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E-WALLETS: THE FUTURE OF TRANSACTIONS FOR THE INDIAN CONSUMER

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Abstract

The recent fearless decision of the Indian government to demonetize all the old currency notes of 500 and 1000rs has been a burning factor through the country. With advancement in features, digital wallet operators have gained widespread adoption in recent times, building a considerable consumer base. Driven by aspirational needs of consumers, growing consumption expenditure, urbanization and digitization as an indispensable addition to our lives. The key driving factors for digitization include a burgeoning Smartphone penetration, enlargement in digital commerce, advancements in computer literacy, access to internet and broadband, and supporting regulations. Digital payments have been a tour-de-force in changing the market ecosystem, rapidly. Especially in terms of retail, and e-wallets have shaped the consumption behaviours to such an extent that keeping cash in physical form has transformed to redundancy. With the inclusion on cash back guarantee and loyalty points, retailers are promoting the use of e-wallets for both online and offline verticals to ensure a smoother, more systemized transaction process.

Keywords: *Consumers, Digital wallet, Demonetization, Digital payments*

I. INTRODUCTION

The impact of digital technologies is prevalent in every spectrum of our lives and consequently the current era is also termed as the “digital age”. The process of digitalization started some five decades back

with the advent of computing technologies and digital electronics. Today digitalization can be seen as a tool of transformation which extends beyond our lifestyle to the way we transact, interact and conduct

business. Across all sectors, be this communication, media, healthcare, retail and manufacturing, we are increasingly seeing the use of digital technology. The landscape of this digital age is increasingly being driven by innovations in e-communications, e-commerce and ever increasing deployment of the internet to create economies based on high technology, massive communication, knowledge creation and innovation. It is important to understand and appreciate the factors that are ushering in such changes and how these are impacting the modern day business. Digitalization, as we call it today, is sweeping across every aspect of our daily lives in all possible ways. Right from gathering the news we find in the newspapers every morning to the billing process at our neighborhood grocery shop, it is digital technology that is making tasks faster and more accurate.

A **digital wallet** refers to an electronic device that allows an individual to make electronic transactions. This can include purchasing items on-line with a computer or using a Smartphone to purchase something at a store. An individual's bank account can also be linked to the digital wallet. They might also have their driver's license, health

card, loyalty card(s) and other ID documents stored on the phone. The credentials can be passed to a merchant's terminal wirelessly via Near Field Communication (NFC). Increasingly, digital wallets are being made not just for basic financial transactions but to also authenticate the holder's credentials. For example, a digital-wallet could potentially verify the age of the buyer to the store while purchasing alcohol. The system has already gained popularity in Japan, where digital wallets are known as "wallet mobiles"

At present, mobile payments form a minute part of the overall digital payments industry in India. With contribution from phones and tablets increasing to 30 per cent by 2020, mobile payments in India are estimated to grow to Rs 115 crore in the coming years.

The ease in transferring money from the consumer's online wallet to the retailer's account makes it a viable mode for money-based transaction. This decreases the hassles involved in queuing and providing smaller denominations of cash hence, improving customer service to a greater extent. This in-turn bolsters revenue scale while providing brand value due to accessibility.

With the current move of demonetization, the environment for going digital has fertilized to a new level, opening up doors to reach the micro level. Today, even small scale stores and vegetable and fruit vendors are urging their customers to make payments through e-wallets. With lack of options to facilitate purchase in this drastic move, more citizens have opted for such platforms, boosting the download of such wallet-based apps to 30 per cent more. Yet, there are more grounds for these digital wallets to cover.

The triumph of mobile payments depends on a synergized effort from the providers, retailers, inclusive of supporting regulatory environment and channelized efforts of the industry players toward a common objective i.e. complete digitization of India.

II.Objectives of the study

- To Study the E-Wallets importance in India
- To study the E-Wallet usage in Indian Market

III. E-wallets in Indian Scenario:The E-wallet is an online prepaid payment system where one can save and use their stock money, and they can use that money when it

is required.As it was a part of the pre-loaded facility, customers can buy a wide range of products from bus tickets to airline tickets, grocery, shopping and more without even using your cash in your hand and also without even swiping your credit or debit card.

- **E-wallets importance:** The recent fearless decision of the Indian government to demonetize all the old currency notes of 500 and 1000rs has been a burning factor through the country.People are presently hovering over banks and waiting for their chance to take their daily limit of the amount, and it has been an endless battle for ordinary citizens.This surprise call which was received from the Indian Prime Minister NarendraModiJi has taken on almost all the currency away from people and they simply ran out of cash. As the government slowly issues the new notes by it can take minimum six months of time to get back on track.Now due to present scenario of India, E-wallet was the perfect option to go cashless and make your living easier without new currency. Although it is not yet effectively reached in all the sectors, it may be the perfect solution to most of the uses.

- **Mobile wallets are exploding in India**

While online banking and even mobile banking has been around for a long time, mobile wallets which hold your money digitally – have made it easier. If you have ever taken an Uber ride you know how this works: you load money on a digital wallet through your bank account and then use that stored cash to digitally pay for a myriad of services. To understand just how big mobile wallets are becoming, consider this – Paytm, the market leader in this space, reaches just 40% of the smartphone users in India. Yet those users have deposited more than Rs 100 crore to their Paytm mobile wallets. There are over 40 mobile wallet services active in the country, with almost every bank also planning one of their own to take market share away from the likes of industry leaders Paytm and Freecharge.

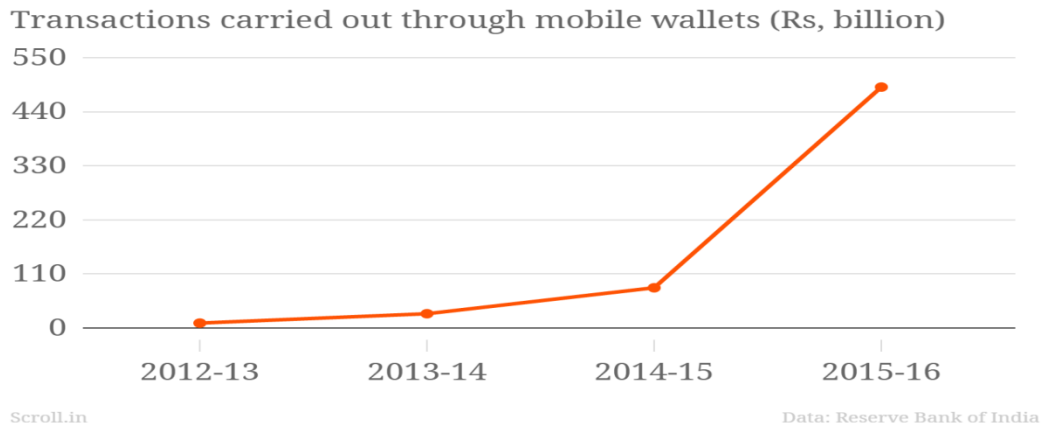
This means companies are going to aggressively go after users over the next few years, giving many more options to the

consumer. To achieve growth, mobile wallet companies are going offline by integrating digital services with payment-on-site terminals at grocery shops, fuel stations and even inside autorickshaws so that the users do not have to take out their wallets and look for loose currency.

However, a big threat could come from the government of India. With its soon-to-be-launched Unified Payments Interface that will integrate multiple bank accounts and cards into one, the government is keen to provide a seamless experience for making online payments. Mobile wallets are not yet part of the UPI system, according to reports.

UPI's rollout could be another factor impacting a mobile wallet ecosystem that has already undergone huge changes in the last few years.

Data published by the Reserve Bank of India tells a story of a massive boom in both adoption and usage of mobile wallet as a mode of payment.

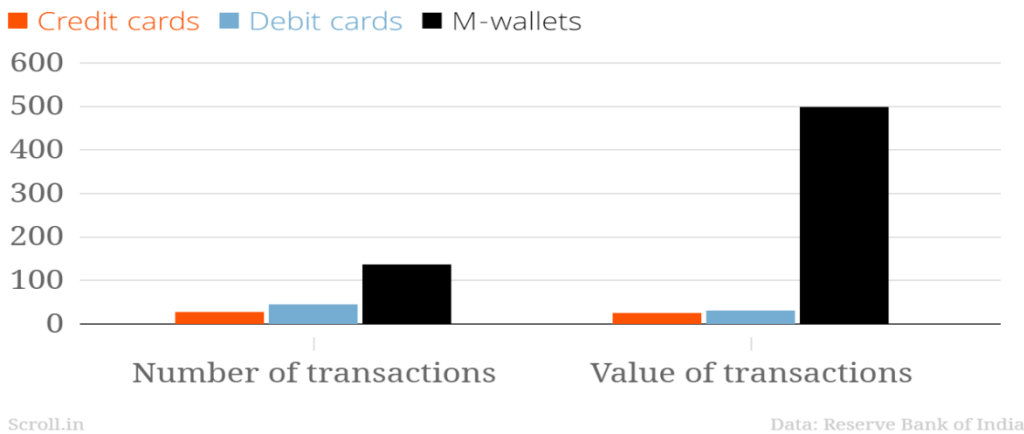


Over the past four years, mobile wallet transactions have jumped from Rs 10 billion of transactions in 2012-'13 to more than Rs 490 billion in the year 2015-'16. Taxi app Uber's adoption of Paytm went some way in popularising mobile wallets among those who weren't before using the services, and even pushed its competitor Ola to build a wallet of its own.

But it's not just the value of transactions that is overwhelming;

it's the rate at which mobile wallets are being adopted by users. *Scroll* crunched the numbers put out by RBI and it turns out that the value of transactions carried out through mobile wallets have grown by a humongous 500% between 2014-'16. Meanwhile, the number of transactions carried out through m-wallets has doubled in the same time period.

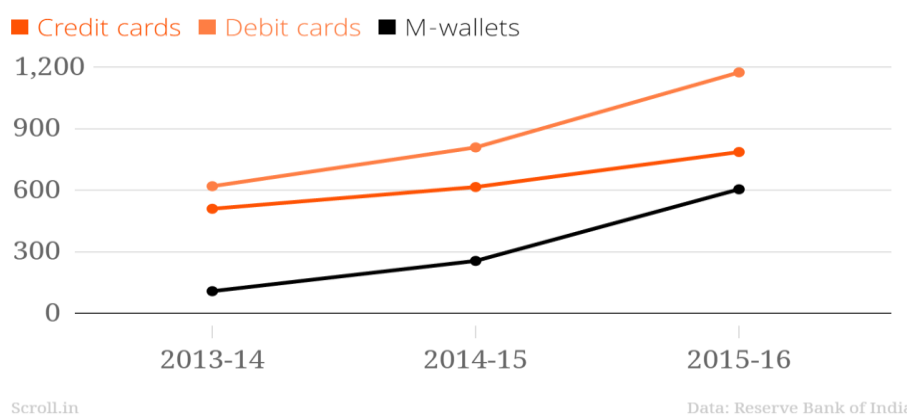
Growth of different payment methods between 2014-2016 (%)



By comparison, the number of debit and credit cards transactions grew by 25%-50% in the same period. On the other hand, the value of transactions done through plastic money grew by a modest 25%. However, that is not to say that mobile wallets are

going to make your debit card redundant any time soon. Even though electronic transactions make up for only about 10% of all the transactions in this cash-dominated economy, plastic money has the lion's share of it.

Number of transactions (in millions)



For instance, debit cards saw more than 117 crore transactions during the last financial year and credit cards added another 78 crore transactions in the same period. As

compared, mobile wallets managed a healthy 60 crore transactions but that's considering the fact that many users actually

use their debit/credit cards to put funds into their digital wallets

IV. Top Digital Wallets to Survive Demonetization -Cashless E Wallet Options in India

India aims to become cashless now. The online mode of payments has been increased, and most of us are looking for safe and secure ways of doing it. If you are also looking for the same, then this article is for you. Mobile Wallets or Digital Wallets or e-Wallet apps allow you to pay electricity bills, mobile recharge, get movie tickets and do a lot more right from your mobile. By linking your Credit or Debit Cards or Bank accounts with these e-Wallet apps, you can easily make a payment using your mobile. You can generally load money into these digital wallets via Internet banking or via your Credit or Debit Card. On most of these e-Wallets, there is a limit of Rs 20,000 for users who have not submitted their KYC documents. If you submit these documents, the limit is raised to Rs 1.00 lakh.

Before we proceed, we should know a bit about UPI, which is the infrastructure on top of which end-user apps are built, so that they can use the features offered by it. **Unified**

Payment Interface or UPI is the new mode of payment. Sending and receiving using UPI app is simple using Virtual Payment Address (VPA) and there is no need to add the beneficiary account details, account number, and IFSC code. Every bank has its own UPI app and make sure that you install the UPI app of your bank which allows you to send and receive payments between any two bank accounts.

- **Top Mobile Wallets to Make Online Payments in India**

Mobile wallets allow us to make bill payments, mobile recharge, transfer funds and a lot more using mobile. With e-Wallet apps installed on your mobile, you are no need of carrying cash. In this post, I will list download 10 mobile wallet apps in India to make online payments.

1. PayTM

PayTM is one of the best digital wallets to make payments. It allows you to add your Credit/Debit cards and link your bank account to it. Make use of QR code to send and receive payments easily. PayTM mobile wallet allows you to buy movie tickets, online mobile recharge, pay electricity bills and more from your mobile. It is available

for Android, iOS, and Windows Mobile Phone.

2. Mobikwik

Mobikwik is another versatile & secure app that allows you to pay or transfer money using the mobile number. It allows you to make mobile recharge and pay bills in seconds. Use Mobikwik mobile wallet and buy anything online with good discounts. Making bill payments, mobile recharge, shopping and more has become easy with Mobikwik mobile wallet. It is available for Android, iOS and Windows Phone.

3. FreeCharge

FreeCharge e-Wallet allows you to add credit and debit cards which make it easy to make payments. It is the fastest growing digital payment platform allowing you to pay electricity bills, mobile and DTH recharge and more. Use FreeCharge mobile wallet and avoid long queues. It makes us easy to make online and digital payments securely using mobile. FreeCharge is available for Android, iOS and Windows Phone.

4. State Bank Buddy

State Bank Buddy by State Bank of India is the first Indian mobile wallet available in 13 Indian languages. Using this sending money, asking reminders to clear dues, instant bill payments and more from your mobile. State Bank Buddy mobile wallet helps you to do so by linking your credit or debit cards to it. It allows you to load amount into your wallet and make payments to your contacts on phone book. It is available for Android and iOS.

5. HDFC PayZapp

PayZapp from HDFC Bank is available to customers of all banks and allows you to make payments with just a single click. Make payments easily by adding credit or debit card details. Your card details are safe with the bank and no need to worry about that. PayZapp mobile wallet does three security checks for every transaction. It is available for Android and iOS.

6. ICICI Pockets

Pockets app is the first mobile wallet app in India allows you bring *UPI-based payments*. ICICI developed this mobile wallet, and it helps you to make payments online. Now you can shop anywhere, pay anyone and bank with ease. It allows you to transfer money, book tickets, do mobile recharge and

more. With just a single click, sending and receiving payments to and from Pocket users. It is available for Android and iOS.

7. LIME

LIME is launched by Axis Bank providing your payments, banking, and shopping facilities. It is available for an account and non-account holders. Pay your shopping bills, mobile recharge, buy movie tickets and more using LIME mobile e-wallet. Just add your credit or debit card details, and you can make payments through your mobile. It is available for Android.

8. PhonePe

PhonePe from Flipkart Group Company works over *Unified Payment Interface*. It allows you to make all your payments securely. You can make bank to bank transfers using *Virtual Payment Address*. As it is a UPI app, there is no need to add details of the beneficiary account. PhonePe mobile wallet provides you discounts and coupons when you shop online. You can top up your mobile wallet by linking it to your bank account and allows you to transact maximum up to 1 lakh rupees. Make sure

you install this e-wallet in your mobile and make payments online. It is available for Android.

9. Ola Money

Ola Money allows you to make payments for all your daily needs. Recharge Ola Money wallet using your credit/debit card or net banking. Keep track of your transactions by looking at transaction history. Paying for the Ola and other cabs also made easy using this mobile wallet. Ola Money mobile wallet helps you to transfer money to your friends. It is available for Android and iOS.

10. Airtel Money

Airtel Money wallet got launched by Airtel Payments Bank. Make payments, do mobile recharge and transfer money to your friends of any bank account using this mobile wallet. You can shop online with great discounts and coupons. Banking and remittance services are supported by Airtel Money. With this e-Wallet app, you can make payments with just a single click. It is available for Android, iOS and Windows Mobile Phone.



V. Mobile Wallets – Market, Opportunities and Challenges

- **The Market**

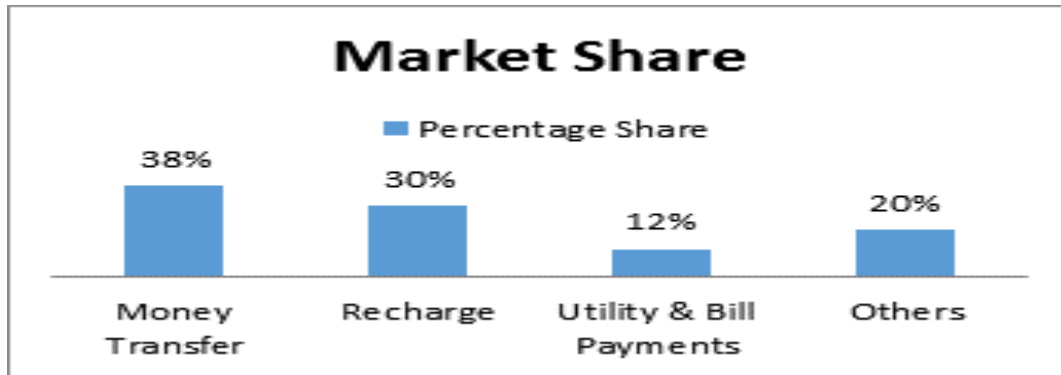
Digital Payments Industry including net banking, credit/debit card transactions, prepaid cash cards, mobile wallet and IMPS was estimated at \$14.51 Billion in 2013. Out of **800 million online transactions made in 2013**, 53% were made using credit (21%) and debit cards (32%), while 44% came from Internet banking. The rest were attributed to Mobile Wallet, Pre-Paid Cash cards and Immediate Payment systems (IMPS). The current size of m-commerce – 4% of the market, is significantly low.

At present, mobile payments form a miniscule part of the overall digital payments industry in India. However,

contribution from **phones and tablets is expected to increase to 30% by 2020**. Mobile Payments in India is estimated to grow from \$86 million in 2011 to \$1.15 billion in 2016, with a compound annual growth rate (CAGR) of 68%.

The M-wallet market is projected to grow at a CAGR of around 30% in the next five years from 2015-2019. Market of m-wallet segment includes transferring of money, services related to banking transactions, value added services such as shopping, ticketing, recharging, and bill payments

In this segment, the highest 38% market share is captured by money transfer businesses, followed by recharge and bill payments, and utility areas by 30% and 12% respectively. Others enjoy 20% market share.



Some of the major m-wallet players are Airtel Money, mRupee, Vodafone m-Pesa, Oxigen Wallet, Paytm, Mobikwik and Idea Money (VMSI).

- **The Opportunities**

In this backdrop, potential opportunity lies in consumer payments industry (specifically wallets)

1. Tapping into the untapped market – According to data from Reserve Bank of India (RBI), India is the home to largest number of unbanked families (more than 145 million). Potentially one of the largest bases to capitalize on.

2. A Focus on providing merchants with Multichannel Payment Services.

3. Payment through wallets using NFC, tokenization, and biometrics – Because Mobile devices will be a mainstream option for person-to-person or person-to-business payments.

4. Crypto currencies. E.g. – Bit coin, Lit coin etc. (Total Market Cap: \$3,880,950,327)

5. Developing solutions that are not payment solutions, but are touch payments – solutions for merchant, gift, loyalty, data analytics etc.

6. Financial Inclusion – A wallet which can cater to this will definitely rule the Indian market.

Parameters	2014	2015
No of Transactions	250.5 million	328.6 million
Amount of Transactions	\$ 3.6 billion	\$ 8.2 billion
Banking Outlets in Villages (Branches)	40,837	46,126
Banking Outlets in Villages (Branchless Mode)	227,617	337,678
Banking Outlets in Villages (Total)	268,454	383,804

7. Analytics solutions – Payments Transaction Data Analytics will be a major source of payments-related revenue.

8. Remittances – Remittances to developing countries to grow by 5%. (Annual domestic remittance stood at \$13 billion in 2010 and was expected to reach at \$30.3 billion by 2016, growing at a compounded annual rate of 12 %.)

- **Essential of e-Wallet**

A mobile wallet in today's world should encompass the following 3 features

Pre-purchase: Pre-purchase capabilities enable consumers to identify products or solutions that they would like to buy and provide incentives. These capabilities include offers and coupons that are driven by location, loyalty based services – including gift cards and rebates.

Purchase: Existing payment technologies adequately cover the purchasing option.

These include NFC based and QR code based solutions.

Post-purchase: Ability to manage payment details after a purchase is key for a compelling mobile wallet solution. These capabilities include transferring of payment to another card and expense management. Some innovative capabilities could include the ability to purchase a warranty for large purchases, signing up for loyalty programs. Post-purchase is also a great time for providing cross sell/up sell features

- **Challenges**

With a new mobile wallet coming up every month or so, the main thing to watch would be how they market themselves, which exclusive alliances they can come up with, like Uber and Paytm what effectively gave an entry to Paytm into the market and use all of the Uber users on its platform. In addition to this, a wallet which can better digitize the path-to-purchase and eliminate the friction

ties to the payment process over its rival will capture the market.

With the advancement of technology, to create a unique selling proposition in terms of features would be extremely difficult for the new players. The only thing that they can do, apart from making a good product is – market in a way that touches every consumer aspect (From excellent UI/UX to all basic wallet features to one touch payment –millennial generation – to one to one customer engagement), exclusive alliance with 1-2 service providers and most importantly partner with various e-commerce/traditional shops.

The value proposition of a mobile wallet is not about the payment, but instead about the services that can be offered across a mobile-enabled environment. It is interesting to see scenarios where the mobile wallet is funded over the lower-cost EFT network in order to save money on card network fees. Wallet providers also save money by bundling transactions to get high volume discounts.

No one wants to be left behind in this race of making “CUSTOMER” use their wallet for their next transaction and in the process encourage them by rolling out n numbers of offers. Is this much cost really justifiable in

the name of customer acquisition/retention etc.?

Conclusion

As the country moves towards a cashless environment after demonetization, the initial awe and confusion have given way to a flurry of concerns. Will the emphasis on online transactions provide convenience and tangible benefits. The ease of conducting financial transactions is probably the biggest motivator to go digital. You will no longer need to carry wads of cash, plastic cards, or even queue up for ATM withdrawals. It's also a safer and easier spending option when you are travelling. Digital Wallets can also increase the security of the transaction since the wallet typically does not pass payment card details to the website (a unique transaction identifier or token is shared instead). Increasingly this approach is a feature of online payment gateways, especially if the payment gateway offers a "hosted payment page" integration approach

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