

Perception of Indian Consumers towards Digital Wallets a Study

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Abstract:

Reform in the payment industry in India is completely new. Because India is a majorly cash-driven economy where people prefer to carry cash instead of cards however India is moving towards a "Cash-less economy". After the demonetization process with the increased mobile and internet penetration resulted in tremendous growth in digital payments and also transformation in terms of growth, technology content, and market structure in the last decade policy reforms introduced by the government. The impetus of these changes expected to continue, and at a much faster pace. This transformation towards digital payment benefits in more transparency in transactions which empowers the country's economy. Demonetization has presented a unique platform for the adoption of digital payment, as an alternative to cash for Indian consumers. In recent years many changes have taken place in the payment system like digital wallets, BHIM app, and AEPS for the smooth process of the payments.

The study aims at knowing the awareness among the consumers/citizens about the cashless economy. And also helps in determining the factors motivating consumers to use digital payments instead of physical cash.

Keywords: Cashless economy, Demonetization, Digital Payments, and Technology.

Introduction:

It has been said that every disruption creates opportunities and one event leading to such disruption was the announcement of demonetization by Prime Minister Mr. Narendra Modi on 8th November 2016. Demonetization created a huge growth opportunity for the digital wallet in India. The digital wallet companies garbed the opportunity to expand their market share. There was a substantial increase in the digital wallet users in the Indian context. With the advancement in technology the shopping behaviour of the customers is changing, along with the payment modes used by him. After the demonetization process with the increased mobile and internet penetration, there was a huge change in the landscape of payments. Traditionally India is a cash-driven economy. The Indian consumer is more comfortable with cash in his pocket but the scenario is changing. A cashless economy is cost-effective, user-friendly, business-friendly, pro-financial inclusion to name a few.

India has an evolving landscape in terms of mobile payments. The most proficient way that has been identified in the recent past is via mobile phones, with the high proliferation of mobile phones, tapping the Indian consumer base has become a bit easier through the telecom companies.

The propensity of the Indian consumer to adapt to this payment system is proof of the concept that Indian consumers have an alacrity towards reverse innovation products. In India, amongst the category of smartphone users, the people who use apps are quite low only 8% of the people are considered to appear, which means they download apps and use them for their convenience. This is indicative of the fact that why mobile wallets, which are mostly mobile app-based have not taken off to a flying start in the Indian market, unlike their US counterpart. But at the same time, there is no denial of the fact that there is huge growth potential in this segment, and what is the most important need is customer education towards the usage of such payment applications. Also, the mobile wallet usage viability in stores in India to date is low due to poor infrastructure at the merchant's end.

In India, we have seen a significant change in the profile of Indian consumers. They are more attracted towards technology, better networked and using maximum resources available. Almost 94 per cent of the Indian population is using mobile phones for their professional and personal works. India has more than 150 million mobile phone users and is expected to grow approximately 3.5 times in next five years. Data also show that there will be a 30 per cent growth in the mobile wallet market in India during 2015-2019 (Bureau, 2016). Young Indians are more attracted towards new mobile technologies like mobile wallets, etc. (Varghese, 2012), because they enjoy using it and prefer it for all their banking needs. In India, mobile payment services are growing significantly from the last few years, as it is convenient and easy to use.

Literature Review:

Key Pousttchi and Dietmar G. Wiedemann(2008) found performance expectancy, effort expectancy, social influence, and facilitating conditions as the variables impacting the intention to use m-Wallets. To conclude it can be explained that mobile payments are new ways of making payments. There is concern among the customers and users for data confidentiality and security. Although consumers show anxiety over the security and trust issues, but they are willing to bend their rules keeping in mind the convenience and other advantages of mobile payments.

The payment industry has undergone a drastic change in the Indian scenario. The system has evolved from a barter system to E-wallets (Brahmbhatt, 2018). One of the reasons for this change is the moving of our economy to a cashless economy. A cashless economy is an economic system in which there is little or very low cash flow in society. Goods and services are paid through electronic media in a

cashless economy. It includes e-banking, debit and credit cards, card-swipe, or point of sale machines and digital wallets (Chandrakala, 2019). The demonetization also resulted in tremendous growth in digital payments. Thus, if demonetization and digitization work effectively it will help the Indian Economy to become a Cashless Economy. “Paperless, Faceless, Cashless” is the motto of the cashless economy (Pattan & Agrawal, 2018). Cashless Economy refers to the term where the physical flow of currency notes and coins is replaced with the digital flow of money. Digital flow includes the use of plastic money, digital means, and over the net transactions. Physical money means the paper currency notes and coins issued by the government as legal tender. Plastic money involves the use of plastic cards such as debit cards, credit cards, pre-paid cards, contactless cards, etc (Goel et al., 2019). With government initiatives such as Digital India, there is an increase in the use of digital payment systems. In recent days many changes took place in the payment system like digital wallets, UPI, and BHIM apps which initiated a smooth shift to digital payments (Kavitha & Sampath Kumar, 2016). One of the most important aspects which have been leading the change is the adoption of smartphones. Smartphones have become an inseparable part of people's lives and are a convenient tool for making digitalized payments (Yadav, 2017). The digital wallets are classified as open wallets, semi-open wallets; semi-closed wallets, and closed wallets (Chauhan & Shingari, 2017).

Mobile wallets are finding its uses in many areas in the current scenario. The mobile wallets have been extensively used by banks, companies, and customers (Manikandan & Jayakodi, 2017). The advantages of digital wallets are convenience, safety, and liquidity, promotion of transparency, and security by increasing accountability and tracking and thereby reducing the scope for misuse and theft (Herwadkar et al., 2019). For the financial institutions adopting digital payment systems as digital wallets is reduced operational and processing cost (Bhosale & Desai, 2012). There are many other advantages of digital wallets as it solves the problem of change, secures the bank details, digital wallets are easy to access for day to day transactions, digital wallets can become remainders for future payments etc (Ashwini, 2020).

There are many studies conducted on the challenges and problems faced by consumers. The major problems faced by consumers are delayed payment, lack of security and safety, charges of online transactions, long transaction time, the problem of internet connection, a transaction failure, etc (Mathiraj et al., 2019).

In M-wallets, users can save their personal and banking information, shopping details, payment history, etc. M-wallets help users to use their debit/credit cards for various transactions like bill payments, shopping, discounts, booking movie tickets, fund transfers, etc. These services are the recent development and will help various industries like telecommunications, technology and financial services to expand their businesses. Consumers generally use mobile wallets for transferring money, various payments of bills/cards, stored money services, shopping, availing discounts, etc. Mobile wallet provides them various facilities like loyalty benefits, minimum interest rates, review sale and purchase options, receipts management, cash benefits, with greater convenience and ease (Rowland and Shrauger, 2013). This inspire consumers to prefer mobile wallets for all of their banking transactions (Thakur, 2013).

Rathore (2016) stated that digital payment using wallet was highly convenient for consumers in purchasing products through online without physical movements across places.

Singh (2017) concluded that there was significant difference between education of consumers and adoption of digital payment. The perception of consumers for digital payment had positive and significant effect on adoption of digital payment among consumers.

Objective of the study:

1. To study the concept of digital wallets in India.
2. To study the factors motivating consumers to use digital wallets.
3. To study the perception of consumers concerning preference, security & ease of use towards digital wallets.

Mobile wallets in India:

According to TechSci Research report, mobile wallet market in India is projected to reach US\$ 6.6 billion by 2020. The mobile wallet market in India is projected to exhibit exponential growth on account of rising smart phone penetration rate, growing mobile internet user base, and increasing government support. In addition, mobile wallet companies operating in India are also offering attractive deals and incentives to attract new users. In recent years, wallet companies have increasingly formed collaborations with service providers and financial institutions to offer a robust and seamless mobile wallet platform to the users. Usage of the mobile wallet is growing across various applications such as money or banking transactions, mobile recharge and bill payments, ticket bookings, utility applications, etc. In addition, approval of payment bank licenses of major companies such as Paytm, Vodafone, Airtel, etc. is projected to drive growth in the number of banking transactions through mobile wallet over the next five years.

RBI'S initiatives towards mobile wallets:

Mobile wallet is a virtual wallet service provided by certain service providers, wherein people can load a certain amount of money that can be spent at online and offline merchants listed with the mobile wallet service provider. This digital payment service works as a cashless payment service, wherein people do not have to pay cash or swipe their debit or credit card at offline merchants. One of the major driving factors of the Indian mobile wallet market is the upward trend in the usage of mobile internet. This is primarily because the telecom operators have reduced their internet charges due to extensive competition and advancement of new technologies. There are four types of mobile wallets in India.

Open wallet: It is the one that allows a user to buy goods and services, withdraw cash at ATMs or banks, and transfer funds. These services can only be jointly launched with a bank. Additionally, it allows its users to send money to any mobile number bank account. Example: M-Pesa by Vodafone and ICICI.

Semi-open wallet: It is the one that allows its users to transact with merchants that have a contract with the semi wallet company. A user cannot withdraw cash or get it back; he will have to spend the amount he had loaded. Example: Airtel Money.

Closed wallet: It is quite popular with ecommerce companies. Here, a certain amount of money is locked with the merchant in case of a cancellation or return of the order, or gift cards. Example: Flipkart e-wallet.

Semi-closed wallet: It does not permit cash withdrawal or redemption, but allows users to buy goods and services at the listed merchants. Example: Paytm.

Research Methodology:

The research follows both exploratory and descriptive research methodologies. Secondary data was analyzed through the literature review. Ebsco and Google scholar were used to collect the literature concerning digital wallets. The secondary data analysis was followed by data collection using a semi-structured questionnaire. The data was collected by online means by using google form. Data analysis was carried out by using software for data analysis SPSS. The sampling technique for the research was a nonprobabilistic convenience sampling technique and 125 was the sample size for the study.

Findings and Discussion:

In the research 54.40% of the respondents are male and 45.60% of the respondents are female. The study revealed that 37.2% of the customer's purpose of using a digital wallet is for money transfer, 26.2% of the customer's purpose of using a digital wallet is for purchasing food, movie tickets etc, 18.6% of the customer's purpose of using a digital wallet is for other purposes like Booking tickets, paying bills, etc., 17.9% of the customer's purpose of using a digital wallet is for Online shopping. During the study it was revealed that 46.40% of the respondents use a digital wallet for its ease of use, 44.80% of the respondents use digital wallets as it saves their time, 8.80% of the respondents use the digital wallet as it is secure.

The study indicated that the availability and convenience of the mobile wallet payment services were considered as the important reasons for using digital wallets with 44.8% and 56.00% of the respondents agree to this. More than half of the respondents are comfortable with the security of the mobile payment gateways. 44.8% of the respondents strongly agree that digital wallet service is accepted at various stores. It is notable that 37.6% of the respondents strongly agreed that the reasons of usage of digital wallet is loyalty/reward points, discounts, 53.6% of the respondents agreed that digital wallets save time and 66.4% of the respondents strongly agree that digital wallets have made their life easier. The study revealed that Phonepe (48.8%) is the most used app by the respondents followed by Google pay (43.2%), 8% of the customers prefer Paytm.

During the study 40.8% of the customers find the security of mobile payment as an obstacle while using a digital wallet, 20.0% of the customers find a danger of losing money as an obstacle, 18.4% of the customers find too time-consuming to set up a digital wallet, 13.6% of the customers find that internal transactions cannot be done, 7.2% of the customers find network issue as an obstacle while using a digital wallet.

It is found during the research 50.4% of the customers are satisfied with the usage of digital services, 42.4% of the customers are very satisfied with the usage of digital services, 6.4% of the customers are neutral with the usage of digital services, 0.8% of the customers are unsatisfied with the usage of digital services. It is found that 76.0% of the customers definitely will continue using a digital wallet, 18.4% of the customers probably will continue using a digital wallet, 4.8% of the customers are neutral to use a digital wallet, 0.8% of the customers definitely will not continue using a digital wallet.

Conclusion:

The study was undertaken to explore the customer preference and willingness to use the digital wallet and as per the findings of the study, the Digital wallet is gaining popularity among the Indian consumers. After obtaining data through a questionnaire and on the analysis done, three main factors convenience, security, and trust were found to be the most significant on the customer acceptance

of digital wallets. Phonepe is the most popular digital wallet among the customers followed by Google Pay. As there are advantages there are many obstacles also in the usage of digital wallets those are security, time consumption etc.

Limitations of the study:

There are bound to be certain limitations for every study and the current study is no exception. The limitations of the study are as follows

- a. The survey was limited to 125 customers only
- b. The non users of the digital wallet were not considered for the study

Practical implications and future possibilities of research:

The study is pertinent in today's times and can have constructive implications such as:

- i. The study is likely to provide useful insights on acceptance and perception towards digital wallets
- ii. The study should work as a reference to all the researchers who want to pursue research on digital wallets.
- iii. The study indicates the reasons for consumers adopting various digital wallets.

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