

INSIGHT

# China leads the world in mobile payments

**A** survey of 18,000 consumers across 23 countries and regions by Ipsos, an international market research firm, shows that 77% of all Chinese use mobile payment services, ranking the country first in the world. The penetration rate of mobile payment in the US and Japan has so far only reached 48% and 27% respectively.

Given the size of the Chinese population, the difference is remarkable.

Taking the daily movement of its population as an example, dramatic changes have been observed in the way Chinese commuters and travelers pay when they board a bus or subway or drive a car to get where they are going, all of which has been made possible by the popularity of mobile payments.

Using UnionPay mobile payment to settle all fees that occur while in transit is now the commonly accepted way to get from point A to point B in more than 400 counties and cities across China, with the highest percentages of the population already doing so located in Shanghai, Guangzhou, Tianjin, Hangzhou, Fuzhou and Jinan.



To cite Hubei province as just one example, car owners who have added their vehicle information to the UnionPay app and set up their UnionPay payment function as the default payment option can drive through any toll plaza along the highway without stopping, and the system will automatically recognize the license plate and submit the highway toll.



Convenient mobile payment service for all payment scenarios

With the goal of improving the quality of life through service enhancements that benefit every person resident in China, a project to evidence the convenience of mobile payments under the aegis of China's central bank named the "mobile payment convenience demonstration project" targets areas that are most likely to touch on every person's life, including what are referred to as the 10 major payment scenarios:

- Travel by bus or subway
- Food market and other local convenience shopping
- Restaurant dining
- Supermarket shopping
- Use of public services
- Self-service vending machines
- On-campus activities
- College or university cafeteria
- Healthcare
- Settlement of traffic fines

## China is showing the rest of the world how to build a cashless society

Mobile payment services are seeing explosive growth in China, where apps like Alipay and WeChat Pay let people do everything from paying bills to booking a taxi. With just a mobile phone in your hand, you can hop on the subway or bus, shop in a supermarket or convenience store, pay for needed supplies while on campus or settle a traffic fine via the mobile Quick Pass function.

This is now part and parcel of the daily routine for many people in China. Today, mobile payments have seamlessly penetrated into every person's daily activities and has had a profound effect on their lives. All eyes are on China, as the world's most populous country has rapidly taken the lead into the era of mobile payment.

CASH is rapidly becoming a thing of the past in China. Consumers have abandoned banknotes in favour of paying with their phones in unprecedented numbers - and this vision of a cashless economy could well be the future throughout the world.

The country isn't alone in rejecting coins and notes -

Sweden leads the world as the most cashless nation as a percentage of GDP - but its pace of change is accelerating. Since 2013, China has experienced the highest growth in the number of cashless transactions out.

## Even prisons accept mobile payment in China's cashless society

Alipay lets families send money to loved ones in jail

You're an inmate at a Beijing prison. You just ran out of toothpaste, so you decide to buy a new tube at the commissary. But wait, you don't have enough cash.



Fear not: There might be money in your electronic wallet.

Digital payment is an ubiquitous part of daily lives in China. Now the technology is going behind bars, forming part of the Beijing government's plan to build what it calls a "smart prison".

Using Alibaba's payment app Alipay, family members can now pass money to a prisoner. First, they take a photo of the inmate's national ID card. Once it's verified, the inmate can receive a maximum of 1,000 yuan (around US\$147) each month from a relative.

For better or worse, the proliferation of smartphones and apps has provided security agencies with new tools to do their jobs.

Beijing's citizens, for example, can pay traffic fines with Alipay or WeChat Pay. Offenders only have to scan a QR code on their traffic tickets. For bikers and jaywalkers who



are caught red-handed, they even have the choice of paying on the spot by scanning a QR code provided by the officer -- perfect for those in a rush.

Smartphones are also giving private citizens an easier way to participate in policing themselves. In the southern tech hub of Shenzhen and other cities, people can report traffic violations to police through Alipay and WeChat.

Informants are asked to fill out a form, including information such as the car plate of the offending vehicle and photos showing the scene. Users are required to grant the app access to their GPS location. For all that work, the Shenzhen Traffic Police say they will reward money to successful informants. The amount ranges from 20 yuan (US\$2.96) for reporting on someone driving on a lane reserved for public vehicles, to 20,000 yuan (US\$2,957) for a serious car crash involving more than three deaths.

While the use of new technology to gather fines and crime information seems harmless enough, other applications have drawn more questions.

Last year, a facial recognition company said it was in talks to build a camera system that would identify jaywalkers and let police send warnings and fines directly to their phones or social media accounts. These facial recognition systems are widely adopted across China -- but they aren't always accurate. Back in November, one such system mistook the face of a woman on a bus ad for a jaywalker.

## LEARN & EARN through Digital Finance

Digital Finance, the monthly Special of The Bangladesh Express is a collaborative media product of BJFCI and The Bangladesh Express designed to encourage BJFCI member journalists keep watch on the evolving financial landscape and protect rights of consumers and promote inclusive investments. BJFCI has taken the Learn & Earn project in line with its mission "to empower journalists, better address consumer concerns; and promote investors for a better Bangladesh with inclusive and sustainable growth". And The Bangladesh Express is publishing Digital Finance under its Financial Literacy For Mobile Subscribers-FILMS project in line with its mission 'to bring good thing to life'.

Mr. Promoth Ranjan Biswas ( 01745-922-737), Vice-Chairman of BJFCI is supervising the

Learn & Earn project and Mr. Md. Bashir Hossain Miah (01753483985), Member of BJFCI is working as Project Coordinator of the project and the Digital Finance.

Through Digital Finance, BJFCI member journalists can earn a handsome amount of money as honorarium for their contribution to reporting and editing team of this monthly publication. Write up must be made in line with the Editorial policy of The Bangladesh Express and sent to the Project Coordinator within 20th of every month.

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# Malaysia expected to become cashless society in 20 years

## Express Report

Malaysian government has undertaken some programmes to leverage the use of technology to boost use of e-payment options to make the country a cashless society.

OpenGov Asia reported that Malaysia's e-commerce landscape expected to grow exponentially. The National eCommerce Council (NeCC) is pursuing a roadmap to ensure doubling Malaysia's eCommerce growth rate and reach a GDP contribution of RM 211 billion by 2020.

According to a recent report, while Malaysia still has much to accomplish before it can call itself a completely cashless society in the near term.

It was noted in the digital era, on the sidelines of a media briefing on Malaysia's payments ecosystem recently, that it is very expensive for a country to print cash or for retailers to handle cash. Nonetheless, senior experts feel the would take at least 20 years to become a cashless society.

This is due, in large part, to the spending habits of Malaysians who prefer to use cash for payments. Additionally, cashless society may not work in the rural areas as they are still heavily reliant on cash and have a lower degree of financial literacy compared with urban citizens.

The number of electronic payment transactions in Malaysia had shown a sharp increase since two years ago, thanks to the booming e-commerce market in the country. According to the statistics of the Bank Negara Malaysia, 833.9 million transactions were made via internet banking from January to November 2018, compared with 741.9 million for the whole of 2017 and 588.2 million in 2016.

Statistics show the use of mobile banking also increased in the first 11 months of 2018, recording 1.92 billion transactions, compared with 1.05 billion in 2017 and 526.6 million in 2016. The number of cash withdrawals from the automated teller machine dropped to 718.3 million from January to November 2018 versus 763.9 million for the full year 2017 and 761.2 million in 2016.

However, there is a danger in over-reliance on digital payments.

On the question of whether it was necessary to fully transform Malaysia into a cashless society, expert cautioned over-reliance on digital payment would put the country at risk. This is particularly relevant in the light of cyber security threats and geopolitical concerns. Sweden, a mainly cashless society, faces a potential risk. If their digital infrastructure were to go down, the country would be in jeopardy.



Regulators must therefore, play a vital role in ensuring the smooth functioning and security of the digital payment systems in the country.

According to the Mid-term Review of the 11th Malaysia Plan 2016-2020, a cashless payment transaction system would ensure transparency, as well as enable tracing and tracking. The report noted that in view of the growing expectations about greater transparency in financial transactions, it is crucial that Government departments modernise payment mechanisms to become more client-centric, secure, efficient and transparent. The government will also undertake efforts to leverage the potential use of other technologies, including blockchain, although no details were underlined.

Among steps taken by the Government in the first half of the review to facilitate e-payment include the introduction of "Sarawak Pay", a mobile app by the Sarawak State government to provide a one-stop mobile app payment channel for the public to make payment for bills or purchases via their mobile phones.

## Cryptocurrencies 'New Frontier' In Digital Finance

In a recent report released by the United Nations (UN), the international institution has mentioned that cryptocurrencies are a 'new frontier' in digital finance. As per the UN, these virtual currencies have a large potential to create new business models. Additionally, they can also increase efficiency in existent businesses.

The United Nations seems to be paying close attention to virtual currencies and blockchain technology. In its recent report, the international organization talked very positively about cryptocurrencies and distributed ledger technology (DLT). Additionally, cryptocurrencies continue to expand and their popularity is also growing in the market. Bitcoin is currently the largest digital asset in the space.

"Cryptocurrencies represent a new frontier in digital finance and their popularity is growing. The decentralized networks for cryptocurrencies, Bitcoin being a well-known example, can keep track of digital transactions. They enable value to be exchanged and can give rise to new business models which would otherwise require significant regulatory and institutional commitments."

The UN went on explaining that there are different coins that work in order to improve different aspects of the world. Meanwhile, there are others that want to enhance the Internet of Things (IoT).

This is not the first time that the UN shows its interest for virtual currencies. Back in May 2018, the United Nations

Office for Project Services (UNOPS) revealed that it was working with IOTA. The intention was to test the technology proposed by IOTA and increase the efficiency of UNOPS and its operations.

At the same time, the UNOPS has also been working with Ripple's technology. The intention was to enhance



cross-border payment solutions. Ripple is one of the largest companies in the crypto space. It is currently offering services for financial institutions and banks all over the world. Ripple is able to solve many challenges faced by companies trying to send money across borders.

"There are also proposals for using blockchain technology as a distributed ledger of real-world information on property registration, personal identity, and provenance of food and medicines, among many other types of data," reads the report.