

## **Report of the Postal Financial Services Working Group**

Mr. V.P. Singh, Deputy Director General (International Relations & Global Business) Department of Posts, Government of India chaired the APPU Postal Financial Services Working Group.

A majority of Postal Operators worldwide have realized the importance of offering Financial Services as part of their offerings not only as a source of additional revenue but also as a tool to promote financial inclusion in their respective territories. Financial inclusion is basically the availability of banking services at an affordable cost to disadvantaged and low-income groups. However, in advanced economies, Financial Inclusion is more about the knowledge of fair and transparent financial products and a focus on financial literacy whereas in case of emerging economies, it is a question of both access to financial products and knowledge about their fairness and transparency.

Ms. Padmagandha Mishra, Assistant Director General (International Relations) made a presentation on Financial Inclusion and initiatives of India Post in promoting Financial Inclusion in India. She shared India Post's experiences of its IT Modernization project and how the project is being utilized to spread the Core Banking System across its network of Post Offices. She also informed the meeting about India Post's plan to introduce India Post Payment Bank (IPPB). Once launched, India Post Payment bank will be the most accessible Bank and will have largest IT network in India. India Post's Rural ICT project was also discussed and it was detailed how the Core Banking System will be made available in the rural Post Offices using the Micro ATMs. This initiative will bring at par the rural masses which were so far either unbanked or had limited access to financial services.

Ms. Juanita Woodward, Principal, CTD Connecting the Dots, Singapore gave a presentation on "The Shift to Digital Financial Services: Access and Impact for the Bottom of the Pyramid". Her presentation focused on how the digital financial services are creating new opportunity for the Posts. Some very interesting information was shared about how digital disruption has already happened i.e. the world largest Taxi company owns no taxi (UBER), world's largest accommodation provider owns no rooms (airbnb) and so on. She informed the meeting that the consumer banking and fund transfer and payments sectors will be most disrupted by the FinTech over the next five years. One of the interesting information for the members of our region was that Asia Pacific represents 30% of the retail banking global revenue. She also explained about a new technology Blockchain that combines a number of mathematical, cryptographic and economic principles in order to maintain a database between multiple participants without the need for any third party validator or reconciliation.

She re-iterated that Posts have a role to play with a 'digital first' strategy, as a stakeholder in their country's Financial Inclusion agenda. Further, According to Accenture, serving the unbanked represents a \$110 billion opportunity by 2020. She also informed the meeting about the latest trends in the field of global remittances and micro-insurance

V.P. Singh  
Chair, APPU Postal Financial Services Working Group  
18 May 2016

***Draft Agenda of the Postal Financial Services Working Group Meeting  
18<sup>th</sup> May 2016, Langkawi, Malaysia***

***Venue: Matsirat II, Berjaya Langkawi Resort, Langkawi, Malaysia***

**Meeting chaired by: Shri V.P Singh, Deputy Director General, International Relations & Global Business, Department of Posts, Government of India**

16:15 – 16:20    Opening

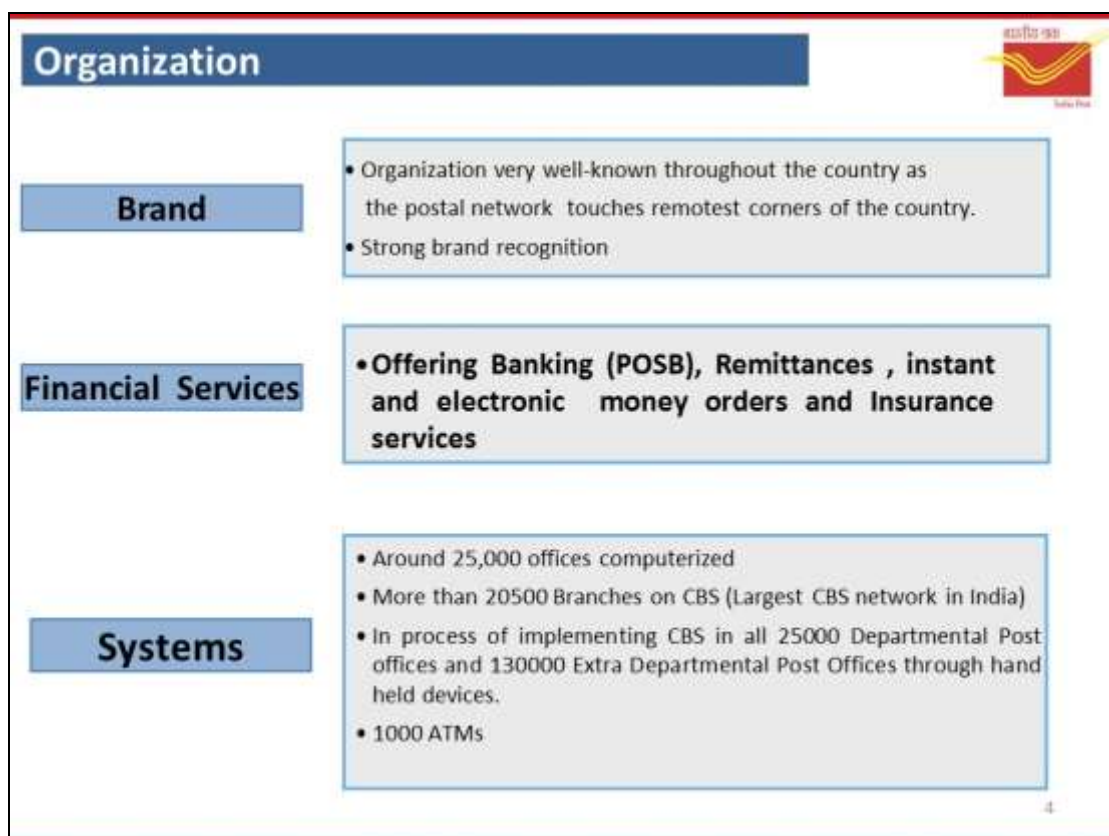
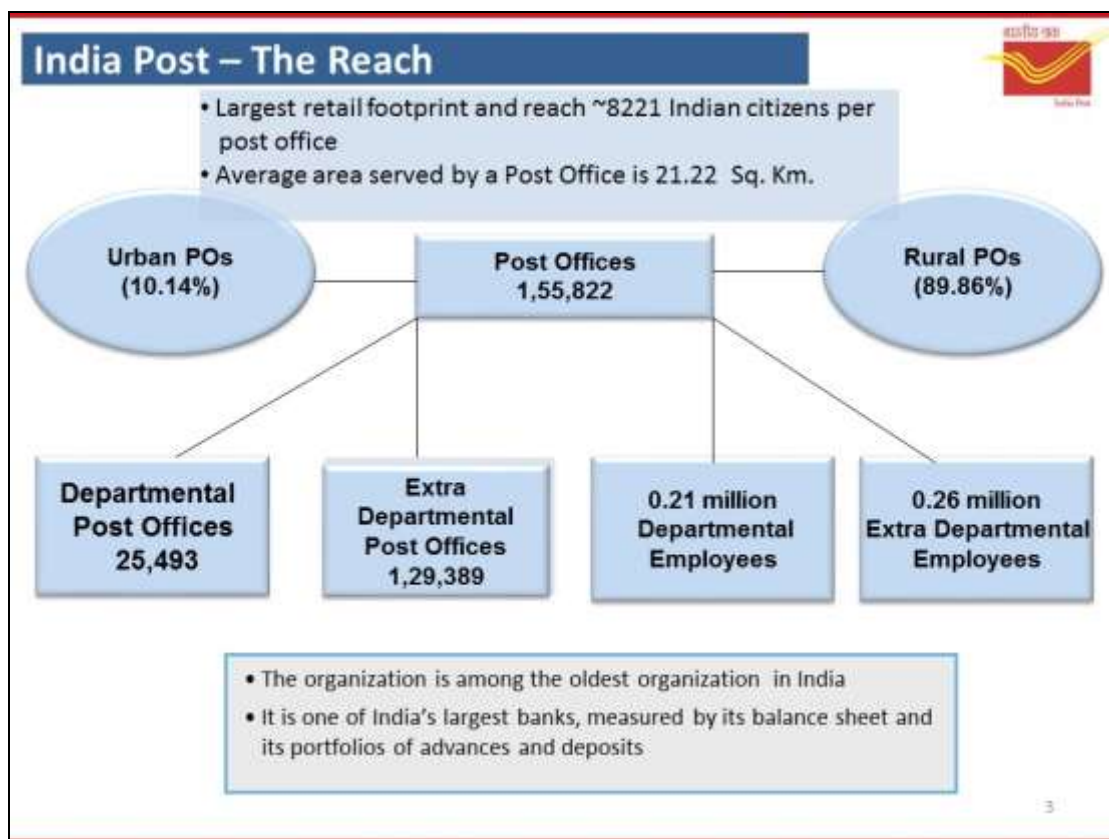
16:20 – 16:50    **Financial Inclusion**  
Presentation by Ms. Padmagandha Mishra, Assistant Director General (International Relations), Department of Posts, Government of India

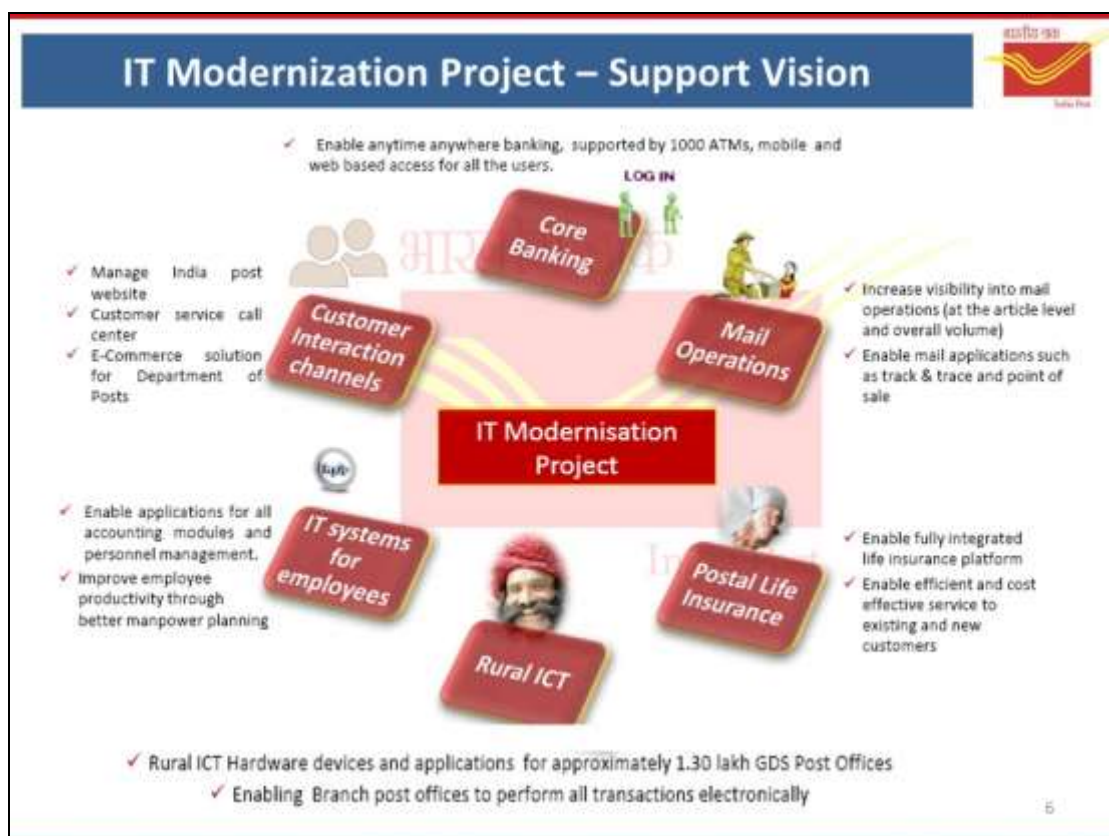
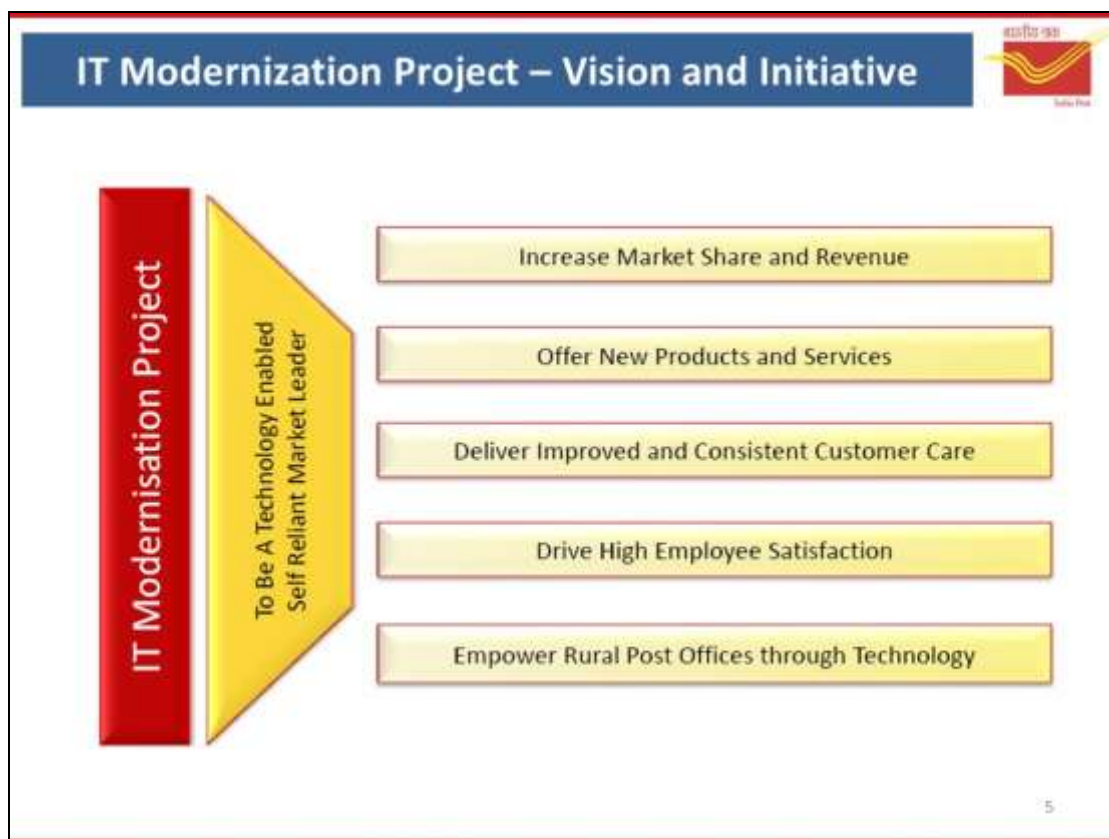
16:50 – 17:00    **Q&A Session**

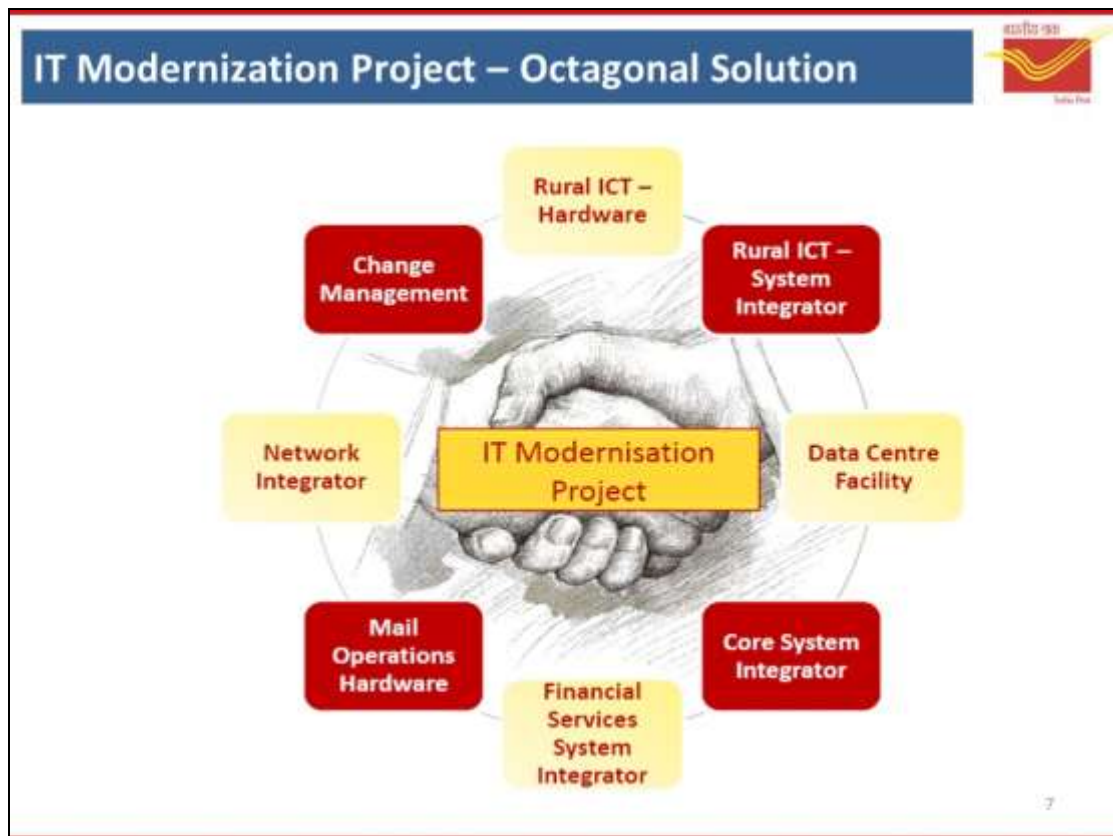
17:00 – 17:20    **Financial Inclusion The Shift to Digital Financial Services: Access and Impact for the Bottom of the Pyramid**  
Presentation by Ms. Juanita Woodward, Principal, CTD Connecting the Dots Singapore

17:20 – 17:30    **Q&A Session**











## IT Modernization Project – Core Banking Features



Anytime- Anywhere banking

Automatic transfer/credit/interest/maturity amount from SB/RD/TD/PPF etc. to any internal SB account or through ECS



Multi- language support



Core Banking



System generated mails/letters/requests/advice in case of maturity etc.



Multiple delivery channels



Ability to capture KYC related data

## IT Modernization Project –Core Banking Objectives & Benefits

**Objectives:-**

- ✓ Increase existing customer base
- ✓ To provide multiple delivery channels like Internet, Mobile Banking, ATMs, Telephone, cards etc- Access to Financial Services at each - doorstep
- ✓ To become one Stop Solution for Financial Inclusion & Microfinance initiatives of government, public/private sector banks
- ✓ To become preferred choice of customers by leveraging Core Banking Platform

**Benefits**

- Cost Reduction, Increase revenue, Increase in efficiency and service levels
- Enhanced Brand value
- Better fraud management & easier auditing, Easy record management, Centralized MIS
- Better customer interaction channels by ATM, Net banking, Call centre, Customer grievance support, Reduction in waiting time of customers
- Simpler and faster processes, Employee satisfaction, Increase in productivity






## IT Modernization Project Postal Life Insurance : Objectives, Benefits & Enablers

**Objectives:-**

- ✓ Become the first choice insurer for eligible customers in the country
- ✓ Develop a fully integrated life insurance platform to enable efficient and cost effective service to existing and new customers
- ✓ Improve the quality of service being offered to the customers
- ✓ Achieve "financial inclusion" of the un-insured rural population, while minimizing the cost of operations



**Benefits**

- ✓ Faster turn-around time / Faster go-to-market
- ✓ Better customer service / Lesser grievance
- ✓ Minimized fraud, better auditing and efficiency in operations
- ✓ Anytime anywhere policy and better fund management
- ✓ Financial inclusion of the un-insured rural population
- ✓ Customer knowledge and better customer interaction channels
- ✓ Automated claims management and renewal notices
- ✓ Better manpower utilization
- ✓ Employees satisfaction due to simpler processes
- ✓ Robust data driven decision making through Intelligent


**Enablers**


- ✓ PLI / RPLI application
- ✓ Web Portal for Agents, Customers and Other departments
- ✓ Scanners/Data capture through OCR
- ✓ Access through Mobile
- ✓ Personalized dashboards for agents and counter staff
- ✓ Document management system
- ✓ Hand held devices for GDS
- ✓ Multi device accessibility - Mobile/ Web/Call centre
- ✓ Robust server
- ✓ 24/7 connectivity and networking

13


## IT Modernization Project – Rural ICT Features

Scanning of documents and barcodes







Biometric authentication



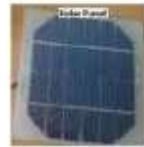
**Rural ICT**




Introduction of Smart Cards



Offline operations for systems




Provision of Solar Panels for battery charging at all Branch offices



English, Hindi & regional language support


14

## IT Modernization Project Rural ICT : Objectives, Benefits & Enablers



**Objectives:-**

- ✓ To achieve "financial inclusion" of un-banked rural population
- ✓ To enable Branch Offices to make disbursements for social security schemes such as MGNREGS
- ✓ To improve the quality of services being offered to rural customers
- ✓ To increase revenues by providing retail post services, third party services etc.



**Benefits**

- ✓ Higher Self Esteem / Respect of society / village for Postman
- ✓ Introduction of Hand Held device
- ✓ Knowledge of IT Skills/ Computer
- ✓ Improved service delivery
- ✓ One stop for delivering government financial schemes
- ✓ Reduction in manual workload of Post masters and Postal Assistant
- ✓ Reduction in errors- more accountability
- ✓ Simpler and automated consolidation
- ✓ Availability of all products available at Branch Office
- ✓ Door step delivery of services
- ✓ More business and enhanced revenues
- ✓ Increased Customer Satisfaction

**Enablers**

- ✓ MGNREGS application and central database
- ✓ Hand held devices with connectivity
- ✓ Mobile banking applications
- ✓ Technology like biometrics authentication, scanning of documents and barcodes, thermal printers, solar panels, smart card reader, digital cameras
- ✓ eMO application

15

## IT Modernization Project: Consolidated Benefits



**For the Customer**



- ❑ Better financial inclusion in the rural and semi-urban location through mobile remittances, mobile banking, mobile insurance
- ❑ Transparency in social security and employment guaranty schemes
- ❑ Faster and reliable delivery of services
- ❑ Multiple touch points with customer like ATMs, Mobile, Internet, Call centres.
- ❑ Better visibility and transparency
- ❑ Improved customer satisfaction due to faster services

**For the Organization**



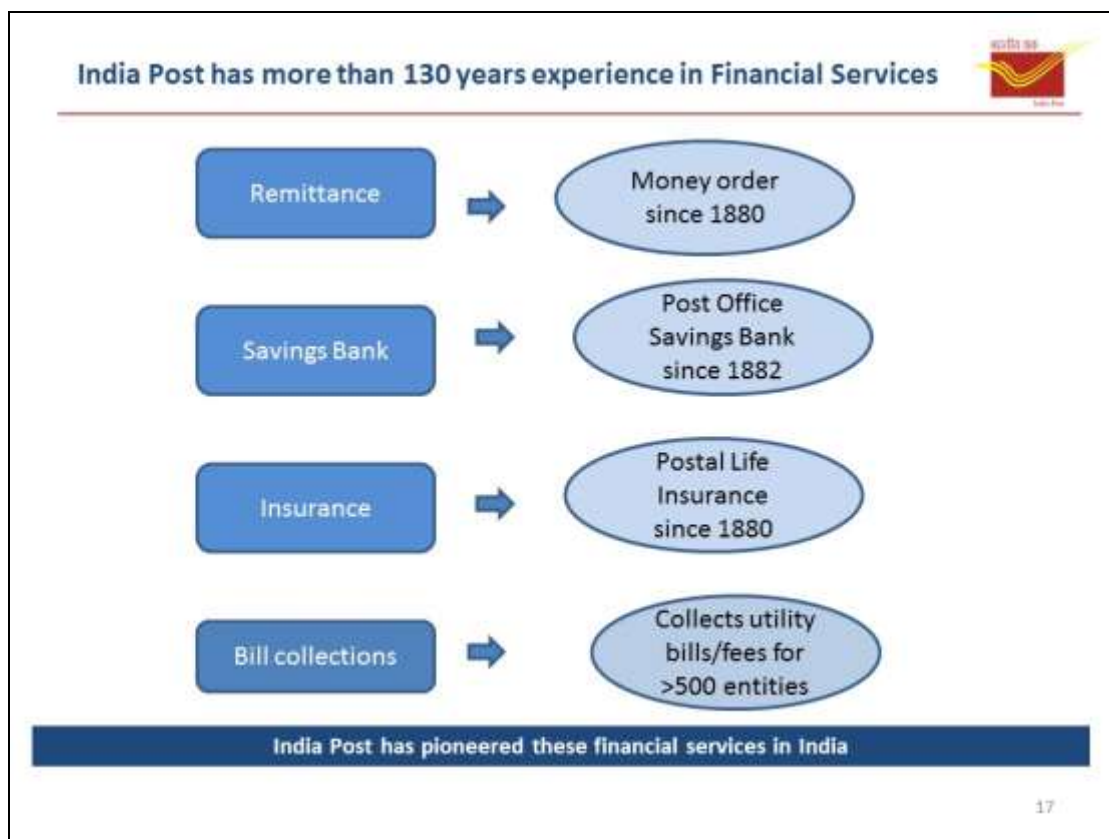
- ❑ Significant enhancement in revenue & market shares
- ❑ Better decision making and operational planning due to availability of management information in a timely manner
- ❑ Potential reduction in the transaction cost through automated processes
- ❑ Increased productivity and accountability


**For the Employees**



- ❑ Opportunity to learn, build and enhance new skills and expertise
- ❑ Reduction in manual work in long term, which will result in enhanced productivity levels
- ❑ Opportunity to deliver enhanced IT enabled services to their customers leading to a significant reduction in customer complaints
- ❑ Improvement in employee engagement and empowerment
- ❑ Opportunity to work in an innovation based culture & be a part of a growing and vibrant organization

16



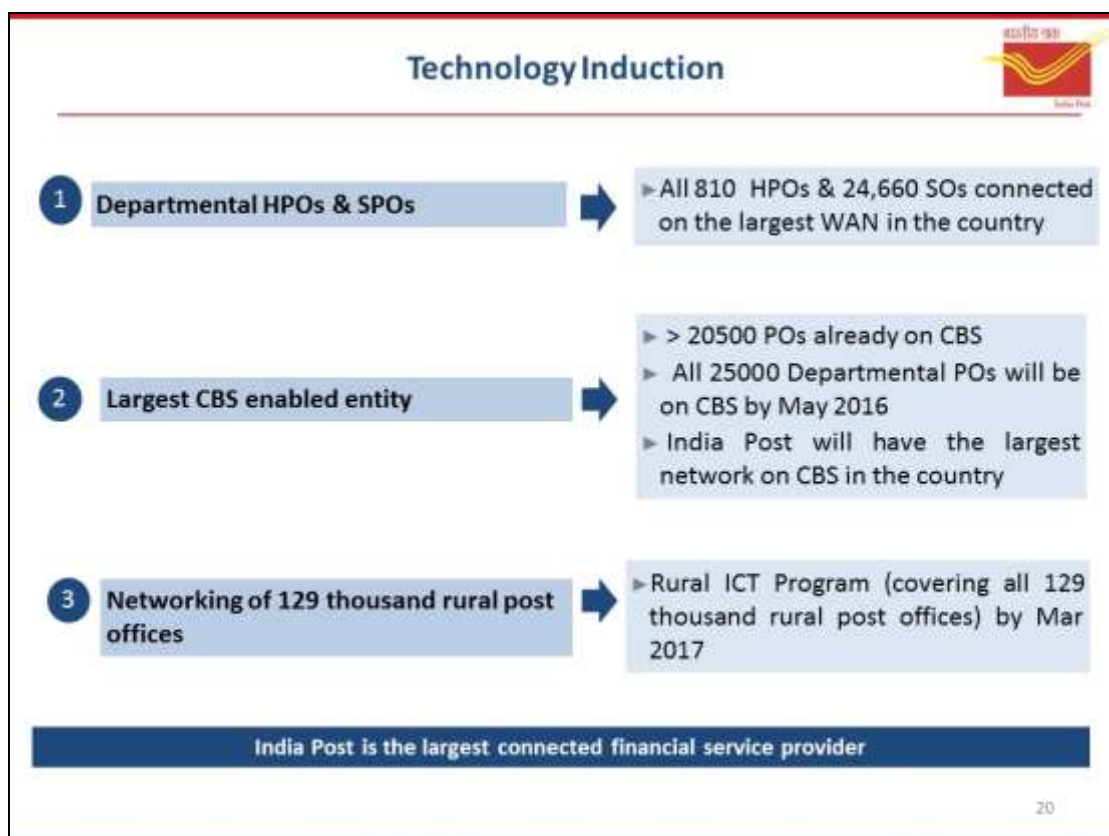
**Number of Accounts & Outstanding Balance** 

Year	Number of Accounts (In Millions)	Balances (In Billion Rupees)
2011-12	287	606.58
2012-13	312	606.02
2013-14	348	621.49
2014-15	399	632.33
Up to Feb 16	342	653.74

18

More than 340 million accounts	
Products	Number of Accounts (in million)
Savings Account	185
Recurring Deposit	110
Monthly Income Scheme	22
Senior Citizen Savings Scheme	1
Time Deposit	14
Public Provident Fund Account	2
Sukanya Samriddhi Account	8
Total	342

19



20



### Rural ICT device – Micro ATM



The diagram illustrates the components of the India Post Micro-ATM. It includes a front view of the device with labels for: 3G/4G Antenna (GSM/CDMA), Thermal Printer for local language, Finger Print Scanner for multi-factor authentication, Multi Color Touch Screen, GPRS/3G/4G Modem, Camera, Contact Smart Card Reader, and Magnetic Stripe Card Reader. A side view shows the 3G/4G Antenna (GSM/CDMA) and Battery. A bottom view shows the internal components: SIM Card, 3G/4G Modem, and Smart Card. A separate view shows the Thermal Printer with labels for: ON/OFF, 3G/4G Modem, USB 2.0, and Ethernet.

- ✓ Bio-metric reader
- ✓ Card reader
  - Magstripe
  - Chip based card
  - Smart card
- ✓ Camera
- ✓ 2 D scanner
- ✓ GPRS /SIM connectivity
- ✓ Thermal Printer
- ✓ Solar panel for charging

E-KYC      AEPS      Cash-less

**India Post Micro-ATMs will drive financial inclusion in rural areas**

21

### India Post Payments Bank (IPPB): Vehicle for Financial Inclusion

**Challenge-  
Opportunity**

40 % adult population still outside the formal banking

61% rural population still unbanked

24% rural households still access informal credit

Low Insurance penetration – Life 4%, non-life – 0.2%

**Strengths**

Reach

Expertise

Customer Trust

Last Mile  
Connectivity


**India Post  
Capabilities**

- ✓ 3 times the reach of all banks combined in rural areas
- ✓ Pioneered remittances (money order), payments & savings schemes in India
- ✓ Local, loyal, respected and trained staff – negligible attrition rate
- ✓ On course to becoming the largest connected financial service

**India Post is best suited for building a large banking network for financial inclusion**

22



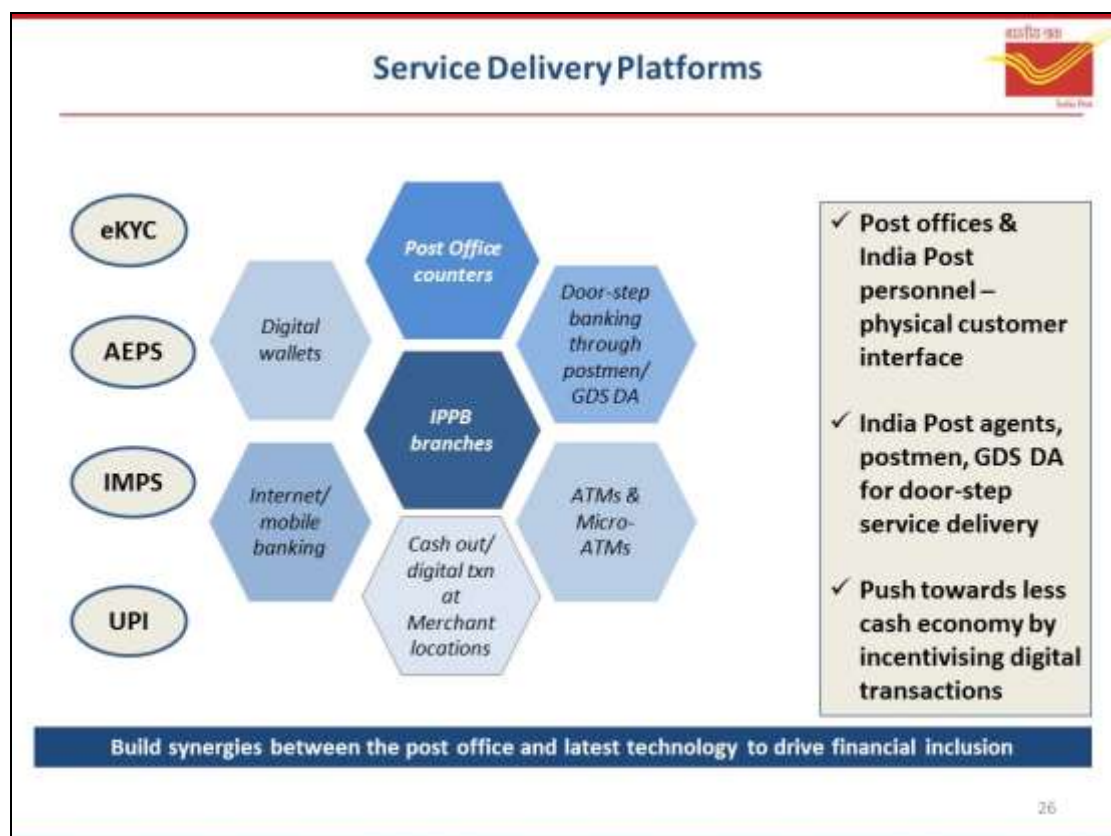
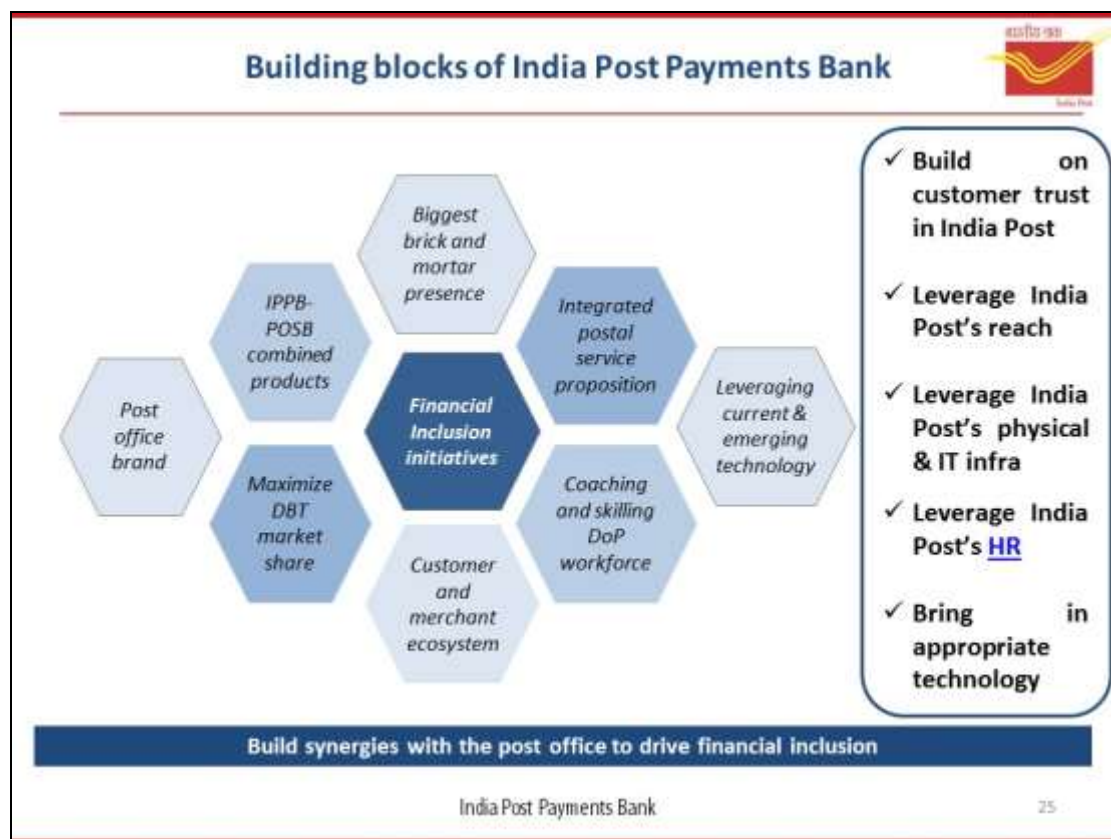


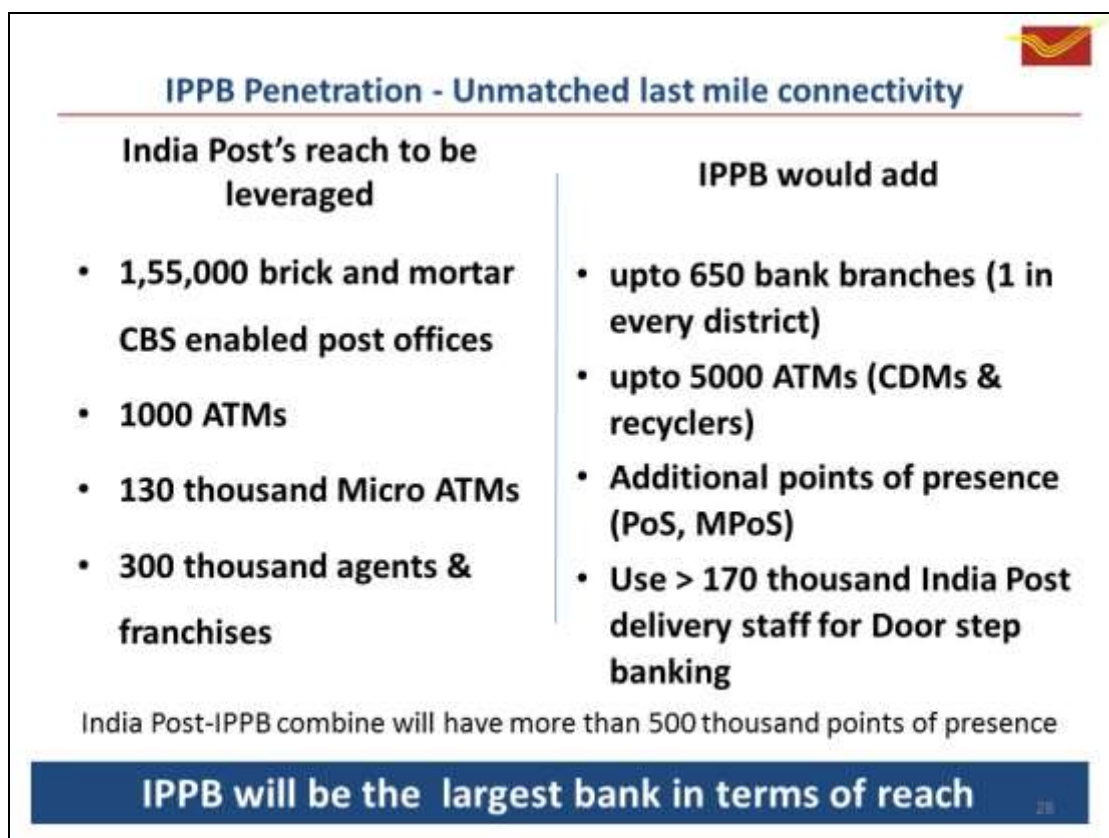
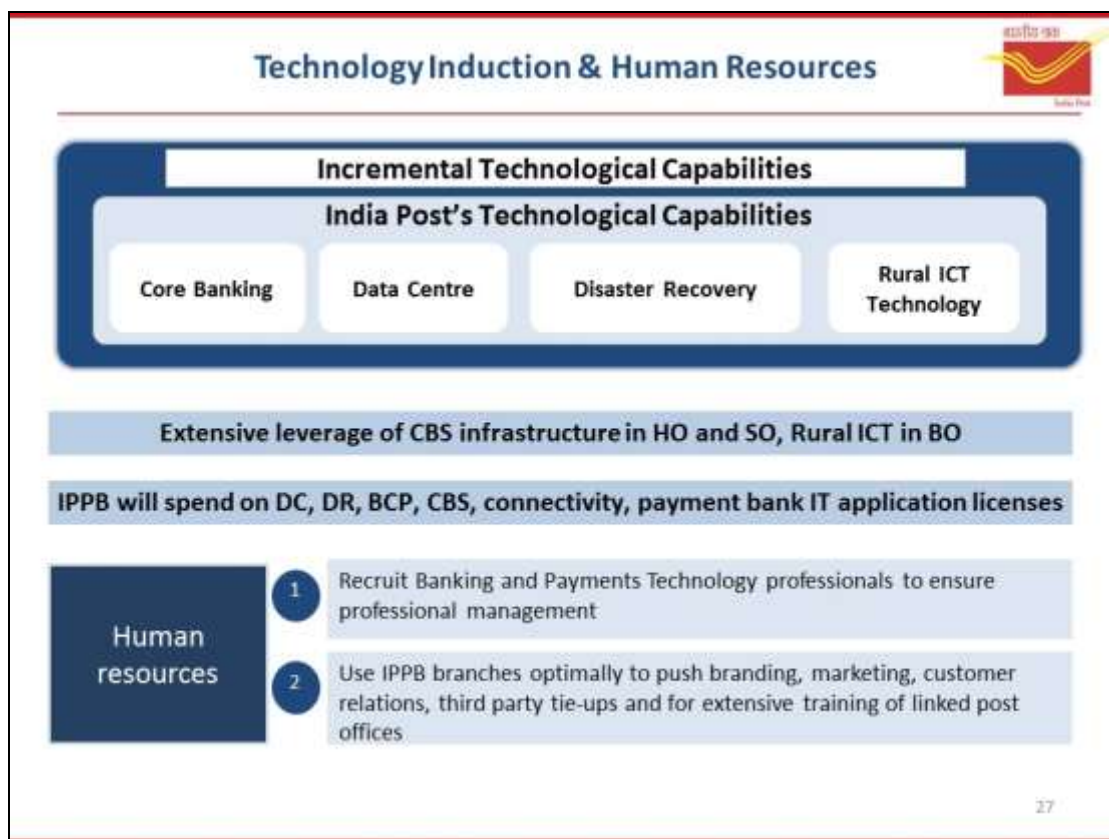
## Objectives of IPPB

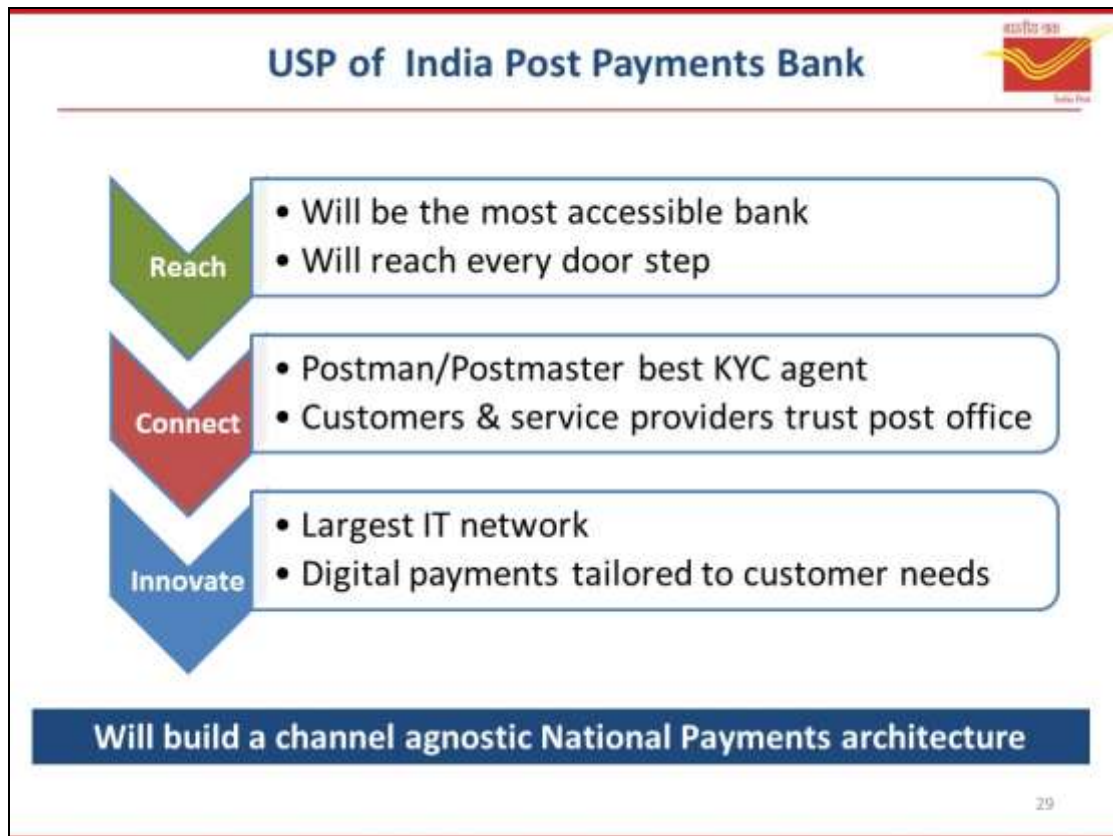
- Creating the most accessible bank
- Taking financial inclusion to every corner of the country through the combined network of the Bank and the Post Office
- Bringing a large number of individuals and small businesses into formal banking channel
- Driving payments and deposits through various channels and product lines
- Provide a diversification strategy for India Post
- Deploying cost effective lean operating model

23









**Thank You**





## ASIAN-PACIFIC POSTAL UNION EXECUTIVE COUNCIL MEETING

16 - 21 May 2016, Langkawi, Malaysia

# The Shift to Digital Financial Services: Access and Impact for the Bottom of the Pyramid

Juanita Woodward  
Principal, Connecting the Dots  
APPU Postal Financial Services Working Group  
18 May 2016



## Digital Financial Services Opportunity for Posts

- While FinTech is disrupting traditional banks' retail banking services, a **'digital first strategy'** by Posts can take advantage of new technology and trends to expand and grow postal financial services.
- Posts have the opportunity to be a contributor in the global and local **Financial Inclusion** agenda.
- **Collaboration and IT interoperability** is key for Posts to provide basic account/m-wallet, international remittances and payment services for personal and e-commerce transactions.
- Opportunity for Posts to explore offering an extended range of **Microinsurance services**, which could be tied to remittance payments; a nascent area of Financial Inclusion.
- **Human-centric product design and an omni-channel strategy** for Customer Engagement will provide Posts with a competitive digital financial services offering.





People don't need traditional banks,  
they need banking services with a  
great digital experience.

People need access to:

- PAYMENTS
- SAVINGS
- CREDIT
- INSURANCE

FINANCIAL EDUCATION / ADVICE

connecting the dots









Page 3


Digital and FinTech Disruption

connecting the dots

Page 4

## Digital Disruption Has Already Happened

The world's largest Taxi company that owns no Taxis. <b>UBER</b>	The world's largest accommodation provider that owns no rooms. 
The 2 largest telephone companies that own no Telco infrastructure.  	The 2 most popular media firms that create no content.  
The world's most valuable retailer that has no inventory and owns no stores. 	The largest providers of computer infrastructure that do not make servers.  

 Page 5

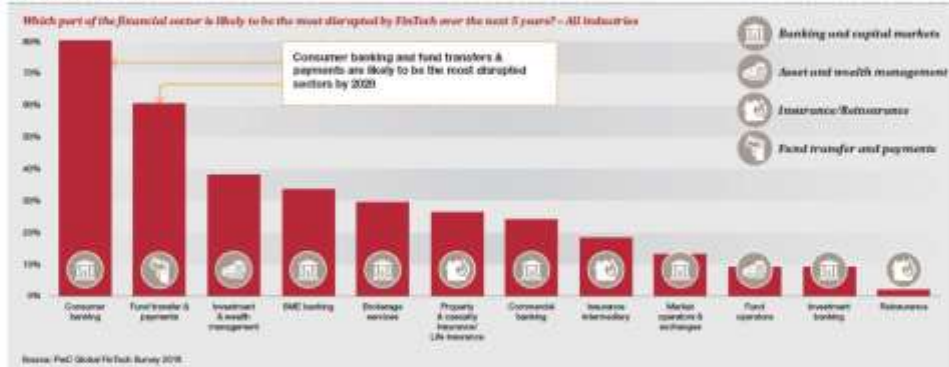
## Traditional Banks under attack by FinTech

- More than 20% of Financial Services business is at risk to FinTechs by 2020 . . . PWC
- The lack of digitization of the lending process by traditional banks is putting as much as one-third of retail banking revenues at risk . . . Bain and SAP
- . . . from 10 to 40 percent of bank revenues (depending on the business) could be at risk by 2025. Attackers are likely to force prices lower and cause margin compression . . . McKinsey & Co

 Source: The Financial Brand, One-Third of Retail Banking Revenues at Risk, 13 January 2016, PWC, Blurred Lines: How FinTech is Shaping Financial Services, March 2016, McKinsey, Cutting through the Noise of Financial Technology, February 2016 Page 6

## FinTech disruption: Consumer banking, lending and payments

Figure 3: Areas of disruption



## Annual Global FinTech Financing Trend

VC Backed FinTech Companies vs Overall FinTech Investment\* 2011- 2015



\*Overall investment includes fintech funding by angel investors, angel groups, private equity firms, mutual funds, hedge funds, VC, corporate and corporate VC investors.

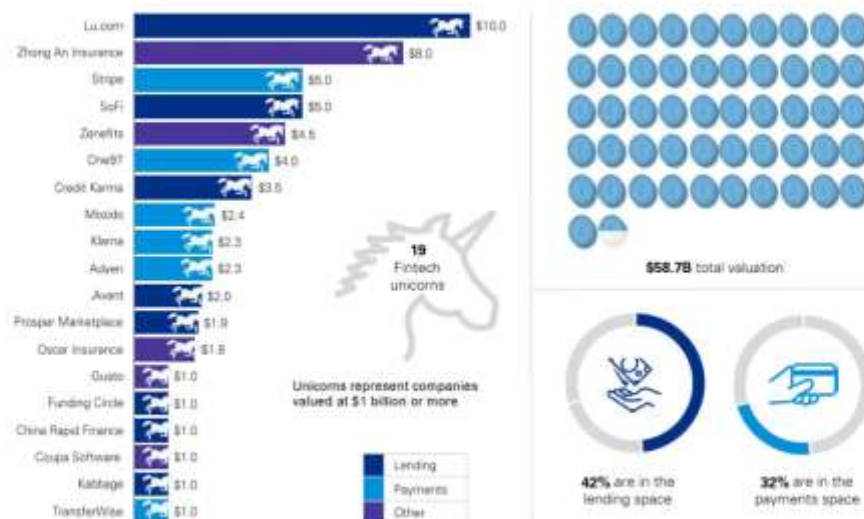
## FinTech Disruption



Source: SVB Investment Trends in FinTech

Page 9

## 14 of FinTech's Global Unicorns Focused on Payments or Lending

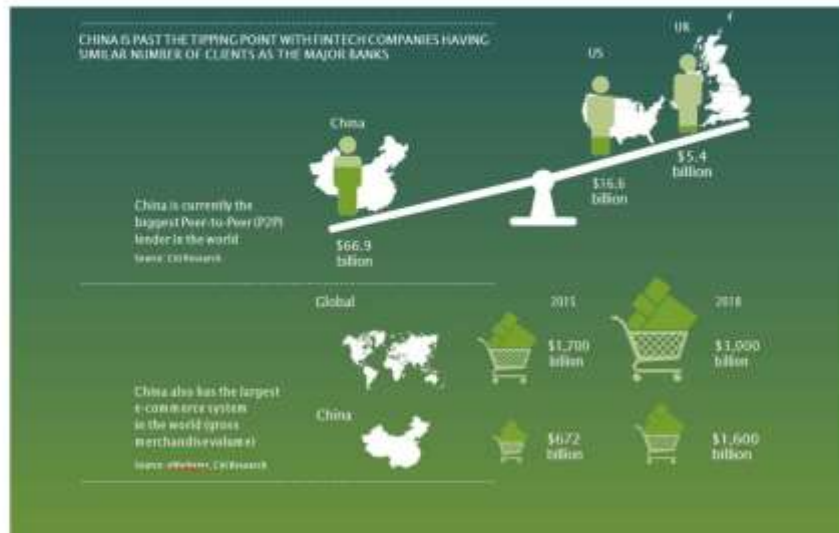


Source: The Pulse of Fintech, 2015 in Review, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) March 9th, 2016

Page 10



## FinTech Tipping Point: China ahead of US and Europe



## China: Ant Financial in a league of its own

Ant Financial is in a league of its own with a valuation similar to Uber or the quoted PayPal. It is “focused on serving small and micro enterprises as well as consumers” (alibabagroup.com) and is the online payments and finance affiliate of Alibaba.

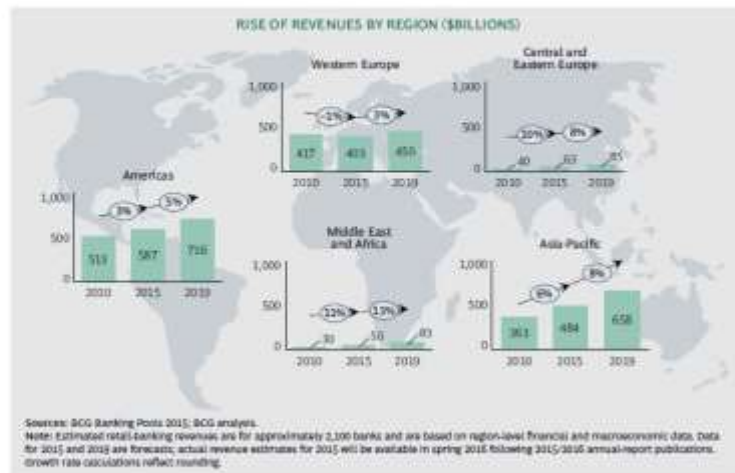


- Ant Financial completed a funding round last year that valued it at around \$45-50 billion (Financial Times, June 19, 2015; Wall Street Journal, July 3, 2015).
- Ant Financial has a much broader range of businesses than PayPal. It is part of the Alibaba ecosystem and businesses operated by Ant Financial include Alipay (launched in 2004, an online payments company similar to PayPal), Alipay Wallet (a digital wallet that is integrated with Alipay to enable eCommerce and P2P payments), Yu'e Bao (the largest money market fund in China), Zhao Cai Bao (a platform that offers investment products such as loans to personal and SME customers), Ant Micro Loan (offering loans to SMEs) and Sesame Credit (a big data-based credit ratings provider).
- Ant Financial is also expanding outside China with its significant ownership in PayTM, India's largest digital wallet.



## Asia Pacific represents 30% of retail banking global revenue

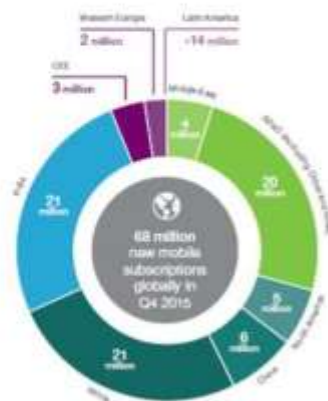
### Emerging Markets Drive Retail Banking Growth



## Mobile and e-commerce growth

## Mobile subscriptions growth is high

The total number of mobile subscriptions at the end of 2015 was around 7.3 billion, an increase of 68 million subscriptions during Q4 2015

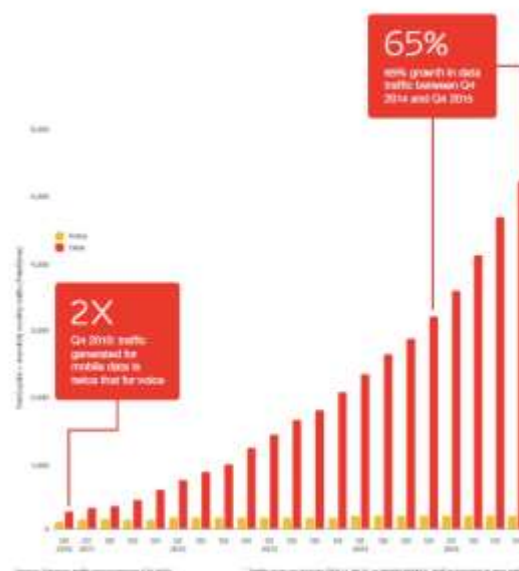


Global mobile subscriptions are growing around 3 percent year-on-year.

India grew the most in terms of net additions during the quarter (+21 million), followed by China (+6 million), the US (+5 million), Myanmar (+5 million), and Nigeria (+3 million).

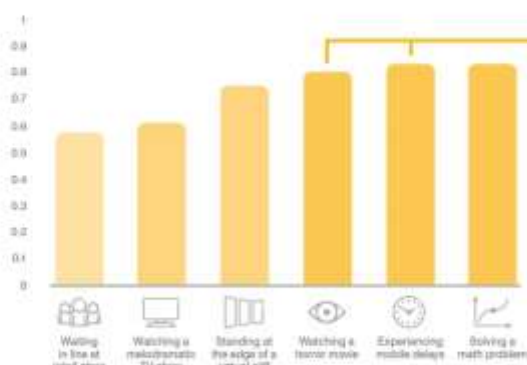
Smartphones accounted for around 75 percent of all mobile phones sold in Q4 2015, compared to around 70 percent during Q4 2014.

## Mobile data traffic continues to grow



## A slow loading mobile phone is as stressful as watching a horror movie

Cognitive load associated with stressful situations



Source: Ericsson ConsumerLab, Neurone Inc., 2015



The level of stress caused by mobile delays was comparable to watching a horror movie

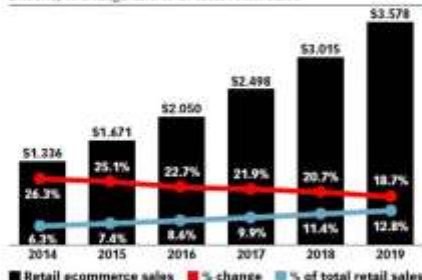


Source: Ericsson Mobility Report MWC 2016

Page 17

## Double digit growth of global e-commerce sales through 2019

Retail Ecommerce Sales Worldwide, 2014-2019  
trillions, % change and % of total retail sales



Note: includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment; excludes travel and event tickets  
Source: eMarketer, Dec 2015

Retail Ecommerce Sales Growth Worldwide, by Region, 2014-2019  
% change

	2014	2015	2016	2017	2018	2019
Asia-Pacific	39.5%	35.7%	31.3%	28.2%	27.3%	25.5%
Middle East & Africa	28.4%	26.9%	21.1%	24.9%	21.6%	21.1%
Central & Eastern Europe	23.6%	22.0%	18.4%	18.4%	15.6%	15.3%
Latin America	26.2%	22.9%	21.6%	20.0%	19.1%	15.7%
North America	14.6%	14.4%	13.1%	12.3%	11.7%	11.2%
Western Europe	14.8%	15.3%	10.5%	8.8%	8.4%	7.3%
Worldwide	26.2%	25.1%	22.7%	21.9%	20.7%	18.7%

Note: includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment; excludes travel and event tickets  
Source: eMarketer, Dec 2016

Retail Ecommerce Sales as a Percent of Total Retail Sales Worldwide, by Region, 2014-2019


	2014	2015	2016	2017	2018	2019
Asia-Pacific	8.2%	10.2%	12.4%	14.9%	17.6%	20.4%
Western Europe	6.7%	7.5%	8.3%	9.9%	9.6%	10.2%
North America	6.5%	7.0%	7.7%	8.3%	8.0%	8.7%
Central & Eastern Europe	2.8%	3.0%	3.4%	3.9%	4.2%	4.6%
Latin America	1.9%	2.2%	2.6%	3.0%	3.2%	3.5%
Middle East & Africa	1.6%	1.7%	1.8%	1.9%	2.0%	2.1%
Worldwide	6.7%	7.4%	8.6%	9.9%	11.4%	12.8%

Note: includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment; excludes travel and event tickets  
Source: eMarketer, Dec 2016




Source: eMarketer - Worldwide ecommerce sales - Updated Estimates and Forecast Through 2019

Page 18



**Blockchain – the next big thing or the start of  
of rethinking legacy financial infrastructure ?**

 Page 19

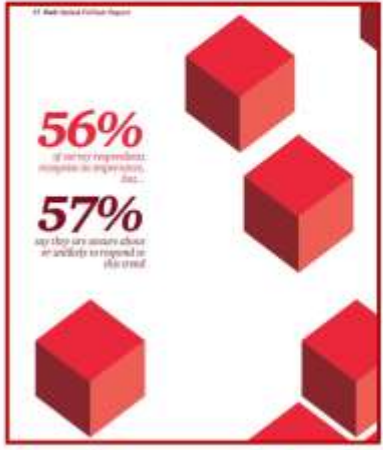
## Blockchain: The next big thing ?

Blockchain is a new technology that combines a number of mathematical, cryptographic and economic principles in order to maintain a database between multiple participants without the need for any third party validator or reconciliation. In simple terms, it is a secure and distributed ledger.

Blockchain could be a catalyst for transforming existing legacy systems at financial services companies. It could replace the current payment rail of centralized clearing with a distributed ledger for many aspects of financial services, especially in the B2B world.


Innovation from start-ups in this space is frenetic, and many big banks are doing testing.

**Watch this space!**



**56%**  
of senior executives  
recognize the importance of  
blockchain...

**57%**  
say they are more likely to  
adopt it in the future

 Source: Citi GPS – Digital Disruption – March 2016 ; PWC, Blurred Lines: How FinTech is Shaping Financial Services, March 2016 Page 20



## Startups and Banks test Blockchain

Blockchain startups make up 20% of largest crowdfunding projects.

R3CEV consortium now has over 40 banks working in partnership to investigate and develop use cases for distributed ledger technology. Collaborative efforts include the development of standards for using blockchain technology within the broader financial industry. The banking group includes Credit Suisse, State Street, UBS, Commonwealth Bank of Australia, BBVA, Barclays and Royal Bank of Scotland.

In December 2015, DBS Bank announced a partnership with Standard Chartered to create a distributed ledger project for trade finance.



Source: VB, Blockchain startups make up 20% of largest crowdfunding projects, 15 May 2016, 7 Asian Banks Investigating Bitcoin and Blockchain Tech, Coin Desk, 16 February 2016 Page 21



What does the FinTech disruption mean for postal financial services ?

Opportunity or Threat ?



Page 22



## Postal Financial Services OPPORTUNITY

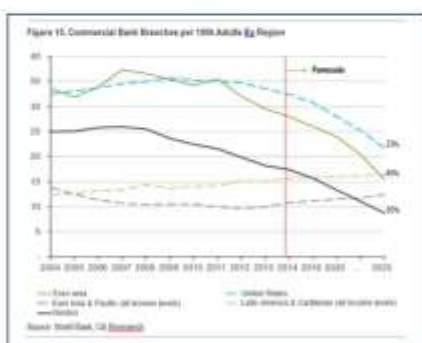
- Post office strengths remain important in the digital financial services world: Trust, branch network and rural area coverage.
- Payments provided by posts can act as a catalyst for financial inclusion. Posts can extend their financial services offering, based on local regulations, to provide access to savings, credit and insurance products.
- The high growth in mobile subscriptions, smartphone usage and internet access is a game changer for posts to shift to a digital financial services strategy, especially in countries with a large population of Unbanked and Underserved with financial products.

## Post Office advantages

TRUST

BRANCH  
NETWORK

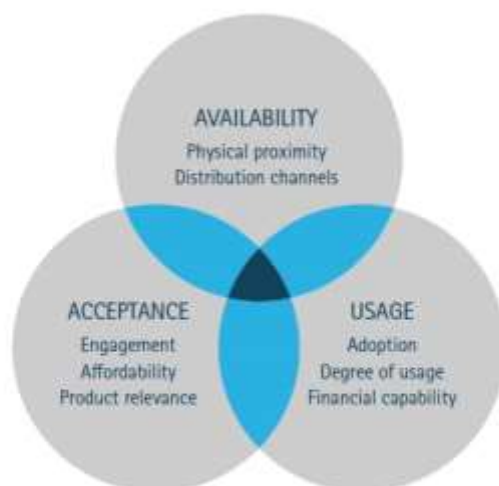
RURAL  
COVERAGE



While Bank branch closures are increasing, the increase of digital financial services will still require some access to face-to-face customer service.

Postal branches can act as a Cash In/Cash Out points or Agent locations as part of the digital financial services ecosystem, especially in rural areas.

## Key Success Factors: Three Dimensions of Financial Inclusion

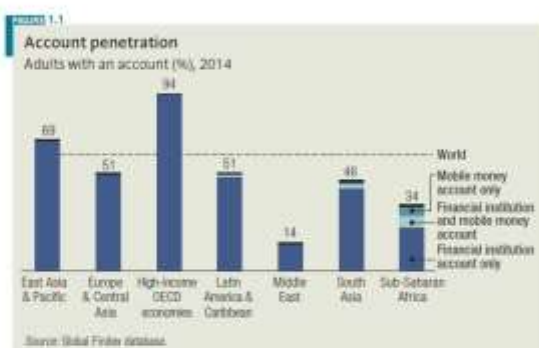


Meeting the needs of key underbanked consumers, such as:

- Rural
- Women
- Youth
- Small and medium enterprises
- Micro-enterprises

Source: G20 Global Partnership for Financial Inclusion

## Globally 2 Billion adults remain Unbanked, about half in the Asia Pacific region



Posts have a role to play with a 'digital first' strategy, as a stakeholder in their country's Financial Inclusion agenda.

Central banks and Regulators across the region are implementing a number of measures for a 'Cash-less' society and to encourage greater financial access for all citizens, especially bottom of the pyramid.

## Financial Inclusion – a \$110 B Opportunity

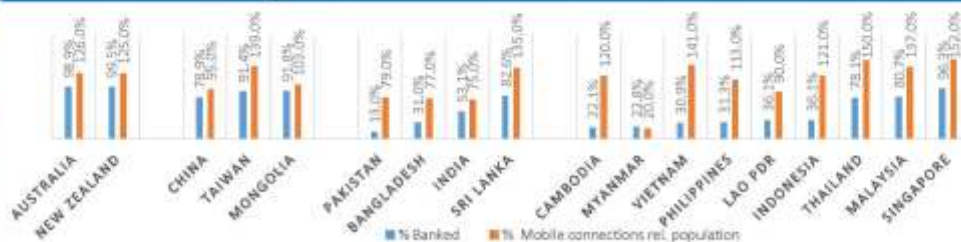
### What is Financial Inclusion?

- Financial inclusion is defined as “the provision of accessible, affordable and relevant financial products to **all individuals**”
- According to World Bank, there are about **2 billion adults globally that are unbanked**
- According to Accenture, serving the unbanked represents a **\$110 billion opportunity** by 2020

### Barriers to Financial Inclusion

- Lack of Personal Documentation
- Lack of Financial Infrastructure
- Insufficient Money
- Too Far Away
- Too Expensive
- Restrictive Regulations

### Banked Adult Population % vs. Mobile Account Penetration % - Asia



Source: World Bank Group, The Mobile Economy 2015, GSMA & Digital, Social and Mobile, Accenture, Within Reach 2015

## Financial Access 2020



Some 2 billion working-age adults globally do not use formal financial services. Extending access to finance to them is the first building block to build a better life.



Source: <http://www.worldbank.org/en/topic/financialinclusion/brief/achieving-universal-financial-access-by-2020>



## Financial Access 2020

- The Universal Financial Access goal is that by 2020, adults globally have access to a transaction account or electronic instrument to store money, send and receive payments as the basic building block to manage their financial lives
- The World Bank Group – the World Bank and IFC – has committed to enabling 1 billion people to gain access to a transaction account through targeted interventions.



Source: <http://www.worldbank.org/en/topic/financialinclusion/brief/achieving-universal-financial-access-by-2020>

Page 29

## Financial Access 2020


- The World Bank Group – the World Bank and IFC – has committed to enabling 1 billion people to gain access to a transaction account through targeted interventions.
  - The World Bank has set a target to help enable 400 million adults to be reached through technical and financial support.
  - IFC has set a target to help enable 600 million adults to be reached through investment and advisory services.
- Also, 14 partners have pledged commitments towards achieving universal financial access. They include Bandhan, Bank Mandiri, Equity Bank, Global Banking Alliance for Women (GBA), MasterCard, Microfinance CEO Working Group, Microcredit Summit Campaign, ooredoo, Pakistan Microfinance Network (PMN), State Bank of India, telenor, Visa, World Council of Credit Unions (WOCCU) and WSBI.



Source: <http://www.worldbank.org/en/topic/financialinclusion/brief/achieving-universal-financial-access-by-2020>

Page 30





## Migrant Population and Remittance Trends

**connecting the dots**

Page 31

## Global payments revenue is forecast to grow 6% annually for the next 5 years.

**Exhibit**

Global payments revenue is forecasted to grow by 6 percent annually for the next five years.

Payments revenue, \$ billion<sup>1</sup>

	2011	2012	2013	2014	2019F	CAGR, <sup>2</sup> 2013-14, %	CAGR, 2014-19, %
Asia-Pacific	0.5	0.6	0.7	0.7	0.9	4	7
EMEA <sup>3</sup>	0.4	0.4	0.4	0.5	0.7	22	9
Latin America	0.1	0.2	0.2	0.2	0.3	3	5
North America	0.3	0.3	0.4	0.4	0.5		
<b>Share of total banking, %</b>	<b>37</b>	<b>38</b>	<b>38</b>	<b>40</b>	<b>40</b>		

<sup>1</sup>Figures may not sum, because of rounding.  
<sup>2</sup>Compound annual growth rate.  
<sup>3</sup>Europe, Middle East, and Africa.  
 © McKinsey & Company

**connecting the dots**

Source: McKinsey, How the Payments Industry is Being Disrupted, November 2015

Page 32

## Migrant Population and Remittance Flows

250 million (3.4% of world population) are migrant workers

In 2015, migrant workers sent US\$581.6 B to their families in their Home countries.

In 2015, developing countries received US\$432 B of migrant worker remittances; expected to rise around 4% in 2016-17.

### Largest Remittance Receivers

India	\$69 billion
China	\$64 billion
Philippines	\$28 billion
Mexico	\$25 billion
Nigeria	\$21 billion

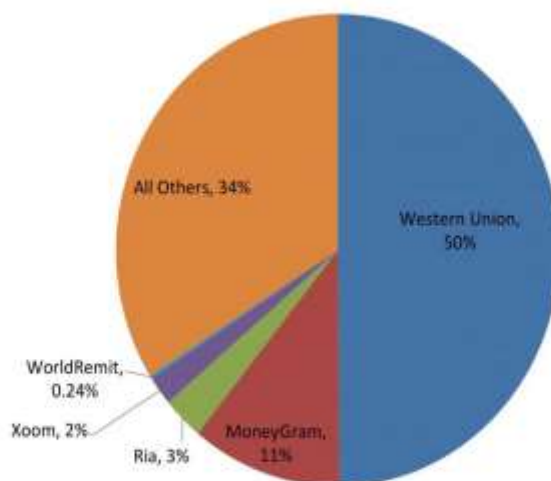
Global  
Average  
Cost  
**7.4%**

## Remittances Situation

- Remittances remain a key source of funds for developing countries, far exceeding official development assistance and even foreign direct investment.
- Remittances are relatively stable and acyclical.
- With approximately 250 million migrant workers, remittances bring economic benefit to approximately 1 billion people in their Home countries.
- Persistent problems:
  - Remittances are primarily being received in Cash in the migrant workers' Home country, especially in rural areas.
  - Remittances are primarily used for consumption.
  - Remittance prices still are high in specific corridors

## Market Share: Money Transfer Operators

**MTOs have been the primary provider of Remittances defined as Person to Person international payments sent by overseas workers.**



## Industry Trends impacting Remittances

- Competitive pricing and services have put pressure on traditional MTOs to shift from Cash to Digital payments.
- New global and local MTO entrants in the market have different models, mostly with Send Digital payments and Receive Cash models, however, some such as WorldRemit are Send digital only and prioritise a Receive digital model with some Cash pick up options.
- Competition and partnerships with MNOs for remittances.
- More competition expected from social media players such as Facebook and Whats App, and other players such as PayPal (via Xoom) and Card schemes.
- Cryptocurrency and blockchain (separate topics) impacting industry.

Some new digital financial service providers focus on a model that is a more holistic view of migrant workers' financial relationship with their transnational family, such as Home country bill payment and other financial services.



## WorldRemit







- Send cash online within minutes
- Large range of destinations
- No minimum transfer amount

People in more than 52 countries already use the WorldRemit app to send around 400,000 money transfers every month to over 125 destinations. WorldRemit is the leading sender of remittances to Mobile Money wallets connecting to over 25 different services worldwide.

 Source: Financial Times: Start-up stories: WorldRemit breaks down borders, 17 April 2016 Page 37



## Migrant Worker Information Portal

An initiative to serve migrant workers across the ASEAN+ region:




Project managed by  
Developing Markets Associates Ltd.

- **Remittances:** Compare remittance services and costs to send money home
- **Financial Literacy:** Greater reach of relevant Financial information for the unbanked and financially underserved Diaspora
- **Migrant Worker Assist:** General information to assist migrant workers living abroad

Planned launch in 2016

 Page 38





## Microinsurance



Page 39


## What is Microinsurance ?

Micro insurance are risk pooling products that are designed to be appropriate for the **low-income market** in relation to **cost, terms, coverage, and delivery mechanisms**

“...products provide risk protection for the low income ... with tailor made products .... proportionately

They tend to have:

- Relatively low premiums
- Defined and limited cover
- Few, if any, exclusions
- Preference for groups
- Simple, rapid claims



Source: Microinsurance Center, Microinsurance Network; and IAIS (International Association for Insurance Supervisors) Guidance Paper

Page 40

## Key messages on Microinsurance

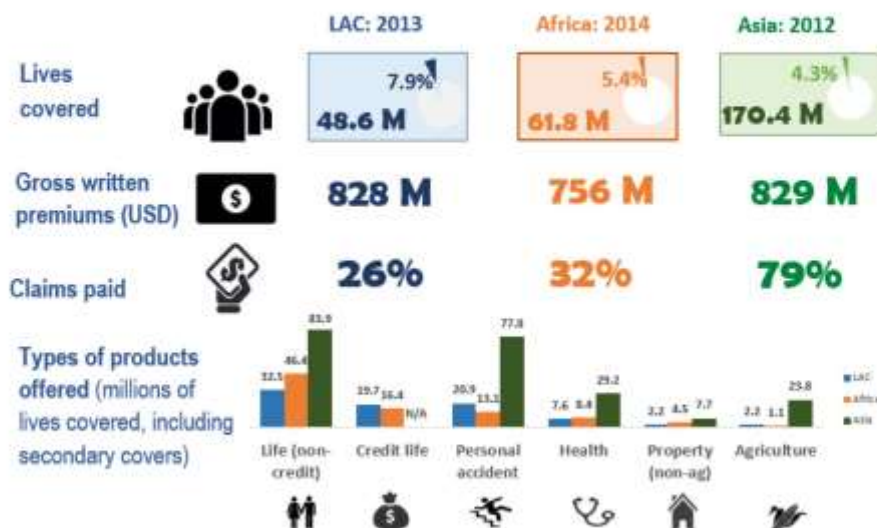
- There is a huge revenue growth opportunity in microinsurance. Less than 6% of the low income target market has insurance.
- The microinsurance market is nascent compared to other financial services geared to the low income segment. There are many studies to demonstrate that microinsurance is a profitable business.
- While remittances can act as a means of informal insurance for family emergencies back home, insurance products can help transnational families manage their risks and protect their assets.

**Opportunity: Remittances can be linked to micro-insurance products in the Migrant Worker Home countries.**

## Conventional and Micro Insurance

	Conventional Insurance	Microinsurance
Delivery Channels	Sold by licensed agents or brokers to wealth, middle class or companies that typically understand insurance	Often sold by unlicensed non-traditional agents to low-income persons, preferably in groups requiring significant consumer education
Controls	Screening requirements may include a medical exam, other tests or certificate	If there are any screening requirements, they are very limited to limit costs
Premiums	Annual, quarterly or monthly. Based on age or other specific risk requirements.	Frequent or irregular premium payments. Group pricing with links to other services.
Policies	Complex policy document, many exclusions, usually annual terms.	Simple language, few to no exclusions, terms appropriate to market.
Claims	Claims process for large sums insured may be quite difficult	Claims process for small sums insured is simple yet still controls fraud.

## Global Landscape of Microinsurance



## Variety of coverages via a variety of channels



Life and property coverage via MBAs, agents, and MFIs in the Philippines



Life coverage via mobile in Bangladesh



ROBI BIMA



Flood insurance via scratch card in Indonesia

Life and accident coverage via kiosk in Thailand





## OFW Guard in the Philippines



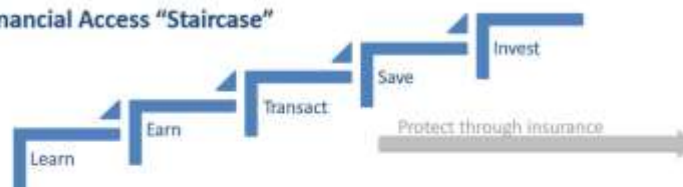
OFW Guard mainly covers Involuntary Loss of Employment of overseas contract workers.

**Cost to Migrant Worker:** PHP 500 (USD11) Only 1 policy can be active for each insured OFW.

- Targeted at the family and dependents of the OFW.
- Pioneer Insurance partnered with USSC, one of the largest operators of remittance centers in the Philippines with a network of about 700 owned outlets.
- Claims are triggered by the involuntary loss of employment and repatriation of the OFW. The payout amount is PhP30,000 (USD 650) lump sum which is equivalent to 3 months of the average monthly remittance amount. There is also a Personal Accident cover of PhP50,000 (USD 1,083).
- Sign ups are easy and convenient, the application form has been simplified and can be completed in a couple of minutes. Proof of cover is issued at point of sale at each of the USSC outlets.

## Opportunity: Migrant Worker Financial Access Staircase

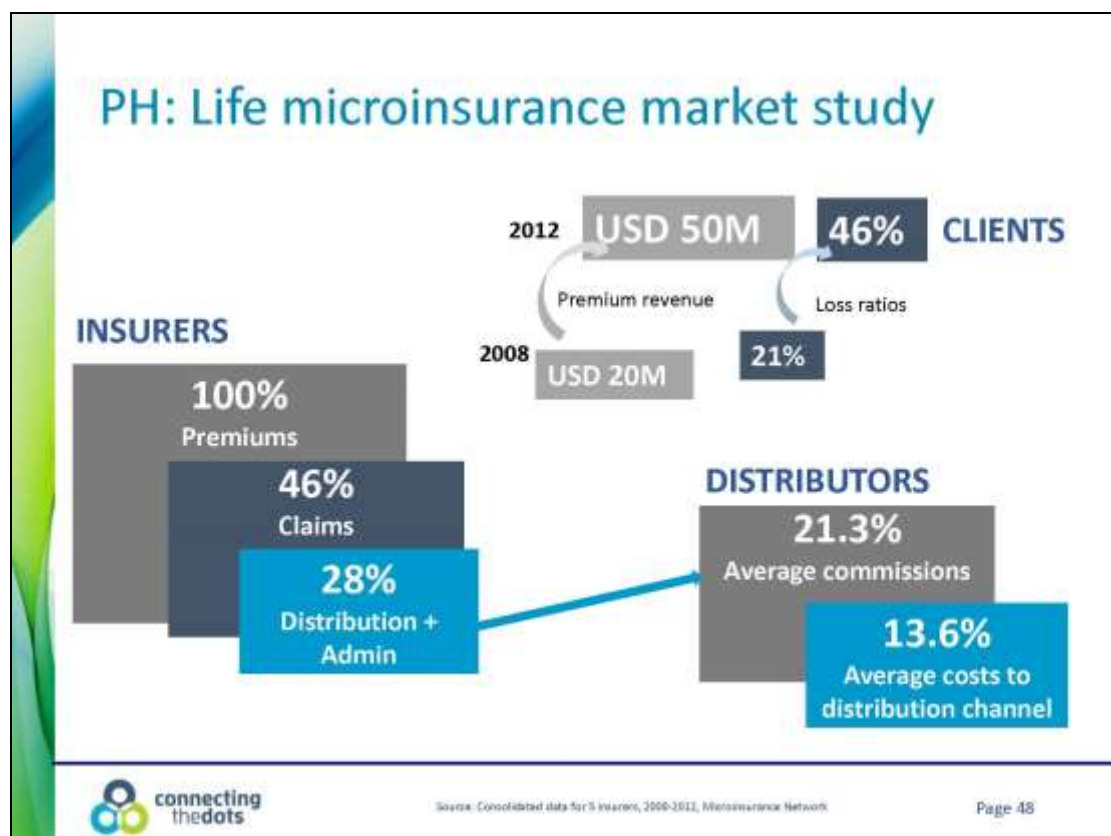
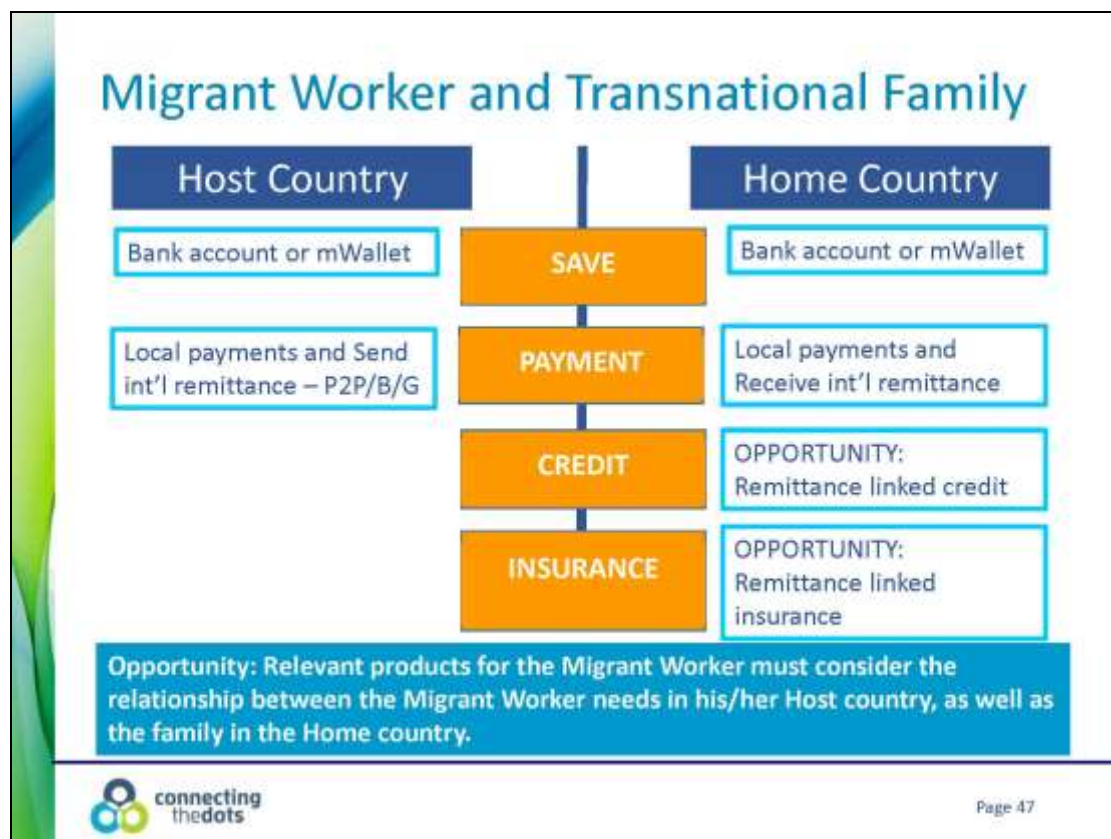
Financial Access "Staircase"



- In most countries, the purchase of basic necessities accounts for some 80% of remittances. The remaining 20% can be invested in education, health care, housing, small business ventures or simply saved for unexpected emergencies or for retirement.
- By formulating long-term goals, mapping out a path to achieving them and understanding the broad array of financial services available, financial literacy empowers migrant workers and their families to build a better future.

**Remittances can be a catalyst for financial inclusion and empower families to reach financial independence.**







- [The landscape of microinsurance in Asia and Oceania 2013](#)
- [The State of Microinsurance: The insider's guide to understanding the sector](#)
- [Protecting the Poor: A microinsurance compendium, Volume II](#)
- [Microinsurance Paper No. 7: Formalizing the Informal Insurance Inherent in Migration: Exploring the Potential Links Between Migration Remittances and Microinsurance](#)
- [WIN WIN WIN - Profitability and client value along the life microinsurance value chain in the Philippines](#)



**Collaboration**

**Customer Engagement**

**Human Centred Design**

 Page 51

## Collaboration

Figure 5: Major digital innovations in the financial services sector



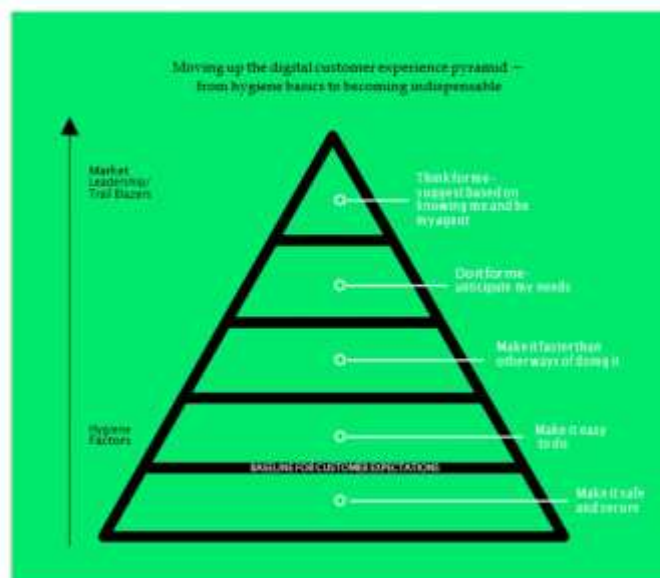
Source: KPMG in India's analysis based on industry discussions, 2016

 Source: KPMG, #DigitalBanking February 2016 Page 52

## Collaboration

- IT Interoperability is critical; ability to connect to many partners
- Collaboration with a new FinTech company may be a means to provide a differentiated offering, improve customer retention, and bring additional revenues.
- Ensure that the result provides your customer with a seamless experience, focused on client behaviour and needs.

## Customer Engagement





## Customer Engagement

### Omni Channel Strategy of Engagement



## Human Centred Design

- Your brand and product is being **defined by the quality of the customer's digital experience**. Customers want ease, speed, security, consistency and **personalisation**.
- Digital financial services should not be seen as a technology project, but rather as a human interaction problem to be solved . . . it should understand the context and the culture of the end user . . . it should be Human Centered Design.

## Human Centered Design

**Inspiration Phase** you'll learn directly from the people you're designing for as you immerse yourself in their lives and come to deeply understand their needs.

**Ideation Phase** you'll make sense of what you learned, identify opportunities for design, and prototype possible solutions.

**Implementation Phase** you'll bring your solution to life, and eventually, to market.

And you'll know that your solution will be a **SUCCESS** because you've kept the very people you're looking to serve at the heart of the process.

- [Human Centered Design \(YouTube\)](#)
- [Human Centered Design – Grameen Foundation \(You Tube\)](#)

## Digital Financial Services Opportunity for Posts

- While FinTech is disrupting traditional banks' retail banking services, a '**digital first strategy**' by Posts can take advantage of new technology and trends to expand and grow postal financial services.
- Posts have the opportunity to be a contributor in the global and local **Financial Inclusion** agenda.
- **Collaboration and IT interoperability** is key for Posts to provide basic account/m-wallet, international remittances and payment services for personal and e-commerce transactions.
- Opportunity for Posts to explore offering an extended range of **Microinsurance services**, which could be tied to remittance payments; a nascent area of Financial Inclusion.
- **Human-centric product design and an omni-channel strategy** for Customer Engagement will provide Posts with a competitive digital financial services offering.

