

Present Prominence of the Electronic Wallets in India

C. Thangamani, J. Srinivasan

Abstract: *In today's ever-changing technological dependent world, electronic wallets are in their early stages of development and expected to evolve in the coming years, yet, no one in the payment ecosystem knows precisely how the mobile electronic wallet marketplace will evolve in the coming years.*

It is estimated that Global electronic wallet transaction volumes will be about INR 41.8 billion in 2016.

A digital or electronic wallet (e-wallet) as called, is basically a software that allows a user to make an electronic payment in cash or link it with their respective bank account making payments with ease be it for purchase of a prepaid mobile recharge, a train ticket or even a television.

In India, the e-wallet is very useful as the convenience of not carrying physical cash is drastically reduced. Furthermore, the Central Government's push for digital payments and a digital India is making inroads not only in the urban markets but, also in the rural hinterlands especially the prepaid wallets as mobile reach is far higher than Internet access. To a large extent, banks though physically present across thousands of towns pan India prefer and encourage digital payments for everyday transactions.

This whitepaper explains the future capabilities of electronic wallets and the role they will play in India in the coming years..

Keywords : *Mobile Wallet, m-wallet, electronic mobile wallet, e-wallet, digital wallet, electronic wallet.*

I. INTRODUCTION

Before the digital era, a wallet was known as a purse that cash and cards were stored. Today, a wallet is known as a place where not only cash but also papers, licenses, records and anything of value can be stored not in the physical form but, in the digital form. It is safe and secure. In fact, even safer than actual cash in the pocket.

When computers were in vogue's way back in the early 2000's, it was hailed as the future. Then came the Internet and finally, smartphones that cannibalized the computer market to a very large extent. With e-wallets making a fast entry, the very currency of the world is changing "Mobile wallets can do everything that cash or card can do and way better at it."

What can a digital or e-wallet do? Simply put, an e-wallet

allows users or a consumer to make electronic business or financial transactions instantly, safely and securely with utmost ease and just a swipe.

The e-wallet which functions like a normal physical wallet and instead of this being a physical component, it is in the form of software and based on a cloud platform.

How does it work?

A digital wallet is basically a software that is downloaded by the user, and relevant details are filled based on the norms laid down by the company and Government. The data is stored permanently and will contain your residential or billing address, PAN, AADHAR etc.

Once stored, any financial or business transaction is permissible without the hassle of banking using either a mobile number or a QR Code to make the transaction. Generally, e-wallets are easily compatible with most e-commerce transactions.

II. OBJECTIVES

- To Understand e-wallet
- To Know how prominent e-wallets are in India
- To Identify the opportunities and challenges of e-wallet

A. Meaning of Digital Wallet

A digital wallet, also known as an e-wallet is a system or an application that stores all details of a user including transactions, passwords, payments and websites too. With an e-wallet, a user can quickly, safely and securely purchase any product, be it a pin or a plane, transfer money from their account to another account using a mobile smartphone with ease.

In developed countries, a digital wallet is used to store data that can otherwise be lost or misused.

B. Benefits of e-wallet

- Consumers can use anywhere and everywhere across the world
- Users can remit or receive money in the wallet
- Cash on Delivery option
- Instant transactions
- Paperless or digital banking verification of eKYC
- Secure payments
- Online shopping and merchant payments
- Recharge and payment of utility bills such as Electricity, Gas, Taxes etc. -
- Incentives to consumers - cashback, coupons, loyalty programs

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C. Types of Mobile Wallets

There are three types of wallets as per the RBI: -

- Closed wallets,
- Semi-Closed wallets and
- Open wallets.

Closed wallets as the name suggests, it is created by a specific company or an online merchant and is used for transactions between their user and themselves in a closed and secure platform. The options of redemption or a cash withdrawals etc. is not allowed.

Post transactions, if a user has to be credited for a transaction say, a product return or a cancellation, the refund amount is placed in the wallet of the account holder and can only be used again for another purchase or transaction with that merchant/company.

E-commerce companies such as Myntra, Makemytrip or Amazon prefers this option.

Semi-closed wallets do not allow any redemption and cash withdrawal also can be used for financial transactions, purchase of goods or using services offered by third parties across India. Normally, a contract is signed and sealed to ensure the wallet company such as Paytm, MobiKwik etc. to accept payments.

Incidentally, the semi-closed wallets are the most widely accepted and used e-wallets currently in India.

Open Wallets are far and few today. With open wallets, cash deposits and withdrawals from ATM or even a retail store/outlet (Kirana shops) are made possible with ease with m-Pesa wallet from Vodafone being a pioneer in this.

III. MOBILE WALLET IN INDIA

The Government's push for making India a Digital power, the push for utilizing digital technology in every possible way, demonetization and GST, is making India a global player. India, it is to be noted after the Internet boom is now experiencing the e-commerce boom and the e-wallets or mobile wallets is an outcome of that.

The RBI which oversees all financial aspects states in the country has stated that 19.9 million credit cards were delivered by 55 Scheduled Commercial Banks in India till October 2014, HDFC Bank has issued the highest number of credit cards with 5.6 million followed by 3.3 million credit cards issued by ICICI Bank.

With e-commerce, mobile technology such as smartphones making inroads across the length and breadth of India, e-wallets that made an entry also grew multifold.

As per RNCOS, the research firm, the Indian market size for the e-wallet (m-wallet) industry stands at Rs. 350 crores and is expected to grow to Rs 1,210 crore by the year 2019. Though these numbers are miniscule, compared to the growth of the mobile industry, the cashless payments market will increase by at least 30% by 2020.

One study states mobile payment will grow from \$86 million in 2011 to a whopping \$1.15 billion in 2016. Another study has mentioned the e-wallet growth to reach Rs. 30,000 crore by 2022 at a CAGR of 141%.

The Mobile or e-wallet market in India is estimated to

grow at a CAGR of 30% from the years 2015-2019 with demand for transfer of funds or money, banking related transactions, VAS (Value added services) such as e-commerce, online tickets, mobile & DTH recharges and utility payments. As per data, banking or financial transactions has the highest percentile of 38% followed by recharge and utility bills payments at 30% and 12%. -The rest is taken up by other markets mentioned above.

In India, e-commerce, telecom, banking and online finance drives e-wallets and the following data states the fact of installed apps/user and overall ratings.

A. E-wallet Powered by Online Shopping Industry

The online shopping industry consisting of players such as PayTm, Amazon, and Oxigen wallets developed their e-wallet - for online shopping, money transfers, recharge and pay bills. In such cases, the app installed and overall ratings are given below.

Table - 1: E-wallet Powered by Online Shopping Industry as on 31st August 2019

e-Wallet	Company	No. of Users	Overall Ratings
PayTm	One97 Communication	5,851,581	4.5
Amazon	Amazon Mobile LLC	4,506,177	4.3
Freecharge	Snapdeal	1,102,615	4.1
Oxigen Wallet	Oxigen Services India Pvt. Ltd.,	71,559	3.4

Table 1 indicates that the PayTm has the highest ratings 4.5 out of 5 and also it covers a higher number of users, followed by Amazon having 4.3 ratings out of 5, Oxigen wallet has 3.4 ratings out of 5. This is the last place for e-wallet in the online shopping industry.

B. E-wallet Powered by Telecom Industry

Telecom industry such as Airtel Thanks, Jio Money, m-Pesa and BSNL Wallet - developed their e-wallet concept for money transfers, recharge and pay bills. In such cases, the app installed and overall ratings are given below.

Table - 2: E-wallet Powered by Telecom Industry as on 31st August 2019

e-Wallet	Company	No. of Users	Overall Rating
BSNLL Wallet	Mobikwik	9,458	4.4
Jio Money	Reliance	183,852	4.3
m-Pesa	Vodafone	61,453	4.3
Airtel Thanks	Airtel	2,214,865	3.8

Table 2 shows that the BSNL Wallet has the highest ratings 4.4 out of 5, but its number of users are very less, followed by Jio Money and m-Pesa having equal ratings, i.e., 4.3 out of 5, but user wise, Jio Money has a higher number of users compared to m-pesa. Finally, Airtel Thanks have the

highest app installed, but overall ratings are very less - 3.8 out of 5 compared to all other telecom industry e-wallets.

C. E-wallet Powered by Banking Industry

Banking industry such as BHIM SBI Pay, BHIM Axis Pay, ICICI Pockets, IPPB Mobile Banking and PayZapp - established their e-wallet concept for money transfers, recharge and pay bills. In such cases, the app installed, and overall ratings are given below.

Table - 3: E-wallet Powered by Banking Industry as on 31st August 2019

e-Wallet	Company	No. of Users	Overall Ratings
BHIM SBI Pay	SBI	242,979	4.4
BHIM Axis Pay	Axis Bank	46,619	4.4
ICICI Pocket	ICICI Bank	145,380	4.1
IPPB Mobile Banking	India Post Payments Bank Ltd.	19,807	4.1
PayZapp	HDFCFC Bank	272,463	3.9

The above table specifies that the BHIM SBI Pay has the highest ratings 4.4 out of 5 and also covers higher number of users, followed BHIM Axis Pay having a 4.4 rating out of 5, ICICI Pockets and IPPB Mobile Banking have equal scores, i.e., 4.1 out of 5 but ICICI Pockets number of users are high compared to IPPB Mobile Banking. Finally, PayZapp has 3.9 rating.

D. E-wallet Powered by Online Finance

Online finance industry such as PhonePe, G-Pay, MobiKwik and BHIM – Making India Cashless developed their e-wallet concept for money transfers, recharge and pay bills. The app installed and overall ratings are given below.

Table – 4: E-wallet Powered by Online Finance as on 31st August 2019

e-Wallet	Company	No. of Users	Overall Ratings
PhonePe	PhonePe	3,161,334	4.5
G-Pay	Google	2,565,219	4.3
MobiKwik	One MobiKwik Systems Pvt. Ltd.,	1,178,185	4.1
BHIM	NPCICI (National Payments Corporation of India)	507,483	4.1

The above table shows that the PhonePe has the highest ratings 4.5 out of 5, and also number of apps installed, followed by G-Pay having a 4.3 rating out of 5, MobiKwik and BHIM Making India Cashless have equal ratings, i.e., 4.1 out of 5 but BHIM Making India Cashless has the very lowest app installed compared to all other online finance e-wallets.

IV. OPPORTUNITIES FOR E-WALLETS

The opportunities for e-wallets are immense as it is a

nascent market - A few are:

- India has one of the largest untapped markets in the world based on RBI data. The country has more than 145 million unbanked families and there lies the potential.
- To focus on providing merchants with Multichannel Payment Services.
- With mobile devices getting to be a part of our everyday lives- payment through wallets using NFC (Near Field Communication), tokenization, biometrics etc. is possible and happening.
- Moving upwards technologically, solutions are being developed not payment based but, touch-based payments and solutions for the merchant with data storage, loyalty programs, rewards points, analytics etc. all happening at the touch.
- A wallet system of Financial Inclusion (FI) which can accommodate all the activity and it will certainly rule the Indian market.
- The Payments Transaction Data Analytics (PTDA) will be a significant source of payments-related revenue.
- Pre-purchase: This will empower consumers to identify products or services they would like to buy and provide incentives. With offers and coupons driven by location and desire, programs such as rewards points and rebates will be even more aggressive.
- Purchase:** The current or existing payment technologies cover the purchasing option - these include NFC based and QR code-based solutions.
- Post-purchase:** The most crucial part post-purchase is to manage the payment information that includes transferring of payment(s) to another card and expense management.

Some innovative capabilities could consist of the ability to purchase a warranty for large purchases or signing up for loyalty programs. Post-purchase is also an excellent time for providing cross-sell/up-sell features.

V. CHALLENGES FACED BY E-WALLET COMPANIES

- There is always a new player in every industry or market lured by the possibility of making it big and the marketplace based on the data available is thriving, and everyone wants a piece of it. Right, from BHIM to ICICI to G-Pay to PhonePe.
- With the consumer having a host of choices to choose from, they never had it so easy and e-wallet companies are finding it difficult to retain them. One tried and tested formula that everyone follows is signing up exclusive deals and alliances, thus ensuring, the user is every step

walking with them. Paytm stitched a deal with Uber to ensure Uber users to use their platform for transactions. It was a huge hit and made both companies make inroads.

- It is interesting to see set-ups where the mobile wallet is funded over the lower-cost of Electronic Fund Transfer (EFT) network in order to save cash on card network fees. e-Wallet providers also save money by bundling relations to get an extraordinary volume of discounts.
- Eventually, the consumer is King and what he wants, he gets.
- Today, it is advantage consumer, and the next level is the service rendered that the user will evaluate these companies on. How quick their service was will be one query in the minds of everyone.

VI. FINDINGS

A. Overall rating wise e-wallets

- PayTm have 4.5 ratings out of 5 in the online shopping industry
- BSNL Wallet has 4.4 ratings out of 5 in the telecom industry
- BHIM SBI Pay and Axis Pay have 4.4 ratings out of 5 in the banking industry
- PhonePe have 4.5 ratings out of 5 in the online finance industry

B. App installed / user wise e-wallets

- PayTm have a higher number of users in the Online shopping industry
- Airtel Thanks have a higher number of users in the telecom industry
- PayZapp has a higher number of users in the banking industry
- PhonePe have a higher number of users in online finance

VII. SUGGESTION AND CONCLUSION

- It is an advantage to India all the way. Rising economy, spending power, the consumer has a host of options to choose from and an extremely competitive financial system with banks and card companies fighting for a share, it is going to be challenging, tough and the winner gets it all.
- A decade back, there were a plethora of credit card companies offering the best of deals and today its e-wallet apps that are offering the best of deals that can only be imagined.
- Any entrant who walks into today will be awed by the population, middle-class spending power and rural economy steaming ahead, but what they have to know is, how deep their pockets as are to gain and then retain a customer is the most difficult part. Indians' by and large are finicky. Loyalty when it comes to consumerism is non-existent. This is something that others have learnt over decades compared to Indian companies who know the Indian psyche to a large extent.

- Though these above points should be taken into consideration, all is not gloom and doom. Eyeing the potential market SBI Buddy, ICICI Pocket and BookMyshow are launching their own e-wallet to ensure their customers are with them. Others like BSNL, IPPB and BHIM will be forced to offer cash backs, referrals and discount coupons to retain them as their user base is small compared to others.
- Last but not least, e-wallet companies may eventually morph into bankers is a very high possibility with the economy's sustained growth. It is just a matter of time and lots of money.

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