

Mobile banking current status in India

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Abstract

Now-a-days banking is known as innovative banking. Developments in Information technology have given a rise to innovations in the product & service designing and their supply in the banking sector and finance industries. With the advent of Mobile banking, electronic funds transfer and other similar products and services for funds transfer within quick time which was impossible a few years ago. Mobile banking offers an attractive new way of conducting balance inquiries, account transactions, utility payments, and other banking activities using a mobile handset. This paper reviews the current status of Mobile banking in India. It is expected that the comprehensive list of references and assessments presented in this paper will provide a useful information about mobile banking current status in India.

Keywords: Electronic banking, Mobile banking, Mobile Banking in India

Introduction

Over the last few years, the mobile and wireless market has been one of the fastest growing markets in the world and it is still growing at a rapid pace. Mobile phones have become an essential communication tool for almost every individual. Mobile commerce is the new type of business conducted through mobile devices using wireless telecommunication networks. The advancement of M-Commerce has managed to take mobile to next level. Mobile banking removes space and time limitations from banking activities. Mobile commerce is about delivering right information to the right place at right time. Mobile banking which is an integral part of m-Commerce is defined as availing banking and financial services with the help of mobile telecommunication device.

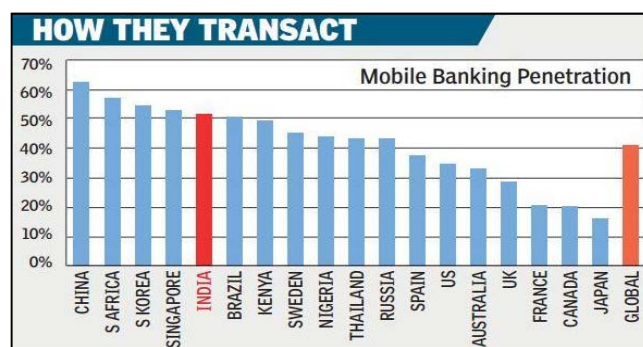
The mobile phone has dramatically changed life of people and still there seems to be much work left for it. The reason is that the SIM card acts as a debit or credit card parallel to its original purpose of communication. This enables users to not only use mobile for making and receiving calls, but also to handle their bank accounts using their mobile phone.

Today, most of the banks are using mobile banking as an additional channel apart from retail banking, ATM, online banking etc. The transformational model attempts to attract the unbanked segments by using the existing infrastructure like telecommunication and agent/bank representatives. RBI in India is promoting transformational model through technology providers like Oxigen, mChek, Obopay, FINO, and A Little World have developed m-payment platforms and business models that are ready to be rolled out to un-banked customers via agent networks.

Mobile banking is among the alternate banking channel with ATMs and Internet Banking which brings revolutionary improvement in the quality of service delivery of banks. The main reason that Mobile Banking scores over other form of banking is that it enables 'Anywhere Anytime Banking'. Customers don't need access to a computer terminal to access their bank accounts, now they can do so on-the-go while waiting for the bus to work, traveling or when they are waiting for their orders to come through in a restaurant.

World's Mobile Banking Status

According to the research (DNA, Aug 2015) adoption of mobile banking by new customers is now entering an exceptionally "rapid phase". The number of mobile banking users globally is forecast to double to 1.8 billion, over 25% of the world's population, in the next four years, the report said. Among 25% the adoption rates are highest in developing countries - reaching about 60-70% in India and China - rather than developed nations such as the USA, Canada and the UK. Now the banks are increasingly adopting 'mobile first' strategy as they want their customers to use this channel. When it comes to adoption of mobile banking, From Figure 01, India ranks number five worldwide, ahead of all the G7 countries but behind China, South Africa, South Korea and Singapore (Times of India, Aug. 2015).



Source: UBS Evidence Lab

Fig 1: Times of India, Aug 2015

The China, South Africa, South Korea, Singapore and India dominate the global mobile banking market, as stated by the new market research report on mobile banking. Rapid growth of mobile banking services is driving banks to devise strategies to sustain presence in an intensely competitive market. Success of a bank's mobile banking service is dependent on its ability to retain customer base and achieve cost reductions. According to (Analyst, 2010) the top banks

providing mobile banking services includes : Bank of America, JPMorgan Chase & Co., Wells Fargo & Co., Citigroup Inc., Clair Mail Inc, Firethorn Holdings LLC, Fronde Anywhere Ltd, Industrial & Commercial Bank of China Limited, Macalla Software Ltd, mFoundry, Monitise plc, MShift Inc., and Sybase Inc., among others.

In the increasingly competitive markets of financial services Mobile Banking can be seen as an attempt to provide the needed added value for customers by offering more opportunities for conducting different banking actions.

Mobile Banking Status in India

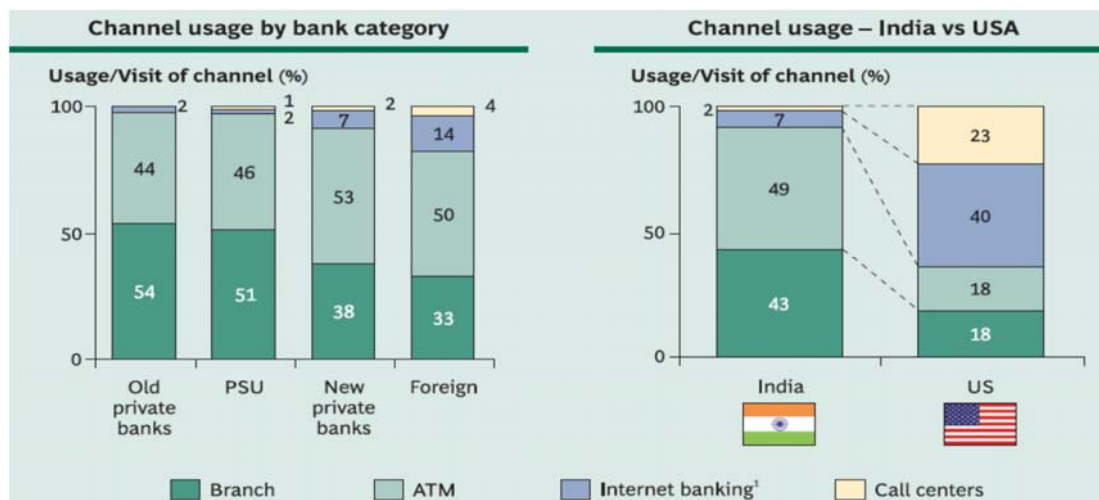
Mobile banking was launched in 2004 by ICICI bank, India’s second largest bank in conjunction with Reliance Communication (R-Com), India’s third-largest mobile provider during 2004. The service is availed by ICICI Bank customer who also subscribed to R-Com to send to and receive money to/from another ICICI customer. (Up to a maximum of Rs 5,000 per day).

In 2008, Barclays India introduced mobile banking called ‘Hello Money’ that lets customers perform tasks such as checking balances, paying bills, transferring money and adding top-ups in mobile balance.

In 2012, Bharti Airtel, launch Airtel Money its mobile wallet service launched a range of mobile commerce services in partnership with India’s HDFC Bank, ICICI, SBI, Corporation Bank, and VISA. The services, launched include mobile money transfer, bill payment, and prepaid recharge is available across 300 key cities in India. 'Airtel money' is a fast, simple and secure service that allows its users to load cash on their mobile devices and spend it to pay utility bills and recharges, shop at 7,000-plus merchant outlets and transact online.

Public sector banks also bring their own mobile banking solutions. Union Bank of India recently rolled out UMobile, a mobile service for account inquiries and fund transfers. State Bank of India, the country’s largest commercial bank, now offers SBI Freedom, which provides fund transfers, account inquires, bill payment, and mobile top-ups etc.

India has the world’s second largest number of mobile connections, after China and ahead of the Unites States. As published in (Express, 2012) Finance Minister of India, P Chidambaram said in Lok Sabha that till October 2012, nearly 1.72 crore customers are utilizing the Mobile Banking Services. By (RBI, 2013) during the financial 2012-13, total of 1,329,221.92 billion rupees were transacted through RTGS, paper clearing,



Sources: NCR; BCG Consumer Survey (N=3,000); BCG analysis.
¹Includes Mobile Banking

Fig 2: Banking Statistics for India and USA Source Shah, et al. 2010.

Government securities clearing, forex clearing, cheque clearings, retail electronic clearing, credit and debit cards and mobile banking. Out of which a total 59.90 billion funds were transferred by the mobile banking users in India. Out of which 8.07 billion is from January 2013, 9.92 billion rupees is in Feb '13 and 9.89 billion rupees is transacted in mar'13 using mobile banking in India.

From the banking statistics for India and USA using different banking channels (Shah, et al., 2010) if we observe figure 01. The users accessing different services like branch, ATM, internet/ mobile banking, call center services provided by the banks. The researcher observes that 43% users are dependent on the branch of the banks in India, whereas only 18 % users from USA depend on branches. 49% users are using ATM services in India, whereas only 18% users are using ATM services in USA. For internet/mobile banking services, the statistics explain that 40% of USA users are using internet

/mobile banking services whereas only 7% of users from India are using internet/mobile banking services. As far as call center services is concern, only 2% users from India is using as compare to 23% users of USA. Thus it is clear from the above statistics that in India 92% users from India are using traditional services like Branch banking and ATM and only 9% of the users are using internet/mobile banking and call center banking services. As far as USA users are concern, 63% users are using internet/mobile banking services and call center services, only 37% users are using ATM and branch banking services.

Thus it is clear that internet/ mobile banking in India perspective, from all the users of banking services, only 2% users are from public sector banks, where as 7% users are from private banks and 14 % users are from foreign banks. And if we compare the Indian mobile banking status with USA we found that only 7% users are dependent on internet/mobile

banking service where as in contrast, 40% users of USA are using internet /mobile banking services.

According to (RBI, Feb 2016) the total amount of NEFT transaction is 110 million and the amount transected is 7278 billion rupees.

According to Mayur Setthi (Economic Times, March, 2016) Mobile banking penetration in India is concentrated among customers of five banks. According to data released by the Reserve Bank of India, the top five banks account for more than 92% of the entire value of mobile banking transactions in the country. State Bank of India leads the pack with 36% market share, followed by ICICI Bank (21.5%), HDFC Bank (17.8%), Axis Bank (12.8%) and Kotak Bank (4.7%). These banks have managed to increase the number of mobile transactions by being proactive in development of mobile apps and making mobile banking feature-rich.

According to Mayur Setthi (Economic Times, March, 2016) the top five banks in India based on the mobile banking transactions during April 2015 provided by RBI are HDFC Bank, ICICI Bank, Canara Bank, Axis Bank and State bank of India. The popular mobile banking services in India are balance checks, account transactions, cheque status, setting alerts, payment reminders, accessing mini statement, placing orders for cheque books, etc. Mobile Banking is usually used for urgent transactions such as fund transfers, bill payment and credit card payments. Whereas prepaid mobile recharge,

direct-to-home recharge, ticket bookings (movie/air/bus) are some of the rapidly growing transactions in mobile banking.

According to (Times of India, July, 2015) Figure 03, among top Indian Banks, HDFC Bank is the largest in the mobile banking space in terms of value of transactions with Rs. 5686 crore of transactions. Then comes ICICI bank with 5342 Crore of transaction followed by Canara bank (1987 Cr), SBI (1701 Cr) transactions recorded in April 2015.

Bank	No Of Mobile Transactions	Value Of Transactions (₹ cr)
State Bank	78.5L	1,701
ICICI Bank	38.6L	5,342
Axis Bank	26.7L	1,897
HDFC Bank	17.5L	5,686
Kotak Mahindra	7.5L	946
YES Bank	5.7L	268
Citibank	4.2L	397
Canara Bank	2.9L	1,987
Union Bank	2.1L	118
State Bank of Hyderabad	1.2L	7




Fig 3: Times of India, July, 2015

According to Reserve Bank of India, 65 banks (table 1) have been approved by Reserve Bank of India for providing mobile banking services, out of which 47 banks have commenced offering mobile banking services.

Table 1: Banks Permitted to Provide Mobile Banking Service in India by RBI till March 31, 2012.

S. No.	Bank Name	S. No.	Bank Name
1	Allahabad Bank	34	Kotak Mahindra Bank Limited
2	Andhra Bank	35	Nainital-Almora Kshetriya Gramin Bank
3	AP Mahesh Co-op. Urban Bank Ltd.	36	Oriental Bank of Commerce
4	Axis Bank Limited	37	Pragathi Gramin Bank, Bellary
5	Bank of Baroda	38	Punjab National Bank
6	Bank of India	39	Punjab & Maharashtra Co-op. Bank Ltd.
7	Bank of Maharashtra	40	South Indian Bank Ltd.
8	Barclays Bank PLC	41	Standard Chartered Bank
9	Baroda Gujarat Gramin Bank	42	State Bank of Bikaner & Jaipur
10	Baroda Rajasthan Gramin Bank	43	State Bank of Hyderabad
11	Baroda Uttar Pradesh Gramin Bank	44	State Bank of India
12	Canara Bank	45	State Bank of Mysore
13	Catholic Syrian Bank Ltd.	46	State Bank of Patiala
14	Central Bank of India	47	State Bank of Travancore
15	Citi Bank N.A.	48	Syndicate Bank
16	City Union Bank Limited	49	Tamilnad Mercantile Bank Ltd.
17	Corporation Bank	50	The Cosmos Co-operative Bank Ltd.
18	Dena Bank	51	The Development Bank of Singapore Ltd.
19	Development Credit Bank Ltd	52	The Dhanlaxmi Bank Limited
20	FirstRand Bank Ltd.	53	The Dombivli Nagari Sahakari Bank
21	HDFC Bank Limited	54	The Federal Bank Limited
22	ICICI Bank Limited	55	The Greater Bombay Co-operative Bank Ltd.
23	IDBI Bank Ltd.	56	The Hong Kong and Shanghai Banking Corporation Ltd.
24	Indian Bank	57	The Lakshmi Vilas Bank Ltd.
25	Indian Overseas Bank	58	The Ratnakar Bank Ltd.
26	Indus Ind Bank Limited	59	The Royal Bank of Scotland
27	ING Vysya Bank Limited	60	The Thane Janata Sahakari Bank Ltd.
28	Jammu & Kashmir Bank Ltd	61	UCO Bank
29	Janata Sahakari Bank Ltd.	62	Union Bank of India
30	Jhabua-Dhar Kshetriya Gramin Bank	63	United Bank of India
31	JP Morgan Chase Bank	64	Vijaya Bank
32	Karnataka Bank Limited	65	Yes Bank Limited
33	Karur Vysya Bank Ltd		

Source: Data collected by researcher from banks website.

According to Singh (2012) report, current status of Mobile banking In India is as follows:

In HDFC bank, two years back 40-45% of the banking transactions were happening in the bank branch. This has dropped to 18% now. So, 82% of the banking needs of a HDFC bank customer who has registered for mobile banking are done outside the bank branch. HDFC has 1.2 million mobile banking users. State Bank of India has 5.2 million registered mobile banking users and this is increasing by 2 lakh new mobile banking users per month. Almost 63% of Citibank account holders use the digital medium for banking.

Banks have gradually moved from offering non-financial services to financial services on mobile phones - the evolution curve has been: alerts (on ATM withdraws, credit card purchases etc.), cheque book request, payments (of utility bills), debit and credit statements, fund transfer, opening fixed deposits, cash management at low end (up to Rs 50,000 per day) etc. In future more services will be added.

The Reserve Bank of India has allowed use of 'semi closed wallet' by mobile companies. Via semi closed wallet accounts, people can send and spend money through the mobile network, but can't withdraw cash, Airtel, Vodafone and Idea are offering such services.

To expand mobile banking reach, HDFC Bank has started Hindi mobile banking service and a 'net safe light' virtual card - both were started last month. The latter helps a user to store a limited value on his mobile. Say a credit card limit is Rs 2 lakh but a user wants to buy books online worth Rs 2,000. He can create a new limit on his card using net safe light and use the code generated for online shopping. This creates a security layer for the user - he uses the card for online payments without worrying about it being misused as the limit is only Rs 2,000.

The Future Scenario

The Information industry is revolutionaries by the development of Applications (APPS) for Smart Phones. The cost of doing a transaction on the mobile or internet is not very different and the cost of developing application for mobile platform is very low. Thus relatively low cost of developing apps has triggered an innovation boom in banking. Features are being added to mobile apps on a weekly basis as against internet banking where changes have been gradual. State bank introduced SBIZ BUDDY for mobile banking services, Axis Bank has introduced biometric authentication for mobile transactions, while ICICI Bank's mobile app now allows account-holders to send cash to contacts through a code which can be used for cardless ATM withdrawals. Axis Bank's fingerprint ID feature is available on the iPhone and other high-end phones that have the hardware for fingerprint scanning. Axis has also joined ICICI Bank and HDFC Bank in 'watch banking' with a solution for the iWatch.

Conclusion

Mobile banking is a generic term for delivery of banking services and products through telecommunication and electronic channels, such as the internet, the cell phone, Smart Phones etc. The concept and scope of Mobile banking is still evolving. It facilitates an effective payment and accounting system thereby enhancing the speed of delivery of banking services considerably. With the rapid growth of mobile phone users in India, banks have a cost effective channel for providing mobile banking services to its customers. Also in India the

most popular mobile banking services preferred by users of different banks are balance checks, account transactions, cheque status, setting alerts, payment reminders, accessing mini statement, placing orders for cheque books, etc. As the adoption of mobile banking is increased across the globe and India is contributing as fifth worldwide. Thus it can be concluded that with the new innovation like mobile banking, we can say that through Banks can provide its services to every users who is having smart phone and can help the government of India to reach to maximum unbanked customers.

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