Money on the Move: Payments and Money Transfer Behavior of African Households

Presentation Transcript

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Female: Thank you so much for coming to the After Hours seminar number 60. And I would like to welcome the 50 people that we have online right now. So as we will proceed, please wait as usual for me to give you the microphone, so that webinar audience can listen to your comments and questions. And today here I'm very happy to introduce Nandini, who is joining us today from the Mobile Solutions Team. And Nandini is a director of operations and senior partnership at Mobile Solutions Team. And also we have Jake Kendall, who will be presenting at today's event.

Female: Hello and welcome. And welcome to everyone online as well. I'm very happy and honored to introduce Jake Kendall from the Bill and Melinda Gates Foundation. He is a program officer that works on the research division and the financial services for the Poor Imitative at the Gates Foundation. And you can read his bio, so I won't read it out loud.

Of course one the more interesting things about Jake that isn't on his bio, *[laughter]*, is that his family is from Alaska, and he actually had a early career as a fisherman. So any questions about fishing, maybe, also are welcome. Also we're really looking forward to this. We have the opportunity to chat on Friday as well, a little bit about what we're going to talk about today, and we just had a really interesting lively chat then and there. And so I'm excited to be here today with all of you and with Jake, and excited to hear what he has to say.

Male: Thanks Nandini, and thanks to USAID for sponsoring this talk and for inviting me to be here. I am the research program officer at the Financial Services for the Poor team at the foundation. And I was going to talk to you today about some recent research/recent data collection that the foundation sponsored not so long ago. But I first wanted to kind of diverge and give you a little bit of a sense of why it is that we're interested in domestic payments and remittances in the first place, as it relates to our strategy for our team.

So not so long ago, we went through kind of a revisit of our strategy, and we started by just sort of looking at poverty just kind of more broadly. And what you see when you look at some of the data sources and some of the surveys that track poor people over time is that poverty is not really a static condition. It's actually very dynamic. If you look at these datasets that tracks people's income levels over time, you see lots of people moving out of poverty and lots of people moving back into poverty every year.

Nobody knows the exact number, but something on the order of maybe 100 million people if you add those two flows together around the world, and people moving out are often grasping some sort of opportunity. They get a formal sector job or they invest in a business or whatever it is. And people moving back in are often being struck by shocks of some kind, whether it be – health is sort of the most common, but you can lose an asset in a fire or whatever it might be.

And this slide is kind of our view because we think financial services fit into that of how we see financial services fitting into that picture of dynamic poverty. So on the left side, we think the poor actually need a full bundle or full suite of financial services rather than any kind of single silver bullet tool. So they need the ability to move money to and from their peers to the family and friends, they need the ability to pay and be paid by "institutions", so the government or the utility company or some sort of formal sector entity.

They need access to value storage and savings, and they need credit and insurance. So they need sort of a full suite. And when that happens, the middle column is sort of the dominos that start to fall when people have access to that full suite of tools. They save time and money on their financial dealing. More importantly, they can distribute risks over wider networks so they're better able to deal with shocks when they occur without sort of wiping out any of the gains that they've made.

They are better able to grasp opportunities, and they're connected to the wider economy so they become real financial or economic agents within the formal economy. And when all of that comes together, we think that we can reduce poverty by helping more people move out of poverty faster and fewer people get knocked back in through shocks. So the picture on the previous slide is somewhat aspirational, right. That's what we think people need and we hope that eventually they will get.

But this is – *[laughter]*; this slide is a little bit more current reality. Poor people's existing financial tools and financial behaviors tend to be completely informal, mostly in cash. And as a consequence, not very reliable, costly, risky at some times, and doesn't allow them to sort of handle the shocks in their life and capture their opportunities. And this sort of sequence of pictures here on the slide can give you kind of a quick example of typical informal transactions.

So imagine a rural household that has a child who gets sick and needs medication. They might call their city-based relative, who has a formal job and maybe a little bit more money than them.

That person in the upper left-hand picture puts some money in an envelope, but may not put as much as they need and maybe only has a certain amount. And that's sort of the first chokepoint in the whole scenario where the tool may not really work as well as they would like.

The money then has to go by truck or by jalopy *[laughter]*, as you see in the middle picture. And the person sending it then, you can imagine them going down to the bus station, or whatever it is, and spending a lot of time searching for just the right person. You don't want to give it to the wrong guy, he might run off with it and you got to find someone who is going in the right direction and all that sort of thing – a lot of time wasted, a lot of stress. And then once it's in route, who knows if actually gets there.

So this is kind of the typical reality for actually most of the poor in the developing world. Actually, the reason I'm here this weekend in D.C. is for the lunch of the Global Findex dataset, which hopefully some of you have heard about at this point that was launched at the spring annual meetings. And this was a project we funded with the World Bank Research Department, where they put questions onto the Gallup World Poll, which goes out in 150 countries worldwide.

So it's really the first dataset that's measured financial inclusion in – all across the world. And what they found was 58 percent of adults in developing economies don't even have a basic account, let alone sort of a full suite of tools that we talked about earlier. Something like 2.4 billion people in developing economies don't have even the most basic financial tool. And the poor, obviously it's much higher, something like 80 percent of the poor.

So the challenge is big. 80 percent of the poor, who are the ones that we're trying to help, are sort of relying on something along the lines of this jalopy-led model of financial inclusion. So how do we address the problem? For us, I think the key issue is to look at the challenge through the perspective of the private sector. What are the approaches that make solving this problem for poor people profitable, right? That's how we're going to get scale, and that's how we're going to get sustainability.

So we did some basic modeling of the economics of financial service provision, and this slide is kind of just one of the things that came out of that. It's really basic. Basically each line shows the average cost per transaction, as you get more transactions, as you get some sort of basic account. And you can see for very low levels of transaction because each account – signing up someone for an account, doing the KYC procedures, and just sort of the overhead of maintaining accounts at sort of fixed cost, and then as you increase the number of transactions, the average cost per transaction goes down.

But it doesn't go down that far. If you look at the blue line, that's sort of our baseline scenario. It's what we call the sort of cash-based model. So that's sort of your typical – you have a poor person saving from their cash-based economic activity; they may work in the market or be a farmer, or whatever it is. They get paid in cash, and every once in a while they go in and put some money in the bank. And then when they need it maybe to pay their school fees, they pull it out in cash.

And the reason that you never really get below a certain cost per transaction is each of those transactions, itself, is quite costly. So no matter how many transactions you do, you just can't get beyond the fact that doing a transaction in cash and in person at a bank teller, or whatever it is, is quite costly. Now you can make some progress, the dotted line is assuming some technological improvements or process improvements that approve the efficiency.

But really the only way to have it sort of a transformational impact on the cost-per-transaction is to move down the red line. And the way you do that is by keeping transactions digital, right. So imagine the scenario where you're – that I mentioned just a second ago where you're saving to pay your school fees. If you can actually have your income direct deposited into your account in digital form or transferred into your account in digital form in some way, and then when you come to pay your school fees, you actually transfer it to your school and pay that way. If you think about it that way, each of those transactions is essentially free.

It's nothing more than the bank or the provider, whoever it is, changing some bits on the server in terms of where the money is and whose account it's in. First, it's in our employer's, then it's in yours, then it's in the schools. So your cost-per-transaction and the overall cost of servicing someone's account goes down an order of magnitude if you keep things digital. I guess so the two big takeaways to take away from this graph is, one, we want to capture more transactions and move people away from – amortize the fixed costs, and bring on more of their financial life onto the system, and then you want to keep more and more of the transactions digital. Those are sort of the big takeaways.

And I just threw this picture in. It's a cash truck broken down by the side of the road. To me, it helps illustrate kind of the costs or the invisible costs of cash that most of us don't sort of see everyday. And if you think about it, when you pay with cash in the store, that's fine, it doesn't seem to cost anything. But behind the scenes, there's a huge cash logistics infrastructure. And you can imagine this truck broken down, in some countries, would be just a sitting duck for thieves, and obviously repairing and maintaining something like this, just a huge cost.

So then how do we move – how do we build transactional volume and bring people's financial lives onto the system and how do we keep more and more of a digital. So this slide is kind of basic model of the financial life of a typical poor person. On the left side you see income streams. So they might be selling their product to an Agri-dealer, their farm output. They might be employed by an employer. They might have some sort of public sector, whether it's a pension or a subsidy or something like that, etcetera, coming into their household.

And then there are end uses on the right side. They want to buy things at stores, they want to put the money into a long-term savings account to pay for a wedding, pay for school fees, send money to their family and friends, etcetera. So I think we have to look at – what you want to do is essentially look at this picture and start attacking these use cases and attacking case in this various use cases, and bringing them into sort of a digital payment platform one at a time.

And we think there is something of a natural sequence, right, so paying for your little bottle of cooking oil at the merchant in cash is – it's a pretty easy transaction to do. The merchant doesn't find it that difficult; you don't find it that difficult. But again, sending money across the country, to your family member who needs it, is an area where cash works very poorly versus an electronic mechanism, where like, for instance, using your mobile phone.

We think that these long distance, in particular, payments that go over long distances are kind of the key area to start in terms of tacking cash and moving – migrating people onto a more digital platform or more digital financial set of behaviors. And then long distance payments are sort of nice as a gateway to financial inclusion for a couple of other reasons.

So, as I said, there's not good alternatives, so for clients; clients tend to have a high need. When you're moving money across the country, you're not doing it just sort of to buy your kid an ice cream cone on the weekend, usually somebody is sick, and somebody needs school fees paid, etcetera. So there's a high need, and there's very bad alternatives. We saw the pictures of the "jalopy" earlier.

And those two things generate a willingness to pay for one thing, and a willingness to sort of try and experiment with something, which very well may be the first formal product that a poor household or poor family uses. When they do try, they get instant feedback. So you send your money, and right away you get a phone call from whoever it was that says, "Oh yeah, I got it and it worked out, and so and so got their medicine," or whatever it was.

This is in contrast to, say, insurance or savings, where, I, as the bank, have to convince that I'm trustworthy, and you don't find out for six months. And that's a much harder sell, I think, and similarly with insurance. So we think it's nice as a gateway product for poor people who haven't used formal services before. And then for bulk users in the government, there are sort of obvious benefits. It's more efficient; it's more targeted. There's less leakage and corruption, potentially.

And then for scheme operators or for the agents, it's also nice in the sense that clients are profitable on the margin with payment products. So if I come in to you as a domestic remittance provider, an agent say in a mobile money scheme, and I tell you I want to send money across the country, you don't really care who I am, right. As long as I have the money to pay, I'm profitable, right, on the margin.

But this really isn't true for credit insurance or savings because if you imagine – I mean for credit, it's sort of obvious. I might come in and might want to borrow money, and it really depends who I am whether I'm going to pay it back, and that sort of thing. But there is a similar phenomena with savings. I mean whether or not I'm a profitable customer or not to you, as the bank, depends on how much I'm going to save.

And it actually depends how much I'm going to transact with you because transacting with you is a cost to you, and how much I save is how you make money. So there are lots of things that banks do to screen poor people, in particular, out of their products because they are not profitable. So payments are sort of a great gateway product and they sort of fulfill a lot needs for different stakeholders in the system.

Female: Jake, can I ask a quick question before you move on?

Male: Yeah.

Female: I know in the beginning of the presentation, you talked a little bit about the use of digital payments, and that's a word that I think Gates is using very carefully and specifically versus electronic payments or mobile payments. Do you want to talk a little bit about why that's important?

Male: Yeah, good point. Well, I mean I guess the reason it's important is just that they're costless. I mean they're essentially costless in the sense that – I mean you do have to pay some small amount on the margin maybe for the SMS messages if it's a mobile-based digital payment services, and you do, of course, have to maintain the system.

But relative to the alternative of a transaction that's based in cash, where you have to have cash at the point where you're going to do the transaction. Imagine a bank teller, you have to have a building – you have to have a person standing there, who you're paying an hourly wage, etcetera. The cost of doing a digital transaction relative to that is just minuscule. So that's why it's important.

And I guess maybe what you're also getting at is what do we mean by digital? It really can be anything – I mean it's sort of an all-encompassing term for transactions that just sort of happen without physical intermediation. So any time you're just sort of moving money around in the computer service, that's why we refer to it as "digital".

Female: Okay. Thank you.

Male: Obviously the main examples are sort of the mobile money systems. Those are the ones where I think we're doing most of the work at the moment. But I think with our strategy, we didn't want to sort of build in the notion that mobile money systems are the only way to go, and wanted to focus on what are the fundamental advantage, which is the digital aspect.

So now let's jump into the data a little bit. That gives you a sense of why we're interested in long distance payments and money transfer in particular. The data here is, as I said, we surveyed households in 11 different countries using the Gallup World Poll, so it's nationally represented data. The countries, they're all up here on the slide, but they're kind of a selection of countries at different levels of development and sort of different levels of market structure and that sort of thing. I'm trying to capture sort of the variation across Africa.

All the questions refer to transactions refer to transactions occurring in the past 30 days, only because we thought that's the best way to get sort of things people could remember well. People tend to forget things that go much past that. The payments refer to payments to or from distant counter parties, i.e. someone who is a different area of the country or a different city than you are.

So at the high level, the first cut of the data, we wanted to just look at how often are people making these kind of payments. And I think it's pretty surprising just how frequent that people are doing this. Fifty-three percent of the population across these 11 countries had done some sort of long distance payment in the past 30 days, either received or sent. And that's only within 30 days, so many people – it could be a lot higher percentage of the population over the course of a year, for instance.

So that's 134 million people, so it's a big potential market for service providers who can actually build out the infrastructure and get the pricing and the marketing and that sort of thing right to capture this market. The other thing to note, I think, is that if you look on the sort of two wedges that are either cash and non-cash, or only-cash payments. You see that a really high percentage of the people who are doing these long distance payments are doing so in cash.

And this is just – this should be an easy market to target for mobile service providers, for instance, just cash is terrible, so they ought to be able to beat it, essentially.

Female: So there are things better than cash?

Male: Yeah, the cash – *[laughter]*. Was I overemphasizing that point? *[Laughter]*.

Female: *[Laughter]*.

Male: Cash is evil. One question that providers might have is that size of the market, or when you introduce something new, does it actually change the size of the market? How much of that market can we capture realistically? So this data actually comes from some different surveys done in Kenya in 2006 and 2009. And they just happened to be some questions on those surveys asking people whether they had sent or received an in-country remittance. And if you look – so the M-Pesa of product was introduced in 2007, not long after the first survey was done.

So the first survey shows about 16-17 percent of people sending and receiving in-country remittances. The second survey after M-Pesa was pretty well established. It's almost three times as many people receiving and a little bit more than double sending in-country remittances. So when you introduce a new – a better option, people respond by doing more. And it's not surprising, but it's also – I mean it's interesting to see that so many more people responded by doing more. So I think that probably shows that the market is much bigger than the previous slide showed.

So how do you capture the market? The data says a little bit about how providers might sort of go about doing that. Sort of some of the received wisdom is – you have to segment the market and find sort of the key use cases that are going to drive people to become interested in the product and try it out. You have to figure out what are their pain points. Is it trying to send money to their family and friends or pay their utility bill or whatever it is. And there's been sort of a debate in the field mostly centered around how do we replicate the M-Pesa product outside of Kenya.

And some people have said, well; Kenya targeted this "send money home market use case", which was sending money to your family back in the rural areas from the city. So some people have said, well, we need to do that again outside of Kenya, but the problem is we're just not marketing it properly so it's more an implementation of the marketing thing. Some people have said, well, send money home is only really a Kenyan thing, and in other countries we need to market to different use cases and figure out what those are.

And I think the answer lies in-between. I think it's just a little bit of both. I think that actually the data supports that. So if you look, this graph here shows of people who reported some sort of payment, it shows the percentage who reported a remittance, which is the blue lines, the report of the G to P or wage transfer for an employer, and then the final – the green line are obligations or fees. So they could be a utility bill or a school fee or paying your credit card payment or whatever it is.

And you can see that every country, except South Africa, remittances, that is money sent back and forth between family and friends, are pretty much the dominant use case. Now does that mean that everybody should target "the send money home thing"? I don't know. Some of this is not really the urban salary workers sending money back to rural families, some of it is – actually we'll see in a second, it's not all that use case.

Some of it is urban-urban, and a lot of it is potentially business-oriented, a lot of family and social networks also engage in sort of business transactions with each other and that sort of thing. But it is true that is sort of the dominant thing that people are doing when they send money across the country. But in some of the other countries, the other use cases are big as well, so I think we don't want to underestimate the importance of those.

So a key sort of sector to target as well is the SME sector. This data here is from a study we did in Kenya looking at just SME small business owners and this usage of the M-Pesa mobile money product. You can see they are very heavy users for one. So on the left-hand side, you can see that something like 80 percent of them reported doing at least one transfer per week. And so for mobile money providers, they should be a good segment to target just because they use it a lot more frequently. The typical household in Kenya was using it about once a month or twice a month. So they're much more frequent users.

And they also appear to drive viral adoption along the value chain. So what I mean by that is when we ask SMEs what has prompted them to adopt the product for a business use, a lot of them said because suppliers or customers, i.e., people on either side of them in the value chain had asked them to. And that's another reason for providers to target them as a market segment because not only are they heavy users, but they also prompt other heavy user SMEs to adopt the product. And beyond just being heavy users, and, therefore, good from a commercial perspective, I think there are other reasons to target SMEs.

For one, they have the potential to help close the kind of digital loop that I was talking about earlier. So SMEs pay employees; they receive money from customers. And if you could get them using the sort of digital payment platforms, both to pay their suppliers and receive money from the customers, but also to pay their employers, you could start to have people's income born digitally more frequently, and therefore kind of help complete that loop.

SMEs are just a huge part of the economy in Africa and increasing the efficiency of how they operate. It's just a valuable goal in itself.

Female: Can I just say something on the SME side? This is something on our Friday discussion; we have a really interesting robust discussion on. And the reason I just flag it is because a lot of the work U.S.A. does, especially in agriculture is focused on value chains. And I think Jake was saying there's a lot of research already, and anecdotal finding as well where when value chains across the board adopt electronic funds or digital funds, sometimes they see a lowering in cost of horticulture in that value chain, or whatever that value chain is.

And that's time and that's money, and it's also safety. And so it's something we're really interested in and we had a really long discussion about as well because it was so timely and so integral. And one other piece that I just want to highlight that you just said was that SMEs usually bring the largest job growth in most countries. I mean that's sort of a known "fact" in most countries. And so those are the ones that are really driving job growth. And if those can be digitalized as well, it really can sort of move efficiency and adoption.

Male: Yeah. I mean you talk to some SMEs and what they tell you is they're sort of legacy or cash-based payments were costing them not only in how much money it would cost to it or whatever, but often they would have to travel with the money to pay someone, and so it cost them a full day of time as well. So if you can increase some of the velocity of money within the value chain, potentially, there are pretty big increases in efficiency.

The other things SMEs in one of the studies that we reported was they could reach a wider set of customers just because they could more easily transact with someone who maybe lived further away, for instance. If you think about any business, if you increase the number of customers, typically you scale up and you get higher efficiencies. So there's a number of ways in which payments can hopefully increase efficiency quite a bit.

Female: And they found instances of fraud when they were doing things in cash after they moved over. They supposedly had like 34 clients, and in reality had 15. So there are a lot of interesting things that came out of that.

Male: Yeah, the record-keeping thing is something that a lot of us value about digital payments or mobile. So I wanted to also in the next few slides, we're just going to dig into sort of what do senders and receivers of domestic remittances, in particular, look like since that seems to be the biggest use case, or the biggest reason people are moving money. So this is just breaking down by income. Obviously, we're very curious to see whether the below $2.00 a day group are doing – what their behavior looks like.

And you can see on the sending side, there's a pretty big difference between those that are less than $2.00 a day and those that are more. Those that are more are sending quite a bit more payment in general, or domestic remittances in general, and they're also doing it much more through formal mechanism. So the dark orange on the graph is cash-only. The light orange are people who reported using both cash and some sort of electronic or formal service, and the yellow are people who are using formal only or electronic only.

So you can see that it's not just that they're sending more, but they're more formal for the wealthier people. With receiving it, it's less pronounced. They are definitely more formal in the sense that they're using more electronic sort of mechanisms or receiving through more electronic channels, but the difference in terms of receivers is not as big. And I think it's very interesting because the classic picture of "send money home" is the rich guy in the city sending money to the poor guy in the rural area.

And you see here that's not quite what plays out. I mean the receivers tend to be from different parts of the income spectrum. That's not too surprising to me, actually, because if you think about it, rich people don't necessarily have lots of poor relatives or lots or poor friends that they're going to send money to. They have other people within their network with typically the same level of income. And they might help them out because they're having a bad day or a bad year or something like that, but they're not necessarily going to be sending only to people who are less than $2.00 a day.

So we looked at rural and urban, and that I think was quite interesting. The sort of typical stereotype of urban sending being more dominant does play out, but on the receiving side, receiver – receiving behavior doesn't really vary with whether people live in urban or rural areas. And I think that's interesting, and I think what it must imply is that there's a significant amount of urban transfers, right. So that's, I think, something to, for future research maybe, is to figure out exactly what's driving those urban-urban transfers. And we hear that anecdotally from the service providers themselves, as well, that that's a big part of their business.

Then we did a little bit of sort of a segmentation on senders and receivers for a couple of other variables, and didn't have sort of space to show all the different cuts of the data we did. But what we see is that senders tend to be sort of professional white-collar office jobs, much more educated, working in formal full-time employment, whereas receivers tend to be more evenly distributed. So if you look at the upper left-hand, you can see that as someone gets more educated, their rate of sending behavior goes up pretty steeply.

And actually 50 percent of the people above secondary education are sending some kind of domestic remittance within 30 days in Africa. That's pretty impressive, right? And then people who are full-time employed, tend to be the ones sending much more frequently than people who are self-employed or part-time or whatever. But then on the receiving side, it's almost even. There's very little – there's not nearly as much difference. So, again, that's interesting. The receivers tend to be from all levels of income, all levels of education, rural/urban, employment, and etcetera.

And then finally we did one cut by men and women. And this one I think is interesting as well. So I had expected to see men being much more senders, and maybe women being more receivers, and that really doesn't play out. I was actually surprised. Women are almost as frequently sending money as men are. And I think that's an interesting observation, and potentially an opportunity. Because as I talked about earlier, domestic remittances are potentially a good gateway product to get people who have never used financial services.

To get them sort of in an initial route account on a mobile money system and then through that, bring them into sort of a more – a wider set of formal tools. And potentially this is a good gateway for women as well, I guess, is what this shows. The reason to be excited about it is – some of the research that we were talking about on Friday again, really shows that when you empower women with financial services, you get potentially differentially better outcomes.

So there were studies done in like South Africa and Mexico, where when you actually targeted women within the household with – I think they were pension payment or sort of safety net type of payments, when they got into women's hands, they were spent more on education or on child's health and that sort of thing. Also, there's been some studies showing that when women have control over, say, a savings account, they gain sort of control in negotiating what gets purchased from the money that comes out of that account. Dean Karlan did a study in the Philippines kind of indicating that.

You also see some evidence that women may be more constrained as entrepreneur, and in particular with respect to saving up to become an entrepreneur. So there was a study in Kenya that showed sort of differential benefits for women when given a savings account, they could save up and invest in their businesses. And they sort of much bigger positive impacts from that. So, potentially, this remittance is a gateway for women is an interesting thing that comes out of the data.

So then I wanted to switch gears a little bit and talk about maybe some of the policy sort of implications of the data. One, the first –and it goes back to sort of the market scoping slide. Domestic remittances are just touching a lot of people. And you look at just how many people are engaging in either sending or receiving a domestic remittance relative to the number sending or receiving a national remittance, it's just a multiple, or it's about six times, I think, the number. There's about 30 percent of the population in Africa doing domestic remittances versus less than five percent international.

And if you think about the policy – the attention that's been paid to international remittance and policy spheres, I think domestic remittances should probably be given equal or greater attention given how many people they touch. You also see sort of deeper reach, not just broader reach. So domestic remittances are senders and receivers. And this graph only is receivers, but they're much more often poor in agriculture, a little more frequently are women and rural residents as well than are international receivers. So not only do domestic remittances touching a lot more people, they're probably touching a lot more people who are in the vulnerable sectors.

And another reason for the public sector to be interested in domestic remittances and in, I think, bringing people onto digital payment platforms in general, is that they stand to benefit directly. I mean governments pay a lot of people and are paid by a lot of people, and if you can make that more efficient, you have cost savings for the government, less leakage and corruption. There are some studies here on the slide, but I won't go through them all. They have sort of demonstrated these things in different places. And better targeting, maybe, to women or whoever it is that should be receiving the transfer.

And, additionally, when the public sector starts using these platforms, mobile money as an example, they bring really a much-needed volume to the system that makes it more sustainable. So a big challenge that mobile money players have in the early stages, and for anybody that wants to set up a payment network, is that you need volume; you need to put transactions through the system to make it commercially viable. So government can add a lot of volume kind of right away just because they pay so many people and they have so much volume.

And I think it's a nice way when the public sector does it, they're often trying to pay poor people or sort of the full spectrum of people within the income spectrum, as opposed to sort of just the rich. So, potentially, it pushes the system to grow more towards poor people. And then I have to mention, USAID is currently launching the Better than Cash Alliance in partnership with a number of funders. We've been talking with them, and it's something that we really support. And the whole idea of the Better than Cash Alliance probably – _____ will give you a better, clearer summary.

But basically the idea is to get governments and the U.S. Government, any of the programs that the U.S. Government is doing overseas to transition onto electronic platforms and then get some of the benefits that I was just mentioning. So I think it's a great program and I think you're going to say a little bit more about it at the end. So what do policymakers then do about getting people better domestic remittance services, for instance?

So one of the things that we think is critical is that you don't just allow banks to be the only – from a policy or from a regulatory perspective, you don't just allow banks to be the only providers who are allowed to offer services. And this graph shows a little bit why we think that, right. If you look at who the banks are serving in these countries versus who the mobile-based transfer services are serving, the mobile tend to serve both rich and poor in kind of equal measure, and, actually, a bit higher percentage of poor than of the rich. So they're reaching down market much more successfully.

Whereas if you look at the banks, they are much more dominant in the richer segment. So we think that you need to allow mobile operators to contest this space and to be able to offer, in particular, sort of domestic remittance and mobile money type services so that the market does kind of grow and reach down into the people under $2.00 a day. And this one is kind of final slide. I just wanted to sort of put this out there more to get the data into the presentation than to add – because, basically, it sort of shows similar things.

If you look at Uganda, Tanzania and Kenya, you see sort of how much progress they've made in growing the mobile sector. In Kenya, there is very few cash payments left just because of the success of the M-Pesa product there. And if you – it's kind of a similar cut of the data; if you look at the mobile senders in Kenya and Tanzania, where the mobile operators have achieved some success, they're much poorer than the bank-based senders, for instance, in South Africa, ______.

And then _____, that's a relative poverty basis, so they're from the lower income quintiles within their relative countries. So it's sort of another cut that sort of says the same thing as the previous slide, but…

Female: And, actually, you may want to – we were just talking in the kitchen about the thing that you found surprising from the Findex survey about 40 percent of…

Male: Yeah, so the Global Findex survey that I mentioned earlier, one of the interesting data points that came out that was something like 40 percent of the people in Africa who have a bank account are using it to just send and receive money, or mostly to receive money. And it's a very high cost way of doing that. So you can see – I think that shows both the demand for payment services.

People are willing to sign up for a bank account where they're maybe paying a monthly fee and other things just to get money moved to near enough to them so that they can access it.

Female: Yeah, that's really interesting. I'll talk a little bit about the Better than Cash Alliance, but I didn't want to sort of overshadow the work that Jake and his team have done. Quickly, USAID is working co-creating an alliance with a few other donors that will encourage corporations, host government governments, NGOs, and multilateral/bilateral organizations to move away from using cash, ergo the Better than Cash Alliance.

And we'll be working more on it and have more on our website. I think Dasha just put something up on line. It has a link to our one-pager. And I can talk a little bit more about it if questions come up about it. I think Dasha – are we taking questions from the audience, or how are we doing this?

Male: Should I just give a quick summary of the takeaways?

Female: Sorry, go ahead.

Male: So I think the conclusions are up here, but I think just for the people online and stuff, for policy makers, I think remittances should be higher on the development agenda. They touch way more people – and this is in Africa, but they touch way more people and they reach more of the poor. The flows are actually quite large, so we estimated sort of what's the volume of money moving through domestic remittances. Something, like, 11 percent of GDP across the 11 economies.

And many of them are in cash. And, again, this is a really high – this is a really inefficient and high pain point way of sending money for poor people. We think mobile – I think the data supports the idea that mobile players should be allowed to contest the payments base, they just tend to reach a lot more poorer people than do banks. For market players, I think the key message is that the market is potentially very, very large. It's at least 134 million people per month currently, and potentially more if you can get a service that entices other people into connecting these kinds of transactions.

The senders tend to be rich, urban, working salary jobs; receivers are more evenly spread. And then the SMEs are a key group to target, both for volume and to drive viral adoption. And this is going to be a big area of work for the foundation going forward is – I think this is one of our – what we think is going to be most transformational in the financial, in achieving the goals of financial inclusion, is when you can bring people onto these platforms through maybe their need to do domestic remittances or whatever their sort of key need is.

You can then start to deliver other financial services and hopefully that full suite of services that we talked about in the beginning to the people that are much lower cost, and hopefully in a profitable way that's sustainable. So question, I guess?