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Theme 235

INTERBANK MOBILE PAYMENT SERVICE (IMPS)

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THEME 235 : INTERBANK MOBILE PAYMENT SERVICE (IMPS)

The value-chain of the payment systems has been extended with electronification of payments. The money transfer / funds movement / payments from one centre to another, from one country to another and from one bank account to another bank account can be done with ease and instantaneously with the advent of electronic delivery channels. The payment systems have evolved from physical transfer of funds, bank transfers by way of cheques, drafts, telegraphic transfers, to electronic systems such as NEFT, RTGS, ECS, SWIFT, internet banking, mobile banking and now IMPS (Interbank Mobile Payment Services) has become the latest addition in the series. IMPS is a new service launched by National Payments Corporation of India (NPCI) and it can drastically transform the retail payments system within the country. NPCI is promoted by leading banks and it aims to provide a standardized ecosystem for facilitating payments. All the existing members of National Financial Switch (NFS) of the NPCI and banks that have approval from the RBI for mobile banking service are eligible to participate in IMPS.

IMPS is an instant interbank electronic fund transfer service through mobile phones. The customers can use mobile phone devices as a channel for accessing their bank accounts, remitting funds from the accounts and making payments at shops and commercial establishments. This is envisaged as a safe, secure, 24 x 7, convenient payment mechanism for Indians for domestic transactions. Presently, various banks provide remittance facility through mobile banking platforms. The remittance requests initiated from mobile are now processed by banks as National Electronic Fund Transfer (NEFT) transactions. Under NEFT, the transactions are processed and settled in batches, hence are not real time. Also, the transactions can be done only during the specified working hours.

How does the IMPS system operate?

The service allows a customer in one bank to remit funds to an account holder in another bank using mobile phone. The bank offering the service should become a member of IMPS.

The customer, who is a **remitter**, should enroll for Mobile Banking Service with the

bank where he/she has an account. The bank provides MMID (Mobile Money Identifier) and MPIN (Mobile Banking Personal Identification Number) to the customer. The customer has to download and activate the mobile banking application in the mobile phone or use SMS or Unstructured Supplementary Service Data (USSD) based application provided by the bank.

MMID is a seven digit random number issued by the bank and it is allocated for each account of the mobile banking customers. The customer can link the same mobile number to more than one account subject to bank offering the facility. The mobile number and the MMID will uniquely identify a bank account of the customer. The combination of mobile number and MMID helps as a mistake-proofing step for the remitter and this process helps in mitigating the risk of wrong credits in case the remitter enters erroneous mobile number of the beneficiary. Remitter (customer who wants to send money) and Beneficiary (customer who wants to receive money) should have MMID for doing funds transfer.

The **beneficiary** of the transaction has to register mobile number with the bank to link to the account. The bank provides MMID related to the mobile number. The remitter is informed of the mobile number and MMID, and money is sent using mobile number and MMID. The beneficiary will receive confirmation SMS for credit to the account.

What is the process flow of IMPS?

- Step 1: Remitter sends instruction to the bank from mobile through bank-provided application or SMS
- Step 2: Remitting bank validates details of the remitter and debits account. This transaction is sent by the remitting bank to NPCI
- Step 3: Transaction is passed by NPCI to the beneficiary bank. Beneficiary bank validates the details of the beneficiary customer, credits the account, sends confirmation to NPCI about transaction status and sends SMS to the beneficiary customer about the account credit
- Step 4: NPCI sends transaction status to remitting bank
- Step 5: Remitting bank sends SMS confirmation of the transaction to the remitting customer

How is security of transactions ensured under IMPS?

At the time of mobile banking registration, bank provides the customer with User id and MPIN for accessing mobile banking facility. An IMPS remittance will not be possible without these two inputs. The beneficiary details required for making remittance are mobile number and MMID. The transaction will get declined in case

any one of these two numbers is erroneous and transaction gets reversed instantly.

IMPS transactions can be sent and received at any time and any day. There are no timings or holiday restrictions on IMPS remittances. The funds are credited into the beneficiary account within 30 seconds after initiating the transaction. In case the IMPS transaction is not completed due to any technical reason, the reversal of funds will take place immediately. If the status of transaction can not be determined immediately, the reversal of funds will be done on the next working day.

What is the limit on the value of transactions in IMPS?

The limit is defined by RBI in the Mobile Payment Guidelines issued to banks. Presently a daily cap of Rs. 50,000- per customer for all transactions under IMPS is fixed. Transactions up to Rs. 5000- can be facilitated without end-to-end encryption.

What are the unique technology features of IMPS?

IMPS is a completely interoperable service. It is neutral to the type of mobile handsets, the kind of mobile applications, the switching infra and the core banking platform. This service is made available through client-based applications on the mobile or through SMS or through USSD protocol. The service rides on the existing mobile banking platform, ATM switching infrastructure and the core banking system. The IMPS can leverage on the heavy investments the banks have made in core banking and other related technologies. If a bank has core banking and ATM switching infrastructure, IMPS can be launched in a very short time span.

The concept of MMID is very innovative and it serves various purposes. It is used as a routing code for switching transactions. It allows customers to link multiple accounts in the same bank and with multiple banks as well. It helps reduce the error in keying the beneficiary mobile and transactions. It allows only genuine recipients to receive – this is important since mobile numbers are easily available and one should be able to decide from whom to receive money and stop receiving money.

The IMPS architecture and construct enable banks to offer funds transfer to customers in a more convenient manner compared to the existing channels of branch, call centre, ATM, internet and mobile banking. The banks can offer funds transfer service within a bank as well in the most cost effective manner.

What is the scope of the IMPS for further extending payment system?

IMPS can be extended to other types of payments – bill payments, micro payments and insurance payments. It is also possible to create the capability of loading up to Rs. 5000- per customer on mobile wallet by debit to customer accounts using IMPS.

The lack of penetration of Point of Sale (POS) devices is stated to be a cause for slow off take of card-based electronic payments in India. It is expected that mobile payments at POS terminals may be inevitable in future. The mobile based POS can definitely help in further electrification of payments. The architecture of the IMPS will facilitate the mobile to be used as an equivalent of POS to effect payments.


What are the prospects for considering IMPS to be successful in India?

The mobile phones provide a unique opportunity for banks to reach customers compared to internet banking service that requires a computer and internet connection. The internet connections are in the range of 70 to 80 million in India compared to 600 million mobile subscribers, and there are about 240 million bank accounts (data as on April 2010). Also, most of the bank account holders have mobile connections. Thus, adoption of IMPS can be easily implemented.

The demand for banking services is going to be phenomenal in India, with new young generation, tech-savvy and educated, requiring value-added new channels for transactions and payment services. IMPS can certainly be one of the options towards this.

Various studies indicate that efficient payment systems bring substantial benefits to the economy. Moving towards electronic payments can result in cost saving of up to one percent of GDP in the economy. Also, electronic payments can bring about greater transparency in financial transactions. There are estimates of great savings in government payments if these are moved to electronic payments. IMPS has the potential to reach a wider section of society and bring about payment revolution in India.

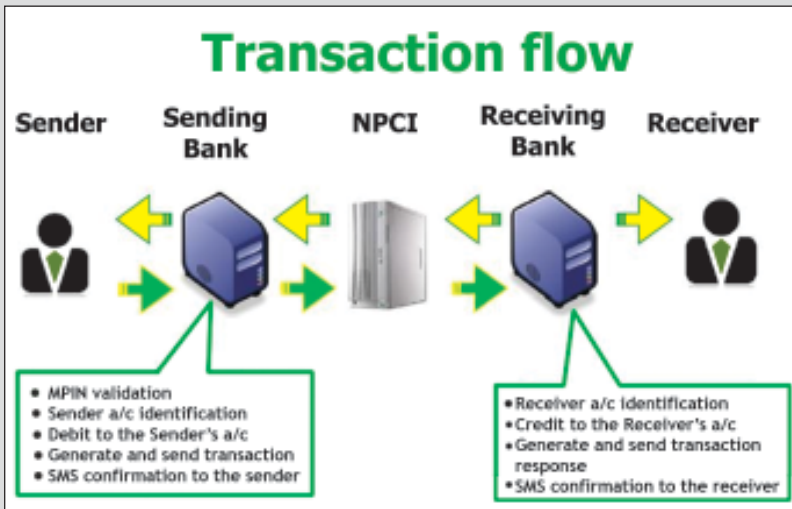
It is also expected that IMPS can contribute towards financial inclusion by providing the least cost option for effecting transactions and payments. One of the problems with microfinance is higher transaction costs associated with management of finance and repayments.

However, the mobile users may be reluctant to effect financial transactions on the mobile device when sensitive data is involved. There will be real challenges relating to information and security related concerns. Therefore, there is the need for deployment of the most secure applications. The customers should be educated on precautions to be taken in mobile banking services. 

Key Features of IMPS

- Instant interbank fund transfers
- 24 x 7 x 365 availability
- No need of sharing of bank account details
- Credit and debit confirmations to sender and receiver
- Simple and easy to operate
- Time saving & Cost saving
- Safe & Secure
- Easily adaptable for merchant payments and financial inclusion

IMPS



Your comments and feedback on this publication may be sent to Staff Training College, The South Indian Bank Ltd., Thrissur 680 001 or by E.mail: ho2099@sib.co.in

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