



Mobile Banking

A state of technology, a state of mind

In February this year, all banks were advised by Reserve Bank of India (RBI) to undertake customer education and awareness programmes in multiple languages through different channels of communication — ATMs, self-service kiosks, Internet banking websites, SMS and emails — in order to popularize the process of mobile banking registration/activation and its usage. This report is an attempt to understand the current mobile-banking scenario in the country and how consumers may make better choices while graduating to mobile banking. Facts and findings from the secondary and the primary research are presented here.

In a speech in late January, SS Mundra, deputy governor, RBI, observed that while there was general euphoria around the adoption of mobile banking and mobile payments, the model had been relatively less successful barring in a few countries where the right environmental factors existed. In the Indian context, an objective analysis

would reveal various reasons for the slow adoption. There are technical issues like type of handsets, a variety of operating systems, encryption requirements, inter-operable platforms or the lack of it, absence of standardized communication structures, difficulty in downloading application, time lag in activation, etc.

What Is It?

In the last two decades, mobile banking has evolved from being mere SMS-based support service – wherein you get updates about your transactions – to a full-fledged banking service. Thanks to wireless application protocol/WAP-supported smartphones, now a customer can avail of almost all those services that he could once get only when physically present at the branch.

Technically, all bank transactions that involve accessing credit/debit through a mobile device (phone or handheld tablet) are considered as mobile-banking transactions. These services, currently offered by 97 banks in India, are available to mobile customers irrespective of their mobile network or service provider. A customer may simply register with their respective bank and download a specific application on their smartphone.

Licensed banks with the provision of core banking solutions (CBS) are permitted to offer mobile-banking services to their customers after obtaining necessary permissions from the Department of Payments and Settlement Systems, Reserve Bank of India. As of now, only rupee-based services within India are allowed; cross-border transfers of any kind are prohibited.

Mobile-Banking Services

Typically, mobile-banking services include the following:

Account information

- Mini statements and account history
- Alerts on account activities
- Monitoring term deposits
- Access to loan and/or card statements
- Insurance policy management

Funds transfer

- Fund transfers between customer-linked accounts
- Fund transfers to other accounts
- Bill payments
- Credit card payments

Investment

- Portfolio management
- Real-time stock quotes

- Personalized alerts and notifications on security prices

Support services

- Chequebook and card requests
- Complaint filing and tracking
- ATM location

Mobile Banking for Children

RBI, in May 2014, allowed banks to let minors above the age of 10 years open and operate bank accounts independently. The minors can open a savings, fixed or recurring bank deposit account. These accounts also offer debit card and chequebook facility. Some banks like State Bank of India and ICICI Bank even offer mobile-banking services to these accounts.



*99# short code

Mobile banking is not restricted to smartphones. National Payments Corporation of India offers mobile-banking services on a National Unified USSD Platform (NUUP) through a short code – *99#. This number allows banking customers to access banking services with a single number across all banks – irrespective of the telecom service provider, the mobile handset make, or the region.

Benefits

- Works across all GSM mobile handsets. No application installation is required on the mobile handset; the service also has an interactive menu
- Round-the-clock availability (functional even on holidays)
- Provides a variety of banking and value-added service
- GPRS is not required; works only on voice connectivity
- Additional channel for banking and a key catalyst for spreading financial-inclusion reach
- No additional charges while roaming

See next box for a list of banks and telecom companies on NUUP.

Participating Banks in NUUP

Allahabad Bank	Karur Vysya Bank
Andhra Bank	Kotak Mahindra Bank
Axis Bank	Oriental Bank of Commerce
Bank of Baroda	Punjab & Sind Bank
Bank of India	Punjab National Bank
Bank of Maharashtra	State Bank of Bikaner & Jaipur
Canara Bank	State Bank of Travancore
Central Bank of India	State Bank of India
Corporation Bank	State Bank of Mysore
Dena Bank	State Bank of Patiala
HDFC Bank	State Bank of Hyderabad
ICICI Bank	Syndicate Bank
IDBI Bank	UCO Bank
Indian Bank	Union Bank of India
ING Vysya Bank	United Bank of India
Indian Overseas Bank	Vijaya Bank

Telecom Companies in NUUP

Aircel	Quadrant
Airtel	Reliance
BSNL	Tata
Idea	Uninor
MTNL	Vodafone
Videocon	

Innovations to Attract Customers

To beat the competition, banks are offering innovative services on mobile-banking platform.

- **Pockets:** ICICI Bank launched its digital wallet called Pockets. It is a virtual place to store money and use it whenever needed. The Pockets Wallet can be created instantly and it lets customers send money to anyone they wish, receive money from anyone, book movie tickets, gift physical/e-vouchers, pay bills, recharge mobiles and split expenses with friends. The wallet uses a virtual VISA card that enables users to transact on any website or mobile application in India. Customers can also request for a physical card to use it at any retail outlet.



- **Chillr:** HDFC Bank's Chillr app lets customers send money immediately to anyone in their phonebook 24 x 7. There is no need to have recipients' bank or account details.
- **Video talk:** IndusInd Bank customers can connect and have a video talk with their branch manager, relationship manager or a centralized video branch executive from anywhere in the world. The service is available for all IndusInd account holders using Android (2.3 and higher) and Apple (OS 6, 7 and higher) devices.



BANKS THAT SCORE BETTER

Mobile-banking services of 10 banks compared

CV RECOMMENDATIONS

Best Services

ICICI BANK

Better Services

HDFC BANK

Fairly Good Services

STATE BANK OF INDIA

In order to determine the better mobile-banking service providers, we identified the critical stakeholders including banks, their customers as well as regulatory bodies such as Reserve Bank of India and National Payments Corporation of India. Customers constitute the demand side of the service and banks the supply side.

As a first step, we undertook a thorough analysis of the secondary literature to understand the concept, its evolution and the current scenario of mobile banking in India. Based on these analyses, we identified a checklist of significant variables from consumers' perspective.

Next, we conducted extensive interviews with customers, most of whom had multiple accounts with two or more banks. These interviews helped us in creating a list of 15 banks, of which we chose 10 popular banks for a comparative study on their mobile-banking services.

The 10 banks are:

- 1) State Bank of India
- 2) ICICI Bank
- 3) Citibank
- 4) State Bank of Hyderabad
- 5) Yes Bank
- 6) Punjab National Bank
- 7) HDFC Bank
- 8) State Bank of Bikaner and Jaipur
- 9) Axis Bank
- 10) Canara Bank

We made a list of 34 variables that most influenced the level of satisfaction of consumers with regard to mobile banking. These variables were then classified under three heads: demand-side factors, supply-side factors and regulatory factors. Out of the 34 variables, the important ones were selected objectively and classified under five heads, each of which were given weightage as per their significance.

Variables and Weightage

1. Technology platform: 16%
2. Ease of activation: 38%
3. Usage functions: 13%
4. Promotion and training by bank: 31%
5. Customer service: 2%

Subsequently, banks were assigned scores against each category on the basis of the responses from customers, and these were then multiplied with the weightage of the respective categories to obtain final scores.



Bank ↓	Categories					Total Score (out of 10)
	Technology Platform (16%)	Ease of Activation (38%)	Usage Functions (13%)	Promotion and Training by Banks (31%)	Customer Service (2%)	
State Bank of India	8	9	9.5	8.5	9	8.75
	1.28	3.42	1.23	2.64	0.18	
ICICI Bank	9	9	9.5	9.5	9	9.21
	1.44	3.42	1.23	2.94	0.18	
Citibank	8.5	9	9.5	8	9	8.67
	1.36	3.42	1.23	2.48	0.18	
State Bank of Hyderabad	7.5	8.5	8	7	8	7.8
	1.2	3.23	1.04	2.17	0.16	
Yes Bank	9	9	9	8	9	8.69
	1.44	3.42	1.17	2.48	0.18	
Punjab National Bank	7	7	8.5	7	7.5	7.21
	1.12	2.66	1.11	2.17	0.15	
HDFC	9	9	8.5	9	9.5	8.95
	1.44	3.42	1.17	2.48	0.16	
State Bank of Bikaner and Jaipur	7	8	8	7	7.5	7.52
	1.12	3.04	1.04	2.17	0.15	
Axis Bank	8.5	9	8	8	9	8.48
	1.36	3.42	1.04	2.48	0.18	
Canara Bank	7.5	8.5	8	6.5	7	7.63
	1.2	3.23	1.04	2.02	0.14	

Reading the Table ↑

Categories are listed column-wise and banks are listed row-wise. Against each bank there are two rows. The first one shows the ratings on a 10-point scale based on interviews with customers of that particular bank under the respective categories. The second one shows the weighted scores (calculated as the product of the scores and the weights). The sum of the weighted scores for each of the banks is shown in the last column.

Although ICICI Bank topped the list, followed by HDFC and SBI, there is not much difference between the scores of various banks. The difference range of scores is a mere two points (highest 9.21 of ICICI and lowest 7.21 of Punjab National Bank).

Their Numbers Are Growing

- Mobile banking has seen an increase of 88.75 per cent in one year, going up from 8.89 million transactions as of December 2013 to 16.78 million in December 2014. The value of transaction was Rs 22.61 billion in December 2013 and has gone up to Rs 113.23 billion, up 400 times.
- According to RBI's bank-wise mobile-banking transactions data, State Bank of India topped the list in volumes while HDFC bank topped the list in terms of value.

RBI Guidelines on Mobile Banking (last updated 30 June 2014)

The guidelines issued by Reserve Bank of India on 'Risks and Controls in Computers and Telecommunications' vide circular DBS.CO.ITC.BC. 10/ 31.09.001/ 97-98 dated 4 February 1998 will apply mutatis mutandis ('the necessary changes having been made') to mobile banking.

The guidelines issued by RBI on 'know your customer' (KYC), 'anti-money laundering' (AML) and 'combating the financing of terrorism' (CFT) from time to time will be also applicable to mobile-based banking services.

Banks should offer mobile-based banking service only to their own customers, be it bank account or credit card account holders. However, for the purposes of remittance of funds for disbursement in cash, the receipts could be non-account holder also.

Banks should have a system of document-based registration with mandatory physical presence of their customers before commencing mobile-banking service.

There can be two levels of mobile-based banking service. The first level is in the nature of information like balance enquiry, SMS alert for credit or debit, status of last five transactions, and many other information-providing services. The account-opening form, at the time of opening new bank account, should clearly indicate the option for 'mobile banking'.

The second or standard level of mobile-banking services could involve financial transactions such as payments, transfers and stop payments. Banking transactions up to Rs 5,000 can be facilitated by banks without end-to-end encryption.

Banks are permitted to offer mobile-banking facility to their customers without any daily cap for transactions involving purchase of goods/services.

In case of cash-out, the maximum value of such transfers shall be Rs 10,000 per transaction. Banks may place a suitable cap on the velocity of such transactions, subject to a maximum of Rs 25,000 per month per beneficiary.

Banks are required to maintain security and confidentiality of customers' accounts since in the mobile-banking scenario the risk of banks not meeting the above obligation is high.

Banks are required to make mandatory disclosures of risks, responsibilities and liabilities of the customers on their websites and/or through printed material.

Banks may carry out due diligence of the persons before appointing them as authorized agents for such services. Banks shall, however, be responsible as principals for all the acts of omission or commission of their agents.

The existing mechanism of handling customer complaints/grievances may be used for mobile-banking transactions as well. However, in view of the fact that the technology is relatively new, banks should set up a help desk and disclose on their websites the details of the help desk and escalation procedure for lodging complaints. Such details should also be made available to the customers at the time of sign-up.

In cases where the customer files a complaint with the bank disputing a transaction, it will be the responsibility of the service-providing bank to address the customer grievance. Banks should formulate charge-back procedures for addressing such customer grievances. The grievance-handling procedure including the compensation policy should be disclosed.

Customers' complaints/grievances arising out of mobile-banking facility will be covered under the Banking Ombudsman Scheme.

Security Tips

- Most of the phones support numeric password lock. Activate one for your phone with a password that is difficult to crack. Avoid using your or any of your family members' birth or anniversary date as well as house car or phone numbers. (Most mobile and internet banking frauds, as per government records, are committed by the people known to you.)
- If you own a smartphone, install applications that can protect passwords and cannot give access to your bank even if the phone is stolen. Ideally, the thief should not be able to access any information stored in your phone.
- Never save your ATM pin or your one-time transaction password (OTP) in the phonebook. Even if you do, disguise it as a 10-digit number to make it look like a phone number (with a fake name in the phonebook).
- Never disclose your personal information such as account number, password and PAN card number in text messages.
- Always keep your phone's Bluetooth turned off and do not accept data from unknown sources. Wi-Fi access in public places might have virus and malware that can attack phones. Install credible anti-virus on phone to protect it from attacks.
- Delete your 'bank balance' messages from your phone immediately after reading.
- Avoid opening unknown Web links/spam emails on your phone. Also avoid downloading applications that do not come from credible developers.
- Before selling or disposing of your phone, do not forget to wipe out all stored data. Do a master reset of the phone that brings it to the factory condition.
- Often change your account passwords at random intervals.
- Avoid keeping same passwords for all your bank accounts.

Source: *Business Today*



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