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## PROSPECTS OF MOBILE BANKING

### Article Particulars

Received: 28.8.2017

Accepted: 7.9.2017

Published: 30.9.2017

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### Abstract

*The revolution in information technology, since Globalization has made a remarkable change in the functioning and growth of banking sector in India. Traditional banking system is now replaced by modern convenience banking with the introduction of value added and customized products. Recent innovations in telecommunications have enabled the launch of new access methods for banking services through various e-channels like ATMs, credit/debit cards, internet banking, mobile banking, tele banking, EFT etc. The most popular among these products is the mobile banking which has gained overwhelming support right from youth to senior citizens of the country. Customers interacting with banks via mobile phone is termed as mobile banking. After the launch of mobile phones in India, mobile banking transactions have increased. This has definitely increased the operational efficiency and profitability of not only the banking sector but also commerce and trade activities in India. India has been ranked as **second largest** internet user country in the world. By designing and offering simple, safe and secured technology, banks now reach at the doorsteps of the customers with the prime objective of **'delight customer satisfaction'**. An attempt has been made in this present paper to focus the benefits enjoyed by the customers through mobile banking, problems encountered, recent trends in the growth of mobile banking and its future prospects. Finally, methods for improving the mobile banking system has also been discussed.*

**Keywords:** Globalization, Traditional banking system, credit/debit cards, internet banking, mobile banking, tele banking, EFT

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## Prospects of Mobile Banking

### Introduction

With the advent of technology and increasing use of Smartphone and tablet based devices, the use of mobile banking functionality has enabled customer connect cross entire customer lifecycle much comprehensively than before. With this scenario, urgent mobile banking objectives of say, building relationships, reducing cost, achieving new

revenue stream will transform to enable new objectives targeting higher level goals such as building brand of the banking organization. Mobile banking refers to use of a Smartphone or other cellular device to perform online banking tasks even while being away from home computers, such as monitoring account balance, transferring fund between accounts, bill payments and locating an ATM.

Mobile banking is used in many parts of the world with little or no infra-structure, especially rural and remote areas where people may have to take pains to travel and reach the nearest bank. With the introduction of smart phones with WAP support enabling the use of mobile web in 1999, the first European banks started offering mobile banking facility to their customers. The first mobile banking service in India was launched in October 2003 by Gram Luxmi Vahini, Khargone district, Madhya Pradesh. Now almost all public sector and private banks in India are providing this facility to its customers. Internet banking and mobile banking has completely replaced the traditional banking system in India. Today there is overwhelming response for mobile banking from customers irrespective of age/sex in India. It is remarkable that India is now in the fifth place in the world among the mobile bank users.

### **Objectives of the Study**

1. To study the features, advantages and limitations of mobile banking services
2. To understand the extent of mobile banking users and mobile carrier providers in India.
3. To project the future prospects of mobile banking in India.
4. To give suggestions for improving the quality of mobile banking services.

### **Nature of the Study**

This study is mainly descriptive in nature, using secondary data collected from various articles, journals, research reports and websites. Due to time constraint primary data could not be collected for the study to strengthen accuracy. Moreover the study is confined to mobile banking progress in Indian economy alone.

### **Classification in Mobile Banking Services**

The mobile banking services offered by banks get classified depending on the type of needs that prompt such services. By taking such needs into account, the service can be classified under three important heads.

**Push Services;** One of the prime head of the services gets recognized as push services. This type of services arises out of a financial institution's need to send specific information to its customers by tapping the potential of the mobile device. Banks are prompted to send alerts to customers to announce some important message to customers. The alert could take several forms, such as that of cheque book alert,

cheque bounce alert and channel alerts to customers. This push service is a clear case of **one-way** transaction

**Pull Services;** Another significant category pertaining to mobile services rendered by banks allude to pull services. In this type of service, customer initiates the action where he is keen to extract information or services from banks. Pull services encompass a wide variety that includes the need to make balance enquiry, carryout fund transfer, obtain bank statement, and gather some information relating to bank past transactions among other needs. This pull service is a sort of **two-way** transaction where customers will get replies and proper response from banks.

**Request Services:** Needless to say, request services happen to be another important category pertaining to mobile services. In this type of service, banks render services to cater to several requests made by customers. Request from customer includes various forms, placing request of issue of cheque books and account statements etc.

### **Advantages of Mobile Banking Services**

**Convenient and Time saving:** Mobile banking facilitates a customer to conduct banking activities from any place and any time convenient to him. He can easily access his accounts, make payments for various bills and even track his bank deposits and investments. He can save time by not visiting the bank personally and wait in queues to get things done.

**More Secured and Efficient:** No doubt, good mobile apps have high security and guarantee since banks give protection by way of sending SMS verification code to be used as input by the customer to authorize or allow payments. Hence mobile banking is said to be much safer than online/internet banking. Moreover mobile banking functions are functional, efficient and highly competitive for it helps in decongesting the banking halls and reduces the paper work for both the banker and the customer.

**Easy access to finance:** All mobile banking customers get easy access with banks and can get financial information even beyond the working hours of bank. It helps to avail banking services just by making a call. Even a customer from remote rural area can access through mobile device round the clock 24/7/365 and get necessary information from banks.

**Connectivity:** Customer utilizes the mobile connectivity of telecom operators and therefore does not require an internet connection.

### **Disadvantages**

1. The loss of a one's mobile device often means that the criminals can gain access to customers mobile PIN and other sensitive information. Customers are worst affected because of this act.
2. Mobile banking users are at risk of receiving false SMS message and scams.

3. Regular users of mobile banking over time are charged heavily by banks for services rendered.
4. Customers do have hesitation and fears in mobile banking, since Hackers are out to exploit them for the biggest gain for them in a short span of time.
5. Most cell phones don't come with good standard with anti-virus protection even if they have the facility to browse the internet.

### **Problems Faced by Customers**

1. Customers are not sure about the safety and security of their mobile banking transaction.
2. Network providers in order to capture market may offer attractive and cheap packages to their customers at the entry level and will hike the charges.
3. Absence of assured and uninterrupted network connectivity for completing fund transfer through mobile banking.
4. Inadequate guidance to customers to conduct mobile banking services successfully.
5. Difficulty in identifying the theft that comes as a result of mobile banking.
6. Most of the customers are not aware of the innovations in the services provided by banks.
7. For customers it is difficult to remember and use correct PIN and PASSWORD for their transactions, failing which the service will be locked.

### **Recent Trends in Mobile Banking Service in India**

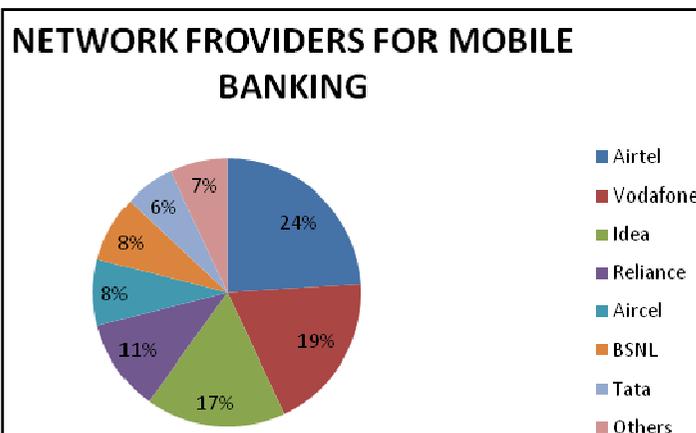
The trends in mobile banking service can be studied from two angles;

1. Mobile Network Providers and their effective role in assisting banking sector
2. Increasing trends in Mobile Banking Users (Customers) in India.

### **Mobile Network Providers**

Astonishing growth in telecommunication sector, its penetration including population and technology feasibility are the major factors for the introduction and success of mobile banking services in India. The remarkable progress in mobile banking service is only because of growing net work provider (carriers) attracting various customers by offering packages at competitive prices. Many Private sector net work Providers are playing greater role India in providing good services to customers than the public sector BSNL. This can be explained by a pie chart.

The above cited facts are projected in TRAI's report based on the information submitted by the service providers, provides a bird's eye perspective of the growing scenario of mobile users (subscribers) in India giving high priority to private owned companies than BSNL and MTNL because of better deal and satisfactory service.



Airtel gets the greater market share (24%) since it is the forerunners in launching 4G LTE in India, opening the markets for Chinese Smartphone Lenovo, Xiaomi, Huawei etc at competitive prices. Next to Airtel the coverage of Vodafone is 19% followed by Idea 17%, Reliance 11%, Aircel 8%, BSNL 8%, Tata 6% and others 7%.

The wide range of net work providers in India has stimulated the growth of mobile banking users in to a large extent.

### Increasing Trends in Mobile Banking Users (Customers) in India

Indian customers demonstrate the highest rate of changing banks driven by the availability of the mobile banking services. One in 25 mobile users in the country use mobile banking services and as a result, the value of transaction has jumped up by 4 times.

**Table 1**

Year	No. of users (million)	Transaction Value (Per month) ( INR Billion)
2011 - 12	1.96	2.3
2012 - 13	22.51	9.9
2013 - 14	35.53	34.1
2014 - 15	52.12	169.1

**Source:** RBI

The above table clearly shows that mobile banking is witnessing a speedy growth in terms of number of users as well as value of transactions through all banks. Over a period of 2 years, the mobile banking users in India have increased more than two-fold. This is really encouraging.

Among banks in India, 3 private sector banks HDFC, ICICI, Axis have made notable progress by their satisfactory service covering 71% of mobile banking customers in India. Including State Bank of India, public sector banks could cover only 26 % of customers. The remaining 3 % is shared by Citi bank (foreign bank). HDFC bank is the largest in terms of value of transactions with INR 5686 crores in April 2015. Nowadays customers are using mobile banking not only for transfer of funds, but also for various transactions like booking tickets, payment of bills, mobile recharge and online shopping via snap deal, flip kart etc. Hence mobile phone users, who have not availed

mobile banking is approaching their banks with application. To speed up this process the RBI has directed all its member banks to change ATM switches before March 31, 2016 and enable customers to register for mobile banking at the ATM centers also.

### Future Prospects in India

The Global Mobile Banking Report has forecasted that Mobile banking users globally will be doubled in another 4 years covering 1.8 billion (25% of world's Population). It has also pointed out that the adoption rate in developing countries like China and India has surpassed the rates in advanced countries. The predictions seems to be realistic as for as India is concerned with several reforms introduced by the Government as well as banks.

It is a matter of great pride for India to be ranked as the **Fifth Largest Country** in Mobile banking users .The average age of Mobile banking users in India is 30, where as in US.

It is 32, in Europe 39, in Japan and China with 37. Moreover the greatest Youth generation (Age 5 – 14) covering 1/5 of World's population lives in India. This is an added advantage to have steep growth in mobile banking beneficiaries in 2020.

Reserve bank of India has lifted the mobile banking transaction limit in Feb 2012 from RS 50,000 per day. This is an effective step which has increased the volume of transaction to a large extent. RBI in Nov, 2014 approved 11 companies (NBF) to start **payment Banks** in India with proper guidelines to accept deposits up to RS 1 lakh from customers and pay interest for them. This move is targeted to bring most of the untapped rural savings for effective investment that creates more employment and increases the GDP.

State Bank of India, the first largest public sector bank with 28 .6 crores customers (20 % market share) has launched its Mobile Wallet Apps 'SBI Buddy' for Smart phone users in August, 2015 and similar software tool 'SBI Batua' for its feature phone customers is likely to be introduced very soon. All these efforts are targeted to bring more customers into mobile banking and digital wallet platform as part of 2020 Digital India.

Private banks like ICICI and HDFC banks are rendering satisfactory service to its customers and their mobile banking transaction value is much higher than public sector banks in India. Government of India's Jan dhan Yojna - 'Financial Inclusion' aimed at benefiting rural population, by providing access to bank account, debit card and insurance cover, mobile banking facility etc. This scheme has got very good response from rural and semi-urban customers. Population without access to banks in India will drastically be reduced by 2020.

The introduction of 4 G and availability of smart phones at competitive price is going to attract new young customers to have more 'cashless transaction ', helping the Government in reducing the cost of printing paper currency.

From the above cited facts, it is evident that India has got a bright future in increasing the adoption rate of mobile banking to a large extent and expand the activities of banking sector in India.

### **Suggestions for Improvement**

Though it is a matter of pride for us to claim that India being ranked as the second largest internet user country in the world, we are only in the Fifth place as for as users of mobile banking. Some suggestions are listed below for effective growth of mobile banking customers.

1. Public sector banks in India should take effective steps to attract more customers for mobile banking options by improving the quality of service and redressal of customer grievances.
2. To gain confidence of customers by providing individual attention to meet out their genuine requirements without unnecessary delay.
3. Banks and telecom/network providers should work together in solving the grievances faced by customers adopting e-banking services.
4. Government should strengthen cyber security to protect mobile bank customers from loss of funds due to Hackers. This will create faith and security in opting mobile banking.
5. Banks should consider mobile banking as a cost saving avenue for customers rather than as revenue generation device for banks.
6. Create awareness among the rural population to opt mobile banking which provides value added services, cost reduction and time saving operation.
7. Banks should take effective participation in bringing government's "Digital India" Programme which is likely to benefit the rural masses, by poverty eradication.

### **Conclusion**

The revolution in information technology, ever since Liberalisation has made a remarkable change in the functioning growth trends of banking sector in India. Banking sector reforms like introduction of e-banking, emergence of private sector banks and foreign banks in India are the major factors that have brought laurels to our economy. Technology has brought structural changes in service quality, operational efficiency, profitability and productivity of banks. The regulations and guidelines of RBI to encourage the use of internet banking, mobile banking, mobile wallet and the competitive services of various network providers have helped much to proudly claim that India is the second largest internet user country in the world.

Government of India is also making its best efforts to bring the entire rural population into list of valued customers of banking service before 2020.

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