

Mobile Money for Financial Inclusion

1. Improving Remittances through electronic payment systems
2. Background
3. Savings/Payments Accounts for Financial Inclusion
4. Mobile Money
5. Case Study Rwanda

About Me

Bachelor of Arts Economics
(Berlin School of Economics and Law)



Thesis - Migrant Remittances: Can electronic payment systems like Bitcoin improve conditions of international money transfer?

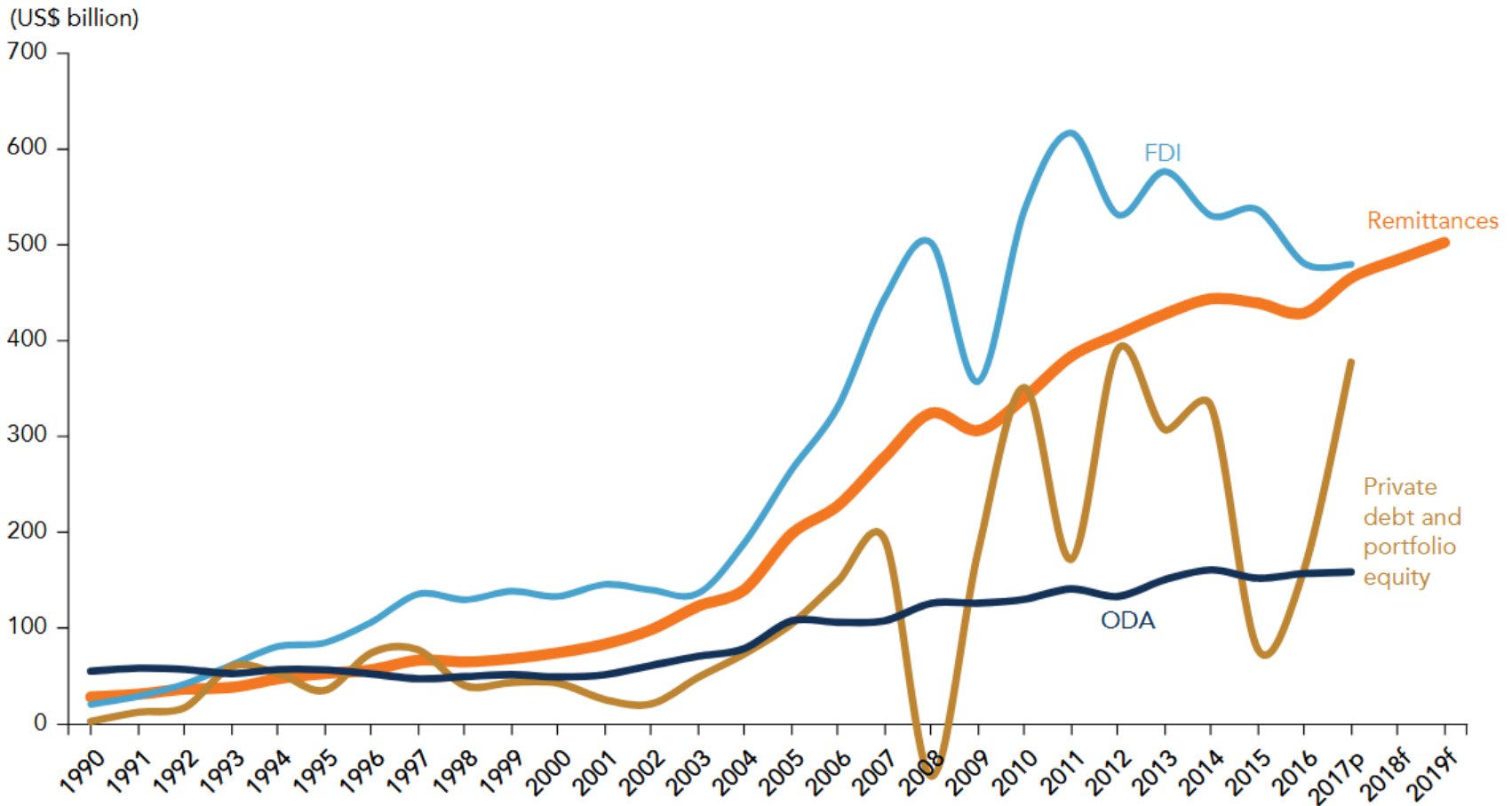
Global Innovation Gathering / re:publica
www.globalinnovationgathering.org



Master of Arts International and Development Economics
(Hochschule für Technik und Wirtschaft Berlin)



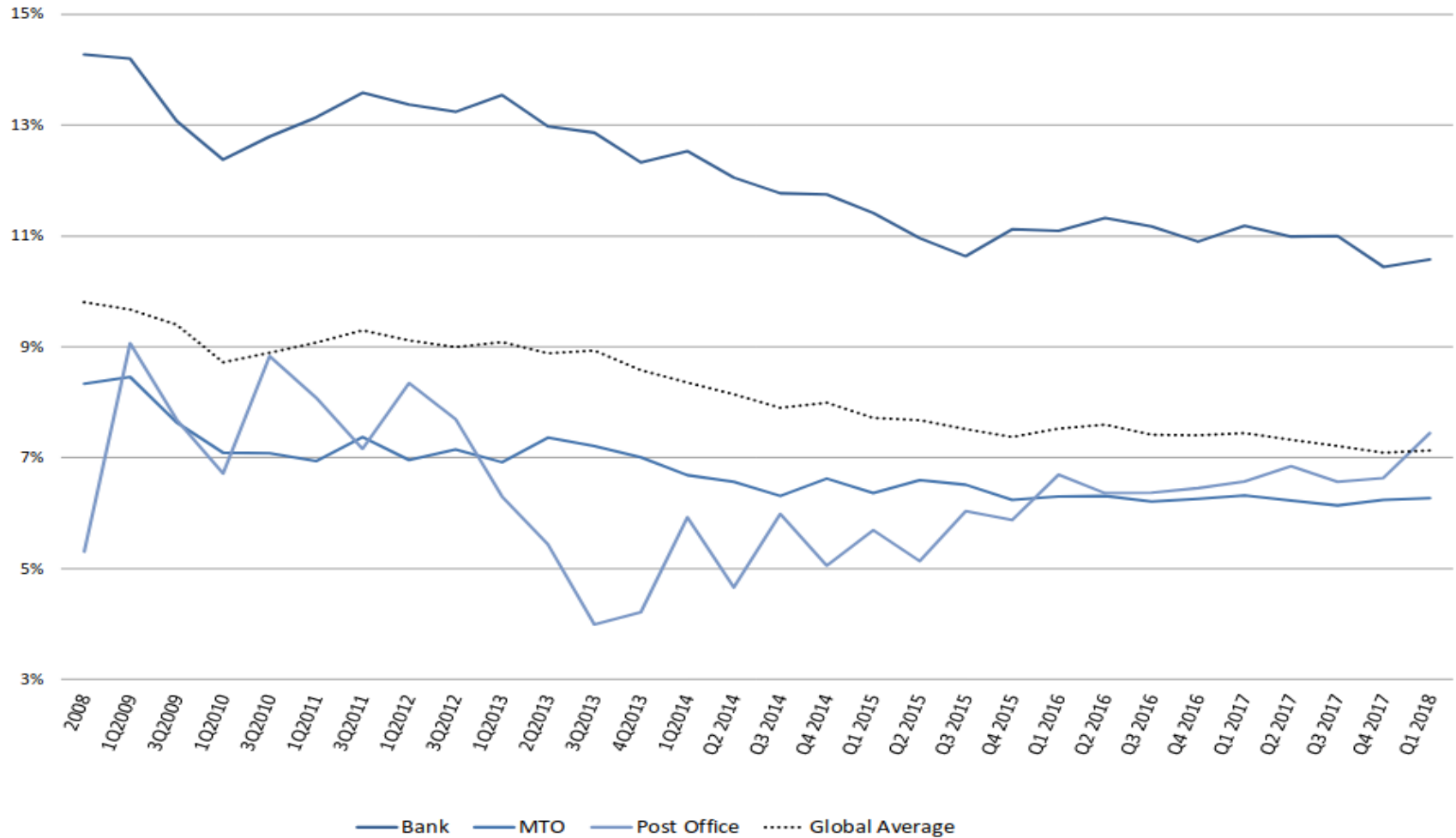
International Monetary Transfers (bn \$)



Sources: World Bank staff estimates; World Development Indicators.

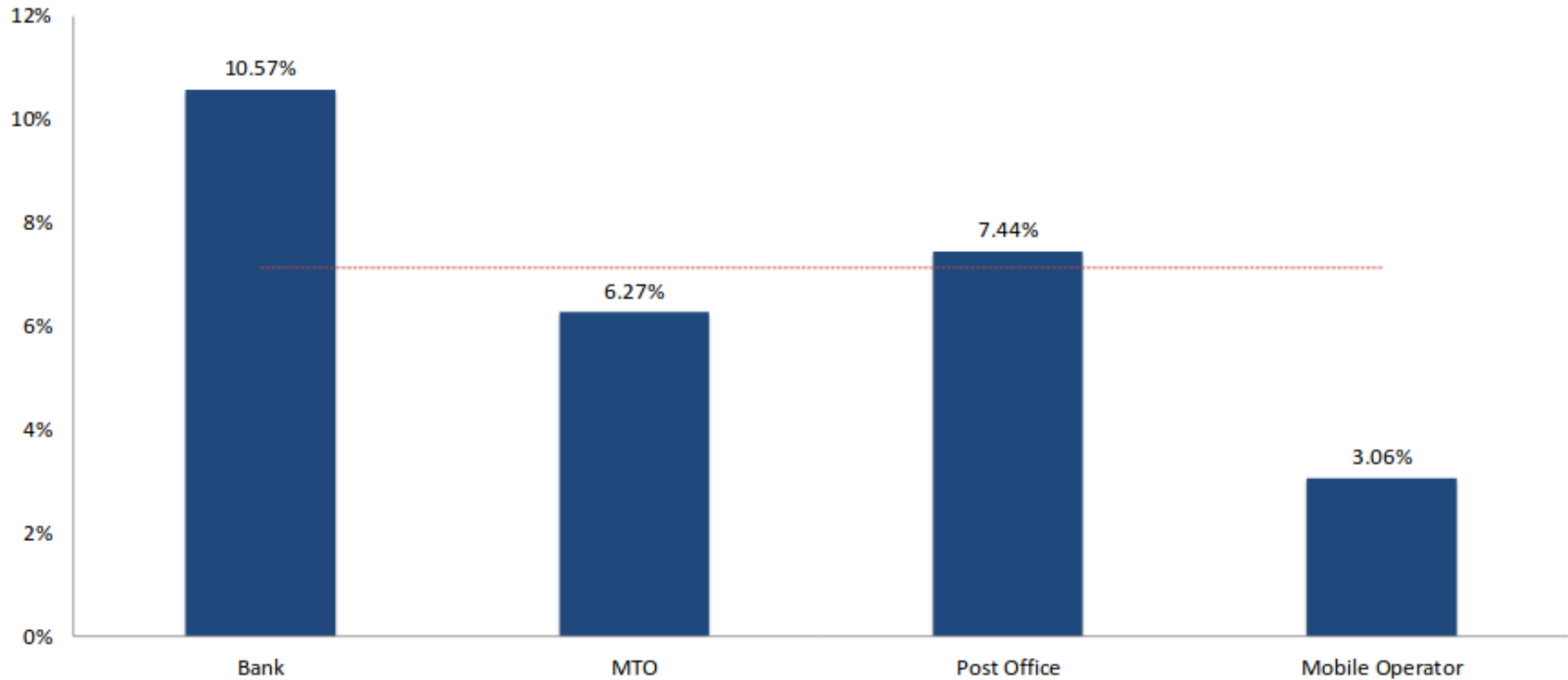
Note: FDI = foreign direct investment; ODA = official development assistance. See appendix A in World Bank (2017b) for data and forecast methods.

Remittance Costs (%)



Source: World Bank, The (2018): "Remittance Prices Worldwide", Issue 25, March 2018, IBRD, IDA, World Bank Group

Remittance Costs – different providers (%)



Source: World Bank, The (2018): "Remittance Prices Worldwide", Issue 25, March 2018, IBRD, IDA, World Bank Group

Improving Remittances through electronic payment systems

Channel Choice: Price, Speed, Safety, Location

- Provided by informal sector in many costly remittance corridors

Mobile Money and Bitcoin/Crypto Remittances

- Costs much lower, faster than traditional channels, similar safety, cellphone/internet

Bitcoin/Crypto as a settlement mechanism – similar to informal channels

Alternative Channels are real competition – lower costs

Mobile Money – practical use also in rural areas

- Providers work on interoperability

Issues: Financial and technological literacy, traditionality

Policy Implications | Lack of Supply



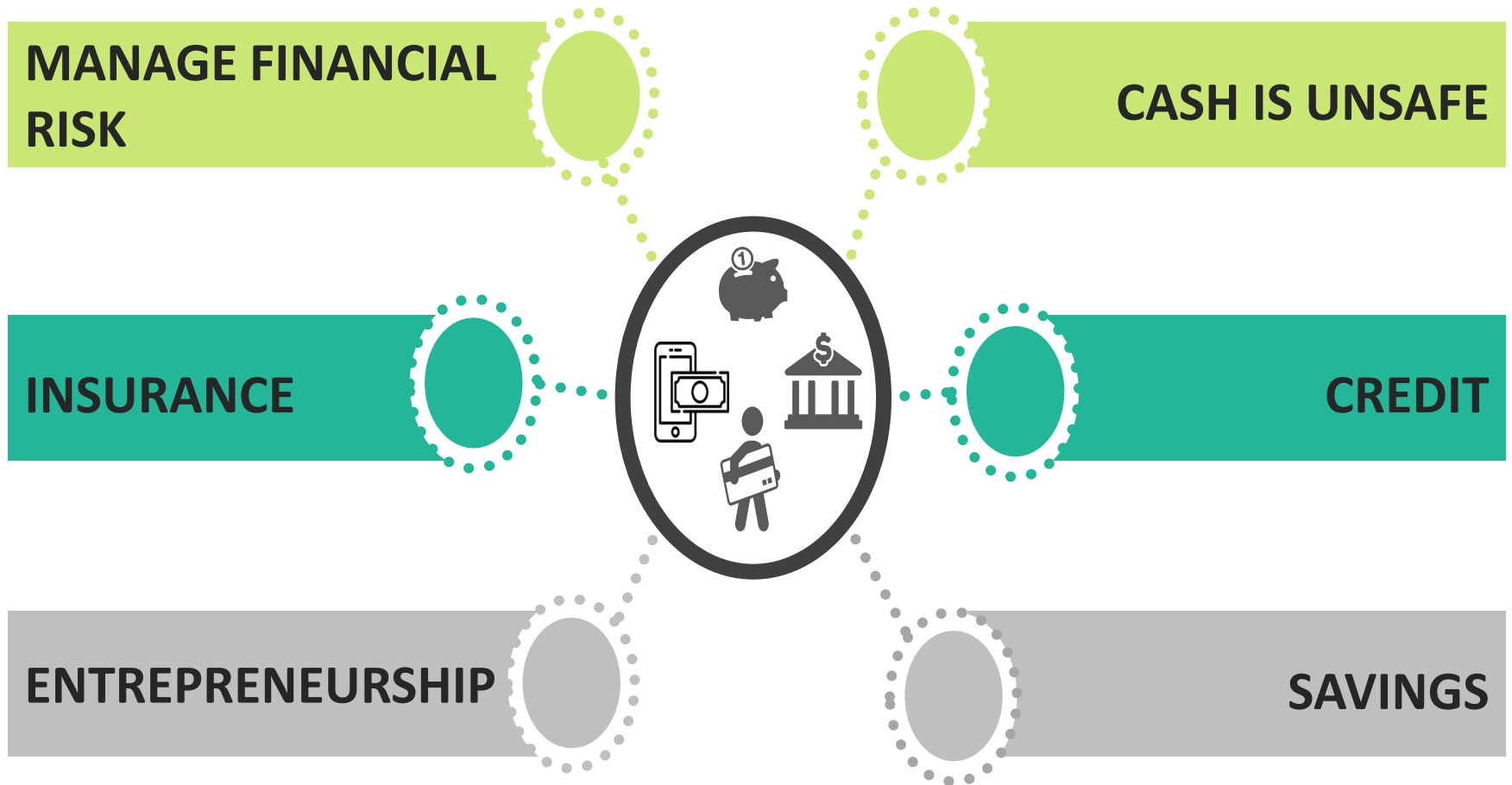
1.4 Ensure that all men and women, particularly the poor and the vulnerable, **have equal rights to economic resources**, as well as access to basic services, [...] appropriate **new technology, and financial services** including microfinance.

9.3 **Increase the access** of small-scale industrial and other enterprises, particularly in developing countries, to **financial services** including **affordable credit** and their integration into value chains and markets.

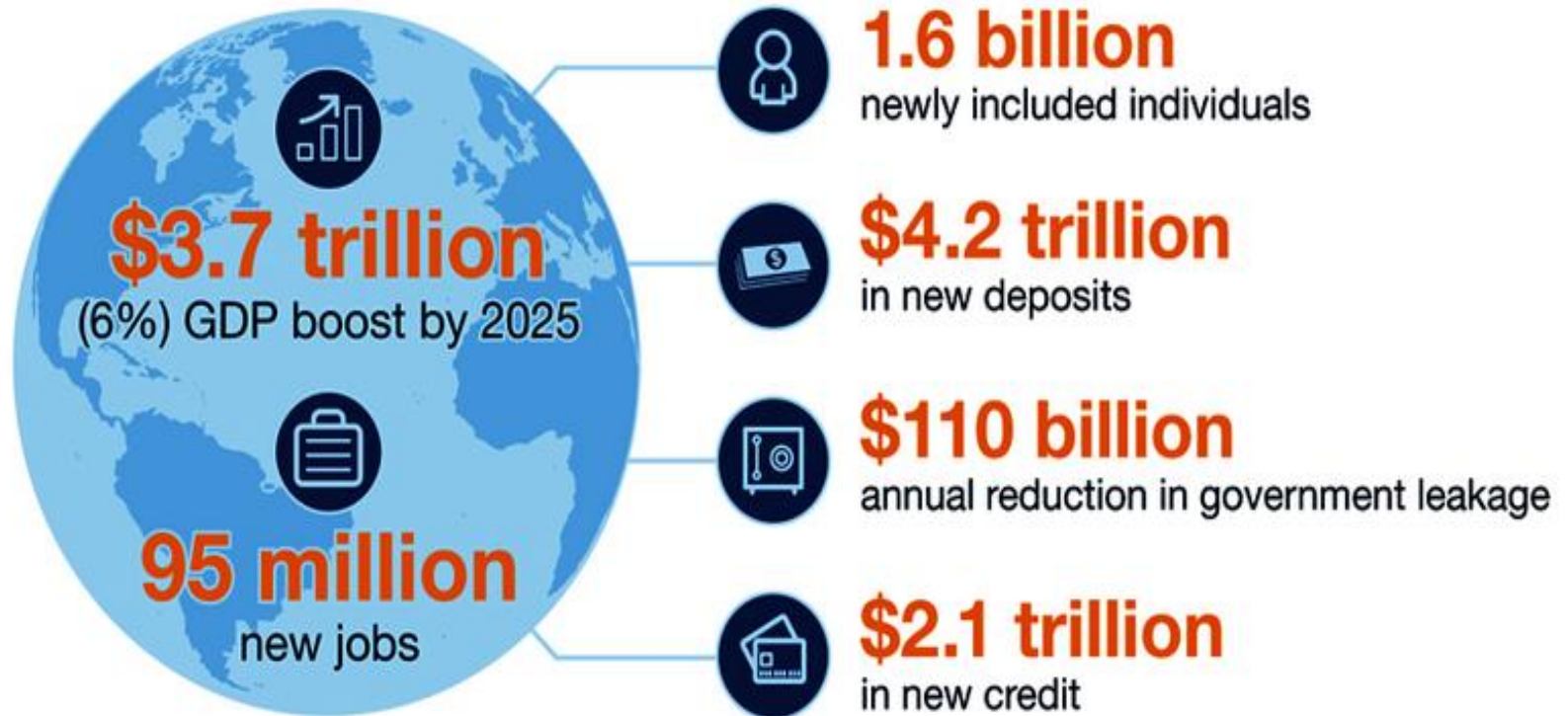
10c **Reduce** to less than 3% the **transaction costs** of migrant **remittances** and eliminate remittance corridors with costs higher than 5%.

IMPACT ON OTHER GOALS LIKE REDUCING POVERTY AND ENSURING ECONOMIC GROWTH

Why financial inclusion matters for development?



Digital Finance – Estimated Impact



Key Factor– Mobile Money and FinTech

Source: McKinsey Global Institute (2016): "Digital Finance For All: Powering Inclusive Growth In Emerging Economies", McKinsey&Company: New York

Savings/Payment accounts for Financial Inclusion

Over 50 % of people in developing countries save

Field experiment Kenya: 2 groups given savings account

Women: more savings, ↑ 38% private expenditure, ↑ 60% business inv.
No effect on men

Analysis social transfers Niger: payments via mobile accounts

waiting/traveling time ↓ $\frac{3}{4}$; administrative costs ↓ 20%
empowerment of women

Mexico: government shifts to digital payments in 1997

3.3% annual savings or 1.3 billion \$

→ micro-level research impact on SDGs

Mobile Money for Development

Operating a digital account (incl. MM) 80 – 90 % cheaper
Account fees, transaction fees, cash-in cash-out

Receive: salary, remittance, loan, subsidy, social benefits
Pay: bills, taxes, education fees, stores

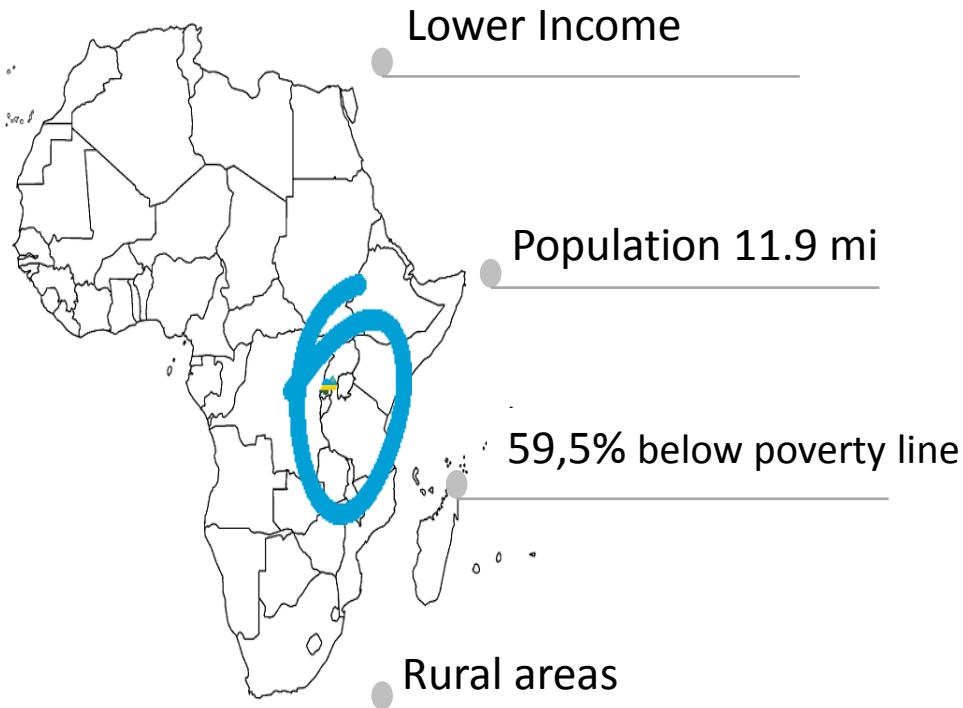
Study: 2 % lifted out of extreme poverty by M-Pesa

Remittance Hubs for trans-border transfers

International Transfer Providers like WorldRemit include Mobile Money

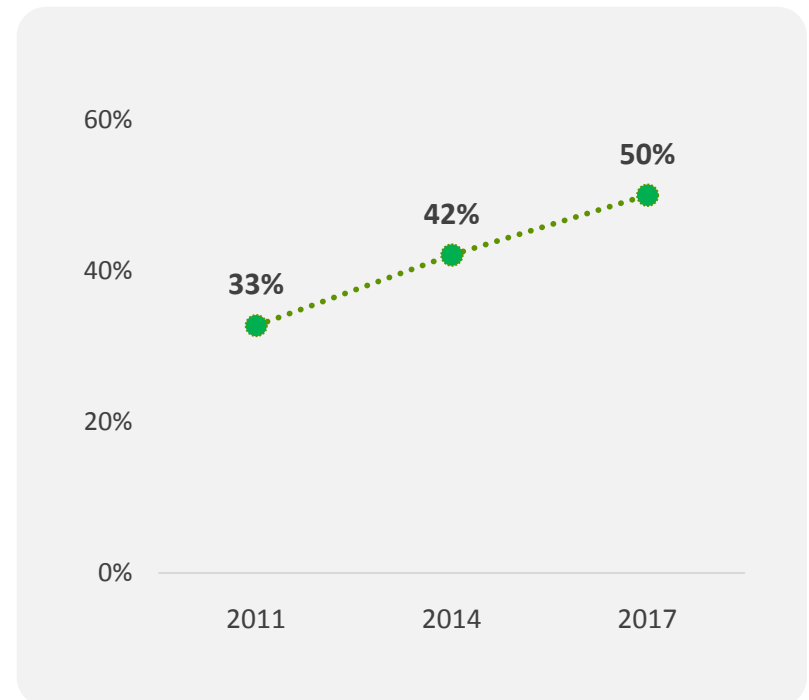
RWANDA

Country overview and the Dimension of the problem



Financial System Context

% of people having an account at a financial institutions or mobile money





VISION

2020

- **2000** Government adopted the program Vision 2020, which aimed to transform the country from a low income to a middle income country
- **2006** Financial Sector Development Program, with the aim of creating a cashless society and 100% financial inclusion
- **2009** UMURENGE SACCOs (Saving and credit co-operative) and expansion of other MFI branches, banks and mobile money
- **2016** Financial Inclusion Programme 2016-2020
- **2016** Rwanda achieved **89%** of population financial included



MAIN CONCEPTS

OUTCOMES

- Financial inclusion for rural population (SACCOs + MM)
- Regulate Interoperability
- Financial services thought for the poor
- Financial education
- Access to credit and savings (collateral)

Access to Financial Institutions

90% of Rwandans are within 5km distance from a Financial access point
With SACCOs and mobile money increased financial inclusion

Poverty decreased

Non-farming employment increased and dependence on subsistence agriculture decreased

Adoption of formal services increase

Loans increased by 174% (07 -13)
Deposits increased 141% (07 - 13)
Insurance rate 87 %

Mobile Money account subscriptions increase

From 18% in 2014 to 31% in 2017



POSITIVE EXTERNALITIES

FINANCIAL LITERACY

Majority of the population knows how to access financial services

WOMEN FINANCIAL INCLUDED

Increased number of women financial included from 68% in 2012 to 87% 2016

URBANINZATION INCREASED

Since 2009 the urban population is increasing (from 22,99% to 29,78% in 2016)

TRUST IN FORMAL FINANCIAL INSTITUTION

SACCOs worked similar to non financial cooperatives (informal) which facilitated people to adopt formal financial services

Conclusions for Regulation

Effective technically not advanced solutions

Costumized solutions

Interoperability

Regulatory cooperatives – policy frameworks

PPP (Public-private partnership)

Mobile Money plays significant role

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