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An Overview of Mobile Banking

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Abstract:

In today's business, technology has been on the predominant indicators of growth and competitiveness. The banking industry today is in the industry of its revolution. Information technology has basically been used under two different avenues in banking. One is communication and connectivity and other is business process. Today, banks have welcomed wireless and mobile technology into their boardroom to offer their customers the freedom to pay bills, planning payments while stuck in traffic jams, to receive updates on the various marketing efforts while present at a party to provide more personal and intimate relationships. This paper examines the overview of mobile banking. I.e challenges, pros and cons and security issues. In the present day banking, total automation of banking operation and is an imperative for all banks to attract more customers, provide efficient service and survive the competition, apart from achieving the profit, which is the main goals of the business. Mobile banking is one of the alternatives channels available to customer for quick and efficient service at anytime and anywhere. Banks can also use unable banking for increasing the efficiency of their staff create a platform for better customer service and improve relationship with their customers.

Keywords: Mobile banking, challenges, security issues

1. Introduction

The report of Cellular Operators Association of India (COAI), the mobile users' base in India is expected to zoom to 893 million by 2012. This is a 150 million increase of what was projected earlier. India is now the second largest mobile market in the world after China, which has over 650 million subscribers, with India having 400 million mobile users. According to COAI's projection, there will be 1.24 billion mobile users in 2015 - which means one phone for every Indian. With this strong base Mobile banking is expected to be successful if the Banks convince the customers with security. Mobile banking as a financial tool has been seeing its time of acceptance occur very much thanks to increasing mobility offered by smart phones. Phones essentially pack the capability of a basic computer and Internet access into a communication device. The technological push for increased mobility and function via a phone has begun to take shape with increased capital investment into networks and systems that can support these features. Mobile banking is an electronic system that provides most of the basic services available in daily, traditional banking, but does so using a mobile communication device, usually a Smartphone. In some cases, a well developed mobile banking system can actually provide point-of-sale ability similar to an ATM or credit card, except the purchaser buys by using their phone instead. With the ease of mobile smart phones and their wide variety of applications today, it's not surprising the mobile banking is now coming into full vogue. However, the concept and ability is not a new concept.

2. Importance of Mobile Banking

1. Easy Accessibility: Mobile Banking provides the customers to anytime and anywhere banking with the help of mobile telecommunication services. This facility is very easy accessible by each mobile internet users. It also saves a lot of time.
2. Security: Mobile Banking is very safe and secure with the help of mobile pin (m-pin). Each user of mobile banking is secured by pin number which was firstly issued by the bank, but we can change it many times as per the needs of the customers. All the transactions through mobile banking can be easily operated by the customers and all records will be safe in the account details.
3. Less Cost: Mobile Banking is less expensive comparative to other modes of banking. There are various types of charges imposed by the banks when we use other modes of banking likes ATM facility, but through mobile banking there are very less or no charges will be charged by the banks.
4. Speed: With the help of new technology like 3G services, the customers make their banking transactions in the fraction of seconds. Mobile Banking is done by the mobile internet users in a very fast speed as compare to another mode of banking. For Example: If we want to deposit the money in branch, firstly we have to wait for our turn in a big queue to reach the counter but these hurdles can be easily removed by the usage of mobile banking.

5. Universally Accepted: Mobile Banking is universally accepted by the each bank. The customer operate their bank account at anywhere in the country with the usage of mobile internet. It is widely accepted by the banks at anywhere and anytime.
6. Account Statement: If we need our account details immediately, it is only possible with the online and mobile banking. Mobile Banking provides us immediate effect of banking transaction on our mobiles with SMS and Instatements on our mobiles.
7. Increasing Customers: Mobile Banking helps the banks to increase their customers. We know that the frequency of mobile users is increasing at very high speed, but the frequency of banks account holder is very less. So, mobile banking is a new technological platform to the banks to increase their customers.
8. Always Connected: Mobile Banking gives us an option to always connect with their bank accounts for getting the updation of every minute. Some account holders have large transaction per day. With the help of downloading the mobile banking application and software of their banks, they can get the update of their account by every minute or second.
9. Economic Development: Today, still there is a large portion of our population which has no bank account, but with the help of mobile banking awareness, especially young account holders will open the bank account and helps in economic development.

3. Pros of Mobile Banking

1. Time saving: Instead of allocating time to walk into a bank, you can check account balances, schedule and receive payments, transfer money and organize your accounts when you're on the go.
2. Convenient: The ability to access bank accounts, make payments, and even track investments regardless of where you are can be a big advantage Do your banking at a time and place that suits you, instead of waiting in queues.
3. Secure: Generally, good mobile banking apps have a security guarantee or send you a SMS verification code you need to input to authorize a payment for added security. Mobile banking is said to be even more secure than online/internet banking.
4. Easy access to your finances: with the introduction of mobile banking, you are able to access your financial information even beyond the working hours. It helps to avail banking services even by making a call to the bank.
5. Increased efficiency: mobile banking functions are functional, efficient and competitive. It also helps in decongesting the banking halls and reduces the amount of paperwork for both the banker and the customer
6. Fraud reduction: one very real advantage to implementing mobile banking. "Customers are being deputized in real time to watch their accounts.
7. It utilizes the mobile connectivity of telecom operators and therefore does not require an internet connection.
8. You can check your account balance, review recent transaction, transfer funds, pay bills, locate ATMs, deposit cheques, manage investments, etc.
9. Mobile banking is available round the clock 24/7/365, it is easy and convenient and an ideal choice for accessing financial services for most mobile phone owners in the rural areas.

3.1. Cons of Mobile Banking

1. Mobile banking users are at risk of receiving fake SMS messages and scams.
2. The loss of a person's mobile device often means that criminals can gain access to your mobile banking PIN and other sensitive information.
3. Modern mobile devices like Smartphone and tablets are better suited for mobile banking than old models of mobile phones and devices.
4. Regular users of mobile banking over time can accumulate significant charges from their banks.
5. Even though there are 1.5 billion computers on the Internet and 4.5 billion people using mobile phones, there's currently no significant operating system supporting the mobile space. "Hackers want to do the least amount of work for the biggest gain..
6. Most mobile banking apps need an internet connection to be able to operate, so if you live in a rural area or experience problems with your internet connection, then you won't be able to access your account. The same applies if your mobile phone runs out of battery.
7. Many phones aren't yet compatible with anti-virus software. Most cell phones don't come standard with anti-virus protection even if they have the capacity to browse the internet. Some phones aren't even compatible with the anti-virus software available and there are known cases in which people were unable to put anti-virus software registered to them on corporate cell phones. Although identity thieves are still a few steps behind when it comes to learning to implement some of their most successful computer tricks on a cell phone level, experts agree that is only a matter of time and people shouldn't assume that anti-virus software isn't necessary for cell phones.
8. Some banks don't offer the same level of protection for cell phone banking that they do for online or in person transactions. Because the risks are still generally unknown some banks have been slow to make promises about what will or will not be covered when you use cell phone banking.

4. Security in Mobile Banking

Security is a major element in mobile banking. The total number of customers in mobile banking is increasing day by day due to the security measures taken by the banks. The security in financial transactions is executed from a remote location and the transmission of the financial information is done over the air. This is the most complicated challenge which is addressed jointly by the application developers, wireless service providers and the IT department of banks. All of the Indian banks have their own IT department and they

are responsible for managing all the IT related activities [10]. There are some stages of mobile security used by the banks. The first thing which is checked by the banks is the physical part of the handheld device. Indian banks do not use the smartcard based security and that is why they check different physical components of the device. The application is a thick-client application which is used by most of the banks in India. If the device is stolen, the hackers need at least one ID or Password to access the application. All the banks require authentication of the device with the service provider before any transactions initiated. It ensures that there are no unauthorized devices that are connected to perform the financial transactions [10]. User ID and Password authentication of bank's customer enhances the security of the mobile application. The encryption and decryption of data is done properly by the mobile banking application. There are some banks in India such as United Bank of India, State Bank of India etc that uses One-time password which is the latest tool to secure the mobile banking transactions [10]. It helps the financial and banking service providers to fight against cyber fraud. Instead of relying on the traditional memorized passwords, the OTPs are generated by the banks each time when the customer wants to make any transaction using mobile banking. When the customer receives the OTP through SMS, he/she needs to enter the OTP to process any request. The password cannot be used in future as it is expired after its single use. The users are highly satisfied with the security measures taken by the banks in mobile banking solutions.

5. Challenges of Mobile Banking

5.1. Economic Challenges

The rural population in India is spread across 600,000 villages, each with a low transaction value. Profitability can only be achieved by large volumes, requiring significant initiative from financial institutions. Unlike the very successful M-PESA of South Africa, whose model has been very successful due to the lack of alternative payments in South Africa, India does possess some infrastructure in the forms of postal payments, reasonable transport and local governments. Therefore, any mobile banking must be inexpensive enough to be attractive for the end-customer over existing methods.

5.2. Regulatory Challenges

Although the RBI is supportive of mobile banking in India, there are many regulations that are being put into place:

- i) Restricted to Financial Institutions: The guidelines state that only existing financial institutions and banks are Allowed to offer mobile banking. Although the guidelines economies of scale cannot be achieved by these due to existing large fixed costs. For a very inexpensive solution, it would have been more effective to allow non-profit organizations or evangelical organizations to build their own MFI without being encumbered by large existing Infrastructure.
- ii) Rupee Transactions: All transactions must be done only in India's national currency, the rupee. While this may not be a threat in the beginning, this may pose a constraint for interoperability between Indian mobile payments and the world. Also, it excludes providers from the lucrative remittance market in India and limits areas from which Mobile operators can be profitable.
- iii) Existing Account Holders: The guidelines also state that only those having a valid bank account would be allowed mobile banking. This limits the full potential of mobile banking to extend micro-credit and bring banking to the large number of unbanked customers in India.

5.3. Demographic Challenges

India has 18 official languages which are spoken across the country. The state governments also are dictated to correspond in their regional language for official purposes. Additionally, two-thirds of the population in India is illiterate, creating difficulties in deployment of mobile banking solutions. For a pan-Indian mobile banking solution, this will be cumbersome to overcome.

6. Conclusion

The process of liberalization, privatization, globalization and deregulation has opened a new way for banks to increase their revenues by diversifying into universal banking, investment banking, bank assurance, mortgage financing, depository services, securitization, personal banking etc. Technology is the key to move towards providing integrated banking services to customers. Indian banks have been a late starter in the adoption of technology for automation of processes and the integrated banking services. Further, the banking sector reforms and introduction of e-banking has made very structural changes in service quality, managerial decisions, operational performance, profitability and productivity of the banks. There are various factors which have played vital role in the Indian banking sector for adoption of technology. Further, new technology has rapidly altered the traditional ways of doing banking business. Customers can view the accounts, get account statements, transfer funds, purchase drafts by just making a few key punches. Availability of ATMs and plastic cards, EFT, electronic clearing services, internet banking, mobile banking and phone banking; to a large extent avoid customers going to branch premises and has provided a wider range of services to the customers. Mobile banking is a system that allows customers of a financial institution to conduct a number of financial transactions through a mobile device such as a mobile phone or personal digital assistant. Banking apps can make bill paying and bank account management incredibly convenient, but the risk of identity theft is a major downside. Fortunately, it's easy to avoid most of the pitfalls with common sense solutions like strong password protection and secure connections. By keeping these security tips in mind, you can enjoy a safer mobile banking experience.

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