

GOOGLE CODE IN 2019

-RAGHVI GUPTA

Digital Financial Services

Mobile Money Ecosystem

Who are the major mobile money players in Indonesia?

- GoPay
- OVO
- DANA

How widely is Mobile Money used in Indonesia? Is it interoperable?

Global market research Company Research and Markets expects transactions to be worth \$1.6bn this year and to reach \$14.5bn by 2021. With just 35% of the adult population banked and with poor banking infrastructure in rural Indonesia, mobile money can fill this void and bring financial inclusion to the 50 million Indonesian households that are currently excluded. Not only can mobile money open doors to micro-loans and savings accounts, but it can also facilitate essential financial functions such as paying bills and sending money, which are typically made in cash. These cash payments often involve lengthy and costly travel. Creating a cashless society is one of the principal aims of the Indonesian government, to reduce costs and time-wasting associated with over 97% of cash transactions. Mobile money is now being used to assist the government in the electronic disbursement of social welfare and other payments which have historically been made in cash, through one of Indonesia's 4,000 post offices. This brings significant savings and efficiencies for the government

Yes, it is interoperable. Interoperability was achieved in Indonesia, strong technical teams collaborating across operators, and mobile money managers designing robust SOPs to address customer service and risk management. Enabling payments regulation and interoperability is an exciting beginning for Indonesia's mobile money industry, but it is only the first step in capturing the full opportunity. Competent technical execution now needs to be followed up with equally competent commercial investments and operations to achieve customer uptake in the market. The industry is counting on continued regulatory backing from Bank Indonesia to provide a competitive payments landscape for both banks and non-banks. Indeed, Indonesia is a mobile money market to watch closely in the coming year.

Go Pay

Services/Products- Go Pay managed to reach USD 6.3 billion in transactions in

February 2019 with 70% of Gojek's transactions made over GoPay. Indonesia's first and leading ride-sharing application for transport, food delivery, and other on-demand

services. Today, with over 8 million + users, Go pay has helped to facilitate transactions that have helped GO-JEK create 500,000+ jobs for service providers.

Cost structure- A fixed monthly payment, plus 2.75% (credit cards) & 0.75% (debit cards).

No. of users- 115 million

Transaction volume of Go Pay- Go-Pay typically charges a monthly fee of 25,000 rupiah (\$2) with a credit limit of 500,000 rupiah.

OVO

Services/Products- OVO is a digital payment service based in Jakarta, Indonesia. It is a digital platform for simple payment and smart financial services, with affiliated merchants, business partners and members in its ecosystem. OVO is the leading digital payment service in Indonesia based on transaction value.

It is a unicorn, which is valued about \$2.9 billion as of October, 2019. OVO is the fifth unicorn in Indonesia after ride-hailing company Gojek, travel service firm Traveloka and two e-commerce Bukalapak and Tokopedia. OVO is part of Lippo Group which has partnerships with Grab and e-commerce platform Tokopedia

Cost structure- Digital payment service OVO has become an Indonesian startup unicorn, as the company is now valued at more than US\$1 billion

No. of users- 110 million

Transaction volume of OVO- One can use OVO balance to pay OVO x Grab Merchant at Rp300. 000 for each transaction.

DANA

Services/Products-DANA Wallet Indonesia-DANA is a Fintech company focused on delivering inclusive financial services (payment) to whole Indonesia. It operates as a subsidiary of PT Elang Sejahtera Mandiri as of May 15, 2017.

Cost structure- Basic is free for individuals. Pro is \$29 per user per month for small teams and individuals which is billed annually.

No. of users- 20 million

Transaction volume of DANA- Maximum withdrawal limit of Rp 1.000.000 per transaction.

Digital Infrastructure

Level of adoption of electronic money in Indonesia

Indonesia is APAC's most valuable untapped e-money market: 66% of its population are "unbanked" (don't own a bank account) and only 11% of its e-money app users are regular users. Young Indonesian women are showing signs that they'll pave the way for e-money adoption. Merchant partnerships unlock opportunities for everyday e-money usage and are pivotal to e-money becoming Indonesians' go-to payment medium for high-frequency purchases. Educating Indonesians about security and benefits is instrumental to lowering barriers to adoption.

Indonesia is one of the most valuable untapped markets in APAC's digital finance sector. Sixty-six percent of the country's 260 million population are "unbanked" (don't own a bank account). And while 66% of the current population was raised with internet access, fewer than 40% of Indonesian smartphone users have used financial services apps before. This is surprising, considering the number of digital finance apps in the country has grown 6X since 2010, bringing the total to 140. And within that category, there are already 19 that are from e-money providers that don't require a bank account.

Have there been any national laws passed to ease transition away from cash?

New draft bill on the restriction of hard-cash transactions- The Indonesian government and the House of Representatives are currently in the process of drafting the Draft Bill on the Restriction of Hard-Cash Transactions. The objective of the restriction is to support the national non-cash policy and the national inclusive financial strategy, and more importantly to prevent and eradicate criminal acts and money-laundering activities. If the Draft Bill of 2017 is enacted, it will revoke and replace Law No. 18 of 1946 on the Obligation to Deposit Money in Banks.

Scope of restriction

The Draft Bill of 2017 restricts "hard-cash transaction", defined as the withdrawal, disbursement, purchase, payment, gifting, sales and other activities using banknotes and coins, whether in rupiah or other currencies. Under this bill, unless otherwise exempted, any person (individual or corporation) may undertake hard-cash transactions in a maximum of amount of Rp 100 million or its equivalent in one day, whether under a single or multiple transactions. The bill further prohibits hard-cash transaction in excess of the Rp 100 million limit – any transaction exceeding this limit must be undertaken through a financial service provider that facilitates payment services

Is there a national real-time payment system in Indonesia? What are the payment systems?

Indonesia's central bank has rolled out a standard quick-response (QR) code for cashless payments. Through the Quick Response Indonesia Standard (QRIS) code, users can conduct fund transfers between local payment services.

Indonesian Government automated the clearing centers in Indonesia's three largest cities, Jakarta, Surabaya and Medan, in succession, with reader-sorters and a mainframe-based clearing package offering a fully automated clearing service for paper items.

Bank Indonesia developed a so-called "semiautomatic clearing system" (SOKL) for the smaller regions. This system uses data from diskettes produced by the inputting banks to calculate the output positions, and the positions are checked against the paper items by the banks' representatives. This system has been implemented in about 40 locations.

Mobile Wallets & Payment Systems

Who are the major mobile wallet providers?

Go Pay, DANA and OVO are the major mobile wallet providers.

Go Pay Business Model- GO-PAY is a digital wallet in the fintech business.

OVO Business Model- OVO has reportedly acquired local peer-to-peer lending company Taralite, a move that will pave the way for OVO to branch out into the lending business which is seen to be a potential profit-generator for the company.

DANA Business Model- DANA means "wallet" in Indonesian language, and as the name implies, it is an e-wallet. It has also switched to the media business.

Who are major Fintech players? What banks have finlabs or financial innovation labs?

Bareksa, Bibitnomic, Brankas, Cashshield, Finalcialku are major Fintech players.

Fintechs , banks and government are working together to build clever new digital services and boost financial inclusion in a country where millions are unbanked. Major banks are Bank Mandiri. Bank Rakyat (BRI) Bank Central Asia. Bank Negara. Bank CIMB Niaga. Bank Danamon. Bank Permata.

Which ones are focused on financial inclusion in Indonesia? What products & services do they offer?

The Indonesian Financial Authority (OJK) says that it was encouraged by the National Committee for Financial Inclusion (DNKI) to work for financial inclusion. Bank Indonesia also focuses on financial inclusion.

Bank Indonesia (BI) is the central bank of the Republic of Indonesia . Perry Warjiyo is its current governor. The Bank describes its strategic objectives as being :

1. Maintain monetary stability
2. Maintain the financial sustainability of the Bank of Indonesia
3. Strengthen the effectiveness of monetary management
4. Create a sound and effective banking system and financial system stability
5. Maintain the security and effectiveness of the payment system
6. Increase the effectiveness of Good Governance implementation
7. Strengthen the organisation and build highly competent human resources with the support of a knowledge-based work culture
8. Integrate the Bank of Indonesia's transformation in line with Bank Indonesia's destination statement of 2008

What are the major trends?

Major trends are:

Digital economy tipping point

By 2021, at least 40% of Indonesia GDP will be digitalized, with growth in every industry driven by digitally-enhanced offerings, operations and relationships; by 2021, investors will use platform/ecosystem, data value, and customer engagement metrics as valuation factors for all enterprise.

DX Platforms

By 2021, 20% of all enterprises will have fully articulated an organization-wide digital transformation (DX) platform strategy and will be in the process of implementing that strategy as the new IT core for competing in the digital economy.

AI everywhere

By 2021, 10% of digital transformation initiatives will use artificial intelligence (AI) services; by 2021, 20% of commercial enterprise apps will use AI, over 30% of

consumers will interact with customer support bots, and over 5% of new industrial robots will leverage AI.

Hyperagile apps

By 2021, enterprise apps will shift toward hyper-agile architectures, with 15% of application development on cloud platforms (PaaS) using micro services and cloud functions (e.g., AWS Lambda, Azure Functions), and over 25% of new micro services deployed in containers (e.g., Docker).

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