

Payment Bank

Brick and mortar to wallet regime

To bank the unbanked population in India, RBI took a major step to grant 'in-principle' approval to set up 11 new payment banks under the guidelines for licensing of Payments Banks issued on November 27, 2014. Out of 41 applicants, only 11 were granted the licenses for payment bank.

This includes telecom operators Vodafone and Airtel; non-banking financial company Cholamandalam Distribution Services Ltd; large conglomerates Aditya Birla Nuvo Ltd, Reliance Industries and individuals Vijay Shekhar Sharma founder of the PayTM and Dilip Shantilal Shanghvi, MD of Sun Pharmaceuticals. List also includes Department of Posts, Fino PayTech Ltd, National Securities Depository Ltd.

Payment banks are different from the regular banks, as they are not allowed to lend or issue credit card. They however can accept cash up to Rs 100,000 and can offer current and saving accounts. They can also issue a debit card and internet banking facility to their customers.

The work by most of license getters is already in progress. Telecom

operators like Airtel and Vodafone already have their infrastructure in place through their financial products Airtel Money and Vodafone M-paisa, respectively. License will further give them advantage to boost up their services. Another telecom operator Telenor has tied up with Dilip Shantilal Shanghvi along with IDFC for offering financial services. Players like Reliance Industries and Aditya Birla will push these services through their respective telecom networks. To cater or deliver these systems a strong backend is needed.

We talked to Srinivas Nidugondi, SVP and Head of Mobile Financial Solutions, Mahindra Comviva on how these services can be delivered.

Payment Bank Market

In India, in particular, we see two distinct initiatives that are driving the mobile payment volumes. According to the World Bank, in India, 72 of every 100 inhabitants have a mobile phone, while only 35 pc have a bank account. Between 2011 and 2014, bank account penetration in India has seen a robust growth from 35 pc to 53 pc, a report by World



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dependency on cash by enhancing the adoption of digital payments, thus lowering the cost of cash.

Market opportunity

We are a white label technology provider, whose mobile financial solution is deployed by multiple mobile operators and financial institutions globally. With regards to the payment bank initiative, we have three possible options. The first enables banks to offer services to their consumers through a mobile channel through our mobile banking services. The second enables branchless banking, with a correspondence model offering assisted services to those at the bottom of the pyramid. The third focuses on digital payments, allowing different types of payments, including person to person, merchant and bill payments, salary and government benefit disbursements directly into mobile money account. With our comprehensive offering, we hope payment banks will be able to align their mobile strategy to the different segments of the market.

Bank reveals. About 47 pc of adults are still unbanked in our country.

With initiatives such as Pradhan Mantri Jan Dhan Yojna and Payment Banks, we will see a shift in the ecosystem that will help the unbanked population come into financial mainstream. For the banked population, mobile payments help deliver convenience and more personalized services to these banked individuals. In India, 20 cr bank accounts are dormant, Mobile payments will bring banking to fingertips, by overcoming infrastructure and adoption challenges, and will also convert dormant bank accounts into active bank accounts.

According to a report by Institute for Business in the Global Context (IBGC), India spends Rs 21,000 cr in currency operations costs annually. Payments banks will help to reduce India's

Products and solution

Our mobility solution is ready to enable payments bank and small finance bank licensees to launch their financial services in India. The solution will provide a comprehensive technological support system to deliver a host of consumer-centric, mobile financial services, ranging from remittance and payments to savings and insurance, catering to diverse consumer segments in the Indian market. It will also help the new licensees in rapidly establishing a highly scalable and flexible distribution network and partner ecosystem.

Mahindra Comviva's mobility is a leading mobile financial product which is transforming the way consumers save, borrow, transfer, and spend money. It powers three of the top 10 deployments globally. With a 25 pc share in the operator-led mobile money market, it is a leading expert when it comes to launching financial services from scratch and growing them to their fullest potential. It processes 200 mn transactions every month amounting to \$4 bn.

Mobility is designed to integrate rapidly and seamlessly with a wide ecosystem of utility companies, merchants, money transfer operators, and third-party payment systems, creating a converged ecosystem, powered by inter-operability. It

allows rapid customer acquisitions and accommodates high volume, low value transactions, which are typical of the Indian market.

Backend support

We have built mobility as a highly scalable as well as customizable platform. The platform allows a great deal of flexibility, allowing for assisted as well as self-help, multiple channel access including USSD / SMS, IVR, App, WAP, as well as transaction security, with multi-factor authentication, to help reach out to as many customers and providing them with as many options as possible. Where regulatory requirements mandate, we have also built checks & controls into the systems to prevent default (whether intended or not). The truncation limits in terms of numbers and value is configurable.

The solution's flexible architecture enables a distribution network of multiple hierarchies based on business requirements and market demand. In addition to on premise deployment, the solution can also be hosted on a central server, lowering capital expenditure. The solution has integrated analytics and reporting tools which helps it to align rapidly to changing market needs.

Technological adoption issue and challenges

Mobile payments will

usher India towards a new generation of branchless banking by making remote payments possible for semi-urban and rural consumers. With the increasing focus on the mobile as the only channel of interaction, we expect enhanced focus on improving network coverage in rural area. Enhancement of network coverage will help operator to not only augment the experience of mobile money service usage but also enable them to acquire new customers for payment bank service.

We are very bullish about the rural market because of its vast untapped potential. However, there is a lack of information about mobile financial product in the market, especially in rural markets, due to lack to literacy (financial as well as tech related) which is a barrier to faster adoption.

Similarly, we have to understand that mobile money service is not just any other "mobile" service. A customer experiencing call drops due to network issues will just call later, but a disrupted session with a mobile money service will cause the customer to raise escalations, harming the goodwill of the company. We understand the initial challenges due to lack of product awareness in the rural market, as well as network issues limiting uptake, but as the market develops and networks get stronger, we hope to see a manifold increase in uptake.

Engagement with the payment bank

We are in talks with a few payment bank licensees for the deployment of our mobile financial solutions. Mahindra Comviva's mobile financial suite of products powers over 120 deployments in 55 countries and serves over 750 mn mobile users globally. The company offers solutions for issuing as well as the acquiring businesses. On the issuing side, mobility billio suite, which includes mobile wallet, mobile money and mobile banking, delivers integrated and contextual digital payment experience to consumers. On the acquiring side, Mahindra Comviva's payPLUS offers a comprehensive mobile POS solution that allows merchants to accept card payments using mobiles.

In India, we provide electronic recharge solution for three leading telecom operators, which collectively hold more than 400 mn mobile connections. We also power mobile money service for one of the top three mobile operators in India. Our mobile POS solution, payPLUS is deployed at leading merchant acquirers in the country. We are also in the process of deploying our Mobile Wallet solution with a couple of banks in India which will be live by early next year. We are confident that we will be able to extend our leadership position to the payments bank segment as well by continuously investing in innovations and emerging technologies.