

DIGITAL WALLET – A NEED FOR CHANGE

ABSTRACT:

A digital wallet is a system that stores user's information and passwords for payment made by using internet as a means. 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 allow many in developing nations to participate more fully 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.

Key words: 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.

RESEARCH METHODOLOGY

The study tries to list out merits and challenges of Digital wallet in India. The data collected is based on secondary sources from various articles and websites.

INTRODUCTION:

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 nonbanks 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.

Applications of Digital Wallets:

1. Payment of utility bills

Consumers can pay their utility bills using digital wallets. The payment is made quick and easy which saves time of the customers.

2. 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.

3. Transfer money

Digital wallets also allows consumers to transfer money to other digital wallet accounts i.e. Paytm to Paytm money transfer. It also allows transfer of money back to bank from the wallet if needed by the customer.

4. Payment to cab services

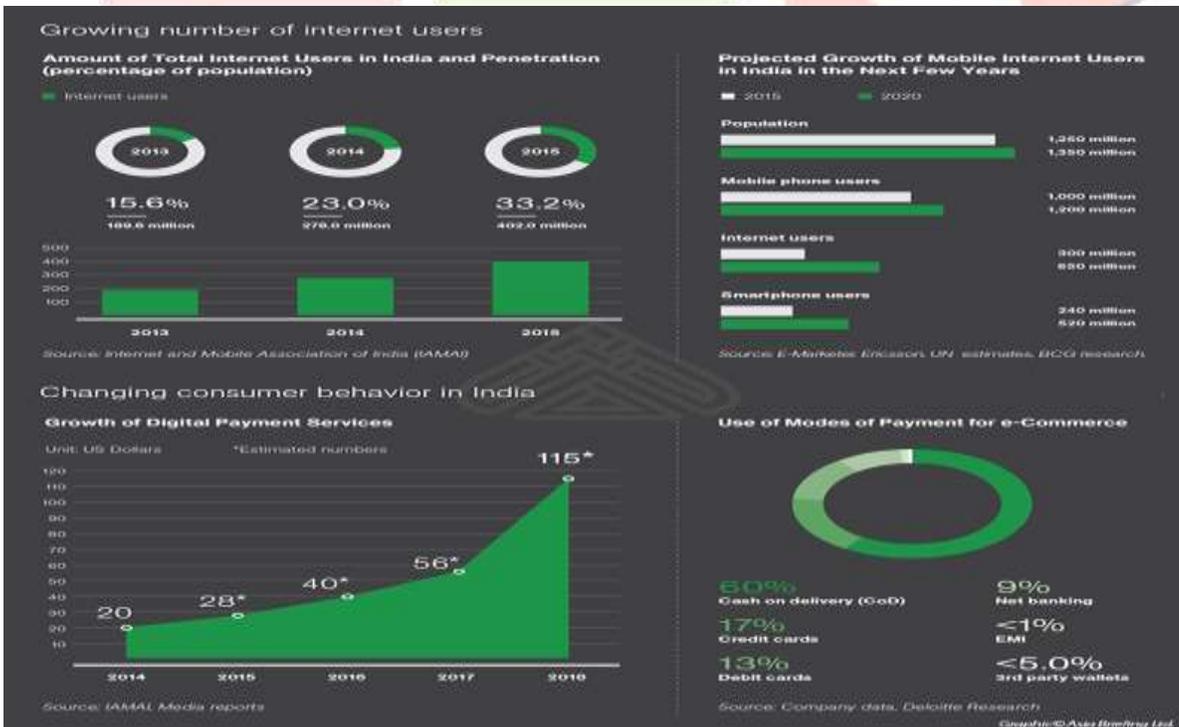
Cab Service provider like Uber and Ola allow the consumers to pay for the cab bills through Paytm or any other digital wallet. This reduces the risk of carrying cash during travelling.

5. 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

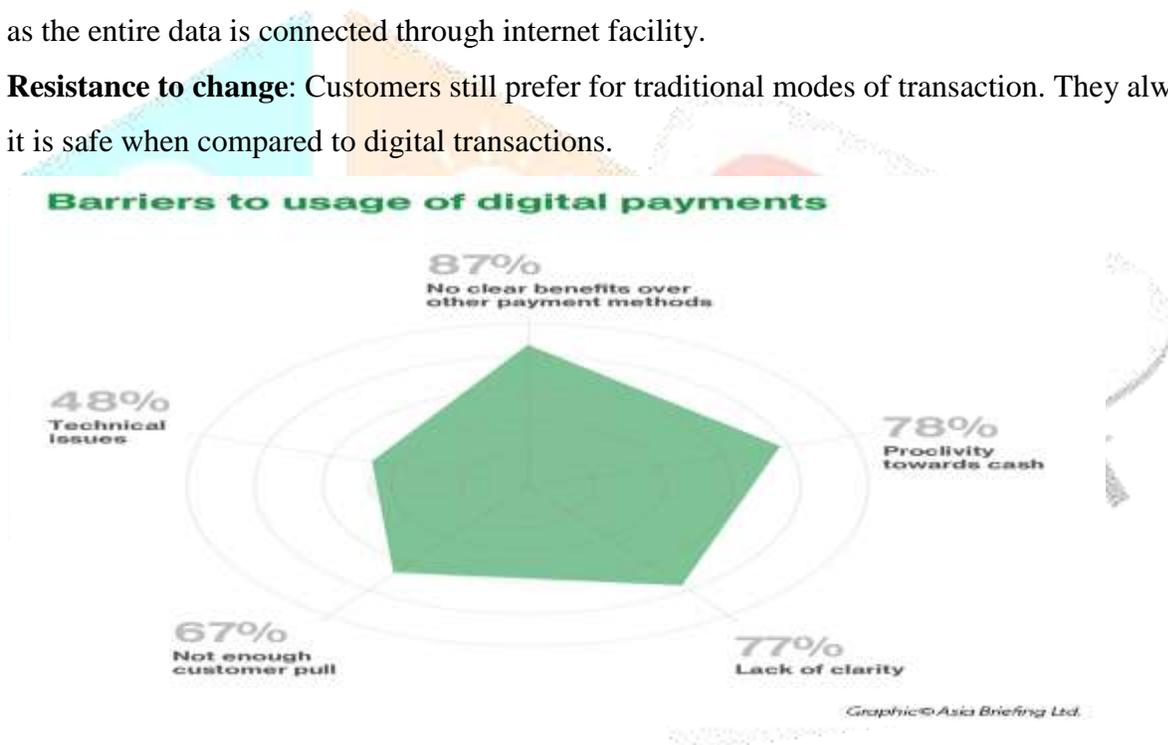
- 1. Lower Costs:** Employing the use of digital wallets removes the need for intermediaries, in a variety of form. Purchases in-store may no longer require a cashier because the purchasing process becomes as simple as a tap or scan of a mobile device.
- 2. Competitive Advantage:** Digital wallet applications 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.



Change in the structure of payment

The use of digital wallets and electronic transactions saw a spike after the demonetization of high value currency notes. However, after the re-introduction of cash in the economy, people seem to have gone back to their old habits. The statistics released by the RBI shows that while cashless transactions were steadily increasing till the month of December, there was a drop in volume in January and February. Policies, regulations, and dissemination of information have to continue for India to achieve the transformation

Electronic Payment Systems - Representative data (Updated as on March 07, 2017)										
Volume in million, Value in Rs. billion										
Month	RTGS		NEFT		CTS		IMPS		NACH	
	volume	value	volume	value	volume	value	volume	value	volume	value
Nov-16	7.87	78479.24	123.04	8807.84	87.08	5419.22	36.16	324.80	152.51	606.62
Dec-16	8.84	84096.48	166.31	11537.63	130.01	6811.91	52.78	431.92	198.72	626.76
Jan-17	9.33	77486.07	164.19	11355.08	118.45	6618.44	62.42	491.25	158.74	541.36
Feb-17	9.10	74218.81	148.21	10877.91	100.44	5993.95	59.75	482.21	150.45	592.03
Month	UPI		USSD		Debit and credit		PPI		Total	
	volume	value	volume	value	volume	value	volume	value	volume	value
Nov-16	0.29	0.91	0.01	0.01	205.53	352.36	59.01	13.21	671.50	94004.19
Dec-16	1.96	7.00	0.10	0.10	310.99	522.24	87.76	21.25	957.50	104055.32
Jan-17	4.15	16.59	0.31	0.38	265.53	481.24	87.28	20.99	870.40	97011.40
Feb-17	4.16	19.02	0.22	0.36	212.32	391.47	78.36	18.74	763.01	92594.49

RTGS – Real time gross settlement; NEFT – National electronic funds transfer; CTS – Cheque truncation system; IMPS – Immediate payment service; NACH – National automated clearing house; UPI - Unified Payments Interface; USSD - Unstructured Supplementary; POS – Point of sale Service Data; PPI – Prepaid payment instrument

Source: RBI

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.



CONCLUSION:

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.

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