

MOBILE BANKING – A GAME CHANGER FOR FINANCIAL INCLUSION IN INDIA

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ABSTRACT

Hundreds of millions of poor Indians who have no access to financial services it means financial exclusion could be benefit from mobile banking. Banking by phone could transform the workings of the rural economy, but the industry first needs to allay fears about transaction security and overcome low literacy levels. Once these could overcome then automatically which change the face of Indian economy. This study gives clear picture about the growth of mobile banking and identifies the problems faced by the customers using mobile banking. It found that there is a positive trend in the usage of mobile banking in India and also observed that Banks and Mobile Network Operators play an important role to improve the usage of mobile banking. This helps to achieve greater financial inclusion in the rural areas of the Indian economy.

Key Words: E-banking, Financial Inclusion, Mobile Banking, RBI, UPI.

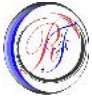
INTRODUCTION

The developments in mobile telephony, as also the mobile phone density in the country, with over 790 Million subscribers, presents a unique opportunity to leverage the mobile platform to meet the objectives and challenges of financial inclusion. By harnessing the potential of mobile technology, large sections of the un-banked and under-banked society can be empowered to become inclusive through the use of electronic banking services.

The Payment and Settlement Systems Act, 2007 empowers the Reserve Bank of India to authorize and regulate entities operating payment systems in the country. The Vision Document for Payment and Settlement Systems of the RBI has, over a period of time, placed importance on the move towards electronic payments and thereby a 'less-cash' society. Towards this end, the Bank has been promoting and nurturing the growth of various modes of electronic payments including the prepaid payment instruments, card payments, mobile banking etc.

DEFINITION OF FINANCIAL INCLUSION AND MOBILE BANKING

Although the target groups may be different from county to country or region to region, financial inclusion refers, in its broadest sense, to the delivery of financial services at affordable costs to all sections, particularly weaker section.



A Committee on financial inclusion (2008) headed by Dr. C. Rangarajan defined financial inclusion as, “The process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost”.

Mobile banking defined as undertaking banking transactions using mobile phones by bank customers that would involve credit/debits to their accounts. Mobile banking as a delivery channel for extending banking services has off-late been attaining greater significance. The rapid growth in users and wider coverage of mobile phone networks have made this channel an important platform for extending banking services to customers.

ORIGIN AND POTENTIALS OF MOBILE BANKING IN INDIA

Recognizing the potential of mobile banking, Reserve Bank of India issued the first set of guidelines in October 2008. The guidelines defined mobile banking as undertaking banking transactions using mobile phones by bank customers that would involve credit/debits to their accounts. This definition in a sense provided larger canvas to mobile payments which in a narrow sense involved only payment made for a product or service using the mobile phone either remotely or at the point of sale (PoS). These guidelines, which were very broad-based, laid down the technology and security standards pertaining to safety, confidentiality, integrity, authenticity and non-reputability. The following are the regularity initiatives of the Reserve Bank of India (RBI) in mobile banking.

October 8, 2008

- Daily cap of 5,000 per customer for funds transfer and 10,000 per customer for transactions involving purchase of goods & services were prescribed.

December 24, 2009

- Raise in the daily cap transaction limits for funds transfer and for purchase of goods & services to 50,000.

May 4, 2011

- Transaction upto 5,000 can be facilitated without end to end encryption of messages.

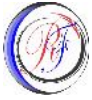
December 22, 2011

- Transaction cap limits for funds transfer and for purchase of goods & services of 50,000 per customer per day removed.

The Telecom Regulatory Authority of India (TRAI) has issued Mobile Banking (Quality of Service) Regulations 2012 prescribing quality of service standards for mobile banking to ensure faster and reliable communication for enabling banking through the mobile phones.

The salient features of the Regulations are as under:

- Access service providers shall facilitate banks to use SMS, USSD and IVR to provide banking services.
- The response time for delivery of message for mobile banking services generated by the customer or the bank shall be within the prescribed time frame.
- If the SMS sent by the bank is not delivered to the customer due to network or handset related problems, an USSD communication to the customer confirming the completion of the transaction should be sent.



- Service providers have to maintain complete and accurate record of transactions, using mobile banking services through mobile phones.

CUSTOMIZED MOBILE BANKING PRODUCTS IN INDIA

Mobile banking users are specially concern with security issues like financial frauds, account misuse and user friendliness issue - difficulty in remembering the different codes for different types of transaction, application software installation & updating due to lack of standardization. Mobile banking transactions can be broadly classified into two: push type and pull type. Push type is a one-way transaction where our bank sends us information pertaining to our account via SMS. Pull type is a two-way transaction, where we send a request and the bank replies.

This can be further classified into six types.

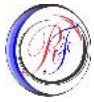
1. Unified Payments Interface (UPI), is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several bank features, seamless fund routing and merchant payments into one hood. It is also caters to the “Peer to Peer” collect request which can be scheduled and paid as per requirement and convenience.
2. Inter-bank mobile payment service (IMPS), which is a fund transfer service through National Payment Council of India (NPCI). This service lets you transfer funds from one account to another across banks within the country using your mobile phone. You can use the IMPS via your banks’ app, USSD’S dial-in number, encrypted SMS banking or net banking.
3. Bank apps - Here you need to download your bank's application or software on your mobile phone via internet. This works on both GSM and CDMA handsets for Android and iPhone platforms.
4. USSD-based - For this type, all you have to do is dial the bank's service code and you can ask for information on your bank account. You don't need a Smartphone or high end phone to use the USSD platform.
5. SMS-Based -It is the most popular method of mobile banking. You can get your account information via SMS.
6. Internet-based mobile banking - This way of banking is where you use your mobile screen like a computer monitor. Apart from these there are more options like the mobile wallets, offered by telecom service provider platforms, for instance Vodafone's m-pesa, Bharti Airtel's Airtel Money and Aircel's Mobile Money. Bear in mind that even an un-banked customer can use this service. A smart phone and an internet connection are not essential.

MOBILE BANKING SERVICES

The following are the offer by mobile banking to the customers.

Account Information

- Mini-statements and checking of account history
- Alerts on account activity or passing of set thresholds
- Monitoring of term deposits



- Access to loan statements
- Access to card statements
- Insurance policy management

Fund Transfer

- Fund transfer between customer linked accounts
- Fund transfers to other accounts
- Bill Payments
- Credit Card Payments

Support Services

- Cheque Book and Card Requests
- Complaint filing and tracking
- ATM location

LITERATURE REVIEW

Devadevan.V, in his article (2013) entitled “Mobile Banking in India – Issues and Challenges” found that 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.

Renju Chandran, in his article (2014) entitled “Pros and Cons of Mobile banking”, identify the advantages and limitations of mobile banking and the problems faced by customers in mobile banking. 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.

STATEMENT OF THE PROBLEM

The demonetization of high value currency notes has been received with mixed reactions from the different sections of the society. The move taken by the government is an attempt to curb black money hoarding as well as the growing means of fake currency notes. However, this is also a golden opportunity for Indian consumers to adapt to the innovative mobile banking technology. Which is plays a game changer in the financial transactions activities and financial inclusion agenda of the country.

So, the present study is undertaken to study the origin and growth of mobile banking and also identify problems faced by the customers using mobile banking.

OBJECTIVES OF THE STUDY

The following are the objectives of the present study.

- To analyze the growth of mobile banking usage during 2010-11 to 2015-16.
- To identify the problems faced by the customers using mobile banking.
- To give suggestions for improvement of mobile banking usage in India.

RESEARCH METHODOLOGY**NATURE OF THE STUDY**

The study is mainly descriptive in nature and present study depends on secondary data. Data published by various institutions such as Government of India (GOI), Reserve Bank of India (RBI), National Payment Corporation of India (NPCI), etc. are used for the purpose of the present paper. The other related information was collected from various websites and journals.

USAGE OF MOBILE BANKING IN INDIA

The following table presents the usage of mobile banking in India during 2010-11 to 2015-16.

Table 1 : Usage of Mobile Banking During 2010-11 to 2014-15

YEAR	No. of Users (Million)	Volume (Million)	Value (Billion Rs.)
2010-11	5.96	6.85	6.14
2011-12	12.96	25.56	18.21
	(117.45%)	(273.13%)	(196.58%)
2012-13	22.51	53.30	59.90
	(73.69%)	(108.53%)	(228.94%)
2013-14	35.53	94.71	224.38
	(57.84%)	(77.66%)	(274.59%)
2014-15	72.59	165.86	340.96
	(104.3%)	(75.12%)	(51.95%)
2015-16	159.60*	285.64	572.80
	(119.86%)	(72.21%)	(67.99%)

Source: www.rbi.org.

Note: Figures in brackets indicate growth over the previous year.

*It is estimated value mentioned in websites.

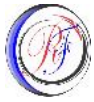
The above table states that Mobile Banking usage in India is showing a positive trend during 2010-11 to 2015-16. In terms of No. of users it was 5.96 million in 2010-11 and reached at 159.60 million in the year 2015-16. Volume of transactions also increased during the given period and in terms of value of transactions it was 6.14 billion in 2010-2011 and reached at 572.80 billion in the year 2015-16.

So the table reveals that Mobile Banking transaction of the country is growing rapidly over the years and it has more scope in the near future to achieve digital financial inclusion in India.

GROWTH OF MOBILE BANKING IN INDIA

Mobile payments in India gained popularity mainly in the metropolitan cities initially. However, it is slowly becoming more adapted to in the semi-urban regions as well. As the banking and mobile payment companies are focusing more on KYC to help increase the transaction limit from the present Rs.10,000 to Rs.1,00,00 at least.

According to estimates, the current mobile banking usage in India is around 14% and is expected to rise to more than 30% with the recent demonetization move by the government, by the end of this decade, in 2020. The report pointed out to several factors that are set to drive the mobile banking usage in India to an all-time high.



Some of these important factors that are estimated to contribute towards the growth in popularity of mobile banking in India are the increasing penetration of mobile smartphones (from the current estimated 290 million) and the growing popularity of online shopping and other online cash-less payment methods, such as digital wallets, mobile payment agents, etc.

The country has a subscriber base of 790 Million and around 820 Million bank accounts. The estimates for active SIMs vary, but there are only 72.59 Million active mobile banking customers. In terms of per-transaction or per-branch costs, mobile banking transactions is economical compared to the traditional banking channels and hence there is need for banks to encourage the mobile banking channel in a big way keeping in mind the long term economic gains and economical channel for accessing the banking service for all the banking customers. Put another way,

- Unique mobile subscribers Rural (385.08 Million) + Urban (406.54 Million) = 791.62 Million.
- Aadhaar numbers issued : 1.09 Billion
- Bank account holders : 820 million
- Number of mobile banking customer : 72.59 million

Evidently, the large mobile subscriber base has not been leveraged for financial inclusion. So there is a need to improve financial inclusion through increasing mobile phone by extending banking services to the rural areas of the Indian economy.

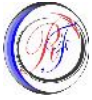
PROBLEMS FACED BY THE CUSTOMERS USING MOBILE BANKING

- Mobile Security
- High transaction cost
- Inadequate guidance
- Distribution of Application
- Understanding of Banking apps
- Availability of Mobile Network
- Lack of literacy in rural areas
- Non-conformity about the safety of transactions
- Possibility of hacking E-mails and website
- Lack of updation of technological innovations
- Awareness about how to operate handset

FINDINGS

From the above analysis the following findings are made.

- The usage of Mobile Banking in India showing positive trend. It can be observed that the Mobile banking users are increased from 5.96 million in 2011 to 159.60 million in the year 2016.
- Similarly in the volume of transactions also increased from 6.85 million to 285.64 million in the year 2016.
- The Value of transactions also increased from 6.14 billion to 572.80 billion rupees.



- Mainly in the usage of mobile banking customers are already awareness about the ATMs and Internet banking facilities. It means low percentage of bank account holders using this facility.
- The problem of usage of mobile banking is mainly security of the transactions and non-conformity of the safety of the transactions. So it is necessary to overcome the problems to increase the mobile banking usage in India.

SUGGESTIONS

- The commercial banks give proper guidance to the customers how to use mobile banking services and their advantages and disadvantages.
- The Commercial banks are collaborative with Mobile Network Operators (MNO) to increase the usage of mobile banking system in India.
- Most of the Rural and Semi-Urban people are illiterates. So the banks should conduct awareness campaigns about the operation of Mobile banking using Mobile.
- As per the 2011 Census the Rural population is 68.84 per cent. So the banks should concentrate the mobile banking services for extending banking services to the rural people to achieve greater financial inclusion.
- The RBI and Banks also concentrate and to improve mobile banking with adoption of new technology which is ultimately beneficial to the customers.
- In the financial inclusion and financial literacy campaigns the banks must highlight the mobile banking uses and their advantages. Which is also leads increasing the financial inclusion.
- The Government, RBI, Banks and Mobile Network Operators (MNO) in collaboration with extending of banking services by using mobile phone to improve financial inclusion in India.
- It is necessary to create awareness about mobile banking for the customers to encourage digital transactions and which helps less cash society of the country.

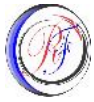
CONCLUSION

Mobile banking is a new era of financial inclusion phenomenon. This can be very useful to extend the banking services to the rural areas to achieve greater financial inclusion. 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 commonsense solutions like strong password protection and secure connections. By keeping these security tips in mind, you can enjoy a safer mobile banking experience without entering into the bank branches.

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