



Digital India-The evolution of Digital Wallet World

Arun Raghu Babu

Senior Assistant Professor, Department of Management Studies, New Horizon College, Bangalore

ABSTRACT

The Indian economy has traditionally been dominated by cash. However, the increased adoption of smart phones together with a favorable regulatory environment are pushing the economy to a less cash-dependent state and promoting the usage of digital payments. Demonetization of Rs.500 and Rs.1000 currency notes, which accounted for over 80% of the bills in circulation, and the subsequent policy measures taken by the Government of India (GOI) and the Reserve Bank of India (RBI) have provided further impetus to digital payments. Some key actions including expansion of the digital payments infrastructure at merchant establishments, expansion into rural areas, relaxation in the Prepaid Payment instruments (PPIs) norms, incentivization of digital payments at fuel pumps, toll plazas, insurance portals etc. Further launch of Bharat QR codes, among others, have helped the adoption of the technology. According to the Reserve Bank of India's data; the digital payments in the market is dominated by card transactions (debit and credit) both in terms of value and volume and thus the number of debit cards in circulation increased from 533 million to 867 million in April 2017 and the number of credit cards also increased from 21 million to 31 million in that same time period. The debit card base as of January 2019 is about 930 million, which has grown from 845 million in January 2018 and 780 million in January 2017. Hence, the mobile wallet industry has been on a rapid growth as India moves to cash less economy state. The value and volume of mobile wallet transactions more than doubled last year alone and as such the industry is leading the charge to making India a cashless economy. Increased adoption of smartphones and mobile data packages has been one of the largest contributions to this growth as penetration of the technology increases and mobile data costs come down; the industry is primed for further growth. This research aims to understanding of the digital wallet world and its dynamics to highlight the competitive nature of the market and shed some light on its predicted future trajectory and the challenges that the industry must overcome in order to continue its growth momentum.

Keywords: Digital Wallet, Cashless Economy, Mobile Wallets

I. INTRODUCTION

In the beginning of 2014, smart phones became the dominant internet access tool around the world replacing other portable devices such as laptops and computers. With every new Smartphone user, the potential for interconnectivity through social networking apps such as WeChat, WhatsApp, Hike, Facebook and Snap chat increased exponentially, and

it's changing the fabric of global society. Along with the social change enabled by mobile, commerce is being impacted at the same pace.

A. Benefits Of Going Cashless To The Economy

Going cashless has helped in creating a positive impact on society as the paper-based methodology in financial transactions has been reduced thereby

economy in operations, time and cost. Various benefits of going cashless can be listed out as under:

It will help in curbing the generation of black money. The cashless economy has attacked the parallel economy. People who hoard money under their bed, people who launder money bypassing banking channels, terrorist who need money to finance their terror will find difficulty in cashless economy.

It will help in reducing instances of tax avoidance. All the transactions can be monitored and hence traced back to an individual. Income tax officials can easily trace out the transactions and it will become difficult for individuals to evade taxes. Ultimately, it will help in increasing revenue of the government from taxes and more productive activities can be carried out in the economy.

B. Digital India

Digital India is a campaign launched by the Government of India in order to ensure the Government's services are made available to citizens electronically by improved online infrastructure and by increasing Internet connectivity or by making the country digitally empowered in the field of technology. The initiative includes plans to connect rural areas with high-speed internet networks. Digital India consists of three core components: the development of secure and stable digital infrastructure, delivering government services digitally, and universal digital literacy. Launched on 1 July 2015 by Indian Prime Minister Narendra Modi, it is both enabler and beneficiary of other key Government of India schemes, such as BharatNet, Make in India, Start-up India and Stand-up India, industrial corridors, Bharatmala, Sagarmala, dedicated freight corridors, UDAN-RCS and E-Kranti. As of 31 December 2018, India had a population of 130 crore people (1.3 billion), 123 crore (1.23 billion) Aadhaar digital biometric identity cards, 121 crore (1.21 billion) mobile phones, 44.6 crore (446 million) smart phones, 56 crore (560 million) internet users up from 481 million people (35% of the country's total population) in December 2017, and 51 per cent growth in e-commerce.

C. Position of India- As Cashless Economy

A Cashless Economy is an economy in which all types of transactions are carried out through digital means. It includes e-banking (Mobile banking or banking through computers), debit and credit cards, card-swipe or point of sales (POS) machines and digital wallets. At present, India is far behind to other economies with regard to cashless transactions. The ratio of cash to gross domestic product in India is one of the highest in the world-12.42% in 2014 as compared with 9.47% in China or 4% in Brazil. Another report by Boston Consulting Group (BCG) and Google India mentioned that last year around 75% of transactions in India was cash based while it was 20-25% in developed nations such as US, Japan, France, Germany etc. Another statistics has revealed that India has 76.47 billion currency notes in circulation in 2012-13 as compared with 34.5 billion in the U.S. Moreover, various other studies have shown that people prefer to make payments in cash in malls even when they carry credit cards with them. But, the step taken on Nov 8, 2016 of demonetization has pushed digital and e- transaction to the forefront in India due to depletion in cash. Now, e-banking, e-wallets and other transaction apps are becoming more prevalent. The speed of mobile payment transactions is still slow, especially at the POS, where consumers and merchant look for a quick turnaround. Moreover, in areas of poor connectivity, transactions often fail or time out. This results in a poor consumer experience, which disincentivizes them from making mobile payments.

D. Digital Literacy of Consumers

A large segment of the target population is not comfortable with the use of technology. Service providers will need to invest in simplifying the technology and interface, and in educating customers. Indian consumers are in the process of going online to access basic mobile phone services. Because there is no standard platform around which mobile payments are evolving, there is a lack of understanding among consumers and merchants on how they can use mobile payments services. When transactions fail or are stuck at a certain point, they

are unsure of the alternative available to them and its timeliness. Moreover, in a country such as India, mobile as a platform has to be multilingual and should be capable of eventually enabling voice based transactions.

Trusting non-banks as financial service providers Rural India has largely remained excluded from mainstream banking, to the extent that some of the people believe that banking is not for them. In the process, they hoard cash or resort to informal methods of credit such as money lenders. There is a long history of unscrupulous money lenders in India taking advantage of the rural poor in India. Consumers are inherently slow in changing their habit and trusting new service providers, especially when it relates to their finances. Public and private institutions need to come together to educate consumers on how to use mobile as a banking and payments platform to help build trust in the system.

KYC process The KYC process in India is still cumbersome. Most banks and telecom companies require proofs of identity and address in the physical form to open bank accounts. Opening a full KYC compliant mobile money account can take upward of three to four days. While e-KYC has solved the problem of real-time authorization, it requires investment in biometric devices, which are currently expensive. However, with smartphones getting embedded with biometrics (fingerprint and iris scanners), the cost challenge of large-scale procurement of hardware for biometric authentication for KYC or payments is expected to be resolved. Mini KYC accounts with reduced limits have also helped in overcoming this problem, as evidenced by the rapid scale-up of mobile wallet companies. To create improved access, ideas such as KYC portability, shared KYC among institutions and shared procurement of biometric devices at the BC level should be explored.

Easy availability of cash For Indian consumers to use mobile payment services on a regular basis, it is critical that they are ensured that the stored value can easily be converted into cash if required, even in the remotest parts of the country. For instance, even the most financially literate and digitally initiated people in India prefer to carry cash while traveling. Having the comfort of being able to convert stored value to cash is very critical to the Indian context for widespread adoption of mobile payments. UPI can

potentially solve this problem by simplifying P2P transfers so much that a person can transfer money to anybody in exchange of cash.

II. LITERATURE REVIEW

As per Ministry of Finance Report (December 2016)

on Digital payment, financial inclusion is one of the foremost challenge facing India. 53 percent of India population had access to formal financial services. In this context, digital payment can act as accelerator to financial inclusion. Increasing availability of mobile phone, availability of data network infrastructure, rollout of 3G and 4G networks and large merchant eco system are the critical enablers of digital payment in India. It is further supported by the coordinated efforts of industry, regulator and government. As per RBI's report 'Vision 2018' four pronged strategy focusing on regulation, robust infrastructure, effective supervisory mechanism and customer centricity has been adopted to push adoption of digital payment in India.

KORZENIOWSKI, PAUL (2014) the article discusses the emergence of mobile wallets and how it changed customer experience in payment process. Topics include the appeal of mobile commerce functions in smartphones to consumers, the use of more personalized shopping experiences, and the near field communication (NFC) system. Also mentioned is information on the role of PayPal, the formation of payment infrastructure company Merchant Customer Exchange (MCX), and the selection of an open or close loop design in transactions. **INSETS: A Digital Wallet versus a Mobile Wallet; Back to Square One.**

AWARENESS AND ADOPTION OF E-BANKING DELIVERY CHANNELS

Adoption is the acceptance and continued use of a product, service, or idea. According to Rogers and Shoemaker (1971), consumers go through a process of knowledge, persuasion, decision and confirmation before they are ready to adopt a product or service. The adoption or rejection of an innovation begins

when the consumer becomes aware of the product. According to Fishbein and Ajzen (1975), attitude is defined as an individual's positive and negative feelings (evaluative affect) about performing the target behaviour. Attitude toward behaviour refers to the degree to which a person has a favorable or unfavorable evaluation or appraisal of the behaviour in question.

Gender has not been found to have a direct effect on adoption of technology in general (Gefen and Straub (1997)), but men and women appear to have different acceptance rates of specific computer technologies, with men more likely to adopt. Cooper (1997) found ease of adoption as one of the important characteristics from the customer's perspective for adoption of innovative service. It stated that innovative products often have superior price/performance characteristics.

III. STATEMENT OF THE PROBLEM

There is a large segment of people who want to use digital wallets but either is feared of using it (whether something might go wrong while making the payment) or there is another category of the customers who do not know how to use it. There is a huge lack of awareness.

So, there is an enormous untapped market for the digital wallet providers and thus not much study has been carried out with respect to this in India.

IV. OBJECTIVES

To trace out the digital wallet payments in comparison with IMPS, UPI between 2016-18 to estimate the effect of demonetization on the share of monthly digital payment volumes. To forecast the volume and value of mobile wallet industry (FY17-FY21)

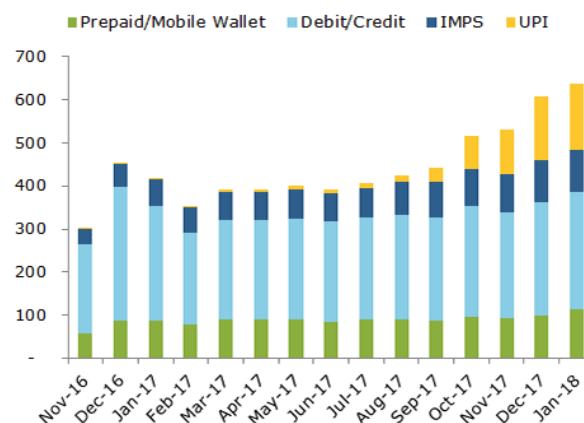
V. RESEARCH METHODOLOGY

Type of study: It is a quantitative and qualitative study

Data source: Secondary source of data

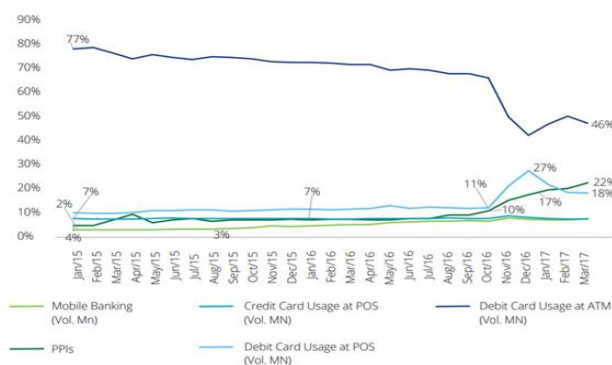
VI. FINDINGS

Digital wallet payments from FY13-FY17



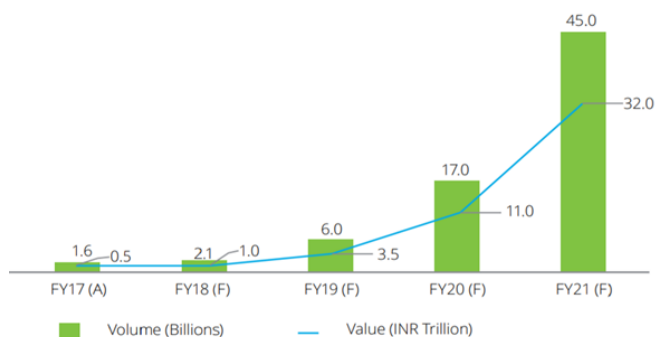
Source: Reserve Bank of India

Effect of demonetization on the share of monthly digital payment volumes

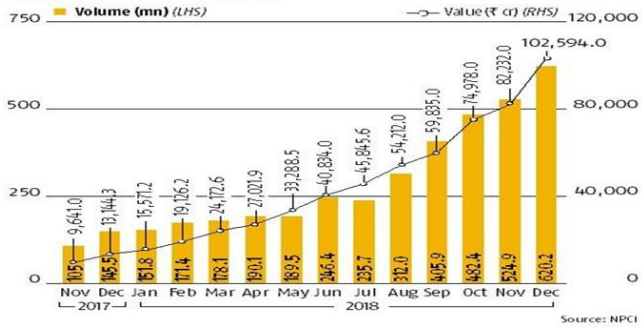


Source: NPCI

Volume and value of mobile wallet industry (FY17-FY21)



GROWTH IN NUMBERS



VII. CONCLUSION

Mobile should be the preferred payments form factor for urban transit. Securing transactions will lead to seamless payments. Government Initiated Payments application should be encouraged. Digital payment application like Fastag should be implemented in all Toll plazas and encourage the users to go cashless and use digital methods for payment of toll fee.