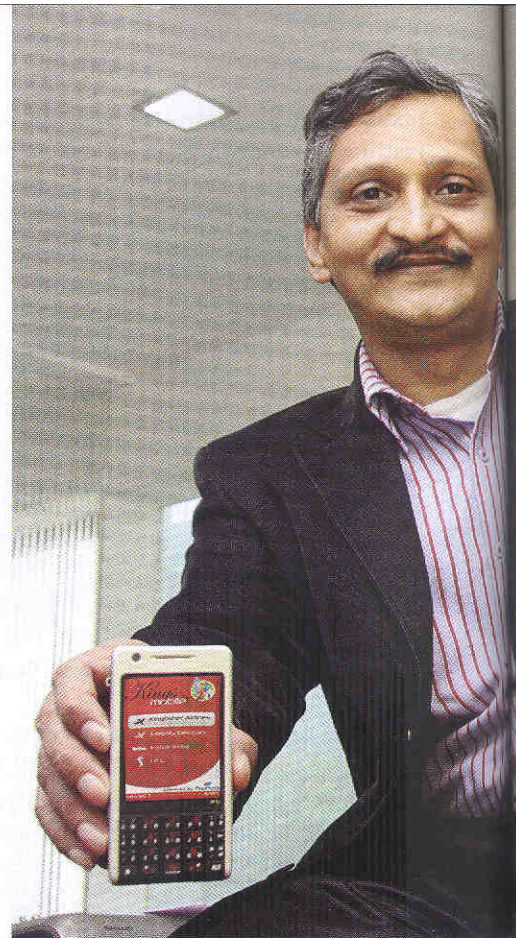


“Cost benefits of m-banking will accrue to customers indirectly”

Probir Roy, Chairman and Co-founder, PayMate, talks to **Rakesh Rai** about how mobile banking is revolutionising the way we conduct cash transactions



The Reserve Bank of India recently increased the amount that can be transacted through a mobile phone from Rs 5,000 to Rs 50,000 per day. You can even use the phone to withdraw up to Rs 5,000 through agents and ATMs.

This means that if you want to send money to someone who does not own a bank account, you can transfer the money to the mobile phone of, say, the neighbourhood grocer, who, in turn, can hand him the cash. Even trading in stock markets through mobiles could soon be a possibility. The Securities and Exchange Board of India has proposed a draft according to which a software installed in the phone will allow a user to trade and access streaming quotes and stock information.

The RBI move has seen banks and third-party service providers gearing up to offer the facility to consumers. While 32 banks, including major public, private and foreign banks, offer mobile banking services, some like the SBI are working on a technology to support low-end and entry-level handsets for such transactions. Here's what Probir Roy, chairman, PayMate, had to say about the rapidly changing mobile banking scenario:

How will the recent changes by the RBI facilitate mobile transactions for individuals?

The new limit set by the RBI will make it easy for people to pay their utility (electricity, etc) bills, as well as purchase more expensive goods (air tickets for the family) and services (hotel stay). For those who are already

counted as banked and carded population, facilities such as the ATM, Net banking and real-time gross settlement (RTGS) provide the convenience of online financial transaction. Mobile banking is adding to this benefit.

What are the transactions that a consumer usually carries out on his mobile phone?

Besides money transfer, mobile phones can be used for transactions ranging from mobile recharges and buying film tickets to online purchases and retail shopping. You need to register with the mobile service aggregator that has partnered with your bank. Each time you pay via your mobile phone, the amount will be debited directly from your bank account. You don't need a smartphone or a GPRS-enabled one. The service is available on basic handsets too.

Is the bank's permission required to link one's mobile phone to the bank account?

Bank permission is required but the consumer doesn't need to approach it directly. He has to register for payment through his mobile and get an MPIN to authenticate such transactions. The bank facilitates the provision of service by tying up with third-party service providers like PayMate.

Is the use of mobile phones more cost-effective than the other banking channels?

The cost advantage accrues indirectly to the customer



Photograph: NISHIKANT GAMRE

as banks gain from this low-cost delivery model. The banks eliminate the need for customers to go to an ATM or approach a teller at its branch.

Will an account (or credit card) in a particular bank mean only the mobile software of that bank will work?

Yes, the application for a particular service aggregator that a bank has tied up with needs to be downloaded for transactions linked to that bank or its cards. But as the aggregators enter into agreements with more banks, the service will become more convenient. Also, some banks have a common menu for mobile transactions on phone. This means that when you download a particular application, you will have a template interface that offers facilities like m-commerce or purchase of air tickets. The bank may then decide to tie up with different service providers for different facilities.

Who is responsible for the money stolen from a mobile phone—mobile operator, bank or service provider?

The system works in the same way as that for the loss of an ATM or credit card. The onus is on the customer till he informs his bank and service provider. As in the case of credit/debit cards, the bank is the customer's custodian for mobile transactions too. If a customer wants a transaction reversed after it is approved, he will have to approach his bank.

How well have the people accepted the mobile phone as

“You don't need a smartphone or a GPRS-enabled one for mobile banking transactions. The service is available on basic handsets too.”

a medium for carrying out transactions?

Though the RBI framed guidelines for mobile-based transactions in 2008, most banks are still in the process of launching their services. It is too early to talk about acceptance of the medium. The benefits of mobile banking will appeal predominantly to the urban, credit card-carrying, e-commerce-savvy consumers. This segment is an early trendsetter. The challenge is not excessive regulation or the lack of it, but converting this target group (banked/carded) into regular users.

What is needed to push mobile-based transactions?

It's for banks to capitalise on these dispensations. Here's my three-step, do-it-yourself kit for banks. Firstly, board the i-banking customers. These are typically the early adopters and form the core of potential word-of-mouth marketeers. Secondly, banks should embark on activation and subsequent usage through promotional offers like discounts. Thirdly, as every new customer is automatically registered for mobile banking at the time of opening an account, the focus should be on converting at least 10% of the i-banking base into a regular, repeat mobile payment transacting user base within 12 months. This is the slowest part of the journey, but has to be accomplished by the banks. ■