

MOBILE BANKING – TRENDS, ISSUES AND CUSTOMER SATISFACTION

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ABSTRACT

New age business environment is very dynamic and undergoes rapid changes as a result of technological innovation, increased awareness and demands from customers. Business organizations, especially the banking industry of the 21st century operates in a complex and competitive environment characterized by these changing conditions and highly unpredictable economic climate. Information and Communication Technology (ICT) is at the centre of this global change. Archimedes said, "Give me a lever long enough and a fulcrum on which to place it and I shall move the whole world". The lever he was taking about then was not understood, until the invention of Information and Communication Technology. The appropriate use of technology will help the service providers in reducing the operating costs. Now the biggest challenge in front of the banking service providers is to develop scalable and independent technology solutions. In this perspective a study has been carried out to identify the trends, issues and customer perception towards the usage of mobile banking.

Keywords: Mobile Banking, Information Communication Technology, Customer Satisfaction.

Introduction:

The Government of India and the Reserve Bank of India's initiative on financial inclusion has given a practical means to include the financially excluded masses – taking banking system to their door steps. Innovative ICT approaches were adopted by both government and the banks/FIs to reach out to these unbanked populations on payment systems. New technologies and process-models have been introduced to carry out banking transactions from non-banking locations addressing the challenges of rural outreach and to ensure inclusive growth. Telephones in India have already crossed 500 million in number. Internet access is also picking up. The customer should be able to carry out peer-to-peer transactions without having to go to a Business Correspondent. The customer should get the freedom to use the mode of his/her choice for origination of a transaction but reaches out a business correspondent to consummate it within a specified time frame at a location only.

Several research studies highlighted on consumer attitude and adoption of Mobile Banking showed there are several factors predetermining the consumer's attitude towards mobile banking such as demography, motivation and behaviour towards different banking technologies and individual acceptance of new technology. It has been found that consumer's attitudes toward online banking are influenced by prior experience of mobile applications and new technology.

Need for Mobile Banking:

More than 95% of Indians use mobile phones. There is hardly any person who doesn't know about the benefits that a mobile phone offer. These phones connect us anywhere and anytime. We make use of mobile phones to make calls, receive and send text messages. If we have a smart phone with 3G/4G connectivity, then we can also access the Internet. By having the basic smart phone any individual can use mobile phones for banking purpose also. However, many of us think that mobile payment system is unsafe, expensive and the process is complicated. Hence we remain ignorant towards the advantages which mobile banking offers. Mobile banking eliminates the need to go to a bank and stand in queues. It save times and is available 24*7. Mobile banking is synonymous with the word convenience banking. Some transactions that you can easily undertake through mobile banking are balance inquiries, mini statements and utility payments among others.

Banking transactions through mobile phones have increased to Rs. 2.86 billion in May 2012 due to a higher number of users with mobile phones. The value of such transactions stood at Rs. 910 million in May 2011, according to the Reserve Bank of India. Some transactions that you can conduct through mobile banking are: Check account balance, Order cheque book, Stop cheque payment, View recent, transactions, Conduct fund transfer (within and outside the bank), Check your demat account, Undertake bill payments, Recharge your mobile phone, Blocking of (lost, stolen) card & Book movie or travel tickets

Review of Literature:

Mobile banking is the most happening area of development in banking sector. It has the potential for overcoming the issues like infrastructure, cost & resources. Technology development in the banking sector brought some new issues like increased expenditure on IT, monetary laws, data theft, breach of privacy etc (Sinha, 2011). Banks are leveraging technology to provide banking services to the door step of rural customers at low cost. Technology a key enabler in increasing customer reach, operational efficiency and in providing customer centric solutions (Eric, 2012). In India to provide telecom based services would require a license from department of telecommunication (DOT). Banks has to be allowed to issue the digital signatures for internal banking. Allowing the service providers to share the common infrastructure and technology which will increase the inclusion process (IDF, 2009). By taking 136 countries data studied the digital divide among the countries. The empirical study concluded that most of the countries ICT convergent is between 2005-2008. The study also shows that The convergence level occurred at non unique ICT development both at high and low level clusters which reduced the digital divide among the countries (Doong & Ho, 2012). (Kumbhar, 2010) identified some of the constraints such as mobile service provides connectivity, IT literacy, refund services, break down of mobile banking application, language used in the application, limited range of services, security & trust to achieve sustainable & low cost banking services through mobile banking. Tapping the mobile phone usage will reduce the social & economic barriers. Application of mobile based technology in the payments & settlement systems which reduces transaction cost and improves the operational efficiency integrating the financial supply chain with physical supply chain increases the greater financial inclusion (Pandey, Krishna, Vickers, Menzes, & Raghavendra, 2010). Indian banks need to develop strategic action plans to harness the m-banking potential to facilitate unbanked, under banked and to reach customers to access financial services. The process of computerization in the banking industry significantly changed the structure and texture of urban and metropolitan economy (Patel, 2010).

(Prasad and Swathi, 2012) proposed a cash less ecosystem to promote financial inclusion based on the cost and security perspective. The proposed model is based on the smart card technology aimed to provide cashless transactions with security to the unbanked rural people. Cash less payment model which facilitates the branchless banking and reduce the risk of handling the cash. (Singh, 2012) examined the model of mobile banking based money order by integrating the India post with Banks to identify facts and opportunities to accelerate financial inclusion process. Business growth, convenience to the customers, reduced transaction cost, reduced risk of fraud/malpractice transparency are the opportunities with India Post for increasing outreach by leveraging ICT. The study also concludes that the initiatives taken by India Post to transfer the money through mobile are modest. The study also pointed out that the present postal money is inconvenient and there is more demand for mobile money transfers services.

From the above review of literature it can be concluded that usage of ICT in the banking services will lower the operational cost, unbanked demographic regions can be served with mobile banking, mobile banking spread will be easy in the case of villages when there is no bank branch, reducing the cash handling risk, and ease of access which has attracted the Indian customers to use mobile banking services.

Research Methodology: with intention to study the trends, issues and customer satisfaction in banking sector with special reference to mobile banking. The following are some of the objectives intended to study; -To determine the extent related factors influencing the usage of mobile banking services.
-What are the different services offered through technology?

- To study the customer perception towards the usage of mobile banking.
- To know how technology has improved the banking facilities

Primary Data: Primary data is collected from the account holders who are the customers of bank and the respondents who are using mobile banking.

Secondary Data: Secondary data is collected from the published sources like RBI Annual Report, Government Reports & Journals

Data Analysis & Interpretation:

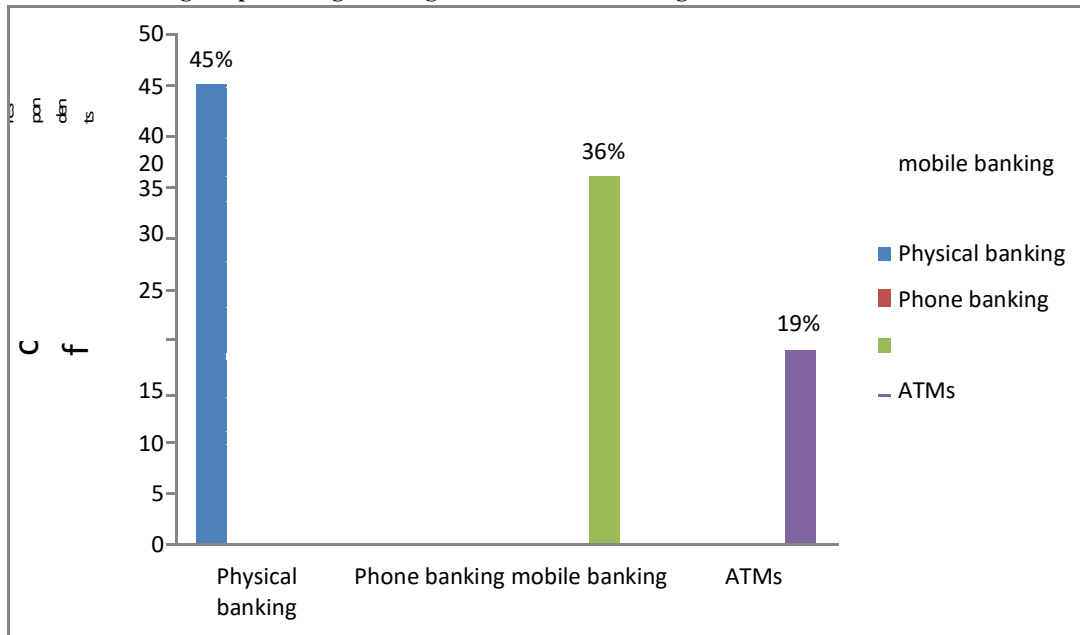
The number of telephone subscribers in India increased from 915.19 million at the end of December, 2013 here by showing a monthly growth of 0.75%. The share of urban subscribers has declined from 65% to 64% whereas share of rural subscribers has increased from 35% to 36% in the financial year 2013. With this, the overall Teledensity in India increased from 76% at the end of financial year 2012 to 81% at the end of financial year 2013 (Refer Table 1).

Table 1: Showing Mobile Density in India

| | FY2010 | FY2011 | FY2012 | FY2013 |
|-------------------------------------|--------|--------|--------|--------|
| Proportion of urban subscribers (%) | 67 | 66 | 65 | 64 |
| Proportion of rural subscribers (%) | 33 | 34 | 35 | 36 |
| Proportion of GSM subscribers (%) | 82 | 86 | 89 | 90 |
| Proportion of CDMA subscribers (%) | 18 | 14 | 11 | 10 |
| Teledensity (%) | 50 | 68 | 76 | 81 |
| Urban Teledensity (%) | 112 | 150 | 163 | 168 |
| Rural Density (%) | 23 | 33 | 38 | 46 |

Source: Department of Telecommunications

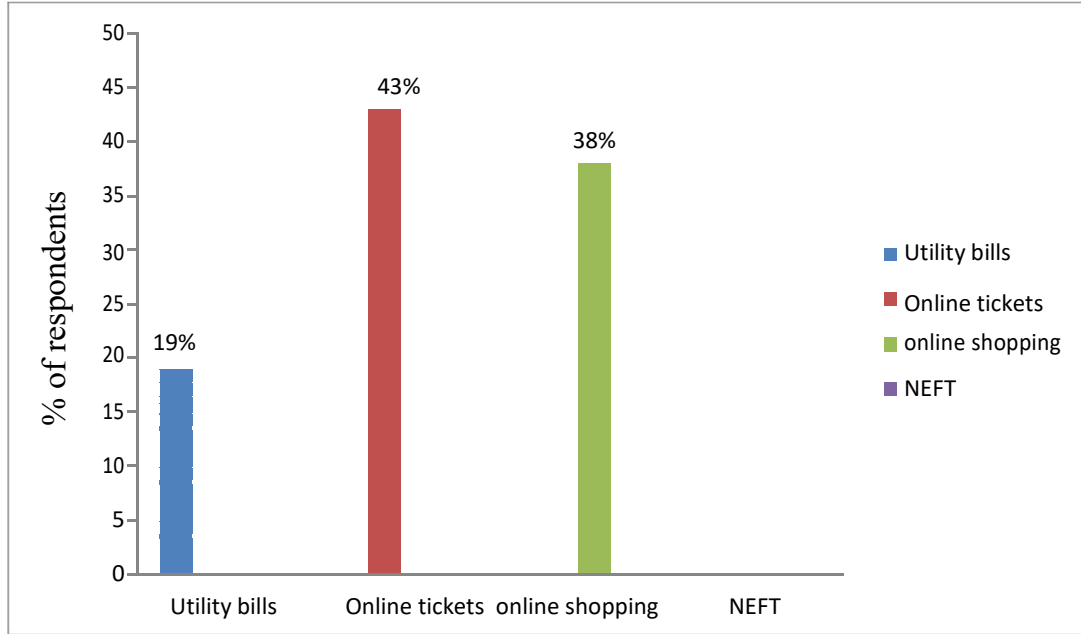
Chart 1: Showing the percentage of usage of ICT based banking services



Source: Primary Data

From the above chart it is clearly evident that 45% of respondents prefer using the physical banking services, 36% of respondents are using mobile banking facility provided by the banks. 19% of respondents most of the times they use ATMs for banking services like withdrawal, cash deposit, fund transfers, bill payments and mini statement.

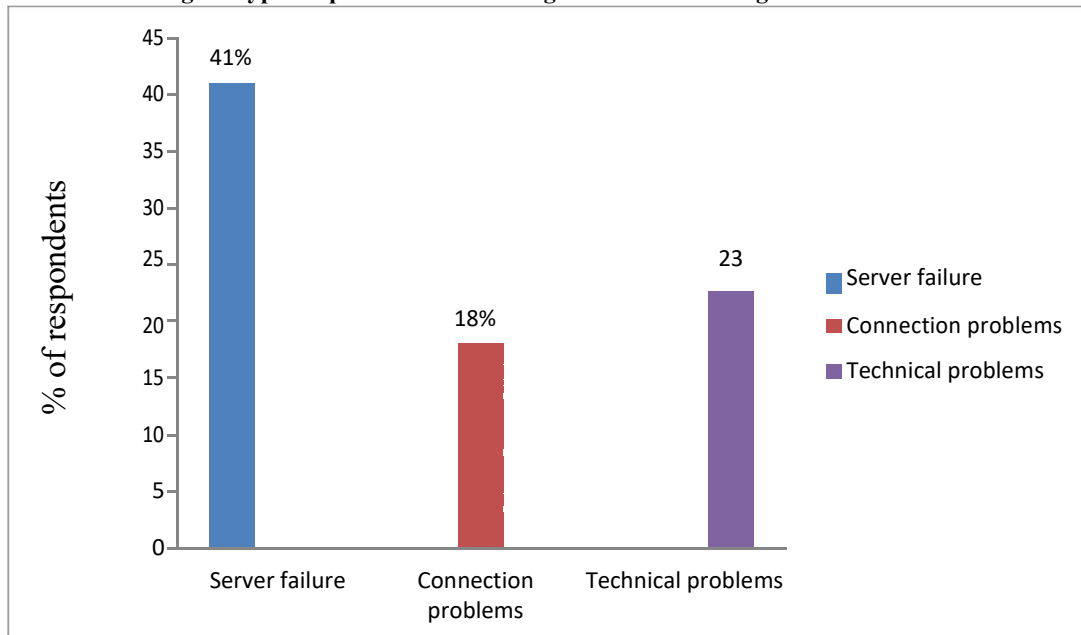
Chart – 2: Usage of Mobile banking for E- Payments:



Source: Primary Data

From the above chart it is clearly reveals 43% of the respondents use mobile banking for booking online tickets. 38% of the respondents use mobile banking for online shopping and for e – payments. 19% of the respondents use mobile banking for paying the utility bills.

Chart 3: Showing the types of problems while using the mobile banking



Source: Primary Data

From the above data it is observed that 41% of respondents reported that at the time of the usage of the mobile banking application they get service timed out error. 23% of the respondents reported that they have faced technical problems while operating mobile banking application. 18% of the respondents experienced connection problems at the time of launching the application.

Conclusion:

This empirical study highlights that majority of the respondents are comfortable with physical banking and banking operations through ATM. The issues like affordability of technology, scalability, reliability and security has to be solved in promoting mobile banking through technology. Technology is an essential tool for reaching underserved in remote areas and helps in lowering operational costs, increases efficient use of resources and cost effective. As the survey has been done in Bangalore region most of the respondents are using mobile banking for utility payments, checking balances, shopping, and other e payments based services. Bank customers are opined that mobile banking is not safe and secures all the time. There may be loss of data due to technical defaults. The business of banking-especially financial services/retail banking-is undergoing a sea change, as business shifts increasingly to the online environment. The increasing where banks would be forced to expand their product range to competitors' products, while rapidly innovating their own value-added products. Technology, and more specifically, the mobile technology, has evolved into an essential access channel. For banks, the technology offers a cost effective means of innovating, publicizing and delivering services to the customer, as well as maintaining customer relationships. For the customer, the technology has opened up enormous possibilities of convenience and choice. There is lack of preparedness both on the part of banks and customers in the adoption of new technological changes.

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