Southeast Asia continues to be a largely cash-in-hand economy, with 264 million unbanked adults across the region, concentrated largely in developing countries, such as Indonesia, Vietnam and the Philippines. Currently, the average rate of financial inclusion for adults in ASEAN countries is 50%, though the growth rate is fairly uneven, with countries like Singapore, Malaysia and Thailand achieving near universal inclusion while others fall well below the average.

Although challenges such as last mile connectivity has prevented progress in Southeast Asia for a long time, the proliferation of low cost mobile phones is now helping bridge the gap.

Given the region’s huge potential for growth in financial inclusion and e-payments, this report examines three of the world’s largest e-payment platforms from Indonesia, Latin America and India. In each of these cases, the company has succeeded in becoming one of the largest providers of e-payments services in a crowded market. Furthermore, each company has also managed to overcome the challenge of reaching largely unbanked populations in remote areas. Due to these parallels, over the following pages we examine each of their business strategies and secrets for success.
CASE STUDY: DOKU, Indonesia

Founded by Nabilah Alsagoff, COO, as a single-payment system for easing electronic transactions in Indonesia, DOKU is Indonesia’s largest and fastest growing provider of electronic payments. It offers three core products: DOKU Wallet, MyShortCart and DOKU Enterprise, an integrated payments system for corporate transactions. DOKU Wallet is a simple product to help users easily shop on ecommerce portals and MyShortCart is convenient for small and medium-sized enterprises (SMEs) to sell online via sites like Facebook.

According to Alsagoff, banks in Indonesia were not overly concerned with reaching the unbanked. “If they were, we’d likely be seeing more initiatives to pull in the majority demographic as customers. However, these consumers aren’t folks who will be transacting as big or as often as their more affluent middle-class customers. As such, profit margins reaped from this group weren’t too exciting to the banks.”

Seeing this niche in the market led to Alsagoff approaching authorities in 2005 (before DOKU was officially incorporated) which she calls an endurance trial. The main challenge DOKU had to overcome was showing the banks that she and her partners knew how to handle the business and solve any problems that may arise. “The expectation from the banks was very high because we had to risk their reputations as well as our own. We had plenty of sleepless nights when we unrolled a new service, and had to be always on high alert in case something went wrong.”

Due to regulations in Indonesia, only a handful of banks have their own online direct debit processes, and their user experience is not optimised. The price and merchant sign-up processes are not standardised, and there is no regulation, leading to a situation where a handful of banks can dictate price and who they want to work with. DOKU provides services to both corporations and SMEs to fill this gap in the market.

Looking toward developing the sector, Alsagoff says, “Both banks and telcos are developing their own payment solutions catered to their customer bases providing security, minimizing fraud, creating customer confidence and better infrastructure for epayments. We believe that at this stage, all players must work together to establish the market.” DOKU stands poised to deliver the standardisation of user experience and service the expanding market requires.

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1 www.techinasia.com/nabilah-alsagoff-DOKU-payment-gateway-founder-story-indonesia
2 Ibid
CASE STUDY: TIGO MONEY

Tigo Money is the mobile financial service branch of Tigo telecoms group which operates in both Latin America and Africa. Tigo simplifies and offers e-payment services to customers in nine very different markets (El Salvador, Guatemala, Paraguay, Honduras, Ghana, Tanzania, Chad, Rwanda, Senegal) where many customers do not have access to formal banking institutions. For a service launched in 2014, the take-up rate has been particularly rapid, with more than nineteen per cent of their telecoms customer base already using services including: mobile money accounts, international remittances, micro-credit, payments and billing.

According to Mauricio Ramos, CEO of parent company Millicom, Tigo money was launched as a response to the lack of options for the nearly 60% of people in Latin America without a bank account. “We believe this lack of traditional financial infrastructure will not change, even as the demand in our markets for financial services grows,” said Ramos. “What we anticipate instead is that mobile money transaction volumes and revenues will rise, as will tax revenues for governments, that banking and telecommunications industries will co-operate more closely. This will enable a growing number of customers to manage their own mobile money and that all Mobile Financial Services (MFS) operators will accept each other customers’ payments.”

Tigo’s success was also due to the company’s multi-national nature and that it was one of the first mobile e-payment companies to offer companies the tools to send and receive international remittances. It was also the first to offer cross-border mobile money transfers with integrated currency conversion, as well as an automatic interest return each quarter on the balance held in their account with no need for prior registration. These features and others made the service especially customer-centric and helped Tigo differentiate itself from a growing number of competitors which emerged shortly after its launch.

As a result of Tigo’s success, policymakers and regulators are recognising the valuable role mobile network operators can play in providing mobile money services and are shifting towards frameworks that allow different business models to compete. Recent regulatory changes are enabling non-banks to issue e-money in several markets, most notably Bolivia, Peru, and Brazil. Other markets, like Mexico, have provisions that allow non-banks to acquire limited banking licences to issue payments instruments. A region known for correspondent banking models, Latin America is now becoming a testing ground for new e-payment schemes, many of which seek to integrate with the existing financial infrastructure through companion cards and links to banking switches.
**CASE STUDY: Paytm, India**

India has been called the most exciting and challenging market for financial services, given that India has the largest share of the world’s unbanked population. Yet due to its rapidly expanding mobile internet user base, government support and rapid urbanisation, the opportunity to capture the country’s large unbanked population of India is huge.

One company looking to tap this market potential is Paytm, which was founded by CEO, Vijay Sharma, in 2010. Paytm started off as a successful online e-payment portal and has now shifted focus to payment banking, offering an e-wallet service, mobile loans and pre-paid instruments as of 2015. Although mobile money adoption in India had been low, Sharma saw an opportunity, in that neither consumers nor merchants had been sufficiently incentivised to make the transition. Furthermore, the banks and telcos had adopted a “wait and watch” approach, leaving the market open.

In response to this situation, Paytm adopted a strategy strongly focused on building customer trust. Before Paytm began rolling out its e-wallet services, the company first established a strong 24 hour a week customer care service to address the worries of customers. This was an essential step towards getting them to trust the idea of a mobile wallet enough to use it. “30% of the company’s campaign budget is invested in building trust with the customer,” said Sharma. “For us it was the single most important factor … We propagated through word of mouth once the trust was built. This makes our relationship with our customers special and unique than the rest. We also launched in Twitter and Facebook so that as soon as a customer complained, we got back with an immediate response and help. Trust is the secret formula which worked for us, though there were 30 other licences already available in the market”. ³

With this foundation, Paytm was able to secure Series A funding exceeding US$500 million for its push into mobile payments. Using this funding and an effective customer-centric strategy, Paytm is now seeing explosive growth with 100 million mobile wallet users as of August 2015. Paytm now offers deposits, remittances and payments to recipients via mobile phone, online deposit, or in-store payments without the need for a bank account. ⁴ Sharma believes that his company’s continued growth will depend on innovative products, approachable consumer interfaces, security and infrastructure under a supportive umbrella of government regulation.

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³ [www.businessinsider.in/Paytm-Founder-Vijay-Shekhar-Sharmas-incredible-life-story/articleshow/50497089.cms](http://www.businessinsider.in/Paytm-Founder-Vijay-Shekhar-Sharmas-incredible-life-story/articleshow/50497089.cms)

⁴ [https://paytm.com/blog/paytm-wallet-crosses-100-million-users/](https://paytm.com/blog/paytm-wallet-crosses-100-million-users/)
The Future of ASEAN e-Payments

Unlike Tigo in Latin America, implementation and standardisation of e-payments platforms in Southeast Asia remains poor. However, a breakthrough via alternative mobile payments from an independent startup or partnership between existing players could be a singular answer for uniting ASEAN’s fragmented economies. This is particularly relevant in underbanked countries such as Indonesia, Vietnam and the Philippines, where mobile and smartphone penetration rates vastly outstrip formal financial inclusion figures. These circumstances offer a golden opportunity for financial empowerment and participation for unbanked populations via mobile payment systems that can alleviate the restrictions of a cash-based lifestyle. Mortimer-Schutts of Adyen Consulting says all payments players in the region should start thinking about ASEAN integration, a solution that would allow an increasingly large migrant population of workers to spend seamlessly across different neighbouring countries.5

Whilst this is the ideal destination, there is still a host of challenges standing in the way for companies operating in Southeast Asia. These include getting the cooperation of regulators, designing a customer-centric e-payments service for customers without access to existing financial institutions and ultimately, how to generate trust among them—challenges that DOKU, Tigo Money, Paytm, Xendit and Dimo Pay have already overcome.

5 www.techinasia.com/southeast-asia-epayments-industry-analysis
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