

Impact of Digital Wallet on Consumer Purchase Behavior in Retail Store

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ABSTRACT

In today's digital era, the rise of digital wallets has transformed how people shop, making retail transactions more seamless and convenient. Shopping in retail provides insight into understanding digital wallets. The nature of how digital wallets influence buyer behavior can be analyzed through the factors under "encoding and decoding" related to customer decisions. This includes why some consumers resist shifting from traditional payment systems to digital wallets. By evaluating customers' use of digital wallets and engaging with them in a retail store environment through surveys, we can help shoppers make better retail transactions. This enhances their shopping experience, making it easier and more secure. Additionally, the enablement of impulse buying and brand loyalty remains a key aspect, driven by the ease of digital wallet transactions.

Keywords: Digital Wallet, Security, Impulsive Purchase, Shopping Experience, Habit.

INTRODUCTION

Numerous factors have pushed economies onto the digital front by increasing customer preference for digital wallets. Convenience is still the most crucial component. Many customers have started using digital payment methods since transactions can be completed with a simple tap on a mobile device. Convenience is another aspect that has influenced current changes, such as transaction speed. When taken as a whole, these two elements demonstrate how well these programs may transfer money. Customers choose digital wallets, further highlighting the diverse features offered by these wallets.

When discussing consumers' "newfound preference for digital wallets, specifically in India," it is important to mention Demonetization as it provided the digital payment industry with a shot in the arm it needed so badly. On 8 November 2016, Prime Minister Narendra Modi took a revolutionary step by declaring that the notes of denominations 500 and 1000 were declassified as legal tender and no longer valid for transactions.

The government hoped to expedite India's transition to a cashless economy, combat corruption (primarily by government officials who accepted bribes), eradicate black money, combat terrorist financing, and stop the circulation of counterfeit currency notes in the economy. Over the following few months, all Indian citizens lined up outside banks to have their old notes exchanged for the new ones.

The study's primary focus will be on the elements that affect digital wallet adoption, including user preferences, usage, and customer satisfaction.

Aside from the fact that it destroyed 86% of India's currency and plunged the nation into chaos for a few months after it was announced, it also had some positive effects, chief among them being that it created the perfect foundation for promoting investment and the expansion of the digital payment sector. Additionally, the Indian government worked with private businesses like Mobikwik and Paytm. According to the Watal Committee Report, which will be published and delivered to the Ministry of Finance in December 2016, just 5% of personal consumption expenditures and 20% of all transactions were conducted online.

According to data released by the RBI, digital payments grew at a compound annual growth rate of 55.1% throughout India between 2015–16 and 2019–20. The RBI Governor stated in January 2020 that this growth has resulted in digital payments making up 97% of daily payment volume. Despite the digital payment industry surge, to reach the economically disadvantaged segments of society, especially those living in rural areas.

LITERATURE REVIEW

Author name	Identified Gaps:	Description:
H.M. Aji and W.R. Adawiyah	Limited Research on Long-Term Consumer Behavior Changes	Most studies focus on short-term adoption rather than long-term changes in spending habits due to digital wallets.
Adina-Laura Achim	Lack of Sector-Specific Analysis	Existing research primarily covers general retail, with limited studies on sector-specific impacts (e.g., grocery vs. luxury retail).
Siok Yee Tan, Md Arif Hassan,	Insufficient Study on Security and Trust Issues	While security concerns are noted, there is little exploration of how different demographic groups perceive security risks.
Maxime Colas	Limited Research on Digital Wallet Influence on Retailers	Studies focus mainly on consumer adoption, with less emphasis on how digital wallets impact retailer operations and profitability.
Yizhao Jiang	Gaps in Understanding Psychological Triggers	Few studies explore the psychological motivations behind consumer preference for digital payments beyond convenience and rewards.
Santosh Parakh, Prakash Ukhalkar	Limited Focus on Rural and Low-Income Consumers	Most research examines urban consumers, neglecting the challenges rural and low-income groups face in digital wallet adoption.
Fernanda Ainhoa	Lack of Comparative Studies Between Digital Wallets and Other Payment Modes	Research rarely compares digital wallet adoption with traditional card payments or emerging fintech solutions.

Data Analysis:

Even though 52.8% of Indians had access to financial institutions in 2014, as of August 2016, 931 million mobile subscriptions were active, making up more than 74% of the nation's entire population. Watal and associates. This suggests that while financial inclusion is a significant challenge to governments, the growth of digital payments can significantly reduce financial inequities. "A wider paradigm shift in the ease of access to financial services is reflected in the digital payments boom" (Pandey). Through technological innovations and technology-led payment solutions, we can ensure the delivery of efficient and more inclusive financial services. The administration has already taken action to achieve the objective.

Use and Convenience:

To promote broader financial inclusion, the government has built the Jan-Aadhar-Mobile (JAM) and Universal Payment Interface (UPI) platforms and given those who didn't even have bank accounts a unique digital identification called Aadhar. The Reserve Bank of India (RBI) asserts in its report "Vision 2018" that a four-pronged approach—consumer centricity, strong infrastructure, efficient supervision, and regulation—has been adopted to implement digital payments in India. Additional significant factors contributing to India's "digital payment revolution" are "the proliferation of mobile phones, the availability of data network infrastructure, the rollout of 3G and 4G networks, and the large merchant ecosystem." Singh and Rana

Security and Trust Issues:

When using digital wallets, it's critical to keep the money safe. When making payments, people want to feel comfortable. When choosing these solutions, trust is crucial. Many people are concerned about their financial information. Some people even avoid new technology out of fear for their safety and privacy. Zhou's 2013 study showed that two-factor authentication and fingerprint scanning increase users' sense of security when using their phones to make payments.

A few clever security features of digital wallets help allay worries. To safeguard the information, techniques like fingerprint scanning and encryption. According to a 2013 Lee study, digital wallets make users feel safer. Regarding avoiding fraud, most think these techniques are more secure than cash.

Key Factor	Authors/Studies	Key Findings	Impact on Consumer Behavior
Ease of Use and Convenience	Venkatesh et al. (2003), Pousttchi et al. (2009), Lu et al. (2011), Shankar et al. (2003)	<ul style="list-style-type: none"> - Perceived ease of use drives technology adoption (TAM). - Mobile payment solutions reduce transaction time, enhancing customer satisfaction. - Integration of additional features (e.g., loyalty programs) increases usability. 	<ul style="list-style-type: none"> - Encourages frequent use of digital wallets in retail stores. - Reduces switching time, especially in fast-paced retail environments.
Security and Trust	Kim et al. (2009), Lee et al. (2013), Zhou (2013), Xu et al. (2016)	<ul style="list-style-type: none"> - Trust in security measures (e.g., encryption, biometric authentication) promotes adoption. - Enhanced protection against fraud builds consumer confidence. 	<ul style="list-style-type: none"> - Improves customer satisfaction and loyalty. - Increases continued usage of digital wallets, fostering higher purchase rates in retail settings.
Promotional Offers and Impulse Purchasing	Hoyer (1984), Industry reports	<ul style="list-style-type: none"> - Promotions, discounts, and cash-back rewards incentivize unplanned purchases. - Emotional triggers or external motivations drive impulse buying via wallets. 	<ul style="list-style-type: none"> - Leads to increased sales through unplanned purchases. - Enhances customer motivation to use digital wallets during retail shopping.
Integrated Features	Shankar et al. (2003)	<ul style="list-style-type: none"> - Integration with loyalty programs, ticketing, and online shopping adds value to digital wallet use. 	<ul style="list-style-type: none"> - Increases usability and adoption by aligning payment solutions with consumers' daily needs and lifestyles.
COVID-19 and Contactless Payments	Mehta et al. (2021)	<ul style="list-style-type: none"> - The pandemic accelerated the shift to digital wallets, emphasizing contactless payment methods. 	<ul style="list-style-type: none"> - Shifted consumer habits to prioritize hygiene and convenience in payment processes.

Research Objectives:

When using digital wallets, it's critical to keep money safe. When making payments, people want to feel comfortable. When choosing these solutions, trust is crucial. Many people are concerned about their financial information. Some people even avoid new technology out of fear for their safety and privacy. Zhou's 2013 study showed that two-factor authentication and fingerprint scanning increase users' sense of security when using their phones to make payments.

A few clever security features of digital wallets help allay worries. To safeguard information, to use employ techniques like fingerprint scanning and encryption. According to a 2013 Lee study, digital wallets make users feel safer. In terms of avoiding fraud, most think these techniques are more secure than cash

RESEARCH METHODOLOGY

Most participants (12) stated that to began utilizing digital payment apps in 2018, with 11 claiming to have done so. This indicates a rise in the number of people using mobile payment apps in the years following 2016 and Demonetization.

This demonstrates the strategy's crucial role in fostering the long-awaited industry change. Merely three out of fifty participants started utilizing these applications in 2016, and the number of responders who switched to digital payment methods in 2015 was constant. Three individuals said use these apps from 2009 to 2014, albeit some of them couldn't recall the exact year to began.

According to most respondents (47), using these apps presents no difficulties. The other three respondents, however, stated that still encounter several difficulties that annoy them.

These difficulties include the inability to finish transactions, additional fees that walkers impose when using credit cards to top up, and the incapacity to conduct quick transactions in places with poor internet connectivity. These difficulties could prevent users from enjoying the best possible customer experience.

DISCUSSION FOR RESEARCH METHODOLOGY

The findings showed that the most popular option among the respondents was Paytm, as 47 (94%) used it, followed by Google Pay, which 23 (46%) said was one of their preferred payment apps. Even before Demonetization transformed India's digital payment market, Paytm was far ahead of its competitors. Since then, its value and user base have increased dramatically. The business had over 350 million active users and was last valued at \$16 billion.

Mixed-Method Approach: Perspectives and Justification

We all know that people behave differently when using digital wallets. It makes sense to look at the numbers and hear personal stories. This helps us see how digital wallets impact buying choices, how happy people are with their purchases, and how loyal to brands.

Strengths:

- **Holistic insights:** The study gives a broad view of insights. We use two methods in our research. The survey has solid data on how often people use products, what to buy, and their satisfaction levels. Then, we get honest feedback through interviews. This helps us understand what drives people and what makes them happy.
- **Interpreting Context:** Surveys provide numbers that show significant trends. But interviews get to the heart of these trends. To give the details we need. Consumer choices are not just about personal feelings or emotions. There's more to the story.

CHALLENGES

Time and Resource Intensive:

Using a mixed-methods approach can take many resources. To gather, analyze, and interpret data carefully. Surveys are easy and can reach many people. Interviews need careful planning. To pick the right people, recruit them, and even transcribe the talks. This can slow things down.

Analyzing the data can also be complex. It's not always easy to mix numbers with opinions. The need is different tools and methods for each type of data. When bringing the results together. To avoid any conflicts between the two sets of info.

CONCLUSION

This study looks at how digital wallets change shopping habits in malls. It checks out what makes people use these wallets, safety features, ads. We are using numbers and interviews to understand digital wallets in stores better today. When wallets are tricky to use, people might buy more on a whim. For example, in-store mobile payments attract shoppers. People share doing it because of the security of digital wallets. This safety builds trust, especially for folks who do not like sharing their money details online.

When people trust a brand more, to shop with them again. Stores use digital wallets to send special deals and rewards to customers. This encourages people to link their wallets to reward programs for better loyalty and more repeat buys. Our analysis shows that customers are more likely to buy on impulsive with digital wallets, especially when discounts or cash back are available. This change could mean more significant profits and more sales for retailers.

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