Denave

TRACING THE JOURNEY FROM CASH TO E-PAYMENTS

-- Real Money | Virtual Wallets --

WHAT IS AN E-WALLET?

- A type of pre-paid account in which a user can store his/her money for any future online transaction
- Generally, app-based, doesn't need a physical card for operation
- Online or in-store payment can be done with a computer or through any smart device – smartphone, tablet etc.
- Can be linked to a user's debit card, credit card, prepaid card, bank account, etc. for payment

TYPES OF E-WALLETS?

NFC-based
Tokenized wallet with usage limited to NFC-capable POS terminals

Digital only
Wallet designed for use online with limited application in the physical world

QR code-based
Works with QR code usage on either merchant's POS or customer's device

Text-based
SMS-based payment platform with mobile phone functioning both as sending device and POS terminal

Based on Technology

Closed
Issued by a company to its clients for buying its goods/ services
Don't allow cash withdrawal

Open
Similar to semi-closed wallets but allow cash withdrawal at ATM's or business locations

Semi-Closed
Used to buy goods and services (including financial ones) at merchant sites which have contract with wallet issuer
Don't allow cash withdrawal

Semi-Open
Operated only by banks and allows usage with merchants who have contract with bank

Based on RBI Guidelines

FEW MAJOR MILESTONES

- **1997** First mobile payment is sent via SMS to a Coca-Cola vending machine
- **1998** PayPal is founded, focus shifts from mobile payments to online payments
- **2004** Alibaba launches Alipay
- **2010** Paytm was launched in India
- **2011** Google launches Google Wallet, a mobile wallet
- **2012** Apple introduces the Apple's Passbook
- **2016** Unified Payment Interface (UPI) comes into picture in India

Source - 1 & 2

PRESENT DAY INDIA LANDSCAPE

- India is one of the top markets globally in terms of mobile wallet adoption, followed by China and Denmark
- As per a survey, **55.4%** people are active users of mobile wallet
- Demonetization proved to be a strong impetus for increasing e-Wallet adoption
- Mobile wallet share jumped from just **7%** to **29%** during 2013-2017
- Mobile wallet market registered whopping growth, with a CAGR of **48.85%** during the period of 2012-2016
- The total value of mobile wallet transactions grew **two-and-half times** between 2016 and 2017
- Mobile wallet transactions rose from **INR24 billion** in 2013 to **INR955 billion** in 2017
- Paytm, Mobikwik, Google Pay and Phone Pay have a collective active user base of **600 million**
- Paytm dominates the mobile wallet market, accounted for **9.9%** share in total e-commerce transaction value in 2017, closely followed by PayPal with a **9.8%** share
- Proportion of cash transactions in the total consumer spending in the country came down from **78%** in 2015 to **68%** in 2017

Source - 3 & 4

FEW MAJOR PLAYERS IN INDIAN MARKET

Paytm | MobiKwik | freecharge | pockets | SBI Buddy | airtel Payments Bank | PhonePe | JioMoney

BENEFITS OF E-WALLETS

- Minimal risk of theft
- Operation of multiple accounts simultaneously
- Faster & streamlined user experience
- Reduced banking transaction costs

GROWTH CATALYSTS

- Increased smartphone penetration
- E-commerce growth
- Consumer's need for convenience

GROWTH INHIBITORS

- Proclivity towards cash
- Huge urban-rural divide
- Limited access to formal banking services
- Technical and connectivity issues
- Lack of clarity over benefits on other payment methods
- Increasing competitive defence from credit and debit cards

PREDICTIONS FOR INDIAN MARKET

- By 2020, e-wallet industry is set to acquire share of more than **$6.6 billion**
- By 2020, number of merchant establishments who will accept digital payments will rise to over **10 million**
- By 2022, smartphone penetration will cross the figure of **702 million**, further pushing the e-wallet market
- Digital payment market is currently pegged at **$200 billion** and expected to touch the **$1 trillion** mark by 2023

Source - 5 & 6

TRENDS TO WATCH OUT FOR!

- Wallet apps built on UPI using open APIs to see more adoption
- Interoperability between mobile wallets to see a rise
- QR code tech will be preferred by merchants as it will eliminate the use of expensive EDC (electronic data capture) machines or NFC (near-field communication) devices
- Securing the payments and preventing frauds will be a key focus area for service providers
- Artificial Intelligence and machine learning will further streamline back-end payment processing
- Consumer demand of ubiquity in both online and offline payments will push for consolidation of e-wallet service providers
- Education, awareness and infrastructure will be key to amplified penetration of m-wallets

Sources::

1. https://www.techbullion.com/mobile-wallet-origin-history-financial-technology/
2. https://www.electran.org/publication/transactiontrends/a-brief-history-of-mobile-wallets/
3. https://www.globaldata.com/mobile-wallet-gradually-displacing-cash-india-says-globaldata/
4. https://www.livemint.com/Technology/ACHEI16Im836A4AM5ODTkN/The-top-five-trends-in-Indias-digital-payment-landscape.html
5. https://www.indiainfoline.com/article/news-personal-finance/5-things-to-know-about-e-wallets-118021600106_1.html
6. https://www.oliveboard.in/blog/digital-payments-paytm-mwallet-electronic-infographic/

©Denave