

RETAILERS PERCEPTION OF E-WALLET IN THE CITY OF MUMBAI*

BY

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Abstract:

Digital Wallet has revolutionized the way businesses function. The ever-bludgeoning Electronic Commerce has had a remarkable impact on the business scenario worldwide. With the dawn of innovative technology and global best practices, the focus has now shifted to digital wallets, mobile commerce more so than ever. Digital wallets have emerged as a sizeable industry and has paved the way for a new distribution channel. There has been a lack of understanding about its adoption by the various stakeholders involved in their consumption and their preferences have not been clearly elicited in any studies. Our research paper aims to use the theoretical base of the previous studies conducted in the adoption of mobile banking and the adoption of digital wallet.

The attitude of retailers towards the adoption of E-wallet has been a prime focus of our study with specific reference to the city of Mumbai. Previous studies suggest the adoption of digital banking by a number of users with respect to its utility, ease of use and risks associated with it. The research findings of our study suggest that retailers perceive E-wallets as an alternate mode of transaction vis-à-vis traditional methods used and provides the retailers as well as the customers a seamless experience in terms of cashless transactions provided the security features and robustness of the application is not compromised.

Keywords: E-Wallet, M-Wallet, Digitization, Cashless Transactions, Retailers Perception.

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Introduction:

We live in the world of smartphones which has become an essential commodity in our lives. The more the affordability, the more the customers. The more the customer base, the scope for mobile based applications widens by leaps and bounds. Statistics reveal the eventful increase in the user base of smartphones by more than 50 percent in the last 5 years which is expected to reach a record milestone of 442 million in 2022 as per the data released by Statista in 2019. (Rajagopal, 2012) enumerate that the easy availability of smartphones not only increases the market share of the handset providers but also gives the users a lot of access to various other tools which can be embedded within the smart phone for various purposes be it social media, entertainment, infotainment, health and digital payments. A huge number of customers are using technology and moreover they are using it to make online transactions by using various applications that are installed. An array of services and provisions

are coupled with these applications like storing an invoice, printing a digital payment receipt or any other information that aids in efficient usage of these applications. These smartphones function like a wallet that individuals physically carry named as Leather Wallets and when our smart phones have the facility of paying through them, they are rightly coined as Mobile Wallets which has our bank accounts linked or we can recharge money on these applications and pay through various payment gateways. Several E-wallet service providers like PAYTM, Google Pay, PhonePe and the likes have mushroomed the E-wallet market in India. Not only are they changing our attitude towards their usage but are also managing to shape perceptions of retailers and consumers who would probably want to know more in terms of the usage benefits and the ease of transforming into a seamless money transaction. The study carried out would encourage a lot of researchers to gain insights into the retailers perception and there by encourage them to study this phenomenon to unravel perceptions and attitude formation towards these services.

Overview of Mobile Wallet:

Retailer or Merchant is a person or entity who / which

- a) Avails the E-Wallet Services for Business Programs; OR
- b) Provides E-Wallet Services as a payment option to its customers through a payment participant;
OR
- c) Uses E-Wallet Services to Collect Payments from its customers for goods and services purchased from a Retailer either offline or through online platform.

The Eco-System of E-Wallet Services and Different Classes of E-Wallet:

E wallets can be classified into the following four categories namely: open wallets, semi open wallets, closed wallets, semi close wallets.

Open Wallets: As the name suggests, open wallets are open to multiple services i.e., it allows a customer to buy goods and services, transfer funds and also to withdraw cash from banks or ATMs.

Semi-Open Wallets: This type of wallet is subject to a condition that it has to be associated with some specific company. The customer can load money in some application and spend it.

Closed Wallets: These are most popular specifically amongst e-commerce companies. Some minimum amount is reserved with the merchant in case of return or cancellation of product.

Semi-Closed Wallets: These types of wallets are in high demand by merchants with the limitation that they do not provide redemption or withdrawals. This wallet allows you to buy goods and services from listed merchants thereby opening an account in your name.

Types of Prepaid Instrument (M-wallet) at Glance				
	Closed PPI	Semi-Closed PPI	Semi-Opened PPI	Open PPI
Entities Allowed to operate	Banks, NBFC, Other entities	Banks, NBFCs and other entities	Only Banks	Only Banks
KYC Required	No	Not Mandated	Yes	Yes
Maximum Amount that can be stored in PPI by card holder	INR 10,000	INR 10,000 (without KYC) INR 50,000 (with KYC)	INR 1,00,000	INR 1,00,000
Examples	Life style gift card, Metro Card, Flipkart Wallet, etc.	Oxigen, Paytm, Mobikwik, etc.	Gift cards by Axis bank, Food card issued by HDFC Bank, etc.	Vodafone M-pesa

Figure 01 – Types of Prepaid Instruments.

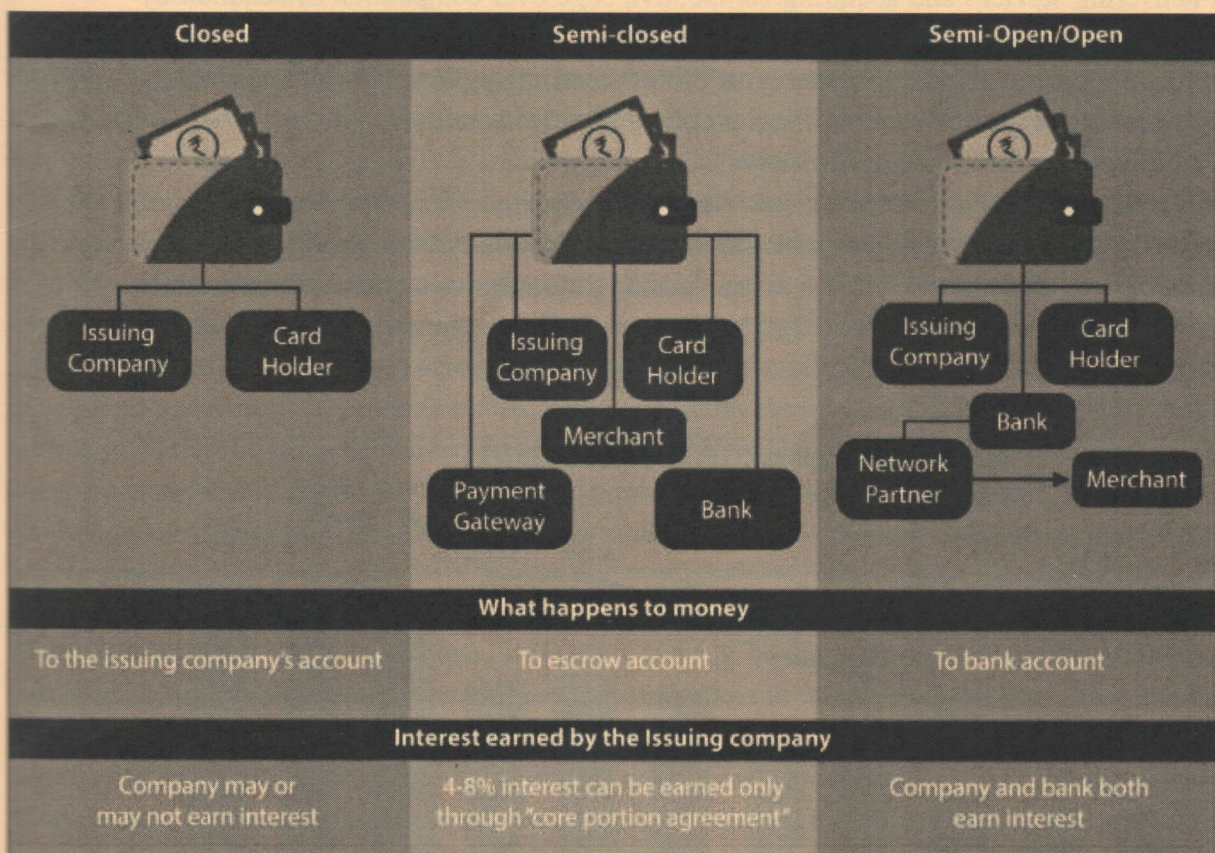


Figure 02 - Parties involved in setting up of M-wallet in India

Literature Review:

Porter (1985) defines value offering as an array of various processes and activities that delivers value to the end user. The incremental value from various processes gives the firm a distinct edge known as the competitive advantage which results in higher equity for the firm. The barriers for competition from direct competitors can be created by instilling sustainable competitive advantage that relies on

equitable and substantial resources, unique offering and competencies weaved into the fabric of the organization thus sustaining the value chain. Base on this premise E-wallet services are presumed to operate as an instrument or a tool which eventually leverages on the strength of the retailers and help them communicate effectively with their consumers thereby increasing the point-of-sale communication resulting into a greater service interaction and higher margins and profits for the retailer. The cumulative effect of this is visible in the retailer gaining popularity in terms of its enhanced service quality. The study of value perceived by consumers reiterate that E-Wallet has provisions that look into the consumer processes such as pre purchase, enhance service interactions and point of sales purchases although the perception of Retailers on E-Wallets remains unattended. This gap motivates us to conduct a study to address how, what where and why Retailers form an integral part of delivering services and acquiring competitive edge over competition as acquired by leading E-Wallet service provider PAYTM post demonetizations and acquiring majority of market share in India through greater collaborations and great promotional strategies for its service partners (Retailers) along with campaigns that could be measured for their effectiveness.

Evolution of Digital payments (E-wallets) in India:

Unified Payments Interface (UPI) have been a pioneer in Digital payments. They have seen enormous growth in the past few years. The volume of transactions done successfully between May 2018 and May 2019 increased from 189.5 million to 733.5 million posing a humungous increase of 400% while the transaction amount transacted rose from ₹32,885.5 crore to ₹152,449.3 crore, a crudely increase of 500%.

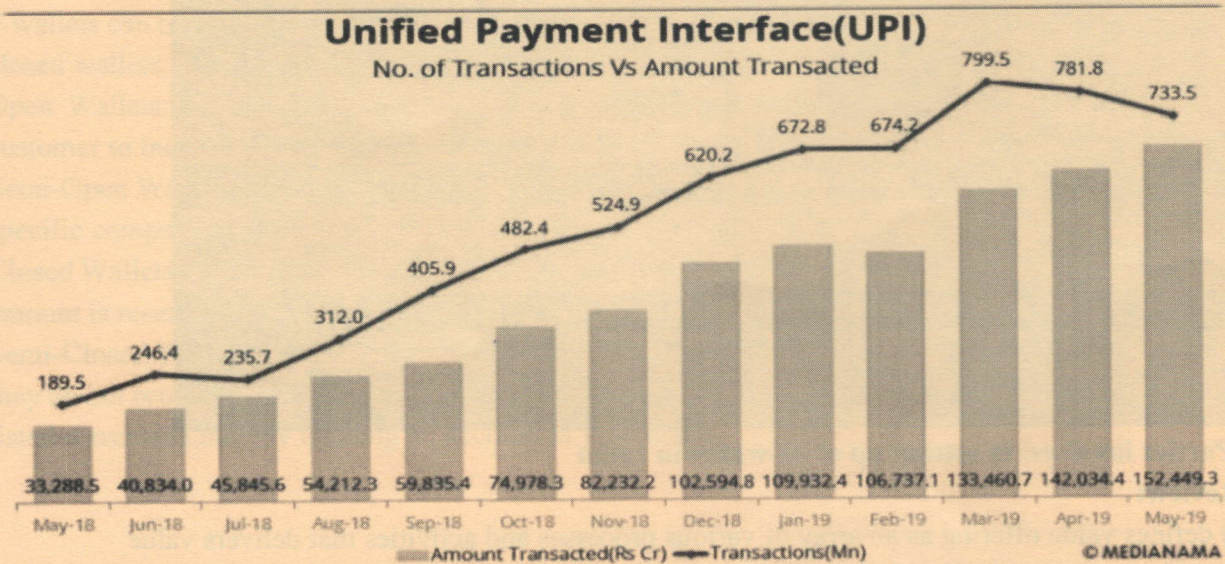


Figure 03 - Growth of E Wallet (Digital) payments in India

Source – Medianama

During the period of April 2019 and May 2019, the transactions amplified by ₹10,414.9 crore, whereas the number of transactions fell from 781.8 million to 733.5 million. However, the transaction ratio i.e., average amount per transaction grew to ₹2,078 in May 2019, a sizeable increase of 10% from April 2019.

Mode	Volume (Mn)	Value in Crore	Market Share
UPI*	822.3	140,000	100%
Google Pay	300.6	59,200	36%
PAYTM	133	20,500	16%
Phone Pe	296.3	50,500	36%
BHIM	16	6,121	2%
Other	76.4	3,679	10%

Source - NPCL Report & Economic Times - Aug 8, 2019

Figure 04 - Market Share of Service providers in UPI payments

Kapoor, chief executive officer at PineLabs stated that post demonetization the transactions using card saw an enormous increase with due credit to the available infrastructure at various locations of the retailers also called as merchants. The deployment of substantial number of Point of Sale at the retailers also fueled the growth of card transactions across the country. Also, coupled with the addition of more POS there were numerous initiatives that propelled the card transactions such as cashbacks, zero transaction fee for purchase made up to a certain limit, reward points that could be redeemed later, etc. The proliferation of Point of Sale across the country and their availability along with a slew of stringent government measures and pressure on the Banking System the transactions rose to roughly around 3 million in 2018. The research conducted by Nysveen, Pedersen and Berthon (2005) focused solely on using the mobile as a facilitator to improve the relationship of the consumers with the brands. This resulted in knowledge gap on whether the firms could adopt the technology fairly, best practices to be implemented and the consequences of in store and post purchase behaviour via mobile banking. There were other effects of mobile marketing which were not accounted for and pushing of campaigns which would lead to a dent in the value chain of retailers to work on the logistics and distribution hence the need for study of mobile wallets from the point of retailers is the need of the hour. In a number of limited but adequate studies two aspects were considered, one from the management perspective in which values or advantages of mobile marketing and its acceptance vis-à-vis was carefully analyzed (Komulainen, Mainela, Tähtinen 2007, Okazaki, 2005, Okazaki & Taylor 2008), and other from a front staff perspective (Lee, Cheng & Cheng, 2007). The results unraveled a distinctive result for the retailers who felt that if the mobile applications perceived ease of use would affect the loyalty outcomes of the customers. Apart from outcome benefits such as ground breaking technology and effective utility of applications and commercial effectiveness, Komulainen (2007) also identified other functional benefits, technical utility, support and feedback and monetary and non-monetary disadvantages that would affect the retailers' perceived value of m-advertising applications. Retailers' adoption and use of m-advertising application and services rather differed by their perceived benefits

and value and the co-creation of value with the customers, the more proliferation amongst the customer base the more incremental value would be effectively added to the service delivery (Komulainen 2007). There were limited studies done on the similar lines for multinational organizations vying to incorporate the mobile based application services for their branding strategy (Okazaki, 2005, Okazaki & Taylor, 2008) and to use location-based marketing (Okazaki & Taylor, 2008), depending on enabling conditions (Okazaki, 2005, Okazaki & Taylor, 2008) and controlled by security or privacy issues (Okazaki & Taylor, 2008) and costs (Okazaki, 2005). Research on acceptance and adoption of mobile marketing in organisational set up were based on the theoretical premise of organizational adoption model proposed by (Rogers, 1995), perceived value models for B2B services (Lapierre, 1997).

A country is often defined by their attitude towards technology as it often advances them as a society. In the mobile wallet market, these are the places whose residences have adopted Apple, Android and many other payment apps the fastest.

China – WeChat pay and Alipay are the two dominant payment platforms in a country with the highest GDP, making their market share all the more valuable. It's estimated that 47% of phone owners use mobile wallets

Norway – Scandinavian nations are revered for their innovative societies, and their payment methods mirror this opinion. At 42% usage, mobile wallet usage is higher proportionally in Norway than in any other European nation.

United Kingdom – The convenience of mobile wallets could well have contributed to the popularity in the UK with 24% of phone users using payment apps, placing them in 3rd place.

Japan – Much like China, the advancement of the tech industry in Japan has often been mirrored by its inhabitants. This is no different when it comes to the adoption of mobile wallets, with an estimated 1/3 of smartphone owners using digital wallets.

Australia – Our research has found phone users down under are opting for the convenience more than many other international counterparts. With 19% using mobile wallets, they rank 5th above of the likes of USA and Singapore.

Different age demographics adopt technology at different paces, particularly when it comes to mobile wallets. We've researched the attitudes of different age groups and whether they have or want a payment app on their phone.

Young Guns – The 18-34 bracket unsurprisingly takes top spot when it comes to both interest and usage of mobile wallets. Just under half of smartphone users in this demographic have a mobile wallet, with 32% stating that their interested by the idea of one.

Post Millennials – Venturing up the age groups one might expect to see a drastic decrease in mobile wallet usage, but it's been found that 44% of 35-44 smartphone users have a mobile wallet, with just under a quarter uninterested by the app.

Older Generations – It appears that generations are becoming more and more tech-savvy every day. Just under 30% of those surveyed between the ages of 55-64 claimed to have a mobile wallet, with a further 27% saying that they are attracted by the prospect of using one.

Research Methodology:

Research Question / Objectives:

The primary aim of this research is to understand about the Retailers Perception of E- wallet with specific reference to the City of Mumbai. It delves in to understanding the awareness as well as factor influencing their perceptions of E-Wallet.

The following research questions were identified to meet the said objectives;

- a) What are the factors that influence the retailers business operations and how do they impact E-Wallet services and its adoption and continuation in the city of Mumbai?

Based on the Literature Review and Empirical Study along with Focus Group Discussions the following variables were identified in order to study the above questions and derive outcomes.

Factors / Variables used	Areas which will be addressed through the Questionnaire
Purpose / Social Influence	Motivating Factors, Demographic parameters, influence of peers and society.
Ease of use	The perception of the retailers whether the technology usage would be minimalistic in terms of utility and retailer friendly also termed as ease of use.
Utility	Whether using technology of the platform would save time.
Benefits	The array of benefits that the retailers can experience during the use of E-Wallets and the intention that would gauge the behaviour behind the usage.
Associated Risks	Risk that the retailers foresee viz: financial, psychological, security, privacy of transactions, social risks, risk of losing the customer.

- b) How does E-Wallet is being adopted by Retailers towards Cashless / Virtual Money transactions methods and its advantages, perceived benefits or advantages and associated risk for them?

Data Collection Method.

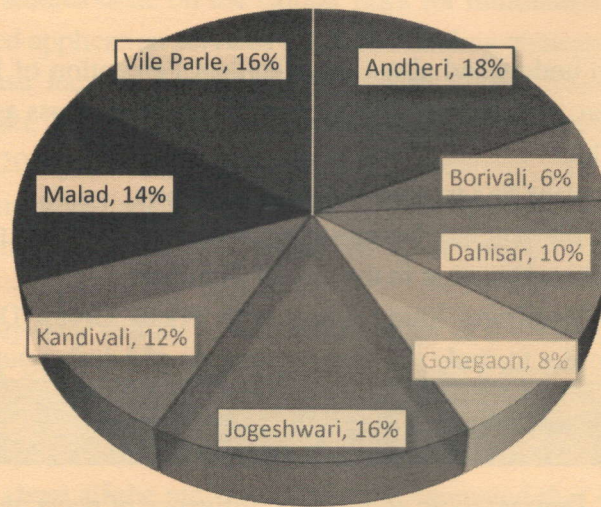
The study carried out primarily focusses on the use of quantitative methods which has resulted in extracting statistical data inadvertently facilitating testing, verification and analysis of data with minimalistic errors.

1. Research Instrument = Structured Questionnaire
2. Contact Method = Personal Interview.
3. Research Design = Descriptive Study
4. Sampling Unit = Retailers using E-Wallet Service in the City of Mumbai.

Data Analysis, Findings and Interpretations:

- 1) Geographic Coverage Analysis of the Retailers Covered.

AREA WISE RETAILERS COVERED IN THE PROJECT



During the Study location following location were covered as per following tables.

2) For A Retailer what is the Primary Purpose (Motivating Factor) to offer E-Wallet service for Collection / Payment of Money?

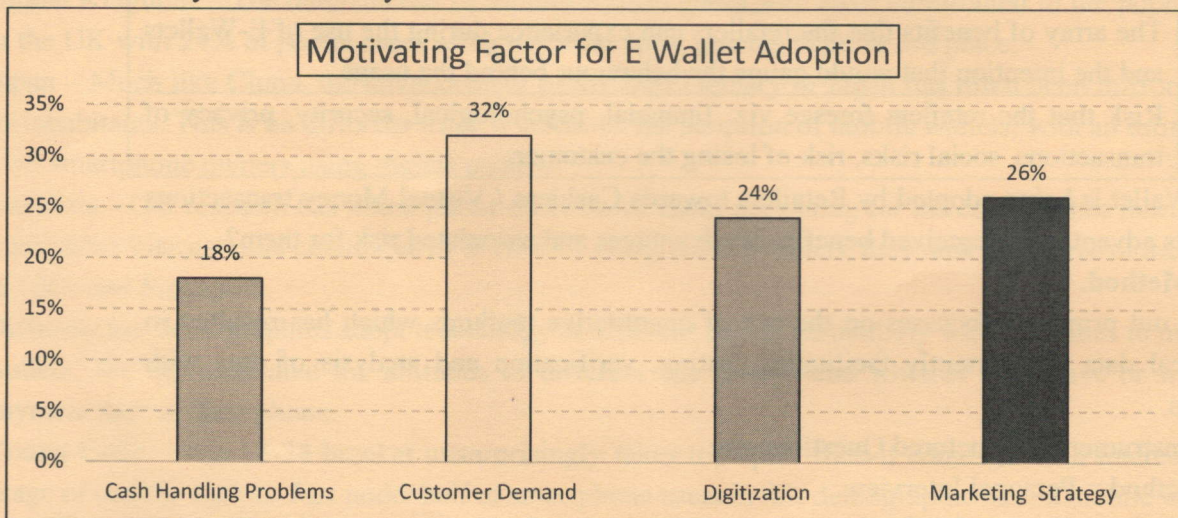


Figure 05 – Motivating Factors for Adoption

Interpretation

Based on the data collected it's been observed that Customer Demand contributes 32%, Marketing Promotional Strategies 26% and Digitization's Promotion by Government contributes 24% of the total sample collected are the leading factors for adoption of E-Wallet Services in India by the Retailers.

3) Is E-Wallet Services helping in Improving the Sales and Revenue compared to traditional Cash Transactions?

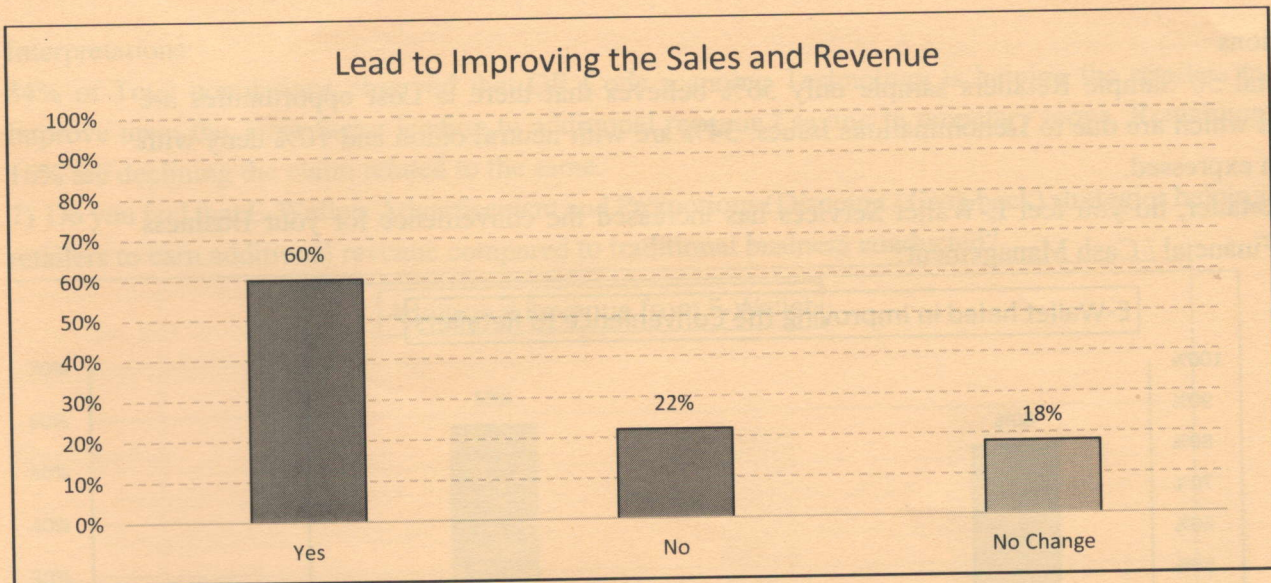


Figure 06 – Impact of E-Wallet on Sales and Revenue

Interpretations

Reference to the Data Collected from the Retailers it's been observed that 60% Retailers do believe that adoption has helped in Improving the Sales and Revenue for their Business. 22% believe that it has not improved their Business and 18% observed No Change.

4) As Retailer, do you feel that Business Opportunities (Lost Opportunities) are capitalized due to E-Wallets adoptions when compared to Cash Transactions which needs denominations and its availability?

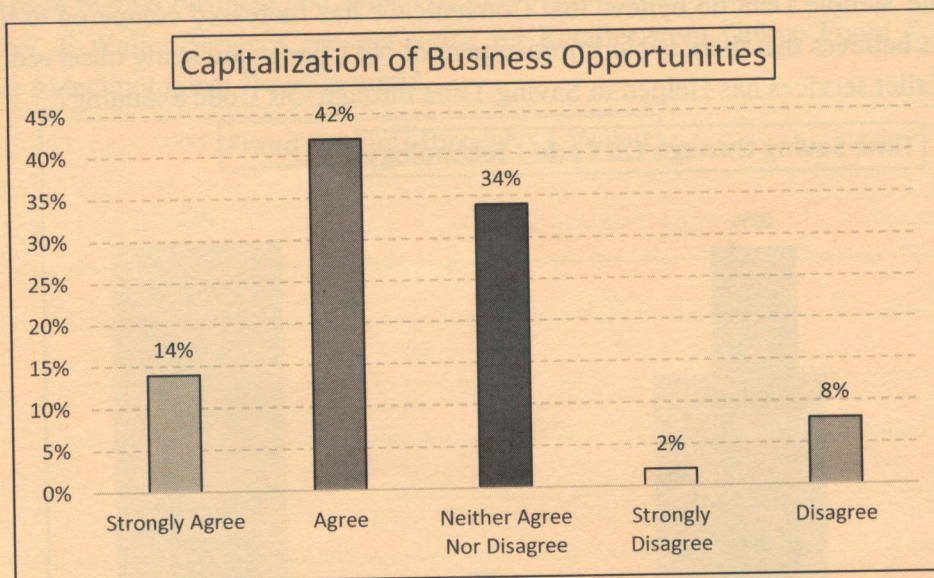


Figure 07 - Capitalization of Business Opportunity

Interpretations

Out of Total 50 Sample Retailers sample only 56% believes that there is Lost opportunities are Capitalized which are due to Denominations issues. 34% are with neutral opinion and 10% deny with the opinion expressed.

5) As A Retailer, do you feel E-Wallet Services has increased the convenience for your Business related to Financial / Cash Management?

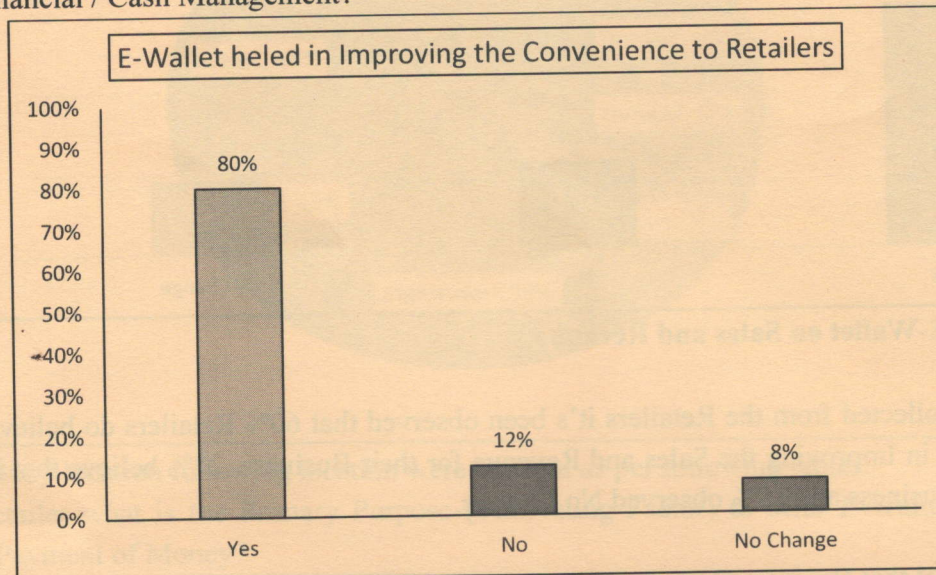


Figure 8 – Convenience Improvement Factor

Interpretation:

80% of Retailers from the Sample Data do believe that Convenience has Increased compared to the traditional Business. 20% believes that there is No Improvement of No Change are being observed.

6) Do you feel that, E-Wallet services has Helped in Saving Time through QR Code Scanning?

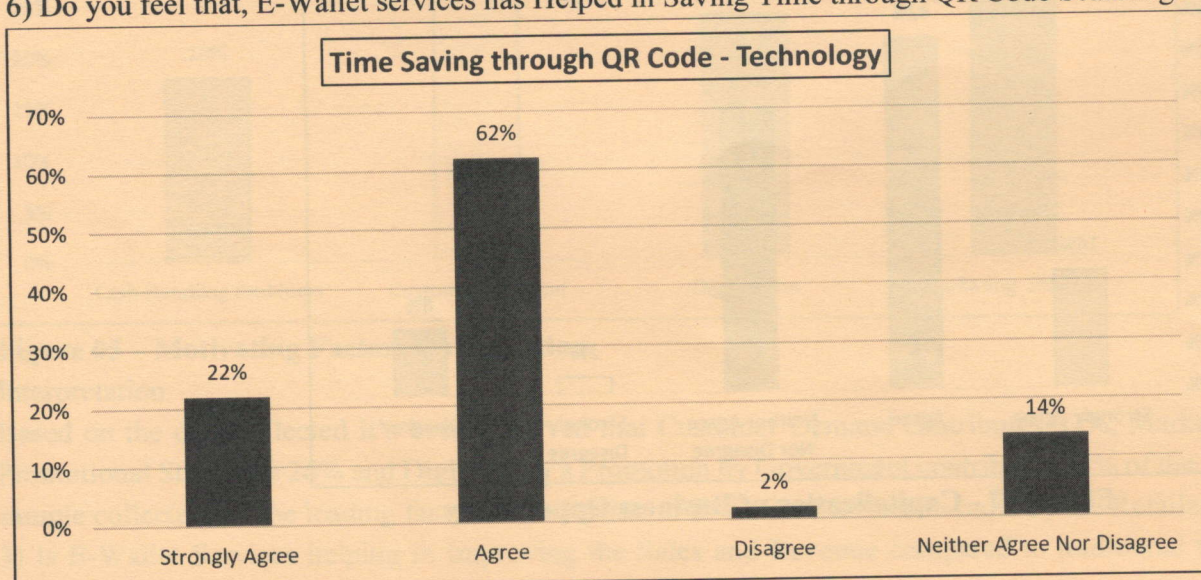


Figure 9 – Use of Technology heling in time saving.

Interpretations:

84% of Total populations observed that QR Code scanning Technology is helping the retailers to improve upon the Time factor leading to additional revenue / saving in monetary terms. Remaining 16% are declining the claim related to the same.

7) Do you feel that E-Wallets Advertisement and Promotions (Discount / Cash back) strategies helping retailers to earn additional revenue compared to traditional business conducted?

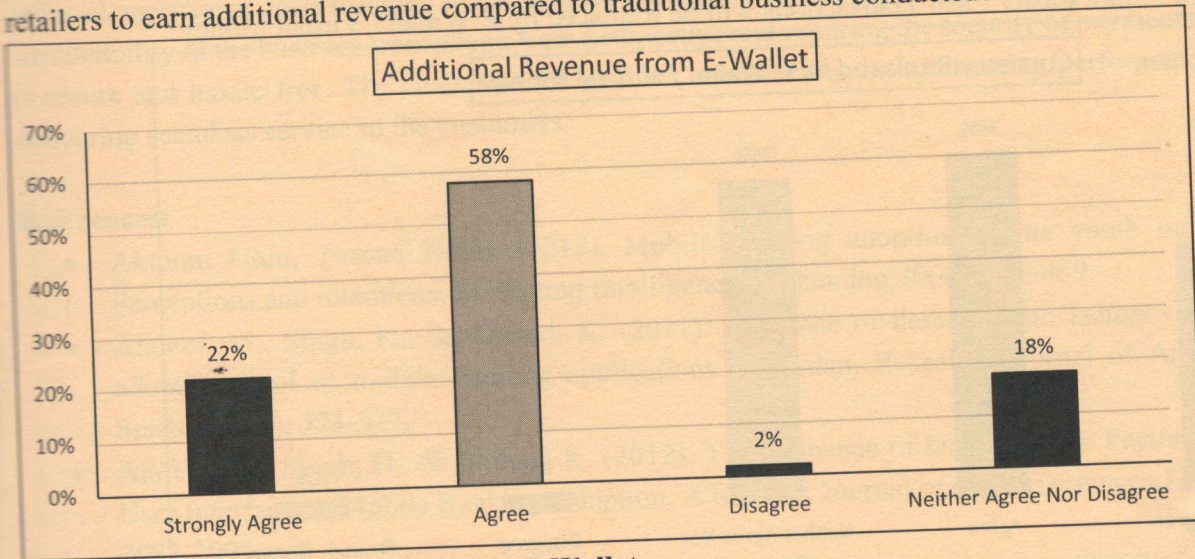


Figure 10 - Additional Revenue from E-Wallet

Interpretations:

80% of Populations believes that E-Wallets has added some source of additional revenue source to their Income from regular business and helped them to recover loss if any through the same.

8) Do you feel, E-Wallet Services possess a risk for Retailer from Online Fraud & Scams threat developed due to technological Development?

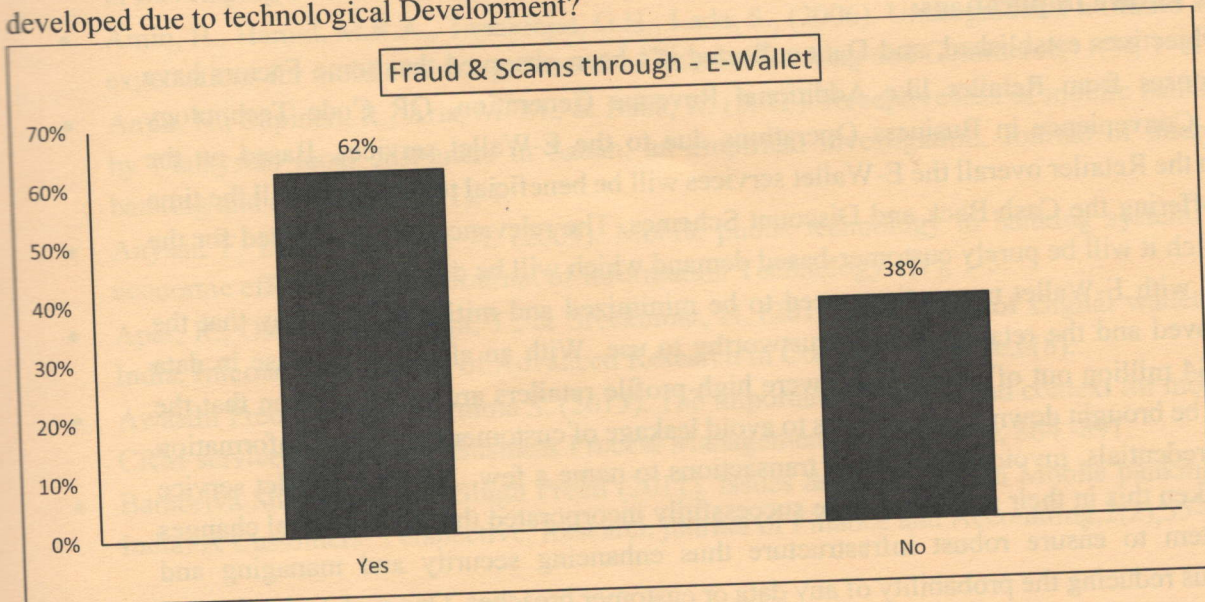


Figure 11 – Fraud & Scams through E-Wallet

Interpretations:

Based in the above results 62% of population believes that there are possibilities that Online Fraud and Scam are the psychological fear it possesses in the mind of retailer either to failure of service provider or min-handling of Wallets by users.

9) Do you feel, In Future Cash / Cash Transactions will be Replaced by E-Wallet / Virtual Money?

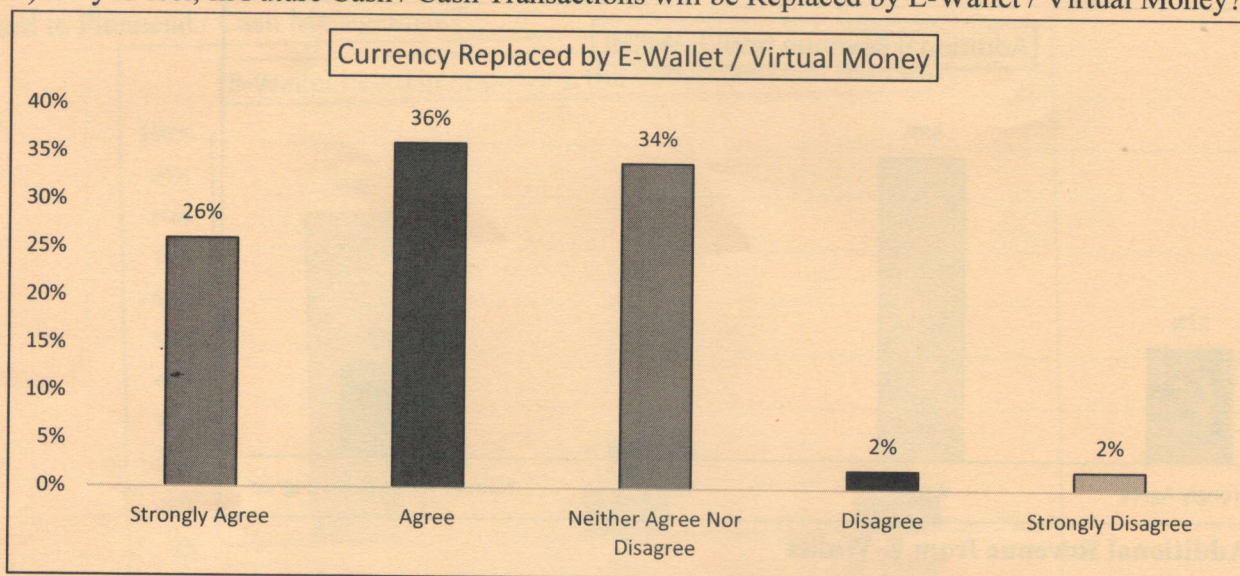


Figure 12 – Currency Replacement by E-Wallet opinion

Interpretations:

Based above table 62% population believes that Hard Currency in future will be replaced by E-Wallet and shift towards Non-Cash Transactions will increase.

Conclusion and Future Implications:

Based on the Objectives established, and Data collected it's been observed that some Factors have favorable Responses from Retailer like Additional Revenue Generation, QR Code Technology advantages and Convenience in Business Operations due to the E-Wallet services. Based on the interactions with the Retailer overall the E-Wallet services will be beneficial to the retailer till the time companies are offering the Cash Back and Discount Schemes. The relevance will be limited for the retailers post which it will be purely customer-based demand which will be driving factor.

Risks associated with E-Wallet transactions need to be minimized and mitigated in a way that the security is improved and the retailer finds it trustworthy to use. With an alarming increase in data breaches worth \$4 million out of which many were high-profile retailers are of the opinion that the payments should be brought down in-house so as to avoid leakage of customer transaction information viz; their login credentials, invoices, history of transactions to name a few. Major E-Wallet service providers have taken this in their stride and have successfully incorporated the technological changes within their system to ensure robust infrastructure thus enhancing security and managing and mitigating risk thus reducing the probability of any data or customer breaches. One such technological change that has impacted in a positive manner is the replacement of traditional primary account

numbers (PAN) with unique identifiers called payment tokens which is called as tokenization. This technique ensures protection of transaction data and helps in mitigating fraud. Additionally, retailers have started implementing layered security features to meet their requirements thus maintaining simplicity and ensuring efficient usage of the application which is valued by the customers thus giving them a competitive edge. Thus, it is evident that digital wallets ensure superior experience, much reduced operational costs bringing in operational efficiencies, increased revenues which might lead to sustainability of the business from a long-term perspective and ensuring the security of payments made is secure and hassle free. The challenge for retailers however lies in accelerating performance and delivering seamless service to the customers.

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