



MasterCard

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Financial Inclusion in ASEAN

Bridging the Gap for the Financially Excluded and Underserved through Electronic Payments

Why does financial inclusion matter?

- Drives Development
- Creates Social Safety Net
- Supports Education and Productivity
- Brings People into Formal Economy
- Accelerates Economic Growth



The Opportunities of Digitizing Payments

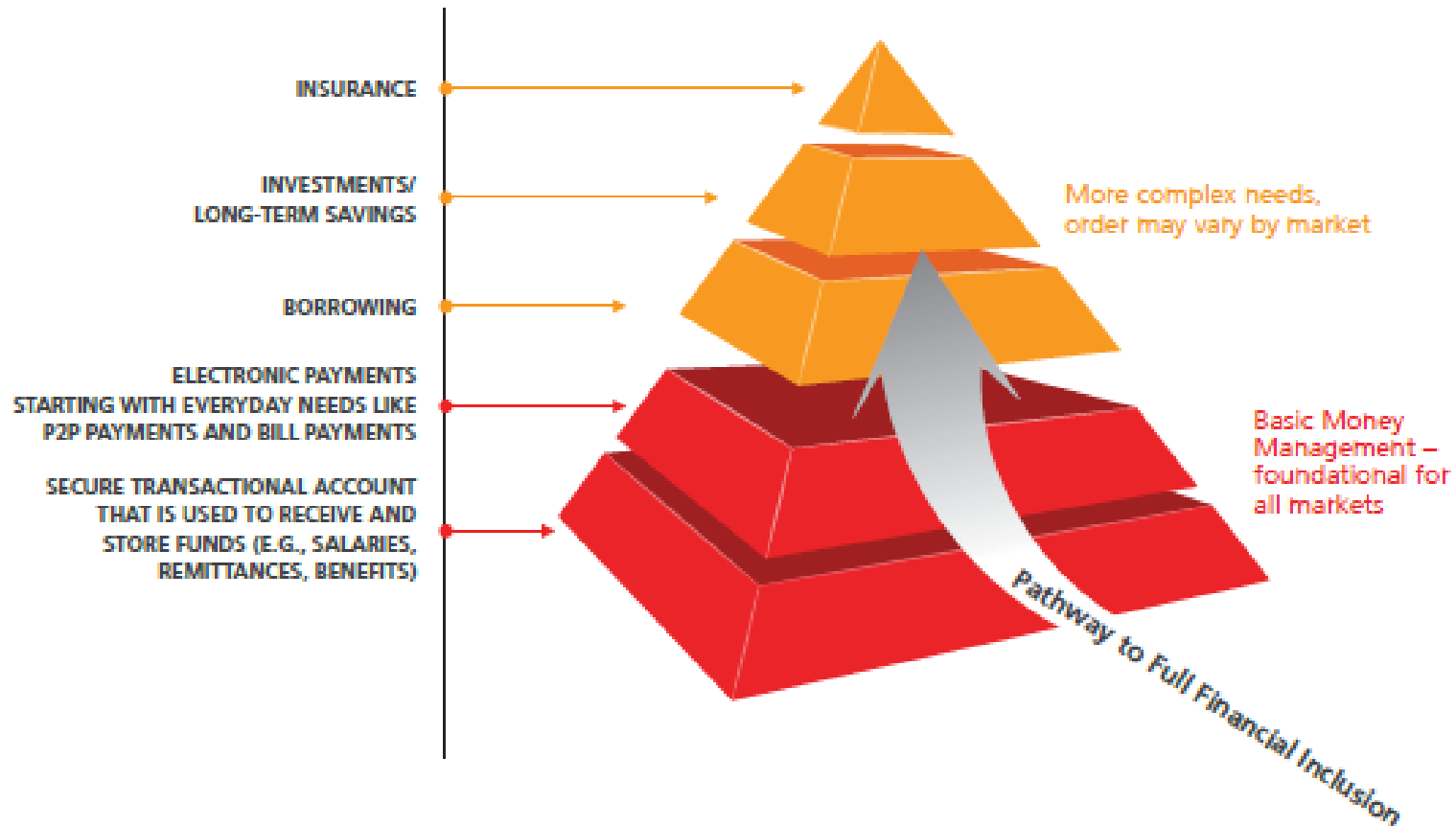
A report by the World Bank Development Research Group, the Better Than Cash Alliance, and the Bill & Melinda Gates Foundation to the G20 Global Partnership for Financial Inclusion



- Lowering cost of disbursing and receiving payments
- Increasing individuals' risk management capacity
- Increasing control over funds received
- Increasing security of payments and reducing incidence of crimes associated with them
- Increasing transparency of payments, making it less likely for leakage between sender and receiver
- Increasing speed of payments
- Providing a first entry point into formal financial system



Hierarchy of Consumer Financial Needs



Source: MasterCard Advisors Analysis 2014

E-Money / Prepaid and Mobile Payments



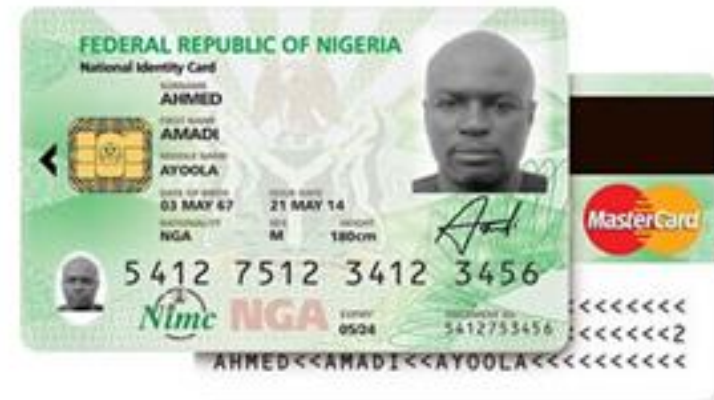
Important Role of Government

- 18th ASEAN Finance Ministers Meeting agreed to enhance a financial inclusion system which aims to help all people in the region get access to financial services
- The government can play an important role in promoting access to electronic payments, and closing the gap between access and usage
- A partnership between the government and private-sector is the fastest, most efficient route to financial inclusion

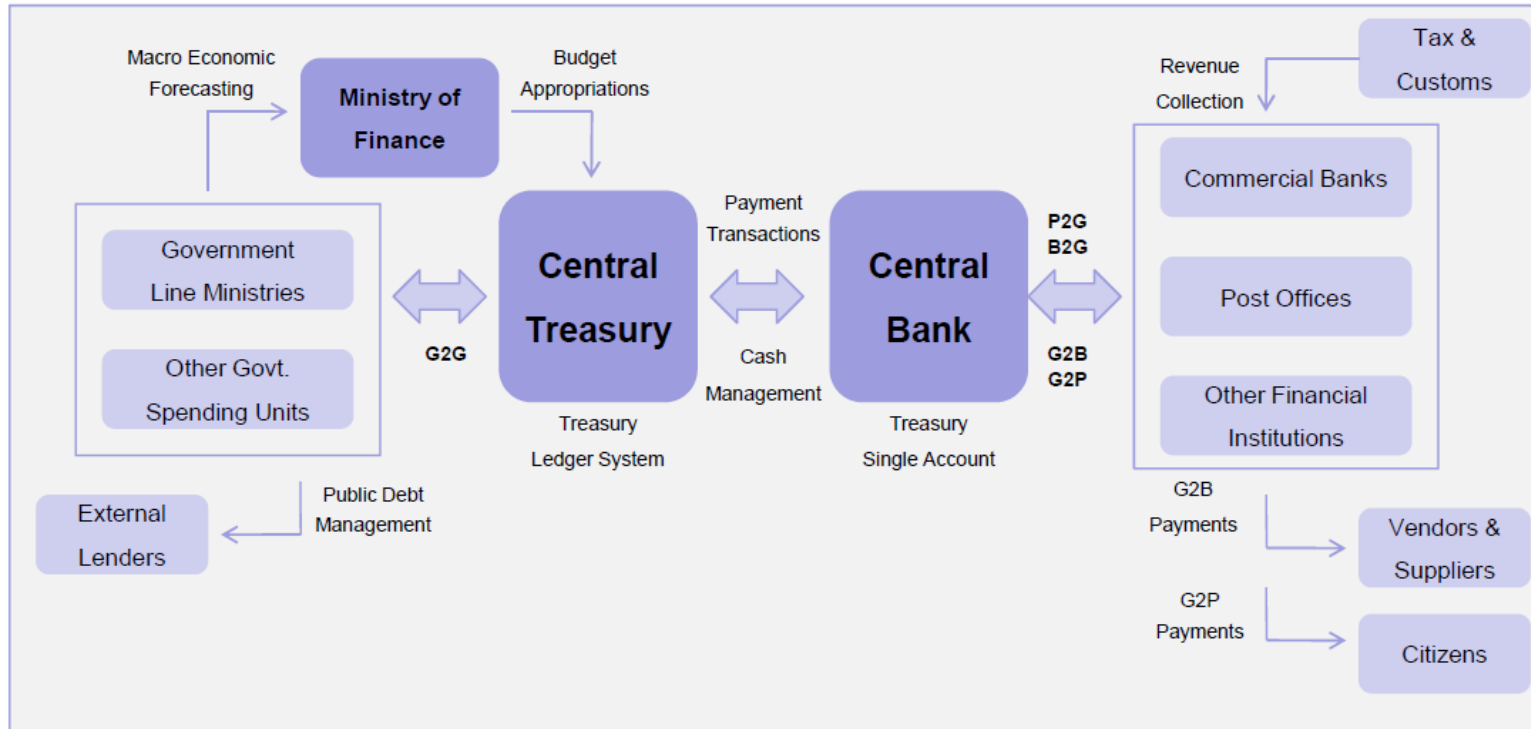


Case Study: Nigeria National eID

- Pilot program officially launched on 28 Aug 2014 for 13 million citizens, with plans to introduce more than 100 million cards to Nigeria's 167 million citizens
- The eID card is a key component of the Nigeria Identity Management System that maintains a central database and provides proof of identity
- Incorporates prepaid payment technology and biometric identification technology



A Conceptual Model for Government Payments



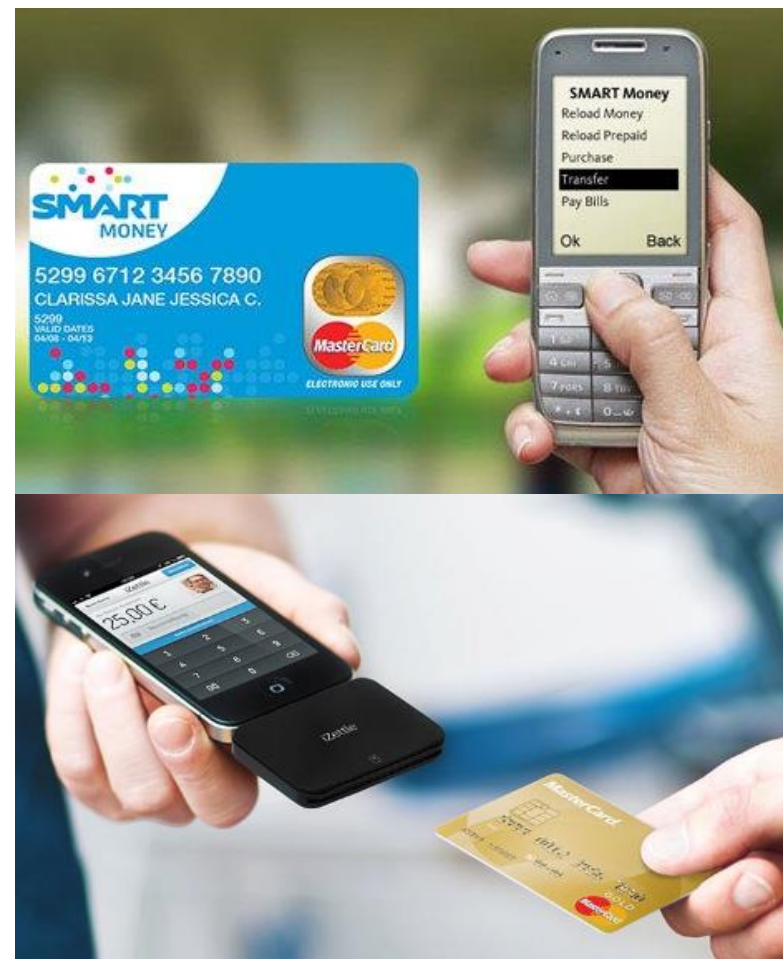
Case Study: Myanmar forging ahead on the electronic payments agenda

- Corporations such as Myanmar Orient Bank, Innwa Bank and CityMart, and even the Paung Daw Oo orphanage, are paying staff via salary cards
- Other companies have simply opened bank accounts with debit cards for all employees and directly deposit paychecks into the bank accounts
- MasterCard in partnership with Mercy Corps are building capacity through the *Business and Financial Literacy for Success* program

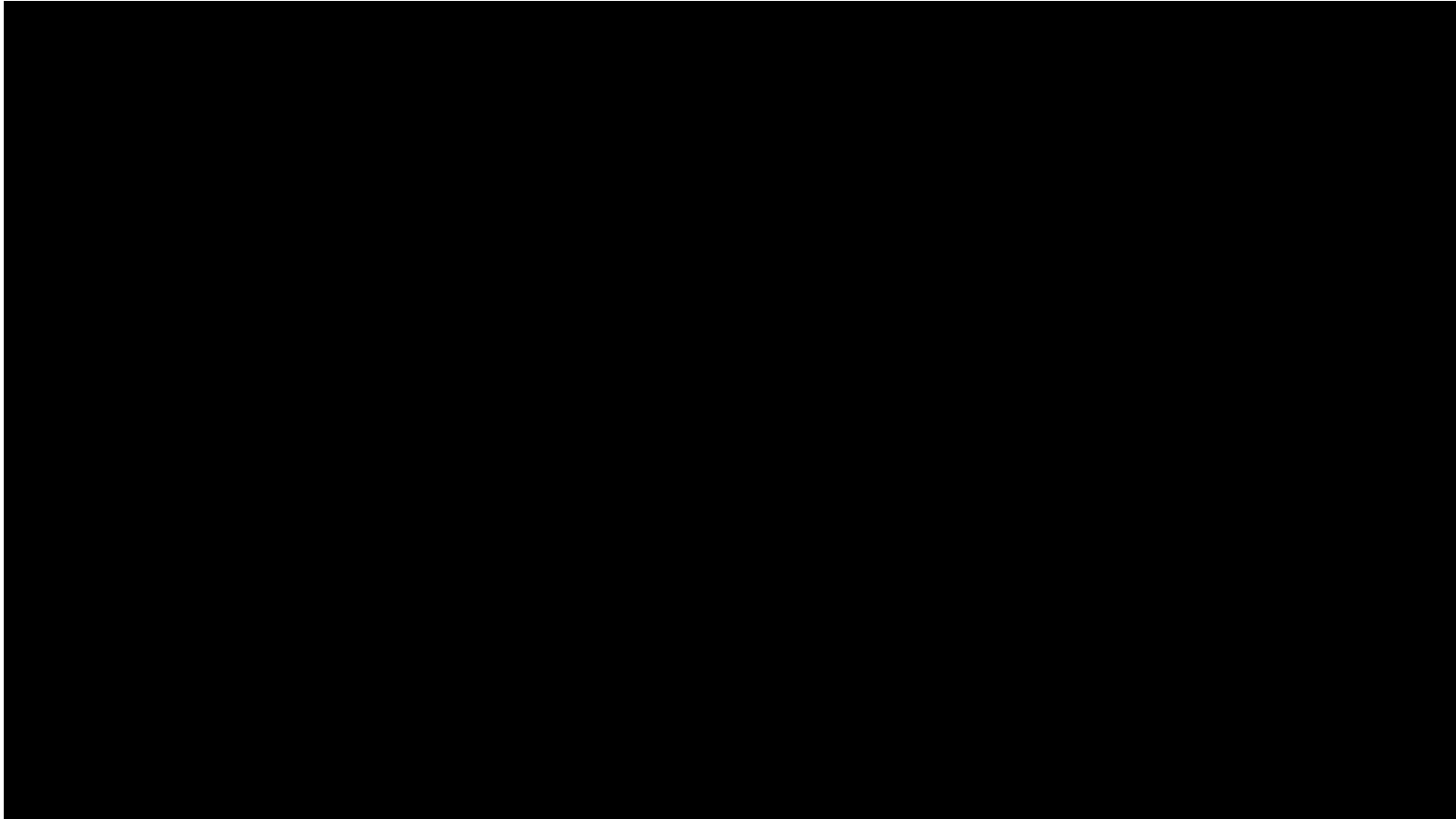


Case Study: Leveraging mobile technology

- Mobile technology is reducing delivery costs and expanding reach into poorly served geographic areas at costs well below traditional branch-based banking
- Mobile money solutions, e.g. SMART Money in the Philippines offers an electronic wallet that enables bill payment, reload of airtime and money transfers using a SMART Mobile phone
- mPOS enables small merchants (e.g. Vietnam's Ben Thanh market) and businesses on the move (e.g. insurance agents) to accept payment cards

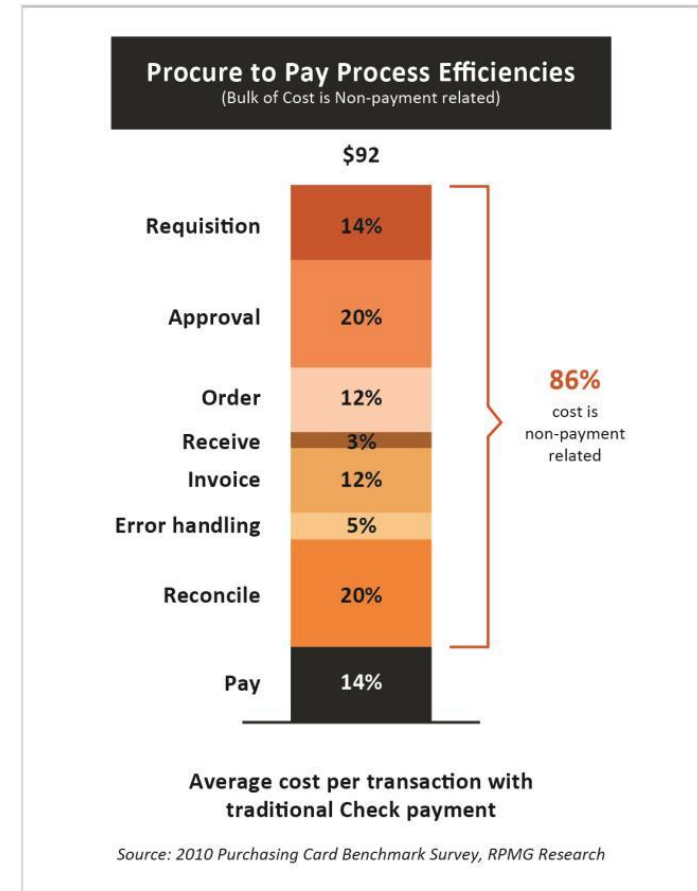


Case Study: Leveraging mobile technology



Facilitate Efficiencies in SME B2B Business Processes

- Bulk of cost in the procure-to-pay process is non-payment related
- Better receivables management brings significant benefits to SMEs by reducing financial and processing costs from 3-7% to less than 2% of Cost of Goods Sold (COGS)
- Electronic payments can drive supply chain efficiencies – working capital efficiencies; payment process efficiencies; business efficiencies; and global settlement efficiencies



Interoperability is Crucial for People with Very Limited Resources

- Interoperability is very important for financial inclusion – the prevalence of multiple disconnected networks increases costs and inconvenience for local consumers and businesses, especially for a segment of the population that has very limited resources
- The adoption of established internationally recognized standards and best practices as the foundation for interoperability can:
 - Shorten the transition curve
 - Help keep costs low
 - Ensure a more efficient deployment of scarce resources

ASEAN's Strengths and Opportunities

Strengths

- Robust Financial Sector
- Proactive Central Banks
- Focus on Financial Inclusion
- Sophisticated Mobile Network Operators (MNOs)

Opportunities for Improvement

- Better Regulatory Coordination
- More Consistent Anti-Money Laundering (AML) Policies – tiered/proportional
- Alignment on Agent Banking

Conclusion

- An open and competitive electronic payment system is crucial to encouraging the investment and innovation needed to offer the range of services that meets the diverse financial inclusion demands
- The government can establish an enabling environment by adopting established international standards and best practices as the foundation for interoperability
- The government can play a leadership role in promoting access and usage of electronic payments (focusing on G2P, G2B, P2G and B2G)