

China's race to a cashless society

By Suwatchai Songwanich, CEO Bangkok Bank (China)

At the recent launch of Bangkok Bank's new TPN-UnionPay debit card using the Thai Payment Network, China UnionPay's General Manager for Southeast Asia Yang Wenhui said that China, like Thailand, used to be a cash-based society, but now it has moved well along the path to a cashless society. About 50 percent of payments in China are now cashless with many people preferring to use debit cards and other forms of cashless payments.

Although China still has some way to go before it catches up with countries such as the US and Sweden, the speed at which China has made the shift from cash towards cashless has surprised many. Non-cash payments have been growing by around 40 percent a year and last year China moved into 4th place in the world for non-cash payments after the US, Europe and Brazil.

There are many reasons for China's rapid transition away from cash. One is urbanization, as non-cash payments are becoming both easy and popular. This is especially the case in top-tier cities such as Shanghai, Shenzhen and Beijing where it is both trendy and convenient to pay without using cash.

There is a huge variety of choices when it comes to making cashless payments and China UnionPay has definitely helped to encourage this, particularly in the case of debit cards, which outnumber credit cards in China by 10 to one. China has more than 4 billion cards on issue – almost enough for each adult to have about three each.

Mobile payments have also taken off in China – it has the largest proportion of people in the world using their mobile phones to make payments, online and physically.

The Chinese government is also pushing China towards a cashless society. As in Thailand the authorities are keen to encourage the use of non-cash payments as it will reduce the cost of printing, circulating and handling banknotes, and help in the battle against tax evasion and corruption, as well as other illegal activities.

In order to accelerate the use of non-cash payments the Chinese government has increased the availability of point-of-sale machines and opened up the domestic card-payments market to competition. Competition is intense, as pre-paid cards and electronic wallets such as Wechat, Mi Wallet and Alipay have become extremely popular, especially with young people. I have been using one of these electronic wallets to pay for my shopping at the bakery and convenience store for a few months now.

Meanwhile, South Korea's central bank has declared the country will go cashless by 2020. Such an ambitious goal is unlikely to be achieved in China as there is a major social gap between rural and urban areas, with country folk still having a preference for cash. It will be interesting to watch developments in China and note the parallels with the path currently being taken by Thailand.

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