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Fear and loathing of m-banking

GEOFF KING

Apart from the functional barriers such as usage and risk, it is the psychological barriers that prevent mobile banking from flourishing in India.

There was nothing unusual about that morning, until on my way to work that group walking on the road caught my eye. I had seen them many times before but probably not noticed them this way. Whether on foot or cramped together in a vehicle, they prefer travelling in groups every morning to their respective workplaces. They carry their lunches in cloth *potlis* or plastic *thailis* and come from villages and hometowns far away to earn livelihood. And they can, perhaps, be clustered into one defined group - they are a part of India's significant migrant population, of which many are also unbanked.

There are millions of such people in our country today who work away from home and remit money back to their families on a periodic basis. But the question that nagged me was how do they remit their money home? There are many such options in practice in India today ranging from unlicensed and unregulated channels, through to regulated but highly officious corporate channels. All are fraught with customer complications: either involving high risk, great distances to travel to deposit and withdraw from approved establishments, long delays between sending and receiving or high transaction costs. With the recent proliferation of mobile money services, I began asking myself why they do not use a mobile phone - which they use daily for calls - for money transaction. M-banking services allow them to instantly transfer cash. It's a pretty simple method to follow.

TIME TO TREND

Recent statistics show some promise that m-banking is catching on in India. Take a look at some figures. According to Reserve Bank of India data, in terms of value mobile banking transactions grew by 227 per cent in January this year as compared January 2012. Similarly, mobile-based banking transactions grew from Rs 190 crores in January last year to Rs 624 crores in January 2013. However, on the other hand, m-banking in India has not been able to meet its full potential yet. Over 135 million households in India do not have a bank account. This means only 34 per cent of the households in India are related to banking.

But with more than 800 million mobile phone connections and 90 per cent handsets capable of basic financial transactions, we must wonder about the barriers to adoption of m-banking in India.

EASY ALTERNATE

M-banking is capable of making its users feel empowered. They no longer have to fear the brick-and-mortar bank branches, traditionally meant for the rich, nor do they have to be time-bound to the strict working hours and long queues in post offices.

Also, they can now avail of the security of regulated services and avoid the more risky unlicensed operators. This makes m-banking asafe and efficient procedure.

THE KENYA CASE STUDY

Kenya has made impressive strides in overall financial inclusion over the last five years using mobile money as the key change agent. The success of the adoption lies in its necessity. Policy and Research Centre CGAP estimates about 60 per cent of Kenya's adult population has no access to formal financial services. Therefore, branchless banking provided a path of financial inclusion for these customers. There were two main reasons why mobile money took off in Kenya, while facing similar challenges in other countries. First, Kenya's regulators enabled the mobile money take-off. The Central Bank in particular played a very progressive role and agreed that mobile money agents needed only limited entry requirements to set-up. Secondly, the dominance of the operator was also the key. The company had more than 50 per cent market share. Its strong position and national presence helped it to reach scale and encourage adoption. The ubiquitous well managed agent network moved to develop partnerships with retail outlets in an agency banking model which got approved by the regulator.

Apart from the functional barriers such as usage and risk, it is the psychological barriers that prevent m-banking to flourish in India as per our expectations.

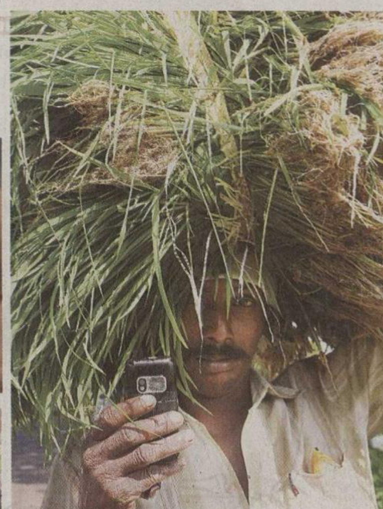
ACCEPTING CHANGE

Resistance to change is innately inherent in all human beings. We would always try to oppose something new under the guise of risk. This resistance can be of three forms: direct rejection, postponement or opposition. And the people belonging to each of these groups need to be identified and dealt with differently. Sometime new technologies or custom-shifting innovations have taken a generation to catch-on.

Kurt Lewin, often called the father of modern social psychology, proposed a three stage theory of change. Let us apply it to adoption of m-banking in India. The first stage, called 'unfreezing', means that one must overcome the inertia and open his/her mind to something new. The person must be told about why m-banking is better than the other modes he has been using so far and he must be motivated to listen. After he/she bypasses the early, yet strong, inhibitions, the second stage of 'change' takes over. It is a lengthy process wherein they will begin to understand that m-banking is taking over the traditional modes and for better. And finally, the 'freezing' stage, wherein m-banking becomes the new mindset in itself, people see that they are absolutely comfortable with it and that this is the way how banking transactions need to be done.

Just as Kurt Lewin, the facilitators of mobile banking in India must believe in planned change. Making the service available isn't just enough. A well -defined approach to communicate with potential m-banking users at each stage needs to be created. They need to be helped at each stage of this transition. Given that the change will only come with passage of time, we must act as catalysts to achieve the collective goal of financial inclusion in the country.

(The writer is Head of Mobile Banking, Aircel)



Mobile banking and payment services such as Google Wallet are yet to take off in India. M-banking will be of immense help to those who don't have access to physical banking services. The idea took off really well in most parts of Africa. Now, there are a variety of mobile banking technologies that are competing for a rapidly growing African market. BLOOMBERG, CH.VIJAYA BHASKAR, REUTERS