



## Mobile Wallet- A Virtual Physical Wallet to the Customers

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**ABSTRACT**

With advancement in technology, things around us have changed drastically. Technology caters to man's comfort and convenience. With the help of our smart phone, we can do everything like ordering food or groceries, booking a cab or movie tickets, etc. Like in the path of technology another service named Mobile wallet became popular in recent times. It acts like a pre-paid instrument. In this paper we are going to converse about the concept of mobile wallet, types of mobile wallet and its significance to the customers as well as to the merchants and we are going to discuss about the major Indian companies involved in doing this service and its performance in recent years. The adoption of this product is still in initial stage only so this article helps to find out the reason for the major determinants. The real status and uses of mobile wallet are going to be displayed in this article.

**KEYWORDS**

Mobile Wallet, pre-paid instrument, customer adoption.

**Introduction**

With the buzz around 'mobile wallet' and talk of the death of cash payment, is it possible to leave your wallet at home and get through a typical day? Mobile wallet is a form of digital wallet equivalent to the physical wallet in which we carry money. With the introduction of Mobile Wallet, it has become extremely convenient for a person to make cashless transactions. And although a number of companies have cropped up in India, offering consumers this product but still there is a lack of awareness among people about the concept and utility. About three decades ago, we queued up to withdraw our cash in a bank, and stood painfully in another to pay our bills. The arrival of credit and debit card solved many of our cash related problems and posts that, the internet allows to pay bills at the click of a button. In the digital era, old ideas of money management have taken a new shape, thanks to revolutionary technologies that make cashless world very much a reality.

**Mobile Wallet**

Mobile wallet is the digital equivalent to the physical wallet in which we carry money. It is an online platform which allows a user to keep money in it, just like a bank account. A user needs to make an account with a mobile service provider. After which money is added to the 'mobile wallet' account using a debit, credit, online transactions from account or via cash (a rechargeable kiosk). The main difference between a mobile wallet and online transactions via bank account is that, unlike banks mobile wallet does not charge any amount of money on every transactions and saves the customer from the hassle of entering card details and pin number for each and every transaction.

Mobile wallet is often confused with mobile banking, but is a much broader concept that includes using the mobile phone as a mode of payment. It is the digital equivalent to the physical wallet we already have in our pockets/bags today. Our mobile phones are with us at all times, and as we use them for payments to retailers, travelling on public transport and a myriad other things, the need for physical cash diminishes.

**Kinds of Mobile wallet**

Broadly, there are four types of mobile wallets

- Closed wallets (not re-loadable with cash and do not

permit cash withdrawal, for instance, prepaid and gift vouchers)

- Semi closed wallets (re-loadable but do not allow cash withdrawal as they are not linked to a bank e.g. MobiKwik Wallet)
- Semi-open wallets ( linked to a bank, but do not allow cash withdrawal e.g. m-pesa)
- Open wallets (re-loadable and linked with a bank, permit cash withdrawal at retailer outlets, agent outlets and ATMs, e.g. Paytm)

In India Mobile wallet operators follow a semi- closed model, according to which users load money in the wallets and make payments to only those merchants that have operational tie-ups with a mobile wallet service provider. However, deposits are below ₹ 10,000 as KYC (Know your customer) is mandatory for higher amounts. The average value of a transaction is ₹ 250-300.

The major companies providing mobile wallet services in India are telecom service providers such as Vodafone Plc's m-pesa, Bharti Airtel Ltd's Airtel Money, Aircel's Mobile Money and Tata Teleservices Ltd's mRupee and payment services companies like Oxigen Services, Paytm and MobiKwik. They have been successfully able to create such wallets and provide services that link technology, merchants and consumers.

**Users and Target Audience**

Mobile wallet target audience is mainly young tech savvy people. It could be an existing banking customer or inspirational rural consumer who wants to transact digitally.

Users can be classified into four categories.

- First category is of people who have credit/debit cards and are at ease using that mode of payment.
- Second category people who have cards but still prefer using COD.
- Third category is people who do not have cards, so they have to use COD.
- Fourth category is of people who want to use COD but merchants do not deliver products to their pin codes.

More than 40 percent of our users are tier- II and tier-III towns. Some of them don't have credit cards or even online

banking facilities. Some independent shop-keepers create mobile wallets for the unbanked people using their own credit cards or online banking facilities, while physically accepting cash for the amount they deposit in the mobile wallets.

Even an unbanked person, one who doesn't have an account, or has poor access to banks, can access a mobile wallet for transactions. Users can decide the amount their m-wallet carries (the maximum value has been capped at ₹ 50,000 by Reserve Bank regulations) and the wallet can be accessed by users either online or via smartphone application.

The wallet stays as a software record on the cloud and can be accessed by a user name and password for multiple transactions- like a private bank locker. It is a lot like online banking but the difference is in the reach and additional convenience the users get in dealing with even the smallest of establishments.

### Adoption of Mobile Wallet

"Mobile wallet is a recent phenomenon. Its adoption will take time as it is a habit change experience for users as they are migrating from cash to wallet experience" said Jitendra Gupta, MD and Founder of **Citrus Pay**. There are two primary factors for mobile wallet adoption. First is that banks have not done a great job in terms of technology or premium infrastructure so there is a need and space for alternative systems like mobile wallet to emerge. Second factor is that India is a cash majority country and there is huge scope in getting the cash converted into digital money" said by Bipin Preet Singh, Founder and CEO, **Mobikwik**. Although there is not 100% penetration of mobile wallet yet, it still holds immense potential. As per a McKinsey report, presently number of smartphone users in India is 29 million. As per IAMAI report, number of mobile internet users has reached 213 million by June 2015. To fuel mobile wallet adoption, companies have opened offline stores where people who do not have credit/debit card can pay and recharge their accounts. Therefore, attempts are being made across industry for mobile awareness to get as many users as possible.

### Current status of Mobile wallets market

**Paytm** in less than 15 months of launch has achieved 50 million mobile wallet users with more than 16 million unique transacting wallets in a month and its plans to acquire 100 million mobile wallets by the end of 2015. **Paytm** has more users than total number of credit cards issued in India. Over the last financial year, **MobiKwik's** user base has grown by close to 300% and has reached over 15 million now. **Oxigen** claims to be doing 50 million transactions per month. Apart from these, this year, 41 companies have applied for RBI license to operate in the payment banking space. In fact, RBI now gives them an option to actually become a bank- a payment bank. Such a bank will boost remittances and banking for the unbanked, while focusing in payment services. Recently, RBI has approved 11 companies to set up a payment bank. In the Asia-Pacific countries, mobile wallets are expected to grow at a compounded rate close to 140 percent.

In terms of market adoption, online retailers and utility companies were the earliest to partner with mobile wallets. Mobile wallet companies are roping in old brick-and-mortar shops and the digital natives to expand reach and improve market share. **Oxigen** is looking at a universe in which college students will pay for most things with mobile wallets. **MobiKwik** and **Paytm** continue to increase their partner merchants across categories. It is expected that ₹ 1,500-2000 crore could be transacted on these platforms this year.

### Benefits of Mobile Wallet

- Convenience and speed of doing the transaction
- Users enjoy greater flexibility in making secure payments.
- Users who don't have a credit or a debit card can go to their nearest wallet recharge kiosk and get their wallets loaded against cash.
- It will become the obvious choice for payments in the rural areas and unbanked population as it eases the challenges faced in managing cash.
- One touch payment to the mobile recharge and for e-commerce transaction.

### Roadblocks in mobile wallet adoption

RBI has been a pro-active thinker to drive adoption and has been very liberal in issuing licenses. Policies are decided and implemented by the Reserve Bank of India (RBI). The RBI has been very responsive over the past 2-3 years, bringing in key challenges such as increasing the limit of how much money a user can park in the wallet, allowing wallet to wallet money transfers, and direct fund transfer to bank accounts.

### Future of Mobile Wallet

Mobile wallet will play a significant role in day to day life as an increase in use of smartphone can be seen and people are relying on digital lifestyle to make things convenient and fast. During 9<sup>th</sup> Indian Digital Summit 2015, IAMAI, Udit Sharma, Vice President, **Oxigen** said "There is no doubt that mobile wallets will take off. Coming from **Oxigen** our philosophy is that we don't hold the right to call ourselves a mobile wallet unless we replicate all the functionality of a real physical wallet. A mobile wallet should address its users as well as merchants needs (such as convenience, security concerns and a merchant-user end to end relationship), only then will there be a true adoption of wallet in this country."

### Conclusion

Mobile wallets are the futures of cash. The days when they are accepted at the 'Kirana' store, chemist shop and restaurant in India are not far. This also means the physical wallet is one step closer to becoming redundant. So brace for a cashless world as we fast-track our journey towards becoming a digital nation. Technology will change everything and it paves the way for future services especially in financial areas. Being a new product, customer education is important so it is the duty of all the mobile wallet companies to educate them. By doing this, sooner it will be a great success in global market.

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