

# Mobile payments: where next?

Mobile payments are on the move, but which direction are they heading in? *Banker Middle East* sat down with **Srinivas Nidugondi**, Senior Vice President and Head of Mobile Financial Solutions at Mahindra Comviva, to find out

**D**escribe the development of the mobile payment landscape in the GCC and the wider Middle East region.

There is a stark contrast between the mobile payments landscape in the GCC and the wider Middle East region. While 65 per cent of adults in GCC countries have an account with a financial institution, this figure stands at less than 20 per cent in Egypt, Sudan, Iraq and Yemen. Needless to say, the mobile payments story is also changing with the landscape.

Stored value cards dominate in the emerging nations of the Middle East; however mobile wallets and mobile banking are fast becoming the norm in developed countries. Of particular interest is the GCC region with its high average mobile phone penetration of 190 per cent and smartphone penetration of 68 per cent, which is leading to a flurry of activities in the mobile payments segment.

Regulatory and banking bodies are also cultivating fertile ground for the growth of mobile payments in the region. On the banking front, the UAE Banks Federation (UBF) is working towards a common mobile wallet project. Similarly, on the regulatory front,



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the GCC region is moving towards a more mobile payment-friendly climate with regulatory bodies like the Central Bank of Oman issuing a mandate to banks to offer mobile wallets to their customers.

**What are the current trends in the mobile payments space and how do you see this developing in 2017?**

A number of banks in the region have launched contactless cards to

enable seamless payments. However, with mobile payments foraying into the segment, it is only a matter of time before mobile wallets replace contactless cards. Mobile wallets will provide an integrated experience to bank customers, including remote payments, rewards, offers, promotions and location-based services.

Banks have a number of reasons to take mobile wallets seriously. One, mobile wallets provide convenience to a merchant's most important consumer segment—the millennials. Two, the high 'card not present' charges commonly associated with mobile initiated transactions are not applicable for contactless HCE payments. Three, bank customers are able to consolidate all their cards into a single mobile wallet, providing convenience and also helping them to make intelligent payment decisions. And finally, it provides banks with cross-selling opportunities to leverage customers' transactional data.

Banks are also looking at the proposition of offering prepaid wallets that will enable them to tap into the vast market of financially underserved migrant workers in the region.

## “ A bank’s digital offerings can play a big role in improving financial inclusion and the empowerment of women. ”

— Srinivas Nidugondi

### What are the issues and challenges surrounding the advancement of mobile payment services in this market? And how do we overcome them?

Many GCC countries lack interoperability to facilitate inter-transfer mechanisms between banks. We will be seeing more countries adopting interoperability in the GCC region and creating the infrastructure needed for customers to transfer money instantly from one bank to another bank by entering minimal information on their mobile phones. Oman is one such country which is working towards creating an infrastructure to enable easy and convenient money transfers between various banks. We expect other countries following suit.

On the acquiring side, the penetration of POS devices in GCC countries is less than developed countries; for example, Bahrain has 10,867 POS per million [people], compared to Korea’s 40,000 per million [people]. Mobile POS solutions have the potential to disintermediate cash-based merchant payments by providing rewards, analytics and promotions on a portable and flexible payments platform, thus catering to the requirements of small as well as large retailers.

### As the use of digital wallets slowly increase in the UAE, how do you perceive the reception of such services in the rest of the GCC and what are your thoughts on the timeline of its implementation?

Banks are in an advantageous position in GCC countries as they have a strong relationship with merchants and retailers in the region.

However, they need to work proactively with central banks, or through consortia, to co-design and roll out a modern central infrastructure and digital payments platform.

The UBF mobile wallet launch is a positive step in this direction and other countries such as Oman are following in its footsteps or working towards mobile wallet projects. In the next year, we will see a number of projects reaching completion and the launching of several mobile wallets.

### What are the untapped opportunities available in the mobile payments space in this market?

Across the GCC, millennials account for a large percentage of the population, as one third of the population is under the age of 25. More importantly, 48 per cent of GCC millennials prefer to use digital currency—a higher percentage than anywhere else in the world. Eighty one per cent of GCC millennials are also open to cutting edge technology, compared to 75 per cent worldwide. These factors create a strong case for banks to offer a mobile-first payments strategy to the millennials in the region.

The unbanked/underbanked migrant population in GCC countries is also a big area of opportunity. The International Labour organisation (ILO) estimates that migrant workers comprise nearly 40 per cent of Bahrain’s workforce. In some GCC countries, migrant workers outnumber the local population. These workers have low/irregular incomes and can benefit from mobile payments as no minimum balance or regular instalments are required.

Also, in the Middle East, men are twice more likely to have an account than women. Therefore, a bank’s digital offerings can play a big role in improving financial inclusion and the empowerment of women. Finally, mobile wallets can replace cash in countries like Iraq where moving cash poses logistical as well as security problems.

### What is your outlook on the usage and progress of mobile payments and digital wallets in the coming years? And how will Mahindra Comviva contribute to this?

The use of the mobile wallet will become common in the next five years with the millennials, migrant population and women. Mahindra Comviva offers a range of mobile financial solutions including the mobile wallet, mobile money and mobile POS that leverage cutting edge technologies such as NFC (HCE), QR Code, BLE and biometrics to transform the way people make payments and transfer money. Mahindra Comviva with its vast global experience of over 130 deployments in 55 countries is working with multiple banks in the Middle East region to extend the use of mobile payments. **LIFT**

Srinivas Nidugondi has over 19 years of experience in various industries including financial services, payments and commerce in a variety of business and product-related roles. Most recently, he has focused on enabling banking, payments and related services through digital channels. Nidugondi currently heads the Mobile Financial Solutions business unit at Mahindra Comviva, which has over 130 deployments globally, providing services for more than one billion consumers.

Source: Mahindra Comviva