

Mobile Banking in India – Issues & Challenges

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ABSTRACT

Technology plays an important role in banking sector. Banking is one of the largest financial institutions constantly explores the opportunity of technology enabled services to provide better customer experience and convenience. Mobile phone is a common technology device that became part of every individual in the information era. Mobile Banking is an emerging alternate channel for providing banking services. India is the second largest telecom market in the world, which is having high potential for expanding banking services using mobile. However, mobile banking has not become the choice of millions of people. The main objective of this study is to identify the mindset and analyze the security issues in Mobile banking among the banking customers in India.

KEYWORDS

Mobile Banking, Mobile Banking in India, Issues and Challenges.

INTRODUCTION

The success story of M-PESA in Kenya and other few countries became instrumental for banks in other countries to explore the opportunity and adopt Mobile Banking. The main advantage of Mobile Banking is that the people in remote area can also access the banking services at ease. This has become possible with the reach of mobile devices in the rural areas where the device can be purchased starting from few hundreds. The penetration of mobile in India has made rapid change in communication system. Apart from the reach of communication device; revolution in mobile technology like 2G, 3G, and 4G are created more market where the potential people are adopting the latest technologies. One can see the impact of mobile banking types due to the advancement in technology. Operating system used in mobile device also plays an important role in development of Apps for easy access of various services. The challenges and issues in mobile banking are discussed in this paper.

SCOPE OF THE STUDY

On the basis of literature, the following mobile banking issues were discussed with the existing bank customers

- Mobile compatibility
- Mindset about Mobile Banking acceptance
- Comfort level with existing system
- Availability of Facilities
- Security issues
- Willingness to adopt mobile banking service

DEVELOPMENTS IN MOBILE TECHNOLOGY

Motorola1 was the first company introduced mobile phone in the year 1973, which is very costly and also more weight (in Kgs) when compared with present mobile sets which are cheap and small in size. 1 On April 3, 1973 Martin Cooper, a Motorola engineer and

1st Generation (1G): The first analog cellular system widely deployed in North America was the Advanced

Mobile Phone System (AMPS). It was commercially introduced in the Americas in 1978, Israel in 1986, Australia in 1987 and India in the year 1995.

2nd Generation (2G): Second generation mobile communication replaced the analog signal with digital signal.

MOBILE BANKING

Mobile payments were trialed in 1998 in Finland and Sweden where a mobile phone was used to pay for a Coca Cola vending machine and car parking. Commercial launches followed in 1999 in Norway. The first commercial payment system to mimic banks and credit cards was launched in the Philippines in 1999 simultaneously by mobile operators Globe and Smart.

A. Mobile Banking Model

The development in Information and Communication Technology (ICT), comfort and access of services, and competition with peer forced banks to introduce Mobile Banking services in India. Mobile Banking can be broadly classified into Bank-led model and Mobile Service Provider Led Model.

In the bank led model, only customers of a bank can avail the mobile banking service from the bank. With these facilities, the customers can do various banking transactions as per their convenience.

The Mobile Service Provider Model is totally different from bank-led model; in this the mobile customers those who don't even having the access of traditional bank account can do banking transactions through their mobile service provider.

Mobile banking services can be classified into SMS Banking, Application (Software) oriented, Browser (Internet) based model and Mobile Apps. SMS Banking refers utilizing banking services through SMS from the registered mobile number of the customer. Application or Software oriented refers downloading the application developed by the bank for utilizing the mobile banking service that works in traditional mobile handsets. Browser based mobile banking refers Internet based mobile banking where the communication made to internet application which is optimized for mobile handsets. Mobile Apps refers mobile applications developed for Smart phones using Android, Windows, Java, etc. The services offered under the mobile banking vary from one bank to another. The common services are Balance Enquiry, Mini Statement, Money Transfer and Utility Bill Payments.

B. International Experience

M-PESA – Kenya: M-PESA6 is the first mobile banking solution launched based on the Mobile Service Led Model in the year 2007 by the telecom operators Safaricom & Vodafone. It has become very popular among the customers and captured major market in Kenya.

SMART Money and G-Cash Philippines: Philippines launched SMART money7 which is an electronic wallet to do most of the banking transaction through mobile.

C. Mobile Banking in India

Banks are constantly adopting technology to expand its business and to reach different level of customers. Apart from ATM, Internet banking and other technology enabled services Mobile Banking is one of the services provided by banks to its customers. Astonishing growth in telecommunication sector, its penetration including rural population and technology feasibility are the major factors for the introduction of Mobile banking services. Some banks in India are started providing the mobile banking service to their customers that include State Bank of India (SBI), Union Bank of India (UBI), Punjab National Bank (PNB), HDFC, ICICI, Axis Bank, etc.

INDIAN TELECOM SECTOR

India is the second largest telecom market in the world. Telecom industry in India is witnessing enormous growth with 951.34 million subscribers as on 31st March 2012. The TRAI report indicates this figure includes 919.17 million wireless subscribers and 32.17 million wire line subscribers in India.

RESERVE BANK OF INDIA REGULATION

The following are the Reserve Bank of India (RBI) Guidelines issued to provide Mobile Banking Service in India:

- Only such banks which are licensed and supervised in India and have a physical presence in India will be permitted to offer mobile payment services to residents of India.
- The services should be restricted to only to bank accounts/ credit card accounts in India which are KYC/AML compliant.
- Only Indian Rupee based services should be provided.
- Banks may use the services of Business Correspondents for extending this facility, to their customers. The guidelines with regard to use of business correspondent would be as per

the RBI circular on Business correspondents issued from time to time.

- The _Risks and Controls in Computers and Telecommunications'guidelines will equally apply to Mobile payments.
- The —Know Your Customer (KYC) I and —Anti Money Laundering (AML) I as prescribed by RBI from time to time would be applicable to customers opting for mobile based banking service.

A. Transaction Limits in Mobile Banking

- Only Indian rupee transactions and these transactions are allowed within India only.
- Per day transaction cap of Rs.50000 has been removed by RBI, and every bank can change this cap depending upon their risk⁹.
- A transaction without end-to-end encryption is Rs.5000/- (SMS Based) ¹⁰.

B. Security and Authentication

The highlights of security and authentication guidelines provided by the RBI on Mobile Banking:

- The mPIN or higher standard of mechanism should be used to authenticate the Mobile Banking customer.
- End-to-end secure encryption mechanism should be followed in transactions
- Bank should conduct regular information security audits on the mobile banking systems to ensure complete security.

ISSUES AND CHALLENGES IN MOBILE BANKING

The rapid technology development in Mobile technology like 2G, 3G, and 4G has become major challenges for banks. It is visible that the bank which started Mobile Banking in the form of SMS banking, then adopted application (software) based model for traditional mobile handsets, the evaluation of Smart phones, mobile operating system and Mobile Apps posed the banks to adopt the current technology.

The customers are mostly using ATM and online banking services. Most of the customers feel comfortable without mobile banking. They also feel, there are chances of misuse in mobile banking due to mobile handset theft.

Conclusion

Mobile banking enable to banking task more fast and easy have a positive effect. So mobile banking transaction via mobile phones anytime, anywhere in India. Mobile banking integration gives the easy – to –use function, fast accessibility, and relevancy and user- friendly surfaces. Mobile banking allows individuals to perform their daily banking tasks in a quick and simple manner. The leading provider of digital banking or mobile banking solution created a fast and easy mobile banking application that provides an exceptional customer experience. Smartphone have many special features and banks need to understand what customer's needs from their devices are. Mobile banking recognizes this unique requirement which helps people to get connected with their finance in an easy and intuitive way.

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