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Banking on the mobile phone!

With the ubiquity of the cell phone, no Indian needs to be left behind, when it comes to access basic financial services.

After 62 years of independence the informal economy abounds in 80% of India, and half the below poverty lines (BPL) households still have no access of any kind to financial services. This will continue, unless something radically different is done. A good starting point is the bottom of the pyramid need for a basic financial service need viz. mobile money transfer (MMT).

Clearly while all wage earners carry mobiles, not all wage earners will have a bank account or even want to step sideways through the portals of a bank branch. The mobile is the proverbial silver bullet. Firstly, its reach is ubiquitous and provides for a low cost point of service (PoS) for all forms of inclusive banking - be it no frills banking, savings, credit, insurance, pensions, NREGA, social payments, fund transfer, etc. Secondly, it reduces the distance between the depositor/beneficiary and service point to a few kms at the most rather than the 15-20 kms that is the norm. Thirdly, it costs far less to use a mobile (less than a rupee) as the medium rather than smartcard, ATM, internet, telephone or branch. Fourthly, every NREGA beneficiary, with a job card (or in time UID) - linked to a no frills account and mobile number will ensure that the entire 39, 000 crores earmarked for NREGS could reach the 40 million households in fair & full value - and plug once in for all misappropriations in welfare transfer payments.

Lastly the repudiation risk on the mobile is 1/10th of what it is on the internet, and probably many times lesser for other instruments!

The financial system along with the whole range of PCO's, pansaris, kiranawalas, fair

price shops and business agents along with telcos and solution providers will perform have to collaborate to build an end to end mobile financial service ecosystem for the unserved and excluded. As a result of this collaboration, efficient payment facilitating systems will emerge to allow low value person-to-person (P2P) to be made across the Indian heartland, bringing in over a period of time accountability and a larger part of transactions under the 'formal' electronic channel ambit. A recent RBI relaxation allowing for sub INR 1000 transactions without recourse to end-to-end encryption, is recognition that usage of basic mobile technology for inclusive activities is critical for mass and quick adoption.

The Corporation Bank, Tata Teleservices (TTSL) & Tata Teleservices (Maharashtra) Ltd (TTML) together recently launched the first pan-India pure mobile based financial inclusion type service branded as GREEN. Initially, it is the immediate hygiene need for money transfer between migrant workers working in metros and tier-1 cities sending money back home to their families in Maharashtra, Karnataka & Kerala. The next step will be where only the sending party needs to have a 'no frills' account. And in due course it should evolve into being a cash-in and cash-out service at either end, with UID-cum-mobile number substituting for KYC. The enhancement of transfer limits to INR 5000 per transaction gives the necessary fillip.

The proof of the pudding and business model for stakeholders now clearly lies in the speed to market - pace at which the Banks drive, and customers adopt this channel for five key uses viz. Mobile recharge, bill payments, ticketing, financial services (banking, money transfer, etc), and shopping. Other than money transfer & recharge the other benefits viz. ticketing, bill payments and shopping would on the face of it tend



to appeal predominantly to the top of the pyramid - the urban, credit card carrying and internet e commerce savvy folk. These segments are definitely the early adopters and samplers - trendsetters. An AC Nielsen survey on Mobile Payments last year confirms this preliminary trend on mobile payments use. The salient findings indicate that urban users are typically in the age group 21-40, belong to socio-economic class A/B. 93% of whom are graduates/post graduates. 72% being salaried, with 57% of first time users having used a mobile payment service within the last 6 months. What do they use it for, how and why? Predominantly for bill payments, mainly mobile bills. Closely followed by movie tickets, air ticket and online shopping. The average ticket size across all categories of transactions being INR 2614.59% of the usage is at least once within a month. Of the people who use it 83% of the people did so because it saved time, and was easy to use. One year on, the RBI has provided a fertile environment for mobile payments by raising the transaction limit to INR 50,000 per day for purchase of goods and services from the earlier cap of INR 10,000. How to

get this particular target group (banked /carded) to sample and experiment the service, and make them regular users?






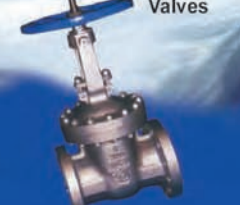



It is for Banks to capitalise on these dispensations.

Here is a three step Do-It-Yourself (DIY) kit for Banks; firstly board the i-banking customers - these are typically early adopters. They tend to be the evangelists and form the core of potential word of mouth. Second, some banks have embarked upon activation and subsequent usage by running special promotional offers. The programme which is most successful is movie tickets offer, with one ticket free or 25/50% off or a rebate on a purchase. And third, every new customer is automatically registered for mobile banking at the time of opening of an account. The end game is to focus on converting at least 10 % of the i-banking base into a regular repeat mobile payment transacting user base well within 12 months!

(Probir was the CIO at News Corp's Star TV India, Member of the Executive Committee and Chief of Staff to the Executive Chairman. He worked at the International Atomic Energy Agency, Vienna, and then the Nuclear Power Corporation where he served for eleven years and was head of Information Systems.)

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