

Digital Wallet – The impact on the Indian economy

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ABSTRACT:

Mobile wallets are versatile and secure which serves multiple purposes. They can act as a consolidated platform for different types of financial services at your fingertips without having the need to go to a physical bank. A digital wallet is a system that stores user's information and passwords for payment made by using internet as a means. . A digital wallet refers to a platform based on electronic device or online service that allows an individual to make electronic transactions. It is a transformed way to pay for things. It is basically paperless payment method which reduces all the hassle of carrying cash with you everywhere. Many digital wallet services have their own mobile apps. Post demonetization in India, the popularity of digital wallet gains exponentially. By using a digital wallet, users can complete purchases easily and quickly through communications technology. They can also create stronger passwords without worrying about whether they will be able to remember them later. They can be used with mobile payment systems, which allow customers to pay for purchases with their smart phones. It eliminates the need to carry a physical wallet, by storing all of a consumer's payment information securely and compactly. They are a potential boon to companies that collect consumer data. The more companies know about their customers' purchasing habits, the more effectively they can market to them. Digital wallets supports developing countries to participate in the global financial system. It also allows participants to accept payments for services rendered, as well as receive funds or remittances from friends and family in other nations. This research elucidates on empirical study.

Thus Digital wallets', gained a lot of popularity in recent times in India and around the globe. There are many digital wallets which are currently active in India like Paytm, Freecharge, Jio Money, Airtel Money etc. The aim of this paper is to explore, in detail, about different digital wallets which are very much in use in India and what are their policies and what all measures they take regarding the security of the user data.

Key words: e-Payments, Technology, internet

OBJECTIVE OF THE STUDY:

1. To understand the importance of Digital wallet in Indian Economy.

2. To understand the advantages and challenges of going digital.
3. To highlight the role played by the Government for digital movement in India.
4. To list the prospects for the effective implementation of digital payment.

Literature Review

- According to Ambarish Salodkar et al.- discusses that there are numerous applications like Paytm, freecharge, mobiquick etc. These applications can be downloaded and used for different purposes like making bill payments, doing online shopping and recharging phones etc. Some of these applications have their own portals a person can perform all the above mentioned and many more tasks via app itself. In all the applications a person has to link his credit/ debit card number with the application to make use of services provided by app. This paper also discusses different characteristics, various needs and risks of electronic payments. The author agrees on the fact that e-wallets allow the users to enjoy comfortable and easy going platform to shop and pay, that too in minimal possible time.
- Pinal Chauhan articulates on how e-Wallets are going to make money transaction less cumbersome for the users. The people who use mobile applications just need to make payment at point of sale just after doing the purchasing. Author also throw light on server side e-wallets and client side e-wallets. An encryption algorithm, known by the name RC4 is used for providing a secure transaction. Even after having some demerits like inter operability, advantages overweight the disadvantages.
- Roopali expressly states upon studying how digitalization of payments can be considered as a boon to growth of a country's economy. Authors also done an in depth analysis of adoption patterns i.e. how people reacts and adopts digital wallets. In his analysis, he concluded that the number of users incorporating the habit of believing and using digital wallets has increased tremendously. People find it a more convenient and less time consuming way for making the payments. It also elaborates about top five digital wallets in India. However the question of security remains unanswered. People feel helpless at the time of making international transactions. A lot of security mechanisms are yet to be explored to make the transactions foolproof.
- Trilok Nath Shulka specifies on the advent of technology, smart phones have grabbed the attention of a wide variety of customers. By using smart phones, it becomes easier for people

to use web applications more often. It has become a convenient platform for users to transfer money in fraction of seconds. The credit goes to various government agencies that motivated and reinforced people for using smart phones and this is how people are contributing towards digital India

- Security and privacy were the major concerns for the consumers which affect the adoption of digital payment solutions (Dahlberg & Mallat, 2002).

INTRODUCTION:

Digital wallet adoption has risen significantly in the last couple of years due to better, faster smartphones and fast mobile data connections. Consumers find digital wallets convenient because they are freed from the burden of currency, coins, and last-minute trips to the ATM. They also make it easy for shoppers to redeem coupons, loyalty points from stores and banks, and airline miles. We know that the future holds some form of integration for these online wallets into our household devices and wearables, but whether it's the TV or the fridge that ultimately becomes most successful is still a question.

The bigger dynamic at play currently is the various paths to digital wallet adoption, driven by two distinct factors: Local markets and consumer need. Local markets tend to be quite distinct from one another due to differences in regulatory frameworks, technological infrastructure, and the domination of a phone network or merchant provider. In every case where digital wallets have taken off, consumers have had a pressing reason to transact digitally, and their options are relatively frictionless and easy to access.

India is traditionally a cash-based economy, with the value of physical currency in circulation. The Government of India and the central bank have laid significant emphasis on financial inclusion and making banking and payment services accessible to all. Non-bank players such as telcos (through mobile money services) and business correspondents (BCs) — entities that assist banks in providing basic banking services in rural areas — have also contributed toward financial inclusion. The payments industry is growing rapidly, majorly driven by urbanization and electronification.

Banks have traditionally played a central role in providing payments services; however, the landscape is evolving with active participation from non banks in the electronic payments and remittance space. The key driving factors for electronification of payments in India are increasing smartphone penetration, growth in digital commerce, improvement in computer literacy, access to internet and broadband, and supporting regulations.

DIGITAL WALLETS IN INDIA

Gone are those days when people use to carry cash with them. At present, instead of physical wallet people pay through mobile wallets. Mobile Wallets are known as virtual wallets which act as a container that stores the credit card or debit card information on the mobile device. Instead of using cash or debit card for any payment, one can just pay through ones Smartphone, smart watch or tablet. Using m-wallets, one can do the online and offline transaction to merchant registered with the mobile wallet service provider. Millions of users in India are doing their daily transaction from small to big amount through virtual wallets, as they get discounts on purchase provided by the mobile wallet service provider.

According to RBI, there are three kinds of mobile wallets: closed wallets, semi-closed & open wallets.

Closed wallet

It doesn't provide services like redemption or cash withdrawal. It can only be used for goods and services for specific company. Online merchants like MakeMyTrip, Jabong, etc. are some examples of closed wallets. In case of any cancellation or to return product your registered MakeMyTrip or Jabong accounts credited with the refund amount. This can only be used with the registered merchant itself.

Semi-closed wallet

They are also similar like closed wallets. It also doesn't permit to redeem or withdraw cash but it allows users to purchase goods and services with listed merchants who have a contract with Wallet Company to receive payment. Paytm, PayUMoney, MobiKwik, Oxigen, etc. are examples of semi-closed e-wallets. Moreover, they are the most downloaded and trending mobile wallets in India.

Open Wallets

The wallets that allow users to redeem plus withdraw cash are named as Open Wallets. A Vodafone Powered M-Pesa wallet is a perfect example.

Factors influencing for Digital Transactions:

1. Customers demand for digital transactions, post demonetization.
2. Easy mode of payments through cards and apps.
3. Easy and quick service.
4. Reduced risk of carrying physical cash.

5. Saves time of managing cash transactions.
6. Helps in maintaining the record of all transactions and keeps a track of cash flow.

Technologies for the Applications of Digital Wallets:

- Online payments – the app will be connected with the third party payment API's such as authorize.net to make it possible for users to make payments through the wallet. This is the core utility of a digital wallet app
- point of sale intergration – with the help of supporting technologies cross platform payments is convenient to the users to make payments through their wallet app
- Person to person payments – peer to peer systems enables two users to send and receive money to each other
- QR codes - have become the modern name synonymous with digital wallets and mobile payments. An item carrying a QR code on top of it has become a common sight among a number of retail outlets around the globe.
- Online shopping - Consumers can shop online and make payments through digital wallets. They also earn credit points or reward points with their purchases which can be redeemed with the future purchases made by them.
- Payment to cab services -Cab Service provider like Uber and Ola allow the consumers to pay for the cab bills through Paytm or any other digital wallet. This reduces the risk of carrying cash during travelling.
- Online booking of tickets: Customers can book tickets (ie Train, bus, flight, movies etc) with the help of digital wallets. With this facility they don't have to wait in long lines to book the tickets.

Benefits of using a Digital Wallet

1. Lower Costs: Employing the use of digital wallets removes the need for intermediaries, in a variety of form. Purchases in-store may no longer require a cashier because the purchasing process becomes as simple as a tap or scan of a mobile device.
2. Competitive Advantage: Digital wallet applications provides a more convenient transaction processing method for customers. It redefines the user experience of paying and incorporates a novelty aspect to each purchase.

3. **Modern:** Traditional cash-only businesses, can now accept debit and credit cards. This opens up an entirely new aspect to payment methods in large markets, introducing many business opportunities and greater potential revenue.
4. **Convenience:** Users are able to get through a purchase in mere seconds with a simple tap or scan of their mobile device. The experience of purchasing items becomes quicker and easier - leading to a greater sense of satisfaction.
5. **Synchronization of Data:** There would be synchronization of data. Bank accounts, debit cards and credit cards, mobile bills and accounts all will be connected together and help in better management. It is like everything under one roof.

Challenges:

Despite all the growth drivers of the payments industry in India, there are challenges to be addressed by the stakeholders. A large proportion of India's population is not financially literate and does not have access to formal banking services. Some of the major challenges are:

1. **Reliability:** Digital wallets cannot be reliable. If the smart phone runs out of battery, then transactions may not take place. Customers using digital modes need to check on the charge of the gadget used.
2. **Network connectivity:** Lack of network (internet) may create a problem in using digital wallet. This in turn may be a loss for the merchant.
3. **Safety:** Both users and merchants have a concern about how hackers would trace out their information as the entire data is connected through internet facility.
4. **Resistance to change:** Customers still prefer for traditional modes of transaction. They always feel that it is safe when compared to digital transactions.

Thus a serious competition can be expected from banks or telecom operators which are throwing out their own 'tap to pay' functionality in their banking apps, meaning big players could lose out on attracting users who aren't early adopters and trust their bank's app for payments. While payment interfaces that are part of mobile wallets are largely used in personal experiences in day to day life, wallet companies utilize customers as data. They make transactions inconvenient for users by asking them to share extensive personal information. For any user who is not comfortable saving their bank or card details on a third-party app, it is likely to stick to the reliable mode of payment through an app from a bank. Mobile wallet startups have to rely on partners to gain access to advanced and secured platforms which could give them an edge by offering online banking as a

payment method to pay online. Another option, or the gap where mobile wallets could make their foray, are other m-commerce services such as hyper local transactions, cash pick up and micro-credit facilities.

The Government wants to make plastic cards irrelevant by 2020, depending instead on mobile phones and biometric security for authenticating transactions. The problem is that there are few measures to protect users from loss of money in digital transactions. Moreover, biometric security is not foolproof, and while the Government claims that the Aadhaar data is watertight and completely secure, policy advocates prefer smart cards as they can be replaced when compromised. Biometric data, once compromised, remains compromised for life. Rushing towards a cashless economy without adequate preparation is a major opportunity for fraudsters. There are no prescribed security standards for e-wallets in India

Initiatives by the Government:

The government has introduced a number of platforms, technologies and applications to encourage cashless transactions and digital wallets.

1. The Bhim app (Bharat Interface For Money) allows for direct bank to bank transfer over many payment modes, including a UPI pin, banking codes, phone numbers and QR Codes.
2. Bharat QR allows for a single QR code generation for storefronts, instead of multiple ones for different applications.
3. NUUP allows for electronic fund transfer over feature phones or without the need to install applications on smartphones
4. Aadhaar Enabled Payment System allows for payments to Aadhaar linked bank accounts through Aadhaar numbers. Aadhaar Pay for merchants is meant for remote and rural areas where shoppers can execute electronic transactions without the need for plastic cards or smartphones, and without transaction charges for either the shopper or the merchant. Aadhaar Payment Bridge (APB),_which is popularly known as DBT allows for the direct disbursement of benefits, and was recently used to provide subsidies to one million farmers in Karnataka.

CONCLUSUION:

Digital wallet aims to ease the transfer of funds across India, especially in rural communities, and more importantly, seek to facilitate a behavioral change towards the greater adoption of cashless services. As such, the digital payments industry is fast becoming a highly attractive destination for foreign investors keen to establish a foothold in India.

Despite of the barriers in the adoption of digital mode of payments, multiple factors and parallel institutional and behavioral trends seem to be powering India's transition towards a less-cash economy. Besides private actors like Paytm, Mobikwik, and FreeCharge, the Indian government has been aggressively pushing several digital payment applications, including the Aadhaar Payment app, the UPI app, and the Bharat Interface for Money (BHIM) app developed by the National Payments Corporation of India (NPCI) to move into a digitalized economy. Thus digital wallets and mobile payments are rapidly evolving in order to enhance the experience for both customers and business owners.

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