
THE MOBILE PAYMENT INDUSTRY IN NEED OF A BOOSTER DOSE

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Today mobile phone is embraced by around 5 billion of the 7 billion people on our planet. So it's safe to assume that the last mile coverage issue is truly addressed as consumers have clearly embraced the mobile for their everyday needs, leading to the growing dependence of financial services industry on the mobile for rendering various services. With the financial services industry having a clear objective of electronic transactions and reducing the dependency on cash as a payment instrument, there is a clear push for consumers to use mobile as a prevalent channel for doing banking and commerce transactions.

Globally, with the exception of just a few countries, the use of cash and paper based payment instruments account for the bulk of daily transactions and retail payments. Electronic transactions benefit all the stakeholders in the financial ecosystem and while there has been a remarkable upsurge in the use of electronic payments, we still have a lot of ground to cover before the electronic medium dominates the cash based markets. While the requirements of diverse consumer segments are varied, it is evident – from the services available on the mobile – that these requirements of consumers can be satisfied by the ubiquitous mobile phone. For the developed consumer segments, who are banked and carded accessing their bank accounts, paying for bills and booking a movie ticket can be done from their mobile banking and mobile wallet applications; various banks in India including ICICI bank, State Bank of India, HDFC and Axis offer such services and there is a clear increase in consumer adoption and in fact it is seen that consumers who use mobile banking do not use the internet banking platform any more.

For emerging consumer segments who are either banked or unbanked the mobile money or branchless banking offerings are clearly helping them get into the organised financial services fold, where consumers can access banking and payment services from their mobile



phone and their cash requirements can be met through agents (business correspondents in the Indian context). In Africa and Latin America, mobile money is quickly gaining popularity and is expected to help bring electronic payments revolution – to give an example of the success of these initiatives, EcoCash mobile money service in Zimbabwe processes 22% of Zimbabwe's GDP and that too in just over a year of launch! Airtel money is clearly helping consumers in multiple African countries access to banking and payments services.

According to Gartner, by the end of 2013, worldwide



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Therefore, it is imperative that we look at the mobile phone - which clearly is helping consumers to conduct banking and payment transactions – to solve the problem of the Point of Sale acceptance issue. A small dongle which can fit into the audio jack of a mobile phone can convert the mobile phone into a card accepting device! This simple technology can help proliferate the POS devices and bring millions of merchants into card accepting merchants and thereby help to provide the much needed booster dose.

The Mobile POS will solve

the acceptance problems of two categories of merchants

- i) Large and medium merchants and businesses who have mobility as their requirements
- ii) Small and micro merchants who hitherto found conventional POS systems expensive

Large organisations like insurance companies where agents go and meet consumers to collect premium had to deal with cash and cheques, which brought inefficiencies. This could clearly be overcome with the mobile POS devices which can be easily integrated into existing insurance applications accessed by agents on either a tablet or mobile device.

Similarly the ecommerce industry grapples with cash on delivery, but payments through MPOS on delivery brings in efficiencies. Quick service restaurants with home delivery can immensely benefit by using MPOS. Finally, MPOS could be a good way for queue busting for large retail chains during peak times.

Small merchants and professionals understand the importance of accepting cards as there is enough evidence to suggest that acceptance of card payment generates incremental revenues.

Furthermore, the same application which accepts card payments can also help in managing other payment related services for merchants. As single application can enable merchants manage their billing and analytics requirements and also offer consumer specific offers including loyalty programmes.

Clearly, MPOS is all set to revolutionise the payments industry and be a catalyst in the growth of electronic payments. ●

mobile payment transaction values will reach \$235.4 billion, a 44 per cent increase from 2012 value of \$163.1 billion. Also, the number of mobile payment users worldwide will reach 245.2 million in the year 2013, up from 200.8 million in 2012.

The concept of remote payments is already commonplace, with many developed economies operating in a cashless environment, thanks to credit and debit cards. E-commerce and Internet banking have further digitized the payment process, providing individuals with the ability to transfer money from one bank account to another. Card based payment instruments are the primary driver of electronic payment volumes.

In India too the number of card users has witnessed a significant growth fuelled by an increasingly affluent young population, growth in income levels and a high degree of technological awareness. As per the Reserve Bank of India, as on June 2013, there were an approximate 19 million active credit and 350 million debit cards in circulation. Also, customers are increasingly comfortable using cards at the point of sale, and billed volumes have registered an approximate 27% increase between 2009 and 2012.

However, such a high number of carded population has not translated into a significant increase in retail electronic payment transactions and the reason is clear – there are only 1 million POS enabled merchants in the country as compared to the USA, who have over 10 million POS merchants.

With the financial services industry having a clear objective of electronic transactions and reducing the dependency on cash as a payment instrument, there is a clear push for consumers to use mobile as a prevalent channel for doing banking and commerce transactions.