Banking on the e-wallet in Malaysia

October 2018
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Going shopping?

You can leave your wallet at home

Mobile e-wallets have grown in prominence due in no small part to the regulator's initiatives towards a cashless society.

What could the e-wallet look like in the future?

The e-wallet market is poised for strong growth and could support future functions such as remittances, e-payments and shared QR codes.

Malaysia has been a hotbed for e-wallet players in the last few years

Number of approved non-bank e-money issuers in Malaysia

Source: Bank Negara Malaysia, Department of Statistics Malaysia (2018), GSMA, MasterCard, Newzoo, PwC Research & Analysis

Other payment solutions

Note: In addition to non-bank e-money issuers, there are 5 bank e-money issuers

The e-wallet industry is still in its infancy where many players are spending heavily to acquire customers and merchants.

High internet and mobile penetration

86% Internet Penetration Rate

64% Mobile Phone Penetration Rate

High financial literacy in Malaysia

59% Aged below 35 years old

85% Of population is banked

Malaysia is prime for e-wallet adoption

Source: Bank Negara Malaysia, Department of Statistics Malaysia (2018), GSMA, MasterCard, Newzoo, PwC Research & Analysis

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Despite an initial buzz, adoption still remains low

In Q2 2018, PwC Malaysia initiated a customer survey to gain insights on customer behaviours and adoption of e-wallets in Malaysia.

Only 22% of our respondents are e-wallet users...

... majority of whom expect to use their e-wallets between 1-5 times a week.

Popular use cases for e-wallets include F&B, Retail and e-Commerce.

Core e-wallet use cases

- Retail
- Transportation
- F&B
- Prepaid top-up
- e-Commerce
- Bill payment
- P2P* transfers

*Peer-to-Peer

Based on PwC Malaysia’s estimates, the e-wallet market is projected to grow to c. USD20bn by 2024, underpinned by favourable industry growth dynamics and market potential.

Top 3 reasons for use

1. Promotions (e.g. cashback)
2. Convenience
3. Digital receipts

Key concerns raised

⚠️ Low merchant adoption
⚠️ Security risks
⚠️ Poor user interface

Cashback is very attractive! I hope they continue to offer this.

I can’t really use my e-wallet anywhere because many places don’t accept it.

Source: PwC Research & Analysis

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Note: We received close to 200 respondents, primarily working professionals within the Kuala Lumpur area. Approximately 90% of our respondents were 44 or younger.
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Malaysia currently lags behind regional players given its low adoption

**Malaysia**
- Market still in its infancy, with use cases primarily in F&B and Transportation.
- Fragmented market with players fighting for market share.

**China**
- Largest e-wallet market globally.
- E-wallet seen as a lifestyle necessity.
- Adoption driven by widespread services and products.
- Market monopolised by Alipay and WeChat Pay.

**India**
- Adoption encouraged by the prevalence of affordable smartphones.
- Usage however remains lacklustre as most customers and merchants still prefer cash.

**Singapore**
- Strong payments infrastructure (e.g. standardised QR codes).
- Adoption remains fairly limited due to competition from other payment methods (e.g. credit cards).

### e-wallet degree of success

<table>
<thead>
<tr>
<th>Country</th>
<th>Success Level</th>
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<tbody>
<tr>
<td>Malaysia</td>
<td>Low</td>
</tr>
<tr>
<td>China</td>
<td>High</td>
</tr>
<tr>
<td>India</td>
<td>Medium</td>
</tr>
<tr>
<td>Singapore</td>
<td>Medium</td>
</tr>
</tbody>
</table>

However, launch of the ICTF* by Bank Negara Malaysia is expected to improve adoption of e-wallets in Malaysia.

**Implications to the e-wallet industry**

Introduction of an interoperable QR code expected to significantly boost the overall functionality of the e-wallet.

ICTF will also level the playing field and encourage all players to accept and complete e-wallet payments outside of their proprietary ecosystem.

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*Note: *ICTF refers to Interoperable Credit Transfer Framework

Source: Bank Negara Malaysia, PwC Research & Analysis

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Our views on e-wallets in Malaysia

Do we need more than one e-wallet?

Users are spoiled for choice with over 40 e-wallet players in the market today. While consolidation in the market is inevitable, the question remains, how many e-wallets are sustainable in the longer term?

One wallet to rule them all?

Incentives such as cash-back promotions and convenience will remain key drivers of customer adoption. Market leaders are likely to be those who successfully achieve a sustainable network effect of customers and merchants.

Will e-wallets be mainstream?

Sustainability of e-wallet usage in Malaysia will depend on its ability to:

1) Convert avid cash users
2) Compete against other forms of cashless payments such as internet banking and debit or credit cards
3) Create compelling use cases to drive customer adoption in their daily lives.

Source: PwC Research & Analysis

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