



# Promoting Financial Inclusion through Mobile and How Policymakers can Help

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company confidential

**A**

**Overview of Axiata Group**

**B**

**Mobile Financial Services Driving  
Financial Inclusion in Asia**

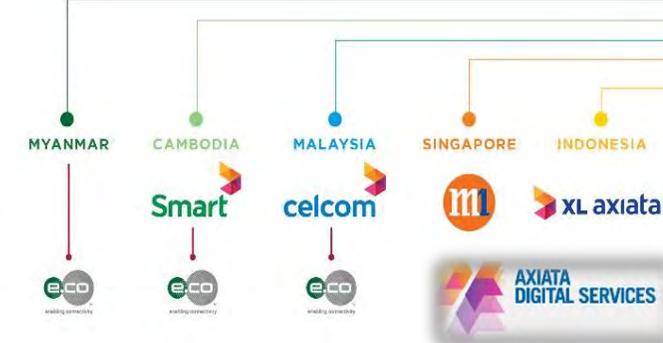


# ADVANCING ASIA

SOUTH ASIA PRESENCE



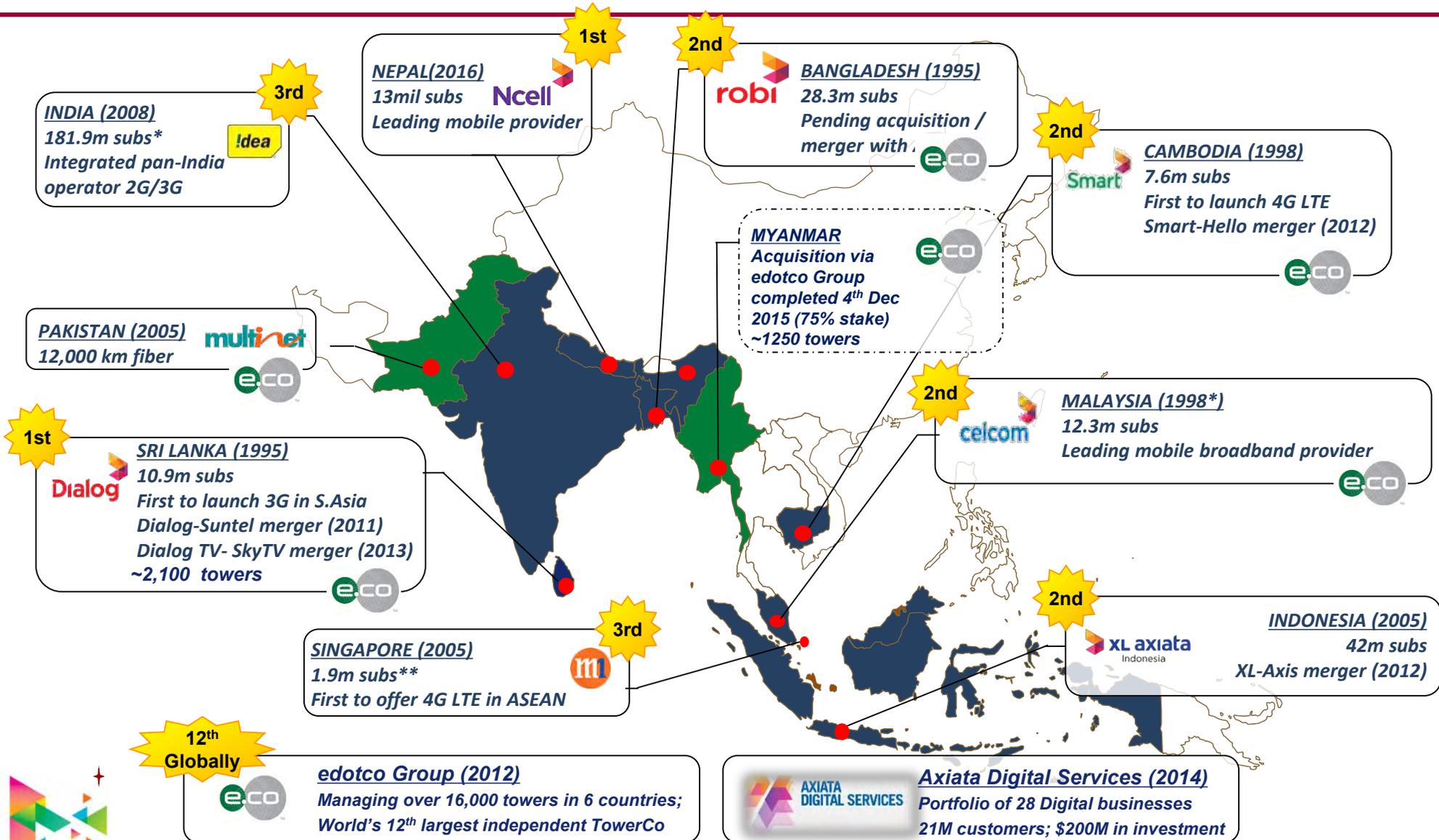
SOUTHEAST ASIA PRESENCE



- 2015 REVENUE • RM19.9 billion  
USD5.1 billion
- PAT • RM2.6 billion  
USD0.7 billion
- MARKET CAP • RM56.5 billion  
USD13.2 billion
- SUBSCRIBERS • ~290 million\*
- EMPLOYEES • 25,000
- COUNTRIES • 10\*

\* as of 12 April 2016

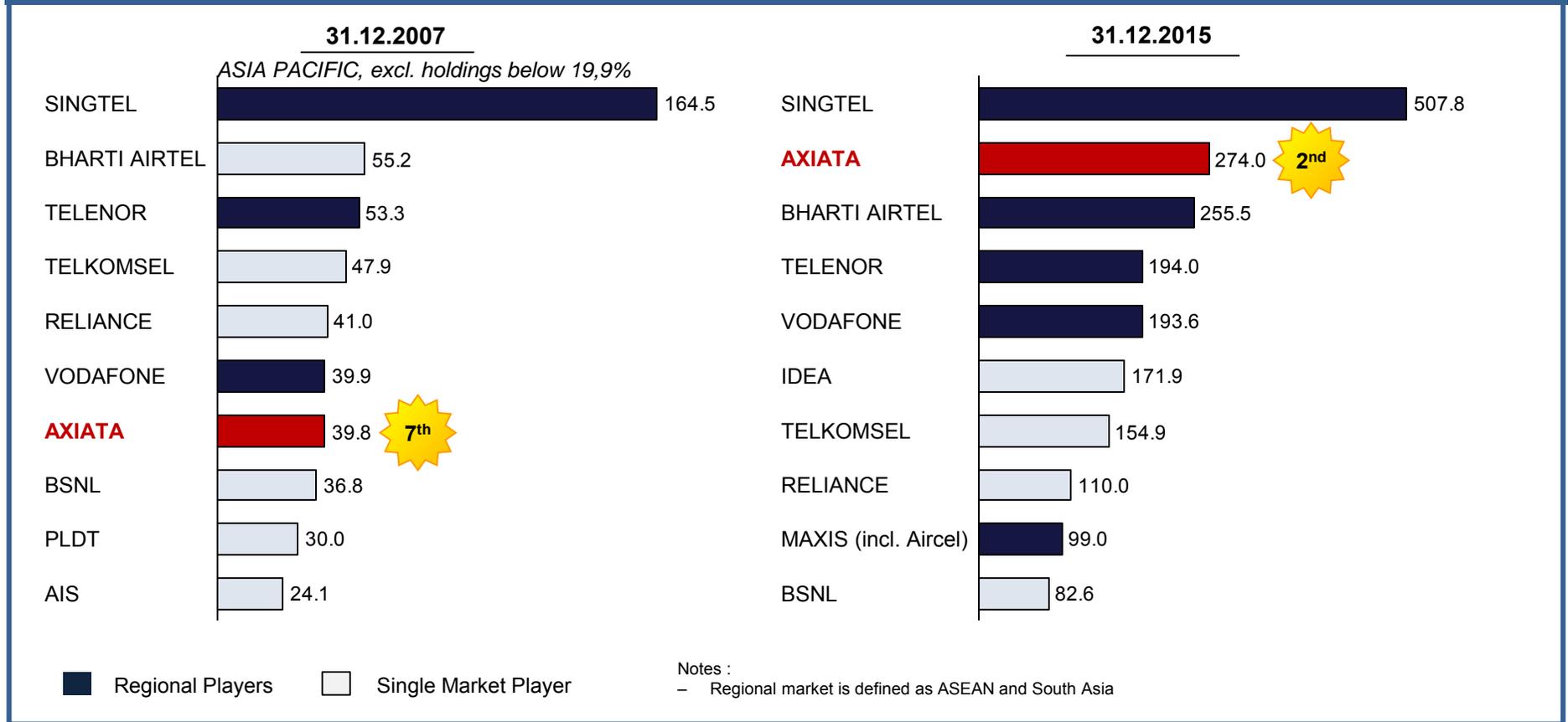
# Axiata is the second largest telecom operator in South Asia & ASEAN, with over 290 million customers & 25,000 staff in 10 countries



# Over the past 8 years we have grown from #7 to a #2 Regional Champion, measured by Customers against our regional peers

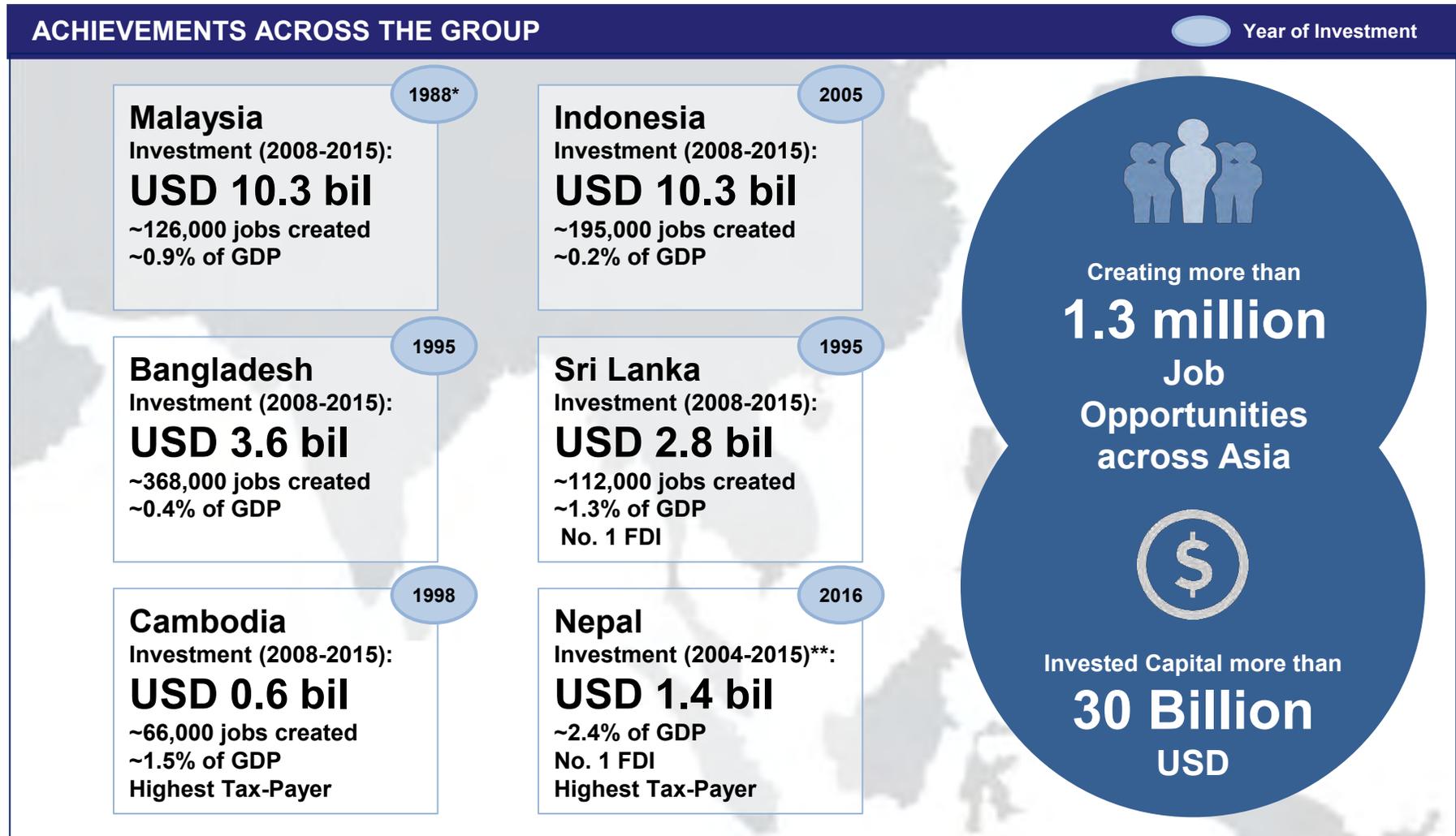


## PEER GROUP (ASEAN & South Asia) – TOP 10 CUSTOMER REACH/BASE [Mn. Sims]



Source: Axiata Group Strategy, Informa WCIS Note: Vimpelcom 2010 incl. pro forma PMCL which was only consumated during H1-2011, Vodafone adjusted for India operations only

# Axiata is a long-term investor & contributor to national development in our markets (~1.0% of GDP)



Note : Investment in the forms of capital expenditure and operating expenditure

Source : KPMG Independent Analysis

\* Incorporate in 1988 under TM, then sold to Axiata during TMI demerger in 2008; \*\* Purchase Enterprise Value representing 1.5x Book Value of Invested Capital

**A**

**Overview of Axiata Group**

**B**

**Mobile Financial Services Driving  
Financial Inclusion in Asia**

# The opportunity for Financial Inclusion and Commercial Participation in Mobile Financial Services (MFS) is highly attractive

**1** Attractive market opportunity for MFS in the **Asia Pacific region – M-Money transactions forecasted to reach US\$320bn with over 190mn users by 2020.**

**2** With current formal banking penetration in Asia Pacific still below 25%, mobile operators and smartphones are the logical access provider / tool for M-Money:-  
a) Basic M-Money services are already accessible by all mobile subscribers – **2.5bn potential users** in Asia Pacific alone – **basic M-Money does not need a Smartphone**  
b) **Smartphone penetration already at 45%** and is **expected to hit 100% by 2020**

**3** A key opportunity in M-Money is international P2P transfer – market opportunity for remittance in Asia Pacific alone exceeds **US\$16bn** annually with a **CAGR of 6.8%**.

**4** Another important opportunity in MFS is mPOS – penetration of POS terminals in Asia Pacific is half of global average; mPOS forecasted to have an **annual growth rate of 50% until 2020.**

**5** **Barrier to Financial & Formal Economy via MFS (FinTech) is policy & regulations** to ensure fair play between bank & non-bank providers.



# Digital (Mobile) Financial Services – sometimes called FinTech – comprise 4 service categories: Money, Insurance, Savings & Credit



Mature Emerging



## Mobile Money

Money transfers & payments via mobile phones



## Mobile Insurance

Micro-insurance services through mobile phones



## Mobile Savings

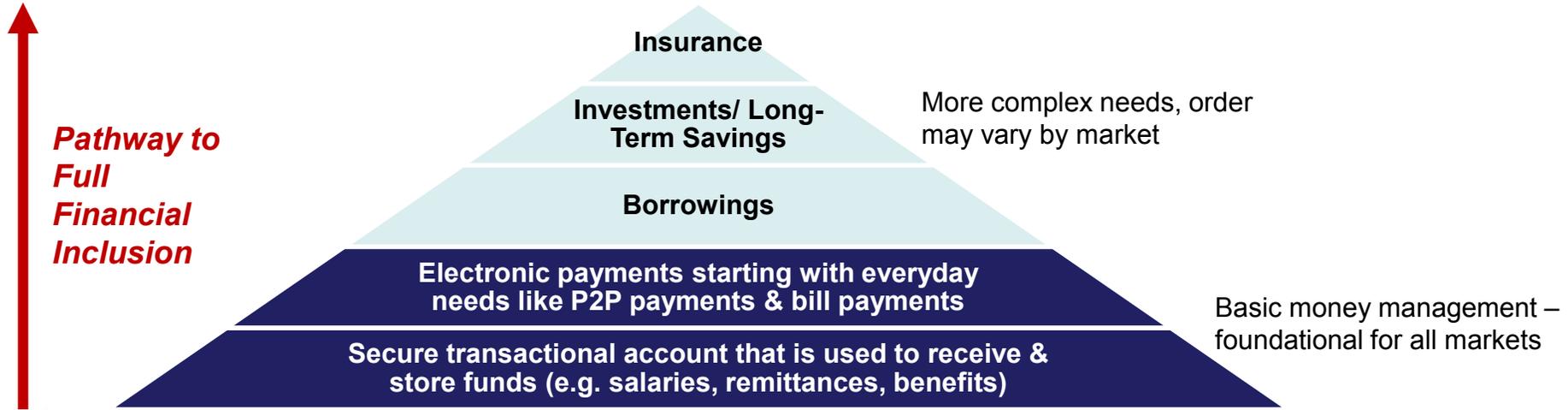
Deposits & Savings using mobile phones



## Mobile Credit

Provides credit / lending services via mobile phones

### Hierarchy of Consumer Financial Needs

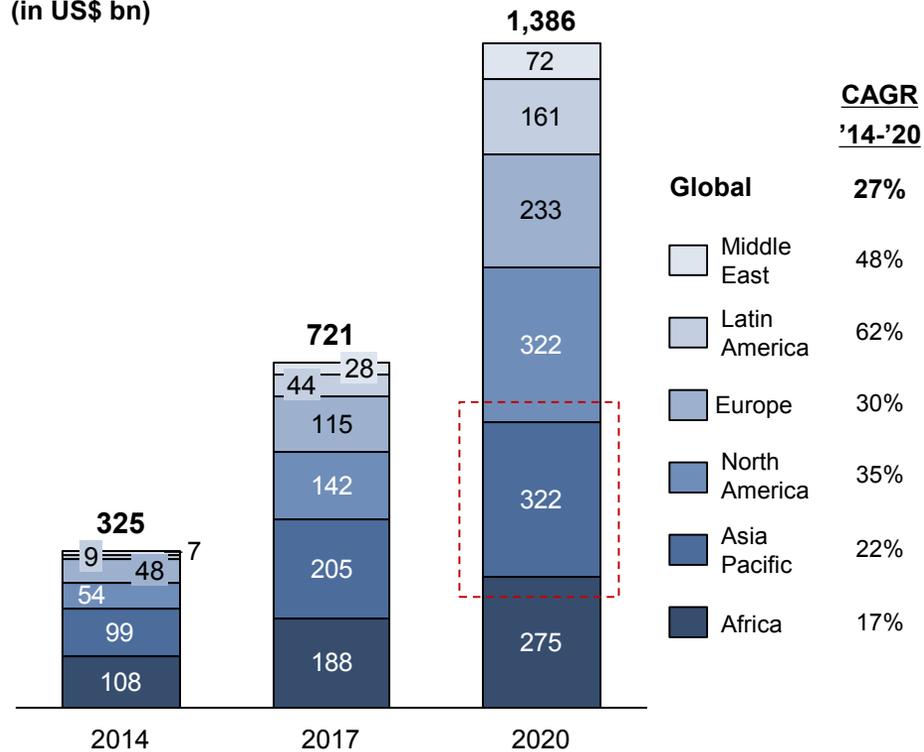


Source: MasterCard, Internal analysis

# M-Money is an especially attractive segment – we expect to see overall transactions via M-Money reach US\$1.4 trillion by 2020

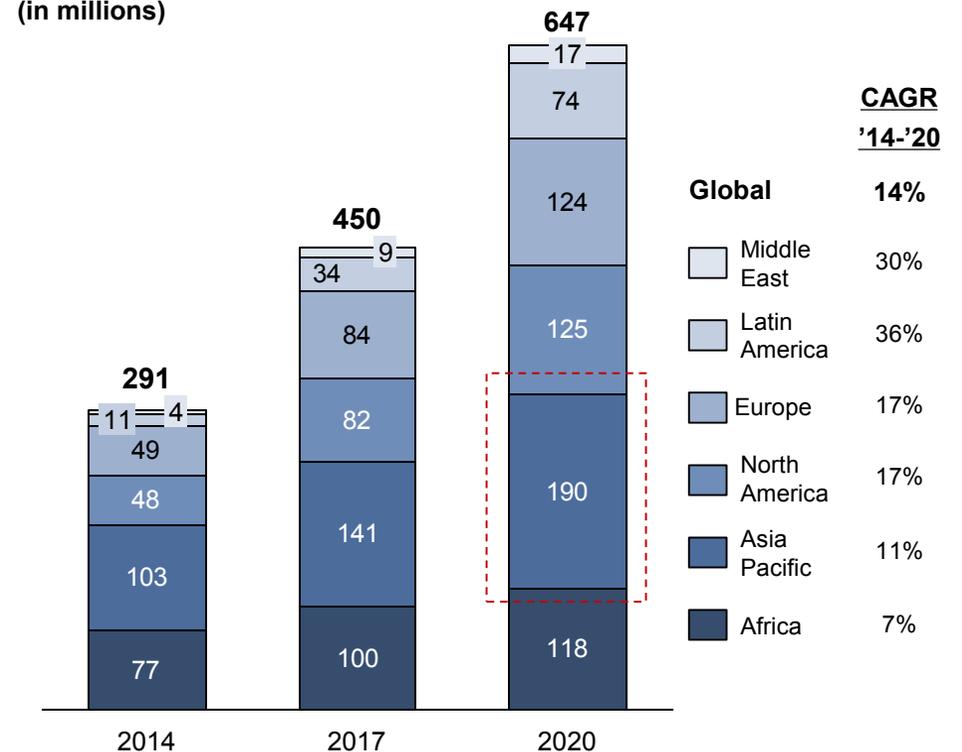
## Asia Pacific will surpass North America as the largest M-Money market by transaction in 2020

(in US\$ bn)



## Asia Pacific is expected to account for 30% of global mobile payment users by 2020

(in millions)



Source: Gartner, Statista

\* Note: Forecast figures

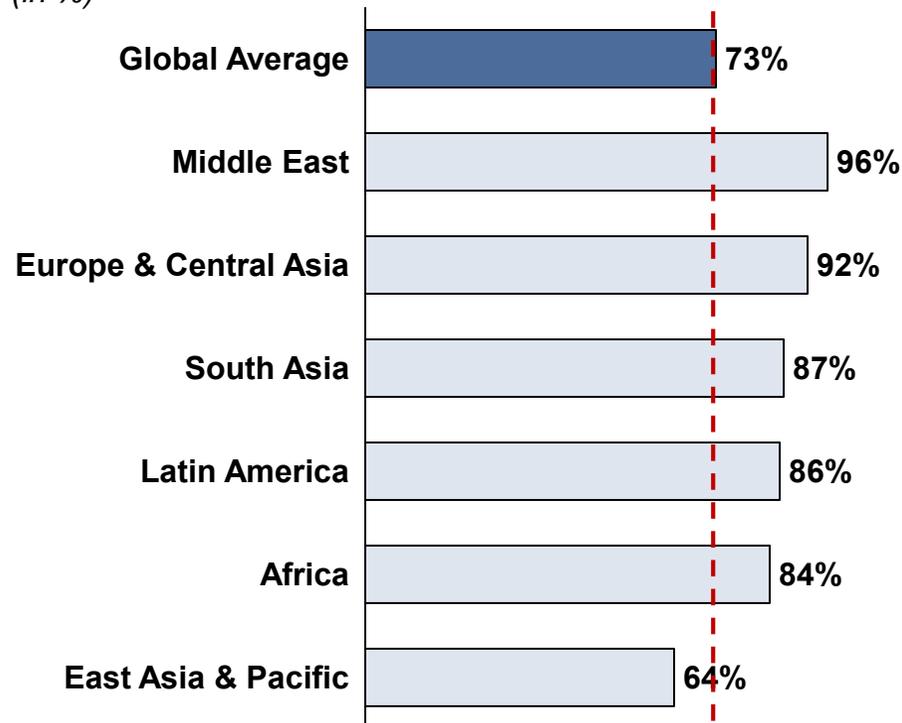


# Over 5 bn of the world's adults are still “unbanked”, with more than half – or 2.5 bn unbanked people – in Asia Pacific

## More than 2/3 of the world's population does not have a formal savings account

### Unbanked Population by Region

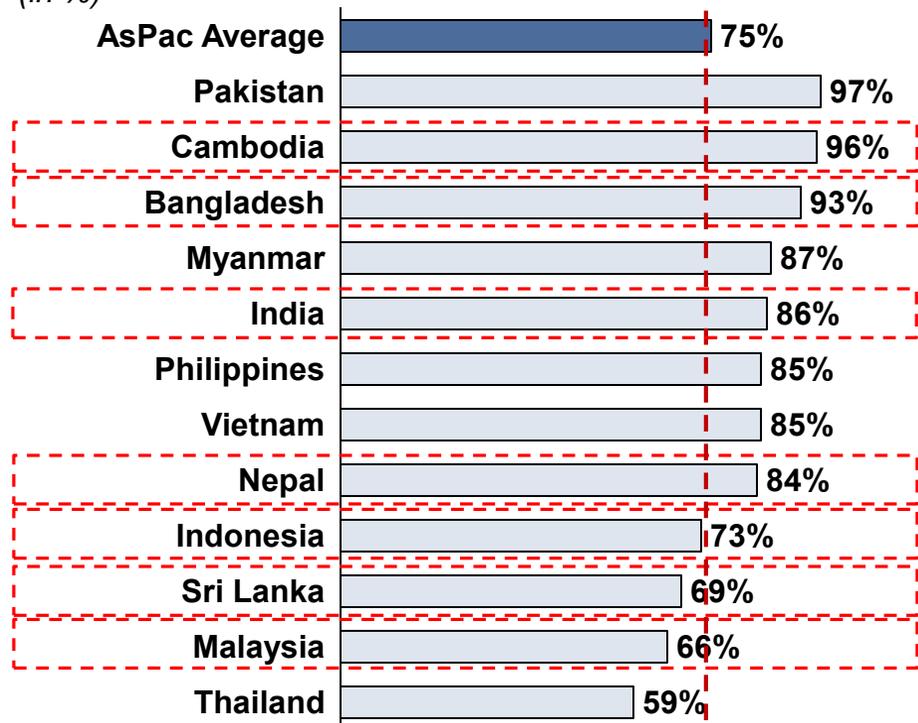
(in %)



## In Asia Pacific, over 75% of adults remain unbanked

### Unbanked Population in Developing Asia Pacific

(in %)



Source: World Bank “Global Findex”, Internal Analysis – Y/E 2014 figures

Note: “Unbanked” are defined as adults above 15 who do not have access to a *formal savings account*

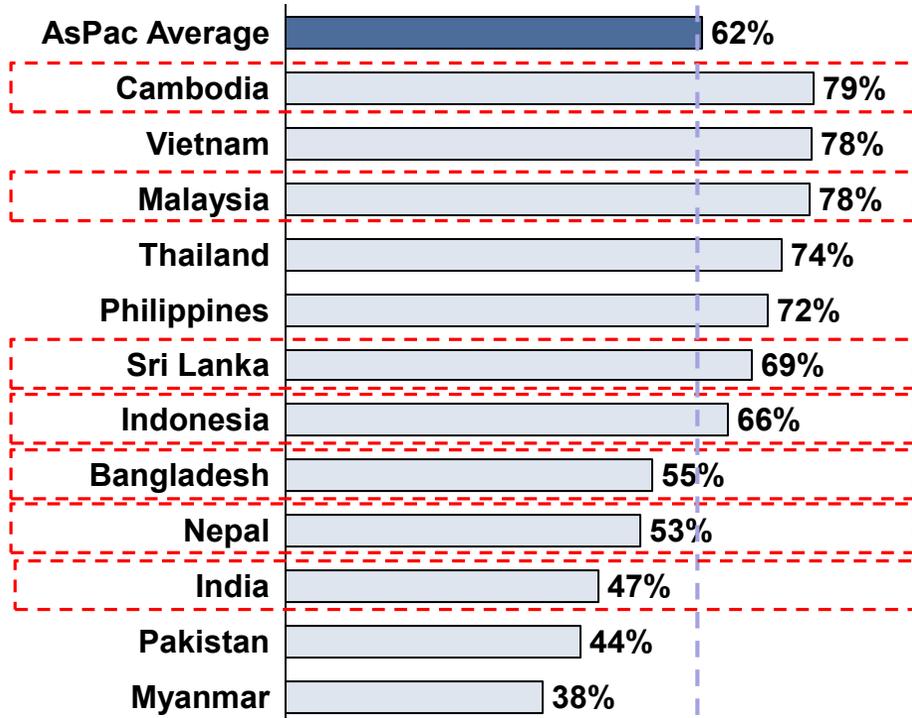


# Today 100% of mobile customers could use basic M-Money services as seen by M-Pesa – in Asia this represents 2.5bn people

## Over 62% of Asia Pacific are potential MFS users

### Mobile Penetration % in Asia Pacific – FY2015

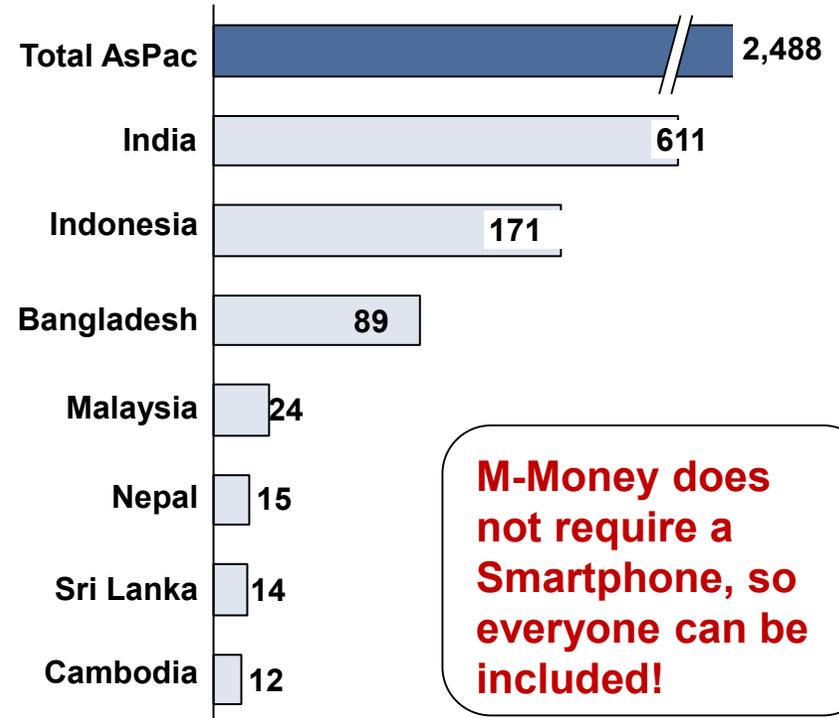
(measured by no. of unique subs vs population size)



## 935mn potential users in our footprint alone

### Unique Subscribers in Asia Pacific – FY2015

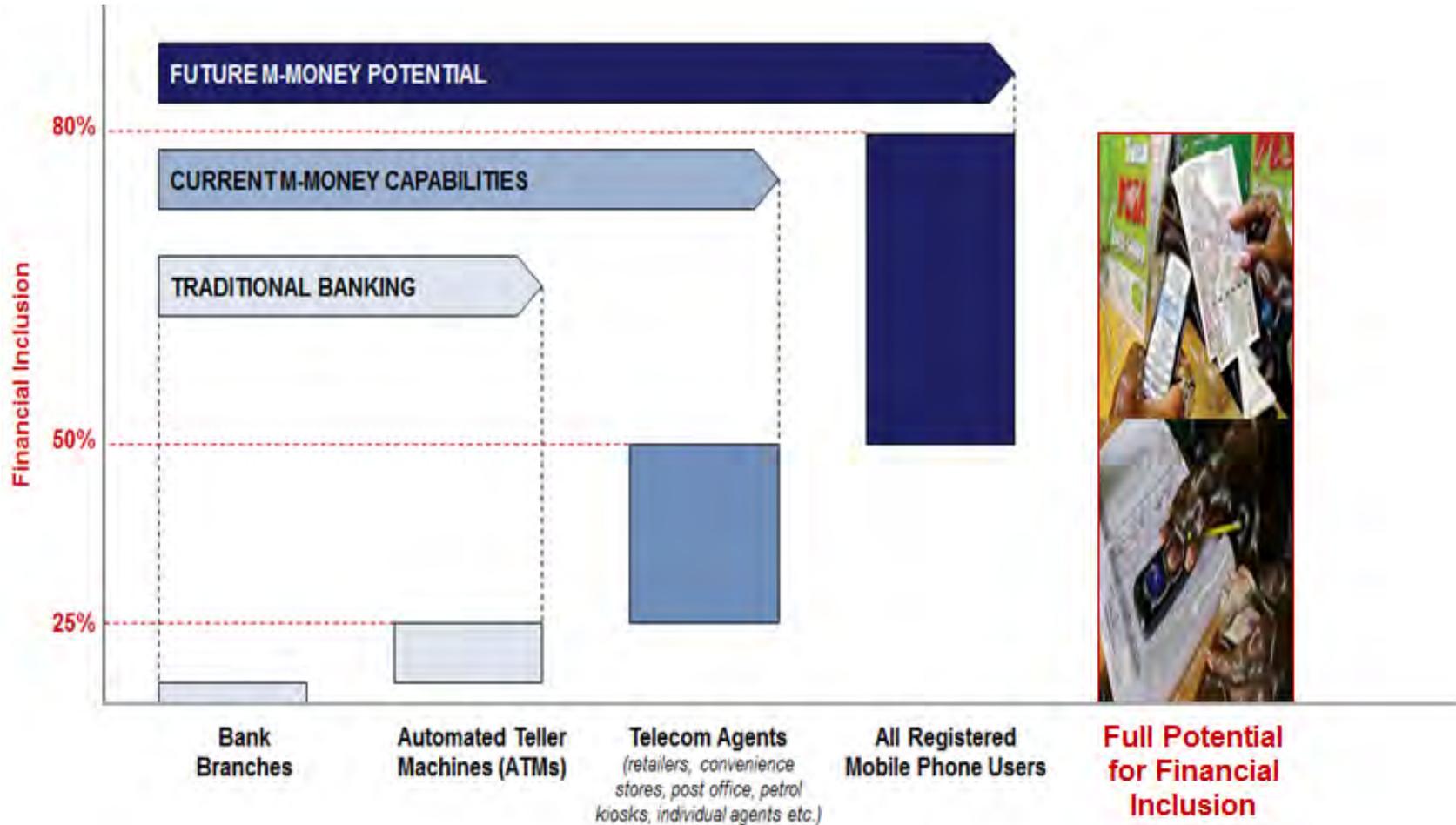
(in mns)



**M-Money does not require a Smartphone, so everyone can be included!**

Source: GSMA

# ...so with digital P2P cash in / out, we can turn every mobile phone user into an "ATM" or Financial Services Agent and benefit all citizens

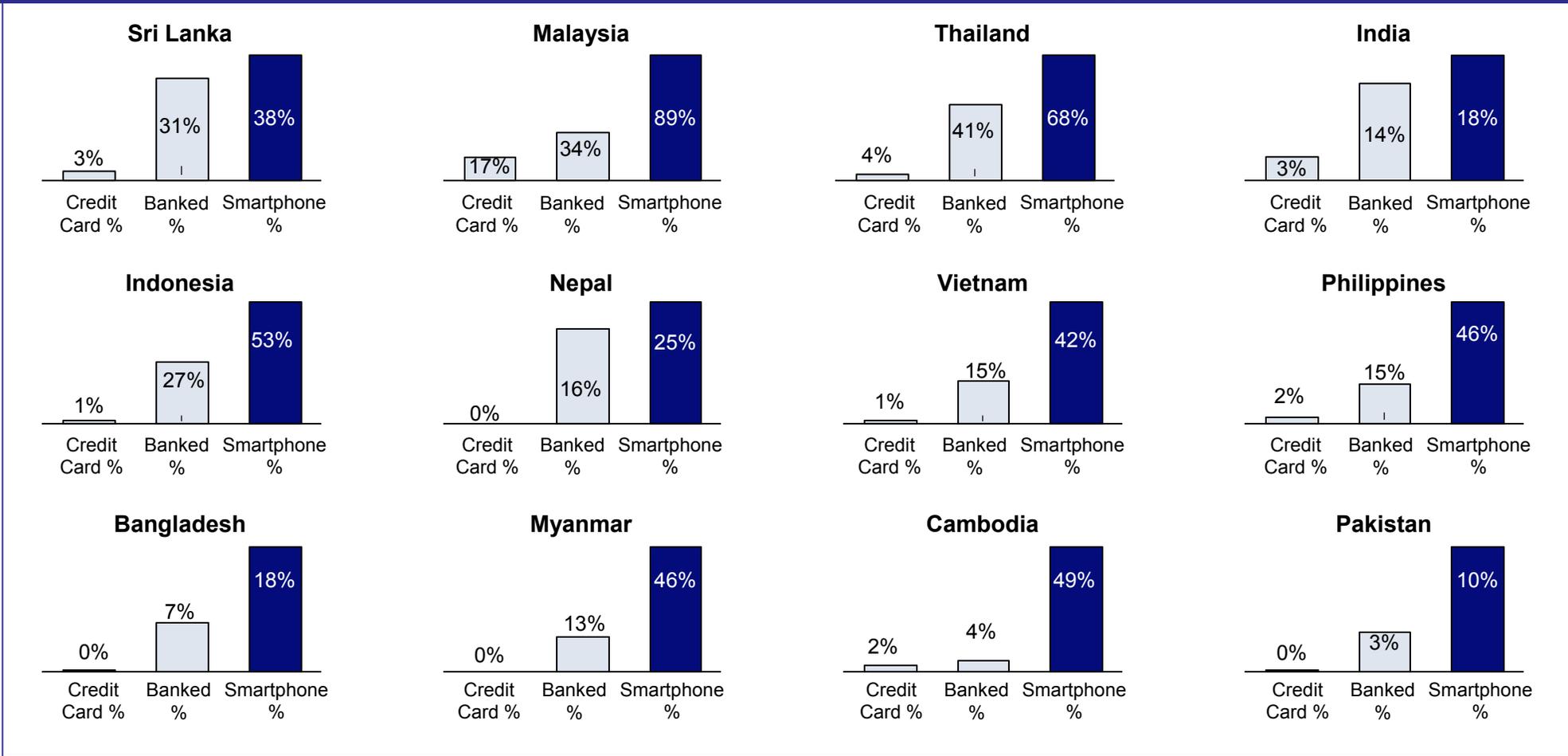


Estimates based on internal analysis

# For richer MFS services, Smartphones are already the logical primary financial access tool; by 2020 Smartphone penetration will reach 100%



## Penetration: Banked % vs Credit Card % vs Smartphone %

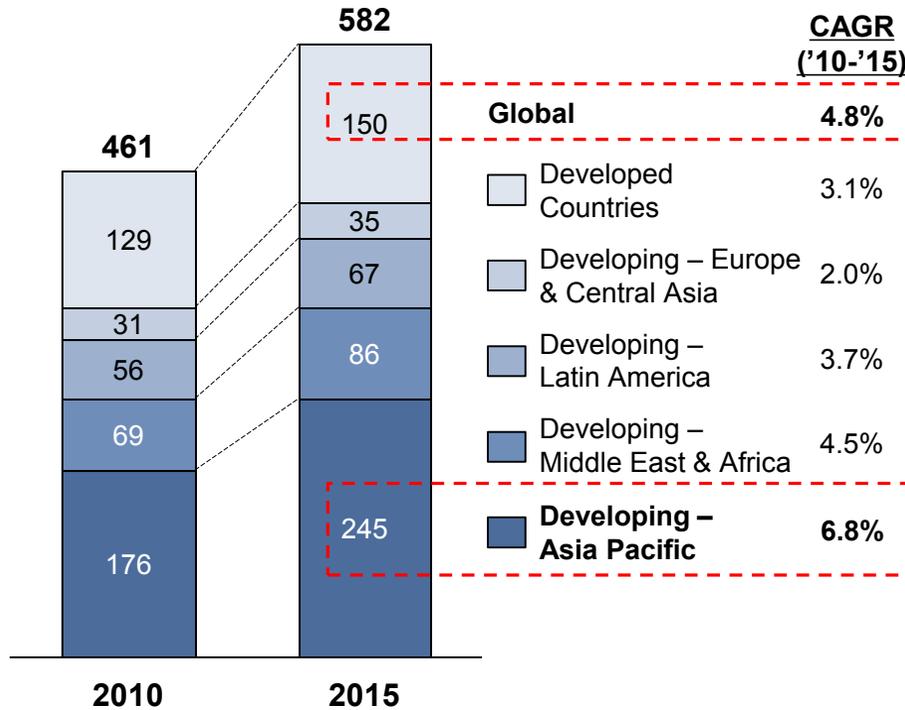


Source: World Bank, Mimosa, GSMA, Asia Foundation, Internal Analysis  
 Note: "Unbanked" are defined as adults above 15 who do not have access to a formal savings account

# A key opportunity within M-Money is international P2P transfers – global remittances have surpassed \$580bn with a CAGR of 4.8%

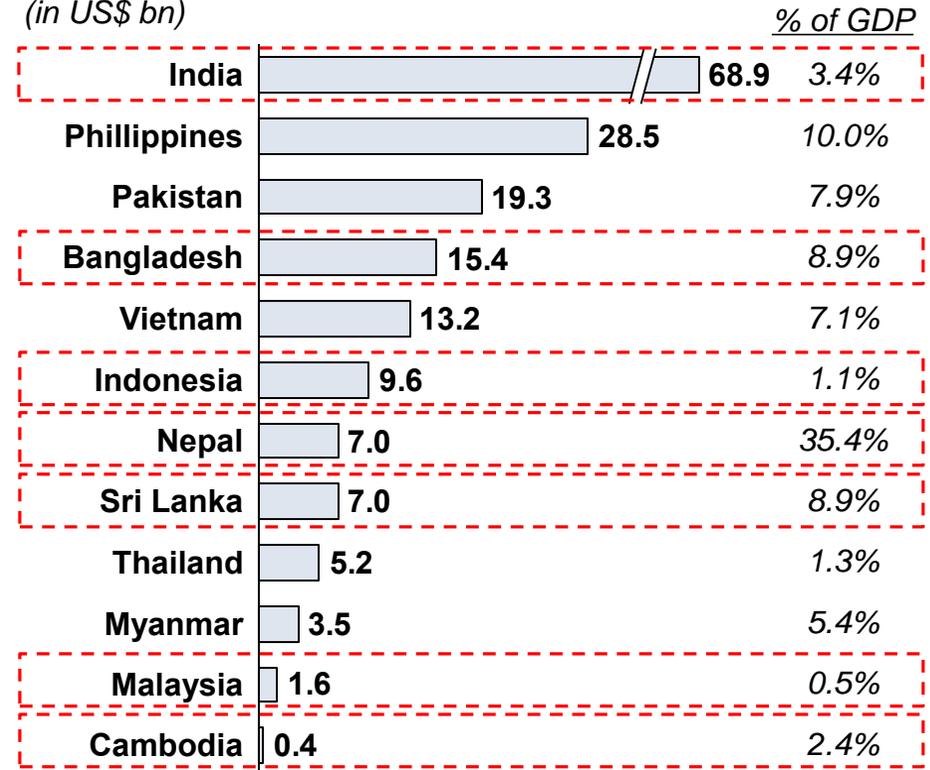
Global remittances growing at a CAGR of 4.8%, while Asia Pacific is outgrowing the world at 6.8%

Global P2P Remittances by Region – FY2015  
(in US\$ bn)



In Asia Pacific alone, developing countries (ex-China) already account for over 30% of global remittances

P2P Remittances by Receiving Country – FY2015  
(in US\$ bn)

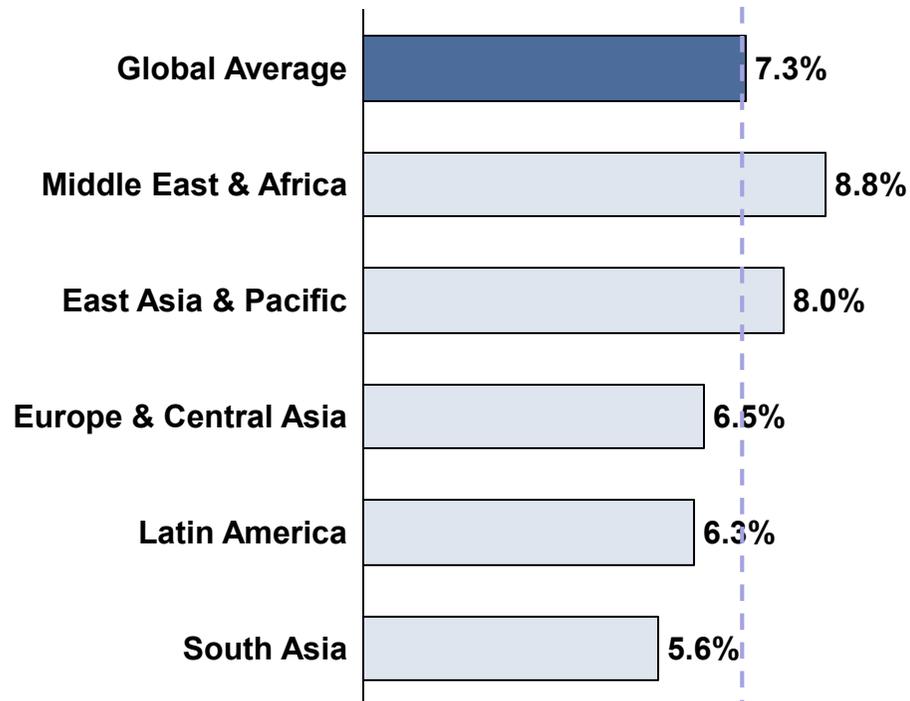


Source: World Bank, Internal Analysis

# ... and Remittance using M-Money costs ~50% less vs traditional financial institutions, bringing \$20bn in benefits to low income citizens

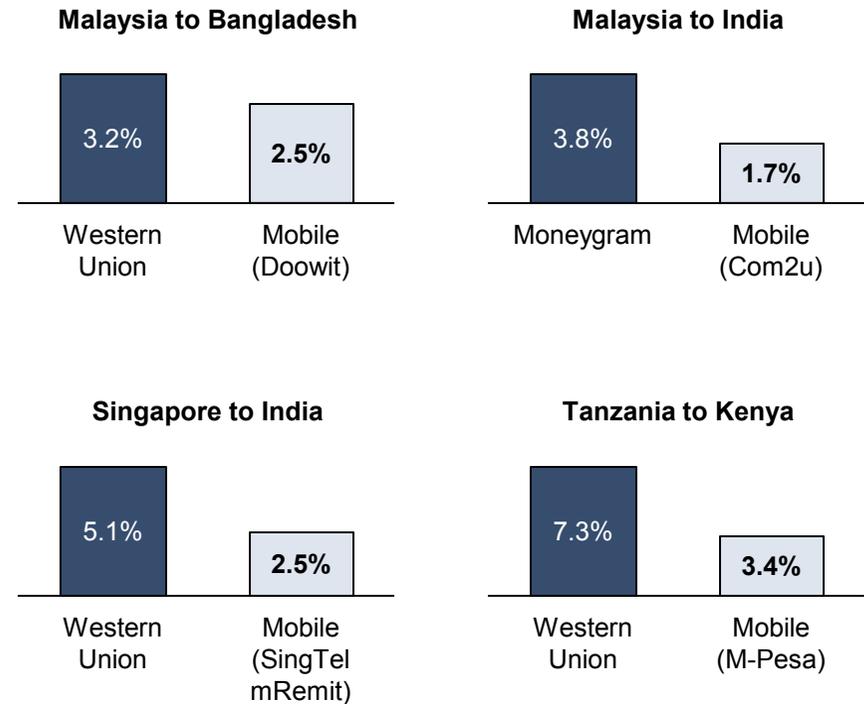
## Remittances to Middle East & Africa most costly; cheapest in South Asia

Average Cost of Sending US\$200 by Destination Region (in %)



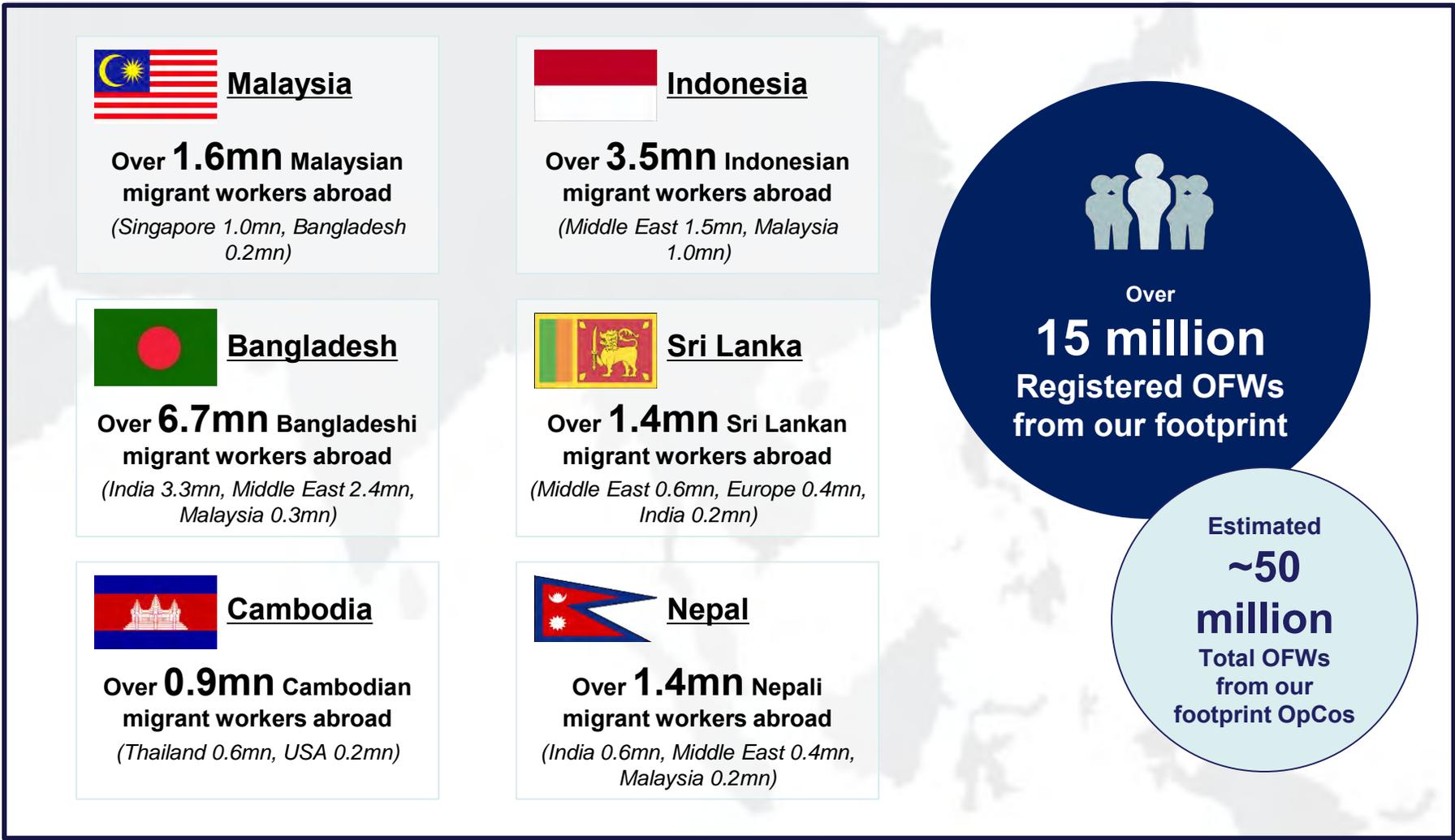
## M-Money provides a cheaper alternative to branch-based services like Western Union & Moneygram

Average Cost of Sending US\$200 – Selected Corridors (in %)



Source: World Bank, Internal Analysis; \$20 Bn in saving calculated using 50% Fee reduction on global P2P remittances of \$582 Bn in 2015

# Within Axiata's footprint alone we have 15mn registered and likely up to 50mn total (incl. unregistered) foreign workers...



Source: United Nation, Internal Analysis

# mPOS will also improve Financial / Formal Economy Inclusion as POS penetration in APAC is low but SMEs make up >90% of businesses

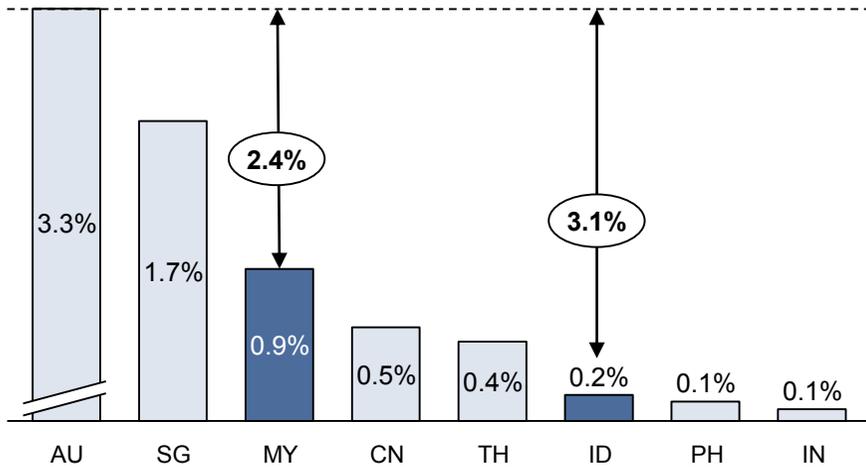


The global mPOS market is forecasted to grow at **50% per annum** until 2020

## Penetration of POS terminals is low in Asia Pacific

- Penetration of traditional POS terminals extremely low in Asia
- APAC lags behind other regions in terminal density, with a penetration of 0.7% compared with a global average of 1.4%

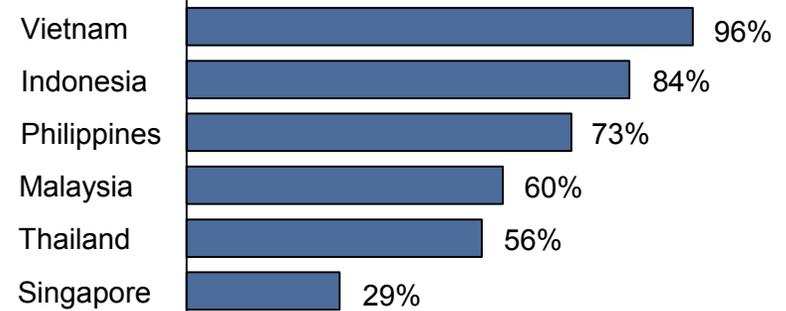
**POS Terminal Penetration**  
(in %)



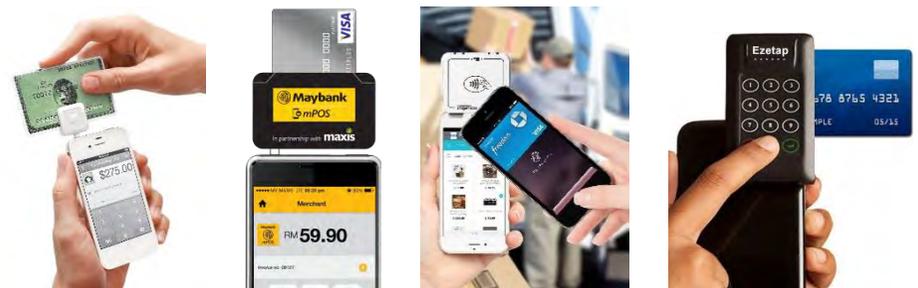
- mPOS is a practical solution for small retailers to conduct sales without investing in electronic registers or software support

## mPOS to cater to the unserved, small-scale merchants

### % of Traditional Grocery Retail Sales using cash



## Examples of mPOS products in the market



Square

Maybank

Ingenico

Ezetap

Source: McKinsey's 'Asia-Pacific Payments Map', CoSPI, Euromonitor, Research & Markets, Internal analysis



# Some of the most successful M-Money products today are telco-led; but regulation has driven some telcos to even buy Banks...

## Examples of successful MFS products by mobile operators



- Over 16mn active customers in Kenya (66% of customer base)
- M-PESA revenue hit US\$320mn in FY14/15, contributing **20% of total revenues for Safaricom**
- **38% of airtime top-ups sold directly via M-PESA**
- **Active M-PESA users are reportedly 10% to 30% stickier than regular mobile customers**



- Over 8mn active customers across 5 markets in Africa (27% of customer base)
- M-Pesa revenue contributes **23% of total service revenues for Vodacom**
- **25% of airtime top-ups sold directly via M-Pesa**



- Over 4mn active customers across 14 markets (26% of subscriber base)
- **Cash-flow positive within 14 months of launch**
- **Dramatic churn improvement** – churn rate for regular mobile customers @ 4.5% per month while active M-money customers @ 0.2%

## Latest MFS products by mobile operators



- Launched **Tap & Go** in Jul 2015, a SIM-based NFC mobile payment service to let HKT customers pay at more than 3mn locations worldwide which accept MasterCard PayPass
- Accounts can be topped up by up to HK\$10,000 per day to allow large purchases of up to HK\$1,000 (US\$129) each in-store



- Launched **T Smart Pay** in Mar 2016, a hands-free mobile payment & rewards service based on Bluetooth Low Energy (BLE) technology
- All purchases made via T Pay are charged to the customer's mobile phone bill
- Customers aged 19 or older can purchase up to KRW 500,000 (approximately US\$427) per mobile number, per billing month,"



- Acquired 65% of **Groupama Banque**, part of France's Groupama insurance group, for an undisclosed sum in Apr 2016.
- Intends to launch **Orange Bank**, a full-fledged mobile banking service, in France by Q1 2017.
- Plans to win 2m customers in its home market before rolling out the service to Spain & Belgium.

Source: World Bank, GSMA, Internal Analysis

# Axiata now offers MFS in 5 markets, with our home-grown, award-winning product “EzCash” being a core underlying platform...



Sri Lanka



- **BEST NFC & MOBILE MONEY SERVICE** at GSMA Global Mobile Awards 2015
- 2.3mn users
- 21.1% of subscriber base
- 49.2mn SLR in revenue
- 18,600 cash in cash out points



Indonesia



- 1.7mn users
- 3.5% of subscriber base
- 74.9bn IDR in revenue
- 22,000 transaction points
- 181 merchant partners



Bangladesh



- 6.7mn users
- 8% of subscriber base
- 162.8mn BDT in revenue
- >95,000 agents



Malaysia



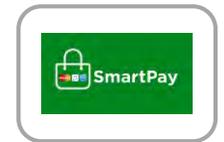
- 0.4 mn users
- 3.4% of subscriber base
- 2.7mn MYR in revenue
- 4000 online merchants



Cambodia



- >1,500 users
- ~1,000 agents
- Launched in Oct 2015



- Virtual credit card number
- Launched in Apr 2016

## We also partner with BIMA for Mobile Insurance Products for OFWs



Note : Figures as of Dec 2015

\*Doowit – Includes international airtime transfer



# However, currently there are still regulatory challenges in several of our markets for telcos to deliver full Mobile Financial Services

## GSMA “enabling regulatory environment”:

- Permit non-banks to issue electronic money (or equivalent)
- AND impose initial and ongoing capital requirements that are proportional to the risks of the e-money business,
- AND permit them to use agents for cash-in and cash-out operations,
- AND do not prescribe the implementation of specific interoperability models without allowing for a market-led approach.

### Examples of Regulatory Challenges



**Indonesia**

- Cash out agents need a separate remittance licence
- Know-Your-Customers (KYC) requirements not proportionate: agents in remote areas need to furnish documentation to central office which causes delays
- Banks have advantage of using individuals as agents in 2014 e-money regulation



**Cambodia**

- 3<sup>rd</sup> party processors rely on partner bank (bank to set terms)
- 3 years license – risk of renewal or monetisation
- KYC / AML due to lack of proper identification



**Bangladesh**

- Only banks allowed to issue e-money; this is being revised but proposed revisions require multi-party ownership of a new class of entity – a potential hurdle

### Examples of Positive Regulatory Actions



**Malaysia**

#### An open and level playing field

- Any person may issue e-money, if the appropriate regulatory & operational requirements are met.
- Detailed regulations & guidelines publicly available.
- Currently only 18 non-bank e-money issuers & 5 banks have e-money approvals



**Sri Lanka**

#### Enabling use of agents

- No restrictions on merchants acting as cash-in/ out agents, as long as the appropriate due diligence is conducted and operational safeguards adopted.



**India**

#### Active policy making to increase financial inclusion

- Introduced a new category of financial services licenses – payments banks
- Enable licencees to offer services similar to basic banking services
- 11 licences granted to players from different sectors e.g. MNOs, pre-paid instrument issuers & corporates.

# So far we have touched the bottom of the pyramid; emerging FinTech addressing Savings & P2P Credit which needs regulatory support...



Mature Emerging



## Mobile Money

Money transfers & payments via mobile phones



## Mobile Insurance

Micro-insurance services through mobile phones



## Mobile Savings

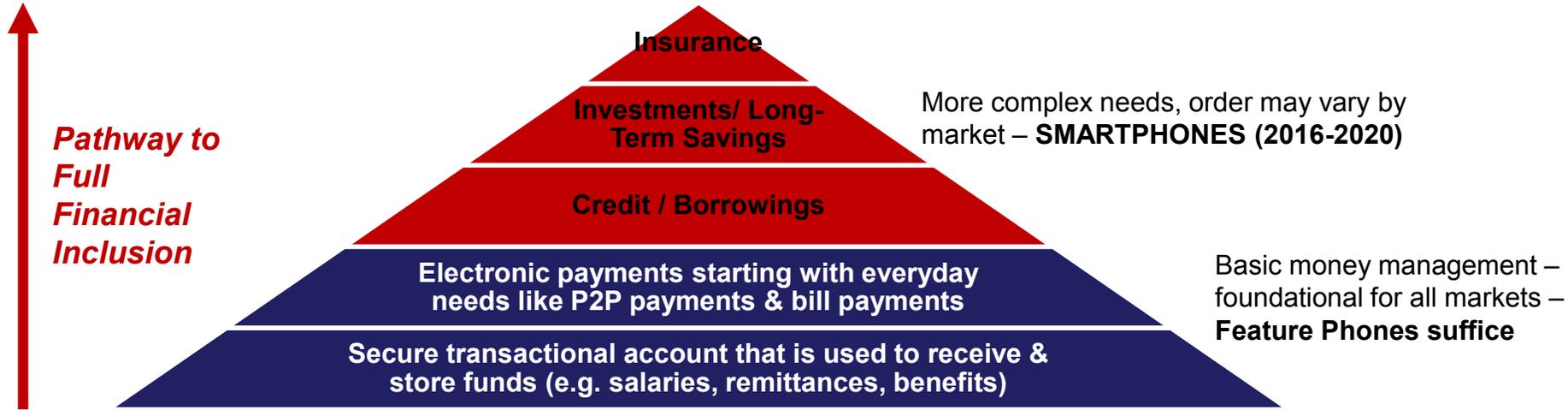
Deposits & Savings using mobile phones



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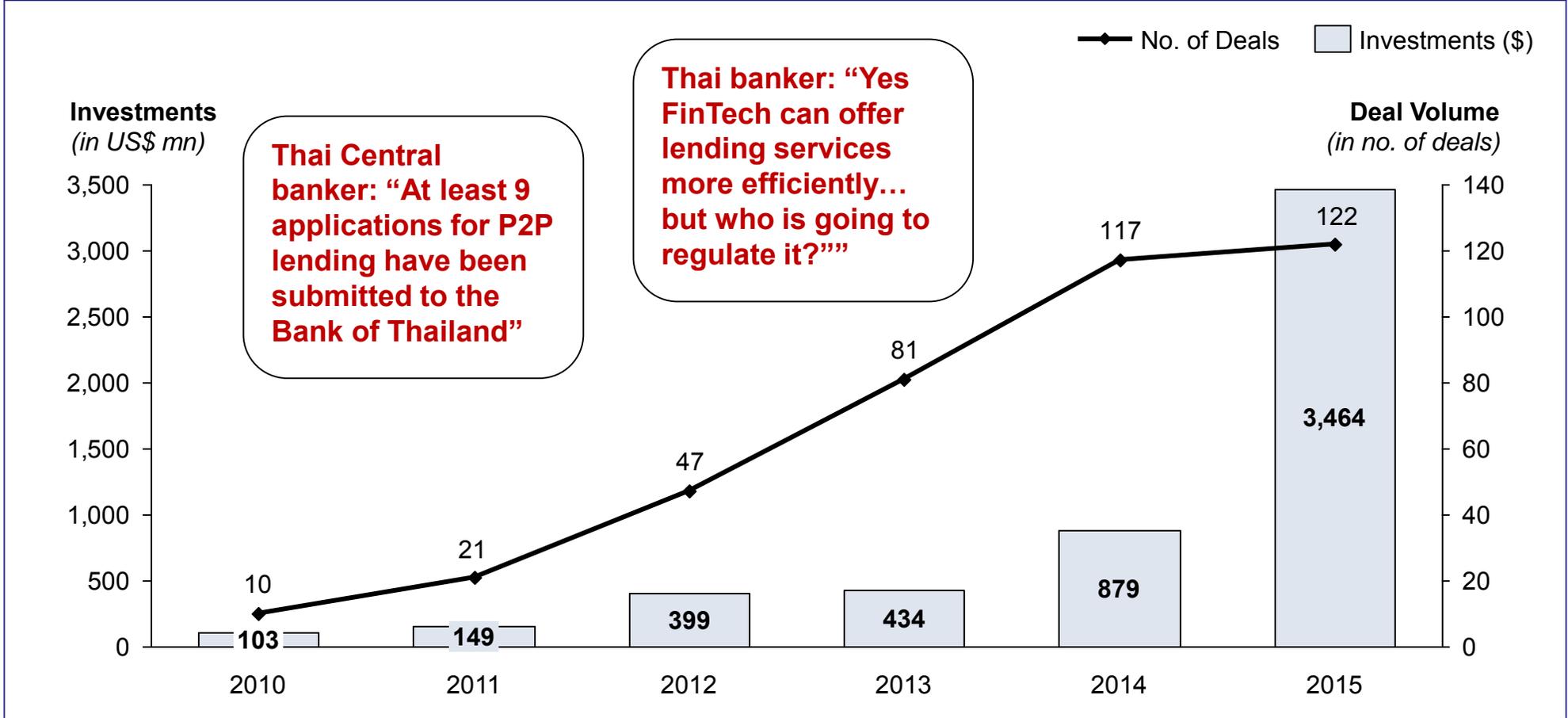


Source: MasterCard, Internal analysis

# ...and both non-traditional & traditional financial institutions are aggressively investing in FinTech opportunities in Asia Pacific...



## Unstoppable force: Investment in APAC FinTech exponentially on the rise



Source: CB Insights, Quotes from Nation Newspaper 27/4/16



1

There is a clear and significant market & economic development opportunity for financial services inclusion via mobile money in Asia Pacific – close to 100% of citizens can be reached via MFS

2

**Telcos are the logical access provider and Smartphones are the tool:**

- Over 2.5bn mobile subscribers in Asia Pacific can already use basic M-Money services today
- Smartphone penetration is expected to reach 100% by 2020
- Mobile KYC already requires biometric & other prepaid ID registration for most mobile users
- Where available, M-Money currently offers lower cost by 50% to the low income OFWs and can save the most needy citizens over \$20Bn annually

3

**Key areas in which policy makers can help:**

- a) Permit non-banks to issue electronic money (or equivalent)
- b) Impose initial/ongoing capital requirements proportional to the risks of the e-money business
- c) Permit telcos to use agents for Cash-in and cash-out operations, Deposit Taking, Insurance, and P2P lending with Mobile based KYC as the foundation
- d) Do not prescribe the implementation of specific interoperability models without allowing for a market-led approach



# Thank You

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