

Yoma Group (Myanmar)

Accelerating Financial Inclusion in a Time of Social Distancing

January 2021



Extraordinary Endeavors in Turbulent Times: Asian Innovation, Inclusion, and Impact during COVID-19

A Joint Report by the Asia Business Council and the
Hong Kong University of Science and Technology

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Letter from the Directors

Dear Reader,

As the directors of this joint project by the Asia Business Council and the Hong Kong University of Science and Technology (HKUST), we are delighted to present the results of our study on the extraordinary endeavors of Asian companies in the turbulent times of COVID-19, as companies embrace innovation, promote inclusion, and drive social and economic impact across the region.

We hope that this series of eight case studies will illustrate the silver linings of the pandemic – in these trying times companies are more than ever realizing the importance of social responsibility, reimagining and reinventing traditional forms of philanthropy, and leveraging technology as a force for good in ways that will likely last well beyond the crisis.

While the articles are written with business leaders and business students in mind, the stories we tell have relevance for a wider audience as they show how Asian corporates took the lead in engaging a broad eco-system, including governments, academic institutions, religious groups, and the public health sector, in addition to start-ups, small and medium enterprises, and even competitor companies within the private sector.

True to the times of COVID-19, the smooth collaboration between our two organizations took place without any face-to-face meetings; all the research and interviews were conducted virtually and across multiple time zones. We are especially grateful to Asia Business Council Chairman Lim Boon Heng and Vice-chairman Daniel Tsai whose companies Temasek and Fubon Group were the first two companies to take part in the study. We would also like to thank the unfailing support of Mark Clifford, Executive Director of the Asia Business Council, and Roger King, Senior Advisor and Founding Director of the Tanoto Center at HKUST, without whom we could not have completed the project.

Amidst the continued risk and uncertainty surrounding the pandemic, we hope that this report will contribute to the ongoing discussions on stakeholder capitalism and the debates on the role of companies in the local and international community, in times of crisis as well as times of relative normalcy. Above all, we hope that you will enjoy reading the articles as much as we enjoyed writing them, and that the report will be a source of positivity and inspiration for audiences around the world.



Winnie Peng

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Pauline Yeung

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Yoma Group (Myanmar)

Accelerating Financial Inclusion in a Time of Social Distancing

By Winnie Peng, Pauline Yeung, Chun Hei Hung, and Theodore Chow

Yoma Group

Year of Founding

1983

Headquarters

Yangon

Type of Company

Conglomerate

Number of Employees

11,000

Total Revenues in 2019 (K) *

Kyat 427 billion[†]

Total Revenues in 2019 (USD) *

\$321 million

Major Businesses

Real Estate, Automotive & Heavy Equipment, F&B, Financial Services, Healthcare, Hotel and Tourism, Logistics, Investments

COVID-19 Initiatives in a Nutshell

Acquisition of Controlling Stake in Mobile Financial Services Provider Wave Money, A Digital Platform for the Government, Humanitarian Organizations and Corporates to Deliver Aid to Individuals and Communities Hard Hit by the Pandemic

* FY 2019, from the period April 2018 to March 2019

[†] As per the exchange rate of Central Bank Myanmar (1 USD = 1330 MMK)

The following case study is based on written correspondence with Yoma Group in December 2020, an interview with Melvyn Pun, CEO and Executive Director of Yoma Strategic Holdings Ltd., on December 18, and an interview with Brad Jones, CEO of Wave Money, on December 17.

Introduction

“For us, it is really about having a strong engagement with the local community and ensuring that no matter what we do, we can build a better Myanmar for its people. It is not just about building better infrastructure and better buildings, but also about how you help the people,” said Melvyn Pun, CEO and Executive Director of Yoma Strategic Holdings Ltd. “And rather than doing this as a separate corporate social responsibility program, we want to imbed this into everything that we do and contribute to solving economic inequality.”

A Cambridge graduate who spent 12 years at Goldman Sachs before joining the family business, Pun exuded a quiet confidence when articulating the vision of Yoma Group,¹ which was founded by his father, Serge Pun. As Pun explained, after weighing the good and bad things that resulted from the pandemic, and considering Yoma’s role in enabling and accelerating financial inclusion in Myanmar, COVID-19 was in many ways a “positive defining moment” for Yoma as one of the leading conglomerates in the country.

While Yoma is involved in industries ranging from real estate, automotive and heavy equipment, food and beverage, to investments, it was its financial services business, and specifically its mobile financial services arm, Wave Money, that was instrumental in promoting financial inclusion in Myanmar.

What unfolded in 2020 was a truly remarkable story that has touched the lives of farmers, garment workers, street vendors, and small business owners across the country,

at a time when there was a pressing need to reduce travel, avoid in-person gatherings, and come up with safe avenues for donation and disbursement of relief and emergency funds.

Wave Money was launched in 2016 as the first licensed mobile financial services operator in Myanmar, as a joint venture between Telenor Group, the Norwegian telecommunications giant, and Yoma.

As the fintech sector in Myanmar continued to develop, Yoma Strategic announced a partnership with Ant Group in May 2020 through which the Chinese fintech firm would invest \$73.5 million in Wave Money to become a substantial minority shareholder.² Furthermore, in June 2020, Yoma Strategic announced a \$76.5 million deal to buy a controlling stake in Wave Money by acquiring Telenor Group's 34.2 percent stake.³

While Yoma Strategic's acquisition of Wave Money had been in the works for a long time and would have happened with or without COVID-19, the pandemic underscored the importance of Wave Money and fintech in general, not only for Yoma but for Myanmar as a country. Today, Wave Money is the leading mobile financial services provider in Myanmar with over 68,000 Wave Shops covering 91 percent of the country and 90 percent of rural areas, including very remote locations.

Wave Money saw \$8.7 billion in money transfer volume in 2020. The number of Monthly Active Users on WavePay, Wave Money's mobile wallet application, has exceeded 1.5 million and is expected to potentially reach over 11.2 million by 2024.

Mobile Money in Myanmar

"As people started trying Wave Money and found that it worked, it took off like wildfire," noted Brad Jones, CEO of Wave Money who spent 10 years in the Australian military before becoming a banker and business executive. "When I first got introduced to the concept of financial inclusion around 13 to 14 years ago, I realized that you could make significant social impact and leave a developing country far better off than it was before. I first started seeing how business could make huge social impact through the use of technology when I was working in Cambodia in the late 2000s."

According to Jones' estimates, although less than 1 percent of consumers in Myanmar would have said they transferred their money through mobile payments back in 2016, over 90 percent would say they did it through mobile payments in 2020.

While the development of garment factories and other industries in one of Asia's fastest-growing economies has led to rural-urban migration and a demand for remittance services, the majority of the population of Myanmar does not have access to banking. It was very difficult to move money from one part of Myanmar to another, and people would move cash using taxis, buses, informal middlemen or even by travelling themselves.

This was a particularly big problem in emergency situations, such as when grandma needs to go to the hospital and pay her medical fees upfront. Without a bank account, and prior to the introduction of mobile money, it would be difficult for relatives living elsewhere to make the necessary payments. In addition, when workers had no way of sending their cash back home in an efficient manner, many of them chose to spend the money, resulting in significant erosion in incomes and social problems such as excessive drinking and gambling.

Given the low level of digital literacy and the high percentage of the population in Myanmar that is unbanked, Wave Money launched an over-the-counter money transfer service in which customers could rely on agents instead of having to



Wave Money agents act as human ATMs

navigate a mobile app. Agents tend to be small business owners who seek extra income and act as human ATMs: Someone sending money can give it to an agent, who converts it into a secret code and transaction ID, which can then be forwarded to the intended recipient. It is also possible to make deposits and withdrawals through agents.

As Jones said, “The agents made a fantastic team on the distribution side, and we were able to build our network very quickly. The larger the network, the larger the transaction volume, because you’re creating network points that people can use to move money around.”

With this in place, Wave Money played a critical role in accelerating financial inclusion in Myanmar during the pandemic, not only through enabling

digital payments among family and friends but also by facilitating e-commerce and government disbursements and empowering their predominantly female agents to manage their finances through loans and extra income.

An Essential Service for E-commerce during the Pandemic

In e-commerce, Wave Money proved to be an essential service for both the formal and informal sectors as COVID-19 hit and transportation links were shut down across Myanmar.

The burgeoning e-commerce sector in Myanmar includes formal channels like Alibaba or foodpanda, as well as informal channels that are driven by Facebook. It is estimated that there are around 27 million Facebook users in the country,

out of 40 million adults. Vendors might set up a page for their shops or even sell products directly from their personal Facebook accounts.

For the formal sector, Wave Money has a “Pay with WavePay” Application Programming Interface that allows customers to pay on e-commerce websites using Wave Money, just like how they would use Visa or PayPal. For the informal sector, Wave Money enables peer-to-peer transactions: a vendor would post their mobile phone number, which customers would use for payment.

As Jones reflected on the pandemic in December, he said, “When I’m in Yangon these days, I pay for almost everything with WavePay, including my groceries.

“For us, it is really about having a strong engagement with the local community and ensuring that no matter what we do, we can build a better Myanmar for its people. It is not just about building better infrastructure and better buildings, but also about how you help the people,” said Melvyn Pun.

We have around 360 merchants, online and offline billers, inside the app, so you can pay everything from your Internet bills to e-commerce payments. Currently the only thing I can’t pay for with WavePay in Yangon is my electricity bill, which I pay by cash to my condo provider, but we are trying to digitize that as well. Residents of Mandalay can already pay their electricity bills through WavePay.”

Jones continued, “A year ago, if I had contacted an online vendor through Facebook, I probably wouldn’t have assumed that I’d be able to pay through WavePay. Now, my first question is: ‘Can I pay by WavePay?’ And the answer is almost always ‘yes.’ That, to me, is the most significant change to e-commerce during the time of COVID-19.”

A Trusted Partner of the Myanmar Government during COVID-19

Importantly, Wave Money also served as a trusted partner of the Myanmar government in the fight against the virus. When the government released its COVID-19 Economic Relief Plan, mobile financial services were documented as an essential service. The government also voiced its intention to push as many government services onto digital platforms like Wave Money, which was specifically named as a provider. This was the first time that the government endorsed the expansion of mobile financial services as an objective.

To facilitate execution, Wave Money started working with various government departments and announced before other providers that, for the period of COVID-19, it would make any government disbursements free of charge, and would also cover the cost of the agent’s commission, which is paid when a customer goes to withdraw money.

Currently, Wave Money is working on 37 different projects with the government, including a project through which over 230,000 payments were made to pregnant women across nine regions over the course of a month. The company is also working with the Myanmar Economic Bank which disburses payments to

pensioners and civil servants who used to have to wait in line for five to six hours at their local branches in order to receive their pensions; this process has been significantly expedited by digital payments.

While using cash for disbursements is susceptible to leakages in any developing economy, especially where records are paper-based and the ID system is not very good, the advantage of Wave Money is that it is transparent and minimizes corruption.

Wave Money processes three sets of information for any given transfer. First, Wave Money receives the mobile phone number of the recipient, which can be cross checked against telecoms data to verify an individual's identity and records the name of the owner.

Second, Wave Money tells the government when a payment has been issued to an individual and the amount transferred. Finally, Wave Money records the time and date of a disbursement and how much money remains to be cashed out for a given recipient. For the government, as long as the name of the owner of a phone number matches the name of the person who should be receiving the money, there is no opportunity for leakage in the process.

Empowering Women as Agents during the Crisis

Furthermore, Wave Money has also empowered women during the crisis through its network of female agents. According to field data collected by the company, around 80 percent of Wave Shops are run by women, even though only 40 percent of agent registrations are made by women. It is often the case that the husband registers while the wife runs the shop.



Both Pun and Jones commented that they saw the promotion of financial inclusion among female agents as an extremely meaningful endeavor. First, Wave Money provided an additional source of income for agents during the COVID-19 crisis. Because mobile financial services providers were classed as an essential service by the Myanmar government, agents did not have to shut down their shops. In many cases, an agent would have to shut down other businesses such as mobile phone retail but could keep transferring money for their customers. In 2020, Wave Money paid \$65 million in commissions to agents across the country.

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Second, Yoma Bank is able to offer unsecured loans to Wave Money agents by compiling a simple credit score using data on their earnings. About a third of Wave Money's agents have taken loans, which can be spent on improving their businesses and purchasing commodities. Although some agents have bank accounts, Wave Money did not find a single agent who previously had a loan with a bank. It is

likely that banks did not consider them loan-worthy because they essentially ran their businesses through cash and their own logbooks. In total, 50,000 loans have been distributed, amounting to more than \$50 million.

In fact, the commitment to women's empowerment is something that can be found in the wider Yoma Group. While Pun acknowledged that almost all business leaders at the CEO level are men, he said that this is something he wants to address and see whether unconscious bias has happened. Yoma is managing its next-generation leaders and has identified around 30 future leaders every year for a Leading The Yoma Way program. A majority of these leaders are women, and the program will provide leadership training, a peer-group support system, a mentorship program, as well as one-on-one executive coaching.

Future Outlook

In terms of the future, Wave Money will continue to invest in its technology systems and promote digital education, since cybersecurity concerns and the lack of digital literacy continue to be risks and barriers to business growth. The company has also submitted an application to the central bank with hopes to operate international remittances by 2021, focusing on a few key markets such as Thailand, Singapore, Malaysia, South Korea, and the Middle East, where the Myanmar diaspora is concentrated. Wave Money is also excited about the partnership with Ant Financial and expects final regulatory approval shortly.

Having said that, to Pun, with international partnerships there is a need to be sensitive to an increasingly complex geopolitical environment. "I have a lot of Japanese partners in our businesses and also a lot of Western partners like Norwegians, Americans, and of course Ant is Chinese." Pun opined that Myanmar is trying to be friends with everyone and benefit from the dynamics of everyone,

citing the example of the Japanese and the Chinese competing over infrastructure projects and giving very cheap loans to build infrastructure in Myanmar.

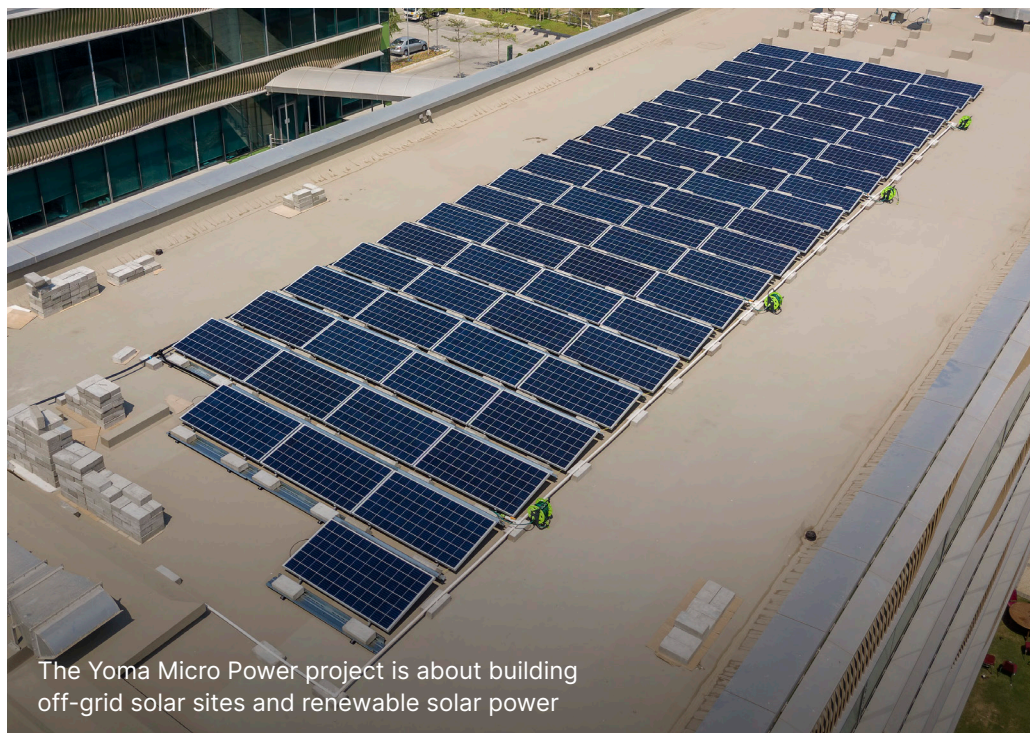
At year-end in 2020, Pun conducted performance reviews for the CEOs of all the different entities in Yoma. The first thing that he asked them was: How has your action and your business impacted Yoma's vision to "build a better Myanmar for its people?" This key performance criteria reflects Pun's emphasis on social value.

"We are a Myanmar-Chinese family," he continued. "I grew up in Hong Kong, and my father went through the Cultural Revolution, but at the same time we are a Myanmar company. We have to keep reminding people that our partners are very diverse. We have a wide range of relationships, and will do what makes the most sense for us and for Myanmar in terms of expertise and culture."

According to Pun, while Yoma is very much engaged with Western companies coming from an international governance perspective, there is also a lot of Chinese money coming to Myanmar. Pun is thus careful and sensitive about partnering with a breadth of different companies and getting the right Chinese companies to support Yoma.

Conclusion

At year-end in 2020, Pun conducted performance reviews for the CEOs of all the different entities in Yoma. The first thing that he asked them was: How has your action and your business impacted Yoma's vision to "build a better Myanmar for its people?" This key performance criteria reflects Pun's emphasis on social value. He candidly admitted that Yoma has also made mistakes, where he would look back at a project and realize that "it made money, but there was no real social value for the country."



The Yoma Micro Power project is about building off-grid solar sites and renewable solar power

In fact, Yoma, on the contrary, has entered into a few businesses with great social impact but that also carry a larger financial risk or a lower financial return than is normally expected. As an example, Yoma is building off-grid solar sites and renewable solar power for areas that would probably not get linked to the national power grid anytime soon. The company is doing this because renewable energy makes a lot of sense, and the people would not be able to get power otherwise. So the project ticks a lot of boxes, but the financial return is uncertain because no one has successfully completed a project like this.

In his final thoughts, Pun spoke on the concept of “stakeholder capitalism,” noting that the disparity between rich and poor and its impact on the social-political environment is an issue that will dominate discussions in the next decade or so. Pun said, “In Myanmar, while there are those who are wealthier and those who are poorer, it is still an environment where the poor have the ability to rise up. I think a parallel can be drawn between Myanmar today and Hong Kong in the 1960s and 1970s, because we have people that are poor but there still is an environment where the poor have the opportunity to climb the social ladder.” Indeed, with a socially conscious leader at its helm, Yoma is set to make a positive difference for the people of Myanmar in a post-pandemic world, as it has already done for so many by accelerating financial inclusion during the trying times of COVID-19.

Endnotes

- 1 Serge Pun set up Serge Pun & Associates Group in Hong Kong in 1983. In 1992, he set up First Myanmar Investment (FMI), which became the first company to be listed on the Yangon Stock Exchange in 2016. In 2006, Yoma Strategic Holdings was established and listed on the Singapore Stock Exchange. In 2018, Memories Group was set up to bring together a portfolio of travel and tourism businesses and was listed on the Catalyst Board of the Singapore exchange. FMI, Yoma Strategic and Memories Group, together with their respective subsidiaries, are collectively referred to as the Yoma Group.
- 2 “Wave Money and Ant Financial Services Group forms strategic partnership to promote financial inclusion for the unbanked in Myanmar.” Press release, May 2020. https://www.yomastrategic.com/attachment/2020051807032228978584_en.pdf
- 3 “Proposed Acquisition of Controlling Interest in Mobile Money Myanmar Limited.” https://www.yomastrategic.com/attachment/202006241525061734509902_en.pdf