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MERCHANT ACQUIRING

First Data, Mahindra Comviva Use Mobile to Cut Away Cash in India

BY JOHN ADAMS
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Srinivas Nidugondi, head of mobile financial solutions at Mahindra Comviva

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The pieces for a robust digital payments market in India are in place, and are waiting for a merchant-friendly catalyst, says Srinivas Nidugondi, head of mobile financial solutions at Mahindra Comviva, which is partnering with First Data to offer a mobile point of sale product in India.

The two companies are approaching a market with varied penetration of the pieces needed for cashless payments. There are 350 million payment cards, but **their usage is low**. The country also has a mobile phone penetration rate of about 75%, according to Celent.

The problem is that most of the country's stores aren't equipped for mobile card payments, Nidugondi said. "The need gap is with the stores."

Mahindra Comviva is a mobile technology provider that serves mobile operators and financial institutions. Its payPLUS mobile card reader connects to a smartphone via Bluetooth. The reader has a liquid crystal display and tactile response PIN pad, and accepts chip and magnetic stripe cards—about 80% of the India payments market is EMV compliant, Nidugondi said.

First Data did not provide comment by deadline; and Mahindra Comviva did not provide information on the venture's fee structure.

"The challenge is the total number of point of sale terminals that can take mobile payments is under a million, so there's a disparity of penetration of the different pieces," said Gareth Lodge, a senior analyst at Celent.

The mobile technology company is attempting to increase merchant adoption by combining payment acceptance with other cloud-delivered services on a mobile app. This is a similar strategy to that of North American and European mobile point of sale providers, which pair payments acceptance with inventory management, marketing and business loans to lure merchant adoption.

Mahindra Comviva's ancillary services include billing, reconciliation and location-based marketing. The company is also working on a mobile remote deposit capture function as a way to accommodate lingering check payments.

"We are looking at processes that can integrated with a merchant's back end or [enterprise resource planning] systems," Nidugondi said.

India's size makes it attractive to mobile technology and payment companies. [Monitise and Visa](#) are also using mobile payments to boost the volume of card payments in India.

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Other e-commerce and mobile payment plays in the country include [Reliance Infrastructure](#), a Mumbai-based power distributor that enables residents to pay utility bills with a mobile app; [Payvia](#), which has expanded its Mobile-XL offering to India; and [Flipkart](#), which is expanding its e-commerce business in India. [RuPay](#), India's domestic card network, is also extending its capabilities in online payments.

"India is a very interesting market," Lodge said, noting it has a massive population of 1.3 billion, but a significant number of unbanked consumers—banking penetration averages 59% nationally but is as low as 39% in some areas. Given that three quarters of the country has a mobile phone, the combined mobile and banked population is equivalent in size to the fifth largest country in the world, Lodge said.

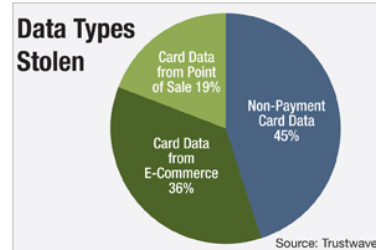
The Indian government is also in the final stages of creating legislation to support payment banks, or institutions that offer basic bank accounts and functions, which should be attractive to telcos as operators, Lodge said. Another contender is IMPS, a bank-led mobile payments scheme that can work with any phone capable of sending a text message. Airlines and railway companies accept IMPS, as well as eBay and telcos.

"The mobile angle is therefore no surprise," Lodge said. "The issue is driving card activation, which is historically low, and improving acceptance."

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