

Mobile Payments: The way forward

Dr. V. N. Sastry, Member of faculty and
Dr. Rajarshi Pal, Member of faculty, IDRBT,
shed light on this futuristic mode of payment
for every transaction

Is it possible to use a mobile phone to (i) pay to a shopkeeper, vegetable vendor and auto-driver. (ii) send money to my relative or friend anywhere. (iii) pay periodic bill payments as electricity, water, newspaper, cable TV, insurance, loans, taxes, gas, school/college fees. iv) book my movie tickets, bus tickets, train tickets, flight tickets. Yes, is the answer. It can be done by any mobile phone varying from a very low-end feature phone to a very high-end smartphone. Since the mobile phone subscriber base in India is very high with over 900 million users as on May 2014 and is growing at a high rate, there are many advantages and great demand for using a mobile phone to meet day to day payment needs. It provides convenience as we do not need to go to an ATM or bank to withdraw cash to pay to someone else, thereby saving time and cost. It provides comfort and privacy because it can be done from any place and at any time and from own device. Inter-Ministerial Group (IMG) has also recommended greater use of mobile phones for varied financial services.

If one has an account in a bank then Mobile Banking Services can be availed by registering the mobile phone number with the bank and get a application installed. It enables to get information services such as balance enquiry, mini-statement, cheque-book request, or payment services such as funds transfer to someone having account in the same or other banks, known as intra-bank or inter-bank payments. The bank account is linked with a number called MMID (mobile Money Identifier). This enables a payment process known as IMPS (Immediate Payment service), which is a unique mobile payment model designed by the Mobile Payment Forum of India (MPFI), implemented by the National Payments Corporation of India (NPCI) and provided by all public sector banks and other major banks in India which is interoperable across all banks, telecom operators and mobile devices. IMPS has become popular because of its simplicity, real time confirmation of payment, least cost and masking of bank account number from being revealed to unknown persons. Mobile phones can also be used to transfer funds



also using (i) the National Electronic Funds Transfer (NEFT) format where the beneficiary's Bank IFSC (International Financial System Code) and Account Number are specified or (ii) Aadhar-Enabled Payment System (AEPS) format where the beneficiary's Aadhar Number issued by the Unique Identification Authority of India (UIDAI) is specified, which is linked to a default bank account number.

The challenge for banks is in developing different varieties of mobile banking applications, which are required to work on different platform enabled mobile phones, depending on operating system of the mobile device and its specific model. Efforts are on to include all users, even those who have low-end mobile phones, to access Short Message Service (SMS), Unstructured Supplementary Service Data (USSD) and Interactive Voice Response System (IVRS) channels. Regulators have issued enabling guidelines to the stake holders.

Banking Correspondent (BC) with a Micro-ATM Device or merchants already using Point of Sale (PoS) device contribute greatly in this endeavor for cashless payment transactions with proper authentication of the user. Initiatives to make it feasible for citizens to access mobile payments, even if one does not have a bank account or has account in a post-office or insurance company are also under study.

Although bank-led model is followed in India, Telco-led mobile payment initiatives such as mobile wallet are emerging. Pre-paid Payment Instrument (PPI)-based mobile payments including RUPAY card are in progress. In the future, hybrid mobile payment model taking multiple stakeholders into account is expected to emerge.