Briefing document

New Technologies

Mobile Money Overcoming Borders

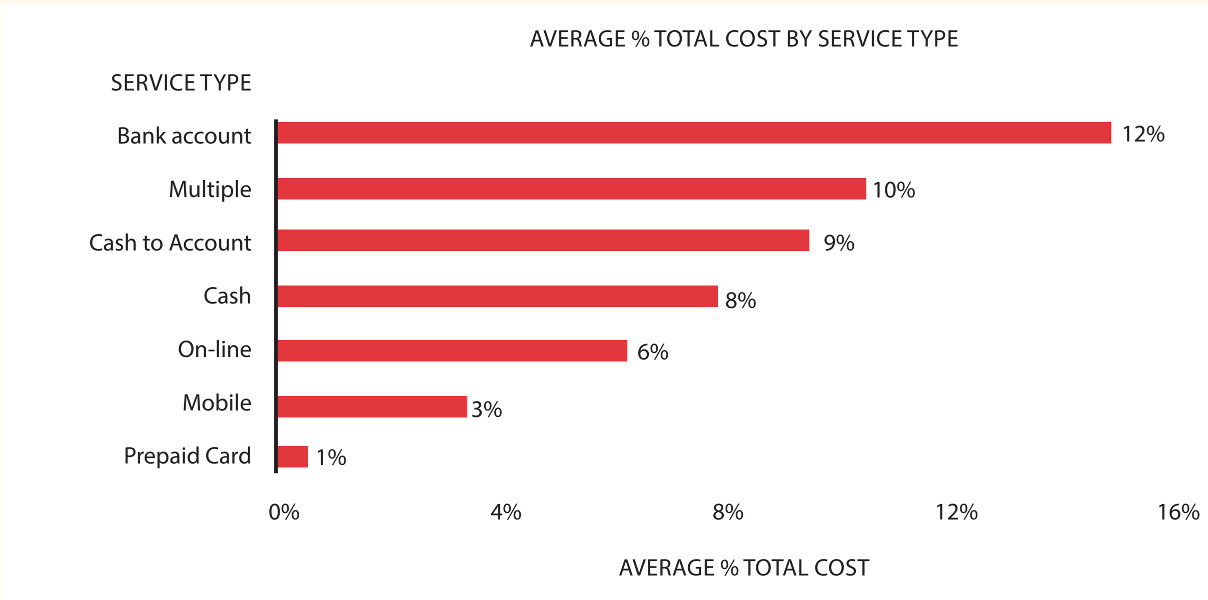
The remittance value chain is quite complex and often includes three (or more) different service entities (sending agent, receiving agent and service provider). Remittances are currently still predominantly cash-based with an estimated 95 per cent of transactions being cash-to-cash[1]. Cash in itself is expensive and in many cases is used because there has historically not been any alternative.

In recent years, new technologies have been brought to the remittances market and those that appear to be making the most difference to prices, efficiency and financial inclusion are online services and mobile services. A number of businesses are now offering online services at the sending end. This provides senders with the option to make their transaction at their own convenience on a web portal of a money transfer company without the need to visit a location. Payment can be made by a debit card, bank account transfer or sometimes by using a credit card. This initiative removes the sending agent (which can account for around 25 percent of the cost of a remittance) and thus plays a major role in reducing prices.

Mobile banking, on the other hand, has predominantly grown in developing markets (particularly in Africa where nearly all the deployments have been made) and is currently being used as a paying out/disbursement method. Mobile also has the advantage of bringing more participants into the financial space by opening a virtual account.

Both of these technological advancements have been shown to lower the cost of sending remittances and on average are priced at lower levels than cash-to-cash and account-to-account services.

1 Source – DMA Market estimates. Western Union advise that 7 percent of their transactions are made via digital channels, including mobile and online services.



The recent Send Money Africa report (Q2 2016) shows that mobile services cost 3.29 percent compared to online at 6.21 percent, cash at 7.73 percent and bank accounts at 14.68 percent.

This session will specifically look at new technology and the roles that it can play in improving efficiencies and reducing prices. The experts will provide examples of good practices and talk about which of the multitude of new technology solutions, ranging from blockchain to websites show the most promise. Some questions that will be considered include:

1. What conditions are required for mobile to be successful?
2. What does a balanced regulatory approach look like?
3. Can technology really replace cash?
4. What sort of education is required for senders and receivers?
5. Can other financial products and services be delivered via mobile?
6. Who are the main stakeholders in the mobile money value chain?
7. Do remittances have to be delivered by banks or MTOs (Money Transfer Operators) or can they be delivered by TELCOs (Telecom operators)?
8. Why does mobile money seem to face challenges in gaining traction in many of the key developed country sending markets?
9. What is the best way to ensure that the most appropriate technology solutions are available to those who need them?
10. In the African context, what safeguards can governments put in place to protect consumers and what incentives could be used to increase the use of mobile payments?
11. Is interoperability a necessity for successful mobile money services on a national/regional/continental basis?

The outcomes of this session will be a greater common understanding of the potential benefits that mobile and other technologies can bring. It will also develop deeper knowledge on the roles for different stakeholders that are required to achieve the promise that technology can bring.

In the breakout, delegates will be expected to, together, map the relevant stakeholders in an analytical exercise.

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