Mobile money remittances: Supporting lives during a crisis

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Twitter: **@GSMAMobileMoney**

Email: **mobilemoney@gsma.com**

Lead Authors:

Saad Farooq
Sakshi Chada

Acknowledgements

Brian Muthiora and Kennedy Kipkemboi (Contributors)
DMA Global (Data collection)
Olu Omobitan (Operations Support)

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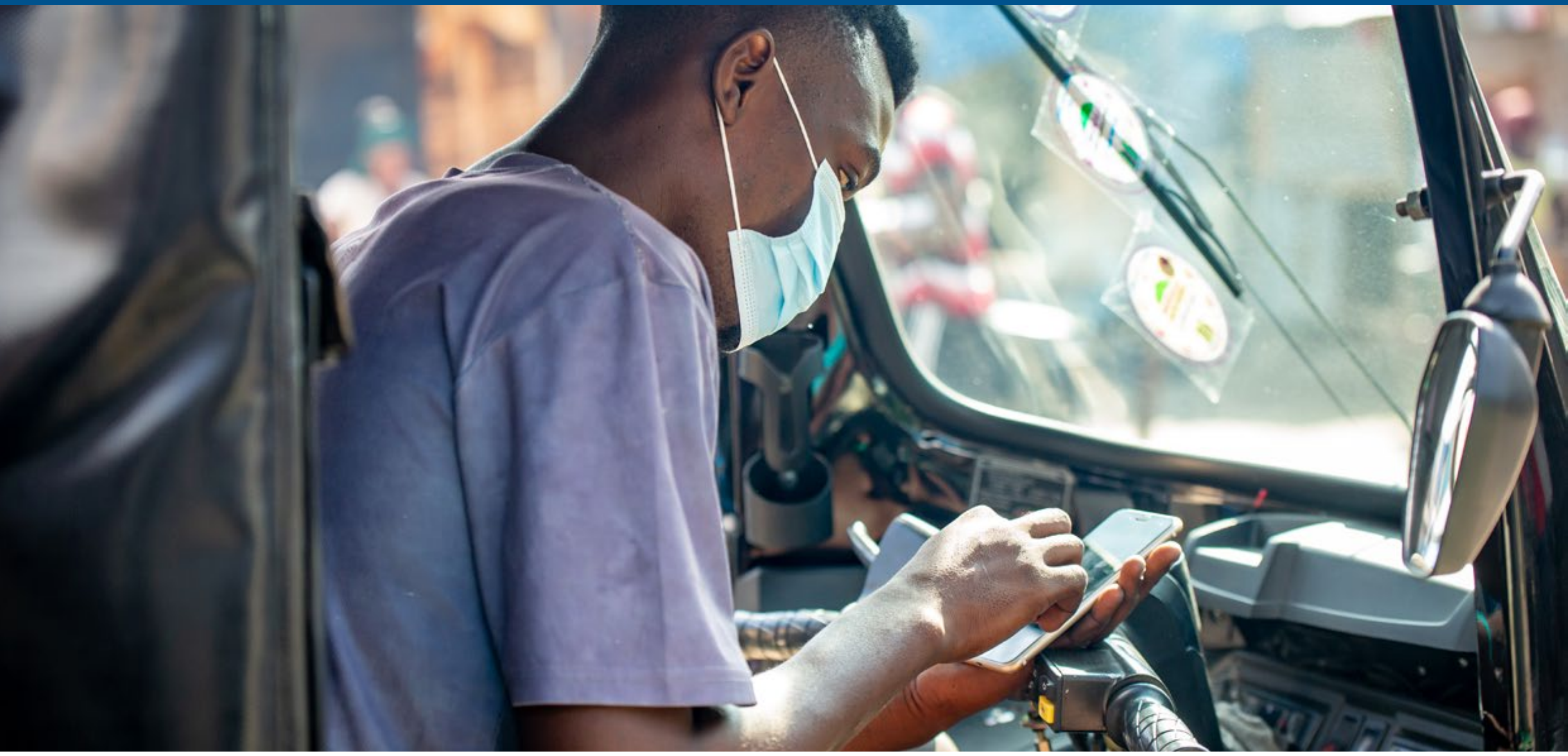
List of abbreviations

BCP	Business Continuity Plan
CDD	Customer Due Diligence
CFA	Central African Franc
HIC	High-Income Country
IFAD	International Fund for Agricultural Development
IMT	International Money Transfer
KYC	Know Your Customer
LMIC	Low- and Middle-Income Country
MMP	Mobile Money Provider
MNO	Mobile Network Operator
SDG	Sustainable Development Goal
RCTF	Remittances Community Task Force
RSP	Remittance Service Provider
RPW	Remittance Prices Worldwide

Executive summary



For the mobile money industry, 2020 was a year like no other. From the early days of the COVID-19 pandemic, it was clear that digital payments, and mobile money in particular, would fill a vital financial need. Mobile money offers a reliable local channel for disbursing social welfare payments, sending and receiving international remittances and making essential day-to-day purchases quickly, securely and efficiently.

With over 1.2 billion registered accounts globally and 300 million monthly active accounts, mobile money became central to the national COVID-19 response in many markets. For low-income mobile money users who were otherwise financially excluded, mobile money became crucial to managing their financial lives.

The COVID-19 pandemic created unprecedented challenges for families who send and receive money internationally. The flow of international remittances is instrumental in low- and middle-income countries (LMICs) where more people migrate from one LMIC to another (34 per cent) than to high-income countries (HICs) (32 per cent). Remittances also account for a significant share of GDP in many LMICs.

Under very trying circumstances, mobile money supported lives during the COVID-19 pandemic by ensuring families could continue to send and receive funds. In fact, international remittances processed through mobile money increased by 65 per cent in 2020 and, for the first time, processed over $1 billion a month. In addition to keeping money flowing, mobile money remained the cheapest way to send remittances between countries.

This study assesses the cost of mobile money-enabled international remittances in the wake of the COVID-19 pandemic. Key insights from the research include:

- Mobile money-enabled international remittances are now available in more corridors than ever before, expanding from 53 in 2017 to 108 in 2020.
- Mobile money remittances continue to be the most affordable way to transfer money between countries. Sending $200[1] using mobile money cost 3.53 per cent in Q3 2020.
- Sending $200 via mobile money costs 47 per cent less than the global average. Even with the cash pick-up cost included, using a mobile money account to send money is 15 per cent cheaper than the global average.
- Sixty-five per cent of mobile money remittance corridors already meet SDG 10.c to reduce transaction costs for migrant remittances to less than three per cent by 2030.
- Although prices have increased compared to the 2017 survey, this is mainly due to the increased number of corridors, higher foreign exchange (FX) margins (for existing and new corridors) and a slight increase in fees.
- There are significant regional differences in remittance costs between West Africa and other parts of the continent. West Africa is the cheapest region to send money while East Africa and Southern Africa are significantly more expensive.
- Transparent pricing is vital for mobile money account owners because it allows them to view the fee and FX rate that will be applied to their transaction before they complete it.
- Additional and more regular monitoring would help to track the significant and dynamic changes underway with mobile money remittances.

Mobile money remittances played a crucial role in helping remittance families to improve their incomes and livelihoods, most importantly, during crises. This study also highlights that they do this at the lowest priced method to transfer money between countries. While the growth has been strong in recent years, and mobile money has offered genuine support to lives during the current COVID crisis.

Mobile money remittances have provided genuine support to remittance families during the COVID-19 pandemic. To ensure that mobile money remains the leading money transfer method for migrant workers and their families, governments and policymakers need to come together to address the challenges outlined in this report.

1. In addition to the $200 price points, the survey conducted for this study also collected data from different remittance corridors on the cost of sending $50, $100 and $150. The results were: 4.5 per cent for $50, 4.09 per cent for $100 and 3.62 per cent for $150.

01 Introduction

Mobile money has made impressive progress over the last decade, with 1.2 billion registered mobile money accounts through 310 live services in 96 countries. Although mobile money providers (MMPs) offer a range of financial services, the international remittances offering has grown tremendously in recent years. It is estimated that $12.7 billion[2] in mobile money-enabled international remittances were processed in 2020. While this number is small compared to global remittance values from all channels ($717 billion in 2019[3]), international remittances sent and received through mobile money registered a significant annual growth rate – a 65 per cent increase from 2019 to 2020, impacting the lives of millions around the world.

In the early months of the COVID-19 pandemic, the World Bank projected remittance flows to low- and middle-income countries (LMICs) would fall by 7.2 per cent in 2020 and by 7.5 per cent in 2021 to $470 billion.[4] These projected declines are among the sharpest in recent history and were attributed to the economic crisis caused by the pandemic. This has led to unprecedented challenges for families who rely on international remittances for their livelihoods. The vulnerability of migrants in the labour market has led to predictions of higher unemployment rates and wage reductions due to the economic crisis and lockdowns.[5] In addition to financial constraints, the ability of migrants to send money has been hampered by travel restrictions, stay-at-home orders and the closure of formal and informal financial service points across multiple countries. Under very trying circumstances, digital payments, and especially mobile money, played an increasingly important role in ensuring international remittances continued to flow.

To further understand how mobile money supported international remittances during the COVID-19 pandemic, a study was commissioned by the GSMA (through DMA Global Ltd) to determine the cost of sending money from all known mobile money account-to-account (A2A) cross-border remittances services. This report highlights some of the key findings from this study and showcases how mobile money became a life-saving service during the global pandemic.

2. GSMA (2021). *State of the Industry Report on Mobile Money 2021*.
3. KNOMAD. (October 2020). *Phase II: COVID-19 Crisis through a Migration Lens*. Migration and Development Brief 33.
4. The World Bank. (29 October 2020). *Press Release: COVID-19: Remittance Flows to Shrink 14% by 2021*.
5. OECD. (19 October 2020). *What is the impact of the COVID-19 pandemic on immigrants and their children?*

02 Key insights

The third survey of mobile money A2A international remittances (the first was conducted in 2016 and the second in 2017) was conducted by the independent consultancy DMA Global Ltd. (DMAG) on behalf of the GSMA. Findings from the survey provided some critical insights into how mobile money international remittances could be strengthened.

Insight 1: Mobile money-enabled international remittances are now available in more corridors than ever before

The number of mobile money A2A remittance corridors increased from 53 in 2017 to 108 in 2020. These corridors are covered by 43 MMPs that, combined, offer 162 services. Table 1 lists the new mobile money remittance corridors added in the 2020 study. A description of the methodology used in the study can be found in Annex 3.

6. At the time of data collection, Singapore to Philippines corridor was not available for MM to MM transfer. Therefore, only 52 of the 53 corridors covered in 2017 are included in 2020 study.

Table 1

New mobile money remittance corridors, 2020

Corridors: Send country	Receive country
Benin	Burkina Faso, Mali, Senegal
Botswana	Kenya, Zimbabwe
Burkina Faso	Benin, Guinea-Bissau, Togo
Burundi	Kenya
Cameroon	Congo, Gabon, Senegal
Congo	Cameroon
Cote d'Ivoire	Guinea, Guinea-Bissau
France	Burkina Faso, Cote d'Ivoire, Guinea, Morocco, Madagascar, Mali
Gabon	Cameroon
Guinea-Bissau	Benin, Burkina Faso, Cote d'Ivoire, Mali, Niger, Senegal, Togo
Kenya	Burundi, Botswana, Malawi, Zambia
Malawi	Nigeria, Tanzania
Malaysia	Bangladesh, Cambodia, Nepal, Pakistan
Mali	Guinea-Bissau
Niger	Guinea-Bissau
Rwanda	DRC
Senegal	Guinea-Bissau
Singapore	Bangladesh, Indonesia
Tanzania	Burundi, Uganda
Uganda	Burundi, Kenya, Malawi, Rwanda, Tanzania, Zambia
Zambia	Tanzania, Uganda

Box 1: Remittances sent between LMICs[7,8,9,10]

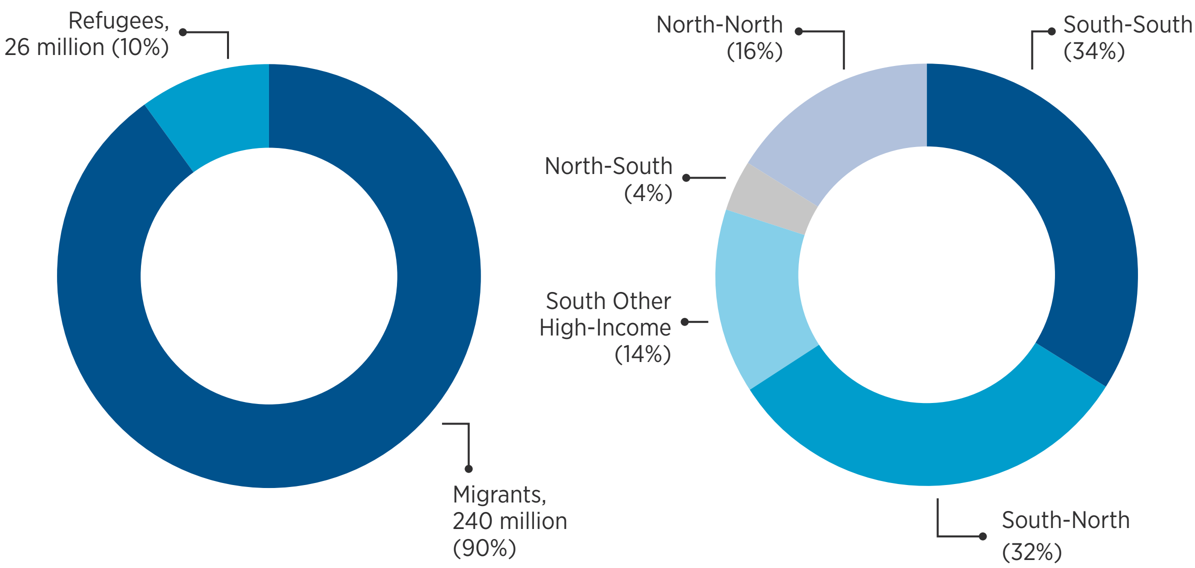
Remittances sent between LMICs[8] account for a third all remittances worldwide, yet they cost more than those sent from HICs

For many LMICs, international remittances represent a direct and critical contribution to their economies. It is no surprise, then, that mobile money A2A remittances would be particularly important.

Of the 281 million migrants[10] globally, more people migrate from one LMIC to another than move to high-income countries (HICs). 34 per cent of migrants moved in the South-South corridors (many within their own region while 32 per cent moved from a LMIC to a high-income country, referred to as South-North (see Figure 1).

Figure 1

Destinations of Migrants



Source: World Bank staff estimates based on UNDESA and UNHCR.
Note: South = Low- and middle-income countries, North = high-income OECD countries

Remittances sent along the South-South corridors were approximately $237 billion in 2019,11 which is only slightly lower than the flow from HICs to LMICs. **Remittances sent to LMICs represent a third of all formal remittance volumes and represent a substantial opportunity for mobile money remittances to become the primary payment method to these countries. This is especially important as the cost of sending money in South-South corridors using traditional remittances are typically higher than in North-South corridors**.

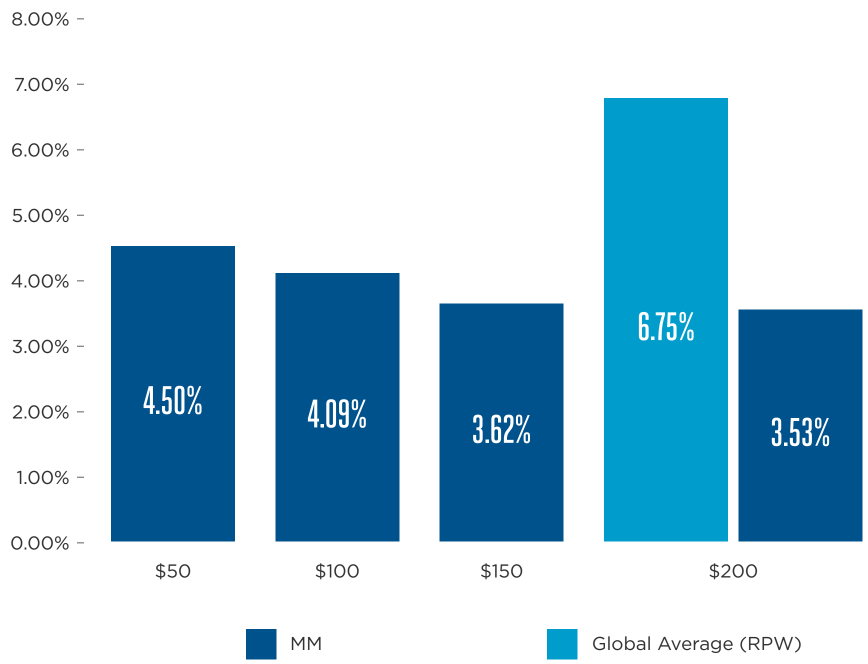
7. The transfer of money from a migrant living abroad to an individual living in their home country, where both individuals reside in countries in LMICs typically outside Europe and North America.
8. KNOMAD. (October 2020). Phase II: COVID-19 Crisis through a Migration Lens. Migration and Development Brief 33.
9. UNDESA. (2021). *UN International Migration 2020 Highlights*.
10. Author's extrapolation from *The World Bank Migration and Remittances Factbook 2016*. Global remittances to South-South corridors accounted for 33 per cent of global volume.

Insight 2: Mobile money remittances continue to be the most affordable method for sending international remittances

Mobile money A2A international remittances are the cheapest method to send money between countries. The GSMA survey conducted in Q3 2020 collected data for four transaction sizes: $50, $100, $150 and $200 using mystery shopping techniques. Figure 2 shows the average total cost of the four transaction amounts range from 3.5 per cent (to send $200) to 4.5 per cent (to send $50). This is nearly 47 per cent and three percentage points lower than the global average of 6.75 per cent to send $200.[11]

Figure 2

Average cost of sending remittances through MMPs



11. The World Bank. (December 2020). *Remittance Prices Worldwide Quarterly*. Issue 36.

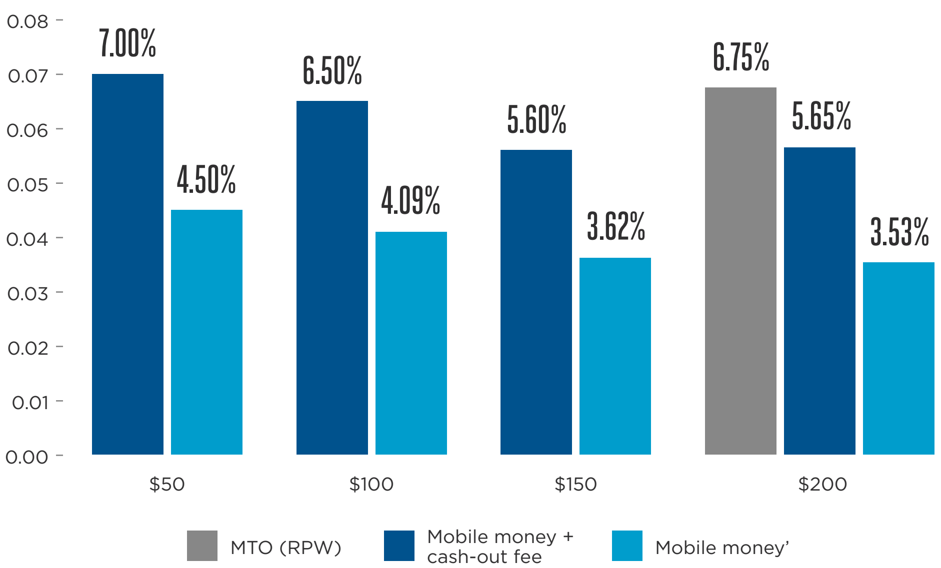
Insight 3: Even when cash pick-up costs are included in the total cost, it is still considerably cheaper to send money from one mobile money account to another compared to other methods

Figure 3 shows comparable data for sending money via mobile money accounts where (1) the transfer stays in the receiver's account; (2) the receiver cashes out; and (3) the comparable average global cost of sending $200. Of the 162 remittance services globally, 140 services (approximately 86.4 per cent) were found to levy a cash-out charge. However, with the shift to digital, the values of remittances cashed out are expected to decline. The GSMA State of the Industry Report on Mobile Money 2021 highlighted that the industry digitisation level was 57 per cent in December 2020, with outgoing digital transactions representing 40 per cent of all outgoing transactions (digital out + cash-out).

When the average global cost is compared to the cost of sending a remittance via mobile money with cash-out fees included, it is still cheaper to send money to a mobile money account and cash out than any other method. The additional cost to cash-out ranges from 1.5 per cent of face value for a $50 transaction to around 2.12 per cent for a $200 transaction. Notably, at the $200 level, a mobile money remittance transaction cashed out by the recipient is still approximately 15 per cent cheaper than the global average.[12]

Figure 3

The cash-out effect on the average cost of sending mobile money remittances



12. Cash-out fees are generally levied on a tiered basis, for example, $1.50 for cashing out $200 to $300. If a customer collects $200, the cost is 0.67 per cent, but if it is $300 the cost is only 0.5 per cent.

Insight 4: The transaction costs of sending money from one mobile money account to another have increased

Since the 2017 survey was conducted, mobile money costs have increased, both with and without cash-out fees. This rise can primarily be explained by (1) an increase in foreign exchange margins in the original 52 corridors (from the 2017 cohort), in part from greater volatility in 2020 as a result of less liquidity and more uncertainty for many currencies; and (2) an increase in the number of corridors surveyed, with new corridors being more expensive than existing corridors, particularly since many new corridors have significantly higher foreign exchange margins than the original cohort.

Table 2 (and Figure 4) shows the differences in fees between the newly added corridors and the legacy corridors. The new corridors have slightly higher fees, significantly higher FX margins and a more significant proportion of corridors, including those with FX costs, than the legacy corridors.

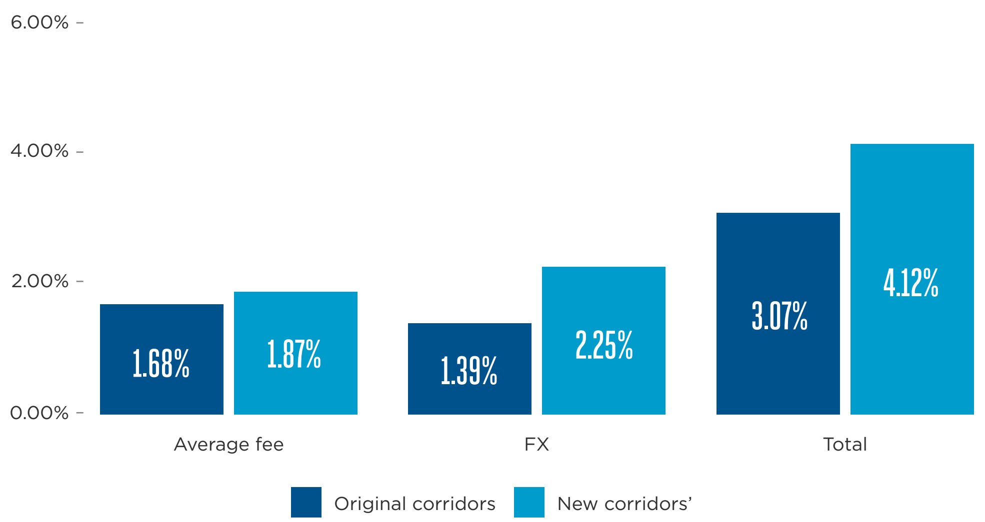
Table 2

Cost differences between legacy and new corridors

	Legacy corridors	New corridors	Difference
Average fee	1.68%	1.87%	0.19%
Foreign exchange margin	1.39%	2.25%	0.86%
Total cost	3.07%	4.12%	1.05%
Corridors with foreign exchange	22 (42%)	30 (54%)	
Corridors without foreign exchange	30 (58%)	26 (46%)	

Figure 4

Fees and foreign exchange costs in original and new corridors, 2020



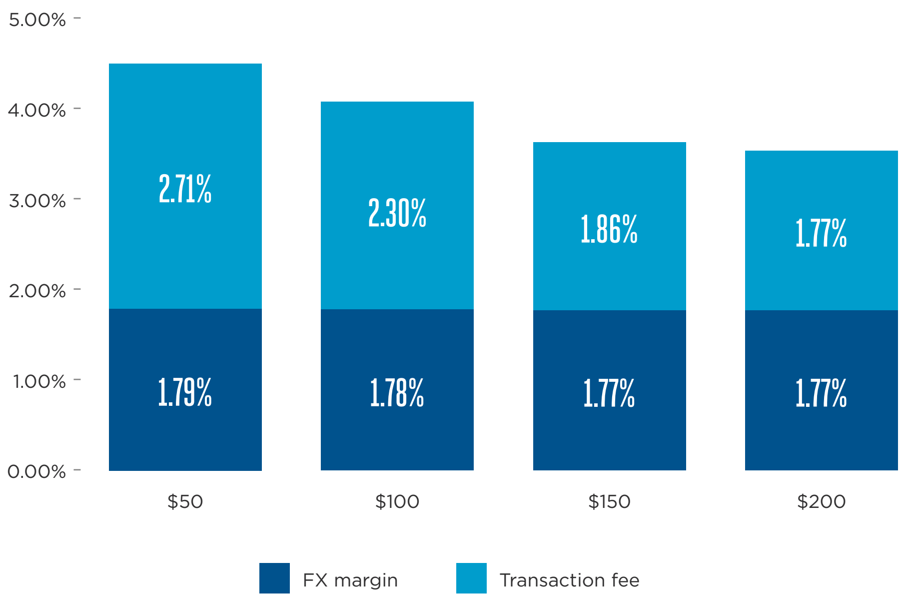
Insight 5: Foreign exchange margins have a significant influence on transaction costs

Figure 5 shows that a service is more expensive when an FX margin is added. Of the 108 corridors surveyed, FX costs are incurred in only 52 corridors. Of the remaining 56 corridors, 54 are among the CFA monetary zone countries. The total cost of sending mobile money to the 52 corridors with FX is 5.89 per cent, which is 2.36 percentage points higher than the average for all 108 corridors.

Comparing the costs of sending $200 costs between 2017 and 2020 shows FX margins, where present, are an intrinsic part of the total cost. FX margins, for which MMPs rely on third-party FX dealers, rose from 0.07 per cent in 2017 to 1.77 per cent in 2020. This is mainly due to greater uncertainties in FX markets, especially in smaller markets, as evidenced by greater volatility from the COVID-19 crisis. It is also important to note that FX costs are levied in more corridors in the latest study than previously and have increased over time. As a result of the increase in FX, the overall costs of remittances sent through mobile money channels have increased since the previous surveys.

Figure 5

FX margins and transaction fees for MMPs



Insight 6: There are significant regional variations in the cost of mobile money remittances in Africa

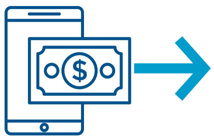
The three main mobile money regions in Africa – West Africa, East Africa and Southern Africa – have notable differences in terms of cost and how these costs are split between fees and FX. Figure 6 highlights regional variations for all 108 mobile money remittance corridors in Africa. Three findings stand out:

i. The West African region has the lowest total cost due to the absence of FX when sending to another country in the region's CFA zone. The 14 countries in the zone use a common currency, the Central African franc.

ii. East Africa has the highest FX rate for mobile money remittance services. This is driven by small FX markets for the region's currencies, for example, between Rwanda and Uganda, as well as a high level of volatility. MMPs, like other payment companies, must ensure they do not charge an FX margin to the transaction as that would mean selling the service at a loss. Therefore, excess costs are unfortunately passed on to remittance senders.

iii. Southern Africa has the highest remittance fees. This has been a market phenomenon for many years and is frequently due to an uncompetitive remittance market in which many bank players offer high fixed cost payments. MMPs compete with banks to transfer money and adopt a somewhat similar practice of charging higher fees and slightly lower FX margins.

These findings create the following picture:

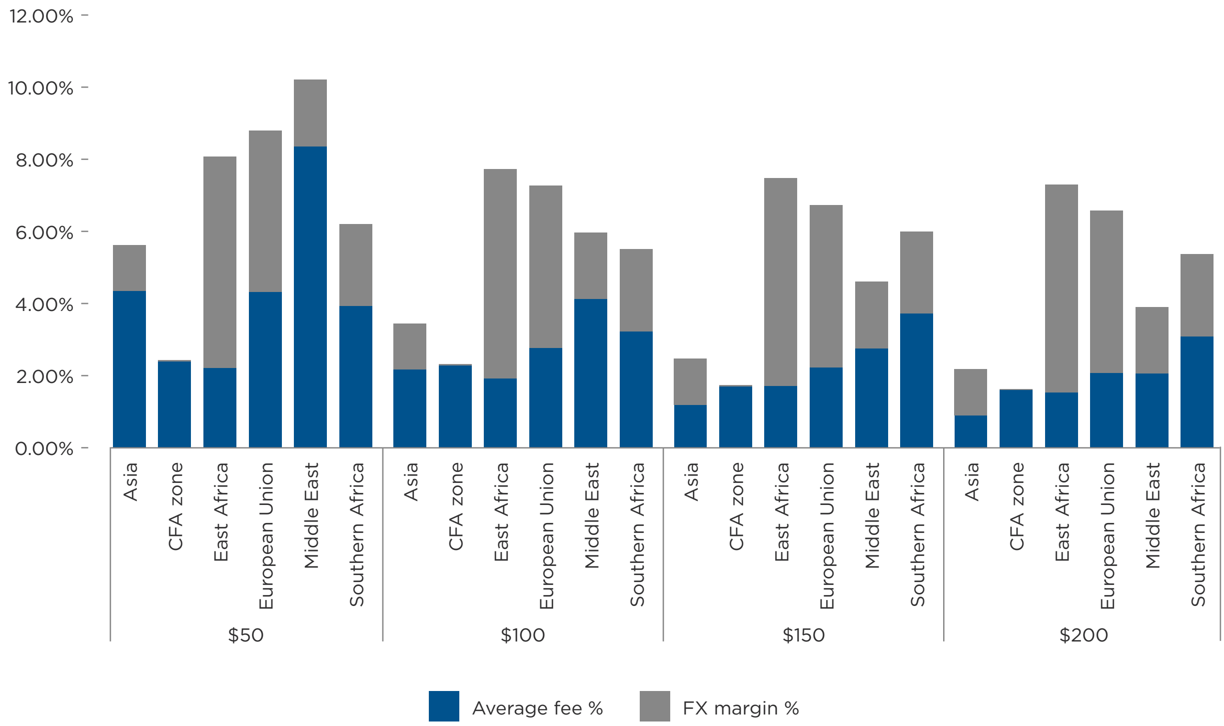


the cost of sending $200 from West Africa was **1.63 per cent** compared to **7.26 per cent** to send it from East Africa.

The average was **13.66 per cent** for non-mobile services in East Africa and **6.93 per cent** (excluding corridors from Nigeria) for West Africa.

Figure 6

Regional comparison of mobile money remittance costs



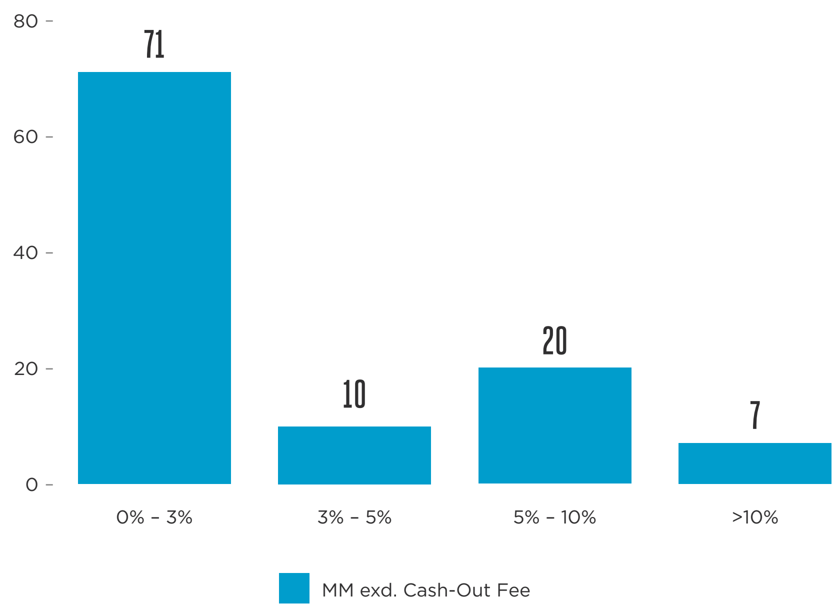
Insight 7: The majority of mobile money A2A services already meet the SDG Target 10.c

SDG Target 10.c states that by 2030, the transaction costs of migrant remittances should be no more than three per cent, and that remittance corridors with costs higher than five per cent should be eliminated.[13] To measure this, the World Bank has developed the SmaRT index, which benchmarks how many corridors (in the Remittance Prices Worldwide list of 367 corridors) are at, or below, five per cent.[14] Currently, only 69 per cent of all global corridors have a SmaRT average of less than five per cent.

Data from the mobile money remittance price survey clearly shows that mobile money corridors and services are priced significantly lower than the overall global remittance price. Of the 108 corridors in the survey, 71 (65 per cent) had remittance costs below three per cent, which means they already meet SDG Target 10.c. (Figure 7). Also, 81 of the 108 corridors, or 75 per cent, had an average remittance cost below five per cent, highlighting the significant opportunity that mobile money remittances represent to meet the SDGs.

Figure 7

Average remittance cost by mobile money corridor



13. See: https://sdgs.un.org/goals/goal10.
14. To complement the global average and global weighted averages described above, The World Bank introduced the SmaRT indicator in Q2 2016. This indicator reflects the price that a savvy consumer with access to sufficiently complete information could pay to send a remittance in each corridor. SmaRT is calculated as the simple average of the three cheapest qualifying services for sending the equivalent of $200 in each corridor and is expressed as a percentage of the total amount sent. For more information, see: https://remittanceprices.worldbank.org/sites/default/files/rpw_main_report_and_annex_q42020.pdf.

Insight 8: Mobile money providers make remittance prices transparent to customers

Transparent services that make the sender aware of all relevant costs before committing to a transaction is important for all types of remittance services, including those offered by other financial institutions. Transparency builds trust with senders and enables them to make the best choice. A number of countries, including the US and EU nations, have made it a legal requirement.

The survey revealed that mobile money services provide a high degree of transparency with prices. Account holders can see the cost, including the FX rate, when they make a transaction enquiry. This is due, in part, to many large MMPs committing to implement best practices in consumer protection and transparency through the GSMA Mobile Money Certification initiative.[15]

15. GSMA. (2021). *GSMA Mobile Money Certification*.

03
The vital role of Mobile Money remittances in a crisis

The COVID-19 pandemic and economic crisis are estimated to have cost the world over $3 trillion[16] due to a decline in global GDP of 3.5 per cent.

Although the World Bank predicted a reduction in international remittances in 2020, some countries have shown significant increases, such as Bangladesh, Gambia, Mexico and Pakistan. This has been driven primarily by a shift from informal to formal remittance methods, currency depreciations and remitters using their savings.

The pandemic has had an impact on every remittance family in the world, and mobile money remittances have been a vital source of support. Aside from the devastating health consequences of COVID-19, lockdowns (particularly in crucial remittance-sending countries) have affected the availability of traditional, cash-based money transfer services and forced remitters to seek other options.

The global pandemic put pressure on remitters to send as much money as possible under challenging circumstances, and the survey clearly revealed the value and potential importance of mobile money in a crisis. Sending money through cheaper channels to ensure more money arrives in the hands of families is crucial to senders and recipients alike. Mobile money has proven to be a fundamental payment mechanism. The survey results show that mobile money offers significant price benefits to remitters: 47 per cent lower than the global average remittance price. Mobile money is clearly helping vulnerable people from a cost viewpoint, in addition to providing other benefits, such as convenience, safety, and real-time transactions, which are not possible with traditional cash-based remittance services.

Mobile money remittances have been a convenient solution because senders can make their transfers from their mobile phone, wherever they are. Since they do not need to visit a store in person, lockdowns have not been a barrier to sending money. Anecdotally, many countries report receiving higher levels of mobile money remittances than before the pandemic. Although many countries do not currently report these volumes (many now plan to), Fiji has reported that remittances through mobile money platforms increased by 278 per cent from January to October 2020.[17]

Mobile money has also proven to be particularly effective pathway to financial inclusion for women. A recent pilot study showed that the share of women receiving international mobile money remittances increased by seven per cent in Bangladesh and three per cent in Pakistan.[18]

The pandemic has prompted widespread use of digital transactions in general, encouraging recipients to use international remittances to make digital payments directly rather than cashing out the value. This also reinforces the convenience of mobile money services.

16. International Monetary Fund (IMF). (January 2021). *World Economic Outlook Update*.
16. Naryan, V. (4 March 2021). "Record remittances in 2020 as $652.75 million was sent through to families in Fiji by Fijians abroad", *Fiji Village*.
18. GSMA. (2020). *How mobile money is scaling international remittances and fostering financial resilience: Learnings from Valyou in Malaysia*.

The global COVID-19 pandemic saw the mobile money industry respond proactively by opening up its networks to facilitate the continued flow of remittances while more traditional agent-based services were unavailable due to movement restrictions and widespread lockdowns. The industry worked very closely with regulators and policymakers from the beginning of the pandemic. Many initiatives were undertaken, including:[19]

- **Fee waivers:** MMPs temporarily waived fees for a range of services to encourage more people to use them.
- **Increasing transaction and balance limits:** MMPs were able to obtain regulatory approvals for higher limits to encourage transactions that would enable the purchase of emergency items, such as medicines.
- **Social and humanitarian transfers:** governments and donors began to run their cash transfer programs via the mobile money channel to enable an uninterrupted flow of funds to vulnerable households throughout the pandemic.
- **Flexible KYC and on-boarding:** many regulators relaxed know-your-customer (KYC) requirements for new customer enrolment, and granted authorisation for self-registration to reduce contact between mobile money users and agents and to drive more people to use digital financial services rather than cash.
- **Support for agents:** MMPs backed their agent networks with liquidity support, the provision of sanitisers at agent outlets and tax waivers to incentivise agents to continue to provide services to customers in need.

Although these efforts have provided vital support for customers and the mobile money industry during the pandemic, other initiatives could be taken to strengthen the remittances environment. These actions are highlighted in the following recommendations.[20]

19. GSMA. (2020). *Mobile money recommendations to central banks in response to COVID-19*.
20. Chadha, S., Kipkemboi, K. and Muthiora, B. (16 July 2020). "Tracking mobile money regulatory responses to COVID-19", *GSMA Mobile for Development Blog*.

04
Recommendations

The recommendations in this section are drawn from two sources: the mobile money remittance pricing survey and recent recommendations from the international community on the COVID-19 pandemic, such as the Remittance Community Task Force (RCTF), of which the GSMA as a member.

During the pandemic, a range of stakeholders came together to develop coherent solutions for international remittances. Participants included governments, international organisations, MMPs, traditional remittance companies, fintechs and diaspora organisations. One notable initiative was the formation of the RCTF,[21] which now has over 40 members and is chaired by the International Fund for Agricultural Development (IFAD). A separate but complementary development has been a Call to Action led by the Swiss and UK governments.[22]

These initiatives have capitalised on the extensive analysis conducted on mobile money remittances in recent years, which the COVID-19 pandemic brought to light. The outputs of this GSMA Mobile Money report, as well as other products, such as the Call to Action, G20 Plan to Facilitate Remittance Flows[23] and the Blueprint for Action of the Remittances Community Task Force (Section Four), recommend a series of actions that stakeholders could undertake. Table 3 outlines some of these actions for key stakeholders and provides examples of where the recommended action is already underway.

Since there are many recommendations involving numerous stakeholders, positive outcomes will only be achieved if all parties work together using an integrated approach.

21. Global Forum on Remittances, Investment and Development (GFRID). (2020). *The Remittance Community Task Force*.
22. UK Department for International Development (DFID). (22 May 2020). *Press Release: UK calls for global action to protect vital money transfers*.
23. Global Partnership for Financial Inclusion (GPFI). (2014). *G20 Plan to Facilitate Remittance Flows*.

Table 3

Recommendations

#	Recommendation	Actions to be considered	Examples
1	Create more enabling regulatory frameworks for mobile money-enabled international remittances to flourish.	• Regulators should work with MMPs, perhaps through regulatory sandboxes where available, to trial new and innovative remittance services and solutions (such as digital ID/e-KYC). This will encourage adaptation of current frameworks or the development of new frameworks in a participatory process. Consultative and proactive approaches to support regulators will benefit all stakeholders.	• Kenya and Ghana have created balanced and progressive regulatory frameworks for mobile money that have led to greater adoption and facilitated international remittance payments via the mobile money channel. • SingTel's Via initiative, which provides wallet-to-wallet remittances from Singapore to Thailand and a number of other markets, is an excellent example of regulations encouraging innovation in digital remittances.
2	Consider an increase in balance and transaction limits in line with the FATF's risk-based approach to encourage greater adoption of the mobile money channel for international remittances.	To facilitate regulatory and policy efforts, MMPs should share insights on: • Successful experiences from other countries in the region; • The effectiveness of a risk-based approach in mitigating AML/CFT risks within their business; and • The impact of increased balance and transaction limits on their business.	• Egypt, Ghana, Kenya and Zambia[24] all adjusted the daily limit for person-to-person (P2P) mobile money transactions to encourage digital transactions from mobile money accounts.[25] • The Alliance for Financial Inclusion (AFI) published a toolkit on financial integrity to align AML/CFT, financial inclusion and development objectives post-COVID-19.[26]
3	Improve data and insights on mobile money-enabled international remittances to encourage more enabling frameworks and greater adoption.	• Regulators and providers should work together to develop data sharing and reporting requirements and guidelines. • Improve the collection of remittance-related data for mobile money international remittances, including on corridors, costs (including FX and cash-out fees where applicable), gender, etc. • Make public easy-to-understand and transparent information on service costs, including fees and FX mark-ups.	• The World Bank's RPW pricing survey. • IFAD's "RemitSCOPE market analysis". • Improved data from the State Bank of Pakistan and Bangladesh Bank has been produced. Intensive analysis and new processes introduced after consultation with industry.
4	Support immediate inclusion of remittance-dependent families in gender-sensitive financial and digital education programmes.	• Regulators and policymakers can work with MMPs to roll out gender-specific mobile money remittance modules in national financial literacy programmes. • Provide gender-responsive distribution channels to underserved populations, including persons in rural areas, persons with low literacy levels and persons with disabilities.	• The Western Union Foundation partnered with Junior Achievement Worldwide to provide financial capacity building for low-income individuals (primarily youth and women).

24. Chadha, S., Kipkemboi, K. and Muthiora, B. (16 July 2020). "Tracking mobile money regulatory responses to COVID-19 – Part 2", *GSMA Mobile for Development Blog*.
25. Download the COVID-19 Response Tracker here.
26. AFI. (2020). *Inclusive Financial Integrity: A Toolkit for Policymakers*.

#	Recommendation	Actions to be considered	Examples
5	Encourage and promote digital channels for sending and receiving remittances.	• Governments, regulators, policy makers and international donors should encourage the use of digital channels, including mobile money for international payments, where feasible.	• During the COVID-19 pandemic, governments and regulators from India, Indonesia, Myanmar, Pakistan, the Philippines, Ghana, Guinea, the West African Monetary Union (WAMU) region, Rwanda, Tanzania, Kenya and Saudi Arabia introduced initiatives to encourage customers to use digital payments, including mobile money.[27] • The Central Bank of Jordan recommended using e-wallets and enabled payment service institutions to provide the service to their clients, merchants and institutions remotely for free. In 44 days, 360,000 new e-wallets were opened.
6	Facilitate the use of risk-based customer due diligence (CDD) measures.	• Regulators should encourage the implementation of a risk-based approach to CDD for mobile money remittance that supports digital ID and e-KYC solutions. This should take into account the specific dynamics of migrant workers, women and particularly rural remittance-receiving families. Some innovative ID solutions include image/voice recognition systems and iris verification.	• The Bangladesh Financial Intelligence Unit (BFIU) introduced e-KYC guidelines.[28] By December 2020, all financial institutions had to comply with and apply the guidelines. • Lesotho, Nigeria, Ghana, Ethiopia, Burundi and Rwanda have tiered KYC regimes that can be emulated.[29]
7	Encourage the entry of new players and business models in the remittance market.	Regulators should promote adequate licensing regimes based on the principle of the same business, same risks, same rules.	• Countries such as Morocco and Rwanda offer an omnibus regulatory framework under which MMPs are permitted to undertake IMT business as part of their core mobile money business without authorisation.[30]
8	Participate in national, regional and global public-private remittance working groups.	• Identify lessons that can be adopted in a local context. • Share key insights on remittance market trends for research purposes. • Identify necessary modifications to existing laws or regulations and work with regulators to facilitate continuity of services to remittance families during crises. • Encourage the development of new digital products and improvements in access, cost efficiency and awareness of currently available products.	• The National Remittance Stakeholder Networks for Kenya, Ghana, Gambia and Senegal. • The World Bank's Global Remittance Working Group.

27. Chadha, S., Kipkemboi, K. and Muthiora, B. (16 July 2020). "Tracking mobile money regulatory responses to COVID-19 – Part 2", *GSMA Mobile for Development Blog*.
28. Bangladesh Financial Intelligence Unit (BFIU). (2019). *Guidelines on Electronic Know Your Customer (e-KYC)*.
29. The GSMA Mobile Money Regulatory Index 2020.
30. The GSMA Mobile Money Regulatory Index 2019.

#	Recommendation	Actions to be considered	Examples
9	Promote targeted incentives that encourage the use of digital remittance products	• Incentives could be provided by MMPs or regulators that are time-bound and keep provider sustainability in mind, such as waiving or reducing fees in exchange for providing tax incentives to MMPs.	• Fee waivers on all or certain transaction bands by Airtel Africa, MTN Rwanda and many others at the start of the COVID-19 pandemic.
10	Leverage mobile money channels for digital humanitarian assistance.	• Use MMP networks to enable migrant workers to transfer essential financial and non-financial items through RSPs directly to families, such as food, medicine, groceries and agricultural raw materials.	• The GSMA and UN World Food Programme (WFP) expanded their partnership through the GSMA Mobile for Humanitarian Innovation programme to focus on the use of mobile money to deliver digital assistance through cash-based transfers to save lives in global emergencies, including pandemics and natural disasters.[31] • Through the Kenya COVID-19 Fund, the Kenyan Government established a KES 400 million cash transfer programme that was disbursed via mobile money to 100,000 people in vulnerable circumstances.[32] • Postal banks delivered remittances and medicines.[33] • Remittances were used to purchase groceries for receiving families through Hello Paisa.[34]
11	Improve the provision of transparent information on the costs of mobile money remittances for those who do not hold an account with an MMP.	• MMPs provide transparent price information for their account holders, but there is a need to strengthen and/or improve disclosure requirements for MMPs to make prices more transparent for senders who are not customers of a mobile money remittance service. • Information should include the amount that the recipient will receive in the respective currency, the total cost (e.g. fees at both ends, FX rate margins) disclosed in a single upfront amount, along with the time it takes for the funds to reach the receiver. This should be publicly available. • Information should be provided on the geographical coverage of MMP agents and the locations of agent access points in both sending and receiving countries	• Orange Money France provides complete transparency, including fee, amount to be received, and the FX rate for non-account holders through their website. • The EU Payment Services Directive 2 (PSD2) came into force in 2019 and mandates that all authorised payment institutions provide information to customers before committing to a transaction. • The GSMA Mobile Money Certification requires certified MMPs to inform customers of the complete fee schedule before using the service. • The SendMoneyPacific.org[35] website of the Australia and New Zealand governments provides information on costs as well as market updates for remittance senders.

In addition to the actions recommended here, analysis should be conducted into, for example, the regulatory, policy or commercial aspects that have strengthened mobile money remittances in Sub-Saharan Africa. Such an analysis would help to understand how similar penetration could be achieved in other regions.

31. World Food Programme (WFP). (7 August 2020). *GSMA and UN World Food Programme accelerate the use of mobile financial services for humanitarian assistance*.
32. https://www.kenyacovidfund.co.ke/
33. FinDev Gateway. (22 April 2020). "Postal Remittances are not Immune to a Pandemic", *FinDev Blog*.
34. Remittance Community Task Force (RCTF). (2020). *Blueprint for Action*. p. 28.
35. Send Money Pacific's Facebook page.

05 Conclusions

Mobile money remittances are playing a crucial role in helping remittance families improve their incomes and livelihoods, especially during crises. The number of A2A mobile money services has more than doubled in three years and there were 108 corridors in Q3 2020. With over 1.2 billion registered mobile money accounts globally and the ability to serve vulnerable populations in LMICs in innovative and relevant ways, mobile money remittances are providing essential solutions for millions impacted by the COVID-19 pandemic and other crises.

Mobile money remittances have enabled remitters and their families to continue to transfer money despite lockdowns and the limited availability of traditional cash-based services offered by agents, especially in sending countries. Migrants have benefitted in particular from more affordable costs. Since mobile money remittances are, on average, 47 per cent cheaper than the global average, MMPs are facilitating the transfer of more money into the hands of recipients, which has proved to be exceptionally meaningful during the COVID-19 pandemic. Overall, 65 per cent of mobile money corridors have already met SDG Target 10.c set for 2030.

Mobile money has also had an important health benefit. Once remittance funds are received, local mobile money ecosystems have enabled receivers to purchase a range of goods and services directly from their mobile account without leaving their house, essentially shielding customers from the risk of COVID-19.

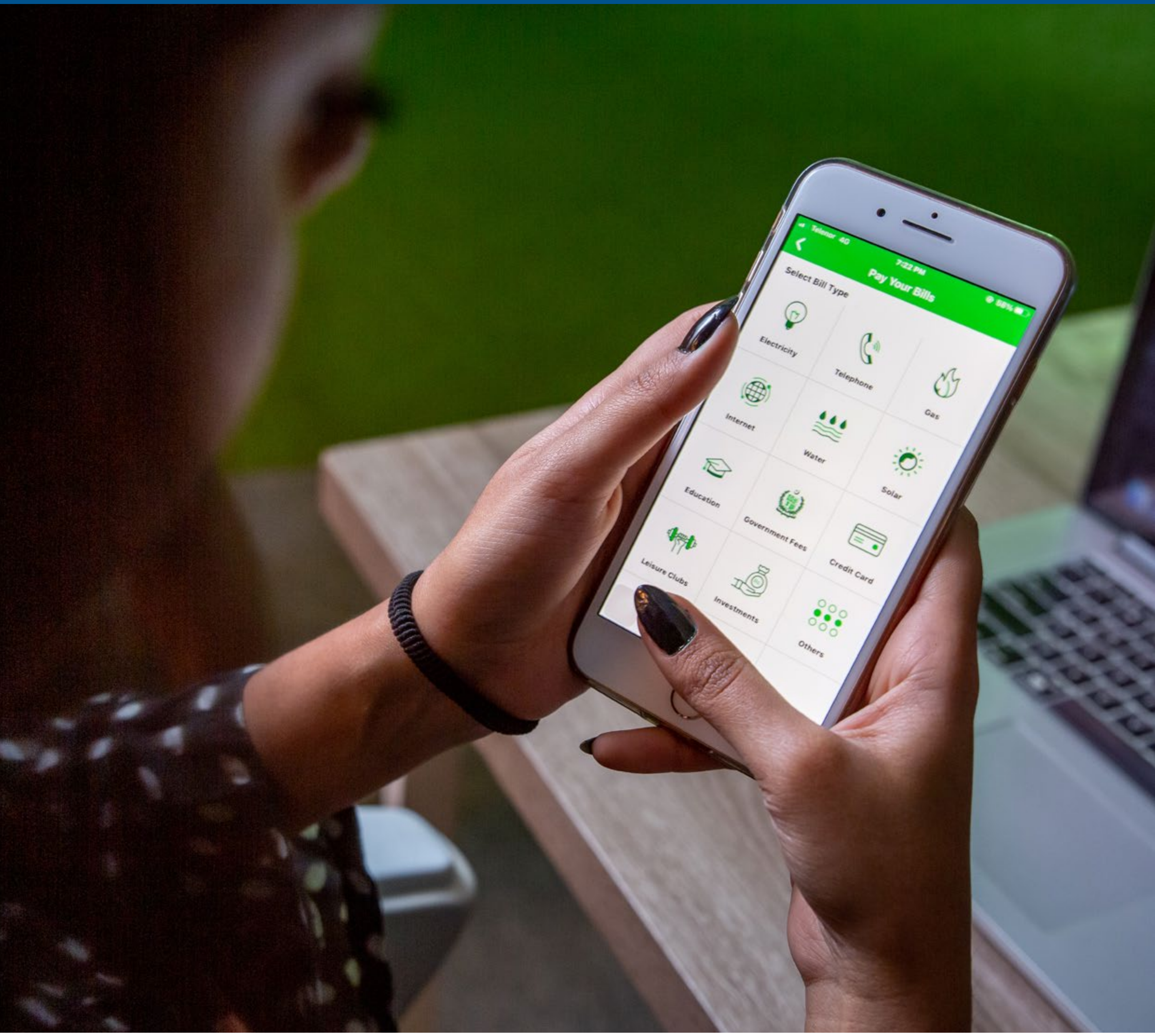
The pandemic has seen many MMPs take essential steps to ensure service continuity and expand services to more people. Interaction with, and support from, regulators and supervisors have been positive. The industry has worked with key stakeholders in governments and international bodies to identify short- and long-term challenges and develop potential solutions.

Efforts should be made to create enabling frameworks for mobile money remittances to flourish. Synergies should be found to ensure industry players are involved in developing and implementing solutions, and help should be provided to encourage the use of digital products (with appropriate consumer protection). MMPs should be further encouraged to provide innovative solutions (especially humanitarian assistance), transparency for non-customers should be improved, and new, enhanced CDD processes and measures should be developed. Finally, the entry of safe new market players and business models should be encouraged and facilitated.

To deliver meaningful and long-term positive change, more analysis is needed in some of the areas covered in this report. Of particular interest is how the positive experiences that have been seen in Africa with mobile money remittances could be replicated in other regions with similar conditions. Most regions, especially those in LMICs, should be reviewed. The Pacific provides an excellent example.

Mobile money remittances provide the lowest priced method to transfer money between countries. Growth has been strong in recent years and they have offered genuine support to livelihoods during the COVID-19 pandemic and the economic crisis that followed. If the challenges outlined in this report are addressed, mobile money remittances are positioned to become the leading money transfer method for remitters and their families in the future.

06
Annexes


Pay Your Bills
Select Bill Type
Electricity
Telephone
Internet
Gas
Water
Education
Solar
Government Fees
Leisure Clubs
Credit Card
Investments
Others

Annex 1: Foreign exchange controls and de-risking

Foreign exchange (FX) controls are rather technical and can present considerable barriers to any business establishing an international payments business.

FX controls

FX controls are various types of rules implemented by a government for the purchase/sale of foreign currencies by residents, the purchase/sale of local currency by non-residents, or transfers of any currency across national borders. These controls allow countries to better manage their economies by controlling the inflow and outflow of currency, which may otherwise create volatility in exchange rates. Countries with weak and/or developing economies generally use FX controls to limit speculation against their currencies. They may also introduce capital controls, which restrict foreign investment in the country.

From the viewpoint of an MMP, the main challenges are:

- Countries frequently restrict the types of businesses that can handle international payments and sometimes exclude MMPs. Often, it is only banks that can offer these services.
- FX controls involve extensive procedures and requirements for users and service providers. This often creates a burden on service providers by adding more steps to the transaction process and extensive reporting requirements. All this adds costs that might either make the service unprofitable or increase costs for users.

De-risking

According to the Financial Action Task Force (FATF), de-risking is defined as “the phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients to avoid, rather than manage, risk”. The risk referred to is a customer or client who could pose a higher than average risk of money laundering (ML) or terrorism financing (TF), or that processing transactions might result in a breach of sanctions regulations.

Economic and regulatory concerns can also lead to de-risking. Economic concerns centre around profitability, low appetite for risk and high compliance costs. Regulatory concerns focus on perceived increased risk, whether a country or customer. It also deals with the possible breach of international/regional sanctions on anti-money laundering and combating the financing of terrorism (AML/CFT).

De-risking affects services and products, financial institutions and other agencies. The most severe effect of de-risking has been the termination of correspondent banking relationships, including settlement, cash management services, international money transfers, trade finance and conducting foreign currency-denominated capital or current account transactions. The financial institutions, agencies and other entities affected by de-risking include money transfer operators and other remittance companies, small and medium domestic banks, small and medium exporters, retail customers, international business companies and e-gaming/gambling.

When de-risking occurs, it drives financial transactions underground to less regulated or unregulated channels, creates financial exclusion and reduces transparency. All these lead to an increased risk of AML/CFT. In practice, de-risking makes it very difficult for specific categories of business or businesses from certain perceived high-risk enterprises to open an account. Without an account, the business is unlikely to operate in a jurisdiction. De-risking has been an active phenomenon for financial institutions for at least 10 years.

Annex 2: Mobile money remittance corridors covered in the survey

Table 4

Mobile money remittance corridors covered in the survey

Remittance receiving country / Remittance sending country	Bangladesh	Benin	Botswana	Burkina Faso	Burundi	Cambodia	Cameroon	Congo	Côte d'Ivoire	DRC	Gabon	Guinea	Guinea-Bissau	Indonesia	Kenya
Benin				Moov MTN					Moov MTN						
Botswana															Mukuru
Burkina Faso		Mobicash Orange							Mobicash Orange YUP				Orange		
Burundi															EcoCash
Cameroon								MTN			Orange				
Congo							MTN								
Côte d'Ivoire		Moov MTN Qash		Moov MTN Orange Qash								Qash	Qash		
France				Orange					Orange			Orange			
Gabon							Airtel								
Guinea-Bissau		MTN		Orange					MTN						
Kenya			Safari- com		Safari- com										
Malawi															
Malaysia	Valyou					Valyou									
Mali				Orange					Orange				Orange		
Niger		Airtel Moov		Airtel Moov					Airtel Moov	Airtel			Airtel		
Qatar															Ooredoo
Rwanda										Airtel					MTN
Senegal				Orange					Orange				Orange		
Singapore	Singtel													Singtel	
South Africa															
Tanzania					Vodacom										Airtel Vodacom
Togo		Moov							Moov						
Uganda					MTN										MTN
Zambia										Airtel Mukuru					

Madagascar	Malawi	Mali	Morocco	Nepal	Niger	Nigeria	Pakistan	Rwanda	Senegal	Tanzania	Togo	Uganda	Zambia	Zimbabwe	No. of Corridors	No. of MMPs
		Moov MTN			Moov MTN				MTN		Moov MTN				6	2
														Mukuru Orange	2	2
		Orange			Mobicash				Orange YUP		Orange				7	3
															1	1
									MTN						3	2
															1	1
		Moov Orange Qash			Moov MTN Orange Qash				Orange Qash		Moov Qash				8	4
Orange		Orange	Orange												6	1
															1	1
		Orange			Orange				MTN Orange		MTN				7	2
	Airtel							Airtel Safari- com		Airtel Safari- com		Safari- com	Airtel		7	2
					Airtel	Mukuru		Airtel		Airtel			Airtel		5	2
				Valyou			Valyou								4	1
					Orange				Orange						5	1
	Airtel	Airtel						Airtel	Airtel		Airtel Moov		Airtel		11	2
															1	1
	Airtel									Airtel MTN		MTN	MTN		6	2
		Orange Wari			Orange										5	2
															2	1
														EcoCash	1	1
								Airtel Tigo				Airtel Tigo Vodacom			4	3
					Moov										3	1
	Airtel							Airtel MTN		Airtel MTN			MTN		6	2
	Airtel Mukuru							MTN		MTN		MTN		MTN Mukuru	6	3

Annex 3: Research Methodology

The following methodology describes the approach used to collect the data for the four pricing points per provider per corridor ($50, $100, $150 and $200). The data has been presented in a table format. Where possible, the methodology used by the World Bank in its RPW database was also used for the collection of data in this survey.

The key activities undertaken included:

Corridors

Based on information provided by the GSMA and additional research by the DMAG, it was determined that there were 24 sending countries and 30 receiving countries, 108 corridors and 43 different service providers.

Data collection methodology

All data was collected using mystery shopping techniques. A researcher (who understands remittances and the market involved) posed as a customer and gathered the relevant information via a phone call, a visit to the location or by conducting enquiries using their account with the relevant MMP. Given the nature of the service, there were occasions when online research was undertaken. For instance, the customer would regularly interact with the service provider or via an app. In all cases, the information gathered was reflective of the customer experience.

On some occasions, the researchers were forced to use a call centre, as that was the only way transaction information could be collected due to COVID-19 restrictions.

DMAG's experienced team of remittance cost researchers ensured the data collected was as representative as possible. All the data for each specific corridor was collected on the same day to ensure an optimum basis for comparison.

1. **Selection of firms** – DMAG surveyed the services and firms that the GSMA provided. These firms represent the companies that are currently understood to be offering outbound, cross-border mobile money account to mobile account services.

2. **Amounts surveyed** – The World Bank's RPW service historically collects data for $200 and $500 transfers, which represent the perceived global mode and average amounts for traditional cash-to-cash remittances. For this survey, four price points per service – $50, $100, $150 and $200 – were surveyed for each MMP, totalling four price points per provider per corridor. The price points reflect the lower transaction amounts generally seen with mobile-based transactions while also allowing comparison with the core RPW price point of $200.

3. **Mobile money sending location** – This field denotes the location or platform through which the money transfer is made, for example, a mobile phone.

4. **Fee charged to the sender** – The initial fee charged at the sending end (excluding FX margins). Any cash-out fees recorded were noted in the "cash-out fees" field for reference, but were not included in the total cost except where explicitly mentioned.

5. **Exchange rate applied** – The exchange rate offered by the relevant MMP was collected and measured against the collection day's interbank exchange rate (gathered at www.xe.com) for the applicable sending and receiving currencies to produce a FX cost margin. Where exchange rates could not be obtained without a valid reason (which happened in one instance), the issue was flagged and the RSP was listed as non-transparent. In Europe and the US, it is required by law to provide the FX rate or amount to be received before the transaction is completed. In other parts of the world, this is not the case. For example, there is no such requirement in many African countries where MMPs use various approaches to provide information.

   In many cases, it was only possible to obtain information on the FX rate by attempting to complete a transaction. For example, rates

Annex 3: Research Methodology (cont.)

from MMPs were only available to mobile money account holders, which proved challenging for many of the researchers.

6. **Transfer speed** – DMAG used the standardised transfer speed categories of RPW: less than one hour, same day, next day, two days, three to five days and six days or more.

7. **Pick up locations/method** – Pick-up locations are defined purely by the method the money is received, for example, a mobile money account.

8. **Additional information (such as non-fee costs charged to the receiver)** – Data on any hidden or receiving pick-up costs where they occurred, either due to the nature of the product/service on offer or the outlet through which the funds are being received, was collected. Some of these costs are particularly relevant where mobile money account-based payments are made and may include cash-out fees.

9. At the time of data collection, the Singapore to Philippines corridor was not available for A2A mobile money transfers. Therefore, only 52 of the 53 corridors covered in 2017 are included in the 2020 study.

Mobile money average

The average cost for mobile money was calculated as follows:

$$\frac{\textit{The total of the average price for each mobile money service in a corridor (excluding any non-transparent services)}}{\textit{The number of mobile money services surveyed in total.}}$$

It should be noted that this average is a unique indicator and different from that published by the World Bank on the RPW website.

Non-transparent providers

Non-transparent providers are those that fail to provide information in readily accessible and understandable forms on one or more of the following: the total price (i.e. fees at both ends, FX rate offered, taxes and other costs to the customers) and the time it will take for the funds to reach the receiver. In particular, providers often do not disclose the exchange rate applied to the transaction and, therefore, do not reveal the total cost. Including them in the sample when calculating the average would bias the results since the actual total cost of these RSPs is not known.

Annex 4: Definition of Mobile Money

A service is considered a mobile money service if it meets the following criteria:

- The service includes transferring money and making and receiving payments using a mobile phone;
- The service must be available to the unbanked (i.e. people who do not have access to a formal account at a financial institution);
- The service must offer a network of physical transactional points (which can include agents outside of bank branches and ATMs) that make the service widely accessible to everyone;

Exclusions:

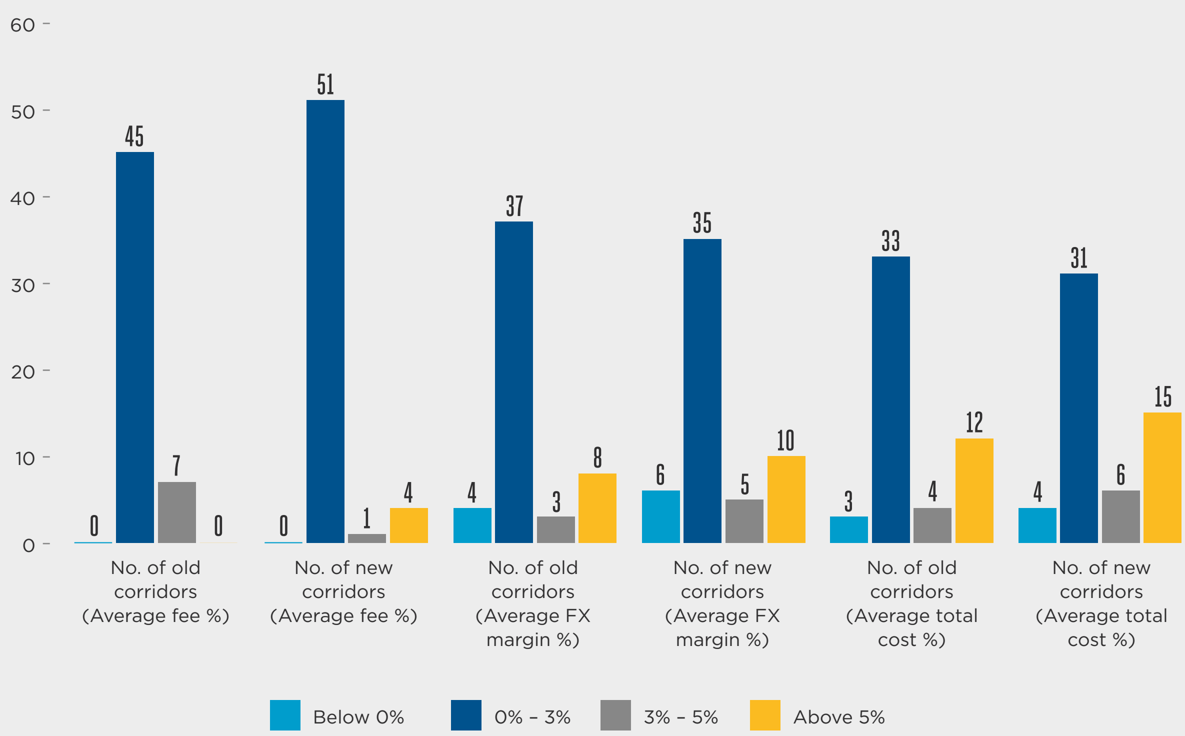
- Mobile banking or payment services (such as Apple Pay and Google Wallet) that offer the mobile phone as just another channel to access a traditional banking product are not included.
- Payment services linked to a traditional banking product or credit cards such as Apple Pay and Google Wallet, are not included.

Annex 5: Foreign exchange considerations

- The FX margin is not always directly correlated to the actual cost of the FX paid by the MMP. This is because the FX rate quoted is often just part of marketing for competitive positioning.
- MMPs (and remittance companies) generally do not buy FX on a transaction-by-transaction basis, or even daily. Therefore, the central reference rate against which FX margins are calculated is indicative only because companies do not declare their cost price.
- It is anticipated that as MMPs become more familiar with remittances, they will begin to understand the potential to generate revenues from FX margins and adjust accordingly.
- FX rates must be considered in the context of the overall cost to the consumer. The key figure for the sender is "how much money in the receiver's local currency will the person I am sending money to get for this amount of money (in the sender's currency) that I am holding". Some operators have low fees and high FX margins while some have higher fees and lower foreign exchange margins and others are in the middle. This is all due to market positioning. Hence, the total cost is the most critical consideration.

Figure 8

Legacy corridors compared to new corridors, 2020



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For more information,
visit gsma.com

GSMA HEAD OFFICE
Floor 2
The Walbrook Building
25 Walbrook
London EC4N 8AF
United Kingdom
Tel: +44 (0)20 7356 0600
Fax: +44 (0)20 7356 0601