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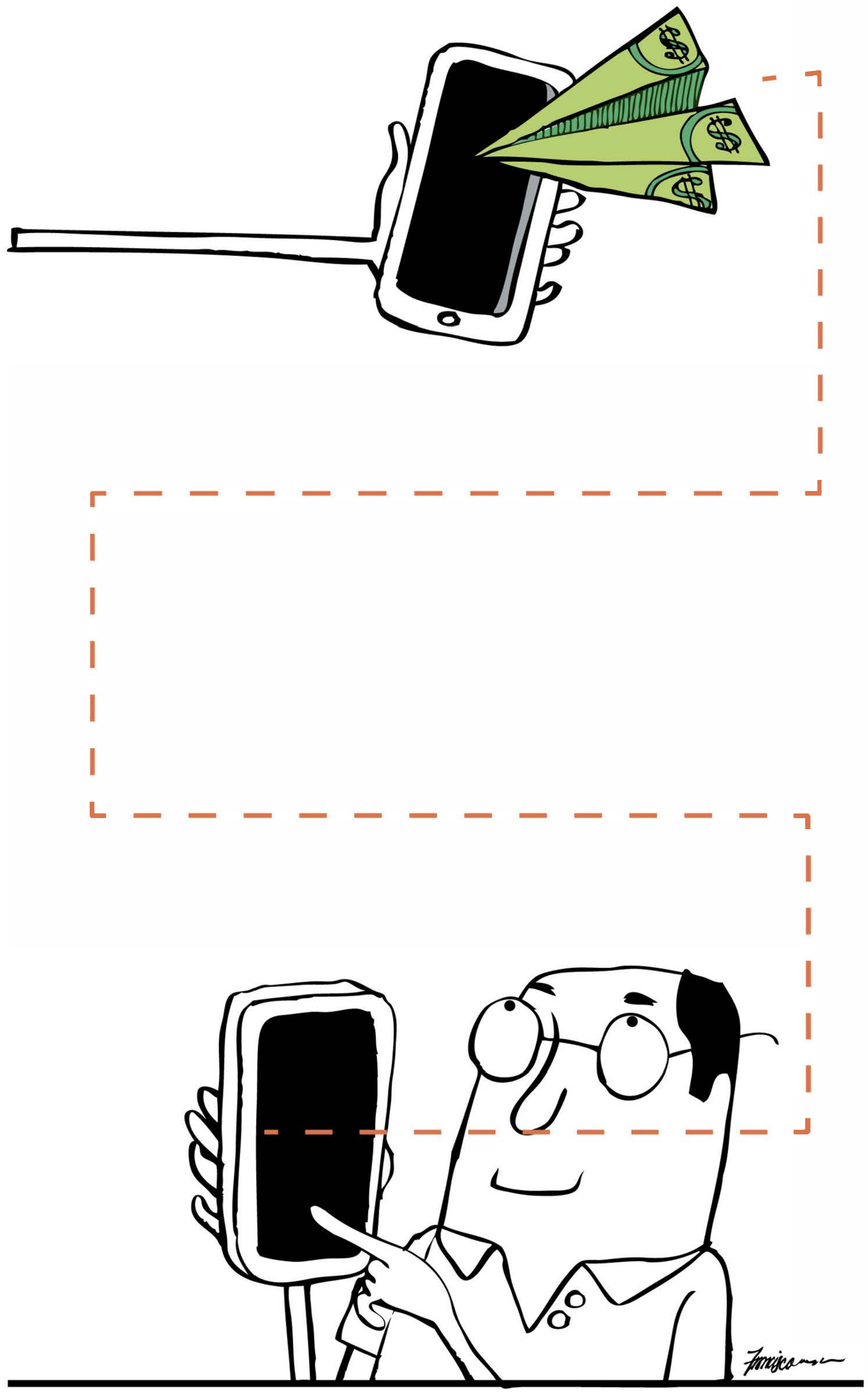

As sending money home this way takes off, the country can provide a pan-Asian platform

Tan Swee Liang, S.N. Venkat and Anil Kishora

When foreign domestic worker Angelica wants to send money home these days, she does not queue up outside a remittance centre in Lucky Plaza as in the past. She simply uses her mobile phone to send money directly to her family's bank account in the Philippines.

Money can be remitted today to accounts in over 40 banks, and 7,000 pick-up centres in the Philippines, using Singtel's mRemit service. Singtel charges for this service start from just $2.40.

Over in East Africa, using a mobile phone-based payment platform, remitters can transfer as small an amount as US$50 (S$68) directly to recipients' cellphones in neighbouring countries for a cost that does not pinch pockets.

Cross-border cellphone-based remittances can not only cut down costs, but also have the potential to transform the way money is usually remitted. Easy, low-cost and instantaneous movement of funds, leveraging on the high mobile phone penetration across countries, can enable recipients even in rural areas to directly receive and store money in their phone accounts, to pay for purchases or withdraw cash from service points.

Mobile phone-based payment platforms typically enable transfer of money from one mobile phone to another, where it can be stored in a mobile wallet, get credited to an associated bank account or be dispensed in cash from a money transfer operator, bank or agent on production of the secret code from the remitter. Given the strong technological and social convergence towards mobile phone usage and emergence of secure mobile-to-mobile payment platforms in many countries, it is time for a Pan-Asian Mobile Remittance Platform linking major Asian recipient countries.

A multi-country integrated platform can cut down costs, augment flows to the economies that are plugged into the platform, and extend the proverbial "last mile", which may still be many miles away from the rural customer, to the "last millimetre" for international remittances.

Remittances via mobile phones to mobile phones will actually place the money in the beneficiary's hands. An example of such a platform is HomeSend, an international mobile money transfer platform operating between Europe and Africa set up by MasterCard, eServGlobal and BICS (Belgium's carrier Belgacom) and which is now extending its reach to Asia.

With five of the top 10 major remittance recipient nations such as India, China, the Philippines, Indonesia and Bangladesh in its broader hinterland, should Singapore miss out the opportunity to develop a gateway to promote mobile remittances?

Indeed, Singapore is best placed to conceptualise, coordinate and develop a multi-partner cellphone-to-cellphone cross-border remittance platform spanning all major Asian recipient countries.

The platform run by a telco or a consortium of telcos can deploy the most secure technology to move money across borders, using the infrastructure owned by them or their associates abroad.

With partner banks providing foreign exchange support at the backend, it would also act as a clearing house for settlement of funds between operators.

Every mobile phone operator who hooks into the platform gets immediate access to all overseas mobile phone operators in the network, with no need for bilateral agreements.

Singapore's legal and regulatory expertise and its positive diplomatic outreach can be leveraged on to study and help harmonise the legal frameworks – a critical necessity for the adoption of mobile-to-mobile fund transfers as a principal mode of international remittances.

It is a natural choice for being the mobile payments and remittance gateway to Asian destinations, when its advantages are listed.

These include its strategic location, status as the largest foreign exchange centre in Asia, technological, marketing and investment capabilities of its telcos (some of which own stakes in other Asian telcos), its information and communication technology ecosystem, its large number of foreign workers who remit money home, and its superior execution skills.

REMITTANCES IMPORTANT TO GLOBAL ECONOMY

Worldwide, cross-border remittance has grown sixfold in the last two decades. The World Bank's Migration and Development Brief puts total remittances last year at US$583 billion.

Top of the list is India, where US$70 billion flowed, with China second at US$64 billion. The Philippines and Mexico followed at US$28 billion and US$21.7 billion, respectively. The report expects global flows to accelerate by 4.1 per cent and hit an estimated US$610 billion next year, rising to US$636 billion by 2017.

Developing countries will continue to receive over 75 per cent of these remittances.

Total remittances are more than double the official development assistance (ODA) in the world. Migrants' remittances and their savings are clearly major players in today's global economy, but more importantly, they help fight poverty, boost consumption and augment foreign exchange supplies in developing countries.

Going by World Bank estimates, the global average cost of sending US$200 has been trending downwards over the last six years. Remittance corridors in Asia are cheaper in comparison to the global benchmark of 7.7 per cent.

The total cost of remittance from Singapore to a major remittance destination like India, for instance, for small amounts equivalent to S$260 (or, US$200 at conversion rates earlier this year) appears to hover between 4 per cent charged by money transfer operators and around 3 per cent levied by banks, and online portals may cost a bit less. Larger-ticket remittances cost much less in percentage terms.

Can total costs comprising transfer fees and exchange margins be brought down further?

The less costly it is to remit, the more value is left in the hands of the beneficiaries.

According to the World Bank, "if the cost of sending remittances could be reduced by 5 percentage points relative to the value sent, recipients in developing countries would receive over US$16 billion more each year than they do now".

Banks incur substantial costs on account of need for dedicated communication pipes, manpower to man counters, handling of cash, transaction-filtering software applications, anti-money laundering infrastructure and sanctions compliance.

SERVICES IN AFRICA, INDIA

Interestingly, large phone operators like Britain's Vodafone and India's Airtel (in which Singtel has a 32 per cent stake) with experience in managing mobile payment networks in Africa are already changing the way money is sent home.

Airtel offers a service called Airtel Money in 16 African countries, which allows its customers to transfer money and store value in their mobile phone accounts. While using the Airtel Money, customers simply have to select the country where they wish to remit the money, enter the phone number and the amount in the local currency, confirm the transaction with their PIN and the transaction is complete. Vodafone offers similar services through its M-Pesa in East Africa.

Vodafone and Airtel have launched their M-Pesa and Airtel Money services in India, where they have also applied for Payment Bank licences. They would surely leverage their platform to target flows from low-income households and migrant labourers, among others, as part of financial inclusion of the under-banked.

The Indian payments ecosystem's Immediate Payment Service (IMPS) supports mobile-to-mobile money transfers. Similarly in the Philippines, Globe GCash and Smart Money are examples of well-established mobile payment solutions.

As for Singapore, as a mobile remittance gateway, it could enhance its role, by helping guard against the risks of money laundering, financing of terrorism or sanctions violations.

This is because it could evolve – and institutionalise – protocols to rigorously track all the transactions and screen remitters and recipients as per the international Financial Action Task Force (FATF) norms and best practices.

This adds a layer of security and comfort to all parties, including national financial regulators – and, at the same time, cuts down the players' compliance costs.

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