

Making Life Easier for Migrant Workers

Retrieved Thursday 28th of September 2017 10:38:45 PM

This week in *Exponential Investor*, it's all about long-term global trends. Today, we're exploring another critical opportunity: bringing financial services to the unbanked.

When I'm writing, I'm aware that [it's all too easy to ignore the developing world](#), as a Western investor. That's a grave mistake – as it's [where much of the action is](#). Consider TransferWise, for example. It's a billion-dollar fintech unicorn, from the UK. Combine that kind of innovation and growth, with the huge scale of the world's unbanked population – and you've got a recipe for astonishing investment success.

Today, we're turning our attention to the opportunities in the Gulf regions. Seventy per cent of the population of the Gulf Cooperation Council (GCC) countries don't earn enough money to open a bank account. Many of these people come from countries such as the Philippines, Pakistan and India – and they've relocated, to earn money to send home. The current remittance process involves a lengthy trip to the exchange house – where they have to wait in long queues, only to be hit by huge fees.

Today I'm interviewing Ian Dillon, co-founder of NOW Money, whose aim is to eliminate this problem.

But, before I hand over, I've got something important to tell you. If you're interested in finding out more about the awesome tech startups that are rising in value from the millions to the billions, then you need to [jump on our forthcoming call](#). Here, I'll be telling you all about how you can get into the fast-growth investments of the current technology revolution.

Now, it's over to Ian.

AL: Hi Ian. Can you start off by telling me a bit about NOW Money?

ID: NOW Money uses the latest smartphone technology to provide current accounts, and a range of low-cost remittance options, to low-income migrant workers in the UAE. Along with the smartphone-accessible account, they get an associated card for online transactions and in-store purchases. That's a luxury they don't currently have. We want to improve their lives, by giving them access to the financial system. This saves them time, and significant amounts on remittance costs.

AL: What inspired you to set the company up?

ID: The GCC has a huge demand for technology. For example, Saudi Arabia is the biggest consumer globally of YouTube. The migrant population in the GCC largely consists of people from countries where mobile and payments technology is already sophisticated. Pakistan has had instant payments for the last 15 years. India's Paytm, a mobile money platform, was their top-funded business last year. When we discovered the majority of this UAE migrant population are essentially unbanked, and knowing how successful branchless banking has proved in the UK, USA and South Asia, we were inspired to develop NOW Money for them.

AL: What's your business model?

ID: We typically work with corporates to provide accounts to their employees, who are currently restricted to basic pre-paid cards. Using NOW Money, salaries can be paid directly into employees' NOW Money app accounts. Here, users can manage their finances and remit overseas. As users don't have to withdraw cash to make remittances, more cash is kept in the financial system. This is a big priority for the UAE as all transactions have a "ledger", making them secure and trackable.

In addition, users can pay bills and top up mobile phones with credit, and still have a card for day-to-day withdrawals and transactions.

AL: What has been your smartest move?

ID: Our best move so far has to be moving our office from my co-founder's front room to AstroLabs, Dubai's Google tech incubator for local startups. It has opened up a world of opportunities and has allowed us to connect with other fintech companies; sharing experiences, advice and challenges. Every couple of weeks they bring in a mentor for you to speak to, who's an industry expert, and we've received a lot of guidance from that.

It has also given us exposure to investors, corporates and banks – which has brought access to a network which would otherwise have been difficult. We've been involved in startup competitions –where we've competed against other startups for funding, investment and mentorship.

It's a really great support network, and I can honestly say it's been invaluable. I would encourage any other tech startup in the region to get out of their front room and get down there!

AL: What were the challenges in building and launching the business?

ID: As one of the first fintech startups in the region, we've had to blaze our own trail through regulation and setup. There was no path to follow, and a lot of the time we didn't know if we were still en route!

It was difficult in the early days to get our point across to service providers: that we were involved in financial services, but also a startup (with no money). We were quoted expensive up-front fees for services, if we could get corporates to listen at all.

Although traditional investors such as VCs [venture capital investors] are interested in fintech, they are still only dipping a toe in the water. This is understandable, as payments are challenging and complex to learn about – when compared with easier options (such as ecommerce), or safer investments in longer standing companies. Fintech is a different ball game. It needs patient investors who understand the financial market, and who have more to offer than just finance.

We have recently secured investment from two US based venture capital firms, Accion Venture Lab and Newid Capital, after developing a relationship with them for almost two years prior. This is believed to be the first fintech investment from US VCs into the Gulf region. We're really excited to work with them, as their mandate is specifically to invest in fintech companies working towards financial inclusion – so the experience and support they can offer is unparalleled. We hope this will be the first of many US venture capital investments in the region, helping to grow the ecosystem further.

AL: What measures did NOW Money take to ensure privacy and security for the app?

ID: Privacy and security are so important. Many of NOW Money's users share accommodation, with several in the same room. For login, we use the latest facial recognition technology, which cannot be faked by using a photo as it also takes into account movement – you have to blink in order to log in. The NOW Money app also records the way you hold your phone and type, so if someone else is using it or there's suspicious behaviour, it will notify us immediately.

Although pin and password are all that is required for current compliance laws, we don't believe this to be enough, as both are increasingly susceptible to hackers. It also helps to protect people who might be naïve to sophisticated spam campaigns asking for passwords. It might be easy to trick someone into giving you their password, but it's much more difficult to steal their biometrics!

Mobile money helps to keep cash in the financial system. Currently, more than 50% of the GCC's \$100bn outbound remittance is sent through cash, which is anonymous and hard to track. NOW Money can track payments from salary, to remittance, to collection by beneficiary overseas. This is an important step change in the progress the UAE is making towards combatting money laundering and criminal funding.

AL: Given that the usage of the app relies on its users having smartphones, how does NOW Money deal with workers who lack these?

ID: There is 98% smartphone penetration across the UAE low-income market, so the problem is minimal. It is actually higher than in the wealthier segment, which at first seems strange but makes sense when you consider it's the primary method of contact with family back home – family they might not see for several years.

We have been in talks with some large phone manufacturers to provide some exclusive deals so that smartphones are affordable for all our users.

Users also receive a fully functional NOW Money payment card, so those who don't have a smartphone can still withdraw their cash from their NOW account. They just use an ATM, and remit via an exchange house.

AL: Do you think being a smartphone app limits NOW Money's utility?

ID: Absolutely not! Being solely mobile is the way forward. Incumbent businesses are desperately trying to "reinvent themselves"

digitally. It is been proven that digital, automation and advanced intelligence provides enormous benefits to companies, in terms of both growth and scale. It is difficult for current businesses to either upskill or replace their current workforces, and has been very difficult for financial services companies to replace legacy technology. Fortunately for us, like other mobile businesses at the start of their journey, we have a clean slate and are building NOW Money around the latest technology.

AL: What sort of responses have you been getting from the employers and employees? How's the feedback?

ID: Corporate clients have been receptive. We don't charge them to use the service, so that helps! Additionally, the majority of corporates we meet care about staff welfare. They've been limited in terms of financial options for staff on low income, and also have to accommodate for their long trips weekly or monthly to make manual remittances back home, and deal with the consequences when those remittances fail. Of course they are happy to know their staff have a secure and convenient way of managing finances from their pocket.

AL: There seems to be a market for the app in UAE. Where do you see it going next?

ID: GCC expansion excites us – there is so much opportunity across the region, especially in Saudi Arabia and Bahrain, which we are looking at as a GCC hub. NOW Money may differ a little for each market – depending on requirement and appetite. We are already establishing partnerships in these markets. We also plan to diversify to meet the expanding requirements of our users – to include lending and other services.

Do let us know what you think of developing-world fintech opportunities. Are you as bullish as I am?
andrew@southbankresearch.com.

... and don't forget to [book your place on our forthcoming call](#), where we'll show you how to profit from investing in disruptive technology firms.

Best,

Andrew Lockley
Exponential Investor