Will mobile money take off in India?

TONY WORTHINGTON

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Walk out of Mumbai International Airport and hundreds of local people will be glued to their mobile handsets, texting to friends and colleagues.

Walk out of Nairobi International Airport and hundreds of local people will be glued to their mobile handsets. The chances are though that in Kenya these people will be transferring money via their handset to another user or buying some groceries. Confused? Read on.

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Such mobile payment offerings are influenced by two distinct set of entities.

Firstly we have those entities whose core business is in handling payments. Examples include traditional retail and corporate banks, established payment brands and processors such as VISA and MasterCard and established non-banks such as PayPal, Obopay and new fast growing entities such as paythru.

Secondly we have the telecoms industry. Mobile operators, technology providers and hardware providers have all recognised the vast potential offered by mobile money and are allocating substantial resources to the industry.

Mobile money systems are very common in the US, Europe, Asia and Africa. Even China has been quick to implement systems such as SmartPay, UnionPay and mobile banking.

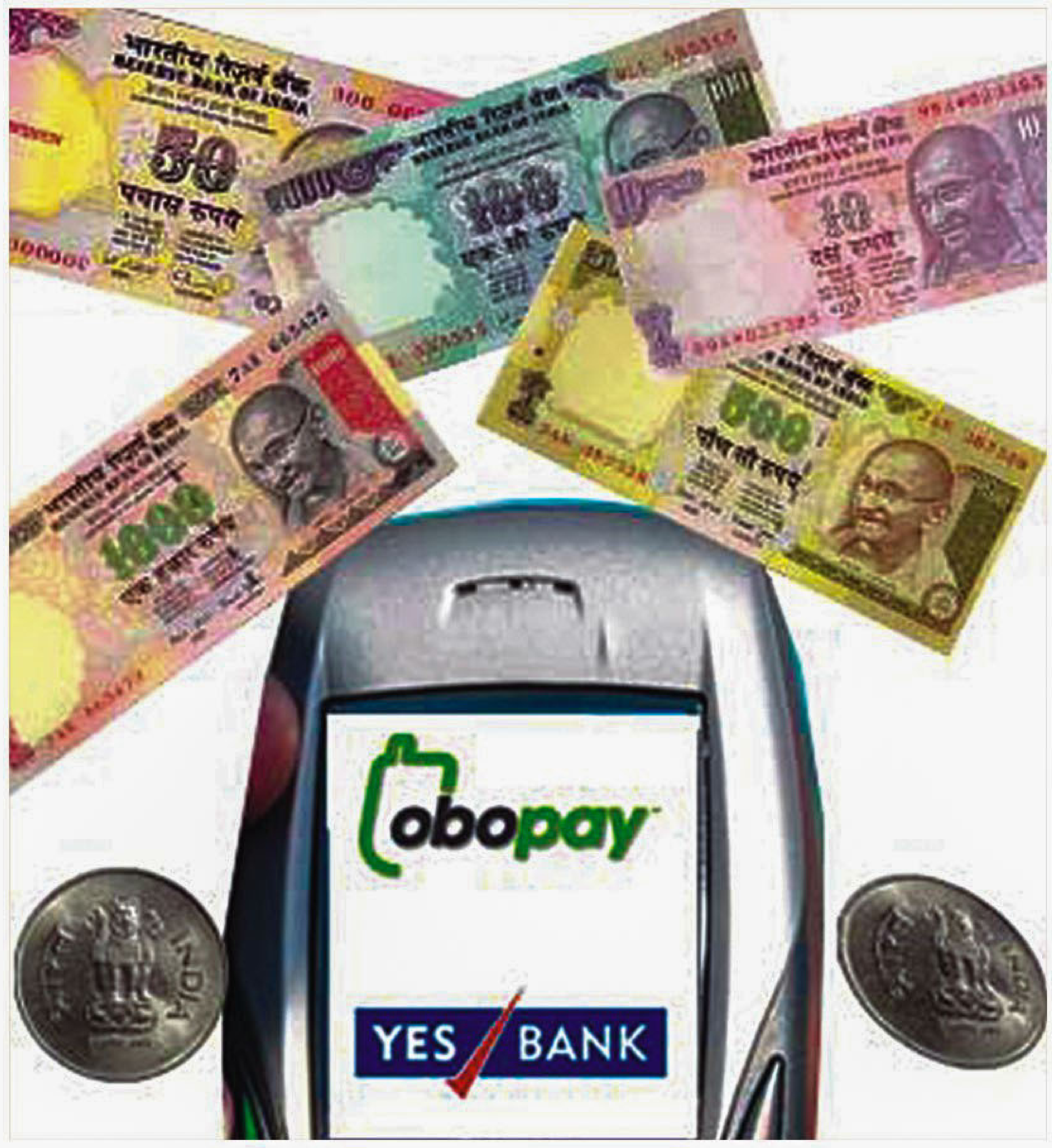
Probably the most successful method of mobile money transfer exists in Kenya and which is the M-PESA system, developed by one of Standard Chartered's clients, the leading mobile operator Safaricom, which is 40 percent owned by Vodafone.

M-PESA was launched in 2007 by Safaricom and allows four basic types of transactions person to person, bill payments, cash "withdrawal" and microfinance receipts and payments.

Users can transfer money subject to a maximum and minimum amount and also hold a balance on their M-PESA account, again subject to a maximum amount.

In a country such as Kenya with a relatively undeveloped retail banking system, M-PESA has proven to be incredibly popular, with over 13 million users, equivalent to over one third of the population of Kenya.

Users claim the system is very easy to use, very affordable and is one of the best methods of transferring money quickly from a worker in Nairobi to his or her family in more rural areas of the country.



Here is where the similarities with India start to become interesting a country obviously full of people working in major cities and frequently needing to send money back home to more rural parts of the country quickly and cost effectively. So could mobile money work in India?

Conceptually, the answer has to be yes. The system is as relevant to the young professional in Mumbai buying his groceries via his tablet device as to the construction worker in Delhi transferring money back to his family in the countryside.

A big driver in India will be the role of retail banks leveraging the mobile device to provide cost effective access to basic financial services for unbanked and underbanked consumers.

Previously the business model for these consumers was uneconomic. The mobile device is changing that and giving rise to potential tie-ups between retail banks, mobile operators and other financial services providers.

The Reserve Bank of India ("RBI") has begun to address the concept of mobile banking and in 2008 published some operative guidelines. Essentially these mean that banks can provide mobile banking services and telecoms operators are facilitators.

In 2010 signs of progress appeared. RBI issued "mobile wallet" guidelines that envisage up to 5,000 rupees with mobile operators that can be used for merchant transactions, but does not allow the physical transfer of funds outside the banking system.

Indeed in September 2010, Airtel was granted a licence enabling the operator to offer cash card services to its subscribers, whereby the subscriber can pay cash to load their mobile wallet from a retail outlet and use it to make payments. Vodafone Essar is also said to be looking at a similar opportunity.

The RBI has also announced that it is looking at creating a dedicated clearing system for mobile payments. This is quite unique in an international context and if implemented would be a welcome sign of strategic forward thinking by the regulators.

In a new service that is set to revolutionise the retail money payment sector in India, consumers will now be able to transfer money from their accounts to any other account in the country using their mobile devices via the National Payment Corporation of India's (NPCI). It is India's first instant, real-time, 24×7 fund transfer facility in the retail payment sector.

NPCI's interbank mobile payment system (IMPS) will be the first globally to allow such transactions between individuals that will be routed in tandem through the bank and the mobile services provider. There is a cap of 50,000 rupees per day on mobile transactions, according to RBI guidelines.

This technically means besides Paper & Electronic we will now have mobile as an alternative settlement channel which is likely to replace all forms of small value settlement including plastic in the near future.

Rarely in the world is a facility of this magnitude present. India has nearly 300 million bank accounts, with a huge number of banks as well as mobile operators and a wide subscriber base. It is a challenging task, but the technology is equipped to deal with such a wide subscriber base.

The main difference between India and Kenya in that the former's banking system is relatively developed, with good banking coverage across most of the country. Nonetheless as a complimentary system and also as a tool for the many people without bank accounts but with mobile devices, mobile money has great potential.

As with many things in India, regulatory discussions may slow down a rapid adoption of mobile money as we have seen in Kenya from start-up to 13 million users in less than four years. However it is encouraging that the RBI is looking seriously at this new industry.

Certainly the mobile operators I speak to are excited and see mobile money as an important value added service to be offering to subscribers in the future.

As with the Indian mobile industry it may take some time before mobile money takes off. But if and when it does the growth may again be as spectacular and the way of lives of many Indians will change with it.

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Luxury watchmakers like Asia

AFP, *Hong Kong*

A measure of any Asian businessman is the time he keeps and, far more importantly, the watch he wears to mark it.

A handshake can be soft or firm but will likely soon be followed by a glance to the wrist to see the watch wrapped around it, especially in China.

A heavy slab of gold could be a marker that the person is from an inland city. A more expensive, understated watch could be a sign that they're from the coastal cities of Shanghai, Shenzhen or Beijing.

New money, in Chinese terms, versus old. Around 10 or 15 years ago, the coastal cities would also just go for gold; a chunky watch with a meaty gold strap, says watch enthusiast Harry Qin.

"In Asia probably more than in Europe or North America, a watch is something that can hint the status," the Shanghai private equity investor, who has a $250,000 collection of 18 timepieces, told AFP.

"But many businessmen just wear a gold Rolex. Especially in less developed cities inland, a gold Rolex is still a very easy way to show other people that you've got money."

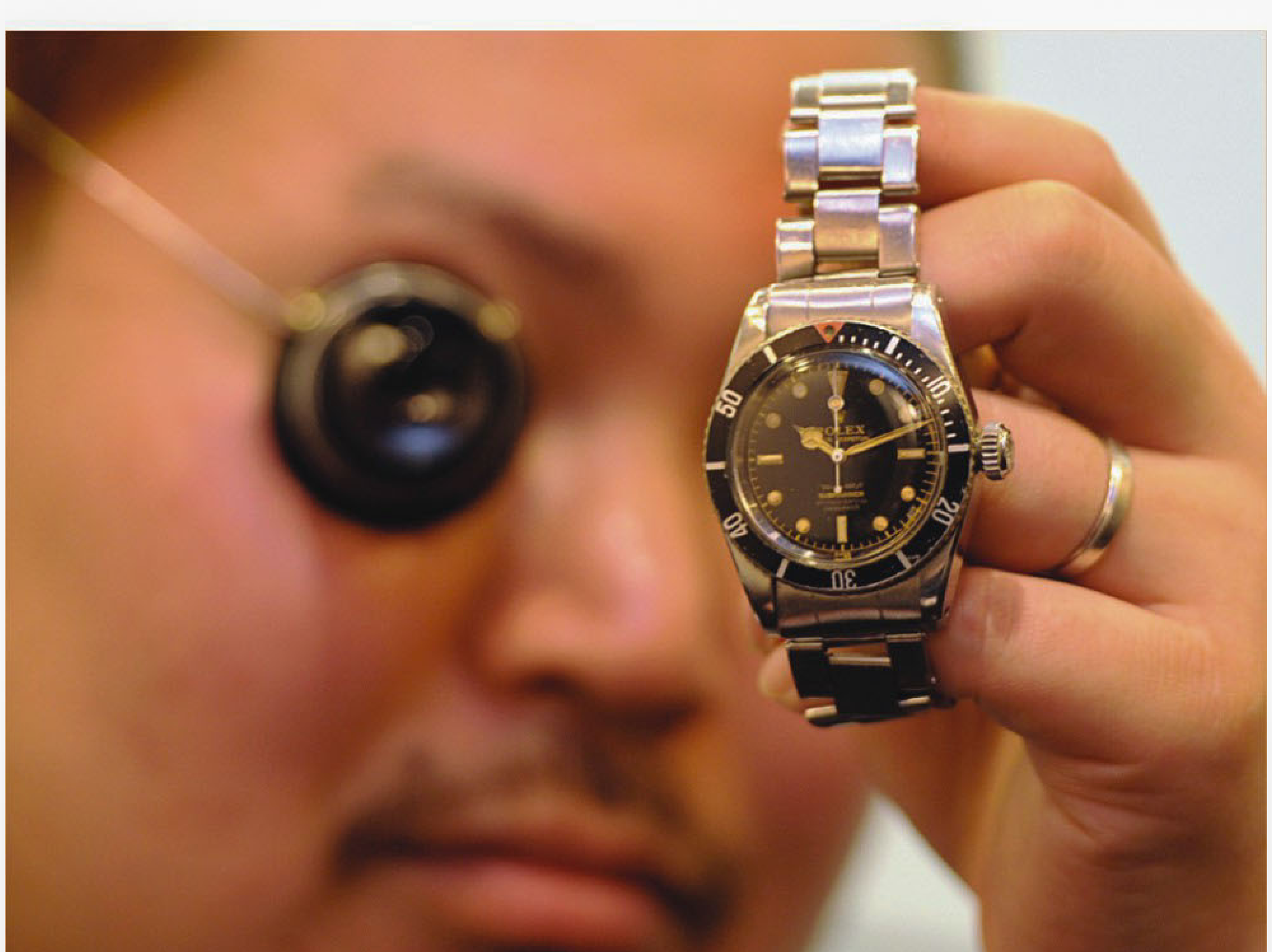
Taste for fine watches has developed over time, says Qin, who is just one of the many enthusiasts and serious collectors in Asia that helped make 2010 the second best year in the Swiss watchmaking industry's history.

Not bad, in the middle of a severe global downturn.

Jean-Daniel Pasche, president of the Federation of the Swiss Watch Industry, estimates export sales for brand new watches for 2010 should be "slightly better" than the 2007 figure of $16.5 billion. Only 2008 was better, at $18 billion.

Over half of those exports went to Asia.

"It is our first market," he told AFP. "For the first eleven months of 2010, 52 percent of our Swiss watch exports in value went to Asia.



AFP

A watch expert shows a 1958 Rolex Submariner in Hong Kong. A measure of any Asian businessman is the time he keeps and, far more importantly, the watch he wears to mark it.

"Asian markets, except Japan, are generally growing faster and stronger than other markets due to the positive economic situation in these countries."

Sales were up almost 55 percent in mainland China and almost 46 percent in Hong Kong.

The main driver behind the market is simple: hundreds of thousands of Chinese people now have serious money to spend.

According to the Hurun Rich List, the Chinese equivalent of the Forbes or Sunday Times rich lists, there are now 875,000 Chinese worth over a million US dollars. And almost 200 of these are billionaires.

Hurun also compile a list of what brands are favoured by China's ultra-rich. Patek Philippe is the top luxury watch, followed by Vacheron Constantin, then Cartier.

But Thierry Dupois, the federation's Asia chief, says the Chinese have always loved watches.

"First and foremost, in China, there is a passion for timekeeping and fine watches that has existed for centuries," he told AFP.

"In addition to that, in today's Chinese society, there is of course the interest in watches as a 'status-symbol'."

Resellers also had a good year. Christie's notched up more than $90 million globally in watch sales, the auctioneer's highest ever figure for watches -- $27 million of that figure came from the firm's Hong Kong auctions.

But Sam Hines, head of watches sales for Christie's Hong Kong, says Asian buyers are not just showing up at Hong Kong auctions. They are attending auctions all over the world.

"Asian buyers are everywhere now," he told AFP. "In 2010, the Asian buying in our Christie's global sales increased 84 percent in value compared to 2009."

Su Jia Xian, a watch collector who helps run the PuristSPro.com dedicated watch website, says Chinese buyers now have specific preferences.

"At the top end of the market Vacheron Constantin and Blancpain are notably popular. Each derives 50 percent or more of its sales from China," the Singaporean told AFP.

"In the mass market segment Omega is the leader, but Rolex does well too.

"The taste of the Chinese market is fairly conservative by the standards of the rest of the world, it likes smaller, round watches in yellow or rose gold, sometimes with a matching gold bracelet."

Omega president Stephen Urquhart says Asian buyers are particularly well informed about the brand and know what they want before they buy, the watchmaker's links to the James Bond movie franchise also helped boost sales.

"Asia is incredibly important to the brand," he told AFP. "We've been there for more than a century and have a leadership position in almost every Asian market.

"During the financial downturn we were able to gain share in all the markets there and I think that's a testimony to the strength of the brand in Asia."

At watch auctioneer Antiquorum's Hong Kong offices, 452 rare and expensive watches are splayed out across tables and cabinets and stacked in boxes as staff catalogue, price and number them for an auction expected to raise around $4 million.

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