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"Critical Study of Mobile Banking in Indian Scenario"

Dr. N.B. Kamble
Dept. of Commerce

Mamasahab Mohol College, Paud Road Pune-38

Abstract:

Mobile banking is a new innovation in current Indian scenario. It is driven by the world's one of the fastest growing sectors which is known as mobile communication technology. No doubt there may be many challenges and problems in adopting this emerging technology; however it is need of an hour. This study elaborates the issues in mobile banking perceived critical for adoption by both mobile banking users as well as non-users. The study identified certain issues pertaining to banks, mobile handsets and telecom operator's viz. mobile handset operability, security/privacy, standardization of services, customization, Downloading & installing application software and Telecom services quality. For this a descriptive design was adopted to empirically explore the selected issues. Study suggests that from consumers' perspective mobile handset operability, security/privacy and standardization of services are the critical issues. Although the research has its limitations, the implications of the results provide practical recommendations to the all concerned parties. India is the second largest telecom market in the world, which is having high potential for expanding banking services using mobile. However, millions of people are not aware of mobile banking. The main objective of this research paper is to identify the need and analyze the security issues, challenges in Mobile banking among Indian banking customers. Today it is found that, banks have welcomed mobile and wireless technology into their boardroom. It is in view to offer their customers the freedom in planning payments while stuck in traffic jams, to pay bills, to receive updates on the various marketing efforts etc.

Keywords— Mobile Banking, Issues and Challenges, Internet Banking, Technology Adoption

Introduction:

India banking system is featured by traditional branch-based banking. It is most widely adopted method of conducting banking transaction. However due to current demonetization in Indian economy, commercial banks are undergoing a rapid change majorly driven by the ITC technology i.e. information & telecommunication. ICICI bank is first bank in mobile banking services in India. Among public banks, Union Bank of India was first to introduce mobile banking. Today many commercial banks have started mobile banking system which involves use of ITC technology. Because of this, they can reach out to customers and provide them general information about their services as well as various opportunities of performing interactive retail banking transactions anytime, anywhere. The impact of mobile banking types can be seen on vast scale due to the advancement in technology. An important role of operating system used in mobile device cannot be neglected which involves various Apps for easy access of various services. The challenges

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Web: www.irjms.in Email: irjms2015@gmail.com, irjms.in@gmail.com

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and issues in mobile banking are discussed in this paper. Like in any emerging technology, there exist barriers to the adoption of mobile banking services. This study explain in detail the concept, need, challenges and recommendations for better adoption of mobile banking system in Indian Scenario. The present study identified certain issues relating to banks, telecom operators and mobile handsets viz. security/privacy, standardization of services, mobile handset operability, customization, installing application software, Downloading & and Telecom services quality. The research has its limitations; i.e. the implications of the results provide practical recommendations to the all concerned parties. Mobile banking can be simply defined as 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 smart phone. 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.

Objective of the study:

- 1) To study the concept and features of Mobile Banking in Indian scenario.
- 2) To study the need and utility of Mobile Banking in India.
- 3) To understand various challenges and problems in adoption while adopting Mobile Banking Services in Indian Scenario.
- 4) To provide necessary recommendation for enhancing the worth Mobile Banking System in India

Research Methodology:

The nature of present research is of descriptive Research. For the purpose of the study, data have been collected through secondary sources such as journals, reference books, articles published on internet websites etc.

Concept of Mobile Banking:

Mobile Banking can be simply defined as "a provision of financial and banking services with the help of mobile telecommunication devices. It has wide scope which includes various offered services such as facilities to conduct bank transactions, to access customized information and to administer account. Mobile Banking involves three inter-related concepts viz. Mobile Brokerage, Mobile Accounting and Mobile Financial Information. Mobile Accounting is sometimes featured as transaction-based banking services that rotate around a bank account and are availed using mobile devices. However it does not mean that all Mobile Accounting services are transaction-based. A more precise definition of Mobile Accounting would therefore characterize it as "Availment of account-specific banking services of non-informational nature". Whereas Mobile Brokerage is termed as transaction based mobile financial services. These services are of non-informational nature that revolves around a securities account.



Mobile Banking Business Models:

1) Bank-focused model

This model emerges when non-traditional low-cost delivery channels are used by traditional banks to provide banking services to its existing customers. Purpose of Mobile phone banking is to offer certain limited banking services to banks' customers which are of additive nature. This model is regarded as a modest extension of conventional branch-based banking.

2) Bank-led model

This model offers a separate alternative to traditional branch-based banking in which banking customer conducts financial transactions through mobile phones and they do not approach at bank branches or through bank employees. This model may be proved as significantly cheaper than the bank-based alternatives as it promises the potential to substantially increase the financial services outreach by using a different delivery channel i.e. mobile phones. This model may be implemented either creating a JV between bank and non-bank mobile operator or using correspondent arrangements. Customer account relationship rests with the bank in this model

3) Non-bank-led model

The non-bank-led model operates in a situation where a bank does not come into the picture. The exception for this is a safe-keeper of surplus funds and where the non-bank or mobile operator performs all the functions

Features of Mobile Banking:

1) Simplicity and Usability:

The mobile banking application should be user friendly which should be easily used by the customer. The customer must also be able to personalize the application to suit his or her convenience

2) Universality:

Mobile Banking Payments service must be universal activity which should provide for transactions between from a business to a customer (B2C), one customer to another customer (C2C), between businesses (B2B). The coverage should include regional, domestic and global environments.

3) Cost:

The m-payments should not be costlier than existing payment mechanisms to the extent possible. These m-payment solutions should be affordable to customers from cost and convenience point of view.

4) Interoperability:

Development should be based on standards and open technologies that allow one implemented system to interact with other systems.

5) Speed:

Mobile banking system should possess appropriate speed to complete the transactions which not waste the customer's valuable time.





Advantages of Mobile Banking:

A very effective way of improving customer service could be to inform customers better. Credit card fraud is one such area. However, through the use of mobile technology, bank may inform owners each time purchases above a certain value have been made on their card. Thus in this way the owner is always informed in case their card is used. It also tells when and how much money was taken for each transaction. The bank could remind customers of dates for the payment of EMI: outstanding loan repayment dates, or can tell them that a bill has been presented for its payment. The facility of checking the balance on the phone and authorize the required payments is also available in mobile banking. The customers can also request for additional information. In addition to that, one could also request to stop issue or payment of cheque, or issue of a cheque book over one's mobile phone. Through mobile messaging and other such services, banks are providing additional services which can be termed as value added services to the customer at minor costs.

Challenges with adoption of Mobile Banking:

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.

2) Regulatory Challenges:

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

- **Restricted to Financial Institutions:** The guidelines state that only existing financial institutions and banks are allowed to offer mobile banking. Although the guidelines cover Microfinance Institutions (MFIs), significant 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.
- **Existing Account Holders:** According to new guidelines, only those having a valid bank account would be allowed mobile banking. This create a large barrier for the full potential of mobile banking in extending micro-credit as well bringing banking to the large number of unbanked customers in India.

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. The worst situation of Indian Economy is that, more than two-thirds of the Indian population is illiterate. It creates difficulties in operation of mobile banking solutions.

Positive Impact of Mobile Banking:

1) To Control Fraud:

A very effective way of improving customer service could be to inform customers better. Credit card fraud is one such area. A bank could, through the use of mobile technology, inform owners each time purchases above a certain value have been made on their card.

2) Cost Reduction:

Reduction in cost of service providing to customers is the biggest advantage of mobile banking to banks. For service providers, Mobile banking offers the next surest way to achieve growth. Service providers use their diversified mobile banking services to attract new consumers and retain old ones.

3) Reminder Facility:

Reminder facility is provided by the bank in the form of reminding customers regarding their outstanding loan, dates for the payment of monthly installments, repayment dates. The bank may also remind that a bill has been presented and is up for payment. After this they can check their balance on their phone. They may also request to bank for additional information. Banking customers can automatically view their withdrawals and deposits as they occur. Additionally they may also pre-schedule payments to be made or cheques to be issued.

4) Easy to avail Mobile Services:

A mobile is almost always with the customer. As such it can be used over a vast geographical area. The customer does not have to visit the bank ATM or a branch to avail of the bank's services. The banks add to this personalized communication through the process of automation.

5) Security features:

Customer will receive the alerts only in the mobile number, which he has registered with bank. The sensitive information of account number and other details is not sent as a whole. But only the last six digits and account type will be sent to the customer. The plus point is that customer can receive information about his account balance and transactions only when he request to bank from the registered mobile phone number. The mobile phone number and the Code number from which the service is accessed will serve as a User ID and password for authentication. The Code number is therefore to be kept confidential.

Negative Impact of Mobile Banking:

1) Cost:

Network service charges quickly add up. The cost of mobile banking might not appear significant if you already have a compatible device, but you still need to pay data and text messaging



- 8) Bank should develop m-banking software in regional language and should use most commonly used phrases, name and shortcuts in the software.
- 9) Bank should enhance their refund facilities concerns to if wrong transactions made by customers by mistake or if any.
- 10) Bank should enhance their refund facilities concerns to if wrong transactions made by customers by mistake or if any.

Conclusion:

It is well recognized that mobile phones have immense potential of conducting financial transactions thus leading the financial growth with lot of convenience and much reduced cost. For inclusive growth, the benefits of mobile banking should reach to the common man at the remotest locations in the country. For this all stakeholders like Regulators, Govt., telecom service providers and mobile device manufactures along with bankers need to make efforts so that penetration of mobile banking reaches from high-end to low-end users and from metros to the middle towns and rural areas. Inclusion of non-banking population in financial main stream will benefit all. Generating awareness about the mobile banking services is also necessary so that more and more people use it for their benefit.

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