

MOBILE WALLET: LEVERAGE TO DIGITAL PAYMENT SYSTEMS

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Abstract

Demonetization in India alarmed the importance of e-commerce and digital payments. The mobile phone has become an important device for an e-commerce organization to keep pace with market trends. Mobile commerce today is a platform to take e-commerce to the masses. Large numbers of Indians are turning to mobile phones as their first daily touch point to the Internet. Due to competition and entry of new players in telecom industry even data charges are also decreased drastically. Because of demonetization and less data charges citizens of India slowly improving their likelihood towards e-commerce. Eventually this leads to more digital payments in India. This paper describes the smart phone usage pattern in relation to digital payment systems. It also describes future sustainability and challenges of smart phone usage pertaining to digital payment systems.

Keywords: *Demonetization, digital payment systems, smart phone and e-commerce*

Introduction

Demonetization by the central government of India pushed the citizens towards cashless transactions. It is evident from the electronic payments data by Reserve Bank of India that the digital payments market has seen tremendous development due to a detonation in smart phone usage and government influence on citizens of India towards paper less currency. The acceptance of new digital payment system, like Unified Payment Interface, payments through Unstructured Supplementary Service Data, E-wallets, and M-Wallets is marked to the increased volume of digital payment systems.

The adoption of non-tradition digital payment mechanisms, i.e., payments made using Unstructured Supplementary Service Data (USSD) for mobile communications, Unified Payment Interface (UPI) and e-wallets are obvious to the growth in volume of transactions and their value.

Increase in digital payments created a new opportunity for the mobile manufacturers and mobile network providers. It created high demand for the smart phone manufacturing with new features, which in turn leads to launching of mobile wallet

applications to create digital ecosystem. To fill the discrepancies in relation to growth of digital payments service providers came with their own applications.

Literature Review

The theoretical aspects of electronic commerce were critically examined to understand the increased use of mobile wallet. The literature review specifies the relationship between the adoption of mobile and various factors motivating adoption of smartphone technology.

Sanaz Zarrin Kafsh (2015) conducted the study to identify the factors that influence the consumer's adoption of mobile wallets. It is proved that there is relationship among perceived usage, perceived ease of use & perceived security in predicting the adoption of mobile wallets. Important contribution towards improvement of digital payments through mobile wallet is the concern about security issues (Neeharika P & V N Sastry (2014)). The study discussed the security aspects relating to operation of mobile wallet. Sothic Kumar, Vijay Yadav, Atique -Ur-Rahman, Aditi Bansal (2014), discussed paytm

technical architecture, technology designs and web technologies which are competent enough to attract and retain customers interested towards digital payment systems. Ngoc Doan (2014), study revealed that the success of mobiles wallets mainly depends on the creative and innovative strategies of mobile wallet providing companies. It also stressed on the adoption of mobile wallets by the customers depends on the features, technology and ease of use.

Objectives of the Study

This study aims at:

- To study the digital payments through smart phones
- To understand the impact of smart phones on digital payment systems
- To examine the future and challenges of digital payments through smart phones

Methodology

The study is based on secondary sources of data. Books, journals, newspapers and relevant websites have been consulted in order to make the study an effective one. The study attempts to examine how smart phones are acting as leverage to digital Payment System in India.

Mobile wallets

Mobile wallets gained confidence of most of the people residing in the Asian countries and became trusted and ideal ways to pay through online. Now a days people are relying on the mobile wallets for all types transactions, like recharges, paying bills, money transfer and etc., mobile wallets include different payment methods from bank transfers money to credit cards, debit cards gift cards and so on. In these way consumers with or without credit cards can use mobile wallets. Near Field Communication (NFC) is available on almost every sort of smart phone. Security and supporting software on seller's Point of Sale (POS) are the crucial challenges faced

by smart phones smart phone to gain popularity in the Indian market. Almost 90% of transactions through mobile wallets are recorded at in store, this is clearly denoting how the consumers are adopted to the usage of mobile wallets. Though the number of customers depositing money in their mobile wallets without having bank account are less, it is increasing day by day regardless of question whether the NFC is based on app or barcode rule. Mobile wallets like Paytm and Airtel got banking license to operate mobile wallet, in the same way other mobile wallet providers are also looking towards banking license and becoming small banking institutions. Mainly after demonetization, central government had launched many initiatives and supporting mechanisms for the development digital payment systems in India. Due to government's agenda to develop digital payments attractive initiations implemented to encourage mobile payment like paytm. The initiations by the government strongly leveraged the explosive growth of paytm, which was recorded double that of Visa and Maestro penetration together. In the country such as India and other developing countries these payment banks supporting the growth of digital payment ecosystems.

The financial institutions, mobile network providers and ecommerce sites have understood the consumer behaviour towards mobile wallets and their ease of use, started designing and implementing their own mobile wallets with user friendly features in it. Banking and non-banking institutions have their own advantages and disadvantages towards attracting and retaining the consumer who are paying through mobile wallets.

A mobile wallet is comprising three important features. First, Pre – Purchase: Pre-purchase capabilities allow consumers to identify products or solutions that they would like to buy and provide additional benefits. Gift cards, rebates, offers and coupons are some of the elements of

capabilities. These induce customers towards of purchase of products and solutions. Second, purchase: involves procuring existing payment technologies which cover most of the purchasing options like NFC and QR. Retaining and attracting most of the customers towards payment modes mainly depends on the quality and ability of purchasing options. Third, post purchase: it is the ability of the payment solutions to satisfy and retain the users. The delighted and satisfied customers are the crucial to gain new customers. Managing and maintaining purchase options of payment method is the key for a convincing mobile wallet. These purchase options include expense management, warranty for large purchases, and transfer of payments to another account and so on.

According to the recent World Payment Report 2017, by Cap Gemini and BNP Paribas, electronic transactions in India are forecasted to grow at 26.2% CAGR between 2016 and 2020. Which is expected to increase 36% in digital payments during the same period, considering the large untapped population of non-smartphone users, the digital payment scenario in India looks equally promising for the next one decade.

That mobile payment systems will be instrumental in the digital shift in India, is evident from the more than 1 million downloads for the Bharat Interface for Money (BHIM) app. It is a platform that connects 31 major banks using UPI.

Smart Phones and Digital Payment Systems

Smartphones are no more just a mode to communicate; they are being used to do so much more and in ways never imagined before. They have turned smarter and better and with every launch we can witness a new technological update. Indeed, the year 2016 witnessed a boom in the very dynamic smartphone Market in India.

India achieved the position, to be the fastest growing smartphone market in the World, accounting to over 27.5 million devices sold in the second quarter of 2016, which is up by 17% from the earlier quarter, as per the report shared by IDC. Same is the case with the Mobile subscription which we foresee to hit 1.4 billion by 2021. Evidently, everyone is looking at India as a huge landing ground for the big innovation and the next big step in the telecom industry.

The wave of growth in India's internet penetration is expected to come from tier II and tier III cities. The growth is expected to be fuelled by availability of low-cost smart phones, low rates of data plans and development of smart cities in rural areas. The government led initiative 'Digital India' / 'Smart Cities' will certainly bring a boost for the mobile sector as that shall further emphasize on the banking services. The flexibility of technologies and convenience to use makes them capable of meeting the future needs of customers, merchants and service providers.

Also, to add which, Mobile-initiated payments have finally gathered a momentum in India; it has been adopted not only by the cities but also by some parts of the rural areas across India. Recently, a village in Tamil Nadu named Khandalavadi was declared as the first village to go cashless and which started using mobile wallets for services such as topping up Airtime and paying for food delivery, taxi and many more services.

As e-commerce, it has moved to mobile with nearly 83% of people shopping online on their mobile phones. The growth in m-commerce has been fuelled by the availability of affordable smartphones and mobile data plans. Customers in the age group of 25-34years are taking to their mobile phones to shop online and Mobile commerce is estimated to grow up to \$19 billion by 2019. Demonetization will also favour the m-commerce industry in the

country and most of the retail commerce will shift to mobile soon.

India has a large and growing millennial population – young, tech-savvy consumers with rising earnings potential and disposable income. This demographic has historically been and will continue to be, an early adopter of new technology and new models of media consumption. India therefore is a market which is ripe for digital media investments. The demographics are all stacked in India's favour for digital consumption.

The above graph is clearly showing that the smart phone users in India are increasing year by year. Almost 300 million people are using smart phones. It is forecasted to increase year by year and it will reach around 443 million in 2022. The growth of smart phone users certainly improves digital transactions through mobile phones. It is forecasted that the internet users will increase to 512 million in India by 2022. This is particularly leveraged by the drastic price reduction in data charges by top mobile network providers. State and central governments are also becoming the integral part of this massive growth.

It is evident from the above graph that among total digital transactions 48 percentage of digital transactions are due to mobile devices and remaining 38% and 14% digital transactions are recorded through swipe the cards at the point of sales and computers respectively. Banks, mobile network providers, websites like google and social media like what's app are implementing their own strategies to attract the customers towards cashless payment.

Digital payment solutions are becoming more relevant for the Indian economy driven by mobile-centric internet penetration. India has the third-largest internet user base in the world with 300 million users. Out of which, nearly 50 percent of them are mobile-only internet users. And this 300 million is estimated to become 650 million by 2020, as highlighted in Google's Digital Payment 2020 report. In

addition, the Indian Fintech segment is forecast to touch \$2.4 billion in 2020.

Challenges of digital payments in India

Demonetization facilitated mobile wallet companies to raise their consumer base. 90 percent of the consumer purchases in India were made in cash. The scenario is suddenly changed after demonetization and people started understanding and experiencing digital transactions. Along with the customer attitudes towards cashless transactions, growth of smart phone users and internet users in India boosted digital payment ecosystem. To sustain digital payment growth in future it is important to focus on the following challenges.

1. Consumers are distrustful doubting the security and safety of mobile wallet. They are also worry that their digital wallet could be hacked or attacked. Many of the mobile wallet companies are concentrating on attracting customers through advertising rather than acquisition of infrastructure facilities.
2. Most of the mobile wallets do not allow transfer of money form one wallet to another. It is difficult for customer or merchants to maintain two to three mobile wallets as they are not allowing transfer of money from one wallet to other.
3. All mobile wallets are inducing digital transfers by discounts and cash back schemes. All of them are adapting their services and not making money. Now the question is whether the mobile wallets will sustain the same momentum after taking sales promotion strategies back.
4. It will be difficult for Mobile wallet companies to retain most of the customers gained during demonetization. These customers will move back to cash

transaction once the cash availability is normal.

5. The RBI tightened norms on transferring money from wallets to bank accounts. Fund transfers from such wallets to bank accounts and shall not exceed Rs 10,000 per month

6. Competition from Credit & Debit Cards: Cards form one of the biggest challenges to further adoption of mobile wallets. Given the current limits on transactions through this channel, limits which are wider in the case of cards does provide a significant roadblock to adoption.

Future of M-Wallet payment system in India

Multiple factors and parallel institutional and behavioral trends seem to be powering India's transition towards a less-cash economy. The rapid penetration of smartphones and spread of internet connectivity on mobiles, digital payment services provided by non-banking institutions and the rise of the fintech sector, consumer expectations of one-touch payments, and progress in regulatory governance and tax breaks, have altogether shaped India's payments landscape in favour of digital solutions.

By 2022, India will have more than 443 million smartphones. Inexpensive

smartphones and the rollout of 3G and 4G broadband infrastructure are rapidly coming together to leapfrog traditional distribution and democratize online access. Together, these factors are the foundations for accelerated digital media consumption.

Conclusion

Smart phone usage and digital payments in India are growing in parallel. A Price slash related to data usage by different players in telecom industry in India is main leveraging aspect of digital payment through smart phone. It is evident from the introduction Bhim app that central government is seriously considering the digital payments through smart phone. Ultimately due to above mentioned reasons, India will have more mobile wallet users.

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