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## What is digital wallets?

A digital wallet (or electronic wallet) is a financial transaction application that runs on mobile devices. It securely stores your payment information and passwords. These applications allow you to pay when you're shopping using your mobile or smart device so that you don't need to carry your cards around.

## How does a digital wallet work?

Digital wallets use the wireless capabilities of a mobile device, such as Wi-Fi, magnetic signals and Bluetooth, to transmit data. Technologies used by digital wallets include the following:

- Near-field communication (NFC). Enables two devices to connect to one another and the devices need to be within 3 to 4 inches of each other for NFC to connect.
- QR codes. These barcodes store information and use a smartphone's camera and scanning system. The QR code confirms payment is sent to the right person or business.
- Magnetic secure transmission. This is the same technology used by magnetic card readers when a credit card is swiped in the card machine's slot. The smartphone uses an encrypted field that the point-of-sale system reads.

When consumers hold their phone over the point-of-sale system, the digital wallet conducts the transaction

## Do I Need a Digital Wallet?

You don't necessarily need a digital wallet. However, they offer a convenient way to pay for your purchases because you don't have to carry cards around. This also increases card security—you can't lose your cards if you don't carry them.

## What do you think are the benefits of a digital wallet?

**Organization:** One of the most attractive benefits of digital wallets also happens to be one of their defining attributes: centralization. Rather than having multiple physical credit cards stacked together in a wallet or purse, digital wallets altogether eliminate the need to search for the appropriate card when making a purchase. Moreover, most digital wallets allow the user to store additional information or assets, such as loyalty cards, hotel reservations, and plane tickets. This can be particularly beneficial for businesses that frequently make travel arrangements for employees, as it ensures they have everything they need and mitigates the risk of a misplaced boarding pass or unnecessary confusion at the check-in desk.

**Convenience:** A digital wallet allows you to make your payments via your mobile so you are not carrying multiple cards daily

**Security:** With instances of card theft and financial fraud on the rise, it's more important than ever to ensure all business transactions are secure to the point of redundancy. Digital wallets deliver this level of protection through a process called tokenization, which ensures that all payment information is constantly encrypted throughout the checkout process, and further guarded by advanced identity verification technology, such as facial recognition or two-factor authentication (2FA).



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