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:
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

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
Essential Factors for e-Payments Adoption

• **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
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.
- 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
Philippines e-Payment Players

- Banks
- EMIs
- ATM Networks
- Card Associations
- EPSPs
- Agent Networks
# 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**

<table>
<thead>
<tr>
<th>Customers</th>
<th>Government</th>
<th>Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Customers</td>
<td>- National Government Associations (NGAs)</td>
<td>- Banks, MFIs, EMIs, Cooperatives</td>
</tr>
<tr>
<td>- Beneficiaries (Social Benefits)</td>
<td>- Local Government Units (LGUs)</td>
<td>- Other Financial Service Providers, FMCGs, QSRs</td>
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<tr>
<td></td>
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<td>- Large businesses, SMEs, e-Commerce, Transportation</td>
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**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

*Source: Better Than Cash Alliance, 2015*
Agent Penetration is Crucial for Broader Financial Inclusion

<table>
<thead>
<tr>
<th>Country</th>
<th>No. E-Money Access Points per 10,000 adults (≥15 yrs)</th>
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<tbody>
<tr>
<td>TZ</td>
<td>61</td>
</tr>
<tr>
<td>KY</td>
<td>49</td>
</tr>
<tr>
<td>PK</td>
<td>17</td>
</tr>
<tr>
<td>BD</td>
<td>17</td>
</tr>
<tr>
<td>PH</td>
<td>&lt; 2</td>
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Source: Alliance for Financial Inclusion; Photo: Rbabmabs.org
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.
Could Social Networks Be the Next Big Remittance Player?

<table>
<thead>
<tr>
<th>Research by Life.SREDA VC</th>
<th>WhatsApp</th>
<th>Facebook Messenger</th>
<th>Snapchat</th>
<th>WeChat</th>
<th>Line</th>
<th>LinePay</th>
<th>Snapcash</th>
<th>KakaoPay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Active users (2015), M</td>
<td>900</td>
<td>700</td>
<td>600</td>
<td>249</td>
<td>211</td>
<td>200</td>
<td>62</td>
<td>48</td>
</tr>
<tr>
<td>Payment solution</td>
<td>✗</td>
<td>✓</td>
<td>✓</td>
<td>✗</td>
<td>✓</td>
<td>✗</td>
<td>✓</td>
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</tbody>
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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
Thank you

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