



Press Release

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Emerging markets will drive innovation in the payments industry

- Nearly 90% of people under 30 years reside in emerging markets and the same demographic also accounts disproportionately for online transactions.
- Majority of the two billion unbanked population resides in emerging markets
- 89% of payment executives in emerging markets believe that products and business models need to change to meet future customer expectations.
- A new breed of mobile and FinTech innovators are disrupting the payments market with innovative customer centric business models

The payments landscape in emerging markets is expected to **transform** on the backbone of accelerating growth in electronic payments given the advent of new and disruptive market players and alternative business models.

The growth of economic power within the emerging markets and their **potential** to leapfrog developments in mature markets will aid the creation of a state-of-the-art payments ecosystem, which will set the pace for markets worldwide.

The **key factors shaping this transformation** will be the impact of technology, shifting customer expectations, changing global demographics, the rise of e-commerce, and the growing regulatory supervision. The transformation will also be characterised by convergence across markets focusing on products and solutions and by technology and business/ operating models linked to payments, which will be global in nature and reach.

PwC's report "**Emerging Markets – Driving the Payments Transformation**" looks at the dynamic nature of emerging markets, especially payments, which creates challenges that have never confronted the developed world, but also opens up opportunities for innovation and growth.

Hugh Harley, Financial Services Leader for Emerging Markets, PwC stated "Given the large unbanked population and the growing regulatory agenda to engage these people into the financial system, emerging markets are in a unique position to drive growth in the payments industry." He further mentions that "FinTech companies can work as a catalyst in the growth story, enabling these new platforms to be leveraged for the benefit of the wider populations."

Commenting on Vietnam's payments landscape, Tran Quoc Dung, Partner, Technology Consulting Services at PwC Vietnam said, "Driven by customer needs, more and more Vietnamese banks are investing in their IT infrastructure to enable the issuance and acceptance of new payment methods and instruments. They are directing more resources to digital banking and exploring ways to leverage cloud



computing and social media. Going forward, it's important that they uphold an integrated, long-term approach to modernising payments”.

Cutting-edge technology will reshape the next-generation payment systems, with both FinTech and established players driving innovation. The payments ecosystem will also be redefined by regulatory interventions, which are balancing the disruption of alternative payment service providers (PSPs) with the reliability of traditional players.

- Ends -

Notes for Editors:

The report identifies specific macro drivers for emerging markets that will fuel the growth of these markets.

Favourable demographics: The drivers of online payments

Eighty five percent of the global population resides in emerging markets, making market developments extremely significant. Customer expectations are driving the change in payments industry in these markets. Nearly 90% of people under 30, which account for 75% of the online transactions, reside within the emerging markets. This is favouring the growth of online transactions, which is in turn curtailing the black economy and stimulating economic growth.

The need for financial inclusion: Driving new technologies and innovations

Although literacy rates and urbanisation are on the rise, access to basic financial services poses a major challenge in these emerging markets, with majority of the 2 billion unbanked adults worldwide residing here. To address this, there has been a rapid expansion of new economically viable technologies and innovations like e-banking and mobile money. This has created pockets of strength even in the less financially inclusive countries.

Regulations – the key enabler for electronic payments

Regulators in emerging markets are realising the huge costs, risks and inefficiencies associated with cash transactions and recognising the importance of electronic payment methods in promoting access to formal credit and savings instruments. Drastic measures like introducing differentiated banking licenses, tax benefits on electronic payments, awareness campaigns are being taken to build a sustainable electronic payments ecosystem. Many governments have opened their markets to non-bank players aimed at furthering financial inclusion.

Customer adoption and rise of e-commerce

With the proliferation of smartphones and tablets, which are serving as a convenient, cash free and card-free financial transaction medium, emerging markets are driving the growth in e-commerce spending. There is a rapid development of new payment concepts based on mobile infrastructure initiated by the online retailers. Banking on high customer adoption of these models, this has the potential to displace traditional cash with other electronic modes of payments.

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