

# Digital wallet (Transformation in the way we pay)

## Abstract

In the past few thousand years the way we pay has changed from barter system to coins, to paper money, to plastic cards now we are on the brink of digital wallet. Digital wallet phenomenon targeted to bring a sea change in the country's economy by transforming the cash-based economy into cashless through digital means. 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 aim of the study is to understand the fundamental factors influencing people to adopt the digital wallets. This paper reviews recent trends in digital wallet world. The study would highlight the key challenges in digital wallets and end with a case study of UID. This paper is an outcome of both primary and secondary data which seeks to investigate the core factors in digital wallet.

**Keywords:** Transformation, Digital payment, UPI, Penetration

## INTRODUCTION

India is well and truly in the Digital Era. With over **460 million** internet users, India is the second largest online market. More there will be about **635.8 million** internet users in India by 2020, with over 65% population under the age of 35, we have the right demographic profile to adopt technological change, this leads to marginal citizens now appear to be at the Centre stage of things even in newer areas of technology and financial innovation. Even the field of financial services is undergoing a technological shift. This technological landscape gave a twist to "smart phone as a smart bank", mobile users are nowadays using their mobile phone to make money payment by using application installed in the phone, besides payment people can also store receipts, coupon, bills, business card in their smart phone. Digital wallets are like the older version of leather wallet with the innovative feature in the digital form. This digital device can store cash on the mobile to make online or offline payments. Various service providers offer these wallets via mobile apps, which consumers need to download on the phone. Consumers can transfer the money into the wallet online using credit or debit card or net banking. This means that every time he pays a bill or buys online via the wallet, he won't have to furnish the card details, it lets you make electronic payments and hides the actual credit card information, by authenticating your transaction with encryption, the payment process is secure.

## Objective of the study

The aim behind this research is

- ❖ To understand the nature & scope of digital wallet and its significance from the economic point of view
- ❖ To examine the responses of beneficiaries and analyse the problem faced by them in the digital transaction

❖ To analyse the challenges in front of digital wallet market

## Research Methodology

Primary data is collected by distributing structured questionnaire to 100 respondents, the data was collected from different groups of society like businessman, professionals, student, Home maker etc. The secondary data is collected from various sources such as research article, books, magazines, journal, and websites.

## The evolution of Digital wallet

Back in 1997, Coca Cola introduced a few vending machines in Helsinki (Finland) that allowed consumers to buy their drink through text message. Although small, this innovative is still regarded as the first example of digital wallet and introduced the idea of using mobile devices for transactions.

Year	Organisation
1998	Paypal
1999	Ericsson and Telnol Mobil, came with the concept of booking movie Ticket through mobile phones
2003	95 million cell phone users worldwide made a purchase via their mobile device
2007	Both the iPhone and Android operating system are released
2008	Paytm released
2011	Google Wallet is released
2014	Apple Pay is launched, followed a year later by Android and Samsung Pay

The above launch gave everyone the opportunity to develop an app like Ola money, Mobikwik, supercash, Oxigen wallet, Payumoney, Airtel money, Pockets, Freecharge, Zeta etc

## Types of wallets: -

**Closed wallet:** These are payment instruments generally issued by business establishments for use at their respective establishment only. These instruments do not permit cash withdrawal or redemption. Example - gift voucher, Ola money etc

**Semi-Closed wallet:** These are payment instruments which are redeemable at a group of clearly identified merchant locations/ establishments which contract specifically with the issuer to accept the payment instrument. These instruments do not permit cash withdrawal or redemption by the holder. Example - Paytm, Airtel money

**Semi-open wallet:** These are payment instruments which can be used for purchase of goods and services at any card accepting merchant locations (Point of sale terminals). These instruments do not permit cash withdrawal or redemption by the holder. Example - several private label cards issued by merchants.

**Open System Payment Instruments:** These are wallets which can be used for purchase of goods and services, including financial services like funds transfer at any card accepting merchant locations [point of sale (POS) terminals] and also permit cash withdrawal at ATMs / Banking Correspondents (BCs). E.g. M-Pesa is an open wallet run by Vodafone in partnership with ICICI Bank. Axis Bank's e-Wallet Card'

## Penetrating the Market

Digital wallet is being used more and more in Asian countries .One in five consumers in Asia are now using digital wallet representing twofold. A recent survey by MasterCard's mobile shopping survey shows on 8500 adults aged 18–64 across 14 markets showed,

Country	Users(%)
China	45
India	36.7
Singapore	23.30%

Also analysis showed (48.5%) consumers in these regions made purchase using smartphones. Indian consumers are leading the way with 76.4% using a smartphone to make purchase which is a drastic increase of 29.3% from previous year 2015. This has made companies like Flipkart Reliance and Amazon India to come out with its own digital wallet.

### Advantages of using digital wallet :

1. **Convenient** :Within a click a payment is made no need to fill in purchase form card numbers and passwords every time. There will no issue of asking or searching for change which we have while handling cash.
2. **Minimizes the Tax Avoidance** : Reduces the instances of tax avoidance in digital wallet each financial transaction trails are recorded and will serve as a proof .
3. **Improvement in credit access and financial inclusion**: which will benefit the growth of SMEs in the medium/long
4. **Transparency in the system**: Avoid money laundering & corruption due to the higher traceability of all the transactions.
5. **Saves Time & Money** : Speed and satisfaction in the financial operations the use of digital wallets removes the need for intermediaries , e.g purchase in store may no longer require a cashier because the purchasing process becomes as simple as a tap or scan of a mobile device.
6. **Ensures Timely Payments**- One can also use the auto pay facility to make future bill payments automatically , from your wallet balance , on a predetermined date
7. **Duplication of Currency** :Relief from fake notes as one in seven notes is supposed to be fake ,RBI spent Rs27 billion on just the activity of currency issuance and management by going digital, this can be avoided

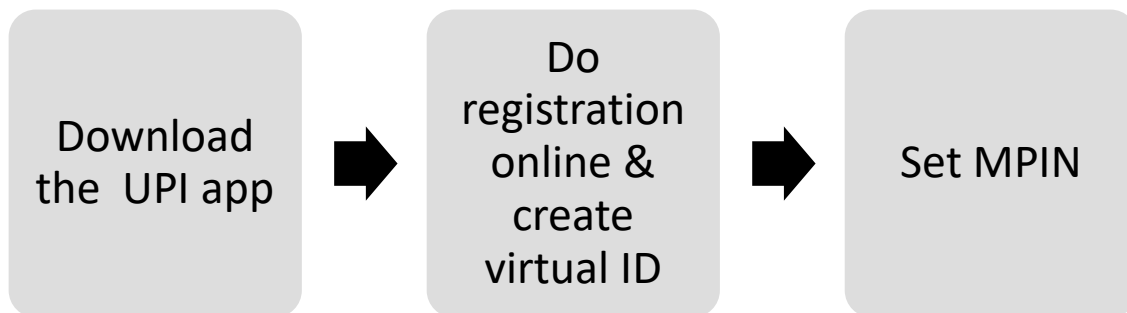
### Threat for Digital Wallets

The Unified Payments Interface (UPI) – a new open source platform developed by the National Payments Corporation of India (NPCI), facilitate inter-bank transactions. The interface is regulated by the Reserve Bank of India and works by instantly transferring funds between two bank accounts on a mobile platform. The Unified Payment Interface (UPI) can be thought of like an email ID for your money.

Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments in one roof

Transaction Cost :- ZERO

STEPS OF UPI



**Funds Transfer limit:**  
Rs one lakh per transaction

Now Wallet Companies are diversifying their business into new format banking that is Payment Banks. RBI has issued license for 11 Companies to start with these kind of banking system. Thus big players are changing their business into new system, this is a threat for other wallet companies who has not still adopted this change.

**Steps taken by RBI to Encourage Digital wallet**

- Licensing of 11 Payment banks
- Government is also promoting mobile wallets . Recently, the RBI had issued certain guidelines that allow the users to increase their limit to Rs 1,00,000 based on a certain KYC verification
- Government has also withdrawn surcharge, service charge on digital payments
- The RBI has also recently unveiled a document — “Payments and Settlement Systems in India: Vision 2018” — setting out a plan to encourage electronic payments and to enable India to move towards a cashless society or economy in the medium and long term.

**Demonitization uplifted the Digital wallet**

A revolution brought about by Prime Minister Narendra Modi’s on banning Rs. 500 and Rs. 1000 notes, in the wake of a sudden cash crunch people rushed to alternative channels to do transactions, during this period Paytm registered over 7 million transactions worth Rs 120 crore and added one million new saved credit/debit cards within 2 days after the demonetization. Paytm has become the largest Indian mobile payment wallet with more than 100 million users and 2 million transactions a day. MobiKwik claims it has registered a 7000 per cent increase in bank transfers after the demonetization which has completely removed the bank transfer fee.. People ranging from businessman ,professionals shopkeepers, vegetable sellers, petrol pumps to courier guys decided to use digital wallet for daily transactions. digital wallet traffic increased by 435%

Source: RBI Bulletin

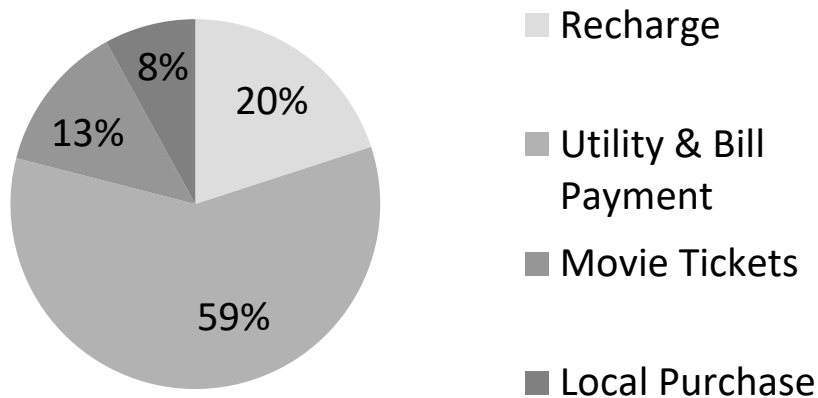
System	16-Nov	16-Dec	17-Jan	17-Feb	17-Mar	17-Apr	17-May
RTGS	101894	110980	100603	95267	154095	111744	113313
Cheque Truncation system	5419	6812	6618	5994	8063	6991	6746

(CTS)							
EFT/NEFT	8808	11538	11355	10878	16295	12156	12411
Immediate Payment service (IMPS)	325	432	491	482	565	562	586
National Automated Clearing house (NACH)	607	627	541	654	899	972	761
Credit Cards usage at POS	266	311	327	287	334	331	361
Debit Card usage at POS	322	580	490	358	357	375	375
Prepaid Payment Instruments (PPIs)	51	98	110	96	107	104	107
Mobile wallet	33	74	84	69	73	74	72
PPI cards	15	21	24	25	31	27	33
Mobile banking	1366	1498	1383	1280	1731	1612	2133
<b>TOTAL</b>	<b>119105</b>	<b>132972</b>	<b>122027</b>	<b>115390</b>	<b>182549</b>	<b>134948</b>	<b>136897</b>

## Finding & Result

- India will exceed 530 millions smart phone users topping the US as the second largest market by the end of 2018 hence it will increase the rate of digital wallet users in india.
- 58.67% of the user were male and 41.33% of the users were female, that means Men are not only more likely to use a digital wallet than women, but they also use them more frequently.
- 36% of mobile wallet users say they would use mobile payments for "almost all" of their purchases.
- Majority of the consumer are highly satisfied and has a favourable perception towards digital wallet.
- 58.57% of the sample have stated a dependency on internet connectivity for making payment is the reason for less adoption of digital wallet
- The survey suggested that adoption of digital wallet increased due to two main reasons: convenience in use & Demonitization of 2006.

### Percentage of Users





## Recommendation

- ✓ Digital wallet is a new journey, but the road is slow and bumpy. Awareness, understanding, and adoption among consumers is low ,so Merchant who are into this digital payment need to overcome their customers’ adoption barriers by educating them and offering value beyond the transaction.
- ✓ Techno savvy merchants and marketers should use this payment system as a platforms to engage consumers throughout the entire customer life cycle, not just the purchase phase.
- ✓ Promotion & awareness programme has to be conducted specially in rural areas who are non users of digital wallet

## Conclusion :

India is slowly moving from cash centric country to cashless economy.India has to go along way in digitilisation this might due to each financial innovation takes its own space to penetrate .With increase in number of smartphone users and add on userfriendly features like security and ,convenience ,Digital wallet is slowly & steadily penetrating the market .Soon digital wallet will become indispensible mode of payment in the near future.

### QUESTIONNAIRE ON DIGITAL WALLET

Survey on : Digital wallet(Transformation in the way we pay)

Name: \_\_\_\_\_ Age \_\_\_\_\_

Sex: \_\_\_\_\_

1)How often do You use Digital wallet?

- i)Never      ii)sometimes      iii) Many times

2)How much money do you load in digital wallet monthly

- i) less than 500      ii)500 – 1000      iii) more than 1000

3)How would you rate the digital wallet service you have used

- i) very satisfied      ii) satisfied
- iii)Neutral      iv) Unsatisfied

4)Are their any obstacles when You use digital wallet

- i)Yes      ii) No

5)How long are you using digital wallet?

- i) Less than 1 year      ii)1 to 5 year
- iii)5 to 10 year      iii)above 15 years

6)why do we prefer digital wallet as compare to other mode of payment

- i)Convenience      ii)security & Privacy

iii) usefulness of Digital wallet                      iv) Discount offer

7) would you like to refer your friend to use digital wallet

i) Yes                      ii) No

8) what are the obstacles you face while using digital wallet

i) Too time consumption of set up

ii) connectivity problem

iii) Need of the internet

9) which digital wallet you prefer the most

i) Paytm                      ii) Freecharge

iii) mobiwik                      iii) Google wallet

iv) other

10) Arrange the purpose of using digital wallet in descending order

- |  |                         |
|--|-------------------------|
| <input type="checkbox"/> Recharge      | utility & Bill payment' |
| <input type="checkbox"/> movie tickets | Taxi & Travel           |

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