white paper

# The Remittance Opportunity

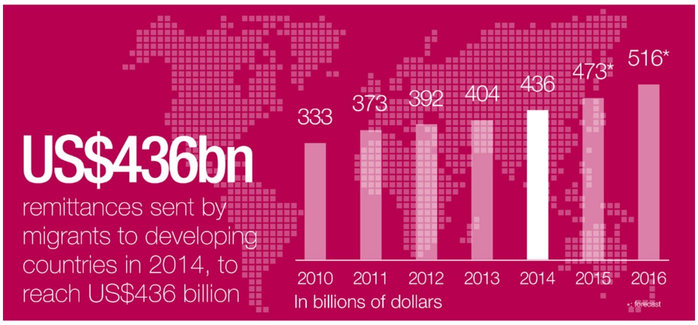
## The rise of mobile money and the increase in global migration has led to continuous growth in remittance.

In partnership with

**Technology has played a key role in developing the ways in which money moves both within and between countries. Today the mobile has a central role in facilitating money transfer.**

**International migration is a global phenomenon that is growing in both complexity and impact. More people live outside their country of birth than at any other time in history. The UN estimates that in developed countries, migrants make up more than 10% of the population, on average, worldwide.** [1]

**Ongoing growth in migration has led to significant, continuing rises in the amount of money remitted each year. The World Bank estimates that remittances sent by migrants to developing countries grew by 5% in 2014 to reach US$435bn.**




Remittance is the act of sending money. Remittance can be domestic (within a country) or international (across national borders).

*In the coming decades, demographic forces, globalization, and climate change will increase migration pressures both within and across borders, and this in turn will increase the demand for payments and remittances worldwide. There is a growing consensus that a well-functioning payment and remittance ecosystem plays a critical role in enhancing financial inclusion and poverty reduction. Remittances sent home by migrants to developing countries are three times the size of official development assistance and represent a lifeline for the poor, particularly in fragile and post-conflict nations.*[2]

[1] http://www.un.org/en/development/desa/population/theme/international-migration/index.shtml
[2] http://www.cgap.org/topics/paymentsremittances
[3] The World Bank, Migration and Development Brief 23, Oct 2014

Traditional remittance methods include Money Transfer Organizations who rely on a brick and mortar agent network to facilitate transactions. This requires both the sender and the receiver to visit the agent for the transfer to take place. In developing countries it is common that receivers may have to travel significant distances to retrieve the money. The transfer can take several days and can be costly. The global average cost of sending US$200 is around 8%, however in some areas, generally those in most need of cost-effective methods, the cost is substantially higher. For example, in Sub-Saharan Africa the cost of sending US$200 ranges from 18% to 22%.[3]

There are also informal methods for remittance, such as Hawala brokers, which rely on honor systems amongst agents in different locations or the use of local transportation systems (taxi, bus drivers). These methods can be both unreliable, unsafe and costly.

**Mobile money transfer represents an opportunity to facilitate remittance that would benefit customers by providing a service that is safe, fast and cost-effective as well as the mobile money service providers by creating a new way to bring funds into mobile wallets, stimulating the service usage and generating revenue.**

The ubiquity of the mobile handest, even in developing and emerging countries presents an opportunity to reach users previously inaccessible through traditional financial services. Mobile money transfer represents a significant opportunity for the remittance market both across borders and domestically.

**International Remittance**
The World Bank estimates that more than 250 million people live outside their country of birth. Forced migration due to conflict and natural disasters affects at least 73 million worldwide.

In the 2013 State of the Industry Report, the GSMA MMU highlighted four critical factors for the widespread adoption of international remittance over mobile money:

- The need for a critical mass of active mobile money users in receiving countries
- Greater customer acceptance on the sending side
- The importance of interoperability to allow transfer between different types of accounts
- The need for more enabling regulatory frameworks

South-South remittance: The World Bank reports that the volume of South-South migration (migration between developing countries) is larger than migration from the South to high-income countries.

**Domestic Remittance**
According to the UN over 700 million people are migrants within their own country, having relocated from the region in which they were born. Most internal migration is driven by the migrant's search for better economic conditions. In rural areas, one member of the family may leave to find better paying work in an urban area. This person will typically then send part of his wages home to support his family. These remittance transactions often face the same issue as those of international remittance, the need for a method which is safe, fast and cost-effective.

**The Philippines example**
The Philippines represent a significant market for both domestic and international mobile remittance. The country is made up of over 7,000 islands and access to traditional financial services can be difficult for a large portion of the population. For many Filipinos, the closest bank or Money Transfer Organisation is a long boat ride away. However, mobile phone use is very high. The two largest telecommunication operators in the Philippines already offer mobile money services and the uptake rate is among the highest in the world. Within the country, mobile money provides an essential way to send money quickly, cheaply and safely to loved ones.

However, the widespread use of mobile remittance is not limited to within the country. International remittance is a significant market. The World Bank reports that over 10% of the country's GDP comes from migrants sending funds home. This exceeds the amount of international aid received by the country. It is estimated that between 9.5 and 12.5 million Filipinos work or reside abroad, representing more than 10% of the population. The Filipino diaspora is very widely spread throughout the world. One country that receives many migrant workers is Qatar. Migrant workers make up more than 90% of the country's workforce, mainly working in the service and construction sectors. Many of these workers arrive in the country on short term working contracts attached to temporary visas, making it difficult for them to open accounts with banks to access financial services. Mobile based financial services, in particular remittance is an essential service for these workers.

**Who can send and receive money?**
Money transfers are easily available for mobile money subscribers who are registered within a mobile money deployment. However, this service can also be open to unregistered subscribers with the support of an agent either on the sending side and/or on the receiving side (Over The Counter transactions). Local regulation will provide the service provider with guidelines about the type of money transfer services that can be commercialized.

**Regulation**
As with other mobile money services, money transfers are subject to regulatory approval. The service provider must consider the following before launching this type of service:

- Know Your Customer: to identify, authorize and track actors involved in a mobile money transfer. This may involve interfacing with external local and international blacklists.
- Anti-Money Laundering: to set limits on money transfers actors, and ensure these limits are not exceeded (transaction based, periodically) and to be able to detect some fraudulent behaviour
- Reporting: to enable detailed tracking of money transfers
- Interfacing with the regulator system: to control all subscriptions and mobile money transactions including money transfers, some regulators require mobile money platforms to interface with a centralized solution in real-time.

HomeSend

**About HomeSend**

HomeSend is a joint venture created by MasterCard, eServGlobal and BICS that enables B2B cross-border and cross-network value transfers through a single connection. It builds on the successful deployment of mobile enabled person-to-person transfers in emerging markets and the digitalisation of money transfer services. The HomeSend service innovatively bridges the gap between finance and telecommunication service providers and enables consumers to send money to and from mobile money accounts, payment cards, bank accounts or cash outlets – regardless of their location or that of the recipient.

**About eServGlobal**

eServGlobal (LSE: ESG, ASX: ESV) offers mobile money solutions which put feature-rich services at the fingertips of users worldwide, covering the full spectrum of mobile financial services, mobile wallet, mobile commerce, recharge, promotions and agent management features. eServGlobal invests heavily in product development, using carrier-grade, next-generation technology and aligning with the requirements customers worldwide.

Together with MasterCard and BICS, eServGlobal is a joint venture partner of the HomeSend global payment hub, a market leading solution based on eServGlobal technology and enabling cross-border money transfer between mobile money accounts, payment cards, bank accounts or cash outlets from anywhere in the world regardless of the users location.

eServGlobal also builds on its extensive experience in the telco domain to offer a comprehensive suite of sophisticated, revenue generating Value-Added Services to engage subscribers in a dynamic manner. eServGlobal has been a source of innovative solutions for mobile and financial service providers for 30 years

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