Financial Inclusion and Social Network

China Experience

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A Survey on Mobile Payments Penetration

India and China are the top two countries with the highest mobile payments penetration rate.

Source: Ipsos; 18,000 customers surveyed
Driving Forces

The driving forces behind are similar

Huge Market Potential
High Smartphone Penetration
Strong Government Support
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Tencent has developed into a leading provider of Internet services in China.
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Two Major Players: WeChat Pay & AliPay

The market share of WeChat Pay increased fourfold in the past three years, showcasing the success of expanding financial inclusion through social networks.

Mobile pay market share (2014Q1)

- WeChat Pay: 9.6%
- AliPay: 77.8%
- Others: 12.6%

Mobile pay market share (2017Q2)

- WeChat Pay: 39.8%
- AliPay: 54.5%
- Others: 5%

Source: iResearch
Notes: WeChat Pay market share also includes QQ wallet
The Turning Point: WeChat Red Packet

• A “traditional” red packet is a red envelope with cash in it. It is a tradition in China – especially in Southern China – to give out red packets to children, lovers or subordinates during special occasions (e.g. the Chinese New Year) as gifts.

• With WeChat, people can now send red packets in electronic form to anyone in their contact lists.

Tencent’s founder & CEO Pony Ma gave out red packets to employees during the Spring Festival.

Tencent Employee Queuing to Collect Red Packets from Pony Ma Outside the Company’s Headquarter.
People can also send red packets embedded with the “lucky draw” feature to any chat group on WeChat. In this case, each person in the group will receive a random amount from the sender. You have to be quick enough to “open” the red packet before the assigned amount of money is picked up by people in the group!

The fun feature of “red packet lucky draw” makes it go viral quickly!

“Red packet lucky draw”

Red packet money is randomly distributed within the group
People created lots of animations to ask for a red packet!
Red Packets: A Social Phenomenon

The total number of WeChat red packets sent on the Chinese New Year Eve has grown 760 times in three years!

Red packet is a way to educate and prepare users to use mobile payment in their daily lives

- Users need to link their bank accounts with their WeChat accounts in order to give away e-red packets. When a user receives a red packet, the money is directly transferred to the WeChat wallet.


- **2014**: 20Mn
- **2015**: 1Bn
- **2016**: 9.08Bn
- **2017**: 14.2Bn

- **5M+ Wechat Users** participated
- **200M+ Wechat and Mobile QQ users** participated
- **420M WeChat users and 308M QQ users** participated
- **Red Packets Innovation**
  - “Gold Packets” on WeChat
  - QQ LBS + AR Red Packets

- **2015**: 5M+ WeChat Users and 200M+ Mobile QQ users participated
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**Notes:**
- Tencent
- ITU
Further Leverage the Social Network

*Split-the-bill*

- “Split Bill” totals ¥10.00, ¥8.00 due
- ¥2.00 received

- 3 person(s) unpaid
- Send Alert
  - 王元
    - ¥2.00 to be paid
  - 张振兴
    - ¥2.00 to be paid
  - hurongping@TX
    - ¥2.00 to be paid

- 1 person(s) paid
  - 胡老师
    - ¥2.00 paid

Received money will be transferred to Wallet.

*Face-to-face Red Packet*

- Scan code to get Red Packet
- 1 left
WeChat Pay Everywhere

An unprecedented cashless era in China!

**Shopping**
- E-commerce
- Street Stalls
- Convenience Stores

**Catering**
- Food Delivery
- Restaurants
- Cafés

**Travelling**
- Car-hailing Service
- Hotel & Air Ticket Booking
- Public Transportation

**Others**
- Mailing
- Ticketing
- Charity
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Other Financial Services

Online Investment Platform: Li-Cai-Tong
- Low investment threshold
- Strong focus on low-risk products, making it ideal for people with little investment knowledge

Credit Reference: Tencent Credit Score
- Ranges from 300 to 850
- Based on big data from payment records, social chains and other external information

Personal Revolving Loans: Wei-Li-Dai
- Credit limit ranges from 500 to 300,000 RMB ($47,600) depending on user’s credit history and Tencent Credit Score
- Maximum 15 minutes processing time; daily interest rate range from 0.02% - 0.05%
The Advantages of Financial Services on Social Network

Broad Coverage

• WeChat’s penetration rate is close to 90%, while the total number of mobile Internet users in China is around 700M
• In recent years, the number of WeChat users continues to grow – particularly among elderlies and people from rural areas

Quick and Easy Access

• According to statistics, users spend hours on WeChat on a daily basis
• The speed in generating QR codes is critical in providing frequently-used financial services, such as mobile payment

Strong Technical Capability

• Large social network operators usually have the capability to build a robust infrastructure
• Peak number of WeChat payments per second: 208K
• Success rate of WeChat Payment: 99.999%

Leverage Social Network to Expand Coverage

• The WeChat red packet case
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We Remit, a gift for Filipino domestic helpers in Hong Kong

A real-time remittance service that would save a Filipino domestic helper 120 hours on average in a year
Thank You