

VISA

12 Takeaways For Navigating The Money Movement Revolution



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As domestic and cross-border payments enter a period of rapid change, how can providers capitalize on the opportunities this digital revolution presents?



The movement of money is undergoing a transformation that will have great benefits for consumers and participants in the value chain. Once, individuals or businesses who wanted to move money internationally were faced with using slow and expensive wire services. **Today, domestic payments are expected to be instant and low cost** - and consumers want the same experiences in cross-border flows.

This expectation is driven by a digital evolution, a global phenomenon with its own expression in Asia Pacific. Digital wallets have brought millions of the unbanked into the financial mainstream. Asia's demographic mix - young people, a growing middle class, digitally aware - fits the trend perfectly.



This creates new opportunities for financial institutions and fintechs to collaborate: for banks because they have seen the competitive environment transformed by a flood of new and nimble competitors, and for fintechs because they must find the right niche in a competitive field where trust and security play a determinant role.



In this fast-changing world, what are the key issues that ecosystem participants must consider?

01.

The movement of money has expanded, and that will continue. There are close to 15,000 financial institutions connected to the Visa network.¹ **“Money movement is going through a period of incredible momentum,”** says Ruben Salazar, Global Head, Visa Direct. “If you wanted to participate in money movement ten years ago, the only way to do so was to be a bank, or, if you were a bank, to develop your own correspondent network.” Those days are long gone: **barriers to entry are lower as digital adoption and transformation eliminate friction from multiple use cases.**

This trend will continue for as long as any new entrant can spot overlooked segments in the market: an underserved cross-border corridor, a domestic gap in an underbanked market, an overpriced remittance flow. Consumers demand real-time movement of money, while governments continue to introduce real-time payment systems. Both these dynamics will continue to attract new entrants.

02.

Domestic and cross-border payments are developing at very different rates. Across Asia there are countless examples of low cost and frictionless instant payment services domestically.² This has become a baseline expectation of the individual consumer. But friction persists in cross-border payments because of differences in technology, regulation and economic models from one market to another. Examples of truly instant cross-border payments do exist – the Monetary Authority of Singapore and the Bank of Thailand set up one such system in 2021³ – but they are the exception rather than the rule. **“It will take many years before the industry delivers cross-border money movement that is global, secure and frictionless,”** says Salazar. Yet Visa research expected the amount of money crossing international borders to top **\$156 trillion in 2022**, having grown at a CAGR of 5% over the preceding five years.⁴ Smoothing these flows will be a priority for industry players.

03.

The distinction between payment, money movement and remittance has become blurred. **“Payment has become money transfer, has become remittance, all together,”** says Raymond Ng, Chief Executive Officer, Revolut Singapore. “In the past, banks were focused on money transfer, and payment companies did payments.” Those delineations are gone: Singapore’s PayNow is an example of a bank-led app with payments at its heart. This doesn’t matter to consumers: in fact, it’s convenient, as multiple use cases for them can reside within a single app or service. But it does require providers to have a clearly articulated proposition.



Visa expects \$156 trillion of cross-border payments in 2022.



04.

Differentiators in any money movement proposition are trust, speed of remittance, pricing and user experience. Consumers vary in their priorities, but any successful provider will have to balance these four criteria. At a recent Visa Direct Partner event in Singapore,⁵ a poll of audience members showed that low fees and speed are dominant considerations.

5 bn
digital wallets in use globally in 2026



The most important aspect of a network is reach.



Ruben Salazar
Global Head, Visa Direct



05.

The rise of digital wallets is unstoppable and a key engine of financial inclusion, particularly in Latin America, Asia and EMEA. **Visa Direct reaches more than 1.5 billion individuals and small businesses across 44 markets** with access to more than 78 wallet providers, and that number will grow as mobile money platforms integrate with remittance providers in more countries and territories, and consumers become more comfortable with storing financial information, such as credit and debit card details, on their phones. Research suggests there will be over **5 billion digital wallets in use globally in 2026.**⁶

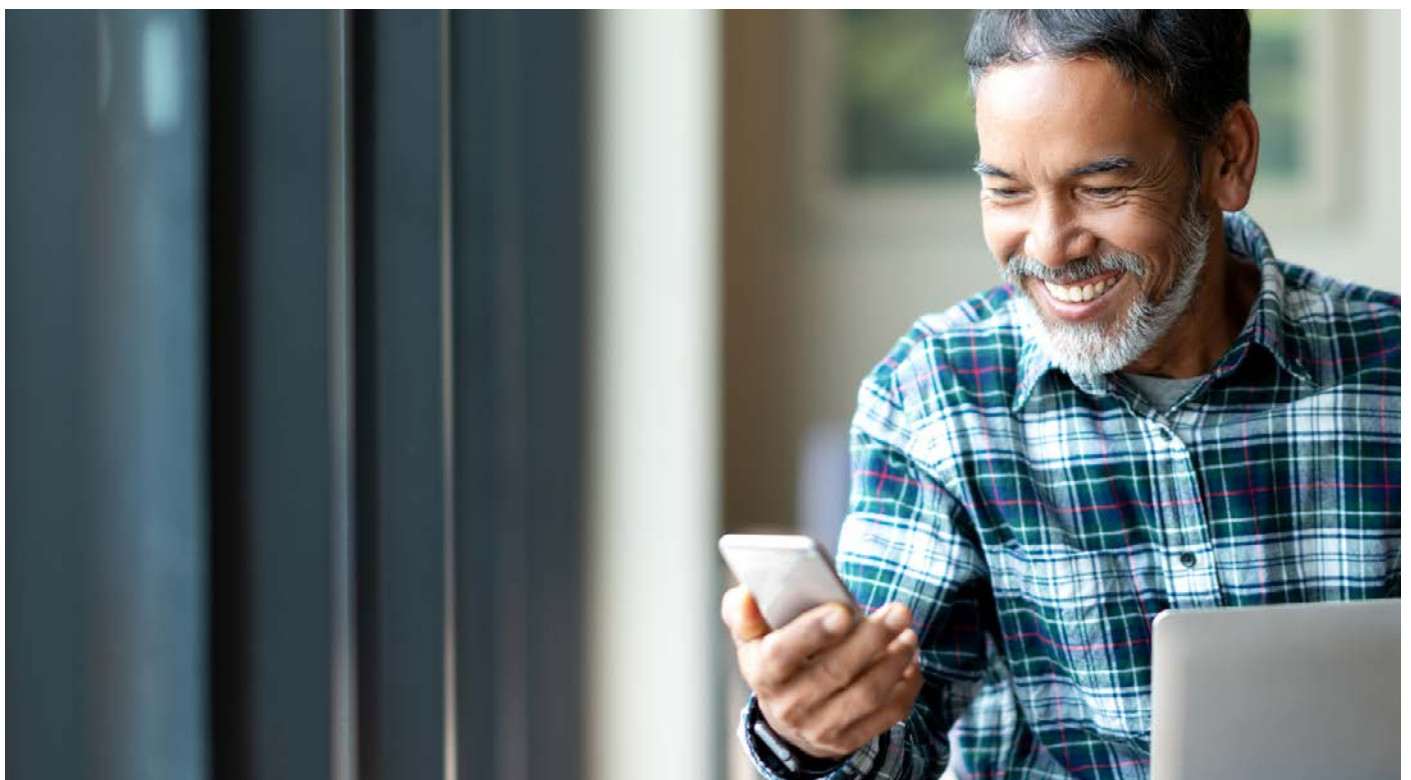
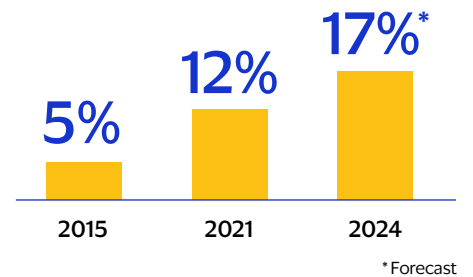
Success begets success. "The most important aspect of a network is reach," says Salazar. "A valuable endpoint for anyone who has an aspiration to reach the consumer is that you have to reach them in the financial vehicle they are using. For billions of consumers, the financial leap to a digital model is not to a bank account but to a wallet."

06.

But a business wallet is not a bank account and the distinctions in utility and reach must be remembered. Business wallets operate under specific and limited licensing regimes; these vary considerably around the world but, broadly, they do not permit as wide a range of transactions as a classic bank account.

Nevertheless, many consumers are satisfied with the services wallets offer – and they are not alone. In the B2B SME segment, says McKinsey, non-bank market share of **global payments increased from 5% in 2015 to 12% in 2021 and is expected to hit 17% in 2024.**⁷

Non-bank share increase in global payments





07.

Consumers don't much care about underlying technology, nor do they need to see it. What they do care about is service, which they want to be **seamless, reliable and cheap**. The technology needs to work invisibly on their behalf. Providers should focus more on what customers need and use technology to meet those requirements. **"Technology will always improve, but the consumer is looking at the experience, trust and pricing,"** says Ng. "They will leave the technology to us."

08.

There is a trend toward more **specialized, experience-driven industrial solutions**. Rather than opting for generalized offerings in mass marketplaces, clients are increasingly drawn to specialized marketplaces that cater to specific needs. "If I'm buying a pet product, I will go to a pet product marketplace. For machinery tools, it will be a specific machinery marketplace. The result is a customized list of specialized apps distinct to my own requirements," says Alan Lin, Head of Payments and Commerce Solutions, Asia Pacific, JP Morgan. Such specialized

marketplaces distinguish themselves through their in-depth knowledge and expertise. This trend reflects a **desire for tailored experiences and specialized solutions that effectively address what the client truly needs**. This shift needs to be understood by the payments and money movement business, but, at the same time, their instinct will be to rail against the tendency for consumers to have multiple apps and instead try to provide multiple services on their own app so that consumers have less reason to go elsewhere.

"We want to provide more and more services to make it easier for consumers, so they don't have so many apps," says Ng. "It's not because we want to be a bank, but how we want to serve the customer."



We want to provide more and more services to make it easier for consumers, so they don't have so many apps.



Raymond Ng
Chief Executive Officer, Revolut Singapore



09.

Remittances have been transformed in terms of speed of payment, a process accelerated by the pandemic, and particularly noticeable in Low and Middle-Income Countries (LMICs). **Global remittances grew from \$514 billion in 2011 to \$773 billion in 2021**, according to Visa research, and LMICs received a record \$605 billion in 2021.⁸

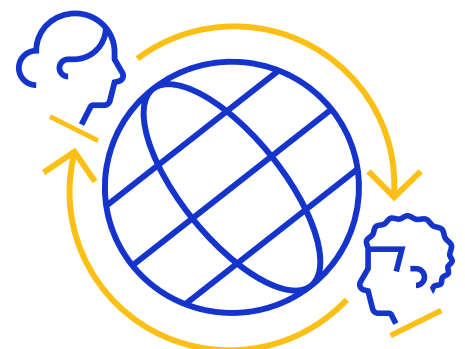
650%



increase in MoneyGram's transactions through Visa Direct year-on-year in Q4 2020

Covid-19 forced many people and businesses into digital remittance channels far more swiftly than would otherwise have been the case. In Q2 2020, **digital remittances accounted for 17% of total transactions**, according to Visa research, and had **jumped to 34% by Q2 2021**.⁹ MoneyGram's transactions through Visa Direct increased 650% year-on-year in the fourth quarter of 2020 alone.¹⁰

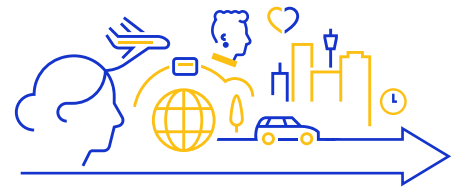
That trend won't be reversed, to the considerable advantage of the consumer, as the price difference between physical and digital cross-border remittance channels is acute, particularly in the low-value transfers that are common among migrant workers. **In Q4 2020, the average cost of a \$200 remittance payment funded by cash was 7.06%**,¹¹ compared with 4.36% on a mobile money transfer.¹²





12.

Partnership is essential: between banks and fintechs, between providers and regulators, between systems in different jurisdictions. **“Collaboration is a competitive advantage,”** says Salazar. “If you know how to extract value from partnerships you are a better competitor in every marketplace. Nobody in the ecosystem has all the skills and functionalities to serve everyone.”



10.

But that speed is not matched by cross-border disbursement speed for international sellers. Visa surveyed **750 marketplace sellers in the US and found 67% said waiting for payments** – which can frequently take days – affected their ability to do business.¹³ Research commissioned by Visa through Americas Market Intelligence found that 40% of cross-border disbursement transactions took more than a week.¹⁴

11.

Banks have a role to play in the digital world of money movement, provided they are agile and willing to adapt. “Many consumer banks have impressive mobile apps and can do FX easily,” says Lin. The payments system, particularly cross-border, has complex underlying systems that banks are experienced at navigating. **“Banks will continue to play a central role in money movement behind the networks we are trying to build,”** says Salazar. “There is a huge degree of complexity in terms of treasury positions and FX platforms that banks are providing today,” he adds. “The consumer is the winner when there are so many players in the ecosystem.”

Partnership has become easier: banks no longer need to build correspondent banking networks when they can plug in to other people’s digital networks. Bilateral agreements are easier than multi-party agreements, but both are necessary steps towards a more seamless global money-movement network.

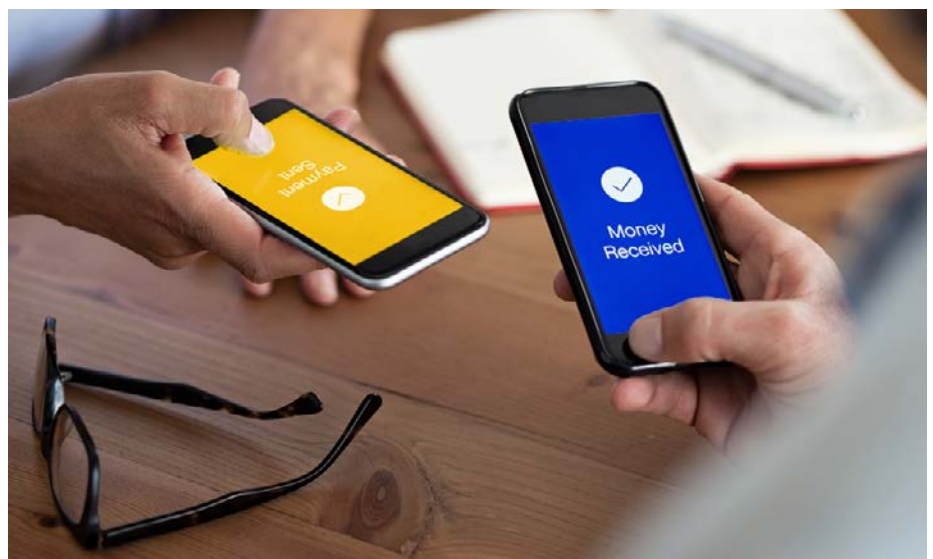
But the greatest lubricant to greater cross-border payments would be a different kind of partnership: **collaborate with governments to harmonize regulation on some key points of money movement.** “That would be an early step in securing frictionless transactions,” says Salazar.



Many consumer banks have impressive mobile apps.



Alan Lin
Head of Payments and Commerce Solutions, Asia Pacific, JP Morgan





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About Visa

Visa (NYSE: V) is a world leader in digital payments, facilitating transactions between consumers, merchants, financial institutions and government entities across 200+ countries and territories each year.

Visa Direct is a network that helps transform global money movement. It offers a single connection to multiple payment networks, spanning 190+ countries and territories, 160+ currencies, and nearly 7 billion endpoints with connections to 14,900+ banks and financial institutions.¹⁵ It supports 60+ use cases, including peer-to-peer, cross-border payments and more. Use cases are for illustrative purposes only. Program providers are responsible for their programs and compliance with any applicable laws and regulations. Visa Direct also offers multiple APIs, real-time authorization, tokenization, receiver direction, VPL and alias directory, among other value-added services and capabilities.¹⁶

End notes

- 1 Based on Visa data, As of June 30, 2023
- 2 fintechnews.sg/77246/payments/a-snapshot-of-major-real-time-payments-networks-in-asia
- 3 www.mas.gov.sg/news/media-releases/2021/singapore-and-thailand-launch-worlds-first-linkage-of-real-time-payment-systems
- 4 Optimizing Cross-Border Money Movement, 2023
- 5 Audience Poll at the Visa Direct Partner event, 3 Aug 2023 in Singapore
- 6 www.juniperresearch.com/pressreleases/digital-wallets-transaction-value-to-grow-by-60
<https://www.paymentscardsandmobile.com/digital-wallet-users-to-exceed-5-2-billion-globally-by-2026>
- 7 www.mckinsey.com/industries/financial-services/our-insights/how-asian-banks-can-regain-the-cross-border-payments-crown
- 8 Optimizing Cross-Border Money Movement, 2023
- 9 VEEI/Devtech Systems analysis of WBG Remittance Prices Worldwide Quarterly data. May 2022
- 10 MoneyGram International (MGI) Q4 2020 Earnings Call Transcript <https://www.fool.com/earnings/call-transcripts/2021/02/22/moneygram-international-mgi-q4-2020-earnings-call/>
- 11-14 Optimizing Cross-Border Money Movement, 2023
- 15 As of December 31, 2022
- 16 Program providers are responsible for their programs and compliance with any applicable laws and regulations. Visa Direct also offers multiple APIs, real-time authorization, tokenization, receiver direction, VPL and alias directory, among other value-added services and capabilities.