

M-WALLETS: AN EMERGING SCENARIO IN INDIA

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ABSTRACT

The technology is changing at a very fast pace to cater to the needs and requirements of a person. Earlier the people were using traditional payment methods ranging from cheques and drafts thereby shifting to plastic money and now most recently to m-wallets which is most emerging payment system of mobile banking. With the introduction of mobile wallet, it has become very easy for a person to make cashless transactions and move India on the path of digitization. The paper under study is an attempt to highlight the exploding m-wallets in India underlining the major players in mobile payment landscape. The paper also tries to explain how m-wallets have stepped into mobile payment industry as an advanced technology thereby giving close competition to other payment methods over the recent past. As India is the country with young population in majority who are getting more comfortable with new mobile banking channels and urging India to move on the path of digitalization, so there is need for mobile wallet players to bring changes in their framework to retain and sustain themselves in the market in coming years.

Keywords: *technology, cheques, drafts, plastic money, mobile banking, mobile wallet*

I. INTRODUCTION

1.1 Objectives of study

1.1.1 To find out benefits in using mobile wallets as a channel for making payments via mobiles.

1.1.2 To access various factors driving growth of mobile wallets in India.

1.1.3 To analyze the current status of mobile wallets in India in terms of transactions volume wise, value wise and market size etc.

1.1.4 To chalk out the major challenges in making India cashless.

Since many decades ago, human beings are relying on different payment systems to purchase the needed goods & services and dealing in business transactions (ranging broadly from barter system to cheques, drafts, plastic cards i.e. credit & debit cards and now a days most recently to electronic and finally to mobile payments. The technology is changing at a very fast pace to cater to the needs and requirements of a person.

Mobile Wallet has evolved as a technology stepping into the industry to offer wide range of new and unique services to the consumers thereby making life easy and convenient. Instead of making payment in cash or through cheque or credit cards, a consumer can use a mobile phone for making payment for a wide range of products and services. The mode of mobile wallet is being used all over the world in different ways. With the introduction of mobile wallet, it has become very easy for a person to make cashless transactions and move India on the path of digitization.

II. MEANING OF MOBILE WALLET

The mobile wallet is also called m-wallet, digital wallet or e-wallet. It is a digital wallet which is similar to the real wallet in which we carry money. It is an online platform which allows a person to keep money in it, just like a person maintains his bank account.

A user has to create an account with a mobile wallet provider. After creating an account with wallet providers, the money is added to the mobile wallet account through debit, credit, and online transaction from bank account or through cash (similar to recharge). The major difference between a mobile wallet and online transactions through bank account is that mobile wallet doesn't charge any amount on a transaction and moreover, the customer need not undergo the process of entering card details and pin number for each and every transaction. It is very easy and convenient as the user has only to sign in the account and make the payment.

3. BENEFITS OF MOBILE WALLETS

3.1 Mobile wallets are very easy to use and operate. There is no need to fill card numbers and passwords every time. A person can link his/her debit card, credit card, bank accounts & make payment immediately without any hassle of entering the details every time.

3.2 It is very easy to access and there is no need of keeping a physical wallet for keeping cash or cards. Moreover, mobile wallets are also upgrading to allow for storing various documents digitally like Pan Card, Aadhar Card, and Driving License etc.

3.3 There would be coordination of data from different platforms. All bank accounts, debit and credit cards, mobile accounts and bills will be interconnected which will ultimately help in proper management.

3.4 A person can make payments instantly without any delay with the help of mobile wallet. There will be no issues of searching for change as we face while dealing with cash.

3.5 It is very useful in unorganized sector where cash is regarded as the best mode of payment. Exchange of money through mobile wallets at chat stalls street vendors, small shops etc. would remove the need to carry cash/cards at such places.

IV. DRAWBACKS OF MOBILE WALLETS

4.1 One of the biggest issues is the mobile network connectivity. In India, we are facing problems of network and reliable and fast internet connectivity which acts as a big hindrance in usage of mobile wallets.

4.2 Security is the next foremost issue. People always have fear of misuse of their money by hackers & frauds. People feel safe in carrying cash with them.

4.3 There is lack of infrastructure and people in India are not financially literate. There is no use of bringing advanced technologies like m-wallets in India unless they are not made financially literate.

4.4 India doesn't have a concrete dispute resolution process. Experiences of people with the customer service agents are not very encouraging.

4.5 Replacing day to day transactions with money is easier said than done. Various small transactions are being done every day and it is not possible to manage small amount transactions through mobile wallets.

V. FACTORS CONTRIBUTING TO THE GROWTH OF M-WALLET MARKET IN INDIA

. It is the latest example of advancement in technology. . The mode of mobile wallet is being used all over the world in different ways. There are **various factors which have contributed towards growth of m-wallets in India** explained as under:

5.1 Rise of Digital transactions: - Digital Payments Industry is growing by leaps and bounds and it is the foremost factor for growth of m-wallets in India. It includes Net Banking, credit/debit card transactions, prepaid cash cards, mobile wallet and IMPS etc

5.2 Rise of cashless transactions: Going cashless is creating a positive impact on society as the paper based methodology in financial transactions is reducing thereby bringing economy in operations, time and cost. **Following data** as per **Boston & Consulting Group** is clearly indicating change in habits of people for adopting cashless means for making payments and this scenario is hoping to grow by leaps and bounds.

Rising trend of Cashless transactions (Table 1)

Year	Cash transactions (%)	Non-cash transactions (%)
2010	89	110
2015	78	220
2020	60	400
2025	59	410

Source: Digital Payment 2020-BCG Report

5.3 Increasing number of Internet Users: - As internet has been the best medium to connect two distant persons, its gaining popularity and its maximum use by people of all age groups is also one of the driving factors.

Internet Users in India as percentage of Population (Table 2)

Year	Internet users (%)
2010	8
2011	10
2012	13
2013	15

2014	21
2015	26

Source: World Bank

5.4 Increasing number of Mobile Internet Users: - The number of mobile internet users is increasing tremendously. The reason behind it is that the telecom industries have reduced their service charges due to tough competition. Now, mobile internet has become an affordable service to many people in India as compared to early 2000's.

As per report on Mobile Internet in India 2016 published by Internet & Mobile Association of India & Market Research firm (IMRB), number of mobile internet users in Dec.2016 was 389 million which is expected to increase to 420 million by June 2017 as per Economic times of India.

5.5 Increasing number of smart phone users:-The Smartphone shipments in India have increased almost 6 times from 2012 to 2015 due to decreasing prices of handsets and data plan tariffs. Various Chinese Smartphone manufacturers have entered India, for instance –Vivo, Oppo, CoolPad etc. This has flooded the Indian market with smart phone in the range of INR 5000-20000

Smartphone adoption Trends in India (Table 3)

Year	Connections(in million)	Penetration (in %)
2014	157	17
2015	239	24
2016	340	32
2017	451	40
2018	544	46
2019	629	51
2020	702	55

Source: "Mobile Subscriptions & revenue forecast: 2015-20", Ovum knowledge centre, November 2015

5.4 Growth of E-Commerce Industry:-The E-commerce market in India is growing rapidly due to growing smart phone and internet penetration. Moreover, the move on demonetization has also led to the growth of e-commerce industry in India.

The usage of e-payments & m-wallets is increasing among the youth and customers are being attracted with huge discounts and cash backs while paying through e-wallets. It has been observed that approx. 60%-65% of total e-commerce sales are being generated by mobile devices and tablets in India which are also encouraging the usage of m-wallets.

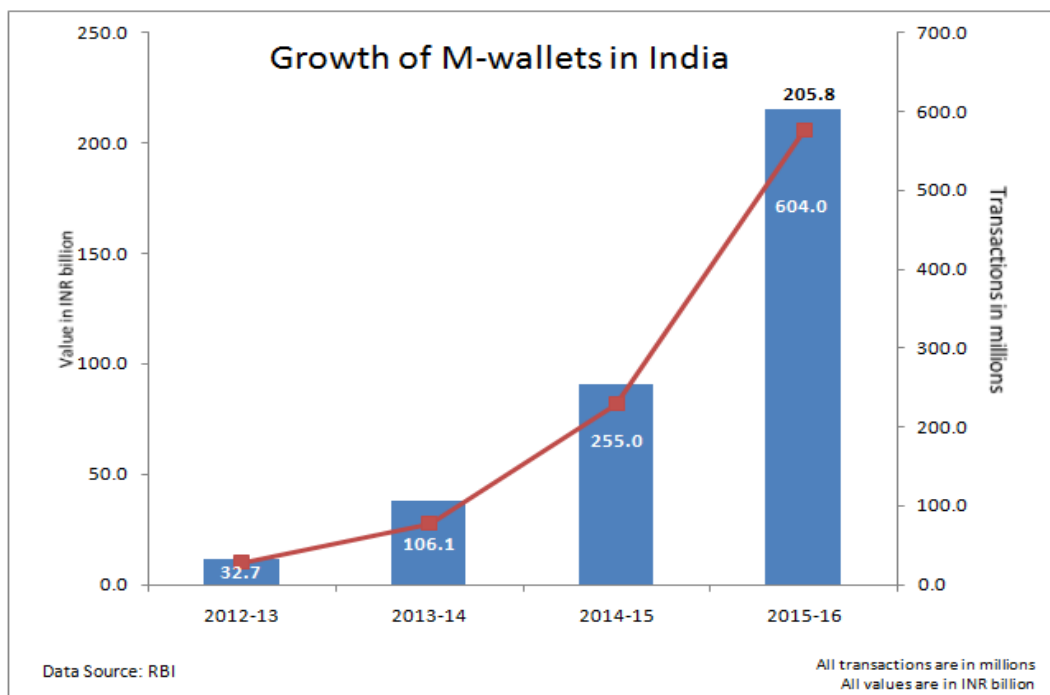
5.5 Huge Benefits to customers through Online & Offline stores:-One of the major factors that is driving m-wallet market is the availability of huge cash backs coupons and discounts which are attracting customers to use m-wallets. Moreover, m-wallet companies are expanding their customer base by providing them attractive discounts and offers.

For example, Flipkart, an e-commerce leader gives 10-20% discount on a transaction if payment is made through m-wallet. Such practices are encouraging the customers to make use of m-wallets.

VI. CURRENT STATUS OF INDIA ON MOBILE WALLETS

Oxygen wallet is India's first non-banked mobile wallet; approved by RBI in 2013. Gradually other players both from banking as well as non-banking sector took charge in line of providing m-wallet services.

As it can be seen from the graph below, the number of transactions via m-wallets is exploding like anything and it has multiplied growth of m-wallets manifold from 2012-13 to 2015-16.



Source: RBI (Fig.1)

Top 5 wallet companies in India dominating are PayTm, Mobikwik, Freecharge, and Airtel Money & Reliance Jio. The market of m-wallet segment includes:-

- Transferring of money
- Services related to banking transactions
- Value added services such as shopping, ticketing, recharging and bill payments.

In this segment, **highest 38% market share is captured by money transfer businesses, 30% by recharge & bill payments, 12% by utility areas & remaining 20% share by others.** Source : (www.altimetrik.com)

Current status of m-wallets can be analyzed through following aspects:-

6.1 In terms of TRANSACTION VOLUME:- The India m-wallet market is growing at a fast pace and this growth can be attributed to various factors such as rise in usage of smart phone, increased penetration of mobile internet in the country and increasing disposable incomes. The market has witnessed various types of innovations over the past years. Continuous efforts are being put to innovate efficient and convenient methods of doing m-wallet transactions.

Number of Transactions Volume wise through M-Wallets (Table 4)

Month & Year	Volume (in million)
October 2016	99.6
November 2016	138.1
December 2016	213.1

Source: www.vccircle.com

6.2 In terms of Transaction value:- These wallets are quite useful for transferring money from urban area to rural areas without use of a bank account. Even the persons who do not possess debit or credit card can go to the nearest wallet recharge kiosk and get their wallets loaded against cash.

Number of Transactions Value wise through M-Wallets (Table 5)

Month & Year	Value (in Crore)
October 2016	3385
November 2016	3305
December 2016	7448

Source: www.vccircle.com

6.3 In terms of MARKET SIZE:- The size of m – wallet market is at an increasing trend. According to “**India Mobile Wallet Market Forecast & Opportunities, 2020**”, the mobile wallet market in India is forecast to reach US\$ 6.6 billion by 2020. In August 2015, Reserve Bank of India approved payment bank licenses of 11 companies including Vodafone, Airtel, Paytm, etc.

In 2014, Tier-I cities such as Delhi, Mumbai, Kolkata, Bangalore, Pune, etc., registered the highest number of mobile wallet users in the country, while Tier II cities such as Jaipur, Lucknow, Chandigarh, Indore, Patna, etc. are emerging cities in terms of mobile wallet usage.

6.4 Leading player amidst other payment methods:- Mobile wallet market in India is becoming highly competitive over the period of time as compared to other payment methods, as the m-wallet users can pay their utility bills, insurance premium and can recharge their metro cards at a single click. Also such transactions are quite secure.

This medium has been gaining popularity as **India is skipping plastic money and preferring m-wallets than credit & debit cards as shown in the table below.** Growth of credit and debit cards has been insignificant in November 2016.

Growth of various Payment methods in November 2016(Table 6)

Payment methods	Number (In crores)	Month on Month Growth Rate (%)
CREDIT CARDS	2.7	1.7
DEBIT CARDS	7.6	2.2
MOBILE WALLETS	20	9.5

Source: RBI

6.5 Demonetization & M-Wallets:-On Nov. 8th, 2016, when P.M Narendra Modi announced on banning 500 and 1000 currency notes, various mobile wallet companies geared up for providing a different source for money for daily transactions.

Paytm, backed by Chinese Internet giant Alibaba Group Holding Ltd, has **added 700 sales representatives since November 8, taking its number of agents to 5,000.** . In 2013, the company launched Paytm Wallet, which became India's largest mobile payment service platform with over 150 million wallets and 75 million android based app downloads as of November 2016. **MobiKwik**, backed by U.S. venture capital firm Sequoia Capital and American Express, has added 5 million accounts since Nov. 8, bringing the total to 40 million, as

VII. CHALLENGES TO THE ADOPTION OF MOBILE WALLETS IN INDIA

7.1 PERCEPTION OF CONSUMERS: - People have certain safety and security issues in their minds which prevent them from adoption of m-wallets. They have fears of hacking. People often complain that their money has been debited although the transaction got declined. A customer has to disclose his identity for carrying out m-wallet transactions and sometimes, hackers hack the security and misuse the information related to customers.

7.2 COMPATIBILITY ISSUES: – M- wallet apps cannot run on every type of smart phone. Some wallets tend to operate only on one or two operating systems. For instance, HDFC zappy m- wallet does not work with windows or IOS operating systems, it is meant only for Android users.

7.3 DIGITALLY ILLITERATE: - A large part of Indian population is digitally illiterate. People are not tech – savvy. Therefore, they are reluctant to make use of mobile phones for making payments and availing of m-wallets.

7.4 UPI: - UPI (United Payment Interface) payment system as introduced by government is also a threat for wallet companies. UPI is the new open source platform developed by NPCI. This is the channel that provides multiple bank accounts into a single mobile application.

VIII. REGULATORY FRAMEWORK REGARDING M-WALLETS IN PRESENT CONTEXT

8.1 M-Wallet companies are required to have minimum net worth of rs. 25 crores and this is the uniform limit for wallet companies at all the times.

8.2 KYC compliance is must for existing wallets within specified period of 60 days from the date of issue.

8.3 As far as security feature is concerned, wallet services required to submit yearly system audit report covering technology, hardware and compliance systems.

IX. CONCLUSION

Mobile wallets in India is growing day by day but government move of licensing payment banks and launching of payment systems like UPI and BHIM app may eat up the market share of these m-wallets. Hence, there is need for mobile wallet players to bring changes in their framework to retain and sustain themselves in the market in coming years thereby complementing the regulatory set-up of government also.

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