

Digital Wallets vs. Traditional Accounts: How Mobile Banking Shapes Daily Saving Habits

Dr. Md. Imteyaz Hassan

Associate Professor

Department of Commerce, College of Commerce, Arts & Science Patna

Abstract

Saving money is rarely just a math problem it is a habit shaped by how easy or hard it feels to set cash aside. This article looks at how India's shift toward mobile banking and digital wallets, still in its early stages up to 2014, was beginning to reshape everyday saving behaviour compared to traditional bank accounts. Using data from the Reserve Bank of India, CRISIL Inclusix, the World Bank's Global Findex database, and the Telecom Regulatory Authority of India, the article traces how limited bank branch access, low account ownership, and a heavy reliance on cash left large parts of the Indian population outside formal savings systems as of 2011–2013. It then examines how mobile phone penetration, the Reserve Bank's prepaid payment instrument framework, and the 2014 launch of the Pradhan Mantri Jan Dhan Yojana began changing that picture by lowering the physical and psychological barriers to opening and using an account. Drawing on behavioural economics research, particularly work on commitment devices and self-control, the article argues that convenience and friction, not just interest rates or financial literacy, drive whether people save consistently. A comparison table sets out how traditional accounts and early digital wallets differed on cost, accessibility, and savings features, while two figures illustrate India's financial inclusion trajectory and the pace of Jan Dhan account openings in late 2014. The piece also draws on international experience, especially Kenya's M-PESA system, to show what mobile-led savings growth can look like when it matures. It closes by weighing the opportunities mobile banking offered India's underserved households against real challenges around infrastructure, trust, and financial literacy that remained unresolved at the time.

Keywords: digital wallets, financial inclusion, India, Pradhan Mantri Jan Dhan Yojana, mobile banking, savings behaviour

I. Introduction

Ask someone why they don't save more, and you'll rarely hear a lecture about interest rates. You'll hear something simpler: it's too much hassle, the bank is far away, or the money just seems to slip away before month-end. That everyday friction, more than any grand economic theory, decides whether a rupee sitting in someone's pocket ends up in a deposit account or gets spent on the next small expense.

For decades, the traditional bank account was India's main tool for formal saving. But a large share of Indians, especially in rural areas, simply weren't part of that system. Branches were thin on the ground, paperwork was intimidating, and minimum balance requirements kept many people out entirely. Mobile phones changed the equation. As phone ownership spread faster than bank branches ever could, banks and regulators started asking a genuinely new question: could a device already in someone's pocket become their savings tool too.

1.1 Background

By the early 2010s, India's formal banking system covered only part of its adult population. The World Bank's first Global Findex survey found that just 35 percent of Indian adults held an account at a formal financial institution in 2011 (Demirguc-Kunt & Klapper, 2012). That left a huge share of the country managing money through cash, informal moneylenders, or savings groups — none of which offer the safety or growth that a bank deposit does.

At the same time, mobile phones were spreading fast, even into places banks hadn't reached. Telecom data from 2014 showed the country's wireless subscriber base climbing steadily, with rural teledensity around 45 per hundred people even as urban areas approached saturation (Telecom Regulatory Authority of India, 2014). That gap between phone reach and bank reach is exactly where digital wallets and mobile banking found their opening.

1.2 Why This Comparison Matters

Comparing traditional accounts with digital wallets isn't just a technical exercise. It gets at something more human: what actually gets ordinary people to save consistently. A savings account sitting three villages

away, open only during work hours, competes very differently for someone's spare cash than an app or wallet that lives in their phone. This article walks through both sides of that comparison, using the data and policy developments available through 2014, and asks what they tell us about the psychology of saving.

II. The Traditional Savings Account: Strengths and Limits

2.1 What Traditional Banking Got Right

Traditional bank accounts still offered things a wallet couldn't match in the early 2010s: deposit insurance, interest income, access to loans, and a relationship with an institution regulated tightly by the Reserve Bank of India. For a rural household, a savings account wasn't just a place to park money — it was often the first step toward credit, insurance, and a documented financial identity.

Progress on this front had been real, if slow. CRISIL Inclusix, India's first district-level financial inclusion index, showed the country's overall inclusion score rising from 40.1 in March 2011 to 42.8 by March 2012, and then jumping to 50.1 by March 2013 once microfinance institution data was folded into the measure (CRISIL, 2013). Deposit accounts were opening at a healthier pace than at any point in the previous four years, and bank branch expansion in underserved regions was picking up too (CRISIL, 2013).

2.2 Where the System Still Fell Short

Still, opening an account was one thing. Using it regularly for saving was another. Many rural branches served dozens of villages each, so a round trip to deposit a small sum could eat up an entire day's wages. Minimum balance rules, paperwork requirements, and general unfamiliarity with formal banking discouraged low-income households from engaging beyond the bare minimum. Reserve Bank data from this period showed household financial savings stuck at a modest 7.2 percent of GDP in 2013-14, only slightly up from 7.1 percent the year before, even as overall domestic savings had actually declined from 31.3 percent of GDP in FY12 to 30.1 percent in FY13 (Business Standard, 2014a). People weren't saving less because they didn't want to; the friction of access was doing real damage.

As shown in Figure 1, the steady but uneven rise in the CRISIL Inclusix score across 2009 to 2013 illustrates this exact tension: inclusion was genuinely improving, but from a low base, and unevenly across regions.

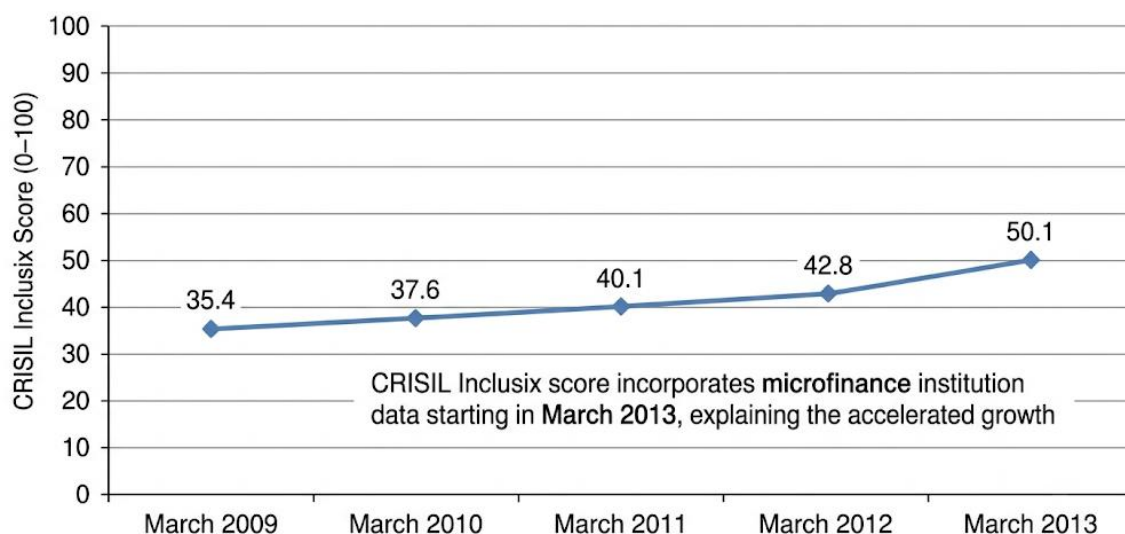


Figure 1: India's Financial Inclusion Progress, 2009–2013 (CRISIL Inclusix Score)

This line chart tracks India's national CRISIL Inclusix score, a 0–100 index combining branch penetration, deposit penetration, and credit penetration, from 35.4 in March 2009 to 37.6 in March 2010, 40.1 in March 2011, 42.8 in March 2012, and 50.1 in March 2013. The upward slope shows accelerating inclusion, particularly after 2012 once microfinance institution data was incorporated into the index. The key takeaway is that formal financial access was expanding steadily but remained well below the ideal score of 100, leaving substantial room for mobile-based channels to fill the gap. Data sourced from CRISIL Inclusix reports (CRISIL, 2013) and Vijaya Bhaskar (2013).

III. The Rise of Digital Wallets and Mobile Banking in India

3.1 A Regulatory Green Light

The Reserve Bank of India didn't stumble into mobile banking by accident. It built a deliberate framework for prepaid payment instruments, commonly known as mobile wallets, allowing both banks and select non-bank companies to issue them under RBI oversight. Around the same period, the RBI's Committee on Comprehensive Financial Services for Small Businesses and Low-Income Households, chaired by Nachiket Mor, recommended structural reforms to widen financial access, including the idea of specialised "payments banks" designed to handle small deposits and payments without the full range of traditional banking services (Mor, 2013). The Reserve Bank formally issued guidelines for licensing such payments banks in 2014, setting a deposit cap and steering these new entities toward exactly the kind of low-friction, small-value savings that traditional branches struggled to serve (Reserve Bank of India, 2014a).

3.2 Phones Reaching Where Branches Couldn't

The real enabler behind all of this was the phone itself. Telecom subscriber data from 2014 showed rural mobile penetration climbing steadily even though it still trailed urban areas by a wide margin, with rural teledensity around 45 percent compared to a much higher figure in cities (Telecom Regulatory Authority of India, 2014). That gap mattered less than the direction of travel. A bank branch takes years and real capital to build; a mobile network, once it reaches a village, puts a financial access point in nearly every pocket almost overnight.

Banks noticed. Several large lenders began pushing mobile banking hard through 2013 and 2014, promoting it as a way to reach retail and rural customers who had never used net banking or ATMs comfortably. The logic was straightforward: if people already carried a phone everywhere, a banking app or SMS-based service could ride on that existing habit rather than asking customers to build a new one from scratch.

IV. How Digital Access Changes Saving Behaviour

4.1 The Psychology of Small Frictions

Behavioural economists have long argued that saving isn't purely rational — it's shaped by small nudges, defaults, and the effort required to act. Thaler and Shefrin's early work on self-control described saving as an ongoing tug-of-war between a "planner" who wants to save and a "doer" who wants to spend now, with structural barriers often tipping that fight in the planner's favour (Thaler & Shefrin, 1981). Ashraf, Karlan, and Yin's field experiment in the Philippines found that offering people a simple commitment savings account, one that restricted withdrawals until a self-chosen goal was met, meaningfully increased actual savings balances (Ashraf, Karlan, & Yin, 2006). The lesson carries over neatly to mobile banking: when saving requires less physical effort, or when a small nudge like an SMS reminder pushes someone at the right moment, people tend to follow through more often.

Duflo and Saez found something similar in a very different setting, showing that simple information and social cues around retirement savings decisions could shift participation rates substantially (Duflo & Saez, 2003). Karlan, McConnell, Mullainathan, and Zinman later demonstrated that basic reminder messages, sent at the right time, increased how much people actually saved, essentially by keeping the goal "top of mind" (Karlan, McConnell, Mullainathan, & Zinman, 2010). A wallet or banking app sitting on a phone screen does exactly this kind of quiet nudging, in a way a distant bank branch simply cannot.

4.2 Comparing the Two Channels

Table 1 lays out how traditional savings accounts and early-stage digital wallets compared on the features that actually influence whether people save consistently.

Table 1: Traditional Bank Savings Accounts vs. Mobile Wallets in India (as of 2014)

Feature	Traditional Savings Account	Mobile Wallet / PPI
Regulatory body	Reserve Bank of India (banking license)	RBI, under Prepaid Payment Instrument guidelines
Typical access point	Physical branch or bank correspondent	Mobile phone, any location with network
Minimum balance	Often required	Not applicable for most wallets
Interest earned	Yes, on savings balance	Generally no interest on wallet balance
Deposit insurance	Yes, via DICGC	No
Onboarding requirement	Full KYC documentation	Minimal KYC for small-value wallets
Overdraft/credit link	Available through relationship	Not typically available
Cash-out flexibility	High, via branch or ATM	Limited for closed and semi-closed wallets

Table data compiled from Reserve Bank of India prepaid payment instrument framework details and RBI (2014a) payments bank guidelines.

The pattern is telling. Wallets sacrificed some of the depth of a real bank relationship — no interest, no deposit insurance, no credit access — in exchange for something households valued just as much: ease of entry. That

trade-off explains why regulators pushed payments banks as a middle path, one meant to combine the low-friction access of a wallet with the safety of formal banking (Reserve Bank of India, 2014a).

V. Government Push: PMJDY and the New Savings Architecture

Policy didn't just nudge from the sidelines; it took the lead. The Pradhan Mantri Jan Dhan Yojana, launched on 28 August 2014, set out to give every Indian household access to a basic bank account, complete with a RuPay debit card and a built-in accident insurance cover (Government of India, Ministry of Finance, 2014). The scheme moved with striking speed. By 22 October 2014, less than two months after launch, banks had opened 6.47 crore accounts carrying deposits of Rs 4,813.59 crore, with roughly 1.15 lakh new accounts opening every single day (Business Standard, 2014b).

That pace matters for our comparison. PMJDY accounts were traditional savings accounts at heart, but the government designed the onboarding process to feel almost as frictionless as signing up for a mobile wallet — simplified documentation, camp-based enrolment, and mobile-linked notifications. In effect, the scheme borrowed the low-friction philosophy of digital wallets and applied it to full-fledged bank accounts, suggesting policymakers already understood that ease of access, not product sophistication, was the real bottleneck to saving.

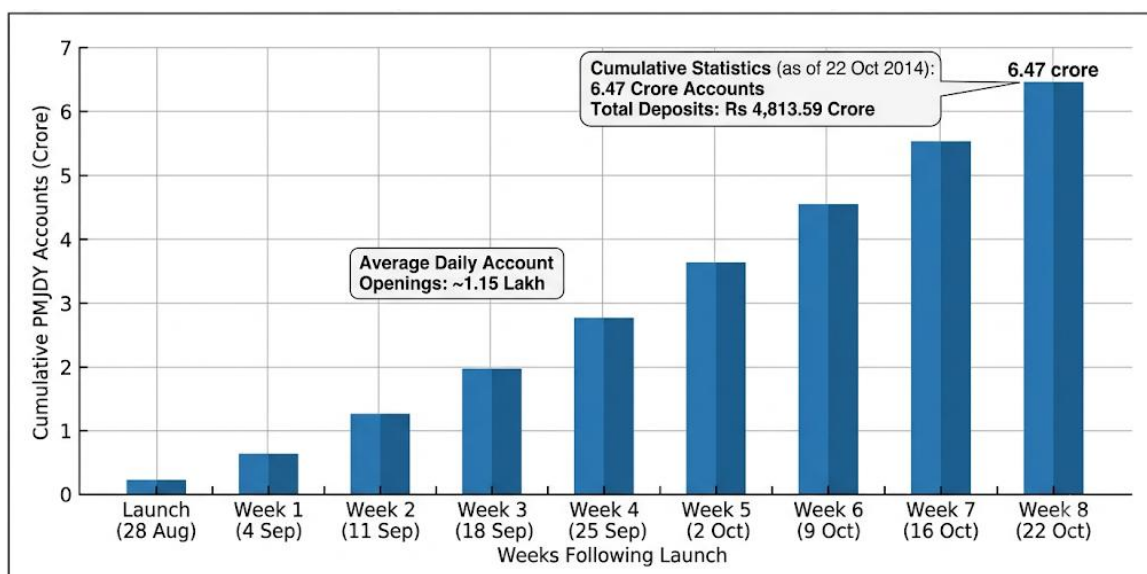


Figure 2: Pace of Account Openings Under Pradhan Mantri Jan Dhan Yojana, August–October 2014

This bar chart shows the cumulative number of PMJDY bank accounts opened in the weeks following the scheme's launch on 28 August 2014, reaching 6.47 crore accounts with deposits of Rs 4,813.59 crore by 22 October 2014, at an average pace of about 1.15 lakh new accounts per day. The steep, near-linear climb illustrates how removing documentation and access barriers can produce savings account growth at a scale traditional branch-by-branch banking rarely achieves on its own. Data sourced from Business Standard (2014b), reporting Ministry of Finance figures.

VI. Global Lessons: Mobile Money Beyond India

India wasn't inventing this idea from nothing. Kenya's M-PESA system, launched years earlier, had already shown what mobile money could do at scale. Jack and Suri found that M-PESA users could smooth consumption shocks far more effectively than non-users, largely because mobile money let them share risk with a wider network of family and friends at low cost (Jack & Suri, 2011). Mas and Radcliffe traced how M-PESA succeeded by keeping the customer experience dead simple — an agent network for cash-in and cash-out, paired with a phone-based transfer system that didn't require a bank branch at all (Mas & Radcliffe, 2011). Aker and Mbiti, reviewing mobile phone-driven development across Africa more broadly, argued that the value of mobile money lay less in any single transaction and more in how it lowered the cost of moving and storing money for people who previously had no cheap way to do either (Aker & Mbiti, 2010).

India's own regulators were watching. The Reserve Bank's Deputy Governor at the time, Chakrabarty, spoke often about financial inclusion as a national mission rather than a side project, framing mobile banking and correspondent-based models as essential tools for reaching customers bank branches would never economically serve (Chakrabarty, 2013). The parallels with Kenya were obvious enough that Indian policy debates through 2013 and 2014 regularly referenced M-PESA as a benchmark, even while acknowledging that

India's banking-led model, built around linking wallets to regulated banks, differed from Kenya's telecom-led approach.

VII. Challenges and Open Questions

None of this progress erased the real obstacles. Rural network coverage, while growing, still lagged cities substantially, and a wallet is only as useful as the signal reaching it (Telecom Regulatory Authority of India, 2014). Financial literacy remained thin; opening an account is different from understanding how to use it to build savings discipline. Trust was another sticking point asking someone to store money in an intangible digital balance, rather than physical cash they can see and count, requires a leap many first-time users weren't ready to make.

There's also a subtler risk worth naming. Digital wallets, as they existed through 2014, generally paid no interest and carried no deposit insurance, meaning heavy reliance on wallets over interest-bearing, insured bank accounts could actually leave low-income savers worse off in the long run, even if the wallet felt more convenient day to day. The RBI's push toward payments banks seemed to recognise this tension directly, aiming to keep small deposits inside the regulated, insured banking system even as it borrowed the convenience playbook from wallets (Reserve Bank of India, 2014a). Getting that balance right, convenience without sacrificing safety, remained an unfinished project as of 2014, and arguably still is.

VIII. Conclusion

Looking at India's saving habits through the lens of traditional accounts versus digital wallets reveals something simple but easy to overlook: people save more consistently when saving requires less effort, not necessarily when they're offered better interest rates or more product features. The data from this period tells a consistent story. Formal account ownership stood at just 35 percent of Indian adults in 2011 (Demirguc-Kunt & Klapper, 2012), financial inclusion scores were climbing but still far from complete (CRISIL, 2013), and household financial savings had stagnated around 7 percent of GDP despite genuine effort from banks and regulators (Business Standard, 2014a). Against that backdrop, mobile phones offered something branches structurally couldn't: presence in nearly every pocket, regardless of distance from the nearest town.

The Reserve Bank's prepaid payment instrument framework, the Nachiket Mor committee's push for payments banks, and above all the Pradhan Mantri Jan Dhan Yojana's rapid rollout of 6.47 crore accounts within two months of launch (Business Standard, 2014b) all point the same direction. Policymakers had begun treating friction itself as the enemy of savings, not merely low incomes or weak financial literacy. International experience, particularly Kenya's M-PESA story, reinforced that lesson well before India fully absorbed it (Jack & Suri, 2011; Mas & Radcliffe, 2011).

Traditional accounts still offered protections wallets couldn't match, from deposit insurance to interest income, and that gap mattered for anyone thinking seriously about long-term financial security. But the comparison ultimately isn't about which channel is objectively better. It's about which one meets people where they already are. As of 2014, India was only beginning to figure out how to combine the safety of a bank account with the everyday convenience of a phone, and that unfinished blend, more than any single product, was quietly reshaping how ordinary households thought about saving money.

References

- [1]. Aker, J. C., & Mbiti, I. M. (2010). Mobile phones and economic development in Africa. *Journal of Economic Perspectives*, 24(3), 207–232.
- [2]. Ashraf, N., Karlan, D., & Yin, W. (2006). Tying Odysseus to the mast: Evidence from a commitment savings product in the Philippines. *Quarterly Journal of Economics*, 121(2), 635–672.
- [3]. Business Standard. (2013, December 31). *Financial inclusion gains momentum, says CRISIL*. Business Standard.
- [4]. Business Standard. (2014a, August 31). *Household financial savings rate inches up to 7.2% of GDP*. Business Standard.
- [5]. Business Standard. (2014b, October 28). *A dedicated website for Pradhan Mantri Jan-Dhan Yojana (PMJDY) launched*. Business Standard.
- [6]. Chakrabarty, K. C. (2013). *Financial inclusion in India: Journey so far and the way forward* [Speech]. Reserve Bank of India.
- [7]. CRISIL. (2013). *CRISIL Inclusix: An index to measure India's progress on financial inclusion*. CRISIL Limited.
- [8]. Demirguc-Kunt, A., & Klapper, L. (2012). *Measuring financial inclusion: The Global Findex database* (Policy Research Working Paper No. 6025). World Bank.
- [9]. Duflo, E., & Saez, E. (2003). The role of information and social interactions in retirement plan decisions: Evidence from a randomized experiment. *Quarterly Journal of Economics*, 118(3), 815–842.
- [10]. Government of India, Ministry of Finance. (2014). *Pradhan Mantri Jan Dhan Yojana mission document*. Department of Financial Services.
- [11]. Jack, W., & Suri, T. (2011). *Mobile money: The economics of M-PESA* (NBER Working Paper No. 16721). National Bureau of Economic Research.
- [12]. Karlan, D., McConnell, M., Mullainathan, S., & Zinman, J. (2010). *Getting to the top of mind: How reminders increase saving* (NBER Working Paper No. 16205). National Bureau of Economic Research.
- [13]. Mas, I., & Radcliffe, D. (2011). *Mobile payments go viral: M-PESA in Kenya*. World Bank.
- [14]. Mor, N. (2013). *Report of the Committee on Comprehensive Financial Services for Small Businesses and Low-Income Households*. Reserve Bank of India.

- [15]. Reserve Bank of India. (2014a). *Guidelines for licensing of payments banks*. Reserve Bank of India.
- [16]. Reserve Bank of India. (2014b). *Report on trend and progress of banking in India 2013-14*. Reserve Bank of India.
- [17]. Rogers, E. M. (2003). *Diffusion of innovations* (5th ed.). Free Press.
- [18]. Telecom Regulatory Authority of India. (2014). *Highlights of telecom subscription data as on 30th April 2014* (Press Release No. 35/2014). TRAI.
- [19]. Thaler, R. H., & Shefrin, H. M. (1981). An economic theory of self-control. *Journal of Political Economy*, 89(2), 392–406.
- [20]. Vijaya Bhaskar, P. (2013). *Financial inclusion in India: An assessment* [Speech]. Reserve Bank of India / Bank for International Settlements.