

Digital push: e-wallet players drive innovation to survive

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Inter-operability between wallets may become a reality, bring more services to customers



New Delhi, December 27:

In 2017, you may see your smartphones hold a number of virtual cards for making digital payments. Thanks to the Narendra Modi government's digital push, there is every possibility that banks, which have tried to develop their own solutions and not met with great success, reach out to private e-wallet providers to collaborate in strengthening the digital payments ecosystem.

"In 2017, you will see wallets evolve. They will not be limited to just making payments. They will have better security features. They will have more value associated with them," Bipin Preet Singh, Co-founder, MobiKwik, a mobile wallet company, told *BusinessLine*. There will be deeper linkages between the bank account and the wallet, which will make the process of loading money and spending it more seamless than it is today.

"It will become possible, for example, to facilitate (providing) a real-time loan to a student who is paying an EMI for a laptop or a mobile through the MobiKwik wallet. These things will become reality in 2017. This is not micro-credit; (it's) a simple real-time loan," Singh said.

Value to customers

For wallets to survive and maintain the lead over bank-promoted wallets and Unified Payment Interface (UPI) solutions, more innovations are imperative. "There are a lot of changes, including interoperability between wallets that is going to happen in 2017. It is going to bring value to customers and businesses, and will also reduce costs," he added.

A whole layer of financial services will also likely be built in in the second half of 2017.

"You could see more collaboration between wallets and financial institutions. Banks are not going to go away. But wallets will continue to play an important role in payments involving everyday transactions."

UPI is in no position where it can challenge the wallet ecosystem because wallets have now been in existence for two years. If UPI has to win, all banks have to be aligned and committed.

"It's a bit confusing for customers that the same bank is launching a wallet and also providing a UPI-based solution. So, there is no clear message to the customer and therefore the UPI faces challenges in achieving success," Singh said, adding "The UPI has been promoted by a select set of people and am not sure if that is working today."

Singh also said that there is no magic wand that anybody can wave to achieve success in the digital payments space.

"It's a profit and loss game. In this game, whoever does the best job of getting best recall, delivering best user experience..it is those companies that will win," he added.

To early for conclusion

Vivek Belgavi, Partner & Leader - Fintech, PwC, said that it is too early to come to any conclusion on whether private sector e-wallet companies have stolen a march over bank-promoted wallets or the UPI. "It's early days yet. As of today, wallets are better positioned. As and when banks start focusing on merchant acquisitions, that's when the solutions pattern will start emerging," he said.

Pointing out another interesting possibility, Vivek said card-less infrastructure will overtake card-present infrastructure in 2017. This is because as expansion takes place, it would become a lot more costly to have card-present infrastructure at merchant locations. Thus, having a card reader in a Point-of-Sale (PoS) is a lot more expensive than a digital PoS at a merchant location using a mobile phone, he said. "You might end up seeing more virtual debit cards on your phone," Vivek said. According to Bipin, MobiKwik will look to launch its virtual card product in February 2017. Payment service providers and banks will build solutions to obviate the need for expensive PoS terminals with card reader and usher in the concept of using mobile phones as digital PoS.