

Impact Of Mobile Wallet: Cashless Economy In India

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ABSTRACT

Technological development plays a significant role in our daily life. Technological advancement in smartphones helps as a source of communication device, socialized tool, and even as a payment tool. Mobile wallet ensures you with safe storage of bank account numbers and multiple credit card details which is stored in a secure environment and if lost, is effortlessly recovered using a backup option. So, each time the mobile wallet money is registered, it avoids entering account information saving us time. Several areas like companies, banks, and customers make effective use of a mobile wallet. Indian economy is gradually moving towards a cashless economy. On 8th November 2016, India took a key step in the name of demonetization. The roots of the cashless economy emerged even before the declaration of demonetization. It is our responsibility to lead our economy towards an increasingly “digital economy.”

Keywords: Cashless Economy, Digital Wallet, Mobile Wallet, UPI, Financial Inclusion

I. INTRODUCTION

“We want to have one mission and target: take the nation forward –digitally and economically”
- Narendra Modi (Prime Minister of India).

Technological development plays a significant role in our daily life. Technological advancement in smartphones helps as a source of communication device, socialized tool, and even as a payment tool. Mobile wallet ensures you store bank account numbers and multiple credit card details, this information is stored in a secure environment and if lost, effortlessly recovered using a backup option. So, every time once the mobile wallet money is registered, it avoids entering account information, and saves time. Several areas like companies, banks, and customers make effective use of a mobile wallet. Companies will

provide payment choices to their clients and make transactions easier. In order to attract their customers, banks provide an easy transaction facilities like one-touch payment method, which is more convenient and time-saving while shopping. Mobile wallets with its quick recharge provision attract young customers easily. In India, after demonetization, there was a radical growth of mobile wallets. Mobile wallets serve as a chief contributor in pushing cashless and electronic payments.

Cashless Economy in the World Scenario

In the world, virtually every country follows a cashless economy. According to the research on cashless economy, in Sweden only there exist only 3 percent of people do cash transactions, Belgium 93 percent of the population does a cashless transaction, whereas in Denmark, one-third do mobile banking, and in Norway, many banks don't give cash to users.

Along with the progress of digital India, many banks have moved their step towards online banking and the cashless economy. In 2020, there has been incredible growth in the e-banking sector the usage of e-wallet has increased. Due to restrictions in the movement of consumers, resultant limited cash transactions, which led to an increase in the usage of e-wallet.

Cashless Economy in Indian Scenario

Indian economy is gradually moving towards a cashless economy. On 8th November 2016, Prime Minister Narendra Modi has taken a key step called demonetization. The roots of the cashless economy emerged in India even before the declaration of demonetization. They have created the base by making known to financial inclusion scheme called Jandhan Yojana. In rural areas, to encourage poor and illiterate people to make digital payments, the government is promoting Aadhaar Pay which ensures financial transactions by just using fingerprint.

The adoption of mobile wallets is progressively displacing traditional payments such as cash and cards in the nation. During the current Covid-19 crisis, this has become even more prevalent. As a result, mobile wallet transaction is expected to exceed Rs 100 trillion (US\$1.40 trillion) in 2024 (Global Data, a leading data, and analytics company).

II. LITERATURE REVIEW

The growth of mobile payment improved the usage of electronic transactions, where goods and services has been purchased without using physical cash. E-payment system, particularly mobile wallet, has developed as the popular medium to such an extent avoiding any kind of physical presence of transactions post demonstration period. The growth of mobile wallets and mobile applications positively contributes to economic growth and cashless transaction (Sarika and Vasantha 2019). The digital era is advancing to a great extent with its new methods of payments. There exists a need to recognize the hazards and benefits of different payment instruments by the Indians, and the risks associated with electronic payment instruments are far more diverse and severe. As hackers took to stealing lakhs of debit card data, the ability of Indian financial institutions to guard the electronic currency came into question also an important reason why people favor cash (Pradeep 2017).

III. OBJECTIVES

- To analyze the status of the cashless economy in India
- To understand the procedure to incorporate Mobile Wallet

Origin of Mobile Wallet

In India, though the service of mobile wallet began in 2006, it boosted at the time of demonetization in 2016. The main aim of the Government of India is also to make society cashless. Our nation is gradually paving way towards a cashless society. The easy availability of mobile devices, and the technological upsurge have altered the payment gateway industry.

It enabled customers to make calls and reply to texts. Nobody could have imagined using a phone to unlock the door or switch on the lights. Better yet, very few consumers could envisage using a phone to record a video, take pictures and watch their favorite movie. It is evident that phones are used for everything as keys, TVs, and cameras. Then, why should we hesitate to substitute

traditional wallets, credit, and debit cards for mobile wallets?

Mobile wallets are gradually becoming a form of payment method. Over time experts from different sectors, including network operations, express those mobile payments will quickly substitute traditional wallets. Current studies show that consumers' awareness has enlarged the usage of mobile payment.

Cash Withdrawals

In addition, cash withdrawals from mobile wallets issued by non-bank entities have also been allowed to withdraw cash from ATMs using prepaid cards.

RTGS and NEFT Feature

The RBI also announced the extension of NEFT (National Electronic Fund Transfer) and RTGS (Real-Time Gross Settlement) payment systems to PPIs. It is one of the revolutionary announcements, as it allows mobile wallet users to use payment systems other than the Unified Payment Interface (UPI) for fund transfer. This functionality will also require a full Know Your Customer (KYC) mobile wallet account.

It has been noted that normally UPI payments made easy peer-to-peer payments, small retail payments, and small-ticket payments. With RTGS, and NEFT, mobile wallet users will be making higher fund transfers.

Steps Taken by RBI and Government to Discourage the Use of Cash:

Now the government is also promoting mobile wallets. The RBI had issued some guidelines that allow the users to increase their limit to Rs 100,000 based on certain Know your customer verification recently. Several incentives offered by the government to encourage digital India on Cashless India:

- On digital transactions up to Rs. 2000, Service Tax of 15 percent waived off
- Digital purchase of fuel through credit cards, mobile wallets, or e-wallets, a discount of 0.75 percent.
- On account of online ticket buyers, free accident insurance worth Rs. 10 lakhs
- 8 percent discount is offered on purchase of new LIC policies online via its site.

The Government of India has introduced various technologies like BHIM (Bharat Interface for Money) app to transact with each other. With this, the government or RBI, Companies are also participating in the fighting cybercrimes. In India, Microsoft opened full-scale cyber security center called Cyber Security Engagement Center (CSEC) and monitors how viruses are spreading, from

where cyber-attacks are originating, and helps customers to tap a pool of security specialists.

Digital Wallets Move to Mobile Wallets

Successful mobile app payment services consist of Alipay, Wechat pay, Apple pay, Amazon pay, and Android pay. Other factors that have made them successful include enabling financial transactions, making it familiar with the consumers, and making the mobile payment system secure and retail purchases. However, there are some challenges that face mobile wallet integration, like consumers' perception. Still in the Covid 19 pandemic in India, these e-wallet transactions have been surpassing the traditional payment techniques. In simple terms, a digital wallet, or mobile wallet, a virtual mobile-based wallet where one can store cash for making mobile, offline or online payments. Wallets are

rising quickly as they encourage the speed of transactions, especially for e-commerce companies, and e-commerce marketplaces. The emergence of UPI has become a simplest mode of transferring cash directly from the bank account.

Mobile Wallet

It is a process in which makes little use of plastic cards. Likewise, debit cards and credit cards carry information in digitalized form. Mobile devices such as smartphones, tablets, smartwatches are used. In the process of money transfer through e-wallet, cash is collected, and reserved by the entity, and paid to the merchants through particular application which is required to be installed on smartphones, and also a type of storage container which stores the debit, or credit card information.

How to use mobile wallets?

Following are the steps to know about the usage of mobile wallets;

1.1. Download the app on your android or iOS device and using your email id. sign up with the service.

1.2. Next is to load or add-money through your credit or debit card or net-banking.

1.3. Then you can use that added amount in several things and can also use other services provided by your mobile wallet app.

Eligibility to Hold Mobile Wallet

Those who are over the age of 12 years are eligible to hold the Mobile Wallet account.

Types of Mobile Wallets

As per RBI, the mobile wallets are categorized as follows;

1. **Open Wallet:** It enables the users to withdraw cash at bank, or ATM, transfer funds, and buy goods, and services. E.g., M-Pesa offered by Vodafone.
2. **Semi-Open Wallet:** It allows to buy goods and services with the money loaded into the wallet but redeeming or withdrawing cash is not possible. E.g., Airtel money.
3. **Closed Wallet:** It deals with only one merchant and is used for buying goods and services.

Here also withdrawing cash is not possible. E.g., Bookmyshow, MakeMyTrip

4. **Semi-Closed Wallet:** It enables us to buy goods and services with listed merchants at listed locations, and redemption, or cash withdrawal is impossible. E.g., Paytm

Different Kinds of Mobile Wallet Account

1. **Basic Mobile Wallet Account:** It can be operated soon after installing the application on a smartphone and sign up for the same and allows you to load and spend Rs. 20,000 per month.
2. **The full KYC Account:** It can be operated only after completing the KYC Details and submitting the required documents, and it is an upgraded version. This will provide you following facilities:

- Without ATM withdrawal facility: Spend Limit of Rs. 5, 00,000 and Instant limit of Rs. 1, 00,000.
- With ATM withdrawal facility: Spend limit of Rs. 3, 00,000 per month and Instant limit of Rs. 50,000.

In terms of transaction volume, an estimated 23.5 billion mobile wallet transactions was carried out in 2020 which is expected to rise to more than double to 54.7 billion by 2024.

Funds Transfer limit in Mobile Wallet

- For a non-KYC (Know Your Customer), the limit is Rs 20,000 per month (revised from Rs 10,000 to current till 30th Dec. 2016), whereas for a full KYC – Rs 1,00,000 per month.
- For merchants those who are self-declared the limit will be Rs 50,000 per month whereas those who with KYC Rs 1,00,000 per month.

Top Digital Wallets in India

Here are some of the top digital wallets and apps in India and what they offer to their customers.

1. Google Pay

As part of the Google ecosystem, they have climbed up their user base quickly, despite being a late entrant. Currently, it is the No.1 digital wallet and topmost online payment apps in India. With this, you can send money to friends, pay bills, recharge your phone through UPI and directly from your bank account. More than ten crore people had

installed this app from android and google play store.

2. PhonePe

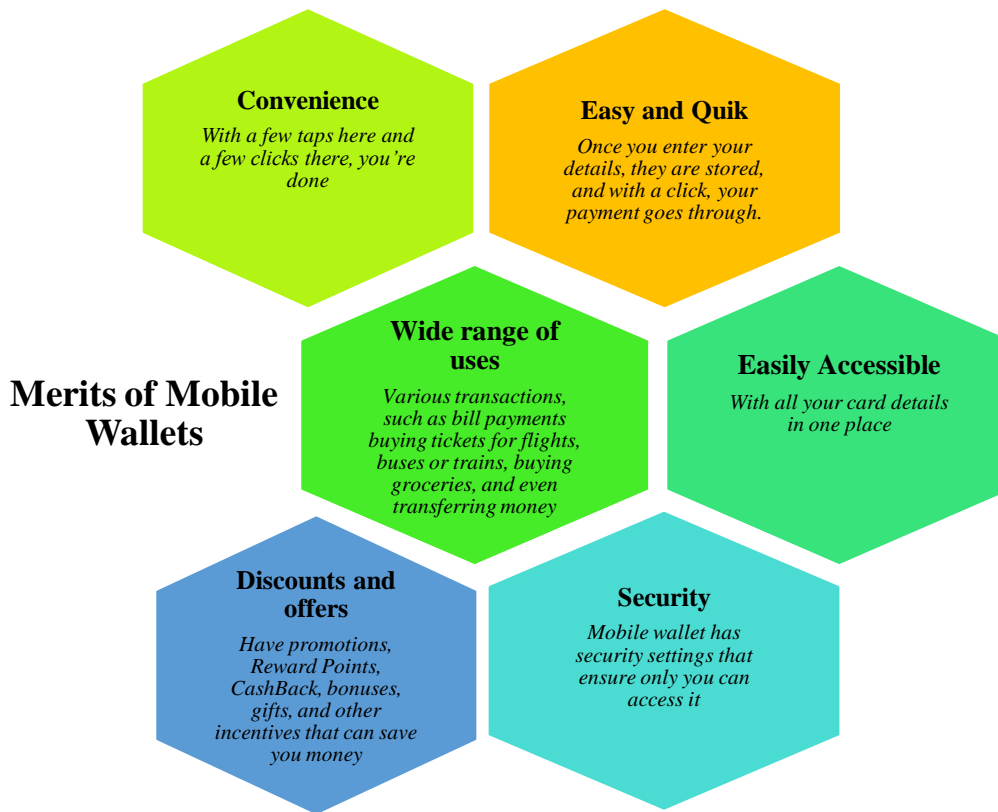
It started in 2015, and in just four years, it has been able to cross the 100 million download mark. PhonePe is one of the safest, and fastest online transaction experiences that ensure recharges, money transfers and online bill payments.

3. Dhani

This app is a part of the India bulls' group and ensures multiple features. Besides being a regular e-wallet app, it also combines with Dhani Super Saver Card. It also has a reward & loyalty program for its customers wherein customers can play games and win cash to pay for EMI payments, mobile recharge, Insurance and also for new Dhani products. This combines with Dhani Super Saver Rupay (physical and virtual card) which has assured 5 per cent cashback on all purchases done through the card and is completely free for the initial month. It is installed by more than 2 crore people on Android Play Store and iOS.

The above three were the topmost mobile wallets in India and also include other apps such as Paytm, Freecharge, Mobikwik, Oxigen, mRuppee, Airtel Money, Jio Money, SBI Buddy, itz Cash, Citrus Pay, Vodafone M-Pesa, Axis Bank Lime, ICICI Pockets, SpeedPay etc

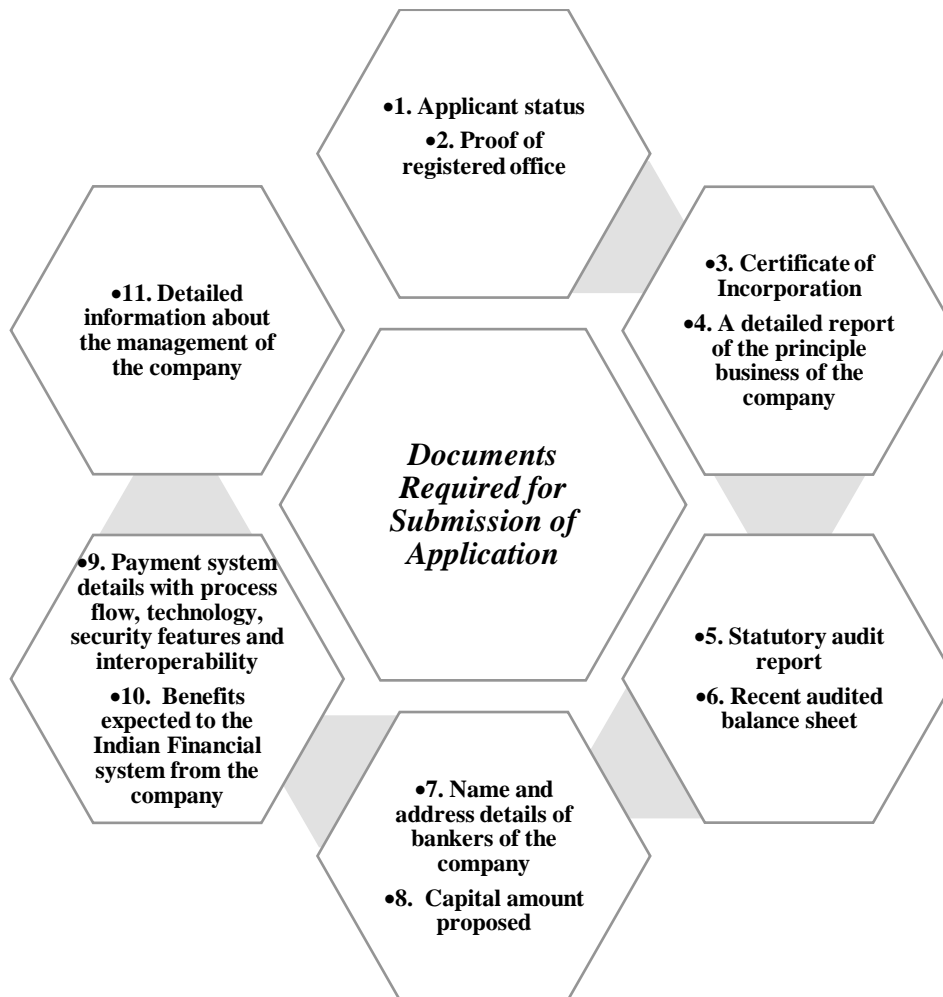
Advantages of Mobile Wallet



Procedure and Documents for the Incorporation of Mobile Wallet

- Step 1** • Under the Companies Act, 2013, formation of the company by applying to the Registrar of Companies.
- Step 2** • As per Regulation 3(2) of the payment, file the application for approval in Form A and Settlement Systems Regulations, 2008 along with the requisite fees to the RBI for grant of license.
- Step 3** • The basic screening process will take place by the RBI in order to ensure the prima facie eligibility of the applicant.
- Step 4** • In subject to the completion of the eligibility criteria and other conditions the RBI issues an 'in-principle' approval. The validity of this approval will be 6 months from the date of granting of the approval.
- Step 5** • The company must submit a satisfactory system and it reports to RBI within six months failing which the 'in-principle' approval granted by the RBI will lapse, and the company can appeal for an extension of six months in advance in writing, specifying the valid reasons.
- Step 6** • Post consideration of all particulars furnished; the entities are granted final approval. The company shall commence business within six months from the grant of Certificate of Authorization.

Documents Required for Submission of Application



Capital Requirements for Eligible Entities

- **Banks and non-bank finance companies:** The entities that those who meet the capital adequacy requirements prescribed by the RBI will be allowed to issue prepaid instruments. It is important to fulfill these requirements from time to time.
- **Companies:** Under the Companies Act, 2013, a financial entity registered with its primary objective of financial business looking for payment wallet authorization must have a minimum positive net worth of Rs. 5 crores.
- **FDI entities:** For entities governed under the Foreign Exchange Management Act (FEMA) who are sanctioned to issue a foreign exchange and prepaid instruments are exempted from the purview of these guidelines. Use of payment instruments shall be limited and permitted to current account transactions only and subject to the limits prescribed under the Foreign Exchange Management (Current Account

Transactions) Rules, 2000, as amended from time to time.

The prepaid wallets have become the new age money transfer mechanism and comes with its own share of benefits. These wallets can never be stolen or lost and are a fast-track method for transfer, and the maximum time for a transfer is 24 hours. It can be easily loaded and come with a lot of incentives on the increased spend on them. Also, there exists no additional charges for the activation of such wallets.

Important points to know regarding RBI approval

1. Those who are using closed payment system instrument are exempted from taking RBI approval.
2. As per the guidelines of RBI, entities authorized under FEMA that issue foreign exchanges are exempted with some restrictions provided.
3. Mobile Prepaid Instruments subject to the following conditions are also exempted from the purview of the guidelines.

- In addition to talk time-value, the prepaid instrument has restricted use concerning the purchase of only such value-added digital contents or services which are for use on the mobile phones.
- There is no permission to use mobile prepaid instruments for purchase of any other goods or services.
- Encashment of such prepaid instruments shall not be permitted.

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Who can Issue Prepaid Payment Instrument?

RBI has specified some obligations to fulfil before issuing prepaid payment instrument, which are as follows:

- With respect to non-banking companies, the incorporation of the company in India with the minimum paid up capital greater than Rs. 5 crore rupees.
- In case of banking institutions, those banks comply with RBI eligibility criteria are permitted to issue PPI.

IV. CONCLUSION

Usage of mobile wallets has become more prevalent after demonetization. A cashless economy is secure and clean in its function. It is our responsibility to take our economy towards an increasingly “digital economy.” Thus, as citizens and youths of the Indian economy, it is in our hands and responsibility to promote this magnificent India encouraged by our PM Mr. Narendra Modi who has a bright vision towards the upcoming of future India.

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