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IMPACTS OF NEO-BANKS ON NORTH AFRICAN MIGRANTS' REMITTANCES AND FINANCIAL INCLUSION

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FEMISE CONFERENCE PAPER

SHIFTING PARADIGMS:
Opportunities for a Deeper EU-Mediterranean Integration in a Changing World

IMPACTS OF NEO-BANKS ON NORTH AFRICAN MIGRANTS' REMITTANCES AND FINANCIAL INCLUSION

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IMPACTS OF NEO-BANKS ON NORTH AFRICAN MIGRANTS' REMITTANCES AND FINANCIAL INCLUSION

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EXECUTIVE SUMMARY

Over the past decade, remittances to North African countries have significantly increased, rising from $17.7 billion in 2008 to $65 billion in 2023. These remittances are crucial for families and local economies in Algeria, Egypt, Morocco, and Tunisia. However, the costs associated with sending money remain high, with North African migrants paying an average of 6.08% for remittances from the EU, resulting in a total annual cost of nearly $4 billion. Neo-banks, with their lower fees and digital platforms, present an opportunity to reduce these costs and enhance financial inclusion for migrants.

North African migrants in the EU face compounded economic hardships due to inflation and geopolitical tensions, including the war in Ukraine and the COVID-19 pandemic. These challenges increase living costs and remittance fees, pushing many migrants towards riskier informal channels. While neo-banks offer lower fees and greater accessibility, their adoption is limited by barriers such as inadequate access to technology, low digital literacy, and regulatory challenges.

This study examined remittance trends and financial institution preferences among North African migrants in Europe and assesses neo-banks' potential to foster financial inclusion and cost reductions. The main objetive was to explore how neo-banks can alleviate economic pressures on North African migrants and help achieve the World Bank Group's goal of reducing remittance costs to 5% and the UN-SDG target of 3%. Key findings revealed that North African migrants had diverse remittance behaviors, with varying frequencies and amounts sent home. Trust in traditional banks remained high due to familiarity, cultural norms, and accessibility issues in rural areas. However, neo-banks offered significant cost savings, with potential annual savings ranging from €30 to €134 depending on the monthly remitted amount that ranges between a €100 and a €1000 . Adoption of neo-banks was higher among younger, and digitally literate migrants with better access to technology.

Barriers to wider adoption of neo-banks included limited digital and financial literacy, lack of necessary technology in home countries, and cultural resistance to change. High regulatory and compliance costs for traditional banks also contributed to inflated remittance fees. To address these issues, the paper recommends enhancing market competition, improving access to new payment technologies, encouraging larger remittances through incentives, learning from successful public bank models like France's La Banque Postale, and fostering financial literacy and digital inclusion. Additionally, it suggests building trust and cultural sensitivity, investing in robust cybersecurity measures, and developing offline transaction capabilities to increase accessibility for migrants in remote areas.

In conclusion, reducing remittance costs to the UN-SDG target of 3% is achievable but requires a comprehensive approach that addresses technological, educational, and cultural barriers. By enhancing accessibility, trust, and financial literacy, neo-banks can significantly reduce remittance costs and improve the financial inclusion of North African migrants.

RÉSUMÉ

Au cours de la dernière décennie, les envois de fonds vers les pays d'Afrique du Nord ont considérablement augmenté, passant de 17,7 milliards de dollars en 2008 à 65 milliards de dollars en 2023. Ces envois de fonds sont essentiels pour les familles et les économies locales en Algérie, en Égypte, au Maroc et en Tunisie. Cependant, les coûts associés à l'envoi d'argent restent élevés : les migrants nord-africains paient en moyenne 6,08 % pour les envois de fonds en provenance de l'UE, ce qui représente un coût annuel total de près de 4 milliards de dollars. Les néo-banques, avec leurs frais réduits et leurs plateformes numériques, représentent une opportunité de réduire ces coûts et d'améliorer l'inclusion financière des migrants.

Les migrants nord-africains dans l'UE sont confrontés à des difficultés économiques aggravées par l'inflation et les tensions géopolitiques, notamment la guerre en Ukraine et la pandémie de COVID-19. Ces difficultés augmentent le coût de la vie et les frais d'envoi de fonds, poussant de nombreux migrants vers des canaux informels plus risqués. Bien que les néo-banques offrent des frais moins élevés et une plus grande accessibilité, leur adoption est limitée par des obstacles tels qu'un accès inadéquat à la technologie, une faible culture numérique et des défis réglementaires.

Cette étude examine les tendances en matière de transferts de fonds et les préférences des institutions financières parmi les migrants nord-africains en Europe et évalue le potentiel des néo-banques à favoriser l'inclusion financière et la réduction des coûts. L'objectif principal était d'explorer comment les néo-banques peuvent alléger les pressions économiques sur les migrants nord-africains et aider à atteindre l'objectif du Groupe de la Banque mondiale de réduire les coûts des transferts de fonds à 5 % et l'objectif de l'ONU-ODD de 3 %. Les principales conclusions ont révélé que les migrants nord-africains avaient des comportements divers en matière de transferts de fonds, avec des fréquences et des montants variables. La confiance dans les banques traditionnelles reste élevée en raison de la familiarité, des normes culturelles et des problèmes d'accessibilité dans les zones rurales. Cependant, les néo-banques offrent des économies de coûts significatives, avec des économies annuelles potentielles comprises entre3 0 € et 134 € en fonction du montant mensuel envoyé, qui varie entre 100 € et 1 000 €. L'adoption des néo-banques a été plus importante chez les migrants plus jeunes, ayant un meilleur accès à la technologie et maîtrisant le numérique.

Les obstacles à une adoption plus large des néo-banques comprennent une culture numérique et financière limitée, l'absence de la technologie nécessaire dans les pays d'origine et la résistance culturelle au changement. Les coûts élevés de réglementation et de mise en conformité pour les banques traditionnelles ont également contribué au gonflement des frais de transfert de fonds. Pour résoudre ces problèmes, le papier recommande de renforcer la concurrence sur le marché, d'améliorer l'accès aux nouvelles technologies de paiement, d'encourager des transferts de fonds plus importants par le biais d'incitations, de s'inspirer des modèles de banques publiques réussis tels que La Banque Postale en France, et d'encourager l'éducation financière et l'inclusion numérique. En outre, il suggère de renforcer la confiance et la sensibilité culturelle, d'investir dans des mesures de cybersécurité solides et de développer des capacités de transaction hors ligne afin d'accroître l'accessibilité pour les migrants dans les zones reculées.

En conclusion, il est possible de réduire les coûts des transferts de fonds pour atteindre l'objectif de 3 % fixé par l'ONU-ODD, mais cela nécessite une approche globale qui s'attaque aux obstacles technologiques, éducatifs et culturels. En améliorant l'accessibilité, la confiance et l'éducation financière, les néo-banques peuvent réduire de manière significative les coûts des transferts de fonds et améliorer l'inclusion financière des migrants nord-africains.

ملخص تنفيذي

آثار البنوك الرقمية (نيو بنك)على تحويلات المهاجرين من شمال أفريقيا والشمول المالي

على مدى العقد الماضي، زادت التحويلات المالية إلى بلدان شمال أفريقيا بشكل كبير، حيث ارتفعت من 17.7 مليار دولار في عام 2008 إلى 65 مليار دولار في عام 2023. وتشكل هذه التحويلات أهمية بالغة للأسر والاقتصادات المحلية في الجزائر ومصر والمغرب وتونس. ومع ذلك، فإن التكاليف المرتبطة بإرسال الأموال تظل مرتفعة، حيث يدفع المهاجرون من شمال أفريقيا في المتوسط 6.08% للتحويلات المالية من الاتحاد الأوروبي، مما يؤدي إلى تكلفة سنوية إجمالية تقارب 4 مليارات دولار أمريكي. وتوفر البنوك الرقمية (نيو بنك) برسومها المنخفضة ومنصاتها الرقمية، فرصة لتقليل هذه التكاليف وتعزيز الإدماج المالي للمهاجرين.

يواجه المهاجرون من شمال أفريقيا في الاتحاد الأوروبي صعوبات اقتصادية مضاعفة بسبب التضخم والتوترات الجيوسياسية، بما في ذلك الحرب في أوكرانيا وجائحة كوفيد-19. وتؤدي هذه التحديات إلى زيادة تكاليف المعيشة ورسوم التحويلات المالية، مما يدفع العديد من المهاجرين نحو القنوات غير الرسمية الأكثر خطورة. وفي حين أن البنوك الرقمية (نيو بنك) توفر رسومًا أقل وسهولة أكبر في الوصول إليها، إلا أن اعتمادها مقيد بعوائق مثل عدم توفر التكنولوجيا بشكل كافٍ، وانخفاض مستوى المعرفة الرقمية، والتحديات التنظيمية.

تناولت هذه الدراسة اتجاهات التحويلات المالية وتفضيلات المؤسسات المالية بين المهاجرين من شمال أفريقيا إلى أوروبا، كما قامت بتقييم قدرة البنوك الرقمية (نيو بنك) على تعزيز الشمول المالي وخفض التكاليف. كان الهدف الرئيسي هو استكشاف كيف يمكن للبنوك الرقمية (نيو بنك) تخفيف الضغوط الاقتصادية على المهاجرين من شمال إفريقيا والمساعدة في تحقيق هدف مجموعة البنك الدولي المتمثل في خفض تكاليف التحويلات المالية إلى 5% وهدف الأمم المتحدة للتنمية المستدامة المحدد بنسبة 3%. وكشفت النتائج الرئيسية أن المهاجرين من شمال أفريقيا لديهم سلوكيات متنوعة في مجال التحويلات المالية، مع اختلاف وتيرة التحويلات والمبالغ المرسلة إلى أوطانهم. وظلت الثقة في البنوك التقليدية عالية بسبب الألفة والمعايير الثقافية ومشاكل الوصول إليها في المناطق الريفية. ومع ذلك، قدمت البنوك الرقمية (نيو بنك) وفورات كبيرة في التكاليف، مع وفورات سنوية محتملة تتراوح بين 30 يورو إلى 134 يورو اعتمادًا على المبلغ المحول شهريًا والذي يتراوح بين 100 يورو و1000 يورو. وكان اعتماد البنوك الرقمية (نيو بنك) أعلى بين المهاجرين الأصغر سنًا والأكثر إلمامًا بالتكنولوجيا الرقمية مع إمكانية أكبر لاستخدام التكنولوجيا.

وشملت العوائق التي تحول دون اعتماد البنوك الرقمية (نيو بنك) على نطاق أوسع محدودية المعرفة الرقمية والمالية، والافتقار إلى التكنولوجيا اللازمة في بلدان المنشأ، والمقاومة الثقافية للتغيير. كما ساهم ارتفاع التكاليف التنظيمية وتكاليف الامتثال للبنوك التقليدية في تضخم رسوم التحويلات المالية. ولمعالجة هذه القضايا، توصي الدراسة بتعزيز المنافسة في السوق، وتحسين الوصول إلى تقنيات الدفع الجديدة، وتشجيع التحويلات المالية الكبيرة من خلال الحوافز، والتعلم من نماذج البنوك العامة الناجحة مثل البنك البريدي الفرنسي، وتعزيز المعرفة المالية والشمول الرقمي. وبالإضافة إلى ذلك، تقترح الدراسة بناء الثقة والاستثمار في تدابير قوية للأمن السيبراني، وتطوير قدرات المعاملات دون اتصال بالإنترنت لزيادة إمكانية الوصول إلى المهاجرين في المناطق النائية.

في الختام، فإن خفض تكاليف التحويلات المالية لتصل إلى هدف الأمم المتحدة للتنمية المستدامة المتمثل في 3٪ قابل للتحقيق، ولكنه يتطلب نهجًا شاملاً يعالج العوائق التكنولوجية والتعليمية والثقافية. من خلال تعزيز إمكانية الوصول والثقة والمعرفة المالية، يمكن للبنوك الرقمية (نيو بنك) أن تقلل بشكل كبير من تكاليف التحويلات المالية وتحسين الإدماج المالي للمهاجرين من شمال أفريقيا.

INTRODUCTION

The interplay between remittances, financial services, and technological advancements has been fast transforming the landscape of the global financial arena during the current decade. As is the case in many low and medium-income regions, remittances to North African countries remain an essential source of income for families as well as local economies, which explains the ongoing increase of annual inflows to the region. In numbers, the total value of remittance inflows to the region rose from $17.7 billion in 2008 to $55 billion in 2018 and to $65 billion in 2023 (World Bank Group WBG, June 2023). According to a 2021 technical report by the Joint Research Centre (JRC), remittance inflows in Algeria, Egypt, Morocco, and Tunisia collectively accounted for 5% of the global remittance flows in 2019. The total annual value of these remittances surpassed the amount received through Foreign Direct Investment (FDI) in the same four countries over the past ten years (Kalantaryan & McMahon, 2021). The remittance flows from migrants, particularly those originating from Morocco, Algeria, and Tunisia (hereafter North Africa) and residing particularly in France, Spain and Italy constitute a significant component of the international financial ecosystem.

In this context, the emergence of neo-banks (such as Wise, N26, Revolut and Nickel), heralding a new era of digital financial services, has opened avenues for innovative approaches to remittance management, catering to the unique needs and contributing to a more financial inclusion of migrants. One of the reasons behind the rise of digital banking, and its spread among the migrant communities is the competitive services and associated costs it offers, compared to the ones provided by traditional banks. For instance, during the first quarter of 2023, the global average cost for digital remittances stood at 4.72% compared to 6.92% for non-digital remittances (WBG, March 2023), scoring a notable difference in the associated costs, and aligning with the growing trend toward technological innovation in the realm of financial transactions.

Still, the remittances' associated fees in general remain high globally as well as within North African countries where the average cost of sending $200 from an EU country stands at 6.08%, which is the third highest cost globally, after Sub-Saharan countries (8.41%) and Europe & Central Asia (6.58%) (Ibid). In other words, the total average cost that North African migrants had to pay for remitting the $65 billion during the first three quarters of 2023 was $3.96 billion, which is a substantial amount. This situation raises critical questions concerning the realization of the World Bank Group's aim of reducing the cost of remittances to 5% within 5 years (known as 5x5, WBG, June 2016) and the aspiration of UN-SDG 10 C[1] for reducing inequality and reducing the remittance costs to 3% (WBG, June 2023).

[1] According to United Nations' Department of Economic and Social Affairs, SDG 10C aspires by 2030, to reduce to less than 3% the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5%. https://sdgs.un.org/goals/goal10

PROBLEM

The inflationary pressures building up in the EU, and beyond, because of the war on Ukraine and during a post-pandemic recovery have had drastic consequences on the values of North African migrants' remittances as prices for energy, food, and money transfer fees are on the rise. According to the European Union report released in February 2023, inflation increased from 0.3% in 2020 to 2.6% in 2021 and then to 8.4% in 2022 (EU, February 2023). As North African migrants in the EU states navigate economic adversities arising from the Russian invasion of Ukraine and the COVID-19 pandemic, their remittances serve as lifelines to families and communities back home. Despite this pivotal role, the associated costs of remittances remain disproportionately high; and while neo-banks offer competitive advantages, several obstacles (access to technology, digital literacy, and legal documents to state a few) stand still, contributing to the persistent challenge of restricted access to these services.

Under these circumstances, informal channels remain popular among migrants (Maimbo & Ratha, 2005) despite the fact they are often associated with higher risks of fraud and money laundering (Fatima, 2018). Indeed, the actual annual value of remittance flows to North Africa is significantly higher than the 65 billion mentioned earlier because a large but unknown amount goes off-radar through unrecorded informal channels, including savings brought home on return and transfers through unregistered intermediaries. Despite the potential advantages of informal remittance channels in terms of speed, accessibility and anonymity (e.g., Kapur, 2004; Pieke et al., 2005; Siegel et al., 2010), informal channels pose high risks as they often rely on informal contracts and entail risks of theft, loss, misuse for criminal ends, including money laundering, and financing of terrorism and smuggling, (Kosse & Vermeulen, 2014).

Consequently, as migrants grapple with the challenges of navigating financial systems in host countries and maintaining ties with their home nations, neo-banks could be a sustainably "SmaRT[2]" solution to bridge the gaps between convenience, accessibility, and affordability for migrants if services are tailored to the needs and characteristics of this demography. Accordingly, this research aims to address the following problem: "*how can neo-banks and digital financial services effectively mitigate the economic hardships faced by North African migrants while also contributing to the reduction of high remittance costs that impede progress towards the World Bank Group's cost reduction goals and the aspirations of UN-SDG 10 C?*"

OBJECTIVES

The main objective of this paper is to address the interconnected dynamics between North African migrants' remittances, persistent high remittance fees, and digital financial services within the EU states.

[2] I borrowed the term "SmaRT" from the World Bank which introduced "SmaRT" in 2016 as indicator with the aim to reflect the cost that a savvy consumer with access to sufficiently complete information could pay to transfer remittances in each corridor. SmaRT is calculated as the simple average of the three cheapest qualifying services for sending the equivalent of $200 in each corridor and is expressed as a percentage of the total amount sent.

The research seeks to uncover the potentials of neo-banks if reducing remittances' fees through informed policy recommendations that can bridge the gap between migrants' financial needs and the principles of financial inclusion outlined by SDG 10 C, especially considering the challenging backdrop of recent geopolitical events and the ongoing global pandemic. More specifically, the study aims to:

- Examine trends and patterns of remittances and preferences of financial institutions among North African migrants in Europe, shedding light on the impacts of money transfers' fees on the migrants' remitting behaviors and socio-economic conditions.
- Analyze the potential of neo-banks to foster a conducive environment for financial inclusion of North African migrants by assessing the extent to which these platforms can contribute to achieving the cost reduction objectives outlined by the WBG and UN-SDG 10 C.

As such, the study aspires to provide actionable insights and informed policy recommendations pertinent to how digital financial services can positively impact migrants' well-being and contribute to the global goals of reducing inequality and optimizing migrant economic inclusion in the financial ecosystem. These objectives are translated into 4 operational questions:

1. What factors impact the remittance trends and behaviors of the Moroccan, Algerian and Tunisian migrants living in France, Italy and Spain?
2. What factors shape these migrants' decision to choose the most convenient financial institutions for sending money back home?
3. How do the features of neo-banks, such as remittance cost-effectiveness influence the remittance experiences of these migrants?
4. How can neo-banks enhance the financial inclusion and well-being of migrants while contributing to the achievement of UN objectives in terms of reducing the cost of remittances to 3%?

Notably, this study does not intend to conduct a benchmarking comparison between traditional banks and Neo-banks. This is so because as more migrants seek convenient and cost-effective financial services, many traditional financial institutions have recognized the need to stay relevant and started acting accordingly. Several banks, Money Transfer Operators (MTOs), such as Western Union, as well as post offices like La Banque Postale in France, among others, have integrated online banking services and products to remain competitive within the Fintech arena. Indeed, it is highly likely that more traditional banking institutions will continue to adapt to the evolving landscape of financial technology. This adaptation may involve integrating traditional banking services with innovative online banking services or even undergoing a complete transformation into online banking entities. Therefore, we assume that comparing the competitive advantage of traditional banking institutions to Neo-banks is of less utility to the scope of the study.

Instead, we aim, on one hand, to explore the remittance preferences and behaviors of migrants in North African countries, specifically Morocco, Algeria, and Tunisia, and to investigate the justifications behind these preferences and behaviors. On the other hand, to focus on the promised potential of Neo-banks as game-changers in the context of cross-border remittances, paying particular attention to their potential to lower transfer fees and enhance accessibility on the ground that the former can enhance the migrants' accessibility to financial services, streamline operations, and reduce costs for both financial institutions and consumers. The intent of these two objectives is to provide insightful policy recommendations about the remittance behaviors of North African migrants and the role of emerging financial technologies in facilitating more cost-effective and accessible cross-border money transfers.

The paper is structured as follows: following this introduction, Section I presents a comprehensive review of existing literature on remittances, digital financial services, and the specific dynamics of North African migration to EU states. Section II outlines the research methodology, including the qualitative and quantitative approaches employed to gather and analyze data. The findings of the study are presented in Section III, followed by a discussion and policy implications of the results in Section IV. The list of policy interventions is proposed followed by a general conclusion accompanied by a list of references.

REMITTANCES BETWEEN EVOLUTION, FORMALIZATION & DIGITAL TRANSFORMATION

The section underlines the working definition of “neo-banks” and reviews the contextual evolution and socio-economic significance of remittances, followed by an examination of the emergence of neo-banks and their potential benefits for migrants and financial institutions, paying particular focus on the North African context. The review then discusses the challenges and barriers to accessing neo-banking services and concludes by highlighting gaps in the existing literature and policy landscape.

EVOLUTION & FORMALIZATION

Within the broader context of financial technology (or “Fintech”: a term that encompasses numerous technological innovations in the financial sector, IMF, Dec. 2022), “Neo-banks” (such as Wise, N26, Revolut and Nickel, among others) have emerged as a significant player, redefining the way individuals and businesses interact with banking services as they represent a distinct category of financial institutions that operate exclusively online or through mobile applications. Unlike “Traditional Banks” that are known for their extensive physical branch networks offering in-person banking and a comprehensive range of financial services, neo-banks’ defining feature is the absence of physical branch networks, leveraging technology and innovation to provide customers with a digital-first banking experience.

In this context, “digital banking” serves as an umbrella term encompassing various digital technologies used to provide banking services, which may or may not include traditional banks that offer online services that neo-banks offer. Furthermore, given that neo-banks distinguish themselves from traditional banks and those that have started incorporating digital banking services (such as La Poste in France and Western Union) primarily by their focus on the customer experience. Neo-banks prioritize user-friendly mobile apps and interfaces, emphasizing convenience, accessibility, and speed. This customer-centric approach resonates with individuals seeking a more agile, tech-savvy banking experience. In this paper, accordingly, the focus is on the concept of “neo-banks” as a subset of, but not an interchangeable concept to, other financial institutions and fintech companies that leverage technology to streamline financial processes that range from online payment systems to peer-to-peer lending platforms and blockchain-based solutions. As such, we aim to explore the benefits, challenges, and impact of neo-banks’ services on the North African migrants’ remittances from Europe to Morocco, Tunisia and Algeria.

Defined as sending money “*from a well-meaning individual or family member to another individual or household*” (IMF), migrants’ remittances started attracting attention in the 1970s, when oil price shocks and economic instability in many developing countries prompted a surge in labor migration to more prosperous regions (WBG, May 2018). But the 2000s marked a turning point in the recognition of remittances' potential as a development tool. Policy institutions, including the World Bank (WB) and the International Monetary Fund (IMF), began to take notice of the transformative role remittances played in the global financial landscape. As the global flows hit $400 billion in the early 2000s, 70% of which was transferred to developing countries, the World Bank Group (WBG) economists engaged in bringing migrants' remittances to the attention of policy makers, academics, and development agencies globally by unveiling the magnitude of this phenomenon. The publication of seminal studies, such as those by Samuel Munzele Maimbo and Dilip Ratha (2005), marked the beginning of an academic exploration into the multifaceted impact of remittances on both individual households and national economies. As research findings emerged, demonstrating the positive effects of remittances on poverty reduction, education, and healthcare access in recipient countries, the theme gained a wider visibility in academic and policy discussions.

The 2000s was also a period that witnessed the formalization of remittances as an essential part of development strategies, with international organizations and governments acknowledging their potential to alleviate poverty, foster economic growth, and contribute to stability. This recognition led to the establishment of various initiatives and policies aimed at reducing the costs of remittance transactions and promoting financial inclusion in receiving countries. Thanks to the increased collective knowledge on the topic, gathered through research and operational work over the last decade, new indicators that more accurately reflect the migrants' perspective and needs were elaborated. For instance, in 2003 the WBG adopted the 5x5 objective, aiming at lowering the costs of remittances to less than 5%; then came SDG goal 10.C seeking to reduce the transaction costs to less than 3% and to eliminate remittance corridors with costs higher than 5% (UN-DESA). As a result, the average cost of sending USD 200 or its equivalent – as monitored by the RPW database – was reduced from over 15% in the 1990s (WBG, June 2016) to 6% in 2023.

The acceleration of technological innovation, particularly in the realm of digital finance, further propelled the prominence of remittances, giving rise to the concept of "Remtech," an abbreviation for "remittance technology." Remtech focuses exclusively on innovations related to online money transfer services, mobile applications, blockchain-based platforms, digital wallets, and more (IMF, Dec. 2022), all aimed at streamlining and securing cross-border remittances. The concept has recently brought the theme of remittances to the forefront of discussions surrounding financial inclusion and innovation.

SOCIO-ECONOMIC IMPACTS OF REMITTANCES ON NORTH AFRICAN REGION

For North African families and economies, remittances constitute a substantial origin of income. These financial flows play a pivotal role in sustaining livelihoods, reducing poverty, and fostering economic development (Barkat, Alsamara & Mimouni, January 2023), aiding in the reduction of trade imbalances and current account deficits. The cumulative inflows surpass the collective value of Official Development Assistance (ODA). Notably, remittances have demonstrated greater resilience against economic disruptions compared to alternative forms of private capital movement (EMN/OECD, 2020), and proved especially valuable today as a resource for responding to, and recovering from, the COVID-19 pandemic. Massey & Taylor (2004), as well as Amega & Tajani (2018), document the transformative effects of remittances on education, health, and overall well-being of recipient households. Giuliano & Ruiz-Arranz (2005) also underscore the significance of remittances in stabilizing national economies, contributing to foreign exchange reserves, and acting as countercyclical buffers during economic shocks. These indicators seem to be true within the North African context.

Morocco, Tunisia, and Algeria share a range of migratory characteristics. They are all countries of mixed-migration patterns (receiving, transiting, and exporting migrants) with large diasporas in Europe which have in general followed a similar development trajectory (Badre 2022). Hence, remittances represent a significant resource for all three. Yet, they are quite distinct from one another in terms of the sources, scale, and significance of their remittances. This potentially has implications for the way that remittances impact development and poverty alleviation in each receiving country and the way that policies should be shaped to accommodate and respond to their differences.

Overall, the scale of remittance inflows to Morocco, Tunisia, and Algeria is significant and growing. Whereas in 2008 they were worth around $10 billion, this number has tripled by 2023, outstripping the scale of foreign direct investment (FDI). For instance, remittances to Morocco in 2019 equaled 6% of the country's GDP, in Tunisia was 5% and Algeria 1% (Kalantaryan & McMahon, 2021). During the first quarter of 2023, the Moroccan diaspora remitted $2.7 billion (Morocco's Office of Change, April 2023). During the first half of 2023, the Tunisian expat transferred $1.2 billion (Central Bank of Tunisia, BCT). Conversely, the personal remittances received in Algeria declined to $1.8 billion in 2022; nevertheless, the last two years recorded significantly higher personal remittances received than the preceding years (Statista, 2023).

According to Kalantaryan & McMahon (2021), in 2018, the EU-27 states accounted for 85% of remittance flows to Morocco, Tunisia, and Algeria, with approximately 80% of those sent to Algeria originating from France, and around 79% of those sent to Tunisia originating from France, Italy, and the USA. In contrast, remittances to Morocco exhibit a broader source of distribution, with a substantial proportion originating from EU states, the Gulf Cooperation Council (GCC) region, and North America. Among the recipients of remittances, approximately 65% are classified as economically inactive or unemployed. However, recipients of remittances generally exhibit a more favorable economic status, as frequent reception of remittances is correlated with a higher likelihood of being able to save money. Notably, about 31% of those who receive monthly remittances are capable of saving, whereas only 10% of those who never receive remittances can do the same (Ibid).

DIGITAL TRANSFERS BETWEEN COST-ALLEVIATION AND LIMITED ACCESSIBILITY

As mentioned earlier, the global average cost of sending remittances has steadily fallen over the past decade (WBG, 2023). Yet, while the cheapest remittance corridors tend to be those from GCC countries to Egypt, the remittance corridors to North Africa are relatively high as they are affected by a broad range of factors that fluctuate over time but there has not been a decline in costs across the board during the COVID-19 period. The emergence of neo-banks has ushered in a new era of digital financial services, reshaping the financial landscape, and offering innovative solutions for remittance management. They are characterized by their technology-driven operations, user-friendly interfaces, and cost-effective services (Monis & Pai, June 2023). Researchers, including Buckland, J. (December 2012); Alonso SL, Vazquez J, & Forradellas, R. (2020); and Asenjo, A., Escudero, V. & Liepmann, H. (June 2022) among others, highlight the potential of neo-banks to promote financial inclusion by reaching underserved populations, including migrants, who may have limited access to traditional banking services. De Haas (2007) and Kosse & Vermeulen (2014) also identified the advantages of neo-banks- such as lower transaction costs, faster processing times, and real-time insights into financial activities- as key drivers of their appeal to migrants seeking efficient cross-border transactions.

Yet, while broadening access to digital financial services contributes to lowering the costs of remitting, in the countries studied, access to neo-banks' services is still limited by a digital divide among North African migrants and their families back home. Challenges such as digital literacy gaps, language barriers, identification requirements, and limited outreach efforts can create barriers for migrants seeking to access these innovative platforms (WBG, April 2020). For instance, Kalantaryan & McMahon (2021) reported that over one-third of Moroccan respondents who receive remittances never use the internet, followed by 38% in Algeria, and 44% in Tunisia. Moreover, issues of trust, preferences for familiar banking methods, and regulatory compliance challenges can contribute to migrants' hesitation in adopting neo-banking services. These barriers underscore the complexity of financial inclusion and highlight the need for tailored strategies to address the unique circumstances of migrant communities.

Therefore, bridging the gap between migrants' financial needs and the principles of financial inclusion outlined by SDG 10C requires informed policy recommendations. True enough, there exist salient studies on the benefits of migrants' remittances on the ecosystem of the receiving communities. For instance, Bhattacharya *et al.* (2018) Donou-Adonsou *et al.* (2020) study show evidence of the correlated relationship between remittances and financial inclusion while Acharya and Leon-Gonzalez (2014) and Askarov and Doucouliago (2020) investigated the impact of remittance on investment and education in the senders' home communities; and Adams & Page (2005) and Azizi (2019) analyze the impacts of remittances on poverty reduction. However, there is a paucity of research focusing specifically on the North African migrant context within the EU states. This research seeks to address this gap by examining the unique dynamics of this demographic group and identifying context-specific policy implications saliant to the question of how neo-banks could contribute into reducing the associated costs of cross-border money transfer by emigrants and, hence, enhancing their financial access and inclusion.

METHODOLOGY

The study adopts an exploratory approach, integrating both qualitative and quantitative methods to delve into the interactions between remittances, financial services, and technological advancements within the context of North African migrants in the EU states. The design is particularly suitable to the need to uncover insights, patterns, and nuances and offers the flexibility required to investigate the challenges faced by North African migrants and the potential of neo-banking services to address these challenges. Additionally, it enables the researcher to uncover emergent themes, unexpected connections, and unexplored dimensions within the research context. The section describes the study's sample and sampling strategy, data collection procedures and operationalization, and concludes with a statement of the scope and limitations of the study.

SAMPLING & SAMPLE

Given the exploratory nature of the study, a purposive sampling approach was adopted to target individuals who could offer in-depth perspectives on the research questions, based on their knowledge and experiences related to remittances, and neo-bank services. The sample consisted of North African migrants from Morocco, Tunisia, and Algeria (North Africa) residing in France, Spain, and Italy (EU). To identify suitable participants, the researcher relied on his personal network with migrant communities in the three EU countries as well as local non-governmental organizations (NGOs) that had direct contact with this demography in the cities of Nice & Bordeaux, (France); Rome, & Bari (Italy), and Madrid (Spain). In total, 64 migrants participated in the study, encompassing a variety of characteristics, including age, gender, residency period, and employment status. Notably, only migrants who were 18-year-old and above, professionally active, and who have lived over three months (regardless of their migration status) in the focal countries were recruited[3] for interviews. The selected sample was then invited to take part in mixed-structured interviews. The decision to employ purposive sampling was motivated by the desire to gather detailed and context-specific data that could enhance the understanding of the intricate dynamics between migrants, financial institutions, and digital financial services.

[3] The selection criteria for participants encompassed the factors of "age" employment status and "duration of stay in the host country." This approach was guided by the intention to examine adult migrants, as individuals below the age of 18 were considered young migrants and thus not within the scope of this study. Additionally, in accordance with the mobility regulations outlined by the European Union, a threshold of 120 days (equivalent to 3 months) was utilized as an indicator of residency rather than tourism status. This criterion aimed to ensure the inclusivity of migrants who were genuinely residing within the research focal country, while excluding those who had been in the country for a period less than three months. Finally, professional status was determinant selector as it ensures that the participants generate income, thus, potentially qualified to remit money to their home-country.

DATA

A mixed-method approach was deployed for data collection. On one hand, a comprehensive desk review was conducted to gather secondary data from 18 existing technical reports, scholarly articles, and statistical sources published mainly by the World Bank Group, the International Monitory Fund, the United Nations, the European Commission, and scholars. These data served as a foundation for contextualizing the research problem; understanding the broader landscape of remittances in the contexts of neo-banks; identifying gaps and trends within the existing literature; and developing the interview questions. On the other hand, primary data were collected by means of mixed-structured interviews (including both closed items and open-ended questions) that were conducted face-to-face with the sample.

The interviews enabled the collection of numerical data through close-ended items and a set of open-ended questions that explored topics such as a) migrants' remittance patterns and behaviors; b) perceptions and attitudes that shape the migrants' choices of the financial institutions for money transfer; c) perceptions on remittances' costs; d) saving-powers, and socio-economic impact of remittances' costs on the migrants and their families' livelihood; e) and pending challenges to accessing neo-banks' services. The interviews were transcribed verbatim to ensure an accurate representation of participants' responses; and then, analyzed using thematic analysis to identify patterns, trends, and key insights.

As to the data yielded from the close-ended questions, they were processed through excel, using "descriptives" to calculate "means" and visual statistical representations. For instance, to assess the potential contribution of Neo-banks to the financial inclusion and improved livelihoods of migrants and their communities, we decided to calculate the estimated savings arising from the reduced associated costs of remittance when employing neo-banks. To do so, we asked the participants about the frequency, the amount sent, their preferred remittance methods (whether Neo-banks or traditional banks), and the associated fees they paid. Then, we categorized the participants into 3 groups based on the frequency of their remittances (monthly, more than twice a year, and at least once a year). We also considered the average amount participants sent per remittance.

To determine potential savings per remittance for each category, we subtracted the fees linked to Neo-banks from those associated with traditional banks. Notably, determining the exact fees paid for the remittances of these migrants proved to be a complex endeavor because of the variability in fees associated with different factors such as the sent amount, specific Neo-bank platforms versus traditional banks or "other channels" for money transfer, the country of origin, the destination country, and the chosen method of receiving funds made it challenging to determine precise costs for each individual transaction. To address this complexity, we calculated the average fees of four Neo-banks and traditional banks based on the participants' responses as well as available data in the selected neo-banks as well as websites of prominent EU banks based in the focal countries. This approach offered insights into the financial advantages of using Neo-banks without getting entangled in the intricate details of individual transactions.

Subsequently, we extrapolated potential annual savings for those participants remitting monthly by multiplying their monthly savings by 12. For participants who remitted more than twice a year but not monthly, we computed semi-annual savings and annual savings. For participants who remitted at least once a year, we calculated their potential annual savings. Throughout this process, we integrated various scenarios, including different average remittance amounts and fee structures. Assumptions were formulated for each scenario, such as the average amount sent, and the fees linked to each method.

The fieldwork for interview data-collection started in September 2021 and ended in December 2022, spanning a duration of 15 months. During this period, a series of visits to 5 cities in Spain (Madrid), France (Nice & Bordeaux), and Italy (Rome and Bari) were conducted between September 2021 and December 2022. The operationalization process encompassed a delineation of the pivotal variables pertinent to the research. The realm of financial services was categorized under three domains: "traditional banks", "neo-banks" and "other channels". Neo-banks, as a distinctive subset within the digital paradigm, were particularly highlighted for their transformative potential in reshaping remittance accessibility. Finally, particular attention was invested into the gender dimension regarding remittances and experiences with financial institutions.

SCOPE & LIMITATIONS

The study focuses on North African migrants from Morocco, Algeria and Tunisia residing mainly in France, Spain, and Italy due to their significant presence in these three EU states. It explores demographic remittances' patterns and behaviors, decisions that shape their choices for financial institutions, and the pending challenges as well as potential benefits of neo-banks in addressing remittances' costs and financial inclusion. Accordingly, we acknowledge certain limitations, including potential selection bias due to purposive sampling and the possibility of participant subjectivity in self-reporting. The study is confined to the experiences of only migrants from three North African migrants in three specific EU states and may not fully capture the broader regional diversity of the migrant population. Nevertheless, all these limitations were dictated by the specific nature and scope of the study that was confined by financial, logistical, and time constraints. Still, we believe that the chosen research methodology aligns with the exploratory nature of the study and sheds light on this research area within this geography.

FINDING

SAMPLE DESCRIPTION

The study's sample comprised a total of 64 of which the majority were male 42 (65.6%) versus 22 female (34.4%) participants, consisting of migrants from Morocco, Tunisia, and Algeria. The mean age of the participants was 32 years, with the youngest being 24 years old and the oldest being 49 years old. The average age among the males was around 33 years, while among the females was approximately 30 years. 30 interviewees were of Moroccan origin, accounting for 46.9% of the sample. Tunisians constituted 17.2% (11 participants), while Algerians accounted for the remaining 35.9% (23 participants). Regarding the distribution of participants by their host countries, among Moroccans, 12 participants (40%) were based in France, 10 (33.3%) in Spain, and 8 (26.7%) in Italy. Similarly, many of the Tunisian participants (8; 72.7%), were residing in France, while 1 (9.1%) was in Spain, and 2 (18.2%) in Italy. Algerians exhibited a diverse distribution, with 10 participants (43.5%) in France, 7 (30.4%) in Spain, and 6 (26.1%) in Italy.

The average duration of residence in the host country was 8 years; with the longest period of residency was a male Algerian living in France for 15 years while the newer comer (male) arrived recently (2 years) from Moroccan and was currently living in Spain. In terms of socioeconomic status, all the participants identified themselves as employed, with 13 participants identified as both employed and finishing their university education. Table 1 summarizes these demographic characteristics.

Table 1. Sample Description

Items	Categories	Respondents			
		Total	Country of residence		
			France	Spain	Italy
Sex	M	42 (65.6%)	18	10	14
	F	22 (34.4%)	12	8	2
Country of Origin	Morocco	30 (46.9%)	12	10	8
	Tunisia	11 (17.2%)	08	1	2
	Algeria	23 (35.9%)	10	7	6
Employment		64 (100%)	30	18	16

FAMILIARITY WITH NEO-BANKS COMPETITIVE SERVICES

Insights into the participants' familiarity with neo-bank services and their perceptions of cost competitiveness revealed some variations across genders and countries of origin. For instance, 8.3% of the male interviewees viewed neo-banks as "very cost-competitive", while 25% saw them as "somewhat cost-competitive". A "neutral" perception was held by 20.8%, while 20.8% considered neo-banks "not very cost competitive". The remaining 25.0% of the male believed neo-banks were "not cost competitive at all". Similarly, 6.7% of the female found neo-banks to be "very cost competitive", and 26.7% perceive them as "somewhat cost-competitive" against 50% who believed neo-banks "not cost competitive" or "not cost-competitive at all". When considering the country of origin, ~~3.3% of Moroccan participants~~ found neo-banks "very cost-competitive", contrasting with 15.4% of Tunisians and 4.3% of Algerians. Conversely, 30% of Moroccan participants saw neo-banks as "not cost-competitive at all", compared to 38.5% of Tunisians and 26.1% of Algerians.

Table 2. Distribution of participants by Banking Service Preferences, Country of Origin/Residence & Gender

Service Preferences	Sub-Total	Gender		Country of Origin		
		M	F	Morocco	Tunisia	Algeria
Traditional only	24 (37.5%)	15 (62.5%)	9 (37.5%)	12	4	8
Neo-banks only	18 (28.1%)	10 (55.6%)	8 (44.4%)	6	3	9
Both	22 (34.4%)	10 (45.5%)	15 (54.5%)	12	4	6
Total	64 (100%)			30 (46.9%)	11 (17.2%)	23 (35.9%)

24 participants (37.5%) reported utilizing only traditional banking services for their financial needs. On the other hand, 18 participants (28.1%) demonstrated a preference for digital and neo-banking services. An additional 22 participants (34.4%) indicated a hybrid approach, utilizing both traditional and digital or neo-banking services for various financial activities. Table 2 summarizes the participants' distribution by banking service preferences, country of origin and gender factors.

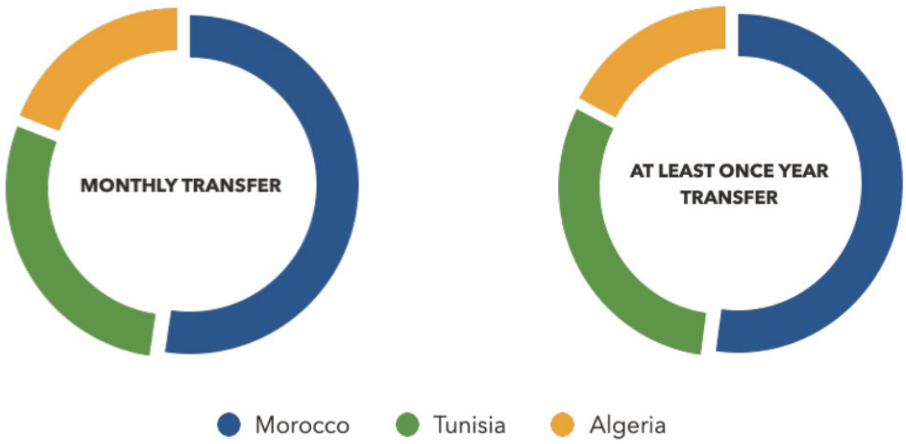
Looking at these preferences in terms of gender, traditional banking services show that male users (62.5%) outnumbered the females (37.5%). Similarly, preferences for neo-banking services lean somewhat toward males, comprising (55,6%) participants compared to (44.4%) females. The scenario changes once more when participants engage with both traditional and digital banking, balancing (45.5%) males and (54.5%) females. countries of origin, (18.70%) Moroccan participants reported using traditional banking services, followed by (12.50%) Algerians, and (6.30%) Tunisians. In the neo-banking category, (9.40%) of the participants were from Morocco, (14 %) from Algeria, and (4.70 %) from Tunisia. Finally, among those who employ both approaches, Moroccans reportedly lead with (18.75%) participants, followed by (9.38%) Algerians and (6.25%) Tunisians.

PARTICIPANTS' REMITTANCES' FREQUENCY AND PATTERNS

The frequency and amounts reportedly sent by the participants reveal that Moroccans exhibit a higher frequency of monthly remittances (55%), with a considerable portion (38%) sending moderate amounts between 101 and 500 euros. In contrast, Tunisians display a lower frequency of monthly remittances (30%), but a larger proportion (40%) send larger sums exceeding 1000 euros when remitting at least once a year. Algerians fall in between, with (20%) engaging in monthly remittances and a significant (45%) sending amounts between 501 and 1000 euros when remitting at least once a year.

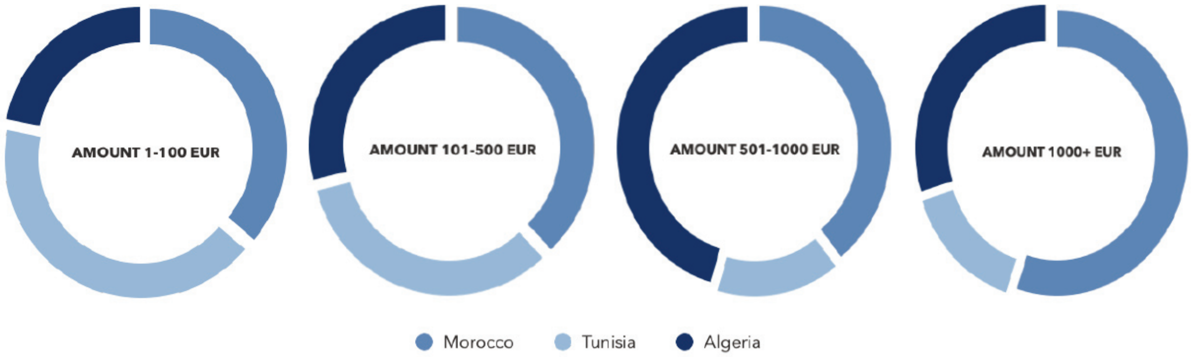
Participants' Transfer Frequency: Monthly

Participants' Transfer Frequency: At least Once a Year



In more detail, (55%) of the Moroccans said they sent money back home monthly, with a considerable portion (38%) sending amounts in the range of 101 to 500 euros; (13%) remitted sums between 501 and 1000 euros, while (11%) transfer amounts exceeding 1000 euros. When remitting at least once a year, a significant (70%) of Moroccans fall into this category, with (33%) sending between 101 and 500 euros, and (18%) transmitting sums ranging from 501 to 1000 euros. For Tunisian migrants, (30%) send money back home monthly. When considering amounts sent, (33%) fall within the 101-to-500-euro range; (5%) send larger amounts exceeding 1000 euros. (47%) reported remitting at least once a year, with a notable (40%) sending larger sums of over 1000 euros. Among Algerian migrants, (20%) engage in monthly remittances, and (43.5%) send between 501 and 1000 euros. (31%) said they remitted at least once a year, with (45%) sending amounts ranging from 501 to 1000 euros.

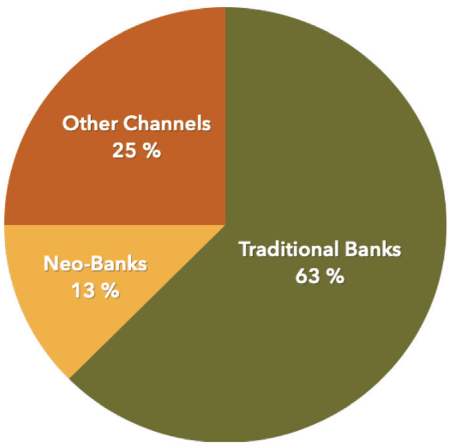
Ranges of Remittance Value in Euro



PREFERRED FINANCIAL CHANNELS OF REMITTANCES

All the participants reported using banking services for various spending purposes (daily spending, interbank transfers, bills, and savings), revealing distinct patterns between traditional banks, neo-banks and other channels, including informal methods. 38 (59%) of the interviewees said that they used digital banking products (mainly credit cards and online banking) between 1 to 3 times per week; and of whom 13 (21%) said that they used it at least once a day, for daily-living purchases. However, when it comes to remitting money back home, most participants, (40: 63%), reported resorting to traditional banks, while a notable 16 (25.5%) utilized "other channels" (including Western Union, MoneyGram, Hawala, Wafa-Cash, and other informal methods like contracts between individuals, family and friends acting as intermediaries, and cash sent with returning migrants), and a smaller proportion of 13% (8) participants opted for neo-bank accounts (See Graph 1). Analyzing the data by gender and country of origin, 28 (66.7%) male participants said they used traditional banks for remittances, 8 (17.4%) opted for informal channels, and 7 (16. %) utilized neo-bank accounts. Female participants showed a similar trend, with 13 (60%) using traditional banks for remittances, followed by 3 (15%) for informal channels, and 6 (25%) for neo-bank accounts (See Chart 1).

Graph 1. Distribution of Participants' remittance channels



The distribution of the participants' preferences for banking services for remittances vary based on their country of origin, showing that among Moroccan participants, the majority (70%) reported using traditional banks for cross-border money transfer; while 20% opted for informal channels, and a smaller segment (10%) chose neo-bank. Same patterns were observed with the Tunisian and Algerians. On one hand, 54.5% preferred traditional banking method, 18.2% neo-banks, and 27.3% other method for money transfer. Most Algerian participants (61.1%), on the other hand, reported using traditional banks for remittances, (22.2%) utilized informal channels, and a smaller percentage (16.7%) opted for neo-bank accounts (See Chart 2).

Chart 1. Distribution of Participants' remittance channels by gender

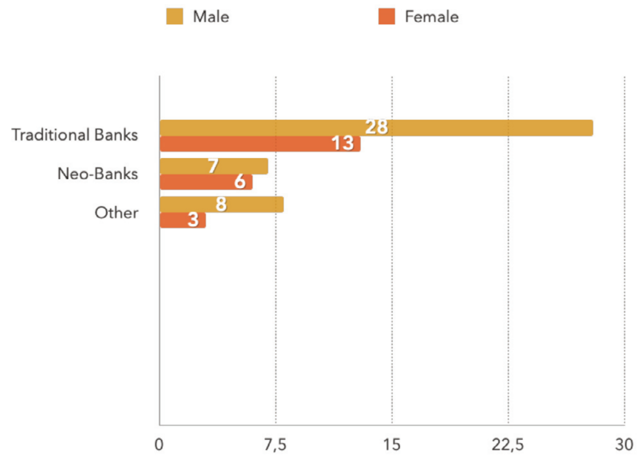
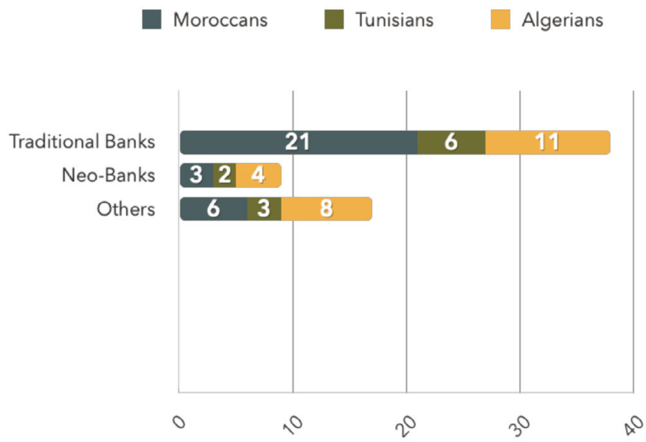


Chart 2. Distribution of Participants' remittance channels by country of origin.



REMITTANCES' ASSOCIATED FEES

The estimated total fees reportedly endured by participants, based on the amount of money they send, the frequency of their remittances, and the specific service they utilize, whether neo-banks or traditional banks revealed a significant difference between the two forms of banking methods. Table 3 distinguishes between two common remittance amount ranges: "100 - 500 €" and "500 - 1000 €" as well as three frequencies: "monthly", "twice a year", and "once a year", to demonstrate how the fees for remittances differ depending on the transaction size and frequency as these two factors often directly impact the overall annual cost of sending money. For the "100 - 500 €" category, most Neo-banks apply a flat rate[4] that ranged from 2.5 € to 3.5 € per transaction, and between 9.3 € to 11.2 € per transaction for the "500 - 1000 €" category.

In contrast, traditional banks typically apply a percentage-based fee, ranging between 7% to 9% of the sent amount. For the "100 - 500 €" category, this translates to fees ranging from 5 € to 9 €, while for the "500 - 1000 €" category, the fees increase to a range of 17 € to 23 €. These fees increase proportionally with the transaction amount. As shown in Table 3, the estimated annual total fee column calculates the total fees migrants would incur over a year when using Neo-banks or Traditional Banks. For monthly remittances in the "100 - 500 €" category, annual fees through Neo-banks range from 60 € to 108 €, whereas Traditional Banks' annual fees range from 204 € to 276 €. In the "500 - 1000 €" category, Neo-banks' annual fees range between 111.6 € to 134.4 €, while Traditional Banks charge substantially higher fees, ranging from 368 € to 496 €.

Table 3. Remittances' Associated Fees: Neo-banks VS. Traditional Banks

Sent Amount	Frequency	Neo-banks Associated Fee	Traditional Banks Associated Fee	Neo-banks Estimated Annual Total Fee in €	Traditional Bank estimated Total Fee in €
100 - 500 €	Monthly	2.5 € to 3.5 € *	€ 5 to € 9	30 € to 42 €	60 € to 108 €
	Twice a Year	2.5 € to 3.5 € *	€ 5 to € 9	5 € to 7€	10 € to 18 €
	Once a year	2.5 € to 3.5 € *	€ 5 to € 9	2.5 € to 3.5 €	5 € to 9 €
500 - 1000 €	Monthly	9.3 € to 11.2 €	17 € to 23 €	111.6 € to 134.4 €	204 € to 276 €
	Twice a Year	9.3 € to 11.2 €	17 € to 23 €	18.4 € to 22.4 €	34 € to 46 €
	Once a Year	9.3 € to 11.2 €	17 € to 23 €	9.3 € to 11.2 €	17 € to 23 €

[4] These rates were calculated based on three variables: 1) the sender held a basic neo-bank account with basic features; 2) the money was sent to the receivers' bank account not to in-store cash; and 3) it did not include the currency exchange rate.

Exploring the potential saving power based on these obtained results reveals that migrants could potentially accrue substantial annual savings when using Neo-banks for cross-border money transfers. For instance, migrants sending a range from €100 to €500 via Neo-banks could save between €30 and €42 annually compared to Traditional Banks. This translates to potential yearly savings ranging from €60 to €108 for those who regularly remit within this range. For individuals remitting €500 to €1000 monthly through Neo-banks, substantial annual savings of €111.6 to €134.4 are achievable when compared to Traditional Banks, which equates to potential yearly savings ranging from €204 to €276. These findings highlight that migrants who send money regularly and in substantial amounts can substantially benefit from opting for Neo-banks, not only in terms of cost savings but also in enhancing the financial support they provide to families in their receiving countries.

FACTORS SHAPING CHOICES OF CHANNELS OF REMITTANCE

Gauging deeper into the underlying factors that influence the participants' choices, the textual analysis of the interview responses revealed distinct categories, encompassing a range of factors that distinguish those using the traditional method over those preferring neo-banks. In this regard, the reasons motivating the use of traditional banks for money transfer have been clustered into 4 key concepts: a) trust, b) familiarity, c) adherence to cultural norms, and d) accessibility back home. Similarly, the factors that shape the decision to use neo-banks were clustered into 5 key areas: a) digital literacy, b) financial literacy, c) convenience, d) trust in technology, and e) family dynamics.

On one hand, "trust" as a first factor seems to play a pivotal role in the participants' decisions, as many expressed a strong inclination toward established financial institutions that they perceive as reliable and secure. As one participant remarked, "*I feel more secure using banks that have been around for a long time,*" (F_Mor_France (1). This sentiment was echoed by another similar statement by a Tunisian female (2) employed in Italy, "*I prefer transferring my money via protected and insured methods*." Overall, almost all interviewees frequently mentioned that they preferred options that offer a sense of safety and protection for their hard-earned money.

Second, "familiarity" emerged as another significant theme impacting participants' choices. Several interviewees noted their comfort with transferring money through methods they are already familiar with, highlighting their reluctance to switch to newer options. One participant emphasized, "*I've been using the same bank for years, and I'm used to their services and know the exact fee for each Euro I send to the country,*" (M_Mor_France (3). Another stated, "*It's easier for me to use a bank I'm familiar with than to try something new*," (F_Alger_ France (4).

Third, "cultural norms" seem to exert a considerable influence on the participants' remittance preferences. Many interviewees cited cultural practices that guide their choice of financial channels. As one participant explained, "*in our culture, it's common to send money through certain channels*," (M_Tun_Spain (5). Another noted, "*people in my community usually rely on and trust each other, so it is very normal to send* *money or anything else with whoever happens to be visiting Alger*," (M_Alger_Italy (6). Fourth, and finally, "accessibility back home" was perpetuated by many interviewees as an important factor. Many participants expressed a preference for methods that offer convenience and ease of use for their families back home. One participant emphasized, "*I have always used Western Union. It costs a bit more, but it is the most practical and accessible service for my folks back home, because they do not and never have a bank account,*" (M_Alger_France (7). Another stated, "*convenience matters to me, so I choose methods that are available everywhere not here but there* (meaning Morocco)," (F_Mor_Spain (8).

The focus on accessibility underscores the importance of financial methods that are accessible rather to the receivers in the home country, allowing them to access funds whenever needed quickly and effortlessly. These testimonies also suggest that participants are not only concerned about the convenience and ease of use for themselves but also for their recipients' home country, which also implies that they are mindful of the financial infrastructure and resources available to their family members. Moreover, it highlights the important role that accessibility plays in shaping preferences for transfer channels that are not always defined by the associated fees but also by the infra-structural constraints.

Aggregated numerical data about these four factors among the study's participants as regards gender were as follows: among male participants, (45.2%) cited trust as a significant factor influencing their preference, followed by familiarity (28.6%), cultural norms (19.0%), and accessibility back home (24.8%). On the other hand, female participants attributed their preferences as follows: 36.4% to trust, 31.8% to familiarity, 25.0% to cultural norms, and 36.4% to accessibility. Overall, when combining both genders, trust remained the primary factor (41.7%), followed by familiarity (29.7%), accessibility back home (28.1%), and cultural norms (21.9%).

On the other hand, the smaller subset of the interviewees who leaned toward using neo-banks for remittances was characterized by their young age and digital savviness. Most of them were younger migrants (identified as both employed and students in the host countries); and who have grown up in an era of smartphones and online banking. For instance, a Tunisian female (9) participant expressed, "*I grew up with smartphones and online banking. It's just easier for me to use online transfers, and I do it for both sending and receiving money*." Another factor is the participants' level of financial literacy. Those who preferred neo-banks exhibited a better understanding of the cost-effectiveness of digital remittance services. During the interview, they could easily compare the fees of various banking services and identified the cheapest neo-banks. Another Tunisian male (10) participant stated, "*before I opened my bank account with Wise, I actually compared the fees of Wise, N26, and Revolut, and found that Wise was cheaper for sending money. Plus, I can track my transactions easily.*"

Few Participants expressed their trust in the security and robust encryption methods of online transactions. As an Algerian female (11) participant explained, "*I believe the security of online transactions could be more reliable than dealing face-to-face with people at a bank*". The geographic location of participants and their families back home also seemed to play a role. This accessibility factor sounded vital for a Moroccan female (12) participant who narrated, "*Kenitra (in Moroccan) is a quite big city with* *hundreds of banks everywhere; so, it is convenient for my parents to withdraw the money I send them from any ATM*." Finally, family dynamics was yet another reason. Participants who had family members back home accustomed to using digital platforms for receiving remittances seemed more prone to using mobile transfers. A Moroccan male (13) participant shared, "*in Morocco, we are used to receiving online money transfers; actually, my father is a banker, so we do not have any issue using this kind of services*." This testimony also reversely reiterates what interviewee number 7 from Algeria stated about using Western Union despite its higher fees because his family back home did not have a bank account.

Looking at these two perspectives, it seems that associated cost is not the only factor that shapes the migrants' decision to choose the channel for wiring money. For instance, despite their lower fees, neo-banks as a channel for remittance are avoided for a range of reasons highlighted by a large proportion of the sample. These reasons vary from the levels of digital literacy to language barriers, limited outreach, and access to internet, among others.

While neo-banks operate through digital platforms, a portion of North African migrants lack familiarity with technological tools and may have limited access to smart gadgetries. Using neo-banks for remittance presupposes that both sender and receiver have a bank account, which is not the case with many migrants whose families back home do not have one or live in rural areas where banking branches and services are barely available, as was mentioned by interviewee number 7 and as was summarized by a Female from Morocco (14):

> *"I've been using online bank here (France) for quite some time now, and I find them very convenient for my daily transactions. However, when it comes to sending money back to my mother in Morocco, it's a different story. She does not know how to use a smartphone. So, despite knowing that online banking offers lower fees, I stick to traditional methods because my family can't receive the money through their bank account. It's just easier for them to pick up cash at a local agency."*

Language and cultural barriers further impede engagement, as the user interfaces and terminologies employed by neo-banks may not align with migrants' linguistic and cultural backgrounds, particularly for seasonal migrants who do not speak any European language: a case in point is the Moroccan female migrants who work seasonally at the Spanish strawberry's farms. Finally, a considerable challenge pertains to identification requirements. Neo-banks often necessitate official identification documents for account verification, a prerequisite that excludes a considerable number of undocumented migrants and those facing document-related issues and who end up pursuing informal channels for sending money back home.

DISCUSSIONS & POLICY IMPLICATIONS

The findings revealed that participants' familiarity with Neo-banks and their perceptions of cost competitiveness vary based on gender and country of origin. The across-gender variance with the higher percentage of males (33.3%) who consider Neo-banks as somewhat or very cost competitive compared to females (13.3%) may suggest that males might be more inclined to explore cost-effective financial services. When considering the country of origin, it is striking that Tunisians (although they represent the smallest population sample in the study) have a more favorable perception of Neo-banks' cost competitiveness compared to Moroccans and Algerians, which could be attributed to the levels and access to different financial services the formers have both in EU and in their home country.

The remittance patterns of participants also reveal the diverse financial situations and commitments they face. For instance, Moroccans demonstrate a higher frequency of monthly remittances, emphasizing their strong commitment to supporting their families back home. Tunisians, on the other hand, remit less frequently but often send larger sums, likely indicating a focus on less frequent but substantial financial support. Algerians fall between these two extremes, with moderate monthly remittances and a significant portion sending substantial amounts once a year. These patterns reflect how North African migrants' financial responsibilities are adapted to remittance strategies to meet their families' diverse needs in their home countries.

Interestingly, while Neo-banking services are widely used for daily spending and other financial activities in the host countries, it seems that traditional banks remain the preferred choice for cross-border remittances among a large portion of the Maghrebi diaspora in Europe. The data shows that trust and familiarity are strong motivators for choosing traditional banks. Participants often opt for services they have been using for years, as they find comfort in the predictability and reliability of these institutions. Additionally, adherence to cultural norms occurs to be another influential factor, with many participants following established practices within their communities. Accessibility back home also plays a crucial role in channel selection, with participants preferring methods that offer convenience and ease for their families in their home countries.

The lack of banking infrastructure in rural areas and the prevalence of traditional banking methods in these regions further perpetuate the preference for accessibility over cost-efficiency, which was already confirmed by Kalantaryan & McMahon (2021). Conversely, factors influencing the choice of Neo-banks were associated mostly with younger and digitally savvy migrants, exhibiting better digital and financial literacy, and having trust in the security and encryption methods of online transactions. Their preferences are also backed up by their favorable geographic location as well as that of their families back home.

The associated fee for remittances reveals a difference between Neo-banks and traditional banks and seems to have a promising role in enhancing the migrants' saving practice if certain conditions are met.

Data show that each migrant monthly remitting regularly an amount ranging between 100 and 500€ could save between 30 to 42€ annually, those sending between 500 - 1000 € monthly, could potentially save from 111.6 € to 134.4 € if they opt for Neo-bank transfers. These savings could bring about significant positive changes in both the migrant's life and the socio-economic conditions of their family back home. They could contribute to enhanced financial security, allowing for personal savings, investments, and better preparedness for unexpected financial challenges.

Meanwhile, for the migrants of the families back home, these additional savings could contribute to improved living standards and opportunities for investments in income-generating activities. Beyond the economic benefits, the emotional well-being of migrants could also be boosted, knowing they can provide better support to their families. In essence, these savings have the potential to weaken, if not break, the cycle of poverty, uplift communities, and create a better quality of life for everyone involved.

Now, the pending question is what factors contribute to and maintain the higher associated transfer fees? Indeed, high remittance fees can be attributed to a weak competitive environment within the remittance industry, where traditional banks' dominance and a lack of competition lead to elevated costs. Additionally, limited access to technology that supports payment and settlement systems, especially within traditional banks with outdated infrastructure, results in higher expenses that may be passed on to customers. Furthermore, burdensome regulatory and compliance requirements, such as anti-money laundering (AML) and know-your-customer (KYC) regulations, can contribute to elevated fees.

Conversely, the low adoption of neo-banking services can be traced back to factors like strong trust in traditional banks due to their established presence, resistance to change based on familiarity with traditional banking methods, and adherence to cultural norms that dictate preferred financial practices. Accessibility to digital services and technology in the home country also plays a significant role, as neo-banks require both senders and recipients to have bank accounts and digital access, which is not universally available. Additionally, varying levels of digital and financial literacy, language and cultural barriers, and stringent document requirements for account verification further impede the adoption of neo-banking services among migrants. Policymakers and financial institutions should consider these factors when designing strategies to reduce remittance fees and encourage the use of cost-effective financial services among migrant populations.

Finally, considering all these results, the question of "*how Neo-banks might contribute to the reduction of remittances associated cost to 3%, as aspired for in the SDG 10C*", could be looked at in terms of the existing WBG data and the fast-growing competition among various channels of financial institutions and the booming fintech market coupled to the growing annual inflows of remittances. All these variables suggest a promising ongoing pattern of decreasing cross-border money transfer fees. Thus, reaching the 3% rate is not a far-fetched objective.

However, the real question that arises from the results of the study is whether reducing the remittance cost to 3% is enough to enhance, particularly, North African migrants' financial inclusion. The answer to this question is not that straightforward, because reaching 3% is indeed a significant step toward financial inclusion, but it may not be the sole determining factor; several other factors and variables need to be addressed synergistically by both policy-makers responsible for financial regulation along with Neo-banks. These factors include:

- **Accessibility & partnership:** Neo-banks should ensure that their services are accessible to the North African diaspora in Europe, and whose families dwell in rural or remote areas. This involves expanding their network of cash pickup points, partnering with local financial institutions, and providing multiple channels for sending and receiving money. For instance, Neo-banks could partner with local grocery stores in a rural Moroccan village and/or post offices in small towns in Algeria and Tunisia to allow customers to deposit and withdraw cash. These stores become Neo-bank agents. This business model has already proven to be efficient with messenger delivery businesses such as DHL which partners with local shops and restaurants to deliver packages to the neighboring residents. Collaborations with local financial institutions, money transfer operators (MTOs), and government agencies could also help Neo-banks integrate seamlessly into the existing financial ecosystem, making it easier for migrants to send and their families to receive money.
- **Infrastructure:** Ensuring that migrants' families back home have access to the necessary technology and infrastructure is essential. Neo-banks could collaborate with local governments and organizations to improve internet connectivity and smartphone access in underserved areas. To render this more efficient, they should offer educational resources and training programs to help migrants understand how to use digital banking services effectively and make informed financial decisions. Meanwhile, Neo-bank apps and websites should be designed in a more intuitive, easy-to-navigate, and available in Arabic and Amazigh languages that are widely spoken in these countries; customer support should also be available in these languages. This ensures that migrants with varying levels of technological and limited linguistic proficiency can use these services without difficulty.
- **Trust & Cultural Sensitivity:** Building trust is crucial in the business world. Neo-banks need to invest in robust cybersecurity measures, data protection, and fraud prevention to assure migrants that their financial information is safe. They should also establish clear mechanisms for dispute resolution while recognizing and respecting the cultural norms and preferences that align with Arab migrants' preferences for sending and receiving money, such as in-store cash pickups.
- **Offline Transactions:** An offline mode in a mobile app, enabling users in remote Tunisian, Moroccan and Algerian areas to start a transaction offline, and it completes automatically when they regain internet access could also boost migrants' families toward adhering to online money transfers.

POLICY INTERVENTIONS

Remittance fees are inherently regressive, disproportionately impacting lower-income individuals and those sending smaller sums. This is particularly evident among North African migrants in Europe, who face significant financial burdens when sending money home. The structure of remittance fees, often comprising a flat fee plus a percentage of the transaction, results in higher effective costs for smaller transfers. For instance, a service charging a $5 flat fee plus 2% of the amount means a $100 transfer costs $7 (7%), whereas a $1000 transfer costs $25 (2.5%). North African migrants, typically sending smaller amounts frequently, thus pay a higher percentage in fees compared to wealthier individuals sending larger sums less often.

Access to affordable remittance services also varies significantly. Traditional banks and many established money transfer operators (MTOs) charge higher fees than emerging digital platforms. However, not all migrants can access these lower-cost digital services due to digital literacy gaps, limited internet access, and regulatory barriers. Many migrants from rural areas or with less education remain reliant on higher-cost traditional services. Geographically, remittance fees to North Africa are among the highest globally. Sending $200 to North Africa from Europe costs around 6.08%, significantly above the global average. Migrants sending money to rural areas face even higher costs due to fewer service providers and higher operational expenses, exacerbating the economic divide between high-fee and low-fee regions. High remittance fees reduce the disposable income of recipient families in North Africa, hindering poverty alleviation and limiting the economic development potential of remittances. Lowering these fees could significantly enhance the financial support for families relying on these funds for basic needs such as food, education, and healthcare.

To address the regressive nature of remittance fees, policymakers should encourage more competition in the remittance market, supporting the entry of new players, including digital and mobile banking services. Simplifying regulatory requirements for small transactions while maintaining rigorous standards for larger transfers could also help reduce costs. Promoting financial literacy and improving access to technology, especially in rural and underserved areas, are crucial steps. Additionally, leveraging public institutions like France's La Banque Postale, which offers cost-effective remittance services, can provide valuable lessons. Proposed below are some specific policy recommendations and implementation measures:

Efforts to Reduce Remittance Costs:

Enhancing Market Competition:

- Implementing regulations that encourage more competition among remittance service providers.
- Offering licenses to esati companies, including neo-banks, to enter the remittance market and provide innovative solutions.
- Encouraging partnerships between traditional esa and esati companies to leverage each other's strengths.

Facilitating Access to New Payments Technology:

- Providing incentives and regulatory support for remittance service providers to adopt new technologies, such as digital wallets.
- Promoting interoperability among different payment systems to facilitate cross-border transactions.

Encouraging Larger Remittances:

- Offering incentives or reduced fees for larger remittance transactions.
- Promoting financial literacy and education among migrants to make them aware of the cost-effectiveness of sending larger amounts less frequently.

Learning from France's La Banque Postale:

- The experience of France's La Banque Postale, a public bank, offers lessons such as offering cost-effective remittance services, reducing the cost burden on migrants, and enhancing financial inclusion and. This approach demonstrates that public sector involvement can be instrumental in creating competitive and affordable financial services for remittances.Policymakers can study its success and adopt similar models where public banks or postal services offer low-cost remittance options to compete with private providers.

Avoiding Overregulation and Excessive Reporting Requirements

Risk-Based Regulation:

- Implementing risk-based regulation that focuses on higher scrutiny for larger transactions and reduces regulatory burden for small competitors.
- Tailoring regulations to the size and nature of remittance service providers, so smaller, innovative players are not stifled by compliance costs.

International Cooperation:

- Collaborating with international organizations like the Financial Action Task Force (FATF) to develop standardized regulations that balance security and accessibility.
- Harmonizing regulatory requirements across borders to reduce compliance costs for cross-border remittance providers.

International Best-Practice Guidelines

Leveraging International Standards:

- Adhering to international best practices and guidelines for remittance service providers, such as those outlined by the World Bank and the FATF.
- Regularly reviewing and updating guidelines to stay in line with evolving technologies and practices.

Developing Mobile Text Messaging Applications for Remittances

Public-Private Partnerships:

- Collaborating with mobile service operators and financial institutions to develop and promote cell phone text messaging applications for remittances.
- Providing incentives for mobile operators to offer low-cost or fee-free remittance services via text messaging.

Financial Literacy Programs:

- Launching financial literacy programs targeting both senders and recipients to educate them on how to use mobile text messaging applications effectively.
- Providing tutorials and support for users, particularly in regions where digital literacy is lower.

Regulatory Support:

- Streamlining regulations and licensing procedures to enable the integration of mobile text messaging applications for remittances.
- Encouraging regulatory authorities to work closely with the private sector to create a conducive environment for such applications.

Policymakers need to strike a balance between regulating the remittance industry for security and consumer protection while also fostering innovation and competition. Therefore, collaborative efforts between governments, international organizations, financial institutions, and technology providers are crucial to achieving lower remittance costs and greater financial inclusion for migrant populations. Additionally, continuous monitoring and evaluation of the effectiveness of these policy interventions should be conducted to ensure they are achieving the intended outcomes.

CONCLUSION

The findings of this study hold several implications for policymakers, financial institutions, and migrant support organizations. While reducing the remittance cost to 3% is a significant component of enhancing migrants' financial inclusion, it is essential to consider a holistic approach that addresses various factors and variables. Therefore, understanding the multifaceted factors influencing channel choices is crucial. Policymakers should consider the diverse needs, preferences, and constraints of migrants when designing financial inclusion initiatives. There is an opportunity for Neo-banks to increase their market share in the remittance sector by addressing the trust, familiarity, and accessibility factors that favor traditional banks, tailoring their services to migrants' specific needs, including language and cultural considerations, which could enhance adoption.

In this regard, policymakers and organizations can play a pivotal role in promoting financial literacy among migrants, bridging the digital divide, and improving accessibility to financial services in rural areas of migrants' home countries. These efforts can empower North African migrants to make informed choices and access cost-effective financial services. In short, there is a need for comprehensive financial inclusion strategies that consider migrants' diverse backgrounds and preferences so that North African Diaspora in Europe, like their peers elsewhere, could fully benefit from the Neo-banks' associated fees reductions and services.

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