



EUROPEAN  
MICROFINANCE WEEK 2013

THE FUTURE OF MICROFINANCE:  
INVESTING IN INCLUSIVE GROWTH

# Microfinance institutions linking remittances to development

## ■ BEST PRACTICES OF MFIS IN REMITTANCES

Gera Voorrips

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## Introduction

- Several microfinance institutions (MFIs) work on the development of products linked to international remittances.
- Less impact on financial inclusion then envisaged due to challenges in:
  - scaling up and generation of high volumes of remittances
  - cross selling or linking with MFI's existing loans & savings products.
  - making it a financially sustainable business
- E-MFP Action Group initiated a workshop with MFIs in remittances:
  - MFIs exchanged experiences and learned from each other.
  - Based on this knowledge exchange a first inventory of Best Practices was prepared.

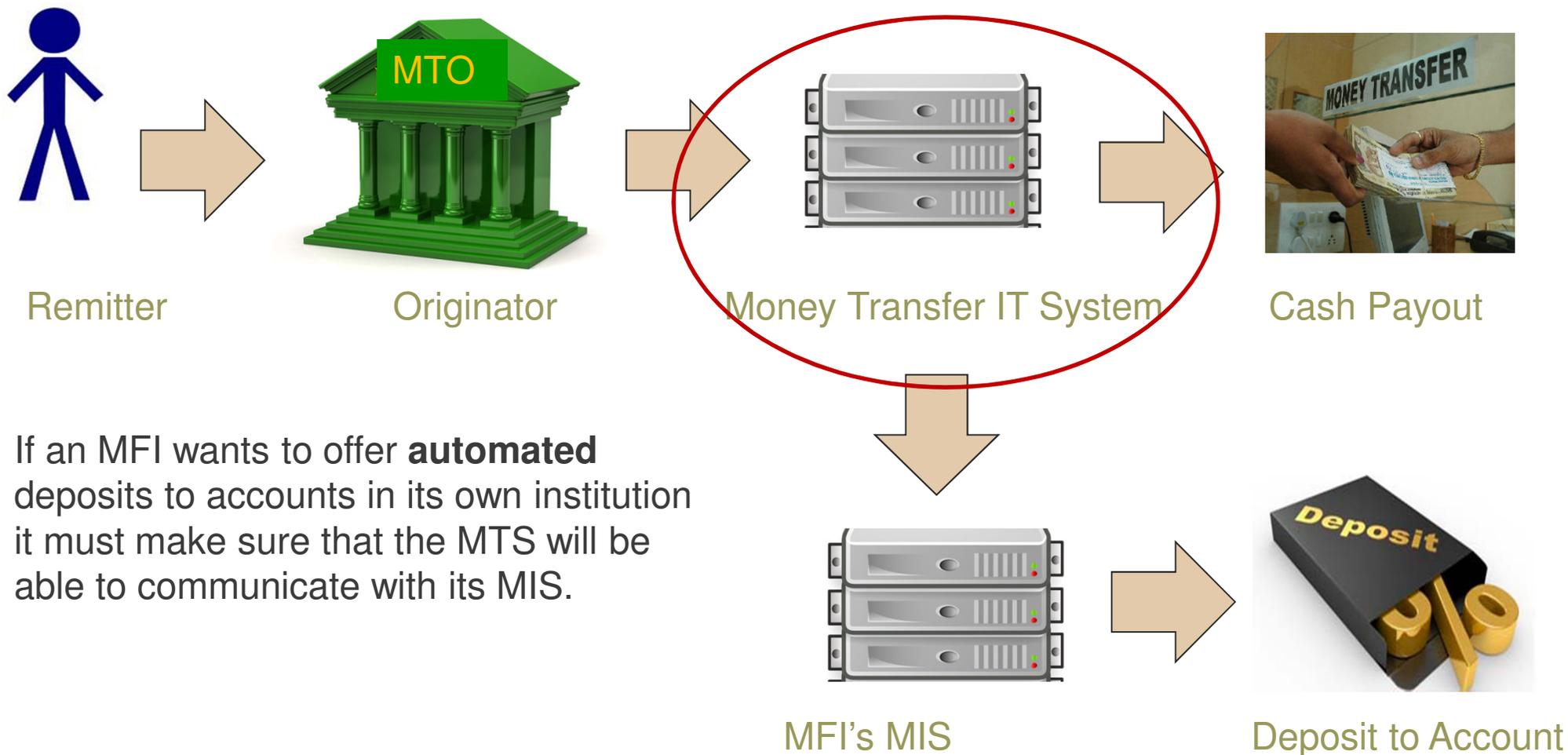
## Table of Contents of the Best Practices Study

1. Business models and Partnerships for remittances
2. Client needs and Products linked to remittances
3. Marketing and Communication of remittance products
4. MFI Operations and remittances
5. IT systems for remittances
6. Regulation of remittances

## Choosing the appropriate Money Transfer IT System (MTS) - Why is a good MTS important?

- The **speed, security, adherence to compliance regulations and accuracy** of a remittance business is **information driven**
- It has to **support their business processes, products and services** in the environment in which it will be deployed.
- MFIs need to **evaluate their business requirements**, to decide what type of MTS will best suit their needs:
  - Proprietary Software
  - Buying an Off-the-shelf system (or Licensed model)
  - Software as a Service
  - User-level access only to an MTOs system

## Introduction on the Money Transfer IT System



## RTC's IT Model: SaaS for the C&S Unions

- Red Transaccional Cooperativa (RTC) in Ecuador was created in 2006 by the World Council of Credit Unions (WOCCU).
- It has 89 C&S unions as members, 66 of them offering remittance services. RTC acts as a clearing house for the cooperatives for remittances.
- It negotiates with the money transfer companies on behalf of the C&S unions. ->larger MTOS are interested and give better commissions and settlement terms
- RTC provides all the C&S unions with a money transfer system called IRnet (of WOCCU). RTC acts as the service provider, training the cooperatives on the system and integrating new money transfer companies to the system.
- The Cooperatives access the system through a web link to pay-out the remittances received from various MTOs.
- Through IRnet the Cooperatives can access all the necessary reports.
- For every remittance paid the Cooperative pay RTC a flat commission, which is the same for all Cooperatives.