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 (%)


Mobile Money for Financial Inclusion - Tim Riedler
Remittance Costs – different providers (%)

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

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.

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.

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?

- Manage Financial Risk
- Cash is Unsafe
- Insurance
- Credit
- Entrepreneurship
- Savings

Mobile Money for Financial Inclusion
Tim Riedler
Digital Finance – Estimated Impact

$3.7 trillion
(6%) GDP boost by 2025

1.6 billion
newly included individuals

$4.2 trillion
in new deposits

$110 billion
annual reduction in government leakage

$2.1 trillion
in new credit

95 million
new jobs

Key Factor – Mobile Money and FinTech

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 ↓ ¾; 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

- 33% in 2011
- 42% in 2014
- 50% in 2017

Population 11.9 mi

59.5% below poverty line

Lower Income

Rural areas

Tim Riedler
Government adopted the program Vision 2020, which aimed to transform the country from a low income to a middle income country.

Financial Sector Development Program, with the aim of creating a cashless society and 100% financial inclusion.

UMURENGE SACCOs (Saving and credit co-operative) and expansion of other MFI branches, banks and mobile money.


Rwanda achieved 89% of population financial included.
**Outcomes**

**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

**Main Concepts**

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

**URBANIZATION 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
References


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