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Dynamics and Demand for Mobile Banking

(A Present Scenario in India)

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Abstract : Presently almost all the banks in the world have started providing their customers "Mobile Banking" services. Recent innovations in the telecommunication have proven to be a boon for the banking sector and its customers: One of these is Mobile Banking, where customers interact with the bank via mobile phones and banks provide them the services like short message services, fund transfers, account details, issue of cheque book etc. The main issue of this study is to understand the factors which contribute to user's intention to use the mobile banking services. The purpose of this review paper is to explore the factors that influence the adoption behaviour of mobile banking services by Indian consumers. The data was collected from 150 respondents from Delhi city in the month of November and December 2013. Around 61.33% respondents opined that this system is less costly and time saving and 58.67% respondents would like to try this service. In this paper, we will share what is mobile banking (m-banking), RBI guidelines for mobile banking in India, advantages of adopting this new technology both for the banking sector as well as the consumer and issues which needs to be addressed relating to this new form of banking.

Introduction:

According to TRAI, mobile banking involves the use of mobile phones for banking transactions like fund transfer, balance check, etc. As per the extant guidelines of RBI, banks that are licensed, supervised and have a physical presence in India, are permitted to offer mobile banking services. Mobile Banking policies in India aim to enable funds transfer from an account in any bank to any other account in the same or any other bank (interoperability) on a real time basis irrespective of the mobile network the customer has subscribed to TRAI18. The Mobile phone plays a very important role in the development of mobile commerce and mobile banking.

Historical Perspective of Mobile Phones in India:

A report of the Cellular Operators Authority of India (CAOI), regarding the entry of cell phones into India, depicts that it was in the year 1992 that telecommunication Sector in India liberalized to bridge the gap through Government spending and to provide additional resources for the nation's telecom target and the private sector was allowed to participate. In the year 1994 India was licensed to provide cellular mobile services granted by the government of India for the Metropolitan cities of Delhi, Mumbai, Kolkata and Chennai. Kolkata became the first metro to have a cellular network in 1995. TRAI was set up in the year 1997 for the regulation of telecommunication sector in India. In March 1999 National Telecom Policy (NTP) was announced. In 2003 CDMA network was launched. In 2004 Broadband policy was announced. Mobile phone subscribers had reached 100 Million by 2006. In 2008, RBI issued operative guidelines for banks for mobile banking transactions in

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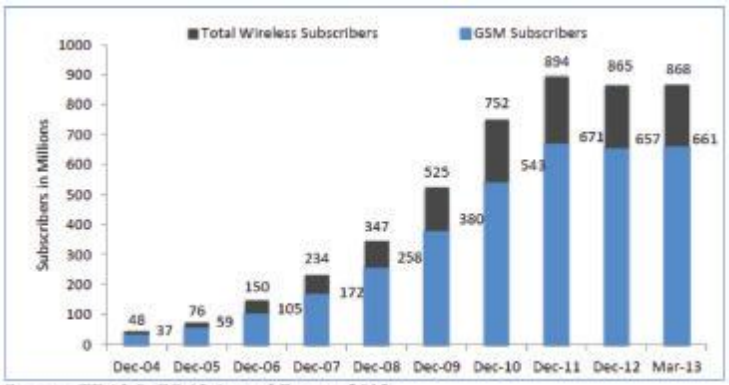
India. By the year 2009, wireless subscriber base crossed 400 million. At present wireless mobile phone subscribers are 867 Million i.e. it has almost doubled in the last four years. With the advancement in the operating systems of the mobile phones and mobile technology like 2G, 3G, 4G has brought a significant change in the way of working of mobile banking services providers. Since the introduction of 2G and the subsequently 3G, the demand for mobile phone has increased many folds. This can be interpreted by a rapid increase in the number of mobile phone subscribers (Figure 1).

There are many wireless operators in India but Bharati Airtel has got the maximum share of 21.7% after the Vodafone Essar (17.6%) All India total cellular and GSM cellular subscriber base. Market share of wireless operators.



Source: TRAI & COAI Annual Report, 2013

Top Ten Countries in Mobile Phone Subscribers Base

Mobile phone technology has become very common in all the countries of the world. According to Merrill Lynch Global research report 2011, China has the maximum number of mobile phone subscribers i.e. 1112 million and India stands on the Second position with 865 mobile phone subscribers.

Indian Telecom Sector:

India is the second largest telecom market in the world. At the end of financial year April 2013, the Subscriber base was 898.02 million. In India 85 banks were permitted to provide mobile banking services as per RBI guidelines (RBI 28, FEB, 2014). According to Reserve bank of India (RBI) data, a total of 7.7 million mobile transactions took place in October 2013; the total
amount transacted also registered a significant 24.86% growth on a monthly basis to Rs 1,954 crore, up from Rs 1,565 crore reported in September 2013. In November 2013, The Telecom Regulatory Authority of India (TRAI) had set a ceiling tariff of Rs 1.50 for each outgoing

USSD-based mobile banking session and had asked telecom service providers to collect the charges from their subscribers for providing this service.

In recent years, the mobile banking has been reflecting a growing trend (albeit the low volumes) with the volume and value increasing by 108.5% (53.30 million in 2012-13 vis-à-vis 25.56 million in 2011-12) and 228.9% (Rs.59.90 billion in 2012-13 vis-à-vis Rs.18.21 billion in 2011-12) respectively. The Payment Systems Vision Document 2012-151, reflects the commitment towards provision of safe, efficient, accessible, inclusive, interoperable and authorised payment and settlement systems in the country. The performance indicators of various payment system segments show that, during 2012-13 the share of paper-based instruments in the volume of total non-cash transactions has been lower than that of electronic payments. In addition to the growth in volume as well as value processed by RTGS, the retail electronic segment too has registered a significant growth of 35.2 percent in volume and 54.9 percent in value. Though overall volume of transactions in mobile banking is low, there has been significant growth in the volume this year as compared to previous years.

Evolution of Mobile Commerce:

Mobile Commerce in India is increasing at a very fast pace. According to TRAI18, subscribers who access the internet through wireless phones are 143.2 Million. Mobile commerce has emerged after the introduction of electronic commerce. A simple definition of E-Commerce describes it as: “the buying and selling of products and services over the Web”6. E-Commerce has gained importance in the last few years. E-Commerce applications developed so far, assume basically fixed users with wired infrastructure such as PC Connected with internet using a LAN (Local Area Network). Many new E-Commerce applications are possible using wireless and mobile networks. These applications are termed as ‘Wireless E-commerce’ or ‘Mobile Commerce’. With the increase in the number of wireless internet subscribers and advancement in the operating systems of mobile phones, mobile commerce has reached to every nook and corner of the world.

M-Commerce is an area which is rapidly changing the way people conduct their financial transactions.

Mobile Commerce:

Mobile services of similar nature can be bundled together as mobile applications. This study has been specifically focused on only one of the Mobile commerce application i.e. Mobile Banking.

Mobile Banking:

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There is a great scope of mobile banking in India as the number of mobile users is increasing. This is because of an increase in the number of wireless internet user subscriber base in India i.e. 143.2 Million18. In the year 2008, 3G was launched by MTNL (Mahanagar Telephone Nigam Ltd.) and IMPS (Immediate Payment Service) was also launched in 2010. After these initiatives and developments by RBI, mobile banking services have increased many folds and RBI issued the guidelines for banks to provide mobile banking services in India in the year 2008. Mobile Banking services were first offered by Kenya and Philippines in the world. M-PESA – Kenya: M-PESA is the first mobile banking solution in the year 2007 by the telecom operators Safaricom & Vodafone. It has captured the majority of the market in Kenya and is very popular among the customers. SMART Money and G-Cash Philippines: Philippines launched SMART money, which is an electronic wallet and users do most of its banking transactions through mobile only.

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 risk. Transaction without end-to-end encryption is Rs.5000/- (SMS Based).

Security and Authentication

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

The M PIN 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.

The bank should conduct regular information security audits on the mobile banking systems to ensure complete security. Despite many initiatives it has been found that in the field of mobile banking there are only 12% (17 million) users out of 143.2 million mobile phone internet subscribers who are using banking services on their mobile phones. So, the main issue of research is to understand the factors which contribute to user's intention to use the mobile banking services. The purpose of this review paper is to explore the factors that influence the adoption behaviour of mobile banking services by Indian consumers.

Conclusion:

In the backdrop of above reviewed literature, it can be seen that the adoption of mobile banking services in India is just 2%. So it becomes important for the service providers to increase the rate of adoption of mobile banking users.

Through the literature review some important points have been highlighted. It includes:

Banks should create awareness about the mobile banking services through Advertisements, Pamphlets, Demo Fares, Campaigning etc. so that the customer feel

informed and it may create interest among them. Samudra and Phadtare13, claimed that the footfalls at ATM centres is likely to be very high, the campaigns may be carried out at these locations to attract more customers towards these services.

Trust is also an important point of concern. Trust between the customers and the service provider is very important, without security and privacy users will not use mobile for financial transactions.

Perceived ease of use and perceived usefulness are found to be important factors to influence the consumer intention to adopt mobile banking. Hence, the main attention of management should be focused on the development of usefulness of system, trust building and cost reduction.

Perceived cost is also an important factor; therefore, this study suggests that the creative promotional and pricing strategies, including cost reduction should be implemented to attract more price-conscious customers.

It is also found that customers will adopt mobile banking if they find it easy to use and understand.

The users who are using banking services on their mobiles are highly satisfied ones, because of several reasons.

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