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Digital Finance: A New Wave in Payments and Remittances

**Asia-Pacific Financial Inclusion Summit
Manila, Philippines**

**John Owens
Chief of Party, USAID E-PESO
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Partnerships for Growth (PFG) GOAL

To achieve a sustained and more inclusive growth trajectory for the Philippines

E-PESO GOAL

Contribute to PFG goal by advancing **financial inclusion** by facilitating the rapid adoption of electronic payment use and development of electronic payment ecosystem in the Philippines

TIMELINE: March 2015 to March 2020

IMPLEMENTING PARTNERS:

Primary GPH Partner



LGUs



Industry Associations



E-Payment Actors





E-PESO Vision & Objectives

Objective: financial inclusion deepened resulting from an increase of e-payments adoption, use, and development.

- **Widespread e-payment adoption and use** by individual consumers, government, and businesses
- **Supportive regulatory environment and infrastructure** for e-payment development
- **Increased access, usability, and quality** of digital financial services
- **Greater transparency and accountability** in government transactions
- **Improved efficiency and profitability** in business transactions
- **E-payment ecosystem poised for continued growth and innovation across the Philippines**

Eight Digital Finance Trends Impacting Financial Inclusion

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- 1) Agent Banking Expanding in Other Regions**
 - 2) New Changes to National Retail Payment Laws and Regulations**
 - 3) Governments Driving Electronic Payments**
 - 4) Rise of New Financial Players (e.g. e-Payment Operators, QIWI and AliPay)**
 - 5) New Digital Financial Service Partnerships**
 - 6) Smartphone Penetration Rates Reaching a Tipping Point**
 - 7) More Competitive Remittance Options**
 - 8) Global Payment Providers Focusing on Financial Inclusion**

- **ACCESS**

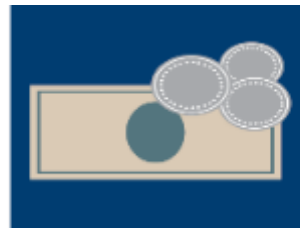
- Ease of account opening (tiered KYC), sufficient access points, reliable agent network, interoperability, infrastructure of payment service providers, and availability of services

- **USAGE**

- Personal/business value proposition, anchor product and multiple use cases, digital / mobile / computer literacy, financial inclusion knowledge sharing, and monitoring developments in e-Payments ecosystem

- **QUALITY OF SERVICES**

- Trust, excellent customer-centric services, regulations and security, and consumer protection



Opportunities in Financial Inclusion

- ✓ The **Philippines** is among the growing list of countries **updating retail payment laws and regulations** to manage new players and technologies in the space of e-Payments and financial inclusion.
- ✓ Changes in national retail payment policies will have an impact on the **opening of markets to new financial players**, as well as **new rules governing the supervision and oversight of payment systems**.



e-Payments Ecosystem in the Philippines

- BSP is leading the development of a National Retail Payments System (NRPS)
- Expand e-Payment infrastructure (*e-Commerce, mPOS, NFC technology, agent network models*)
- Promote interoperability across e-Payment instruments, mechanisms, and channels
- Ensure security, consumer financial literacy, and consumer protection





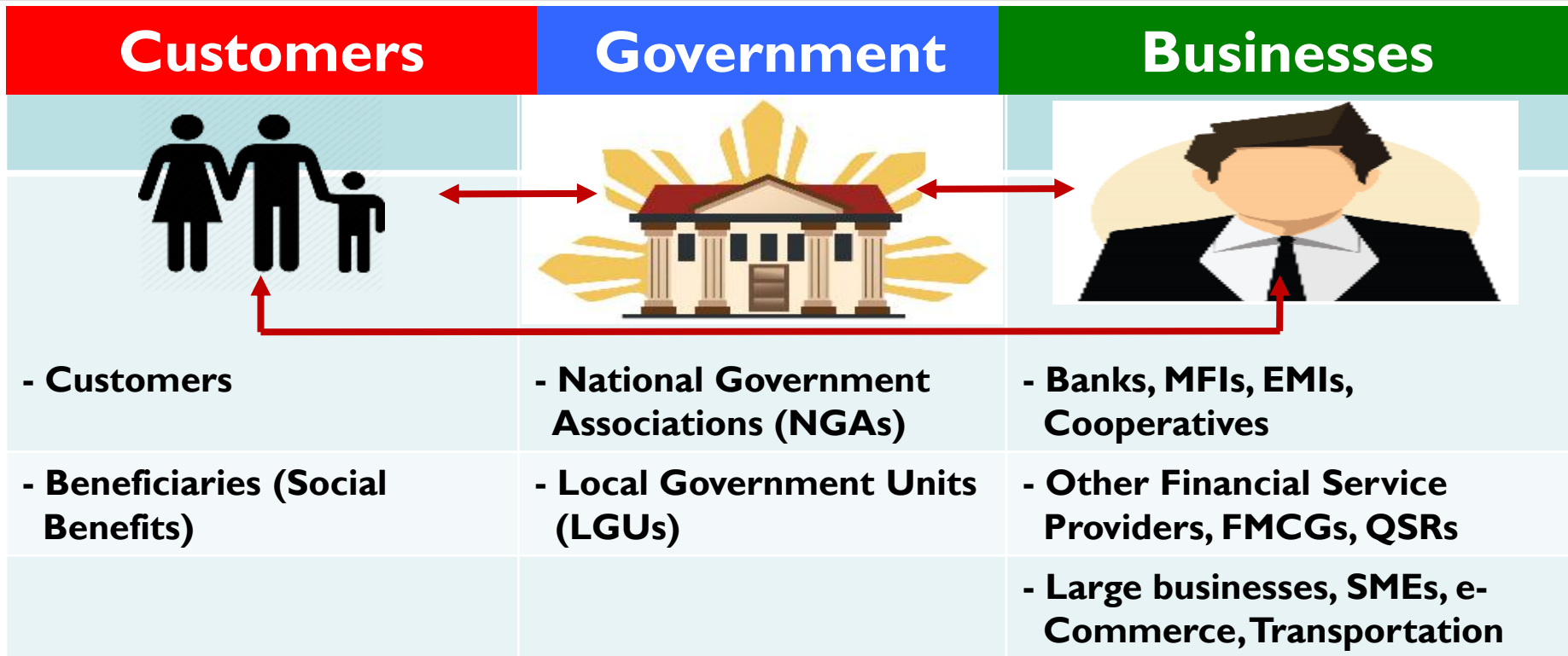
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Philippines e-Payment Players



Supporting the e-Payments Ecosystem in the Philippines

Taking an Ecosystem Approach to Digital Financial Services and e-Payments by Working with **Government, Business, and Consumers**



CUSTOMER SERVICES:

- Cash-in / Cash-out
- Remittances (Int'l / Domestic)
- Bills Payments

- Payroll, Social Benefits
- e-Money
- e-Commerce
- Financial Services (Savings & Credit)

Benefits of e-Payments Adoption for Consumers

- **Transparency**
 - **Trust**; Increases accountability and tracking of financial flows, minimizing risk and fraudulent activity; Traceable via real-time transactions and delivery of electronic receipts
- **Cost Savings**
 - Diminishes the direct / indirect costs associated with physical cash-handling and in-kind goods distribution; Saves time / transport costs for in-person transactions
- **Speed & Security**
 - Generally faster and safer means of delivery of funds with electronic receipts
- **Financial Inclusion**
 - Creates opportunities for financial access and affordability for those formerly excluded from formal financial systems; Opens avenues for building personal savings and financial security

Agent Penetration is Crucial for Broader Financial Inclusion

No. E-Money Access Points per 10,000 adults (≥ 15 yrs)

 **TZ** **61**

 **KY** **49**

 **PK** **17**

 **BD** **17**

 **PH** **< 2**



Competitive Growth of Remittance Providers

A renewed interest in lowering the costs of remittances, driven by numerous policymakers and governments globally, continues to grow the competitive landscape of alternative digital financial services and remittance options.

**Innovative
Remittance
Alternatives**



KlickEx 

 **TransferWise**



Could Social Networks Be the Next Big Remittance Player?

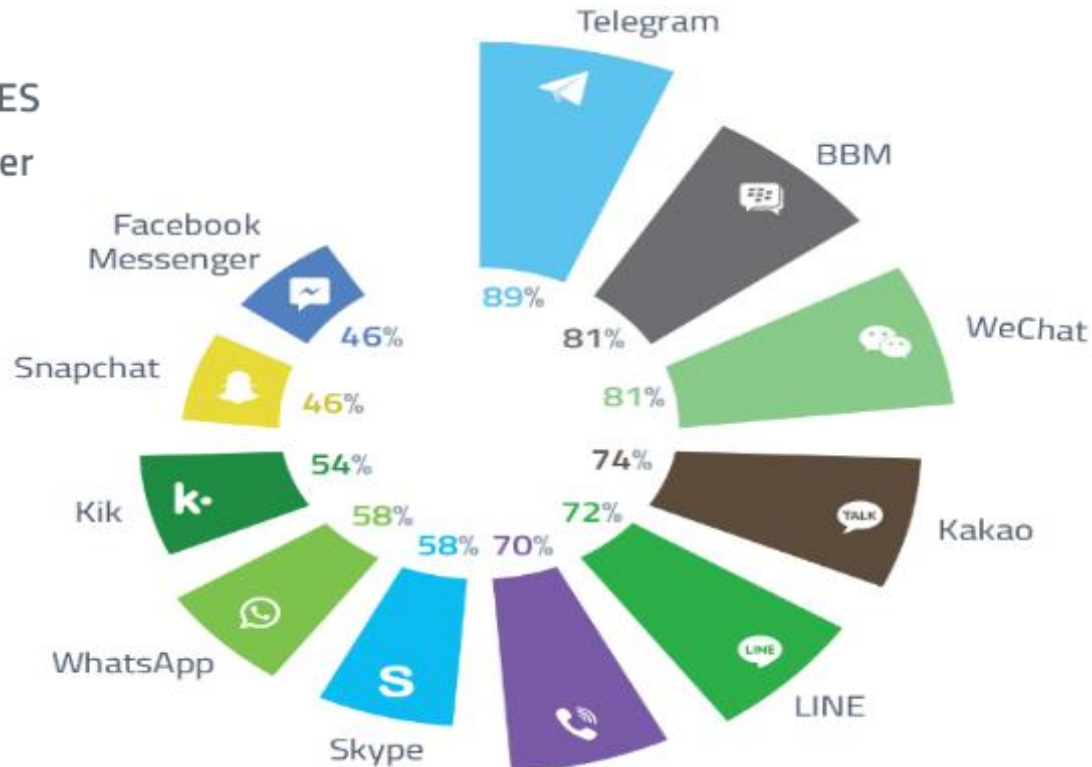
Research by Life.SREDA VC



Monthly Active users (2015), M	900	700	600	249	211	200	62	48
Payment solution	✘	✔	✔	✘	✔ LinePay	✔ Snapcash ¹	✘	✔ KakaoPay

INTEREST IN MONEY TRANSFER FEATURES

% active users interested in money transfer features on mobile messaging apps



Key Takeaways

- **CONVERGENCE OF PLAYERS** focused on interoperability and healthy Cooperative Competition → **“COOPTITION”**
- **KEY ROLE FOR GOVERNMENTS**
 - Security and regulations
 - National retail payments system (financial regulations policies)
- **ACCESS**
KEY → Growth of agent networks and access touch points
- **USAGE**
Use cases, financial literacy knowledge sharing
- **QUALITY**
Trust, consumer protection, and security



Photo: CGAP



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Thank you

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