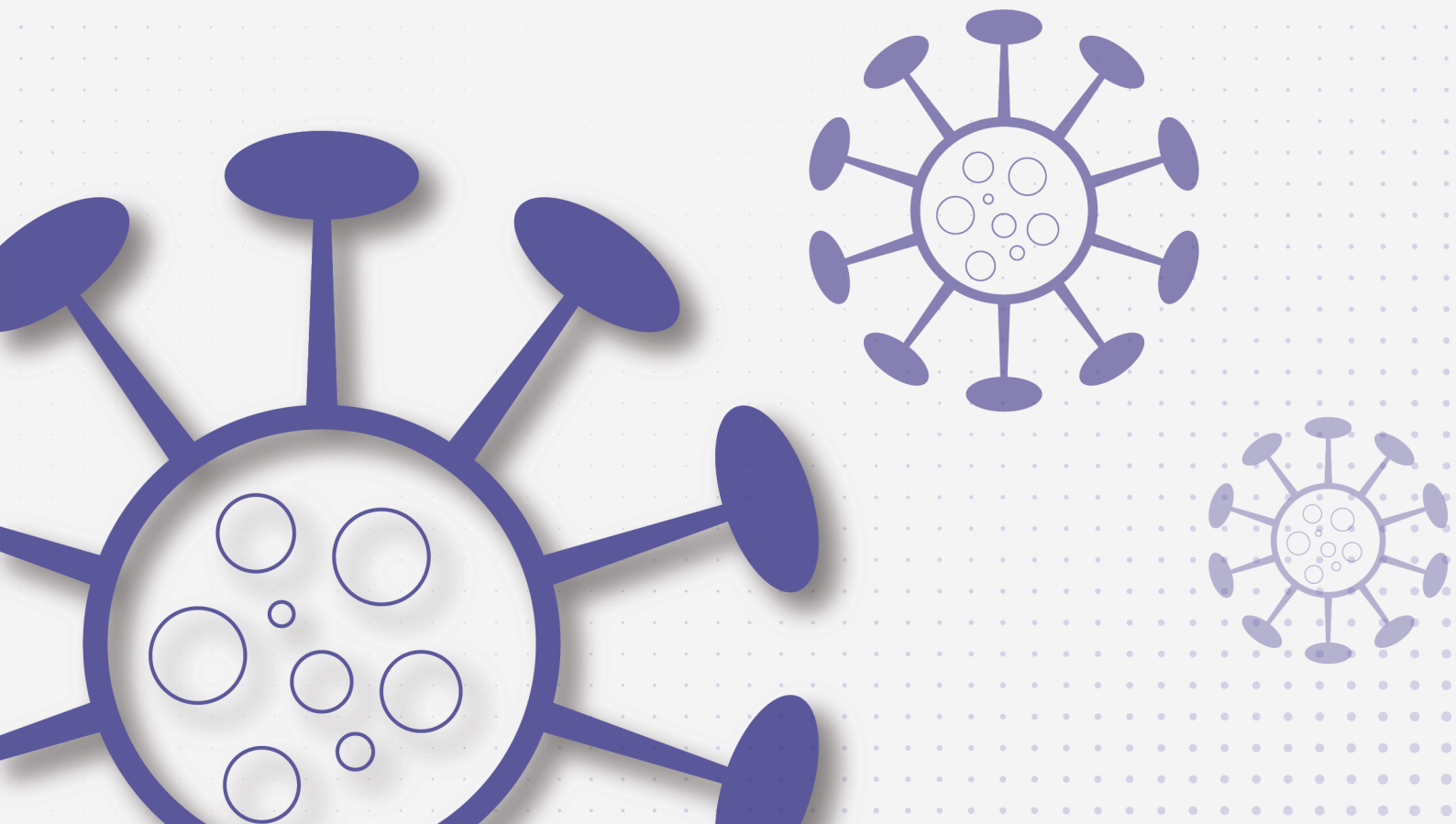


COVID-19 Impact on Migrants and Remittance Industry



Authorship and Acknowledgement

This report was written by Mohit Davar, Chairman, International Association of Money Transfer Networks (IAMTN) which is grateful to the United Nations Capital Development Fund (UNCDF) for the collaboration. The views expressed in this article are those of the author alone and are not necessarily the views of IAMTN. The author's views are also provided independently of any of the views of UNCDF.

About IAMTN

IAMTN is a non-profit membership organisation, working closely with governments, policy maker, NGOs, payments stakeholders and individuals to create the most effective, safer, reliable and efficient cross border payments systems possible. Founded in 2005, provides a platform for industry partners to come together to discuss common challenges, industry initiatives, and create opportunities.

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Migrant remittances are a lifeline for millions of households and development for a number of countries

There are over 270 million migrants working and sending over US\$700 billion home every year to support their families. The remittance industry is crucial to keep these funds flowing.

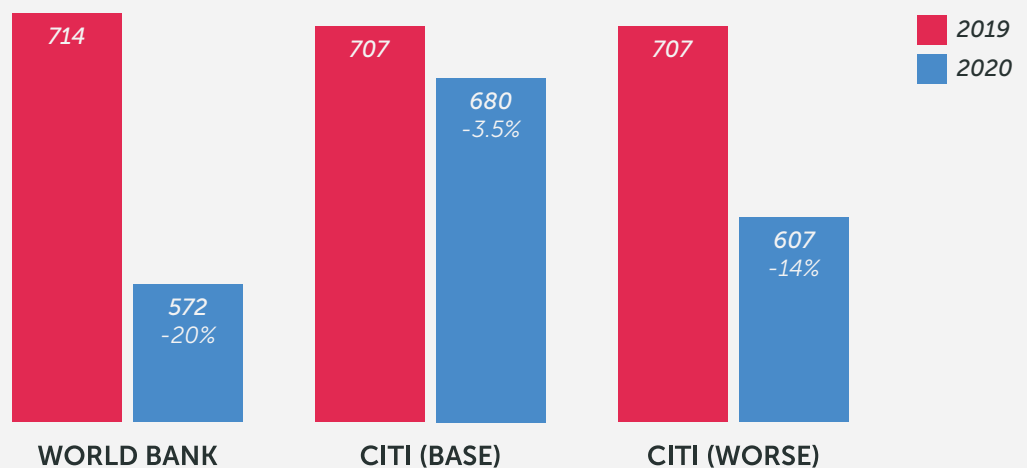
COVID-19 has completely changed our world and it has impacted everyone; however, the impact on migrants has been particularly bad given they were already marginalised and suffering hardships before the pandemic struck. Many migrants have lost their jobs and their ability to send any money back home to support their families.

This recent article from CNN (<https://edition.cnn.com/2020/05/09/middleeast/uae-migrants-coronavirus-intl/index.html>) shows a glaring example of what migrants are going through globally. This has also impacted the remittance industry and will have long-term impact on the economy of the receiving countries. Remittances are larger than foreign direct investment and in 30 countries remittances were equal to more than 10 percent of gross domestic product (GDP) in 2018.

“Remittances and migrants go hand in hand and now more than ever it is important for public and private sectors to work together in support of migrants. Every migrant helped would in turn help many more persons worldwide”

- Dilip Ratha, lead author of the brief and head of KNOMAD.

Global Remittance Market Forecast (\$ billions)



With this background, the International Association of Money Transfer Networks (IAMTN) has been actively engaging with remittance players across the globe and also various other stakeholders (public-sector bodies, regulator bodies, central banks and others) to get information on the impact of COVID-19 on migrants and remittance organisations.

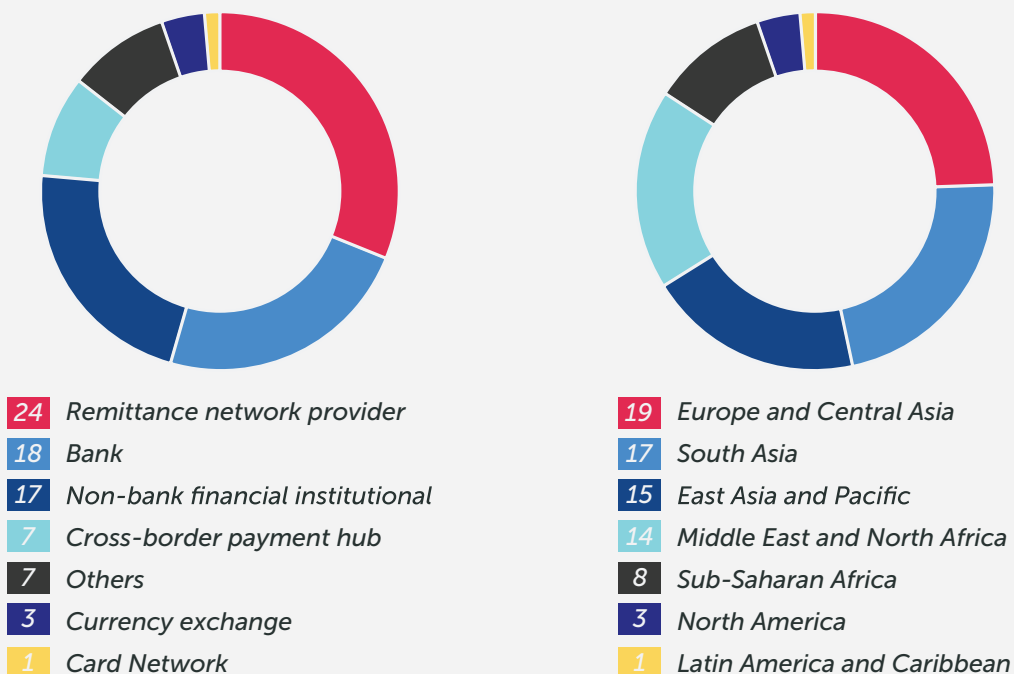
In March, in partnership with the United Nations Capital Development Fund (UNCDF), IAMTN launched an industry survey of remittance providers (among others; banks, foreign-exchange houses and Money Service Businesses) to assess the impact of COVID-19 on their customers and business. The survey aims to highlight the issues and risks posed by the COVID-19 crisis on migrants and remittances to assist stakeholders in the public and private sectors to address these.

Over 150 organisations, comprising IAMTN members, partners and stakeholders, responded to the survey. The survey summarises the responses from 77 CEOs and senior executives across 30 countries, serving over 20 million migrants. The key findings are as follows.



77 CEOs and Senior Executives across 30 countries, serving more than 20 million migrants.

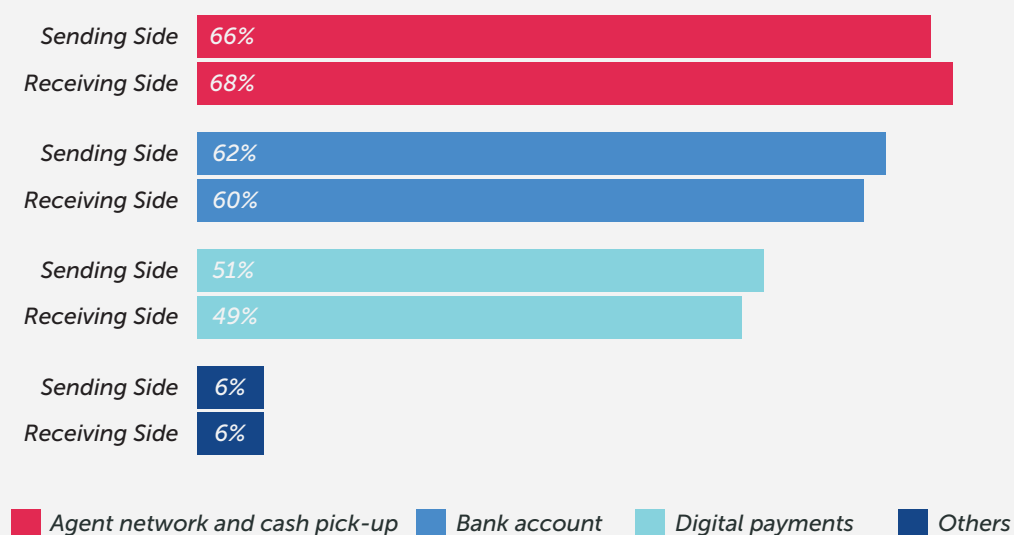
Summary of Responses



Various providers from sending and receiving countries were surveyed. Of the 77 respondents, 49 were omni-channel (traditional and digital) and 28 were traditional only.

The primary payment methods of remittance service providers were split as follows:

Primary payment methods of remittance service providers





69 percent of respondents have seen remittance volumes decrease.

Some 91 percent of the participants surveyed responded that their business had been impacted: 69 percent of respondents had seen remittance volumes decrease, while 31 percent had seen an increase.

To complement the survey analysis, IAMTN also scheduled qualitative interviews and discussions with various remittance service providers. It is clear that the digital volumes are increasing and the traditional volumes (transactions that originate in a location) are decreasing. This was especially true of the Pacific region, where digital channels have seen over 100 percent increase month on month for inbound remittances. This is not surprising, and is largely driven by:

- the lockdown in place in most countries, prohibiting the migrants from being able to access the location to send remittances;
- in a number of countries, the remittance providers were not classified as essential services and so the locations had to be closed, e.g. Malaysia.

Both Western Union and MoneyGram recently announced their first-quarter results for 2020 (Q1 2020). Below are the snapshots from their earnings release, showing how the digital business is growing compared with traditional (walk-in) business.

On 12 May 2020, MoneyGram issued a press statement (<http://ir.moneygram.com/news-releases/news-release-details/moneygram-digital-business-surges-april-strong-customer-growth>), in which they reported a 81 percent year-over-year transaction growth for its digital business in April – an acceleration from the first quarter of 2020 where they reported 57 percent transaction growth. MoneyGram claimed these strong trends have also continued into May 2020.



For MoneyGram: digital grew 57 percent for Q1 2020 and walk-in fell by 6 percent. April saw a 75 percent growth in digital transactions.

At the end of Q1 2020, digital represented 18 percent of the overall business of MoneyGram.

Money Transfers Summary: MoneyGram

	Prior to COVID-19	After March 15	Full Quarter
US Bound	+5%	(7%)	+3%
International	+11%	(27%)	+5%
Digital	+56%	+58%	+57%
Walk-In	(1%)	(18%)	(6%)
Global Money Transfer Transactions	+6%	(18%)	+2%



For Western Union: digital grew 21 percent for Q1 2020 and overall business was down 3 percent. For April, overall transactions declined by 21 percent year on year.

At the end of Q1 2020, digital represented 16 percent of the consumer business.

Money Transfers Summary: Western Union

Through mid-March, consumer-to-consumer segment (C2C) transactions were trending in-line with the Company's expectations	During the 2nd half of March C2C transactions progressively declined with the global spread of COVID-19 and restrictive policy responses	For the month of April, C2C transactions declined approximately 21 percent year-over-year
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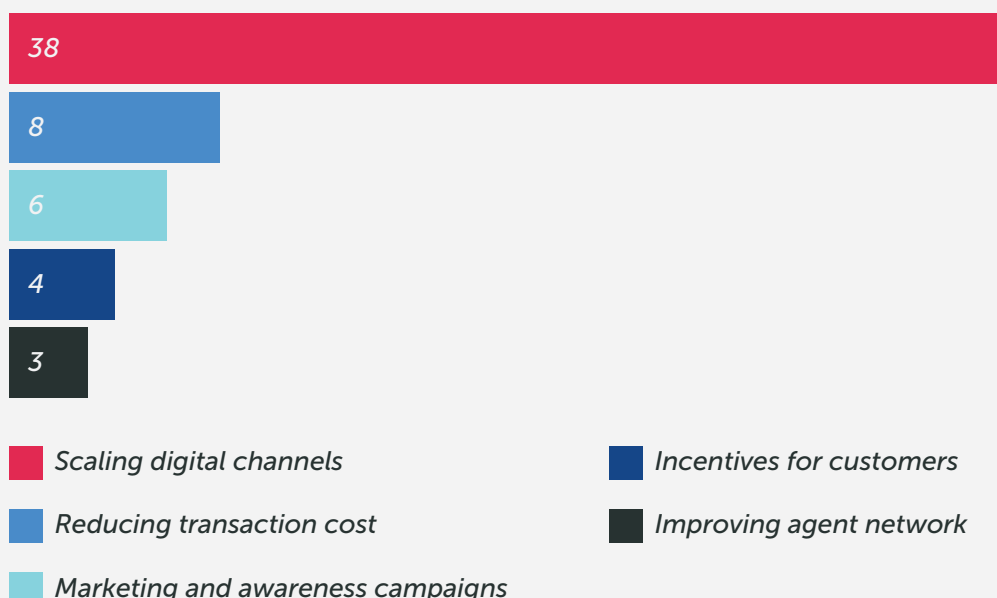
We can see that both companies started to see an accelerated decline in the business in April as they started to see the impact of lockdown across the globe. The digital business accounted for 16–18 percent of their business at the end of Q1 2020, so a significant part of the business is still walk-in. This dynamic was already changing with the increasing move from cash to digital; however, COVID-19 may well be the catalyst to accelerate this change. The big unknown here is what happens to the economy globally and the overall ability of the migrants to send money home.

The survey also showed that the remittance service providers Scaling up digital channels as their top priority. Another important aspect that was explored during qualitative discussions but otherwise difficult to quantify is the feeling among a number of players that the remittance volume is not only moving from traditional cash business to digital, but also from formal channels to informal channels.



Remittance service providers are taking multiple initiatives, including steps to facilitate remittances through digital channels and reduce remittance transaction costs.

Initiatives taken by remittance providers



This does make sense given there is still a number of impediments to the adoption of digital channels across the globe. Among others:

- a large percentage of migrants are unbanked or underbanked;
- limited financial education and digital literacy among migrants;
- Electronic 'know your customer' (e-KYC) is not permitted by the regulators in a number of jurisdictions, e.g. some countries in the Middle East;
- lack of development of digital channels on the receive side;
- limited attention from traditional providers to drive digital channels on the send side.

These are among some of the things that need to be addressed jointly by private and public sectors to accelerate the adoption of digital channels by migrants.

The surveyed also asked: How has the remittance business been affected?

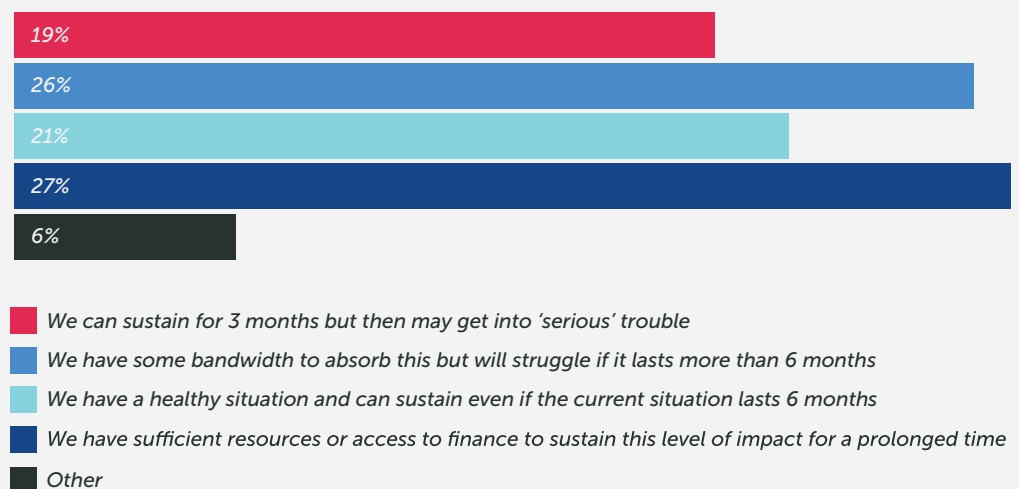
With declining remittance volume, closed locations, staff isolation, liquidity issues and shrinking access to banking services because of de-risking, remittance providers are facing a 'perfect storm'. The longer this situation goes on, the more difficult it will be for remittance providers to survive.

Of the providers surveyed, almost half mentioned that they would not be able to financially sustain the crisis were it to prolong beyond three to six months. Therefore, it is crucial that we do everything possible to assist these players as they provide a critical last-mile delivery to enable migrants to send money back home. Disruption of their operation will reduce the market competition, increasing remittance costs and potentially moving remittances from formal to informal channels.



45 percent of respondents will struggle if the crisis lasts more than 6 months.

Degree to which remittance service providers feel they can sustain the current COVID-19 crisis



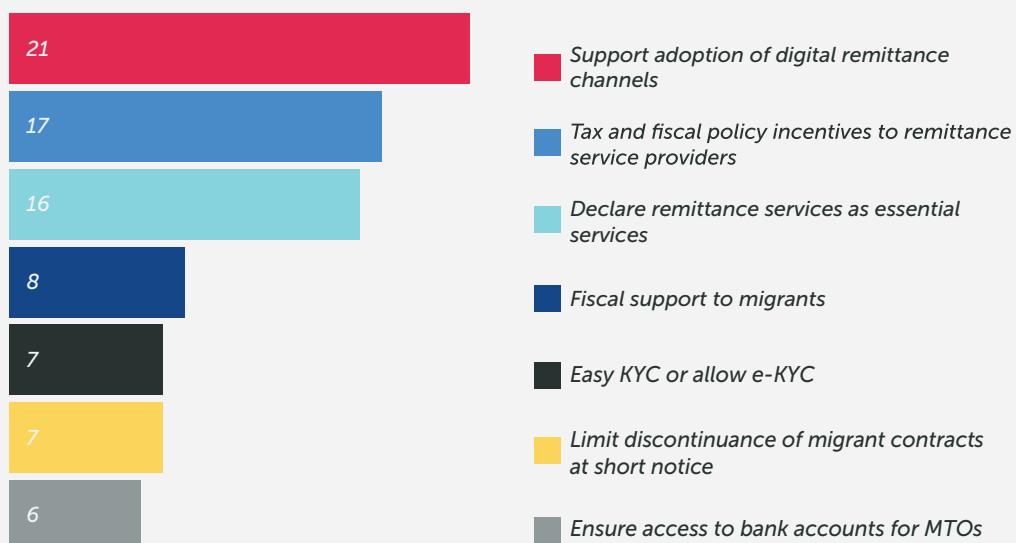
Next the survey question asked respondents what measures could be undertaken by policymakers and regulators to assist the money



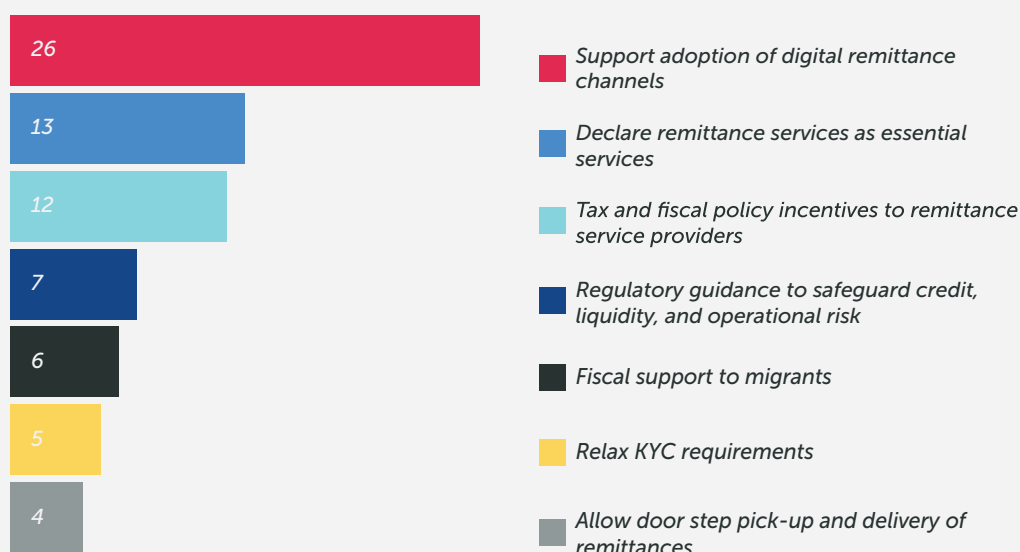
It is paramount that the policymakers and regulators work closely with the industry

transfer service providers.

Measures that can be taken by policymakers and regulators in sending countries

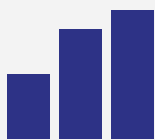


Measures that can be taken by policymakers and regulators in receiving countries



It is paramount that the policymakers and regulators work closely with the industry to ensure that we do everything possible to ensure that migrants are able to send money in a safe, secure and seamless manner to their families back home. Governments could provide much-needed relief to remittance service providers and migrant workers by focusing on a number of key interventions, such as:

- recognizing remittance as an essential service will allow agents to continue operating, and avoid a shift to informal remittance channels;
- simplified customer due diligence for lower-risk accounts, remote



Click here to view results of the entire survey of remittance service providers.

- account opening through e-KYC, and access to appropriate identity documents are critical enablers for digital remittances;
- in addition to facilitating access, governments could play a catalytic role in driving use of digital payment channels – for example, by promoting digital wage payments for migrant workers;
 - digital financial literacy efforts are crucial for uptake and use of digital remittance channels, and for advancing financial inclusion;
 - as the remittances industry suffers from declining business volumes, governments could consider including remittance services providers in fiscal support measures extended to the financial sector.

The entire survey can be accessed through the IAMTN website:
<https://www.iamtn.org/impact-of-covid19>

To follow up on the survey, IAMTN held a webinar on 11 May 2020 to discuss the impact of COVID-19 on migrants and Remittances.

Mohit Davar, Chairman of IAMTN, moderated the distinguished panel:

- Dilip Ratha – Lead Economist, Migration and Remittances and Head of KNOMAD at The World Bank
- Nick Day – CEO at Small World Financial Services
- Osama Hamza Al Rahma – CEO at Al Fardan Exchange; Chairman FERG, United Arab Emirates
- Michael Kent – Chairman at Azimo
- Dare Okoudjou – CEO at MFS Africa

The full recording of the Webinar can be accessed here:

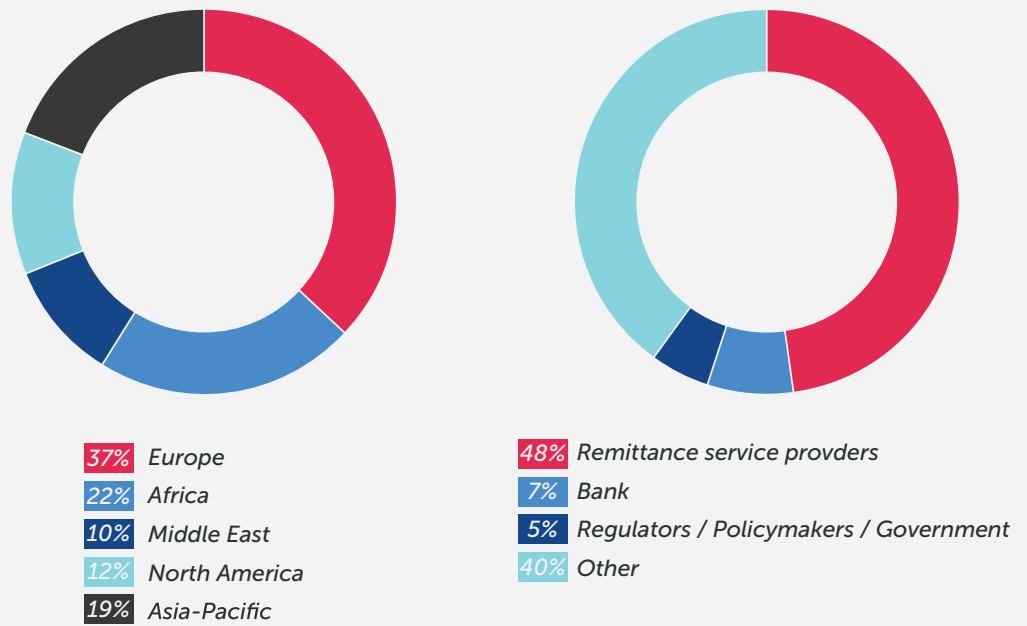
https://www.youtube.com/watch?time_continue=157&v=6bkTH_90kiY&feature=emb_logo

Over 175 participants dialled in from across the world. Almost half of them were remittance service providers and the rest were from other disciplines, e.g. banks, regulators, policymakers.

The panellists shared their thoughts on and experience of the impact of COVID-19 on their customers and businesses across the globe. Dilip Ratha, lead economist from World Bank, helped to better understand the drivers and assumptions behind the 20 percent decline in remittances projected by the World Bank. The World Bank migration and development brief can be accessed here (<https://www.worldbank.org/en/topic/socialprotection/publication/covid-19-crisis-through-a-migration-lens>)

While we covered a whole host of issues, three areas were debated in detail.

Webinar survey respondents overview



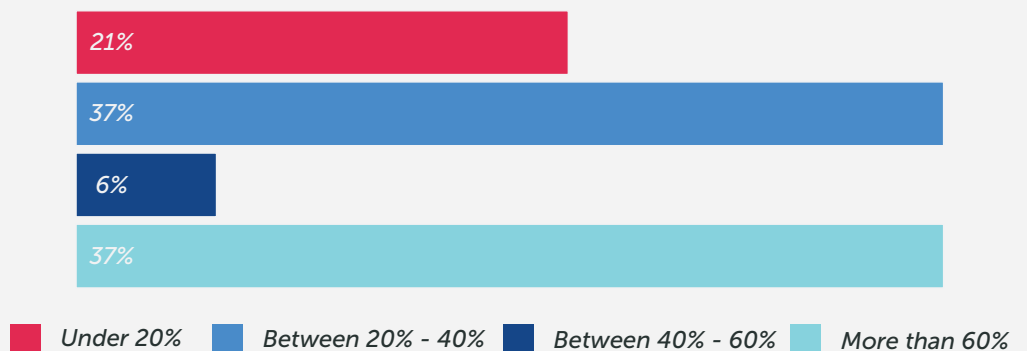
Most remittance service providers were prioritising their digital strategy

Is digital the magic pill that the industry needs? We also asked the participants for their views on how their business might transition to digital over the next 3–6 months.

It was clear that most providers were prioritising their digital strategy: 37 percent said that 20–40 percent of their transactions will be digital and 37 percent of the participants said that more than 60 percent of their transactions will be digital.

The panel also noted that there was a number of areas that needed to be addressed, such as e-KYC, promoting financial and digital literacy among migrants, focusing on developing the ecosystem and payment rails on the receive side, and that a number of these needed policymakers and other stakeholders to work closely with the remittance service providers.

Percentage of transactions expected to be digital in the next 3-6 months



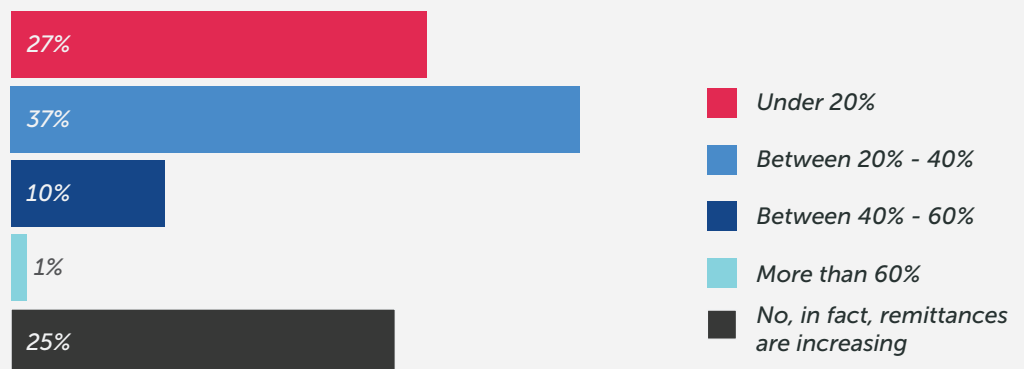
We took a poll on how the participants' businesses had been impacted by COVID-19.

75 percent of the providers have experienced a decline in remittances. While 25 percent had seen an increase in volume (and we believe these may be predominantly players focused on digital only), 37 percent of the respondents had been impacted by an alarming decline of 20-40 percent.



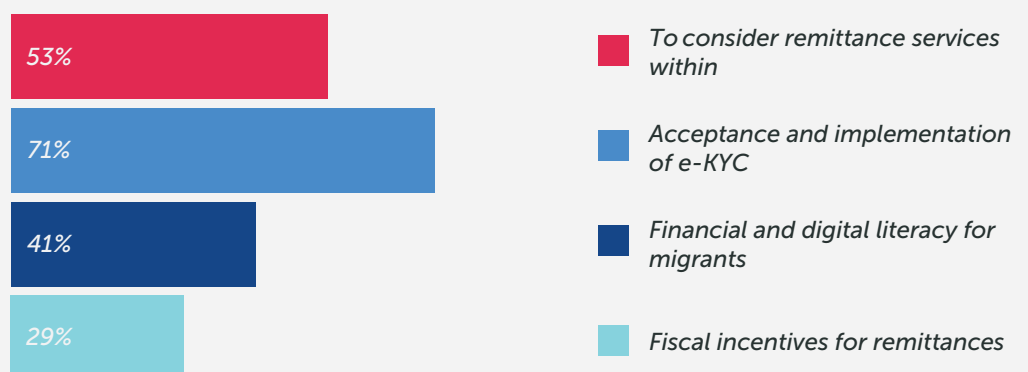
75 percent of remittance service providers have experienced a decline in remittances.

The decline in remittance flows experienced by providers



Recently, in an article published (<https://www.stripes.com/news/us/lockdown-disrupts-a-part-of-finance-that-hasn-t-gone-digital-1.629307>) MoneyGram CEO, Alex Homes stated that around 40 percent of MoneyGram locations were closed – some 150,000 locations. If we assume Western Union and other service providers had similar issues, then that is an alarming number of locations that are now inaccessible by migrants. The panel debated a wide range of issues where policymakers could play a role and take immediate action.

Areas that require immediate attention by policymakers



It was not surprising that the acceptance of e-KYC and considering remittances an essential service were the top selections, followed closely by incentives that could be provided, especially to the smaller providers, to stay afloat.

HOW IS IAMTN RESPONDING?

It is imperative that there is a close coordination between the public and private sectors: this is an area of strong focus for IAMTN, as a representative of the remittance service providers.

These are unique times that no one could have been fully prepared for. IAMTN is committed to its members and continues to remain dedicated to representing the views of the money transfer industry, working closely with governments, regulators and all other important stakeholders – such as the FATF, FSB, World Bank, International Fund for Agricultural Development (IFAD), UNCDF, Swiss Agency for Development and Cooperation (SDC), UK Department for International Development (DFID) – to champion the creation of the most effective, safe, reliable and efficient payment systems and mechanisms for migrants globally.



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