

Potential risks of mobile wallet usage as compared to a physical wallet in India

Merwyn D'souza¹, Prof. Kingshuk Bhadury²

¹(Student pursuing MBA at Symbiosis Institute of Management Studies, India)

²(Professor at Symbiosis Institute of Management Studies, India)

Abstract: Despite being introduced as late as 2008 in India, the mobile wallet has been well accepted by a majority of the market and its use has only increased post the recent demonetization of currency notes. This paper starts with a brief introduction on what exactly does a mobile wallet entail and a background on what led to the sudden upsurge of usage of mobile wallets in India. We then go through some already existing research work, building on it and at the same time trying to figure out where we actually stand as compared to these papers. Soon after, we touch upon the body of the research paper wherein we include some of the most important findings and their inferences from the survey conducted by us. These inferences are well explained with the help of an example of a common man. Finally, we conclude the topic with a message to mobile wallet companies to take the findings from this paper out and properly analyze and implement specific strategies that would help them increase their market share as well as keep their existing market share well intact.

Keywords : Cash, Demonetization, FreeCharge, Mobile wallets, Money, Paytm

1. Introduction

Mobile wallets are applications on the mobile phone that enable you to transfer money from your bank account to your safe repository built into the application. Similarly, it can be used to carry out transactions between two people who have a valid bank account or/and the application installed on both the sender as well as the receiver's mobile device. It acts just like the physical wallet that you carry in your pocket but completely eliminates the cash aspect in making transactions.

On the eve of 8th November, 2016, Mr. Narendra Modi, the honorable Prime Minister of India announced the government's plan of demonetizing notes of Rs. 500 and Rs. 1000 with immediate effect which led to massive panic throughout the nation. But in all this chaos, there was one section of the society clearly delighted about this news: the various mobile wallet companies operating within India. Aggressive marketing plans and strategies began getting chalked out on the board in these companies and within no time, some major mobile wallets were the talk of the town.

However, despite their popularity, the common man was vary of switching over to this cashless way of payment and wanted to know more about the various risks involved in such operations. Due to this reason, a major chunk of the society stayed away from the usage of such digital wallets and preferred standing in long queues in front of the ATM.

This is where our research paper steps in; trying to uncover the major risks perceived by the potential customers of mobile wallets and what these companies can do to overcome these risks.

2. Literature review

Over the years, there have been many research papers and reports written on this relatively new technology. Such papers form the base and foundation for our research and we have tried to build on them. A report by Nielsen (posted by Rian Borden) [1] published on 14th March, 2016 says that Paytm is the most popular mobile wallet among Android users in urban areas of India, closely followed by FreeCharge. Some key takeaways from this report are as follows:

1. Mobile payment apps are 1.2 times more popular among men than women and men are twice as engaged with these apps than women
2. Mobile wallets that provide extra services such as booking movie tickets online, buying gadgets and products (imitating an e-commerce site; for example: the recent initiative by Paytm) are far more popular among the users as compared to a plain, traditional mobile payment app.
3. Of those who downloaded Paytm in May 2015, only 25% were still using the service in July. 20% of those who installed Mobikwik in May were still using it as of July, and 14% were still using FreeCharge. This clearly shows how quickly the users move on to other applications and mobile wallet companies had to do something extra ordinary to retain their customers.

A study carried out by Consumer Pulse in USA [2] shows some of the most prominent risks perceived by existing mobile wallet users in the year 2015. Top of the list were the potential security concerns of money that users store in their wallets. The users would also not want a store to have their mobile wallet information. At the same time, a major concern for non-users that keeps them away was found out to be identity theft.

There is an interesting paper written on analyzing the issues faced in adopting mobile based payment services [3]. This paper makes use of hierarchical clustering and self-organizing maps to come to the conclusion that the various factors that influence a user to adopt a mobile payment system are innovativeness, discomfort, system quality, perceived usefulness, perceived ease of use, task-fit, connectivity, absorptive capacity and structural assurance.

Another paper written along similar lines aims to find out the factors that affect consumers' adoption of mobile wallet as an alternative method of making payments, in a developing nation like India [4]. The conclusion from this study includes factors such as performance expectancy, social influence, facilitating conditions, perceived risk, perceived value that play a significant role in predicting behavioural intentions to adopt mobile wallet solutions.

Our paper is limited to the users of mobile wallets in India and is also worked upon in a very lucrative time period, i.e, just after the announcement of the demonetization policy by the Indian government. This sets us apart from the other papers and reports, as the focus is solely on the Indian customer as well as the market share of the mobile wallets has multiplied over the past month. This sets a whole new scenario in front of us where our focus is on what keeps the potential user of mobile wallets away, in such a case where there is a significant dirth of cash in the economy.

3. Findings and Analysis

A survey was conducted wherein responses of 205 people were recorded by way of a questionnaire. We plan to approach the analysis of this topic in an organized manner wherein we state some of the most important inferences drawn from the analysis and present it before the reader.

3.1. Finding no. 1

*“Two of the most important factors for a user is the **safety and security** the wallet provides and also the **ease of use** of the application.”*

Mr. Sharma is a typical office-goer from Mumbai. From the time the wave of demonetization has hit the nation, he has been busy cribbing about it. “Does the government not think of the common man? How are we supposed to go about our lives without any money in our pockets?”, thinks Mr. Sharma while travelling in his usual train to work one Monday morning. That’s when he hears two youngsters talking about this thing called FreeCharge. “What in the world could this be? How could something be charged if it is free?”, thinks Mr. Sharma in his head. He googles it the second he reaches his desk in the office and realizes that it is a mobile wallet that enables the user to transact without cash.

However, he wonders, “How safe could something like this be? The notes I have in my wallet have a physical presence, how can invisible money like this be trusted?” He had heard of a number of hacking cases on the news a number of times and this made him apprehensive.

On the flip side, the thought of being able to carry out transactions easily via the mobile phone lured him. He thought he needed some more time before actually mustering the guts to download the application.

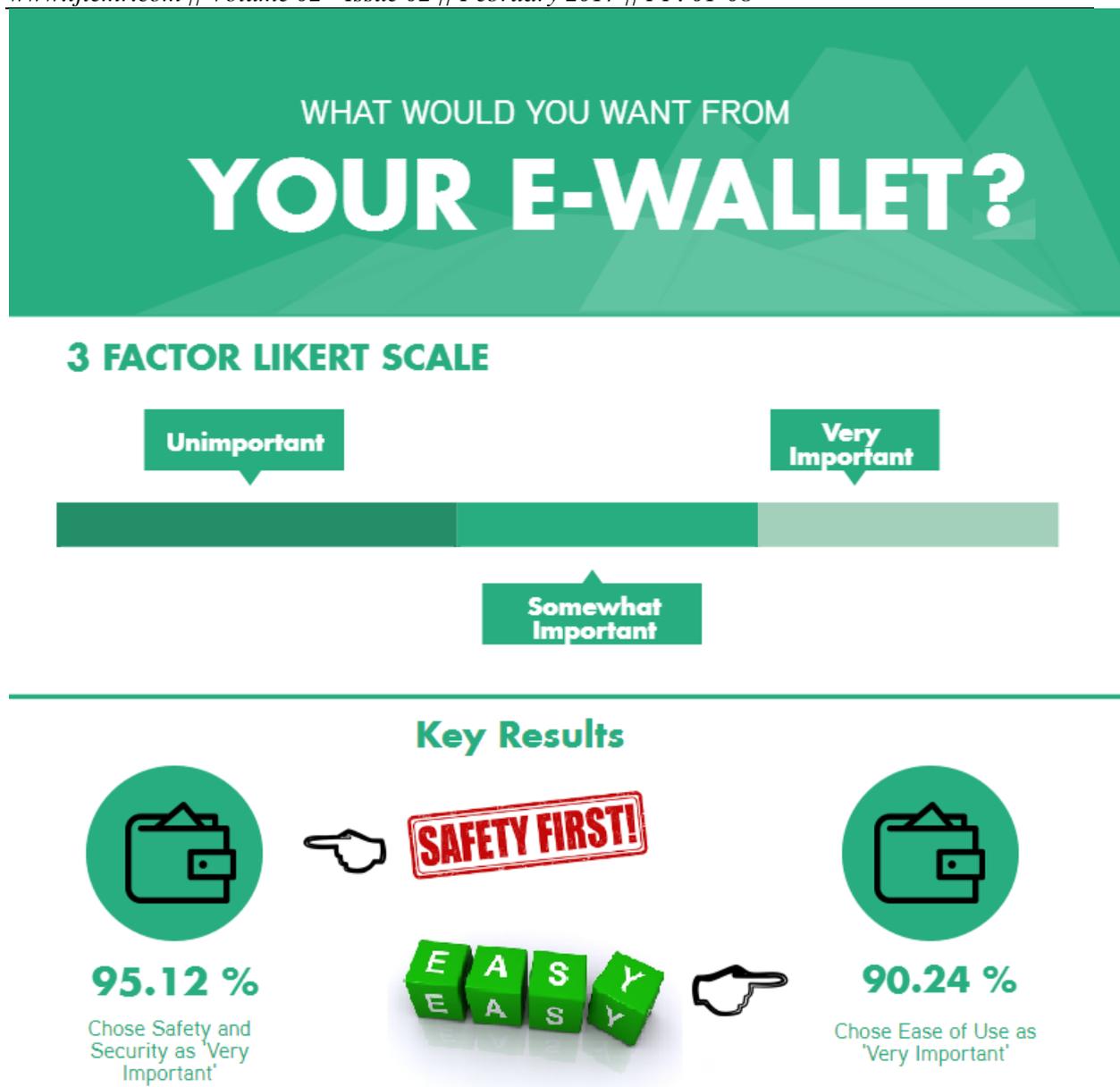


Fig.1: An infographic about how users prioritize safety and security as well as ease of use to be their primary requirements from an e-wallet

3.2. Finding no. 2

“Word of mouth plays a very important part in trying anything new; in our case switching from cash to digital payments.”

Despite Mr. Sharma having a busy day in the office, he constantly had that particular nag in his head to learn more about this new type of wallet that he was introduced to this morning. So, as soon as he wrapped up his work and was on his way home, he decided to stop at Mr. Kumar, his neighbour’s house to satisfy his growing thirst for more information about mobile wallets.

Mr. Kumar was glad to explain all about mobile wallets to Mr. Sharma and also told him that he was an ardent user of Paytm. Paytm had never disappointed him and moreover, he had heard of some complaints with regards to FreeCharge’s security from some of his colleagues. This immediately had an impact on Mr. Sharma and he decided that if he were to make use of a mobile wallet, it would surely be Paytm.

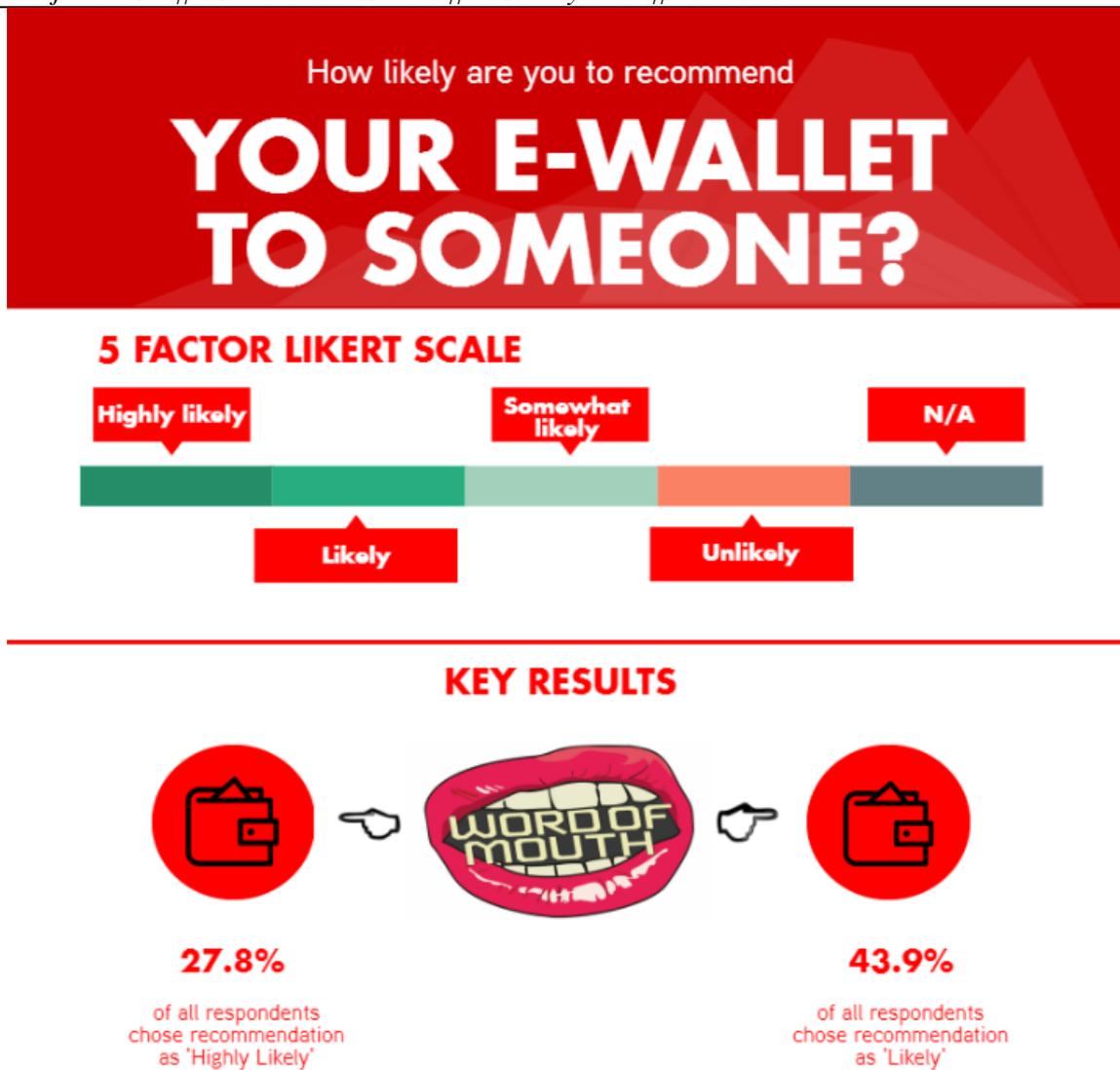


Fig.2: An infographic showing that word of mouth is considered to be an important tool by existing users in convincing someone about the reliability of a particular mobile wallet

3.3. Finding no. 3

“Bank released wallets are safer than other autonomous wallets.”

Mr. Sharma after investigating upon the internet also finds out that his very own HDFC bank also provides mobile wallets by the name of Chillr and PayZapp. Since he has received excellent support from the bank over the years and has had no complaints from them, he has a good overall experience with them. He feels mobile wallets provided by such banks are much safer than wallets provided by applications such as Paytm, FreeCharge, etc. “What if one fine day these applications decide to close shop? Who do I run to, to recover my money then? The bank is safe and reliable, always and anytime!!” He decides to explore this further over the weekend.

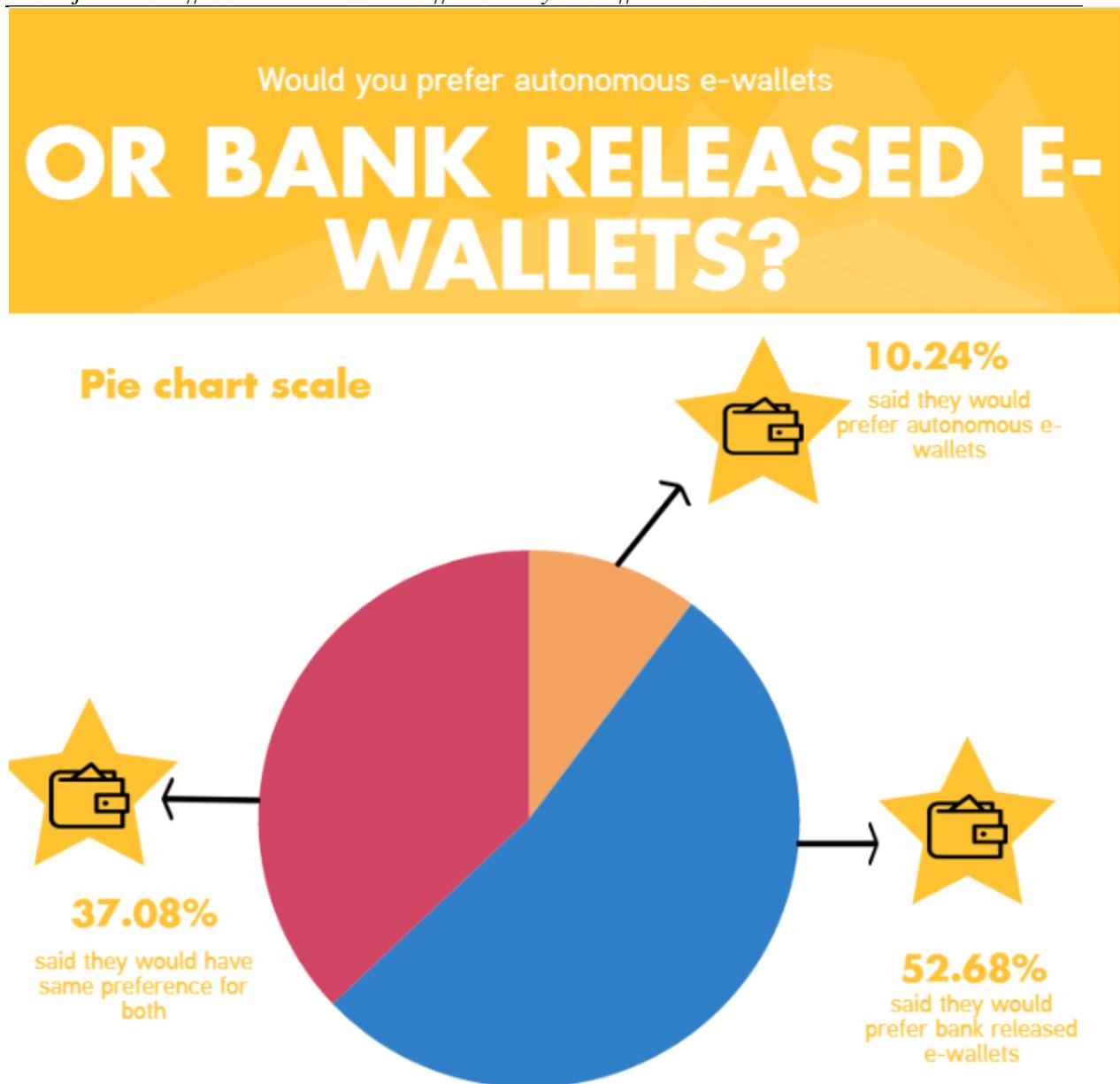


Fig.3: An infographic which is proof that wallets released by established banks score much higher on the trust factor with users and are preferred by potential customers

3.4. Finding no. 4

*“People are reluctant to disclose their **personal information**, especially salary.”*

Over the next weekend, Mr. Sharma heads over to his bank and enquires about mobile wallets provided by them. The bank clerk patiently explains all the features provided by their mobile wallets and just before concluding asks Mr. Sharma about some personal details in order to fill a form. Upon reaching the Salary question, a wide-eyed Mr. Sharma exclaims, “Excuse me? Is that information really needed? I do not think I want to disclose this information!” While walking back home, he thinks to himself, “It was none of the banker’s business to know about his salary. Nobody needs to know how much I am earning till the time I can provide my family with all the comfort they need”.

What is your
MONTHLY INCOME?

Triangular bar scale

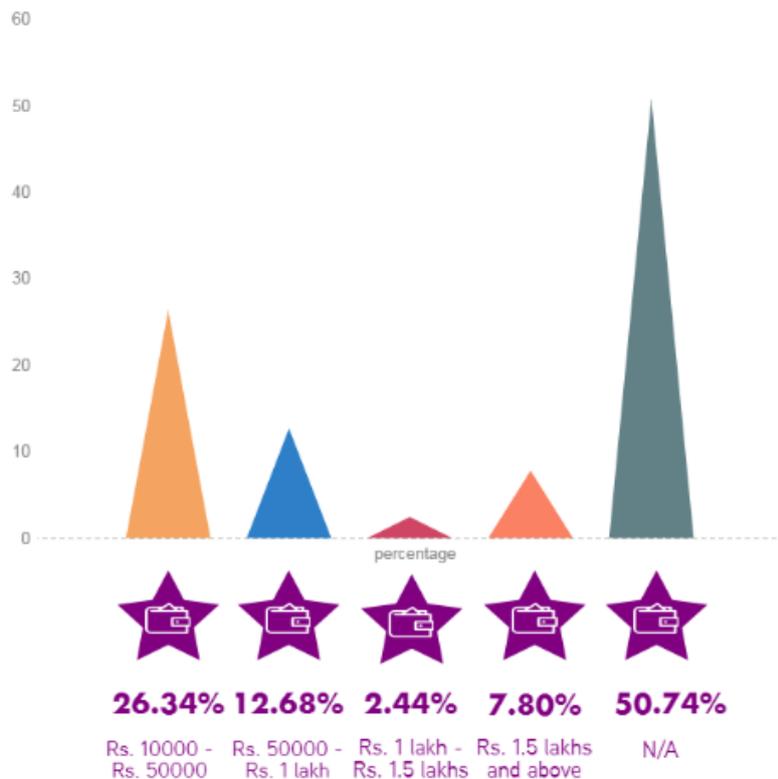


Fig.4: An infograph showing that people are reluctant to disclose personal information which is something e-wallet companies should keep in mind when designing their applications

3.5. Finding no. 5

“In this current day and age, people are more open to newer technologies in the search to get something more.”

After mulling over the decision for more than a week, Mr. Sharma finally decides to install Paytm. After using it for about a month, he is a pretty satisfied and loyal Paytm customer. However, a new mobile wallet in the market by the name of ABC has created quite a stir. ABC wallet is known to provide the best offers and cashbacks in town and has a much better interface, as per most of Mr. Sharma’s friends. It does not take long before Mr. Sharma has switched sides and is now a dedicated ABC customer.

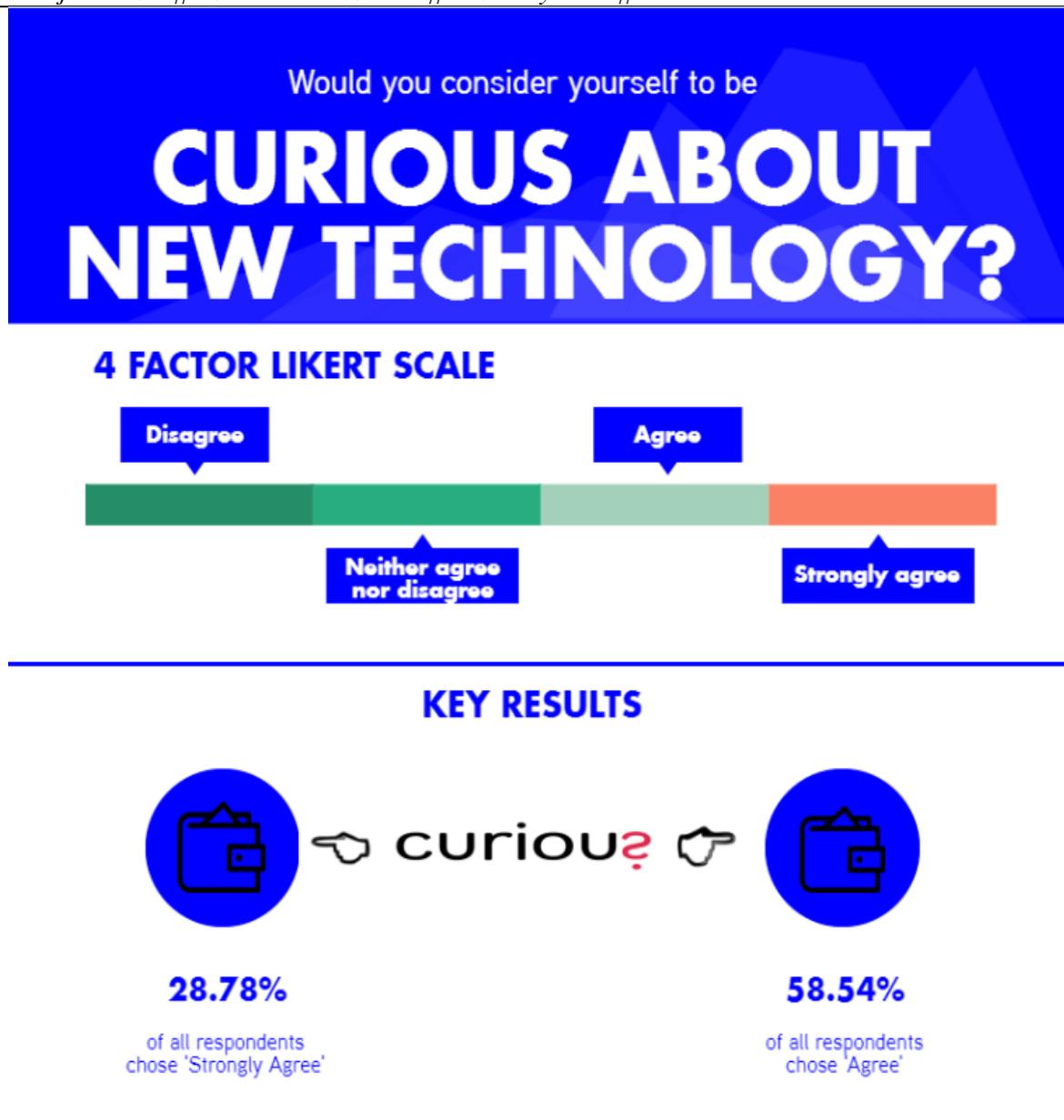


Fig.5: An infographic which shows that customers today are much smarter and in the search for newer technology, a customer may quickly change sides and go over to your competitor. Hence, mobile wallet companies need to constantly innovate to keep their loyal users safe with them

4. Conclusion

Today, mobile wallets have become an integral part of the average Indian's life. However, there are still many people who are unaware about this technology or who are apprehensive about embracing this new concept. This paper serves as a ready, reference material for mobile wallet companies to analyze and understand what the average potential customer considers risks as well as factors that keep him/her away from exploring it. Keeping this paper as a base, mobile wallet companies can implement well planned strategies that focus on solving particular pain points that have risen from the findings of this research paper and in turn contribute to our Prime Minister's view of turning India into a cashless economy in the near future.

References

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