

‘E- PAYMENT’ AN INNOVATION IN FINANCIAL SERVICES MARKETING’

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ABSTRACT

A number of innovations have happened in the past few years influencing various digital devices and connectivity to make payments simpler and more transparent. Examples range from digital wallets to automatic machine-to-machine payments. These innovations majority of them will modify the front- end process without payment infrastructure undisturbed. ‘E- Payment’ is getting attention in the new developments in the country. One of the methods is m- payment/wallet. A mobile wallet is a way to carry plastic money information in a digital form on your mobile device. In future the purchases are paid by you can make the payment with your smartphone, tablet, or smart watch. Mobile wallet is seen as a way to reduce credit card fraudulence, since in most models credit card numbers are protected through tokenization. By 2020, 80% of the world’s adult population is projected to have smartphones, and it will be a situation by which the younger generation will not leave home without their phones. Thus, increasingly, paying with a smartphone will offer most people a fast, convenient payment option: With a mobile wallet, you can literally leave your leather wallet or purse at home but still make purchases as long as you have your mobile.

Key Words: Innovations, Financial Services, Technological Developments, M-Payment

I INTRODUCTION

In an environment of rapid change we witness a number of changes that are taking place in the financial services industry, the way people recognize and use these services. Development of technology accelerated the pace and volume of transactions without touching the relationship between industry and its customers. We experience these changes in day to day life. For example popular music moved from CD to MP3, movies move to MP4 from DVD and even books are also publishing in e-form. These changes are very much required driving the pace of technological innovation.

II. NEED OF THE STUDY

A number of innovations are taken place financial services in the past few years. Even in the situation of swift change to the plan, distribution, and providers and in strategy of financial services, the core needs remain the same. Areas like (a) Payments, (b) Investment Management (c) Insurance (d) Deposits and lending (e) capital raising are some of them. Since each topic is very vast the researcher is focusing on innovations in ‘Payments.’

III. STATEMENT OF THE PROBLEM

The expectations of the younger generations are different. They look at the service providers with high hope of getting something new; empower them to determine how the services are provided, what will be provided. With the advent of tablets, the way consumers' access financial services have been changed. It became easier and more and more people adopting the system. Considering the innovations in financial services marketing the researcher identified the topic as '**E- Payment' an innovation in Financial Services Marketing'**

IV. OBJECTIVE OF THE STUDY

To create awareness about **E- Payment'** an innovation in financial services marketing especially in 'Payments'

V. REVIEW OF LITERATURE

i) **Robleh Ali, John Barrdear, Roger Clews and James Southgate (2014),** 'Innovations in payment technologies and the emergence of digital currencies'- in their study they specified that trusted central third parties has to be rely on for processing electronic payments. Creation of digital currencies like Bitcoin, which would combine new currencies with decentralized payment systems. They found that though digital currencies have attracted mass attention, but the significant innovation is distributed ledger underlying their payments, because most of the financial assets today exists in purely digital records and this opens up the possibility of distributed ledgers to transform the financial system more generally.

b) **Thomas F. Dapp, Antje Stobbe, Patricia Wruuck "The future of (mobile) payments" (2012),** found out that it is time for the traditional financial institution to wake up, as the market environment is such that there is competition with the web based financial services. The new entrants are piercing their way into the market, especially big players like Google, Apple, Amazon etc. putting their effort to tie up with cross- level, cross sectional internet services, technologies and collaboration of partners in order to expand their market positions. Though banking industry faces challenges and at the same time there are potential for growth and new opportunities. They said that the market for innovative mobile payments still very large. Mobile wallets are getting a lot of attention, Google, Apple or Paypal etc. are strengthening their market position and even cards are also re- positioning them -selves. Fast moving innovations might take sense for financial institutions to pursue a multi- technology and multi- channel strategy. They have to prove that traditional expertise together with new market requirements adapted to the digital age and strike a balance between data and information security on one hand and the growing demand for convenience and user friendliness on the other.

VI. SCHEME OF DISCUSSION

It is an exploratory descriptive study which provides insights into and understating of innovations in payment.

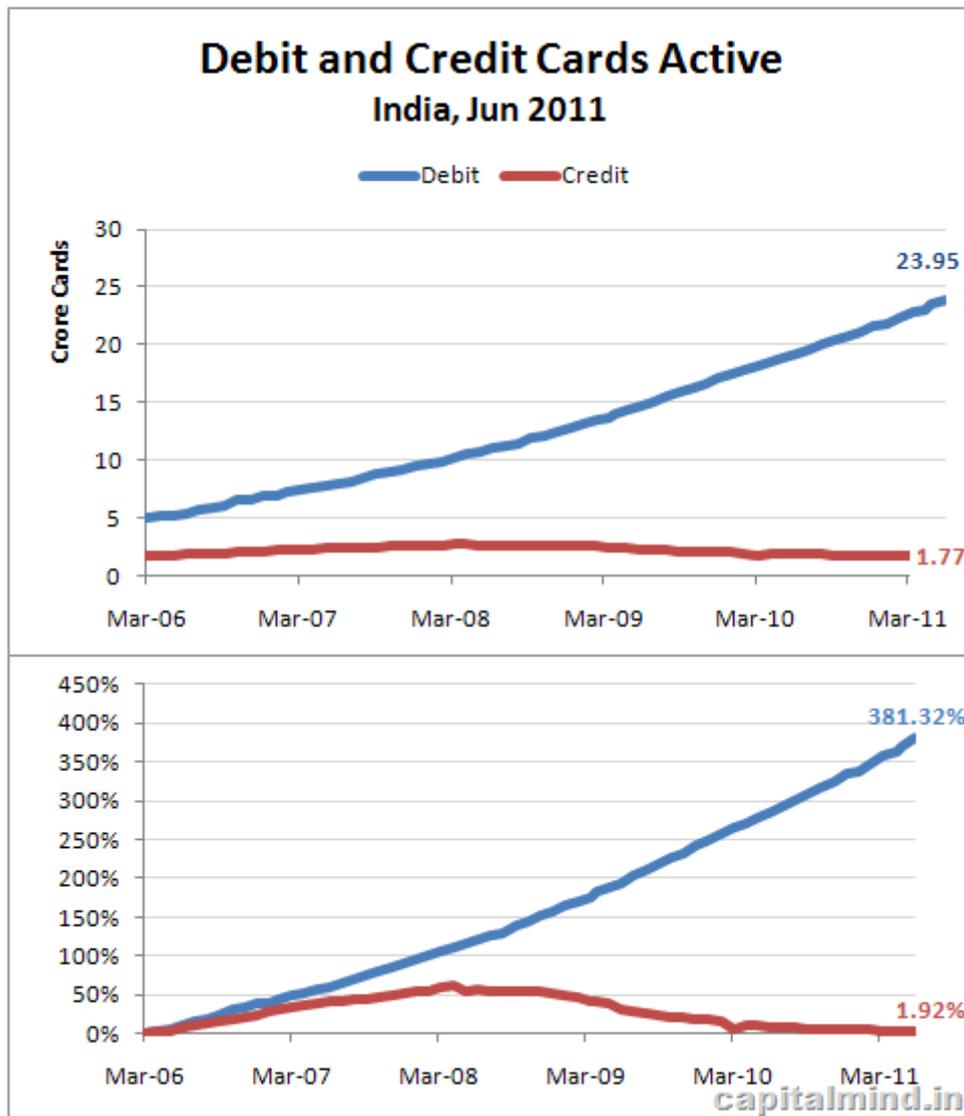
6.1 Payment

A number of revolutions have occurred in the past few years in payment industry. Using of mobile and its connectivity makes payments become very easy and more valued. Since the introduction of credit cards and debit cards, the popularity of electronic payments have grown tremendously, shifting cash and cheques. In US it

account for more than 68 % in value in 2012. Electronic payments depend on a number of intermediaries. In India 'Maestro Card' and 'Visa debit card' are issued by most banks and it is processed through 'Master' and 'visa card' networks in India. They provide acceptance, ease and security of dealings and coordinated by large scale based payment networks. Providers of 'cashless future payment' can hold evolving payment innovations, to offer distinguished, value added digital knowledge and practice to their customers which will expand their relationships, and take a leading place in the changing market scenario.

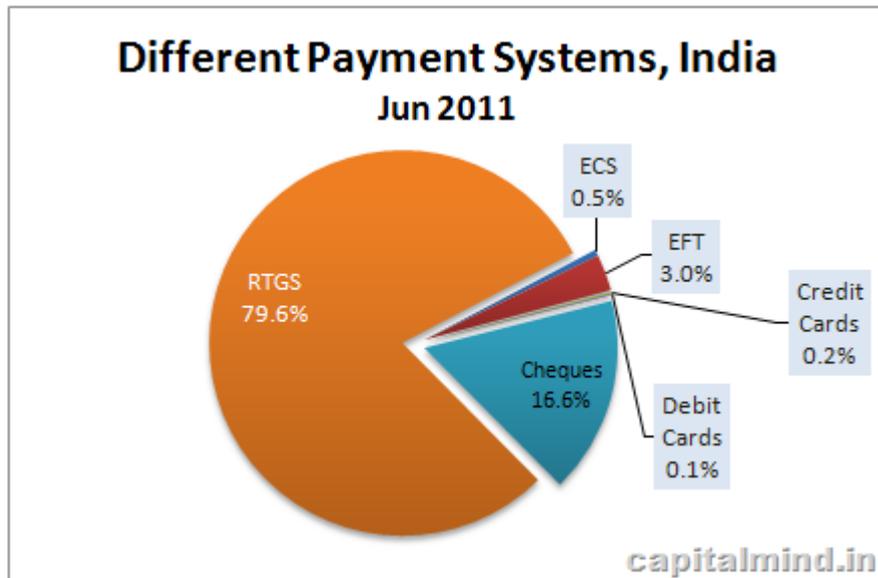
Given below diagrams shows the Debit and Credit Cards Active as well as different payment systems in India till June 2011

Chart 1



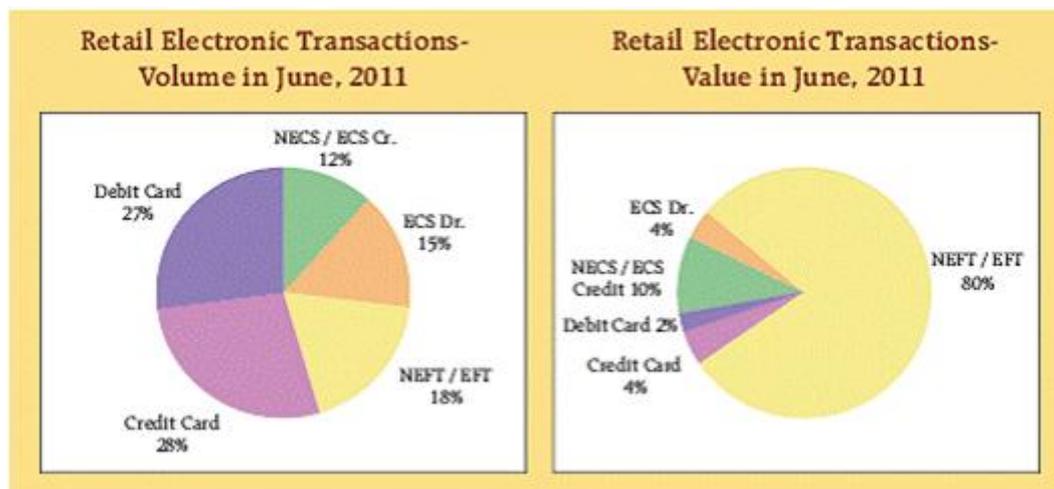
There are other types of payments too. Electronic Clearing Services (ECS), Electronic Fund Transfers (EFT), Real Time Gross Settlement (RTGS), Mobile Money Transfers and IMPS

Diagram 2



From the diagram 2 it is clearly seen RTGS transfer is settlement is high in India. Chart 3 shows retail electronic transaction in the month of June 2011.

Chart 3



Source: RBI monthly bulletin

The advantages of electronic transactions are many. It is really convenient and reduces the need for carrying cash as well as reduces the visit to banks to withdraw money. It protects the holder of cash from fraud and stealing. Since payments are done electronically, only few bills are exchanged by hands which increase the efficiency. Since it is transparent its traceability is easy.

6.2 Drivers of Innovation

There are three primary sets of drivers of revolution in consumer payments; (i) developments in technology; (ii) the consumers and (iii) regulation. Chairman of Microsoft, Bill Gates, in 1994 said, 'Banking is necessary, but banks are not'. His prediction becomes true in the present era. Due to development in technology, customer behavior and regulation, today banks are required to make swift and irreversible changes.

i) Developments in technology - Due to technological developments plenty of technological products and services like, World Wide Web, mobile phone App have facilitated the arrival of many Fin Tech companies. These companies offer lower cost services like e- payments and online trading for traditional services. Facebook, Twitter and Google etc. these social media companies have huge followers and entering into the financial sector and bringing new bases of competition. Various studies show that usage of smart phone in global market is above 50% and majority of them using mobile phone for internet and for mobile applications on a daily basis. It plays a great role in the delivery of services to consumers. Due to the increased usage of tablets and smartphones, there is a growth in e- and m- payments. Studies reveals that M- payments are expected to grow annual by 60-65% whereas e-payments will slow down by 15- 16% annually. Entrance of iPhones and Android smartphones, which are awfully sophisticated, and it has many features that are extremely useful for payments innovation.

ii) The consumers - New generation people have different expectations and their dealing with banks also different. Instant gratification and no loyalty is their buzzwords. For banking services they do not want to go to banks, instead they prefer to get the benefit of online and other social media platforms. Social media they use not only for connecting and communicating between themselves but as a tool to communicate with the banks also. They do not prefer to have traditional customer loyalties, whereas the elder groups demand for higher returns and greater transparency.

iii) Regulation

Regulations also play a major role in determining future innovations in payments. Due to this many banks disassociate themselves of capital intensive assets. This was having a through change in the attitude of banks, and they marked a clear border between retail and wholesale banking. Stricter enforcement of regulations caused the development of non-banking financial institutions and they offer challenging services to bank clients. Money laundering and terrorist financing gives concerns to governments and financial regulators in the international arena. This has given rise to the International Financial Action Task Force [IFATF] which recommended for strong guidelines for practices in Anti- Money Laundering [AML], Countering and Funding of Terrorism[CFT], Customer Due Diligence[[CDD], Know Your Customer [KYC] etc. This has been a motivating factor for Financial Service Providers [FSP] in technologies to authenticate the customers after an account has been opened by using various techniques like PIN and Biometrics.

A major portion of banking services are taken care by other entities too, like payment Service Providers, P2P and P2B services, crowd funding, consumer retail financing, investment bankers, disintermediation etc. Due to this the exclusive privilege of banking services of banks are getting reduced. That is why way back in 1994 Microsoft Chairman Bill Gates said, 'Banking is necessary, but banks are not.

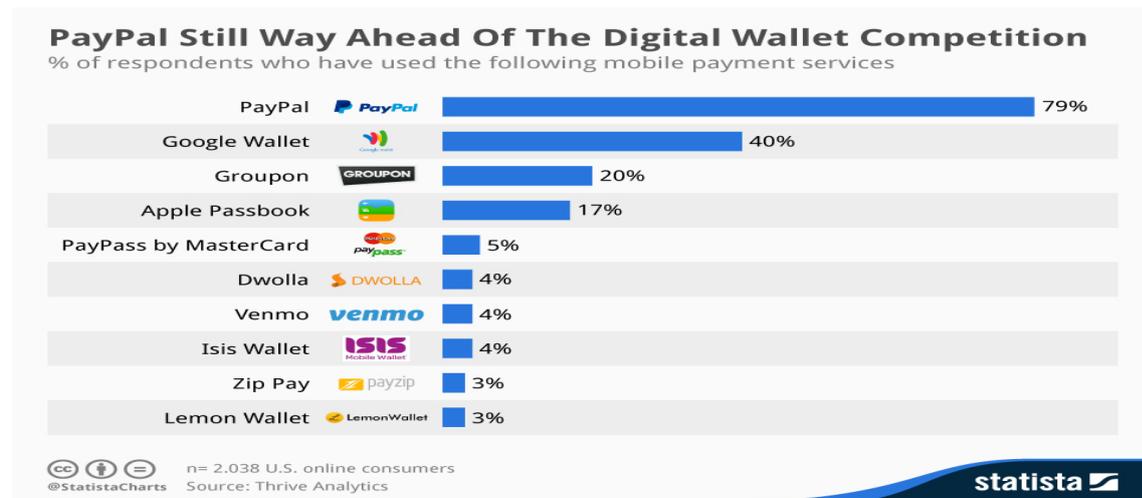
6.3 Cashless World – Key Innovations

The new innovations of the past five years by using mobile and connectivity makes payments simpler and add value. For example, if you go to a Pizza Hut , it is listed with Paytm mobile wallet, you can pay for your Pizza through the phone. Depending on the service provider, you can also pay through app, text message, social media account or website. Anything and everything! Right from utility payments to e-tailing and offline payments, you can perform most of your daily transactions. The popularity of smartphones and difficulty in carrying of hard cash and plastic money led to the development of ‘Mobile wallet’ solutions for Point of-Sale payments. M-wallet is in the midst of competition, we have to wait and see which provider/ technology is the winner of the game.

The major innovations are (a) Mobile payments (b) Integrated billing c) Streamlined Payments (d) Next Generation Security. These innovations are more secure and we do not have to carry hard cash. It helps us to make our purchase with payment cards and track our spending online.

a) Mobile payment – Indian is the second- largest telecommunications market and has 929.37 million mobile phone customers in the beginning of the new millennium. It is quite common even in remote villages. The growth is expected at the rate of 200 million per year and is cross one billion markets by 2013- 2014. The urban subscribers are 66% and share of rural population is 34%. Monthly report shows growth is 55% for urban and in rural segment is 45%. In this situation it is possible to consider it is an economically practicable gadget to empower comprehensive access to financial service industry. By avoiding carrying of hard cash and debit and credit cards, it is possible to pay by using smart phones. It can be used for transfer of any amount or even for payment for purchase of goods and service. The service can be done either by SMS or by using communication technologies. In India it is done through banks. Those consumers who wanted this facility to use in India have to get register with the banks which provide this facility. The organization which is in charge in India is Mobile Payment Forum of India (MPFI). India has a good population who are residing in rural area and the major drawback of traditional banking industry is that they cannot cater the need of this rural population. The major reason is, it is a costly affair. In order to facilitate this group, NPCI launched Immediate Payment Service [IMPS] offer this type of rural people, by this offer they can access 24hours x 7, instantly, through mobile phones. This facilitate customers can use their mobile instrument for accessing their bank accounts as well as put interbank fund transfer in a safe manner with instantaneous confirmation features.

The given below chart shows the data of usage of digital wallet.



Mobile Wallets in India

Though it is a very new concept in India and consumers are psychic about its growth. Indians welcomed it with both hands. It has become one of the successful business ideas for startups. By a fraction of time it surpassed credit cards in terms the number of users. Paytm alone has 20 million active users in India. This is much higher than the collective number of credit cards in India. At present there are 10-12 mobile wallet companies operating in the country. RNCOS, a research firm showed in their the current Indian market size for mobile wallet stands at about 350 crore and is estimated to Rs.1210 crore by 2019. PayTM is one of the fast growing companies in India, according to Vijay Shekhar Sharma, Chairman and Managing direct of One97 Communications, which operates Paytm, which received the mobile wallet services from the Reserve Bank of India in 2014, aims to cross the 100- million users mark by 2016. Mobiwik started in 2009 claims second position with 12 Million users. The claims to enable the customers to make bill payments, online purchases from popular websites including eBay, Snapdeal, Shopclues, Make my Trip, Pepperfry, Yepme, Homeshop 18 etc.

VII. CONCLUSION

As per the news in Business line on March 10, 2016, India is witnessing exponential growth in the area of digital payment in recent times. With 'Digital India' flagship initiative of government, the country will witness mobile penetration, and massive adoption of digital payments in the coming years.

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