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Mobile Banking

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ABSTRACT

Mobile banking has emerged as new alternative way of banking which is more convenient and user-friendly than traditional form of banking. It reduces the customer requirement to just a mobile phone, turning the concept of anytime, anywhere banking into reality. 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

KEYWORDS : Mobile banking, m- banking, banking, SMS banking

Introduction

Technology has revolutionized all the aspects of our life and even the banking sector is no exception. From computerisation to networking to internet banking and now mobile banking , the banks have advanced with time and are providing more and more new form of services which are not only convenient to customers but also provide competitive edge to the banks. With mobile technology, banks can offer a wide range of services to their customers such as doing fund transfers, purchasing stocks, access to account information etc. This is called Mobile Banking or m-banking.

Mobile Banking

Mobile banking is a term used for performing balance checks, account transactions, payments, credit applications and other banking transactions through a mobile device such as a phone. It is also referred as M-Banking, mbanking and SMS Banking.

Rapid expansion in the use of mobile phones as a mode of communication has created new opportunities for banks to use this mode for banking transactions. Mobile banking improves the inclusiveness factor of the banks as the mobiles can reach remote places where the banks have not set up branches.

Mobile Banking transactions in India

As per RBI guidelines "mobile banking transactions" is undertaking banking transactions using mobile phones by bank customers that involve credit/debit to their accounts. It also covers accessing the bank accounts by customers for non-monetary transactions like balance enquiry etc. Banks in India are permitted to offer mobile banking services after obtaining necessary permission from the Department of Payment & Settlement Systems, Reserve Bank of India. These services are available to bank customers irrespective of the mobile network used by them but banks offering such services must ensure that customers having mobile phones of any network operator are in a position to avail the service i.e. should be network independent.

RBI and mobile banking

The Reserve Bank of India has, from time to time, issued a number of circulars containing guidelines on Mobile Banking. As per the Master Circular updated up to June 30, 2013, issued by RBI the major features relating to mobile banking in India are:

(i) Only banks that have implemented core banking solutions and are licensed, supervised and are having physical presence in India are permitted to provide mobile banking services.
(ii) The services shall be restricted only to customers of banks and/or holders of debit/credit cards issued as per the extant Reserve Bank of India guidelines.
(iii) Banks can extend only Indian Rupee based domestic services as per the guidelines;
(iv) Banks can extend this facility through their business correspondents also in order to promote financial inclusion;
(v) The guidelines issued by Reserve Bank on "Know Your Customer (KYC)", "Anti Money Laundering (AML)" and "Combating the Financing of Terrorism (CFT)" from time to time would be applicable to mobile based banking services also.
(vi) Transactions up to Rs 5000/- can be facilitated by banks without end-to-end encryption.
(vii) The guidelines mandate interoperability among service providers to ensure prevention of monopoly by one or a few mobile operators.
(viii) Banks can provide fund transfer services which facilitate transfer of funds from the accounts of their customers for delivery in cash to the recipients but subject to the maximum value of such transfers shall be Rs 10,000/- per transaction. Banks may place suitable cap on the velocity of such transactions, subject to a maximum value of Rs 25,000/- per month, per beneficiary

Mobile Banking Services

Services offered by mobile banking are:

a) Account Information {e.g.mini statements and checking of account history , alerts on account activity or passing of set thresholds, access to loan statements, access to card statements etc.}
b) Fund transfers and bill payments { with availability of services like IMPS(**Inter-bank Mobile Payment Service) transfer of money** from one account to any other account in the country using cell phones is possible }
c) Investment {e.g. real-time stock quotes }
d) Request and enquiry related services {e.g. cheque book and card requests and ATM Location }
e) Content Services {e.g. general information such as weather updates, loyalty-related offers, location-based services etc.}

Advantages of mobile banking

Mobile banking offers various advantages both to banks as well as customers. Some of them are listed below:

Benefits for the banks

1) Reduces transaction cost – Mobile banking reduces cost per transaction as it reduces costs in setting up a branch and the resources to process transactions. For example cost saving occur by virtue of automated fund transfer and automated account balance enquiries as it can be easily operated through mobile and requires low investment in terms of resources used.
2) Provides competitive advantage- M- banking can be seen as a competitive tool used by many banks.
3) Helps in improving services - As customers are in direct contact with banks feedback received helps bank to improve their customer care services.
4) Increases Customer loyalty – With use of m-banking customers do not have to go to the branches in order to access their accounts, to make fund transfer or to seek information. They can check it anytime of the day, a feature that physical branches do not offer thus creating a good relationship with the bank and the customer which leads to strengthening customer loyalty towards the banks.
5) Broader Customer Base – With m-banking facility, banks can reach

out to a broader customer base beyond the geographical confines of their locations or base operations. They can also service more people than ever before.

6) Offer additional services – M-bank provides new avenues to sell or promote their products like credit cards

Benefits for the customers

1) 24 x 7 hour banking – This is one of the most important advantage of m-banking. Banking around the clock is no longer a remote possibility. Customer has online access to their accounts. As and when they wish they can check their accounts, draw money without waiting for opening of bank branches. Moreover bank holiday or national holiday no longer provides hindrance to any online banking transactions.
2) Anytime anywhere banking – Unlike traditional banking or internet banking, customers can perform banking transactions at any place. Even while being struck in traffic, customers can access their bank accounts. M-banking is not only time saving but hassle free way of banking,
3) Safe and secure banking – Banking through mobile reduces the risk of fraud. Any activity in customers' account like cash withdrawal or funds transfer is notified through SMS, hence making the transactions safe and secure..
4) Cost effective banking – M-banking reduces frequency of customer's visits to the bank, thus saving his time and money
5) Real time updates – Real time information about any transaction in the customer's account is provided through mobiles. Mobile can be used by the bank to remind customers about outstanding loan repayment dates, dates for the payments of monthly instalments & thus keeping the customers well-informed.

Challenges relating to mobile banking

Nonetheless, there are certain issues and challenges that continue to thwart its expansion. There are some technical, regulatory and legal issues which need to be tackled for enabling the adoption of m-banking by more and more people. The information knowledge available relating to mobile banking is also not sufficient. Some non-users perceive it as complicated due lack of proper guidance. Another issue which needs to be tackled is people's perceived safety of m-banking. Like online banking people hesitate in using this new age banking because they are still apprehensive about the risk attached. So it is for the banks to see how efficiently and effectively they can change the notion of people towards m-banking.

Though cellular service users in rural India have increased but still m-banking has not made inroads in rural India. The reason may be network coverage problem, inconvenience in using mobile handset, IT literacy etc.The above-mentioned issues need to be addressed properly to make m-banking part of people's everyday life.

Conclusion

Mobile phones as a delivery channel for extending banking services have been attaining greater importance. Mobile banking has created new, convenient communication and fast financial transactional channel for mobile users which is accessible from anywhere, anytime.

But to reap the associated benefits of this new age banking there are some issues like network coverage, security issues, customer awareness etc. which need to be improved

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