



DIGITAL FINANCE IN CHINA

WITH **CAFI** CHINESE ACADEMY OF FINANCIAL INCLUSION

FRIDAY, APRIL 14
12:00-1:00PM US EDT

CCGAP



DISCUSSION

SPEAKERS




Dr. BEI Duoguang
President, CAFI



Dr. MO Xiugen
Head of Research, CAFI

WEBCAST TIP:

 Type your questions in the chat box. Send to "all participants."

THANK YOU!

CGAP

April 14, 2017

Washington D.C., US

Digital Financial Inclusion in China



Professor BEI, Duoguang
Dr. MO Xiugen
Chinese Academy of Financial Inclusion, RUC



CAFI

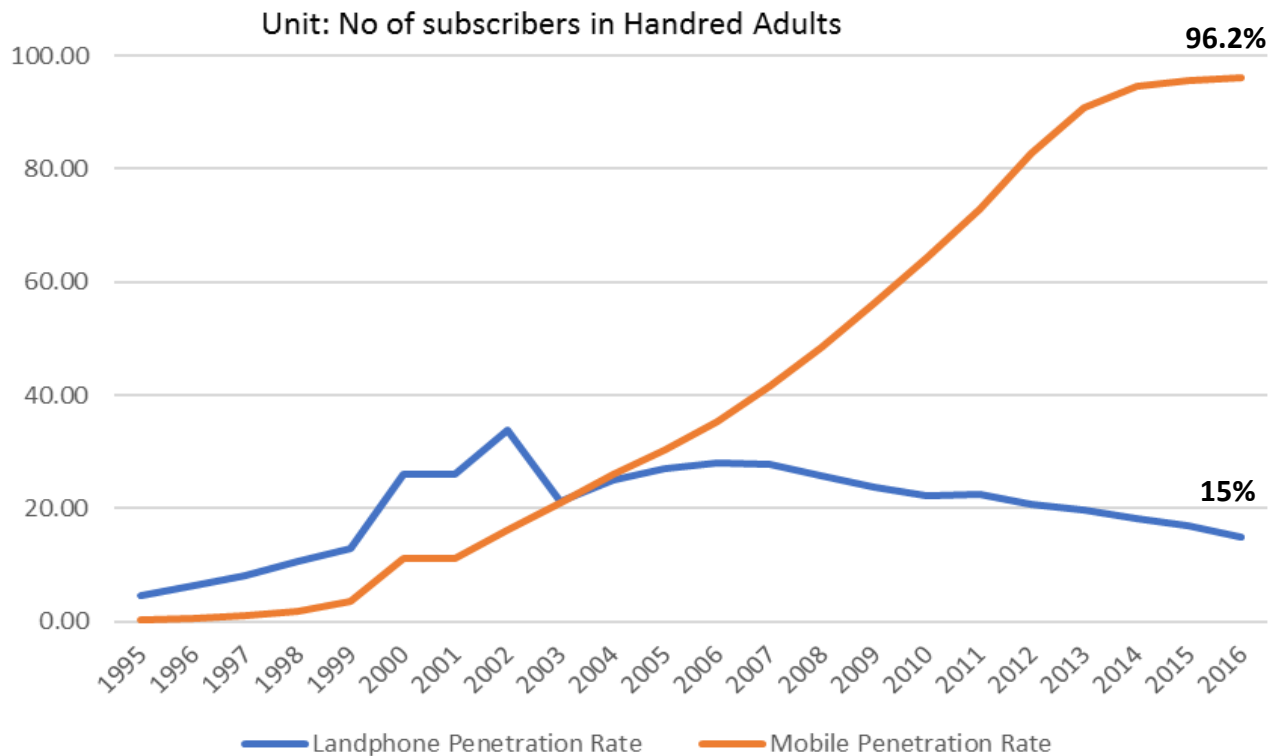
Contents

- Current Status
- Why is China running ahead?
- Why are Fintech Unicorns running ahead?
- Implications to Financial Inclusion?
- Where to go (bearing the challenges)?
- Implications to Other Countries

1. Current Status

1.1 Digital China

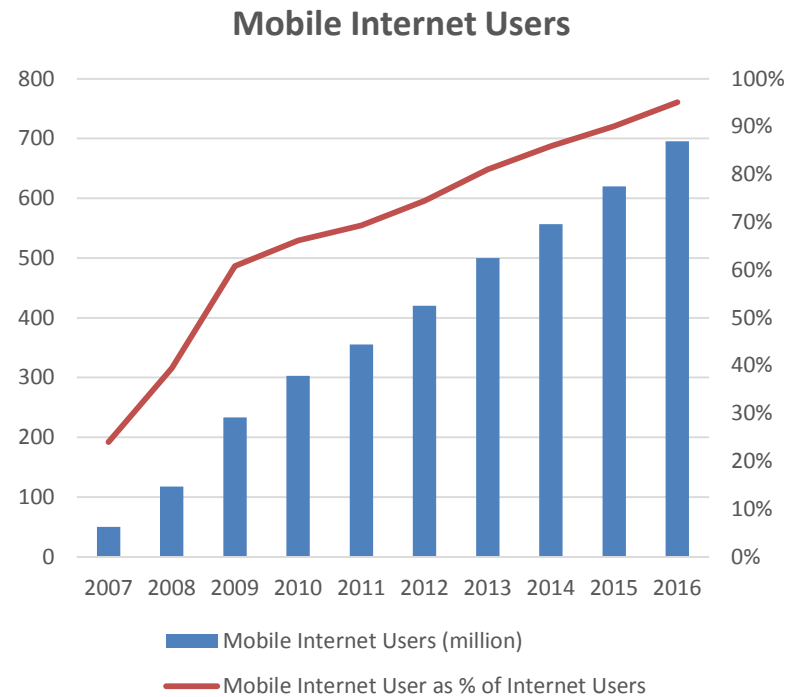
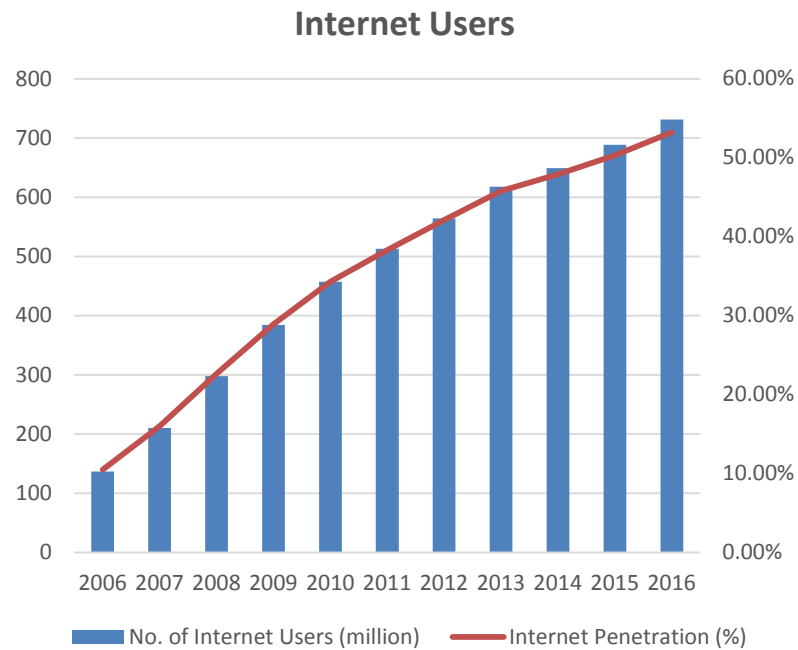
Phone Subscribers in China



Data Ministry of Industry and Information Technology

1. Current Status

1.1 Digital China



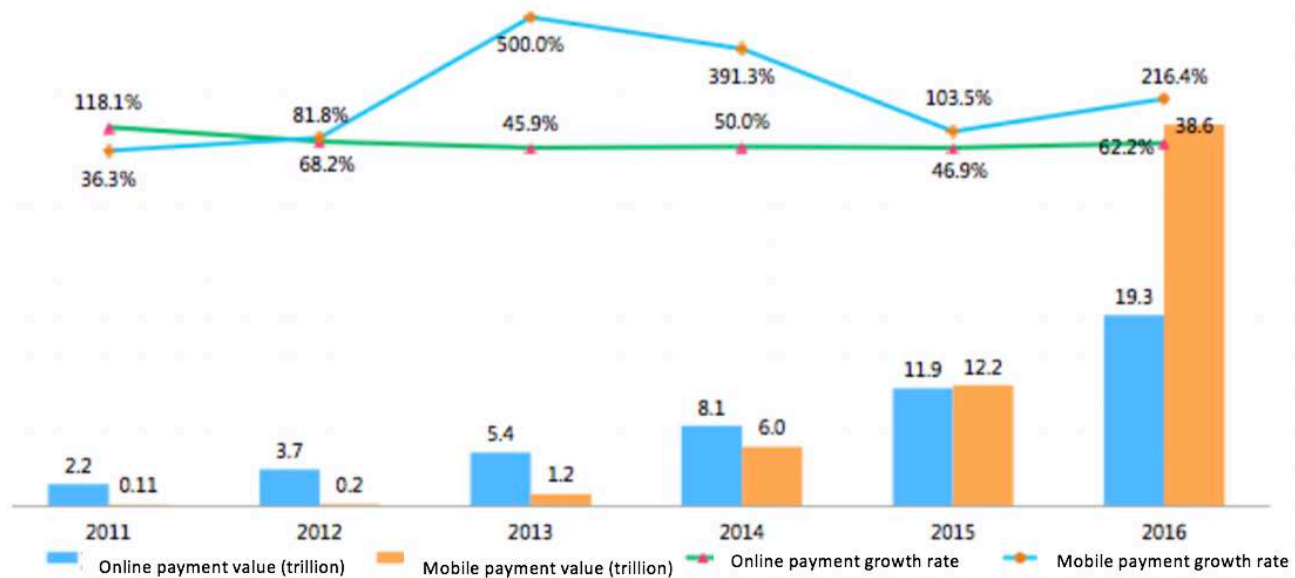
Data: China Statistical Report on Internet Development (2017), China Internet Network Information Center

1. Current Status

1.2 Digital Payment

Payment

2011-2016 Third Party Online and Mobile Payment



Data: iResearch

1. Current Status

1.2 Digital Payment

Payment

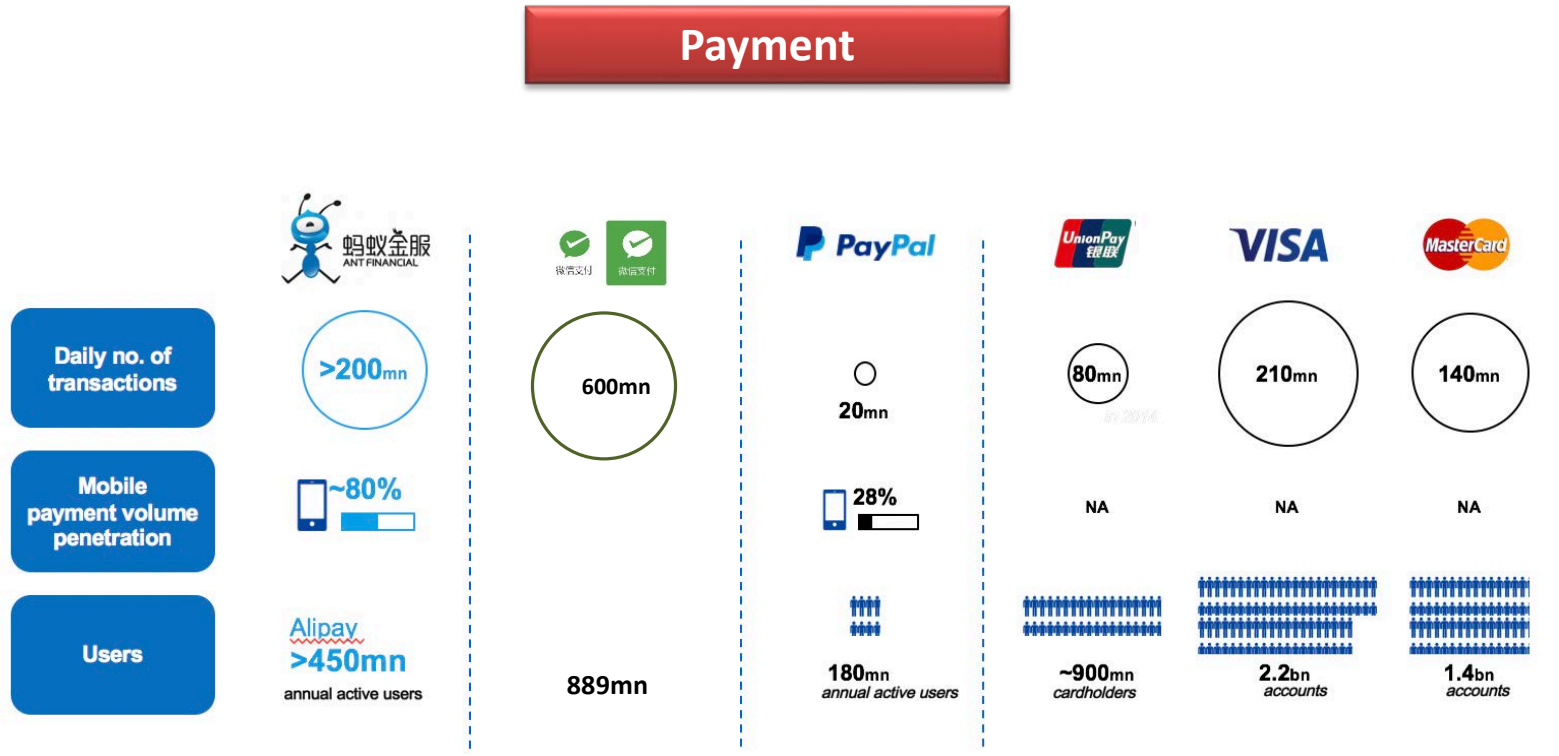
Chinese Style of Payment

- QR Code
- Not NFC
- Loose regulation
- Low requirement on technology
- Easily replicated
- Highest popularity



1. Current Status

1.2 Digital Payment

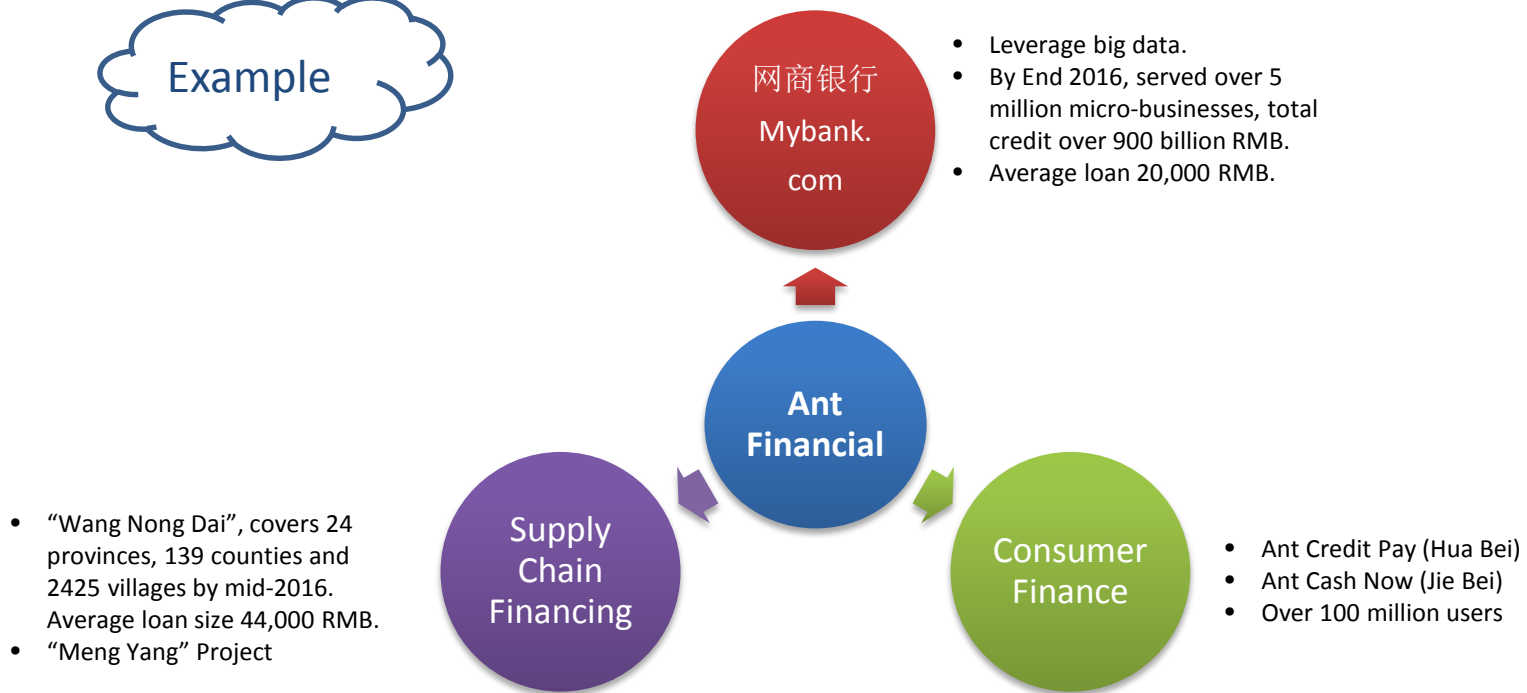


Data: Ant Financial and JD Finance

1. Current Status

1.3 Digital Micro-Financing

Micro-Financing



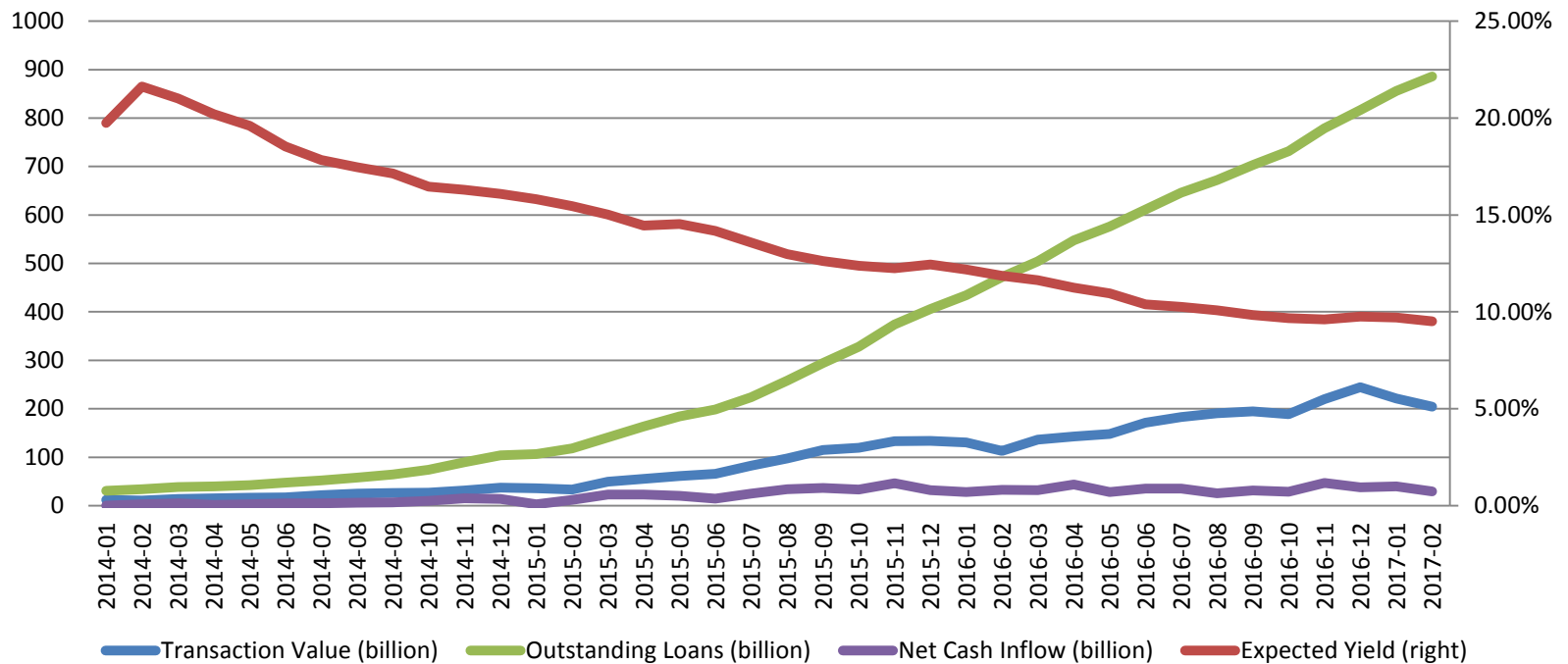
Data: Ant Financial

1. Current Status

1.3 Digital Micro-Financing

Digital-Financing

P2P Lending Activities in China



Data: Public sources, such as www.wdzj.com

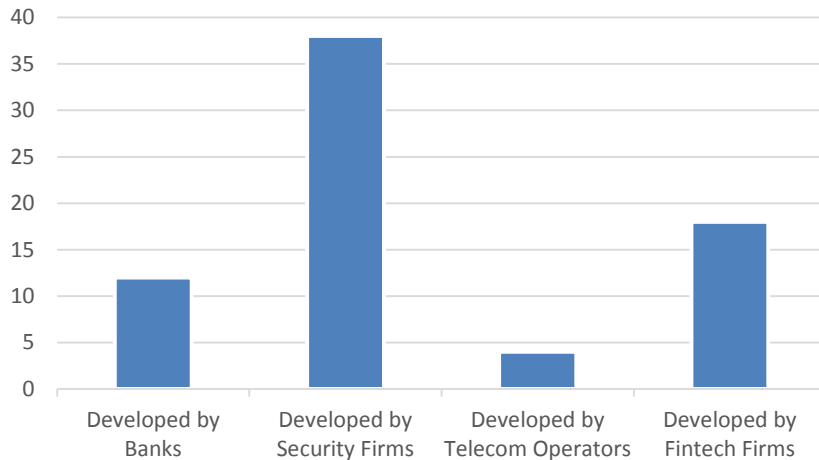
1. Current Status

1.4 Digital Wealth Management

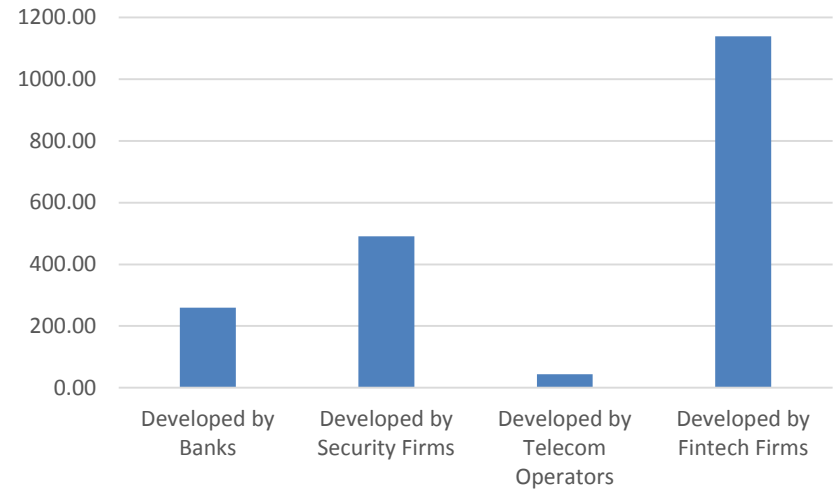
Wealth Management



No. of Products



Assets Under Management (billion RMB)



Data: Public sources, such as rong360.com

1. Current Status

1.4 Digital Wealth Management

Wealth Management

**Ant Financial
Yu'e Bao**

The largest online funds managing 808.29 billion RMB for more than 300 million clients by Mar-2017.

Individual clients takes 99%, 70%+ invest 1000 RMB or less.

Product	Issuer	AUM (billion RMB)	Return of 10,000 Investment during Last Day	7-Day Annualized Return	Minimum Investment
Yu'e Bao	Alipay	808.29	1.04	3.87%	1 RMB
Cash Express (Xian Jin Kuai Xian)	ICBC Credit Suisse Fund	115.20	0.99	3.54%	0 RMB
How Buy Piggy Bank (Hao Mai Chu Xu Guan)	How Buy Fund	115.20	0.99	3.54%	1RMB
Huaxia Huo Qi Tong	ChinaAMC	55.77	0.93	3.59%	0 RMB
Baidu Bai Zhuan	Baidu	55.77	0.93	3.59%	1 RMB

Data: Public sources, such as rong360.com

1. Current Status

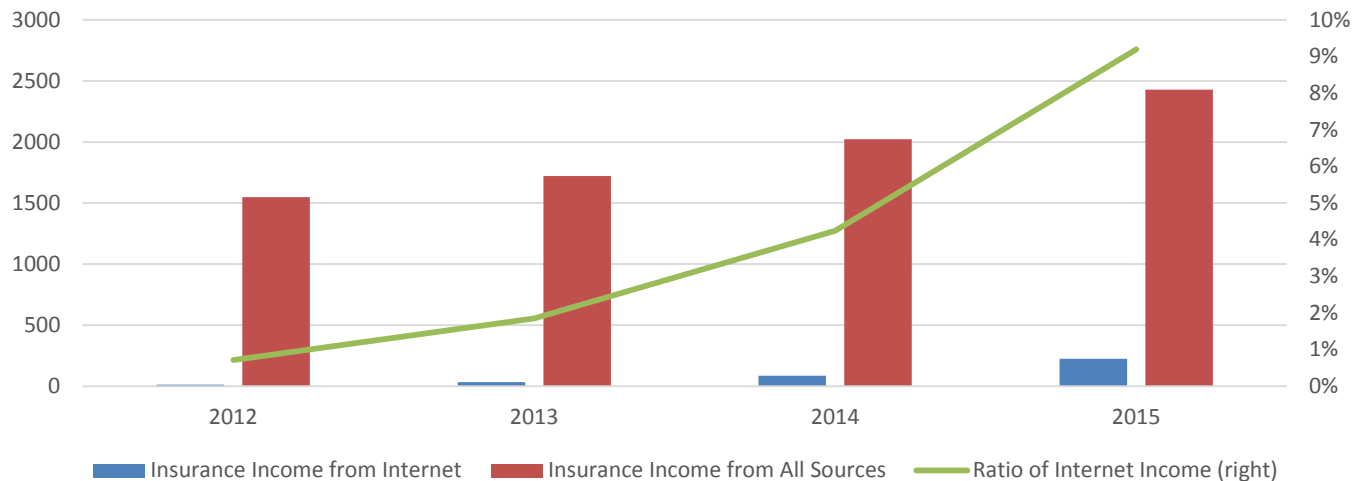
1.5 Digital Insurance



Online insurance

E-insurance sold through e-commerce and online wealth management (WM) platforms. Notable brands are platforms by the People's Insurance Company of China (PICC), Ping An, and Zhong An (in partnership with Ping An).

2012-2015 Chinese Insurance Market (billion RMB)



Data: Insurance Association of China

1. Current Status

1.6 Digital Credit Scoring



2. Why is China Running Ahead?

Well-developed Infrastructure

- Such as affordable and available smart phones, 4G networks, internet services, etc.
- Widely available distribution logistics, express delivery to foster e-commerce development

Friendly Regulation

- Tolerable regulation
- Develop before regulate

Innovative Spirit

- Combine modern technology with traditional Chinese Customs such as "Red Envelopes"

Large Population and Market Size and Unmet Financial Needs

- Traditional financial services focus on high-end customers
- Huge potential for penetration and development



3. Why the Fintech Unicorns (instead of traditional big players)?

Traditional big players lack innovation and entrepreneurship

- Such as big banks and telecom companies
- Largely state owned, lack motivation to change

Technology learned from abroad, but duly localized

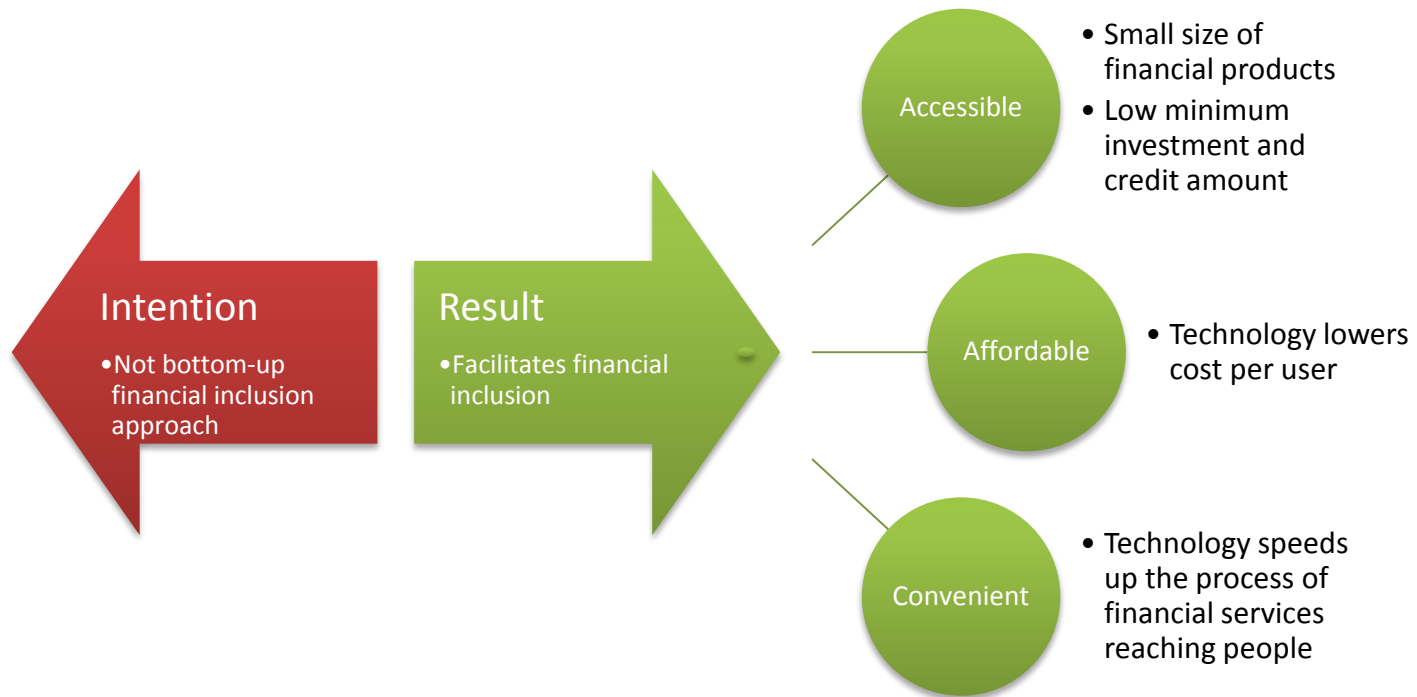
- Combine finance with e-commerce and social networks

New technology met with consumer needs

- Good match between technology and people.
- Technology matches with new life-style.

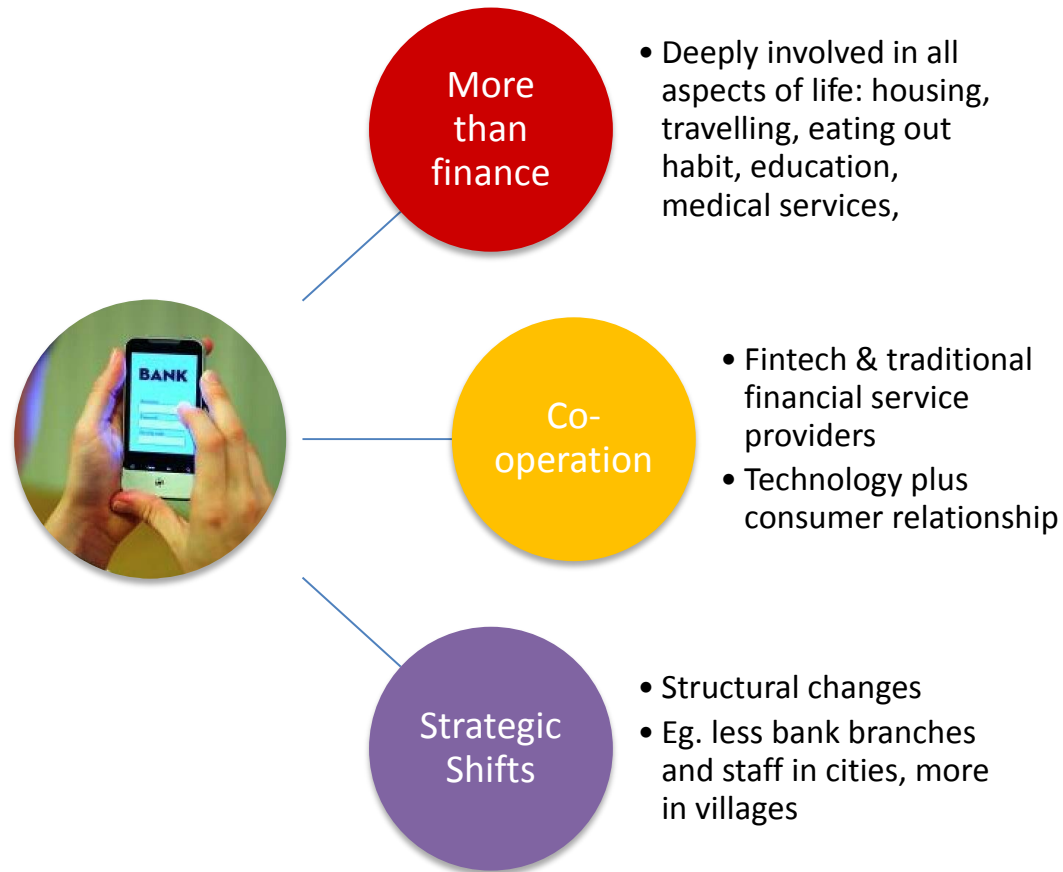


4. Implications to Financial Inclusion



5. Where are we going?

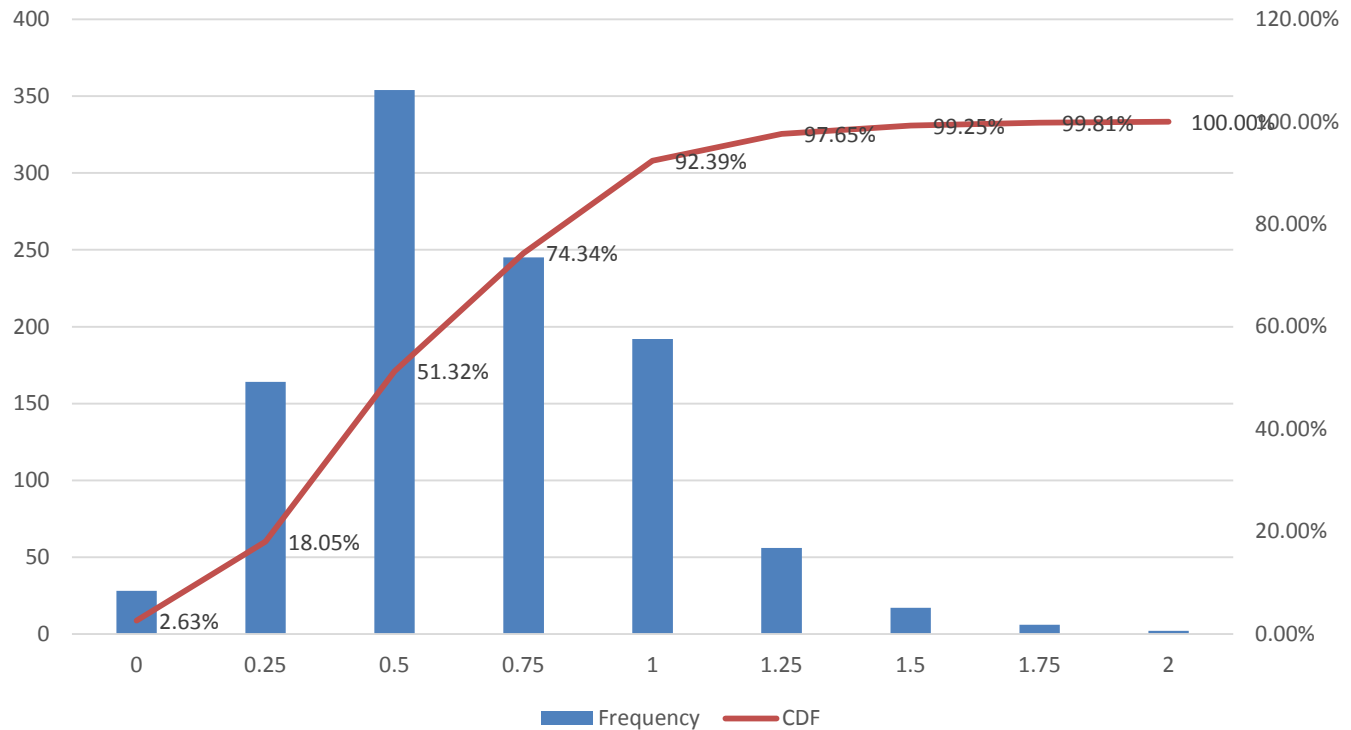
5.1 Where are we going?



5. Where are we going?

5.1 Where are we going?

Rural Household Mobiles Per Adult Distribution



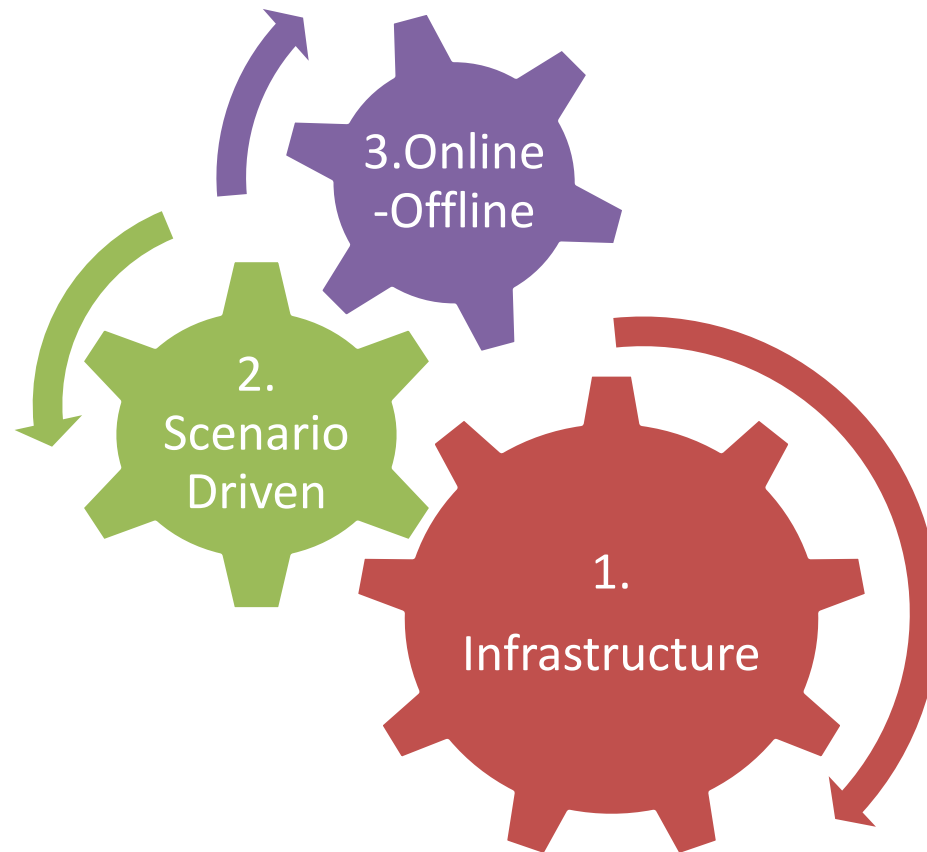
Data: CAFI Household Survey in Guangxi

5. Where are we going?

5.2 Bearing what challenges?



6. Implications to other countries



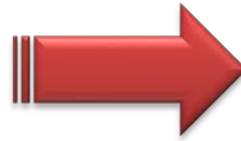
6. Implications to other countries

Embedded Scenarios

Type 1: Through E-Commerce

淘宝网
Taobao.com

天猫
TMALL.COM



支付宝
ALIPAY

蚂蚁金服
ANT FINANCIAL

6. Implications to other countries

Embedded Scenarios

Type 2: Through Social-Network



微信支付

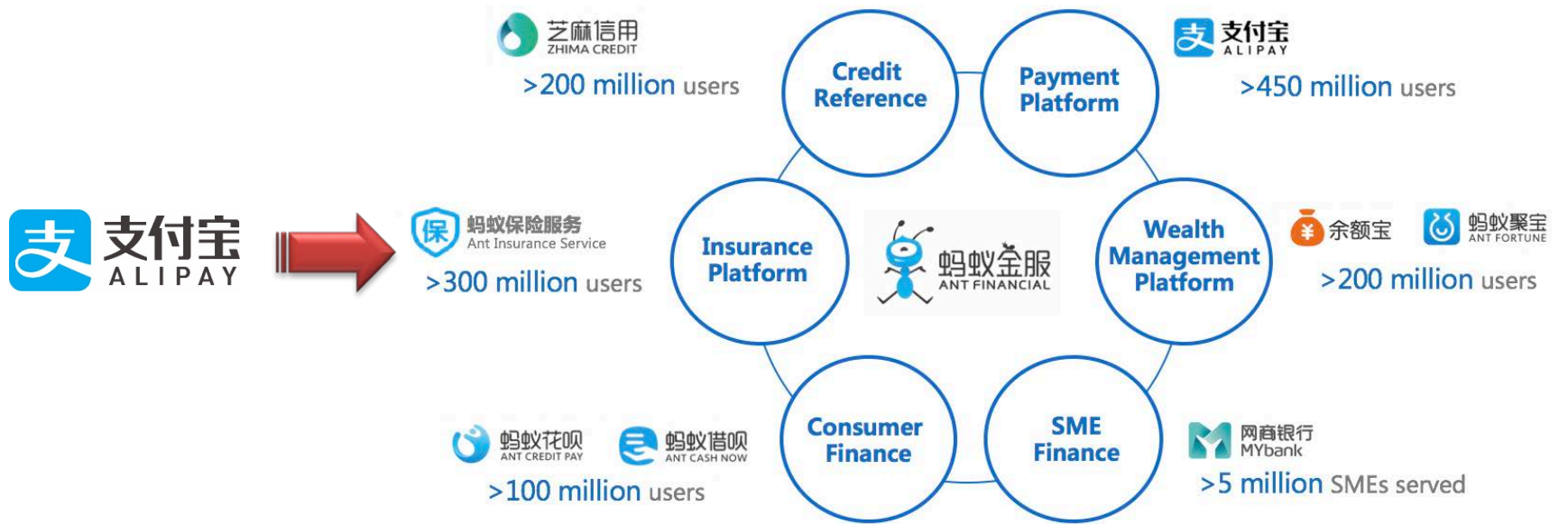


微信支付



6. Implications to other countries

Embedded Scenarios



THANK YOU!



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