

Money Transfer Services

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ABSTRACT

Money transfer services have evolved through time. People were not satisfied by only making money. They were looking for a way to transfer this money to their intended places. Moreover, the increased number of immigrants created a need for transferring their remittance to their families. Money transfer services have evolved through time, starting from the using the post office ended with the most advanced technology just by click and send. Many immigrants have used informal ways to transfer their remittances, due to its cost and convenience. Recently, the regulation has increased due to the criminal operations. While others have used the formal ways such as banks, people have different needs and demands that can be satisfied according to their needs. These needs can be met by some factors such as cost, speed and security. These factors mainly have an important effect on the choice of the client. A survey in North Cyprus was conducted in the study among the different users of money transfer services. The users were from students, workers and some business. Different demands from different users have shown that the choice of the channel to transfer fund was affected by some factors such as cost, speed and security. Most clients used SWIFT to transfer their fund to its intended places due to its low cost and convenient according to all respondents of the survey. The results of the survey also indicate that different channels of money transfer services do not have an effect on the choice of clients. That means client's choice of the channels used to transfer their fund is governed by their needs.

Key words: Money transfer, remittances, formal transfer, informal transfer.

ÖZET

Para havale sistemi zaman içerisinde gelişmiştir. İnsanlar sadece para kazanmala kalmayıp, bu parayı istedikleri yere göndermenin bir yolunu da aradılar. Dahası, göçmenlerin sayısının artması işçilerin çalışıp kazandıkları dövizleri ailelerine gönderme ihtiyacını beraberinde getirdi. Havale servisleri zaman içerisinde gelişmiştir, posta ofislerinin kullanımı ile başlayıp son derece ileri teknolojiyle çok kolaylaşmıştır.

Birçok göçmen, maliyet ve uygunluğundan dolayı, paralarını havale etmek için resmi olmayan yolları kullanmıştır. Son zamanlarda özellikle batı ülkelerinde kriminal faaliyetlerin artmasıyla birlikte denetim de arttı. Bu arada diğer göçmenler, ihtiyaçlarını karşılanabilecek şekilde, talepleri olduğundan bankalar gibi resmi yolları kullandılar. Bu ihtiyaçlar maliyet, hız ve güvenlik gibi unsurlardan oluşmaktadır. Bu unsurların, müşterilerin seçiminde önemli etkileri vardır. Bu çalışmada Kuzey Kıbrıs para havale servislerindeki farklı kullanıcılar arasında bir araştırma ile ele alınmıştır. Kullanıcılar öğrenci, işçi ve bazı işadamlarından oluşmaktadır. Farklı kullanıcılardan gelen farklı talepler gösterdi ki havale işlemleri için seçilecek yol; maliyet, hız ve güvenlik gibi faktörlerden etkilenmektedir. Araştırmada yer alan katılımcılar; düşük tutar ve uygunluğundan, paralarını gönderecekleri yere havale etmek için SWIFT'i kullanıyor. Araştırma, müşterilerin havale için farklı yollar kullanmalarının, kendi ihtiyaçları doğrultusunda olduğunu göstermiştir.

Anahtar Kelimeler: Para Havalesi, İşçi Döviz, Resmi Havale, Gayri- resmi havale.

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CHAPTER 1

INTRODUCTION

1.1 Background

The flows of money from Diasporas or immigrants to their countries of origin (i.e, remittance) have become more and more important source of income for their families and relatives in their home countries. ‘Remittances are the largest source of external financing in many poor countries.’ (Ratha, Mohapatra, Vijayalakshmi & Xu, 2007, p1).

Advanced technology and more globalized world with many internationalized business were the major causes of the idea how to perform such transactions between two different countries to clear the transaction. So, all this business was looking for a way to send their funds to their vendors or receive some funds from customer in an easy and secure way. Moreover, the increased number of migrants around the world such as workers or students who were going from country to country increased the demand for a channel to receive or transfer funds to their countries. The demand for ways to transfer funds has evolved when immigrants started to transfer their funds through some agency or some informal channel to their country of origin. Therefore, this led the financial intuitions and credit unions to offer their services to transfer money to clients.

The formal ways to transfer money such as banks and credit unions are considered legitimate ways and regulated by government agencies while the informal ways as taxi driver or intermediaries is an unregulated way to transfer funds.

The users of money transfer services are different from many points of views related to the services they are looking for to transfer their funds. It varies from cost preference to speed and any other criteria's that affect the client's behavior toward choosing the way to send or receive their funds. Business with huge amounts of fund and their need of more secure service have preference to specific channel of money transfer service different from student with relatively small amount of fund and the need of getting faster service.

Different needs and preferences leads to choosing different channels to transfer their fund and force the decision to choose either formal or informal way related to what the channel will offer to its client and which channel will most convent you.

The introduction of money transfer service evolved from the early stages when it was firstly launched by using transactional telegraph in 1861 followed by the introduction of money transfer in the United States for the very first time in 1871 and recently the Society for Worldwide Interbank Financial Telecommunication(SWIFT) as a network to transfer funds internationally.

Customer's choice for their channel will be bounded by different services offered by the agent or the bank which will vary from their cost, speed convenience and level of

security. The study will focus on the different ways and the most common ways to transfer money that will fit the needs of most clients with different preferences.

1.2 Aim of the Study

The aim of the study is to find out the main factors that have an effect on the choice of clients to transfer their fund. There are many factors that differ from each other such as cost and speed and other important factors that affect the choice of the client. These factors are determined according to the clients' needs upon transferring their fund, given that different clients have different needs which make the choice different.

1.2.1 Objectives of the study

The other objectives of the study are:

- What does affect the choice of clients among the different channels of money transfer services?
- Does the effect vary from customer to customer?
- How do clients respond to these effects?

1.3 Methodology and Data

Data was collected mainly from two different sources as primary and secondary data. Firstly research was done about the topic and what was done by others in this filed. Secondly, a survey was done in North Cyprus among 133 respondents who were willing to complete the questioners. The survey was prepared after a pilot study and a meeting with professors in Eastern Mediterranean University who are specialized in this filed in

order to get more accurate results. The data was analyzed by using mainly SPSS statistics program.

1.4 The Structure of the Study

The study is organized into five chapters as follows: Chapter one is an introduction of the study followed by chapter two which reviews the literature of different money transfer services channels and the history of how money transfer services have revolted through the time. Chapter three introduces the method and data collection and has outlines the survey which was done in North Cyprus among 133 respondents who were willing to answer the questions. In the same chapter hypotheses are introduced. Chapter four outlines the findings of the survey and how the factors such as the speed and the cost have affected the choice of the clients. Finally, chapter five gathers the conclusion of the study including the findings and some of its limitations.

CHAPTER 2

AN OVERVIEW OF MONEY TRANSFER

Money Transfer- From evolution to revolution

2.1 Introduction

In this chapter, the concept of money transfer will be studied and reviewed in detail. For this purpose the history of money transfer will be put to constitute the basis for the study. After that, different types of the money transfer methods will be outlined.

2.2.1 History-How it all started

According to Zayad Ezilon (2008), it was not always enough to earn money; people need to transfer it to their intended places for several purposes. Though they relied on different possible ways but searching for a way to create some effective money transfer mechanism always overwhelmed our ancestors and they kept on trying to succeed. It was in 1861, when the first transactional telegraph line, providing fast, Coast to coast communications during the U.S Civil War broke the barriers. Followed by the same inspiration, in 1871, Money Transfer service was introduced in US.

2.2.2 Evolution-The lifecycle

Once they got the first idea for transferring money from one place to another, they never looked back. Similar to all other business cycles, all the following stages of evolution, revolution and innovation were covered within minimum time. In 1914, first customer charge card was introduced which created a real charisma in money transfer system and rapid money transfer became close to reality (Zayad Ezilon 2008).

Charge card gained vast popularity and within short period of time, this great service was spread all over the world, especially in developed countries. The next step was click and send thing, as world has become small global village. So, everyone was cherishing something very instant. In 2000, online Money Transfer system was introduced.

2.2.3 Revolution-breaking the barriers

In the early days, money transfer business was considered as an incredible business and most of the activity was done by criminal world. Exchange rate was the motivation between illegal money transfers. Apart from civilized people; most of the people preferred to use this type of money transfer where a group of private individuals was offering money transfer services in all the countries. They were considered quiet reliable and good experiences of some of their customer's generated recommendations. Money transfer business was successful but without credibility. Credible money transfer companies were covered by the high exchange rates offered by non-bank transfers. Education, technology and awareness changed the way of thinking and with the internet revolution, a new wave of money transfer services appeared on the scene. The real creditability was given by companies like Western Union to this business and now

Money transfer business has been able to earn trust of customers at large (Zayad Ezilon2008).

2.2.4 Innovation - Nothing less than banking service

As Zayad Ezilon (2008) stated the new millennium has opened new ways and with the advanced technology, IT developments and the appearance of technology confidence generation, Money Transfer companies have introduced incredible solutions. They have also developed modified products by taking into account the different needs of different customers in different parts of the world. Now, money transfer is carried out on really scientific grounds. Money transfer business has also achieved equal sophistication and technological advancement by following the path of banking sector. It was never easy to transfer your money as it become today. It's just a "Click & Send" manner. One has to be careful when deciding about money Transfer channel to transfer their fund. Once again, you have to care about the reliability of the channel before handling your hard earned money and you will have good experience or sure (Zayad Ezilon 2008).

2.3.1 Concerning SWIFT

According to privacy international (2006), the Society for Worldwide Interbank Financial Telecommunication (SWIFT) is an industry based in Belgium owned co-operative that provides to the global banking community infrastructure messaging. This 'community' consists of banks, dealers and brokers, investment managers and their market infrastructures in payments, securities, treasury and trade. SWIFT supplies messaging services and interface software in 204 countries and territories to more than 7,863 financial institutions and territories. For instance, 107 U.S. banks are members of

SWIFT, as are 99 Swiss Banks, 101 Russian banks, 86 UK Banks, 123 Japanese Banks, 37 Chinese Banks, 123 Italian Banks, and 104 German Banks.

According to its 2005 report, traffic on this network has reached 10 million messages a day or 2.6bn messages, on average. The largest sources of traffic on the SWIFT Net FIN are the UK, the U.S., Germany, Belgium, France and Italy; though the fastest growth markets for 2005 were the Middle East and Africa. The majority of the messaging is about payments, followed by securities, treasury and trade messaging.

Though based in La Hulpe, Belgium, just outside of Brussels, the SWIFT Group has subsidiaries in Australia, Brazil, Switzerland, Germany, Spain, France, the United Kingdom, Hong Kong, Ireland, Italy, Japan, Luxembourg, Sweden, Singapore, South Africa, and the United States.

SWIFT's activities is overseen mainly by the National Bank of Belgium, though other central banks are said to have a legitimate interest in, or responsibility for, the oversight of SWIFT, given SWIFT's role in their domestic systems. Therefore, it has international oversight in co-operation with G-10 central banks, i.e. the Bank of Canada, Deutsche Bundesbank, European Central Bank, Banque de France, Banca d'Italia, Bank of Japan, De Nederlandsche Bank, Sveriges Riksbank, Swiss National Bank, Bank of England and the Federal Reserve System (USA), represented by the Federal Reserve Bank of New York and the Board of Governors of the Federal Reserve System. For the most part, however, this oversight is limited to security, operational reliability, business continuity, and resilience of the infrastructure. Privacy international (2006), (www.privacyinternational.org).

2.3.2 What is a SWIFT?

S.W.I.F.T. (or SWIFT) stands for Society for Worldwide Interbank Financial Telecommunication. It is a non-profit organization comprised of member financial institutions. It was established in 1973 by European bankers who needed a more efficient and secure system for inter bank communications and transfer of funds and securities. Until then, all inter bank communications were by telephone, telex, courier, or mail. http://www.fraudaid.com/how-to-deal-with-having-been-conned/Wire_Transfers/SWIFT.htm

2.3.3The SWIFT message

SWIFT messages are preset and referred to by category numbers called MT numbers. For instance, MT800's only deal with Traveler's Checks, MT300's only deal with Foreign Currency Exchanges. Each type of message or *condition* in each category is preset as well. For instance, there are 89 different messages available under the category MT500. This does not include the occasional sub code.

Certain phrases are allowable; however, but these must be short and to the point, not exceeding a certain number of letters, and the phrases must be acceptable under SWIFT standards. A SWIFT sample is shown in appendix C.

2.3.4 What does a SWIFT look like?

A SWIFT consists of a one-page document containing the name and code of the originating bank, the date and time, the address and code of the receiving bank, the name and internal code of the officer initiating the transmission, the names and numbers of the accounts involved in the transfer, a description of the asset being transferred, the MT category of the transmission, and acceptable, standardized phrases as described above.

We can see that SWIFT is one of the advanced ways to transfer funds internationally. It was introduced as new way for better communication between banks since it has many advantages such as the speed, relatively low cost and security.

2.4 Ways of money transfer (common)

2.4.1 Money Transfer Services

There are different services for retail or online money transfers. Xoom.com is the best known, most secure and reliable online service. If you open an account with Xoom.com, you can send or receive money within minutes to/from other people around the globe. You pay the lowest fees in the market for your transfer. Recipients do not require a bank account or Internet connection to receive funds (<http://www.global-money-transfer.com>).

Recently money transfer companies like Money Gram and western union are the most used and the largest since they have been around the globe. These money transfer services are highly visible in retail outlets along with offering an on line options. They have the most physical locations around the globe.

The newer money transfer companies offer lower fees and flexibility. The recipients can receive their money by home delivery, bank account, or at one of their partner locations (<http://www.moneytransferservices.net>).

According to, Xoom(2008) money transfer is an easy way to send or receive fund around the globe. Recently with the high technology and the internet era, every one can perform the transaction easier and within four steps :

Step 1: Select a country and enter an amount to send

Step 2: Choose how your recipient will receive funds

Step 3: Choose a payment method and confirm your money transfer

Step 4: Notify your recipient that their money is on the way

So, sending money is just a simple job; you never have to leave the comfort of you home or wait in the line to get your money. More over there is home delivery for your money.

2.4.2 Post Office

Money transfer services are also offered through post office as a channel of providing the service. Post offices world wide have different ways of how they complete the transactions. We will explore the post offices in the US, Austria and Canada and their differences.

- **United States post office:**

In the US, wire transfer services can be also offered by the postal service. Recreants from various bank branches can receive their fund up to \$2000 per day. For transfers

exceeding \$10,000 proper identification is required. According to the amount you send a fee ranging from \$10 to \$20 will be charged for each transaction. Your recipient's name on their documentation should match exactly the name on the money transfer. Multiple money orders are subject to a daily maximum of \$10,000 where as each money order is restricted to a maximum of \$700. Your recipients will get local currency upon cashing their money orders. Local or damaged money orders can be claimed with a valid receipt. The cost of \$3.25 each applies to any International money order of a value up to \$700. Money orders can also be purchased at banks at a slightly higher price.
<http://www.global-money-transfer.com>

- **Austria post office:**

In Austria, post money orders are affordable, secure and trusted way to send money. They are convenient alternative to bank or personal cheques to make payment within Austria. Money orders at more than 3800 might be cashed over the counter; they can also be deposited directly into a payee's bank account just like a cheque.

Now even better!

Australia Post Money Orders now offer more choice. Money Orders can now be purchased for any value up to \$5,000. Plus, there's now a tiered fee structure

Value Free:

Money Orders up to \$1,000 \$4.50

Money Orders over \$1,000 to \$5,000

(Requires customer ID) \$6.00

(<http://www.auspost.com.au/IXP/0,1465,CH2020%257EMO19,00.html>)

As the value fee shows, when the values are small, the charge fee is small as well. Also when the value increases, the fee also increases. However, with higher values, the regulation might be different as it shows from \$1000 to \$ 5000 customers were required to show their ID as a part of regulating the flow of fund.

- **Canadian post office:**

The Canadian post office also provides a money order for different clients to transfer funds according to: <http://www.canadapost.ca/tools/pg/manual/pgmoneyord-e.asp> money order is “A Money Order is a prepaid negotiable document purchased at a post office for the transmission of funds between a payer and a payee for which a stop payment cannot be placed”.

Canada Post Money Orders (direct service and advice service) are available to cash in Canada and select destinations. Depending on what destination customers are using, they receive a copy of the money order or the money will be transferred to recipient of the destination concerned through the postal administration.

The Money Order form consists of:

Document with all the proofs of purchase and claims or enquiry information printed on the point of sale receipt.

Security features which include a barcode serial number and security code which printed at the time of issue.

Canada Post Money Orders are available in Canadian, US or UK currency:

Table 2-1: Purchasing a money order

	Canadian	US	UK
Maximum Amount	\$999.99CAN	\$999.99US	£100.00

Customers may buy additional Money Orders when the desired amount exceeds the maximum amount obtained from the web

page:<http://www.canadapost.ca/tools/pg/manual/pgmoneyord-e.asp>

2.4.3 Banks

Money transfers through banks differ from one to another. There are several ways to transfer funds overseas through banking sector. You don't have to have a bank account but you have to pay cash for your transaction. This provides faster service than banks drafts since it's done immediately. Banks charge lower rates to their customers rather than non customers.

According to Bank of Palestine, clients have many alternatives to transfer their money through banks where they can use money gram's a fast way of transferring money. They can also send and receive money by using money gram through 11000 agents in 181 country around the globe connected with computerized net work to guarantee money transfer within a minute with a high security.

Once can also send and receive fund overseas by using the SWIFT transfer through a large network of correspondent banks overseas.

<http://www.bankofpalestine.com/index.php?lang=en&page=122361823154>)

There are also programs serving foreigners that send money home that are developed by major U.S. banks as well as local smaller banks. Recipients can claim their money from partner banks where the funds were wired. Certain banks may require you to have an active account with them, so research your local branches for such services. You can also send funds by purchasing stored value cards offered by major U.S. banks. These cards are similar to credit cards with the difference that the amount has to be deposited in advance. Recipients can name purchases at stores that accept major credit cards or withdraw money from various ATM locations. Several banks will issue a check card connected to your U.S. account for your family members abroad. Check cards and withdraw funds directly from your checking account and look like common credit cards.

Money transfer services are provided by most banks world wide, different banks have different policies toward the service they provide to their customers with globalized world with more people working abroad and others who need to transfer their funds to their relatives to the desired destinations.

HSBC bank provides money transfer service to more than 200 countries around the world with 84 different currencies, with relatively competitive and fast way.

<http://www.hsbc.co.uk/1/2/personal/international-money-transfers#top>

The transfer amounts differ from channel to another with respect to its speed and cost.

This can be illustrated by the table as follows

Table 2-2: Money Transfer Charges With Respect to Cost and Speed

Cost / Efficiency Comparison		
Sending \$300 from the United States to the United Kingdom		
Western Union	\$29	Recipient can pick up cash in 20 minutes.
Money Gram	\$25	Recipient can pick up cash in under 60 minutes.
Money Order	\$3-\$10	Five days mailing time. Will probably be able to cash the money order on the same day.
Check	\$50	Five days mailing time plus clearing time for check. Anywhere from 5 - 7 weeks.
Foreign Draft	\$25	One week draft processes plus mailing and bank clearing time. Total about three weeks.
Wire Transfers	\$40-\$65	About one business day

This was obtained from the web:

http://foreignborn.com/selfhelp/sending_money_abroad.htm#1

2.4.4 Credit Unions:

IRnet, is a service that electronically transfers funds between credit unions' members. Several countries in Europe, Africa, Latin America, and Asia are served by IRnet including 3,000 locations nationwide. (<http://www.global-money-transfer.com>)

2.5.1 Types of money transfer

Money transfer service “refer to services in which money or funds can be transferred from one location to another with the help of a various of methods”

<http://finance.mapsofworld.com/money/transfer/services.html>

Sending and receiving money all over the world is an easy quick and dependable way. Recently, internet has become one of the popular methods to transfer fund that are quick and affordable compared to others.

2.5.2 Some categories of money transfer are:

- Online money transfer service in which funds are transferred through the internet with the help of credit or debit card.
- Money Orders which is a payment option to people without checking account, this useful for payment and various purchases
- Telephonic Money Transfer Services which Funds can be sent telephonically by utilizing a debit card or credit card.
- Prepaid Cards and Services which is kind of prepaid cards (MasterCard or Visa), that can be used as ATM cards or for shopping on line.

<http://finance.mapsofworld.com/money/transfer/services.html>

2.5.3 Newly invented Money transfer services

- Travelers Cheque
- Cash Passport - ATM cash Worldwide
- Online Inward/ Outward Remittance
- EFTPOS

- Encashment
- Bank Drafts
- Telegraphic Transfers

2.6 Money transfer fees

Most of the formal channels charge a fee or tariff when transferring money. While, the Informal channels charge is an agreement with client and the service provider. For most of the regional and international transfers, the fee ranges between 3% and 30% as a percentage of the transfer amount. (Kabbucho,Sander and Mukwana, 2003). The most expensive way of transferring money was western union and money gram and the cheapest way followed by the post office .Generally, it's cheaper to transfer huge amount of money rather than small amounts. A transfer of large amounts of money using electronic systems is the cheapest and incurs charges of maximum 3% of the value.

- Banks charge between 0.25% and 0.5% for telegraphic and SWIFT transfers with a minimum fee of 1,500 and a maximum of 7,500. For values above 500,000, the transfer fee is 0.3% of value sent.
- The maximum amount of money that can be sent through POSTA for interstate transfers is KShs. 30,000. However larger amounts can be sent as several order
- According to the central bank of Kenya the exchange rate as an average was 1US Dollar =77.9361shilling. <http://www.centralbank.go.ke/rates/exchangeindex.asp>

Table 2-3: Transfer Fees

Service Providers	Fees (KShs.)
Commercial Banks	<p>Domestic Transfer</p> <p><u>Electronic Funds Transfers (EFTs)</u> 0-500</p> <p><u>Telegraphic Transfers (TTs)</u> 0.2%-0.5% or minimum 1,000 and maximum 5,000</p> <p><u>Mail Transfers</u> 650</p> <p><u>Bank cheques</u> per cheque 600 - 650 (for customers), and 1,250-1,500 (for non-customers) for amounts below 500,000. Beyond 500,000 the charges are a constant 0.3% of the value or 0.3% min</p> <p><u>Ordinary Cheques</u> 350-370</p> <p><u>Direct debit</u> 165-450</p> <p>International Transfers</p> <p><u>Telegraphic transfers</u> 0.25%- 0.3% of value subject minimum of 1200 maximum of 6,500</p> <p><u>Traveler's cheques</u> 50 per leaf 1% of value 250 minimum</p> <p><u>Swift charges</u> 0.2% - 0.3% of value - min 1,500, max 7,500</p>
Post Office	<p><u>Ordinary money order</u> 42 for amounts below 500 And 657 for amounts of 30,000 -35,000</p> <p><u>Express Money Order</u> charges are 57 for amounts less than 500 and 662 for amount up to 30,000</p> <p>POSTA Speed Cash 125 for amounts below 600 and 925 for amounts between 25,001- 30,000.</p>
Western Union	minimum 1,150 for amounts up to 7,000
Money Gram	minimum 924 for amounts up to 7,700

- Illustrative Cost Tables for Regional and International Transfers (KShs)

Table 2-4: Regional and International Transfers Cost

PROVIDER	1,000	5,000	10,000	20,000	30,000	40,000	50,000	100,000	200,000
Western Union	1,150 115%	1,150 23%	1,700 17%	2,250 11.3%	2,650 8.8%	3,600 9%	3,650 7.3%	5,150 5.1%	10,100 5.1%
Commercial Banks (SWIFT/Telegraphic transfers)*	1,500 150%	1,500 30%	1,500 15%	1,500 7.5%	1,500 5%	1,500 3.8%	1,500 3%	1,500 1.5%	1,500 0.75%
Express Money Orders (POSTA Speed Cash – Interstate)**	210 21%	380 7.6%	535 5.4%	890 4.5%	925 3.1%	1,780 4.5%	1,815 3.63%	3,630 3.63%	7,260 3.63%
Money Gram	924 92.4%	924 18.5%	1,155 11.6%	1,540 7.7%	1,540 5.1%	2,310 5.9%	3,080 6.2%	5,390 5.4%	11,550 5.8%

2.7 What other studies discussed about money transfer

When the literature on money transfer studied number of topics related with formal and informal transfers flowing part will summarize these

According to PASSAS, Nikos 2003, the study focused on the formal and informal ways of transferring fund, and the main focus was the informal value transfer system IVTS “that is funds and value transfers from place to place on behalf of the legal actors, terrorists and other criminal groups take place informally or without leaving many obvious traces (or at all) this process is referred as informal value transfer system (IVTS) by Passas (, 1999).

The most important IVST are Hawala, Hundi and Black market peso exchange. The hundreds millions of dollars are transferred annually by IVTS; there will be no knowledge by the bank of who are the customers recorded and the purpose of the transfer as well as the respondent. However, IVTS will allow many criminal groups to use this way to finance their operations; as a result the United States decision taken after the attacks in 9/11 to control all these activates and ways to transfer money around the globe, so regulators need to know the inner works that will help them to regulate such activities.

So, in order to facilitate the regulatory actions and to rule the transactions of Hawala, investigations have to be carried out even though it is difficult procedure to investigate such transactions; also once has to differentiate the difference between the informal funds transfer systems and informal value transfer methods. Both are wide categories of informal value transfer systems, but the IVTM are always involving more crimes and delinquency (PASSAS, 2003) .

Another study was done by Kristensson, (2008) introduced the ways of transferring money and the needs of money transfer. The flows of money from Diasporas or immigrants to their countries of origin have become more important source of fund for their families. So, the study stressed the formal and informal ways of money transfer and the reasons to choose the best method among these to transfer funds. So, according to the study, clients tends to use informal ways to transfer their money due to its relatively low cost, convenience, fast and simple than the formal way to transfer fund. The study shows, that there is a difficulty to understand the information with regard to formal

money transfer in the banks web sites and the limited time the first line employees in the bank have to explain to clients about the formal way of money transfer (Kristensson yulia and Luong Quang, 2008).

According to Freund and Spatafora (2007), in developing countries, the workers remittance reached \$167 billion, bringing an increase to these flows as a potential tool for development. However, when the financial system is more developed and the exchange rate is less volatile, the cost of transfer will be lower than in less developed systems.” Recorded flows of workers remittance to developing countries have grown from \$ 70 billion in 2000 to more than \$150 billion in 2005” (World Bank, 2006).

The study explores the determinants of remittance as primary source of fund during the financial distress which can be transferred through either formal or informal ways of transferring fund. Here we define the informal remittance money transfer as the process which is not recorded in the national accounts and does not have a formal contracts, while the formal ways is considered as the process of transfer through banks, post office or non-financial institutions like money gram and western union. Informal cash transfer channels includes unofficial courier companies friends and personnel relationship based on business people. A notable rapid increase in remittance last decade particularly in Latin America reflects the amount of migrants around the world who will be using such channels to remit their funds. In addition to that, this process reflects the advanced technology and the competition in the market which leads migrants to shift to use formal ways to transfer their money. The cost of remitting a small amount through formal channel might be high at a time caused by the fee charged by most service providers. The average cost to send money through money transfer operators (MTO) like Money

Gram and Western Union is around 11% and the cost of sending money to Africa is around 13% .Minimum fees at banks range from \$5 to \$ 50 depending on the sending and receiving countries as well as the product “ (Sander and Maimbo,2003) .The se data are based on the cost of formal channels for sending remittance. Global studies indicates that formal channels are more expensive than informal especially banks and MTO like western union and money gram, Sander (2003) reports that “the average cost of remitting is 3-5% globally, although it can be higher in specific cases. Swanson and Kubas(2005) reports cost of 1-5% likewise the cost of remittance through informal ways like courier friends or taxi drivers can be cheaper than using the formal channels.

The same study explores some analysis of money transfer cost in a way to understand the factors driving the transaction cost which will lead you to better interpreting the results of choosing among transfer channels. An advanced technology and expected financial development will derive the cost down. Conversely, greater business risk would be expected to reduce the willingness to provide remittance service by agents. Again the great competition in the market might have negative effect in the cost. More over, an important factor may affect the remittance cost is return to scale of the market size; greater remittance might reduce the service fees. The service fee has negative and significant impact. At the same time the effect on the recorded remittance, given the fact that higher fee discourages remitters and pushes them to remit through the informal sector.

The same study finds that coefficient is economically significant a one percentage point increase in the fees reduces remittance by 16%.Freund and Spatafora (2007) put

differently, assume that the average fee to transfer money to developing countries were reduced from 11% of the transaction amount, the value observed in our dataset reaches 5% which is close to upper estimates of informal cost. These will almost double the recorded remittance.

The variations in the service fees have a large effect on the recorded remittance.

First, migrants will be refrained from remitting their money when transaction cost is high.

Second, high official transaction costs encourage migrants to send remittance through informal channels where transaction costs are lower.

The study by Freund and Spatafora (2007), has explored the determinates of remittances and their transactions cost, not surprisingly the amount of migrants in a country pulls the inflows of remittance in addition remittance depends on exchange rate restrictions and transfers cost in turn transfers cost are lower when the exchange rate less volatile and the financial systems are more developed.

According Singh Supriya (1999), the policy on electronic money and electronic commerce would be more effective if there was better understanding of the use of electronic money policy makers in Australia and the Asia pacific region are promoting the electronic money and electronic commerce even though electronic commerce has both social and economic implications.

The study explores the three main gaps in using electronic money and electronic commerce.

Firstly, rather than understanding its use and social consequences government have been more interested in adoption of electronic money .

Secondly, only in the last three years have some data begun to emerge on consumer's use of payments instruments and transactions while it was traditionally supply side data.

Thirdly, policymakers have treated the payments and the money as wholly economic phenomena. Also it examines the uses of electronic money, electronic commerce and the effect of innovation on these transactions. Electronic money includes all non cash and non paper payments instruments such as credit cards, plastic cards, direct transfer and all money transactions via electronic channels such as automatic teller machine and electronic fund transfer point of sale (EFTPOS). While electronic commerce defined as "any electronically enabled business activity or process implemented using telecommunications" (Department of Foreign Affairs and Trade, 1997, p1). The study focused on the supply side of the market and what kind of electronic products will be offered and the way the electronic products will affect the competition in the market and relatively little discussion about the demand side and how much the customers will be willing to pay for such electronic products. Also it concentrates on the cost of such product in Australia and showed that the continuation of using cheques and cash shows the inefficiency of the market system. The increase use of issued cheques showed the inefficient pricing of electronic products. So the pricing policies also may have an unintended consequences of moving people from counters and cheques while increasing the use cash via ATM and EFTPOS. The focus on pricing may shift payment behavior goes against consumers preferences to use different channels for different kinds of payment.

This chapter has introduced the evolution of money transfer and the way it was started. The study also focuses on SWIFT money transfer as one of the advanced channels to send money internationally which also provide competitive price relative to the other ways of transferring money. The literature focused mostly on two ways to transfer funds. Formal and informal channels and the reasons behind choosing among these channels which was giving by the lower cost of using informal channel also the different kind of the new innovations to transfer fund like automatic teller machine and the electronic fund transfer point of sales. The costing strategies and customers preferences to use among the new electronic money offered by bank.

CHAPTER 3

METHODOLOGY AND DATA

3.1 Aim of the Study

The aim of the study is to investigate the factors on the choice of different money transfer channels. Based on the previous studies cost, speed, security and user friendliness are among the important factors that have an effect on the choice of the demanders for money transfer. The choice of money transfer services such as money gram, western union and bank SWIFT transfer are different among customers. Consequently the different factors on the channel of money transfer used along with different interests of customers will be studied in the study. There are also varieties of factors that will be analyzed by the study. A questionnaire survey was conducted and circulated among students, bank employees and businesses in North Cyprus. The questionnaires were distributed to 133 respondents who were willing to contribute. Prior the questionnaire preparation, a meeting with marketing professor was conducted to evaluate the questionnaire and their reliability to get more reliable results. Furthermore, a pilot study of some students and a professor in Eastern Mediterranean University was done to get their suggestions about the questions. By the end of the pilot study, the questionnaires were finalized in a simple way that can be easily understood by all respondents. Moreover the questionnaires distributed were conducted in English for

foreigners and in Turkish for Turkish speaking to achieve better understanding from respondents. In this study respondents were asked different questions regarding their choice of money transfer channels, which might have the effect on their choice.

3.2 Demographic profile

Table 3-1: Demographic Information (n=133)

Age	Frequency	Percent
19 and under	5	3.8
20-29	105	87.9
30-39	18	13.5
40 and more	5	3.8
Total	133	100
Gender	Frequency	Percent
Male	84	63.2
Female	49	36.8
Total	133	100
Continent	Frequency	Percent
Europe	3	2.3
Africa	16	12.0
Middle East	21	15.8
Asia	4	3.0
Turkey	50	37.6
TRNC	39	29.3
Total	133	100.0
Occupation	Frequency	Percent
Student	97	72.9
Business	3	2.3
Employee	29	21.8
Other	3	2.3
Missing	1	0.8
Total	133	100

Monthly Income	Frequency	Percent
\$ 300 and under	15	11.3
\$300-\$500	36	27.1
\$500-\$700	44	33.1
\$700 and more	36	27.1
Missing	2	1.5
Total	133	100

As Table3-1 above illustrates, a total of 133 respondents who were willing to answer the questionnaire were examined. Most of them were males of 62.3 % of the total population and the rest were female as a total of 36.8 %. Most of the respondents which were 105 were categorized under 20 to 29 age category, which represents 87.9% of the total population. A number of 50 respondents were from Turkey and 39 were from north Cyprus which represents 37.6% and 29.3% respectively of the total population, and the rest comes from the other continents. Also, as shown in the table above, the highest number of the respondents was students whose total was 97 and employees total of 29 which represents a 72.9 % and 21.8% respectively. Also, a high number of the respondents were relying under \$500 to \$700 income category which of 44 and 36 of which has income of \$ 300 to \$500 and more than \$700 monthly income which represents 33.1% and 27.1 % respectively.

3.3 Survey Design

In order to carry out the questionnaire survey, besides the demographic data as illustrated in Table 1, different types of 20 questions were asked. The first concern was the channel of transferring money which was the first question right after demographic data and the rest of the questions focused on the choice of the channel selected. Some of

the questions were related to customer satisfaction by using different channels to transfer fund, and concentrated of the reasons that affected their choice. While the other questions were concentrated mostly on four important factors that might have effect on their choice, the factors were cost, speed, security and user friendly. Also one of the questions was a comparison among the money transfer service the customer is using and other similar services. More over questions related to the level of importance of the cost, fees, speed and customer service were asked. The answers to the questions were different, some of them were to choose among different given alternatives, while the others to choose among the ranging scale (*very satisfied = 1 to very dissatisfied = 5*) or (*strongly agree = 1 to strongly disagree = 5*) or (*extremely important = 1 to not important at all = 5*).

Prior the questionnaire preparation some samples were reviewed and it was tested whether it can be evaluated by SPSS or not. After finalizing the questions, they were also translated into Turkish.

3.4 Data Collection

After the questionnaire has been finalized, it was circulated in June 2009 for different groups of willing respondents. Some of them were distributed in the classes for the students of Eastern Mediterranean University, the other for Banks employees and some Businesses in North Cyprus. A willing responded can be defined as a person from particular group who were willing to contribute and accept to fill the questionnaire.

3.5 The Hypotheses

The study will explore the difference in the choice among different channel that provide money transfer to its clients. This will be based on 133 respondents from different groups of people in north Cyprus. Regarding to the relevant literature review, the hypotheses were developed to be tested by the study.

- H1: Cost does not have a significant positive or negative effect on money transfer services.
- H2: Speed does not have a significant positive or negative effect on money transfer services.
- H3: Security does not have a significant positive or negative effect on money transfer services.
- H4: Ease usage does not have a significant positive or negative effect on money transfer services.
- H5: Quality does not have a significant positive or negative effect on money transfer services.
- H6: Customer service does not have a significant positive or negative effect on money transfer services.
- H7: Other channels of money transfer service do not have an effect on customer's choice of the channel to transfer money.
- H8: Different needs of customers for money transfer do not have an effect on the channel used for transferring money.

- H9: Awareness of other transfer channels does not have an effect on money transfer services.
- H10: The amount of money transferred does not have an effect on money transfer channel used.
- H11: Frequent use does not have an effect on money transfer services.

The research will examine the different factors; mostly in cost, speed, security and easier usage on the choice of customer. This will be helpful for banks to respond for the weaknesses of these factors and take in consideration the demand of customer for these factors. By taking all these results, the bank will be able to provide better service which will lead to better customer satisfaction. Also from customer point of view, this will provide clear information about different channels of money transfer services. Which can be helpful to the choice of the client to the most convenient channel the will meet his/her expectation.

The other objective by the study:

- What does affect the choice of clients to choose among different channels of money transfer services?
- Do the factors vary from customer to another?
- How do clients respond to these factors?

3.6 Data Analysis

Mainly SPSS program will be used to analyze the database using the statistical techniques provided by the program. This will enable us to provide the results of the respondents. Also by using data frequency it will provide us with the frequencies of each category as well as the percentages of the respondent who agreed in particular category. This will lead to understand the main factors coming behind the respondent's choice of a specific category.

CHAPTER 4

AN ANALYSIS ON MONEY TRANSFER CHANNEL

CHOICES

4.1 Factors that Affect the Choice of Money Transfer Channel:

In this chapter, the survey results will be analyzed and interpreted which was conducted among 133 respondents in Gazimağusa, TRNC. The findings of the survey will be analyzed based on the hypothesis set within the framework of the objective of the study; it is aimed that, with the suggested approach the factors affecting the choice of money transfer channels will be determined.

The fact that each individual has different needs and preferences from other individuals, so this has forced financial institutions to find the best ways to meet different demands of different clients. As the needs varies when choosing among different channels, once make it difficult to understand the clients behavior and the way they make decision when choosing between different channels to transfer their fund.

Table 4-1: The Use of Different Channels of Money Transfer

Channel used	Frequency	Percent
Western union	17	12.8
Money gram	10	7.5
SWIFT	52	39.1
Intermediary	22	16.5
None	32	24.1
Total	133	100

In this respect, the study concentrated on some factors which are thought to be affecting the client's decision upon choosing the channel when they transfer their fund. These factors were determined through a pilot survey.

The survey results will focus on these differences and how it will affect the decision of consumers.

The table above illustrates different channels of money transfer, which differ from each other in respect to cost, speed, security and ease of usage as well as other factors that might be considered as well. According to these factors and the clients' needs, the decision will be taken. As table 4.2 shows, 39.1% are using SWIFT to transfer their money and others preferred to use other channels. These results indicate explicitly the fact that clients have different demand patterns and these have forced them to use different channels as a result of some factors. These factors and their effect on the choice of money transfer will be examined in this chapter.

Table 4-2: What People Likes about Channel Used

Channel	Cost	Speed	Security	Easy use	None	
Total						
Western union	0	7	6	1	3	17
Money gram	2	2	4	1	1	10
SWIFT	7	16	16	7	6	52
Intermediary	2	10	4	4	1	22
None	4	9	9	2	7	32
Total	15	44	40	15	18	133

As the table above illustrates people choice on the type of the channel were affected by the cost, speed, security and ease usage. Different channels of money transfer differ in their policies and strategies and different client differ in their needs to use particular channel. Most of the respondents of 52 have used SWIFT rather than the other channels.

This is because their needs were satisfied by the security and the speed which was provided by this channel. Around 16 among SWIFT users said SWIFT services' speed and security is convenient.

Table 4-3: What Motivated People to Use Particular Channel

Channel	Cost	Speed	Security	Easy use	Total
Western union	2	9	5	1	17
Money gram	0	5	5	0	10
SWIFT	4	19	19	8	52
Intermediary	3	8	8	3	22
None	1	11	9	9	32
Total	10	52	46	21	133

Clients were asked about motivations that made them use among the different channels western union, money gram, SWIFT and intermediary. About 52 have used SWIFT as a channel to transfer their fund; this is related to the fact that this particular channel has met the needs. This explained by the motivations as speed and security by 19 respondents.

As the tables 4.2 and 4.3 above indicates client's choice was affected by some particular factors. Client's use of money transfer service differs from customer to other according to their need to transfer money. These factors have an effect on the choice of clients and their decision among different channels of money transfer services. Most of the clients was motivated by the speed and security, and have chosen SWIFT as a channel to transfer their funds. This shows that client's needs were met by this particular channel.

The hypotheses 1, 2,3and4 for which is:

- H1: Cost does not have a significant positive or negative effect on money transfer services.
- H2: Speed does not have a significant positive or negative effect on money transfer services.
- H3: Security does not have a significant positive or negative effect on money transfer services.
- H4: Ease usage does not have a significant positive or negative effect on money transfer services.

Based on our sample and the given frequencies, hypotheses 1, 2, 3 and 4 indicates that cost, speed, security and ease usage respectively have an effect on the client choice of money transfer service.

4.2 Effect of Quality and Customer Service on the Channel Used

The qualities of the service that each financial institution is providing for money transfer are different from channel to the other. Considering these differences the client's preferences toward the choice of specific channel will be different, in a way to meet their need. Some of the channels like SWIFT both sender and receiver has to have bank account to perform the transaction. Besides, clients' need to fill an application at a bank branch and the transferred amount has to be transferred directly from their accounts. The first line employees at the branch have limited time to explain to the customer about how this service is provided and how they can complete their transaction. The other channels like Western Union customers do not need any account for money transfer. The transfers flow directly to the intended place to the receiver. So all these differences in the quality

and the services provided by the financial institutions have an affect on the choice of the client to choose the suitable channel that will fulfill

Table 4-4: Satisfaction On the Quality of the Service Provided

Channel	Very Satisfied	Satisfied	Neither satisfied nor dissatisfied	Dissatisfied	Very dissatisfied	Total
Western union	3	10	1	3	0	17
Money gram	2	6	1	0	1	10
SWIFT	11	28	7	5	1	52
Intermediary	10	5	6	1	0	22
None	11	12	3	4	2	32
Total	37	61	18	13	4	133

The survey results indicate that client's level of satisfaction is different from channel to the other Table 4.4. Users of SWIFT were satisfied with the quality provided with 53.8%. Among all channels 61 out of 133 respondents were satisfied of the quality that their channel of money transfer service was offering to them: This means that the choice of the channel was affected by the quality they offer to their clients.

Their channel of money transfer service was offering to them, this means that the choice of the channel was affected by the quality they offer to their clients.

Table 4-5: Level of Importance of the Quality

Channel	Extremely Important	Very Important	Somewhat Important	Not very Important	Not Important at all	Total
Western union	9	7	1	0	0	17
Money gram	4	6	0	0	0	10
SWIFT	25	17	6	1	1	52
Intermediary	9	9	3	0	1	22
None	15	6	8	2	1	32
Total	62	45	18	3	3	133

As table 4-5 above shows 46.6% of the respondents said that the quality offered by the financial institution is extremely important to them and has an effect on their choice. So when clients choose among these different channels they value the importance of the quality of each channel used to transfer fund and make their decision to the channel that offer the highest level of quality. Which lead the clients choice of the channel used to transfer fund is affected by the level of quality the financial institutions are offering.

Table 4-6: Money Transfer Service and its Claims

Channel	Strongly Agree	Somewhat Agree	Neither agree nor disagree	Somewhat Disagree	Strongly Disagree	Total
Western union	3	6	7	0	1	17
Money gram	3	6	0	1	0	10
SWIFT	17	16	14	4	1	52
Intermediary	2	10	10	0	0	22
None	4	13	12	2	1	32
Total	29	51	43	7	3	133

Each channel has its own way to perform the transaction. The client choice of a particular channel will concern how this channel will perform the transaction,

As the table above illustrated that client choice of their intended channel was concerning the way how the channel used to transfer their fund will perform their transaction, and.

Around 38.3% of the respondents somewhat agree that the money transfer service that they used does what it claim to do. As we discussed above with the different factors that might have an affect on the channel used, such as speed and security. However, client's choice was concerned whether these factors will be considered when they transfer their fund. Different channels differ in what they claim to offer for their clients among various

services. Some channels claims that the money will never be lost, other claims that the money will be received in way of just click on send.

So given different claims by different channels to transfer fund, clients' choice will be taken according to the channel that does what it claims to them. As a result the service offered will have an effect on the way customers choose their channel to transfer money.

Table 4-7: Money Transfer Service Application

Channel	Strongly	Somewhat	Neither agree	Somewhat	Strongly	
Total	Agreee	Agree	nor disagree	Disagree	Disagreee	
Western union	3	6	5	2	1	17
Money gram	4	3	0	3	0	10
SWIFT	8	22	16	4	2	52
Intermediary	6	8	6	2	0	22
None	4	9	11	3	5	32
Total	25	48	38	12	8	133

The table above illustrates the usefulness of the money transfers service application to customers and its effects on the choice of the channel used to transfer fund. A number of 48 of all respondents said that the applications of the channel used were easy to use which about 36%. Given the advancement in technology nowadays, it makes it easy for clients as well as the financial institutions to complete these applications in an easier and more efficient way. The financial institutions keep all the information in their data base which makes it easy for both parties to complete the application. This have an effect on the choice of customers when they chose among different channels, given the fact that recently people have less time to spend at the branch and prefer to have an internet banking to complete their transactions.

- H5: Quality does not have a significant positive or negative effect on money transfer services.
- H6: Customer service does not have a significant positive or negative effect on money transfer services.

Based on our sample and the given frequencies hypothesis 5 and 6 indicates that the client choice will be affected by the quality offered from the service provider as well as the different levels of services that might be provided.

4.3 The Effect of Different Channels and Needs of Money Transfer on Client's Choice

Recently the competitions in the financial sector have challenged all money transfer providers to think of different ways to meet the different needs of clients. Services provided by each channel are differ in their cost, speed, security and easy of use. These differences are the factors that direct the choice of customers and how it will meet their need of using a particular channel. Some clients need only a fast way to get their money regardless to any other factor while others are considering the cost ahead of all other factors. Money service provider has set their strategies to meet the different needs of clients to achieve their satisfaction and build a strong relationship with them.

Table 4-8: Comparison Between Different Channels of Money Transfer Service

Channel	Much worse	Somewhat worse	About the same	Somewhat better	Much better	Do not know	Total
Western union	3	2	2	2	6	2	17
Money gram	0	2	3	1	3	1	10
SWIFT	4	7	17	7	5	12	52
Intermediary	0	4	5	1	4	8	22
None	1	7	8	1	6	9	32
Total	8	22	35	12	24	32	133

As the table above illustrates most of the respondents said that the channel that they have used to transfer their fund are about the same from other channels. A number of 35 of all respondents said that all channels are the same. This shows that clients have a lack of information about different channels used to transfer money; simply clients chose the channel that mostly fit with their needs.

Based on our sample and the given frequencies, hypothesis 7 indicates that the other channels do not have an effect on the choice of the channel used to transfer funds. Clients chose among different channels the one that meet their needs to transfer fund, if their need is the speed the clients choose the fastest channel regardless to other factors. While if there need is to choose among the cheapest channel clients will concentrate in the channel with the lowest fee, regardless to other factors that might affect their choice. The discussion for the next hypotheses will show how the client choice is affected. The choice will be taken with accordance to the need of the client, and the amount transferred.

Table 4-9: Different Occupations and Money Transfer Services

Channel	Business	Student	Employee	Other	Total
Western union	0	13	3	1	17
Money gram	1	9	0	0	10
SWIFT	2	31	18	1	52
Intermediary	0	18	3	0	22
None	0	26	5	1	32
Total	3	97	29	3	133

As different clients have different needs, their choice of the channel to transfer fund differ from customer to other. Students with small amount of money to be transferred mostly concerned about the speed rather than cost. Sending small amount of money through the channels with the most expensive cost does not make any difference while the charges for bigger amounts will be higher as shown in appendix A the charges of western union according to the amount of fund to be transferred. A number of 26 students have used non of the channels mention in the table. Their use mostly comes from informal usage of money transfer by using friends and others as explained in the literature. While employee's choice was different since the amount of the money they transfer is more than the amount transferred by students, their concern is to choose among the cheapest channel. A number of 18 out of 29 employees have used SWIFT to transfer their fund rather than the other channels. This is 62% about two times of the student usage of SWIFT which is about 31%. Employee remittances are important factor for money transfer services to consider nowadays since the number of immigrants and the degree of globalization is increasing as mention in chapter 2. The charges of SWIFT are a percentage of the transferred amount which is the cheapest among all other channels in the condition when you transfer huge amounts of money. The appendix A

outlines the charges of SWIFT and the reasons why it is more convenient to business and employees more than other channels.

H8: Different needs of customers for money transfer do not have an effect on the channel used for transferring money.

Based on our sample and the given frequency, hypotheses 8 indicate that different needs of different customers have an effect on the channel used.

4.4 The Effect of the Amount of Money Transferred

As mentioned in the discussion above different needs affect the channel used to transfer fund. The amount of money to be transferred is the main concern of clients. Businesses and employees transfer bigger amounts than students. So their need differ from the students which cause the channel of money transfer to be different as well. Transferring big amount of money using western union or money gram will cost a lot. So clients are looking for other channels like SWIFT since its providing them the cheapest and the best solution to complete their transaction. Even though these channels are faster than SWIFT, the results of the survey shows that businesses and employees do not prefer to use other channels than SWIFT.

Table 4-10: Income and Channel Used

Channel	Under \$300	\$300-\$500	\$500-\$700	\$700 +	
Total					
Western union	2	2	8	5	17
Money gram	1	2	4	2	10
SWIFT	7	15	14	16	52
Intermediary	1	22	9	5	22
None	4	11	8	8	32
Total	15	36	44	36	133

As the table illustrates as the income gets higher the channels were used became different. A number of 16 out of 36 of income more than \$700 have used SWIFT. This makes around of 44.4% .while the percentage of people of income \$300-\$500 was 41.6%. So as the income gets higher the amount of money transferred will be higher as well, that's lead to choose the channel that charges the lowest percentage when you transfer big amounts of money.

Based on our sample and the given frequencies, hypothesis 9 indicates that the amount of money transferred is affected by the income of households. Higher income brackets tend to send higher amounts of money causing the choice of the channel to be different from low income bracket.

4.5 Awareness of Different Channels to Transfer Fund

Different channels to transfer fund, have different characteristics from cost, speed, security and other important factor that set by these channels. Western union is the fastest channel among all the channels and at the same the most expensive. While SWIFT is the cheapest among all the channels and it takes around 2 business days. Awareness of clients of these differences governs their choice of the suitable channel to their need.

Table 4-11: Frequency of Money Transfer Service Uses

Channel	Once a week	Once per month	More than once	Once year	
Total					
			per month		
Western union	2	8	4	3	17
Money gram	1	7	2	0	10
SWIFT	6	23	11	11	52
Intermediary	8	7	3	4	22
None	9	9	3	9	32
Total	26	54	23	27	133

As the table above shows, people are not aware of money gram as a channel to transfer money in Gazimagusa area. There is little number of people who are using this channel even though it provides a quiet similar service of other channels. Since the survey was done in TRNC and money gram was newly introduced, people need to be informed more about this channel. This channel needs to be promoted more.

The results shows that people who were using SWIFT once a week were about 23% while the percentage of people who used it for more than one year was about 40%. So the usage of clients differs in the time and the experience they have with each particular channel. The choice of clients may vary from channel to channel as they get more experience with each specific channel.

Based on our sample and the given frequencies, hypothesis 10 indicates that awareness of different channels will change the choice of the channel used.

4.5 Summary of the Findings of the Survey

After completing the survey, the result shows that the client's choice is affected by different factors. Some of the important factors are cost, speed, security and ease usage.

The users have chosen mostly SWIFT to transfer their funds due to its cost and convenience for the clients. Also clients do not always follow these factors, sometimes they follow their need. Different demands affect the choice of the channel used to transfer fund.

CHAPTER 5

CONCLUSION

In this chapter, the conclusion will summarise the findings of the survey and the analysis on the money transfer choices.

People needs to transfer funds has increased recently, forcing financial institutions to think about the best ways to transfer funds to their intended places. Money transfer has evolved through time from using the formal and informal ways to transfer fund. Using banks as a formal way to transfer money is regulated by the authorised agency in the state while the informal ways such as intermediary is not regulated. Recently and especially after the terrorist attacks in September, 2000 the regulations of money transfer have increased. So the informal ways usage has decreased and users started to think more of formal ways to transfer their funds.

Money transfer services are different in many ways such as cost, speed, security and ease usage. According to these factors, users decide on choosing a particular channel to transfer their fund. Moreover the study focus was in these factors as an important, to direct the choice of clients. Some channels such as western union promise that the client will receive the transferred amount at the same moment; at a specified cost. Having high speed to transfer money is expensive way and does not fit all users' needs. For some users like students, it is a convenient way, since they transfer small amounts of money.

While the other channels such as SWIFT is a cheap way to transfer fund and fits with the need of people who transfers bigger amounts of money.

The evolution of money transfer services have evolved from using post offices and waiting long time until recently using the most advance technology. Recently clients can transfer funds easier just by click and send.

Most of the studies have concentrated about the formal versus informal ways to transfer money and the causes why clients have used the informal channels. Using the informal channels to transfer fund is cheaper compared to the formal ways, since this kind of method to transfer fund does not need a bank account or any other information about the sender and receiver which lead many criminals to finance their operations by using this way to transfer their fund. But after 9 September the regulation have increased causing the reduction in the use of this way to transfer fund and increase the use of formal channels.

A survey has been conducted in North Cyprus where 133 of the questionnaires were returned to find out the results. Prior to the preparation of the survey, a pilot study was done among the students in Eastern Mediterranean University and also the questionnaires were discussed with professors in the University to confirm on the eligibility of the questionnaire. After finalizing the questionnaires, it was circulated in English and Turkish in Magusa, North Cyprus. The respondents were from the students and some bank employees as well as some employees in the campus. Also respondents were some Turkish employees around the study and few businesses.

The main finding from the survey was that most of the clients were using swift to transfer their money among all the respondents. It showed that this is the cheapest way to transfer money and it is the most convenient way for most users in terms of its cost, speed, security and ease of use. These factors and some others mentioned in the hypothesis were affecting the choice of clients on choosing different channels to transfer their funds. Also the study found that different channels to transfer money do not have an effect on the choice of the channel used. Choosing among different channels concerned about the need of the client, knowing that each client has different needs. So the student's need might be different from the businessman's need in terms of some factors such as speed.

Results of the survey indicate that transferring small amounts of money might be quite the same cost if you use any of the channels among the others, but this does not mean that it will be as fast as the other channels. So the choice of the channels is affected only by the need of the client.

While reviewing the literature, most of the studies have talked about the formal and informal ways to transfer funds. There was not sufficient information about different ways to transfer money and how these transactions are being done. Different channels to transfer funds was not the main concern of many of the studies which were reviewed, mostly it was about remittances and the increase in the number of immigrants who are remitting their funds by using formal or informal channels to transfer their funds.

Also while doing the survey the lack of finding some workers who is willing to complete the questionnaires, since many of the workers are using money transfer to remit their money. As well as the business that were willing to fill the questionnaire since business use of money transfer is different from student or worker.

There are number of futures studies that can be conducted in the area of money transfer services, the findings of the study pointed some issues that can be studied such as how money transfer service can be ruled by regulators and what is the effects of the regulation on the users of money transfer services. Moreover statistical and correlation tests can be done to check for the eligibility of the hypothesis.

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APPENDICES

Appendix A: MONEY TRANSFER SERVICES CHARGERS

SWIFT charges

SWIFT charges are fixed for any amount less than \$10000.and It varies from 0.0005 to 0.002 for any amount more than \$10000.

These percentages will depend on the amount of money transfer and the customer reputation in the bank. It's always higher for the bigger amounts of money to be transferred.

Any urgently sent transfer costs more that the regular transfer.

According to meeting in Bank of Palestine (<http://www.bankofpalestine.com>)

Western union charges

Amount	Cost
\$0-\$100	\$15
\$100-\$200	\$22
\$200-\$300	\$29
\$300-\$400	\$34
\$400-\$500	\$42
\$500-\$750	\$47
\$750-\$1000	\$52
\$1000-\$1500	\$75

According to ING Bank, TRNC :(<http://www.ing.com>)

5- Very satisfied

X. Please tell us why you feel that way

1-Strongly agree 2- Somewhat agree 3 - Neither agree nor disagree
4 - Somewhat disagree 5 –Strongly disagree

The service met my expectations	1	2	3	4	5
The service didn't meet my expectation	1	2	3	4	5
There is no competition in the market	1	2	3	4	5
Its easy way to transfer money	1	2	3	4	5
The price is convenient	1	2	3	4	5
It is an fast way to receive/transfer money	1	2	3	4	5

XI. Thinking of similar channels to transfer money, how would you compare the service offered by other agents?

1- Much worse 2- Somewhat worse 3- About the same
4-somewhat better 5- Much better 6- Don't know

XII. What do you like about this money transfer service?

1- Cost 2- Speed 3- Security 4-easy to use 5- None

XIII. What did you dislike about this money transfer service?

1- Cost 2- Speed 3- Security 4-easy to use 5- None

XIV. Would you transfer money by using this service again?

1- Definitely 2- Probably 3- Not sure 4- Probably not 5- Definitely not

XV. What motivates you most about using this transfer service again?

1- Cost 2- Speed 3- Security 4-easy to use

XVI. Would you recommend this money transfer to others?

1- Definitely 2- Probably 3- Not sure 4- Probably not 5- Definitely not

XVII. Why would you recommend this service to others?

1- Cost

2- Speed

3- Security

4-easy to use

XVIII. How satisfied are you with the following characteristics of money service?

*1 – Very satisfied
4 –Dissatisfied*

*2 – Satisfied
5 –Very dissatisfied*

3 - Neither satisfied nor dissatisfied

Quality	1	2	3	4	5
Cost-fees	1	2	3	4	5
Speed	1	2	3	4	5
After transfer satisfaction (Customer service, etc.)	1	2	3	4	5
Repeat transfer experience	1	2	3	4	5

XIX. How important are the following characteristics when transferring money?

1- Extremely important

*2- Very important
4 – Not very important*

*3 - Somewhat important
5 – Not important at all*

Quality	1	2	3	4	5
Cost-fees	1	2	3	4	5
Speed	1	2	3	4	5
Usage experience	1	2	3	4	5
After transfer satisfaction (Customer service, etc.)	1	2	3	4	5

**XX. Thinking of your most recent experience with money transfer,
How much do you agree with the following statements?**

*1-Strongly agree
4 - Somewhat disagree*

*2- Somewhat agree
5 –Strongly disagree*

3 - Neither agree nor disagree

Money transfer service was worth the charge fees	1	2	3	4	5
Money transfer service does what it claims	1	2	3	4	5
Money transfer service does what I need	1	2	3	4	5
Money transfer service application is easy to fill and use	1	2	3	4	5
Money transfer service is competitively priced.	1	2	3	4	5

Thank you for your time and valuable contribution.

**Lütfen birkaç dakikanızı hizmet memnuniyet anketini tamamlamak için ayırınız.
Bu anket bir akademik çalışma olup vereceğiniz yanıtlar gizli tutulacaktır.
Bu anketin tamamlanması yaklaşık 10 dakikanızı alacaktır.**

En sık kullandığınız para transfer (havale) yolu hangisidir?

Nüfusbilime ait bilgi

I. Hangi yaş aralığındasınız?

1- 19 veya daha küçük 2. 20-29 3. 30-39 4. 40+

II. Cinsiyet

1-Erkek 2-Kadın

III. Mesleğiniz?

1-Öğrenci 2- İş yeri çalıştırımı 3- Çalışan 4-Diğer

IV. Kıta- Ülke

1-Avrupa 2-Afrika 3-Orta Doğu 4-Asya 5-Türkiye 6-KKTC

V. Aylık gelirinizi en iyi hangi kategori yansıtıyor?

1- 300\$ ve aşağısı 2-300\$-500\$ 3-500\$-700\$ 4-700\$ ve yukarısı

Algulamalar

VI. Para havale (alıcı/gönderen) için hangi yolu kullanırsınız?

1- Western Union 2-Money gram 3-Banka SWIFT / EFTTransfer
4-Aracı (ajans) 5-Hiçbiri

VII. Bu para haval (transfer) hizmetini ne kadar süre kullandınız?

1- 6 aydan az 2- 6 aydan fazla ama 1 yıldan az 3- 1-3 yıl
4- 3 yıl üzeri 5- Hiç kullanmadım

VIII. Ne kadar sıklıkla para havalesi aldınız/ ettiniz ?

1- Haftada bir 2- Ayda bir
3- Ayda bir kezden fazla 4- En az yılda bir kez.

IX. Genel olarak bu hizmetten ne kadar memnunsunuz?

1- Hiç memnun değilim
2- Memnun değilim
3- Ne memnunum ne de değilim

- 4- Memnunum
5- Çok memnunum

X. Neden böyle hissettiğinizi belirtin

1-Çok Memnunum değilim	2- Memnunum 4 – Memnun değilim	3 - Ne memnunum ne de 5 – Hiç Memnun değilim			
Bu hizmet benim beklentilerimi karşıladı			1	2	3 4 5
Bu hizmet benim beklentilerimi karşılamadı			1	2	3 4 5
Piyasada rekabet yok			1	2	3 4 5
Para transferi için kolay bir yol			1	2	3 4 5
Fiyatı uygundur			1	2	3 4 5
Para alım/transferinde hızlı bir yol			1	2	3 4 5

XI. Diğer benzer para transfer yollarını da ele alındığında, Diğer kurumlar tarafından sunulan hizmetle nasıl kıyaslama yaparsınız?

- 1- Çok daha kötü 2- Biraz daha kötü 3- Hemen hemen aynı
4- Biraz daha iyi 5- Daha iyi 6- Bilmiyorum

XII. Bu para havale (transfer) hizmetinin hoşunuza giden yanı nedir?

- 1- Fiyatı 2- Hızı 3-Güvenliği 4-Kullanışlılığı 5- Hiçbiri

XIII. Bu para havale (transfer) hizmetinin hoşunuza gitmeyen yanı nedir?

- 1- Fiyatı 2- Hızı 3-Güvenliği 4-Kullanışlılığı 5- Hiçbiri

XIV. Bu hizmeti kullanarak bir daha para havale (transfer) eder misiniz?

- 1- Kesinlikle 2-Belkide 3- Emin değilim 4-Belkide hayır 5-Kesinlikle hayır

XV. Bu havale (transfer) hizmetini yeniden kullanmanız için sizi ne teşvik eder?

1- Fiyatı 2- Hızı 3-Güvenliđi 4-Kullanışlılıđı

XVI. Bu para havale (transfer) yöntmini başkalarına da önerir misiniz?

1- Kesinlikle 2-Belkide 3- Emin deđilim 4-Belkide hayır 5-Kesinlikle hayır

XVII. Bu hizmeti başkalarına önermenizin ana nedeni nedir?

1- Fiyatı 2- Hızı 3-Güvenliđi 4-Kullanışlılıđı

XVIII. Para havale hizmetinin aşağıda yazılı özelliklerinden ne kadar memnunsunuz?

1-Çok Memnunum 2- Memnunum 3 - Ne memnunum ne de
deđilim 4 – Memnun deđilim 5 – Hiç Memnun deđilim

Kalite	1	2	3	4	5
Fiyat ücreti	1	2	3	4	5
Hız	1	2	3	4	5
Transfer memnuniyetinden sonar (Müşteri hizmeti,vs.)	1	2	3	4	5
Fiyatı uygundur	1	2	3	4	5
Yinelenen Transfer deneyimi	1	2	3	4	5

XIX. Aşağıda yazılı özellikler para transferinde ne kadar önem arz eder?

1- Son derece önemli 2- Çok önemli 3 - Biraz önemli
4 – Az önemli 5 – Hiç önemli deđil

Kalite	1	2	3	4	5
Fiyat ücreti	1	2	3	4	5
Hız	1	2	3	4	5
Transfer memnuniyetinden sonar (Müşteri hizmeti,vs.)	1	2	3	4	5
Fiyatı uygundur	1	2	3	4	5
Yinelenen Transfer deneyimi	1	2	3	4	5

**XIX. En son yapmış olduğunuz para transferi ele alındığında,
Aşağıdaki ifadelere ne kadar katılıyorsunuz?**

1- Kesinlikle katılıyorum i katılmıyorum	2- Biraz katılıyorum	3 - Ne katılıyorum ne de			
4 – Biraz katılmıyorum i	5 – Kesinlikle katılıyorum				
Para transfer hizmeti fiyat ücretlerine değdi	1	2	3	4	5
Para transfer hizmeti vaatlerini yerine getirir.	1	2	3	4	5
Para transfer hizmeti istediğimi yapar	1	2	3	4	5
Para transfer hizmeti başvuru formu doldurulması ve kullanımı kolaydır	1	2	3	4	5
Para transfer hizmeti rekabetçi fiyatlar sunar	1	2	3	4	5

Harcadığınız zaman ve değerli katkılarınızdan dolayı teşekkür ederim

Appendix C: Sample SWIFT message

S.W.I.F.T. MT760 – WIRE FORMAT EXAMPLE

NOTIFICATION :

DELIVERY STATUS :

PRIORITY / DELIVERY :

MESSAGE INPUT REFERENCE :

-----MESSAGE HEADER-----

SWIFT INPUT : MT760 CONFIRMATION OF BLOCKED FUNDS

SENDER :

BANK NAME :

BANK ADDRESS :

SWIFT CODE :

BANK OFFICER :

AMOUNT :

ACCOUNT NAME :

ACCOUNT NUMBER :

RECEIVER :

BANK NAME :

BANK ADDRESS :

SWIFT CODE :

BANK OFFICER :

ACCOUNT NAME :

ACCOUNT NUMBER :

IN FAVOR OF :

-----SWIFT MESSAGE TEXT-----

TRANSACTION CODE :

TRANSACTION NUMBER :

WE, [INSERT NAME & LOCATION OF SENDING BANK] ON BEHALF OF OUR CLIENT [INSERT NAME OF ACCOUNT HOLDER/SIGNATORY], HEREBY PRESENT OUR CONFIRMATION OF FUNDS IN THE AMOUNT OF [INSERT WRITTEN AMOUNT] UNITED STATES DOLLARS (USD \$XXX,XXX,000.00) IN ACCOUNT NUMBER [XXXXXXXXXX] AS OF THE DATE OF THIS TRANSMISSION.

BY VIRTUE OF THIS INSTRUMENT WE [INSERT NAME & LOCATION OF SENDING BANK] CONFIRM WE HAVE PLACED SAID FUNDS ON ADMINISTRATIVE HOLD FOR A PERIOD OF [INSERT WRITTEN NUMBER] (XX) [INSERT TIME PERIOD] IN FAVOR OF THE BENEFICIARY LISTED ABOVE

THIS INSTRUMENT IS IRREVOCABLE AND VALID FOR A PERIOD OF **SIXTY (60) DAYS**, AND THE FUNDS SHALL REMAIN UNENCUMBERED FROM ANY OTHER BENEFICIARIES.

WE, ---INSERT NAME & LOCATION OF SENDING BANK--- CONFIRM THE FUNDS IN OUR CUSTODY WILL NOT BE CHANGED, ALTERED, AMENDED OR PLEDGED FOR A PERIOD OF [INSERT WRITTEN NUMBER] (XX) [INSERT TIME PERIOD] FROM THE DATE OF THIS TRANSMISSION.

BANK OFFICER, TITLE: BANK OFFICER, TITLE:

PIN: PIN

-----MESSAGE TRAILER-----

Obtained from the web:http://vitalfund.com/MT760_sample.pdf