



## IMPACT OF E-WALLET ON E-COMMERCE FIELD IN INDIA

**Shuchi Rastogi\* Dr Kavita Bhatnagar\*\***

*\*Research Scholar, G.D.G.H Degree College, Moradabad, UP.*

*\*\*Research Guide, G.D.G.H Degree College, Moradabad, UP.*

### **Abstract**

*Government wants to transfer the Indian economy to a cashless economy and have made a significant effort in that direction through programs like Digital India. Although digital payments have been in existence for quite some time but recently, they have become attractive. Lack of awareness, fear of online payments and security concerns are the few factors due to which peoples were not ready to adopt. Emergence of smart phone and deeper penetration of mobile networks and internet use can be credited for the increase use of digital transactions. The aim of this study is to understand the adoption of the e-wallets and its impact on e-commerce.*

**Keywords:** *E-Wallet, E-Commerce Digital India, Consumer.*

### **Introduction**

Financial transactions are the backbone of any economy and India is no exclusion to it. India has been primarily a cash-obsessed economy by doing all the financial transaction in cash. With technological advances, our cash transactions have slowly moved to electronic payment system with the use of credit cards and debit cards. Transactions through these cards were complex in operations for common population and security was a primary concern. With the passage of time, along with these payment methods, a new type of payment system has evolved known as e-wallet or digital wallet-wallet is a software program that allows two parties to make an electronic transaction with the help of digital currency for the exchange of goods and services. First party is known as buyer and second party is known as seller. In other words, we can say that it is a type of prepaid account in which the user stores his/her money in digital format for future online transactions and this prepaid account is protected by some security mechanism (password).

E-wallet has disrupted the entire landscape of the digital payments industry primarily due to the ease in operation and security that it provides. Initially the adaptation of e-wallets was very sluggish but with the demonetization of Indian economy in 2016 and to make India a cashless economy, there adaptation picked up significant pace and peoples started using them. COVID-19 pandemic, which made social distancing a norm further added impetus to it. In India digital payments are at nascent stage, and various quarters are moving towards the digital payment solutions. Today Indian economy is one of the aggressive economies of the world. In spite of the global unrests of the economic conditions, government of India has been focusing on development and digitization. Digital India mission led by our honorable Prime Minister Mr. Narendra Modi is also playing a remarkable role in making a digital economy. On its part RBI is also pushing for digital economy through various steps. Below are some of steps which it has taken

1. Regulating cash payments in a phased manner. For example, beyond a prescribed value, restrictions and taxes are imposed on the purchase of jewellery by cash transactions.
2. Transaction charges are being levied for cash payments to vendors, suppliers and services etc.
3. Imposing higher transaction charges for banking transactions like cash withdrawals, deposits etc.
4. More scrutiny over the cash transactions.



## **Types of E-Wallets**

There are three kinds of mobile wallets

1. Closed wallets -Closed wallets are linked to specific company or merchants, and users can only use the funds to make payments for transactions initiated with the specific company or merchant. Money is collected by a wallet from returns, cancellations or refunds with the specific company or merchant. Payments to other merchants and third-party service providers cannot be made with this type of wallet. Even funds cannot be withdrawn in the form of cash. For example, Amazon Pay is a closed wallet.
2. Semi-closed - Semi-closed mobile wallets allow users to use the funds in the wallet to make payments for transactions to buy goods and services with multiple merchants, as long as there is an existing contract between the merchant and the digital wallet company. Semi-closed wallets do not allow withdrawal of funds in the form of cash but these funds can be transferred to bank accounts. For example, Freecharge, Paytm and Mobikwik are semi-closed carriers.
3. Open wallets - Banks or bank-related institutes issue open wallets. Open wallets allow customers to use the funds in the digital wallet for making payments for transactions to buy goods and services or withdrawing the funds deposited to the account in cash. For example, bank wallets like ICICI bank wallet, HDFC bank wallet, etc.

## **Benefits of E-wallet**

1. Convenience: It offers more convenience to many consumers as with a few taps, e-wallets transactions can be completed instantly. With faster transactions, there are no longer checkout lines within stores so; the experience of purchasing is very satisfying.
2. Easy and quick: For every purchase, while using e-wallet you don't need to enter your card number, expiry date, CVV code etc every time. Once you enter the details, E-wallets store these details for you. While making purchase in a store, you need not to search your physical wallet, just scan the QR code and your payment is completed with few clicks.
3. Easily accessible: Your phone is an easily accessible device and it serves more than just a communication device. E-wallet applications are installed on your phone and store all your card details in one place which helps in making your transactions process easier.
4. Wide range of uses: E-wallet can be used for various payment transactions like bill payments, mobile/DTH recharge, buying tickets, buying groceries, transferring money and online shopping.
5. Never miss a payment: With daily busy and hectic schedule, consumer tends to forget their payments on schedule dates. In such situations, e-wallets help consumers in paying their bills on scheduled date. This can be achieved by setting an auto pay schedule.
6. Security: E-wallets ensure high-security features for the consumers by authorizing every transaction with a PIN or password or fingerprint scanner. Your e-wallet cannot be stolen as it has security setting which ensures that only you can access it. Also when data is transmitted for making payments, the account or card details are not transmitted but a one-time encrypted payment codes is sent to ensure security.
7. Discounts and offers: E-wallets often offer promotions, reward points, cash back for doing transactions. This help in saving your money.

## **Challenges of E-wallet**

1. Regulatory Compliance: All e-wallet providers need to abide by all the legal requirements. This includes both the financial and consumer-based regulations. It is indeed a difficult task in becoming compliant for all the regulatory requirements, but it is of highest necessity.



2. **Fraud Risk:** The security breaches and data security risks are the biggest challenges due to which consumers are not adopting e-wallets. Contactless payment presents a huge unknown risk and fraud like hacking, malware, data theft and vulnerabilities. This not only causes financial loss but also a reputational loss to the company. The only way to avoid this risk is to use GDPR compliant e-wallets. Also implementing block chain technology for customer on boarding KYC will be a better choice to avoid frauds.
3. **Customer Mindset:** Customers still believe that there is no additional value in using e-wallets as they are not informed of the benefits of using e-wallets instead of cash or credit/debit cards transactions. Targeted promotions associated with rewards could be used to create awareness.
4. **Merchant support:** Many merchants are into a dilemma on the adopting of e-wallets. Many merchants are still resisting to upgrade to EMV standards and contactless payments which is resulting in customers sticking to the old methods of payment transactions
5. **Lack of trust:** A research has shown that 43% of mobile users have trust issues with the e-wallets and 38% fear that they will not be able to make a payment if the phone is lost or somebody will steal the money. Another highlight of a survey was that the consumer will not recommend an e-wallet to their family, friends and other relatives.

### **Major providers of e wallet in India**

One of the popular digital wallets is **Google Pay**. In August, 2018, Google Tez was launched in the Indian market in collaboration with State Bank of India and later on rebranded as Google Pay (GPay). It is a UPI-based payments application and is used to send or receive money to anyone who is registered with UPI. Whether you have to make payment to a shopkeeper or you have to send money to a friend, Google Pay can be used for making cashless or card-less transactions. It is considered a safe substitute to card payments. Its transactions are very secure using high-end multi-layer security and your actual card number or bank account details are not shared with the merchants. Google Pay is available for both Android and IOS devices in India. Eight Indian Languages (English, Hindi, Gujarati, Bengali, Tamil, Kannada, and Telugu/Marathi) are supported by Google Pay. Google Pay has quickly grabbed a major share of digital transaction in spite of been a late entrant in India. Its interactive and intuitive interface has been received well and has been appreciated

**Paytm** was launched in the year 2010, as a prepaid mobile and DTH (direct-to-home) recharge platform. In 2014, Paytm launched Paytm wallet and post this launch, it has become one of the most popular digital wallets in India with facilities like bill payments, service bookings, money transfers, investments, etc. For creating a robust ecosystem for its users, Paytm has launched some related financial services like Paytm mall, payment bank, mutual fund investment service, etc. Currently it is available in 11 Indian languages. It offers numerous ways for online transaction like net-banking, UPI (Unified Payment Interface), debit or credit cards, etc. Last year; it launched one of the biggest IPO in India and got itself listed on the bourses. Currently it is one of the biggest fintech company in India.

**Phonepe** was launched in December 2015 as an Indian digital payments and financial services. It launched its digital wallet named PhonePe in August 2016 and it was based on Unified Payments Interface (UPI). Using this app, users can send and receive money, recharge mobile, DTH, data cards, make utility payments, pay at shops, invest in tax saving funds, liquid Funds, buy insurance, mutual funds, gold, and silver. Users have got the flexibility to either keep the money in a digital wallet or pay directly through their account by. Reserve Bank of India had issued a license with Authorization Number: 75/2014 dated 22 August 2014, to Phonepe for issuance and operation of a Semi Closed Prepaid Payment system. It has developed Switch platforms which enable businesses of all sizes to build



and deploy apps on it with a unified login and payments experience for its users. Recently it has been acquired by retail giant Wal-Mart.

### **Literature of review**

AmbarishSalodkar et al. in his study stated that there are many e-wallets which can be downloaded and used for different types of payments like recharging of phone/DTH services, bill payments, online shopping, etc. Some of these e-wallets provide their own portal from where all of tasks can be performed similar to what the consumer performs on mobile. Most of the e-wallets ask for a UPI handle (mobile number to which a bank account is linked) or credit/debit card number to link with the e-wallet to make use of the services. The paper also talked about various requirements and risks related with electronic payments. Author agreed in his paper that e-wallets provides comfortable and easy platform for shopping and payments and in a minimal possible time.

Roopali articulates on how digitalization is considered as a booster to the growth of a country's economy. In depth analysis of adoption patterns and adoption of e-wallets was reviewed in her study. In her study she discussed how e-wallets is being accepted by the citizens and how the usage of e-wallets is increasing at a fast pace. Citizens are finding that e-wallets are convenient and less time consuming for payments. She has also mentioned about top five e-wallets of the country (India). She also states that with these e-wallets peoples are not able to make international payments and they feel helpless. Security still remains the top concerns for the consumers and to make a transaction fully foolproof and secure, lots of security options needs to be explored.

According to Trilok Nath Shulka, advent of the technology and smart phone has seized the attention of a lot of consumers of different backgrounds. Smart phones have provided a convenient platform to the consumers to make payments in a fraction of seconds. Smart phones also facilitate and enhance the browsing experience of the consumers to a great level. Government departments have also played a foremost role in motivating peoples for the usage of smart phones.

### **Objective of the study**

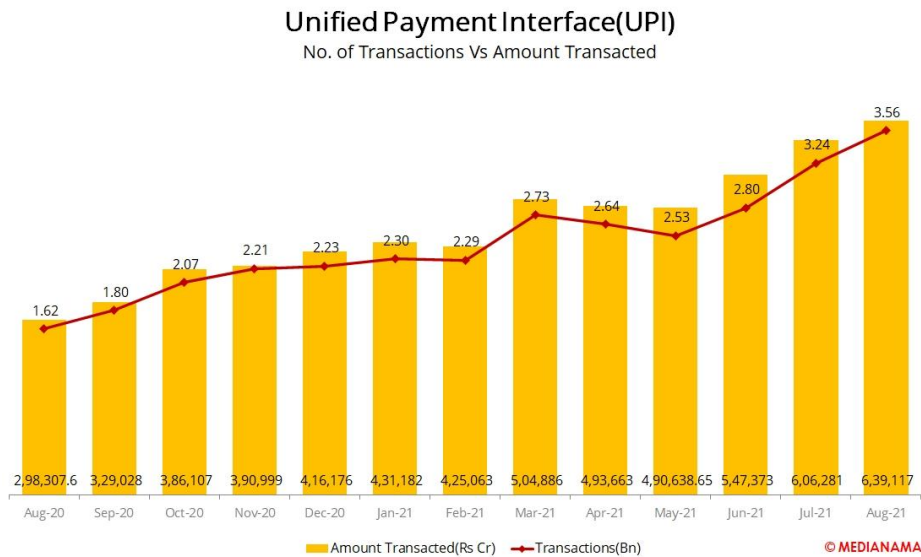
- Adoption of E-Wallets by consumers
- Impact of e-wallet on e-commerce
- Research methodology
- I studied various journal blogs and newspaper. I used secondary data.
- Discussion and findings

Drastic change had been observed in India in making payment from physical cash to electronic transactions and now e-wallets. It marks the beginning of the new era with life with digital money. This change is leading to cashless economy. Cashless economy is a design, where one does not need to carry cash in physical form to perform transactions, but those transactions can be performed electronically with the use of credit or debit card or e-wallets. This change does not mean that we are totally eliminating cash from the economy but transforming it by providing alternative channels for making payments. Both developing and developed countries are making great progress in minimizing the use of physical cash. As we have progressed, cellular network came into existence and cellular handsets were primarily used for communication. But with the advancement of cellular networks, simple cellular handset has been converted to Smartphone which can perform a variety of task along with communication. Apart from communication, today smart phones are used as entertainment tool,



socializing tool, internet access tool, and for payment which is leading to digital economy. An application named e-wallet is installed on these smart phones and it is used for making payment very much similar like physical cash. Initially, penetration of e-wallets was very less and the growth of digital payments remains bogged down by old regulations, but demonetization of the Indian economy gave a boost to digital transactions. To promote digital transactions, Indian government have set up The Board for Regulation and Supervision of Payment and Settlement Systems (BPSS) under RBI and overhauled the Payment and Settlement Act of 2007.

E-wallets pass the time and place barrier by enabling the customer to conduct real time transaction any time and from anywhere. Primarily usage of e-wallets has been for phone/DTH recharge, bill payments and money transfers. With the increase of merchant outlets accepting digital payments, as well as propagation of UPI which provides a simple and convenient way to transfer money across bank accounts, has laid down a way for increased acceptance of e-wallets and letting this industry to its growth trajectory. The current digital environment has fertilized to a new level, opening the doors to reach at micro level. Today, even small-scale stores and vegetable and fruit vendors are urging their customers to make payments through e-wallets.



**NPCI data reveals UPI Transaction Value Up By 2.1 xs In August 2021 (medianama.com)**

It had been observed that convenience, ease of use, efficiency, security, trust, 24/7 support, promotional benefits in the form of cash backs, discounts and loyalty benefits have been the driving factors in the adoption of e-wallets. The major issues faced by the consumers of the e-wallet are long transaction time for processing, delayed payment and security breach. Lack of education and awareness, the elderly, those without smart phones, poor connectivity and patchy internet are the serious challenges in the growth of e-wallets. Other reasons for low preference of e-wallet as mode of payment are tendency of people to do not move out of comfort of using traditional mode of payments, privacy concerns and threat to security.

In the coming years, the key driving factors for the adoption of e-wallets will be burgeoning Smartphone penetration, enlargement in digital commerce, advancements in computer literacy, access to internet and broadband, and supporting regulations. The ease in transferring money from the consumer’s online



wallet to the retailer's account helps in decreasing the hassles involved in queuing and providing smaller denominations of cash. Wallet operators need to strengthen their network and security to overcome the phishing and cyber-crimes attacks. Also grass root level digital literacy should be taken up in a swift manner to generate awareness among customers.

### **Impact of E-wallets on E-commerce**

Financial transactions have moved from cash to electronic and to e-wallets. Before e-wallets, payment transactions on e-commerce site were facilitated by banks through payment gateways. With the option of e-wallet for payment transaction, it has become easier for the consumers to make payment. This brought in convenience to the consumers but it also disrupted the payment business dominated by banks. But the ultimate boost to the payments business came through the NPCI-developed Unified Payments Interface, or UPI, which allows for real-time bank-to-bank money transfers through mobile phones. It paved the way to pay for your shopping by a simple click or wave. It has been observed that mobile transaction volume is growing explosively.

As consumers become aware and starting adapting to this change, they have noticed that the lengthy procedure which involved swiping of a card and then signing of a receipt is no longer required. They need not to carry heavy physical wallet in their pockets and need not to worry from pick pocketers. In terms of security, e-wallets provide a one-time token to e-commerce platforms instead of passing entire financial information over to the merchant. Savvy consumers can take advantage of targeted promotions of the companies and can struck a lucrative deal. Consumers do not have to wait for long in queues to checkout with their shopping. While doing payments online on e-commerce site they are not required to enter their bank details every time. As every transaction is recorded, they get a clear view of their spending habits which help in their budget planning. E-wallets are protected by multiple layers of security which makes them fool proof and provide satisfaction to the consumers that their money is safe.

It has been seen that businesses are interested in the payment solutions that less infrastructure and are cheap to implement. They have also spent considerable time and effort to increase their sales and adding e-wallet on e-commerce site benefits them as they have seen lesser cart abandonment, increased conversions and boost on return on investment (ROI) drastically. Additionally, integrating with known e-wallets adds to the credibility and popularity of the e-commerce platform. Card based payments require multiple checks in the form of pin, OTP to complete the transaction which becomes a pain point, forcing consumers to abandon their purchases. E-wallets solve this and provide first class customer experience, robust security and more revenues to the merchants. Usage of e-wallets digitized the records and merchants are able to track consumer product preferences and spending patterns by which they can target promotions and giveaways to specific groups which helps in improving their revenues. An example could be targeting young women for beauty products or new parents with promotions for child products or children for games.

The impact of e-wallet has been great and will continue to grow as awareness increases. All these factors contribute to better business as there are no longer queues anymore and consumers will not have the excuse of saying that they do not have enough money in the pocket. People will buy all of their requirements in one go and will back soon as shopping with mobiles and e-wallet was so convenient.

### **Conclusion**

The purpose of this study was to understand the impact of e-wallet on e-commerce in India. E-wallets aim to ease the transfer of funds and seek to facilitate the behavioral change in the mind of the people



towards cashless society. Taking into account the technological evolutions and proliferation of smart phones, it had been observed that awareness of e-wallets had increased. Number of popular e-wallets like Paytm, Free charge, Gpay, Bharat Interface for Money (BHIM), etc. has been developed by different financial organizations and companies, which are leading to digitalized economy. E-wallets have gained popularity in the masses and their adoption rate is increasing day by day. E-wallets are used for different types of payments like bill payments, money transfer, recharging of mobile phones/DTH, online shopping, etc. Consumer find it simple and easy while doing payments through e-wallets on e-commerce sites. Adding e-wallet option on e-commerce site benefits merchants as they see lesser cart abandonment, increased sales and boost on return on investments. One of the roadblocks in the acceptance of e-wallet is security. E-wallet providers should implement strong security mechanism to win the trust and expectations of the consumers. E-wallets are rapidly evolving to enhance the experience of the consumers.

### References

1. Impact of Covid-19 on Digital Payments, E-Wallets and Gateway Services in India: What does the future hold? (linkedin.com).
2. PhonePe - Wikipedia.
3. Paytm - Wikipedia.
4. Google Pay - Wikipedia.
5. Paytm's journey: From payments app to a fintech and now - Dalal Street – Business Today
6. Google Pay (Tez) – How to download & use Google Pay? - Paisa bazaar
7. Everything you need to know about Google Pay - The Economic Times (indiatimes.com)
8. Digital wallet - Wikipedia
9. Mobile Wallet - Overview, Types, How to Use, Benefits (corporatefinanceinstitute.com)
10. Different Digital Wallets in India | Open, Closed and Semi Closed Wallets (muds.co.in)
11. The Future of Mobile Wallets: Opportunities and Challenges for the Wallet Integration - Dot Com Info way
12. <https://www.nimbleappgenie.com/blogs/ewallets-trend-types-and-challenges/>
13. <https://blog.chinavasion.com/36660/the-impact-of-mobile-payment-on-e-commerce-industry/>
14. <https://www.linkedin.com/pulse/impact-covid-19-digital-payments-e-wallets-gateway-india-gururani>
15. <https://www.shiprocket.in/blog/digital-wallets-for-ecommerce/>
16. <https://www.checkout.com/blog/post/how-digital-wallets-allows-retailers-to-capture-more-sales>
17. Consumer adaptability and acceptance of e-wallets (linkedin.com).