

CAICT 中国信通院

State of Digital Financial Services and Standardization Globally, and Overview of FIGI China Financial Inclusion

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1 State of Digital Financial Services

2 Overview of China Financial Inclusion

Concept and Characteristics of Digital Financial Inclusion

- ❑ **Digital Financial Inclusion** refers to the provision of equal, effective, comprehensive and convenient financial services and products for all social strata, especially those under the coverage of the existing financial system, on the premise of controllable cost and sustainable mode, with all kinds of digital technologies as the realization conditions.

Key service objects

Small and micro enterprises,

Farmers

Low-income people

The poor

The disabled

The elderly

Other special groups.

Characteristics

- **1.Wider coverage:** DFI has the capability to break the geographical restrictions of financial institutions, thus providing users with a wide variety of undifferentiated financial products and services and increasing its reach to counties, villages and communities living in remote areas..
- **2. Low cost of service:** Reduce the marginal cost of new customers by replacing outlets and manual input with digital technology.
- **•Leveraging the commonality in clients:** The new business form created by new technology, the ways and opportunities for ordinary users to participate in financial activities.

G20 High-Level Principles for Digital Financial Inclusion

- At the G20 Summit, the *G20 High-Level Principles for Digital Financial Inclusion* was officially announced. This principle consists of eight principles and 66 action suggestions, aiming at urging G20 countries to take action to achieve the inclusive finance goals by digital methods.

PRINCIPLE 1

Promote a Digital Approach to Financial Inclusion

PRINCIPLE 2

Balance Innovation and Risk to Achieve Digital Financial Inclusion

PRINCIPLE 3

Provide an Enabling and Proportionate Legal and Regulatory Framework for Digital Financial Inclusion

PRINCIPLE 4

Expand the Digital Financial Services Infrastructure Ecosystem

PRINCIPLE 5

Establish Responsible Digital Financial Practices to Protect Consumers

PRINCIPLE 6

Strengthen Digital and Financial Literacy and Awareness

PRINCIPLE 7

Facilitate Customer Identification for Digital Financial Services

PRINCIPLE 8

Track Digital Financial Inclusion Progress

G20 Financial Inclusion Indicators

□ At the G20 Hangzhou Summit, the member countries of inclusive finance Global Partnership (GPFI), implementing partner organizations and partner organizations launched the upgraded version *of G20 Financial Inclusion Indicators*.

USAGE INDICATORS: ADULTS	USAGE INDICATORS: ENTERPRISES	ACCESS INDICATORS: PHYSICAL POINTS OF SERVICE	QUALITY INDICATORS: FINANCIAL LITERACY AND CAPABILITY	QUALITY INDICATORS: MARKET CONDUCT AND CONSUMER PROTECTION	QUALITY INDICATORS: BARRIERS TO USE
Adults with an account	Formally banked enterprises	Points of service	Financial Knowledge	Disclosure Requirements	Credit Barriers
Number of accounts	Enterprises with outstanding loan or line of credit at regulated institutions	Debit card ownership	Financial Behaviour	Disclosure Requirements	
Adults with credit at regulated institutions	Digital payments to or from enterprises	Enterprise points of service			
Adults with insurance		Interoperability of Points of Service			
Cashless transactions					
Adults using digital payments					
Payment using a mobile phone or the internet (from an account)					
Payment using a mobile phone					
Payment using a bank card					
Payment using account					

Four Elements of Digital Financial Inclusion

Compatibility

Digital Financial Inclusion emphasizes the inclusiveness of its clients, requires that financial services should benefit all people, and focuses on the realization of financial service rights of vulnerable groups.

Comprehensiveness

Digital Financial Inclusion requires to provide rich types of financial products to provide more comprehensive and undifferentiated financial services for the public.

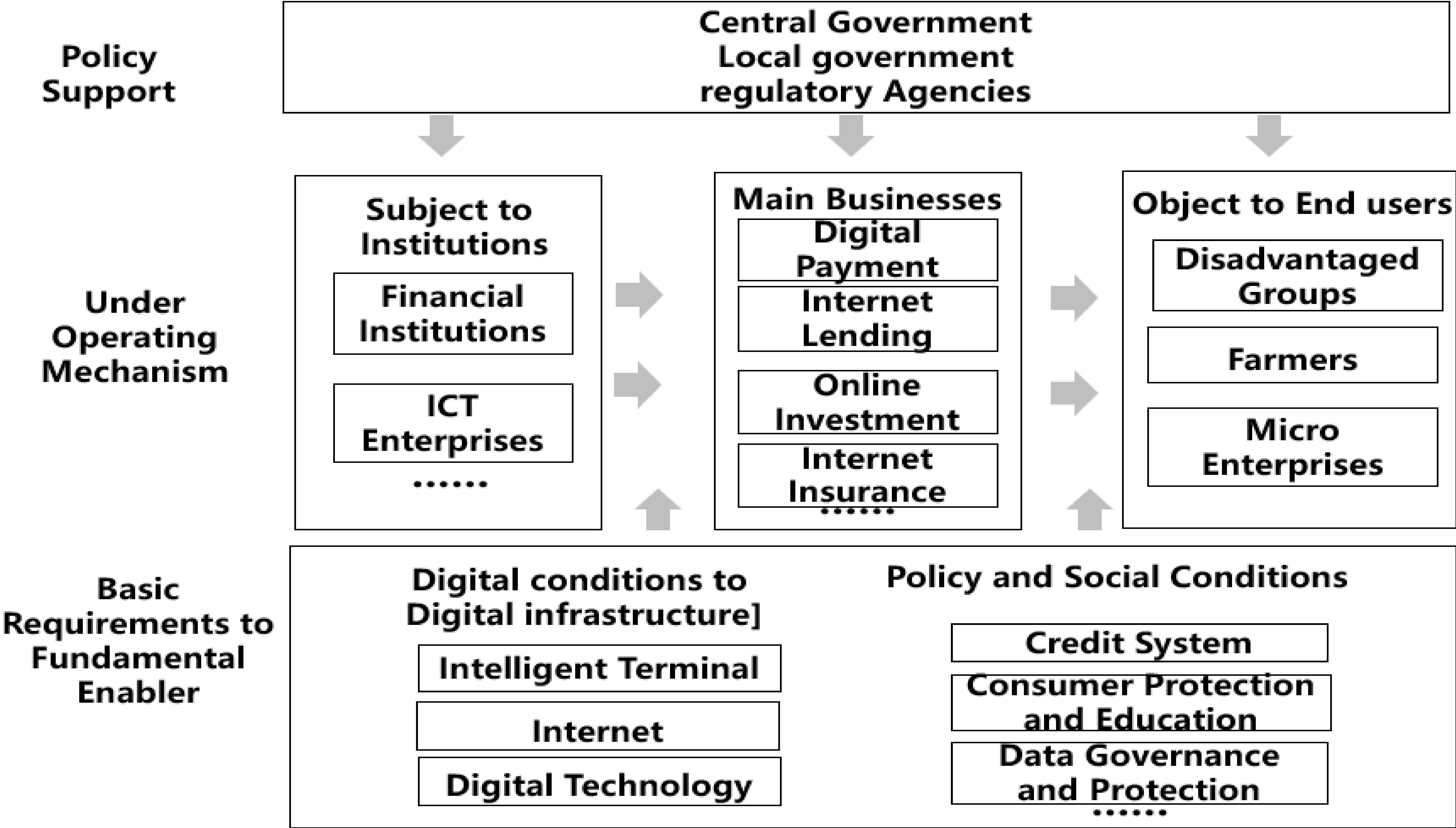
Convenience

Digital Financial Inclusion needs to reflect the convenience of financial services, so that the public can enjoy financial services more quickly and conveniently.

Persistence

Digital Financial Inclusion emphasizes the sustainability of the business model, that is, on the premise of affordable cost, financial services will benefit the public.

Digital Financial Inclusion Development System



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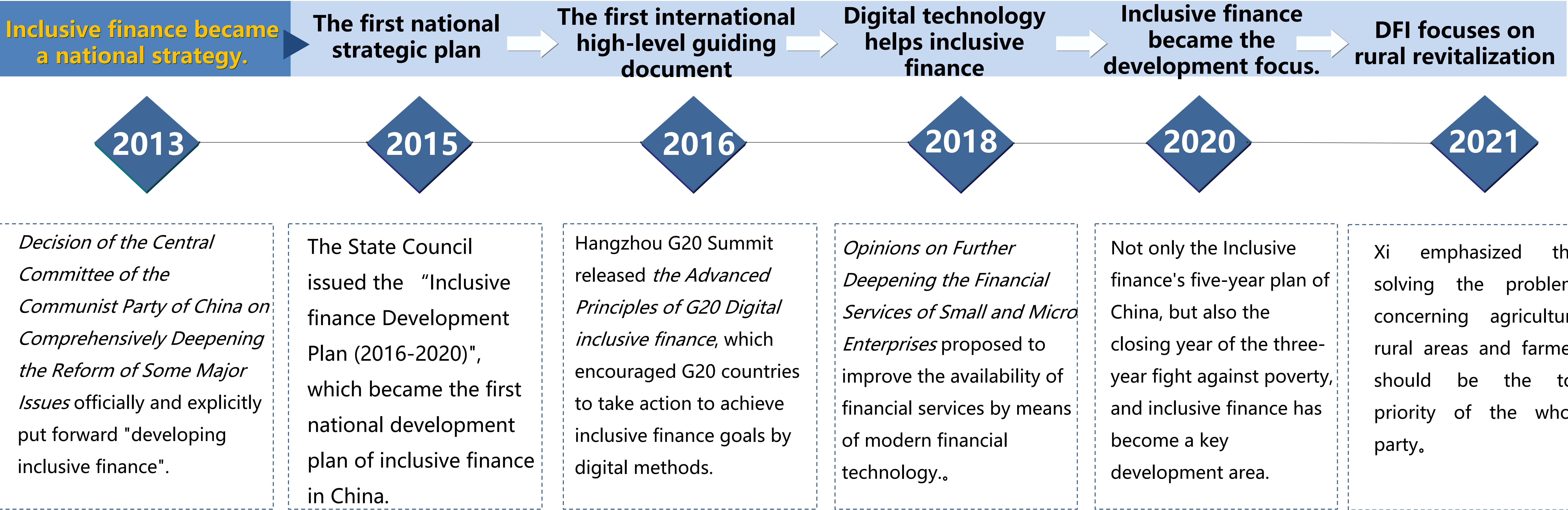
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State of Digital Financial Services

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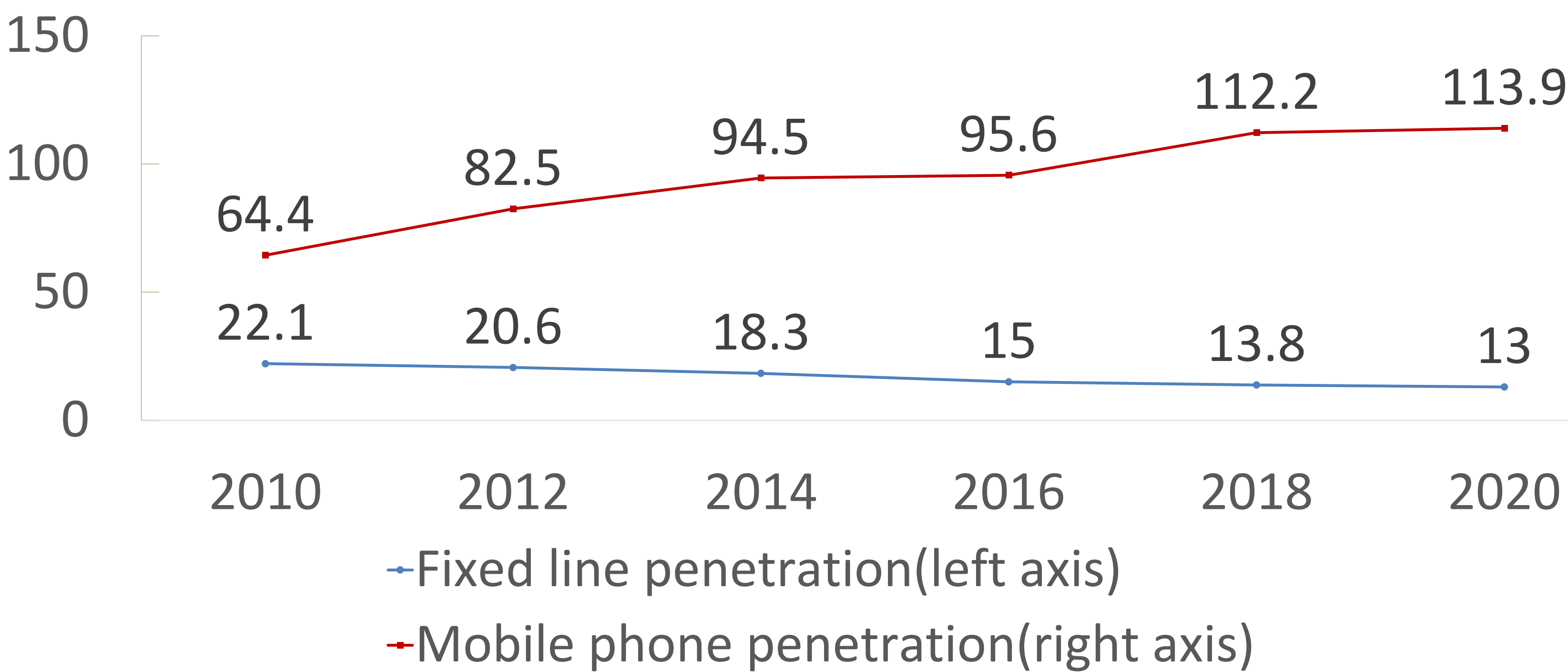
Overview of China Financial Inclusion

Policy conditions provide important institutional guarantee for China's DFI

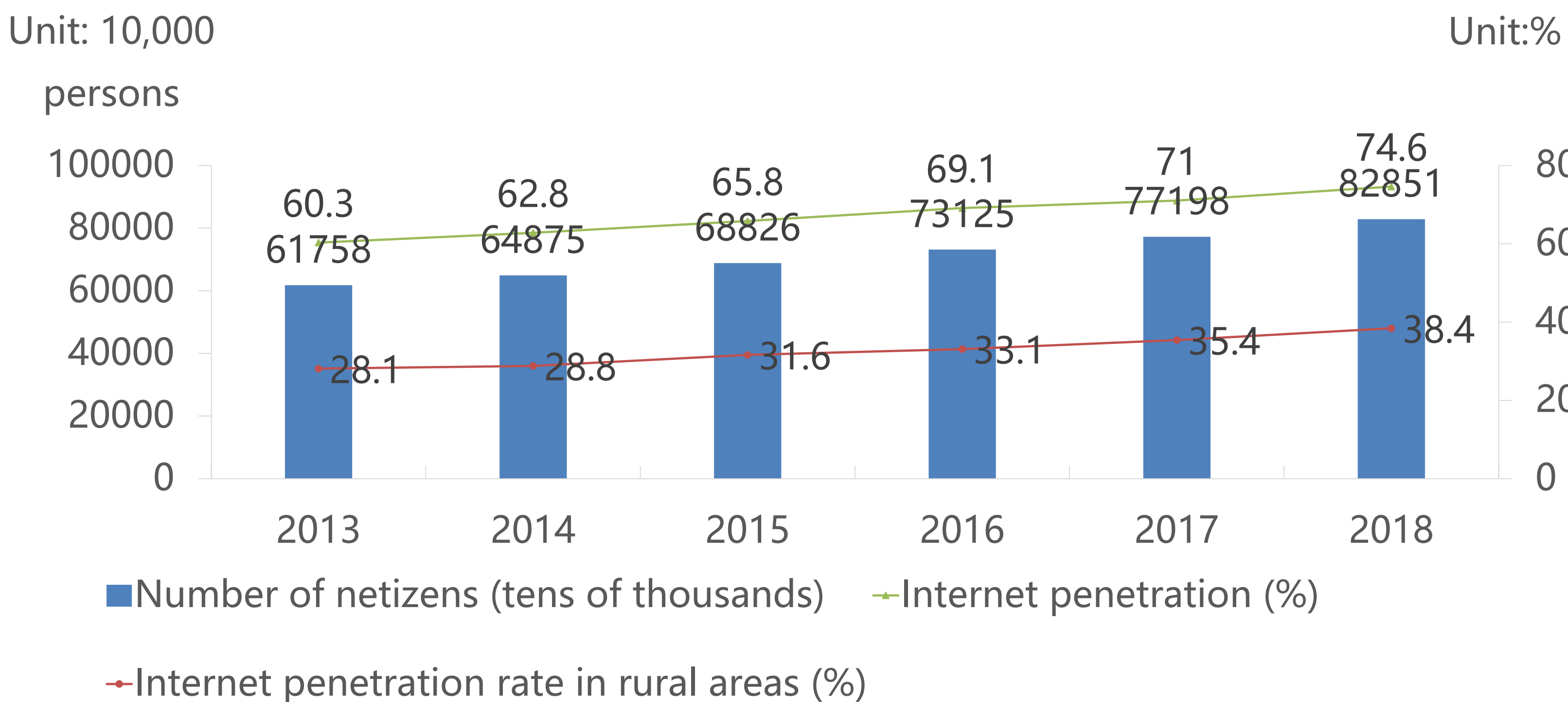


Digital conditions provide strong technical support for China's DFI

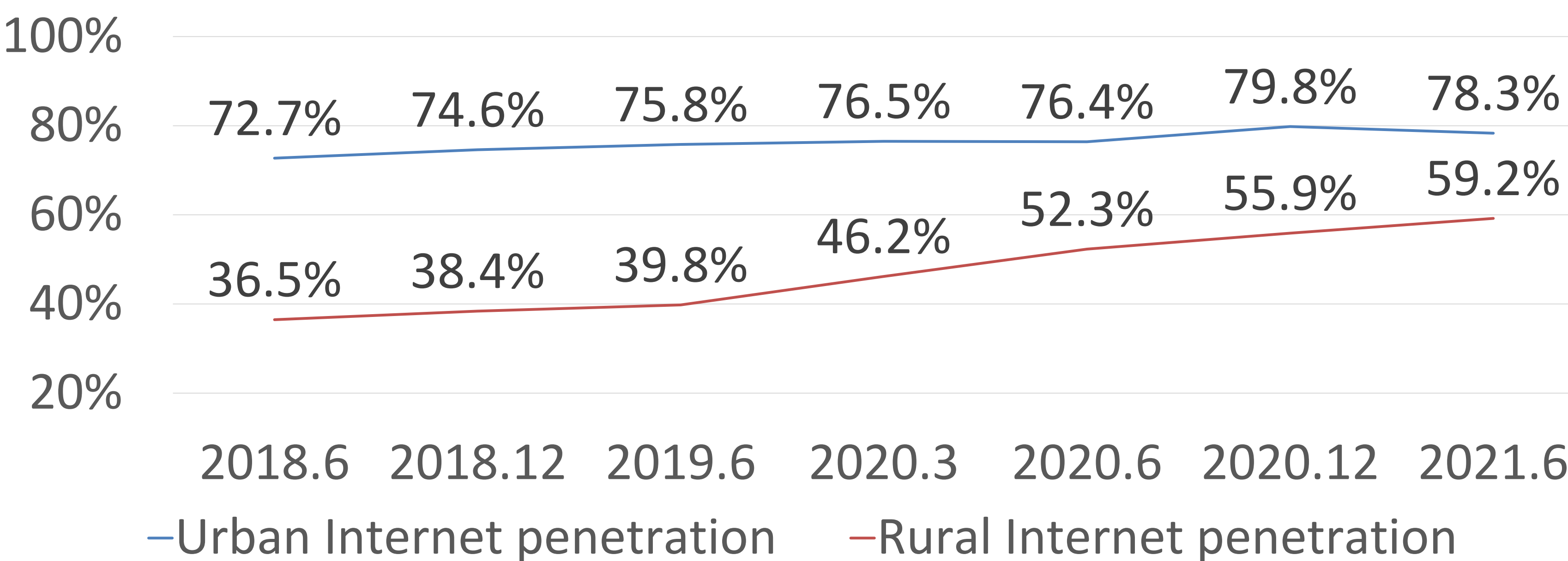
China's mobile phone penetration rate exceeds the global average



China's Internet penetration rate exceeds 70%



rural areas and cities realized "the same network and the same speed"



Technology promotes the digital transformation of the financial industry

The new generation of digital technologies is booming and has accelerated the digital transformation of the financial industry. Big data, cloud computing, artificial intelligence and block chain has developed rapidly, pushing the financial industry to improve efficiency, reduce costs and continuously innovate.

Social and economic conditions provide development environment for China's DFI

1、The potential users of digital inclusive finance have huge demand

- The number of middle and low-income people, small and micro enterprises and individual industrial and commercial households in China is still large.
 - ✓ According to World Bank standards, there are about **840 million** low-and middle-income people in China.
 - ✓ According to the PBC, there are about **90 million** small and micro enterprises and individual industrial and commercial households in China.

2、a multi-level credit information service system has been set up

- By the end of 2020, the number of natural persons in the national financial credit information basic database was **1.1 billion**, and the number of small and micro enterprises was **35.4239 million**. By the end of 2020, **189 million** farmers had accumulated credit files through the farmers' credit information system, a year-on-year increase of 1.61%.

3、the consumer protection, awareness and education systems have been continuously improved

Financial Consumer Protection

Laws and regulations:

- ✓ *Measures for the Implementation of Financial Consumer Rights Protection*
- ✓

Responsible organization:

- ✓ Financial Consumer Protection Bureau
- ✓

Financial Consumer Education

People's Bank of China :

- ✓ Regularly carry out financial knowledge popularization and consumer financial literacy survey every year.

Securities Regulatory Commission:

- ✓ Regularly carry out special activities for investor education.

MIIT:

- ✓ Regularly carry out nationwide financial knowledge popularization activities for small and micro enterprises.

1.Digital payment increases coverage rate of basic financial accounts of key groups

- ❑ Banks: Actively promote digital payment by means of technological innovation of payment products and channels,

The central bank guided commercial banks and UnionPay to jointly develop, build and operate the unified mobile payment portal platform "China Unionpay Quick Pass"

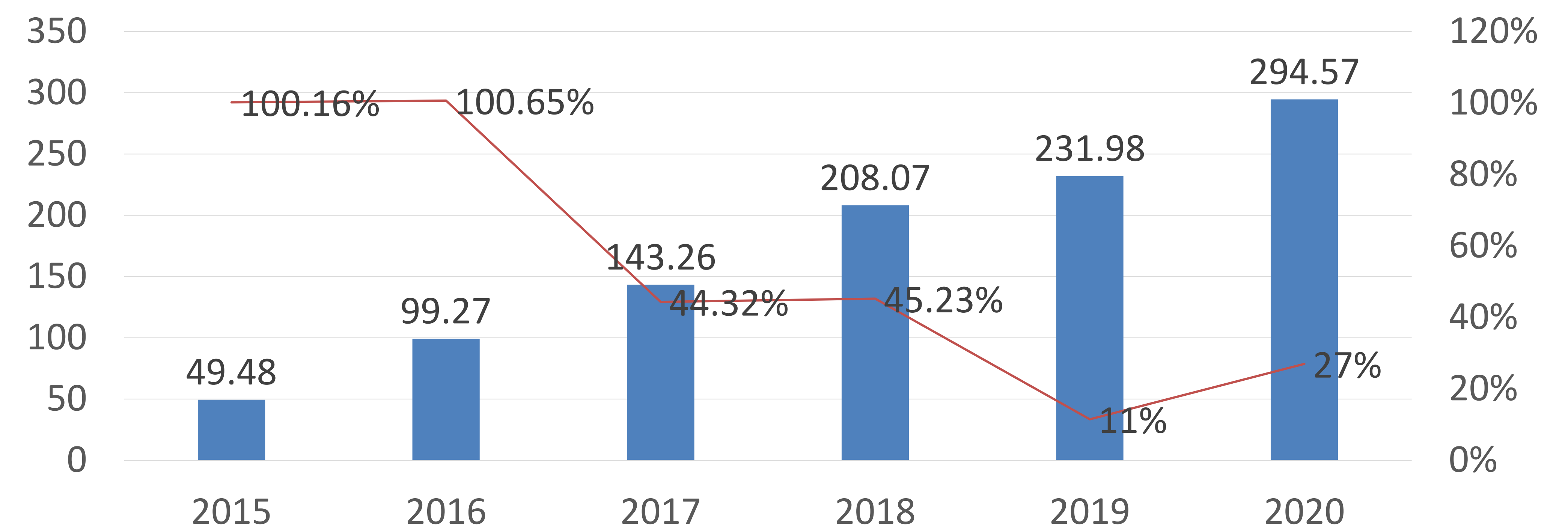
- ✓ Can bind and manage various bank accounts;
- ✓ Nearly 700,000 supermarket, canteens of more than 260 universities and institutions, more than 800 markets, and more than 300 public transportation have opened China Unionpay Quick Pass code scanning payment;
- ✓ China Unionpay Quick Pass was officially launched in December 2017. By the end of 2020, the number of APP users in China Unionpay Quick Pass exceeded 360 million.



Source: People's Bank of China

- ❑ Non-bank payment institutions: represented by Alipay and Tenpay, there are more than 230 licensed payment institutions serving hundreds of millions of households.

In 2020, the online payment market of non-bank payment institutions closed to 300 trillion yuan, with a huge market scale.



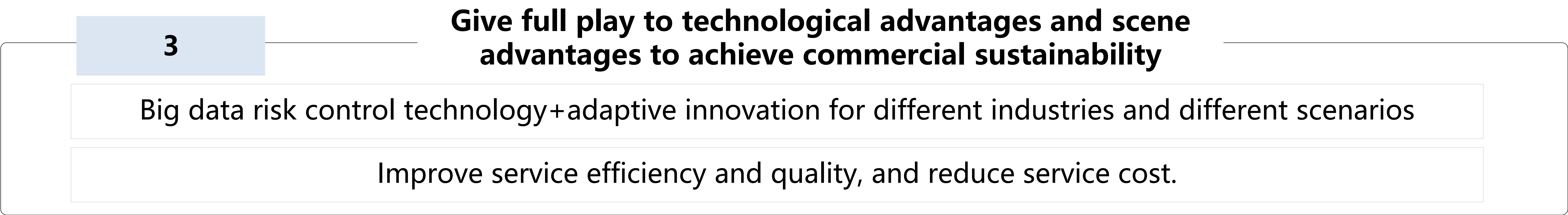
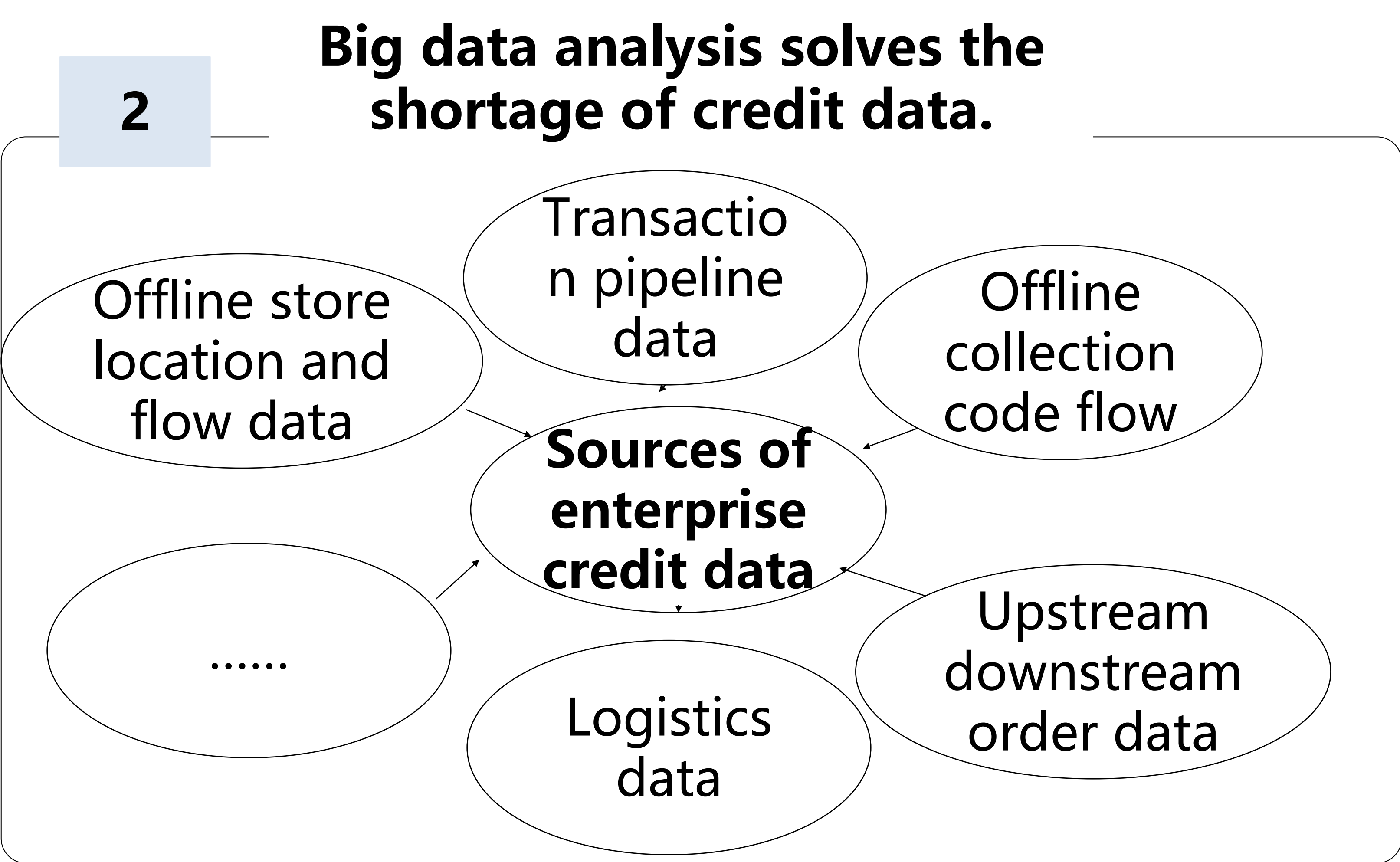
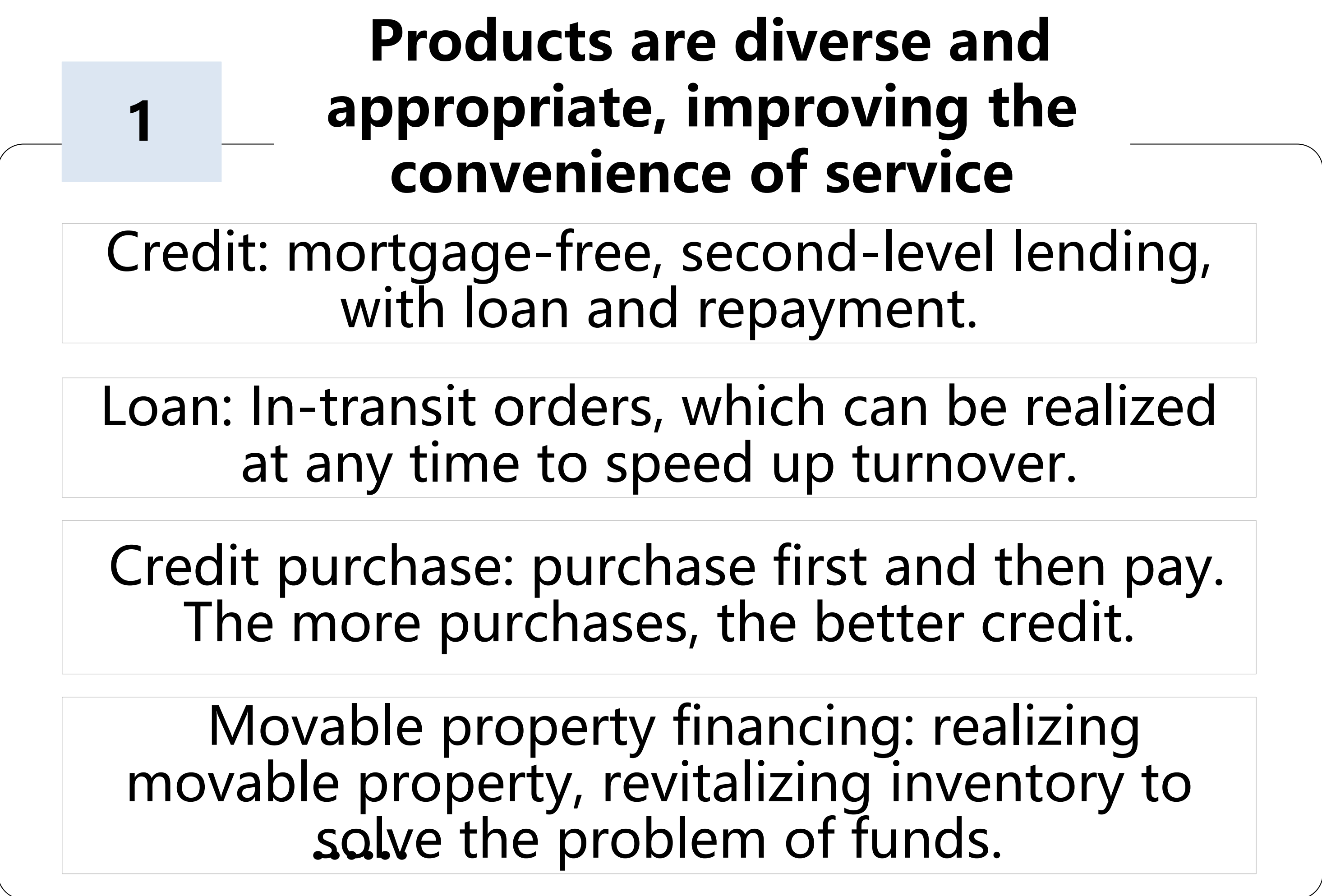
■ Amount of online payment of non-bank payment institutions (trillion yuan)

— The online payment business of non-bank payment institutions increased year on year (%)

Source: People's Bank of China

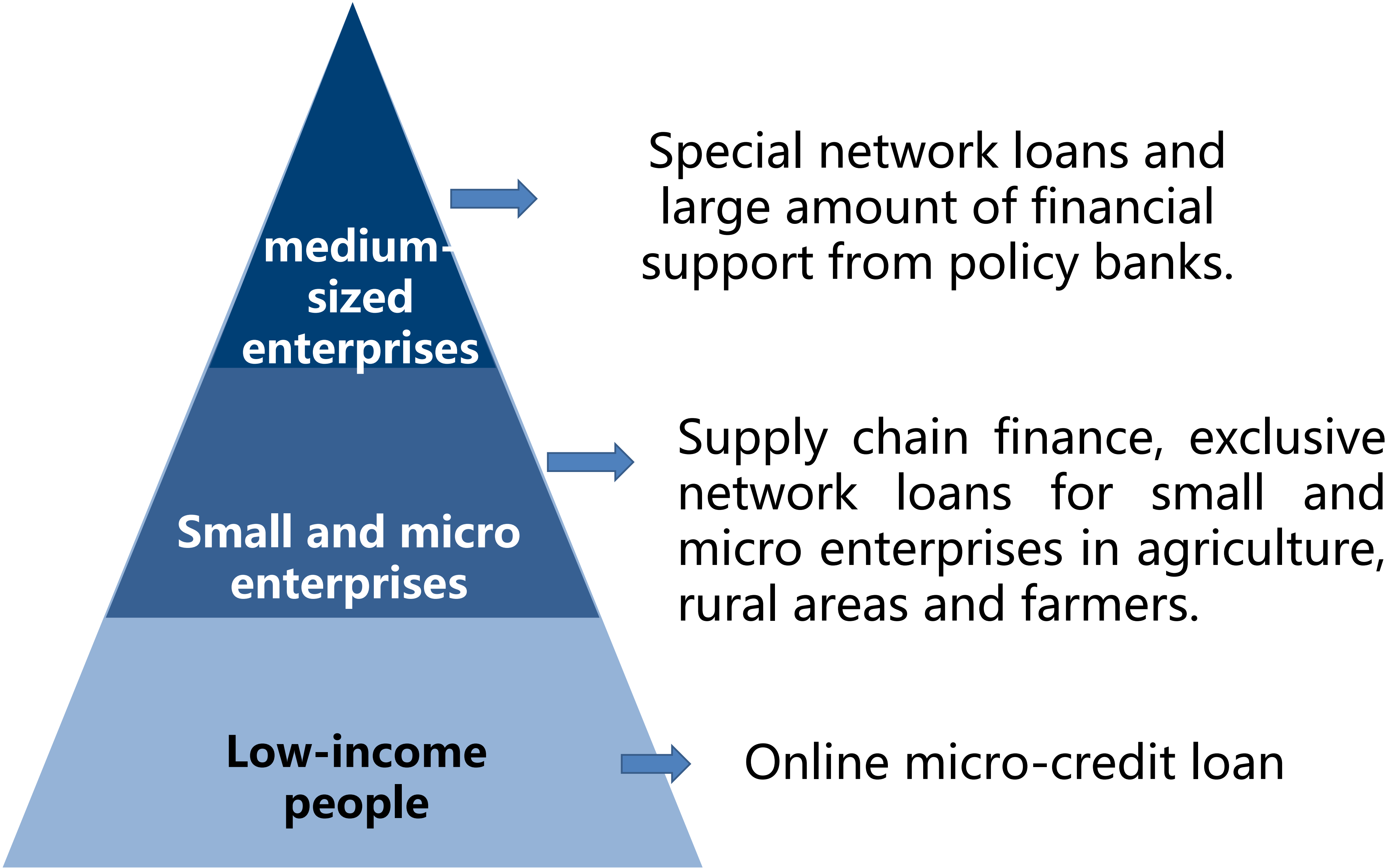
2. Internet lending helps small and micro enterprises to raise funds and support real economic development

❑ Internet platform relies on advanced digital technology and huge ecosystem (payment, e-commerce, etc.) to provide various forms of Internet financing services and products for small and micro enterprises.




3. Comprehensive rural digital financial inclusion boosts the development of agriculture, countryside and farmers

- ❑ Multi-level and multi-form agriculture-related network loans can accurately meet the needs of agricultural production and operation and support the three rural groups.
- ❑ Banks actively build a comprehensive DFS platform for "agriculture, rural areas and farmers" through financial equipment terminals, mobile Internet technology and convenience service points, so as to extend the service radius, broaden the service channels and improve the availability of digital inclusive finance in rural areas.



Construction Bank
"Yunongtong"



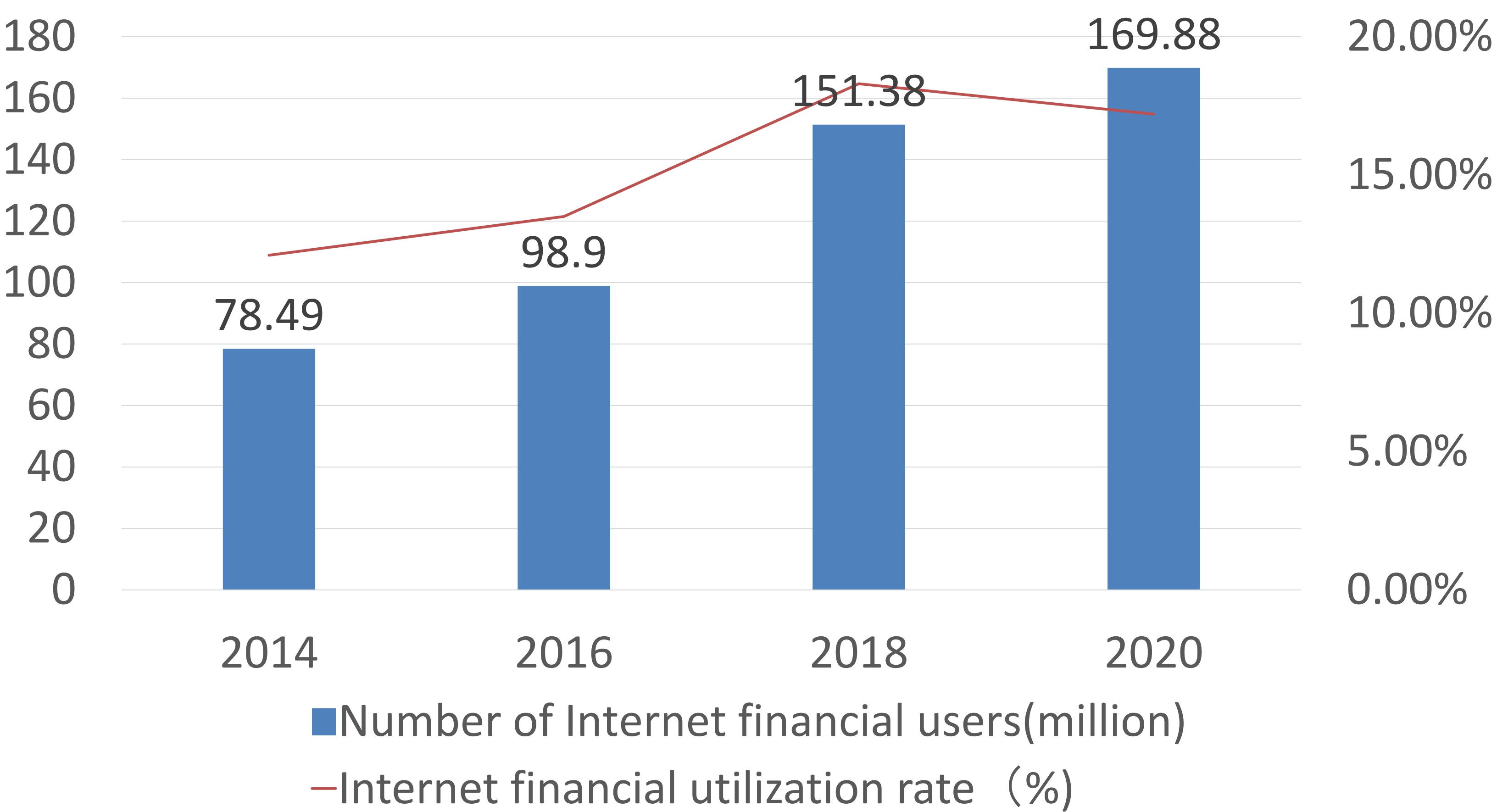
- Combining Yunongtong APP, intelligent POS and WeChat account, it will build a service system in inclusive finance.
- Partners only need a mobile phone or a computer to download the APP for direct operation.

✓ withdraw	✓ Covers 31 provinces and cities across
✓ remittance	the country.
✓ transfer	✓ The rural coverage rate exceeds 33%
accounts	✓ Covers over 1,300 designated
✓ insurance	assistance villages of CCB.
✓	

4. Online investment service long tail customers

- DFS management tools with high flexibility and low threshold provide a convenient and feasible channel for investors, especially low-and middle-income groups to participate in wealth management.

Internet financial utilization rate continues to increase
In 2020, there will be more than 169 million Internet financial users



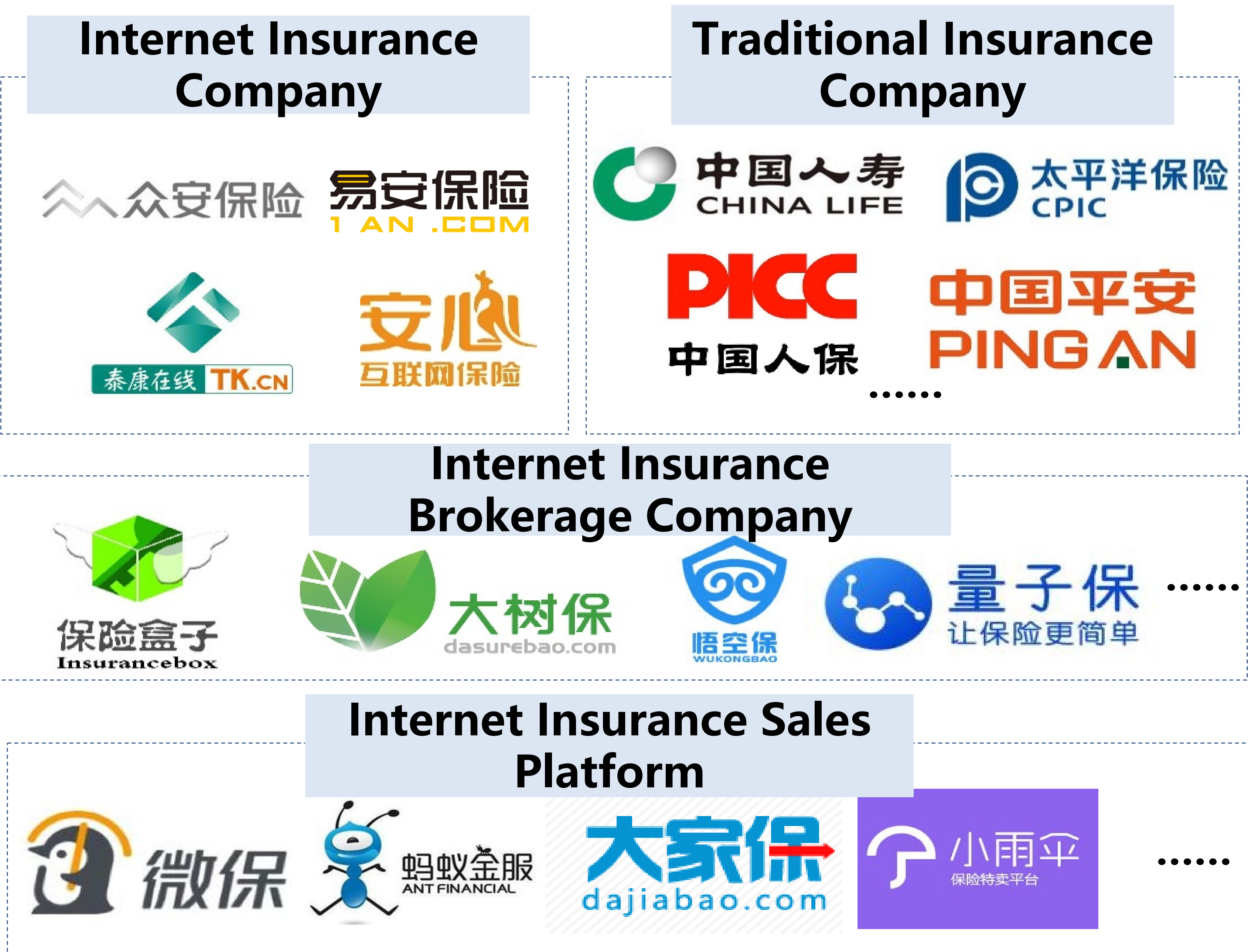
Organization	Online investment form
Internet fund management platform	Subverting the original sales channels and methods of wealth management products, and providing users with various choices.
Banking	Docking fund company's money market fund products, providing low-income groups with online flexible purchase and redemption of wealth management products.
Securities	Using fintech to improve the efficiency of fund management; Introduce long tail customers through the advantages of Internet traffic, and provide products that meet the financial needs of customers of general income class.

Source: China Internet Network Information Center

5. Internet insurance promotes the availability and universality of insurance

- Up to now, China has set up 4 professional Internet insurance companies, and more than 100 insurance companies have carried out Internet insurance business, which has played an active role in improving consumer experience, improving the level of insurance inclusiveness and expanding the depth and breadth of insurance.

China's Internet Insurance Ecology



The Role of Insurance Technology

- Reduces the cost of insurance institutions and improve their operating efficiency
- Enriches the channels for insurance agencies to obtain customers.
- Promotes the optimization and upgrading of the structure of insurance products

THANKS



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