

# Mobile Phones Delivering Micro Loans

## CREDIT MARKETS FOR THE POOR: MICRO FINANCE

Columbia University - Friday April 20<sup>th</sup> 2007

### Genesis

*I will give you a talisman. Whenever you are in doubt, or when the self becomes too much with you, apply the following test. Recall the face of the poorest and the weakest man whom you may have seen, and ask yourself, if the step you contemplate is going to be of any use to him. Will he gain anything by it? Will it restore him to a control over his own life and destiny? In other words, will it lead to Swaraj [freedom] for the hungry and spiritually starving millions? Then you will find your doubts and your self melt away.*

**Mahatma Gandhi**<sup>1</sup>

### Opportunity

Possessing cutting edge technology is one thing, but what is of paramount importance is whether the technology is found useful by a common man! And if so, can it be translated into a viable business model that can be scaled-up with growth. To test this, various socio economic variables of India as well as that of the world needs to be seen closely vis-à-vis our product - Beam.

#### DEMOGRAPHY & ECONOMY

A snapshot of India is as follows:

- Area 3.3 million sq km
- Population<sup>2</sup> 1.07 billion growing at about 2% YOY
- GDP \$ 849 billion
- Inflation about 5%
- Savings rate (04-05) 29%
- Growing literacy rate
- Large pool of professionals
- Largest youth population of more than 50% under 25 years (Illustration-1)

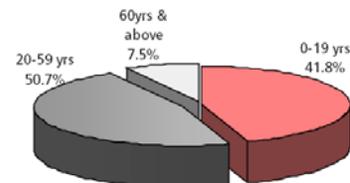


ILLUSTRATION - 1

As per World Development Report 2005<sup>3</sup>, India has the second largest GDP growth after China, and had a 3 year CAGR of 7.3% growth (Illustration-2).

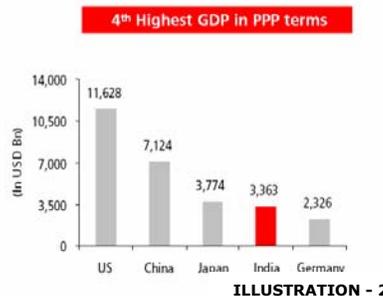
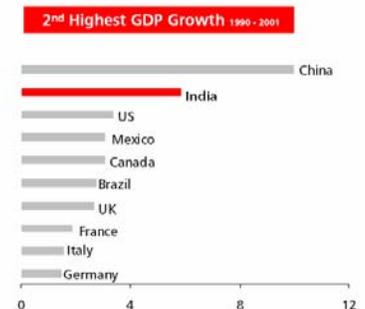


ILLUSTRATION - 2



<sup>1</sup> Mahatma Gandhi, Last Phase, Vol. II (1958), Page 65  
<sup>2</sup> Census of India 2001  
<sup>3</sup> World Development Indicators 2005

**UNEMPLOYED YOUTH**

As per Government of India Ministry of Statistics and Programme Implementation (MOSPI) report<sup>4</sup> the proportion of unemployed has been found to be the highest for the age group 20-24 in rural and urban India (Illustration-3).

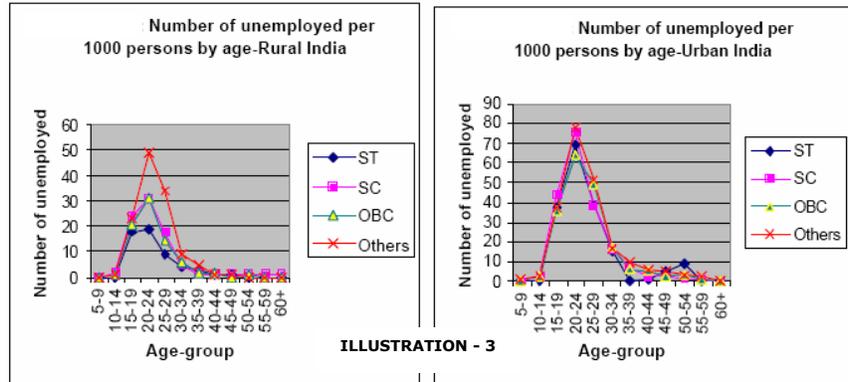


ILLUSTRATION - 3

As can be seen from Illustration-4, amongst the unemployed the lot of educated women in rural India is the highest, even though the urban educated female too.<sup>5</sup>

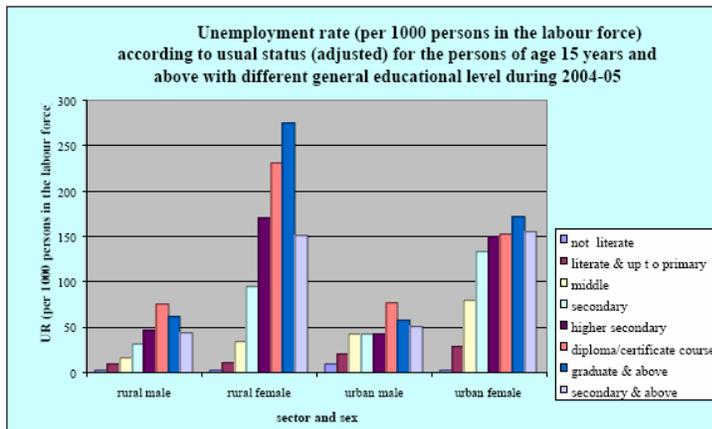


ILLUSTRATION - 4

As per International Labour Organization (ILO) Decent Work Agenda<sup>6</sup>, employment creation and poverty reduction are inextricably linked.

One of the solutions ILO recommends for alleviation of the above is Microfinance. It is also of the opinion that Micro-finance makes a powerful contribution to decent work by providing opportunities for small investments in self-employment and job creation. Through Micro-credit and Micro-savings and Micro-insurance, it provides the means for people to manage risks of living. As per ILO<sup>7</sup> these have considerable impact on:

- *Job creation*: Micro-finance is a key element in promoting self employment, and thus creates jobs.
- *Empowerment of women*: Micro-finance improves women’s position within households and communities by making them self reliant.
- *Reducing vulnerability*: Micro-finance provides a safety net for the working poor – whether they work for wages or are self employed.
- *Security*: ILO states “A community at work is a community at peace” – this holds true at local, national, regional and global levels.

<sup>4</sup> Govt of India-MOSPI - Socio Economic Dimension of Unemployment in India Nov 2004  
<sup>5</sup> Govt of India-MOSPI-Employment and Unemployment Situation in India 2004-05 Part1  
<sup>6</sup> ILO Facts on Decent Work 2006  
<sup>7</sup> ILO - Facts on Microfinance and Decent Work 2005

Government of India's policy and programmes on empowerment of women<sup>8</sup>, are also synonymous with the above. Hence, the two factors that will help sustain and grow India's economic prosperity and security are: (a) generation of self employment opportunities at local level, and (b) economic empowerment of women through self employment and Micro-finance.

Suvidha's strategy of engaging young, educated persons who are unemployed and predominantly women, as Beam Mobile Entrepreneurs, falls very much in line with the priorities just mentioned. This team is the front end of the Beam services in the localities where they live.

**MOBILE TELECOM**

Mobile telecom has already reached where other sectors are yet to reach. Telecom statistics and growth projections are spectacular:

- Mobiles subscribers have a CARG of 86% (Illustration- 5) to reach 143 million<sup>9</sup> by November 2006.
- The Department of Telecom – DOT puts a target<sup>10</sup> of 500 million mobiles connections; and mobile access to every village over 1,000 population by 2010.

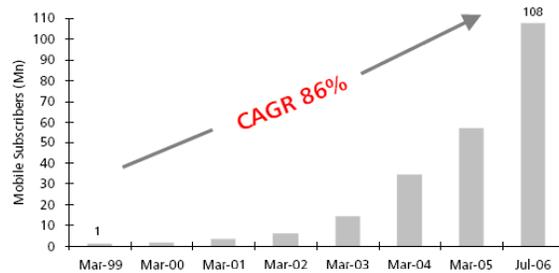
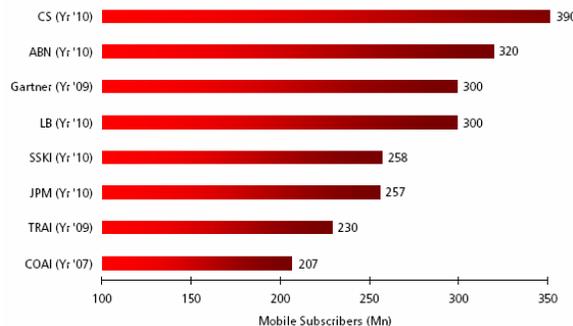


ILLUSTRATION - 5

Despite this remarkable growth, the mobile penetration is only 10%<sup>11</sup> and is one of the lowest in the world. Even with the 400 Minutes/subscriber/month usage, which is next to US<sup>11</sup>, makes Indian telecom well placed in the world markets.

Coming to future, potential projections vary. However even a conservative estimate puts 300 million subscribers by 2010 (Illustration- 6). Considering the mobile penetration is lower than many other comparable economies, the growth story will be there for a long time.



Country	Subs in Mn.	Pen / Pop
<b>India in 2010 (if)</b>	<b>300</b>	<b>27%</b>
<b>Current Status (Mar'06)</b>		
china	410	31%
philippines	36	41%
thailand	32	51%
canada	17	53%
malaysia	21	78%
usa	214	72%
korea	39	80%
singapore	4	101%
uk	68	113%
<b>world average</b>		<b>41%</b>

ILLUSTRATION - 6

<sup>8</sup> Govt of India - MOWCD Empowerment of Women - 2001  
<sup>9</sup> Telecom Regulatory Authority of India - TRAI June 2006  
<sup>10</sup> Govt of India-Department of Telecommunication - Telecom Vision 2010  
<sup>11</sup> Merrill Lynch - Global Mobile Matrix 2006

## **MICRO FINANCE**

The RBI Internal Group's Report on Micro Finance<sup>12</sup> has mentioned that the outreach of Indian banking system has seen rapid growth in rural areas. 48% of the total branches of the Scheduled Commercial banks (SCBs) and Regional Rural Banks (RRBs) cater to the rural areas (32,303 branches<sup>13</sup> translates to a population of about 23,000 persons per branch). Out of these 31% (136.7 million) of deposit accounts and 43% (25.50 million) of borrower accounts are in the rural areas. This expansion of the organized financial infrastructure has reduced the dependence of the rural population on the un-organized money lending sector from 68.3% in 1971 to 36% in 1991<sup>14</sup>.

In spite of this growth, there continues to be wide gaps in the availability of banking services in the rural areas as the SCBs cover only 18.4% of the rural population<sup>15</sup> through savings/deposit accounts and even a lower percentage of 17.2% of the rural households<sup>16</sup> by way of loan accounts. Though the Primary Agriculture Credit Societies (PACS) with about 100,000 outlets<sup>17</sup> have a deep and wide presence in rural India, their impact in terms of extension of deposit and credit products has not only been minimal but concentrated in a few states only.

The decline in productivity of the rural branches of the commercial banks, fragility of the co-operative credit structure and weakness of RRBs witnessed since early the 90s has further accentuated the problem of inaccessibility of banking services for a large part of the rural population. Furthermore, as the banking sector has shown, propensity towards the larger size accounts, the number of loan accounts of small borrowers with credit limit range of less than Rs.25,000/- has decreased from 58.8 million in 1991 to 36.9 million in 2003.

A vast majority of the rural population nevertheless remains un-integrated with the organized banking sector. On analyzing the supply side, we observe some of the reasons such as: (a) persons are unbankable in the evaluation/perception of bankers, (b) the loan amount is too small to invite attention of the bankers, (c) the person is bankable on a credit appraisal approach but distances are too long for servicing and supporting the accounts and expanding branch network is not feasible and viable, (d) high transaction costs particularly in dealing with a large number of small accounts, (e) lack of collateral security, (f) inability to evaluate and monitor cash flow cycles and repayment capacities due to information asymmetry, lack of data base and absence of credit history of people with small means, (g) human resources related constraints both in terms of inadequacy of manpower and lack of proper orientation/expertise, (h) adverse security situation prevailing in some parts of rural India, (i) lack of banking habits and credit culture, (j) information-shadow geographical areas, and (k) inadequacy of extension services which is crucial to improve the production efficiency of the farmers leading to better loan repayments.

<sup>12</sup> RBI - Internal Group Report of the RBI on Issues Relating to Rural Credit and Micro Finance 2005

<sup>13</sup> RBI- Banking Statistics - 2003

<sup>14</sup> All India Debt and Investment Survey, 1991

<sup>15</sup> Rural population: India: 741,660,293 (2001 Census)

<sup>16</sup> Estimated number of rural households: 147.90 Million (NSSO - 2003)

<sup>17</sup> National Federation of State Cooperative Banks

Similarly on the demand side, there are several reasons for the rural poor remaining excluded from the formal banking sector, such as: (a) high transaction costs at the client level due to expenses such as travel costs, wage losses, incidental expenses, (b) documentation, (c) lack of awareness, (d) lack of social capital, (e) non availability of ideal products, (f) very small volumes / size of transactions which are not encouraged by formal banking institutions, (g) hassles related to documentation and procedures in the formal system, (h) easy availability of timely and doorstep services from money lenders/informal sources and (i) prior experience of rejection by/indifference of the formal banking system.

Under the Micro-finance programme, loans are extended to the Self Help Groups (SHG) who pool a part of their income into a common fund from which they can borrow. The members of the group decide on the minimum amount of deposit which ranges from Rs 20 to Rs 100 per month depending upon the size of the group. The group funds are deposited with a Micro Finance Institution (MFI) against which they usually lend and the deposits are usually placed with a bank by the MFI. The group funds are the way 'micro savings' are enforced, though it may seem like collateral. The loan ticket sizes are usually Rs 2,000/- to Rs 15,000/-. Though loan repayment is a joint liability of the group but, in reality, individual liability is stressed upon. Maintaining group reputation leads to the application of tremendous peer pressure.<sup>18</sup>

In India and other Asian countries the majority of SHGs typically consist of women because, in these countries, self employment through Micro-finance was perceived as a powerful tool for emancipation of women. World Bank report<sup>19</sup> observes that gender equality is a necessary condition for economic development. It reports that societies that discriminate on the basis of gender are in greater poverty, have slower economic growth, weaker governance, and lower living standards. And the results are encouraging. Loans obtained from MFIs are utilized in agriculture and small businesses. Independent incomes and modest savings have made women self confident and helped them to fight poverty and exploitation.<sup>20</sup>

This can be seen from statement given by a woman beneficiary, "Previously we had to cringe before our husbands to ask for one rupee. We do not have to wear tattered *sarees* (wrap arounds) anymore and, today, we have the confidence to come and talk to you without seeking permission from our husbands." - as told to the author of the UNPAN's Field Survey.

#### *MFIs IN INDIA*

In India there are three categories of MFIs: (i) Not for profit MFIs, which include NGOs (ii) Mutual Benefit MFIs, which include mutually-aided co-operative credit and (iii) for Profit MFIs, which include the Non-Banking Financial Companies (NBFC).

<sup>18</sup> Field Survey by UNPAN Rajarshi Ghosh, and Impact Assessment of Microfinance in India- Frances Sinha and the impact assessment team: EDA Rural Systems Pvt. Ltd, Gurgaon, 2003

<sup>19</sup> World Bank- Engendering Development through Gender Equality in Rights Resources and Voice - 2001

<sup>20</sup> Sampark (2003) Mid-Term Impact Assessment Study of CASHE Project in Orissa

The estimated numbers of the MFIs and the contributions of different segments involved with the SHG<sup>21</sup> movement are as follows (Illustration-7):

Types of MFIs	Estimated number *
1. Not for Profit MFIs	400 to 500
a. NGO-MFIs	
b. Non-profit companies	10
2. Mutual Benefit MFIs:	200 to 250
Mutually Aided Co-operative Societies(MACs)and similarly set up institutions	
3. For Profit MFIs	6
Total	700 to 800

**Contribution of Different segments of FIs in the SHG movement**

Bank	Cumulative No of SHGs provided with bank loan upto March 2001	Cumulative No of SHGs provided with bank loan upto March 2004
Total public sector bank	118855	516697
Total private sector bank	5391	21725
Regional Rural Bank	84775	405998
Co-operatives	12773	134671
Total	221794	1079091
SHARE(per cent)		
Total public sector bank	53.6	47.9
Total private sector bank	2.4	2.0
Regional Rural Bank	38.2	37.6
Co-operatives	5.8	12.5

Source: NABARD

\* The estimated number is of those MFIs actually engaged in credit

**ILLUSTRATION - 7**

From the above it is evident that delivery of capital in a scalable and cost effective manner is one of the dominant issues facing Micro-finance.

Suvidha can play a significant role in the same using the Swift mobile transaction platform and providing Beam services, leveraging its distribution network and customer profiles. Banks have the opportunity to partner with Suvidha to supplement their extension banking services too. Like wise MFIs, RRBs, SCBs, NBFCs and Banks can also partner Suvidha to extend their product deliveries and manage both inbound as well as outbound payments through the network of Beam Mobile Entrepreneurs.

### **PAYMENT SYSTEM INEFFICIENCIES**

The GSM Association (GSMA)<sup>22</sup> launched a pilot programme aimed at tapping the ubiquity and ease-of-use of mobile to enable world's 200 million international migrant workers to easily and securely send remittances to their dependents, many of whom did not have bank accounts. By exploiting the extensive reach of the mobile networks, the programme complemented existing local remittances channels and made transferring money internationally significantly more affordable.

Coming to India, the situation of payment realization for different modes is as follows:

#### Cheque

- Local 3 days
- Outstation 10-30 days + 7 days for postal delivery

#### Demand Draft

- Local (same bank) 1-2 days + 7 days for postal delivery
- Outstation (other bank) 3 days + 7 days for postal delivery

#### Electronic

- Credit Card 7 days (merchant payments)
- Debit Card 7 days (merchant payments)
- Electronic Clearing System 4 days (limited coverage)

#### Postal

- Money Order 10 – 45 days

<sup>21</sup> Source: Adapted from the Report of the Task Force on Supportive Framework for Microfinance (NABARD 1999) and updated

<sup>22</sup> GSMA - Global Money Transfer - Mobile to Benefit Migrant Workers and the Unbanked 2007

It can be seen from the above, the present payment systems in India are still quite inefficient and shunting the economic growth.

## Global Trends

As per a report by IFC Washington-GSMA<sup>23</sup> the advantage of developing a market for Micro-payments (also referred as M-Commerce), is that it continues to drive the economic system toward a cashless transaction environment. Elimination or minimization of physical cash has many advantages including less opportunity for fraudulent or criminal activity, reduction of cash handling costs and, for the user, less reliance on having the right amount of cash when needed. It also allows the value of money to be better utilized. Cash held outside the banking system is not available for short-term investment so that the time-value of the cash asset is lost.

In the more affluent economies, there is already a good infrastructure for a cashless environment with most people having bank accounts and an array of both debit and credit cards. Nevertheless there is an underlying need for cash for minor purchases but there is little incentive to eliminate cash entirely. These economies can manage quite well and there is no specific interest group that feels sufficiently under pressure to develop systems aimed at eliminating cash from the environment. Systems that have been developed in such markets are often expensive and hence not particularly attractive to the customer.

In the developing economies however, there is a very large 'under-class' that is totally reliant on cash for all their day-to-day expenses. Moreover, this under-class makes no use of the banking sector and so is 'invisible' in terms of its cash value. At the same time, the need for cash forces the providers of goods and services in these markets to have adequate cash-handling facilities and this comes at some cost. In these cases, the commercial organizations have much more to gain by addressing the problem of cash transactions. Not only is the risk associated with cash holdings is much greater, but the time-value of the cash being held outside the banking sector is entirely lost. Furthermore, the population in this category is lost, i.e. unseen by the banking sector. For these reasons, there is likely to be more incentive in developing economies to move the population at large away from cash, than exists in developed economies. That being so, a solution that meets the needs of developing economies, will also have extensive application in the developed economies. This arises because the solution must be accompanied by very low costs as if it were otherwise, the solution would have no appeal in those developing economies. The resulting low cost solutions can then be applied in the developed economies resulting in further efficiency gains.

The most successful Micro-payment applications are to be found in the Philippines with over 3.5 million M-Commerce users on two mobile networks. The key success factors for that market included the ability to load prepaid airtime credits as well as the ability to transfer both cash and airtime credits between customers.

<sup>23</sup> IFC Washington-GSMA-Infodev Micro Payment System Report January 2006

Coupled with these were the low values set by the operator for such prepaid top-ups or credit transfers. Typical top-ups of US\$ 47 to 57 cents were allowed by the networks (equivalent to around four to five minutes of calls) while transfers between customers of both cash and airtime credits were permitted as low as US\$ 4 cents.

The target market surveyed is attuned to 'sachet purchasing' or the practice of purchasing goods in very small quantities packed in sachets. This phenomenon is known to be common in other developing markets where the populace rely on cash for all trading and can afford to buy provisions for just a few days' consumption. This market does not exhibit bulk purchase tendencies and M-Commerce offering that involves a significant cash deposit or payment will be unlikely to find any significant uptake from the target market. While the application of M-Commerce to developing markets was not constrained to the Philippines, the African market developments seemed to reflect the Filipino views indicating that the target markets in these geographically diverse areas were very similar in their use of cash and their expectations.

The range of features available in each market showed significant uniformity as to be expected if the target markets were similar. With minor variations, the features of all systems included:

- Provision for cash deposits and withdrawals.
- The ability for third parties to make deposits into a user account (employer, family member or a Micro-Finance Institution).
- The ability to make retail purchases at selected outlets.
- Over-the-air prepaid top-ups using the cash already in the account.
- The ability to transfer cash between users' accounts.
- The ability to transfer airtime credits between users.
- Provision for bill payments.

These features could be used for Micro-Finance applications involving both loan repayments as well as loan advances and this area in particular is being exploited in the Kenya trials and in Philippines service in conjunction with the Rural Bankers Association.

Apart from the use of the service by Micro-Finance Institutions all services studied by IFC operated on a debit account basis, i.e. the account could only be operated in credit. As a result, bad debt is not an issue other than loss caused by fraudulent activity. No operator indicated any serious concerns in this area and provided the overall system security was ensured, the possibility for fraud could be managed. In that regard, most of the systems studied involved a bank with normal banking systems in place as also arrangement results in the fraud issue being restricted to the bank's area of involvement for which it will be well-equipped.

The possibility of money laundering was considered by all service providers and it was noted that in all jurisdictions, the banking regulatory authority had established appropriate policies governing the activities of the banks. These policies included monitoring transaction levels and frequency, looking for transaction patterns and stipulating both maximum account balances and daily transaction levels. While it is possible for a network operator to take almost full responsibility for the entire Micro-Payment service, only one service in the Philippines was operating in that manner. Even then, the actual cash float generated was held in one of the country's regular banks. All other cases studied involved co-operative arrangements between banks and networks. In view of the

regulatory issues surrounding the banking industry, this method of operation is more likely to appeal to intending service providers, given that the banks can bring additional advantages including the availability of debit cards through issuers such as MasterCard.

While there were no quantifiable figures available on system costs, various estimates placed a likely cost in the range of US\$5 million to US\$10 million with an expectation that an M-Commerce system could be profitable with as few as 25,000 users connected but that would depend on the overall investment and service operating costs. Various estimates placed the transaction level at around two per customer per day and average transaction values at between US\$15 and US\$30 per customer and airtime top-ups of around US\$4 per time. These figures can only be regarded as indicative of the type of activity that may be encountered.

According to a study by Portio Research<sup>24</sup>, SMS (short message service) traffic in the Asia Pacific (AP) region is expected to increase from 434 billion messages in 2004 to over 1.2 trillion by 2010 (Illustration -8)

SMS	2004	2005	2005	2007	2008	2009	2010
Traffic (billions)	434.1	540.1	672.8	802.4	935.9	1,072.1	1,212.7

ILLUSTRATION - 8

One of the key growth drivers is attributed to higher mobile phone penetration in India and China. The report projected that the combined markets of India and China would account for over 800 billion SMS messages per annum by 2010. The report predicts, India, with a low mobile penetration rate has "massive potential". SMS in India is expected to grow from 12.3 billion messages in 2004, to 180 billion in 2010.

In summary, the situation provides an excellent and growing opportunity to Suvidha and its SWIFT technology platform which interalia uses SMS to perform both inbound as well as out bound transactions. Suvidha's network of Beam Mobile Entrepreneur women get self employed by providing the front end services at the localities where they live, and thus gain better control over their life.

## The Product

Beam is an innovative and simple way of transacting money using mobile phones. It takes advantage and plugs the inefficiencies in the payment systems of the economy. It enables subscriber to register and use a host of other services, anytime, anywhere using short message service (SMS).

<sup>24</sup> ZDNet-Portio Research -SMS Traffic to Double in AP by 2010 Sep 2005

The product has two parts. A robust, future ready technology platform called Swift is at the backend; and a stored value prepaid card which consumers purchase for using services - called Beam.

### **BACKEND TECHNOLOGY**

The backend SWIFT (Subscriber Wireless Interaccount Financial Transaction system) is a mobile commerce platform that took an effort of about 243 man years to develop.

It leverages the cumulative knowledge and experience gained by Suvidha from product distribution and providing transaction management services to banks as well as telecom services. Swift is a sophisticated, robust, secure, and scalable application having disaster management and business continuity system too. It lets subscribers use the Beam services via SMS, IVRS or internet.

### **SERVICES**

Beam as a service allows mobile phone subscribers to send money, give gifts, pay each other, make purchases from merchants besides a host of other services – take credit, make deposits, avail insurance, make investments, all using their mobile phone.

Services can be availed as soon as a mobile phone customer registers with Beam. This can be done by sending a simple SMS message to Beam and assigning himself a secure personal identification number (SPIN). Subscriber's Beam account is established automatically by Swift and the subscriber receives an SMS to this effect within a few seconds.

Beam prepaid cards can be purchased from any retailer, Beam Merchant, Beam Express (shops) franchisee or Beam Mobile Entrepreneurs (individuals). Additionally the Beam Prepaid cards can also be purchased from Suvidha's alternate channels comprising of Scheduled Commercial Banks (SCB), Cooperative Banks, Regional Rural Banks (RRB), Non Banking Finance Companies (NBFC), Micro Finance Institutions (MFI) and India Post.

Subscribers not having bank account can purchase Beam prepaid card to top-up their account and perform a variety of transactions. Money can be gifted via Beam to another subscriber. Beam merchant can be paid by subscriber using Beam. Similarly refund of the residual amount in subscriber's Beam account can also be taken from any Beam Mobile Entrepreneur or Express franchisee.

Besides Micro-payment services, Beam Mobile Entrepreneurs can also extend Micro-finance, Micro-insurance, Micro-investment as well as International Money Transfer services of Suvidha partners to the Beam subscribers.

Additionally, the Beam Mobile Entrepreneurs can act as service delivery vehicle; and extend Micro-finance, Micro-insurance, Micro-investment as well as International Money Transfer services in her locality. These will be to the customers located anywhere who may not have mobile phone and/or may not be registered with Beam but are clients of Banks, Cooperative Banks, RRBs, NBFCs, India Post, MFIs, SHGs, and Ladies Kitty Clubs (LKC).

**TRANSACTION ECOLOGY**

The illustration below shows the ecology of the various types of transactions. Subscriber can be seen sending money, giving gifts, paying each other, making purchases from member Beam merchants as also taking refund from Beam Mobile Entrepreneurs using their mobile phones.

Similarly, Beam Mobile Entrepreneur can be seen providing refund services as also extending Micro-finance, Micro-insurance, Micro-investment and International Money Transfer services to Beam subscribers as well as to the customers of Banks, SCBs, RRBs, NBFCs, MFIs, SHGs, India Post and LKC, who may not be having mobile phone and/or not registered with Beam.

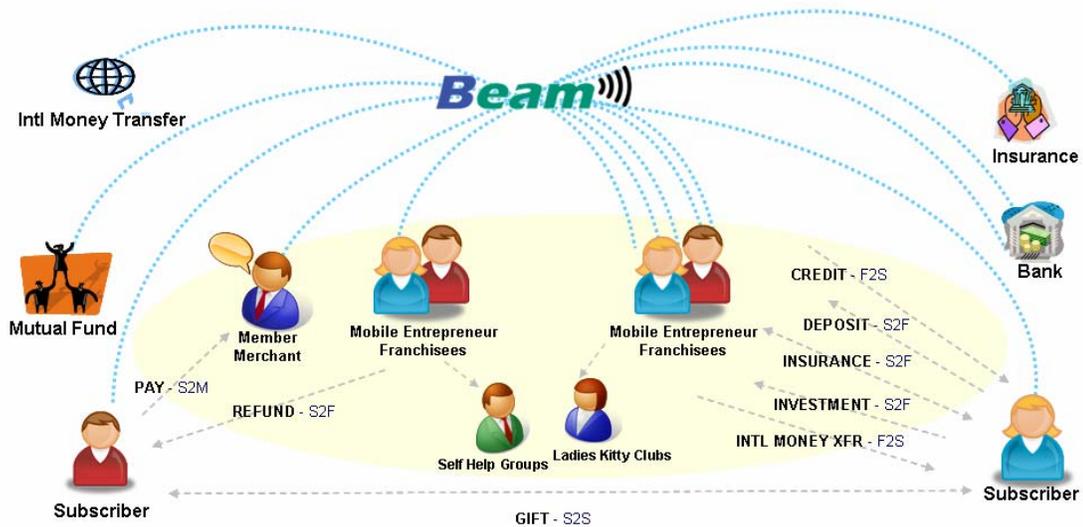


ILLUSTRATION - 9

**The Future & Challenges**

**FUTURE**

Suvidha is starting off with Micro-payment services.

As it moves forward, it will use the flexibility and scalability of Swift technology platform, leverage the distribution network and the profiles of Beam subscribers to offer Micro-finance products, Micro-Insurance (Life and General insurance products like crop insurance etc.) of its partners.

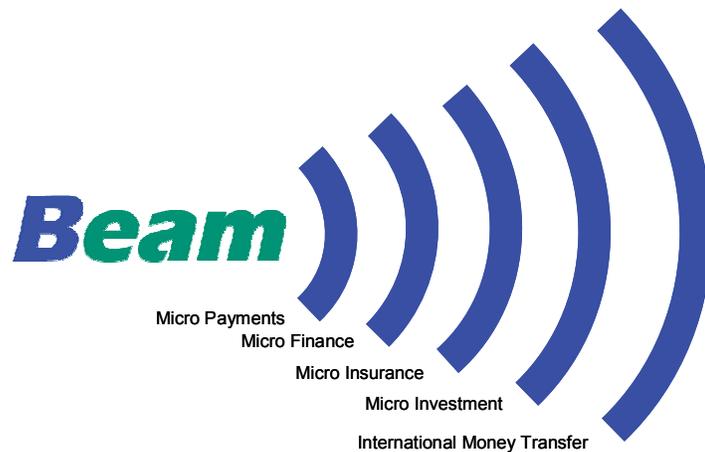


ILLUSTRATION - 10

As the feet-on-street i.e. Beam Mobile Entrepreneurs mature, it shall offer Micro-Investment products of partners. Suvidha shall also offer International Money Transfer services of partner Money Transfer Organization (MTO) through the Beam Mobile Entrepreneurs and Beam Express franchisees. In addition to offer partner products, Suvidha shall provide Micro-payments transaction management services to customers of banks, SCB, RRB, NBFC, Micro-finance, Micro-insurance, Micro-investment and MTO companies. It shall move to other geographies at appropriate stage.

## **CHALLENGES**

Some of the challenges faced are as follows:

- *Regulatory*: the environment for payments, Micro-finance, Micro-insurance, Micro-investment, and International Money Transfer is still evolving and there are no clear guidelines.
- *Taxation*: while service tax matter is well understood, VAT is administered by individual States who are not clear on what the treatment should be made on charging or not.
- *Anti-Money Laundering – AML*: Customers may not yet have been issued the required documents.
- *Combating the Financing of Terrorism –CFT*: here again no clear dissemination has occurred at the enforcement level.

## Epilogue

*Sukhasya Moolam Dharmaha,  
Dharmasya Moolam Arthaha,  
Arthasya Moolam Rajyam.*

Happiness emanates from righteousness,  
Righteousness starts with economic prosperity,  
Economic prosperity is the root of a successful State.

**Chanakya**<sup>25</sup>

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Suvidha believes its services will not only improve the lives of its customers and the Beam Mobile Entrepreneurs, but will enable them have a greater control over their life and destiny. And in this manner make its humble contribution to the economic prosperity of India.

<sup>25</sup> Chanakya, *Chanakya Sutra (Arthashastra)*, Verses 1-3. The *Arthashastra* discusses monetary and fiscal policies, welfare, international relations, and war strategies for successful governance of a State. Chanakya (c. 350-283 BC) was adviser and prime minister to the first Maurya Emperor Chandragupta and architect of his rise to power. Also known as Kautilya.

## About Suvidha

### **SUVIDHA**

Suvidha (*Sue – vee – dhaa*) is a Sanskrit word which means convenience. Suvidha is a Mobile Transaction Service Provider and is ISO 9001 certified. It was incorporated on 11<sup>th</sup> December, 2002 and is headquartered in New Delhi India. Its Global Transactions Management System (GTMS) is used by corporate banking for cash, tax management and cooperative payment management services via internet. Some of the banks using GTMS services are HSBC, Deutsche Bank, ICICI Bank, HDFC Bank, UTI Bank.

Suvidha is about to be launching the Beam services in FY 2007-08, with SWIFT as its backend.

### **BOARD OF ADVISORS**

Suvidha is professionally managed and has an experienced Board of Directors. It recognizes the Mobile Transactions Services domain is still evolving. Thus in line with the vision to create a globally respected corporation, Suvidha has formed a Board of Advisors (BOA) comprising of distinguished leaders from academia and corporates, from around the world. The Board of Directors benefit from the collective wisdom of the BOA which ratifies the plans, so that the executive implement what is right.

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#### **ACKNOWLEDGEMENT & DISCLAIMER**

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