

# MOBILE BANKING : SCENARIO IN INDIA

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**Abstract-** *Mobile banking refers to the use of a smartphone or other cellular device to perform online banking tasks. It has been improved with the advancement of the technology, the hardware and software. The purpose of this paper is to gain basic knowledge of mobile banking, explain the different kinds of Apps used in Mobile banking.*

**Keywords** - *Peer to Peer Payments, Electronic Funds Transfer at Point of Sale, Short Message Service, Personal Digital Assistant*

## I. INTRODUCTION

Mobile banking is a service provided by a bank or other financial institution that allows its customers to conduct financial transactions remotely using a mobile device such as a Smartphone or tablet. Unlike the related internet banking it uses software, usually called an app, provided by the financial institution for the purpose. Mobile banking is usually available on a 24-hour basis. Some financial institutions have restrictions on which accounts may be accessed through mobile banking, as well as a limit on the amount that can be transacted. Mobile banking is dependent on the availability of an internet or data connection to the mobile device.

Transactions through mobile banking depend on the features of the mobile banking app provided and typically includes obtaining account balances and lists of latest transactions, electronic bill payments, remote check deposits, P2P(Peer to Peer) payments, and funds transfers between a customer's or another's accounts. Some apps also enable copies of statements to be downloaded and sometimes printed at the customer's premises.

From the bank's point of view, mobile banking reduces the cost of handling transactions by reducing the need for customers to visit a bank branch for non-cash withdrawal and deposit transactions. Mobile banking does not handle transactions involving cash, and a customer needs to visit an ATM or bank branch for cash withdrawals or deposits. Many apps now have a remote deposit option; using the device's camera to digitally transmit cheques to their financial institution.

Mobile banking differs from mobile payments, which involves the use of a mobile device to pay for goods or services

either at the point of sale or remotely, analogously to the use of a debit or credit card to effect an EFTPOS(Electronic Funds Transfer at Point of Sale) payment.

## II. DEFINITION OF MOBILE BANKING

Mobile banking refers to the use of a smartphone or other cellular device to perform online banking tasks while away from your home computer, such as monitoring account balances, transferring funds between accounts, bill payment and locating an ATM.

## III. HISTORY OF MOBILE BANKING

Mobile banking is known as M-banking or SMS(Short Message Service) Banking. The European company called PayBox supported financially by Deutsche Bank, in 1999 started mobile banking. SMS was the earliest mobile banking service offered. It is an emerging field in the banking segment. However, older phones had limited functionality. Mobile phones, palm PCs(Personal computers) and PDAs (Personal Digital Assistant) were lacking hardware and software support. The higher cost of data plans and the slower network speed were also limiting factors in the growth of mobile banking.

The cost of mobile devices has been reduced drastically and is still reducing. Network speed is much better than before and data plans are not as costly. All of these changes have provided necessary raw materials for the growth of mobile banking and the numbers of people using mobile banking is increasing day by day.

Users, who were using computers/laptops for online banking, are moving towards mobile banking because of ease of use and fast access. In the USA, mobile banking was introduced in 2006 by Wachovia bank. In Sep 2007, Aite group predicted the mobile banking users in the United States would reach 1.6 million by the end of the year 2007 and will rapidly increase to 35 million by the year 2010. The report indicated the growth potential for mobile banking.

### Mobile Banking in india

The mobile users' base in India is expected to zoom to 893 million by 2012. This is a 150 million increase of what was

projected earlier. India is now the second largest mobile market in the world after China, which has over 650 million subscribers, with India having 400 million mobile users. There will be 1.24 billion mobile users in 2015 - which means one phone for every Indian. Mobile banking as a financial tool has been seeing its time of acceptance occur very much thanks to increasing mobility offered by smart phones. Phones essentially pack the capability of a basic computer and Internet access into a communication device.

The technological push for increased mobility and function via a phone has begun to take shape with increased capital investment into networks and systems that can support these features. Mobile banking is an electronic system that provides most of the basic services available in daily, traditional banking, but does so using a mobile communication device, usually a smart phone. In some cases, a well-developed mobile banking system can actually provide point-of-sale ability similar to an ATM or credit card, except the purchaser buys by using their phone instead. With the ease of mobile smart phones and their wide variety of applications today, it's not surprising the mobile banking is now coming into full vogue. However, the concept and ability is not a new concept.

### Digitalization

Digital India is a campaign launched by the Government of India to ensure the Government's services are made available to citizens electronically by improved online infrastructure and by increasing Internet connectivity or by making the country digitally empowered in the field of technology. The initiative includes plans to connect rural areas with high-speed internet networks. Digital India consists of three core components: the development of secure and stable digital infrastructure, delivering government services digitally, and universal digital literacy.

Launched on 1 July 2015 by Indian Prime Minister Narendra Modi, it is both enabler and beneficiary of other key Government of India schemes, such as BharatNet, Make in India, Startup India and Standup India, industrial corridors, Bharatmala, Sagarmala, dedicated freight corridors, UDAN-RCS and E-Kranti.

As of 31 December 2018, India had a population of 130 crore people (1.3 billion), 123 crore (1.23 billion) Aadhaar digital biometric identity cards, 121 crore (1.21 billion) mobile phones, 44.6 crore (4460 million) smartphones, 56 crore (560 million) internet users up from 481 million people (35% of the country's total population) in December 2017, and 51 per cent growth in e-commerce.

### Demonitization

On 8 November 2016, the Government of India announced the demonetisation of all ₹500 and ₹1000 banknotes of the Mahatma Gandhi Series. It also announced the issuance of new ₹500 and ₹2000 banknotes in exchange for the demonetised banknotes. The government claimed that the action would curtail the shadow economy and reduce the use of illicit and counterfeit cash to fund illegal activity and terrorism.

The announcement of demonetisation was followed by prolonged cash shortages in the weeks that followed, which created significant disruption throughout the economy. People seeking to exchange their banknotes had to stand in lengthy queues, and several deaths were linked to the rush to exchange cash.

According to a 2018 report from the Reserve Bank of India, approximately 99.3% of the demonetised banknotes, or ₹15.30 lakh crore (15.3 trillion) of the ₹15.41 lakh crore that had been demonetised, were deposited with the banking system. The banknotes that were not deposited were only worth ₹10,720 crore (107.2 billion), leading analysts to state that the effort had failed to remove black money from the economy. The BSE SENSEX and NIFTY 50 stock indices fell over 6 percent on the day after the announcement. The move reduced the country's industrial production and its GDP growth rate.

Initially, the move received support from several bankers as well as from some international commentators. The move was also criticised as poorly planned and unfair, and was met with protests, litigation, and strikes against the government in several places across India. Debates also took place concerning the move in both houses of parliament.

Eventhough digitalization was the former, but its impact was much higher after the arrival of demonitization in India. As a result of digitalization and demonitization, mobile banking made its landmark in India.

### Top Mobile Wallets In India

Due to the emerging digitalization in India apart from banks, the mobile banking apps below came into existence and reached its peak.

#### 1. PayTM

PayTM is one of the largest mobile commerce platforms in India, offering its customers a digital wallet to store money and make quick payments.

Launched in 2010, PayTM works on a semi-closed model and has a mobile market, where a customer can load money and make payments to merchants who have operational tie-ups with the company. Apart from making e-commerce transactions, PayTM wallet can also be used to make bill payments, transfer money and avail services from merchants from travel, entertainment and retail industry.

Capitalizing on the scope and growth of India's education market segment, they recently partnered with premium educational institutions in India to introduce cashless payments for fees, bills and other expenses.

## 2. Momoe

Momoe is a Bengaluru based mobile payments startup that focuses on changing how customers pay while eating out, travel and shop. Using the Momoe app, one can store their credit card details and make mobile payments at various restaurants, grocery stores, apparel, salons and other retail outlets.

The app's initial foray was into restaurants which attracted many installs due to the ease of payment options. The users were able to see live tabs, split bills and pay directly, without having to wait for a physical bill to arrive. Even though its services are currently available only in Bangalore, due to the growing popularity of the app and investment funds they will soon be expanding their services to six new cities.

## 3. PayUMoney

PayUMoney, a Gurgaon-based company that provides online payment solutions launched its wallet service last year. This e-wallet by PayUMoney enables the user to store cash and pay for various services and transactions.

In order to differentiate themselves from other players, they provide a wide range of benefits that include one-touch check out and discounts / cashback offers on every transaction made. This e-wallet also provides instant refunds on order cancellations and buyer protect to ensure the right purchase and customer satisfaction.

## 4. Mobikwik

MobiKwik is an independent mobile payment network that supposedly connects 25 million users with 50,000 retailers and more. This mobile wallet lets its users add money using debit, credit card, net banking and even doorstep cash collection

service, which can in turn be used to recharge, pay utility bills and shop at marketplaces.

Owing to the growing need for convenience, MobiKwik has also recently tied up with large and small time grocery, restaurants and other offline merchants.

## 5. Citrus

Citrus Pay is a popular e-wallet app for cash storage, payments and money transfers. Besides tying up with online service providers from varied sectors, they are now collaborating with Woohoo, a gifting and shopping portal to let its customers shop at more than 5000 offline stores listed with them.

## 6. State Bank Buddy

This mobile wallet application was launched by State Bank of India to let users transfer money to other users and bank accounts, pay bills, recharge, book for movies, hotels, shopping as well as travel.

This semi-closed prepaid wallet offers its services in 13 languages and is available for non-SBI customers as well. This app also allows its customers to set reminders for dues, money transfers and view the mini-statement for the transactions carried out.

## 7. Citi MasterPass

Citi Bank India and MasterCard recently launched 'Citi MasterPass', India's first global digital wallet for faster and secure online shopping.

By using this, Citi Bank debit and credit card customers become the first in this country to be able to shop at more than 250,000 e-commerce merchants. It ensures faster checkout with a single click or touch and stores all your credit, debit, prepaid, loyalty cards and shipping details in one place.

## 8. ICICI Pockets

Pockets by ICICI is a digital bank that offers a mobile wallet for its customers. It provides the convenience of using any bank account in India to fund your mobile wallet and pay for transactions.

With Pockets, one can transfer money, recharge, book tickets, send gifts and split expenses with friends. This wallet uses a virtual VISA card that enables its users to transact on any

website or mobile application in India and provides exclusive deals or packages from associated brands.

#### 9. HDFC Chillr

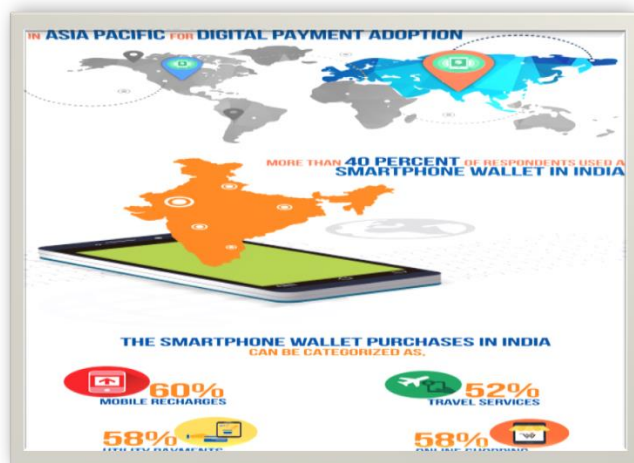
Chillr is an instant money transfer app created by HDFC to simplify money transfer and payment process for its customers.

Using this mobile payment app, one can transfer money to anyone in their phone book, thereby cutting out on the hassles of adding a beneficiary. It is currently available only for HDFC Bank customers and can be used to send money, recharge, split bills, request funds or transfer and will soon be able to pay at online & offline stores.

#### 10. LIME

Axis Bank, the third-largest private sector bank launched 'LIME', an application that offers a mobile wallet, payments, shopping and banking facilities.

This mobile wallet is available for both account & non-account holders and lets a user add money using his or her credit, debit and net banking details. One can also share the wallet with their loved ones or pool in funds into a shared wallet for a particular purpose (Example: Gifts, vacations, etc.)



### IV. CONCLUSION

You need to be careful on the mobile as well, though it brings lesser risk. The Reserve Bank of India recently informed banks to encourage mobile banking. In coming days we will see more number of people getting addicted to the ease of mobile banking. It is available for 24 hours and easy and convenient mode for many Mobile users in the rural areas. It is

playing a dominant role in routine monetary transactions which paved a way in reaching the vision of digitalization in India.

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