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A Study on Embracing of Digital Wallet by Consumers

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Abstract:

In today-world, smartphone has become essential part of daily life. Due to technology, mobile users can nowadays use their smartphones to make money transaction or payment by using applications installed in the phone. When smartphones can function as leather wallets, it is called "Digital Wallet" or widely known as "Mobile Wallet". The present study tries to study the various factors that can affect a consumer's decision to adopt digital wallet as a mode of online payment. Apart from this, the study also attempt to find out the various risks and challenges faced by users of digital wallet.

Objectives:

1. To understand how consumers perceive new technological service namely Digital Wallet
2. To study the factors that influence consumers in adoption of digital wallet.
3. To study the risk and challenges faced by consumers in use of digital wallet.

Method:

A structured questionnaire was sent to 150 smart phone users who also use digital wallet for online payment. The respondents were categorised on the basis of gender, age and occupation. Out of 150 people only 132 responded to the questionnaire. The questions were based on consumer's preference for online mode of payment, the factors affecting their choice and the challenges faced by them while using digital wallet. This research used quantitative method ANOVA in order to get the statistic result from respondents.

Conclusion:

Digital wallets are quickly becoming mainstream mode of online payment. Shoppers are adopting digital wallets at an incredibly rapid pace, largely due to convenience and ease of use. Tech-savvy shoppers are increasingly demanding seamless, omni-channel retail experiences and looking for solutions that deliver this.

Keywords: Digital wallet, online payment, smartphone users.

1. Introduction

In today-world, smartphone has become essential part of daily life. As it has become more rational, the number of smartphone users has increased radically. "India will exceed 200 million smartphone users, topping the US as the world's second largest smartphone market by the end of 2016 due to increasing penetration of affordable smart mobile devices in the country," the US-based research firm said in a report. According to TechSci Research's latest report, India's mobile wallet market could reach

\$6.6 billion by 2020.

Along with smartphone production, a number of services have been generated to utilize the possible functions of smartphones. Smartphones are used as communication devices, as socialized tool, entertainment tool, internet access tool, and even payment tool. Due to technology, mobile users can nowadays use their smartphones to make money transaction or payment by using applications installed in the phone. Besides payment, people can also store receipts, coupons, business cards, bills...in their smartphones. When smartphones can function as leather wallets, it is called "Digital Wallet" or widely known as "Mobile Wallet".

Consider the following scenario: "A person is at the supermarket checkout line. He fumbles through his wallet to find credit card X, rejecting many other cards in the process, to pay for the transaction. Later in the day, he falls victim to a pickpocket who steals his wallet. He is now

in a state of panic; he has to remember which cards he had in his wallet and then manually cancel those cards.”

The above scenario highlights problems with a physical wallet; namely that finding particular items is time consuming, and finding a lost wallet is extremely hard. In addition, managing multiple monetary and identification implements is not easy. Monetary implements include cash, debit and credit cards, and stored value cards while identification includes national and/or state identification cards and driver's licenses.

A solution would be to replace the physical wallet with a digital wallet integrated into an existing mobile device like a cell phone. This digital wallet would allow the owner to carry multiple monetary and identification implements. These implements could be quickly searched by name, type, or other keywords. In addition, with the right software, these implements could be managed far more effectively. Finally, security would be enhanced as all data on the digital wallet would be encrypted and back up options would make recovering from loss easier.

However, the idea of a digital wallet is not new. Indeed, Japan, America, Sweden and South Korea have already rolled out cell phone-based digital wallet solutions. Consumers in those countries can use their cell phones to pay for groceries, order drinks from a vending machine, and even identify themselves at airline ticketing counters.

Objectives:

1. To understand how consumers perceive new technological service i.e. Digital Wallet
2. To study the factors that influence consumers in adoption of digital wallet.
3. To study the risk and challenges faced by consumers in use of digital wallet.

Most commonly used Digital Wallets in India

On a global perspective, mobile wallets are enabling economies to transition to a cashless society. The major tech giants all have solutions of their own - there's Apple Pay, Google Wallet, and Samsung Pay, to name a few. The popular digital wallet in India includes:

1. Paytm

Paytm started out with mobile recharges, DTH plans, and bill payments, and then launched an e-commerce marketplace in February 2014. Its wallet Adoption of Digital Wallet by Consumers partners include Uber, Book-my-show, and Make- my-trip, along with others in categories such as shopping, travel, entertainment, and food. It has a license from RBI to set up a payments bank, enabling it to offer current and savings account deposits, issuing debit cards and offering Internet banking services.

2. FreeCharge

FreeCharge lets one recharge any prepaid mobile phone, postpaid mobile, electricity bill payments, DTH and data card in India. It recently added metro card recharging as a feature of its platform. The wallet can be topped up with debit cards, credit cards and net banking, and can be managed via an app or from the Web browser.

3. MobiKwik

MobiKwik can also be used to recharge mobiles and pay bills, but it's also accepted across merchants such as Book-My-Show, Make-My-Trip, Domino's Pizza, eBay, among others. MobiKwik has also tied up with Big Bazaar and SagarRatna franchises enabling mobile payments. It has a section with cash backs offers listed on its website with include both online and offline players. Top ups can be done using net banking, debit cards, and credit cards, the app can be used to send and request money between friends and family members as well, using a mobile number or email ID. There is no additional charge for such remittances.

4. Vodafone M-pesa

Vodafone M-pesa claims to be India's largest cash out network, with over 85,000 M-pesa agents spread across the country. The service lets you send money to anyone, to recharge prepaid numbers, DTH connections, postpaid Vodafone numbers, utility bills and online shopping. Money can be transferred to bank via its inbuilt IMPS service, or to a mobile number. DTH and prepaid recharges can be done through m-pesa for free.

Benefit of using Digital Wallet to various parties

Digital wallet appears to be beneficial in generating real revenue stream to all the stakeholders of

mobile ecosystem like- customers, banks, mobile-operators, financial institutions.

Adoption of Digital Wallet by Consumers

Benefits of customers

- Anywhere, anytime payment experience which is the essence of immediacy & ubiquity.
- No dial-up, no configuration or booting requirement to ensure instant connectivity through wireless route.
- Substituting voice communication through texts & images for deaf or mute users.
- State of the art security platform.

Benefits to Bank

- Additional income stream through innovative user- friendly services.
- Enhanced brand image through alternate sales channel in mobile payment space and thus leading to loyalty development.
- Extending value-added services through 24x7 branchless banking experience.

Benefits to Financial Institutions

- Ensuring enhanced customer's satisfaction & their retention together with direct marketing promos for tailored offerings to specific clients.
- Generating new business leads by one to one bank- client relationship.
- Enables FIs to keep constant connection with clients through 24x7 formats to serve their diverse needs everywhere, all the time.
- Increased reach to more customers, specially the unbanked segment due to increasing mobile usage rate and thereby reduced operating costs out of fewer direct teller interactions happened physical branches.

Beneficial gains to mobile operators

- Expanded service portfolio & increased brand promotion to create a differentiating factor to generate more new leads.
- Lucrative route to strengthen client loyalty base vis- à-vis lessen „churn“ & „attrition“ rates.
- FIs gain increased revenue by high mobile traffic build up.

It enable users to check bank account status & recharge prepaid mobile account instantly using mobile payment gateway (IMPS).

2. Research Methodology

The aim of this research paper is to find the various factors that affect customers in adopting digital wallet and to find the various risks and challenges faced by users.

In order to reach the aim a structured questionnaire was sent to 150 smart phone users who also use digital wallet for online payment. The respondents were categorised on the basis of gender, age and occupation. Out of 150 people only 132 responded to the questionnaire.

This research used quantitative method ANOVA in order to get the statistic result from respondents.

3. Literature Review

Tomi Dahlberg, Niina Mallat & Anssi Öörni studied in their paper "Trust enhanced technology acceptance model – Consumer acceptance of mobile payment solutions" (2003) that Whether the Technology Acceptance Model (TAM) describing user acceptance of technology offers comprehensive explanation for consumer decisions related to adoption of mobile payments. Their analysis suggests that the Technology Acceptance Model (TAM) provides a good basis to explain use of mobile payment solutions, yet, data proposes that a new construct, trust, should be included into the model to augment the present descriptors in explaining consumer adoption decisions in the mobile payment context.