

GROWTH OF MOBILE PAYMENT WALLETS IN DIGITAL INDIA

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ABSTRACT

Unless absolutely required, people tend to avoid doing new things. After the demonetization of India's two main legal currencies, which together accounted for 86% of the country's total currency in circulation, many citizens were forced to reduce their reliance on cash and turn instead to alternative payment methods like credit cards and mobile wallets. By the time of demonetization, more than 70% of all transactions in India were conducted in cash, making it a largely cash-based economy (98% by volume). The major obstacles to a cashless economy include things like low adoption of non-cash instruments, public distrust in digital payments, etc. But with demonetization, digital payments in India have seen a dramatic change. This change prepared the door for individuals to seek out bank-based payments, which ultimately resulted in people being given access to the financial system. This research examines the rise of digital payment methods and their impact on broadening access to banking services in the wake of demonetization.

Keywords: Mobile payment wallets, digital india, UPI

1.INTRODUCTION

The cancellation of legal tender status to Rs 500 and Rs 1,000 bank notes was a vital step in transforming Indian economy into cashless. The sudden move of the government to ban high-currency notes made entire public to look for alternatives. But the decision thrived to move the economy into a new financial order. Post demonetization, India had witnessed a significant growth in the adoption of digital wallets and QR code based transactions for low-value orders. Growing use of smartphones and broadband usage become a common deed in most of the urban areas. The paradigm shift in digital payments has also been fuelled by the introduction of Unified Payments Interface (UPI). According to NPCI data (National Payments Corporation of India) on an average monthly 1000 million UPI transactions are executed. This figure shows that the wide use of digital payments in India, which was backed up by made in India wallets like paytm, phone pe, mobikwik etc.

The government has consistently been encouraging digital payments in the country to ensure better digital infrastructure and awareness amongst the country's population, thereby enabling the penetration of mobile/digital wallets along with secured aadhar-linked payment systems to provide continuous payment processes. The country still offers huge potential for the adoption of digital payments, since there is still a class of the population uses cash as the favorite mode of payment, thus making it difficult for them to accustom to digital transactions.

1.1 Statement of the research problem

Since the country's independence, many factions at the federal level have made considerable attempts to provide banking services to rural areas. From 2005-2006, the term "financial inclusion" became more popular. The government has taken a number of steps to ensure that people from low-income backgrounds have access to basic financial services. In India, it's clear that the government has to foster a feeling of urgency for individuals to make a shift. After the government demonetized two high-denomination banknotes on November 8, 2016, people desperately sought for new ways to do business in the face of a severe shortage of currency. As a result, the aims of financial inclusion have been realized because of the paradigm change brought about by demonetization in India.

1.2 Need for the study

People may have panicked as a result of the government's unexpected decision to demonetize currency, but it also prompted them to begin practicing alternatives to using cash. The increasing use of mobile phones, internet, and online shopping has also sparked a movement toward cashless and paperless transactions in the marketplace. Therefore, it is imperative that we do this research to learn the truth about the breadth of digital payments and their subsequent impact on financial inclusion in the wake of demonetization.

1.3 Scope of the study

This paper covers the growing trends of digital payments in india post demonetization and its effect on financial inclusion

1.4 Review of literature

Financial Inclusion as defined by RBI (2005-06), is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institutional players. In advanced economies, Financial Inclusion is more about the knowledge of fair and transparent financial products and a focus on financial literacy. In emerging economies, it is a question of both access to financial products and knowledge about their fairness and transparency.

Internal Group on Rural Credit and Micro Finance (2005), permitting banks to utilise the services of Business Correspondents and Business Facilitators as agents for extending banking services outside the brick & mortar branch premises.

Sangwan, the determinants of financial inclusion (2006), the state wise percentage adults in terms of saving and credit accounts (dependant variable) were regressed with independent variables like the branch density, level of income, literacy and adults covered under SHGs. The cross section data of 42 Regions/States/UTs for the year 2006 was used. The estimated regression equations revealed that the branch density has positive and significant coefficient with the percentage of adults having saving as well as credit accounts. The coefficient of per capita income was also positive and significant in explaining percentage of adult having saving accounts, though; this coefficient was not significant with level of credit account

Report of the committee on financial inclusion (2008) defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost.

Kaul, R.C.40 (2011) calls attention to that the development pattern of Indian economy in the course of recent years has been very great from all measures and demonstrates the start of another period of higher development. The said advancement does not appear to have brought about proportionate development in assembling work prompting questions about the comprehensive idea of this development.

Vipin Kumar Aggarwal (2014) in his study titled, “Financial Inclusion in India: an Analytical Study”, Financial Inclusion implies everyone approaching a suitable scope of budgetary items and administrations, which enables them to viably deal with their cash,

paying little respect to their dimension of salary or societal position at a moderate expense. Indian economy when all is said in done and banking administrations specifically, have made fast walks in the ongoing past. During the time spent advancement of high financial development course, there is a basic requirement for the cooperation of all areas of society. In any case, a sizable segment of the populace, especially the helpless gatherings, for example, flimsier segments and low salary gatherings keep on remaining barred from even the most fundamental chances and administrations, be it opening an investment funds ledger or benefiting a credit given by the financial inclusion.

1.5 Objectives of the study

1. To know the extent of digital payments in furthering financial inclusion post demonetization
2. To understand the key drivers to digital payments in india post demonetization

1.6 Research methodology

It is a descriptive study based on secondary data analysis.

1.6.1 Data collection

Secondary data is collected from various sources - newspapers, government reports, research articles

1.7 Limitations

- a) The study is based on secondary data
- b) Analysis is based on available data.
- c) Limited data is collected due to time constraint.

2.KEY DRIVERS ENABLING DIGITAL PAYMENTS IN INDIA

2.1 Growth in use of mobile phones

The increase in number of mobile users is being leveraged upon by digital payment providers, banks, NBFCs, mobile wallets are offering the payment services using mobile as medium to deliver digital payment options. Especially banks have been offering m-

banking/net banking services through – text messages/SMS,USSD (Unstructured Supplementary Services Data) and android/IOS based mobile applications.

By the end of November 2019, India had more than 115.5 crore wireless telephone users which is resulting to 88.90% of tele-density. The tele-density in urban and rural areas was 157.33% and 56.69%, respectively. The growth in smartphone users has eased to fast-track the implementation of digital payments. Moreover, it led to several innovations in digital payment systems, such as scanning of QR code for doing payments using smartphones. All these developments have aided the swing from cash to digital payments.

Table-1



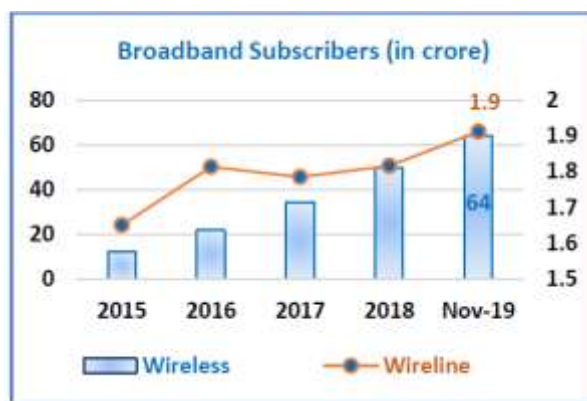
(Source:Telecom Regulatory Authority of India (TRAI) data)

2.2 Growth in broadband users

Broadband usage is on the rise in India. Till 2013 an average Indian until used to spend more on voice call services than on mobile data, the majority portion of an average mobile bill of an indian, now contain data charges- according to a report by the Internet and Mobile Association of India (IAMAI). By the end of November 2019, there were more than 64.2 crore wireless and 1.9 crore wireline internet/broadband users, spread across the country. The positive growth in broadband penetration has ensured the sustainable adoption of digital modes of payments across the country.

The digital infrastructure growth is a key for the development of cashless eco system. The growth in infrastructure trends in India has been impressive for the last six years. With the wide spread of 3G and 4G mobile communication technologies even in nook and corner of the country enabled the public to switch from physical cash transactions to digital payments.

Table-2



(Source: Telecom Regulatory Authority of India (TRAI) data)

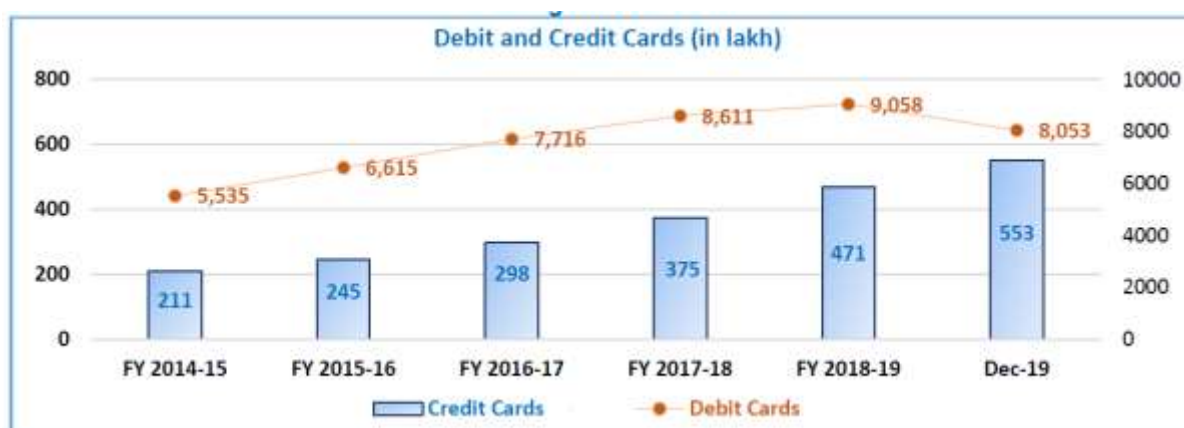
2.3 Growth in number of bank accounts

The number of bank deposit accounts has increased to 217.40 crore by the end of March 2019. These include deposit accounts in all scheduled commercial banks, Regional Rural Banks (RRBs), cooperative banks, Payment Banks (PBs), Small Finance Banks (SFBs) and Local Area Banks (LABs) in the country. Especially the growth in no-frills accounts or BSBD accounts in the country is a positive development to achieve cashless system. There were 37.36 crore Basic Savings Bank Deposit (BSBD) accounts by the end of October 30, 2019 in the country. Increase in number of bank accounts plays a key role in achieving digital eco system.

2.4 Growth in use of debit and credit cards

Use of plastic cards is also a key driver in digital payments. There is a quick rise in number of cards issued during the last 5 years, the growth in number of debit cards has increased from 5535 lakh to greater than 8000 lakh. The same time period also exhibited a sharp increase in credit cards - from 211 lakh to more than 550 lakh. In addition to this 2960 lakh Rupay debit cards issued to BSBD accounts. The growth in issuance of number of credit as well as debit cards has facilitated to initiate POS as well as online transactions. Banks also focused on security concerns in using plastic cards, where many banks issued new cards to replace all outdated Magnetic stripe cards to Chip compliant cards to provide more security to cardholders.

Table-3

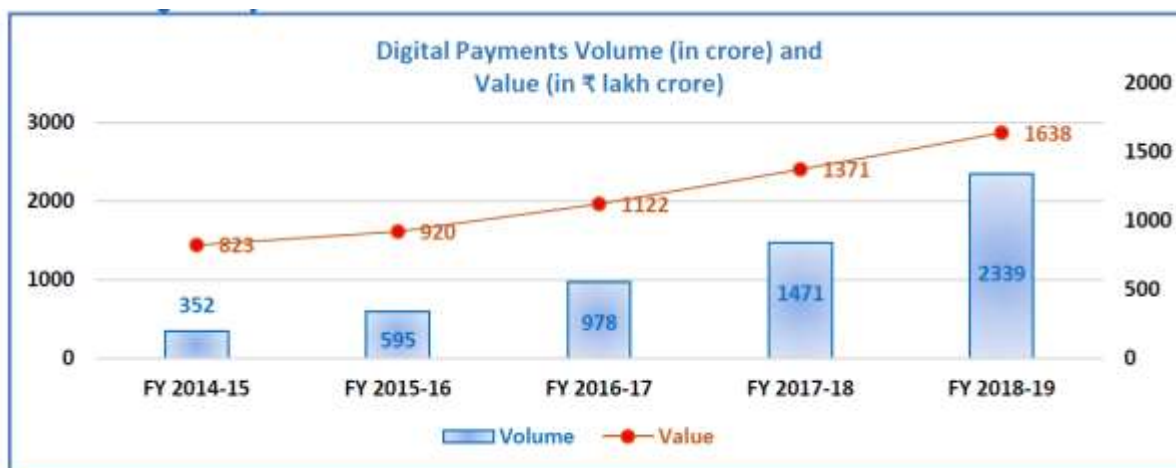


(source: RBI data)

2.5 Growth in digital payments

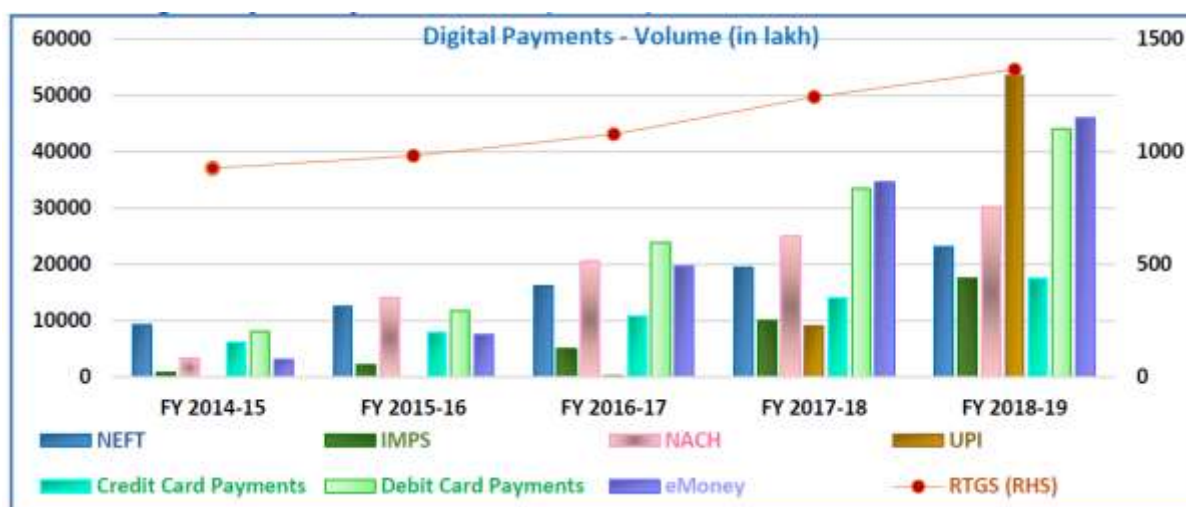
Among the digital payment modes, retail digital/electronic payments comprising credit transfers like NEFT, IMPS and UPI and auto debit options like ECS, NACH have accounted for a radical growth at a CAGR of 42% and 65% in terms of value and volume, respectively. Consistent Innovations in digital payment platforms are making domestic payments more efficient as well as effective. Many digital payment systems in the country are active 365 days with round the clock services, which are pushing indians towards digital payments. After the introduction of IMPS (Immediate Payment service), UPI (Unified Payment Interface) – people witnessed more convenience in making digital payments.

Table-4



(source: RBI data)

Table-5



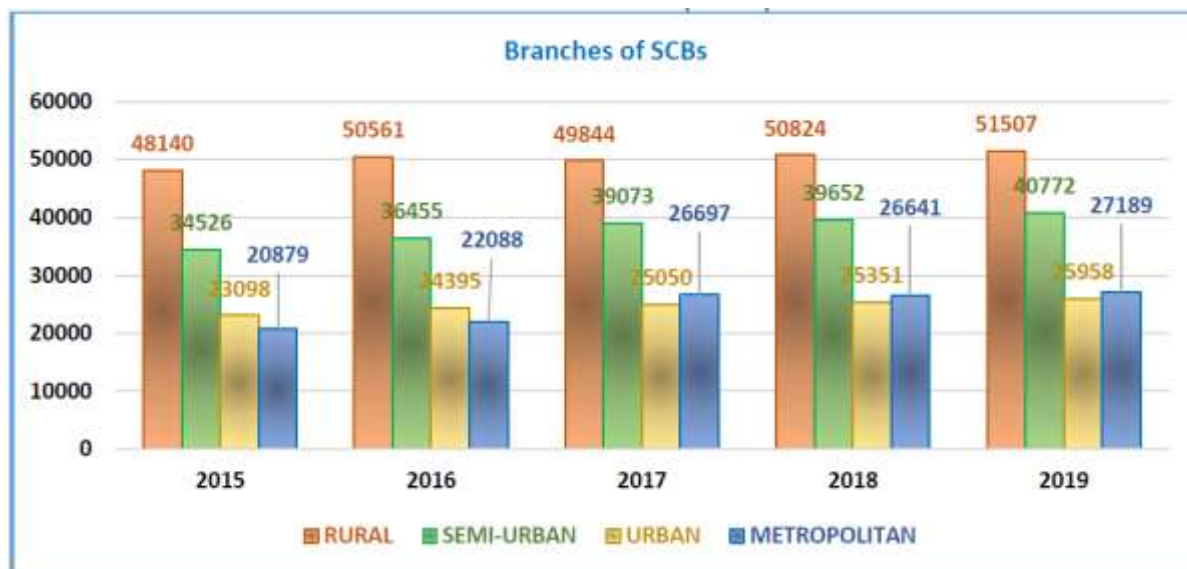
(source: RBI data)

2.6 Growth in banking branches

Banking infrastructure is the vital requirement to facilitate both cash receipts/payments as well as digital payments. It is customary in India to build confidence among public that the money is ready with them 24/7 virtually. Growth in bank branches could cater two sets of needs of people: one is cash is available at hand, the other is digital transactions can be executed using banks' mobile banking apps or linking the account to any mobile wallet. This could give an impression to an individual that carrying money in his purse. Hence opening new bank branches is achieving two-folded objectives i.e. financial inclusion enabled by digital payments. PoS machines and smart phones directly aid electronic transactions. There is a

growth of 3.5% in last five years in new branches of scheduled commercial banks across the country. The number increase in branches, particularly in rural areas has been a key enabler for inculcating banking practice in rural areas, which aids to promote digital payments.

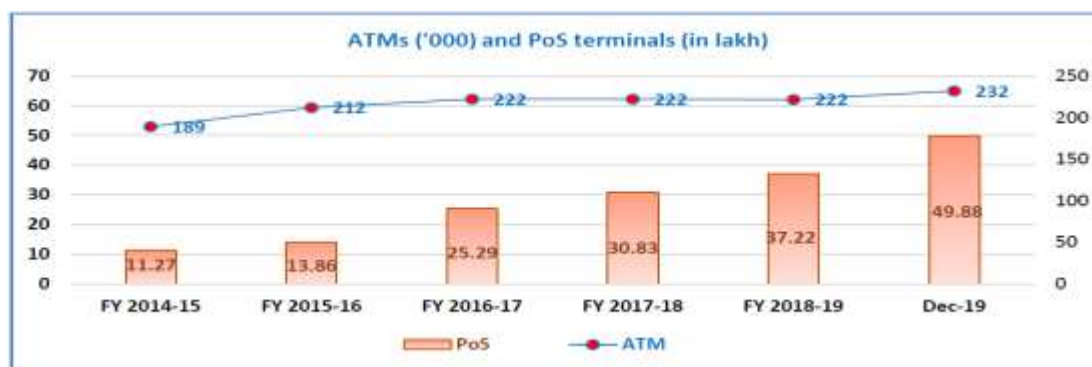
Table-6



2.7 Growing number of ATMs and POSs

By the end of December 2019, there were almost 49 lakh PoS machines across India. The numbers of ATMs and POS machines have been increased substantially in india at a CAGR of 4% and 35%, respectively for last 5 years. More importantly the growth in number of POS machines is a step forward to digitization of payments. The density of population per POS terminal drastically improved from 1124 in 2014 to 358 in 2019

Table-7



3. DIGITIZATION OF PAYMENTS: A KEY ENABLER TO FINANCIAL INCLUSION IN INDIA

Indian governments have been made substantial efforts over the past decade to deliver basic financial services to the unbanked strata. However, obstacles like policy-gaps, lack of financial literacy, inconsistent incomes, uneconomical banking services prevent massive classes of the population to involve in the formal financial system. As per World Bank report-2018, India accounted for the second-largest unbanked population in the world, around 191 million people living without a formal bank account. Moreover, half of the country's bank accountholders have a bank account that stood inactive in 2017. These facts show that financial inclusion continues to be an unattainable dream for India.

So digitization of payments and receipts become a key to achieve financial inclusion in India. Digital wallets, mobile banking apps, P2P lending platforms and other digital platforms have benefited households as well as business houses, including small borrowers, self-employed and MSMEs. As per NITI Aayog's vision document i.e. 'Strategy for New India @75' highlighted that digital payments will be influential in thriving financial inclusion.

Indian banks have been shifted their focus from traditional brick and mortar model to faceless, paperless, contactless banking model by using technology. Adoption of technology in banking services had brought a paradigm shift in recent years. All scheduled commercial banks are intensifying digitization of their operations to deliver a uninterrupted banking services to their customers. Almost every process- right from opening a bank account to applying for loans can be offered to bank customers without any physical presence. Internet banking enabled the bank customers to do everything without visiting a bank branch. Linking every bank account to aadhar number is also made digital banking more effective in India.

The boom of e-commerce industry in India has influenced many people to switch for online payment services. The key reason for this is the ease convenience in making payments.

Many of e-commerce sites are incentivizing their customers through cash back offers. Hence individuals are getting more convenience with economic benefits while shopping online.

Government of India with its flagship program digital India initiated delivering e-governance from central to village level. After demonetization government launched a program called Digi dhan mela to motivate merchants and individuals to perform cashless transactions using BHIM,UPI,ruPAY card, NUUP platforms.

Large-scale implementation of digital payment services can make access to financial services faster and affordable. In urban areas, the growing cost for merchants discouraging the digital payments, whereas, in rural clusters, lack of availability of infrastructure is considered as the major obstacle to financial inclusion. So government needs to reform regulatory policies to facilitate digital payments in India. Besides this the government should conduct awareness campaigns to enlighten all sections of the society about the benefits of digital payments.

CONCLUSION

Still cash transactions are accounting for majority of payments in India, despite the increasing trends of digital payments in recent past, even after demonetization. Even after lot of efforts of financial institutions, government at center and states the average number of digital transactions in our country is still very low compared to rest of the world. India's digital payments boom was started after demonetization in November 2016. The key challenge is to building confidence in public to make sure that digital payment as the best mean to transact. Government, banks have to seriously campaign about safety and security of digital payments. It is evident in our country that there is resistance for every change, but fortunately demonetization facilitated for the adoption of digital payments quickly. Hence building confidence among public can create a sustainable digital payment ecosystem fueled by financial inclusion

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