2006).

2.6.2 Regulation

Before 11 September, some of the owners of the remittance companies were not registering their businesses legally, and therefore terrorists could quickly transfer or launder money. An agent in western countries was not aware of the money risk, and the record-keeping for the companies was not standard; therefore, it was more likely to face risk (Maimbo 2006).

One of the largest remittance companies, Al-Barakat, had agents in 40 countries, working with around 140 million USD money from the diaspora. It was closed in November 2001 when the US government discovered that terrorists used its service. Al-Barakat also has done mobile telephone service in Somalia and then employed many local people after knowing that Al-Barakat was transferring illegal money gives a wrong picture to the western country. The US government had a meeting with remittances announced new rules (Maimbo 2006).

The Somali community in America faced challenges from the new regulations the government introduced. The law stipulated that the client must now provide an agent with a valid passport, driver's license, or any other permanent resident card if the money that is being transferred is around 200-300 USD. However, If the sum is more than USD 300, the company could ask the purpose of the transfer and where the money initially came from (Orozco & Yansura, 2013).

The agent who is transferring money will keep all information about the customer in the computer system. If the client was sending double or suspicious any other related terrorist, an agent checks if any suspect came the agent froze the transaction and report. Some customers try to use different MTO's (money transfer operators) works in the same area to send money, and agents have meetings discussing clients who use multiple transactions and report to the government (Orozco & Yansura, 2013).

2.6.3 Risk of account closure by International Banks

After December 2011, many banks decided to close the accounts of remittance companies. One of the research participant agents stated that the only bank still has corporation bank accounts. If that bank closes the bank account, the remittance business cannot continue (Orozco & Yansura, 2013).

When the remittance companies tried to open new accounts with other banks, the bank staff refused to meet them (Orozco & Yansura, 2013).

2.6.4 Banks do not provide a reason for closing Remittance company accounts.

Banks in the USA closed the accounts of the remittance companies without justification. Still, banks made an expression that accounts against the policies of the bank's risk. One of the money transfer operatives said they received rejections of their accounts without mistake or doing wrong transactions (Orozco & Yansura, 2013). The banks did not give Money Transfer Operators (MTO) sufficient reasons to close existing accounts and block the opening of new ones.

2.7 Remittance plays a role in the economy of Somalia.

In Somalia, remittance has an essential role in operating urban and rural areas, increasing purchasing power. Sending money from abroad through remittance improves the food security of the many local people who do not have a job or any other income. It is estimated that the amount received from outside the country equals 1.3 to 1.4 billion US dollars per year, which is equal to 23% of Somali GDP, which means that forty percent of the population get their income from foreign countries through remittance. The money from outside is between 50 to 300 USD on average. However, sometimes, especially during Ramadan, Eid festivals, immigrants send extra money to their relatives. People send money if droughts or floods occur in Somalia, which affects both animals and people (Majid, Abdirahman & Hassan, 2018). When droughts and floods occur, some people make money contributions and send funds to rural areas, which are always more affected by these problems.

Rural people generally receive less money compared to the people in the towns. When local customers receive the money, they purchase their basic needs such as dry foods including rice, flour, sugar, cooking oil, milk, dry pasta, fruits, meat, vegetable. Immediately families start to receive money from abroad, double their buying behavior is increase. The study of Abdirahman et al. (2018) claims that with income received from abroad, most local people purchase food (80%). The other 20% purchase water, health, education, and different miscellaneous needs like electricity. This income helps many local people to make their payments and cover their basic needs.

In the absence of banks, remittance companies have been involved in developing the country's economy, investing in businesses, saving individual or private companies accounts, trades, and employing many local people in another way, and customers trust their works. The other role the development company plays is providing a cheap, reliable service that also offers loans to small businesses, which improves economic growth. Suppose the customers want to deposit remittance, as bank companies do not charge any fees. Customers need to refer their clans or any other person who has the capital to guarantee the company's money as loans. People who want to start a new business can lend money with no interest but based on Islam religion buying for the fixed asset.

Remittance companies play a vital role in transferring large amounts, circulating cash, import/export goods, and investing in construction and small projects ("UN-OHRLLS," n.d.).

2.8 Remittance makes innovations.

Somalian telecommunication companies have devised a new mobile money transfer system that can transfer money internationally and domestically. Immediate telecommunication announcements help the remittance company transfer money from abroad to Somalia. The largest telecommunication service providers are Telesom, Hormud, and Golis. This new idea allows remittances and customers to receive funds quickly. Money transfer operators have said this mobile money transfer program could transfer from the agent to the receiver system's mobile account named Taaj or Zaad. Dahabshiil, one of the largest remittance companies, has developed a new MMT Design called e-Dahab to send money from abroad and use the funds for the movement domestically (Majid, Abdirahman & Hassan, 2017).

The announcement of the new MMT platform 2009 is spreading all over the country. Somalia has become one of the best countries to use mobile money transfers in the world. In Africa, Somalia has ranked the second one using mobile money transfer; as a world bank study wrote in 2014, the number of customers using the service increases. Another side to transfer money through mobile is free. In the absence of central banks, remittances operate as banks, largest remittance company Dahabshiil and Taaj, open new banks that offer service person and business banks, online banks, ATM. Taaj opened a new bank named Salaam. Remittance works as Islamic bank they do not give cash customers. Still, if the customer starts a new business or extends their current company, they will buy material, add a small amount, and provide the equipment to start a business (Radice & Hussein, 2017). Customers trusted both remittance and money mobile transfer while companies are private.

In 2014 the Transfer Galaxy digital platform was established in Sweden by three young Somali boys. The business has 25 agents in Europe. The company works as a money transfer online, as soon opened business transfers around one billion Swedish kronor as usual local receivers use their basic needs (News. Cision, 2019).

A new remittance company called World Remit, which only transfers money online, the cost of sending customers paying is lower than other remittance companies make relation Zaad service. World Remit requires that the customer fills an application when they want to make a money transfer from his/her account to the receiver mobile. The sender always uses the local currency; instead, the receiver receives in USD (Ali, 2016).

2.9 Positive impact of UN/INGO'S and Community Remittance

The advantage of the remittance in community workers is that work as nature like to serve community lower cost, fast and safe also give out cash places is not saved also travel distance to take money or give out. Money transfer operates as cash facilitator to the UN/INGO and collects staff cash or pay. The United Nations and international non-government organizations work in Somalia. Community workers depend on the remittances to their daily activity use as banks, pay the staff's salary any other expenditure programs like to transfer money from abroad to country, partners, office expenses. Without remittance, if there is no remittance, the Aid in Somalia must take in hand cash to pay all costs in the programs that lead their staff risk because some areas do not save.

Remittances are the central part of the aids, droughts, conflicts, floods, and other natural disasters; companies party their aids to help the local people (Orozco & Yansura p.16/17, 2013). When a natural disaster occurs, such as flooding or drought, remittance companies contribute to assisting the community.

2.9.1 Online money transfer advantages

As stated in a Colorado university article, last ten years, mobile operators working on transferring money, which is receiving quickly, which is suitable to the customers, safest way, and can save money mobile. Nine out of ten people own mobile phones, and, as more than half of the people in Somalia are nomadic, mobile money transfer helps them meet their basic needs and assists them in making their livelihood. The absence of a traditional bank reduces the use of cash and fake

money. Increase partnership of the operates money, which goes directly to the recipient's mobile (Owuor, 2018).

2.9.2 Disadvantages of online money transfer

Due to a lack of regulations, the system can break easily, and there is the possibility of terrorist groups using the services and money laundering. Furthermore, there is no guarantee for mobile money in both individual and business accounts, and customers do not have confidence that their money will always be available. Transfer transactions use the US dollar, which damaged the country's economy or lack of used local currency, and north Somalia is now called Somaliland. It does not legally recognize US dollar currency below USD 100 (Owuor, 2018).

2.9.3 Economic effect of remittance make.

Remittance uses daily dollar payments to customers, which drives inflation. Most people believe dollarization is caused by a lack of use of local money. The other negative side of remittance is money laundering, human traffic, the war between clans, and religious tensions ("UN-OHRLLS," n.d.).

3. METHODOLOGY

3.1 Aim of the research

This research investigates how Somali immigrants who live in western countries send money to their home country and how the Somalian diaspora takes part in their local economy. The study conducted by Orozco and Yansura (2013) highlighted that Somali immigrants play a key role in the economic activity of their original country due to the amount of money they send back.

The contents of this chapter highlight the methods used to acquire data, the research designs, exclusion and inclusion criteria. The approach methods of the research, data collection methods

that are utilized, and focuses on data analysis using google form graphs, data interpretation is explained. Finally, the validity, reliability, and trustworthiness of the research is discussed.

3.2 Research design

The interviews of this research are based on primary data gathered via email and telephone interviews. However, some remittance companies were temporarily closed during the research due to the Coronavirus pandemic. Hence, telephone teams were used some of the interviews instead of visits to company premises. The main reason for this research is to fully understand how the Somali remittance companies transfer money and the challenges that both the remittance companies and customers face in general regarding such money transfers. Thus, the target population of the research is people working in these companies who have an agent in Finland and Sweden and transfer money to Somalia. Table (3.1) gives names of the research companies that participated in this study and agreed on the consent of the research.

Table 3.1 Remittance companies of the research

Name Company	Remittance Agencies
Dahabshiil	Helsinki
Amal	Helsinki
Taaj	Helsinki
World Remit	Sweden

Transfer Galaxy	Sweden
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This research utilizes both quantitative and qualitative methods to analyze the research questions. The quantitative approach uses numerical data analysis and data collection and focuses on a group of people experiencing the same situation (Bryman and Bell, 2011, p.150). In terms of this research, the quantitative method is used to investigate the amount of money that customers send, how often the money is sent, and the amount of commission that is charged.

In contrast to the quantitative method, the researcher also aims to highlight the challenges that the Somali remittance companies face, specifically the western banks in which they deposit the money. Consequently, the qualitative method is employed in some research components, as a qualitative approach uses non-numerical data (Bryman and Bell, 2011, p.386). The design will be Naturalism which refers to reality or facts, which is natural-scientific or being true conducted by (Bryman and Bell, 2011, p387).

3.3 Exclusion and inclusion criteria

As illustrated earlier, five Somali remittance companies in Finland and Sweden participated in the research interviews. However, it is worth mentioning that the study excludes other remittances in Finland, such as Western Union, as this is not a Somali remittance company and unable to transfer money to Somalia. Another reason that it is excluded is that the customers of this remittance company are not part of the Somali community.

3.4 Approach

The approach utilizes many literature reviews, journals, books, and other online materials to collect sufficient information. After the primary data was collected, all research questions were answered.

3.5 Data collection

The interviews consisted of structured and semi-structured interviews. Structured interviews consist of eight multiple-choice questions with answers that focus on the content of the research. Also, the semi-structured interview, which is one scale question, is included in the interview to understand the opinion of senders and how they feel when they send money to their families. Furthermore, the open question of the research allows the respondents to express their opinion and attitudes freely.

All participants responded to the research questions in time. Each interviewee was given approximately one hour. In addition to getting more information, one question was qualitative, which needs to get a better answer and more important data collection.

3.6 Data analysis

The data analysis of this study employs a statical google form, which is used for structured interviews, which summarizes and presents data analysis (Bryman and Bell, 2011, p.360). The data analysis of this research follows a deductive approach and is conducted numerically; however, the research is not merely quantitative; therefore, one question is semi-structured. The google forms made questionnaires, and when respondents respond, charts make automatically.

Similarly, for analysis purposes, Google Forms is also used in the below charts. The vertical axis stands for the percentage of the how customers use, and the horizontal axis shows, for example, genders, age group, often customers use why customers prefer.

The research data presented as a bar chart shows both males and females who send money, the age group that uses the service, the often customers send money, and why customers prefer remittance. The pie chart illustrates the average money customers send, and a service charge customer paid, owners of the business, remittance service is faster than banks. The last bar chart illustrates why customers prefer to use remittance because it is more easy/low-cost charge than banks.

3.7 Data interpretation

The data interpretation will be a variation of the group of people who use the service, comparing the companies that provide services, how frequently people use these services, their availability, and the costs. All theory is constructed to explain, and all findings will be discussed in the discussion chapter.

3.8 Validity, reliability, and trustworthiness

The reliability of the research is based on the trustworthiness of the study (Orozco and Yansura 2013). Hence, in the data description, the researcher carried via email and telephone interviews, as mentioned previously. Therefore, for this study, the researcher carefully followed the rules of the quantitative and qualitative approaches. Furthermore, research ethics and confidentiality considerations were clearly illustrated for the research participants. Answers where reliability stables the same consistent result can be trusted according to the business research method book (Bryman and Bell, 2011, p.157).

4. RESULTS

This chapter explains that the research result focuses on how remittance companies operate. to know the remittance services' operation deeply. The author interviewed for the remittance services companies that have agencies in Sweden and Finland. The interviews were conducted with staff working for remittance services that transfer money for a working remittance company. The interviewees have included agents, an acting manager, and a company supervisor.

Of the five remittance companies that participated in the interviews, three responded to the questions via email, two responded by telephone. The interview process started 02 February up to 10 February 2021; the whole interview process took ten days. These five remittance companies that participated in interviews were senders of the money.

This chapter highlights the first part concerning essential questions: gender in the use of remittance services, an age group, and how often customers use remittance services. The second part covers questions on the amount of money customers send to their family, friends, business owners, nationality, whether they use bank services or a remittance service, why customers use this service, and the current challenge remittance companies face.

4.1 Participating company's interview

Those five remittance companies that participate in interviews sent money to home countries, as mentioned previously. The researcher sent the questionnaire via email, while others were contacted by telephone and email. The companies responded in around ten days.

The remittance companies that participated in the questionnaire are Dahabshiil Money Transfer, Amal Express, and Taaj Money Transfer that all three have a branch in Helsinki. The other two remittance companies, World Remit and Transfer Galaxy do not have branches in Finland but are available in Sweden.

The three companies that have branches in Finland took part in the survey; customers visit their branches by the time they want to use the service. The customer service agents assist in telling the client the exchange rate and collect the money. The agent sends money manually regularly. The local agents in Somalia contact the receiver that someone sends money, or the receiver gets his/her mobile. The remittances customers visit Dahabshiil money transfer or Amal Express, and Taaj money transfer. The other two companies, World Remit and Transfer Galaxy provide an online service where customers can send money anywhere, for example, their home/office, and the receiver gets his/her mobile.

4.2 Gender in use of remittance service.

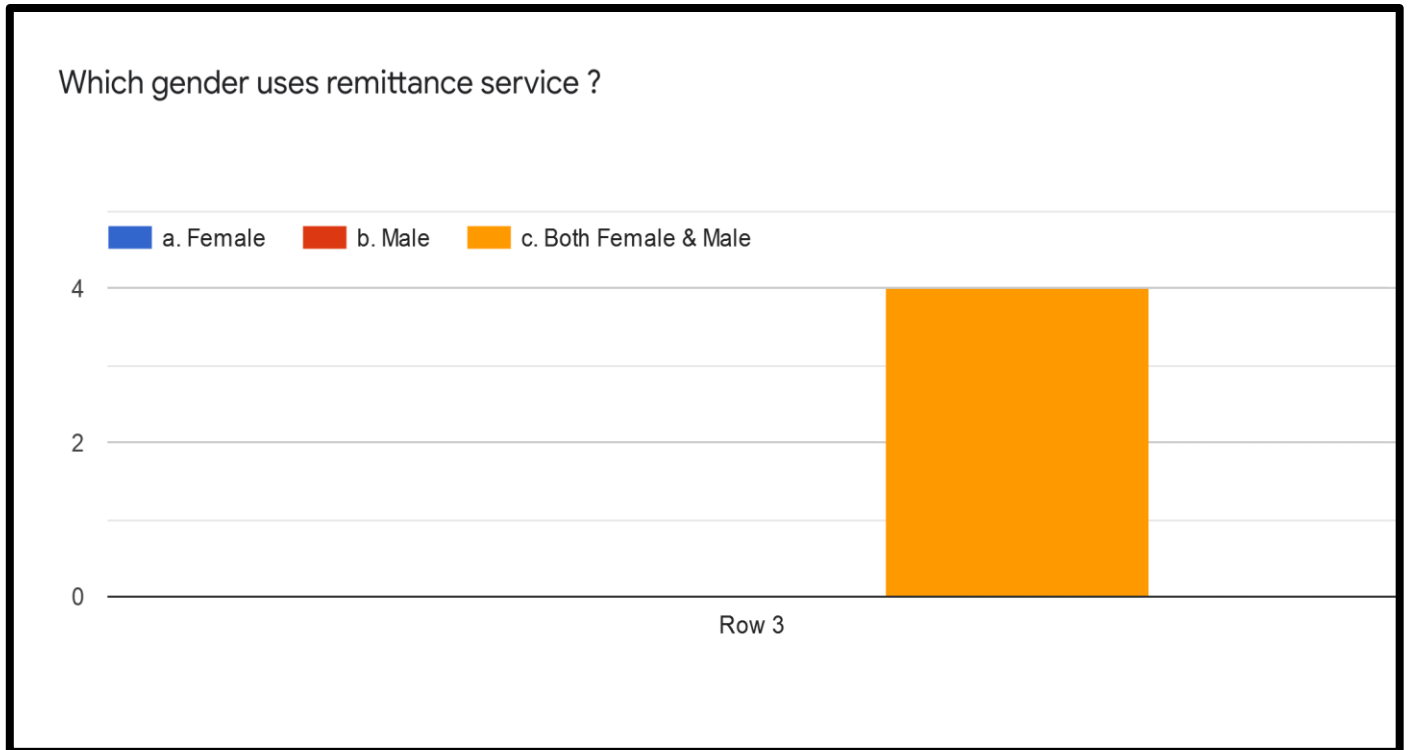


Figure 1. Gender in use of remittance services.

The above bar chart illustrates that both females and males send money to family, friends, and other relatives who live in Somalia, Kenya, Yemen, or other third countries live like refugees.

All five remittance companies are participating in the survey state that both females and males use their service the same way. They stated that men used the service more in the past.

4.3. Age group use the service.

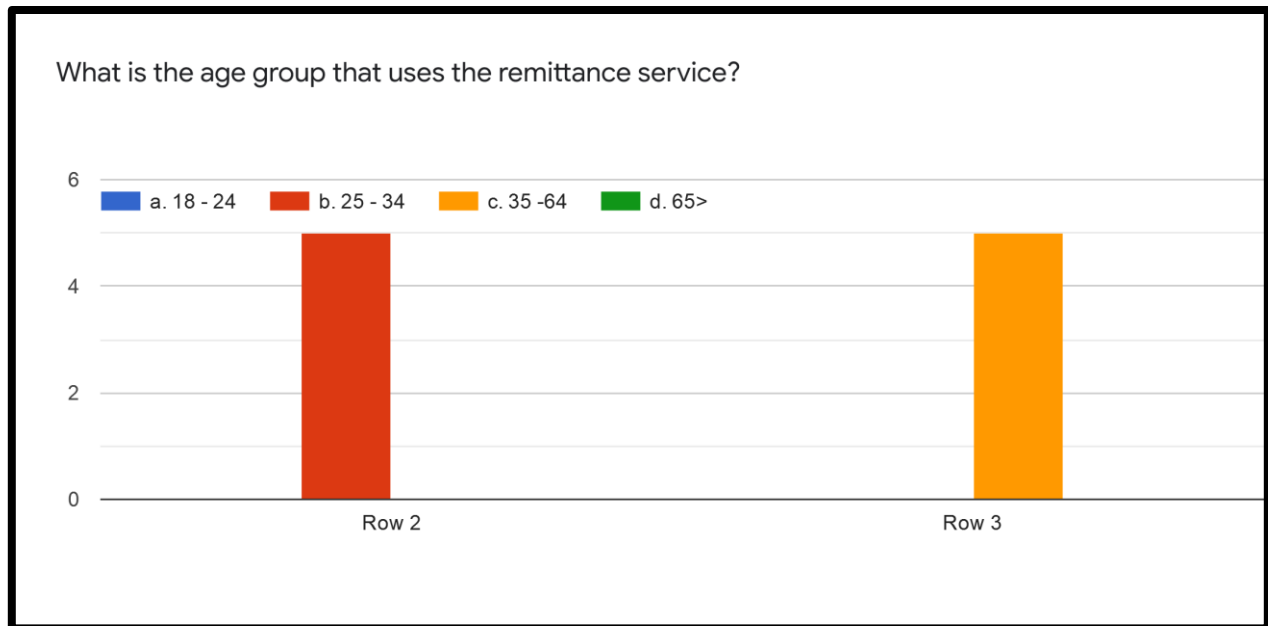


Figure 2. Age group uses the service.

This graph indicates that the twenty-five to thirty-four and thirty-five to sixty-four age groups used remittance services the most. The eighteen to twenty-four and sixty-five age groups sometimes send money. Still, seldom use remittance services because the age group mostly consists of students, the unemployed, or limited income.

4.4 How often customers use remittance services.

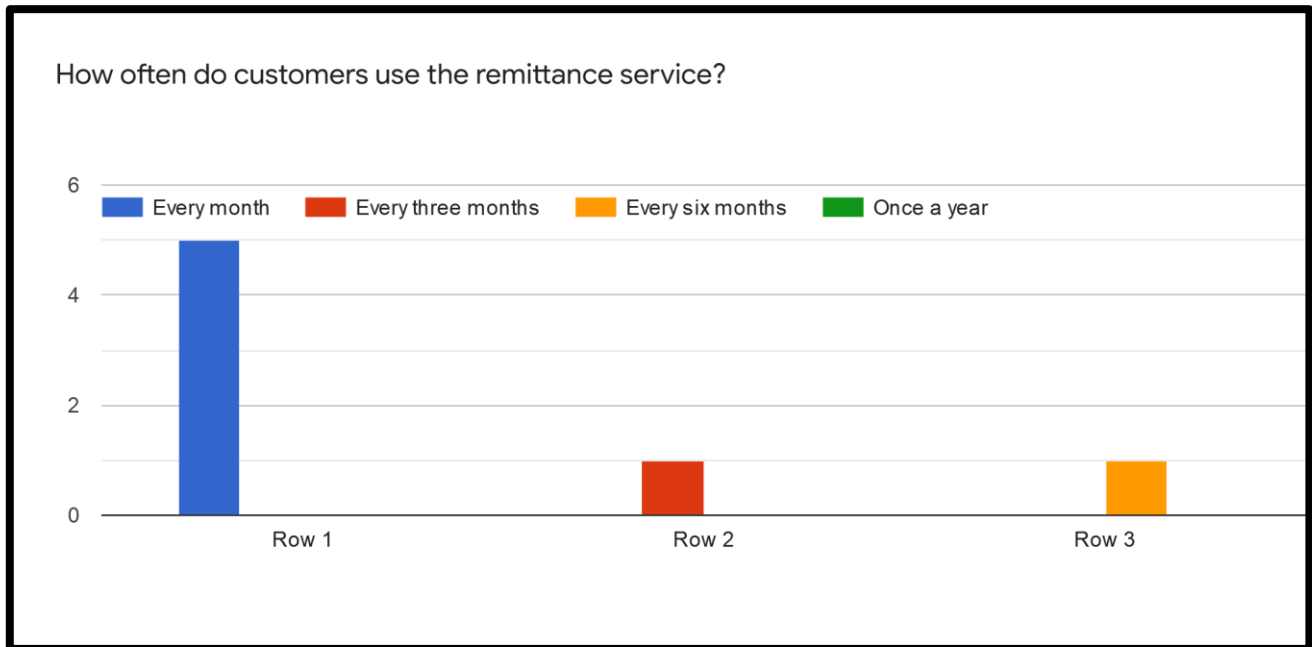


Figure 3. How often customers use remittance services.

The above bar chart shows that most customers send money every month through a remittance service, while some clients send it once every three months or once every six months. The information shows a small number of people that the family member who lives in Western countries send money to their original country once a year.

4.5 Average amount of money sent.

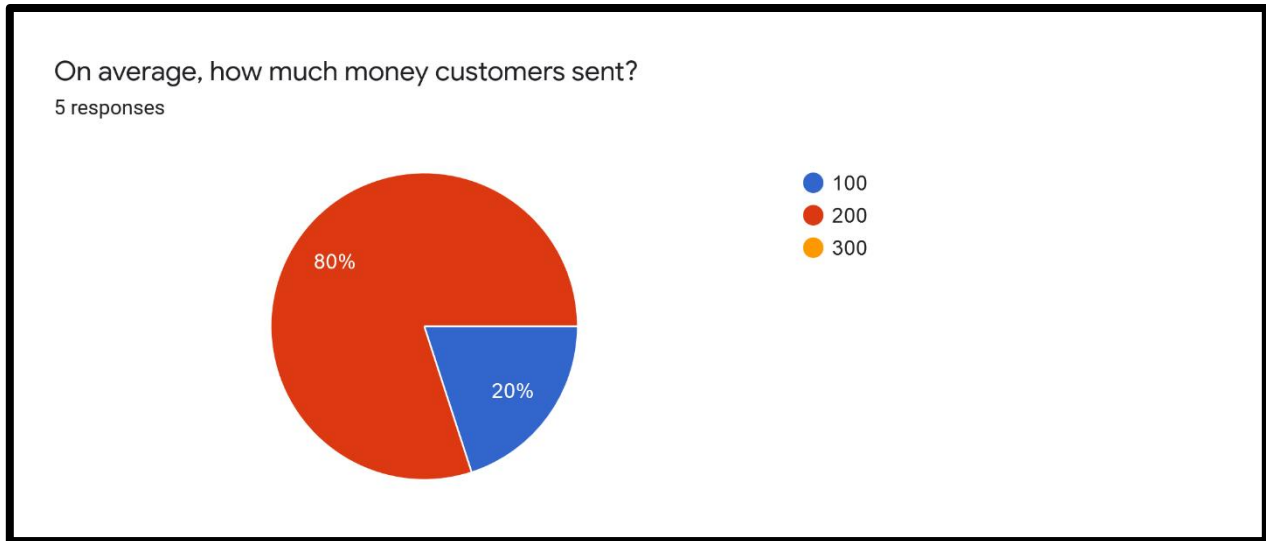


Figure 4. The average amount of money sent.

The above pie graph shows that 80% of remittance company customers send \$200, while 20% send 100 USD or less each time they use such services. This graph has the same answers as the previous studies highlighting the average Somali diaspora sends 200 USD. Users of these services deduct money from their incomes or salaries to help family/friends living on low incomes to cover their basic needs. On the other hand, a small number of customers send \$300 or more infrequently, and only in exceptional cases.

4.6 Charge for the service.

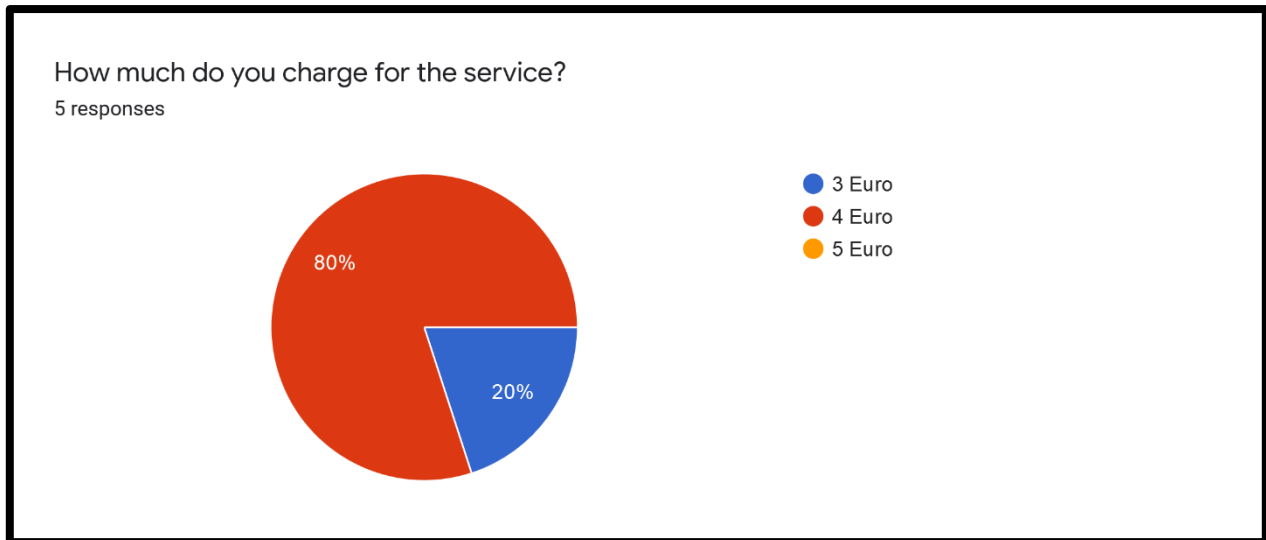


Figure 5. Charge for the service.

This chart indicates that 80% of remittance companies charge 4 Euro for their service, equal to \$5. This charge is the standard price in remittances. It changes if the customer wants to send more money, like thousands, then the service charge decreases.

The chart shows 20% of the companies charge 3 Euro to use the online service. With this service, customers do not need to visit the company's office or anywhere else. The customers can send anywhere like his/her house or office as online, so it is cheaper than visiting the branches physically. Previously, some remittance companies charged 5 Euro, but with the increase in such companies, competition has forced prices down. On the other side, if the customer wants to send more money branches can make a discount charge service.

4.7 Owners of Remittance businesses.

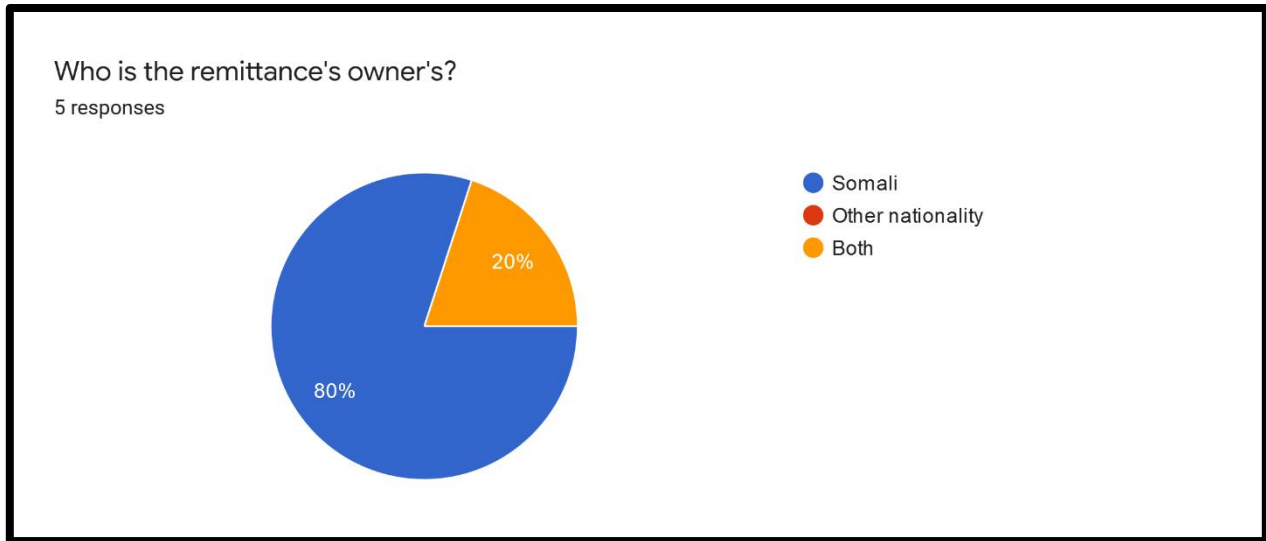


Figure 6. Owners of remittance businesses.

The pie chart indicates that 80% of owners of remittance companies are of Somali nationality. In comparison, 20% of owners are foreign, and that Somali people make partnership remittance businesses like World Remit and Transfer Galaxy. Somali people do not tend to use remittance services that are based in other countries. Somali people use the remittance company that owns Somalis because of having relations like relatives or persons knowing his/her tribes, and the region comes from if money is lost, or anything happened.

4.8 Which one is quicker Banks or Remittance services?

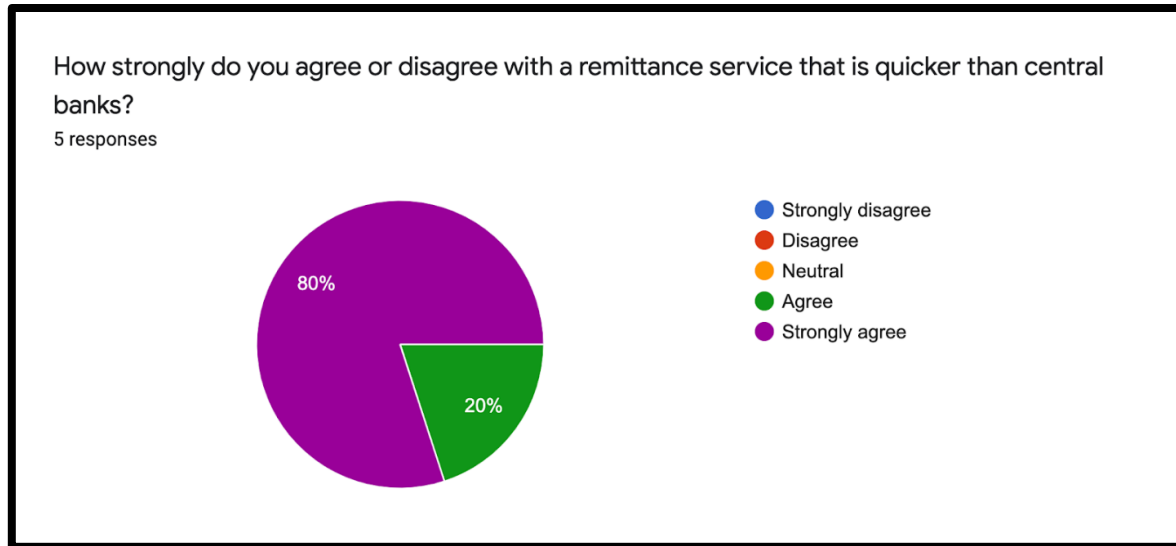


Figure 7. Which is quicker, banks or remittance services?

This chart above shows that 80% strongly agree that remittance services are quicker than those provided by central banks. At the same time, 20% are satisfied with the benefits of the remittance services.

4.9 Why do customers prefer Remittance services?

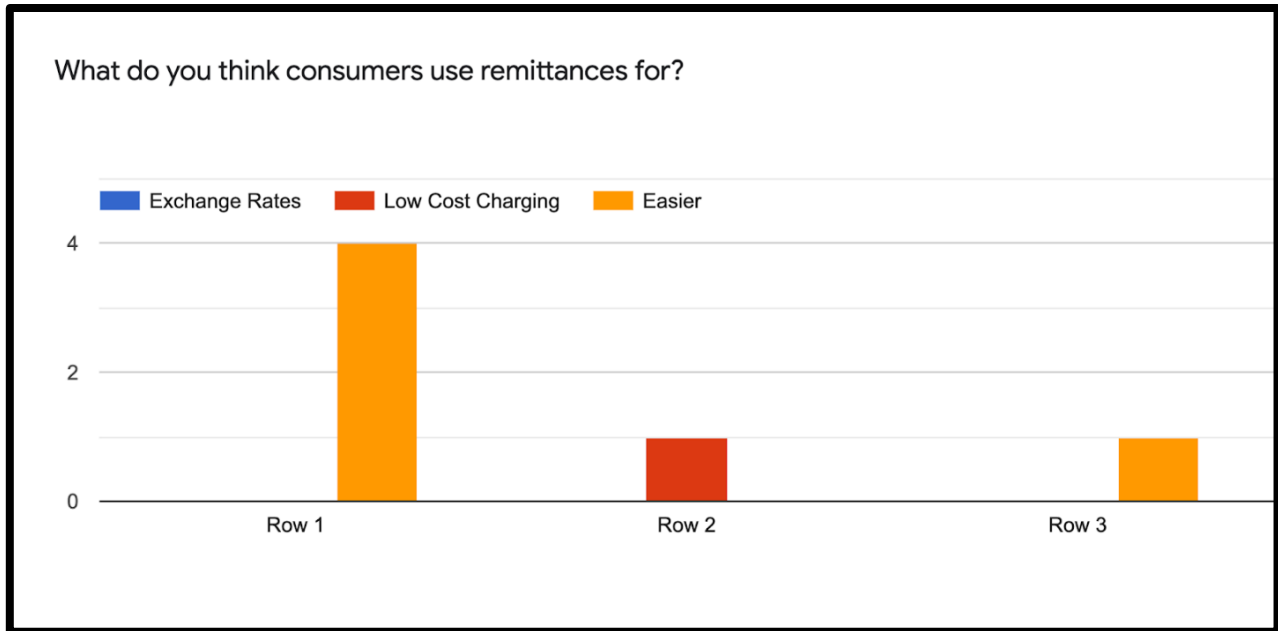


Figure 8. Why do customers prefer remittance services?

The line chart illustrates that most customers use remittance services because it is simpler for most customers while fewer people use the lower-cost service. Customers do not consider the exchange rate, especially those who send money every month. Most customers send money every month on the first five days, though the clients want to send for other purposes such as building houses or starting a new business, that time checks the rates.

4.10 Current challenges Remittance company face

Companies part in the remittance survey reply to different answers. One over five companies responds that there is no challenge. Instead, the other four were similarly stated the same answers. The responses of the four companies show that they have the same problems. The biggest challenge is that the banks produce many new rules every year, or at any time, which weakens the business's daily operation. The other challenge is that the Somali remittance company does not have any account or relationship with contemporary banks.

5. DISCUSSION

5.1 Findings

Initially, five companies participated in the questionnaires of the survey. Companies perform their work according to the remittance standards. Also, the research has shown that both males and females use remittance services equally. Previously, only males used remittance services to send money because of the gender inequality that was part of Somali society. The relationship with the Somali community has changed, and now females are allowed to participate in family support and be part of decision-making.

Most senders between twenty-five and sixty-four years, and these age groups comprise those working and want to help their family/friends regardless of their problems and situation. The age group between eighteen and twenty-four sometimes sends money, but it is not a large percentage, and they seldom use remittance services. This age group is mainly comprised of students, the unemployed, or those of limited income.

Most customers who use remittance services send money every month, while others use the services every three months or twice a year. A small number of all family members who live in Western countries are willing to send money to their original country once a year, especially in the Ramadan time to support their families, relatives, or neighbors whose income is low and need support fasting period. During Ramadan, all Muslims are required to fast. The Somali population is 100% Muslim. More than 50% of the population cannot afford it because, during Ramadan, people need more to buy fasting food and clothes for the Eid celebration. Hence, people need extra money to expand during fasting.

The average amount of money that customers send through remittance services is \$200. Some other people who use the services send around \$100 every month, but many customers use the service every three months. In comparison, some customers use the service every six months, or once a year, to send more money, for example, \$250 to \$1000 or more than but not every month especial only.

The remittance company charges a small amount of money to customers for their service, and generally, the customers are satisfied with the payments. However, the agency branches in Helsinki charge around four euros, which is more expensive according to the company having an online service which charges three euro. Some remittance services have changed their fees because of the increasing competition between the companies. The remittance companies have a system that decided to reduce the charge if the customers want to send large amounts of money like thousands, remittance companies who have branches make a discount. In the Somali community that is very traditional, trust the company and customers willing to continue to use the services. Because most of the old generation adults in Somali are uneducated and do not know how to use the online system or banks and the caused majority of them to send money physically.

The remittance companies began appearing in the 70s. The first Somali workers who worked in the Middle East understood the need for such remittance services. At the time, many Somali people had full-time jobs that paid a lot of money and wanted to support their families and friends back home, so they introduced a remittance service that would allow such a transfer. In the late 1980s, when the Somali civil war started, many Somali families immigrated to Western countries. Started education courses, business and gained employment. Refugees who came western started supporting their families, friends, and relatives financially.

Somali remittance companies created a new system that aimed at customer satisfaction and depended on trust. Nowadays, most remittance owners are Somalis, yet other people from different nationalities can also use the services. For example, countries in Africa and Asia have many people who send money through these remittance services. It is an opportunity this business has expanded and become well-known services can use easily.

Even though this business service is expanding worldwide, Somali remittance has branches in many countries in Asia, and Africa, which is new because those nations use the service. Numerous companies provide remittance services: Somali owners such as Dahabshiil Money Transfer, Amal Express, Taaj Money Transfer, and Word Remit and Transfer Galaxy, which acknowledge Somali and other nationalities. Unfortunately, the Somali community does not use other non- Somali-

owned remittance services because they tend to support each other, have better social connections with the branches, benefit from customer loyalty, and have business interactions.

Customers like to use remittance services because they are fast, straightforward, and quicker than central banks. It has been proven that the same time sender sends money, the receiver of the funds can receive his/her mobile phone, or a customer service agent works the nearby branch call him/her. Hence, customers prefer to use remittance services.

Furthermore, most customers trust remittance services because they are more accessible. In western countries, many Somali community members have a limited understanding of using computers and software applications on their phones or any other kind of technology to send money through cheaper online platforms; however, every customer can't use it. Also, it has been found that the majority of customers send money in the first five days of every month; therefore, the senders do not wait until the rate falls so that they do not consider the rate exchange. By the time customers want to do other reasons like doing businesses or building house/ constructions check the rate exchange.

The challenges facing remittance services are increasing day by day. After 11 September 2001, many companies saw the western banks close their accounts. Western banks have been declaring new rules every year that apply to remittance services, and the lack of bank accounts has caused businesses to worry. Now, remittance services have declared there to be only one solution: the companies take money as cargo to Dubai to deposit united Emirates banks. Staff take cash in their luggage when taking money, businesses make customs clearance paper; this the only solution way. It is a very challenging issue for the remittance business not to work well.

Furthermore, customers will face a challenge to help their families. If western countries do not provide alternative solutions or reopen the bank accounts of the remittance companies, it will cause a significant problem. Somalia does not have working central banks with constitutions that the community can use to send money to their original homeland. That is why all Somali people use remittance services; on the other hand, if the Somali government strengthens, it can help provide the remittance companies with bank accounts or a guarantee.

Compared to the literature review researcher did, most of this study is the same as the previous study, but some extra information was found, which is new. This research found out all banks in Finland have closed the bank accounts of the Somali remittance companies. This trade has been expanding over the last 30 years. Also, this study shows that the new challenge facing is the existence of this successful service trade that assists the Somali community, which it does not have their original country central banks working can close or weak.

The findings presented the Somali remittance operate in the western, especially in Scandinavian and Finland.

5.2 Validity and Reliability

The research reliability and validity are enhanced through the use of email and telephone interviews. The findings of the current study also reach similar conclusions to previous research on the same topic. This study's extra information is new rules from the banks that come after previous ones, which affected business operations and existence.

5.3 Limitations and further research

The research was primarily conducted through email and telephone survey participants using remittance service agents in Finland and Sweden; all Somali remittances are not part. It was select five of them, three of them Somali owns while two of them Somali and other nationality owns, non-Somali remittance is not part of it such as a Western Union. The study did not include interviews with customers and banks.

5.4 Final Words

This topic is a more interesting one that needs to write more research because the best issue to write about is how remittance works globally, especially the one Somali owns and how to use it. The other thing to know is challenges need a relationship between remittance companies and

contemporary banks in western countries. One of the challenges that were encountered during the research was that finding out the exact amount that is being sent was problematic. The challenges of this research were that you will not know how much money remittances send yearly, and their issue is not well known, especially in global financial news.

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APPENDIX 1 - QUESTIONS

Questionnaire

1. Business name?
 - a. Dahabshiiil
 - b. Amal
 - c. Tash
 - d. World Remit
 - e. Transfer Galaxy

2. Which gender uses this service the most to send money?
 - a. Female
 - b. Male
 - c. Both

3. What is the age group that uses the remittance service?
 - a. 18 - 24
 - b. 25 - 34

c. 35 - 64

d. 65>

4. How often do customers use the remittance service?

a. Every month

b. Every three months

c. Every six months

d. Once a year

5. On average, how much money customers sent?

a. 100

b. 200

c. 300

6. How much do you charge for the service?

a. 3 euro

b. 4 euro

c. 5 euro

7. Who are the remittance owners?

a. Somali

b. Other nationality

8. How strongly do you agree or disagree with the remittance service that is quicker than central banks?

1.

2.

3.

4.

5.

Strongly Disagree

Disagree

Neither Agree nor

Agree

Strongly Agree

Disagree

9. What do you think customers use remittance for?

a. Better exchange

b. Cheaper cost sending

c. Easy and cheap

10. What are the current challenges that the remittances company face?

.....
.....

APPENDIX 2 – SINGLE INTERVIEW

This is Dahabshiil Money Transfer interview.

Business name?

Dahabshiil

Which gender uses this service the most to send money?

Both

What is the age group that uses the remittance service? *

25 - 34

35 – 64

How often do customers use the remittance service?

Every month

Every three months

Every six months

On average, how much money customers sent?

200

How much do you charge for the service?

4 Euro

Who is the remittance's owner's?

Somali

How strongly do you agree or disagree with a remittance service that is quicker than central banks?

Strongly agree.

What do you think consumers use remittances for?

Easier

What are current challenges that the remittance company face?

lack of banks services