# Mobile banking critique essay

Finance, Banking

Many banks have established presence on the Internet and many others are in the process of doing so. Using telecommunication systems and networks, a bank can reach out to customers and provide them with not only general information about its services but also the opportunity of performing interactive banking transactions. In electronic banking, bank customers can request information and carry out most banking services (e. g. balance reporting, inter-account transfers, and bill payment) via a telecommunication network without the need to go at the bank’s branch offices.

Electronic banking comprises all electronic channels customers use to access their accounts, including the Internet and recently mobile phones (WAP-Wireless Application protocol, SMS- Short Message Service, SIM Toolkit, PDAs-Personal Digital Assistants). The cell phone handset can be used as a terminal in much the same way as an ATM (Automatic Teller Machine). Currently, almost everyone in the developed countries carries a mobile phone.

So, customers can access their bank accounts through the bank’s website using not only a computer but also mobile devices. M-banking is not only another channel for banking services, but there is the possibility for becoming the primary channel. What is Mobile Banking? Mobile banking is a Banking process without bank branch, which provides financial services to unbanked communities efficiently and at affordable cost. To provide banking and financial services through mobiletechnologydevice by mobile phone is called Mobile banking.

Mobile banking (also known as M-Banking, mbanking, SMS 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 mobile phone or Personal Digital Assistant (PDA). The earliest mobile banking services were offered over SMS. With the introduction of the first primitive 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. A mobile banking conceptual model Mobile Banking refers to provision and availment of banking- and financial services with the help of mobile telecommunication devices.

The non-transaction-based services of an informational nature are however essential for conducting transactions - for instance, balance inquiries might be needed before committing amoneyremittance. 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. Trends in mobile banking The advent of the Internet has enabled new ways to conduct banking business, resulting in the creation of new institutions, such as online banks, online brokers and wealth managers.

Such institutions still account for a tiny percentage of the industry. 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. According to the GSM Association and Ovum, the number of mobile subscribers exceeded 2 billion in September 2005, and now (2009) exceeds 2. 5 billion (of which more than 2 billion are GSM). According to a study by financial consultancy Celent, 35% of online banking households will be using mobile banking by 2010, up from less than 1% today.

Upwards of 70% of bank center call volume is projected to come from mobile phones. Mobile banking will eventually allow users to make payments at the physical point of sale. " Mobile contactless payments” will make up 10% of the contactless market by 2010. Another study from 2010 by Berg Insight forecasts that the number of mobile banking users in the US will grow from 12 million in 2009 to 86 million in 2015. The same study also predicts that the European market will grow from 7 million mobile banking users in 2009 to 115 million users in 2015.

Many believe that mobile users have just started to fully utilize the data capabilities in their mobile phones. In Asian countries like India, China, Bangladesh, Indonesia and Philippines, where mobile infrastructure is comparatively better than the fixed-line infrastructure, and in European countries, where mobile phone penetration is very high (at least 80% of consumers use a mobile phone), mobile banking is likely to appeal even more. Mobile banking business models A wide spectrum of Mobile/branchless banking models is evolving.

However, no matter what business model, if mobile banking is being used to attract low-income populations in often rural locations, the business model will depend on banking agents, retail or postal outlets that process financial transactions on behalf telcos or banks. The banking agent is an important part of the mobile banking business model since customer care, service quality, and cash management will depend on them. Many telcos will work through their local airtime resellers. However, banks in Colombia, Brazil, Peru, and other markets use pharmacies, bakeries, etc.

These models differ primarily on the question that who will establish the relationship (account opening, deposit taking, lending etc. ) to the end customer, the Bank or the Non-Bank/Telecommunication Company (Telco). Another difference lies in the nature of agency agreement between bank and the Non-Bank. Models of branchless banking can be classified into three broad categories - Bank Focused, Bank-Led and Nonbank-Led. Bank-focused model The bank-focused model emerges when a traditional bank uses non-traditional low-cost delivery channels to provide banking services to its existing customers.

Examples range from use of Automatic Teller Machines (ATMs) to internet banking or mobile phone banking to provide certain limited banking services to banks' customers. This model is additive in nature and may be seen as a modest extension of conventional branch-based banking. Bank-led model The bank-led model offers a distinct alternative to conventional branch-based banking in that customer conducts financial transactions at a whole range of retail agents (or through mobile phone) instead of at bank branches or through bank employees.

This model promises the potential to substantially increase the financial services outreach by using a different delivery channel (retailers/ mobile phones), a different trade partner (telco/chain store) having experience and target market distinct from traditional banks, and may be significantly cheaper than the bank-based alternatives. The bank-led model may be implemented by either using correspondent arrangements or by creating a JV between Bank and Telco/non-bank Non-bank-led model The non-bank-led

model is where a bank has a limited role in the day-to-day account management.

Kenya's M-PESA mobile banking service, for example, allows customers of the mobile phone operator Safaricom to hold cash balances which are recorded on their SIM cards. Cash may be deposited or withdrawn from M-PESA accounts at Safaricom retail outlets located throughout the country, and may be transferred electronically from person to person as well as used to pay bills to companies. One of the most innovative applications of mobile banking technology is Zidisha, a US-based nonprofit microlending platform that allows residents of developing countries to raise small business loans from web users worldwide.

Initial interoperability issues however have been localized, with countries like India using portals like R-World to enable the limitations of low end java based phones, while focus on areas such as South Africa have defaulted to the USSD as a basis ofcommunicationachievable with any phone. The desire for interoperability is largely dependent on the banks themselves, where installed applications (Java based or native) provide better security, are easier to use and allow development of more complex capabilities similar to those of internet banking while SMS can provide the basics but becomes difficult to operate with more complex transactions. There is a myth that there is a challenge of interoperability between mobile banking applications due to perceived lack of common technology standards for mobile banking.

In practice it is too early in the service lifecycle for interoperability to be addressed within an individual country, as very few countries have more than one mobile banking service provider. In practice, banking interfaces are

well defined and money movements between banks follow the IS0-8583 standard. As mobile banking matures, money movements between service providers will naturally adopt the same standards as in the banking world. On January 2009, Mobile Marketing Association (MMA) Banking Sub-Committee, chaired by Cell Trust and VeriSign Inc. , published the Mobile Banking Overview for financial institutions in which it discussed the advantages and disadvantages of Mobile Channel Platforms such as Short Message Services (SMS), Mobile Web, Mobile Client Applications, SMS with Mobile Web and Secure SMS.

Telenor Pakistan has also launched a mobile banking solution, in coordination with Taameer Bank, under the label Easy Paisa, which was begun in Q4 2009. Eko India Financial Services, the business correspondent of State Bank of India (SBI) and ICICI Bank, provides bank accounts, deposit, withdrawal and remittance services, micro-insurance, and micro-financefacilities to its customers (nearly 80% of whom are migrants or the unbanked section of the population) through mobile banking. In a year of 2010, mobile banking users soared over 100 percent in Kenya, China, Brazil and USA with 200 percent, 150 percent, 110 percent and 100 percent respectively. Mobile Banking in Bangladesh Starting: Mobile banking is a new technology in Bangladesh which started from 31st March 2011.

Dutch Bangla Bank Limited pioneered in mobile banking services in Bangladesh. Most people heard about it but not have a clear idea. According to my survey almost 94% people heard about mobile banking and 6% haven’t heard about mobile banking. Interest to use: Many people heard about mobile banking. But they yet have not felt that they should use it as

they are happy to use traditional banking system. Some people feel interest to use it. About 55% people feel they should use it and 45% people haven’t feel to use mobile banking according to the survey. Takes time by mobile banking than traditional banking: Mobile banking is real time on-line banking.

As it is on-line banking it takes less time than traditional banking. It will make access to banking and advanced payment, transactions at affordable cost People have not to wait by standing in a long line which is happen in traditional banking system. But some people think it takes higher time and some people think it takes same time as traditional banking. According to the research only 5% people think it takes higher time, 34% people think it takes the same time and 61% people think it takes lower time than traditional banking system. Time saving: Mobile banking is available anytime, anywhere throughout the country. So it can save one’s time. But all people not think the same.

About 70% respondents think that mobile banking can save their time, where as 30% think it cannot save time. Cost: It is convenient, affordable and it is much more effective in developing savings habits, it will make access to banking and advanced payment transactions at affordable cost. All people know that its cost is not higher than traditional banking. Around 56% respondents say its cost is lower, 20% say same and 24% say it is affordable than traditional banking. . A positive aspect of mobile phones is that mobile networks can reach remote areas at low cost. Trust worthy: It is much safer and safeguard against fraudulent transactions. One can trust mobile banking as traditional banking system.

It has secured pin code which is known by the user, and also has a check digit without it no one can deposit money. But in Bangladesh traditional branch-based banking remains the most widely adopted method of conducting banking transaction. The poor often have greater familiarity and trust with mobile phone companies than formal banking institutions. Furthermore a mobile handset can easily be adapted to handle banking transactions. But it is not commonly known by all. From the survey it is found that 63% respondents think mobile banking is trust worthy and 37% respondents feel it is not trust worthy. Use: It is much more effective in developing savings habits. Its using system is also easy. Anyone can use it.

Poor people are often not considered viable customers by the formal financial sector as their transaction sizes are small, and many live in remote areas beyond the reach of banks branch networks. Informal banking services such as microfinance and village savings and loan associations remain limited in their reach. So, mobile banking system develops to bring poor people into banking system. 83% respondents face or heard no problem to use mobile banking. But 17% respondents heard or face problems to use it like-sometimes transaction do not reach at time, cannot operate it easily as traditional banking, not trust worthy. Prospect of mobile banking in Bangladesh:

Any mobile user can register and open up a bKash account and then do transactions through their mobile phones in easy, convenient and reliable way. “ bKash will fundamentally change the way people now do transactions, as all transactions will be possible through mobile phones in future,” said Syed Mahbubur Rahman, managing director of the bank. “ Customers will

not need to come to the bank; rather the bank will go to them," he said at a press conference in Dhaka on the occasion of its 10th founding anniversary. The bank said a bKash account will act as a digital mobile wallet and anybody can take the service. " Your mobile phone will become your wallet.