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A study on artificial intelligence in personal finance wallets

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Abstract

This article explores the demographic traits influencing the adoption and usage of AI-Enhanced personal finance wallets, such as Paytm Money, Dhani, Groww, CRED, Angelone and many more. It examines how these traits i.e. age, income level, education, geographical location, and Digital literacy; impacts the user engagement and overall satisfaction with financial tools. The study assesses financial outcomes associated with AI-driven advice, highlighting improvements in saving, return of interest and budgeting practices. Users experience to be evaluated, through features like personalized recommendations, automatic alerts, and predictive analytical tool, by focusing on how these contribute to user satisfaction. Additionally, the article analyzes behavioral changes in spending and saving as a result of utilizing AI tools, providing insights into the transformative effects of fintech solutions on personal finance management. The findings aim to inform both developers and users about the potential benefits of integrating AI in personal finance applications, while also addressing the challenges related to user demographics and engagement.

Keywords: Artificial intelligence, FinTech, savings, demographic traits, geographical locations, Paytm money, Dhani, Groww, CRED, angel one

Introduction

AI plays an important role in today's world by automating routine tasks, making them faster and deduct the errors through quick data analysis. It personalizes experiences, offers suggestions based on individual preferences. In sectors like Healthcare, Education, Business, and finance; AI drives innovation and helps people to make better and informed decisions. The journey of AI has begun in the year of 1950s, with an aim of creating machines that thinks like humans. Over the decades, it has evolved significantly, especially after the 1990s. Today, AI is an essential part of everyday life, seen in technologies like virtual assistants and smart devices.

Personal finance involves managing an individual's or household's financial activities, such as budgeting, saving, investing, and planning for future goals. It empowers people to make informed decisions about their income and expenses, leading to better financial control and security. By prioritizing savings and effective debt management, personal finance helps to improve credit scores and financial health. Additionally, it provides insights into investment options, fostering wealth growth over time. Ultimately, personal finance is crucial for achieving financial stability and working towards significant life milestones.

AI significantly enhances personal finance apps by providing customized recommendations based on users' spending habits and financial goals. It automates budgeting by categorizing expenses and tracking financial activity, making financial management easier. Through predictive analytics, AI analyzes historical data to forecast future spending trends, enabling users to make proactive decisions. Real-time alerts notify users about important financial events, such as upcoming bills or budget limits, while advanced fraud detection algorithms monitor transactions for unusual activity, enhancing security. Furthermore, AI assists users in setting and tracking financial goals, motivating them to stay on course.

Wallets like Paytm Money, Dhani, Groww, CRED, and Angelone leverage these AI capabilities to improve financial management. By analyzing spending habits and financial objectives, they offer personalized insights that help users make informed decisions. Features such as automated budgeting and investment management simplify the financial management

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process, making personal finance more accessible and efficient. Overall, these apps empower individuals to take control of their finances with greater ease.

Literature Review

FinTech companies today target both households and financial professionals, addressing the different needs for each group. For households, the primary focus is on enhancing speed and efficiency. Recent evidence indicates that automation technologies can reduce the time required to obtain loans and insurance by approximately 30%. In contrast, for financial professionals, FinTech aims to increase productivity by streamlining workflows. This is achieved through a careful review of the value chain in various professions, with the goal of automating numerous tasks so that professionals can better serve more households. Ultimately, these advancements are expected to lead to a reduction in the prices of financial products and services, benefiting consumers overall.

Objectives of the study

1. To analyze and understand how AI tools affect the change in behavior when it comes to finance like spending and saving.
2. To Evaluate and study the user experience and satisfaction of AI features like personalized recommendations, automatic alerts and predictive analytics.
3. To Investigate the financial outcomes associated with AI-driven advice, specifically improvements in savings, rate on rates and budgeting practices among users of these apps.

Need of the study

As the adoption of AI-enhanced personal finance apps continues to grow, it is essential to understand the diverse user base and the factors influencing their engagement and satisfaction. This study aims to investigate how demographic traits such as age, income, education, geographical location, and digital literacy impact user interactions and outcomes. Additionally, it seeks to assess the effectiveness of AI features; like personalized recommendations and real-time alerts, in enhancing user engagement and satisfaction with these financial tools. Understanding how AI-driven insights influence user's financial behaviors, particularly in terms of spending and saving, will provide valuable insights into the transformative effects of these technologies on personal finance management. Furthermore, by identifying the potential benefits and challenges associated with integrating AI in personal finance applications, this research can guide developers in creating more user-friendly and effective financial tools that meet the needs of a wide range of users.

Performance evaluation of personal financial wallet

Paytm Money

Paytm Money apart from bill payments and money transfer it also simplifies stock investing features that enhance user experience. Users can easily set up price alerts, view investment statements, and calculate brokerage fees all from the comfort of their homes. This eliminates the need to navigate multiple websites for market updates, making trading more accessible and efficient.

Paytm Money was Launched in the year of 2010 by "Vijay Shekhar Sharma", Paytm started as a prepaid mobile recharge platform and now it is well known for providing

leading digital payment and financial services platform in India. It also includes a wide array of services such as bill payments, online shopping, investments in stocks and mutual funds. Paytm Money provides user-friendly interface, and also allows individuals to manage transactions and finances seamlessly. By offerings like Paytm Wallet, Paytm Money, and Paytm Payments Bank, the app serves as a comprehensive solution for both daily financial tasks and long-term financial planning, with the benefits to the millions of users across the country.

AI enhances personal finance apps through several key features that improve user experience and security. First, it provides personalized recommendations by analyzing user behavior, suggesting relevant financial products, services, and offers that meet individual needs. Smart alerts keep users informed by sending automatic notifications for bill payments, recharge reminders, and investment opportunities based on their habits. Additionally, AI-driven fraud detection algorithms monitor transactions in real time to identify suspicious activities, thereby enhancing security. Users also benefit from accessible customer support for resolving issues and queries. Finally, robust security measures, including two-factor authentication and encryption, ensure the protection of user data, fostering a safer financial management environment.

History of Paytm

Paytm, founded in 2010 by Vijay Shekhar Sharma in Noida, started as a prepaid mobile and DTH recharge platform, quickly expanding to include the Paytm Wallet in 2014, which facilitated billions of transactions. In 2015, Alibaba acquired a 40% stake, boosting its valuation significantly. By 2017, it launched Paytm Gold and Payments Bank, becoming the first payment app in India to surpass 10 crore downloads. Recent developments include a successful IPO in November 2021, despite initial share declines, and the introduction of the Paytm Wealth Academy. However, it faced challenges with regulatory issues, including restrictions on onboarding new customers due to data privacy concerns.

Groww

This financial wallet was Founded in the year of 2016 by ex-Flipkart employees and it's headquartered is located in Bangalore, Groww has emerged as an excellent tool for investing in mutual funds. The platform categorizes investment plans based on various investor demands, such as high-return savings, tax-saving investments, and options that outperform fixed deposits, with SIPs starting from a minimum commitment of ₹500. In addition to mutual funds, users can invest directly in equities and gold through the app. Groww is designed to provide real-time market updates, ensuring that users stay informed about market movements. Furthermore, this wallet simplifies the IPO application process, allowing users to apply for IPOs with just a single click.

Groww serves as a comprehensive investment platform primarily focused on mutual funds, stocks, ETFs (Exchange-Traded Funds), and other investment products. It features a user-friendly interface designed to make investing accessible for beginners, complete with easy navigation and educational resources to enhance understanding. Users can engage in goal-based investing, allowing them to set specific investment objectives and track their progress over time. Groww supports both Systematic Investment Plans (SIPs) and one-time lump-sum investments, providing

flexibility in how users choose to invest. Additionally, the platform offers robust research and analysis tools, equipping users with the necessary information to make informed decisions about various investment options.

History of Groww

The founders of Groww recognized that investing in financial products in India was overly complex and difficult, with only 20 million of the 200 million individuals with investable income actively investing. To address this, Groww aimed to simplify the investment process by providing essential information, resources, and a user-friendly experience. After thoroughly understanding market needs and experimenting with user experiences, Groww launched as a direct mutual fund distribution platform in 2017 and quickly gained popularity. By 2020, in response to user demand, it expanded to include stocks, digital gold, ETFs (Exchange-Traded Funds), and IPOs (Initial Public offering). Today, they are more than 1.5 crore of users utilize this wallet across 900 plus cities trust Groww for their investment needs.

CRED

Whenever a customer makes a payment through their credit card, CRED offers them benefits with attractive prizes and encourage them to do so. An individual can use this app to connect all their bank cards and receive timely bill reminders. Different billing periods are not an issue because CRED will handle it. If an individual receives reward or points, each worth one rupee when they make a payment. CRED is a platform primarily focused on credit card management, rewards users for timely payments and help them to stay organized with their finances. Users earn CRED coins for paying their credit card bills on time, which can be redeemed for a variety of offers and discounts. The app provides access to exclusive products, experiences, and services specifically designed for its members. Additionally, CRED allows users to monitor their credit scores, offering insights into their credit health. While this platform primarily revolves around credit card usage, it has expanded into other financial services, such as personal loans, enhancing its overall utility for users.

History of Cred: Cred was founded in the year of 2018 by Kunal Shah and quickly grew to onboard over 5.9 million users by 2021, processing about 20% of all credit card bill payments in India. The company raised funding from prominent investors such as DST Global, Sequoia Capital, and Tiger Global through multiple rounds of private funding. Despite posting losses of ₹360.31 crore in the 2020 fiscal year due to high marketing expenses, Cred reported a

valuation increase to \$5.5 billion in October 2021. In June 2022, the company raised \$80 million in a Series F funding round led by Singapore's GIC, bringing its valuation to approximately \$6.4 billion.

Angel one

Angel One Limited, formerly known as Angel Broking Limited, is an Indian stock brokerage firm established in 1996. The Angel One app provides a comprehensive suite of services customize for retail investors and traders. Users can buy and sell stocks on major exchanges and access commodity trading to diversify their portfolios. This wallet also offers mutual fund investments and personalized advisory services for informed decision-making. With tools for market research and technical analysis, users can effectively track stock performance and manage their portfolios in real time. Additionally, the platform supports trading in derivatives and provides educational resources to enhance trading knowledge. Overall, Angel One empowers users to manage their financial activities efficiently.

Some of the most popular artificial intelligence trading strategies include supervised learning, unsupervised learning, reinforcement learning, deep learning, and hybrid approaches. Supervised learning relies on labeled data to train AI systems for predicting market movements, such as asset price changes. In contrast, unsupervised learning uses unlabeled data, enabling the machine to analyze and identify patterns or anomalies in the market. Reinforcement learning allows the system to learn through trial and error, utilizing reward and penalty techniques to refine trading decisions. Deep learning employs neural networks to analyze data, storing and comparing future patterns with previously learned information, while hybrid strategies combine multiple methods for enhanced insights.

History of Angel one

Angel Broking was incorporated on August 8, 1996, initially as a private limited company and later evolved into a wealth management and corporate broking firm in September 1997. In November 1998, it gained membership in the National Stock Exchange. The company expanded its services by opening a commodity broking division in April 2004 and partnered with Birla Sun Life Insurance in November 2007 for insurance product distribution. After facing regulatory scrutiny in early 2013 for unfair trade practices, Angel Broking launched its initial public offering in September 2020 and was listed on the Bombay Stock Exchange and National Stock Exchange on October 5, 2020. Rebranding as Angel One in 2021, the firm currently ranks third among the top stock brokers in India, serving over 5 million active clients.

Table 1: Evaluation of personal finance wallets

S. No.	Name of the Wallet	Users of the Personal finance wallet	Percentage of users in India
1.	Paytm Money	166 countries and territories use this app. There are over 300 million Indians who use this app for services like payments of bills, recharge and for booking tickets online. More than 20 million shops and business use Paytm wallet to accept digital payments.	According to a survey over 85% of Indians use Paytm
2.	Groww	More than 1.5 crore users across 900 plus cities in India trust Groww app for their investment needs.	According to a survey conducted in September 2023, 20.35% of Indian users utilize Groww for their investment needs
3.	Cred	Cred has over 14 million of users and 13 million monthly active users.	According to survey 2 to 2% credit card holders use CRED in India.
4.	Angelone	The Angel one is trusted and used by 2 crores plus customers.	According to a survey, as of August 2024, 62.9% of Indians uses Angel one

Conclusion

In summary, the widespread adoption of digital financial services in India is evident through various successful platforms. Paytm is utilized by over 300 million Indians for services like bill payments, recharges, and ticket bookings, while more than 20 million merchants accept payments via the Paytm Wallet. Similarly, the Groww app has gained the trust of over 1.5 crore users across 900 cities for investment needs, and Cred boasts 14 million users, with 13 million actively engaging monthly. Additionally, Angel One is relied upon by over 2 crore customers for their financial transactions. This robust usage across diverse platforms highlights the growing reliance on digital solutions in managing financial tasks efficiently.

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