



 **IFAD**
Investing in rural people

 **SUSTAINABLE DEVELOPMENT GOALS**



Global Forum on Remittances, Investment and Development

Summit 2021
16-17 June | ONLINE

Recovery and Resilience through Digital and Financial Inclusion
#FamilyRemittances

International Day of Family Remittances
16 JUNE
IDFR 2021

In collaboration with:
African Union, FinDev Gateway, GRIIM, IAMTN, IMTC, WSBI

Recommenced by:
European Union, Luxembourg and Development, IFAD, C, Sweden Sverige

#gfrid
www.gfrid.org
gfrid@ifad.org

Technical assistance to IFAD's FINCLUDE: Leveraging the use of remittances towards rural development

Results Overview

June 2021

Overview

- Context
- Methodology
- Cross border remittances
- Domestic remittances
- Recommendations

Overview of FINCLUDE

- The objective is to inform IFAD's Financial Inclusion and Cluster Development (FINCLUDE) programme in Eswatini, of which the CFI is the implementing agency.
- FINCLUDE is a development programme designed to improve the livelihoods of poor and vulnerable households – smallholders and micro-entrepreneurs – in rural Eswatini **through increasingly profitable and resilient links to markets and appropriate financial services**
- FINCLUDE provides **finance, facilitates access to markets, provides risk management support, and builds capacity**
- FMT to support FINCLUDE's design by developing strategies to extend its services specifically to migrant households in rural areas; **FINCLUDE's design ties remittances as financial inclusion-related outputs to the core activities of the programme**

The role of remittances

- The Eswatini National Financial Inclusion Strategy 2017-2022 (NFIS) recognises the need for alternative mechanisms for domestic and cross-border remittances to support vulnerable dependent population segments
- The Draft National Payments System (NPS) Strategy (2021-2015) emphasises the need to drive the development of a more enabling cross-border remittance licensing regime
- 24% of adults are dependent on remittances as their main source of income, and the “development impact” of remittances can be leveraged in achieving the objectives of FINCLUDE

Project objectives

- Build the knowledge basis on remittances required to design actionable policies, regulations and market-led approaches to better serve FINCLUDE's target group
- Support policy and regulatory enhancements to enable change and wider market and innovative developments
- Enhance the savings and investment capacity of FINCLUDE's beneficiaries, and raise their awareness on the availability of safe financial products that promote economic opportunities

Methodology

- Key informant interviews in SA and eSwatini (April – October 2020)
- Demand side surveys in SA and eSwatini between (June – October 2020)
- Sample data from Swaziland Migrant Mine Workers Association (SWAMIWA), MTN, and field survey (border posts)
- GIS data collection and analyses

Cross-border remittances – South Africa—eSwatini corridor

Service providers

- The SA—Eswatini corridor **has commercial bank-led and non-bank-led** remittance service providers (RSPs) regulated by the SARB
- The non-bank-led RSPs function with an ADLA licence, with products specifically developed for low-value remittance transactions (targeting low-income migrants)
- **Fully digital options (via mobile phones) are available to bank customers** that meet full KYC requirements, partial KYC products are available through RBA onboarding with restrictions on transaction sizes – non-bank providers are more likely to adopt RBA onboarding,
- There remains a **significant degree of informal remitting, through friends and family or via minibus taxis**
- **Regulations already allow cross-border remittances to be sent directly to a mobile wallet, but there is currently no partnership between an RSP and MMO in South Africa to offer this service**

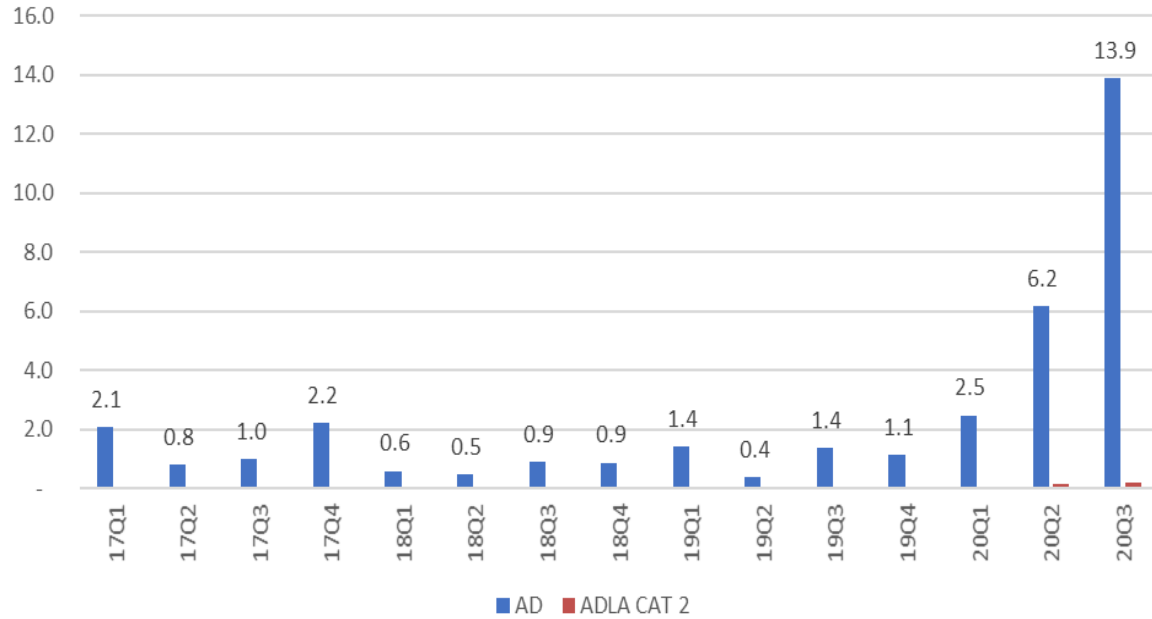
Pricing

- Eswatini is part of the CMA and thus there are no exchange rate margins
- Direct transaction fees may still apply, depending on the bank and service used (based on ZAR200 transaction)
 - FNB – 1%
 - Standard Bank – 1%
 - Shoprite Money Transfer – 3%
 - Mukuru – 9%

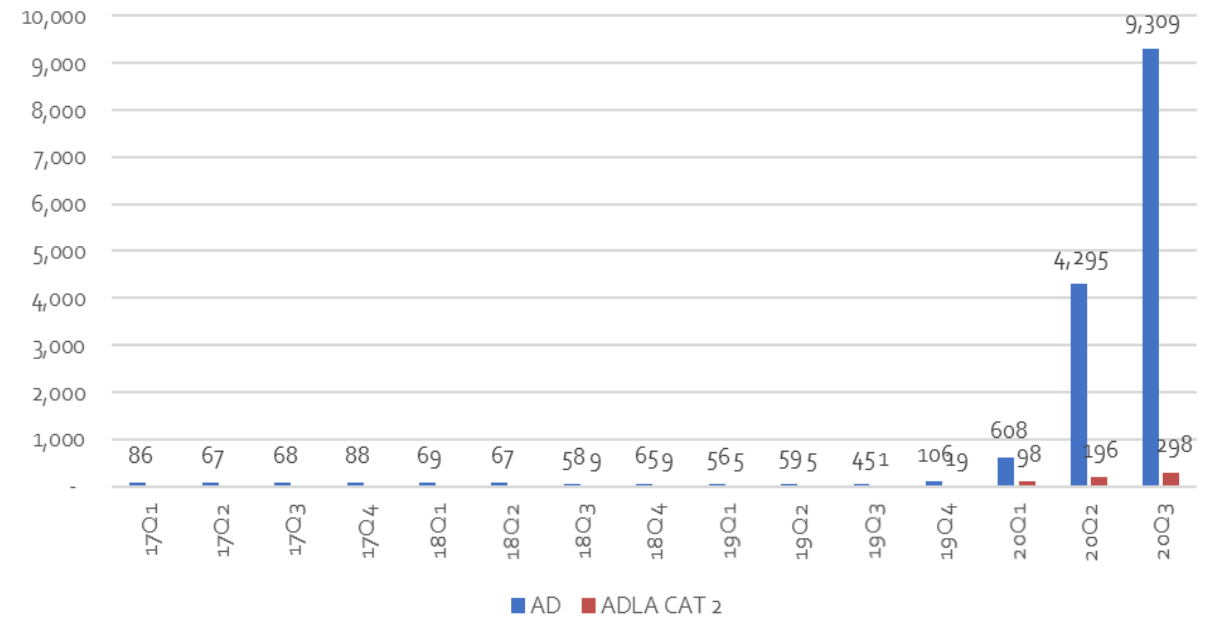
RSP (South Africa)	Service to remittance senders	Cash to cash	Cash to digital	Digital to cash	Digital to digital
ABSA	SWIFT payment to bank account (via partnership with Western Union)			✓	✓
FNB	SWIFT payment to bank account			✓	✓
	Pay2Cell (via partnership with MoneyGram)				
Nedbank	SWIFT payment to bank account				✓
Standard Bank	SWIFT payment to bank account	✓	✓	✓	✓
	Banking app (via partnership with Moneygram)				
Capitec	SWIFT payment to bank account				✓
Bidvest Bank	SWIFT payment to bank account (sending agent for MoneyGram and Western Union)				✓
Mukuru	Payment to bank account	✓		✓	
	Payment to mobile money account				
Shoprite	Shoprite Money Transfer (through partnership with Standard Bank)	✓			

Size of corridor – SA – eSwatini (Formal)

Total value (ZAR millions), outbound remittances, 2017-2020



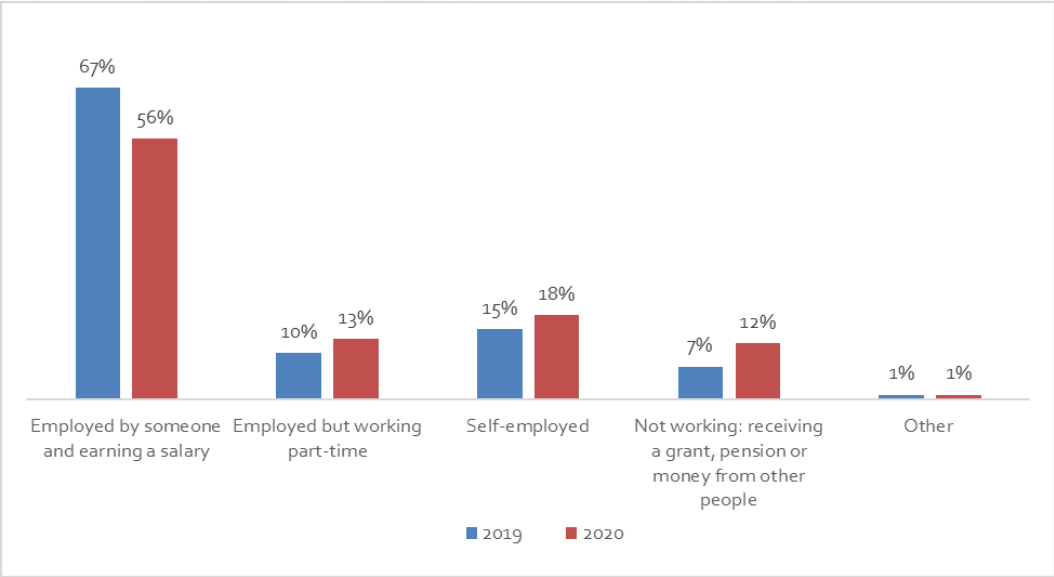
Total volumes, outbound remittances, 2017-2020



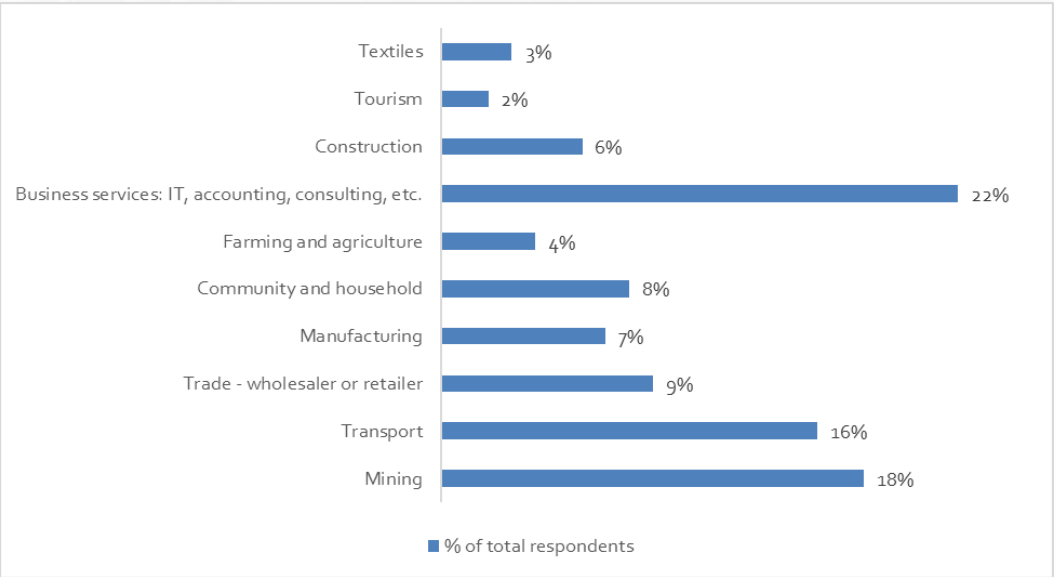
- AD: Authorised Dealers – Commercial Banks
- ADLA: Authorised Dealers with Limited Authority – Non-commercial banks
- Data source: South African Reserve Banks

Cross-border remittances – profile of senders (from survey)

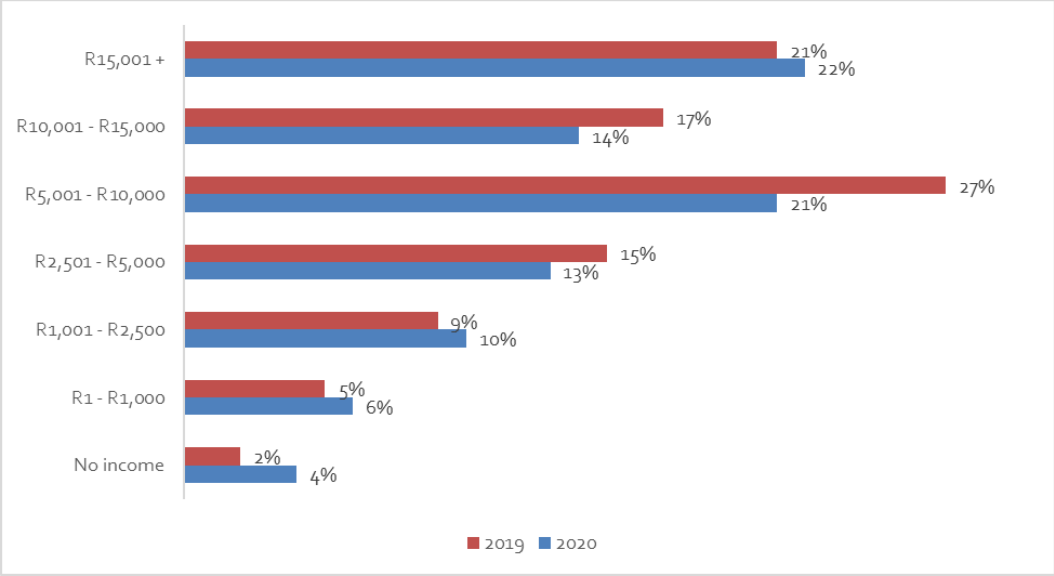
Employment status



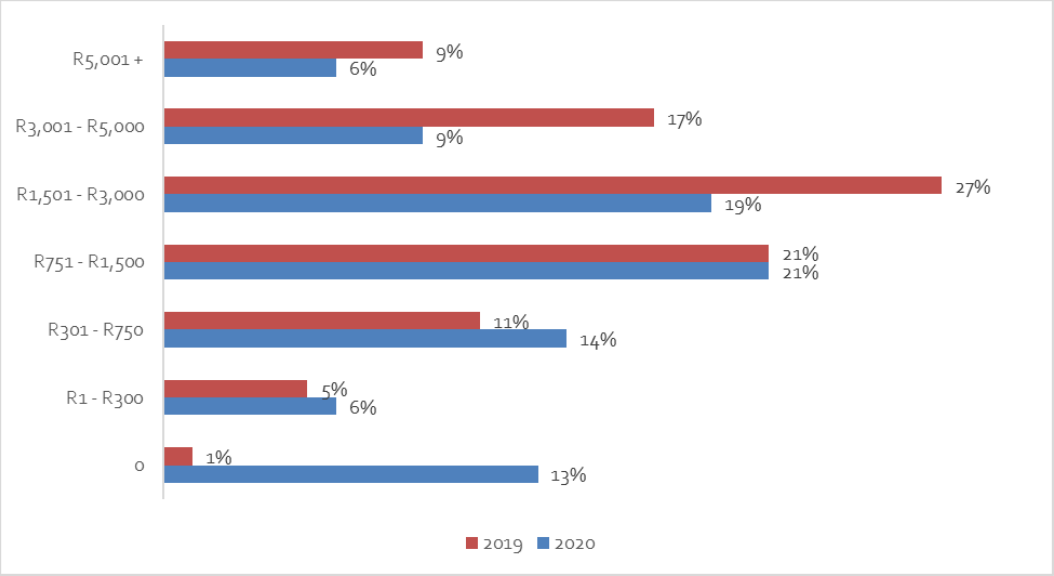
Type of Employment



Average monthly earnings



Average amount sent



Domestic remittances - Eswatini

Regulatory environment

- Allows for commercial banks and non-bank providers to provide domestic remittance services – there is a tiered approach to onboarding users of regulated payments service providers, allowing for partial KYC customers using products with limited transaction sizes, in order to maintain the integrity of the NPS while being inclusive
- Allows for interoperability between banks and non-bank RSPs (**Bank 2 Wallet/ Wallet 2 wallet**)
- Commercial bank users can remit to unbanked customers, who can withdraw from ATMs and retail agents – currently these are bilateral agreements and the CBE plans to invest in a national switch to enable open-loop interoperable payments system, but there is no specific timeline
- Non-bank providers include the Eswatini Post Office, mobile money agents and retail outlets

Pricing

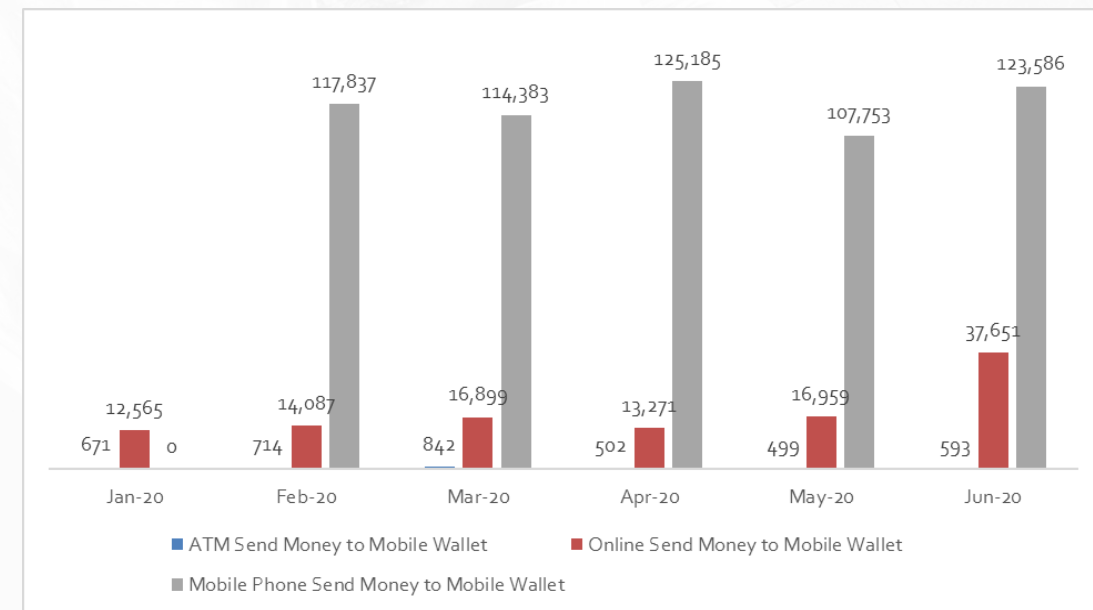
- Transaction cost is borne by the sender
- For mobile money transactions, costs ranges from less than 1% for Shoprite to 1% for MTN and Nedbank Eswatini
- For 'instant money' products, transaction fees range from 1.2% to 1.5% (Eswatini Pay2Cell)

Limits on transactions for partial KYC customers

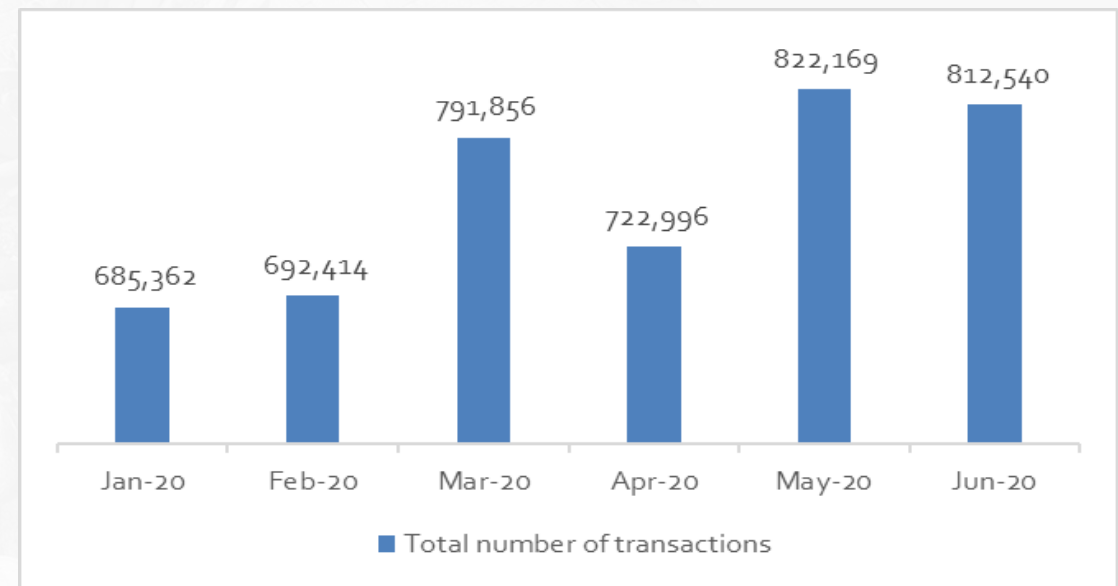
	Bank-led e-wallet size balance	Bank-led e-wallet send per day	Bank-led e-wallet withdrawal per day	Bank-led e-wallet spend per day
Previous limit	SZL4,999 (US\$327) with monthly turnover of SZL25,000 (US\$1,637)	SZL4,999 (US\$327)	SZL4,000 (US\$327)	SZL4,999 (US\$327)
New limit	SZL15,000 (US\$982) with monthly turnover of SZL25,000 (US\$1,637)	SZL15,000 (US\$327)	SZL15,000 (US\$982)	SZL15,000 (US\$982)

Size of domestic market

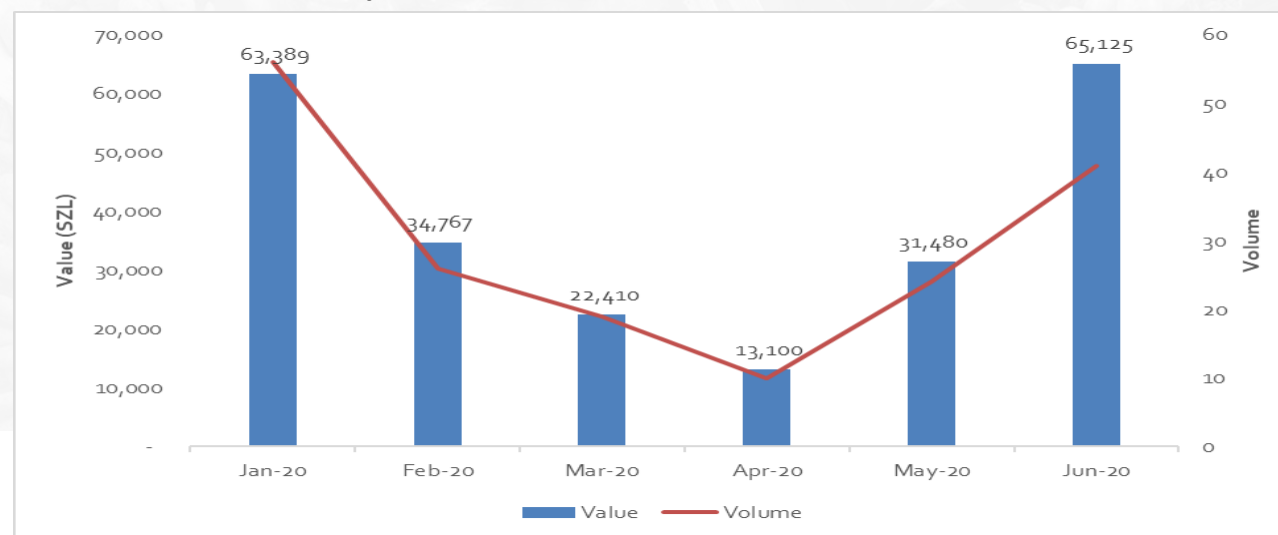
Combined number of bank-to-mobile phone transactions (Jan–Jun 2020)



Total number of P2P transactions on MTN MoMo platform (Jan–Jun 2020)



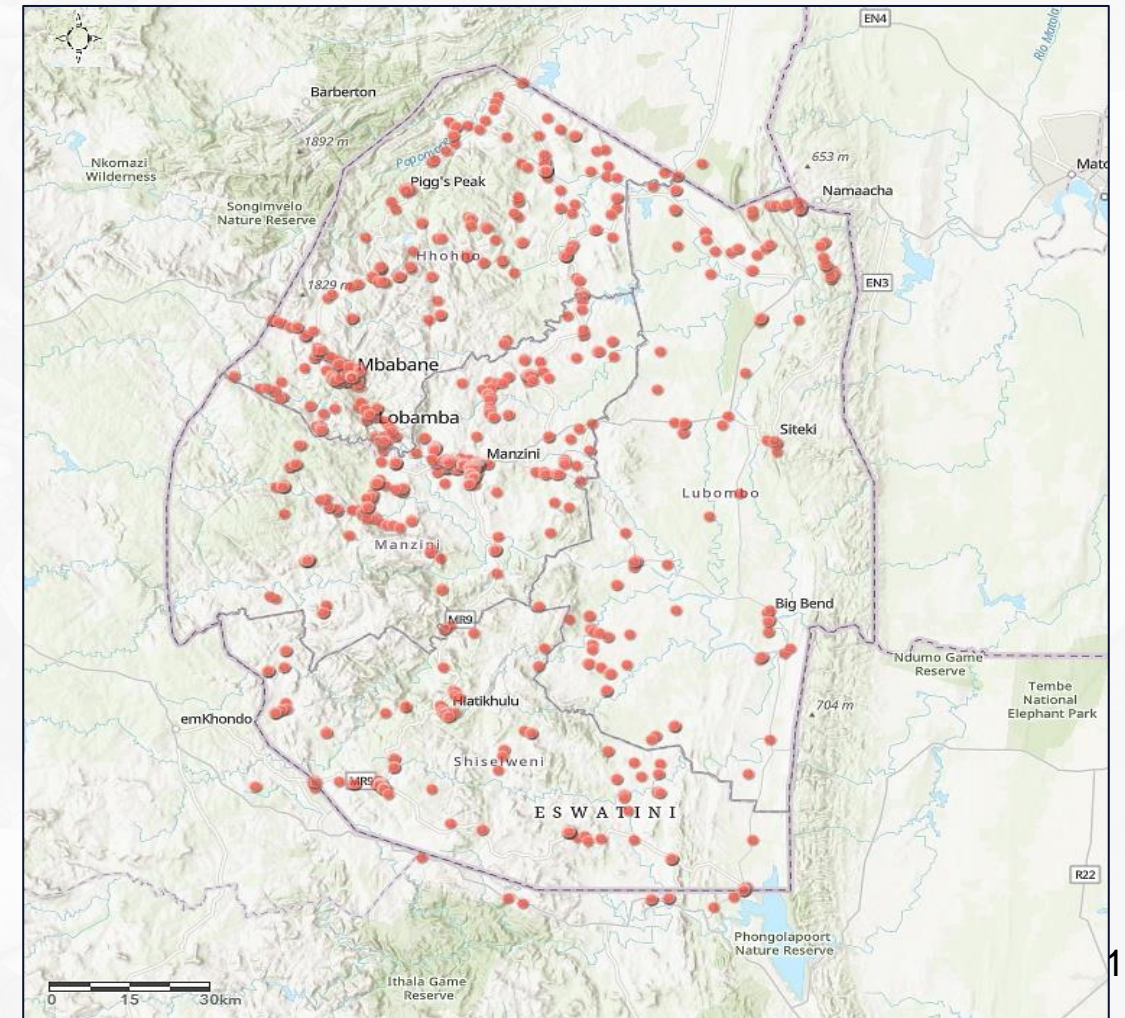
Shoprite MMT transfers (P2P) (Jan–Jun 2020)



Network of financial access points – more data is needed

- The financial access points that support payments and remittances in Eswatini include commercial bank branches, ATMs, retail outlets (Shoprite), Mukuru pay-out points, Eswatini Post Office outlets, bank agents and mobile money agents
- Collected geospatial information (GIS) on access points from March-September 2020 to assess barriers to access and usage, but this is not sufficient
- Therefore, a more comprehensive dataset is needed to assess whether mobile money agents are bridging the gap between access in urban and rural areas
- GIS data received
 - ATMs: 240.
 - Bank agents: 18.
 - Commercial bank branches: 49.
 - Merchants (businesses that accept digital payments): 124.
 - Active mobile money agents: 1,015.

Eswatini: financial access points across the four geographical zones



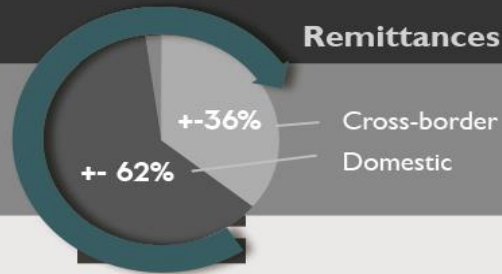
Data source: participating financial service providers

Domestic remittance senders, domestic remittance receivers, cross-border remittance receivers and micro-entrepreneurs in Eswatini – salient findings

Remittances received

Cross-border receivers: via bank account

Domestic receivers: via mobile money



Receivers less satisfied with their method:

- waiting times at ATMs: inconvenient
- transport costs to travel to and from ATMs to withdraw: expensive

Receivers more satisfied with their method:

- affordable
- reliable
- speedy
- easy

Remittances mainly spent on food and groceries, supporting basic livelihood needs and preventing households sliding into food insecurity or poverty.

DOMESTIC SENDERS

Mostly males
 +- 20% have tertiary education
 Most formally employed (company or government)
 Income SZL5,000 (US\$327) or more per month: 30%
 Live mainly off farming: 5%

DOMESTIC RECEIVERS

Mostly females
 Shiselweni 56% Lubombo 71%
 A third have low levels of education
 Dependents segment: 48%
 Full agency over remittance spending: 70%+
 Income SZL2,000 (US\$130) or less per month: 75%
 Run a non-farm business: 63%
 Earn a living from agriculture: 25%

Remittances mainly received monthly.

MICRO-ENTREPRENEURS

Mostly females older than 35
 Shiselweni 58% Lubombo 25%
 +- 40% have no formal or only primary education; +- 40% have secondary education
 Income SZL2,000 (US\$130) or less per month: 60%
 Most micro-enterprises: are informal, do not employ others, use mainly cash
 MSME sector: 43% agricultural 26% retail
 Micro-entrepreneurs have ambitions beyond survival – but

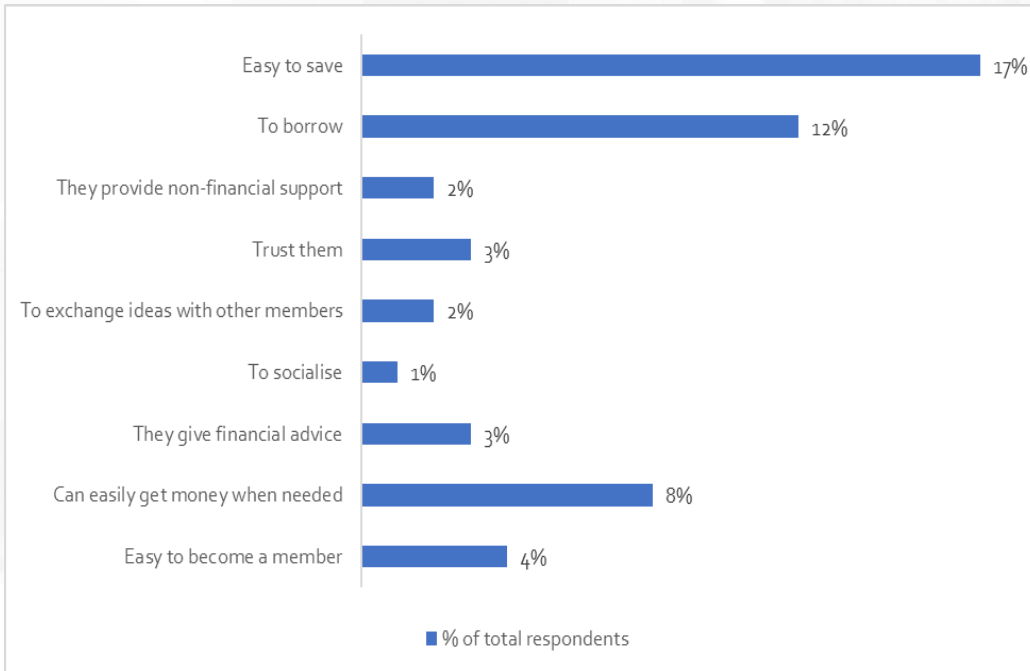
CROSS-BORDER RECEIVERS

Mostly females
 Shiselweni +- 46%
 A third have low levels of education
 Dependents segment: 88%
 Income SZL2,000 (US\$130) or less per month: 46%

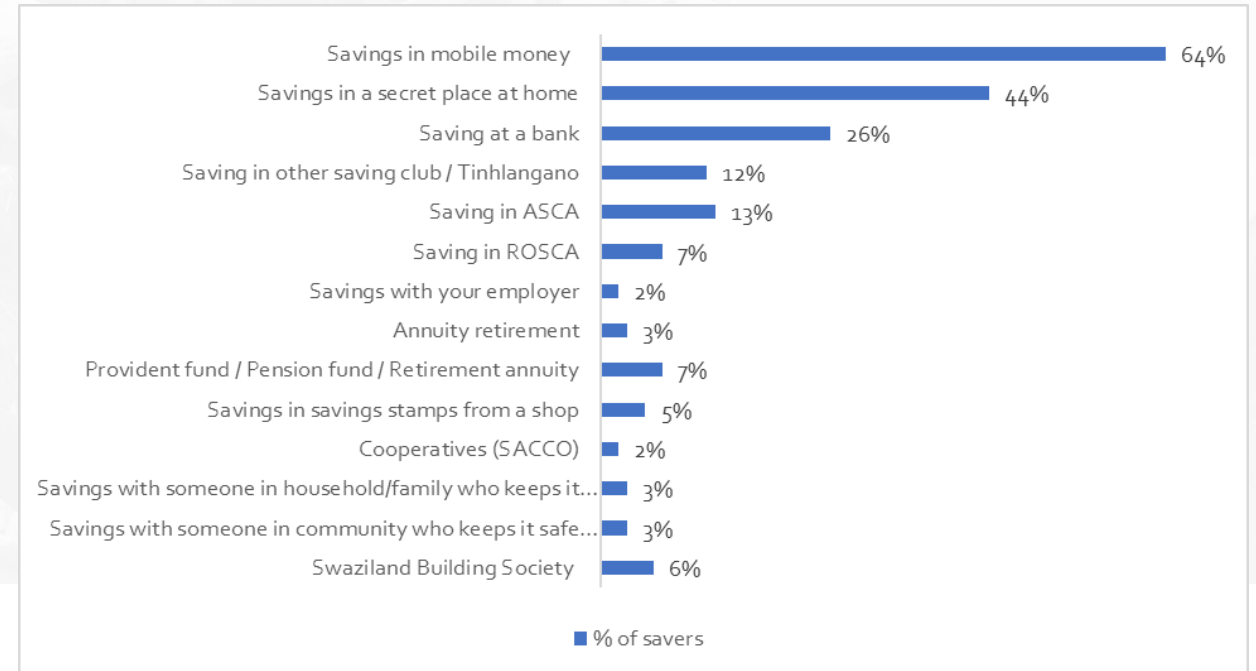
Domestic remittances – Propensity to save (from survey)

Participation in savings groups	Total	% of total respondents
Formal savings and credit group – Tinhlangano	412	20%
Community-based group/solidarity system	279	14%
Farmer association	109	5%
Informal stokvel	643	31%

Reasons for joining savings groups



Savings methods



Cross-border remittance receivers – financial literacy and capability levels

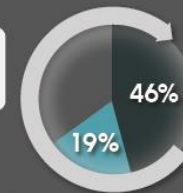
In terms of financial planning and decision-making:



Share the responsibility with their spouse/partner

Make financial decisions alone

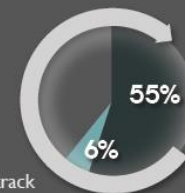
In terms of financial health:



Claim to have sufficient monthly income

Claim their monthly income is always inadequate to meet their monthly expenses

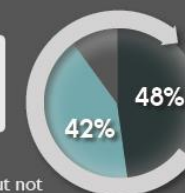
In terms of keeping track of income and expenses:



Claim not to keep track of their income and expenses

Claim to keep track of their income and expenses

In terms of saving for long-term goals and emergencies:



Are able to save but not adequate to meet financial need

Are unable to save for long-term goals

Domestic remittance receivers – financial literacy and capability levels

In terms of financial planning and decision-making:



Share the responsibility with their spouse/partner

Make financial decisions alone

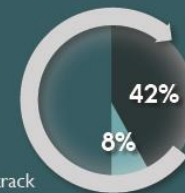
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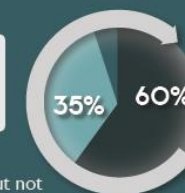
In terms of keeping track of income and expenses:



Claim not to keep track of their income and expenses

Claim to keep track of their income and expenses

In terms of saving for long-term goals and emergencies:



Are able to save but not adequate to meet financial need

Are unable to save for long-term goals

Domestic senders – financial literacy and capability levels

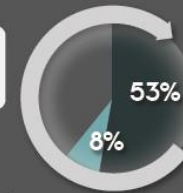
In terms of financial planning and decision-making:



Share the responsibility with their spouse/partner

Make financial decisions alone

In terms of financial health:



Claim to have sufficient monthly income

Claim their monthly income is always inadequate to meet their monthly expenses

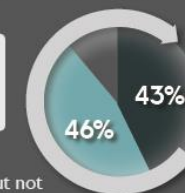
In terms of keeping track of income and expenses:



Claim not to keep track of their income and expenses

Claim to keep track of their income and expenses

In terms of saving for long-term goals and emergencies:



Are able to save but not adequate to meet financial need

Are unable to save for long-term goals

Micro-entrepreneurs – financial literacy and capability levels

In terms of financial planning and decision-making:



Share the responsibility with their spouse/partner

Of micro-enterprises make financial decisions alone

In terms of financial health:



Claim to have sufficient monthly income

Claim their monthly income is always inadequate to meet their monthly expenses

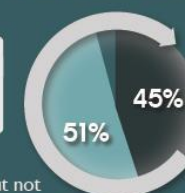
In terms of keeping track of income and expenses:



Claim not to keep track of their income and expenses

Claim to keep track of their income and expenses

In terms of saving for long-term goals and emergencies:



Are able to save but not adequate to meet financial need

Are unable to save for long-term goals

* Make financial decisions with others in household

NOTE: Where percentages are not provided, survey responses were ambivalent ('not sure').

RECOMMENDATIONS

NATIONAL POLICY FRAMEWORK

MAIN IMPLEMENTATION RESPONSIBILITY

1

Develop a national financial capability strategy that targets the needs of remittance senders and receivers – Regulators and FSPs are already providing financial literacy and capability programmes, and remittances are a 'gateway' service to potential use of other formal financial services. In the national Strategy, include a financial capability component targeting specifically remittance senders and receivers.

NFIS 2017–2022: Plan to develop and launch the National Financial Literacy and Consumer Protection Strategy by 2019.

FSDIP (2017): Develop a Financial Sector Consumer Protection Strategy and Financial Literacy Strategy.

Remittances Technical Committee:
CFI, CBE, FSRA

2

Strengthen the multilateral interoperable (open-loop) payments environment – Mobile money is driving uptake and usage of formal payment services: a multilateral open-loop payment environment becomes increasingly urgent. It would boost formal remittance service usage and increase digital payment for goods and services.

NFIS 2017–2022: Achieving payments interoperability a key factor in expanding geographical access to and usage of payment services.

FSDIP (2017): Establish a fully interoperable card payment system that is national and/or regional in nature.

Draft NPS Strategy (2021–2025): Advance efforts towards interoperable, 24/7 and real-time payment functionality.

Remittances Technical Committee: specifically CBE as payments system regulator; with NPS as a committee member

3

Provide further support to savings groups – The 58 registered SACCOs have 60,580 members, and low-value remittance senders and receivers are likely to be members. SACCOs play positive roles in consumption smoothing and operating micro-enterprises and have existing financial infrastructure already serving the target group.

NFIS 2017–2022: Objective of linking informal/semi-formal SACCOs to digital platforms.

FSDIP (2017): Expand permissible activities for healthy MFIs, SACCOs and the building society via a community banking or tiered licensing structure to include the range of savings products, direct access to the payment system and crisis frameworks.

FINCLUDE implementation team (led by CFI) + FSRA + Remittances Technical Committee to develop policies linking SACCOs to digital payment platforms

4

Improve the quality of geospatial data on financial access points – Cash distribution networks are critical to domestic and cross-border remittances but a crucial analytical gap remains in terms of mobile money agent location data. Requiring payments service providers to provide access point data will enable an audit of barriers to access and M&E of progress.

This is an M&E component to track progress of the NFIS, FSDIP and NPS strategies related to the expansion of cash distribution points.

Remittances Technical Committee (all the payments service providers and the regulator: CBE)

5

Cross-border remittances sent directly to a mobile wallet – Mobile money has the highest level of uptake across formal financial services in Eswatini. So, getting cross-border remittances directly on to mobile money would further reduce the cost of remittances, especially for receivers, while increasing convenience. The regulatory environment is already able to accommodate this recommendation; it will be driven by commercial incentives of the mobile money operators.

NFIS 2017–2022: Growing mobile money and remittances are key to increasing financial inclusion.

SADC Bankers Association Transactions Cleared on an Immediate Basis (TCIB) project: Deep and wide interoperability between all authorised payment service providers in SADC should facilitate cost-effective, low-value payments – directly into bank accounts or mobile wallets.

Draft NPS Strategy (2021–2025): Drive the development of a more enabling cross-border remittance licensing regime.

Remittances Technical Committee: specifically CBE + mobile money operator committee members looking to provide this service

Thank you

damolao@finmark.org.za