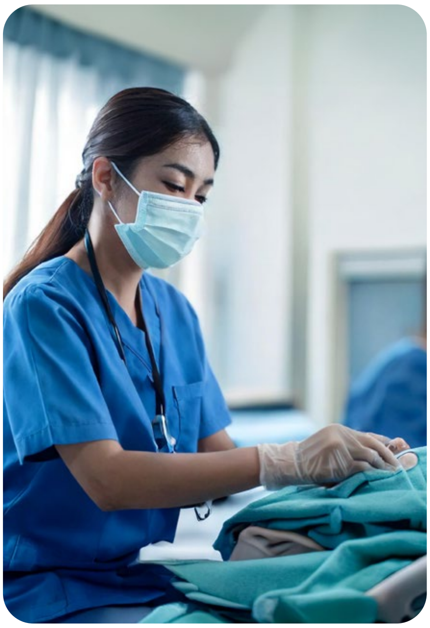
Services

The Banking Arena: Asian Remittances *at the Forefront*



Joselyn is a migrant Filipino nurse working in Singapore. She is a diligent worker, often taking on extra shifts to earn additional income. Each month, Joselyn sends most of her earnings to the Philippines as family maintenance. Joselyn's offshore income is critical for her family back home, from paying school fees to utility bills and other daily needs.

On each payday, Joselyn, like millions of other Asian-born economic migrants living and working offshore, faces the challenge of finding favorable exchange rates and the most economical means to remit funds to her loved ones. Previously, she used a variety of channels—even informal ones, such as sending money through friends—to save time and avoid her remittances being diminished by heavy transaction fees.

Joselyn is but one of 115 million migrants of Asian descent who have left their countries of birth to work, study and live abroad. The 2024 World Migration Report estimates the Asian diaspora accounts for 40% of total global migrants. While a significant proportion of Asian migrants live in the United States, more than half have remained in their home region.[1] Many, like Joselyn, not only send funds to family and friends but also receive them. It is perhaps no surprise then that the global remittance market is driven by Asia, which received $390 billion in remittances in 2023.[2]

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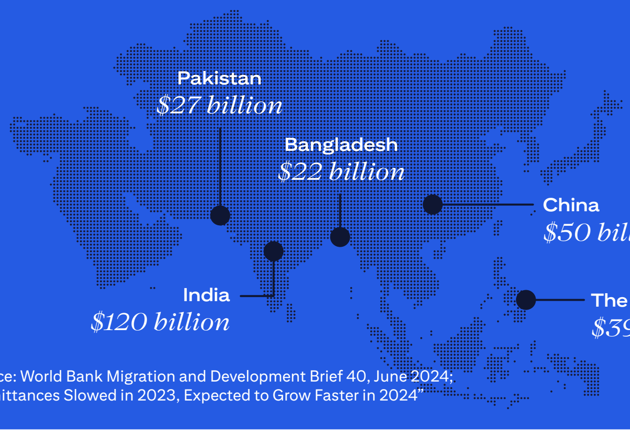
Research further reveals that a substantial proportion of global remittance flows are handled by non-bank payment specialists.[3] Digital remittances through fintech solutions, for example, are expected to amount to $151.3 billion globally in 2024.[4]

Remittances as a growth driver

Migration has created a healthy flow of remittances into and within the Asian region. According to the World Bank, five of the top ten recipient countries globally for remittances in 2023 were from Asia: India (estimated inflow of ca. $120 billion), China (ca. $50 billion), the Philippines (ca. $39 billion), Pakistan (ca. $27 billion), and Bangladesh (ca. $22 billion).[5] In the Philippines, for example, Joselyn’s monthly remittances back to Manila are but one small part of the estimated 8.5%[6] of the country’s GDP generated from offshore migrants working in hospitals, schools, care homes, and other businesses and organizations worldwide.

Remittances in 2023



Source: World Bank Migration and Development Brief 40, June 2024; “Remittances Slowed in 2023, Expected to Grow Faster in 2024”

Melissa Ongleo Yambao, Managing Director and Head of Asia South Financial Institutions Sales, Treasury & Trade Solutions at Citi Services, says that with these volumes, remittances are now a critical economic driver for the region. “For many countries, inbound remittances are a significant contributor to their GDP. The reported volumes are already significant, but these are likely still understated because of the unreported remittances sent through informal channels.”

Two-way flows

The flow of funds is not only inbound, as more and more internationally-mobile Asians study, acquire property and invest abroad.

The Migration Data Portal from the International Organization for Migration shows that in 2023, Asian outbound remittances were valued at $198.11 billion, making up 37% of total global outbound flows. China and India sent the most money, with $20.2 billion and $12.36 billion in outflows respectively. Southeast Asian countries also had significant outward remittances, valued at $27.6 billion.

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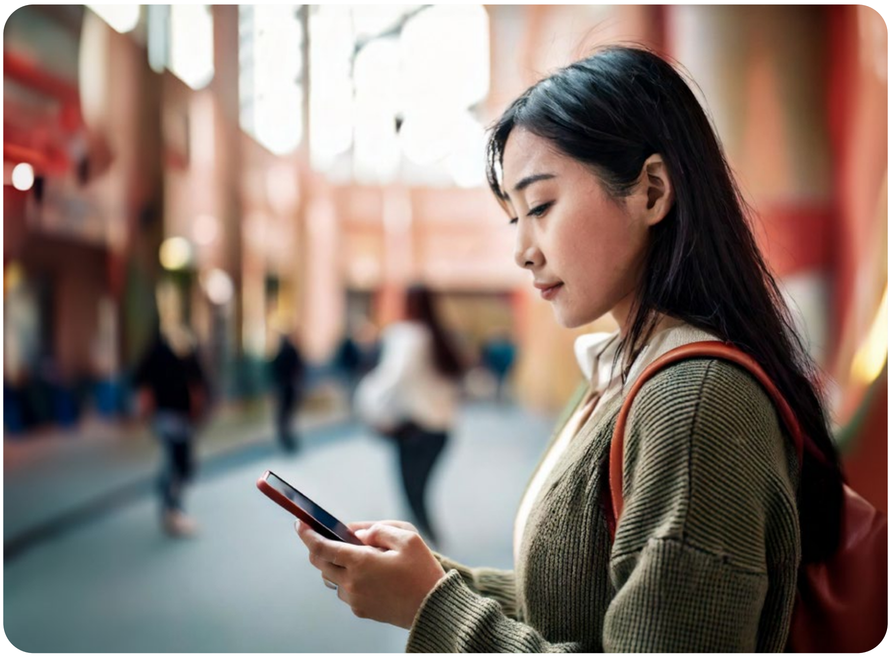
Melissa predicts that this will continue to grow, potentially supported by further growth of international education. “Southeast Asia is a young region, with young people accounting for around a quarter of the population.

$198.11 bn

Value of Asian outbound remittances in 2023

Source: Migration Data Portal from the International Organization for Migration

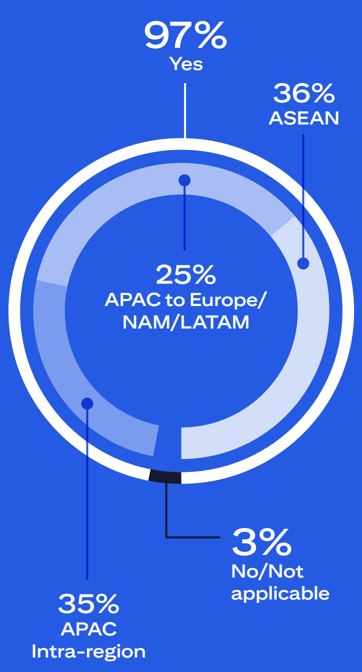
"With increased economic growth and a growing middle class, more and more students are looking to study abroad. Combined, Southeast Asia is the third largest source of international students, after China and India. With international education comes remittances for tuition fees, living expenses, and, eventually, the purchase of property."



The new payments arena

Asian remittances have consequently become one of the critical focus areas for financial services. In a survey conducted among delegates at the recent Citi Asia Financial Institutions Roadshow, 97% of respondents think cross-border payments and foreign exchange (FX) will be meaningful revenue drivers for their banks in the next three years.

Do you think cross-border payments and FX will be a meaningful revenue driver in the next three years?



As with other compelling opportunities, established and new players seek their share of the market. Incumbent banks, for example, face competition not just from new and nimble fintech firms and digital banks. They also have to contend with other well-established payment infrastructure providers, including big-name global processors and card networks with the scale and investment capacity to develop innovative retail payment propositions.

This is compounded by heightened expectations for innovative and convenient customer experiences. Driven by their experiences with other digital-native businesses, customers expect their banks to be able to provide transparent, seamless and secure remittance transactions.

Melissa notes that incumbent Asian banks acknowledge that they risk losing market share to agile fintech firms and new digital banks unless they swiftly adapt and enhance their remittance offerings. "Failure to act not only jeopardizes their current revenue from remittances and the opportunity to create more value by cross-selling ancillary services, but it also creates further risk of disintermediation and, ultimately, customer base erosion," Melissa warns.

Mridula Iyer, Treasury and Trade Solutions Cluster and Corporate, Commercial and Public Sector Sales Head, Asia South at Citi Services says that to compete effectively against nimble competitors and navigate regulatory complexities, Asian banks must develop digital payment propositions that prioritize superior client experiences, safe and seamless transactions, and compliance with stringent regulatory frameworks across key remittance corridors.

She cautions that banks must swiftly upgrade their payment ecosystems to protect and grow their market share amid growing competition from banking peers and agile fintech firms. "Banks should explore options to enhance their cross-border payment

"Asian banks must develop digital payment propositions that prioritize superior client experiences"

Mridula Iyer
Treasury and Trade Solutions Cluster and Corporate, Commercial and Public Sector Sales Head, Asia South at Citi Services

offerings in ways that require minimal investment and the least operational disruption," she advises.

Melissa also emphasises that the revenue at risk for banks goes far beyond transaction fees and foreign exchange earnings from remittances. She notes: "The greater concern is the potential loss of the extensive revenue streams tied to being the customer's preferred provider for cross-border payments—such as domestic payments, direct debits, overdrafts, loans, and interest on balances. These additional revenues can amount to ten times more than the payment fees and FX, making their protection the ultimate priority for banks.

"Against this backdrop, Asian banks must take a pragmatic approach. To meet expectations of elevated customer experience with the least disruption and fastest time to market, they must determine which components of their proposition need to be proprietary, and which can be delivered through partnership with proven service providers."

Enabling banks, powering propositions

In finding the right partner to deliver their proposition, Melissa recommends that banks consider five essential elements. "The five Rs to consider when selecting a partner are reach, responsiveness to market and customer demands, resilience of operations, risk management, and regulatory compliance."

Given the wide dispersion of the Asian diaspora worldwide, Mridula advises banks to find a partner with a network broad enough to facilitate remittances globally. "They must ensure robust, time zone-agnostic operations and consistent compliance with the complex web of risks and regulations that cross-border transactions will bring. All this while providing customers with the experience they expect—rate transparency, payment tracking, speed, convenience, and, of course, the best pricing."

Citi's WorldLink® Payment Services has been enabling seamless global payments across more than 180 countries for over 40 years. It allows banks to process payments in over 135 currencies through a single connection, eliminating the need to establish and maintain multiple local currency accounts. Backed by advanced payment insights, efficient processes, and continuous investment in cutting-edge technology, WorldLink helps ensure reliable and resilient treasury operations for Asian banks.

The five Rs

Reach

Responsiveness to market and customer demands

Resilience of operations

Risk management

Regulatory compliance

Melissa highlights WorldLink's value: "At Citi, we understand that banks need a turnkey solution to modernize their cross-border payment offerings with minimal disruption to existing processes. WorldLink delivers precisely this. It's an easy-to-implement solution that helps banks enhance their cross-border payment capabilities and improve their clients' payment experiences. Leveraging existing SWIFT MX connectivity, WorldLink minimizes implementation efforts and resource requirements."

WorldLink empowers banks to provide their customers with industry-leading remittance options, offering a full spectrum of payment methods—from wires and ACH to near-real-time, full-value instant payments, and payments to cards and digital wallets.

"WorldLink elevates the entire customer journey," Melissa adds. "From seamless payment initiation with transparent rates to payment tracking and a diverse range of payment options, WorldLink empowers banks to thrive amid rising competition. It enables them to meet customers' growing expectations for transparent, digital-first, always-on payment experiences."

Through WorldLink, Melissa says, Citi can help banks deliver industry-leading cross-border payment propositions, enabling them to remain competitive and grow new revenue streams. "Citi is already the trusted partner for over 1,500 financial institutions. By incorporating WorldLink's turnkey solutions in their payment propositions, banks can react swiftly, retain relevance and capture their fair share of the growing remittance market."

1. 2024 World Migration report; worldmigrationreport.iom.int. 2. Migration Data Portal Interactive Dashboard; www.migrationdataportal.org; accessed 4 December 2024, © International Organization for Migration (IOM) 2024. 3. 2024 World Migration Report; worldmigrationreport.iom.int. 4. moneytransfers.com/remittance-statistics; accessed 4 December 2024, © 2024 Moneytransfers.com. 5. World Bank Migration and Development Brief 40, June 2024; "Remittances Slowed in 2023, Expected to Grow Faster in 2024". 6. Bangko Sentral ng Pilipinas Press Release; 14 February 2024; "Personal Remittances Set a New Record High in December 2023 at US$3.6 Billion; Full-Year Level of US$37.2 Billion Highest to Date"; www.bsp.gov.ph; Accessed 30 August 2024. 7. Migration Data Portal Interactive www.migrationdataportal.org; accessed 4 December 2024