

Fintech and E- Commerce in Myanmar

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What is fintech?

- ▶ “... companies or services that use technology to provide financial services to business or consumers...”

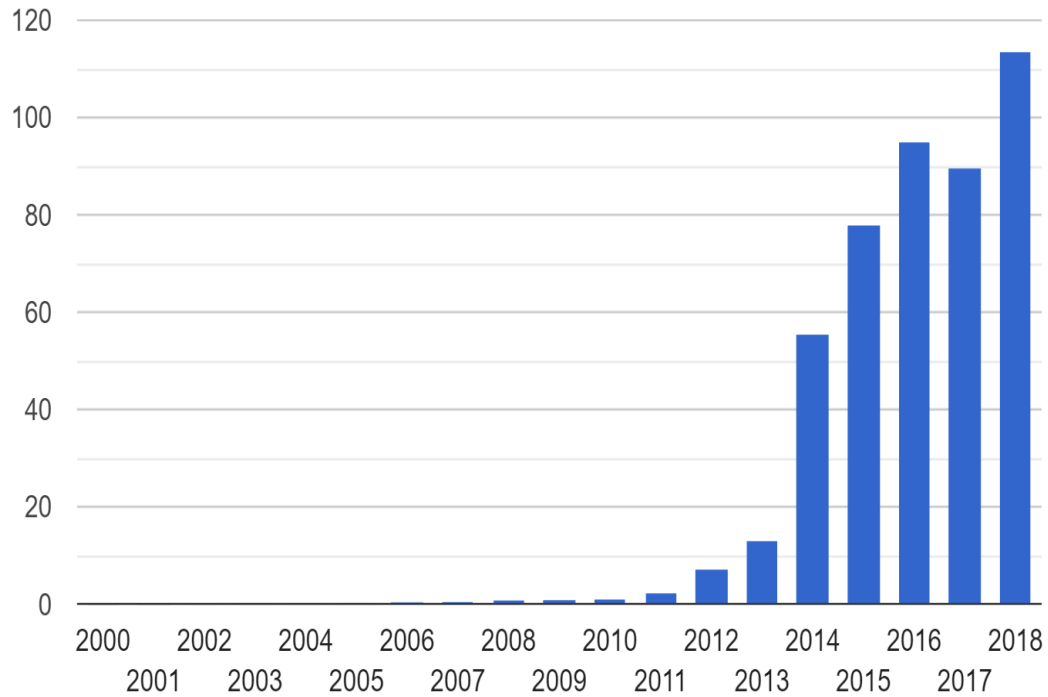




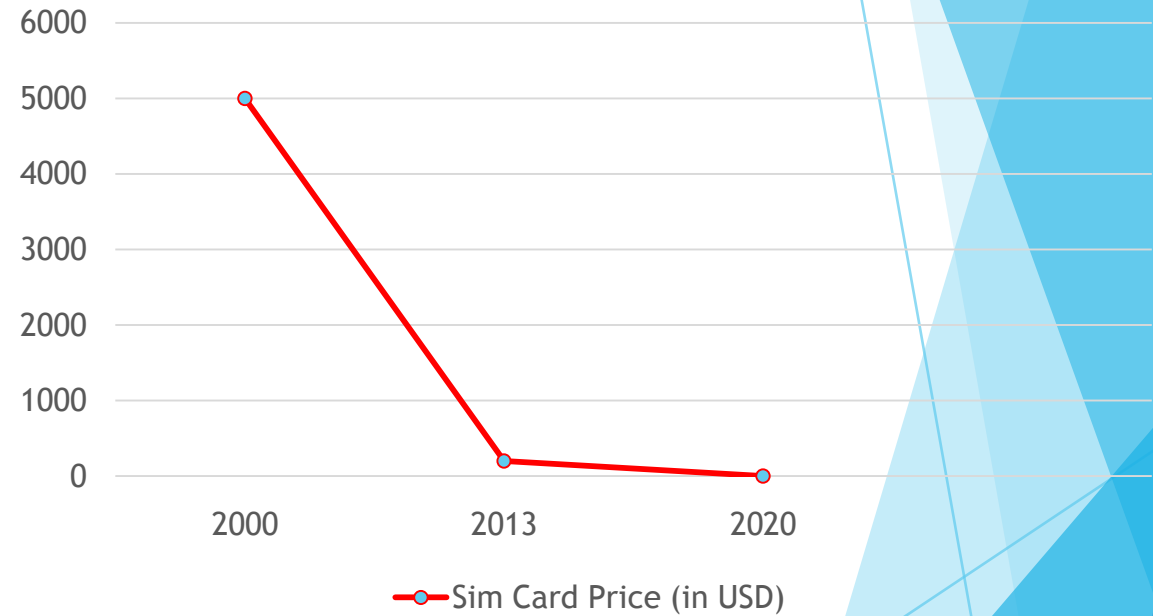
Examples of fintech

Mobile Phone usage in Myanmar

Burma (Myanmar) - Mobile phone subscribers, per 100 people

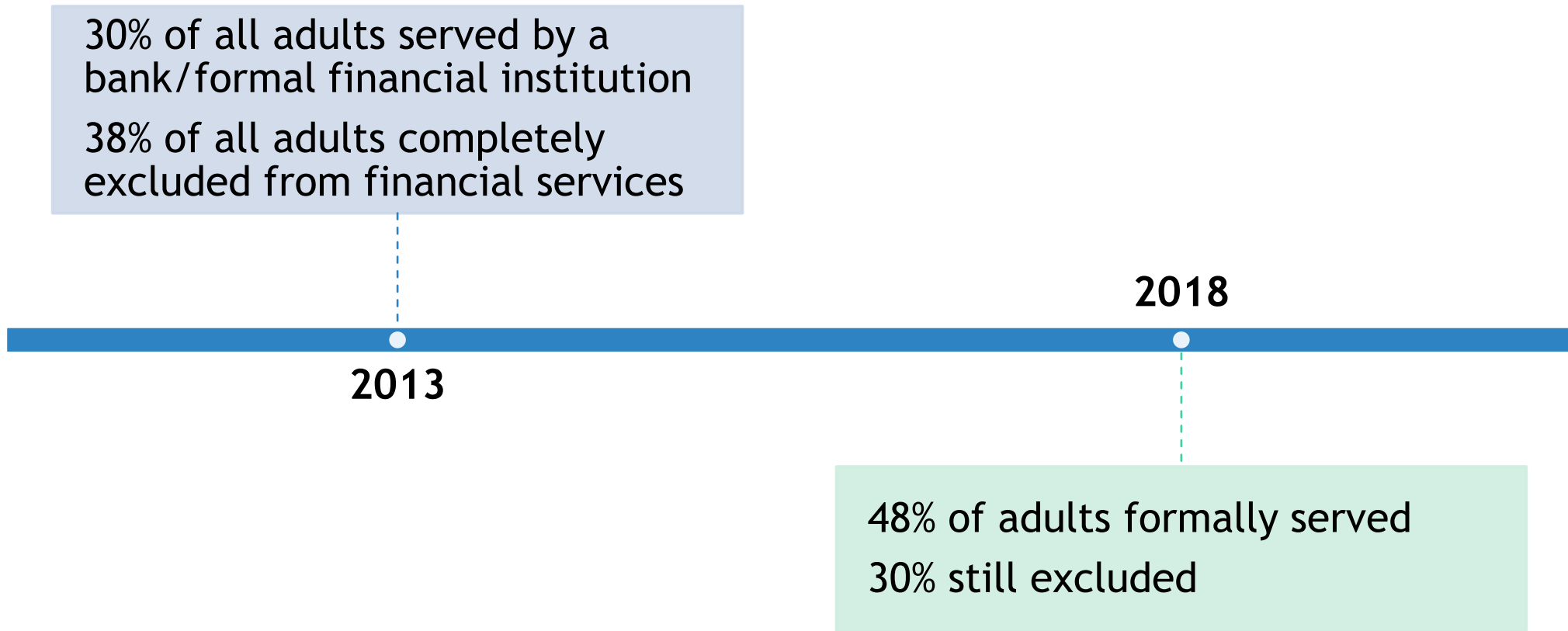


Sim Card Price (in USD)



Today, there are more active Sim Cards than people in Myanmar!

Financial Inclusion in Myanmar



30% of all adults served by a bank/formal financial institution
38% of all adults completely excluded from financial services

2013

2018

48% of adults formally served
30% still excluded

KBZ
Pay



MPT Money

CBPay



WAVEPAY

Fintech services in Myanmar

- ▶ Digital/ Mobile payment services are the name of the game in Myanmar.
- ▶ WavePay - JV between Telenor, FMI and Yoma Bank, current leader in terms of market share with a network of agents covering 86% of the country, strategic partnership with ANT financial services.
- ▶ KBZ Pay - Backed by KBZ bank, launched in 2018, 4.5 million customers to date, access to all KBZ ATMs and a network of over 280,000 agents and merchants.
- ▶ Other notable mobile wallet services include OK Dollar, MPT Money, CB Pay and One Pay.

Mobile Financial Services Regulation 2016

According to this regulation, Mobile Financial Services must -

- ▶ have a minimum capital of three billion kyat

- ▶ submit a series of documents and information to the Central Bank which include -
 - A business plan for three years
 - Details on the Board of Directors
 - Details on nature and functionality

*separate regulation for bank - Mobile Banking Directive 2013

Benefits of mobile payment services



Mobile wallets are mainly designed for instant P2P transfers.



Other common functions include the ability to purchase mobile top-up, the ability to pay for utilities, making payments to partnered businesses, donation services and the option to cash out at designated agents or ATMs, depending on the mobile wallet.



Some even offer small personal loans!

How do they work?

- ▶ A mobile wallet account is created using your mobile phone number.
- ▶ Funds can be added into the wallet from agents or partnered bank accounts.
- ▶ Users can then transfer money to other users or pay for services.
- ▶ A small transaction fee is collected when money is withdrawn from the mobile wallet.

Tier	KYC/CDD	Cumulative Transaction Limits Per Day	Cumulative Transaction Limits Per Month	Maximum Balance Limit
Level 1 (individuals only)	presentation of ID (the national ID is first priority, driving license is second priority or passport)is required if and when necessary	50,000 Kyat	1 million Kyat	200,000 Kyat
Level 2 (individuals only)	SIM registration or (the national ID is first priority, driving license is second priority or passport) is required to submit	200,000 Kyat	5 million Kyat	1 million Kyat
Level 3 (for registered businesses only)	Business registration certificate, identification requirements for opening bank accounts	1 million Kyat	50 million Kyat	10 million Kyat

Quantity of Transactions

Is competition always a good thing?



Basic economic intuition tells us that competition is almost always a good thing, since it cultivates innovation and competitive products.



But what if the form of competition is anti-consumer friendly?

Competition and the Smartphone industry



VS



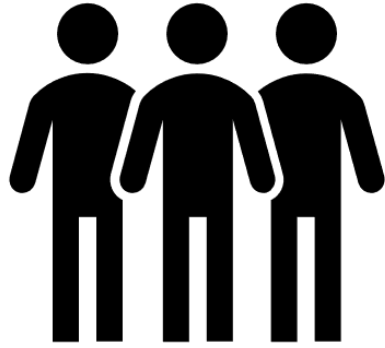
Samsung's Services

- Samsung Store
- Samsung Pay
- Interconnectivity with other Samsung devices

Apple's Services

- The App Store
- Apple Arcade
- Apple Pay
- iTunes
- Interconnectivity with Apple devices

Imagine if you could only make calls to people who use the same mobile operator...



- ▶ There are four mobile operators in Myanmar, MPT, Telenor, Ooredoo and MyTel.
- ▶ You can use any Sim-Card provided by any of them and call anybody else.
- ▶ This is because mobile operators have cross-service interoperability.

Which mobile wallet do
you partner with as a
business?

The best option is, all of them!

The current level of integration offered by mobile wallets to businesses

The screenshot displays the checkout interface of the ICT.com.mm mobile application. At the top, there are logos for KBZ Pay and WavePay. A text box promotes WavePay: "WavePay မိုဘိုင်းလ်အပ်ပလီကေးရှင်းဖြင့် ပေးချေရန်။ Pay with WavePay Mobile App." Below this is a search bar with the text "အိုင်စီတီ ICT.com.mm" and "Search... e.g. 'Lenovo'". The main form contains fields for phone number, email address, state/region (Yangon), township, suburb, street address, and a checkbox for "Sign me up!". A "DELIVER TO A DIFFERENT ADDRESS" option is also present. On the right, a summary shows a subtotal of K327,600, free delivery, and a total of K327,600. Payment methods listed include Cash on Delivery, Bank Transfer, Credit Card, MPU, KBZPay, and WavePay. Logos for CASH ON DELIVERY, BANK DEPOSIT, VISA, and MPU are also visible. A modal form titled "ICT.com.mm" is overlaid on the right, with fields for "Order Number", "Mobile Phone", and "Amount". A red speech bubble icon is located at the bottom right of the page.

Improvements for the future: Improved integration for businesses?

- ▶ Currently, Mobile Financial Services seem to integrate businesses into their list of merchants and not themselves into the business's apps and websites.
- ▶ Improved integration will lead to ease of access for customers and increase customer reliance on mobile wallets.

Improvements for the future: Cross service transfers and interoperability?



Currently, none of the mobile wallet apps offer cross service transfers between each other.



Onepay offers interbank transfers to 16 banks, but to none of the other mobile wallets.

Improvements for the future: everyday payments for goods and services






- ▶ Cash is still king when it comes to day to day use
- ▶ This is due to these services being relatively new leading to consumer's reluctance to rely on digital currencies
- ▶ Marketing targeted to improve customer perception and improving functions such as QR code transfers could be the solution
- ▶ Lack of use is also due to interoperability limitations - imagine going shopping in Tokyo while only carrying Euros!


Mobile wallets and the food delivery industry - missed opportunities?

- ▶ The food delivery business has seen a dramatic increase in popularity in the past year, primarily due to Covid-19.
- ▶ Despite how clearly mobile wallet integration would be beneficial to their business, neither does Food Panda nor Grab Foods have the option to pay using mobile wallets.



3 Payment

  
Credit / Debit Card


Cash on Delivery

PAY BY CASH ON DELIVERY

Consider payment upon ordering for contactless delivery. You can't pay by a card to the rider upon delivery.

Do you have a voucher?

By making this purchase you agree to our [terms and conditions](#).

PLACE ORDER

I agree that placing the order places me under an obligation to make a payment in accordance with the General Terms and Conditions.



E-Commerce

“... the act of buying and selling goods and services over the Internet...”



foodpanda



The E-Commerce Industry in Myanmar

▶ Notable businesses include -

- **Shop.com.mm**, an Alibaba company, an online shopping platform offering over 500,000 products in 100 categories.

- Food delivery services such as Food Panda and Grab Food.

- the Mobile Wallet Industry.

How to set up an online business

According to the MoC's draft (E-Commerce) Registration procedures -

- ▶ Companies must be registered according to the Myanmar Companies Law (2017).
- ▶ Businesses must have an official (<https://.com>) domain or subdomain.
- ▶ Companies must be located domestically and must conduct business online.
- ▶ Companies must obtain the required approval from all relevant departments for the goods and services they are offering.

Myanmar E-Commerce Operation Guidelines (Draft)

- ▶ Released May 2020
- ▶ Does not replace established laws but instead works in conjunction with them.
- ▶ **Platform Operators** - provides virtual space for E-Commerce
- ▶ **Operators on Platforms** - provides sales and services on E-Commerce platforms
- ▶ **Other Operators** - provides sales and services on self-operated platforms

- ▶ Paragraph 8: “Any Myanmar national aged 18 and above may apply for a license from the relevant departments and operate e-commerce businesses. If a business is a joint venture with a foreign investor, compliance with the Investment Law is required.”

Implications of the E-Commerce Operation Guidelines (Draft)

- ▶ Relationship with the MoC 25/2018 Notification (unconfirmed)
- ▶ Monitoring of restricted goods and services
- ▶ Electronic/ Digital contracts
- ▶ Digital Payments through licensed payment services and banks
- ▶ Disclosure and Transparency Requirements

Data Protection and Personal Information Collection (Draft continued...)

- ▶ Personal data can be only collected from individuals above the age of 16 for E-Commerce purposes. (otherwise, parental consent required)
- ▶ Personal information, bank details and other sensitive information must be kept confidential and must only be used for E-Commerce.
- ▶ Consumers must be informed of and consent to data collection and use.

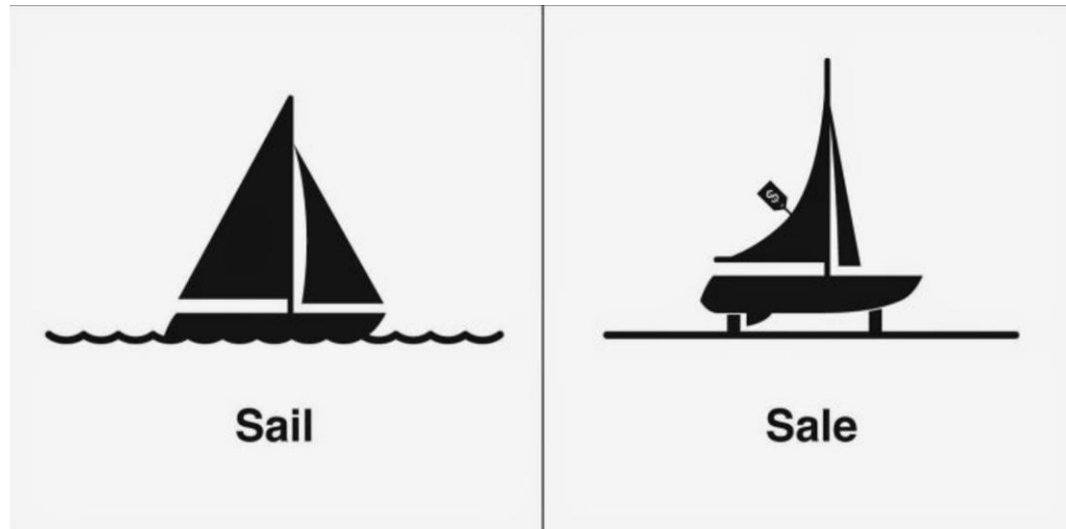
Limitations challenging the E-Commerce Industry

- ▶ Payment
- ▶ Delivery
- ▶ Market penetration into rural areas
- ▶ Customer demographic and psychology
- ▶ Ease of use/ access

Delivery

- ▶ Postal services are not exactly very reliable in Myanmar.
- ▶ Delivery to rural areas is mainly done through the express bus networks.
- ▶ Google Maps/ Apple Maps are also relatively inaccurate, ranging from having slight differences in spelling or being completely wrong!
- ▶ Differences in what locals call a place (e.g. a street) and what the GPS says may lead to errors in delivery.

Tun or Htoon or Htun?



- ▶ Romanization of the Myanmar language is done phonetically, and this process can be subjective.
- ▶ This problem is increased substantially since it is not uncommon for places in the states to have names in the ethnic language.

Customer demographic and psychology

- ▶ Internet penetration by population and Social Media penetration by population in Myanmar share the same number, at around 41%.
- ▶ The rate of increase for both is also similar, with internet users increasing by 4.8% and social media users increasing by 6.6% between 2019 and 2020.

- ▶ This means that for a lot of people, social media is ubiquitous with the internet.
- ▶ For certain businesses, operating with a “.com” site will be substantially less profitable than operating on Facebook.
- ▶ Mobile phones and the internet being relatively new also means a significant portion of customers are also not extremely technologically skilled.

The journey of a customer, from Ad to purchase



1. Ad on Facebook



2. Redirected to the business's website



3. Purchase is made, order no. is given



4. Transfer made from mobile wallet using the order no.



5. Purchase is confirmed

Possible solutions...

- ▶ For delivery, setting up your own fleet of couriers will be essential for certain businesses
- ▶ Alternatively, establishing designated pick-up points could be ideal, since this will also help solve the problem of reaching customers in rural areas without significant investment in logistics and infrastructure
- ▶ Having an active social media presence, as well as providing an intuitive and user-friendly website will potentially reduce the detriment caused by the technology involved

Thank you!
Any
questions?

