



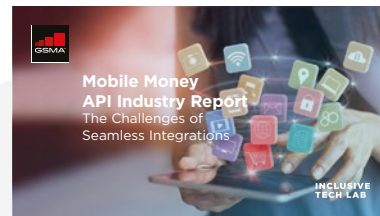
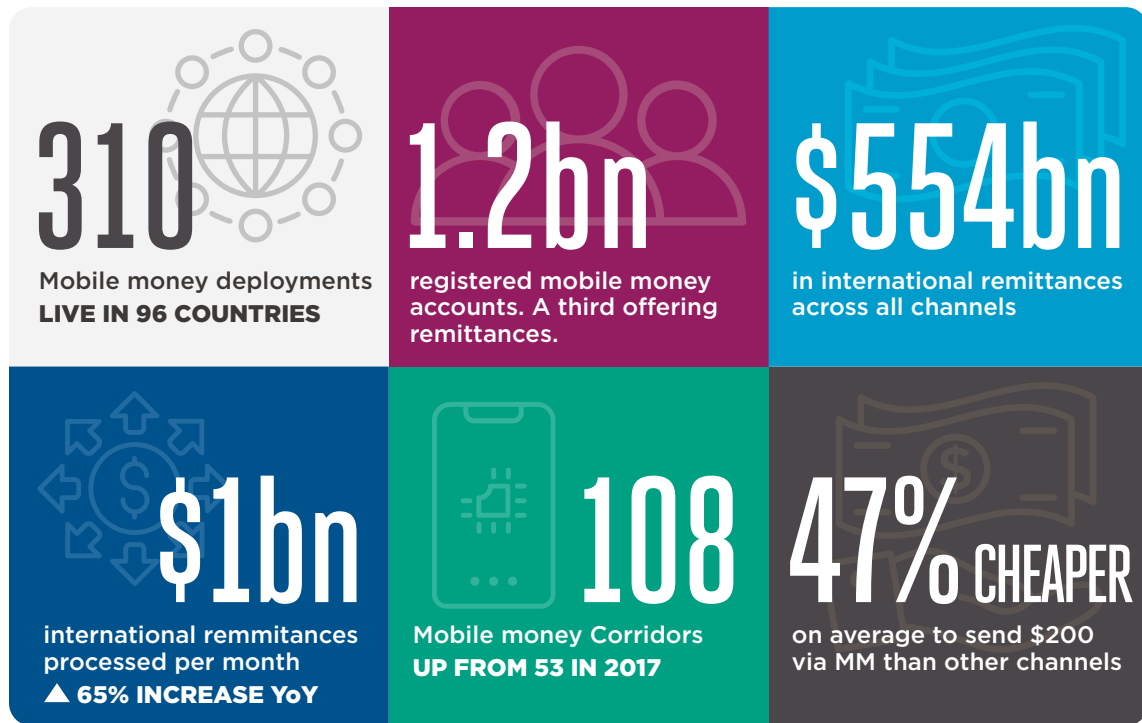
# Mobile money as a channel for remittances

How open APIs enable fast,  
low-cost, and secure delivery

**INCLUSIVE  
TECH LAB**



# Partnerships between service providers and MMPs are contributing to the rise in use of mobile money as a remittances delivery channel



The GSMA Inclusive Tech Lab conducted a survey with nearly 100 third-party service providers across 12 industry verticals to understand the challenges of integrating with Mobile money providers (MMPs) using open APIs.

One of the industry verticals included the remittance sector.

This brief discusses how partnerships between remittance providers and MMPs established via Open APIs can facilitate underserved communities receiving affordable and speedy remittances.



# Remittances are crucial for most emerging economies, while also having a positive impact on various UN Sustainable Development Goals



800m remittance recipients globally, of which half are in rural areas and economically disadvantaged



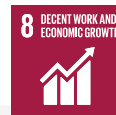
Remittances are a lifeline for many economies, accounting for an average of 5% of GDP across 165 countries in 2020, with the highest 35%



Remittances also have an impact in improving livelihoods, due to flows of money enabling access to food, shelter and medical



Remittances are helping achieve at least 14 of the UN SDGs, including SDG 1 – No poverty, SDG 8 – Decent Work and Economic Growth and SDG 10 – Reducing inequality



International remittances are a unique and powerful source of private capital and external financing for those in Low and Middle Income Countries (LMICs).

Although remittances play an important economic role, there still remains an issue of access and affordability, they are typically high associated remittance costs.

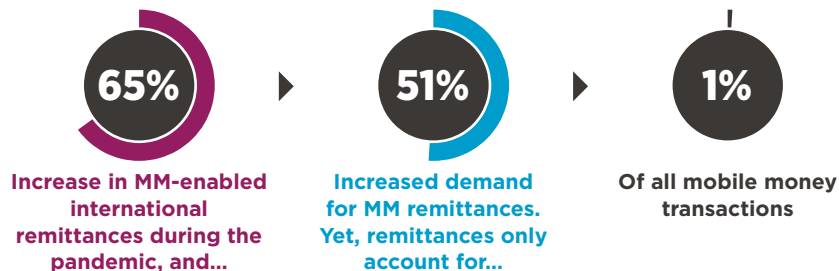
Remittance costs have fallen but still do not meet SDG target 10.c, of lowering transactions costs to less than 3% and eliminating remittance corridors with costs higher than 5%.

In emerging markets, consumers increasingly choose to pay with mobile or digital wallets. Mobile money provides a low-cost, fast, transparent and secure channel for remittance recipients, at 47% cheaper on average to send via this channel.

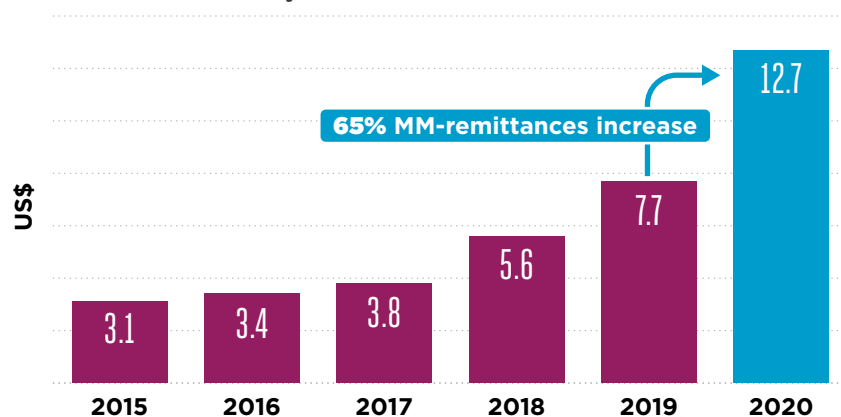


# Mobile money showed resilience through the pandemic, including facilitating inflows of remittances to LMICs during lockdowns...

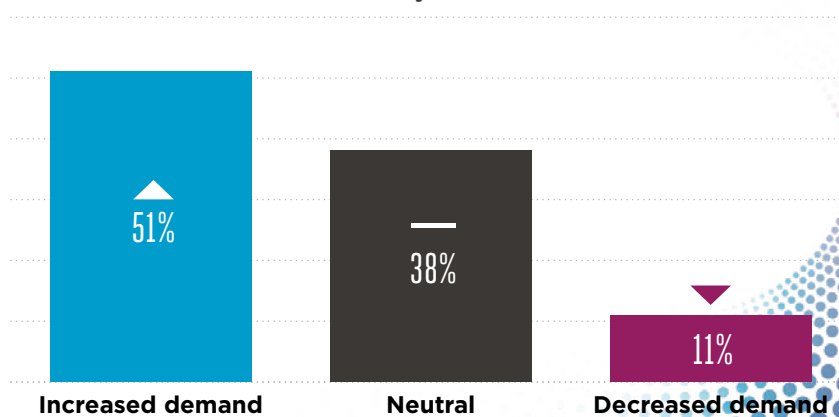
The digital agenda has been accelerated by the pandemic and mobile money remains the key channel in reaching unbanked populations. National lockdowns in LMICs made it difficult for traditional cash-based remittance services to operate fully, in some instances due to closures. Mobile money was uniquely placed to continue offering financial services with minimal disruption for recipients, strengthening the need for partner integrations with MMPs.



Growth in mobile money-enabled remittances



Level of demand for mobile money as a remittance channel





# ...and therefore remains a partnership opportunity for mobile money and remittance providers, integrating using Open APIs

Mobile money-driven remittances rely on various partnership models where providers can connect directly with remittance service providers such as money transfer operators or other mobile money providers, or indirectly through an international remittance hub. This has contributed to mobile money being a cheap and accessible channel for remittances, and increase in mobile money-enabled remittances.

## Digital payment tools offered to customers by remittance providers

### Mobile money



### Bank transfers



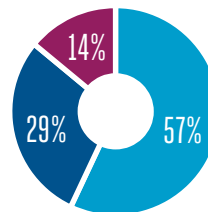
### Digital wallets



### Payment cards

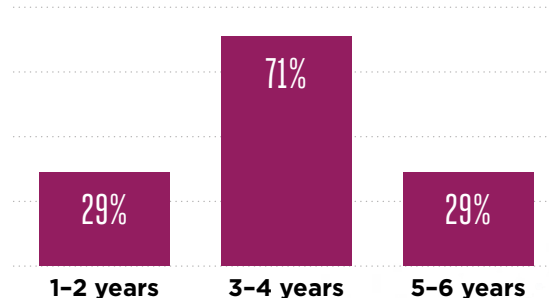


## Priority level for integrating with MMPs



■ Strongly agree ■ Somewhat agree  
■ Strongly disagree

## Period of time respondents have been using mobile money APIs



57% of remittance service providers will be prioritising strategies for integrating with MMPs via open APIs

Increase in Open API propositions is enabling a higher number of partner integrations





# Third parties are showing appetite for the international remittances mobile money use case...

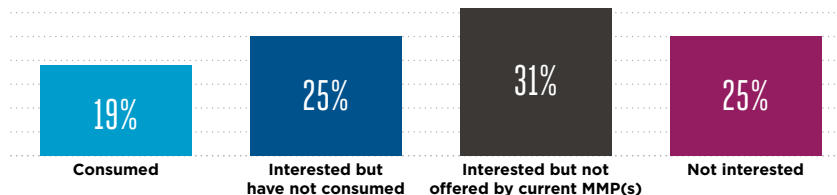
The incidence of mobile money-related use cases is expected to increase beyond 1% of all mobile money transactions. There is an appetite from surveyed third parties (beyond remittance sector) to adopt international remittances; however, the absence of connectivity to global payments infrastructure limits this ability.

25% of surveyed providers that are not currently remittance providers have indicated an interest in adopting such a use case in the future, while a further 31% are interested but lacking access as the use case API is currently not provided by their MMP. This further highlights the importance of ensuring MMPs are capitalising on the opportunity presented by the international remittance use case.

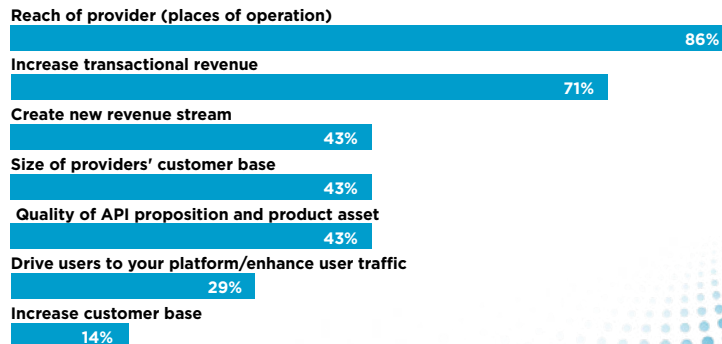
International remittances play a pivotal role in economic development and improving lives in emerging markets. As such, the ability to extend their services to financially excluded populations and those in remote areas is crucial for the operations of remittance providers.

The opportunity to expand remittance services goes beyond individual users. In some markets, there is potential to extend the services to small businesses (B2C services), as is being trialled by some of the providers. Facilitating remittances for small businesses creates a new revenue stream for both MMPs and third parties.

## Survey respondents' consumption of international remittance mobile money API



## Main factors influencing third-party and MMP partnerships established through Open APIs





## ...however, their greatest challenge when implementing Open API strategies is completing and managing multiple direct integrations with MMPs

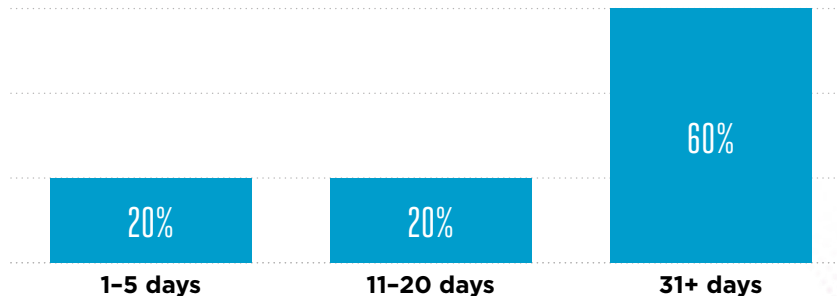


Remittance providers cite security and performance as top characteristics in a mobile money API. Most third parties are, however, facing challenges during the integration process including speed. Although third parties are aware of the benefits in forming partnerships via Open APIs, the integration challenges serve as a deterrent. Initially, the availability of Open APIs was the biggest hurdle but more recently, the difficulty is in connecting to the available APIs.



One of the greater challenges for remittance providers is navigating multiple partner integrations, and as such a higher number of third parties rely on payment service providers (PSPs) to access multiple MMP platforms. Although direct integrations are typically cheaper and remove the burden of an intermediary layer, as with PSPs, most remittance providers utilise this option due to the convenience.

### Survey respondents' consumption of international remittance mobile money API



#### Direct and indirect integrations to mobile money

In the early stages of remittance providers establishing partnerships with MMPs, most third parties used direct integrations; however, some of the integration difficulties have in some instances impeded on scaling strategies. This has resulted in a high number of remittance providers leveraging aggregators which enable access to various mobile wallets through a single integration. Aggregators are typically not the preferred option due to cost issues.



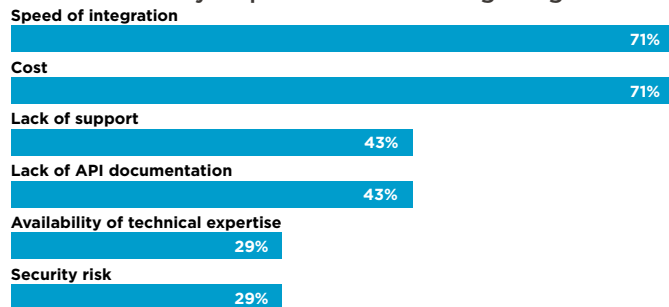
# PSPs are not the first choice for third parties as they are not as cost-effective as direct integrations, they have, however, extended a global reach for most remittance providers



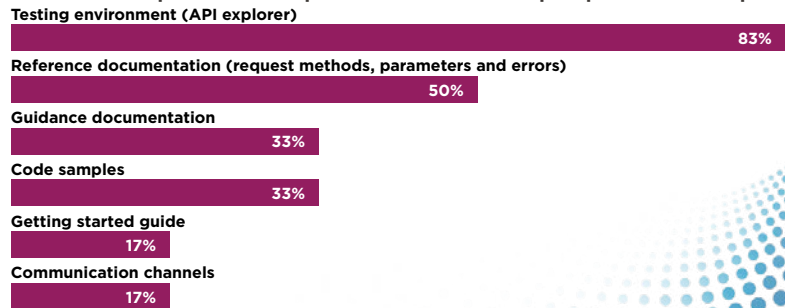
According to survey respondents, the technical capability, documentation and team responsiveness from MMPs can pose some challenges to the length of integration, if not managed properly. However, most remittance providers feel some of these can be addressed through the use of well-equipped developer portals and integration tools such as software development kits.

Though costs associated with using PSPs tend to be significantly higher than those offered through direct integrations, they are typically not a deciding factor for remittance providers as the global reach is of greater importance from a business standpoint. It has to be noted that direct integrations typically offer a higher delivery speed and increased quality as there is no intermediary layer, the PSP. While both direct integrations and PSPs offer their own benefits and limitations, survey respondents have expressed an interest in standard APIs as it enables speedy and cost-effective integrations via a single API definition, while also addressing scalability.

## Barriers faced by respondents when integrating with mobile money APIs



## The most important components of a developer portal for respondents







# Standardised APIs will offer increased ease to interconnect the industry...



Remittance providers who participated in the survey identified Standardised APIs as a top priority and 57% expressed interest in adopting this technology.

In a fragmented mobile money market, a Standard API provides a common API interface for multiple providers who have an interoperability solution, allowing users to send remittances regardless of the sender's or receiver's providers. This technology will also enable efficient scaling, allowing remittance providers to reach a large number of users, which is of great significance as international remittances are a key service utilised to improve lives in emerging economies.



Furthermore, the scaling of technologies enabling remittance ecosystems, including Standardised APIs, has the potential to improve the efficiency of the market and drive down costs. Standard APIs can contribute to SDG 10 goal to reduce remittance costs by removing the need for many-to-many custom API integrations for each partnership between a remittance provider and MMPs.

## API technologies identified as challenges to be resolved

### Standardisation



### Scalability



### Security



### Connectivity





## ...while also opening up possibilities for third parties to increase value-added services for their consumers



The standardisation of APIs for mobile money wallet offer operational efficiencies and will benefit various players within the ecosystem. This model minimises friction in the partner integration process, while enabling economies of scale for remittance providers interested in multiple partnerships and integrations. More so, the end user benefits directly too, as new services can be extended to the underserved more quickly.

In addition to efficiency, standardised APIs have the potential to enable extension of mobile money use cases beyond the basic P2P and remittance use cases. Some surveyed remittance providers have expressed an interest in extending their use cases, aiming to offer other financial services in the future such as insurance, mortgages and credit scores.

The availability of standardised mobile money APIs will facilitate the process of offering value-added services to consumers, and particularly those in underserved communities.

### Factors that influence remittance service providers to adopt standardised APIs

#### Faster integration time

71%

#### Scalability

71%

#### Existing developer knowledge

43%

#### Interoperability

43%

#### Mobile money API support

29%

#### Lower integration costs

14%

#### Improved security

14%

#### Reduced multiple API maintenance

14%



## History of WU and MM partnerships

Western Union (WU) remains one of the leading global remittance providers, and started offering such services in the 1980s. The provider enables money transfers to over 200 countries and territories.

Since its inception, WU has constantly evolved its operational models to match expectations of the digital era, while also ensuring users in various regions are offered appropriate services.

## History of WU and MM Partnerships

WU's market-leading role within the remittance sector is attributed to its operational strategies, including meeting customers at the point of need. For instance, WU has historically served emerging markets as remittances are a cornerstone for economies in most of these markets. Most of these markets were cash-based before the introduction of mobile money to increase financial inclusion. Recipients typically received their pay-outs in cash; however, as use of MM in emerging markets increased, WU started enabling mobile wallet transfers, which tend to be speedy and cheap.


To optimise its mobile wallet services and enable greater efficiency, WU has been integrating with MMPs since 2011, and partner integrations via open APIs have remained an aspect of its strategy since. It is integrated with MMPs in over 25 countries globally, enabling transfers to be directly deposited into mobile wallets including M-Pesa, B-Cash and Orange Money. In line with overall growth of remittances and mobile money-enabled transactions, WU has seen an increase in transactions that are processes via mobile money pay-outs, and currently stand at XX%.

Mobile money is considered the pillar of banking in emerging markets and WU are exploring ways to expand remittance services including the option of B2C remittances, which will allow small businesses to use mobile wallets as a payment tool.

This is further proof of the importance of mobile money in emerging markets presently and in the future.



**Cash, bank deposits and mobile wallet transfers are some of the WU pay-out options.**



**The driving factors for its API strategies for partner integrations are efficiency, scalability, costs reduction, connectivity and revenue.**



## Seamless partnership integration through API models

WU utilises two models when partnering with MMPs – direct integrations and PSPs. Currently the provider is directly integrated via Open APIs of multiple MMPs. This model of integration was a strategy implemented at the beginning stages of such partnerships, for instance, with its first partner integration via M-Pesa’s Open API.



**“The length of integration, which was a result of required development work and testing time, was the challenge of direct integrations, particularly when scaling”**

As the demand and number of partnerships has grown exponentially, WU started employing the PSP model to benefit from accessing multiple MMPs via a single integration. The rationale behind focusing more on the PSP model was the ability to scale globally and enable access to mobile-money remittances. Though costly, this model has come to be preferred due to operational efficiencies, which mean minimal technical optimisation when compared to direct integrations.



**Mobile money use cases utilised by WU include P2P, remittances, cross-border transfers and in some countries domestic transfers from WU to the mobile wallet.**

## Standardisation is the future model for seamless partner integrations

WU’s position as one of the leading remittance providers has not shielded it from experiencing the typical challenges faced by a large number of third parties when integrating with MMPs. Its advantage, however, lies in its ability to access alternative models of integrating such as PSPs. Owing to the high costs attached, smaller providers might not be able to implement such an option.

Although integration challenges have not hugely impacted its expansion strategies in regards to offering mobile wallet transfers, the WU still expressed the significance of a Standard API to its future operations. And as such, integrations will be upgraded upon the availability of a Standard API, even though they have already invested heavily in direct and PSP integrations. The provider’s focus is to continue expanding the markets in which consumers can utilise mobile money remittances including Latin America and South East Asia, while also increasing their use case offerings. A Standard API will enable efficiency in scaling, while reducing overall integration costs for WU.



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## GSMA Mobile Money

The GSMA is a global organisation unifying the mobile ecosystem to discover, develop and deliver innovation foundational to positive business environments and societal change. Our vision is to unlock the full power of connectivity so that people, industry, and society thrive. Representing mobile operators and organisations across the mobile ecosystem and adjacent industries, the GSMA delivers for its members across three broad pillars: Connectivity for Good, Industry Services and Solutions, and Outreach. This activity includes advancing policy, tackling today's biggest societal challenges, underpinning the technology and interoperability that make mobile work, and providing the world's largest platform to convene the mobile ecosystem at the MWC and M360 series of events.

We invite you to find out more [www.gsma.com](http://www.gsma.com)

Follow the GSMA on Twitter: [@GSMA](https://twitter.com/GSMA)

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

For more information, please contact us:

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**Saad Farooq**

THE MOBILE MONEY PROGRAMME IS SUPPORTED BY  
THE BILL & MELINDA GATES FOUNDATION

**BILL & MELINDA**  
**GATES** *foundation*

A decorative graphic in the bottom right corner of the page, consisting of a grid of dots in shades of blue and purple, arranged in a pattern that tapers off towards the right edge.



