

China Payments - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2019 - 2029

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Report description:

The China Payments Market size is estimated at USD 40.27 trillion in 2024, and is expected to reach USD 60.24 trillion by 2029, growing at a CAGR of 8.39% during the forecast period (2024-2029).

The primary factors driving the market's growth in the region are the cashless society, huge E-commerce market, and high penetration of mobile and online payments, among others.

Key Highlights

- China has developed differently in terms of payment methods; while others countries have switched from cash to credit cards and are now switching to mobile phones, China has skipped a step. Credit card usage in China is significantly less, especially for E-commerce.
- Chinese major players Alibaba and Tencent have a significant share in digital merchant payments by introducing AliPay and WeChat Pay and have driven the shift away from cash in the Chinese economy. The companies see digital payments not as a goal but as an entry point to a vast ecosystem of offline and online goods and services.
- The country's rapid shift in payment infrastructure is driven by widespread bank account and smartphone ownership in China. Also, mobile payments have been so successful in China because they are fast and straightforward and are driving the payments market in China. And this speed is possible because of the QR codes. In China, QR Codes are available everywhere, at every shop.
- Boosted by the growth of smartphone adoption and increasing internet penetration, especially in China, mobile payments have taken off since the onset of the pandemic. Naturally, online sales have rocketed for goods or digital services. The paradigm shift to digital ways of making payments has profoundly impacted the way many companies do business.
- China's approach to regulating fintech includes three points: Firstly, financial businesses in the region must be licensed to operate. Secondly, companies like insurance and wealth management must set up firewall security to prevent cross-sector risks.

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Finally, the link between non-banks and banking information services must be cut. The central bank has also required fintech businesses to set up holding companies and to include all subsidiaries engaged in financial activities.

-In December last year, the Bank of China (Hong Kong), the city's note-issuing bank, took the initiative in encouraging the usage of digital yuan (e-CNY), giving e-laisse incentives to consumers who register to use it. BOCHK is distributing red packet rewards worth 100 e-CNY, which can be utilized to purchase goods at 14 physical stores of grocery chain U Select around the city, to encourage people to test the digital currency.

-During the COVID-19 pandemic in China, the Payment & Clearing Association of China (PCAC) launched an action on 28 February 2020 to encourage people in mainland China to use mobile payment, online payment, and QR payment to avoid the risk of COVID-19 infection. This resulted in a rise in mobile and online payments in the region during the pandemic and is likely to grow further in the coming years.

China Payments Market Trends

Mobile Payments to Drive the Payments Market

- China's booming mobile payment is significantly dominated by big players such as Alipay and WeChat Pay, adopted widely by shopkeepers, restaurants, and various E-commerce platforms. Mobile payment solutions are further expected to gain traction in a country with high internet and smartphone penetration rates over the forecast period.

- Mobile health (mHealth) deployments have grown tremendously in recent years. Incorporating mobile payment services into healthcare offerings can play an important role in developing more sustainable business models for mHealth providers, increasing revenues through new value chain participants, and lowering costs associated with cash management, fraud, and the settlement of remote payments for diagnostics and other services.

- The key enabling factor in China that made it ripe for digital payments and the retail revolution is the high bank account ownership level, which served as a foundation for funding mobile wallets. Major regional players, such as Alipay and WeChat Pay, could ride on existing financial infrastructure through bank accounts, bank cards, and clearing and settlement systems.

- The major companies have also created easy onboarding for customers and merchants to drive uptake. Customers self-enroll through the app, and sellers can start accepting mobile payments by sharing their unique QR codes even before registering as merchants.

Rising Adoption of E-commerce Supported by M-commerce in China

- Mobile commerce is very popular in China, and this method of shopping dominates E-commerce in the country. Almost three out of every four of China's e-commerce transactions are carried out on smartphones. Major players are providing an advanced, market-leading mobile online shopping experience supported by innovative payment options to meet the demands and capture the attention of China's highly sophisticated mobile shoppers.

- As a result of new technology, customer demand, fintech disruption, and governmental actions, the switch from cash to digital payments has been gaining speed for years. This shift accelerated during the pandemic and the rise of e-commerce as more customers made purchases online. New categories of payment service providers have emerged due to the digital environment, and they have started to pose a threat to banks as the main supplier of digital payments and related services.

- Hong Kong is starting to use the BUY now, pay later (BNPL) payment mechanism, which is quickly becoming common in Asia's e-commerce market. For instance, in November last year, Ant Group expanded its product offerings in Asia, including a BNPL service in Hong Kong and small business loans in Singapore. Ant Bank PayLater is being rolled out on AlipayHK by the Chinese Ant Bank (Hong Kong) and AlipayHK subsidiaries. Users would be able to pay in installments while shopping on AlipayHK's network of

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merchants as well as on the e-commerce portal Taobao.

- Furthermore, online shopping penetration increased in the region, supported by mobile commerce and innovative digital payment solutions offered by various market players. For instance, CNNIC reported that the online shopping penetration was 73.6% in 2018, which grew to 80% last year.
- Moreover, digital Payment solutions such as Alipay and WeChat Pay are rapidly growing as payment solutions for E-commerce platforms. While Alipay benefits as a primary payment tool on all the e-commerce platforms owned by the Alibaba group, WeChat Pay, which Tencent offers, leverages its massive social media user base of 1.2 billion people to push online payments. As Chinese customers continue to embrace e-commerce, these payment solutions are further expected to gain momentum.
- Furthermore, there's been a surge of interest in BNPL services in China over the last decade. A few factors driving BNPL are unprecedentedly low interest rates, the rise of online payment through Alipay and WeChat Pay, and highly well-funded fintech start-ups eager to acquire new customers. Various E-commerce platforms in the region provide BNPL services to their customers.

China Payments Industry Overview

The China payments market is consolidated as few of the major players currently hold significant market share. These major players offer innovative mobile payment solutions and indulge in partnerships and acquisitions to gain market share. Major players in the China payments market include AliPay (Alibaba Group), WeChat Pay(Tencent Holdings Ltd.), and UnionPay International, among others.

In October 2022, MojodomoHoldings Limited, a performance-based voucher solution provider, announced the launch of "On-us," a new brand aimed at giving customers a trusted, seamless, personal, and social brand experience through incentives solutions that integrate financial, payment, and marketing technologies. In May 2022, HSBC launched a USD 5 billion sustainable finance program to support Greater Bay Area (GBA) firms in reducing their carbon footprints. Companies of various types with headquarters in the 11-city megalopolis in southern China that implement carbon-reduction initiatives are welcome to submit applications to the bank's GBA Sustainability Fund, which is open for 18 months.

Additional Benefits:

- The market estimate (ME) sheet in Excel format
- 3 months of analyst support

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