



VRITTI

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THE DIGITAL FINANCIAL SERVICES GUIDE

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Blurb

Dear readers,

Today, digital is a reality and providing the right 'digital experience' for different user segments is an imperative. 'FANG' companies - Facebook, Amazon, Netflix and Google have mastered the game of delivering the right 'digital experience'. Banks who want to improve their 'digital experience' strategy can learn few tricks from FANG companies. We discuss more on this in our first article "FANG'ification of Banking".

Next, we look at digital financial services from the social lens and explore how mobile money is helping to bridge the gender gap in financial access in the article 'Closing the Gender Gap'. We also explore the role of digital payments in strengthening fight against disease outbreak in the article 'Tackling Health Crisis with Digital Payments'.

Lastly, we go to Indonesia to find how digital payments are progressing in the world's largest island nation in the article 'The Indonesian Digital Payments Story'.

I hope you like reading these articles, as much as we loved creating them.

Happy Reading!

Srinivas Nidugondi

Chief Operating Officer, Mobile Financial Solutions
at Comviva

'FANG' IFICATION **OF** BANKING





— By **Srinivas Nidugondi**

What puts companies like Facebook, Amazon, Netflix or Google (FANG) in the extraordinary league? It's not their core business—Amazon is not about inventory or retail stores and Netflix is not all about movies. Consider the example Uber. Uber does not own the cars. The answer to success of all these companies is 'experience'. Amazon generated 35% of their business through personalized recommendation. Netflix became popular due to streaming services, catch-up and on-demand TV which disrupted the traditional scheduled TV. Uber scaled to 450+ cities due to engaging digital interactions on app, referral programs and personalized offers. Banks are going the same way. Consumers today choose banks which deliver superior 'Digital Experience' and not the ones with most branches or widest product portfolio.

Banking today is a growing space where non-banks or fintechs are giving tough fight to the incumbents. Today, digital is a reality and providing the right 'Digital experience' for different user segments is an imperative. There are many pieces that need to come together for enabling a successful Digital Banking platform and banks need to focus on each block:

Omni channel banking

Digital banking channels are proliferating – from ATM, web and mobile to wearables, bots and personal assistants like Amazon Echo. The first step towards a digital banking experience is to deliver a consistent and seamless experience across channels. To deliver an omni-channel experience banks have to graduate from a siloed channel approach to central control. For instance, information on products or promotions can be centrally maintained and dispersed to customers through most appropriate channel at a particular time and location.

Moreover, banks should create synergies between offline and online channels to deliver smooth customer journeys. For example, in a rare incident of visiting a branch, customer should receive a welcome message on her banking app displaying the name of the customer executive who will meet her and a token number in case there is a queue.

Frictionless journeys

From on-boarding to payments, digital banking is all about delivering frictionless consumer journeys. Consumers are ditching traditional banks for digital-first banks which provide hassle free experience. Just imagine a mobile banking app where one can open an account through the mobile banking app in 5 minutes, by entering the Aadhaar number, clicking photos of Aadhaar for KYC verification and taking a selfie and attaching the same as part of the digital enrolment process! By leveraging device features like camera,

location, biometric recognition and notification capabilities, digital banking and payments experience can be enhanced. It can be as simple as scanning the QR Code on a bill to save oneself from entering the lengthy bill details. Every 'moment of truth' counts in building a perfect digital experience.

To deliver frictionless consumer experience, banks need new-age digital banking tools to identify gaps in consumer journeys and mend them.

With the concepts like open banking or new directives from banking regulators like PSD, banks need to be nimble footed in offering new services tuned to specific requirements of consumers. If I am a wealth customer and I log into a car comparison site then, basis my explicit consent, the bank can provide relevant information to the comparison site so as to provide me more relevant information. For e.g. provide me specifics on luxury sedans or SUVs rather than a budget vehicle and then follow through with an instant loan if I were to decide on a product. The ability to contextualise information is a powerful tool for customer stickiness.



Personalization the new normal

Globally, 67% of consumers in the Accenture study said they would give banking providers access to more of their data in return for additional benefits. Hence for banks, data is the new currency which has to be traded to provide personalized user experience. Customers want financial services apps that not only help them to do basic activities like transferring money or making bill payments, but also analyze their profile to suggest where to invest to get maximum returns, which card to buy for greatest benefit or enquire about the limit they can currently take a loan for.

Banks have to track key metrics across the consumer lifecycle (spanning acquisition, activation, retention, revenue and referrals), couple it with segmentation techniques and market automation tools to deliver a personalized experience.

Personal Financial Management (PFM) tools with gamification capabilities, finance modeler will help banks to deliver personalized offers and experience based on occasions, location and usage patterns. Personalization capabilities come in many flavours. From personalising one's mobile banking app menu based on the features one would use most or providing special offers/discounts on, say, one's birthday to make it special or tracking one's payments pattern over a period of time – the name of the game is hyper-personalisation.

Personalization will surely rule the digital banking experience, but banks need to remember that this has to be delivered without compromising on security, authentication and trust. Customers want great customer experience but on a secure platform. Hence, with all these new digital innovations that the banks have to build out, they also have to give security just as much thought.

About the author: Srinivas Nidugondi has over 21 years of experience in various industries including financial services, payments and commerce in a variety of business and product related roles and most recently with a specific focus on enabling banking, payments and related services through digital channels. At Comviva he heads the Mobile Financial Solutions business unit, which currently has over 130 deployments globally, providing services for more than one billion consumers.



CLOSING THE GENDER GAP





— by **Kamaljeet Rastogi**

When it comes to bank accounts – percentage of men having bank accounts is significantly higher than the percentage of bank accounts of women. In South Asia and Sub-Saharan Africa this gap is around 10%. Interestingly the gap in mobile phone ownership in low and middle income countries is also about the same. But thanks to great work done by the telecom operators this gap is reducing. Here are three examples –

1



Ensuring privacy of mobile number during recharge at agent location - To ensure secrecy of women's mobile number, Private Recharge or Private Top-up service was introduced. Private Recharge enables women to recharge at retailers without disclosing their mobile number. Private Recharge service masks woman's actual mobile number and enable her to share a 'dummy number' with retailer for recharge. This has reduced the chances of the mobile number getting leaked and thus removing the issue of women receiving unwanted calls - 88% of the complaints received on Women Helpline Line in one state of India were related to harassment on phone. Telco's in Egypt, Bangladesh and India have launched this service and have registered few million subscribers for this service.

2



Providing access to financial services on the mobile phone – The advent of mobile money has enabled women to have access to financial services without the need of going to a bank branch. Through mobile money women can directly receive financial-aid or government grants. Unlike cash grants which are forcibly taken by men of the family, women are able to keep money in mobile money account secret and secure. Mobile money operators are launching women specific savings, loans and insurance services. For example, maternity micro-insurance

service, where women can contribute just \$5 per month for 9 months via mobile money and can get \$500 to meet the hospital expenses in case of complications during child-birth. The financial access gender gap in mobile money account ownership is less than 3%.

3



Enabling more number of women to participate in savings clubs - Savings clubs are known by various names in different countries (such as 'Committee' or 'kitty' in India, Seettuva in Sri Lanka, Arisan in Indonesia, Cudinas in Mexico, Chama in Kenya and Maround/ Mukando in Zimbabwe). While the practice is widespread, informal savings groups use cash and store them in boxes and face multiple challenges related to cash-handling, security, transparency, records keeping and zero-interest. Digitizing these traditional savings club through use of mobile money have enabled more women to participate hence increasing the size of the savings, bringing more transparency thus giving higher confidence to the women to be able to save and use the bigger amounts for income generating initiatives (like buying a sewing machine) rather than just using the savings for consumption.

It was a privilege to share these learning in the GSMA Connected Women Asia Submit held in December 2018 and also enlightening to hear from others about the great work being done in this area.





About the author: **Kamaljeet Rastogi** is the Global Head, Business Development, Mobile Financial Solutions at Comviva. He has over 22 years of experience in the digital payments space. Prior to his current stint, he worked with Reliance Jio Infocomm, FINO Paytech, aurionPro Solutions, ABNAmro Bank and Citibank.



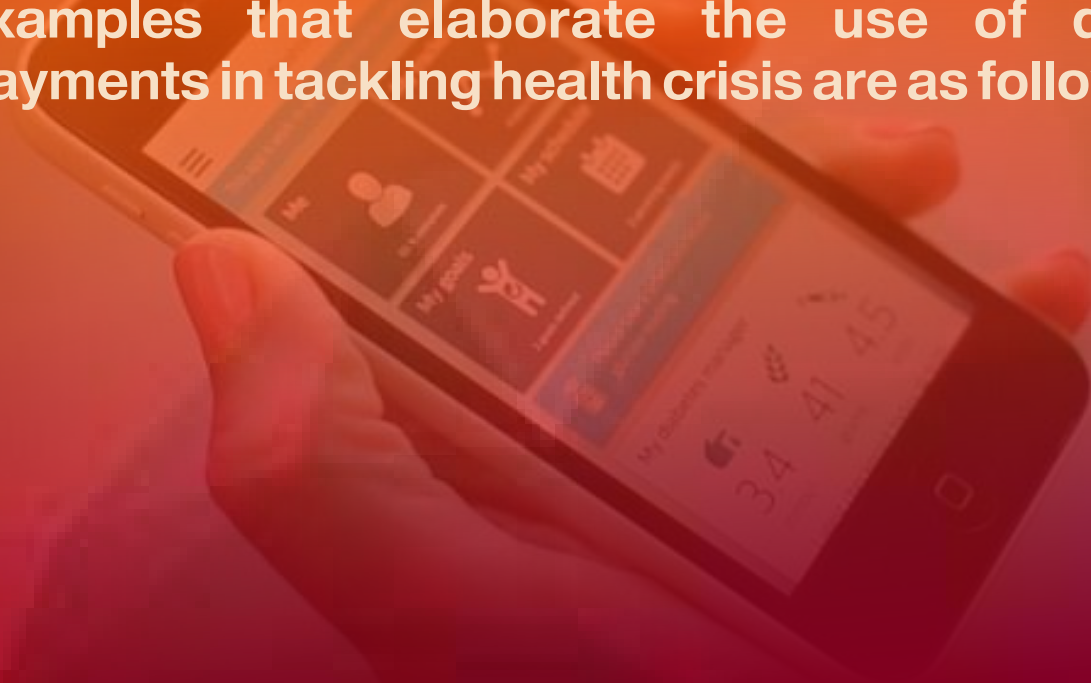
TACKLING HEALTH CRISIS WITH DIGITAL PAYMENTS





— By Mohit Bhargava

We have made great progress in medical science in last few decades, but still every year thousands are threatened by outbreak of deadly diseases like Ebola and Cholera. However, unlike past, we are now better prepared to deal with health crisis and reduce the loss of lives. We not only have more doctors, better medicines and improved treatment now, but also more efficient and streamlined process to collect funds for medical causes, give financial-aid to affected, provide health insurance, pay health workers et al. Digital payments is one crucial aspect that has made this possible. Few examples that elaborate the use of digital payments in tackling health crisis are as follows:



Sierra Leone – Digitizing Payments for Ebola Response Workers

Ebola has been one of the deadliest epidemics of this decade that devastated large parts of West Africa specially Sierra Leone, Guinea and Liberia during 2014-15. As of January 26, 2016, Ebola affected 28,637 people and caused 11,315 deaths worldwide. In Sierra Leone alone more than 14,000 people were affected and about 4,000 people died. To treat the affected and contain the disease, over 60,000 Ebola response workers were deployed.

As Ebola is highly infectious, the response workers had to be properly trained, motivated and well compensated. The response workers were paid in cash. However, cash payments were slow, unreliable and were marred by corruption and theft. Response workers had to travel many miles on scheduled dates and stand in long queues to receive their salary. Many a times, response workers found that their salaries were claimed by others or senior officials had taken a part of it. All this led to frequent strike by the workers and severely impacted the operations on ground. Moreover, there were duplicate and ghost recipients which were leading to loss of money.

To contain workers' unrest and overcome challenges with cash payments, UN Mission for Ebola Emergency Response (UNMEER) implemented "the Payments Programme" for Ebola Response Workers. The Payments Programme digitized hazard payments to

more than 15,000 Response Workers in Sierra Leone in December 2014 and extended to 26,600 workers by end of March 2015. The Response workers were paid directly into their mobile wallets (like Airtel Money wallet) increasing speed, accuracy, transparency and security of the payment.

According to a case study from Better Than Cash Alliance, the impact of adopting digital payments was significant in saving money and saving lives. The study states that digital payments brought a cost saving of US\$ 10.7 million. This saving was result of a number factors including eliminating duplicate and fraudulent recipients, digitally updating changes to recipients' roles and payment categories, removing cost associated with cash payments and reducing travel costs for recipients (cost associated with travel to payment centers to receive hazard payments). Switching from cash to digital payment reduced the payment delivery time from one month on average for cash payments to one week on average for digital payments. Moreover, people got exact amount due to removal of middle men and fraudsters. As a result, after digitization of payments, strikes reduced from an average of eight per month to zero, preventing loss of around 800 working days per month from the Ebola response workforce. This ensured full workforce on ground in hour of need, helping in saving 2,095 lives (as determined by the case study).





Liberia – Providing financial aid to Ebola victims

In Liberia, Save The Children leveraged mobile money to provide emergency food assistance to Ebola Affected families payments in Bong and Margibi counties. 5000 beneficiaries were provided seven

disbursements of Liberian Dollar \$4000 each. The use of mobile money made financial aid payment more transparent, secure and inclusive.

Zimbabwe – Crowdfunding to fight Cholera

On 6th September 2018, the Zimbabwean government declared cholera outbreak in the country. The disease affected 8,535 people with 50 reported deaths. It was caused by contamination of water sources, including well and boreholes.

To get larger financial support for fight against Cholera, Zimbabwe's Ministry of health launched a crowdfunding campaign. While a significant amount was collected from NGOs and corporate, the Ministry also involved general public by allowing them to contribute directly through EcoCash, Zimbabwe's largest mobile

money service. The Ministry issued an EcoCash biller code, which customer could enter in their mobile phone along with donation amount to make the payment. As of 28 September, 2018 the government collected US\$ 770,925.80 in the Cholera Crowd Fund, US\$ 3,453 of which came through EcoCash biller code.

As stated in above examples, digital payments can be leveraged in multiple ways to strengthen fight against disease outbreak and health crisis, eventually helping to save precious lives.





Reference:

Better Than Cash Alliance Ebola Case Study:

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<http://www.cashlearning.org/downloads/user-submitted-resources/2017/01/1483463050.Digital%20Cash%20Transfers%20in%20Liberia.pdf>

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<https://www.zimbabwesituation.com/news/govt-receives-771k-under-cholera-fund/>

About the author: Mohit Bhargava has eleven years of work experience in product marketing and research in the telecom and digital payment domains. At Comviva, he is serving as Manager in product marketing for the mobile financial solutions portfolio. His areas of function primarily include evangelizing Comviva's mobile financial products and their impact on transforming the financial landscape globally.

THE INDONESIAN DIGITAL PAYMENTS S T O R Y





— By Anirudh Bapna

The world's largest island country is currently in the midst of rewriting its own Fintech story for the World to take note and witness how a country made of 17,000 islands is riding the next wave of nimble innovations of Digital Payments.

In 2017 alone, the amount of disclosed investments in Indonesia has been about USD 176.75 Million.

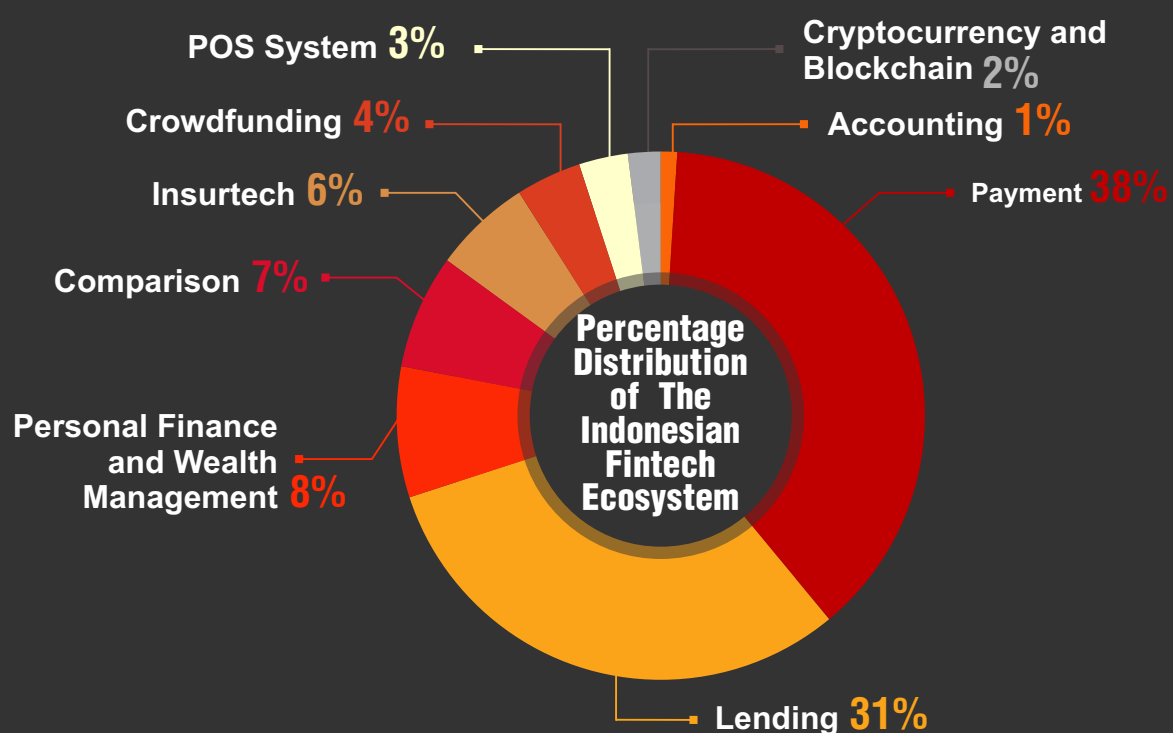


Figure 1: % Distribution of the Indonesian Fintech Ecosystem

The Indonesian market is heavily inclined towards Payment and Lending start-ups with 38% concentrated in payments and 31% concentrated in lending space. Currently, shoppers still prefer to pay via cash because of perceived lack of security via paying online which is slowly and

steadily changing because of the new and upcoming start-ups that are beginning to disrupt the market. It is also interesting to note that despite Indonesia being so fragmented and facing infrastructural challenges, there is a high potential and need for digital payments.

The Digital Landscape at a Glance

The 265 Mn. (January, 2018) Indonesians are a balanced lot when it comes to being the social-digital active generation with 50% population (132.7 Mn.) being the Internet savvy generation. The number is higher when we talk about unique mobile users (any type of handset) at a 67% penetration depicting the high mobile driven economy that Indonesia is turning out to be in the South-East Asian part of the World. Overall, the total number of

mobile connections stands at 415.7 Mn. (98% pre-paid, 2% post-paid) (Source: GSMA Intelligence) which gives a very interesting insight into the fact that mobile connections as a % of total population stands at a 157%. Projected mobile penetration is to reach 100% by 2020. Currently, internet usage remains heavily concentrated in the larger cities where users are more likely to afford smartphones.



Mobile Money in Indonesia

Indonesia has officially only 49% population financially included by an institution, which is lower than the global average of 69%. It is also a highly fragmented market with 26 companies licensed with the central bank as e-money operators, 11 banks and 15 non-bank institutions. With the constraints of geographical fragmentation being an unavoidable challenge for banks in

Indonesia due to the inability to reach the unbanked market segments leaves a sweet spot for mobile money players to harness the levers of growth of mobile money and making the most out of it, something which the likes of new age players like Grab and Go-Jek are doing it currently in a short span of time since their foray in Indonesia.

Success Mantra

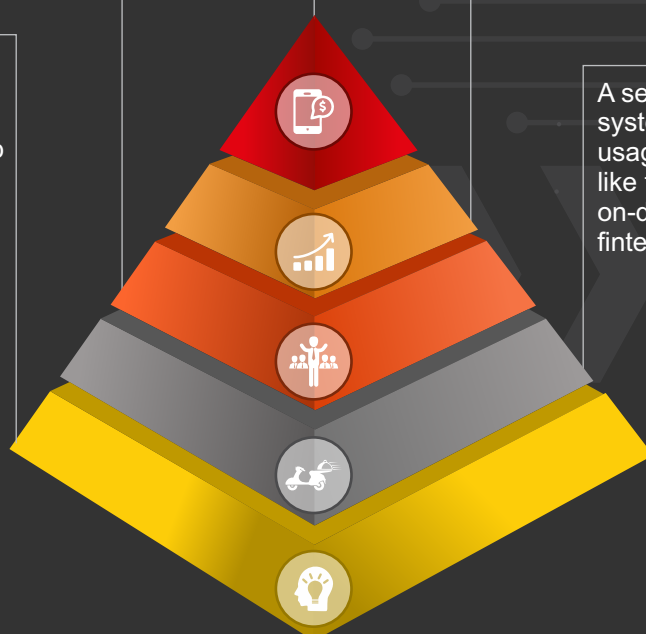
10 of the most popular mobile payment brands are backed by big-name investors with lot of cash to burn (Go-Jek's Go-Pay is backed by KKR & Warburg Pincus; Grab's Grabpay is backed by Softbank). Strong VC funding and backing (Go-jek: 7 rounds, total US\$ 3.3 Bn, Valuation at US\$ 5 Bn, Grab: 19 rounds, total US\$ 6.8 Bn, Valuation at US\$ 11 Bn)

Strong ATL & BTL presence with high catchment areas being covered through their campaigns resulting in wider reach, more eyeballs and ultimately increase in customer base

A real problem solving use case being addressed by the likes of Grab and Go-Jek that's making more and more people turn to them

Successful cashback and loyalty programs to attract customers and improve customer stickiness

A seamless payment system that helps push usage in other use cases like food delivery, groceries, on-demand services and fintech services



Regulatory Environment in Indonesia for e-money

Requirement to have an e-money licence

Primary requirement is of a licence from Central Bank of Indonesia. The requirement to have a BI licence, however, can be exempted for a party acting as a closed loop e-money issuer with a floating fund of less than Rp1 billion (US\$ 0.069 Mn). The licence is valid for five years

Foreign Shareholding Restrictions

Under the 2018 e-money Regulation, an issuer can only have foreign share ownership up to a maximum of 49%. BI is authorised to set out the amount of foreign share ownership in non-bank institutions basis the track record of the company itself and/or its shareholder, the technology utilised and the scope of the use of e-money



E-money Features and Currency

E-money features that may be provided

- top-up
- shopping payment transactions; and/or
- payment of bills. The issuer may also provide other types of features, such as
 - fund transfer and cash withdrawal, for registered open loop e-money; and/or
 - other features as may be agreed by BI

Capital (Equity) Requirements

Under the 2018 e-money Regulation, non-banking institutions carrying out e-money activities as an issuer shall have paid-up capital of at least Rp3 billion (US\$ 0.2 Mn)

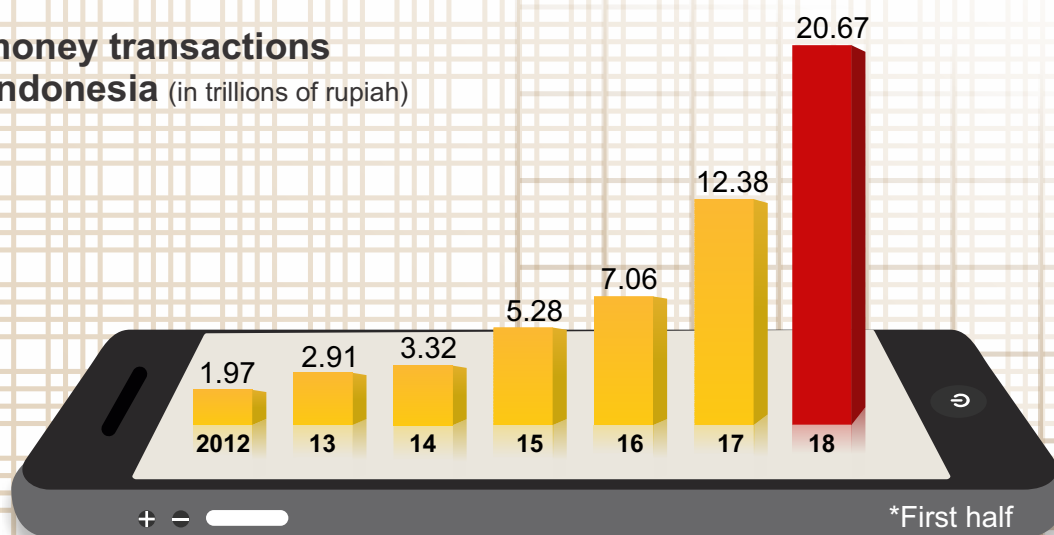


Conclusion

Payment Landscape — Cash is still the preferred mode of payment, 170 Mn cards in circulation, 28.32% of transactions happening through e-money, 20% YoY growth observed in value of e-money transactions. Mobile money is growing and will soon change the nature of the game.



E-money transactions in Indonesia (in trillions of rupiah)



Source: Bank Indonesia

Figure 3: e-money Transactions in Indonesia

Banking and Fintech — 49% banked population (95 Mn unbanked bankable), lot of local fintech players, total 167 Fintech companies (US\$ 176.75 Mn disclosed investment in Fintech start-ups last year).



Regulatory Environment — Formal process in place from Bank of Indonesia on e-money license, currently 26 licenses in play (11 banks, 15 non-banks)

Telecom Operators — Lack of use case, trust and no incentivising resulting in dismal performance by telco's.

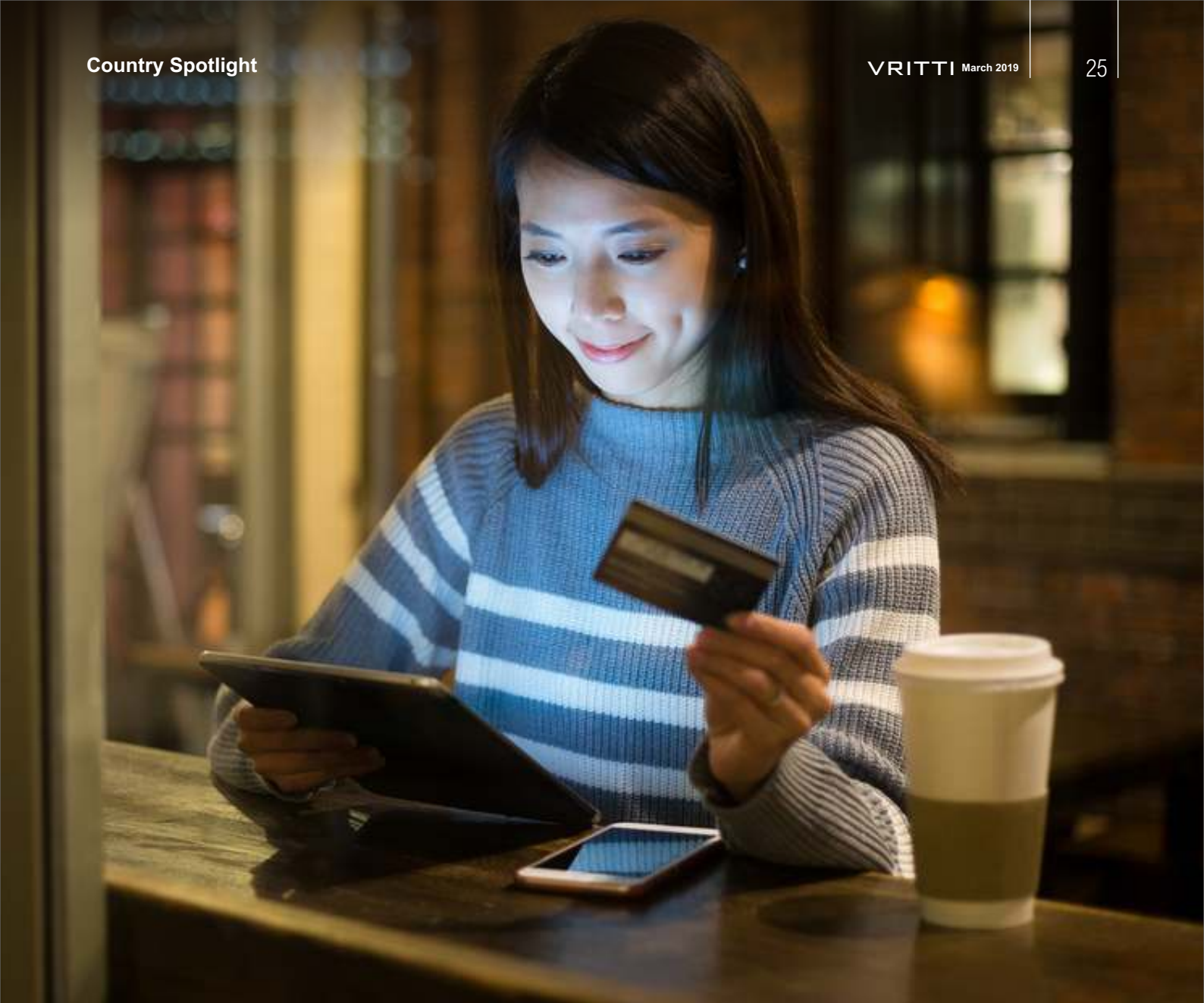


New Age Players — Likes of Grab, Go-Jek performing well with the backing of VC money and riding on strong valuation.

What really happens, well time will tell but one thing is for sure: The Enterprises, the banks, the Who's Who is riding on the fintech wave of Indonesia, trying to make their mark and while at it trying to solve a real world problem and it is just going to get bigger and better. They are in it to win it.

Are You?



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About the author: Anirudh is a Mechanical Engineer turned Management Graduate. His journey with Comviva started with summer internship management training program and has led to exposure across Marketing, Business Operations & Product Development across varied profiles in his 3 years journey. At Comviva, he leads Africa's Enterprise Business Development of Mobile Financial Solution Products.

IN THE MEDIA



Interviews and Articles

Provide customers a hyper-personalized experience

- Srinivas Nidugondi's interview telecoms.com

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The future of mobile money in Africa

- Kamalajeet Rastogi's panel discussion Mobile world Live

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On The Money

- Ramy Moselhy's interview CNME

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Mobile Money - From Financial Inclusion to Financial Enrichment

- Mohit Bhargava's article Irish Tech News

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EcoCash Nominated For Two Awards at The GSMA Global Mobile Awards 2019

- Comviva mentioned in the article Techzim

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Awards

Comviva's payPLUS Unified Payment Acceptance solution wins IAMA India Digital Award

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bwallet wins prestigious Finnovex Award in Dubai

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Analyst Mentions

**Wise Guy Report - Digital
Money Transfer Market 2019
Global Analysis, Growth,
Trends and Opportunities
Research Report
Forecasting to 2024**

- Comviva mentioned in
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Press Releases

**Comviva to accelerate
growth of contactless digital
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Comviva is the global leader of mobility solutions catering to The Business of Tomorrows. The company is a subsidiary of Tech Mahindra and a part of the \$21 billion Mahindra Group. Its extensive portfolio of solutions spans digital financial services, customer value management, messaging and broadband solution and digital lifestyle services and managed VAS services. It enables service providers to enhance customer experience, rationalize costs and accelerate revenue growth. Comviva's solutions are deployed by over 130 mobile service providers and financial institutions in over 95 countries and enrich the lives of over two billion people to deliver a better future.

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