

SDC's Savings and Credit Forum

Hiding in Plain Sight: The Business Case of Migrants' Financial Inclusion

Thursday, June 16th, 2022

Find all the resources of the Forum, incl. the recording, on the e+i shareweb: www.shareweb.ch/site/EI

Key takeaways

1) General takeaways

- **Migrants across the globe send yearly over USD 550 billion in remittances to their relatives in low- and middle-income countries.** This helps families back home to buy food, secure schooling and healthcare. They are also a safety net for millions of people. The payments are also important for the countries of origin: they contribute to economic stability and make a contribution to sustainable development.
- Remittances and financial inclusion of migrants are interconnected. For many migrants, sending **remittances is the first entry point – a gateway – to accessing other financial services.** Yet the potential of this gateway to financial inclusion is far from being unlocked. Today, there are only limited offers of tailor-made products for migrants and their families. Migrants, and especially migrant women, have not been fully recognized by the private sector as a distinct customer group. And there are many challenges for the private sector linked to serving migrants (regulatory barriers; territorial boundaries of financial product schemes; difficulty of ensuring interoperability).
- Remittances make up for gaps in insurance and pensions for families, but exposes them to risk if the migrant dies. Migrant workers also need pensions for their own futures. Offering financial products of **insurance and pension for migrants is a largely untapped market.**
- When working in financial inclusion of migrants, **the private sector is key.** Yet also development actors have an important role, particularly when it comes to the hard-to-reach market of migrants and ensuring migrant-centric and gender-smart services and products. There is a lot of potential for the collaboration between these actors.

2) Takeaways from the panel discussion

- Markets, including financial markets are flawed. While enterprises and innovative solutions are often rooted in personal challenges and experiences, those that have experienced these challenges frequently are not in a position to do something about it. Another hurdle is that enterprises must prove that their idea works and that there is demand. Often, they focus on **perceived** “low-hanging

fruits”: **Men are often seen as the default target market.** In addition, enterprises must raise funds from investors. Yet studies show that less than 2% of the funding is directed to inclusive and female-led fintech (2019). Hence, this market failure needs to be corrected intentionally.

- The private sector generally understands that migrants, by virtue of their migration status, are different from the typical customers. They have to be **innovative in their approach** if they want to reach and retain migrant customers.
- Agencies like the UNCDF can support the private sector by **creating incentives, be it through financial instruments or technical assistance.** By providing financial and technical assistance, UNCDF supports the private sector to test new business models while lowering their upfront investment costs.
- **The private sector cannot afford to ignore women.** Globally, half of all migrants are women and women represent the largest number of remittance recipients. Women are known to be better savers & borrowers. Yet, there is a gender gap when speaking of financial inclusion. Private sector needs to **better understand its customers** and e.g. the distinct challenges that women face. Mapping and understanding a customer journey is a first step on the way from gender-blind, to gender-aware to gender-transformative.
- The Edenred Middle East is located in the UAE where **4.1 million of unbanked people** have no means to access financial services. The UAE government put in place a wage protection system (“WPS”), whereby 2 million (out of the 4.1) are benefiting from it through Edenred. Special programs are put in place for migrants women; financial education is provided directly to them (1to1 & F2F- they go where people live), and in different languages.
- The SDC-funded Impact-Linked Fund for Gender-Inclusive FinTech (ILF for GIF) tries to address and **correct the market failure in the field of (migrant) women’s financial inclusion.** It provides impact-linked finance and technical assistance to fintechs to incentivize a stronger focus on gender transformative outcomes for financial inclusion for women and migrant women in particular. **Impact-linked finance is a form of finance where the financial terms are directly linked to impact achievements.** The logic is that an investee will receive better terms for better impact. Hence, for example, fintechs can be rewarded for reaching a certain proportion of migrant women in the testing of a new financial product or for contributing to improved financial inclusion of migrant women.