

COVID-19 – A catalyst for ushering M-wallet growth in India

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Abstract

Digital payments in finance is equally important to invention of wheel was for transport. Digital payments in India are expected to grow over three-folds to Rs 7,092 trillion by 2025 on account of government policies around financial inclusion and growing digitisation of merchants, according to a research report. The country's digital payment market was worth around Rs 2,162 trillion in 2019-20. The current 160 million unique mobile payment users will multiply by 5 times to reach nearly 800 million by 2025. According to the report, wallets will continue to play a key role in its growth with the continuous increase in both frequency and user base. "COVID-19 seems like another demonetisation-like catalyst for the industry. Digital payment providers have been quite hands-on in terms of responding to this situation, by offering enhanced support on essentials such as offering groceries, masks, sanitisers, COVID-19 insurance, offering integration with donations to PM fund and other essential product and services. The present study is an attempt to highlight the scope of growth of M- Wallets in the current economic scenario of India along with comparing the basic competitive features of M Wallet players specifically focusing on ease of operation and cost incurred for the consumers. It is felt that there is a need for technological advancement by the m-wallet companies which would ultimately result in reduction in transaction cost and expansion in user base and hence revenue.

Keywords: M Wallets, Digital Payment, Financial Inclusion, Payment gateways, Inclusive growth, Competitive advantage.

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Introduction

According to market research firm techARC, India had 502.2 million smartphone users as of December 2019, which means over 77 per cent of Indians are now accessing wireless broadband through smartphones. Mobile phones shapes how consumers search, purchase, and pay for goods and services. The phone itself has become a unique identifier like email that is standardized across merchants and consumers, removing the need for bank account numbers or anything that is proprietary in a local ecosystem. Consequently, mobile payments are taking over the world in form of feature phone-based services like M-Pesa and smartphone-based NFC payments. India is also a witness of these changes. Over the past few years, the payment landscape in India, too, has reflected these developments, with digital payments displaying a robust growth. Still, India has one of the

lowest usage of digital payments globally. M Wallets has made it possible in building secure payment solutions as per the requirements of ordinary Indians providing convenience equal to sending a message. About sixty five percent of populations have active mobile telephone network. Ninety-nine percent have electronic identity in the form of Aadhaar and about thirty five percent have already adopted use of technology in the form of internet and social networking. With ever changing nature of payments, a great remedy today becomes an obsolete technology tomorrow. Traditionally, the field of payments had been driven by banks. Technology has led to payments emerging as a distinct industry increasingly dominated by Fintech companies. In contrast, banking is the business of giving assured returns on deposits and lending. What is required is the combined effort of banks and non-banks for promoting digital payments.

Digital wallets are the best bet to escort in digital payments. There are three main drivers of growth for the phenomenon:

Strong growth in smartphones: The digital payments landscape in India has witnessed unprecedented growth mainly because of increased Smartphone penetration. User base has increased by 60% in the metros, but more important is the penetration in the tier 2 and 3 areas.

Adoption of Aadhaar & UPI: Data availability along with Aadhaar based authentication will allow for flawless adoption of the digital wallet. Initiatives like Aadhaar, UPI is likely to have a catalytic effect on the industry.

Improved 4G & 5G services: 4G and 5G services are being offered at extremely affordable prices, giving a major boost to mobile commerce. With 4G becoming more and more affordable, it is expected from smartphone users from tier 2 and 3 regions to go for digital wallets.

Literature Review

Barker (1992) in his study on globalization of credit card usage measured the attitude of Turkish consumers towards credit cards, and the approach of card issuers. The most significant reasons for using a credit card emerged as ease of payment and risk of carrying cash. Non holders do not carry credit cards due to lack of information about it; informal sources of information appear to be more influential than mass media advertising in penetrating the market.

Mathur and George (1994) in their study on use of credit-cards by older American shows the usage behavior pattern of older people with credit card spending and concluded that older adults use credit cards like frequently as younger adults when circumstances for consumption in both groups are

similar. Contrary to the commonly held belief that older people do not use credit cards, the data suggests the need for practitioners should stop thinking about consumer targets in terms of age and focus more on circumstances that determine one's likelihood to use credit cards.

Kaynak (1995) correlates the credit card acceptance and usage in an advanced developing Middle Eastern Country showing that with the improvement of technological developments, innovation and increase in the level of socio-economic progress the acceptance of credit cards and usage has increased like anything.

Problem Statement and Research Gap

Within the last decade or so, world has become rapidly more digitized. For example, we now have internet purchases, and social interactions made via short message service (SMS), e-mails and social networks on the Internet. Two important factors contributing to the development are the use of mobile phones, and the use of the Internet. We are more 'on the go' than ever and get things done while we are on the go through digital services turning the world to a mobile village. Thus, there is a requirement to promote electronic wallet more than ever, an e-wallet, with which mobile payments can be made even in remote areas of the country. It is therefore relevant to pay attention towards mobile payment option as cashless payment. It is recognized that the lack of awareness and consumer confidence in digital payments is a gap that needs to be addressed.

Objectives

- To highlight the scope of growth of M-Wallets in the current economic scenario of India.
- To compare the basic competitive features of M Wallet players specifically focusing on the

ease of operation and cost incurred for the consumers.

- To study the comparative strategies adopted by players in order to scale up their ventures.
- To offer recommendations and suggestions for implementation.

Mobile- Wallet

A mobile wallet is something one carries with physical entity in our hand, and means of carrying account or card information on personal devices or mobile devices. Instead of using physical plastic card to make

purchases, payment can be done with Smartphone, tablet, or smart watch. Mobile wallets provide an easy way out for user to make in-store payments and can be used at merchants listed with the mobile wallet service provider. The technology savvy era presented a world where business-consumer relationship is summarily becoming digital. From e-commerce platforms to robo-advisors to the advent of smartphones, businesses are transforming the way they operate to meet the ever-changing requirements of their clients. One area of the financial industry that is rife with innovations is the payment sector.

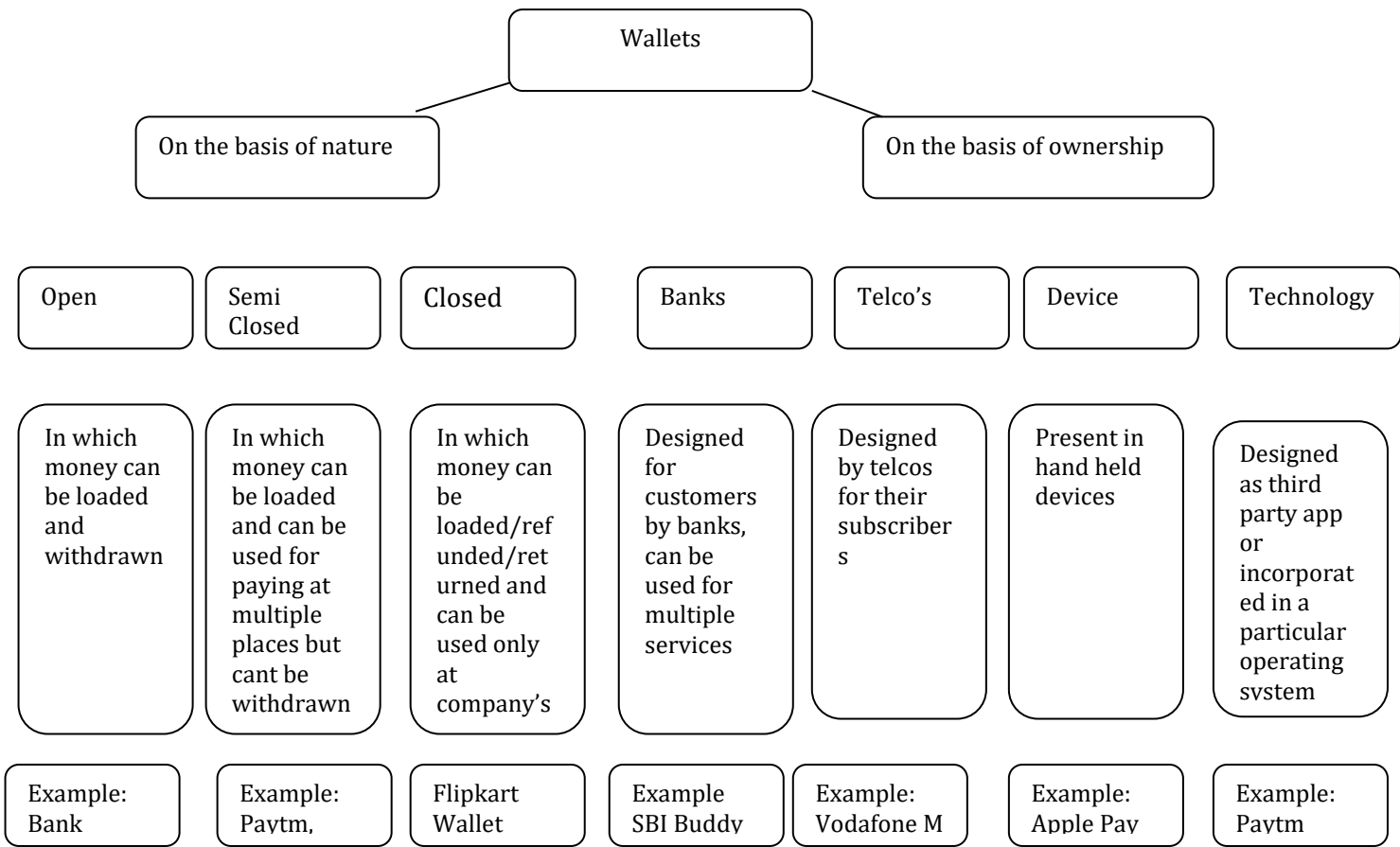


Figure 1: Categories of Wallets

KEY PLAYERS IN M-WALLET

1) Airtel Money:

With Airtel Money app, users can easily recharge prepaid accounts or pay postpaid bills and can shop

online if digital wallet has cash loaded in it. It's also extremely safe as every transaction or payment requires a secret 4-digit mPin.

2) Citi MasterPass:

Citi MasterPass, a free digital wallet, helps make checking out while online shopping a speedier process. Once you've stored all payment and shipping details in your Citi Wallet, simply click on the MasterPass button and it will take care of the rest.

3) Freecharge:

Freecharge, one of the most famous names for digital payment in India, has been known to target the youth in all the promotions. With equivalent amount of coupons given for every recharge done, it's a great option to save while paying bills online.

4) HDFC PayZapp:

HDFC PayZapp, making digital payment in India simplified, is one of the top online wallets in India. Users can easily compare flight and hotel tickets and even buy music or pay bills with the app.

5) ICICI Pockets:

It's powered by VISA and can be used on any Indian website, or to transfer money to email ids, WhatsApp contacts, and also just tap and pay your friends easily.

6) JioMoney:

JioMoney, launched in 2016 is a digital payment app. With JioMoney, one can receive great discounts and offers. Users can also bookmark their frequently visited retailers so shopping can be made quicker than usual.

7) LIME:

LIME, launched by AXIS in 2015, was the first mobile app in India that has integrated wallets, shopping, payments, and banking. Apart from the usual features like making payments, they also let you analyze what you spend.

8) Mobikwik:

Mobikwik is a Gurgaon based e-wallet payment system in India that helps its users store their money. Founded in 2009 this digital wallet enables users to recharge, pay bills, and make third-party purchases

with one tap

9) MomoeXpress:

MomoeXpress, a Bangalore based digital wallet in India, claims to have the fastest checkout system. Though they're only available in Bangalore, they provide a wide range of solutions to residents on the city. From paying for your rickshaw ride to salons & spas, there are over 3000 outlets available at your disposal.

10) MoneyonMobile:

MoneyOnMobile, authorized by the Reserve Bank of India, enables users to buy goods, products, and services from registered merchants. It's a multilingual app that reaches remote areas of the country to millions of users making online payments available to a wide population.

11) Ola Money:

Ola Money, launched in 2015, is a digital wallet in India offered by Ola. While majorly it's being used for making payments for Ola cab rides, making cashless traveling a dream come true, it can also be used to buy groceries or flight tickets and much more.

12) Oxygen:

Oxygen, a FinTech company founded in July 2004, is one of the major providers of digital payment in India. Along with making online purchases and paying bills, users also send gift cards.

13) PayMate:

PayMate, founded in 2006 launched PayPOS in 2012, an app for small business owners to receive payments conveniently via debit cards and credit cards and also process electronic transactions.

14) Paytm:

Paytm, launched in 2010, is currently the largest mobile wallet app in India. With payments via Paytm being accepted almost everywhere, it's simple to switch to it completely. From paying mobile bills to

buying movie tickets, there's almost nothing you can't do with Paytm.

15) PayUmoney:

PayUmoney, a part of PayU India, is a free payment gateway solution for merchants to collect payments from customers via debit/credit cards or net banking, and offering SMS and email invoicing for merchants

The Government of India has taken various steps for including major portion of India's population within the purview of formal financial services. The most prominent initiative in this regard being the Pradhan Mantri Jan Dhan Yojana (PMJDY). Since its beginning, the PMJDY has undertaken a commendable task of opening approximately 25.68 crore bank accounts. However there remains a need for catalysing the process of attaining greater financial inclusion, with the overarching goal of including over 90% of underserved sections of society in the ambit of formal finance by the year 2021. Payments are often the first and most used financial services, required by almost entire population. Ensuring convenient access to basic transactional account (as a financial service distinct from a savings account), and a robust payment system, can complement the efforts of conventional banking for better financial inclusion. The case for digital payments can be made on the basis of four main factors that make paperless payment instruments and systems more desirable - First, cash is expensive

that do not have a website.

16) State Bank Buddy:

State Bank Buddy, a product of State Bank of India, is an online wallet in India that's available in 13 languages. Users (non SBI account holders too) can send money via Facebook, or to other bank accounts, book hotels or movie tickets and much more!

because of latent and implicit costs associated with it. Second, technology has been advancing at a rapid pace for delivering robust, secure and convenient payments solutions enabling rapid delivery of payment services to large sections of the population. Third, digital payments allow for services to be delivered at lower costs, afford greater scalability and greater ease of access. Lastly, recent Government initiatives have created a catalytic environment for the greater proliferation and growth of digital payments. Digital payments depend upon power and telecommunications infrastructure. Therefore, the main confront is rolling out of vigorous and user-friendly digital payments solutions to unelectrified areas/areas without telecommunications network coverage. Even so, significant cost savings associated with digital payments, and the emergence of robust payments technologies suggest that a transition to digital payments, could bring significant benefits for economy as a whole

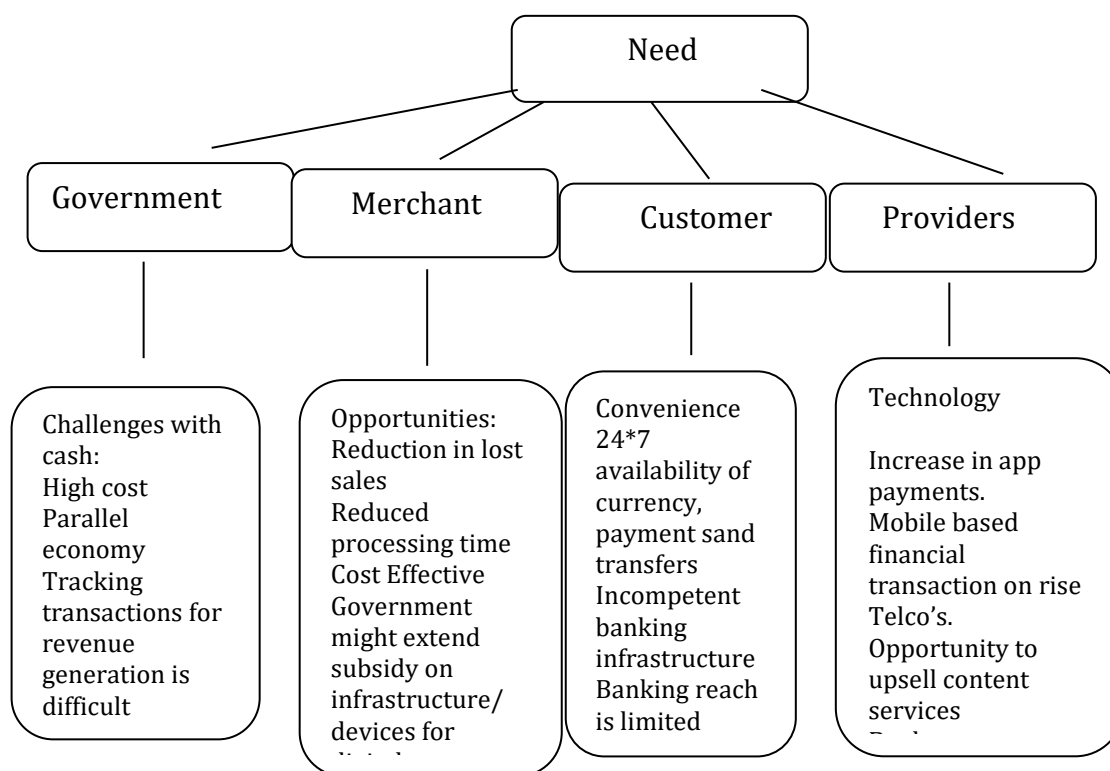


Figure 2: Need of M-Wallets

CURRENT AND FUTURE STATE OF M-WALLET COMPETITION

Mobile wallets have increasingly gained market traction amid the ongoing COVID-19 pandemic as the current health crisis continues to keep bank branches closed, pushing customers to seek digital alternatives to fulfill their daily needs. For instance, mobile transactions processed by Mercado Pago, an Argentine e-commerce company, surged by more than 50% during the lockdown. This has spurred the adoption of mobile wallets as shopping platforms and industry regulators, encouraging the use of contactless mobile payments during the pandemic. The mobile wallet

market is witnessing a dynamic transition in customer behavior as shoppers are adopting digital payment methods at a rapid pace due to convenience and easy use. The digital disruption and generational shifts are causing fundamental changes in customer behavior as millennials are embracing digital payments and avoiding physical bank branches or ATMs. The increasing customer preference toward mobile payments has driven companies, such as Apple and Samsung, to launch their solutions and change the way marketers connect with consumers, creating new avenues for market expansion.

Mobile Wallet Market Report Coverage

Report Coverage	Details		
Base Year:	2019	Market Size in 2019:	100 Billion (USD)
Historical Data for:	2015 to 2018	Forecast Period:	2020 to 2026
Forecast Period 2020 to 2026 CAGR:	16%	2026 Value Projection:	350 Billion (USD)
Pages:	240	Tables, Charts & Figures:	413
Geographies covered (24):	U.S., Canada, UK, Germany, France, Italy, Spain, Netherlands, Russia, Australia, China, India, Japan, South Korea, Singapore, Thailand, Indonesia, Philippines, Brazil, Mexico, Argentina, UAE, Saudi Arabia, South Africa		
Segments covered:	Type, Ownership, Technology, and Region		
Companies covered (23):	Amazon.com, Inc., American Express Company, Ant Financial Services Group, Allied Wallet, Inc., Apple Inc., AT&T Inc., Barclays plc, Due Inc., First Data Corporation, Google LLC, ICICI Bank Limited, J.P. Morgan Chase & Co., Mastercard Incorporated, Mozido Inc., One Mobikwik System Pvt Ltd., One, Communications Limited, PayPal Holdings, Inc., Samsung Electronics Co. Ltd., Skrill Ltd., Tencent Holdings Limited., Visa Inc., Vodafone Group PLC, Wells Fargo & Company.		
Growth Drivers:	Increasing penetration of smartphones Rise of various e-commerce platforms Supportive government initiatives Attractive discounts and cashback offers by mobile wallet providers Changing customers preferences towards digital payments		
Pitfalls & Challenges:	Data security issues Lack of clear regulatory framework		

Source: Mobile Wallet Market Size By Type (Open, Semi-closed, Closed), By Ownership (Banks, Telecom Operators, Device Manufacturers, Tech Companies), By Technology (Near Field Communication (NFC),

Optical/QR Code, Digital Only, Text-based), Industry Analysis Report, Regional Outlook, Growth Potential, Competitive Market Share & Forecast, 2020 – 2026

CHALLENGES AT INDUSTRY LEVEL

- With a new mobile wallet coming up every now and then, the main aspect to analyse would be how they would market themselves,

with exclusive offer they can come up with, like Uber and Paytm what effectively gave an entry to Paytm into the market and use all of the Uber users on its platform. In addition to

this, a wallet which can better digitize the path-to-purchase and eliminate the friction tied to the payment process over its rival, will capture the market.

- With the advancement of technology, for creating a unique selling proposition would be extremely difficult for new players. The only thing that they can do, apart from making a good product is to present in a way that touches every consumer aspect. Exclusive coalition with 1-2 service providers and most importantly partner with various e-commerce/traditional shops.
- The value proposition of a mobile wallet is not about the payment, but instead about the better services can be offered across a mobile-enabled environment. It is interesting to see situations where the mobile wallet is funded over the lower-cost EFT network in order to save money on card network fees. Wallet providers also save money by bundling transactions to get high volume discounts.

Mobile wallet companies will continue the front foot for the following reasons:

Technology: In the case of UPI, it is still unclear how the front-end would work for users with several questions like who would design it, tying in existing bank interfaces, apps, and properties, cropping up. Doubts are there for its effectiveness as well. Most existing financial and governmental digital schemes are improperly designed, and do not even have a mobile responsive website making it further inconvenient.

Trust: Secondly, winning consumer and retailer trust, and delivering an unspoiled user-experience are key for driving growth for mobile wallets such as Mobikwik. With better understanding of technology, it is possible to turn those two factors into competitive advantage.

Complete Automation: Banks aren't completely computerized, adding to the list of problems for UPI. Implementing UPI will mean training merchants, staff, retailers, improving point of sale systems, and upgrading existing technology among others, all of which translates to significant investment ensuring wide scale adoption of UPI. Additionally, Indian consumers are cagey of transacting online which is why Cash on Delivery still remains the most popular form of digital payment.

Traction: Lastly, mobile wallets offered by banks don't have the same footing as standalone mobile wallet apps. Indeed, UPI is a landmark development in technology adoption by banks with the objective of driving India towards a smart, cashless and connected economy. Mobile wallet companies have already partnered with several banks and UPI will in fact act as an additional lever for wallet companies for integrating further with banking system and also adding more merchants.

FUTURE OF M-WALLETS

Based on current developments, it is safe to say that mobile wallets will soon be self-reliant ubiquitous ecosystem. In the near future, mobile wallets will be used for engaging with the customer by the marketers and digital businesses. With addition of value-added services that go beyond just payment, it is believed by

experts that mobile wallets are likely to become a new marketing channel. Going ahead, mobile wallets won't just be about mobile payments; but would become one of the major contributors of a seamless shopping experience for the customers. Simply offering faster and more-secure payments would no longer be good enough; the industry players will have to oppose the real pain points such as giving consumers the ability to see what's on stored value cards at any moment in time, or automatically receive digital copies of payment receipts or access loyalty points. In spite of market status of these mobile wallets, marketers should take advantage of the emerging opportunities for creating a borrowed presence on their customers' mobile devices. The marketers will be seen developing integrated mobile wallet apps, wherein they could add value beyond payments. Marketing leaders need to develop content they want their customers to save and manage on mobile wallets. They will benefit from mobile wallets if benefits like loyalty programmes, coupons, product discovery, and gift cards are tied with and promotions for creating powerful and new brand experiences in the mobile moments of their customers.

Conclusion

The COVID-19 pandemic has instilled a fear in everyone's mind regarding cash handling. Everyone is avoiding the use of cash during the pandemic. At the same time, the value proposition of a mobile wallet is not about payment, but the value-added services that can be offered across a mobile-enabled environment. No one wants to be left behind in the race of acquiring and retaining customer and in a competitive environment; all are providing attractive offers and discounts. The question arises that whether the strategy is justifiable or long lasting for customer acquisition/retention. The industry of mobile wallet

has made too many promises on the outside, resulting in inflation of many public companies' valuations. With so many players in the market, how will they continue to attract new customers? How customer loyalty will be ensured? Will customers use platform in the absence of offers/discounts? How long will it take for the business to move from push to pull? Privacy is another important aspect related to the growth of m-wallet industry as for all kinds of monetary transactions and other such services one needs to disclose identity, which might create a huge problem for the customers if the hackers hack the security or wireless transmission and obtain all the information related to the social or financial matters. However customers can be attracted by strategies like withdrawal of convenience fee / service charge / surcharge presently being levied by some departments / agencies (utility service providers, petrol pumps, railways, airlines, contributions to Relief Funds etc.). It is recommended that when government acts as merchant, it should bear the cost of electronic payments and hence such cost should not be passed on to consumers.

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