

India: a quantum jump into the mobile age

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Driven by sustainable domestic growth, India's economic performance makes it 'a rare bright spot among emerging markets', according to The Economist. On the cash management side, the sub-continent is undergoing a mini revolution, powered by a mobile communication boom.

To say that India is a huge consumer market is an understatement. The current population of the Republic is over 1.25 billion, and the sub-continent boasts the second largest population in the world behind China - amounting to approximately 18% of the world's population.

For the first time in 2015, India's pace of growth is set to overtake that of China's. The official figures quoted by the MOSPI (Ministry of Statistics and Programme Implementation) already show a GDP in excess of 7.5% in the 4th quarter of 2014 compared to Q4 2013. A firm Rupee, booming foreign investment and current foreign exchange reserves at a record \$330 billion are other key indicators of India's economic momentum. At the beginning of 2015, the additional fall in commodity prices created a positive impact on the inflation rate, down at +/- 5 points in January vs. +8.5 in April 2014. On top all of this, India's interest rates are down, and more cuts are expected throughout the year.

A new landscape in the making

Boasting about 200 million subscribers, the Indian mobile market is growing by 5 million per month. Although clearly on the rise, the figures do not fully reflect the outstanding potential of the market, with great perspectives of growth as the mobile and smartphone equipment rate of the population continues to grow. As in other countries of the world like China, changes in consumers' behaviour - and particularly regarding the use of mobile technology to make purchases and payments - are progressively transforming the way individuals manage their cash.

With the process of transformation being in the making, the Indian landscape remains contrasted for the time being. Cheques are still Indians' preferred means of payment, and cash payments are also very popular. In addition, mid-sized caps that are traditionally more conservative are less proactive than larger corporates in pushing for electronic cash management solutions. Most of them are not yet ready to move in to a 100% paperless environment. Meanwhile, they tend to hold on to cheques. This is due to historical reasons like the costs related to upgrading systems and reviewing internal processes, but also last but not least, to take advantage of the float on the debit side.

At the other end of the spectrum, major corporations are at the forefront of change. Large corporates have the structure and the size to better grasp the opportunities brought by domestic initiatives like Immediate Payment Service (IMPS), NACH (National Automation Clearing House) and BBPS (Bharat Bill Payment System). These new services contribute to boosting electronic transfers and straight-through processing as part of a broader ambition to automate payments and collections. Major corporations have high expectations as to saving time and costs as well as gaining more reliability across the payment and collection chain.

For their part, utilities have their own challenges. In the top 20 cities of India, more than 30 million bill payments are generated each year. Due to a complex and heterogeneous environment, they face specific challenges. By supporting a standardised environment and shared practises, India's BBPS (Bharat Bill Payment System) -due to be operational in 2015- will provide adapted responses to utilities' own challenges.

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