Remittances and technology: the role of mobile money and branchless banking

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Introduction

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Over the past 20 years, remittance flows have grown >10% per year.
They form a significant source of income for developing countries

Global remittance inflows by destination country
Top recipients by volume, $ billions / as % of GDP

<table>
<thead>
<tr>
<th>Country</th>
<th>$ bn</th>
<th>% of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>62</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>61</td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>Nigeria</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Egypt</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Pakistan</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Bangladesh</td>
<td>11</td>
<td></td>
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<tr>
<td>Vietnam</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Lebanon</td>
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<tr>
<td>Pakistan</td>
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<tr>
<td>Vietnam</td>
<td>9</td>
<td></td>
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<tr>
<td>Lebanon</td>
<td>8</td>
<td></td>
</tr>
</tbody>
</table>
Reducing prices in four top sending countries...

Average remittance prices by country of origination
% of remittance amount ($200)

- USA: 6.0%
- Germany: 13.4%
- France: 11.9%
- Australia: 11.5%
- Canada: 9.2%
Reducing prices in four top sending countries could unlock ~$2b a year

<table>
<thead>
<tr>
<th>Country</th>
<th>Average Remittance Price</th>
<th>Annual Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>6.0%</td>
<td>~$575m</td>
</tr>
<tr>
<td>Germany</td>
<td>13.4%</td>
<td>~$500m</td>
</tr>
<tr>
<td>France</td>
<td>11.9%</td>
<td>~$450m</td>
</tr>
<tr>
<td>Australia</td>
<td>11.5%</td>
<td>~$475m</td>
</tr>
<tr>
<td>Canada</td>
<td>9.2%</td>
<td>~$500m</td>
</tr>
</tbody>
</table>

This could unlock >$2 billion that would go directly into the pockets of recipients.
We focused research on technology-enabled models for “branchless banking”

- Branchless banking
- Technology-enabled
- For cash or a basic necessity

1. Mobile cash-out
2. Prepaid card
3. Directed transfer
Our study identified 41 active deployments in 2013

Legend:
- Live during 2012 study
- Newly live in 2013 study
- Mobile cash-out
- Pre-paid card
- Directed transfer
There has been a steady increase of branchless banking deployments since 2010

Live deployments for branchless banking cash-out
Number of companies for each technology

- Pending
- Directed transfer
- Pre-paid card
- Mobile cash-out

<table>
<thead>
<tr>
<th>Year</th>
<th>Pending</th>
<th>Directed transfer</th>
<th>Pre-paid card</th>
<th>Mobile cash-out</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010 study</td>
<td>11</td>
<td>3</td>
<td>8</td>
<td>5</td>
<td>27</td>
</tr>
<tr>
<td>2012 study</td>
<td>5</td>
<td>20</td>
<td></td>
<td>15</td>
<td>41</td>
</tr>
<tr>
<td>2013 study</td>
<td></td>
<td>4</td>
<td>5</td>
<td>32</td>
<td>41</td>
</tr>
<tr>
<td>Planned</td>
<td>~10-26+</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Number of companies for each technology:
- 2010 study: 27 (Pending: 11, Directed transfer: 3, Pre-paid card: 8, Mobile cash-out: 5)
- 2012 study: 41 (Pending: 5, Directed transfer: 20, Pre-paid card: 15, Mobile cash-out: 15)
- 2013 study: 41 (Pending: 5, Directed transfer: 4, Pre-paid card: 5, Mobile cash-out: 32)

Planned to go "live" within 12 months of the study:
- ~10-26+
The role of partnerships in increasing deployment

A
Partnerships with traditional remittance providers

B
Interoperability solution
New technology and models of interaction

End-to-end mobile deployments

Remitting to a cash substitute

Remittances through social media
The role of trust and reliability

“The Federal Reserve Board noted that significant factors in consumers’ choices ‘include trust in the provider, security... [and] reliability.’”
- US Consumer Financial Protection Bureau

Despite 82% global brand awareness, Western Union spends **$175 million per year** on advertising (~3% of total revenue) – an average of $1 million per country

“Lower cost is not the emphasis of our marketing efforts because this does not establish trust and reliability, which is the primary concern of users.”
- Mobile RSP

“Trust is... the most important factor for success in the international remittance space.”
- Online send-side deployment and settlement firm

No mention of price as a competitive differentiator
The tenuous link to access to finance

- We want the service to be more consumer-centric...there is a need for a fast, easy, low-cost service.
- We don’t track the share of banked to unbanked, but our user proportion roughly represents the country overall.
- We look at the bankable market as early adopters.
Potential scenarios

1. Consolidation
2. Disruptive technology scales
3. High-margin competition
Asante sana

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