



# Digital Payments:

## Thinking beyond Transactions

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Singapore Country Report



# About the Study

PayPal commissioned Singapore-based independent research agency Blackbox Research to assess attitudes towards new payment methods and to garner insights on the state of financial health and satisfaction in Asia. In doing so, PayPal hopes to inform industry efforts to improve societal outcomes.

The survey was conducted with 4,000 participants in seven markets within the Asia region (China, Hong Kong, India, Indonesia, the Philippines, Singapore and Thailand). As new payment technologies offer enterprises (especially small and medium-sized businesses) the potential to transform their operations with new opportunities and solutions at scale, PayPal also spoke to 1,400 merchants across this region. In Singapore, 500 consumers and 200 merchants were surveyed.

The survey was predominantly distributed online as PayPal seeks to understand how the average consumer and merchant in Asia with online access thinks about digital payments. For a more detailed demographic profile, please refer to the Appendix at the end of the report.

Recognising that digital payments play a crucial role in the development of Singapore's digital infrastructure necessary for Singapore's continued competitiveness, the Singapore Government has renewed its push for a cash-lite society. In his recent National Day Rally speech, Prime Minister Lee Hsien Loong touched on the benefits of digital payments and how he hopes the adoption of e-payments can take off as quickly as possible.

The findings from this survey will enable the industry to better understand the roadblocks to greater adoption and seek solutions that would enable Singapore to tap onto the full potential of digital payments beyond just a mode of transaction and ultimately drive economic opportunities as well as improve the financial health of the nation.

## Scope/Methodology

Survey Respondents:



Method:

Referencing the US' Center for Financial Services Innovation, PayPal adapted and developed subjective and objective indicators to provide an initial framework to assess financial health in Asia

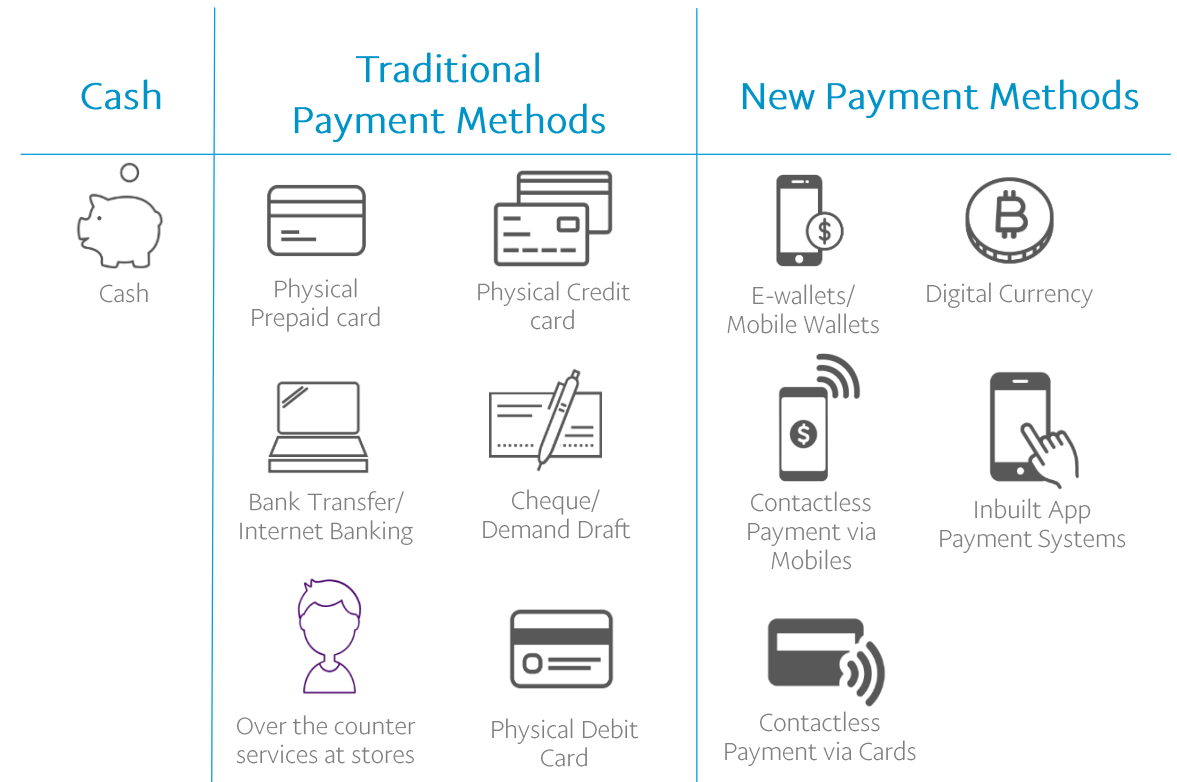


\*For the purpose of this report, we will define the 500 consumers and 200 merchants surveyed in Singapore as "Singaporeans."

# Classification of payment methods

In Singapore, consumers and merchants are familiar with and adopted a wide range of payment methods. For the purposes of analysis, PayPal has classified the payment methods into three categories:

- Cash
- Traditional (trad) payment methods
  - Including credit cards, debit cards and cheques
- New payment methods
  - Mobile-enabled methods and digital currency



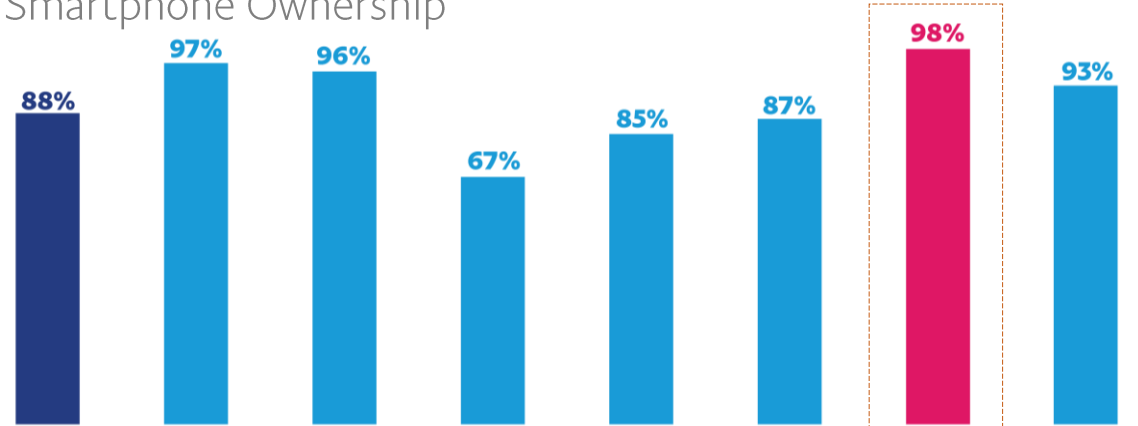
# Singapore is a highly digitally literate nation

Of the seven markets surveyed, Singapore tops the chart with 98% of the 500 consumers surveyed saying that they personally own a smartphone. In fact, we know that most respondents in Singapore own more than one mobile device – be it another smartphone, a tablet or laptop. In terms of the frequency of accessing the Internet (at least several times a week or more), Singapore comes in first again with 100%. It is clear that Singaporeans are hardly off their gadgets and off the grid.

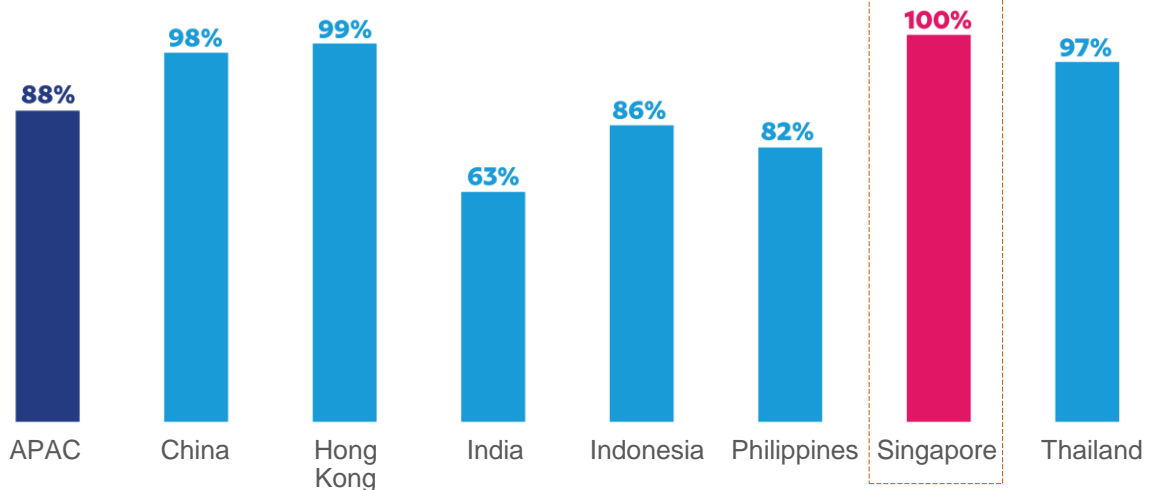
Yet, one of the idiosyncrasies of this digitally-connected, highly tech-savvy little red dot of a nation is the prevalence and persistence of cash. The value of notes and coins in circulation by the MAS has been increasing in the past 10 years<sup>1</sup>. Latest available statistics showed this rose to S\$42.5 billion as at Dec 2016, more than doubled (up 130%) since 2007.



## Smartphone Ownership



## Internet Access\*



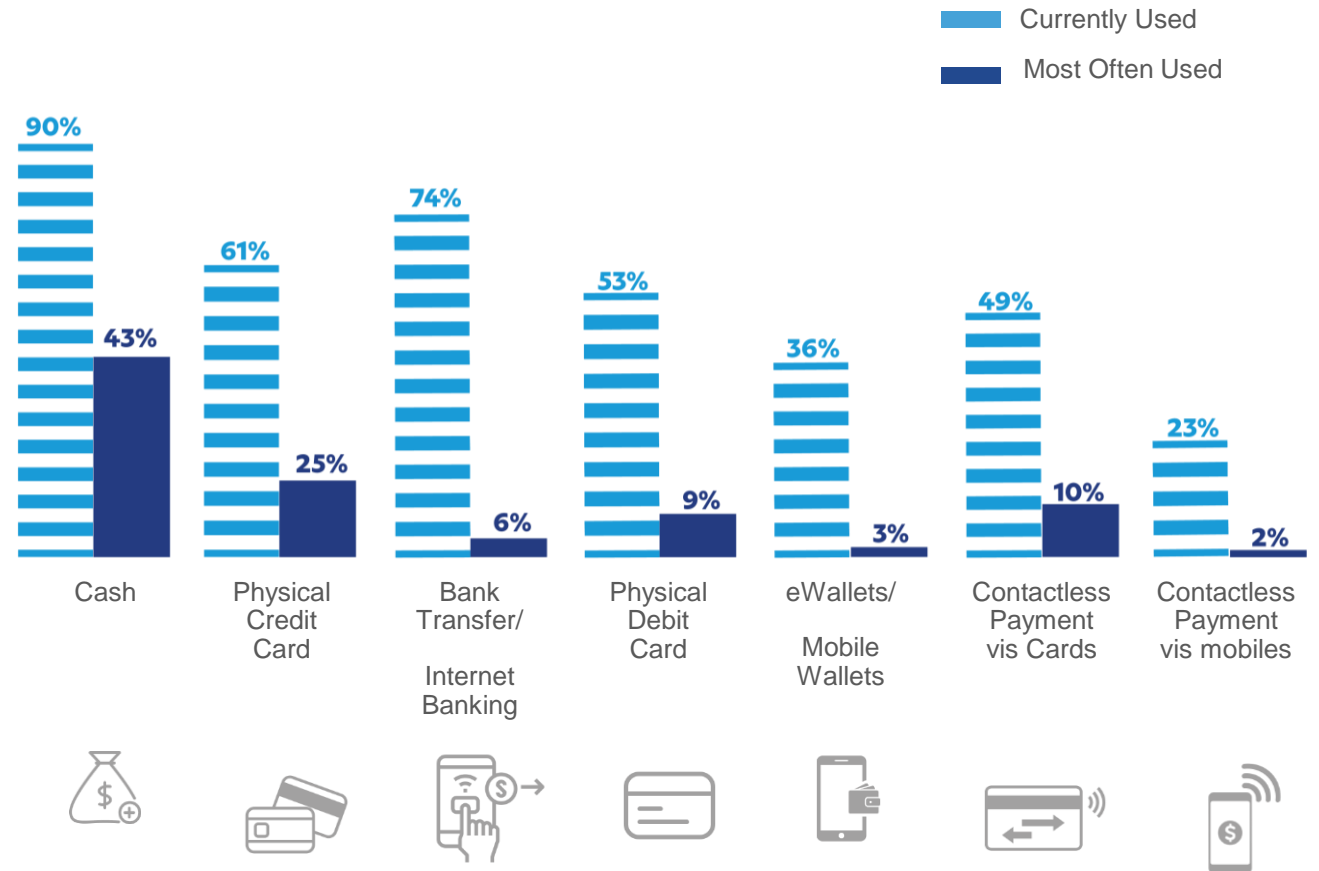
\*At least several times a week or more frequent

# Digitally-connected and tech-savvy Singapore still prefer cash

90% of those surveyed in Singapore – as compared to the APAC figure of 88% across markets – still prefer to use cash as their primary mode of payment. When asked which payment method they use most often, 43% answered cash, compared to 3% who said e- or mobile wallets and 2% who cited contactless payments via mobiles – even though, nearly 100% owned a smartphone.

With Prime Minister Lee Hsien Loong's emphasis on adoption of digital payments in his 2017 National Day Rally Speech, as well as the recent roll-out of PayNow, a collaboration between seven banks in Singapore that allows people to send money to one another using just a mobile number or NRIC number, Singapore is actively pushing for a more cashless society. This direction is necessary if Singapore is to remain one of the most economically advanced nations in the world with a vibrant ecosystem of innovative small and medium enterprises.

The cost of storing and processing cash alone costs Singapore \$2 billion in 2014<sup>2</sup>. To achieve its vision of a Smart Nation, Singapore will have to find ways to leverage technologies like that of digital payments.



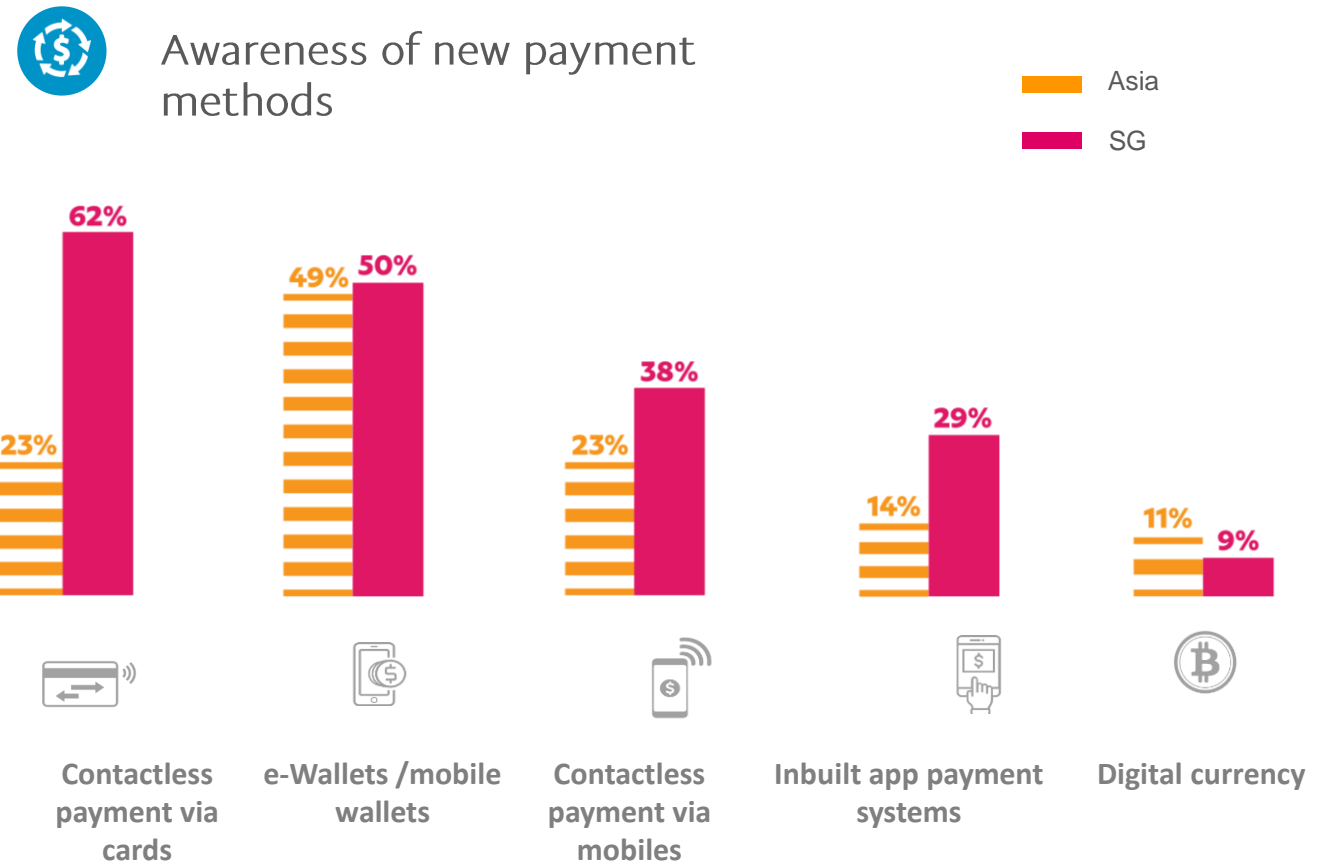
<sup>2</sup>Source: ["An Electronic Payments Society" - Keynote Address by Mr Ravi Menon, Managing Director, Monetary Authority of Singapore, at the Sim Kee Boon Institute Conference on FinTech and Financial Inclusion](#)

# Three out of five consumers are aware of contactless payment options

Digital payment providers should be heartened by the level of awareness among Singaporean consumers of the various digital payment methods options available. Of those surveyed, three out of five consumers are aware of at least one digital payment method.

Awareness of contactless payments via cards is significantly higher in Singapore at 62% compared to that of the region. This awareness is likely to be driven by the ubiquity of credit / debit cards in Singapore and the increasing adoption of Near Field Communication (NFC) enabled terminals by merchants. The adoption of NFC enabled terminals also translates to the familiarity of contactless payment by mobile among consumers (38%) as opposed to 23% in the region.

Meanwhile in-app payments rank highly among respondents in Singapore – one out of two consumers are aware of them. Singapore is home to one of the fastest growing ride-sharing start-ups, Grab, who is proactively educating their consumers about the benefits of in-app payment options. With the demand for such services growing, awareness for these options is likely to grow as well.



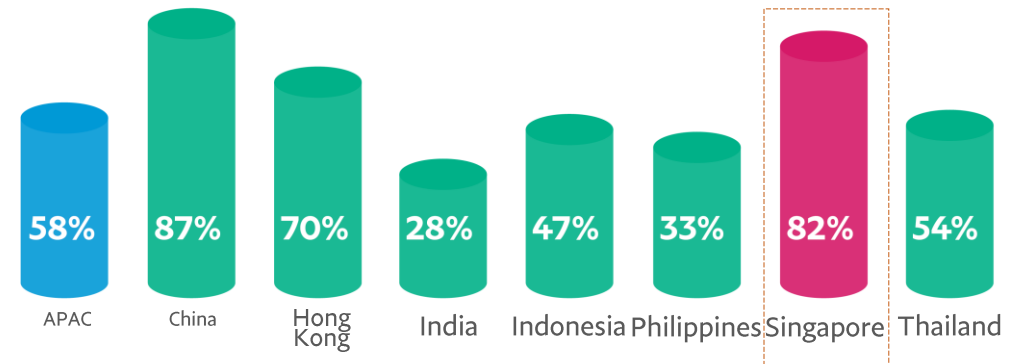
# Awareness is not enough to drive digital payment adoption

Despite high levels of awareness and the high rate of adoption of digital payment methods (82%), cash is still a core component of the payment mix in Singapore.

To better understand why Singaporeans are not fully embracing digital payments, let's take a look first at the small percentage of those who have not yet adopted digital payments. To be precise, this is just 88 people out of 500. Though a small group, they may provide some insights into the average Singaporean psyche that hinders full adoption of digital payments. For this group of participants, 51% cited privacy concerns as a barrier to adoption. This percentage is the highest across the APAC markets, with China at 48%, Hong Kong at 45% and APAC in total at 25%.

Contentment with current modes of transaction may also play a part. Half of respondents (51%) cited that they were happy with their current mode of transactions.

## Adoption of new payment methods



## Concerns with new payment methods



# Change requires effort from all

Ironically, the high level of awareness and the number of digital options here in Singapore may pose a barrier to full adoption of digital payments. 63% of local respondents (compared to 59% in APAC) cited that more payment methods mean more confusion for consumers and 53% of them (APAC 51%) mentioned that they find it challenging to stay current with digital trends as compared to that of the region.

Equally for merchants, 65% in Singapore agreed that they find it difficult to stay current with digital payment trends. In APAC, that number is lower at 57%.

The plethora of digital payment options in Singapore and the lack of interoperability between the varying systems may cause many to default to a payment mode that they are comfortable using, which is, cash.

A push for an integrated payment infrastructure from the Government and industry players would address this issue of interoperability. But equally, it is important to change mindsets. Education that can address key concerns such as privacy and data protection will arrest the inclination to default back to cash or credit cards use is crucial in our strive towards a more cashless nation.

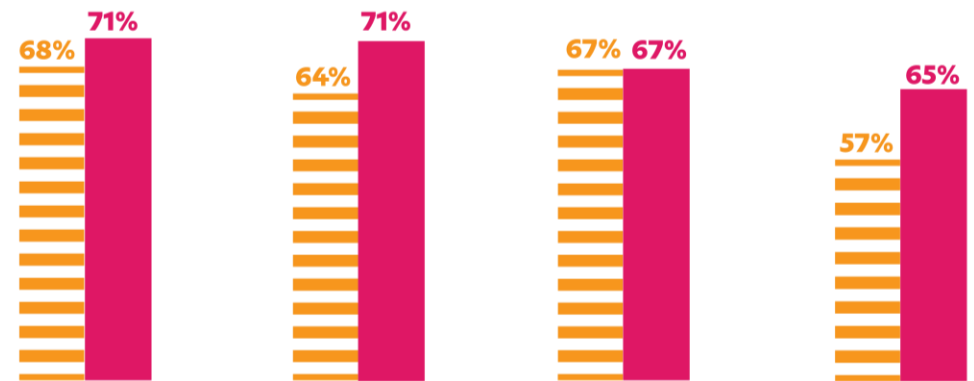
Digital payment companies like PayPal must take the role in providing assurance and education to the consumer to shift the mindset to one of trust. On top of ensuring full financial information is not shared with merchants when purchases are made, PayPal has safeguards such as PayPal [Buyer Protection](#) for consumers and PayPal [Seller Protection](#) for businesses that provide ease of mind when they conduct their transactions online.



## Consumers



## Merchants



I find it hard to trust the new payment methods with my personal details

More payment methods mean more confusion for consumers

I think that society as a whole is not ready for the new payment methods

It is getting increasingly difficult for me to follow the new trends in payment methods



# Opportunities: Peer-to-peer “education” to drive digital adoption

Peer-to-peer “education” can be one of the more effective ways. As illustrated from the report findings, it is clear that as consumers adopt new methods, and experience the benefits, they will likely start recommending the methods to their peers. This is no different for a country like Singapore, where 69% said they will make recommendations; 70% said they will follow recommendations and 77% said they don’t use new payment methods unless there is wide acceptance in the market – which is all aligned with the wider APAC trends.

The percentages are higher for merchants than consumers in the three categories mentioned above, showing that peer-to-peer “education” amongst merchants have more impact.

In Singapore, given the supportive government policies and the role that the regulators have been playing to create an environment for wide acceptance of new payment methods, Singapore is a market that may be more ripe than others to play a leading role in the region in driving new digital payment platforms.



## Consumers



Asia  
SG



## Merchants



I don't use the new payment methods unless there is a wide acceptance in the market

I follow recommendations from peers about new/digital payment methods

I make recommendations to my peers about new/digital payment methods

# Opportunities: Early adopters are seeing the rewards

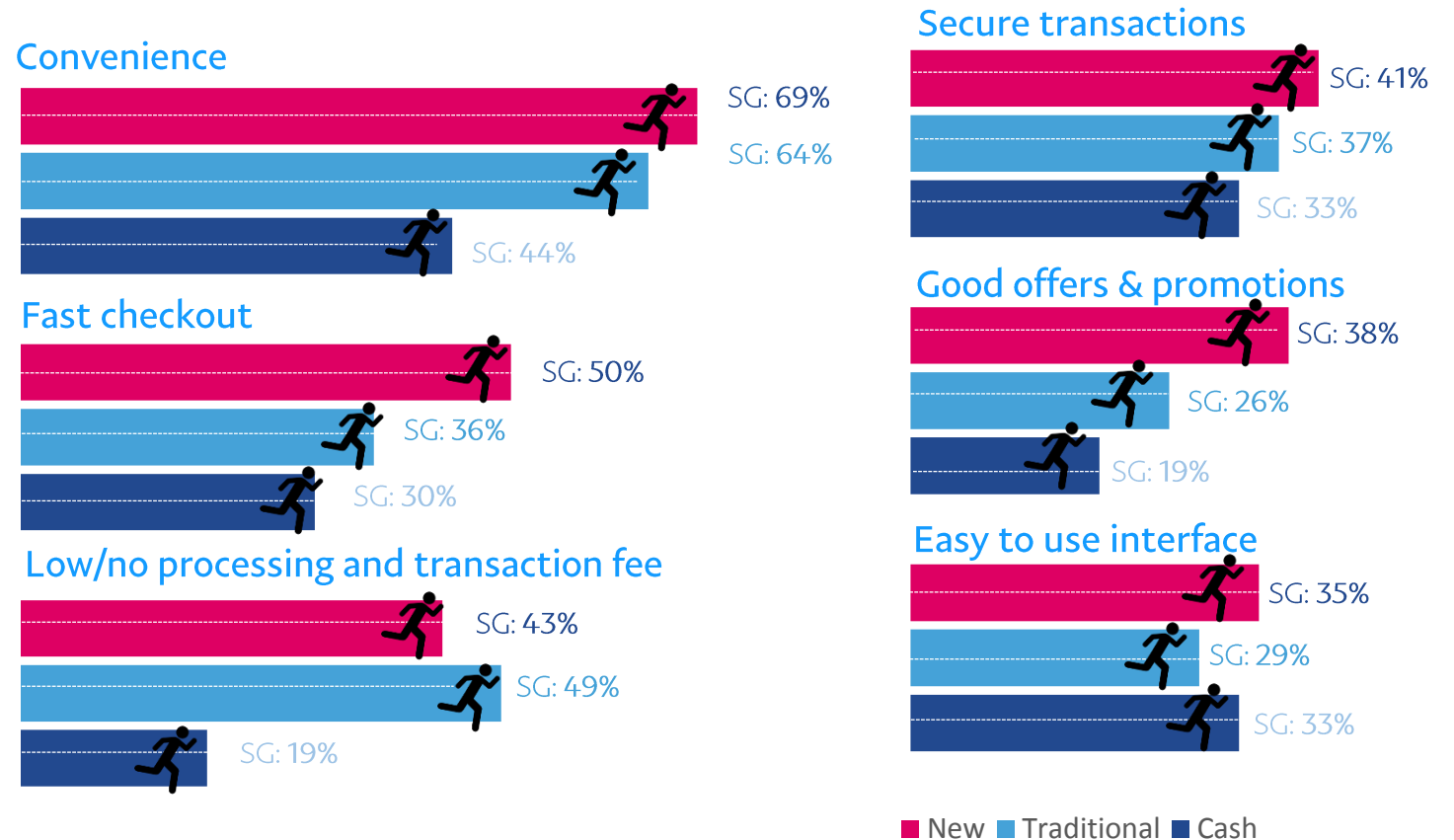
The Singapore survey, like the APAC findings, also demonstrated that early adopters of new payment methods are seeing the rewards.

Given that 82% of respondents in Singapore use new payment methods, the opportunities to realise the potential of a digitalised economy may be greater in Singapore than elsewhere in Southeast Asia

The top reasons cited for consumers in Singapore who say that they use new payment methods most often while transacting are: convenience, faster checkout and higher acceptance by merchants.

Additionally, 38% of those who use new payment methods most often said they get good offers and promotions, compared to 26% who use traditional methods and just 19% who use cash.

Regulators and digital payment companies working in partnership on various cashless initiatives in Singapore can leverage these findings to provide more incentives.



# Digital payments: Enabling financial health and driving economic opportunity

Looking at the financial behavior of cash, traditional payment and digital payment users, digital payments is having a big impact on the financial lives of consumers' and businesses' in Singapore.

Digital payments not only offer consumers and merchants a combination of convenience with security but also help with one of the most challenging financial issues facing consumers – bill payments. The ability to track payments, pay instantly and the choice of payment methods is a boon to managing their cash flow and ultimately, their financial health.

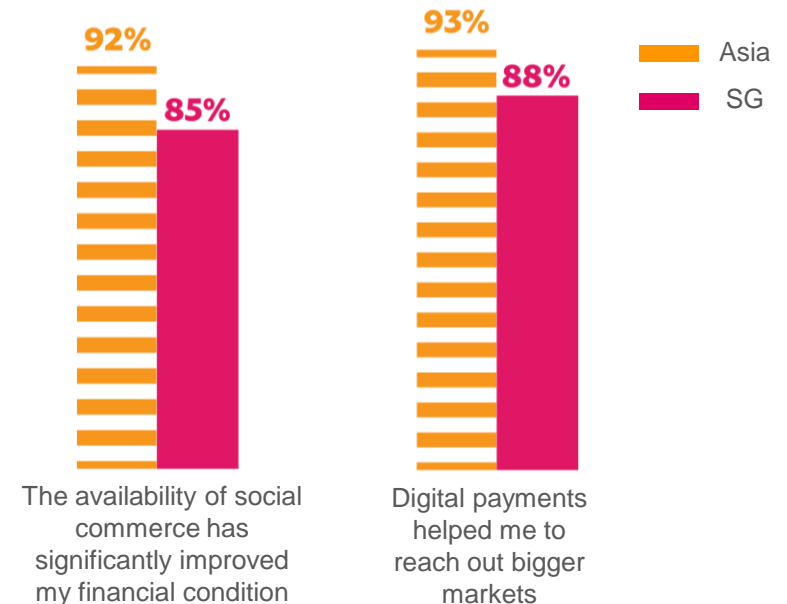
Businesses reap large efficiency gains transitioning from cash to digital payments and moving away from manual to electronic financial tracking. The benefits to business owners range from reduced operational costs, convenience of transactions to allowing new business models, such as social commerce, to solidify. Eighty-eight percent of businesses surveyed said that social commerce, of which digital payments is a key transaction mode, helped them reach a wider audience and 85% mentioned that the availability of social commerce has significantly improve their financial condition.

By addressing and solving the pain points found in the adoption of digital payments, Singapore is well-poised to achieve higher levels of economic growth and better financial health as the drive towards a cashless society continues.

## Consumers



## Business



# Becoming a Financially Healthier Smart Nation

As Prime Minister Lee Hsien Loong reminded during his 2017 National Day Rally speech, Singapore needs to harness the power of technology to create economic opportunities for the people as part of Singapore's move to becoming a Smart Nation. As such, it is not enough just to be a Smart Nation with the latest technology. Singapore will need to become a *financially healthier* smart nation, where its populace is equipped with suitable technology that will help individuals to build financial health and seize economic opportunities at the right time.

In the APAC research report, we took a look at how we can drive digital payments adoption via the following ways: Industry-driven efforts, government-driven efforts and partnerships.

In many ways, Singapore is already on track with these efforts:

## **Industry- and government-driven efforts**

The Singapore Government is our biggest ally. PayPal's Innovation Lab, launched in August 2016, was a first-of-its kind collaboration between PayPal and Singapore government agencies, industry associations, small-medium enterprises, startups and universities.

The Monetary Authority of Singapore is taking the lead in driving FinTech innovations – creating a regulatory sandbox, establishing a FinTech innovation lab and organising what is now one of the biggest FinTech events in the world: The Singapore FinTech Festival. It is working with a consortium of financial institutions to produce a digital representation of the Singapore dollar for interbank settlement. Last November, it also rolled out a set of Application Programming Interfaces to assist financial institutions by reducing costly manual data entries.

## **Partnerships**

The recent implementation of PayNow, which saw collaboration among seven banks, is a good example of how partnerships enhances the ecosystem for the benefit of the customer. At PayPal, this is one of our core tenets, as demonstrated by our partnerships with Visa, Mastercard, as well as many small businesses and freelancers.

## **The big picture**

These partnerships are especially important in development a vibrant SME economy – not just in Singapore, but throughout Southeast Asia. But in Singapore, the growth of SMEs to become international brands is a critical pillar of its continued success, given that the first 50 years have relied largely on foreign MNCs and investments. The time has come for the internationalisation of Singapore brands.

Innovations in the digital payments space will help to enable SMEs to scale overseas. What we realised from this survey is this conversation goes beyond the convenience of one transaction, to a more holistic topic of financial health and inclusion.

Digital payment companies in Singapore will have a role to play that will transcend beyond just transactions.

# Appendix: Elements of Financial Health

## Smooth and effective management of day-to-day financial life



- No difficulty managing bill or credit payments
- Ability to lead a comfortable life with current income level

## Resilience in the face of life's inevitable ups and downs



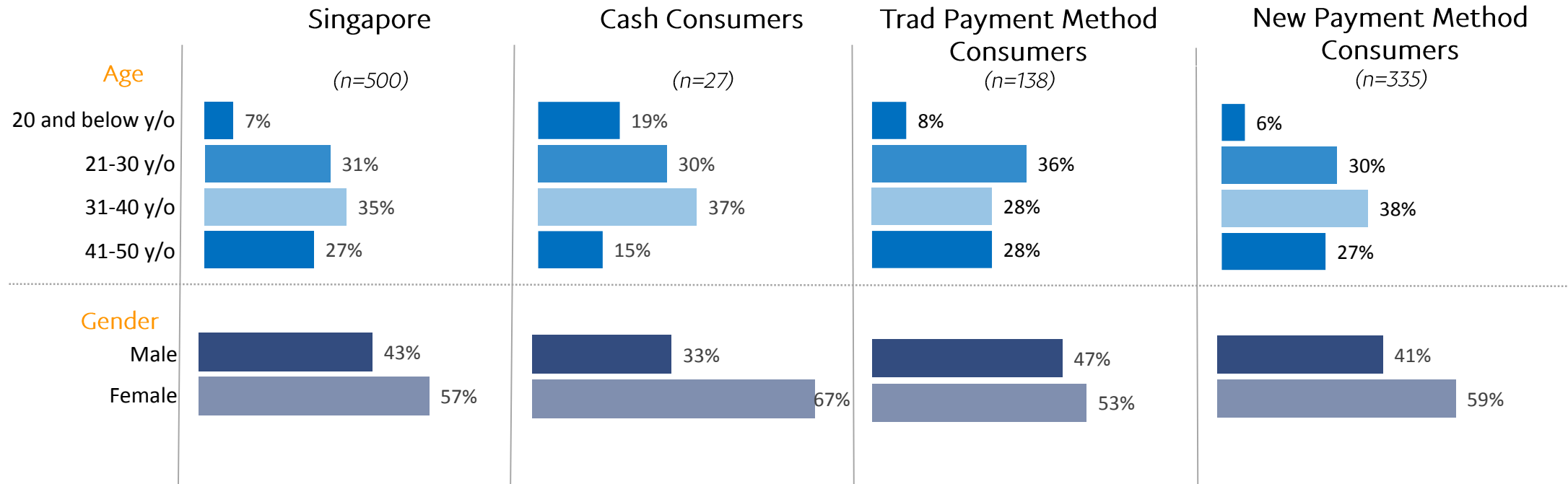
- Regular savings to be able to enjoy additional leisure activities
- Ability to make ends meet if faced with unemployment, long term illness, or other emergencies for at least 6 months
- Ability to comfortably make money last until the next pay check comes in
- Owns appropriate insurance policies
- Financial independence (does not live off remittances from family/friends in other countries)

## Capacity to seize opportunities leading to financial security and mobility

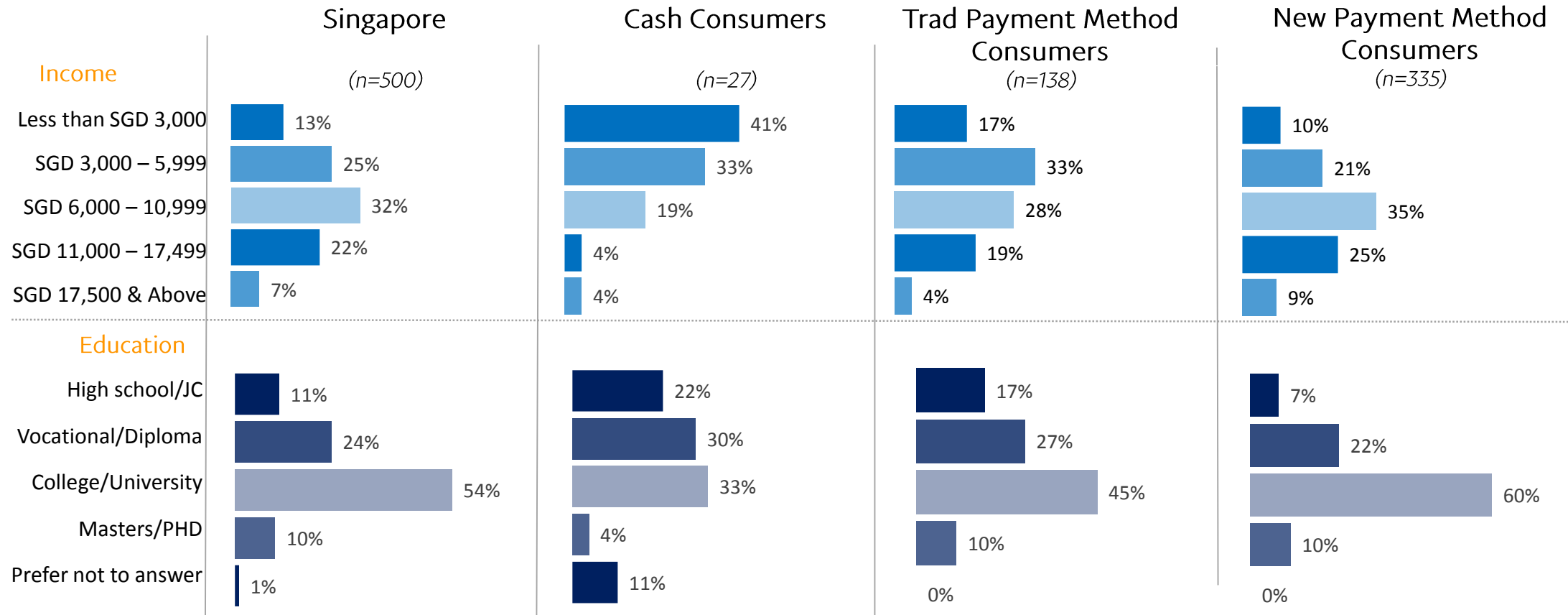


- Planned finances for the next key milestones in life (e.g. getting married, having children, retiring)
- Sustainable debt load

# Appendix: Profile of those surveyed in Singapore



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