



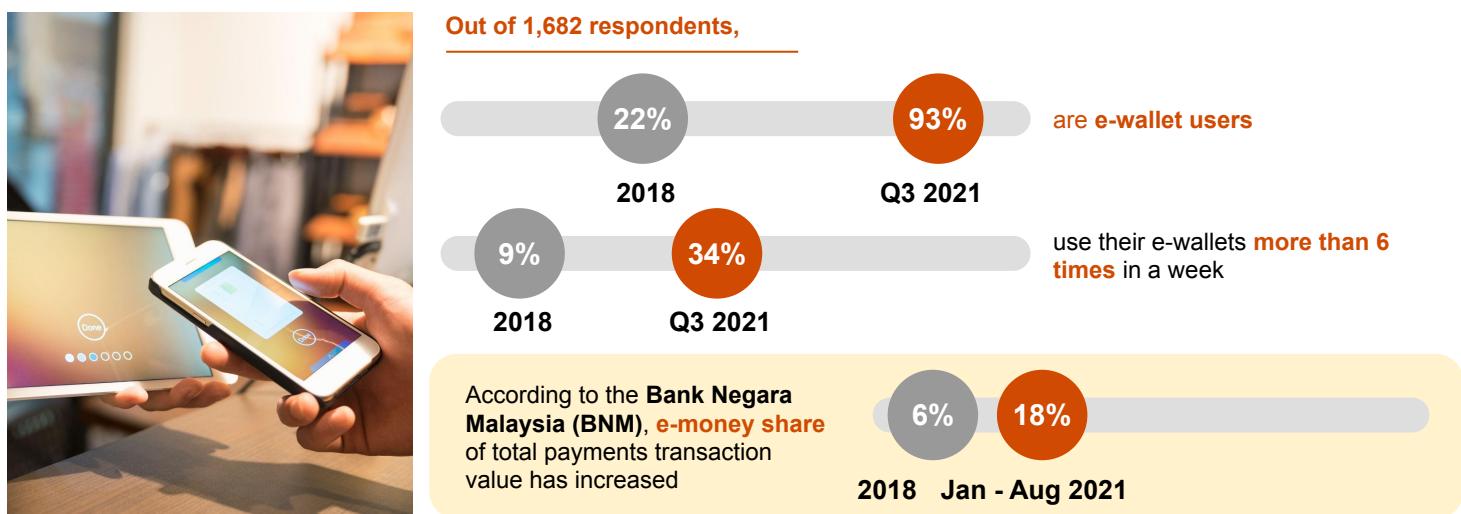
E-wallets: Accelerating the journey to financial inclusion

October 2021

Malaysia's evolving e-wallet landscape

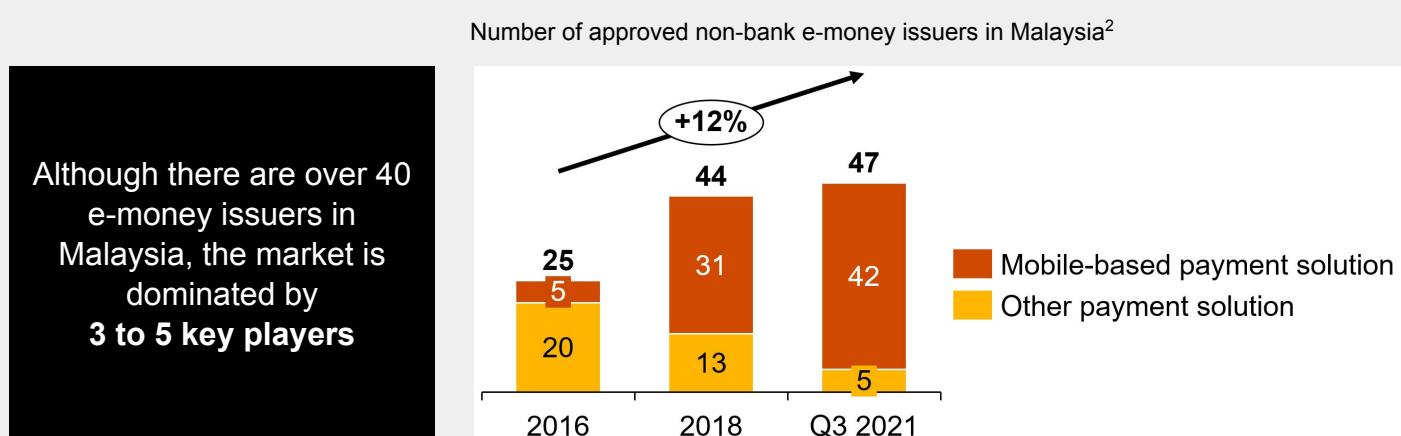
The number of e-wallet users and average mobile wallet transaction value has grown significantly

In September 2021, PwC Malaysia carried out a nationwide survey across all major demographic groups, employment status and income groups to assess the usage of e-wallets during the COVID-19 pandemic lockdown. Compared to the previous survey¹ conducted in May 2018, the average transaction frequency on e-wallets has almost doubled and weekly transaction values have increased more than three-fold.

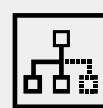


The top 3 activities on e-wallets were payments made for food delivery, e-commerce and transactions at F&B outlets, largely accelerated by government initiatives (e.g. e-Tunai, e-Penjana and e-Belia), customers' preference for reduced cash handling especially during the pandemic, wider merchant acceptance and strong daily points of interaction for customers.

Market entrants are drawn to the prospect of building an ecosystem with large monetisation potential



E-money licence holders comprise mainly FinTech companies, conglomerates, retailers, telcos, amongst others; with many penetrating the market to explore opportunities to:



Notes:

¹Banking on the e-wallet in Malaysia, October 2018, PwC Malaysia

²In addition to non-bank e-money issuers, there are 6 bank e-money issuers today

Source: PwC Malaysia e-wallet customer survey in September 2021, PwC research and analysis, Bank Negara Malaysia

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Strategic and financial investors are watching this space

Leading e-wallets have attracted strong interest and capital from foreign and local investors



Financial investors seeking to capitalise on the high growth potential of digital financial services through the mobile wallet



Investments by insurers to form distribution partnerships offering micro-insurance products on e-wallet platforms



Acquisition of smaller players by other payments operators to expand their customer base and product offerings

Target	Investor/Acquirer	Type	Date	Deal size (USD mn)	Equity
BigPay	SK Group	Fundraising	Aug 2021	Up to 100	Not disclosed
Touch 'n Go Digital	AIA Malaysia	Fundraising	Jul 2021	26	Minority
Fave ¹	Pine Labs	Acquisition	Apr 2021	45	100%
Touch 'n Go Digital	Bow Wave Capital	Fundraising	Jan 2021	49	Minority
Valyou ²	Merchantrade	Acquisition	Sep 2020	Not disclosed	100%
Boost	Great Eastern	Fundraising	Jun 2020	70	22%
GrabPay	Maybank	Fundraising	May 2019	49	30%
Touch 'n Go Digital	Alipay	Fundraising	Jul 2017	20	49%

However, consolidation is imminent, as the market is currently highly fragmented. Based on observations in the market, players with a larger customer and merchant base and capital will triumph in the e-wallet battle

Recent announced exits

- 2019**
 - Vcash** ceased operations citing changes in business strategy
- 2021**
 - Razer Pay** ceased operations on 30 September 2021 to focus on B2B digital payments

Given the intensity of competition, the market exits were driven by:



Low adoption and number of active users



Undifferentiated proposition and limited points of use



Large cash burn from heavy subsidies and rewards

Are more expected to follow suit? What do industry players think?

“ ...this space is crowded, especially the e-money space...My take is that at the end of the day, there will be two, or a maximum of three, winners **”**

- Effendy Shahul Hamid, CEO of CIMB Digital Assets (CDA) and group CEO of Touch 'n Go
The Edge Markets

“ Many e-wallet players may not have the capacity to sustain the business either financially or in terms of gaining user acceptance fast enough to remain relevant **”**

- Mohd Khairil Abdullah, CEO of Boost
New Straits Times

Notes:

¹ Fave is a mobile payment aggregator and payment platform, acquired by Pine Labs to strengthen its consumer-focused offerings

² Valyou is an e-wallet focused on the migrant workers segment, acquired by Merchantrade to expand its digital channels and strengthen its partnerships with financial services providers

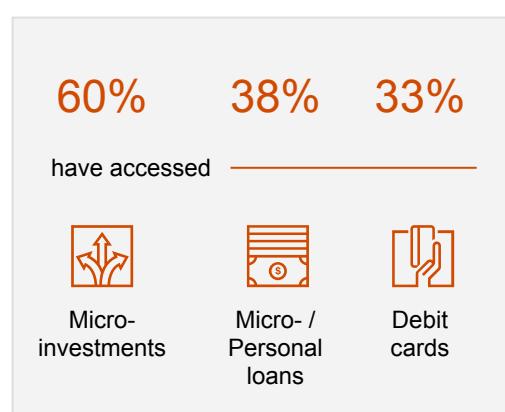
Source: PwC research and analysis, Capital IQ, Mergermarket, New Straits Times, The Edge Markets, Nikkei Asia

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Digital financial services may be the next growth frontier for e-wallets

E-wallet players have strengthened their offerings by venturing into digital financial services

15% of our survey respondents with e-wallets use at least one digital financial product



And 40% have expressed interest in purchasing digital financial products using their e-wallets in the future

Micro-investments rank the highest among preferred digital financial products sought by e-wallet users

1  Micro-investments

57% of respondents have indicated that they are willing to invest up to RM200 per month through their e-wallets

2  Debit cards

3  Insurance / Takaful

4  Micro- / Personal loans

5  Foreign currency and remittance

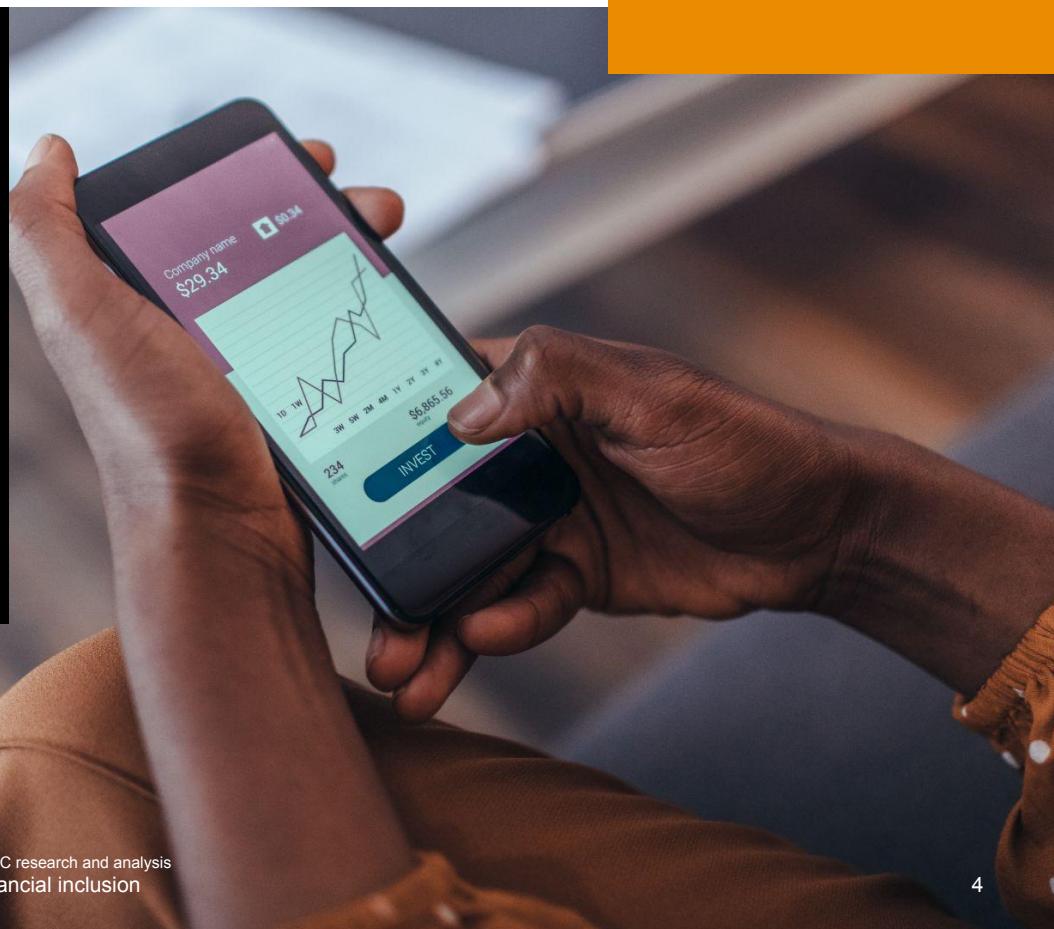
The top 3 key features of digital financial products for e-wallet users:

 Easy to understand

 Better pricing / returns

 Quick and easy application process

Based on PwC Malaysia's current estimates, digital financial services in Malaysia is projected to grow at CAGR of 44% from c. USD7bn in 2021 to c. USD30bn by 2025, driven by micro-investments and micro-insurance which are expected to be the fastest growing subverticals



Case study of potential implications of DuitNow QR

DuitNow QR is a **National QR Standard** established by PayNet under BNM's Interoperable Credit Transfer Framework launched in 2018, to offer better payment experience for both merchants and customers

Stronger competition anticipated ahead from interoperability between e-wallet players

Impact of DuitNow rollout

- 1 Standardised QR code enables payment interoperability among all participating banks and e-wallets
- 2 Customers can make payments from the mobile application of any participating bank or e-wallet
- 3 Cross border QR payments for Malaysia, Thailand and Singapore to be enabled for consumers and merchants in both countries

What does it mean for e-wallet players?

-  **Expansion of merchant base** due to interoperability outside a closed-loop ecosystem
-  **Increased convenience for customers**, enabling higher frequency of transactions on their preferred e-wallets
-  **Increased transaction volumes and Gross Transaction Value** from digital payments

Customer and merchant retention efforts will become increasingly more important

“...users can manage funds and make payments more smoothly and securely on the go, improving the payment experience...”

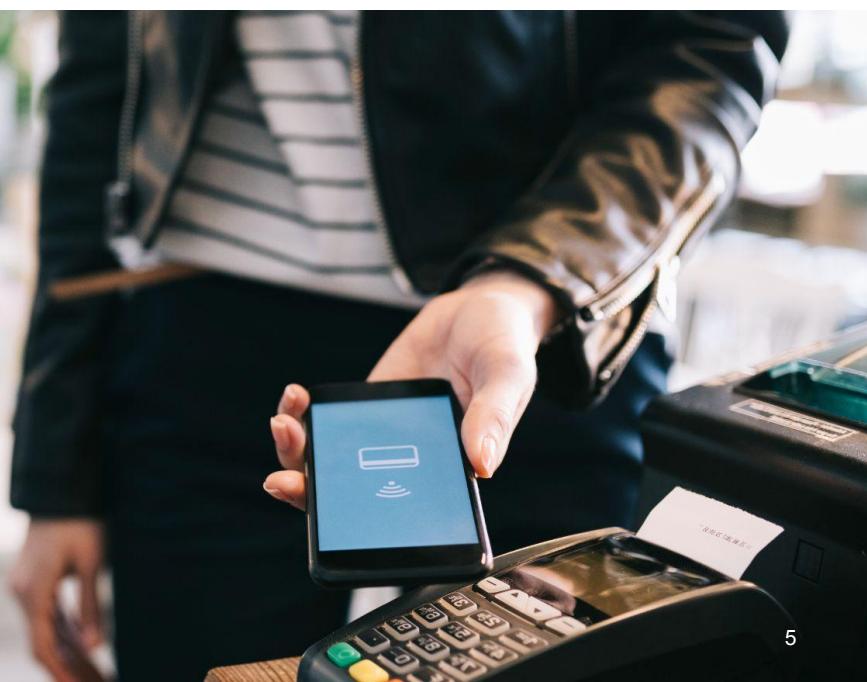
- Ian Ho, Regional Managing Director of Shopee Fintech News Malaysia

“It is so much more convenient for me now since I only need to use one e-wallet to pay at different shops instead of downloading another e-wallet”

- E-wallet customer

“My customers now find it so much easier and faster to pay with DuitNow QR”

- Retail store merchant



The future of e-wallets

E-wallets have a critical role to propagate financial inclusion in society

Potential switch in customer behaviour?

70%

of non e-wallet users prefer conventional payment methods.

However, 43% indicated they are willing to consider adopting e-wallets if digital financial services are offered on the app

“ One of our core goals is to increase financial inclusion in the region through our products and services...to continue to transform FinTech and become a platform for Southeast Asians to fulfill their financial needs, while also making our products and solutions more accessible, affordable and transparent ”

- Reuben Lai, Senior Managing Director and Head of Grab Financial Group
DealStreetAsia

“ We want to launch financial products that are not only simple and convenient but transparent and accessible to everyone...we will continue to provide fair financial services to communities across Southeast Asia ”

- Salim Dhanani, CEO & Co-founder of BigPay
BigPay press release

To improve customer engagement, mobile wallet players need continuous innovation and strong, strategic partnerships to offer market relevant products and services on their platforms



Innovative payments offerings

Introduce innovative payment solutions such as multi-modal payments, to enhance the user experience



Digital financial inclusion

Collaborate with financial services providers to integrate products into their e-wallets, leveling competition with other FinTech providers



Expand ecosystem offerings

Broaden the e-wallet ecosystem by offering lifestyle services through partners, to facilitate e-commerce and other daily transactions

Our perspective on the future outlook of e-wallets

- E-wallets are emerging as a commonly used digital payment method for Malaysians
- The market remains highly competitive, with too many players within a relatively small population. Consolidation is imminent
- Given the high investment and operational costs, e-wallets will need to be differentiated, through innovative and compelling product and service offerings to drive long term customer engagement
- E-wallets will play a key role in promoting financial inclusion due to its wide accessibility amongst all segments of society
- Digital financial services (e.g. micro-investments, micro-insurance) may be the next growth frontier for e-wallets given the untapped market potential for the underserved

Connect with us

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