

Alipay and WeChat Pay advances can boost credit card use, fend off digital yuan

Article

The news: Chinese mobile wallet titans **Alipay** and **WeChat Pay** are trialing credit card cash advances, per China Daily. In partnership with banks including the **Bank of Ningbo, China**

Everbright Bank, and **Ping An Bank**, users will be able to withdraw funds from their credit cards and transfer them to debit cards linked to digital wallets.

Alipay and WeChat Pay will offer the service for free, and banks will determine withdrawal limits and interest rates. Users won't be able to use cash advance funds to make debt payments or investments.

What it means: On its face, the move is designed to improve credit card use in the market after new regulations came into play.

- **Chinese credit cards per capita hover around 0.53**—lower than other developed markets, per Huaon. And use has stagnated at about **40%**, per Daxue Consulting.
- New regulations from the China Banking and Insurance Regulatory Commission (CBIRC) are meant to change that: If more than 20% of a bank's cards have no transactions or overdraft for 18 months, they'll have to pause issuance.

Credit card withdrawals could be a boon both to banks—which find themselves disintermediated by digital wallets—and to **UnionPay**, which holds a near monopoly in China's card market, by increasing card use.

The bigger picture: Pressure on major mobile wallets is building.

China's mobile payments market is highly mature: **Nearly 8 in 10 mobile phone users make both proximity and peer-to-peer (P2P) mobile payments, mostly through Alipay and WeChat Pay.** But Beijing has been cracking down on Big Tech, which could make apps harder to use and less appealing to customers.

- That might draw customers to the **digital yuan (e-CNY)**: The government reported **261 million enrollees**, and **1 in 5 adults in China have downloaded the official e-CNY app**, per Morning Consult.
- But interest is lukewarm: Both Alipay and WeChat Pay have higher favorability ratings, and many users see no need to switch.
- New use cases and incentives could change that—for example, 10 cities now accept the e-CNY for subway fare. Ningbo recently added an incentive for one-cent fares, and Guangzhou just added support for buses, per Coingeek.

Though the e-CNY has partnerships with Alipay and WeChat Pay, it's an alternative (and for merchants, cheaper) mobile payment option that could threaten the titans' dominance in the

market. Titans can seize on e-CNY's low interest by adding use cases like wallet-based credit card cash advances to maintain or grow their user bases instead of losing ground.

Mobile Wallet Users in China, by Provider, 2020-2025

millions

	2020	2021	2022	2023	2024	2025
Alipay	1,212.0	1,224.1	1,236.4	1,248.7	1,261.2	1,273.8
WeChat Pay	1,010.0	1,020.1	1,030.3	1,040.6	1,051.0	1,061.5
Mi-Pay	3.2	3.3	3.5	3.6	3.8	4.0
Other	246.9	311.3	384.9	460.2	554.8	668.7
Total	2,472.1	2,558.9	2,655.0	2,753.2	2,870.8	3,008.1

Source: Boku and Juniper Research, "Mobile Wallets Report 2021," July 8, 2021

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