

Agpaytech's Research
20th June, 2024

Is it the Beginning of the De-Dollarisation?

How China's Fintechs Make Gains in RMB over USD



Executive Summary



In a significant development in international finance, the Chinese Renminbi (RMB) has surpassed the US Dollar (USD) in cross-border receipts and payments within the non-banking sector.

In recent years, China embraced international card payments like Visa, Mastercard, American Express, Discover, JCB, and Diner Club, a move to facilitate international transactions and promote financial openness.

Also, digital payment giant Alipay introduced Alipay+ and partnered with many e-wallets outside to streamline cross-border payment using QR codes and digital wallets.

The digital payment openness in China has stimulated cross-border interlinking of payment systems, boosting Renminbi (RMB) usage and e-commerce trade.

While banks traditionally dominated this space, non-banking sectors have accelerated retail payment interconnectedness in the global market.

In a significant development in international finance, the Chinese Renminbi (RMB) has surpassed the US Dollar (USD) in cross-border receipts and payments within the non-banking sector.

In Q1 2024, payment in RMB surpasses USD and gets par with all other currencies combined according to data from the Chinese State Administration of Foreign Exchange.

This milestone highlights the growing influence of the RMB in global trade and investment, reflecting China's expanding economic footprint and the international community's increasing acceptance of its currency through retail digital wallets, Fintech activities and e-commerce.

For the African non-banking cross-border payment sector, this development underscores the importance of supporting retail payments by strategic adoption of technology, regulatory adaptation, and robust partnerships which would be crucial in leveraging the benefits of this financial evolution.

It shows the significant role of digital and e-wallet payments as well as Fintech activities as a major channel to drive cross-border payment inflow into Africa.

Table of Content

Executive Summary	-----	2
Introduction: China’s Retail Payment Openness	-----	5
Drivers of Non-Bank Cross-Border Payments in China	-----	6
Non-Banking Sector Cross-Border Payments in China	-----	9
Non-bank Payments in RMB Rise After Covid-19	-----	10
Non-bank Receipts in RMB Rise After Covid-19	-----	11
Inbound and Outbound Cross-border Transactions in RMD Tops USD in 2024	-----	12
Where is the Transaction Coming From?	-----	15
Who Are The Non-bank Payment Sector Players?	-----	16
Mobile Apps and Digital Wallets in the Cross-border Payment	-----	17
International e-wallets Accepted by Merchants in China	-----	19
Bank Cards and Self-Exchange ATM-Cash Modernization	-----	20
Lessons for Non-Banking Payment Sectors in Africa	-----	22
Conclusion	-----	23
About Agpaytech	-----	24



Introduction: China's Retail Payment Openness

Introduction: China's Retail Payment Openness



The pace of international cooperation in cross-border trade has accelerated, connecting more national online retail sales to 3.3 trillion RMB in Q1 2024. services through mobile apps and USSD codes

China's cross-border e-commerce trade rose 9.6% year on year to 577.6 billion yuan (about 81.3 billion U.S. dollars) in Q1 2024, data from the Ministry of Commerce (MOC) showed.

This was fueled by the country's e-commerce imports and exports with Silk Road e-commerce partner countries such as Hungary, the United Arab Emirates, Cambodia and Brazil.

The pace of international cooperation in cross-border trade has accelerated, connecting more national online retail sales to 3.3 trillion RMB in Q1 2024.

The rapid movement of trade commodities is facilitated by efficient and accessible payment methods. China's economic growth and its payment integration into the global economy have led to a substantial increase in cross-border transactions both from banks and non-banking payment service providers.

Non-banking sectors, including e-commerce platforms, technology service providers, FinTech companies, payment gateways, card networks, payment wallet apps, and other financial service providers are playing an increasingly pivotal role in facilitating these transactions.

In recent years, China has further streamlined non-banking payments for foreigners that integrate international bank cards, foreign e-wallets, cash ATM conversion, and interlinking instant payment systems.

The move has seen a significant improvement in the cross-border non-banking payment method.

But how does digital payment openness influence the cross-border receipts and payments by the non-banking sector in RMB against the US Dollars?

Drivers of Non-Bank Cross-Border Payments in China

In China, non-bank financial institutions have increasingly become key players in the retail payment space, driven by various factors such as technological advancements, regulatory changes, and evolving consumer preferences.

The rise of digital payment platforms, such as Alipay and WeChat Pay, has revolutionized the way transactions are conducted.

These platforms offer convenient, secure, and fast payment solutions that are increasingly being adopted for cross-border transactions.

Blockchain offers enhanced security, transparency, and efficiency in cross-border payments. Chinese companies like Ant Financial have been at the forefront of integrating blockchain into their payment systems to facilitate international transactions.

The Chinese government has implemented supportive policies to promote the development of FinTech and cross-border e-commerce.

Regulatory frameworks are being adapted to accommodate new financial technologies and business models. Moreover, the success of these non-bank entities is also attributed to the favorable regulatory environment in China, which has actively encouraged fintech innovation and the adoption of digital financial services.

In April 2024, the amount of cross-border receipts and payments by non-banking sectors was RMB 4204.3 billion and RMB 4475.4 billion, respectively.

From January to April 2024, the accumulative amount of cross-border receipts and payments by non-banking sectors was RMB 15984.9 billion and RMB 16233.8 billion, respectively.



The Chinese government has implemented supportive policies to promote the development of FinTech and cross-border e-commerce

Table 1: Drivers of Non-Bank Cross-Border Payments

Drivers	Activities
Technological Advancements	<ul style="list-style-type: none"> ▪ Fintech solutions: Increased digital payment platforms (Alipay, WeChat Pay), blockchain solutions (Ant Financial)
Regulatory Changes	<ul style="list-style-type: none"> ▪ Implementing flexible regulatory framework; Mastercard NetsUnion partnership ▪ Simplification of Cross-Border Payment Processes: accepting international card payments, e-wallets cross-border payment with Alipay+
Evolving consumer preference	<ul style="list-style-type: none"> ▪ Increasing Cross-Border E-Commerce: both inbound and outbound payments in CNY now account for more than 50% of all non-banking cross-border payments ▪ Mobile Payment Adoption: 87.3% with a user base of 954 million
Competitive Advantages	<ul style="list-style-type: none"> ▪ Lower Costs: Perceived low cost of products and easy payment method. ▪ Speed and Convenience: Non-banks such as e-CNY, WeChat, Alipay and UnionPay provide a faster and more friendly payment experience.
Financial Openness	<ul style="list-style-type: none"> ▪ Many international cards and e-wallets have been integrated into the domestic payment system to accommodate major currencies.

Source: Agpaytech



Non-Banking Sector Cross- Border Payments in China

Non-Banking Sector Cross-Border Payments in China

At the heart of global finance, non-bank cross-border payments have emerged as a critical component of international trade and commerce, particularly in China.

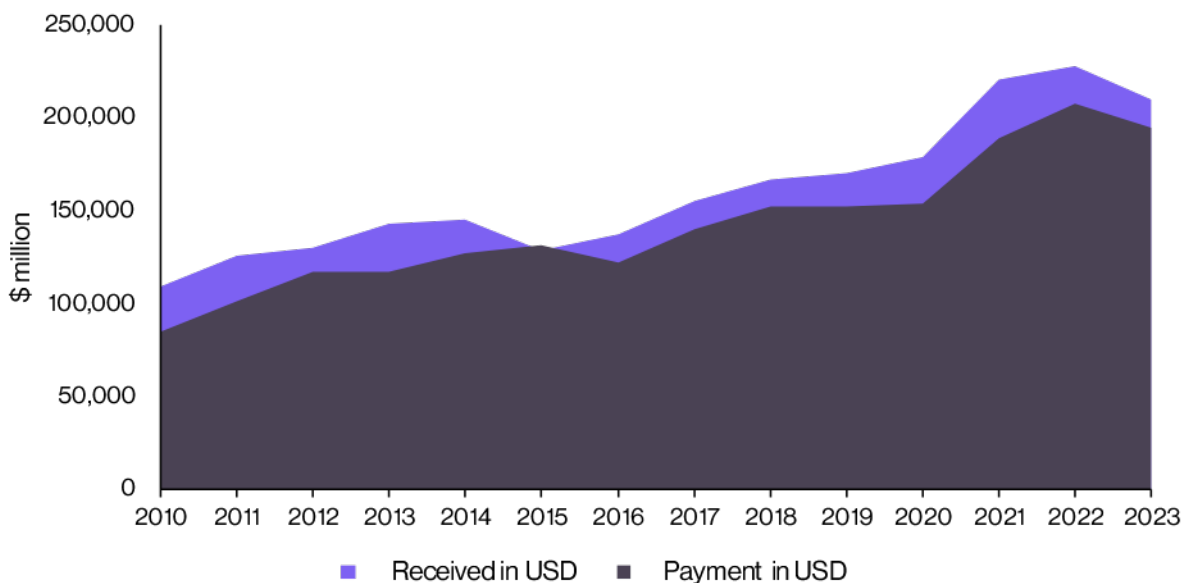
As the world's second-largest economy and a hub of technological innovation, China has witnessed a significant shift towards non-bank financial institutions in facilitating cross-border transactions.

These institutions, leveraging cutting-edge technologies and innovative business models, are increasingly providing efficient, cost-effective, and user-friendly payment solutions that cater to the diverse needs of consumers and businesses engaged in international activities.

Major players such as **Alipay, WeChat Pay, UnionPay International, PingPong, and LianLian Pay** are at the forefront of this rapidly growing market.

The USD non-bank payment has surpassed RMB from 2010 to 2023. Thus, since 2010, the USD non-bank payments in China have exceeded payments and receipts in RMB.

Figure 1: USD non-bank payment surpasses RMB (2010-2023)



Source: Agpaytech

Non-bank Payments in RMB Rise After Covid-19

Since 2019 and after the COVID-19 pandemic, there has been a sharp rise in the non-bank payments in RMB against the US Dollars in China.

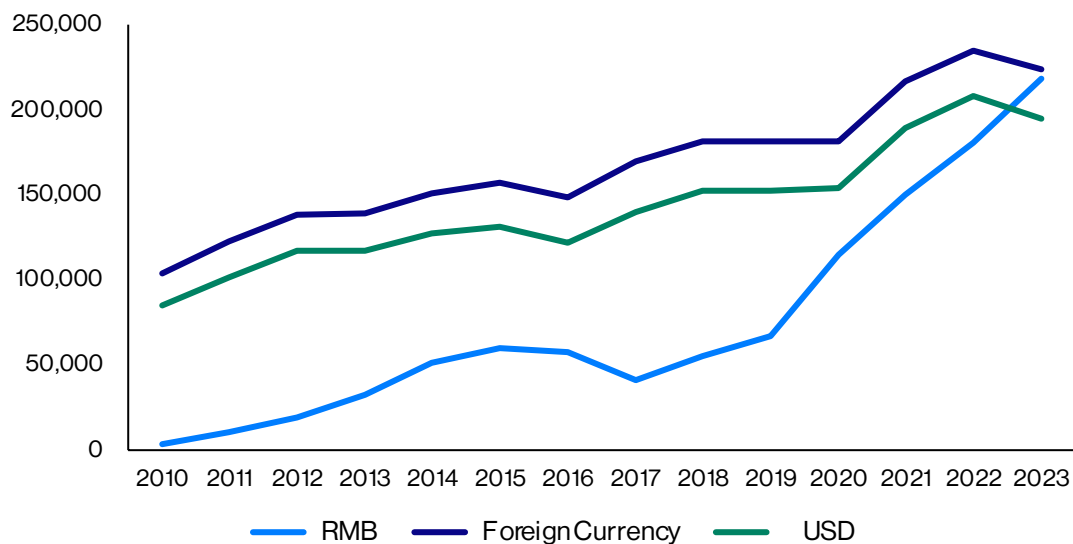
The movement restrictions provided some new opportunities for people to experience the non-bank payment systems, thereby pushing RMB usage on digital platforms rather than traditional banking payment methods.

Also, the opening up of the Chinese financial sector to embrace international cards and mobile payments e-wallets resulted in a significant push as still non-bank cross-border receipts and payments recorded a sharp rise and getting closer to the payments in US Dollars.

Data from the Chinese State Administration of Foreign Exchange showed payments in RMB surpass USD, and getting par with all other currencies combined.

This shows the resilience of the Chinese economy and Fintech payments without the banking sector.

Figure 2: Cross-border Payments by Non-banks (2010-2023)



Source: Agpaytech

Non-bank Receipts in RMB Rise After Covid-19

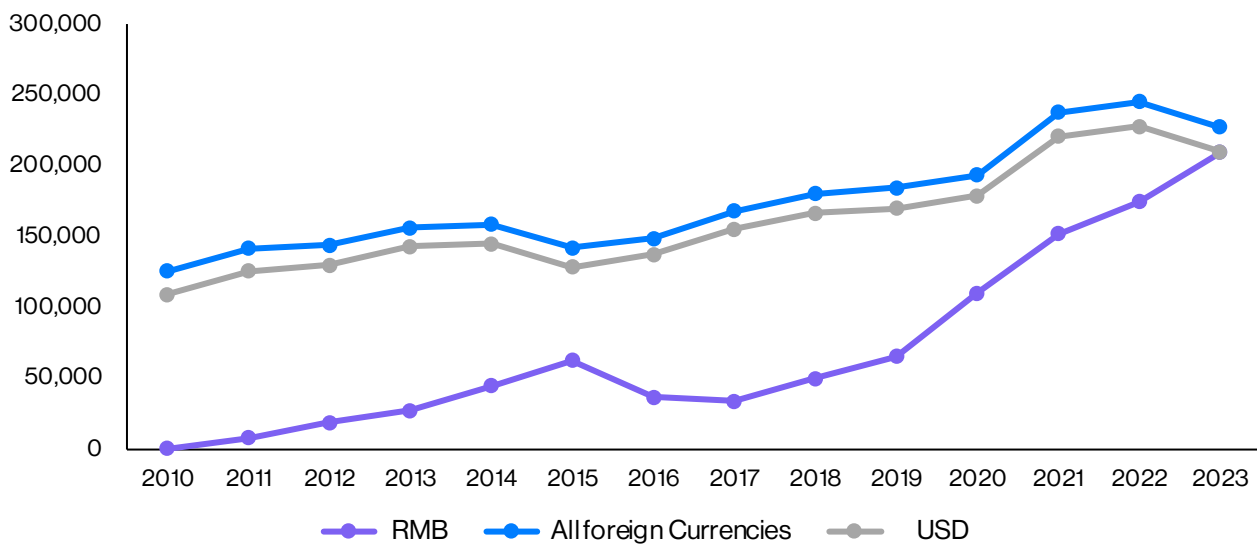
Cross-border receipts through non-banks in RMD tally with USD, and it is expected to surpass all currencies combined by the end of 2024.

These non-bank players are spearheaded by Fintech mobile wallets and card payment systems that have integrated payment facilities to Alipay, WeChat Pay, and international cards.

The cross-border digital payment landscape in China is open to receiving payments from all regions worldwide.

Chinese ATMs now accept international cards from Mastercard, Visa, JCB, Diners Club, etc. Also, digital payment channels such as PingPong, Alipay+, WeChat Pay, UnionPay International, e-CNY (central bank digital currency) and others have facilitated non-bank payment receipts in Chinese domestic currency (Renminbi, RMB)

Figure 3: Cross-border Receipts by Non-banks (2010-2023)



Source: Agpaytech



Inbound and Outbound Cross-border Transactions in RMB Tops USD in 2024

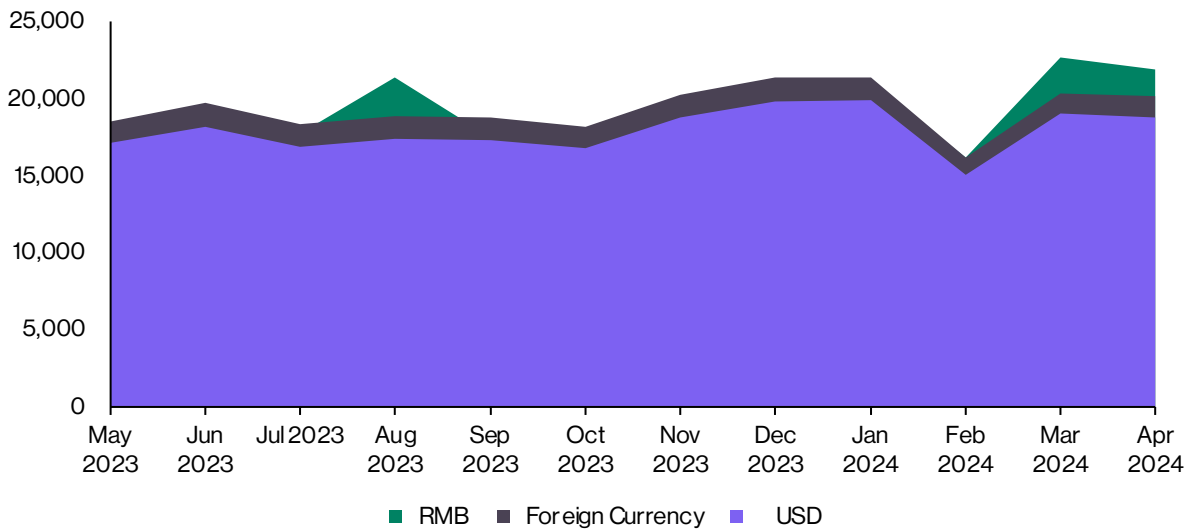
The year 2024 has been spectacular for the non-banking cross-border payment sector.

Since February 2024, the cross-border transactions received in RMB from the non-banking sector beat US Dollars.

Data from the Chinese State Administration of Foreign Exchange showed that 16.2m were received in RMB against 15.1m.

This trend is seeing a continuous pace over the USD as the gap widens in March and April 2024 respectively.

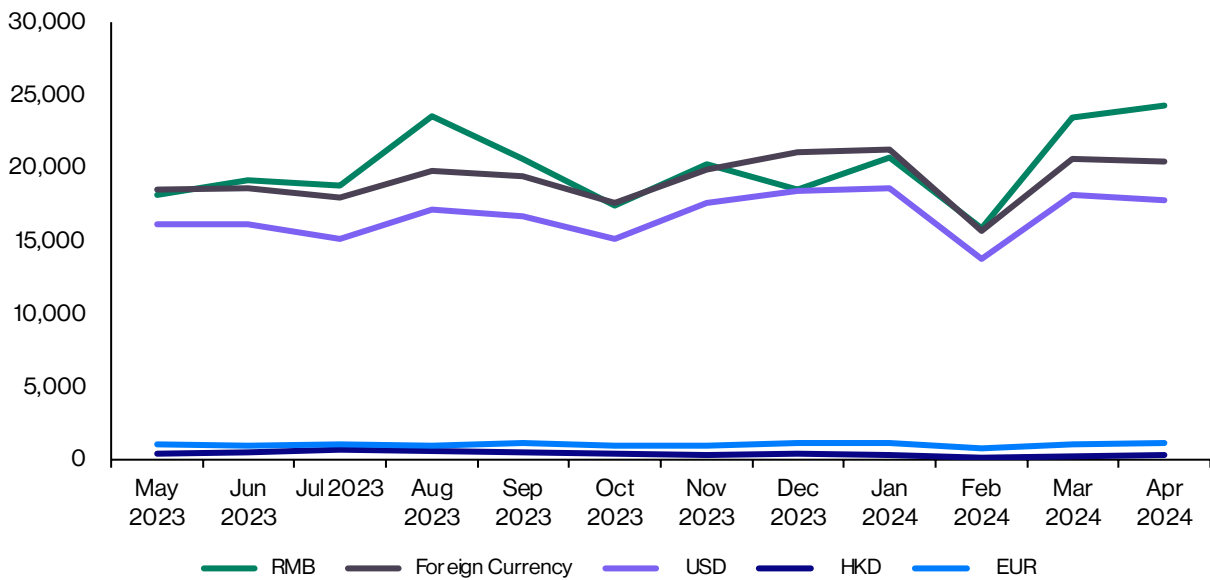
Figure 4: Cross-border Inbound Receipts by Non-banks



[Note: Non-bank cross-border inbound receipts in RMB outshines USD since February 2024]

Source: Agpaytech

Figure 5: Cross-border Inbound Receipts by Non-banks



[Note: Non-bank cross-border outbound payments in RMB tops USD since February 2024]

Source: Agpaytech



**Where is the
Transaction
Coming From?**

Where is the Transaction Coming From?



The data showed that the majority of the transactions happened in Shanghai

The non-bank cross-border transactions are taking place all over the provinces in China.

The April 2024 data from the State Administration of Foreign Exchange depicts the exact regions that receive or make non-bank cross-border transactions.

The data showed that the majority of the transactions happened in Shanghai. In April 2024, a total of \$2137m and \$2241m were received and paid out from Shanghai respectively.

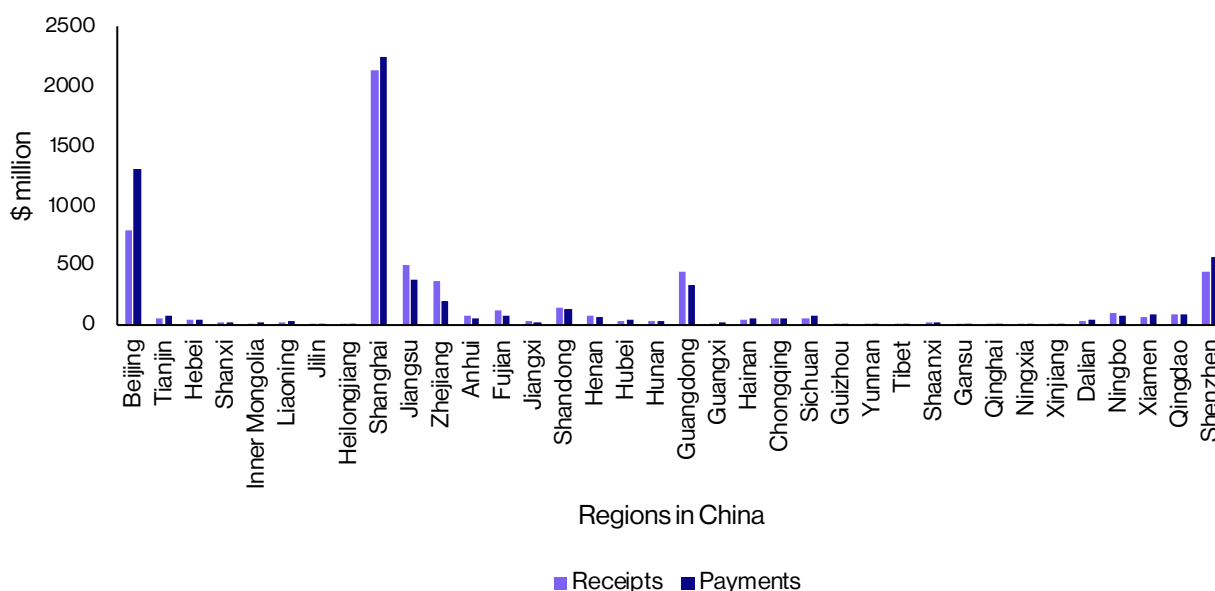
Beijing followed Shanghai by \$791m and \$1305m in cross-border receipts and payments. In addition, Shenzhen, Guangdong, Jiangsu and Zhejiang provinces recorded improved non-bank payment growth.

Both Beijing and Shanghai have appeared consecutively among the top 7 global Fintech Hubs cities in several ranking indexes or reports.

The remarkable changes in financial technologies, continuous improvement and scalability of Fintech solutions have made it a choice to use digital payment systems over cash.

Every sector where payment is needed has digital payment options in Chinese societies.

Figure 6: Where the Inbound and Outbound Transactions Happened April 2024



Source: Agpaytech

Who Are The Non-bank Payment Sector Players?

China's financial setting has undergone a dramatic transformation over the past decade, driven by rapid technological advancements, regulatory reforms, and changing consumer behaviors.

At the heart of this evolution is the non-bank payment sector, which has emerged as a dynamic and integral component of the Chinese economy.

This sector comprises various financial technology (FinTech) companies and service providers that offer innovative payment solutions outside the traditional banking framework, catering to the needs of both domestic and international markets.

The rise of digital payment platforms, mobile payment solutions, and blockchain technologies has redefined how transactions are conducted, making them faster, more secure, and highly convenient.

Key players in China's non-bank payment sector include globally recognized giants like Alipay (operated by Ant Financial), WeChat Pay (a service within Tencent's WeChat app), and UnionPay International.

These companies have not only dominated the domestic market but have also made substantial impacts on international territories, facilitating cross-border transactions and global e-commerce.

Additionally, emerging players such as PingPong and LianLian Pay are gaining prominence, particularly in the cross-border e-commerce domain, by providing specialized payment solutions tailored to the needs of online sellers and consumers.



At the heart of this evolution is the non-bank payment sector, which has emerged as a dynamic and integral component of the Chinese economy

Figure 7: Non-bank payment ecosystem in China



FinTech Firms

Firms such as Ant Financial and Tencent's WeChat Pay offer innovative solutions for cross-border payments, leveraging digital wallets and blockchain technology.



E-commerce Platforms

Companies like Alibaba and JD.com facilitate international trade, necessitating robust payment and receipt mechanisms to handle transactions with global customers and suppliers



Technology Companies

Tech giants like Huawei and Xiaomi, engaged in international sales, also manage substantial cross-border financial flows.



Logistics and Service Providers

Companies like SF Express and other logistics firms facilitate international shipping, which involves handling cross-border payments

Source: Agpaytech

Mobile Apps and Digital Wallets in the Cross-border Payment

In China, mobile apps and digital wallets have become the backbone of this transformation, enabling seamless and convenient transactions across borders.

These technologies have not only facilitated international trade but have also empowered Chinese consumers and businesses to engage more freely in the global market.

There are several non-bank payment methods in China usually championed by mobile and card payment. For instance, mobile payments available include Alipay and Weixin (WeChat Pay).



Alipay+

Introduced in 2020, Alipay+ facilitates international transactions by allowing users to make payments abroad using their home country's mobile apps via QR code scans.

Visa, Mastercard, JCB, Diners Club and Discover cards can all be added to Alipay.

While Alipay+ can allow users to make direct payments abroad it also integrates foreign e-wallets such as Naver Pay, MPay, HiPay, tossPay, truemoney, TouchnGo, etc.

Alipay and foreign card network integration		Alipay foreign e-wallet integration	
Mastercard	American Express	tossPay	HiPay
Visa	Discover	MPay	TouchnGo,
Diners Club	JCB	Alipay+	AlipayHK
		TrueMoney	Naver Pay

Present and pay	Scan and Pay
<ul style="list-style-type: none"> Open a code for cross-border payment on an Alipay+ partner e-wallet 	<ul style="list-style-type: none"> Scan the merchant's payment code with an Alipay+ partner e-wallet
<ul style="list-style-type: none"> Present the payment code to the merchant for scanning 	<ul style="list-style-type: none"> Enter the payment amount and confirm to pay
<ul style="list-style-type: none"> Payment completed 	<ul style="list-style-type: none"> Payment completed



WeChat Pay is accepted in various countries, supporting Chinese tourists and expatriates. It also collaborates with international merchants to facilitate cross-border e-commerce.

WeChat Pay

Embedded within the popular WeChat messaging app, WeChat Pay is another major player in China's mobile payment market.

With its vast user base, WeChat Pay has extended its services to support international transactions.

WeChat Pay is accepted in various countries, supporting Chinese tourists and expatriates. It also collaborates with international merchants to facilitate cross-border e-commerce.

Visa, Mastercard, American Express, JCB, Diners Club and Discover cards can all be added to Weixin Pay.

The seamless integration with the WeChat app allows users to make payments easily within the app's ecosystem, including cross-border transactions.

Weixin Pay and foreign card network integration



Many international e-wallets are accepted by merchants in China

International e-wallets Accepted by Merchants in China

The non-bank payment sector within the Chinese financial industry has expanded its scope beyond mainland China to facilitate cross-border trade.

Many international e-wallets are accepted by merchants in China. Most of these e-wallets are from Hong Kong, Southeast Asia, Japan, South Korea, etc, and are accepted by merchants in China to facilitate cross-border payments and trade.



Bank Cards and Self-Exchange ATM-Cash Modernization

The Chinese regulators and financial authorities have made it easier for international cardholders to withdraw RMB cash from ATMs that accept international bank cards at the port of entry, some hotels, bank branches and exchange kiosks in the advantage points. International cardholders can get RMB cash via these methods.

On the other hand, it is easy to re-convert the unused Yuan Cashback to the users' home country currency or other major trading currencies at the port of exit through currency exchange service providers.

The convenience and speed of converting to RMB or re-converting to other currencies has facilitated the use of non-bank payment methods in China.

Recently, the Chinese financial sector has been widely open to international cards. All that users need to find out is whether the logos of their bank cards are displayed at the checkout counter or ask the cashier in charge.

There are several non-bank payment methods in China usually championed by mobile and card payment. For instance, mobile payments available include Alipay and Weixin (WeChat Pay). Visa, Mastercard, JCB, Diners Club and Discover cards can all be added to Alipay.





Lessons for Non-Banking Payment Sectors in Africa

Lessons for Non-Banking Payment Sectors in Africa



The African continent, with its growing digital economy and increasing cross-border trade, stands to gain crucial insights from China's experience.

The rapid rise of the Chinese Renminbi (RMB) as a dominant currency for cross-border payments, surpassing the US Dollar (USD) in several contexts, underscores a significant shift in the global financial landscape.

This shift, particularly driven by the non-banking sectors in China, provides a valuable case study for emerging markets, including Africa. The rise of RMB in cross-border payments by non-banking sectors offers valuable lessons for Africa.

The African continent, with its growing digital economy and increasing cross-border trade, stands to gain crucial insights from China's experience.

While the African continent can now boost growing non-bank payment service providers (PSPs) spearheaded by traditional bank subsidiary Fintechs, PSPs Fintechs, Telecoms mobile money, and international and domestic cards, actionable lessons need to be extracted from Chinese deliberate strategies to prioritize RMB usage in the cross-border non-banking payment system.

▪ Internationalizing Domestic Currencies in Africa

First, the key initiatives include policies to promote domestic currency in cross-border trade. For instance, the Chinese government has actively promoted the internationalization of the RMB through policies and agreements with other countries.

This includes establishing RMB clearing centers and signing currency swap agreements. Also, the Belt and Road Initiative (BRI) has expanded China's trade and investment footprint across the globe, facilitating greater use of RMB in international transactions.

▪ Lesson:

Policy Alignment: African countries can benefit from aligning their policies to support the use of regional currencies in cross-border transactions. Governments can promote local currencies by establishing regional clearinghouses and entering into currency swap agreements with key trading partners.

Regulatory Frameworks: Developing supportive regulatory frameworks that encourage innovation in the FinTech sector is crucial. These frameworks should focus on ensuring security and reducing barriers to entry for non-bank payment providers.

▪ Technological Advancements

Platforms like Alipay and WeChat Pay have significantly contributed to the use of RMB in cross-border transactions.

Their advanced technology and widespread adoption have made it easier for consumers and businesses to use RMB for international payments.

Also, the adoption of blockchain technology and other fintech innovations has enhanced the security, efficiency, and transparency of RMB cross-border transactions.

▪ Lesson:

Promoting homemade digital payment platforms: Africa can draw inspiration from China's success with digital payment platforms. Developing and promoting robust digital payment ecosystems can facilitate cross-border transactions using local currencies. Pushing for homegrown digital wallets to compete at the global level.

Leverage blockchain solutions: In addition, leveraging blockchain technology can enhance the security and efficiency of cross-border payments. African fintech companies should invest in blockchain solutions to gain a competitive edge.

▪ Market Demand and Consumer Preferences

The boom in cross-border e-commerce has increased the demand for efficient and cost-effective payment solutions, where RMB has become a preferred currency.

Chinese consumers and businesses prefer using RMB for international transactions due to lower conversion costs and the convenience of using their domestic currency.

▪ Lesson:

Joint digital infrastructure: Governments and private sector players should work together to support the growth of cross-border e-commerce. This can be achieved through investments in digital infrastructure and policies that facilitate international trade such as the African Continental Free Trade Agreement (AfCFTA).

Consumer Education: Educating consumers and businesses about the benefits of using local currencies for international transactions can drive adoption. This includes highlighting cost savings and the convenience of avoiding currency conversion.

▪ Competitive Advantages

Non-bank payment providers offer lower transaction fees compared to traditional banks, making them attractive for cross-border payments in RMB.

Moreover, faster transaction processing times and user-friendly interfaces provided by non-bank platforms have enhanced the overall payment experience, encouraging the use of RMB.

▪ Lesson:

Cost-effective Solutions: Non-bank payment providers in Africa should focus on offering cost-effective solutions. Lower transaction fees and competitive exchange rates can attract more users to use local currencies for cross-border payments.

Improving User Experience: Providing a seamless and intuitive user experience is essential. Non-bank payment providers should invest in user-friendly interfaces and faster transaction processing to enhance customer satisfaction.

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About Agpaytech Ltd.

Agpaytech Ltd. is a company pioneering in the Fintech space with a focused approach to building robust technologies for e-commerce Card Processing Solutions for Payment Service Providers (PSPs). Additionally, we provide Compliance and Regulatory Umbrella, Remittance-as-a-Service (RaaS), Banking-as-a-Service (BaaS), Foreign Exchange, Cross Border Payments, and digital currency technology.

We also provide practical white paper research support to central banks, government and private institutions, economic organizations, and NGOs in Africa. Our services expand from research projects, state-of-industry reports, project assessment, data collection, and consulting services in the fintech space.

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