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# Journey of E–Wallet after Demonetisation: Past, Present and Future

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**Abstract**
*Prime Minister of India Mr. Narendra Modi announced demonetisation of two high - value currency notes in the evening on 8th November, 2016 which creates chaos in the minds of Indian public. People were asked to exchange their old currencies with the banks, leading to huge queues. During that period more than 50 % people were not having bank accounts. Indian government was focusing on cash less economy by reducing cash transactions to eradicate black money. With less than 50 % people depend on limited banking usage and other means of bank transactions. Indian economy is basically depending more on cash based transactions. More than 95 % of the transactions are accounted through cash. The businessmen did not use card readers to accept digital payments, 85 % of the people were getting their payments in cash, and more than 50 % people were not having bank accounts. As this move the people have entered in new era of Digital payments. This is also known as "e- Wallet", means transfer of money through electric means or different online service providers. Digital payments refers to purchase of goods or services online using different devices such as computer, smart phones, and other electronic devices. Thus the present paper focuses to understand the journey of digital payments and its future in India.*

*Keywords: Demonetisation, black money, Indian economy, Digital payments, e-Wallets*

## Introduction

Earlier the banking industry was highly depending on the various payment types such as cheque, neft, rtgs, demand draft, net banking etc. But after the demonetization government had forced people to reduce the cash transactions rather use different modes for the payments. This afterwards helped the people to use different modes of payments, people have been pushed to use e- Wallets, and ultimately it has become the popular mean for the payment transactions.

### What is an e-Wallet?

It is an online account wherein people can have balance in it and use it whenever required for the purchases of goods and services. It is simply a system in which physical cash is totally replaced. This e-wallet is use for the various purposes such as purchase of grocery items, booking cricket tickets, etc without actually using the credit and debit cards. The main purpose of e-Wallet is to reduce the physical stock of cash.

### What are the different types of e-Wallets?

The Reserve Bank of India has specifically allowed the following types of e-Wallets

1. Closed e-Wallet: These types of e-Wallets are issued by the companies to the users for the purpose of purchase of products and services. As these e-Wallets are used only with a specific service provider.
2. Semi closed e-Wallet: These types of e-Wallets are used with specific service providers. They have a proper contract with the users to transact from the e-Wallet. Cash withdrawal facility is not available with these e-Wallets.
3. Open e-Wallet: These are similar to semi closed e-Wallets, with the exception of cash withdrawals.

### What are the merits of e-Wallets?

1. Prevent risk of theft: As the use of e-Wallets reduces the risk of carrying physical cash. This ultimately helps the user to pay for purchase of goods or services with any high valued price.

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2. Lower maintenance cost: Use of e-Wallets reduces considerably maintenance of cash with the use of electronic money.
3. Minimizes bank charges: Helps to reduce the bank charges levied by the banks to the great extent.
4. User friendly software: e-Wallets are made user friendly so that the layman can use it hassle free.
5. Operation of multiple transactions: It allows the users to make multiple transactions easily simultaneously.

**What are the limitations of e-Wallets?**

1. Network issue: for the use of e-Wallets network connectively is very much requirement for the user.
2. Security & Privacy issue: Now a day it is very essential for the user to have a secure transaction and privacy should be strictly followed while having transactions with the service provider.
3. Infrastructure availability: Country like India where the infrastructure is not easily available. There is always a problem of financial literacy in India, as people are not so educated in terms of using e-Wallets.
4. Smart Phone affordability: It is not possible to have a good Smart Phone or Instrument, through that the payment can be made. Still we have people in India who cannot afford to purchase a smart phone for e-Wallet transactions.
5. Cash hurdle: Day to day regular small transactions are still cash based. It will be difficult to have small transactions using e-Wallets.
6. Service Providers: As in India there are more 10 e-Wallet service providers. Choosing the appropriate and trustworthy service provider is difficult to understand.

**Objectives of The Study**

1. To Study the journey of e-Wallet in India
2. To Study the present transition of e-Wallet in India
3. To Study the growth of e-Wallet in India

**Review of Literature**

On the evening of 8$^{th}$ November, 2016, the government of India has pushed the people to reduce the cash based transaction and use the banking transactions at a large scale. This increases the use of various modes of payments without cash. The government with this has shape the change in the digital economy of the country and its impact on the society at large. After the demonetisation the economic development of the country has taken a different look. There were different perceptions all together about the new economic policy. Some of the studies have been conducted in this area.

Rajesh Krishna Balan, Narayan Ranasubhu and Giri Kumar Tayi (2006) have written a paper titled as "Digital wallet: Requirement and Challenges", in their research paper they have studied use of digital wallet in Singapore and what are the challenges in using the digital wallets.

Rakesh H. M. and Ramya T. J. (2014) have written a paper titled as "A Study of Factors Influencing Consumer Adoption of Internet Banking in India". In their research they have examine different factors which influences the adoption of internet banking in India.

G. Udhayaraj and D. Jocil (2017) have written a research paper titled as A Study on "Electronic Payment System" – "E-Wallet" identified the different types of E-Wallets, How E-Wallets works, Advantages of use of E-Wallets, various applications of the e-Wallets, etc.

**Research Methodology**

The Present study is conducted to identify the current and future development of E-Wallet in India. The paper is based on Secondary data, for this purpose the researcher has collected data from various articles in the newspapers, books, periodicals, journals and e-journals.

**Limitations of The Study**

As the secondary data is compiled from the various sources, practical aspect of using e-wallet is not considered for findings.

**Past, Present and Future of e-Wallet in India**

The article published by Ashutosh Singh in 'The Hindu' dated 10th March, 2016 which further updated on 20th January, 2020, according to them in India mobile phone payments has increased from $86 million since 2011 to $1.15 billion in the year 2016, which states that the there is growth of 68% in using mobile phone payments.

According to BW (Business World) during November, 16 to March, 17, there was a good business in terms of value which counts to 210 %. But after a year or so period April, 18 to Feb, 19 it got slowed down to 123 %. Apart from this there have been some good opportunities to increase the business using the e-Wallets. The UPI payment system has increase at much faster rate, people from all the category rural as well as urban have started to use it more frequently.

As per Reserve Bank of India the Wallet365.com was the only e-Wallet of Yes Bank in the year 2006, by the end of 2017 the number of e-Wallet went to 70 but now it has drop down to 49. The reduction in number of e-Wallets may be because of lack of proper opportunities in the Indian market, policy norms are very stringent, etc.

According to NS Banking the demonetization of two high valued currencies made Indian people to adopt the e-wallet system for payments. The survey was conducted wherein it was identified that 83.6% people from the total respondent uses e-wallets for payments which is very high compare to 24.6% in United Kingdom and 31.5% in America. Paytm is the most popular mobile wallet whereas Google Pay stands after Paytm among the Indians.

As per the survey taken by Federal Reserve it shows that 3 out of 10 people in India would go for e-wallet payment wherever the opportunities comes.

**Conclusion**

Due to development of network connectivity, there has been a constant increase in the users of internet. It has been estimated that by 2020 the number of internet users will be around 650 million. People like to try new changes and prefer to adopt developments which will reduce the use of cash payments. Since last decade there are number of e-wallet companies who have come up with new system and progressive technologies to easy out the e-payment system through e-Wallet but still there are lot many things to be done in the system such as security concern, transactions charges by banks, etc.

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