Mobile money
Competing with informal channels to accelerate the digitisation of remittances

May 2018

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GSMA Mobile Money

The GSMA's Mobile Money programme works to accelerate the development of the mobile money ecosystem for the underserved.

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Foreword

Mobile money has revolutionised the way financial services are provided across the globe. Mobile platforms change lives by reducing costs, increasing transparency, and creating the opportunity for economic empowerment for people and businesses alike. The UK has led the development community in setting the global financial inclusion agenda since it provided seed funding to M-Pesa, Vodafone's mobile money joint venture, which has become a significant part of Kenya's financial system and now serves almost thirty million active customers. And yet, despite the benefits of mobile money, many individuals still choose cash-based or informal channels to serve their financial requirements – whether due to connectivity constraints, perceived or actual high costs, or a lack of trust in formal systems. While mobile money has taken us a long way in a relatively short space of time, there is still much to be done to help close the digital divide and drive financial inclusion. This is why the Secretary of State recently announced a new international Digital Finance Champions Group, to build momentum on the use of safe and secure digital innovation to drive financial inclusion and equitable growth.

Remittances is one area where digitisation can really change the lives of poor people in developing countries. Remittance flows are a vital source of financial support for individuals in developing countries. Sending money back home to loved ones means these funds can be used to send children to school, to pay for life-saving medical expenses, to launch new businesses, or to build resilience in the wake of shocks so that people are less vulnerable if a drought or natural disaster strikes.

For us to bring these benefits to even more people, mobile money needs to allow people to send money quicker and easier, but it also needs to be cheaper. The average cost of sending remittances globally currently stands at 7.1%, which reduces the amount of money that reaches those who need it most. By shifting towards digital methods and engaging with the digital economy, the report finds that these costs drop to an estimated 1.7%. That means more money in the hands of people who need it and more money for them to spend on local goods and services, stimulating the local economy and spreading money to others in the community.

The UK, in collaboration with the international community, is committed to reducing the cost of remittances to a global average of 3%. Both sending and receiving countries must work in close collaboration to identify and remove high-cost barriers, including reforms to regulatory frameworks, policies to expand digital connectivity and programmes to support individuals to engage with mobile money. Encouraging safe digitisation and formalisation of remittance flows with proportionate regulation is one of the best ways we can help drive down costs in a secure and inclusive way.

I trust that this report will inform and inspire countries around the world to prioritise remittances as part of their financial inclusion agendas, and help to put the building blocks in place for the transition to digital platforms.

The Rt. Hon. the Lord Bates
Minister of State at the Department for
International Development

Executive summary

For over a decade, mobile money has been growing at an extraordinary rate, reaching 690 million registered mobile money accounts across 90 countries at the end of 2017.[1] Originally, a niche product used domestically to "send money home",[2] mobile money has evolved into a sophisticated value proposition for delivering international remittances.

International remittances are a lifeline for many people in developing countries, now more than three times the size of official development assistance (ODA), and providing more stability than other sources of household income.[3] However, the global flow of these funds continues to happen largely through informal channels. The result is less transparency, less security, and fewer benefits for the millions who rely on international remittances. To address these challenges, three key barriers need to be overcome:

- **Availability and accessibility: Extending the reach of international remittances:** Results from a study conducted by the GSMA in August 2017 showed that mobile money is becoming a widespread channel for remittances, with mobile money-enabled remittance services available across 184 corridors and connecting migrants in 35 remittance-sending countries to their families in 40 remittance-receiving countries. This includes seven fragile states across Sub-Saharan Africa, where reliance on international remittances is often most acute. By catering to the needs of rural households, women, migrant workers and refugees, mobile money has managed to expand access to international remittances for the most underserved segments of the population.
- **Affordability: Reducing the cost of sending remittances:** The August 2017 study also showed that the average cost of sending $200 using mobile money was 1.7 per cent of the transaction. In fact, the study revealed that the cost of sending $200 using mobile money is below three per cent in 96 per cent of country corridors, illustrating the role that the service can play in supporting the achievement of SDG target 10.c.[4] Mobile money is particularly compelling for low-value remittances, where the savings compared with other formal channels are most significant.
- **Convenience, security, and access to the digital economy: Offering unique advantages to compete with informal remittance channels:** The ability to safely receive remittances on a mobile money account can be a gateway to financial inclusion, as it provides the opportunity to join the digital financial ecosystem and to access a broad and sophisticated range of digital financial services beyond remittances.

1. 2017 State of the Industry Report on Mobile Money, GSMA.
2. A marketing tag-line used by M-Pesa in Kenya
3. KNOMAD (2018). "Migration and remittances: Recent developments and outlook. Special topic: Return migration".
4. SDG target 10.c: By 2030, reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent.

INTERNATIONAL REMITTANCES VIA MOBILE MONEY

IN 2017 GLOBAL REMITTANCES VIA FORMAL CHANNELS REACHED

US$613bn

US$466bn

OF THESE WERE TO LOW- AND MIDDLE-INCOME COUNTRIES

MOBILE MONEY ACCOUNTS

690m

IN **90** COUNTRIES

Mobile money is supporting the rise of formal remittances and accelerating their digitisation

ACCESSIBILITY & AVAILABILITY

Mobile money-enabled remittance services are available across **184** UNIQUE CORRIDORS

Connecting migrants in **35** REMITTANCE-SENDING COUNTRIES

To their families in **40** REMITTANCE-RECEIVING COUNTRIES*

*INCLUDING SEVEN FRAGILE STATES ACROSS SUB-SAHARAN AFRICA

AFFORDABILITY

THE AVERAGE COST OF SENDING **$200** VIA MOBILE MONEY IS **1.7%**

A reduction of nearly 40% compared to 2016

10 REDUCED INEQUALITIES

WELL BELOW THE SDG 10.C TARGET OF 3%

EASE OF USE AND ACCESS TO THE DIGITAL ECONOMY

INCREASED CONVENIENCE & PRIVACY

HIGH LEVELS OF SECURITY

GATEWAY TO FINANCIAL INCLUSION

Background

International remittances provide the most tangible link between migration and development. According to the World Bank,[5] formal international remittance flows to developing countries grew by 8.5 per cent in 2017 and reached a new record of $466 billion.

Remittances continue to exceed Official Development Assistance (ODA) and are more stable than private capital flows, highlighting the importance of remittances as an external resource for many people in low- and middle-income countries. In Kyrgyz Republic, Tonga, Tajikistan, Haiti, Nepal and Liberia, remittances represent over a quarter of GDP.[6]

However, the true size of remittances is significantly higher than official estimates, which do not account for unrecorded flows through formal and informal channels. Several factors are driving the use of informal remittance channels:

- **Lack of available and easily accessible formal remittance channels:** Physical distance to cash pick-up points (agents), lack of a bank account, or lack of internet access can significantly reduce the availability of formal remittance channels for migrants and their families. Some small or high-risk remittance corridors may even lack formal remittance options, partly as a result of de-risking.
- **High prices of formal remittance channels:** High transaction fees have discouraged many migrants from using formal channels to send money to their families. According to the Remittance Prices Worldwide (RPW) database, the global average cost of sending $200 was 7.1 per cent in Q1 2018. Sub-Saharan Africa, with an average cost of 9.4 per cent, remains the most expensive region to send money to.[7] High costs are largely driven by increasingly complex and expensive compliance requirements, and by the lack of competition in markets where exclusive partnerships have discouraged innovation and allowed incumbent players to maintain high fees.[8] Reducing remittance costs has therefore become an important policy objective, and in 2016 the international community rallied behind the UN Sustainable Development Goal (SDG) target to reduce remittance costs to a global average of three per cent of the transaction by 2030 and eliminate corridors with costs higher than five per cent.
- **Familiarity with informal channels and ease of use:** According to a study conducted by the European Central Bank,[9] demand for formal remittances would increase if migrants and their families were able to use them conveniently and safely. To encourage people to move away from familiar informal channels, it is important that formal remittance channels offer several specific advantages, such as convenience, security and opportunities to join the digital economy.

In this report, we highlight how mobile money can help to address each of the three challenges described above and ultimately support the rise of formal remittances.

5. KNOMAD (2018). "Migration and remittances: Recent developments and outlook. Special topic: Return migration".
6. Ibid
7. Remittance Prices Worldwide – "An analysis of trends in cost of remittance services", The World Bank, March 2018.
8. KNOMAD (2017). "Migration and remittances: Recent developments and outlook. Special topic: Return migration".
9. European Central Bank (2014), "Migrants' choice of remittance channel. Do general payment habits play a role?".

Part One

Availability and accessibility: Extending the reach of international remittances with mobile money

Available in three quarters of low- and lower-middle-income countries globally, mobile money has enabled financial inclusion, giving people access to transparent digital transactions and the tools to better manage their financial lives. With 690 million registered accounts across 90 countries at the end of 2017, mobile money has evolved into the leading payment platform for the digital economy in many emerging markets.[10]

Building on the success of mobile money for domestic remittances, mobile money-enabled international remittances have been flourishing and show promising signs of growth.[11] Today, mobile money can be used to send or receive international transfers in 56 of the 90 countries where mobile money is available. Different partnership models have enabled this:

- **Partnerships between mobile money providers and traditional remittance service providers (RSPs), such as money transfer operators (MTOs):** This model has been largely used to facilitate North to South flows, with remittances received on a mobile money account.
- **Partnerships between mobile money providers and digital remittance service providers and fintechs:** As the global fintech industry[12] has grown, new digital money transfer solutions such as WorldRemit and Azimo have emerged, offering online money transfer services using digital on-boarding and identification checkers. This model eliminates the need for an agent in the sending country while also providing a convenient alternative to traditional cash-to-cash models.
- **Connecting with mobile money providers across borders:** Mobile money can be used as a channel to both send and receive international remittances, which has been key to enabling intra-regional corridors, particularly within Africa.

Mobile money agents provide a local and physical connection for customers and a key interface with the digital economy. In 2017, there were more than 5.3 million registered agent outlets globally, bringing mobile money within reach of millions of unbanked households.[13]

10. 2017 State of the Industry Report on Mobile Money, GSMA.
11. 2014, 2015 and 2016 State of the Industry Reports on Mobile Money, GSMA. Available at:https://www.gsma.com/mobilefordevelopment/sotir/
12. Technology-enabled financial innovation.
13. To put this number into perspective: Western Union and MoneyGram have more than 500,000 and 350,000 agent locations globally.

Insight 1: Mobile money is becoming a widespread channel for remittances, with mobile money-enabled remittance services available in 184 corridors

In August 2017, the GSMA conducted a landscaping study of mobile money and international remittances in close collaboration with Developing Markets Associates (DMA).[14] This study revealed 184 unique corridors[15] where mobile money was being used to send and/or receive international remittances, connecting 35 sending countries and 40 receiving countries. This clearly shows that mobile money has become a widespread channel for international remittances. Formal remittances in these 184 corridors reached an estimated $74.2 billion in 2017, representing 12.1 per cent of all formal remittances globally.[16]

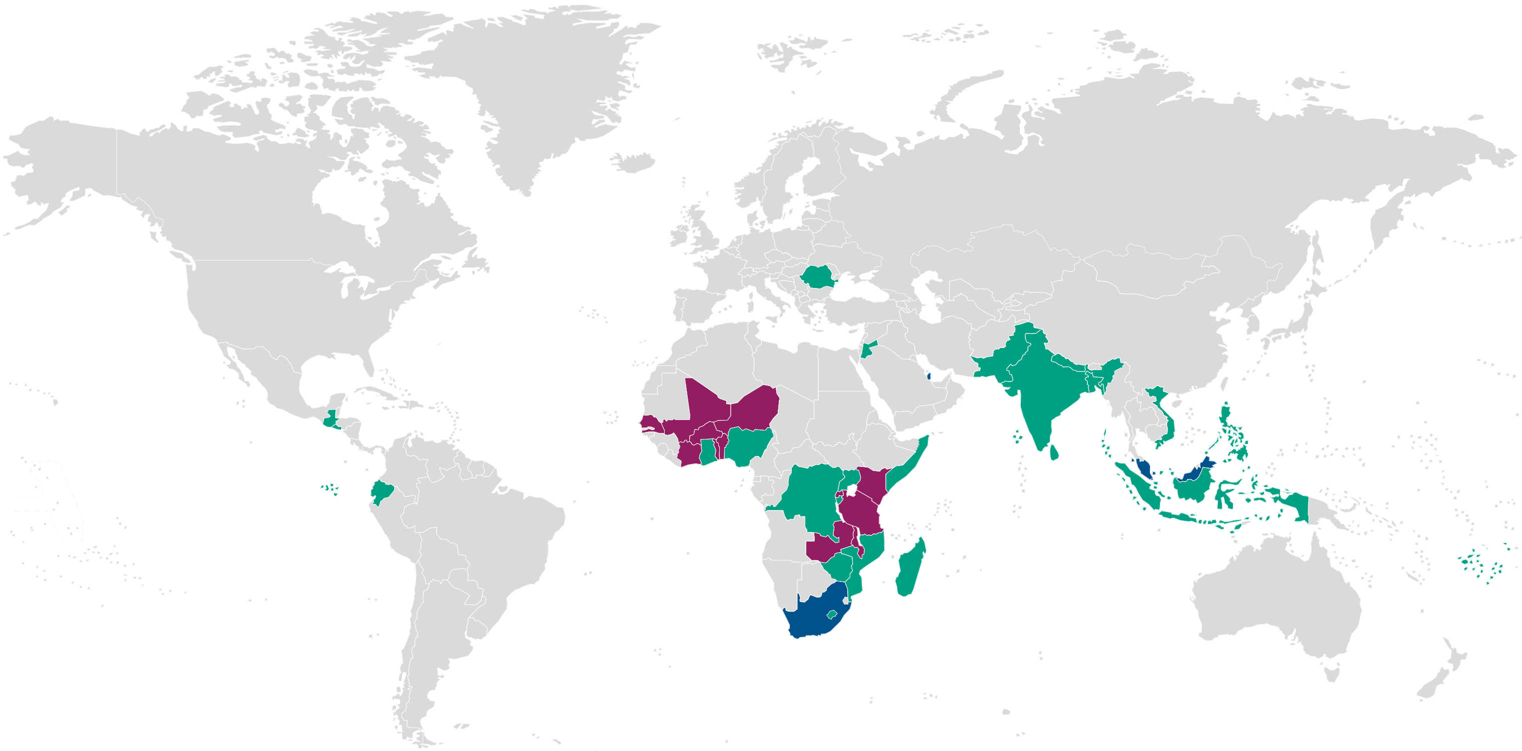
Corridors where mobile money can be used for international remittances

- **Corridors where mobile money can be used only to *receive* international remittances:** Today, mobile money can be used to receive (but not send) remittances across 126 unique corridors, connecting 21 high-income countries to 27 low- and lower-middle-income countries. Most sending countries are in Europe and Central Asia, and North America, including top remittance-sending countries such as France, Italy, the United Kingdom and the United States. Most receiving countries are in Sub-Saharan Africa and East Asia and Pacific. Interestingly, this includes 19 receiving countries where less than half the population has access to traditional financial services.[17]
- **Corridors where mobile money can be used only to *send* international remittances:** There are 15 unique corridors where mobile money can be used as a send-only channel, connecting three sending countries and 11 receiving countries. Sending countries include Singapore, Malaysia and Qatar, where mobile money is available and used primarily by unbanked low-income migrant workers to receive their salaries, make digital payments and send remittances.
- **Corridors where mobile money can be used both to *send* and to *receive* international remittances:** Today, mobile money can be used to both send and receive remittances across 53 corridors, connecting 15 sending countries and 16 receiving countries. This suggests a strong growth considering there were only eight corridors at the end of 2013. Most of these corridors are in Sub-Saharan Africa.

14. Developing Markets Associates is an independent consultancy firm, focusing on international remittances. In particular, they collect remittance price data for RPW, as well as for the African Institute for Remittances (AIR) and Send Money Asia.
15. For more information please see the map on page 10 and the list of corridors in Appendix A
16. The World Bank, Migration and Remittances Data.
17. World Bank, Global Findex Database (2017), Financial institution account (% age 15+) [2017].

Figure 1

The global spread of mobile money-enabled international remittances



Countries where mobile money can be used only to *send* international remittances

Countries where mobile money can be used only to *receive* international remittances

Countries where mobile money can be used both to *send* and to *receive* international remittances

*The 35 remittance-sending countries include countries with no live mobile money services but where there are partnerships between mobile money providers and remittance service providers. These countries include: Australia, Belgium, Canada, China, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland, United Arab Emirates, United Kingdom, and United States.

For more information about the countries or corridors please refer to Appendix A.

Insight 2: Mobile money helps to sustain livelihoods in conflict by providing a formal channel for the diaspora to connect to fragile and conflict-affected states

While remittances have become a major source of funds globally, they play an even more important role in fragile situations. Fragility, conflict and violence are critical development challenges affecting more than two billion people globally.[18] Remittances represent over 20 per cent of GDP in at least four of the 31 currently fragile and conflict-affected states.[19] These states typically suffer from poor infrastructure, limited technology and weak financial systems, which pose major challenges for remittance senders and recipients.

In response to higher risks of terrorist financing and money laundering across fragile and conflict-affected states, several international banks have closed correspondent bank accounts. De-risking in turn drives transfers through informal channels. For instance, financial institutions in Somalia have no access to international markets and the diaspora rely on informal solutions, such as Hawala.[20] Somalis living overseas send an estimated $1.3 billion back home every year, accounting for between 25 and 45 per cent of Somalia's GDP.[21]

Mobile money can aid the recovery of fragile and conflict-affected states by providing a formal channel to connect the diaspora with their families back home. Of the 31 fragile countries in the latest "Harmonized List of Fragile Situations",[18] 17 are in Sub-Saharan Africa where mobile money has a strong foothold. Today, mobile money can be used to receive international remittances in seven of these 17 countries—Burundi, Democratic Republic of Congo, Côte d'Ivoire, Mali, Mozambique, Somalia and Togo—and in some of these countries, mobile money is an integral part of people's daily lives.

18. Fragility, Conflict & Violence, World Bank.
19. Using data from World Bank's Harmonised List of Fragile States, and World Bank's World Development Indicators.
20. Oxfam (2015)."Hanging by a Thread; The Ongoing Threat to Somalia Remittance Lifeline"
21. Ibid

Insight 3: Mobile money extends the reach of international remittances to the most underserved segments of the population

Rural households: The presence of mobile money agents in rural areas and hard-to-reach places has been critical to the success of mobile money in many markets,[22] especially mobile money-enabled international remittances. For example, in Burkina Faso, the majority (60 per cent) of people receiving international transfers on their mobile money accounts live in rural areas.[23] Data from WorldRemit also indicates that mobile money is the preferred way to receive international remittances. for rural inhabitants.[24] Fifty-one per cent of WorldRemit's rural recipients in Ghana receive via mobile money, as do 91 per cent of rural recipients in Tanzania and 92 per cent in Kenya. Mobile money providers are also well placed to offer value-added services that can help farmers and small producers increase productivity, by advising them about weather conditions, pest outbreaks and new farming techniques.

Women: Women represent half of all remittance senders globally (100 million in total), and they tend to send remittances more regularly and consistently than men.[25] Using mobile money as a channel for international remittances can also drive financial inclusion for women. Recent UNCDF research shows that 60 per cent of remittance recipients in Cambodia, Lao PDR and Myanmar are women.[26] The same research shows that remittance recipients have significantly lower levels of financial exclusion than overall national and regional averages. By providing privacy and eliminating the safety concerns associated with managing, converting and transporting large amounts of cash, mobile money can be very attractive to women.

Migrant workers: Mobile money provides a convenient and secure way to send and receive remittances for low-income migrants and their families back home. In Qatar, for example, Ooredoo partners with MoneyGram to allow its mobile money users (mostly migrant workers) to send money to their families across Asia and Africa. Over 50,000 international transfers are sent every month using Ooredoo Mobile Money, primarily to Bangladesh, Indonesia, Kenya and the Philippines.[27]

Refugees: International remittances can be a lifeline for the 65 million people who are forcibly displaced worldwide,[28] by offering them a way to receive money from family and friends to buy food, access services and improve their livelihoods. Mobile money services are increasingly being used to deliver humanitarian cash transfers to people affected by crises. For instance, in northern Uganda, Airtel and MTN recently collaborated with the humanitarian sector to deliver humanitarian assistance to refugees via mobile money[29] in the Bidi Bidi refugee settlement, which is the largest refugee camp in the world.[30] This partnership has provided a faster, more secure and transparent way to offer assistance to refugees, and to open up opportunities for financial inclusion. Whilst this is a great example of how mobile money can help improve the livelihood of refugees through a domestic partnership between Mobile Network Operators and the humanitarian sector, it also highlights the opportunities of such partnerships at an international level.

22. Gilman, L., Shulist, J., de Dinechin, E. and de Lisle, M. (2015). "Spotlight on Rural Supply: Critical factors to create successful mobile money agents". GSMA.
23. Scharwatt, C. and Williamson, C., (2015). "Mobile money crosses borders: New remittance models in West Africa", GSMA.
24. Scharwatt, C. (2017). "Key takeaways from our IMT workshop at Mobile 360-Africa", GSMA Blog.
25. IFAD (2017). "Sending Money Home, Contributing to the SDGs, one family at a time".
26. UNCDF (2017), "Remittances as a driver of women's financial inclusion".
27. Farooq, S., Naghavi, N. and Scharwatt, C, (2016). "Driving a price revolution: Mobile money in international remittances". GSMA.
28. UNHCR data
29. Casswell, J. and Frydrych, J. (2017). "Humanitarian Payment Digitisation: Focus on Uganda's Bidi Bidi Refugee Settlement". GSMA.
30. Guardian (2017), "Uganda at breaking point as Bidi Bidi becomes world's largest refugee camp"

Part Two

Affordability: Reducing the cost of sending remittances with mobile money

Mobile money providers benefit from the general advantages of facilitating digital transactions, which incur lower administration and compliance costs than cash-based services. In markets with enabling regulatory environments, three key factors allow mobile money providers to offer international remittances at low prices in a sustainable way:

- **Pricing strategy:** Mobile money is a high-volume, low-margin business. Most mobile money users are unbanked and are very price sensitive. Affordability is therefore critical to the success of the mobile money business. More specifically, with international remittances, setting transaction fees at the same level as (or close to) the cost of domestic remittances has been key to driving transaction volumes in several corridors. For example, when Airtel and MTN collaborated in 2014 to allow MTN Mobile Money users in Côte d'Ivoire to send remittances to Airtel Money users in Burkina Faso, they agreed on fees averaging 2.4 per cent of the remittance value. The intention was to price international transfers at the same level as domestic transfers to drive adoption, for instance, FCFA 100 to send up to FCFA 5,000 to Burkina Faso using mobile money[31] compared to FCFA 500 using a traditional MTO.[32]
- **Economies of scope:** International remittances are typically launched by mobile money providers once their mobile money services have solid foundations and once they have successfully established domestic remittances or other products, such as bill payments. At this stage, mobile money providers have already acquired or built their platform, hired staff and developed strong distribution networks. In this context, launching international remittances requires limited or negligible additional CAPEX and OPEX investments as mobile money providers can leverage economies of scope. This unique business model has been key in allowing mobile money providers to keep remittance prices low.
- **Stimulating mobile money usage:** For providers, receiving international remittances represents an incoming flow of value into customers' mobile money accounts, just like a cash-in. Incoming transactions are key because they tend to encourage usage of other mobile money products as people can easily use the money in their account to pay their electricity bills or television subscription, to buy food in the market or to send it to someone. While cashing in is free for the customer, the mobile money provider must pay a commission to the agent who facilitated the transaction, typically around 0.7 per cent of the amount deposited. Therefore, some mobile money providers are willing to subsidise incoming transactions. For instance, mobile money providers receiving international remittances typically incur a cost from the sending remittance service provider (estimated at around 0.5 per cent).[33]

31. MTN website: http://www.mtn.ci/MTNCI/mobile_money-668-0.html
32. Scharwatt, C. and Williamson, C., (2015). "Mobile money crosses borders: New remittance models in West Africa", GSMA.
33. Almazan, M. and Vonthron, N., (2014). "Mobile money profitability: A digital ecosystem to drive healthy margins", GSMA.

Insight 1: The average cost of sending $200 via mobile money continued to decline in 2017, reaching 1.7%

In 2016, GSMA research revealed that mobile money was driving a price revolution in international remittances.[34] Conclusions from this research were echoed by recent data from the World Bank's Remittance Prices Worldwide (RPW), which shows that mobile money is the cheapest method for sending remittances.[35] In August 2017, the GSMA commissioned DMA to independently collect data on remittance prices across the 53 corridors where mobile money can be used to both send and receive remittances. A detailed explanation of the methodology can be found in Appendix B.

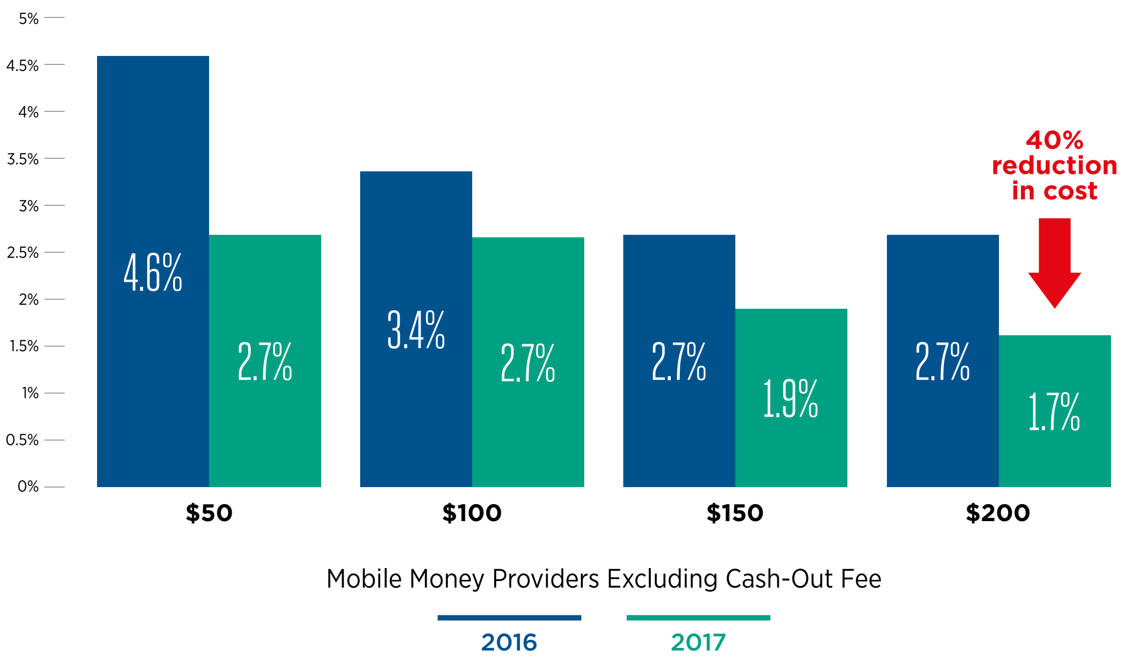
In August 2017, the average cost of sending $200 using mobile money stood at 1.7 per cent across the 53 corridors surveyed. This represents a significant reduction of nearly 40 per cent compared to one year earlier, clearly indicating that low-cost mobile money-enabled remittances are a sustainable trend rather than the result of short-term promotional efforts (see Figure 2).

Even when mobile money cash-out fees are included, the cost of sending $200 is still significantly lower than the average cost of sending remittances via other formal remittance service providers, including banks and MTOs. RPW established that the average cost of sending $200 using MTOs was 6.14 per cent in Q3 2017,[36] whereas the cost of sending $200 via mobile money, including cash-out fees, was 3.9 per cent in August 2017 (see Figure 3).[37]

Figure 2

Average cost of sending remittances via mobile money, excluding cash-out fees

(in per cent, August 2017 versus August 2016)

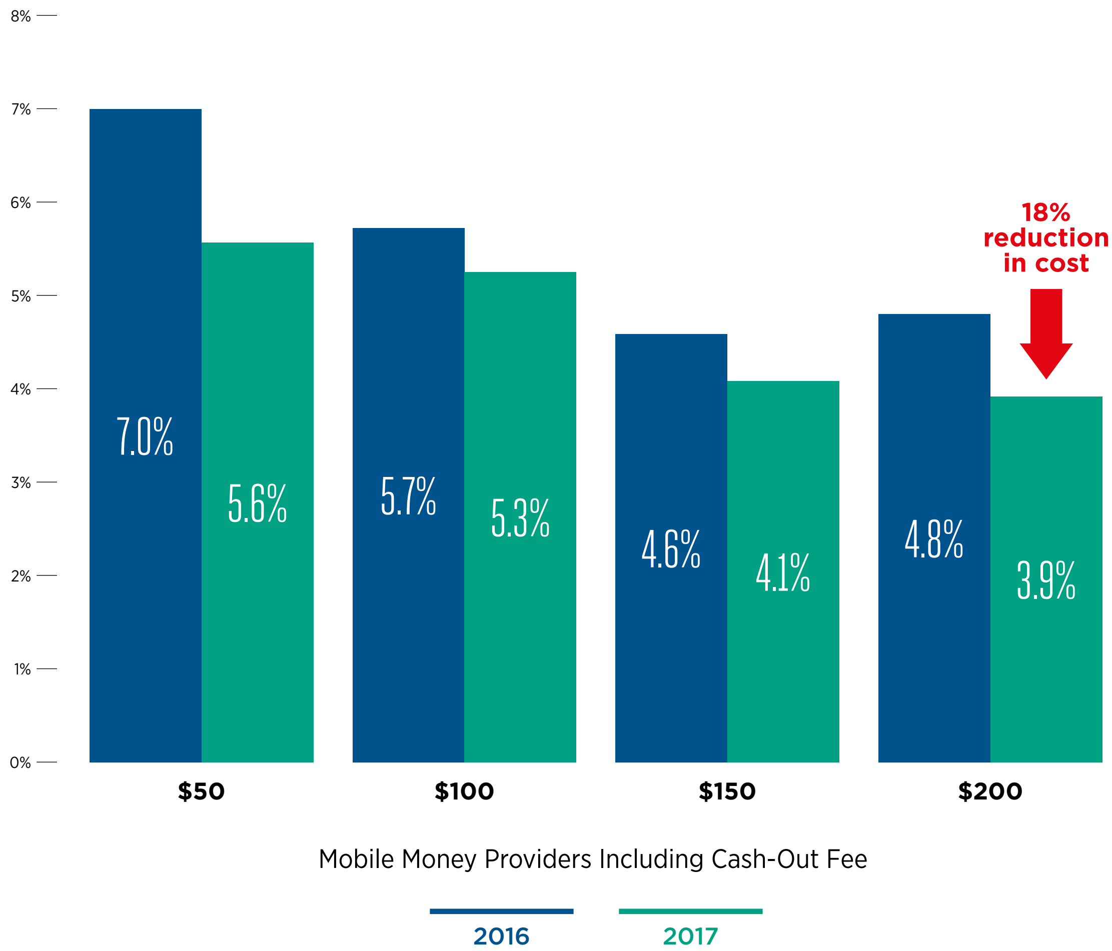


34. Even when incorporating cash-out fees, mobile money was more than 20 per cent cheaper.
35. Source:Farooq, S., Naghavi, N. and Scharwatt, C, (2016). "Driving a price revolution: Mobile money in international remittances". GSMA.
36. Remittance Prices Worldwide – "An analysis of trends in cost of remittance services", The World Bank, September 2017.
37. IbidAllowing mobile money to be used for international remittances also has an indirect impact on the cost of remittances provided by other players in the same market. Findings from GSMA research on the cost of remittances in 2016 showed that MTOs tend to offer their services at lower prices in markets where mobile money providers also offer international transfers (6.0 per cent compared to 8.2 per cent on average). This is a mechanical effect of introducing more competition and highlights the need for enabling regulatory frameworks, which allow non-traditional players, such as mobile money providers, to offer international remittance services. Farooq, S., Naghavi, N. and Scharwatt, C, (2016). "Driving a price revolution: Mobile money in international remittances". GSMA.

Figure 3

Average cost of sending remittances via mobile money, including cash-out fees

(in per cent, August 2017 versus August 2016)



Insight 2: The cost of sending $200 using mobile money is below 3% in almost all country corridors, making mobile money a key tool for achieving SDG target 10.c

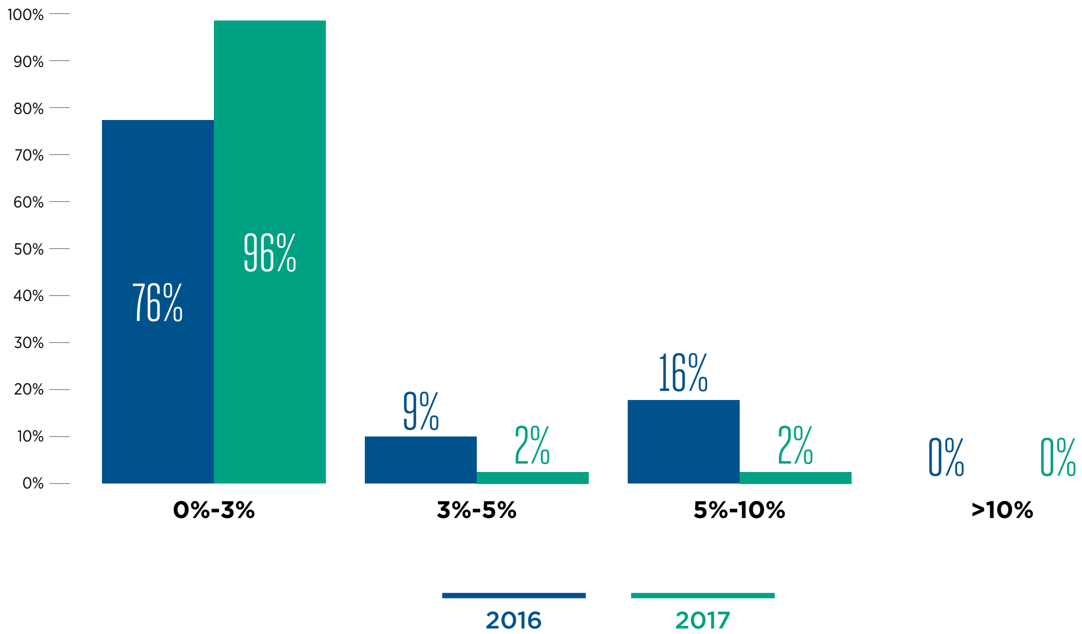
The decrease in the global average cost of sending remittances via mobile money in 2017 was driven by significant price reductions in the most expensive corridors. As a result, the cost of sending $200 is now below three per cent in almost all country corridors (96 per cent), compared to three quarters of the corridors (76 per cent) in August 2016 (see Figure 4). The cost of sending international remittances is even below two per cent in the majority of country corridors, including Kenya to Rwanda or Uganda, and Zambia to DRC or Malawi.

SDG 10.c sets a target to eliminate remittance corridors with costs higher than five per cent. Significant progress was made in 2017, with only two per cent of corridors offering mobile money international remittance with costs over 5 per cent compared to 16 per cent of corridors in August 2016.

Figure 4

Distribution of country corridors by average remittance cost for mobile money providers

(August 2017 versus August 2016)



Insight 3: Affordable low-value transactions make mobile money particularly appealing to low-income migrants

The average cost of sending $50 and $100 has also dropped significantly and is now below 3% (see Figure 2). This is making mobile money an ideal tool for low-income migrants who find it more convenient to make frequent, low-value transactions.

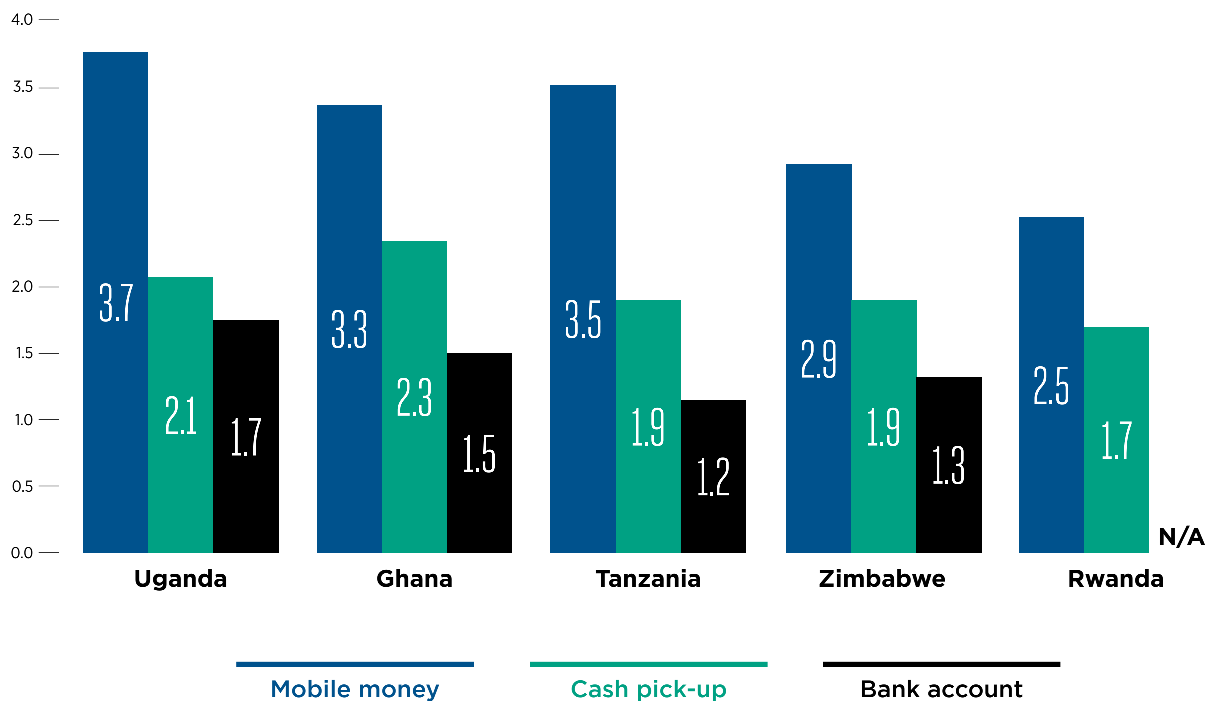
In fact, the average value of international remittances sent through mobile money tends to be much lower than those sent through alternative channels, and transactions also tend to be more frequent. According to MFS Africa,[38] approximately 20 per cent of people who begin sending remittances through mobile money continue to make transfers once or twice a month, while the value of intra-African remittances typically ranges from $50 to $80. Similarly, data from WorldRemit[39] indicates that people who use mobile money to receive remittances tend to receive them more frequently than those who receive them through traditional or cash-based channels (see Figure 5).

Figure 5

Source: WorldRemit

Average number of transactions per WorldRemit user by pick-up method

(monthly)



38. MFS Africa is an African digital payments hub which connects over 170 million mobile money wallets and over 20 million banks accounts across 27 countries.
39. WorldRemit is a digital remittance service available in 52 countries sending to 140 countries and which allows customers to receive remittances on a mobile money account.

Part three

Convenience, security, and access to the digital economy: Offering unique advantages to compete with informal remittance channels

Beyond availability, accessibility and affordability, mobile money offers unique advantages that can help accelerate the digitisation of international remittances through formal channels. While less tangible than cost savings, attributes such as convenience, security, and the opportunity to access the digital economy can weigh heavily in the decision to use a formal digital channel over informal alternatives.

The rapid uptake of mobile money as a channel for international remittances is a clear sign that, when the benefits of sending remittances through a digital channel significantly outweigh using cash-to-cash and informal channels, customers are quick to respond and adopt.

- Data from WorldRemit indicates that in 2016, remittances made using mobile money grew at more than double the rate of other receiving methods, such as traditional cash pick-up. In countries such as Uganda, Zimbabwe and Ghana, mobile money is the diaspora's preferred method for their recipient to receive the funds. Thirty-three per cent of WorldRemit's 1.1 million monthly transactions are now paid out as mobile money (up from 24 per cent of 330,000 in January 2016).[40]
- In the Pacific region (Fiji, Tonga and Samoa), a partnership between Digicel, a mobile network operator offering mobile money and KlickEx, digital remittance service provider and hub, has diverted the flow of cash-to-cash remittances into digital channels. Today, 10,000 households in Tonga (of the 16,000 in total) receive remittances into their Digicel mobile money account via KlickEx. Moreover, 70 per cent of formal remittances between New Zealand and Tonga are processed through the KlickEx/Digicel service, while the total value of transactions in this corridor has stayed roughly the same since 2011. This suggests that the KlickEx/Digicel service has taken market share from the traditional cash-to-cash services, advancing the digitisation of remittances in the New Zealand-Tonga corridor.
- The potential of mobile money to attract people who have traditionally used informal remittance channels is significant. The success of Orange Money in West Africa is a great example of migrating customers from cash and informal channels to digital and formal channels. Since Orange Money launched international money transfers between Côte d'Ivoire, Mali and Senegal in July 2013, adoption has been remarkably fast. In fact, the total value of cross-border remittances on Orange Money between Côte d'Ivoire and Burkina Faso ($387 million in 2017 and $225

40. WorldRemit (2018)

million in 2016) greatly exceeds the total value of estimated international remittances in this corridor ($168 million in 2016, according to the World Bank). This suggests that Orange Money captured significant volumes of transactions that were otherwise being sent through informal channels. This is confirmed by insights from customer surveys that reveal most Orange Money remittance recipients had previously used informal channels, primarily asking relatives to carry cash when travelling between countries.

Insight 1: Increased convenience and privacy are key to empower migrants and their families

With mobile money, transfers can be made from any location at any time without the need to travel to an MTO agent or bank branch, and they are received instantly. Freedom from the opening hours of a remittance agent can make life easier for those living in remote areas or who have inflexible work schedules. Mobile money users can conduct transactions independently from the safety of their home and retain a clear transaction record on their mobile device. Increased convenience and privacy through mobile money offer migrants greater control over their financial lives, and contributes greatly to empowering them.

Insight 2: By offering high levels of security, mobile money can be a trusted remittance channel for customers and help alleviate the effects of de-risking

Mobile money also offers high levels of security, relying on strong AML/CFT (Anti-Money Laundering and Combating the Financing of Terrorism) monitoring capabilities, ensuring all information meets security criteria including: availability, integrity, confidentiality, traceability and authorisation, all of which facilitate oversight and supervision from local and international authorities. In 2017, mobile money providers and hubs worked together with the GSMA to come up with a set of Guidelines on the provision of international remittances through mobile money. GSMA Industry Guidelines on International Remittances[41] illustrate how the mobile money industry and its partners are collaborating to ensure that international transfers conducted through mobile money are facilitated in a safe and secure manner, consistent with global standards and local monetary policy and regulations. These Guidelines have already been endorsed by several key mobile money providers and hubs—a sign of the industry's leadership on these issues. As such, mobile money can be a trusted remittance channel for migrants and their families.

Over the last couple of decades, compliance requirements to prevent and combat money laundering and terrorist financing have become onerous and increasingly complex, as have the sanctions and penalties for non-compliance. Up to 25 per cent of the workforce[42] of remittance service providers and hubs can work exclusively on AML/CFT compliance. This can be a heavy burden for some companies and can lead them to "de-risk", that is, opt not to provide certain services altogether, or in certain markets or to riskier market segments. The ability to reach those at the bottom of the pyramid with a sustainable commercial model, while also complying with strict AML/CFT policies, positions mobile money providers as strategic partners for banks. Mobile money providers are held to the same strict standards as traditional financial providers, complying with AML/CFT policies and practices and using the banking rails in every international remittance operation.

41. Scharwatt, C and Sanin,J. (2017). "Working Paper: Guidelines on international remittances through mobile money", GSMA.
42. Insights from interviews and from desk research. Also see Western Union, (2017). "Western Union Hosts its 11th Anti-Money Laundering, Anti-Fraud and Compliance Conference", Press Release.

Insight 3: Mobile money contributes to the financial inclusion of migrants and their families while giving them access to the digital economy

Recipients have the option to either store the received funds safely on their mobile money account or use it in other ways, such as making digital payments to buy milk from a local merchant or pay their children's school fees or utility bills. In Kenya, recipients can also use mobile money to buy government bonds through M-Akiba and directly invest remittances received in their local economy. In Burkina Faso, many migrant workers use Orange Money to repatriate their funds from Côte d'Ivoire or Mali to make investments, such as buying a house. Flows of international remittances into Orange Money accounts are very seasonal and closely related to the cocoa harvest. During the harvest season, the frequency and average size of transactions both increase significantly. The unique attributes of mobile money such as convenience, security and being able to access a broad range of digital financial services can maximise the benefits of remittances, while giving migrants and their families an opportunity to join the digital economy. As such, mobile money can serve as a gateway to financial inclusion for migrants and their families.

Conclusion and recommendations

International remittances play a critical role in sustaining the livelihoods of those living in poverty and fragile states. Surpassing international aid as a source of income, remittances have grown significantly in the past decade. However, the true size of remittances is considerably higher than official estimates given the high use of informal channels, and this is creating new risks for financial integrity and hindering the macroeconomic benefits of remittances.

Mobile technology is one of the most exciting forces revolutionising and shaping how people send and receive international remittances, and it is facilitating the transition from unregulated cash-based solutions to formal digital channels. By expanding access, lowering the cost, and offering greater convenience, security, as well as access to the digital economy, the mobile money industry is making great strides towards economic empowerment amongst the underserved, achieving the Sustainable Development Goals and building financial resilience.

However, several barriers are slowing the uptake of mobile money for international remittances. To harness the potential of mobile money for international remittances, the following recommendations will be critical:

- **Establishing an open and level playing field and encouraging competition:** The progress of mobile money international remittances is, in part, the result of greater willingness by regulators to facilitate market entry for non-traditional providers. Establishing a more level regulatory playing field for companies interested in facilitating international remittances has increased competition in several markets, with positive results for consumers. However, in many markets, regulation remains a challenge to the expansion of mobile-based remittances. Where mobile money providers can secure approval for facilitating international remittances, they often face uncertainty around the requirements and timeframe for a response from the regulator. Standardised and transparent licensing criteria, as well as fixed maximum response times, could go a long way towards facilitating business planning and encouraging investment.[43]
- **Facilitating the opening of new corridors:** In around two-thirds of the countries where mobile money can be used for international remittances, remittances can only be received, while mobile money customers in the remaining countries have the option to both send and receive international remittances. This is largely due to the challenge of obtaining licences to send, which affects the competitiveness of intra-regional remittance corridors. Similarly, the process of securing approval to connect new corridors via a previously approved hub could be streamlined to allow in-principle approval of partnerships undertaken via a vetted hub.[44]

43. Farooq, S.,(2017). "Licensing mobile money remittance providers: Early lessons", GSMA
44. Ibid

- **Adopting a risk-based approach to mobile money international remittances:** While licensing is the biggest and most common obstacle faced by mobile money providers, other issues also need to be addressed: such as the differences between international and domestic Know Your Customer (KYC) requirements, differences in KYC requirements between sending and receiving countries, and differences in transaction and balance limits between countries.[45] Such approaches need to be balanced with the legitimate needs of regulators to manage capital flows, ensure consumer protection, prevent crime and act within capacity constraints.
- **Including mobile money as a key component of any policy initiative aimed at reducing the cost of remittances:** Mobile money is driving a price revolution in international remittances. Understanding this trend and how it affects the average cost of remittances across all channels is important. We encourage the international community to include mobile money as a key component of any policy initiative aimed at reducing the cost of remittances.

The GSMA will continue to monitor and support the development of mobile money as a tool for remittances and welcomes all interested parties to reach out to find out more.

Appendix

Appendix A - Country corridors

To identify the corridors where mobile money was being used for sending and/or receiving remittances, the World Bank's Remittance Prices Worldwide (RPW) online database was reviewed to identify a preliminary list of services where mobile money was being used as a receiving channel for North to South corridors. RPW is the most comprehensive source of data on remittances, currently covering 365 country corridors across 48 remittance-sending countries and 105 receiving countries.

This preliminary list was then checked against the GSMA internal trackers and complemented by thorough desk research. Finally, we validated our findings by consulting different mobile network operator groups involved in international remittances, as well as several large digital remittances service providers.

45. Alliance for Financial Inclusion, (August 2014). "Mobile-enabled cross-border payments" (Guideline Note 14).

Table 1

Corridors where mobile money can be used both to *send* and to *receive* international remittances

REMITTANCE RECEIVING COUNTRY / REMITTANCE SENDING COUNTRY	Benin	Burkina Faso	Côte d'Ivoire	DRC	Kenya	Malawi	Mali	Niger	Philippines	Rwanda	Senegal	Tanzania	Togo	Uganda	Zambia	Zimbabwe
Benin			●					●					●			
Burkina Faso			●				●	●			●					
Côte d'Ivoire	●	●					●	●			●		●			
Kenya										●		●		●		
Malawi								●		●					●	
Mali		●	●					●			●					
Niger	●	●	●	●			●			●	●		●		●	
Qatar					●											
Rwanda					●	●						●		●	●	
Senegal		●	●				●	●								
Singapore									●							
South Africa																●
Tanzania					●					●						
Togo	●		●					●								
Zambia				●		●				●						●

Table 2

Corridors where mobile money can be used only to *send* international remittances

REMITTANCE RECEIVING COUNTRY / REMITTANCE SENDING COUNTRY	Bangladesh	China	India	Indonesia	Jordan	Kenya	Nepal	Pakistan	Philippines	Sri Lanka	Vietnam
Malaysia	●						●	●	●		●
Qatar	●				●	●	●		●	●	
Singapore		●	●	●					●		

Table 3

Corridors where mobile money can be used only to *receive* international remittances

REMITTANCE SENDING COUNTRY / REMITTANCE RECEIVING COUNTRY	Burundi	Côte d'Ivoire	DRC	Ecuador	El Salvador	Fiji	Ghana	Guatemala	Indonesia	Kenya	Lesotho	Madagascar	Mozambique	Nigeria	Pakistan	Philippines	Romania	Rwanda	Samoa	Somalia	Sri Lanka	Tanzania	Tonga	Uganda	Vietnam	Zambia	Zimbabwe
Australia	●		●			●	●		●	●						●		●	●	●	●	●	●	●	●	●	●
Belgium																		●									
Canada	●	●	●		●	●	●			●					●	●		●		●		●		●			●
Denmark			●																								
Finland																		●									
France		●				●						●					●										
Germany						●	●			●						●	●							●			
Ireland			●																								
Italy							●			●							●										
Japan																●											
Kenya																						●					
Netherlands			●				●																	●			
New Zealand						●										●			●				●				●
Norway	●						●								●	●		●						●			
Qatar																●											
Rwanda										●												●					
Singapore									●						●	●											
South Africa										●	●		●														●
Spain					●			●																			
Sweden	●		●				●			●								●		●		●		●			
Switzerland		●																									
Tanzania										●																	
United Arab Emirates									●	●					●												
United Kingdom		●		●	●	●	●			●	●			●	●	●	●	●		●	●	●		●		●	●
United States	●		●	●	●	●	●	●	●	●				●	●	●	●	●		●	●	●		●			●

Appendix B - Cost data collection methodology

To isolate the impact of mobile money on remittance costs, the study was restricted to corridors where both sending and receiving remittances can be facilitated via mobile money. Our research covered 53 corridors across 15 remittance-sending countries and 16 remittance-receiving countries. For each of the 109 services across all the 53 corridors, we collected data on the cost of sending \$50, \$100, \$150 and \$200. The cost elements captured included the transaction fee charged to the sender and the exchange rate applied. In addition, we collected the applicable fee charged to recipient, should they wish to cash-out the money received from their mobile money account.[46]

The following methodological approach was taken to collect the data for this study. Where possible, the same methodology used by the World Bank in its RPW database was applied to this research.

Data collection

A combination of mystery shopping and desk research was used to gather data from providers. In all cases, the information gathered was also reflective of the customer experience. On several occasions, the researchers had to use a call centre to obtain transaction information.

The cost data within each corridor was captured by remittance price researchers on the same day to control for fluctuations in exchange rates and other changes in fee structures. Similar to the World Bank's methodology, we collected the cost data on the send side. The cost elements captured included (i) the transaction fee charged to the sender, (ii) the exchange rate applied and (iii) the applicable fee charged to the recipient for cash pick-up or cash-out fees. Pick-up costs (i.e. cash-out fees) were not included in the total cost except where explicitly mentioned in the report.

Amounts surveyed

The World Bank's RPW service historically collects data for \$200 and \$500 transfers, which represents the global mode and mean amounts for traditional cash-to-cash remittances. We used four price points per provider: \$50, \$100, \$150 and \$200. The new price points reflect the lower transaction amounts generally seen with mobile money-based transactions, while allowing comparison with the core RPW price point of \$200.

Exchange rate applied

The exchange rate offered by the relevant provider was collected and measured against the collection day's interbank exchange rate (gathered at www.XE.com) for the relevant send and receive currencies, to produce an FX cost margin.

Additional information – such as fee and non-fee costs charged to the receiver

Data was collected on any hidden or receiving 'pick-up' costs where they occurred, either due to the nature of the product or service on offer, or the outlet through which the funds were being received. In most cases where mobile money is used, the receiver has the option to keep the money received on their account, to use it to make other transactions (for example, to pay for goods and services or send to a relative) or to cash it out. Typically, a cash-out fee is charged if the receiver decides to withdraw the money from their account.

46. When receiving remittances via mobile money, the recipients have the option to keep the received money in their mobile money accounts to make other transactions (for example to pay for goods and services or to send to a relative), or to cash it out. For a cash-out, recipients will typically pay a fee to the agent of the mobile money provider.

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