

ADOPTION OF E-WALLETS FOR FINANCIAL TRANSACTIONS: AN ANALYSIS OF KANPUR YOUTH

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ABSTRACT

Demonetization led to a sudden upsurge in the online cash transactions through mobile and internet. Sweden was the first country to introduce bank notes way back in 1661 and today most of its cities have gone completely cashless. In several European countries like France and Belgium, the government has disallowed cash transactions above 3000 Euros. After demonetization move, India too took a plunge towards creating a complete digital economy.

Cash transactions are surely making an exit from the Indian market. It started with plastic money – debit and credit cards and the advances in information and communication technologies have provided us with more options to replace cash transactions like internet banking, mobile banking, and digital wallets. Even though online transactions are increasing rapidly, the cashless initiative has not reached its full potential. The most common reasons associated with low acceptance of cashless transactions in India are unawareness, low internet connectivity, suspicion towards online payment portals and most importantly the overdependence over physical money.

In his tweet addressed to the country's youngsters after demonetization, Prime Minister Narendra Modi said, "Time has come for everyone, particularly my young friends, to embrace e – banking, mobile banking, and much more such technology." According to a report by IAMAI, the number of mobile internet users in India stood at 465 million in December 2017. The report also identified that young students are becoming the most prolific consumers of such services. However, whether they are using the internet for financial transactions remains an area of analysis. Therefore, this research paper attempts to understand and interpret the attitude of the youth belonging to Kanpur city towards using E-Wallets in the post demonetization period. It aims to ascertain the factors influencing their usage of e-wallets and also the problems faced by them in using these. The paper finally concludes with a discussion of the findings, limitations, and directions for future research in the area.

KEYWORDS: *Internet Banking, Mobile Banking, and Digital Wallets, Replace Cash Transactions,*

INTRODUCTION

The currency lovers of India suffered a major setback when their piled up notes turned into a bundle of garbage overnight, with the government's unexpected decision to scrap the 500 and 1000 rupee notes. On November 8, 2016, the government played a demonetization move and declared the high denomination currency notes of 500 and 1000 rupee null and void. This decision was aimed at curbing the black money transactions, choking funding channels of terrorism and

militancy, tracking tax evasions and encourage cashless transactions in the country. A similar move was enacted under the High Denomination Bank Note (Demonetisation) Act, 1978 when the then government had demonetized 1000, 5000 and 10,000 rupee notes in an attempt to counter black money in the economy. However, during that period very few citizens possessed such high-value currency but now the situation is much different. This time the government's decision sent panic waves across the country and there were long queues outside banks and ATM's for exchange and withdrawal that lasted for several weeks after the decision as these high denomination notes accounted for about 85% of the total cash in circulation. After this move, there have been massive debates, discussions and expert panels on whether this decision of the government will help to push India towards a 'Cashless Economy' but with the intertwined money matrix of Indian transactions and lack of adequate technological infrastructure, the road ahead wasn't easy. India is not the only country in the world and certainly not the first one to take up this cashless initiative. India's move towards being 'Cash-Less' is in place with the global trend of eliminating or restricting the use of paper money being adopted by most of the developed and developing nations worldwide.

While the sudden growth in the digital payments scenario in India has been driven to a great extent by the increased smartphone penetration and low-cost internet, one cannot discount the catalytic effect other factors such as government initiatives, improved infrastructure, and enhanced services have had on the industry (Shukla, 2016). Another major reason that prompted people to shift from cash to digital transactions has been demonetization. The unavailability of cash and long queues outside bank ATMs prompted several mobile users to turn towards digital transactions. After demonetization, there has been a sudden upsurge in cashless transactions in the country. According to RBI, Credit Suisse estimates, digital payments market will grow to \$1 trillion (€817 billion) over the next five years. Currently, India's digital payments market is worth less than \$200 billion.

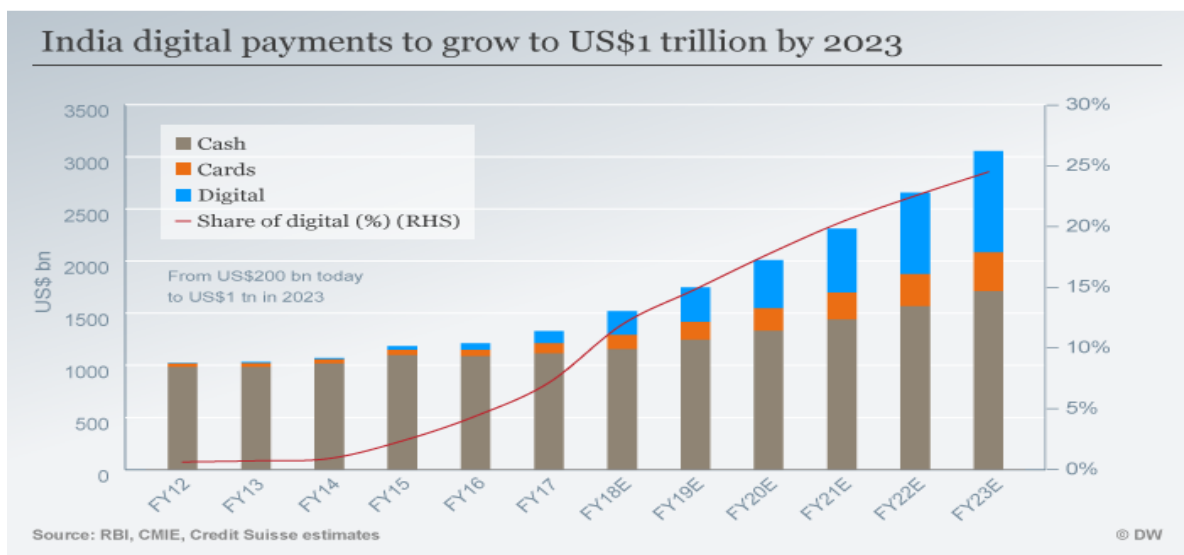


Figure 1

Reducing the country's dependence on hard cash is desirable for a variety of reasons. India has one of the highest cash to gross domestic product in the world. According to a 2014 study by Tufts University, the cash operations in India cost approximately 21,000 crores annually to Reserve Bank of India (RBI) and other commercial banks. Other countries that adopted cashless transactions have seen many benefits including greater transparency in cash transactions, reduction in

thefts and a more profitable banking system.

With the unavailability of paper notes, India's payment landscape has undergone a transformation. The cash-loving economy is switching over to card-based and mobile transactions. However, with high costs of card payment hardwares, card payments are not much popular with small stores but mobile transactions with its convenience and affordability are creating a new platform for all financial transactions for wholesalers as well as retailers. As per data, Transactions using UPI — developed by the National Payments Corporation of India (NPCI), an umbrella organization of Indian banks — have surged nearly 57,000 percent since November 2016, when Prime Minister Narendra Modi recalled 86 percent of the cash in circulation and pushed for a more cashless economy. According to the survey conducted by The Economist Intelligence Unit commissioned by payments company Visa, India is taking "rapid strides" in advancing government e-payments capabilities and is one of the top-performing countries in terms of citizen-to-government (C2G), business-to-government (B2G) and government-to-business (G2B) transactions. India's overall ranking on the government's adoption of e-payments has moved up to 28th in 2018, from 36th in 2011.¹

Since the last couple of years, the utilization of digital wallets has taken quite a leap. Digital wallets have been included as payment alternative by many e-business players along with existing net banking or card-based payment methods. With smartphones becoming an inseparable part of one's life and hence a convenient way of making digitalized payments, the adoption of digital wallets has been tremendously increasing. Through digital wallets, the payment infrastructure with immense advancement in technology has become highly consumer friendly. (KunalTaheam, 2016). A digital wallet is a form of payment that enables users to conduct payment electronically via use of a mobile device, replacing the physical wallet so that payment transaction can be completed at a merchant's location (Shin, 2009). It not only stores payment data, but loyalty cards and coupons can also be incorporated, allowing customers to benefit, if they so choose, from Point of Sale (POS) discounts.

A personal finance management app called Walnut has created a scorecard comparing how each state is moving towards a cashless economy post-demonetization, based on aggregate and anonymized analysis of its over 5 million users' data. The scorecard ranks states based on percentage increase in overall cashless transactions, growth in shoppers using debit or credit card for the first time and growth in merchants accepting digital payments. Based on these parameters, Gujarat, Haryana, Telangana, Uttar Pradesh, and Delhi emerged as the top five states with the highest growth in going cashless in the country.

REVIEW OF LITERATURE

Several empirical studies conducted in the past pertaining to the subject of cashless society have focused on issues of the security breach, new methods of e payment, usage pattern, frauds with a primary focus on digital payments. However, very limited literature is available on E-wallets and their usage by the youngsters.

TahemKrunal, Sharma Rahul, GoswamiSaurabh (2016), conducted a descriptive study to examine the factors influencing the use of digital wallets in the state of Punjab. The study was conducted by collecting primary data from 386 users of digital wallets in the state selected through the process of snowball sampling. The results of this study indicated that the major factors influencing the use of digital wallets by the respondents were societal influence & usefulness and need for performance enhancement.

In the study “Adoption of Digital Wallet By Consumers”, Dr. Hem ShwethaRathore(2017) also gives an analysis about the various factors that could impact a consumer’s decision in the adoption of digital wallet as a mode of payment. The study found that there are three main factors that play an important role in consumer adoption of digital wallet - ease of online purchase, level of loyalty provided and also the viability of digital wallet. The findings also suggested that though digital wallet is the hassle-free mode of making a payment, security and safety remain the key challenges towards its adoption.

The study “Consumer adoption in the mobile wallet: a study of consumers in Finland Doan” by Doan N (2014) illustrated the adoption of mobile wallet among consumers in Finland as only at the beginning stages of the Innovation-Decision Process. The study found that Digital wallet offered many benefits while transferring money such as convenience, security and affordability It also pointed out that consumers have an inclination towards mobile payment apps usage and by offering various benefits such as flexi payment digital wallet brands are providing extra convenience to consumers.

J. Sivasubramanian, M.velavan, S.Arunkumar, P.Abirami, C.theresa, G.Abirami(2017) study on, “Preference Towards Digital Payment System”, is an analysis of the consumer perception towards digital payment in Thiruchirapalli. It focuses on the perception factors which determine the preferences towards Digital Payment. The aspects explored in the study were the duration of time the consumers spend using digital gadgets, service network and payment gateway used as well as the consumers opinion about digital payment.

Virtual Wallets in the near future are surely going to disrupt both the online and offline business. The Companies that will survive are those which will be prompt to align their business model and strategies to the changing trends. It is not a distant day where we will see most of the purchases happen either by flashing our mobile cameras scanning against the teller to pay the bills for purchases via Virtual wallets. In parallel to the implementation of the technology in the mobile application, it is also equally important to educate the customer so that the quicker adoption will increase the user base. (Kalyan Kumar, 2016).

Another study that proved helpful for designing the questionnaire for this paper was the Technology Acceptance Model (TAM) proposed by Davis(1989). This model was an early attempt to apply psychological factors to information systems and computer adoption. It assumed that perceived usefulness and perceived ease of use were major influences on an individual’s attitude toward using technology and, thus, ultimately, were related to actual use. Previous research has demonstrated the validity of TAM across a wide range of IT. TAM model is replicated in various studies to provide empirical evidence on the impact of usefulness and ease of use on adoption of new technologies such as online banking, online buying, telebanking, mobile internet, computer technology, broadband services to name a few.

RESEARCH METHODOLOGY

This research paper is aimed at examining the adoption of E-Wallets as a mode of payment by youngsters in Kanpur city and to ascertain the factors encouraging or discouraging the usage of these wallets. The study was conducted in the urban area of Kanpur city which is considered the industrial hub of Uttar Pradesh. For this research a total of 100 students, who were smartphone users were selected out of which 88responded. The students in the age bracket of 17 – 28 years were selected. This age group was specifically chosen since they are heavy users of mobile and also early adopters of advanced technological innovations. Samples were randomly selected from students enrolled in different Colleges and

Universities of Kanpur and were active users of mobile apps.

Primary data for the research was gathered through a structured questionnaire. A self-administered questionnaire was constructed for the targeted population in simple language and prepared in a structured way in order to quantify the data and to bring objectivity in research. The questionnaire contained 14 closed-ended and one open-ended questions and was based on various parameters identified as appropriate for analyzing the attitude of youngsters towards E-Wallets. The data collected through the research questionnaire was coded for tabulation. The coded data were then converted to percentages and the results were then elaborated in the form of tables, charts, and graphs.

Objectives of the Study

- To ascertain the usage of E-Wallets by students of Kanpur city.
- To study the factors promoting adoption of E-Wallets
- To study the perceived challenges to using E-Wallets
- To interpret the methods of popularizing E-Wallets among college students.

Banking through Mobile

Mobile-based transactions are growing rapidly driven by the increased number of smartphone users. According to Counterpoint Research Senior Analyst, Tarun Pathak, “India has inched past the US to become the second largest smartphone market in terms of the active unique smartphone user base in the world crossing 220 million users.”ⁱⁱⁱ This has given a boost to companies like likePaytm, Oxigen, and Freecharge offering non-banking payment solutions. An analysis of the RBI data by IndiaSpend revealed that compared to October 2015, the cashless payments increased by 22 percent in October 2016. It further revealed that mobile banking transactions grew by 175 percent and money transacted through mobile banking grew more than 350 percent.ⁱⁱⁱ

Mobile wallets in smartphones are fast replacing the leather wallets in pockets. A mobile wallet is a digital wallet that allows users to make payments through tablets, smartphones and I pads 24x7 from any location at any point of time. Mobile wallets today are playing a critical role in bringing the cash-driven economy on a digital platform. From paying utility bills to mobile recharge, cab payments, flight, and hotel bookings as well as online and offline shopping, these wallets are offering a plethora of services. According to analysts, by 2018 the mobile wallet market in India will grow at a CAGR of 140%, while the global mobile wallet market will register a CAGR of 34% by 2020. What’s fueling this optimism is the fact that India is one of the fastest-growing markets for smartphones in the world. It is expected to become the second largest market by 2017 – replacing the United States. The number of mobile internet users in India is expected to touch 314 million by 2017, up from 280 million now.^{iv}

One of the key reasons that mobile banking is gaining popularity among consumers is that they allow small-value transactions on a daily basis with various discounts and offers and the rise in digital startups is definitely helping the economy tread on the path of becoming cashless.

Data Analysis and Interpretation

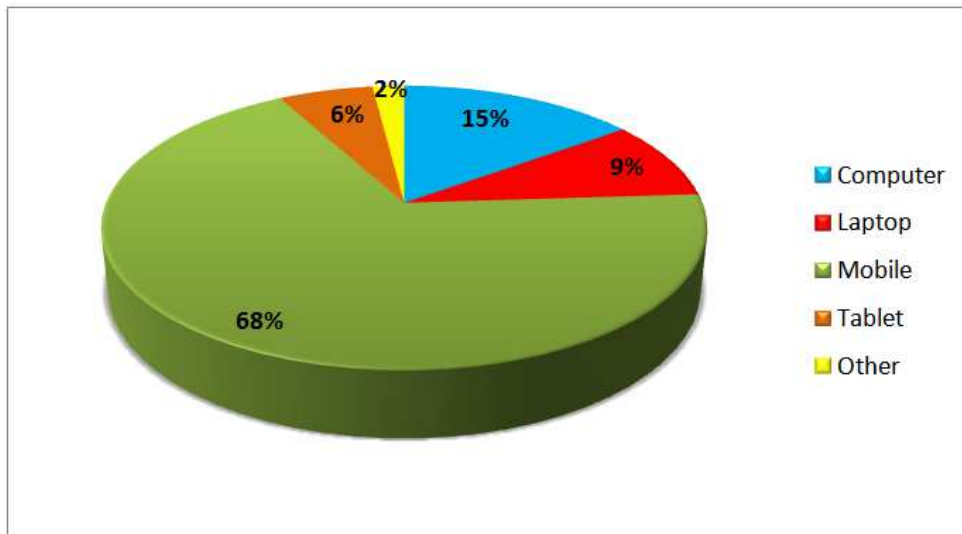


Figure 2: Mode Used for Online Transactions

As indicated by Figure 2 above, 68% of Kanpur youth use the Mobile phone for conducting online financial transactions while 15% use computer. 9% prefer using a laptop, 6% use tablet and only 2% use another mode for online financial transactions. Thus, it is evident that a majority of Kanpur youth prefer using their mobile phones for conducting online financial transactions. However, all of them agreed that they have E-Wallet apps installed in their phones but prefer other modes due to security issues.

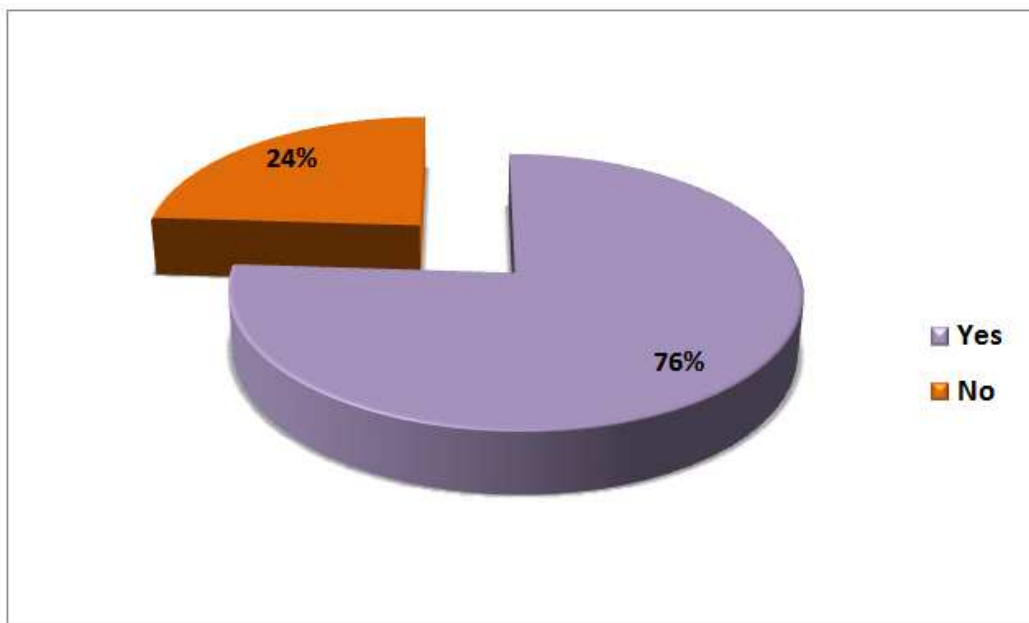


Figure 3: Use E-Wallets for Transaction

According to Figure 3 given above, a majority (76%) of the youth surveyed, used E-Wallets for conducting online financial transactions.

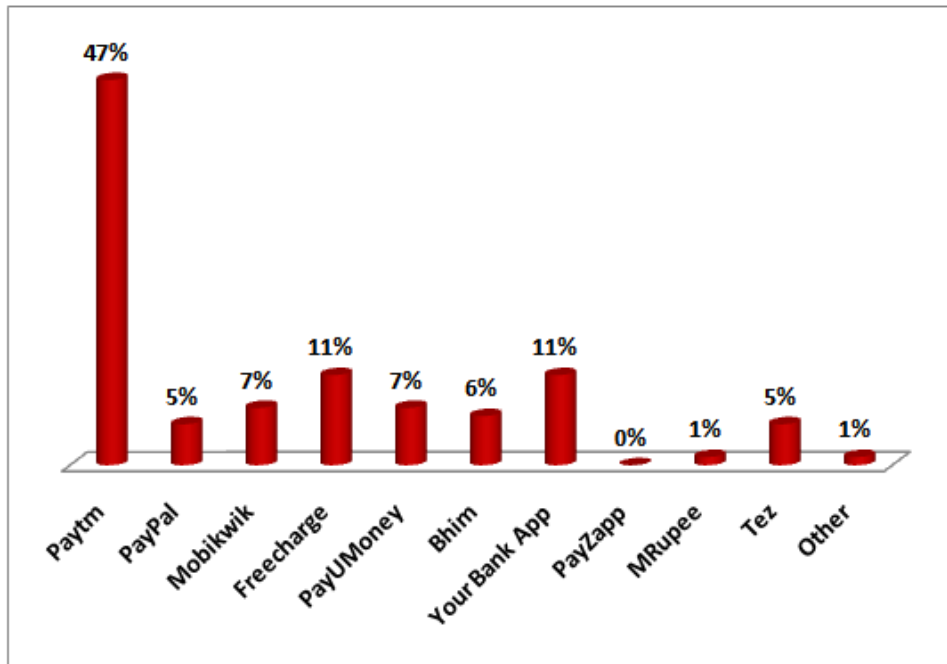


Figure 4: Popular E-Wallet Used

From Figure. 4 given above, it is quite visible that Paytm is the most popularly used E-Wallet among the respondents (47%). This is followed by 11% of respondents using either Mobikwik or their own Bank App for transactions. This also indicates that in spite of regular branding and promotion by the government, Bhim app has not yet been able to impress youth of the city as only 6% of the youth preferred using it.

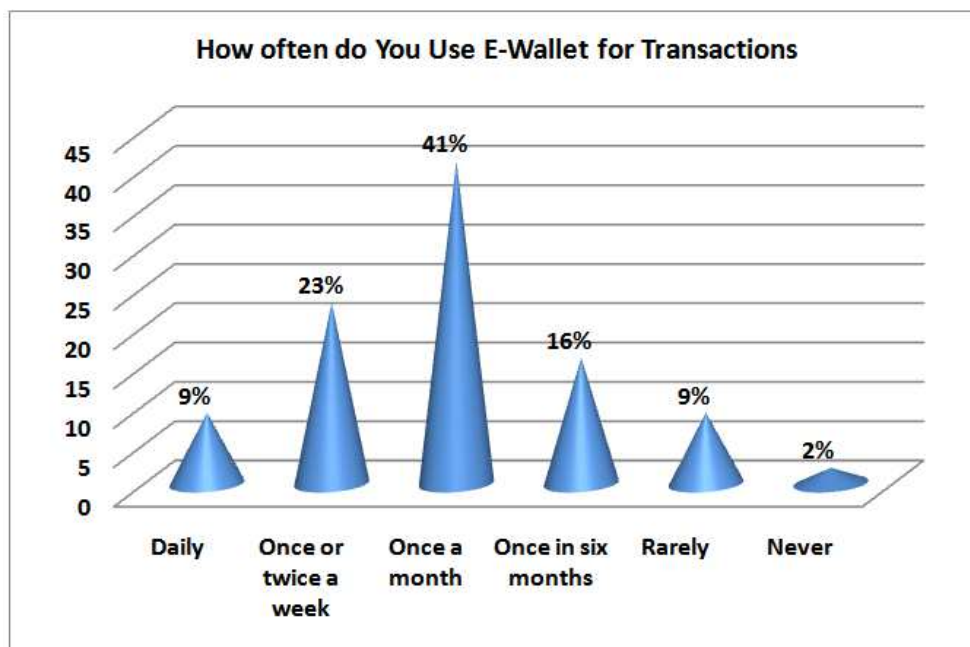


Figure 5: Frequency of Using E-Wallet

As revealed by Figure. 5, the majority of respondents (41%) use E-Wallets once a month while 23% use it once or twice a week. This data also corresponds to Fig 5 given below which shows that E-Wallets are mainly used for paying monthly utility bills.

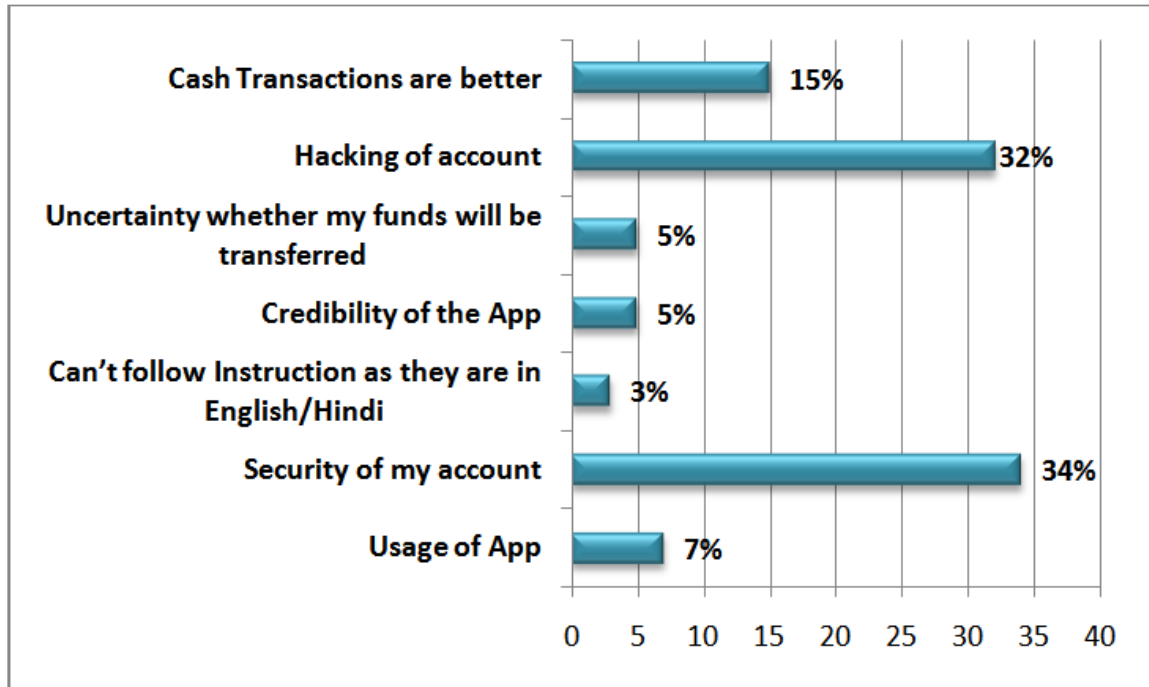


Figure 6: Challenges of Using E-Wallets

As Figure. 6 reveals, both users and non - users of E-Wallets shared common doubts regarding the security of E-Wallets. When inquired about the common doubts they had while using E-Wallet – Security of the Account (34%) and Hacking of the account (32%) emerged as major concerns of E-Wallet users. Apart from this 15% also stated that cash transactions were better.

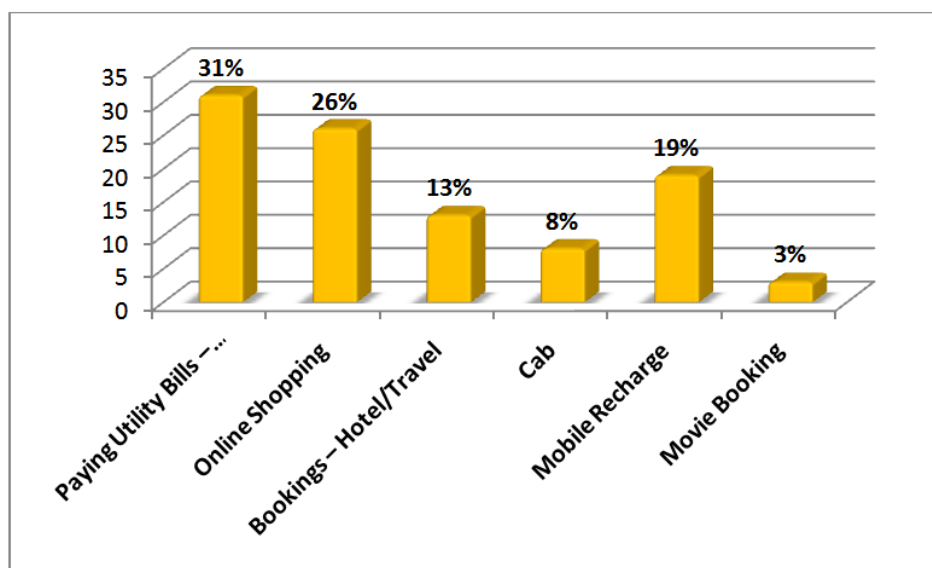


Figure 7: Common Uses of E-Wallets

As evident in Figure. 7, E-Wallet is a preferred mode of payment (31%) for monthly utility bills like electricity, grocery, TV recharge, etc. Another major use of E-Wallets by the respondents is seen for online shopping (26%). The data also reveals that the use of E-Wallets is also being used for Mobile Recharge and Hotel/Travel bookings.

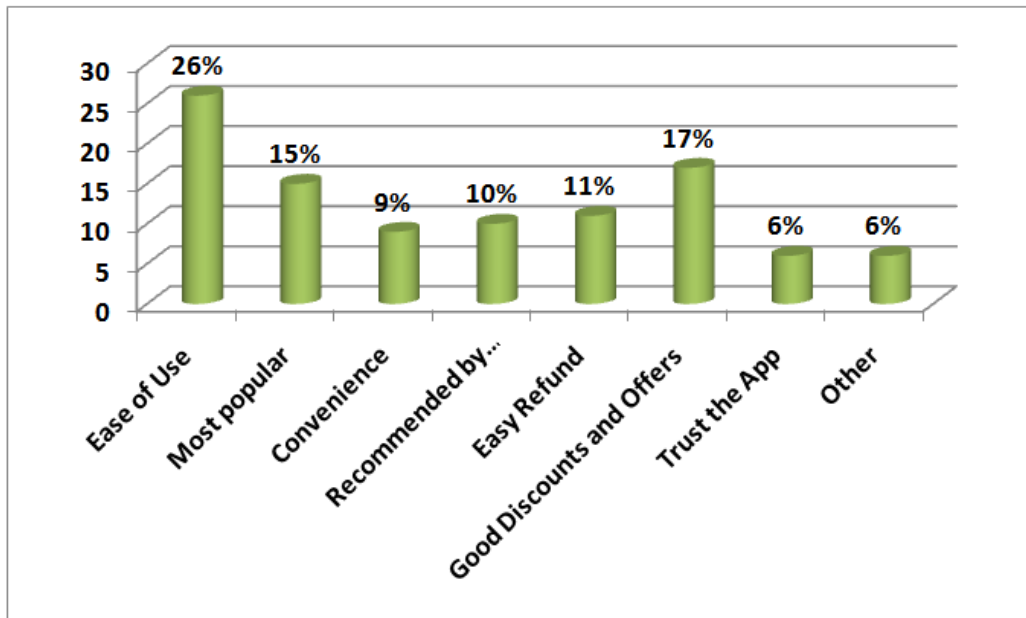


Figure 8: Reason for Using a Particular E-Wallet

According to Figure. 8, the most common reason for using a specific E-Wallet app by the user is – Ease of Use (26%). This is followed by the user's desire to get good discounts and offers from their E-Wallet account (17%). Some (15%) were also found to be using a particular E-Wallet account due to its popularity among peers.

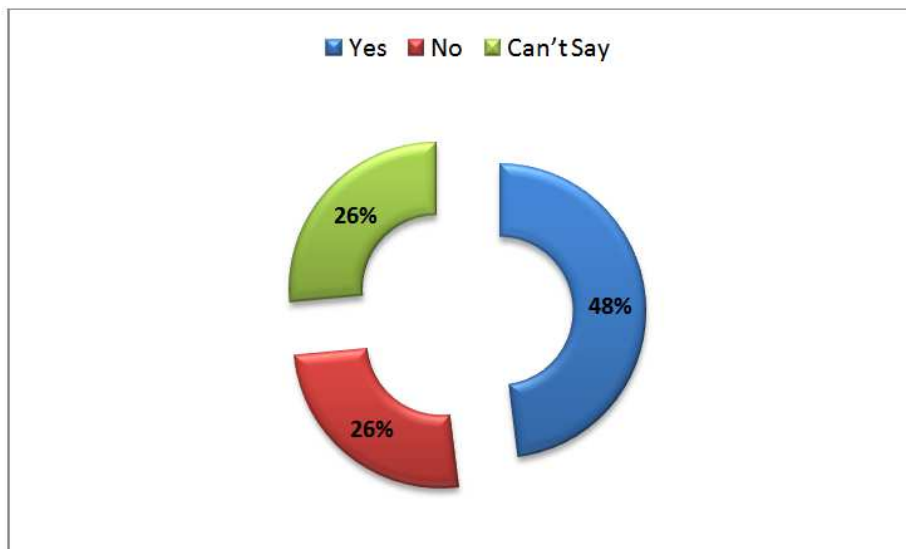


Figure 9: Online V/S Offline Transactions

As seen in Figure. 9, almost half (49%) of the respondents felt that online transactions are better than offline transactions.

Table 1: How can E-Wallets be Popularized among youth

How Do You think E-Wallets can be Made More Popular Among the Youth	Percentage
By offering more Discounts and Offers	22%
By removing Transaction/Service Charges	14%
By ensuring the safety of transactions	19%
By providing better internet speed	20%
By creating more awareness	16%
By offering student discount	09%
Total	100

As seen in Table1, a good number (22%) of the respondents believe that better discounts and offers can drive more subscribers to an E-Wallet account. While another big number (20%) think that providing better internet speed can give a boost to the use of E-Wallets. Other major suggestions given by city youth included – ensuring the safety of the accounts, creating more awareness about E-Wallets, removing transaction/service charges levied by the service providers and offering a student discount.

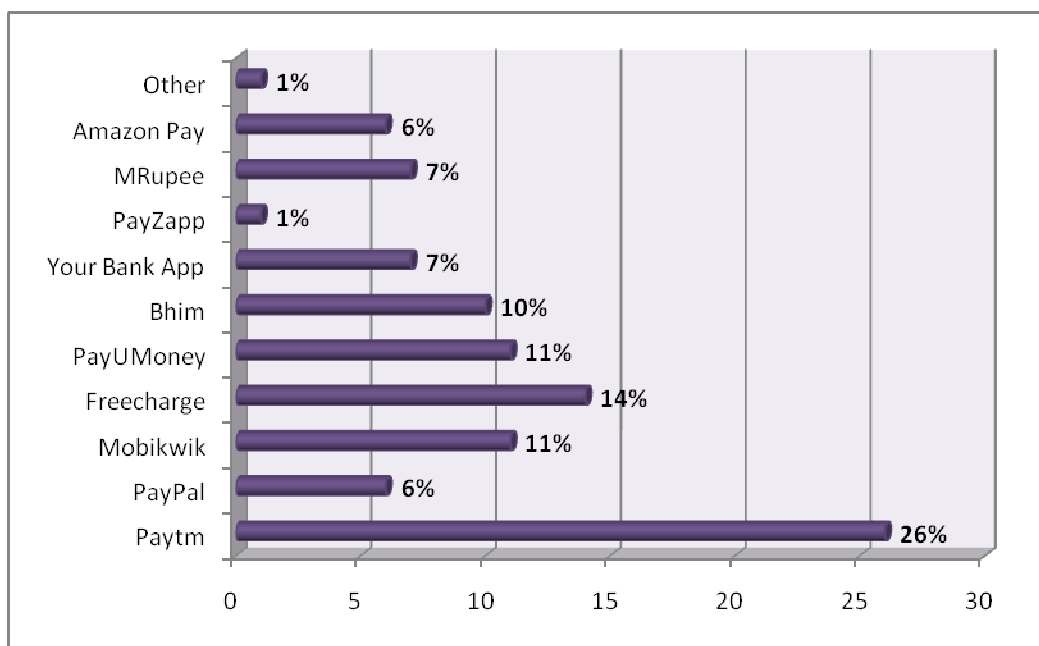


Figure 10: Brand Recall for various E-Wallet Brands

As given in Figure 10 above, Paytm has the highest brand recall with 26% of the respondents noticing the brand in various ads. This is followed by FreeCharge, Mobikwik, and PayUMoney.

Major Findings

- There is high adoption (76%) of E-wallets among the youth of Kanpur city.
- The users and non – users of E-Wallets appeared to be doubtful regarding the safety and security of these E-Wallets.
- Most of the users prefer using cash for their day to day transactions and E-Wallets are commonly used once a month for paying various utility bills. However, its use for online shopping and travel/ hotel bookings is also on the rise.
- The major reason for using a particular E-Wallet was ease of use and popularity.
- Paytm was the most preferred E-Wallet used by the respondents followed by Mobikwik.
- Paytm registered highest brand recalls among the respondents.
- According to the respondents, better deals and discounts can be a potential tool of promoting E-Wallet usage among youth.

CONCLUSIONS

E-Wallets are rapidly gaining acceptance of the youngsters. Better deals, discounts, and offers are becoming the driving force of selecting a particular E-Wallet app for financial transactions. With ever-improving mobile technologies and better user interface offered by the service providers, E-Wallets are sure to gain greater popularity among the youth. However, to facilitate the switchover of the majority from cash transactions to cashless transactions, better internet connectivity in urban as well as rural areas needs to be provided. Apart from this, in the age of data selling and data leak, safety measures of these apps need regular updating to keep the customer's account safe. Further, there is a need for regular discussion of this service with the youngsters at different platforms so that they may be able to clarify their doubts. The future of financial transactions is surely digital.

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