

WeChat and other mobile wallets face cost pressures from Beijing

Article

The news: Tencent will reduce transaction fees by 10% for small and medium-sized businesses (SMBs) using WeChat's payments system, per Reuters. The reduction will apply only to merchants classified as SMBs by China's Ministry of Industry and Information Technology. It will be retroactive from September 1, 2021, and run through September 30, 2024.

Key context: Chinese regulators and the central bank called on card processing firms to cut their fees by 10% in a June [directive](#) that sought to reduce fees for SMBs by \$3.7 billion. That order went into effect on September 30, 2021.

Beijing has also tightened its grip on major tech and financial firms more broadly.

- Last May, China's central bank reportedly [ordered](#) Tencent and other major tech players to offload all financial services unrelated to payments. The government was concerned that it was difficult to determine how much money flowed through the complex structure of their financial products.
- The government also reportedly ordered **Ant Group** to [break up](#) its loans businesses from its subsidiary **Alipay** to mitigate what it called “improper linkages” between financial services and payments.

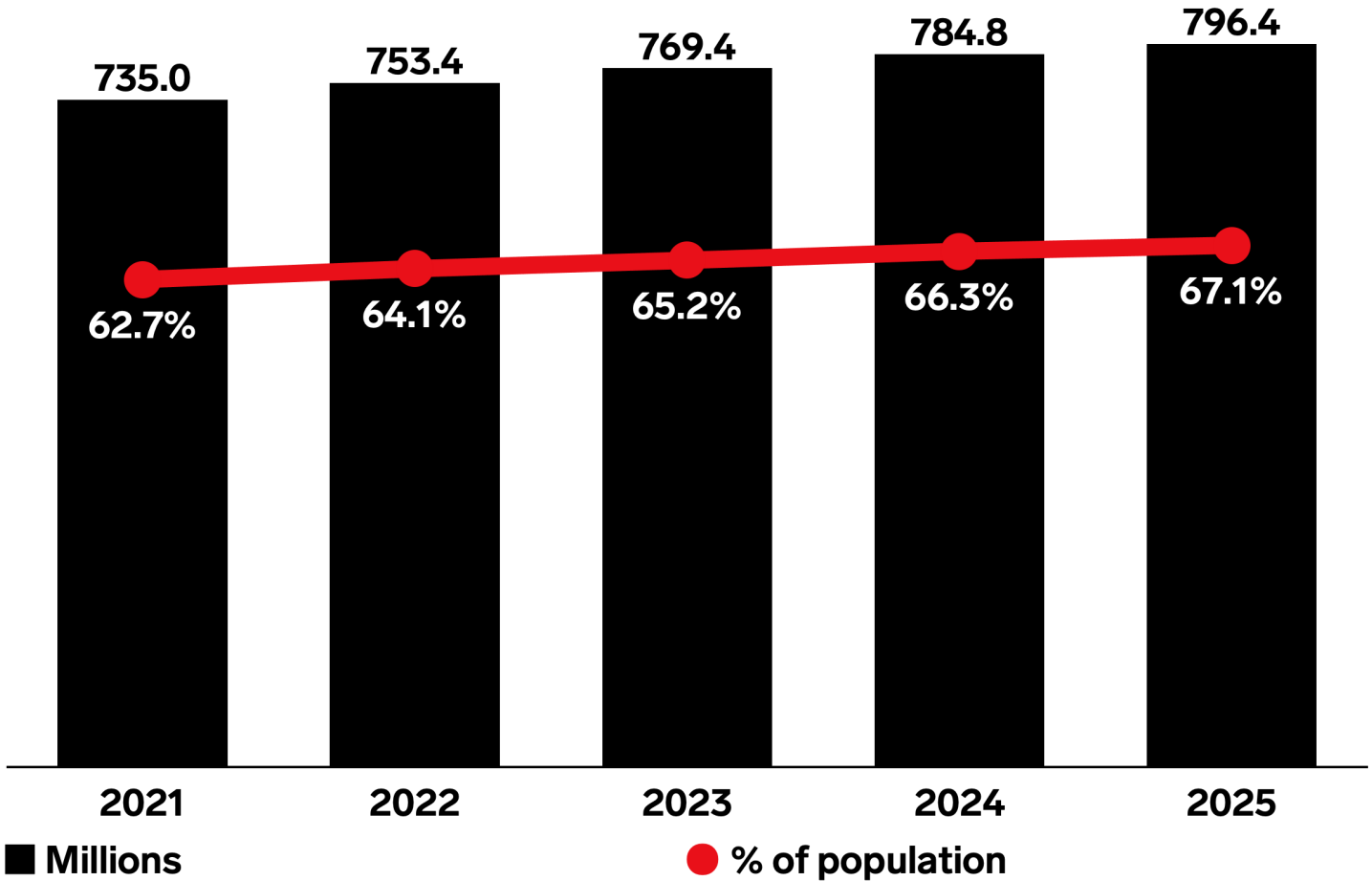
Our take: The government's crackdown on financial services is occurring alongside increased efforts to build out its central bank digital currency (CBDC)—which could squeeze mobile wallets even more.

- Leading up to the Beijing Winter Olympics, the government launched several initiatives to increase access to and use of the digital yuan, including offering [transit discounts](#) and releasing a [pilot](#) of the digital yuan app on Android and Apple app stores.
- Officials have said the CBDC isn't intended to compete directly with major mobile wallets, noting that there's interoperability with nonbank providers like Alipay and [WeChat](#). But behind the scenes, the goal seems to be to [disrupt](#) major wallets.
- Tighter regulation combined with efforts to get consumers on board with the CBDC—which is free or very inexpensive for merchants to accept—could weaken the dominance of market juggernauts like WeChat Pay and Alipay. **The two made up nearly 88% of China's mobile wallet users in 2021**, [per](#) Boku and Juniper Research. And mobile payments are nearly ubiquitous in China: Third-party mobile payment transactions hit RMB 249 trillion (approximately \$39 trillion) in 2020, [per](#) iResearch Consulting Group.

Related content: Check out our [“China Mobile Payments Forecast 2021”](#) report for an in-depth review of China's mobile payments landscape and how China's CBDC is coming into play.

Proximity Mobile Payment Users

China, 2021–2025



Note: Ages 14+; mobile phone users who have made at least one proximity mobile payment transaction in the past six months; includes point-of-sale transactions made by using mobile devices as a payment method; excludes transactions made via tablet. A proximity mobile payment is a point-of-sale (POS) transaction made by using a mobile device as a payment method. Includes scanning, tapping, swiping, or checking in with a mobile device at the POS to complete transaction; excludes purchases of digital goods on mobile devices, purchases made remotely on mobile devices that are delivered later on, and transactions made via tablets.

Source: eMarketer, June 2021

Methodology: Estimates are based on the analysis of the market presence of major mobile payment players; estimates from other research firms; and consumer smartphone, mobile payment adoption and retail spending trends.

1032365215886

[InsiderIntelligence.com](https://www.insiderintelligence.com)