

# Mobile: silver bullet

Its wide reach and low-cost point of service

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**A**FTER 62 years of Independence, the informal economy dominates 80% of India and half the below-poverty-line households still have no access to any kind of financial services. This will continue, unless radical steps are taken. A starting point is the bottom-of-the-pyramid people's need for a basic financial service, viz. mobile money transfer (MMT).

While almost all wage earners carry mobiles, not all wage earners will have a bank account. 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 and fund transfer.

Secondly, it reduces the distance between the depositor/beneficiary and service point. Thirdly, it costs less than a rupee to use a mobile as the medium rather than smartcard, ATM, internet, telephone or branch. Fourthly, it plugs the holes in social sector schemes. For instance, every NREGA beneficiary, with a job card linked to a no-frills account and a mobile number, will ensure that the entire Rs 39,000 crore earmarked for NREGS would reach the 40 million households in fair and full value.

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

The financial system, along with a whole range of PCOs, *pansaris*, *kiranawalas*, fair price shops and business agents, together with telcos and solution providers will have to collaborate to build an end-to-end mobile financial service ecosystem for the unserved and excluded.

From such a collaboration, efficient payment facilitating systems will emerge to facilitate low-value, person-to-person (P2P) transactions across the country, bringing in, over a period, accountability. It will also place a larger chunk of transactions under the 'formal' electronic chan-

nel. A recent RBI relaxation allowing for sub-Rs 1,000 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) and Tata Teleservices (Maharashtra) Ltd (TTML) together recently launched the first pan-India pure mobile-based financial inclusion service branded as Green. Initially, it caters to the growing need for money transfer between migrant workers living in cities and their families in Maharashtra, Karnataka and Kerala. This a bare-bone service where both the sender and the beneficiary opens no-frills account at PCOs and then are able to remit money over the mobile. 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 Rs 5,000 per transaction will provide the necessary fillip.

## Financial Express

Mobile: silver bullet to target the non-bankek

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Clip: 2 of 2

# et to target the non-banked

e model make mobile banking an ideal platform for inclusive banking



The proof of a business model for stakeholders now clearly lies in the speed-to-market—the 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 and recharge, the benefits like ticketing, bill payments and shopping would tend to appeal predominantly to the top of the pyramid—the urban, credit card carrying and internet e-commerce savvy folks. These

segments are definitely the early adopters and samples—the trendsetters. An AC Nielsen survey on mobile payments last year confirmed 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% are graduates/post graduates and 72% salaried; 57% of first-time users have used a mobile payment service within

the last six months. What do they use it for, how and why?

They use it predominantly for bill payments, mainly mobile bill, and then for movie tickets, air ticket and online shopping. The average ticket size across all categories of transactions was Rs 2,614. Of the people who used it and discontinued the service, 62% felt the low speed of

the network service was a bother. Of the people who use it, 83% did so because it saved time, and was easy to use.

One year on, RBI has provided a favourable environment for mobile payments by raising the transaction limit to Rs 50,000 per day for purchase of goods and services from the earlier cap of Rs 10,000. So, the challenge is not lack of or excessive regulation. But how to get this particular target group (banked/carded) to sample and experiment the service, and make them regular users?

**Efficient payment systems will facilitate low-value, person-to-person transactions across the country. The financial system, along with business players, will have to collaborate to build an end-to-end mobile financial service ecosystem for the unserved and excluded**

It is for banks to capitalise on these dispensations. From my side, here is a three step do-it-yourself (DIY) kit for banks; first, board 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 most successful programme is the movie-tickets offer, with one ticket free or 25/50% off or a rebate on a purchase. This is a good model to develop upon.

And third, every new customer is automatically registered for mobile banking at the time of opening an account. The end game is to focus on converting at least 10% of i-banking users into regular, repeat mobile transaction users within 12 months. This is the slowest pace of the journey, but something which has to be done by the banks. And done vigorously.

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