



E- Wallet: The future of banking

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Abstract

A few years back e-wallets, mobile banking, internet fund transfers were hardly heard of. But with the introduction of 3G and 4G connectivity, surge in the use of smartphones has seen a shift towards faster and instant modes of payment. The government of India also in the recent years has led the innovative “Digital India” campaign to move the economy towards a cashless one as cash generates black money. In order to curb this and maintain a trail of transactions done by individuals it is essential to promote digital payments. Debit cards, credit cards, payment banks, point of sale, UPI, net banking etc. have played tremendous role in promoting digital economy. Government has launched various applications, BHIM being the most popular one, to promote e-commerce. Almost all the ministries have one or other app which handles their respective works. The payment industry is growing rapidly due to better infrastructure, new promotion tactics, better access to internet, increased use of smartphones, ease of payments. In June 2018, the value of transactions made through mobile wallets touched a record of Rs.14632 crore. Debit and credit card transactions also hit a new record of Rs 3.62 trillion in June 2018. Transactions which were earlier possible only by going to the Bank are now just a mobile click away. The paper attempts to study the reasons for growth of the e-commerce industry, the factors promoting its development and future of mobile banking in India.

Keywords: Mobile banking, E-wallet, E-commerce, digitalization, online payments, technology, infrastructure, cashless economy

Introduction

Digital or E-Wallet means a digital application that allows users to collect their financial details at one place which includes all their debit and credit cards which offer faster, seamless and contactless payments. The Digital India Program under the flagship of Indian Government with the “Faceless, Paperless, cashless” moto to transform economy in a knowledge economy, e-wallet is playing a major role. The biggest advantage of e-wallet over physical payments is that it is quick and adds to pleasant experience of customer without causing inconvenience. A wide variety of usage from making payments to paying bills and also splitting bills among friends is a new age fun. The e-wallet industry is said to be adding over 1 million customers each day after the announcement of demonetization on November 8. The future of e-wallets could be expected high as growing technology, connectivity and tech-savvy generation is acting as a catalyst. The Federal Reserve survey pointed out that 3 out of 10 people are interested in cashless payments.

Literature review

Adharsh R., Harikrishnan J., Prasad Adarsh, Venugopal J.S., (2018) ^[1] as per the study conducted most of the youth agreed that even small scale vendors are ready to accept e-wallet payment methods, demonetization is one of the reason for sudden spur in increased wallet users, internet speed and connectivity has been catalyst from promoting the goal of digital India. Cash backs, redemption points, further discounts for using e-payments has heightened the interest of consumers in using e-payment methods.

Assocham India (2017) ^[2] there is need to market the use of e-wallet more efficiently through increasing awareness, better technology and infrastructure. All this needs to be

done by RBI by framing better policies and guidelines to make the wallets more practicable and widely used.

BCG- Google Report (2016) ^[3] easy and simplified KYC policies, user friendly digital payment mechanism, grievance redressal framework, sustainable digital platform, marketing of non-cash payment alternatives is the need of the hour.

Prof Trilok Nath Sharma (2016) ^[6] a rich and better experience with secured offerings would enable users value additions and go just beyond payments.

Dr Hem Shweta rathore (2016) ^[7] convenience, ease of use and user friendly experience are helping digital wallets gain momentum in the growth of these wallets.

CMB Consumer Pulse (2015) ^[5] the study says that after 2015 there will be growth in use of mobile wallets as only discounts and offers will no longer lure customers.

Ernst & Young LLP (2015) ^[4] mobile payment is a preferred means of payment as it ensures rich and seamless transaction experience.

Pinal Chauhan (2013) ^[10]- lack of security and standardization are the concerns that inhibit the growth of digital payments which are expected to improve over the years due to the simplicity, user-friendliness, security involved.

Prof. Diniz Eduardo Henrique, Prof. Albuquerque Joao Porto De, Prof. Cernev Adrian Kemmer (2011) ^[11] the study identifies the inhibitors to growth of digital payment methods such as legal issues involved, adoption of technology, infrastructure backwardness etc.

Overview of E-Wallet

E-wallets or Mobile wallets hold the entire financial information of the user. All the bank accounts of a customer

can be linked at one place via his aadhar card and it becomes easier for him to trace his financial history of the transactions in a secured manner. These wallets are application software programs that allow a user to store information virtually just like a physical wallet. All the data regarding credit cards, debit cards can be securely stored at one wallet. A user can use multiple wallets to suit his needs. These wallets offer variety of promotional features such as bonus points, loyalty points, discount codes, cashbacks, extra discounts, coupons, free services etc. to lure a customer to use services of a particular wallet. All these wallets work under the guidelines of RBI and need to obtain license from it. Some of the well known E-wallets include Paytm, Freecharge, Mobikwik, Paypal, PhonePe, Google pay, Airtel Money, Vodafone M-pesa, Bhim, Future Pay, Payzapp etc.

Types of E-wallets

There are four different types of E-wallets in India:

- a. **Open Wallet:** This kind of wallet allows the user all types of functions that can be done using a debit card such as purchase of goods, transfer of funds and even withdrawal of cash. Such wallets are provided by individual banks to their customers to enjoy hassle free operations. The bank may tie up with any application providing company to develop and maintain wallets in their own name. Example- SBI Mobile Buddy, SBI YONO, ICICI Pockets, Baroda mConnect Plus.
- b. **Semi-Open Wallet:** In such types of wallets, the wallet company has contracts with certain merchants and payments can be made using these wallets only to those authorized merchants. Withdrawal of cash is not permitted here. Examples include gift cards issued by various banks such as ICICI, Axis bank, HDFC etc. that can be redeemed at stores mentioned on the card.
- c. **Semi-Closed Wallet:** Usually private companies and NBFCs are allowed to operate such wallets where the wallet companies contract with merchants and the user can perform all transactions apart from withdrawing cash via these wallets at the merchants listed by the wallet. These include PayTm, PayPal, PhonePe, Mobikwik, Freecharge etc.
- d. **Closed Wallet:** In this wallet a certain amount is locked and can be utilized only for purchase from the concerned merchant. This is maintained in case of cancellation or return from a transaction or through gift cards. Such wallets are commonly provided by E-commerce company and retail merchants. These may be operated by NBFCs, banks and other private entities. Example: LifeStyle Gift card, Bigbazaar Future Pay, Flipkart Wallet, Pantaloons Payback card etc.

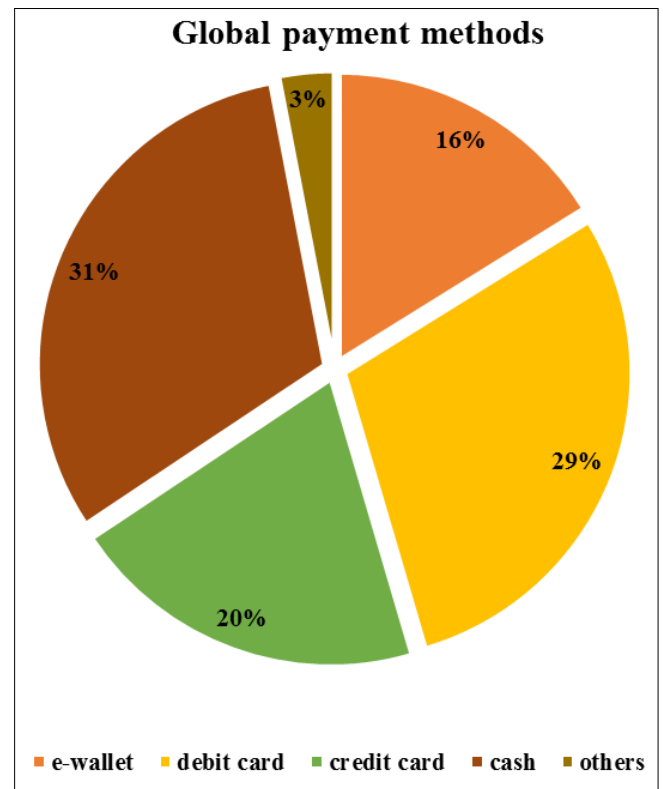
Working of an E-wallet

An e-wallet account can be created by installing the application on the smartphone and getting oneself registered on the app by giving personal details such as name, e-mail, mobile number, bank account number etc. Multiple accounts can be kept in one wallet by linking all the accounts using

the aadhar number of the user. Usually security features such as one time password (OTP), pin, security question etc. are provided by the app. The software is built to ensure safety and is strongly encrypted. This wallet can be used to make any kind of transaction including transfer of money to other account, bill payment, shopping, recharge etc. Many promotional offers are also provided by the wallet which help to earn additional discounts and points. There is a rise in number of wallet providers post demonetization as customers are heading towards cash free payment methods. Small vendors to big retailers almost everyone accepts payment using e-wallets.

Rise of E-Wallet

Due to the increasing demands for cashless and effortless transactions, the supply of e-wallet players and providers in the market is also rising considerably. It is just the beginning and many countries around the globe have already started picking up this concept at a fast pace. The global mobile retail commerce is expected to cross \$5855 bn by 2020. The figures below show the use of various modes of payment adopted globally in 2018.



Source: worldpay global payments report

Fig 1

Consumers in India initially found e-commerce to be inconvenient and insecure but that has started to change with the adoption of simpler payment methods and selection of payment methods based on the preference of the local customers.

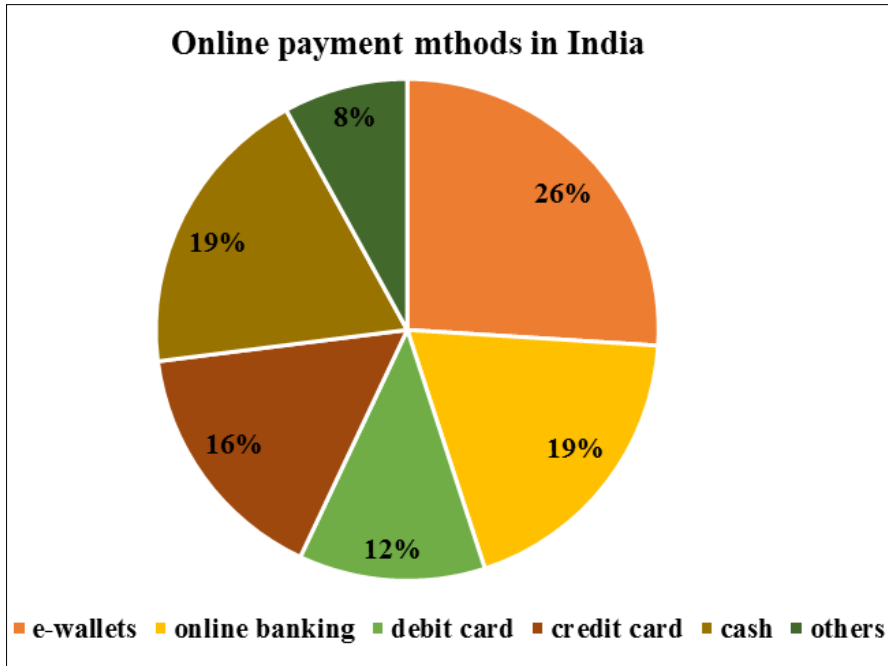


Fig 2

In the Indian payment scenario, UPI (Unified Payments Interface) has brought about new revolution as it has achieved tremendous growth and popularity in 2018. It has revolutionized the payment system and the banking ecosystem. Number of transactions done by debit and credit

cards have declined due to the growing popularity of UPI. It has changed the way entire payment industry works. During the period from January 2018 to December 2018, UPI has grown rapidly which is evident from the table shown below-

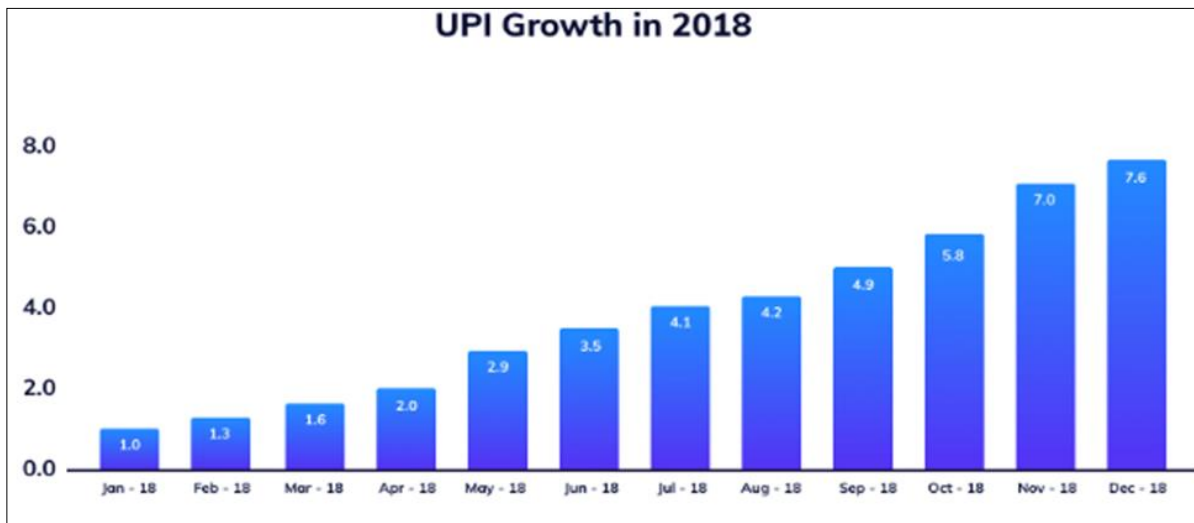
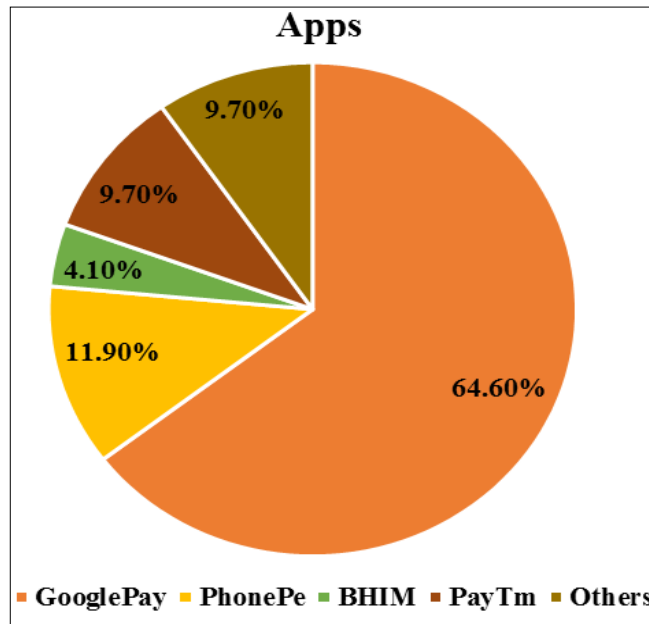


Fig 3

Out of all the providers that use UPI, GooglePay emerged to be the most widely used app as Google has been able to monopolize the market by using a combination of features and inclusion of vernacular language in the app. BHIM

which happens to be government sponsored app was the winner in 2017 but GooglePay left it far behind in 2018. Government need to take marketing measures to promote BHIM.



Source- razorpay.com

Fig 4

Advantages of E-Wallet

- 1. Instant Operations:** e-wallets are simple, easy to use and offer services on the go. These can be used to make transactions instantly without any hassle unlike bank accounts. Transactions are made in matter of seconds through secure portals. These can be used to pay bills, shopping, money transfer, recharge etc. Refunds are also hassle free and convenient.
- 2. Accountability:** the account statements can be accessed from anywhere to keep a check on the transactions made. All the transactions are automatically reflected in the account statement as and when they are made.
- 3. Traceability:** as all the transactions are instantly recorded, each and every rupee can be traced to the source and thus it ensures safety of funds. Account statements can be viewed instantly without having to wait to visit banks and stand in long queues.
- 4. Money on the go:** there is no need to carry piles of cash even while travelling as instant payments can be made using e-wallets. Money can be transferred anywhere in the world without any borders.
- 5. Safety:** these wallets ensure safety as these can be accessed by only a single user on his mobile and various levels of passwords are used to enhance safety.
- 6. Online support:** customer care can be contacted in cases of emergency so that issues can be instantly resolved.

Future of electronic wallets

The fact that virtual money has taken paper money by storm is too powerful to deny. There can be heard various opinions about the future of e-wallets. Many think that it will completely wash out other means of payment. While there is still a long way to go for e-wallets to completely takeover but the revolution has begun. It is slowly washing away the importance of paper money and a lot of potential users exist who are going to switch to digital means in the near future. The government needs work in the direction of upgrading the levels of digitalization so that it meets the requirement of time. Also an upgradation of technology is required to

develop more innovative methods of promoting digital payments. The security features also need an update as many people are hesitant to enter the digital world due to fear of phishing etc. Maximum efforts should be dedicated towards making a rich user interaction experience to allow him to use the services of digital methods more efficiently. A conclusion can be made from the above analysis that e-commerce and its services have attained a rapid pace of development and are expected to grow in coming times.

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