Breaking Down the Barriers for Mobile Money in Asia

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Mobile Payments Are Set to Grow at an Impressive Rate Worldwide Up to 2017

- IDC projects that mobile payments will account for more than US$1 trillion in value in 2017.
- The bulk of mobile payments today come from remote payments, typically related to mobile commerce transactions.
- However, proximity payments are rising fast, driven mainly by NFC based transactions.
Asia/Pacific seems unlikely to follow the payments evolutionary path of already developed nations

The bulk of the population in Asia have low credit card penetration rates as well as debit card penetration rates, swiping plastic is not yet in the culture for many and with technology advancements, it becomes unlikely that it will evolve that way.
Mobile Payments in the West: Driven by Plastic

Wallets

Universal Credit Cards

Credit Card Emulators

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But in Asia, Limited Card Adoption Shifts the Focus to Mobile Wallets

**Third Party**
- Alipay.com
- Doku
- Paytm

**Telco-Led**
- Vodafone
- M-Pesa
- T-Cash
- Telkomsel
- Globe GCash
- Airtel Money
- True Money

**Bank-Led**
- DBS PayLah!
- dMobile
- Money

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There are a lot of factors pushing payments in Asia/Pacific to follow its own unique path

Financial Instruments

- Large population markets in Asia/Pacific have low credit card penetration rates
- Financial Inclusion policies in markets such as India & Thailand are trying to push debit card usage

Technology

- NFC penetration for smartphones is still relatively low across Asia/Pacific
- QR codes have emerged in some markets as technology-agnostic methods of payment
Five Main Criteria for Assessing mPayment Market Readiness

- Financial Readiness
- Cultural Readiness
- Regulatory Readiness
- Technology Readiness
- Market Need for Mobile Payments
We Then Grouped Markets into clusters Depending on Their Rank and Characteristics

Card Payments Leaders

- Hong Kong: 92
- South Korea: 85
- Singapore: 82
- Australia: 82

Mobile Payments Leaders

- Taiwan: 73
- Malaysia: 72
- China: 72
- Thailand: 71

Mobile Money Leaders

- Philippines: 69
- Vietnam: 68
- Indonesia: 62
- India: 56
An Explanation of the Clusters and Their Associated Characteristics

Card Payments Leaders

Hi tech and high income markets unlikely to give up their cards, NFC will be the major model

Mobile Payments Leaders

Middle income markets with a lot of smartphones but with low card usage - the perfect brew for mobile wallets to flourish

Mobile Money Leaders

Emerging markets which lack the infrastructure for internet based payments, mobile money is the most effective method here
What We See Today

How to start using a mobile payment

- Bank A
- Bank B
- Bank C
- Bank D
- Telco A
- Telco B
- Telco C
- Telco D
- Mobile Phone A
- Mobile Phone B
- Mobile Phone C
- Mobile Phone D

Highly limited customer pools who need to have a combination of a bank with a telco and maybe even a certain phone brand before they can make payments
What Can be Done..

Situation after regulator intervention

Bank A -> Bank B -> Bank C -> Bank D

Telco A -> Telco B -> Telco C -> Telco D

Mobile Phone A -> Mobile Phone B -> Mobile Phone C -> Mobile Phone D

Already seen in Thailand, Indonesia, Pakistan
What We See Today in “Branchless Banking”

Signing up for branchless banking and payments

Branchless banking needs a visit to the…..branch?

What can be done..

Use mobile agents to digitize and mobilize whole process
What We See Today in Cross Border Remittances..

Cross border remittances

Physical visit to money transfer

What can be done..

Technologies like Ripple and Bitcoin can make these transfers possible quicker and cheaper
Technologies like Ripple Could Change Things Even Further – Uberfication of Remittance…

Joe wants to send USD 2,000 back to Philippines

Agent bid of 93,750 Peso is the highest and selected

Agent deposits money in mobile money account in Philippines
Indonesia’s financial services authority (OJK) has helped catalyze much growth

Perceived issues holding back microfinance growth

- Lack of access to sufficient capital
- The perception that financing microfinance institutions is high risk
- Excessive regulatory hurdles (Identification documents for processes)
- Inefficiency of large numbers of MFIs and their lack of integration into the financial system
- Inadequate outreach to remote and marginal areas
- State backed MFIs crowding out private institutions

Regulatory action

- 2007 | Bank Indonesia introduces Credit for Business program (KUR), a 70% credit guarantee for MFIs lending to MSMEs
- 2009 | BI rules that at least 20% of bank loan portfolios be dedicated to MSME loans by 2018
- 2012 | New relaxed regulation on Funds Transfer easing cash-out regulations and P2P transfer requirements for agents
- 2013 | New Microfinance Law drafted. Aims to increase oversight of smaller MFIs
- 2013-2014 | BI pilots branchless banking with five BUKU IV state owned banks and three telecom companies.
- 2014 | OJK introduced new branchless banking regulations, to ease agent use and documentation requirements for all commercial banks.
- 2015 ongoing | Microfinance law and branchless banking regulations enacted.

Source: KPMG
Encouraging growth and breaking down the barriers

- **Interoperability** is absolutely crucial to achieving scale in markets, this should be the first priority for regulators

- Government intervention can make a huge difference, India and Thailand are examples of governments making huge steps in electronic payments via various schemes

- New services need new ways of thinking: New financing and payments especially for the unbanked may require different assessment and underwriting methods, as well as new business models
  - If you are not sure how to create a framework to assess, open the floor up to external participants

- Be open minded to new technologies and construct frameworks to allow for their services to flourish: Bank and Fintech collaborations may be key here in providing a balance of new services and stability