

# **National Payments Bill**

## **Vodafone Fiji Submission**

**22<sup>nd</sup> January, 2021**

Honorable Chairman and Committee Members.

Thank you for the invitation and opportunity to make submission on the National Payment Bill

My name is Shailendra Prasad and I am the Head of eCommerce & Corporate Affairs at Vodafone Fiji.

First of all, I wish to commend the government for this bill which is most timely and important for Fiji to transition into a digital economy.

Overall, Vodafone has no major objections or suggested amendments to the bill in its current form with few exceptions.

However, we are more concerned and hopeful of the tangible outcome of the bill in terms of policies and regulations that are the intent of this legislation. I will share some practical challenges on the ground that Vodafone Fiji as payment service currently faces through its mobile money platform M-PAiSA which we hope the passing of this Bill will clear the pathway to overcome those challenges.

Let me begin first on the section 2

## 2. Interpretation

**Credit and Debit card**----means a card...should this be amended to include **“physical or electronic card”** to cater for the current market evolution where increasingly more electronic/virtual cards are issued.

**“Payment service provider”** -- an entity providing a payment service.

Should this be amended as **“An entity approved by Reserve Bank of Fiji that provides a payment service. (maybe the definition of operator covers this. Also covered under part 3. Licensing.**

This to ensure that approved payment service providers enter the payment system to maintain the integrity in the payment industry and customer confidence.

15 (2) ..... may be required to maintain a capital levels specified by the Reserve bank.

For MNO's operating a mobile wallet service such as M-PAiSA by Vodafone Fiji, this should not be a requirement given the fact that it maintains a trust account with the banks who are required to maintain adequate capital. The Trust Account is completely separate from its operating account and as long as such payment service providers do not engage in any lending activity there is zero risk of user deposit balance being lost.

Hence, all its users are guaranteed to receive their balance in full even if Vodafone as parent company were to liquidate or cease operations. ✕

16 (4) "...must not cause any change in the system which would affect the structure, operation or administration of the system unless the operator of the system-

(a) Obtains the approval of the Reserve Bank.

This seems to onerous and bureaucratic to get approval every time from Reserve Bank. I think the wording must change slightly with insertion of the word..." **significantly affects the structure** Otherwise, for every little change, it will require RBF approval that could cause unnecessary delay.

Or it be replaced to say...the operator to keep RBF informed of any significant change in the system that affect the structure, operation or administration of the system. }

Other than that Vodafone has no other suggested changes or amendments to the bill.

However, as a payment service provider in the market already, Vodafone through its M-PAISA platform provides various service through the mobile wallet.

Includes:

- Money transfer
- Bili payment

- International Money Transfer;
- and various other customer to business payment
- Person to Government Payment via the Digital Fiji App
- G2P payment such as Home care, Farm care etc.
- People also have the ability to top-up their eTransport card via M-PAiSA

Mobile phone is highly penetrated and accessible in the Fijian economy. However, in this day and age of technology and ready access through Mobile phones, many people in the rural and remote areas are still deprived of basic financial services due to lack of integration of various service providers.

This is very unfair on the people.

One of the major issues that is limiting the growth of the Fijian economy is the free flow of money because of the reliance on cash to transact.

Let me explain.

If a family member from Suva and let's say from overseas were to send money to a person in Taveuni person from overseas. The money is sent directly on the persons mobile in electronic form. However, to use that money, the person has to then find a place to withdraw cash before he is able to transact.

This could easily be overcome if government implements an overarching policy where acceptance of electronic payments is as good a legal tender as cash and therefore any person who wishes to make an electronic payment for a business, should not be denied this payment option.

A lot of businesses insist on cash payment only because they evade tax, which is a loss in government revenues.

It is time that government implement an overarching national payment policy that mandates business to accept cashless payment as just as they accept cash. No business should refuse a person making electronic payment. This will ensure ease of payment, greater financial and economic inclusion.

More importantly, it will bring about greater transparency and accountability in terms of flow of funds in the economy, improve government tax collections by unlocking the black economy with less cash transactions.

As an example, a lot of people from rural areas hold an account in the bank. However, due to no bank branches or service points in rural areas, they cannot access their funds to transact as and when they need it.

This is limiting the ability of citizens in rural remote areas to grow and succeed economically, as well as restricting economic activity for the growth of the economy.

This can be easily overcome, if the banks and all other payment service providers are mandated to integrate the bank account of customers to the mobile wallets so that people can seamlessly move their money from the bank from anywhere through accessible devices such as mobile phones to pay for goods and services electronically at their local store.

This will take away the need for someone to take physical cash before people can transact.

This will reduce transaction costs for rural people, open up more economic activity, have multiplier effect in the economy through faster circulation of money, improve productivity and stimulate economic growth.

An integrated payment system is key to this and hopefully the end goal of this bill is to achieve this objective.

Another example I would like to give is the problems faced by many Fijians for the top up of eTransport cards due to lack of top up agents in many remote areas. However, many of these people have money sitting in their bank accounts. They could easily use their mobile phone to draw money from the bank accounts to top up their cards sitting at home without the need to visit a top up agent. This would be so convenient.

For far too long, the banks have held the financial sector strictly as their domain and control. This will allow other non-bank players to enter the payments market, to provide more services, better pricing more choices and continued innovation.

Government had earlier introduced the VMS system wherein businesses were to process all sales transactions through the system to ensure it had better visibility on the business income. However, this still relied on businesses to feed all transactions through the system. With cash transaction there is always a chance for businesses to hide transactions and evade taxes. However, if

payments by consumers were made electronically, there is no way that businesses can hide such transactions.

Electronic and mobile payments is fast becoming the norm. This payment bill is most timely and highly commendable to drive greater innovation and competition in the market for improved services and choices to the people.

We applaud the government for this bill and endorse it being passed into an Act. However, the policies and regulation that fall-out from this will be key to how the intention of this bill translates into enabling greater ease of payment for the citizens, promoting a digital economy and cashless payments.