

Digital Wallet Market in India

2.6X

The value and volume of mobile wallet transactions have more than doubled during Sep-16 and Sep-17.



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Market Overview

Favourable regulations and increasing technology adoption

India has been predominantly a cash based economy. However, the increasing adoption of smart phones coupled with regulatory supports such as demonetization have driven the usage of digital payments.

At present, mobile payments form a very small part (<1% in volume terms) of the digital payments market. It has grown significantly during the past three years – from 0.1% of the total annual transaction volume in 2014 to 0.3% in 2015 and just short of 1% in 2016.

<1%

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Market Dynamics

Entry of global players and increasing competition

Currently, the market is dominated by Paytm with over 46 Prepaid Payment Instrument (PPT) licenses until 2016. Although at a nascent stage, digital wallet market has attracted global players due to sudden spur in its usage (see the table).

Market players categories and user base

Category	Player / App	Users, MN	Notes
Leading players	Paytm	230	Funded by Alibaba
	Freecharge	50	Acquired by Axis Bank in 2017
	Mobikwik	55	Funded by Sequoia in 2013
New entrants	Tez by Google	7.5	Entered in 2017
	Amazon Pay	NA	Entered in 2017
	Flipkart Money	NA	Entered in 2016
	Jio Money	NA	Entered in 2016
	Udio	NA	Entered in 2016
Planned	WhatsApp	200	NA

This table represents only a few players - there are many other players and mobile wallet apps available

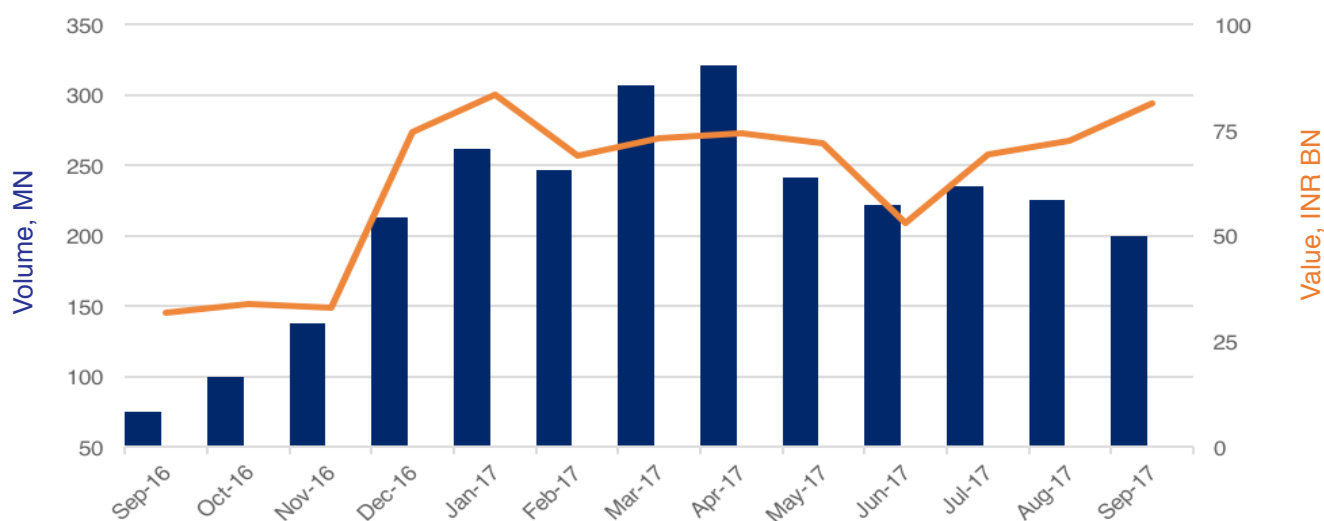
Source: News articles

Roller coaster ride

If we compare pre vs post demonetisation volume and value, mobile wallet has shown exponential growth. Both volume and value increased 2.6 times during Sep-16 and Sep-17. However, the market has witnessed a roller coaster ride. In May-Jun 2017 the mobile wallet

market witnessed highest decline, ever, in volume terms (26% or ~INR19BN). This poses important questions for market players. Amongst many, some of them are increasing competition, customer retention and sustainability.

Mobile wallet payment, volume and value



Source: RBI

Market Outlook

Many questions to be answered

Coming years will be exciting with growing consumer confidence and ecosystem support. Also, the market is expected to witness increasing competition supported by attractive discounts from incumbents as they aggressively focus on expanding merchant network.

Going forward, both existing and new players will have to answer many questions to grow and sustain. Some of the key questions are: How will they continue to attract customers? Will they be loyal in the absence of offers/discounts? How long will it take for the business to turn from push to pull and make it sustainable?

NOTES:

Sources used:

1. Reserve Bank of India
2. The Associated Chambers of Commerce and Industry of India
3. NDTV
4. Inc42
5. TechCrunch
6. Times of India
7. Livemint
8. Bloomberg Quint
9. Financial Times
10. The Hindu Business Line

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