

Remittances for Financial Inclusion and Development

An African Context

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YES!

AGENDA

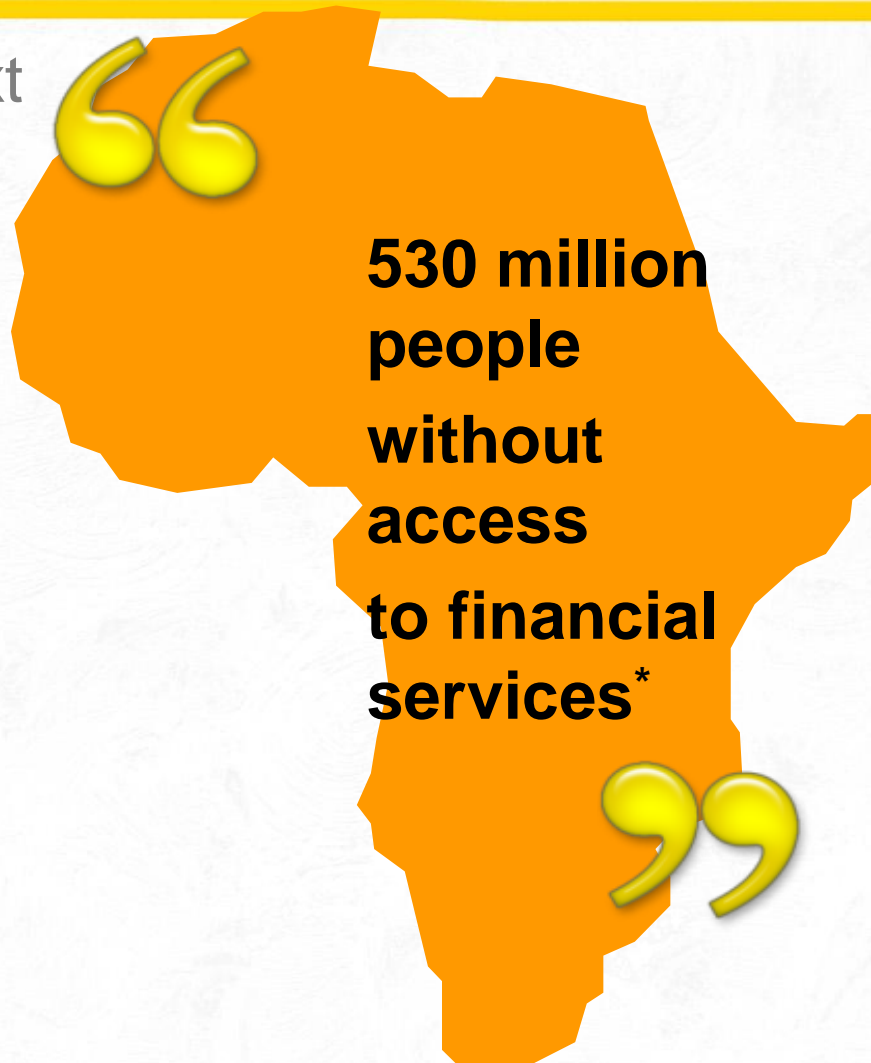
- **Financial Inclusion and Development in an African context**
- **State of Inclusion: Barriers and Considerations**
- **Channel Evolution: Mobile**

Financial Inclusion and Development

An African Perspective

Access to Financial Services

African Context



Source: based on figures contained in FINANCE FOR ALL: Policies and pitfalls in expanding access, The World Bank, 2008 combined with working population estimates

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Financial Inclusion Defined

KEY DIMENSIONS OF FINANCIAL INCLUSION

PRODUCTS

- Payments (ATM/debit cards, government payments, remittances, e-payments)
- Savings (savings account, checking/current account, pensions, youth savings, program savings)
- Insurance (life, health, property, micro-insurance, agriculture)
- Credit (personal, consumer, credit card, education, mortgage, home improvement, microenterprise)

Beyond
credit

FEATURES

- Affordability (costs, minimum requirements, fees)
- Availability and Convenience (days to complete transaction, documents required, physical proximity)
- Quality (consumer protection including price transparency, fair disclosure, responsible finance practices, risk management and assessment with inclusive credit information systems)

CHANNELS

- Access points: Banking beyond branches
- Financial Infrastructure: Payment and settlement systems, credit reporting, collateral registries
- Institutions: banks / non-banks, insurance companies, pension funds, credit cooperatives, MFIs
- Clients: everyone who has the demand for the services, including the excluded and underserved poor

Diaspora and Development

- **Diaspora have taken a leading role in development, with largely untapped capacity**
 - **Micro level: Diaspora remittances pay for food, education and family business; Agents are employers and local community supporters**
 - **Macro or country level: Contribute to foreign capital inflows and positively impact sovereign debt ratings**
 - **Diaspora moving beyond remittances to invest in real estate, bonds and SMEs (Small-Medium Enterprises)**

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Barriers and Considerations

An African Perspective

Barriers to Inclusion: Considerations

Potential Constraints



75% of Sub-Saharan Africa live on less than \$2 a day*



**Know your customer requirement
Licensing requirements**



**Infrastructure limitations
Limited classes of trade**

Assumption:

80% of all money within Africa is outside of the formal payments system*

Addressing the Income Consideration

- Remittances in themselves serve as a critical income
- Regular receivers become newly attractive to financial institutions
- Savings, loans, insurance and other products adapted to tap into potential client base

Remittances build capacity for a broad range of products and channels



Addressing Regulatory Considerations

- **Compliance requirements – balanced**
- **Conflicting considerations?**
 - **Bringing flows into the formal sector suggests a Risk-based approach to KYC regulations needed**
- **Migration patterns suggest a Pan-African approach to remittances**

FATF and the G-20 Experts Group both examining appropriateness of regulatory frameworks



Addressing Physical Access Considerations

- **Infrastructure constraints - connectivity, locations and operating hours**
- **Familiarity with technology**
- **Licensing requirements – limited classes of trade**
- **Continued relevance of brick and mortar network**

Adapting licensing requirements to include broader classes of trade and new channels



Innovative Access

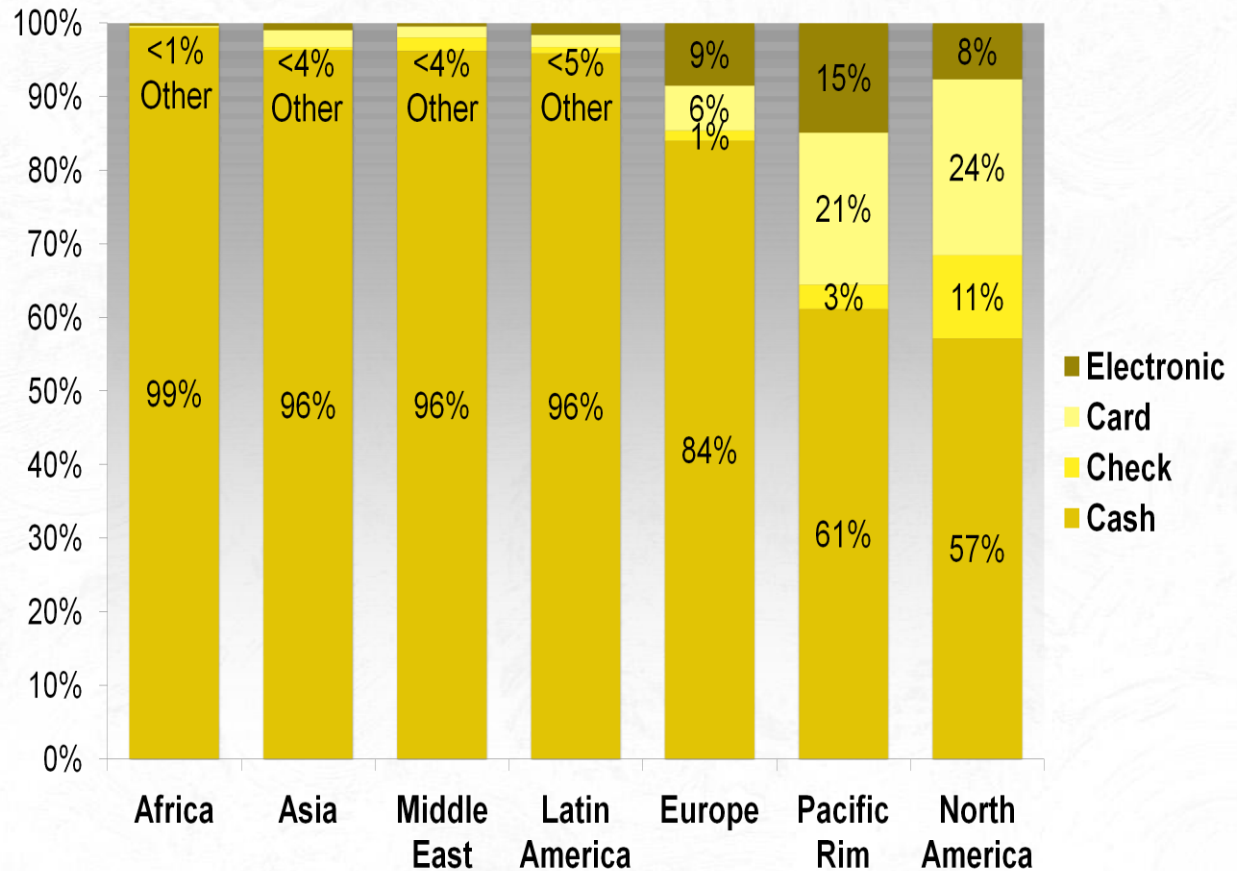


Mobile

Consumer Preferences

Africa – Cash Dominant

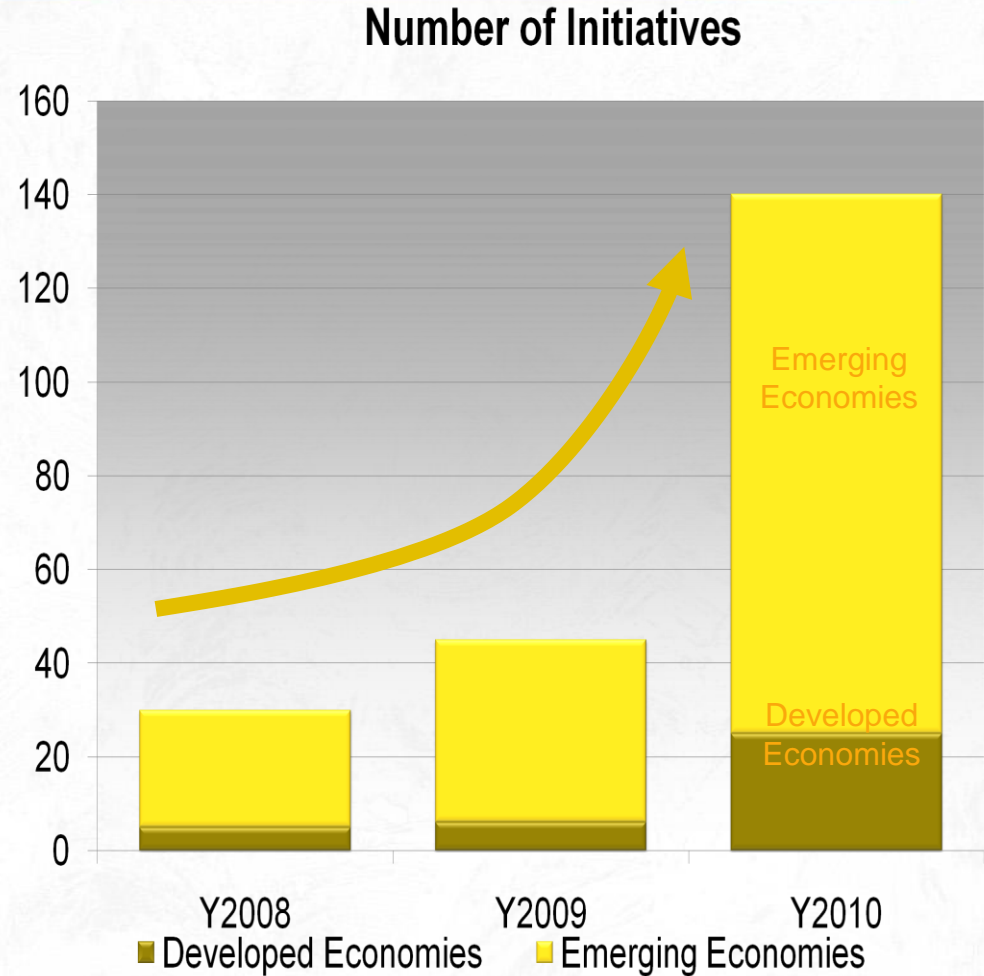
Consumer to Business Payments and Consumer Purchases by Region



Cash remains the predominant form of consumer payment in much of the world

Mobile Money Industry Status

- **Developing world accounts for 4 of 5 mobile connections**
- **Acceleration of Mobile Money initiatives**
- **Primarily Mobile Network Operators (MNOs)**
- **30 M to 50 M users for Mobile Money, primarily domestic**
- **Still early days, but proof of concept**
 - **Smart, Globe, Safaricom, MTN, Airtel/Zain**



Our Experience to Date

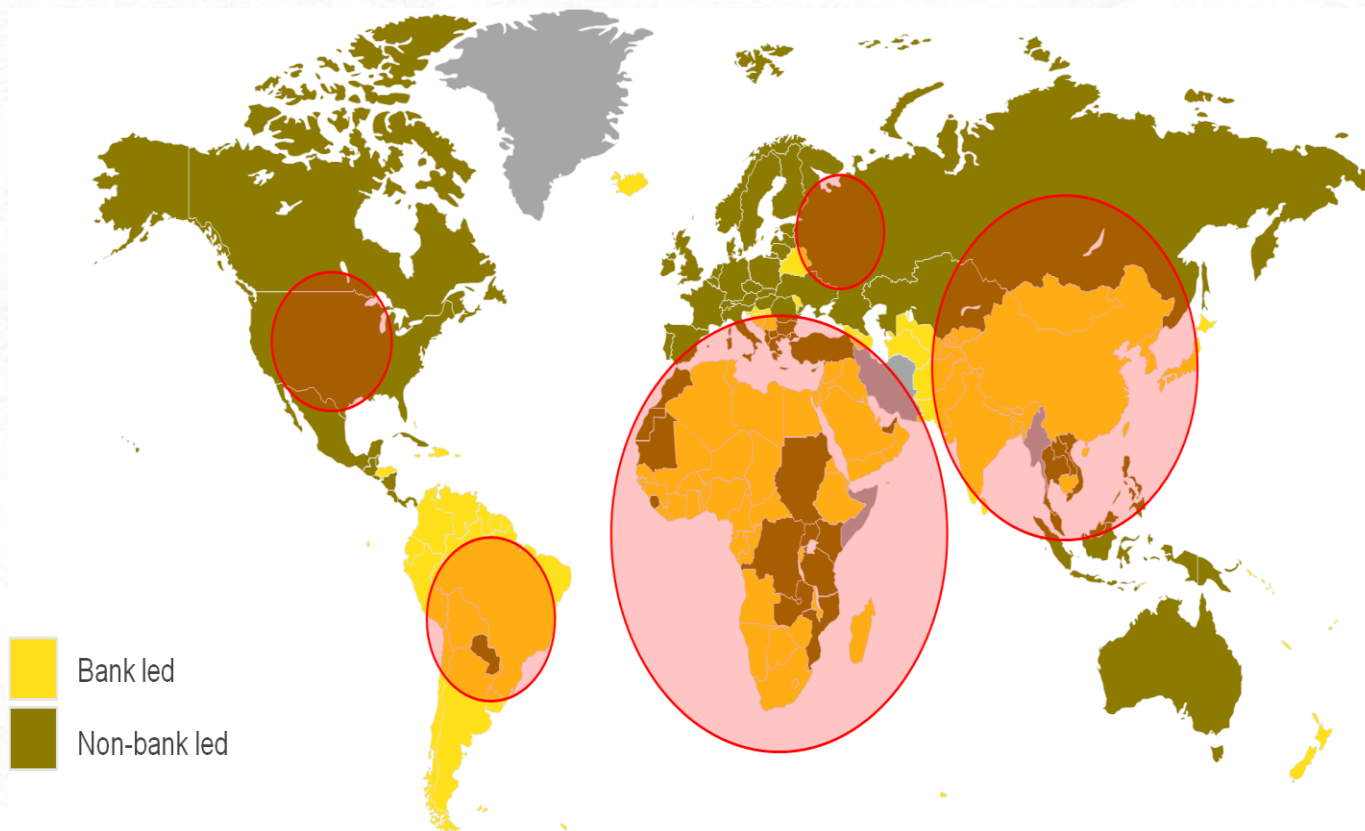
- 80K locations active for directed transfers in 48 countries
- westernunion.com activated in 5 countries
- 14 country agreements in place
 - 5 deployments active in 4 countries: Philippines, Kenya, Malaysia, South Africa
 - 5 more countries in progress
 - Over 130 M potential connections to subscribers/accounts



Western Union leading the number of cross border initiatives
in multiple geographies

Market Dynamics

- Africa, Middle East, Asia expected to remain hotspots
- Depending on regulations, MNOs or Banks key partners



Conclusion

An African Perspective

Improving Financial Access

The fundamentals

Source of funds

- Financial inclusion starts with a source of funds
- Regular support
- Builds familiarity between financial institution and recipients
- Takes into consideration that funds are generated within and off the continent

Accessibility

- Sizable physical footprint
- Convenient and adapted to consumer needs
- Expansion into more remote areas viable
- Leveraging new technology

Formalisation

- Driver of formalisation
- Point of entry to financial services sector
- Increased transparency and protection
- Builds financial identity of consumer
- Benefits all



Thank You

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