

Growth eyed in Indian mobile banking sector

May 23 2011, by Salil Panchal



In this photograph taken in May 2011, an Indian farmer talks on his cellular telephone prior to the auction of mangoes at The Gaddiannaram Fruit Market on the outskirts of Hyderabad. India stands poised for expansion in mobile banking, experts say, with nearly two-thirds of the population now using the technology and the cell phone sector growing at breakneck pace.

Hundreds of millions of poor Indians who have no access to financial services could benefit from mobile banking, experts say, as cell phone use grows at breakneck pace.

Banking by phone could transform the workings of the rural economy, but the industry first needs to allay fears about transaction security and overcome low literacy levels and banks' limited reach in remote areas.

Leading figures from the telecoms and banking sectors meeting in Mumbai last week said that mobile banking -- including money transfers, bill payments and remittances -- was largely untapped.

"The potential for mobile banking is enormous, but it will take its own pace to grow," Amit Ahire, analyst at Ambit Capital, told AFP.

One in 10 of the world's mobiles is sold in India, according to technology research specialists Gartner, and the country adds nearly 19 million new [mobile subscribers](#) every month, making it the fastest-growing market in the world.

An estimated 775 million people are mobile phone subscribers.

Yet, at the same time, nearly half of the adult population still does not have a bank account.

Combining the two sectors will have benefits not just for consumers but the economy as a whole, analysts say, echoing India's central bank, which wants swathes of rural India brought into the formal financial system.

The Reserve Bank of India has allowed 39 banks to launch mobile banking services and recently raised the limit for the amount which can be paid through mobile phones 10-fold, to 50,000 rupees (\$1,100).

Currently, just five percent of mobile phone subscribers are registered for the service and of them, a tiny 0.5 percent use it regularly, according to the Business Standard financial daily, quoting industry estimates.



This file photo taken in 2001 shows a worker painting a large billboard advertising a local mobile phone company in Kolkata. Experts reported that hundreds of millions of poor Indians who have no access to financial services could benefit from mobile banking, as cell phone use grows at breakneck pace. An estimated 775 million people are mobile phone subscribers.

It is thought that 680,000 transactions worth 610 million rupees (\$13.55 million) are conducted every month.

"Rail and air ticketing transactions are more frequently done online than through mobiles," Santosh Singh, analyst with London-based investment bank Espirito Santo Securities, told AFP.

"Growth is slower than expected but it is too early and lot of time and resources need to be spent to educate customers on usage and security," added Samaresh Parida, a director of mobile giant Vodafone Essar, which has a tie-up with ICICI Bank, India's largest private lender.

Indian banks and telecoms firms face a "significant learning curve", he said, predicting that mobile banking would evolve faster than its Internet equivalent as 3G phone services roll out across the country.

But while cut-throat competition has pushed call charges down to less than one cent a minute, web browsing charges remain high and the penetration of 3G smartphones still low.

"Mobile banking to most Indians is complex and too technical," said A.P. Hota, chief executive of National Payments Corporation of [India](#), an apex body for [mobile banking](#) payments.

He said that to develop, the facility needs to become more visual and multi-lingual.

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