UDC 336

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PROS AND CONS ABOUT INVESTING IN DIGITAL WALLETS TECHNOLOGY IN NON-BANKING COUNTRIES

According to Statista, the market for mobile wallet transactions will grow significantly over the next few years [1]. Smartphones are now used not only for communication but also as a means of payment in a number of countries. The pandemic has accelerated things further, as people have turned to e-commerce to fulfill their everyday needs.

It is expected that the total number of digital wallet users worldwide is expected to exceed 5.2 billion in 2026, up from 3.4 billion in 2022, representing strong growth of over 53%, due to a new study from Juniper Research. E-wallets make bank accounts more accessible, helping unbanked users to digitize their cash. And for financial institutions, it helps to increase customer loyalty, boost demand, and improve the convenience of modern users.

In the future, digital wallets will be more than cards. The raise of e-wallets has shaken up how we proceed with payments, offering convenience and security that traditional payment methods cannot match. With merchants' adoption of e-wallets and the promise of continued innovation, this technology is in danger of becoming the future of payments. But due to the fact that e-wallets are issued not only by banking institutions, the level of compliance when adding new customers is also lower, and the level of fraud is higher.

Since the study is based on non-banking countries, the best option would be to consider India as lately, it has been experiencing exponential growth in the area of digital payment [2]. Flagship government initiatives such as Digital India will act as making the country digitally empowered. In order to accelerate the execution of the concept of the digital economy there are a number of digital payment systems were established. Today in India mobile payments are a top investment priority for banks and non-banking institutions. Over 2/3 of the population of India have a mobile phone and only 1/4 have a bank account. Consumers are growingly using their smartphones to proceed with payment transactions [2].

Since April 2022 according to regulations issued by The Reserve Bank of India, has been removed the limitation of using the amount in one wallet only on expenses made through the same wallet. Customers acquired an opportunity to send money from one mobile wallet to various other wallet brands, send and receive money instantly P2P, C2B, B2B, or G2C and withdraw cash from POS terminals. India has already introduced some the option for payment methods such as Ola money and PayTM (one of the most popular providers in India) [3].

The growing popularity and a crowded market with many providers are becoming the main factor in increasing fraud and hacks. Security breaches make digital wallets vulnerable and can lead to loss of funds or sensitive data. These reasons stop the investor from investing money in the development of these technologies, since in addition to monetary risks, the investor may also face reputational risks, and a case of violation of the law by the company that produces digital wallets could result in fines or other penalties. Total losses from fraudulent operations with bank transactions (including digital wallet transactions) in 2017 amounted to 22.8 billion US dollars, and according to forecasts, this year the volume of fraudulent operations is expected to increase to 35.67 billion dollars [3].

Machine learning and Big Data analysis techniques seriously help to automate the development of models for identifying fraudulent transactions. However, the development of a system that automatically will detect fraudulent transactions requires qualified engineers and eventually a long time for development, which

in turn leads to exorbitant costs for small and medium-sized enterprises. For the last few years, there has been an expanding amount of investigations on the use of resource-intensive technologies such as artificial neural networks and deep learning. Nowadays a large part of the studies analyzes fraud detection with machine learning, creating their own algorithms that are trained with historical data to suggest risk rules and cover more cases.

Regulatory issues, at the same time performed as opportunities to invest in e-wallets and opposite, bring some challenges and risks to consider when investing in digital business. Cashless policies in the economy of a country seriously affect their economic growth. Solutions like UPI and Aadhar have enabled India to become the largest real-time market for digital payments, strengthening India's foothold as a digital payments leader. UPI is a real-time payment system that allows users to link several bank accounts in a single smartphone app and execute fund transfers without providing IFSC code or account number [4].

Digital currencies that gained popularity in recent years also contributed to the rapid development of digital wallets. The fast growth of different types of cryptocurrency or digital currencies such as utility, payment, security, stablecoins, and NFTs forced central banks to provide an alternative—or let the future of money pass them by. That's how the world saw the Central Bank digital currency (CBDC), which is expected to serve as the core digital infrastructure in the future.

Nowadays, many countries have their CBDC pilot projects that successfully launched and are testing. 15 cities with more than 13 banks participating in the retail and wholesale CBDC pilots that are run by The Reserve Bank of India (RBI) [4]. To figure out solutions for enabling offline transactions, increasing transactions per second, and improving scalability. The RBI initiated a Hackathon this year. They have also been interacting with private businesses to find out ways how to work with offline transactions. Both the government and private companies allocate huge budgets for the development of these technologies.

To summarize, India has taken many steps to move to a cashless economy and has achieved some success. By implementing the right policy and providing adequate support for business, the country is now rapidly moving towards digitalization and already more than 40 providers provide their services on the territory of this country. But the problem with fraud remains at a very high level. Lack of financial knowledge is causing the rise of identity theft in the country. End-users' financial illiteracy and reluctance to digitize are the biggest obstacles to a faster transition to cashless payment transactions.

Despite all this, there are many opportunities for businesses to invest in fraud detection programs, transaction protection methods, and the creation of new authentication systems, or it is never too late to invest in the creation of a new service provider, especially since countries that will adopt a cashless economy every year there will be more. Investing in digital wallets may provide access to new markets and customer segments, especially in emerging economies. Purchasing goods online, paying bills, transmitting funds between individuals, paying for transportation, sending money abroad and many other businesses now executed with the help of digital currencies, millions of potential clients.

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