

# Pros and cons of Mobile banking

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**Abstract-** Mobile Banking refers to provision of banking and financial services with the help of mobile telecommunication devices. The scope of offered services may include facilities to conduct bank transactions, to administer accounts and to access customized information. After the launch of mobile banking in India, mobile banking transactions have seen some growth. Still mobile banking has a long way to go as, majority of customers prefer banking in traditional ways. The basic objective is to 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. So in order to run the mobile banking effectively, proper care has been taken care of and take adequate steps to improve the quality services.

**Index Terms-** Mobile banking, MNO, Telecom, E -banking

## I. INTRODUCTION

With the globalisation trends worldwide, it is difficult for a nation, whether big or small, developed or developing, to remain isolated from what is happening around. Information technology has shrunk the world, as a result of which, time and distance have become non-entities. It has enveloped every aspect of life. Today, most of the people adopt new generation technologies. In this changing scenario, the banking sector is not an exception. Recent innovations in telecommunications have enabled the launch of new access methods for banking services through various e- channels like, ATMs, credit/debit cards, internet banking, mobile banking, tele banking, EFT etc. One of these is mobile banking; whereby a customer interacts with a bank via mobile phone. Mobile Banking refers to provision of banking and financial services with the help of mobile telecommunication devices. The scope of offered services may include facilities to conduct bank transactions, to administer accounts and to access customized information. After the launch of mobile banking, transactions have seen some growth. Still mobile banking has a long way to go as, majority of customers prefer banking in traditional ways. Most of the customer's problem is that they are not well educated and not aware of the technological innovations.

The present paper studies the benefits, limitations and problems faced by customer through mobile banking. This paper also studies about the future prospects of mobile banking and the methods for improvement.

## II. OBJECTIVES

1. To study about the benefits and limitations of mobile banking.
2. To identify the problems faced by the customers through mobile banking.
3. To see the future prospects of mobile banking in India.
4. To give suggestions for improvement.

### Methodology

#### Nature of study

The study is mainly descriptive in nature. Secondary data are used for the purpose of the study.

#### Secondary data

Secondary data was collected from websites, various articles and journals.

#### Limitations of the study

- Lack of primary data
- Time consuming
- As the research mainly depends on secondary data, it may not be hundred percent accurate.
- The study is limited to India only.

## III. LITERATURE REVIEW

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](#).

Mobile banking differs from [mobile payments](#), which involve the use of a mobile device to pay for goods or services either at the [point of sale](#) or remotely, analogously to the use of a debit or credit card to effect an [EFTPOS](#) payment.

The earliest mobile banking services were offered over [SMS](#), a service known as [SMS banking](#). With the introduction of [smart phones](#) with [WAP](#) support enabling the use of the [mobile web](#) in 1999, the first European banks started to offer mobile banking on this platform to their customers.

In one academic model, mobile banking is defined as:

Mobile Banking refers to provision and availment of banking- and financial services with the help of mobile telecommunication devices. The scope of offered services may include facilities to conduct bank and stock market transactions, to administer accounts and to access customized information."

According to this model mobile banking can be said to consist of three inter-related concepts:

- Mobile accounting
- Mobile brokerage

- Mobile financial information services

Most services in the categories designated [accounting](#) and [brokerage](#) are transaction-based. The non-transaction-based services of an informational nature are however essential for conducting transactions - for instance, balance inquiries might be needed before committing a money remittance. The accounting and brokerage services are therefore offered invariably in combination with information services. Information services, on the other hand, may be offered as an independent module.

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 five types.

1. 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.
2. 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.
3. 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.
4. SMS-Based -It is the most popular method of mobile banking. You can get your account information via SMS.
5. 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.

### **Advantages of Mobile Banking**

- Time saving : Instead of allocating time to walk into a bank, you can check account balances, schedule and receive payments, transfer money and organise your accounts when you're on the go.

- 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.
- Secure : Generally, good mobile banking apps have a security guarantee or send you a SMS verification code you need to input to authorise a payment for added security. Mobile banking is said to be even more secure than online/internet banking.
- 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.
- 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
- Fraud reduction: one very real advantage to implementing mobile banking. "Customers are being deputized in real time to watch their accounts.
- It utilizes the mobile connectivity of telecom operators and therefore does not require an internet connection.
- You can check your account balance, review recent transaction, transfer funds, pay bills, locate ATMs, deposit cheques, manage investments, etc.
- 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.

### **Disadvantages of Mobile Banking**

- Mobile banking users are at risk of receiving fake [SMS messages](#) and scams.
- The loss of a person's mobile device often means that criminals can gain access to your mobile banking PIN and other sensitive information.
- Modern mobile devices like Smartphone and tablets are better suited for mobile banking than old models of mobile phones and devices.
- Regular users of mobile banking over time can accumulate significant charges from their banks.
- 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..
- 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.
- 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 (phishing, spamming, spreading viruses, account hacking, etc...) 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.

- 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.

**Problems of customers of Mobile banking**

- Not sure about the safety of transactions
- Mobile security
- Network availability
- Heavy charges for transactions
- E-mail and web security
- Identity theft
- Literacy of people in rural areas
- Not aware of new innovation
- Handset operate ability
- Application distribution
- Inadequate guidance

**Recent trends in mobile banking**

**Table No:1**

Year	No. of Users (million)	Volume (million)	Value ( billion)
2011-12	12.96	25.56	18.21
2012-13	22.51 (73.69%)	53.31 (108.56%)	59.90 (228.94%)
2013-14	35.53 (57.84%)	94.71 (77.66%)	224.38 (274.59%)

\*(Figures in bracket is %age changes over previous year) \*\* source:RBI

The above table states that M-banking usage in India is showing a positive trend. In terms of no: of users it was 12.96 million in 2011-12 and reached at 35.53 million in the year 2013-14. Volume of transactions also increased during the given period. In case of value of transactions it was only 18.21 billion in 2011-12 and reached at 224.38 in 2013-14 i.e. an increase of 274.59%.

So the table reveals the fact that M- banking transactions of the country is growing at a rocket speed and it have more scope in the near future.

**Future prospects of Mobile Banking in India**

**1. Mobile Network Operators and Large Corporate Houses Co-Venture.**

With the popularity of collaborations between mobile network operators (MNO's) and banks live up to the promise of financial inclusion, the RBI and TRAI (Telecom Regulatory Authority of India) have announced that they will harmonize and coordinate with each other to avoid any form of regularity conflict. Many large Indian banks have partnered/co-ventured with large mobile network operations (MNO's) and handset

vendors to facilitate their connection through mobile channel by providing access to financial services.

**2. Under-banked and Un-Banked Population**

Almost half of the country's population is unbanked. The large section of the Indian population not just in rural areas but also in many segments of urban markets, offers a large untapped market with a tremendous business potential.

**3. Demographic Factors**

In India the population of youth (between the ages of 14-29) is the largest youth population globally, which is around 27% of the total 1.2 billion. Furthermore, adding the age group of 30-44, the proportion is 47%. Apart from the huge size of this segment, they are among those who are the early adopters of latest technology and new services, which presents a huge opportunity for e/m-banking service providers. It has been observed that for the majority, access to financial services is a household need, and not only an individual need, and if the account holder is illiterate, other members of the family are competent enough to execute transactions and use electronic or mobile banking services.

#### IV. CONCLUSION

The process of liberalization, privatization, globalization and deregulation has opened new way for banks to increase their revenues by diversifying in to 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 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 commonsense solutions like strong password protection and secure connections. By keeping these security tips in mind, you can enjoy a safer mobile banking experience.

#### V. SUGGESTIONS FOR IMPROVEMENT

1. The banks must improve its service quality in terms of communication, responsiveness, reliability and understanding.
2. To provide various effective modes for promotional schemes interaction with the customer, more accuracy in billing, financial security and privacy in transactions.
3. If the banks wants to increase the service quality it should enhance level of services in punctuality, transparency and accountability, quality of customers service, safety and confidentiality of transaction, No. of queues in bank branches, 24 hours services to the customers, individualized attention to customers, necessary information to customers, learns the specific requirement of customers.
4. set standards for on-boarding mobile banking customers
5. set standards for industry agreements between banks and MNOs for handling customer grievances

6. Banks need to see mobile banking channel as a cost saving avenue (reduction of cash handling charges) rather than revenue generation vertical
7. Banks and telcos to work together for addressing customer grievances

#### **3 Tips to Use Mobile Banking in the Right Way**

##### **1. Don't store important personal information on your smartphone**

If you visit your bank's website using your phone, make sure to clear out the cookies and cache regularly. Never store any usernames or passwords in your phone, regardless of how difficult they are to remember. If you were to lose the phone where this information is stored, someone could easily access your bank account. It is also important to change your password regularly. If you use your phone for business purposes, be doubly careful on protecting confidential information.

##### **2. Sign up for SMS alerts**

Most banks now offer text message alerts via SMS to alert of a low balance or a paid bill. Larger banks like Bank of America use SMS texts to aid in fraud prevention. Nine times out of ten, consumers can easily sign up for these phone alerts with online banking. Receiving alerts on your phone is a great way to stay on top of your account activity around the clock. It's also an added convenience for times when a computer isn't close at hand.

##### **3. Before downloading an app, check its authenticity**

Most banks offer tailored mobile banking applications to their customers which can be downloaded to a Smartphone and used to manage bank accounts. Unfortunately, this has also invited potential fraud in the form of carefully duplicated applications created by scam artists. Before downloading any app to your phone, make sure that it's an authentic application released by your bank. Avoid third party software that asks for any personal information if you can't verify the source. While most apps are legit, it never hurts to be too careful.

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