

## **Mobile Community Inclusive Finance: Demand analysis and promotion strategy**

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**Key words:** Commercial bank, Community finance, Mobile inclusive finance.

**Abstract.** Rapid growth of mobile internet customers, flourish of mobile payment and transformation of traditional physical community finance towards mobile community bank create a good external environment for the development of mobile finance. Customer demand promotes rapid development of mobile community inclusive finance. The analysis on composition of household consumption expenditures of residents shows that consumption expenditures around family daily life of community residents are closely related to mobile financial service. The analysis on demands for community inclusive finance subdivided based on mobile financial application shows that mobile banking users prefer online shopping, video, tourism and travel and users in first-tier, second-tier and third-tier cities prefer different application types. China needs to use "mobile finance + inclusive finance" product design and marketing plan according to market environment and customer demand features, shape "community bank + mobile finance" service channel, strengthen innovation of mobile financial products of mid- and low-end community residents, enhance risk control of mobile community financial service and promote long-term development of mobile community inclusive finance.

### **Introduction**

Interest rate spread of deposit and loan of traditional financial institutions such as commercial bank narrows greatly and their profitability is greatly challenged under the situation of great change of internet financial environment. In recent years, commercial banks go with development trend, move towards characteristic and professional business path and provide community residents with equal and fair financial and life products and services through constant exploration of potential customers among community residents and use of mobile information technology.

In terms of mobile community inclusive finance, financial institutions mainly involving commercial banks integrate online and offline channels through mobile information technology and water-type marketing method with mobile terminal as carrier, try to establish a comprehensive service system of mobile financial payment for the convenience of people, benefiting people and favorable to people through cross-border development, provide community residents with one-stop services in daily life including online basic necessities of life and establish a brand-new, convenient, rapid and high-quality business ecosphere of community living consumption with mutual benefit so as to realize innovation of financial service mode.

The development of mobile banking and low- and mid-end community finance is two development points of inclusive finance. Inclusive finance especially emphasizes common benefit of vulnerable groups. Mobile community finance provides convenience for this. Integrated innovation of mobile community finance is a new path for in-depth development of inclusive finance. The combination of mobile terminal and external equipment becomes a main carrier of mobile community finance. With such mobile information mode, financial institutions can carry out business more conveniently, conduct marketing and expand audiences.

## **Market environment and customer demand of mobile community inclusive financial development in China**

### **Technical conditions of mobile community inclusive finance are increasingly improved.**

With the rapid development of internet and mobile terminal, modern society has presented mobile development trend. As the basic industry of mobile internet and internet finance, mobile payment will undoubtedly become the future battlefield of handheld life + finance.

As a method for coping with impact, the development of community finance and positive expansion of financial service and life business of community residents have become a strategic option of more and more banks. Therefore, the development of mobile community inclusive finance by Chinese commercial banks is a wise measure going with historical trend and advancing with the times.

### **Traditional physical community finance gradually transforms towards mobile community bank**

Bank financial services mainly involved physical business in banking outlets before 2000. Such business has restrictions in both time and space. Therefore, to break through business restrictions in terms of time, commercial banks set up a lot of ATMs between 2000 and 2010, created new personal financial service channel with self-service, realized "24-hour services" of basic business such as deposit, withdrawal and transfer and meanwhile constructed online banking greatly with internet and gave customers more time of selection. In terms of space, self-service equipment becomes organic supplement of banking outlets. Faced with the change of business environment and strong offensive of competitors, commercial banks especially small- and medium-sized banks regard community branch as a form of organizational innovation for further sinking the center of gravity of financial service and extending financial services. However, community branch has its management problems. The most prominent problem is service marketing dilemma. Current community banks are still physical extension of banking institution or service and do not penetrate into community life. Life financial services in urban and rural communities are lacking. Inclusive finance has broad prospect. Under mobile internet environment in the new period, the supply of financial services is no longer limited to traditional physical banking outlets. A lot of third-party service providers have joined market competition of financial service products such as payment settlement, financing and money management with internet as the platform, changed features of service marketing through background personnel, virtual presentation and mechanized process and seize market shares with preference and even free services absorbing customers. To break through restrictions of traditional physical management mode and community banks of Chinese commercial banks, "mobile community bank" relying on mobile internet information technology has emerged.

### **Customer demand promotes rapid development of mobile community inclusive finance.**

Though Chinese commercial banks have successively established community banks in order to make up for defects of blank community financial services in the long term, the change of consumption mode and habits of bank customers makes more and more customers attach importance to rapid and convenient value-added services and customer experience. Restrictions of community bank in place and time make it difficult to adapt to the faster and faster life and work pace. Meanwhile, with the rapid development of e-commerce, more people are willing to choose non-face-to-face transaction mode so as to obtain more convenient commodities and services.

### **Demand differentiation of mobile community inclusive finance in China**

To make mobile community inclusive finance get sustainable development motivation, it is required to categorize consumer demands of community residents in detail and then analyze market positioning of commercial banks specifically according to consumption categories of residents.

Consumer demands can be judged according to consumption expenditures of residents. Consumption expenditures mainly include all used for daily life of resident households. In terms of the composition of resident household consumption expenditures, these contents have close relation with mobile payment and mobile banking (table 1 Comparison over Annual Per Capita Consumption Expenditure Structure of Urban and Rural Residents).

### **Analysis on demands for community inclusive finance subdivided based on consumer demand**

Consumer demands can be judged according to consumption expenditures of residents. Consumption expenditures mainly include daily living expenses of resident households such as clothing, food, residence and medical service. Table 1 shows that consumption expenditures of resident households mainly include food, clothing, residence, household equipment supplies and services, health care, transportation and communication, educational cultural and recreational services, other commodities and services. These contents have close relation with mobile payment and mobile finance.

First, food demand. Food is the paramount necessity of people. Demand expenditure of Chinese community residents in food is the most basic consumption expenditure. According to the analysis on graph data, food demand occupies the largest proportion in residents' consumption expenditure in both rural and urban regions. It is closely related to the most basic life of community residents. Therefore, when expanding mobile financial business, commercial banks must pay special attention to demands of community residents for food payment.

Second, clothing demand. Clothing expenditures mainly refer to expenditures of resident households used for buying various clothing supplies and various materials for processing wearing supplies and processing fees. Attention should be paid to this variation trend when rural mobile financial business around clothing expenditure is carried out.

Third, residence expenditure. Residence expenditures refer to consumption expenditures related to residence, including housing decoration, property management fee, rent and expenditures in water, electricity and fuel of community residents but excluding house purchase and construction expenditures. This item is especially closely related to mobile payment and is an innovation focus of mobile banking in recent years.

Forth, family equipment supplies and service demands. This item refers to various goods for everyday consumption of households and household services, including durable consumer goods, interior decoration, bedding article, daily groceries of households, furniture and domestic service. Such expenditures occupy a relatively lower proportion without great variation. Therefore, they are not analyzed specifically here.

Fifth, health care demand. Medical expenditures refer to those used for medical supplies and health care medicines, articles and service fees, including medical appliances for community residents, health care products, medical fee, tonics, health care services and other medical fees. With the improvement of rural living standard and medical conditions, more attention is paid to health in rural regions. This trend shows that mobile financial business around rural medical care such as mobile payment has great development prospect.

Sixth, transportation and communication demands. Transportation and communication expenditures refer to expenditures used for transportation and communication tools and various relevant service fees and maintenance fees. This item has closer relation with mobile payment demand of residents. Therefore, the innovation of mobile financial products around transportation and communication demand especially rural transportation and communication demand seems especially important.

Finally, educational, cultural and recreational demands. Such expenditures refer to expenditures used for buying educational, cultural and recreational supplies and various relevant service fees. Such demand is related to mobile expenditure demand such as payment demand for tuition payment and cultural and recreational services. Such expenditures occupy a lower proportion in rural regions than in urban regions.

Table 1. Comparison over Annual Per Capita Expenditure Structure of Urban and Rural Residents (Unit: %)

| Indicator name | Region | Food  | Clothing | Residence | Household equipment supplies and services | Medical care | Transportation and communication | Educational, cultural and recreational services | Other commodities and services |
|----------------|--------|-------|----------|-----------|---|--------------|----------------------------------|---|--------------------------------|
| 2005           | Urban  | 36.69 | 10.08    | 10.18     | 5.62                                      | 7.56         | 12.55                            | 13.82   | 3.50                           |
|                | Rural  | 45.48 | 5.81     | 14.49     | 4.36                                      | 6.58         | 9.59                             | 11.56   | 2.13                           |
| 2006           | Urban  | 35.78 | 10.37    | 10.40     | 5.73                                      | 7.14         | 13.19                            | 13.83   | 3.56                           |
|                | Rural  | 43.02 | 5.94     | 16.58     | 4.47                                      | 6.77         | 10.21                            | 10.79   | 2.23                           |
| 2007           | Urban  | 36.29 | 10.42    | 9.83      | 6.02                                      | 6.99         | 13.58                            | 13.29   | 3.58                           |
|                | Rural  | 43.08 | 6.00     | 17.80     | 4.63                                      | 6.52         | 10.19                            | 9.48  | 2.30                           |
| 2008           | Urban  | 37.89 | 10.37    | 10.19     | 6.15                                      | 6.99         | 12.60                            | 12.08   | 3.72                           |
|                | Rural  | 43.67 | 5.79     | 18.54     | 4.75                                      | 6.72         | 9.84                             | 8.59  | 2.09                           |
| 2009           | Urban  | 36.51 | 10.47    | 10.02     | 6.42                                      | 6.98         | 13.72                            | 12.01   | 3.87                           |
|                | Rural  | 40.97 | 5.82     | 20.16     | 5.13                                      | 7.20         | 10.09                            | 8.53  | 2.11                           |
| 2010           | Urban  | 35.67 | 10.72    | 9.89      | 6.74                                      | 6.47         | 14.73                            | 12.08   | 3.71                           |
|                | Rural  | 41.09 | 6.03     | 19.06     | 5.34                                      | 7.44         | 10.52                            | 8.37  | 2.15                           |
| 2011           | Urban  | 36.32 | 11.05    | 9.27      | 6.75                                      | 6.39         | 14.18                            | 12.21   | 3.83                           |
|                | Rural  | 40.36 | 6.54     | 18.41     | 5.92                                      | 8.37         | 10.48                            | 7.59  | 2.34                           |
| 2012           | Urban  | 36.23 | 10.94    | 8.90      | 6.69                                      | 6.38         | 14.73                            | 12.20   | 3.94                           |
|                | Rural  | 34.41 | 7.32     | 19.47     | 6.31                                      | 9.49         | 12.06                            | 8.23  | 2.72                           |
| 2013           | Urban  | 30.13 | 8.40     | 23.27     | 6.11                                      | 6.15         | 12.54                            | 10.75   | 2.65                           |
|                | Rural  | 33.61 | 7.16     | 19.13     | 6.29                                      | 10.04        | 13.02                            | 7.94  | 2.81                           |
| 2014           | Urban  | 30.05 | 8.15     | 22.48     | 6.18                                      | 6.54         | 13.21                            | 10.73   | 2.67                           |
| 2015           | Rural  | 29.73 | 7.95     | 22.09     | 6.11                                      | 6.75         | 13.53                            | 11.14   | 2.70                           |

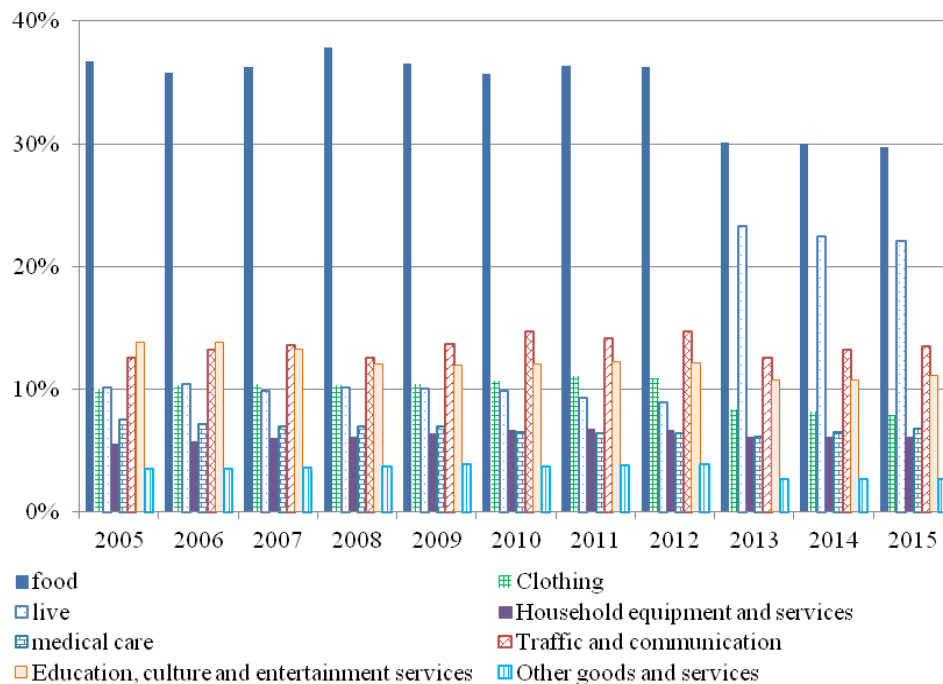


Fig. 1. Comparison over Annual Per Capita Expenditure Structure of Urban Residents (Unit: %)

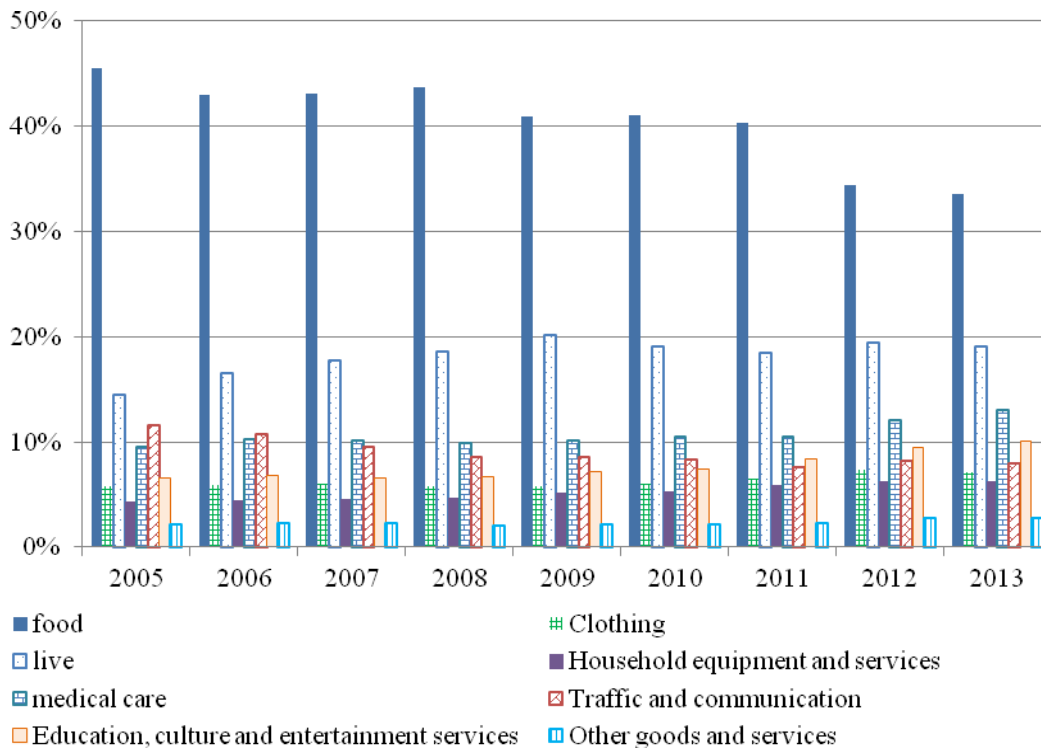


Fig. 2. Comparison over Annual Per Capita Expenditure Structure of Rural Residents (Unit: %)

**Analysis on demand for community inclusive finance subdivided based on mobile financial application**

Application relevancy Top5 of application types preferred by mobile banking users shows that application types with high preference relevancy of mobile banking users include online shopping, tourism, video and travel. This shows that mobile banking users prefer online shopping, video, tourism and travel. During the development and optimization of mobile community inclusive financial products, financial demands of customers related to these aspects shall be considered. Table 2 shows application preference in some subdivided trade of mobile finance. According to the table, more attention should be paid to financing demands with strong relevancy to P2P.

Table 2. Application Preference TGI in Some Subdivided Trade of Mobile Finance in March 2016

| City level           | Mobile banking | Traditional broker securities | Traditional insurance | P2P  | Bank credit card |
|----------------------|----------------|-------------------------------|-----------------------|------|------------------|
| First-tier           | 0.99           | 1.26                          | 0.90                  | 0.96 | 1.20             |
| Second-tier          | 1.05           | 1.01                          | 1.04                  | 0.83 | 1.13             |
| Third-tier and below | 0.97           | 0.91                          | 1.01                  | 1.13 | 0.85             |

Data source: processed according to data of TalkingData Report on Mobile Financial Application Industry in 2016.

**Promoting strategies for mobile community inclusive finance in China**

With the acceleration of Chinese urbanization process, community residents have increasingly higher demands for all-round and multi-level financial services. The development of community finance and the improvement of community financial service quality are realistic manifestation of performance of inclusive finance concept.

**Implement "mobile finance + inclusive finance" product design and marketing plan**

Virtual inclusive community financial service platform should be established through mobile banking. Financial service system integrating micro-money management, micro-payment, micro-financing and micro-withdrawal should be established for inclusive groups. It is required to make a

differentiated mobile community financial service platform with urban and rural communities as unit according to features of each community, thus providing one-stop services such as exclusive investment and financing, payment, shopping, property management, express and logistics, enriching the life of community residents and creating caring mobile financial services.

### **Build "community bank + mobile finance" service channel**

Community banks will often handle many periodic and repetitive simple services. Such services create low profits but have low difficulty in operation. The integration of services closely related to daily life such as utility fee, as fee, telephone fee and property management fee, various financing services and community medical service into mobile terminal operating system can reduce the queueing time of community residents and improve service quality.

### **Strengthen innovation of mobile financial products for low- and mid-end community residents**

Low- and mid-end community residents urgently need life convenience and more flexible and convenient financing choices. Therefore, small and medium-sized banks should design mobile financial products from the perspective of payment settlement and financing design.

Payment settlement products are mobile financial products to be first considered by low- and mid-end community residents. Community residents are often faced with complicated and diversified financial services in daily life. Therefore, the design of payment settlement products should focus on "convenience" and complicated payment settlement services should be unified in mobile client.

### **Strengthen risk control of mobile community financial services**

When expanding new boundary of mobile financial field, it is required to adhere to the principle of prudence and always regard information security and client rights and interests protection as the premise and base line of innovation. Banks should establish joint prevention and control with each link on mobile payment chain such as operators, merchants and clients, expand security boundary and innovate safe mode with technical advantages of mobile internet and mobile intelligent terminal such as video record, geo-location and biological recognition so that mobile financial services can give play to its inherent convenience and meanwhile be safe and reliable with controlled risk and realize harmony and unification of innovation and safety.

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