MVAS – POTENTIAL GROWTH DRIVER FOR SOCIAL AND ECONOMIC SECTOR IN RURAL INDIA

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Abstract

The mobile value-added services market is growing rapidly in Rural India. According to a consultation paper published by the TRAI, the VAS contributes around 10%-14% of the total revenue of mobile telecom service providers. A confluence of factors such as the falling costs of value added services, enhanced handsets qualities, lowering age profile of mobile users have helped in stimulating the growth in this segment. The Indian rural sector, at present, suffers from decelerating productivity growth rate in terms of economy. It is essential to catalyze agricultural productivity, raise rural incomes, and empower the rural population to make best use of the existing and available infrastructure and funds. The increasing penetration of mobile networks and handsets in India, therefore, presents an opportunity to make useful information more widely available. This could help rural India operate more efficiently and overcome some of the other challenges faced by the social and economic sector. It is therefore timely to take a look at the impact of mobile value added service in rural India.

Key word – Rural Mobile VAS social economy

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Introduction

1. Introduction

The telecommunications industry has unarguably been the biggest catalyst in giving our world its present shape and colour. It is the telecommunications industry which with all its advancements over the last 50 years or so has given the word "accessibility" new dimensions. To help this industry bolster its contribution to the social and economic development, it is essential that its own foundations are strong enough not only to survive but also grow and sustain that growth. Modern managements have various ways and means to nourish this growth of this segment and leverage the same for the deep rooted benefit of the country.

India has a sizable rural population. The challenge for the country is to uplift the social and economic status to the average level of our towns, cities and metros.

In Rural India, the VAS delivery has largely been based on the SMS, IVR, GPRS and WAP portal platforms. These VAS platforms are the backbone of the telecom operators for managing various entertainment services such as games, streaming audio/ video and ringtone downloads.

The MVAS market is currently dominated by SMS in terms of revenue. SMS can be P2P or P2A. A host of services such as the information services (news alerts, cricket scores) are provided through the SMS platform by the service providers.

We have reached a stage when we need to unleash the power of MVAS to leverage the growth of our set targets in growth of Social and Economic sector in rural India.

2. MVAS a Powerful yet untapped tool

Host of innovative contents and packaging of MVAS provided by the service providers are luring the customers. Moreover, the consumers are increasingly looking for entertainment, different means for performing transactions and accessing information at their finger tips. VAS helps the consumers in receiving the same and hence is expected to become a major revenue segment for the telephone operators.

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The rapidly-growing valued-added services segment has been one of the instrumental factors in Rural India's runaway success in mobile telephony. Value-added services are increasingly being viewed as an instrument for customer retention and service differentiation by the telecom operators given the rapidly increasing competition. The usage or demand for the VAS is higher among younger population.

3. Service Growth Areas

It is interesting to note that at present 90% the VAS is focused on entertainment and infotainment segment popularly known as ABCD of VAS – Astro – Bollywood – Cricket – Devotional.

All the value added services address some need of the end consumer whether it is psychological, monetary or convenience. Based on the need fulfillment of the end user, we have grouped Mobile VAS into following broad categories.

3.1. **Entertainment VAS -** The key differentiating factor of Entertainment VAS is the mass appeal it generates. These provide entertainment for leisure time usage. These not only generate heavy volume (owing to its mass appeal) but also heavy usage. An example of these kinds of services is Jokes, Bollywood Ringtones, CRBT (Caller Ring Back Tone) and games. These services continue to be popular and have been key revenue generators for the Indian mobile VAS market. This is a high value MVAS and will continue to show growth.

Other popular Entertainment VAS driving the market are dating and chatting services. The service was first introduced 2 years back and is now being offered by all the operators. This service is not only growing fast but also witnessing less churn as compared to other MVAS. Owing to its sticky nature, it requires comparatively less marketing efforts and cost.

Entertainment VAS has the potential to remain a key contributor to Mobile VAS industry. To sustain the MVAS growth, it is the responsibility of the industry to keep discovering/innovating killer applications like CRBT (Caller Ring Back Tone) at regular intervals

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3.2. **Info VAS**- These services are characterized by the useful information it provides to the end user. The user interest comes in from the personal component and relevance of the content. Apart from mobile, alternate modes are available to access Information VAS like Newspaper, TV, and Internet. E.g. of Info VAS is information on movie tickets, news, banking account etc. They also include user request for information on other product categories like realestate, education, stock updates, etc. Information VAS needs to target the right person at the right time with the right content.

3.3. **mCommerce VAS (Transactional services)** These are the services which involve some transaction using the mobile phone. An example of this kind of service is buying movie tickets using mobile phone or transfer of money from one bank account to the other. These can broadly be classified into 2 types - Mobile banking and Mobile payments. Though in a nascent stage, off late many initiative have been taken in mCommerce space. A number of application providers are in the market with different business models. Some are focusing on mpayment, some on incorporating mCommerce into it while others on mbanking aspects. This year has seen the launch of mbanking service by Indian's largest private sector bank which has given mbanking a much needed thrust. Almost all the operators are conducting pilot exercises for mCommerce services using different access modes like GPRS, USSD, STK, etc. A big boost to mcommerce has come from the RBI which recently came out with some guidelines. mCommerce penetration continues to be small but awareness is increasing. Operators are betting on technologies like USSD to make the service handset agnostic. The current marketing focus is primarily on mobile bill payment and mbanking. Industry is betting on tripling number of mCommerce users within this year. This is discussed in greater detail in the subsequent sections.

4.   An analysis of utility MVAS revealed broadly three kinds of services:

To analyse the power of VAS as a strategic tool for Social and Economic development, three key issues are chosen for detailed analysis. The considerations and possibilities are analysed below

(1) Information based services which usually involve one way dissemination of information such as epidemic alerts, disaster management updates, etc.

(2) Application based services which have a level of interactivity, and require the consumer to play an active role such as checking the status of payments, IVR based language training services, etc.

(3) Enablement services which include services forming a close substitute of those provided by a physical infrastructure such as a bank or a school. These services usually involve transactions such as person-to-person payments, travel reservations etc.

All the three types of services mentioned above are present in multiple categories. Based on a study of existing services in various parts of the world, and current needs of the country, there appear to be four focus categories:

4.1. M-Commerce

Services consisting of payments, banking, and retail transactions over the mobile phone such as person-to-person payments, bill payments etc. Internationally, M-PESA in Kenya is a great success story where remittance services offered by Vodafone and Safaricom are being utilized by approximately 27% of the population, monthly transactions are over $375 Mn. And users save up to $3 per transaction . In India, players such as Spice, Oxicash, MChek, NGPay, ICICI's iMobile are already offering some services in this area but these are mostly restricted to information services, and some basic applications such as bill payments to select billers. However, there is plenty of activity evolving in this area in India, on the regulatory and industry front. The RBI is contemplating regulations to promote M-Commerce, without compromising on security, and also devising a payments infrastructure to enable delivery of banking services to a larger section of society with the help of the National Payments Corporation of India (NPCI).

Thus, M-Commerce has the potential to promote financial inclusion and foster economic growth for large sections of the Indian society, if all key stakeholders work together effectively.

4.2. M-Education

Services consisting of training and learning related content, both in the sphere of formal education and non-formal and vocational training through mobile applications using SMS, WAP, USSD etc. While most companies in India are largely focused on corporate learning or providing examination alerts for major public examinations, there is tremendous scope for services such as language training (text, audio, and interactive), mobile reading, broader adult literacy and vocational training on specific subjects. In India, Spice, EnableM, Deltics, GCube Solutions, Tata DoCoMo are some of the players in this area. Some countries such as South Africa have also adopted the mobile phone as an integral part of the education system as it provides a platform to support and enable the curriculum, providing self tutorials, and interactive tutorials to children in subjects such as Maths (for example, the Dr. Math initiative in South Africa, launched on a social networking platform called MXit has seen tremendous popularity with the South African teenage population). In India, education is an area where the Government can take an initiative to put together a large scale mobile education program, and private players can also look at potential areas of key consumer need, especially in non-formal and adult education in order to harness the potential of M-Education in the country.

4.3. M-Health

Services which use mobile devices to deliver health solutions such as health alerts, updates, and patient monitoring systems. M-Health is in a very nascent stage in India today but some of the healthcare service providers and telcos such as AIIMS, Maestros Mediline Systems, Apollo Hospitals, Aircel see a tremendous opportunity in the use of mobile applications for service delivery as powerful applications can help to increase productivity and efficiency of their staff members, and also increase their ability to reach patients. For example, an initiative being undertaken on a small scale currently is teleradiology which enables physicians to view high resolution X-Ray reports on their smart phone screens and instantly send back reports. This is an example of a relatively advanced application based service. Even simpler services such as information based services which spread education and awareness around chronic diseases using simple IVR or SMS technology have been found to be tremendously effective in countries such

as South Africa (for AIDS), Mexico (for heart disease). Governments such as the UAE government have a Health Authority which focuses on using technology to collect data, send out

reports, and provide instructions and health guides to all citizens. As public health is a key development indicator for the Indian government, it could also similarly look at an overarching M-Health initiative.

4.4. M-Governance

Services which involve the strategy and utilization of all kinds of wireless and mobile technology services, applications, and devices for improving the delivery of effective government services for all citizens. In India, Bihar and Kerala are pioneers in the field of M-Governance. The Bihar Government is using an SMS based system to monitor performance of various schemes across districts. Kerala is planning to use mobile technology as an enhancement to its existing e-Governance platforms. Other governments such as Goa are also planning to deploy M-Governance services.

Globally, governments in countries such as China, UAE, Hong Kong, Singapore, and Malaysia have deployed M-Governance services from basic information based services such as natural disaster alerts to enabling polls through mobile phones. There are many global examples of effective M-Governance services and India can draw from these examples to devise an 'always-on' governance system, which has the ability to connect and provide services to all citizens more effectively, efficiently, and on a real time basis. Thus, there is plenty of scope to develop and deploy

Utility MVAS services in the country. However, interactions with players across the MVAS value chain bring to the fore various challenges. These challenges result from non-fulfillment of the critical success factors for industry growth:

(i) Policy Framework

(ii) Support Infrastructure

(iii) High Equilibrium Ecosystem.

While the policy framework sets boundary and gives direction, the support infrastructure provides the critical base required for the ecosystem to be built. There are certain key challenges under each of these groups which are impediments to the growth of Utility VAS.

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5. Conclusion & Recommendation

As per the data provided by the service providers, around 407112 villages are having mobile coverage i.e. about 69% of villages are having the coverage. Therefore, there is a need to plan for converting an additional 90-100 million population as subscribers.

The strategy for increasing the telecom penetration in rural areas can be classified in two categories:

a. Areas without mobile coverage

b. Areas already having mobile coverage

a. Areas without mobile coverage

As far as the first category is concerned, the major requirement is to provide the requisite infrastructure like mobile towers, spectrum, backhaul facility and the customer premise equipment (CPE). Some of these have already been discussed in the earlier chapters.

b. Areas already having mobile coverage

As compared to urban population, rural people are more cost conscious and demanding as far as getting value for their money is concerned. Taking Rs 1000- 1500/ as the minimum cost of a handset, the cost for owning a mobile connection works out to be around Rs 1500-2000/-. As the reasons for owning a mobile phone in urban and rural areas are very different, therefore for attracting rural people to subscribe to mobile phones, there is a need to increase its cost effectiveness. Some of the methods could be:

Lowering the cost of the handsets Although the service providers do not have direct control over handset costs, they can and should work with manufacturers to ensure that handsets are both economical and practical for the rural consumers. The following practices, some of them already in use, will help bring costs down as well as impart additional usefulness to – handsets:

Evaluate the design and specifications of handsets to ensure that they meet the needs of the rural masses and do not contain extraneous features that push up their cost.

Electricity is unavailable in a number of villages; therefore, the handsets should have long-life batteries, built in flashlights and capability to charge the batteries from alternate sources such as tractor batteries and generators.

5.1. **Reduce complexity** – and subsequent servicing costs – by relying on standardized keypads, screens, and other parts.

5.2. **Bundling of handsets—** A large number of the rural population does not have a steady employment, therefore there is a need to lower the upfront cost of mobile acquisition. This can be achieved by bundling the hand set along with the connection or offer handsets on an installment plan that increases over a period of time along with the benefits to the user. In large number of countries, it is a normal practice. However, in India, as the annual license fee is on the AGR of the service provider and the cost of the handset is also taken as a part of the AGR, therefore the service providers are not too keen to bundle the hand set along with the connection.

Free Issue of handset from Government controlled outlets – Handsets to all adults may be free issued. Funds for which can be sourced from the allocated funds discussed in the earlier chapters. In India we have several instances of free issue of Television sets and computers to fulfill the election promises. Hence to greater benefit of society, free issue of handset is no a challenge. Infact in August 2012, there were reports that Prime Minister may announce free issue of handsets to all adults during his speech from Red Fort. It was confirmed by various news agencies that government departments had seriously evaluated the impact. However due to various other issues beyond the scope of our study, the plan was later dropped. It is interesting to note that such proposals are already coming up for evaluation almost two years after the initiation of this study.

5.3. **Development of Rural Specific VAS -** This could include applications on mobile regarding health, education, farming and other local trade. With proper communication infrastructure, it may also be possible to move business processes to rural regions. This should open up the growth potential of rural Indian economy. Since the system is voice based, the use of local languages would not be a key challenge. Voice based recording centers are already available in all the state headquarters and may be set up at district headquarters too by the content aggregators.

5.4. **Mobile banking for rural India as next step:-** In many developing countries, lack of banking facilities in the rural area combined with a proliferation of mobile services has created a unique opportunity for providing financial services over the mobile network. Mobile phones are being used to transfer funds between people. These applications are working in countries like Bangladesh, Philippines, Kenya, South Africa, Tanzania etc. These applications are driven by rural people who are looking for:

a) A safe place to keep money

b) Accessibility / liquidity – The ability to turn electronic money into hard cash and vice versa at convenient locations (agents / ATMs)

c) Ability to transfer money – to and from the financial institution, to make payments and to remit money to friends and relatives.

Similarly in India also due to high cost of operation, a large portion of rural population does not have access to basic banking facilities.

RBI is working on formulation of guidelines to use mobile banking to create a system of financial inclusion to reach out to the unbanked population of the country. Some of the guidelines are already released and operators have started working on them. Primary objective of this model is to offer or give access to basic banking facilities to the unbanked and rural population by means of an easy to access affordable delivery channel i.e. mobile phone.

The banking sector with active participation of the telecom service providers acting as the delivery channel should try to proliferate this facility as far and as deep as possible as this will be the major catalyst for the rural masses to subscribe to the mobile phones.

As per a report published by the Boston Consulting Group in December 2007, "operators and banks should not see each other as adversaries. Players from each industry can share portions of their offerings and value chains in ways that provide mutual benefits- specifically more attractive, targeted products and lower costs. To be sure, operators still have work to do and regulatory reforms to advocate before they can price comprehensive banking services. If they succeed in creating a competitive mobile banking offering, however, they could find themselves on the verge of explosive growth resulting from a confluence of factors.

- The growth of mobile subscribers is outpacing the growth not only of banking customers but also of personal computers and internet users. Many telecom consumers have few links to financial institutions. As a result, telecom providers will not have to battle incumbents head on to win the banking business of many subscribers.

- Mobile banking will boast much lower costs and greater convenience than traditional banking products, making this option economical and attractive for both users and providers.

- India's vast market presents an opportunity to create unparalleled scale, which telecom companies could use to pry open other emerging markets – and eventually enter developed markets. If it were to launch a comprehensive mobile banking product, a pioneering telecom player could transform the landscape of retail banking not only in India but also around the world.

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