

Mobile Banking – The Future of the Indian Telecom Sector

Name: Pradyut V. Hande

Designation: Student Manager

Organisation: Symbiosis Institute of Management Studies (SIMS)

Course: MBA MBA (Marketing), Class of 2015

City: Pune

State: Maharashtra

Country: India

Email Address: pradyut.vivek2015@sims.edu

Alternate Email Address: pradyuthande@gmail.com

Mobile Number: +91-9819112872

ABSTRACT

The Indian telecom industry has undergone its periods of ebbs and flows since its inception. Having overcome various infrastructural and demographic impediments along the way, the sector has shrugged off its sluggish start to tap into rising demand from an increasingly discerning consumer. With the advent of faster and more reliable network connectivity, online payment platforms and the need to usher an era greater convenience in monetary/commercial transactions; the future of the mobile telephony sector now lies in mobile banking. This provides a win-win situation for MNOs and consumers – urban and rural alike; furthering a profit making and financial inclusive agenda. Mobile companies need to think beyond their existing revenue models and embrace this pertinent reality. Realisation needs to be backed by further infrastructural and operational improvements in order to leverage the potential of mobile banking services.

Key Words: *Banking, Connectivity, Financial Inclusion, Infrastructure, Mobile, MNOs, Revenue Models.*

MOBILE BANKING – THE FUTURE OF THE INDIAN TELECOM INDUSTRY

Circa 2002: The Indian telecommunications sector “*rings*” in its infancy. Bristling with promise; yet hampered by multiple sectoral, regulatory and infrastructural impediments. At a time when fixed telephone lines outnumbered mobile connections 4:1; it was apparent that a revolution was necessary for the telecom sector to realize its true potential down the line. And a revolution did take root; one connection at a time...

Cut to 2014. Mobile connectivity has spread like wildfire; outstripping fixed telephone lines by over 20 times; ushering an age of seamless communication...unimaginable a decade ago. Companies both established and emerging are outdoing themselves in a bid to increase mobile penetration that presently stands at over 75% of the population. Cellular services coverage has skyrocketed to a whopping 95% of India’s adult population; facilitating the establishment of an increasingly robust wireless connectivity infrastructure that serves as a vital lifeline in today’s hypercompetitive times. Thus, it is no wonder that the telecom services market is touted to be worth USD 35 billion by 2015. The sector currently faces the prospect of suitably leveraging this enhanced “*accessibility blanket*” to serve as more than just a ubiquitous channel of communication. With the advent and proliferation of mobile telephony and internet connectivity, it becomes imperative for the sector to view its role as not just a beneficiary...but as a strategic partner in India’s unraveling growth story. Set in this backdrop, mobile banking can be the future of the telecom sector.

Despite the breakthroughs, India still remains the country with the largest number of households without access to banking services (upwards of 130 million). Thus, leveraging increasingly available and accessible mobile communications to provide a wide spectrum of banking and financial services is an excellent strategic and symbiotic fit. A robust handset, reliable data connectivity and a user friendly mobile banking platform is all one needs to sample customer service innovation at its very best. For m-banking to gain greater traction with a target consumer base that has traditionally grown up on a “*staple diet*” of brick and mortar banking services; it becomes imperative for Mobile Network Operators (MNOs) to utilize their extensive distribution channels. The target customer for both services is essentially the same. This model enhances the accessibility of banking services and electronic money to a perpetually connected end user.

These leading MNOs such as Vodafone, Airtel, Reliance Mobile and Idea Cellular that service upwards of 920 million customers can utilize their scale and scope of service operations to majorly reduce cost of servicing per customer and transactional costs as well. Additionally, m-banking would greatly benefit from the competence of these MNOs whilst handling large volumes of diverse micro transactions. However, telecom operators need to constructively collaborate with banking services providers by offering greater leeway for customization to make the entire process a convenient and glitch-free experience.

Another factor that primes m-banking for rapid future growth is the gradually changing systemic regulatory framework and Government-driven initiatives that have made the environment more conducive. For instance, the Inter-bank Mobile Payment System (IMPS) under the National Payments Corporation of India (NPCI) offers a robust, streamlined, hassle free 24X7 electronic funds transfer service to those customers with a verified Mobile Money Identifier (MMID). The RBI has relaxed its regulations to permit monetary transactions to the tune of Rs. 50,000 through mobile banking in certain cases. The RBI also allows non-banks to offer certain mobile based semi-closed instruments to customers. Building on initiatives such as these would foster a more user-friendly transactional experience. A more liberal albeit ironclad regulatory framework in addition to strengthening operational security would further augment the growth of m-banking in the country.

Suitably leveraging m-banking coupled with concurrent infrastructural developments would go a long way in achieving a certain level of financial inclusion. Large sections of the society that have been secluded from India's growth story would then be empowered enough to take charge of their financial lives. The telecom sector has a pivotal role to play in not just proliferating services in urban and semi urban regions but also has the responsibility to drive change in the *"bottom of the pyramid"*.

With increasing competition in an oligopolistic industry where the margins are minimal and customer retention is paramount, mobile telecom operators have realized the need to broaden their horizons and provide an innovative basket of value added services. Collaborating with banks and financial institutions to provide m-banking solutions to an increasingly demanding and discerning customer is a viable way forward. The emergence of e-commerce and the ever pressing quest for convenience are also certain factors that augur well for the future of m-banking. Utilization of m-banking platforms for more than payments, withdrawals and miscellaneous transactions also ought to be explored. For instance, electronic cash transfers on behalf of the Government to the poor via secure mobile platforms can bring down the RBI's cost of disbursement to just 2% from 12-14%. That collectively can turn into a major saving on precious monetary resources, especially in an economy riddled with stagflation. This would also further the agenda of financial inclusion while including a larger section of the population under the ambit of organized banking services.

Despite the tremendous promise that m-banking espouses, there are certain aspects meritorious of attention. Mobile handset operability, network connection reliability, level of user-friendliness or lack thereof, lack of consumer awareness and reluctant acceptance, security issues and scalability concerns are some of the major factors that provisional stakeholders need to address at the earliest. It is the Government's responsibility to create a more conducive operational ecosystem for MNOs, banks and financial institutions, software developers and payment gateways to enable m-banking to realise its burgeoning potential.

As Mr. Sam Pitroda, the guiding light behind India's telecom revolution prudently remarked, *"It is time we structured our knowledge to be a global player in the 21st century."* That time is certainly here and mobile banking may just be what the doctor ordered for India's telecommunications sector.

REFERENCES

Research Papers

1. Howcroft, B. & Hamilton, R. & Hewer, P. (2002), *"Consumer Attitude and the Usage and Adoption of Home-banking in the United Kingdom"*, International Journal of Bank Marketing, Vol. 20, pp. 111-121
2. Mallat, N. (2007), *"Exploring Consumer Adoption of Mobile Payments – A Qualitative Study"*, Journal of Strategic Information Systems, Vol. 16, pp. 413-432

Online Sources

1. <http://som.yale.edu/news/news/mobile-banking-india-barriers-and-adoption-triggers>
2. <http://www.firstpost.com/investing/why-mobile-banking-is-more-on-paper-and-less-on-mobile-1106421.html>
3. http://www.ijsrp.org/research_paper_feb2012/ijsrp-feb-2012-60.pdf
4. <http://www.telecomindiaonline.com/telecom-india-daily-telecom-station-mobile-banking-in-india-perception-and-statistics.html>

ABOUT THE AUTHOR

Pradyut V. Hande is an Award-winning Youth Leader, Writer, Blogger, Debater, Activist and an emerging Entrepreneur. Currently pursuing his MBA at Symbiosis International University, Pune; he is the Co-founder and Programme Director, India of The Future Forum and the Chairperson of the International Youth Council, Mumbai Chapter. With over 250 publications to his credit in National and International dailies and magazines, he addresses wide ranging issues of both domestic and global consequence. He was a Finalist at the Hult Global Case Challenge, 2012 and the Chartered Institute of Management Accountants (CIMA) Global Business Challenge, 2012. He has been a Youth Ambassador for Youth for Change International, Youth Federation for World Peace and the Student World Assembly. He was also a Core Group Member of the Peace One Day Global Truce, 2013 Campaign.