

## **MOBILE PAYMENTS AND DIGITAL WALLETS: CHANGING CONSUMER BEHAVIOR**

Aaraev Sharma

New Era Public School

DOI: 10.46609/IJSSER.2023.v08i09.030 URL: <https://doi.org/10.46609/IJSSER.2023.v08i09.030>

Received: 10 September 2023 / Accepted: 25 September 2023 / Published: 30 September 2023

### **ABSTRACT**

In place of conventional physical wallets, digital wallets serve as a safe and practical substitute. They give customers the ability to handle numerous digital assets, including cash, credit and debit cards, reward cards, tickets, and identification documents. To enable secure online transactions, these wallets make use of mobile technologies including QR codes, near-field communication (NFC), and magnetic secure transmission (MST). Although security mechanisms like multi-factor authentication, data encryption, remote deactivation, and data deletion have been implemented, there are still worries about identity theft and fraud because of security breaches by nefarious individuals. For organisations that provide digital wallets, ensuring regulatory compliance is essential. Customer identity, multi-factor authentication, security mechanisms, risk communication, and reporting are all required by regulations like those established by the Reserve Bank of India (RBI). It was inevitable that e-wallets would be developed to make these transactions safer, quicker, and easier to manage given the enormous popularity and growth of cryptocurrency as a means of payment. The purpose of this study is to identify the variables influencing consumers' decisions to switch to e-wallets. Our research indicates customer perceptions of utility, safety, usability, trust, and social influence have a significant impact on adoption. The results also highlight the importance of using these elements in marketing plans to promote greater acceptance of mobile payments and digital wallets.

**Keywords:** Mobile Payments, Digital Wallets, E-Wallets, Consumer behavior,

### **Introduction**

#### **1. Digital Wallet**

A Digital Wallet is a digital equivalent of a physical wallet. It provides a more convenient and secure way to perform online transactions. It allows individuals to store and manage various forms of digital assets such as:-

1. Money
2. Payment Cards
3. Loyalty Cards
4. Tickets
5. Identification documents

Digital wallets take advantage of the features of mobile phones to transmit payment data securely from device A to device B. Technologies like QR codes, Near Field Communication (NFC), and Magnetic secure transmission (MST) are common examples of technology used by mobile devices and digital wallets.

## **2. Security Concerns**

Digital wallets use technologies like multifactor authentication, data encryption, remote disablement, and remote wipe to keep our data safe, but many black hat actors and hackers have been able to breach all of these security measures, which has led to thousands of cases of identity theft and fraud. This has caused a growing fear in the minds of the users of digital wallets and is the primary reason preventing people from switching to digital wallets. Companies should remove this fear by giving regular security updates.

To mitigate this responsible behavior in cyberspaces by consumers, companies, and governments is required. Till then these security concerns will not go away.

## **3. Regulatory Factors in Digital Wallets**

Avital aspect of any digital wallet company's operations is regulatory compliance. According to the guidelines of the Reserve Bank of India (RBI) digital wallet providers must comply to the following: -

1. Implement KYC standards and customer identification procedures.
2. Directs the usage of multifactor authentication in order to increase security.
3. The use of security measures, such as encryption, secure data storage, and frequent security checks, is emphasized.
4. Motivates service providers to inform clients about risks associated with digital wallets, best practices for secure usage, and how to identify fraudulent activities.

5. Operators of digital wallets are required to supply the RBI with periodic reports describing their operating condition, user base, transaction volumes, and other information.
6. The guidelines emphasize the value of data security and privacy and urge on digital wallet providers to take steps to protect user data.
7. Transactions are subjected to transaction limits based on KYC level to prevent misuse and unauthorized transactions.

These guidelines are regularly updated to stay up to date with the rapidly evolving world of Fintech.

### **Literature of Review**

#### **1. Identifying The Factors Affecting Consumer Behavior In Switching To E-Wallets in Payment Activities**

With the rapid growth and acceptance of cryptocurrency as a medium for payment transactions, it was inevitable that e-wallets would be created to make transactions safer, quicker, and easier to manage. A study to determine the factors that affect the consumer behaviour of switching to e-wallets in payment activities in Vietnam was done in 2022, conducted a survey of 150 consumers in south-east Vietnam.

Quantitative research tools like descriptive statistics, multivariable regression analysis with the support of SPSS 22.0., Cronbach's Alpha Analysis was employed. The results showed 5 main factors that affect switching to e-wallets in payment activities: -

- a. Consumer perception of the usefulness of switching to e-wallets
- b. Consumer attitudes towards switching to e-wallets
- c. Consumer perception of safety for e-wallets
- d. Consumer perception of the ease of use of e-wallets
- e. Consumer behavior in readiness for the transition to e-wallets

The research has also suggested that the providers of e-wallets who wish to attract more consumers to use their services need to prioritise the usefulness, safety, ease of use and convenience of e-wallet services. Once these qualities are provided, there will be a gradual change in consumers' attitudes towards e-wallets, thereby making them more popular.

## 2. Determining factors of digital wallet actual usage: A model to identify changes in consumer behavior

In a world where smartphones are so prevalent, digital wallets have developed rapidly in order to fulfill the standards of today's society, which promote mobility and streamline transaction processes. A study whose objective was to understand consumer behaviour in Indonesia's adoption of e-wallets. It was carried out in 2022 in Jakarta and involved 360 respondents. This study was analysed using the structural equation model (SEM) with LISREL software tools. The results showed that perceived ease of use, trust, security, and intention are important factors in increasing the use of e-wallets in Indonesia. The study identified that differences in perception of the elements influenced the adoption of digital wallets in Jakarta, particularly among millennials, who make up the bulk of respondents.

## 3. Factors affecting consumer's mobile payment behavior: a meta-analysis

Consumers spending patterns and payment habits have changed substantially with the rise of mobile payments. To synthesise and analyse the findings of many studies about consumers' mobile payment behaviour, a meta-analysis was conducted. It was found that there is agreement among researchers that factors including perceived usefulness, perceived risk, social influence, trust, and perceived ease of use have a massive impact on consumers' behaviour towards mobile payments. The meta-analysis supports most findings but also finds findings that are not supported. The place where the consumer resides was identified as a new factor that can potentially affect consumer behaviour towards mobile payments. To encourage consumers adoption of mobile payments, the factors mentioned above must be incorporated into marketing campaigns.

## **Conclusion**

This study examined the factors affecting consumer behaviour toward shifting to digital wallets and mobile payments. Researchers have discovered widespread agreement that a variety of factors, including perceived utility, perceived danger, social influence, trust, perceived ease of use, and the location where a consumer resides, have a significant influence on how consumers behave when using mobile payments and digital wallets. Any company that provides services related to e-wallets and wishes for a larger mass to shift to digital wallets and mobile payments must prioritise these factors and integrate them into their advertising campaigns. Once these problems are removed, there will be a gradual change in consumers' attitudes towards e-wallets, thereby shifting a larger mass to digital wallets. With this research, it is believed that these factors can offer companies methods to convince larger masses to shift from traditional payment methods to digital wallets and mobile payments, thereby creating a larger market for fintech

companies and allowing consumers to shift to an easier-to-use, safer, quicker, and overall, more convenient way of doing day-to-day transactions. This research is however limited due to no large-scale sample size and lack of understanding of any external factor affecting consumer behavior towards digital wallets and mobile payments.

### **References**

1. Liu, Z., Ben, S. & Zhang, R. Factors affecting consumers' mobile payment behavior: a meta-analysis. *Electron Commer Res* 19, 575–601 (2019). <https://doi.org/10.1007/s10660-019-09349-4>
2. Husainah, N., Paulina, J., Misrofinhah, M., Pradipta, I., Maulana, A & Fahlevi, M. (2023). Determining factors of digital wallet actual usage: A new model to identify changes in consumer behavior. *International Journal of Data and Network Science*, 7(2), 933-940.
3. Nguyen, H. T., & Nguyen, N. T. (2022). Identifying the Factors Affecting the Consumer Behavior in Switching to e-wallets in Payment Activities. *Polish Journal of Management Studies*, 25(1), 292-311.
4. Julia Kagan. (2023). What Is a Digital Wallet? Investopedia,
5. Rbinote, Rbi Guidelines On Mobile Wallets, 29/2019