Mobile Money International Remittances – Saving the Day Amidst Economic Woes

As the world began to recover from the economic ramifications of COVID-19, 2023 saw further turmoil and even recession. In fact, the OECD projects global GDP growth in 2023 to be 2.7%, which is the lowest annual rate since the global financial crisis, except for the 2020 pandemic period. This low growth is expected into 2024 with projections for next year being 2.9%. Soaring food and energy costs have fuelled the highest rates of inflation, with Low-and middle-Income countries (LMICs) being the hardest hit. However, mobile money can offer customers a secure, accessible and affordable option for millions of families struggling to earn a livelihood.

The mobile money industry, now with over 1.6 billion registered customers, was able to move 21 billion worth of international remittances (IMT) in 2022. This represents a 28% Year-on-Year growth. According to the World Bank, total remittances transferred in 2022 to LMICs amounted to US$626 billion and it is projected that by 2030 US$5.4 trillion in remittances will be sent to LMICs. International remittances are here to stay! With an average fee of 3.73% to send $200, using mobile money is 37.9% cheaper than the global average remittance cost.

Challenges

Despite the significant benefits of mobile money for digital remittance and financial inclusion for migrant families, several challenges still hinder its widespread use. Foreign exchange controls present a huge challenge, not just to mobile money driven IMT, but for all forms of international remittances. A significant number of countries still have restrictions on outward remittances and permit only inward remittances. There has been little to no change on the issue over the past several years.

Regulatory harmonisation is also an obstacle. As it stands, the disparities of KYC regulations across different countries creates complexities in meeting necessary AML/CFT checks for cross border money transfers. The lack of clear regulatory frameworks for IMT makes it difficult for mobile money providers to determine regulatory requirements for mobile money driven IMT services. Some countries are yet to draft provisions for provision of international money transfer services for non-traditional IMTOs. Without a framework in place, regulators lack a blueprint against which they can issue approvals.

Despite the significant uptake of mobile money in LMICs, some migrant families still have cultural preferences or trust-related concerns that favour informal, cash-based transfers. Cash is, in many regards, the biggest competitor of digitally driven alternatives for IMT. More can still be done to drive financial literacy through shared responsibility. While significant strides have been made to narrow the gender gap, the journey is still far from over. According to the 2021 MobileRemit_Africa report, women comprise about half of all remittance senders (100 million). They are often digitally excluded in LMICs and particularly in rural areas. This hinders further growth and access for families that depend on these remittances for basic needs.

Policy Considerations

As we commemorate the International Day of Family Remittances this year, we urge stakeholders to take into considerations the recommendations outlined below in order to tap into the full potential of mobile money driven international remittances.

- **Driving an enabling environment**
  Policy makers should aim to create an enabling environment for driving the adoption of digital financial services. Over 15 years since its inception, several countries are yet to adopt a non-bank-led approach to mobile money. Compared to traditional banking, digital financial services are still in their formative years and still need to be nurtured. Regulations should focus on growing the sector sustainably. Regulators should pay close attention to affordability by ensuring cost of compliance and related fiscal policies are aligned with financial inclusion aspirations. Additionally, regulators should aim to provide clear guidelines for licencing of international remittances based on global best practices. Exclusivity clauses restricting mobile money providers and other non-traditional IMTOs need to be reviewed.
- **Harmonising regulatory frameworks**
  There is plenty of room to harmonise regulatory frameworks across different countries. This harmonisation should seek the alignment of, at least customer due diligence checks, to ensure AML/CFT concerns are addressed. Regional knowledge exchange can beneficially lead to harmonization of requirements. Regulators may consider allowing for mutual recognition of cross-border sandboxes as a first step. Regional trading blocs and other regional formations present low hanging fruits.
- **Adopting a risk-based approach**
  With increased globalisation, regulators should adopt a risk-based approach to mobile money international remittances. They should explore a balanced approach against their legitimate needs to manage capital flows, ensuring consumer protection, crime prevention and to act within existing capacity constraints.
- **Improve financial literacy**
  Educational initiatives that promote financial literacy and raise awareness about the benefits and usage of mobile money are essential in addressing informality challenges. Financial literacy is not a partisan issue. It requires a multi-sectoral approach to be effectively addressed.

As countries navigate economic headwinds globally, affordable international remittances are the only means of sustenance for many households in LMICs. Governments need to make a concerted effort to broaden the scope of domestic services to include seamless and affordable IMT services. Mobile money is uniquely positioned to support this worthy cause.