

## Get ready to send money via mobile

Leslie D'Monte / Mumbai November 23, 2007

The technology is in place and operators are waiting for the green signal.

Ramesh — a migrant from Kerala who works in Dubai — will soon be able to use his mobile to transfer money to his wife.

All he would need is to 'top up' his mobile phone with money — the way he currently operates his prepaid account — and SMS the amount to his wife's mobile.

She, in turn, would receive a number (similar to a PIN) and be able to redeem this for cash at any prepaid distribution point of her mobile service provider.

Banking regulations in India currently do not allow cash for exchange of another 'unit' such as 'airtime' in the case of mobiles. Only banks and the Indian Post (through money orders) are currently allowed such transfers.

However, the momentum in India is building up with the regulators having floated consultation papers in this regard, according to a source close to the development.

"You can expect some announcement from a major telecom operator in this regard in a couple of weeks to a month's time," said the source.

The GSMA, on its part, maintains that commercial global mobile money transfers should fructify in the second quarter of 2008.

"We are currently developing the commercial and technical framework, which operators will be able to use to link their networks into Western Union's money transfer systems. We expect India, as one of the biggest recipients of remittances, to be among the first countries to benefit from mobile money transfer services," a GSM Association (GSMA) spokesperson told Business Standard.

Anil Kapur, managing director, South Asia, Western Union Financial Services, said: "We have agreements with operators around the world, and are looking at mobile money transfers of principal amounts worth \$100 and below. It will be a high volumes-low margin play. It will help the millions in remote towns and villages, who do not have or need a bank account."

Estimated charges for international transfers on such a system are around 4 per cent, and in-country transfers could be as low as the cost of a text message.

Thirty-five GSMA operators with more than 800 million customers in more than 100 countries are party to the Mobile Money Transfer programme.

Led by Sunil Mittal, chairman and managing director of Bharti Airtel, the programme is overseen by a steering committee made up of representatives from Bharti, MTN, Orange, Orascom, Smart, Telenor and VimpelCom.

The Cellular Operators Association of India (COAI) is also a partner. Bharti Airtel has already tied up with State Bank of India for mobile remittance, and is pilot testing it at a few villages in India (one such project is in a small Himalayan town of Pithoragarh in India). Vodafone too has tied up with Citibank towards the same end.

"Bharti Airtel is part of the GSM Association's (GSMA) Mobile Money Transfer programme along 34 other global mobile operators. GSMA has partnered with Mastercard Worldwide and the Western Union Company for this project. It is too premature right now to comment on any specific initiative," said a Bharti Airtel spokesperson.

Other operators, too, are waiting for regulations to be in place before commercial operations begin.

The reason is simple. The regulatory hurdle apart, the mobile money transfer opportunity is huge. India has over 200 million mobile subscribers, a little over 300 million savings account holders but slightly over 70,000 bank branches.

Mobile remittance — domestic and international — can facilitate fund transfers, especially micro fund transfers in under-banked areas, say mobile operators.

Recorded remittances sent home by migrants from developing countries reached \$206 billion in 2006 (currently estimated to be around \$250 billion), according to the World Bank's Global Development Finance Report 2007. The top recipients of remittances in nominal dollar terms are India (around \$27 billion according to RBI), Mexico, China, and the Philippines.

The technology already exists. Many operators have already developed and tested their money remittance applications, and are now awaiting regulatory clearance.

For instance, ICICI Bank account holders can use (and is being used by some) Reliance handsets (even the low-end Rs 1,000 ones — with or without Internet connectivity) to make intra-bank (to ICICI account holders) money transfers.

Mahesh Prasad, president (Applications & Solutions Group) RCom, says: "We are adding more features and will soon start inter-bank (ICICI account holders transferring money to other bank accounts) money transfers using Reliance handsets.

Globally too, Smart Communications, of the Philippines, plans to launch several pilot projects in collaboration with mobile phone operators and banks in Bahrain, Italy and other countries hosting large Filipino migrant populations.

GTel's G-Cash programme is another Philippine service using SMS to execute transactions and cash centres to pay out funds received.

In Mozambique, MCell has introduced a system of airtime transfer from phone to phone, effectively allowing trading in very small denominations. India, hopefully, should soon follow suit.