

E-WALLET: CHALLENGES FOR RURAL MARKET

Bhabani Shankar Gupta

PhD Scholar, Sai Nath University, Ranchi Email- bsgupta10@gmail.com

ABSTRACT

Payments mode used have varied over the years for the purpose of transaction any type of business. From barter to use of gold and silver to IOU's to cheques, bank transfers, credit and debit cards, internet transfer and M-transfer. The banks thus become a very integral part of transactions. Bank has very strict norms in terms of issuing debit or credit cards and an economy which function too much on cash found it difficult to have bank accounts and minimum deposits system. Thus large groups of the population are left out of this cashless transaction system. Though many private operators have introduced different new transaction modality to reduce the usage physical legal tenders, out of which e-wallet is one of the new payment gateway. In spite of such a huge market and lots of investment by the e-transaction service providers, it's risk to get the return as the people in rural area are not literally advance to access and accept the new payment technology. They have fear of security and trust in doing online transaction. Moving towards a cashless economy is not an easy task in a nation where cash is king.

The study aims to understand the challenges while using e-wallet and the contingencies plan for rural market where still people are either not aware of e-transaction or afraid of moving towards cashless. For the purpose of the study, the sample has been taken from different rural areas of Dhanbad district of Jharkhand.

Key Words: *cashless economy, contingencies plan, e-transaction, legal tender*

INTRODUCTION

India is on the cusp of a digital revolution, but it is to be seen if it emerges victorious; if it sustains the momentum post-demonetization, or does it push this dream of a 'less cash and then cashless' economy for a later stage. While the task is enormous, given the many challenges, the Union Government has already set the ball rolling by initiating a number of measures to reduce people's dependence on cash.

Primary amongst those initiatives had been the Government's thrust to open zero-balance Jan Dhan bank accounts, in both organized and unorganized sectors, for unbanked accounts.

According to Government sources, the number of Jan Dhan bank accounts in August 2016 stood at over 230 million, while in November it surged to 256 million.

The Government is taking lots of effort in making India as Digital Country. Many

Committees has been formed to examine and make suggestions to tackle the problems faced at the ground level by the public, in the implementation of digital payments across the country. It will outline measures for a rapid expansion of digital payments like debit cards, credit cards, digital wallets, e-wallets, Internet banking unified payments interface *et al.*

It has been forecasted that 71% of the aforementioned 371 million mobile internet users (262 million) in India will hail from urban areas while rural India is expected to have 109 million users. At present, rural Indians use the Internet mainly for social network websites (around 70 per cent of the Internet users living in rural areas) such as Facebook, and for emailing. About 15 per cent of the rural consumers use the Internet to research products, purchase a product, or register satisfaction or dissatisfaction with a product after the purchase is made, compared with 30 per cent of urban consumers.

“The amount of actual online commerce in rural India is still small, but it is picking up. From 2015 to 2016, the penetration of online purchasing in these areas doubled from four per cent to eight per cent”, the study noted. It is, however, expected that by 2020, about 315 million Indians living in rural areas will be connected to the Internet, compared to around 120 million at present.

As and when the transition to the digital way of life happens meaningfully, this industry will see

massive growth and also generate employment opportunities.

As for e-wallet firms like Mobiwik, Paytm etc, perhaps they will be increasingly the modern-day form of transactions. For them, demonetization has come as a windfall. An AC Nielsen report said that about 1.2 crore Indians have started using digital wallets, and mobile payments surged to their highest-ever reach at 70 per cent in the week following the withdrawal of Rs 500 and Rs 1,000 denomination notes.

Challenges for the Government are aplenty. It will have to extend the electronic transaction processing platform, Internet connectivity and smart phone accessibility and penetration to the remotest part of the country, in both rural and urban areas. A transition to the digital way of life has to take place gradually. Availability and quality of Internet connection has to be maintained. Poor Internet facilities will lead to failure of transactions, which will discourage people from using digital payment methods. Moving towards a cashless economy is not an easy task in a nation where cash is king.

Many e-transaction service providers are investing in rural market thinking to get have a future return. Company like Paytm can give credit advances and insurance to villagers, with bank account linked. It can also provide loans to buy tractors, seeds and fertilisers. Paytm will give loans without any collateral under the Mudra scheme, which has seen XX million loans, but the background check is usually not

done digitally. The eligibility will be based on the total value of transactions done through Paytm.

Rural mobile internet users grew by a staggering 93% between December 2014-Dec 2015, yet only nine per cent of the hinterland has access to the technology

India hit 306 million mobile internet users in December 2015 growing at an overall 77% from 2014, according to the report released jointly by the Internet and Mobile Association of India and consultancy firm, IMRB.

According to TRAI, there were 988.7 million mobile connections in India as of August 2015. For 80% of the 219 million urban mobile internet users, online communication was the top reason for accessing the internet on their devices. Entertainment was top priority for only 30% of these users.

Among rural users, on the other hand, 52% said their primary reason for accessing the internet was entertainment. Communication and social networking stood at 37% and 39% respectively.

The just-released report says that only 13% urban mobile internet users and 1% rural users shop via mobile internet. "A lot of final transactions are not happening on mobile. There is still some apprehension among people about transacting on mobile. But online shopping is

gaining traction and the numbers might look completely different next year."

Even many nationalized banks have launched e-wallet payment gateways. Recently, Airtel in telecom sector has launched "Airtel Banking scheme "on mobile which functions similar to a normal bank but with limited transaction amount.

LITERATURE REVIEW

- Majid Taghiloo¹, Mohammad Ali Agheli², and Mohammad Reza Rezaeinezhad (2010), Mobile based Secure Digital Wallet for peer payment system, "International Journal of UbiComp (IJU), Vol.1, No.4, October 2010" The research concludes the e-wallet payment system for peer group. It's not taken the challenges of payment system.
- The acceptance of a wallet is specific to its design and purpose for supporting all basic transactions that a typical bank account provided and some specific additional services only available with mobile wallet. The low income low income group find segmentation of their money as an added advantage in preferring the usage of e-wallet (Kempson and Collard, 2013)
- The number of mobile phones in use far exceeds any other technical device that had been tried in the market addressing market centric activities like product communication, display and actual sale

(Ondrus J Eet al. 2011). All payments made through a mobile wallet fall in to two categories-payments for the purchase and payment for bills. Since mobile wallet has specific design addressing the case of use and usefulness it has an inbuilt potential to complement and compete with traditional instruments lik cash, cheques, credit and debit cards as transaction settlement instruments (Jayawardena et al., 2000 and Jawalgi et al, 2001)

PROBLEM DEFINITION

1. To assess if e-Wallet payment gateway is accepted by the population in rural market.
2. To asses if e-transaction, the new payment gateway will help in making India as Cashless Nation.
3. To find the challenges and contingencies plan of using e-transaction in rural market.

RESEARCH QUESTIONS

1. Did population in rural India were aware of e-payment gateway?
2. What were the actual challenges to e-payment service operators in rural market?
3. Did the rural areas in India were ready to accept the concept of e-payment.

LIMITATIONS OF STUDY

1. Area of research is a major constraint. The biggest limitation of the study is that it has been done in rural areas of Dhanbad district of Jharkhand only and may not give an overall picture of India.
2. Time limit is also a constraint. The study has been taken only for 2 months after demonetization period between 15th December 2016 to 14th February 2017.
3. The study included the data from populations in rural areas where most of people were illiterate; hence the response might be unfair in some cases.
4. This study reflects the opinion and responses of individuals only where by findings and suggestion given on the basis of this research cannot be extrapolated (applied) to the entire population.

HYPOTHESIS

H₀1: All the people using smart phones in rural areas have significant awareness of e-wallet.

H_A1: All the people using smart phones in rural areas are not aware of e-wallet.

H₀2: All the people using smart phones in rural areas are using payment gateway of e-wallet

H_{A2}: All the people using smart phones in rural areas are not using payment gateway of e-wallet

RESEARCH METHODOLOGY

Method:

The study was descriptive and analytical, so a Survey method was used. A well-structured questionnaire was prepared and was administered to the respondents through a personal interview and other methods to collect the primary data. The questionnaire was divided into two parts. Part one is respondent's profile and Part two was the main survey.

The sample to which the questionnaire was administered was based on random sampling techniques. The sample distribution was given in Table 1.

| Age | Male | Female | Total |
|--------------|------------|------------|------------|
| 15-25 | 42 | 28 | 70 |
| 25-35 | 40 | 21 | 61 |
| 35-45 | 62 | 32 | 94 |
| 45-55 | 51 | 37 | 88 |
| 55-65 | 29 | 20 | 49 |
| 65-75 | 23 | 17 | 40 |
| Total | 247 | 155 | 402 |

Table 1 Source: Primary data

Primary Data:

Primary data was collected randomly through the structured questionnaire in Rural Areas of Dhanbad district of Jharkhand and using simple random sampling..

Sample Size:

The study was limited to those participants who willingly elected to complete the instruments in their entirety. There were a total of 450 respondents, of which a figure of 402 was selected for the study.

Sample Design:

The researcher relied upon simple random sampling technique, considering the research methodology and research type as per guidelines. A caution was exercised during the study that the respondents who did not show inclination to be a part of the study were not covered.

Period of Study:

The data collection has been done for a period of 2 months 15th December 2016 to 14th February 2017

Secondary Data:

The secondary information or data was collected from newspapers, previous research articles and relevant websites.

Research Instruments:

A summated closed end questionnaire was used with different viewpoints of people. In this questionnaire, all the questions were positively framed to study the impact of independent variables like age, gender and profession on the dependent variable.

Statistical Analysis:

Efficient and effective data analysis is the result of effective data preparation. This was found to be very crucial between the completion of the field work and the statistical processing of the collected data. Data preparation involved transferring the questionnaire into an electronic format which allowed and facilitated subsequent data processing. Data sheet was prepared directly at Excel software for further analysis.

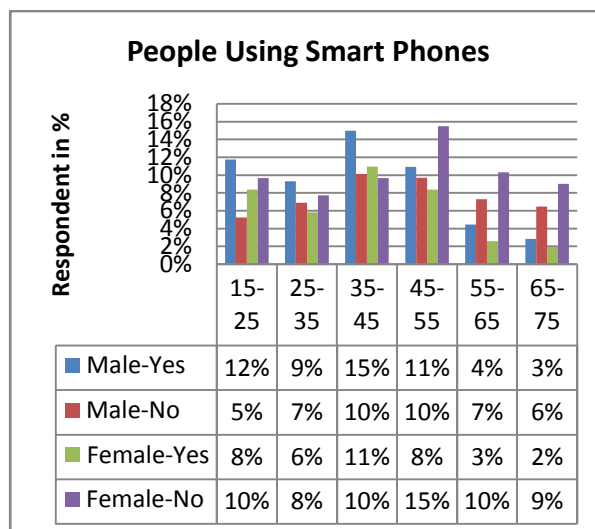
On the basis of the datasheet tables were prepared for the analysis.

FINDINGS & ANALYSIS

I. User of Smart Phone (Reference Table 2 & Graph 1)

| Age | | 15-25 | 25-35 | 35-45 | 45-55 | 55-65 | 65-75 | Total |
|---------------------------|-----|-------|-------|-------|-------|-------|-------|-------|
| Are you using smart phone | Yes | 42 | 32 | 54 | 40 | 15 | 10 | 193 |
| | No | 28 | 29 | 40 | 48 | 34 | 30 | 209 |
| Total | | 70 | 61 | 94 | 88 | 49 | 40 | 402 |

Table 2 (Source- Primary data)



Graph 1 (source-Primary data)

With reference to the table 2 and graph 1, it shows that Maximum user of Smart phones is within the age bracket of 35-45 years (Males-15%, Female-11%) and 45-55 Years (Male-11%, Female-8%). For youth of Age bracket 15-25 years, Male shows 12% and Female shows 8%.

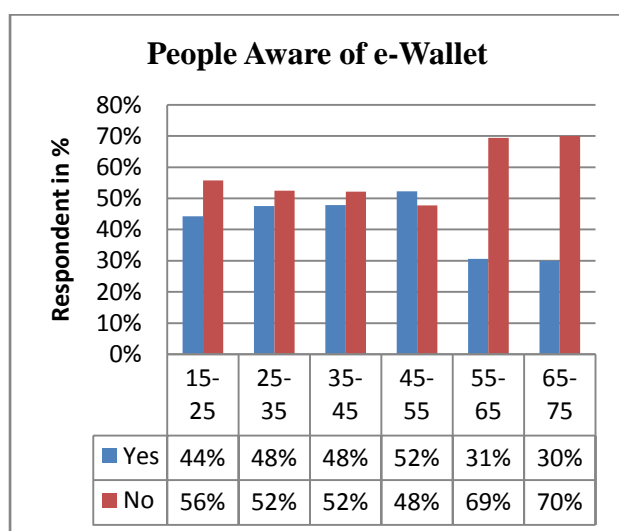
Very few People of age bracket between 55-75 years were using smart phones. Most of the people of these groups told that they were using mobile phones just for verbal connectivity which could be possible by non-android based phones. Those who were using smart phones were either gifted by some relatives or their ward working in urban areas. Most of the smart phones users were found in the village

The young generation of age bracket between 15-25 years was college students and using smart phones, but most of them using for chatting and entertainment.

II. Awareness of e-Wallet (Reference Table 3 and Graph 2)

| | | Age | | | | | | Total |
|---------------------------|-----|-------|-------|-------|-------|-------|-------|-------|
| | | 15-25 | 25-35 | 35-45 | 45-55 | 55-65 | 65-75 | |
| Are you aware of e-Wallet | Yes | 31 | 29 | 45 | 46 | 15 | 12 | 163 |
| | No | 39 | 35 | 49 | 54 | 34 | 28 | 239 |
| Total | | 70 | 61 | 94 | 88 | 49 | 40 | 402 |

Table 3 (Source: Primary data)



Graph 2 (Source: Primary data)

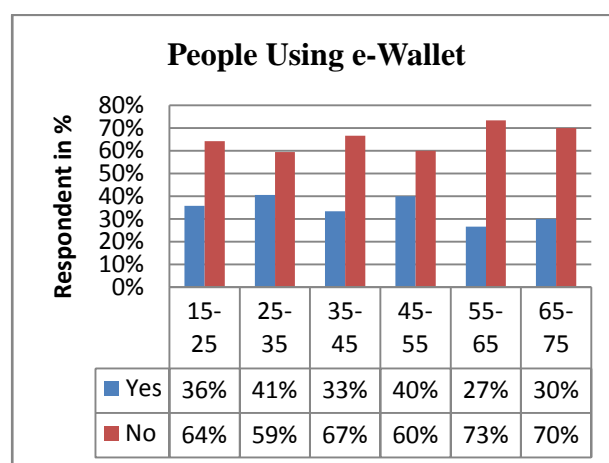
The study and the above data reflect that more than 50% of the respondents were not aware of e-wallets. The respondents having age bracket 45-55 years found maximum (52%) and age bracket 65-75 years found minimum (30%).

Most of the youth having age bracket 15-35 years were using smart phones for chatting or entertainment. Few of them told that they used it to recharge their mobile phones or to pay the utility bills.

III. Usage of e-wallet (Reference Table 4 and Graph 3)

| Age | | 15-25 | 25-35 | 35-45 | 45-55 | 55-65 | 65-75 | Total |
|----------------------|-----|-------|-------|-------|-------|-------|-------|-------|
| | | | | | | | | |
| Are you using Wallet | Yes | 15 | 13 | 18 | 16 | 4 | 3 | 69 |
| | No | 27 | 19 | 36 | 24 | 11 | 7 | 124 |
| Total | | 42 | 32 | 54 | 40 | 15 | 10 | 193 |

Table 4 (Source-Primary Data)



Graph 3 (Source-Primary Data)

Data indicates that maximum user of e-wallets were in age bracket 25-35 years. Most of the respondents having age bracket 65-75% and using e-wallets were retired from Government/Private organization, posted in urban areas and living in native place after the retirement, so they were used to the new payment gateway e-wallet. Few of them of the same age bracket told that their son working in urban area, had trained gifted them the smart phones and trained them to use e-wallet for easy and convenience purpose, at least fulfill the

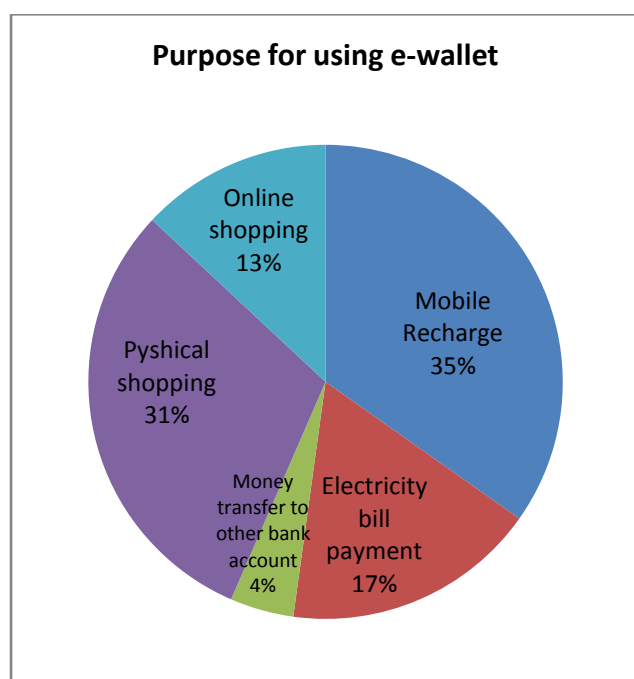
basic requirement like mobile recharge, payment of utility bills etc.

The young generations of age bracket 15-25 years were found using e-wallet for online shopping for self or family members. Few of the young from age bracket 25-35 years revealed that they were using e-wallet for booking railway tickets or bus tickets.

Purpose for using e-wallet (Table 5 and Graph 4)

| Purpose | Respondents | Percentage |
|--------------------------------------|-------------|------------|
| Mobile Recharge | 24 | 35 |
| Electricity bill payment | 12 | 17 |
| Money transfer to other bank account | 3 | 4 |
| Physical shopping | 21 | 30 |
| Online shopping | 9 | 13 |
| Total | 69 | 100 |

Table 5 (Source-Primary Data)



Graph 4 (Source-Primary Data)

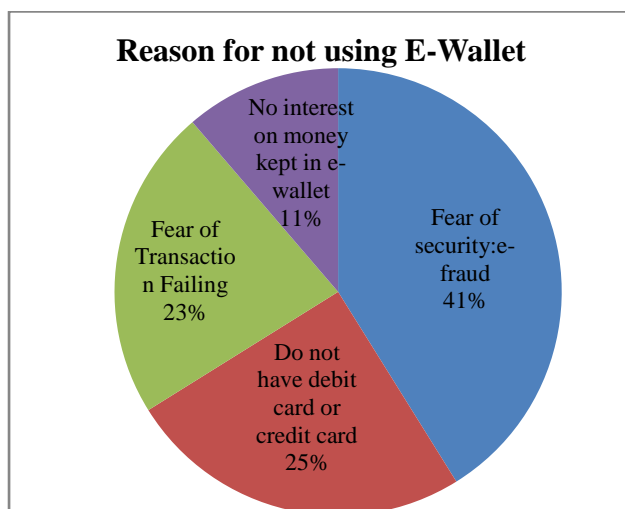
The table 5 and graph 4 reflect that the people having smart phones and aware about e-wallet were using e-wallet payment gateway for different usage depending on their requirements. It found that maximum persons were using it for mobile recharge (35%), and 31% were using for physical shopping which includes purchasing from grocery, or restaurants or other necessary items. They used it either in their villages or small purchasing or may be shopping in nearby city. The study reflects that most of the respondents using it for electricity bill payment were of around age bracket 35-45 years and working in nearby cities. They used to travel daily for job, so not able to get time for paying utility bills, and feeling e-wallet as easy and convenience.

The age bracket between 15-25 years were using e-wallet for online shopping for luxury or fancy items like perfumes, mobiles, dress materials etc. Few of the respondents told that they were not able to get good attire, perfumes or gift items in villages, so they used e-wallet for online shopping being easy and convenience.

IV. Reasons for not using e-wallet (Table 6 and Graph 5)

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|--|-----------|---------|---------------|--------------------|
| Valid | -Fear of security: e-fraud | 51 | 41 | 41 | 41 |
| | -Do not have debit card or credit card | 31 | 25 | 25 | 66 |
| | -Fear of Transaction failing | 28 | 23 | 23 | 89 |
| | -No interest on money kept in e-wallet | 14 | 11 | 11 | 100 |
| | Total | 124 | 100 | 100 | |

Table 6 (source- Primary data)



Graph 5-Source-Primary Data

With reference to the table 6 and graph 5, the study clearly reflects that maximum respondents (41%) were not using e-wallet because of the fear of security e-fraud whereas it has been found that 25% of the respondents who had smart phones but were not using e-wallet because they do not have debit card or credit cards which required to transfer the deposits the amount in e-wallet.

Few respondents having age bracket of 45-55 years told that keeping money in e-wallet will not give any interest for keeping money as deposit. They told that the usage of e-wallet was not on regular basis, so why the money would be kept idle in e-wallet without any monetary benefits.

Few of the respondents told that the poor internet or mobile connectivity in their village will create fear in their mind of the transaction failure. They feel that the transaction may not be completed and the password or the other credentials entered for transaction may misuse.

CONCLUSION & SUGGESTIONS

E-Wallets, the new payment gateway, is a fast growing technology in India where people do not have to carry physical money and they can use the payment through this gateway anywhere in India using their mobile phones. The basic requirements for the success of this technology are smartphone and good internet connectivity which are really a big challenge for India. After demonetization in November 2016, many

private players along with banking sectors enter in this business. They are trying to give best to best offers in terms of cash backs, discounts, free gifts etc. to catalyze the usage of e-wallet. Now, even Telecom giant Airtel has recently started “Airtel Banking scheme” which is operating similar to a bank but on small scale. Even Airtel is offering interest on the money deposited in such wallet. The Indian rural market is really an opportunities for such operators and service providers, but the big challenges is that availability of good internet connectivity and smart phones. Even now, many people in rural areas are not using smart phones. Few people if using smart phones, then not aware of e-wallet or afraid of the security involved in transaction of money. Few of them, not able to use e-wallet because of the fear of the failure of internet connectivity in between the transaction.

Though Government is trying its best in providing best to best facilities in rural India to make India as Cashless Nation, but all efforts will be of no use if people will not take up the call themselves. It's trust which involved in between the people and the transaction of the money. The people are required to be train and convince of the benefits of e-wallet. The awareness to people in rural areas about e-wallet is very important to make it really a success.

There are a few suggestions to make e-wallet a success:

1. Awareness

The Government should encourage the awareness on the usage and benefits of e-wallet or any other e-transaction modality. There are different suggestive methods for awareness which are as below:

- a. Today in Indian culture, still involvement of Government in any campaign or business gives trust in the mind of common people. So, suggest to include Government school teachers for awareness campaign. The teacher will meet the people and guide them on the usage and benefits of e-transaction. They make people to have trust on e-transaction.
- b. Different activities in the form of role plays or movies on e-transaction can be shown to the villagers.
- c. Young Generations are the most user of smart phone. The Government or the NGO may conduct different activities for the college students. They may give certain benefits by offering discounts or gift on purchase on items.
- d. The Government can include the topic or subject e-transaction or “Digital India” in the curriculum of junior college or degree colleges.
- e. The ladies will be given gift or discounts on purchasing of daily household items where they have to use e-transaction mode for the offers.

2. E-Shop

Many people in rural areas are not carrying smart phones or have fear to use e-transaction. For such section, suggest to appoint small e-shops who will make the transaction through his/her smart phone. E-shops may be the seller of Mobile recharge or private kiosk of banks dealing in cash transfer business. E-shops will work like recharge shop of Pre-Paid Mobile phone connection. Only difference will be that there must be an OTP (One Time Password) send to the user to verify with the e-shop vendor. Almost all the people in rural India have Aadhar Card (UID Number) and it is linked with certain bank for LPG subsidiary or KYC etc.

For any e-transaction, the people will approach e-shop and fill a form/slip like bank challan with Aadhar Number and the amount to transfer. The E-shop will act as bridge or facilitator in between the merchant and the user and transfer the money from his/her e-wallet. For verification, OTP generated on user mobile will required for success of transaction. The e-shop will get certain amount as service charge from merchant as well as e-wallet operator.

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