

ACCEPTANCE OF DIGITAL WALLETS IN KERALA: AN EMPIRICAL STUDY

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ABSTRACT

Digital wallet is a pre-paid payment mechanism which enables the customers to carry money in cashless form and to make payments without using cash. It is working in the form of a mobile application that can be downloaded and installed in a mobile computing device such as cell phone and tablets. In addition to banks, number of other service providers such as e-commerce portals, cellular operators etc. now offer digital wallets at free of cost. The present study is an attempt to clarify the concept of digital wallet and to analyse the awareness and usage of Digital wallets among the bank customers in Kerala. The study is descriptive and analytical in nature which makes use of both primary and secondary data. In order to increase the use of digital wallets, the study pointed out the necessity of proper awareness towards digital wallets among all category of people and to solve the concerns and issues of the present customers.

KEYWORDS: Digital Wallet, Mobile Computing

INTRODUCTION

A digital wallet is a smart phone application provided by a service provider which enables the user to keep money and to make electronic transactions. Digital wallet is the electronic version of the traditional leather wallets. The money can be loaded to the wallet from bank account by using any electronic payment methods such as internet banking, mobile banking, debit cards etc. Digital wallets can be used to transfer money to wallets, make payments for purchases, book tickets, mobile and DTH recharge etc. In addition to banks and financial institutions, many service providers such as cellular operators, e-commerce portals etc now offer digital wallets to their customers. However, the awareness of the public towards digital wallets, its usability, acceptance and the problems if any needs further analysis. The present study attempts to analyse these elements in the context of the consumer state, Kerala.

SIGNIFICANCE OF THE STUDY

According to the data of Government and RBI, demonetisation and the subsequent cash crunch has led to a surge in digital payments in India. Due to the growth of smart phone ownership and internet usage, majority of these payments are done through mobile devices. RBI report on trend and progress of banking in India 2015-16 indicates that the use of mobile wallets has been increased considerably over the last two years in terms of value of transactions. Hence it is relevant to analyse the awareness and acceptance of digital wallets among all categories of people in different parts of India.

REVIEW OF LITERATURE

Number of studies has been conducted by many researchers in the area of banking technology and online payments. But, being a novel area, only a few studies are available in the area of pre-paid payment systems and particularly on digital wallets.

Hem Shweta Rathore(2016) identified Convenience, brand loyalty and usefulness as three major factors which play an important role in consumer adoption of digital wallets. Ramesh Sardar(2016) in his work on the preference of urban people towards mobile wallet reveals that the main uses of digital wallets are transfer of money and mobile/DTH recharge and the instant payment is the main factor which attract the user to adopt the service. Vidya shree et.al (2015) make a comparison of the services of digital wallets with special reference to Paytm and Pay U Money.

A few more studies are also available on pre-paid payment instruments and electronic wallets but the studies which analyses the acceptance or usage of electronic wallets particularly in the context of Kerala is not found anywhere.

STATEMENT OF THE PROBLEM

Digital wallets is technically a mobile application which can be freely downloaded by all from play store. Number of digital wallets is now offered by different service providers including banks, cellular operators and e-commerce vendors. Since the smart phones are becoming regular and the rates of internet has been decreasing day by day, electronic wallet is a good option for the public for making payments, recharges and transfers. Due to the effect of demonetisation and the subsequent digital awareness campaign (VISAKA) by the Government, the number and volume of digital transactions has shot up. But the awareness and acceptance of electronic wallet among all classes of people is still questionable. The present study tries to address the issue in the context of Kerala.

OBJECTIVES OF THE STUDY

The main objective of the study is to analyse the awareness, usage and issues of digital wallets among the people in Kerala. The study also intended to describe the concept and growth of Digital wallet in India.

METHODOLOGY

The study is descriptive and analytical in nature. The study make use of both primary and secondary data. In order to describe the concept and growth of electronic wallets, secondary data collected from the published sources are used. In order to analyse the level of awareness, usage and issues, primary data is used. The primary data is collected from 200 bank customers in Kerala selected on the basis of Multi Stage sampling. In the first stage, the state of Kerala is divided into three geographical areas and one district is selected from each area. Accordingly, the data is collected from Trivandrum, Ernakulam and Malappuram districts. The data is analysed with the help of Microsoft excel and SPSS. The statistical tools such as percentages, figure, cross tab and chi-square test are used to interpret the data.

HYPOTHESIS

Ho: There is no statistically significant association between Digital wallet awareness and selected demographic variables.

Ho: There is no statistically significant association between the use of Digital wallets and selected demographic variables.

Ho: There is no statistically significant association between Digital banking awareness and its usage.

DIGITAL WALLET: CONCEPTUAL ANALYSIS

Digital wallet is an electronic version of wallet in pocket. Instead of keeping currency notes and coins in wallets, the money can be kept in e-wallet applications installed in a mobile device. The money can be loaded to the wallet from bank accounts and the payments can be made instantly from wallets without much formalities. Digital wallets allow the customer to transfer money by knowing the mobile phone number of the payee or scanning the QR code of the payee generated by the wallet application. However the use of digital wallets requires a smart phone or tablet with internet facility. Some wallets are come up with the message 'No Internet required' but the services offered through these wallets are limited.

The popularity and use of digital wallets has been increasing in Asian countries particularly in China and India. As part of the recent demonetisation measures and the encouragement of digital banking by the Central government, the Reserve Bank of India has issued licenses to a number of service providers to start digital wallets.

Cost of Digital Wallets

Digital wallets are available to the public at free of cost and the application can be downloaded from the play store of the mobile device. Although the installation of the wallet app, adding money to the wallets, use of wallet money for making payments etc are free for the customer, vendors charge merchants for wallets. Wallet providers may also charge money from the customer when they send back the money from wallets to bank accounts.

Use of Digital Wallets

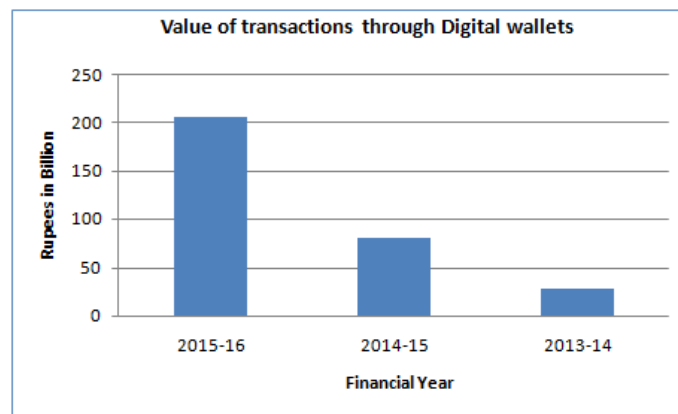
Digital wallets can be used to make variety of payments such as Mobile/DTH recharging, pay utility bills, pay insurance premium, pay fees and charges, book tickets, book hotel rooms, send money to the wallets of others, payment for online and offline purchases etc.

Popular Digital Wallets in India

Number of digital wallets is now freely available for the public. Banks, financial institutions, e-commerce vendors, cellular phone service providers etc are now offering digital wallets to the public. Paytm, State Bank Buddy, Oxigen, Itzcash, Airtel money, Freecharge, Mobikwik, PayUmoney, Citruscash, OLA money, HDFC PayZapp, ICICI Pockets, Jio money, Amazon Pay, Axis bank Lime etc are examples of popular e-wallets in India.

Growth of Digital Wallets in India

The use of pre-paid instruments for the purchase of goods and services and for fund transfers has been increased considerably over the last three years. Among the prepaid instruments, Prepaid cards (which include mobile prepaid instruments, gift cards, social benefit cards, foreign travel cards and corporate cards) remained the most popular mode of payment followed by mobile-wallets. The value of transactions through pre-paid cards and mobile wallets increased significantly from 105 billion and `82 billion in 2014-15 to `254 billion and 206 billion respectively in 2015-16.



Source: RBI data

Figure 1: Growth of Digital Wallets in India

From figure no.1, it can be inferred that the value of transaction done through digital wallets has been doubled in 2014-15 and 2015-16 while compared to the previous years.

Limitations of Digital Wallets

Number of digital wallets is offered by many service providers and hence the people are confused to select the required number of wallets within the capacity of phone storage. At present, the wallet companies are not allowed to access UPI, which enables fund to be transferred from one wallet operated by a company to a wallet or account of another company or bank. Digital wallets operated by some private companies other than bank are not properly protected by password or PIN and hence considered as insecure. Some wallets are licensed by RBI to load money and transfer money to bank accounts and some other wallets are not authorised to transfer money to bank accounts. Transactions such as loading money to wallets, transfer money to the wallet of others and other payments are allowed at free of cost but the wallet companies charge money when the customer transfer the balance money to his bank accounts. In order to use the digital wallet, the person must have a smart phone or tablet with internet connection.

Awareness of Digital Wallets in Kerala

Awareness is the knowledge of the customer about a particular thing which exist. Awareness is the real factor which creates interest and needs and leads to the purchasing decision of products. In the case of banking services, proper awareness should be given to motivate the customers to use the service. This section tries to analyse the awareness of different category of people towards electronic wallets.

Table 1: Locality Wise Awareness of Digital Wallets – Cross Tabulation

		Locality of Respondents		Total
		Urban	Rural	
Awareness of electronic wallet	Not at all aware	22	38	60
	Slightly aware	13	9	22
	Moderately aware	28	12	40
	Very aware	14	13	27
	Extremely aware	29	22	51
Total		106	94	200

Source: Primary data

Table 2: Chi-Square Test for the Awareness of Digital Wallets with Demographic Variables

Sl. No	Demographic Variable	P Value
1	Gender	0.221
2	Locality	0.020
3	Education Level	0.001
4	Employment/Job status	0.264
5	Computer Literacy	0.001
6	Income	0.013

Source: Primary data

Results and Discussions

Since the p value is less than 0.05, chi-square test 2,3,5 & 6 in table no.2 are rejected the null hypothesis that there no statistically significant relationship between the Digital wallet awareness and respective demographic variables. From the result of cross tabulation data in Table.No.1, it can be inferred that the urban people has more awareness towards digital wallets than rural people, Similarly the results of the analysis shows that highly educated people, computer literates and high income people have more awareness towards digital wallets while compared to low educated, computer illiterate and low income people. However, the chi-square test 1 and 4 is accepted the null hypothesis and it can be inferred that the gender and job status has no association with Digital wallet awareness.

ACCEPTANCE OF DIGITAL WALLETS IN KERALA

The demonetisation move of the Government of India and the subsequent cash crunch has led to a sudden upward movement in the usage of e-wallets. According to the Government data, the number of daily transaction through e-wallets soars by around 300% after demonetisation. The government, banks and companies providing digital wallets expect this trend to stay long. However, the extent of using e-wallets by different classes of people is to be analysed further.

Table 3: Locality Wise Usage of Digital Wallet – Cross Tabulation

		Locality of Respondent		Total
		Urban	Rural	
Adoption & usage of electronic wallet	Not registered or used ever	29	57	86
	Used once in lifetime	6	4	10
	Used rarely	25	13	38
	Using frequently	28	13	41
	Using regularly	18	7	25
Total		106	94	200

Source: Primary data

Table 4: Chi-Square Test for the Acceptance of Digital Wallets with Demographic Variables

Sl. No	Demographic Variable	P Value
1	Gender	0.012
2	Locality	0.000
3	Education Level	0.644
4	Employment/Job status	0.668
5	Computer Literacy	0.040
6	Income	0.726

Source: Primary data

RESULTS AND DISCUSSIONS

From the results of the chi-square test, it is clear that the p value is less than 0.05 in the case of serial number 1, 2 and 5 only and therefore the null hypothesis that there is no association between the acceptance of digital wallets and the respective demographic variables is rejected. As per the cross tabulation data in table number 3, urban people have been using digital wallets more while compared to the rural people. From the analysis of data, it can be interpreted that the male, urban people and the people who have higher computer knowledge are using digital wallets more while compared to the female, rural and low computer literate people respectively. It is interesting to see that the null hypothesis is accepted in the case of serial number 3,4 & 6 and hence it can be inferred that the digital wallets are equally acceptable among people with different education level, employment status and income.

Since the p value of the chi-square test run for finding out the association between awareness and acceptance of digital banking is less than 0.01 (0.000), the null hypothesis that there is no statistically significant association between digital banking awareness and its usage is rejected. From the analysis, it can be inferred that the knowledge and awareness leads to the usage of digital wallets.

Issues and Concerns of the Customers

Lack of standardisation, lack of inter-operability (inter-wallet transfer facility), Denial of recharge by certain banks, lack of proper authentication, lack of support in windows OS etc. are the main issues and concerns raised by the respondents.

Lack of standardisation means the variations in the operations of Digital wallets. Installation procedure, authentication, number of available services, charges for payments etc. are different from wallets to wallets. Some wallets are protected by user name and password but some others have no authentication methods. The availability of firms and service providers associated with wallets etc are also different from wallet to wallet. Due to the security reason, some banks have blocked the process of loading money to some digital wallets. Some digital wallets cannot be downloaded and installed in windows based phones.

CONCLUSIONS

Increased use of smart phones, developments in internet connectivity and the encouragement of the Government to become cashless etc. has led to the growth of mobile based electronic payments over the last 3 years. The present study conducted on the awareness and use of digital wallets in Kerala reveals that a considerable part of the population of Kerala has adopted digital wallets for making payments. However, the Reserve Bank of India has to take steps to standardise e-wallets and to ensure proper security and inter-operability among service providers.

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