

Mobile Banking: An Emerging Issue in Bangladesh

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Abstract

There are around 160 million people in Bangladesh, of which only 13 percent have bank accounts where as more than 95 percent are mobile phone users. Banks can now offer the banking services to rural and unbanked population through mobile phone. Mobile banking refers to a system that enables bank customers to access accounts and general information on bank products and services through a Mobile device. Around 54% respondents opinioned that this system is less costly and time saving and 63% respondents felt trust to this service. 83% respondents think it is easier to access but this service is not available for interbank transaction, as well as the absence of regulatory framework may lead to money laundering activities.

Key words: Mobile, M-banking, Mobile Banking, mobile phone banking.

Introduction

Earlier this century, the mobile phone became the first communications technology to have more users in developing countries like Bangladesh. With the combination of two most recent technological advancements – internet and mobile phone, a new service (mobile data service) is thus enabled and the first such wireless internet commercial transaction is performed by the banking industry (Barnes and Corbitt, 2003). Banking through mobile phone has been common in developed countries for years. The real potential of “m-banking” may be to make basic financial services more accessible to millions of poor people.

An appropriate banking environment is considered a key pillar as well as an enabler of economic growth (Koivu 2002). With the continuously emerging wave of information driven economy, the banking industry in Bangladesh has inevitably found itself unable to resist technological indulgence. The need for convenient ways of accessing financial resources beyond the conventional norms has seen the recurrent expansion and modernization of banking patterns. And given the huge demand for finance oriented services, institutions beside the historical banks have joined the fray in an attempt to grab a piece of the perceived cake of opportunity within the banking industry.

Objectives of the Study

The objectives of the study are:

- To identify user’s attitudes towards mobile banking in Bangladesh;
- To detect constrains in development of mobile banking in Bangladesh.

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Methodology and Limitations

The study is descriptive in nature. Data used in this study have been collected basically from the primary sources. Data collected through personal interview method. Interview conducted to the persons who are supposed to have knowledge about the mobile banking. Several statistical and analytical methods and tools were used for analyzing the gathered data from the survey. Qualitative data are analyzed critically using judgment. Pie chart has been used as graphical tools to show the analysis of data. Application of software MS Excel used to analyze data.

Generally most of the people are not interested to give time to answer the questions as they do not have enough idea about mobile banking. On the other hand most of them are not familiar in using mobile banking. So it was very difficult to collect the actual data.

Prospect of Mobile Banking in Bangladesh

Mobile Banking is a process of no branch banking which provides financial services to unbanked communities in both urban and rural area at affordable cost. The aim of the service is not to destroy branch banking but to bring those people under the umbrella of banking service that are away from banking facilities. Government thinks it has a great prospect as it is a new technology in digital Bangladesh. Through M-banking one can avail various services i.e.; utility bill payment, Fund Transfer, Shopping, Cash Withdrawn from selected ATM or Cash point and many more exciting facilities. But in Bangladesh many people think traditionally, because they cannot think it has any facility to use of mobile banking.

SWOC Analysis

To find out the viability of a particular product we may perform a SWOC Analysis of the product. This will analyze the Strengths, Weaknesses, Opportunities and Challenges of the particular product. For analyzing the performance of Mobile Banking in Bangladesh the SWOC Analysis is considered.

Strengths

Mobile Banking is new in our economy. Only a few banks are now offering this service. Through Internet Banking Most of the banks are offering only balance information. Actual fund transfer and fund disbursement is not possible in all the banks that are offering internet banking services. So this product will enjoy the benefit of a first mover.

It is cheap both for the banks and the customers. The bank will be able to lower down the overhead costs and make more profit out of it. The customers will be able to save time as well as money for their transaction needs.

Many poor people already have access to mobile phones. A positive aspect of mobile phones is that mobile networks can reach remote areas at low cost. The poor often have greater familiarity and trust with mobile phone companies.

Weaknesses

The system will have a problem with the identification of the individual who is initiating the transaction. In Bangladesh, the identification of an individual is not yet supported digitally. So there may be a problem in moving toward mobile banking era.

Opportunities

Non-branch banking is becoming popular in our country. Many banks are now offering non-branch banking facilities. A person can withdraw or deposit money in any branch of the bank he has account with. So moving to mobile banking will allow the banks to offer non-branch banking facilities.

Mobile device is becoming very common to us. So a service offered through the mobile phone will be widely accepted in the near future.

Challenges

People have concern about security and privacy. They like to feel their money with their hand. They actually don't believe in virtual money transfer. Furthermore a mobile handset may not easily be operated to handle banking transactions as most of our people do not have sound technological knowledge.

In the field of IT new technology is coming everyday. One which is very popular today might get obsolete tomorrow. So, to have a competitive edge over the competitors the banks must always update their services. But the challenge is to create awareness and make it believable to potential clients.

Discussions

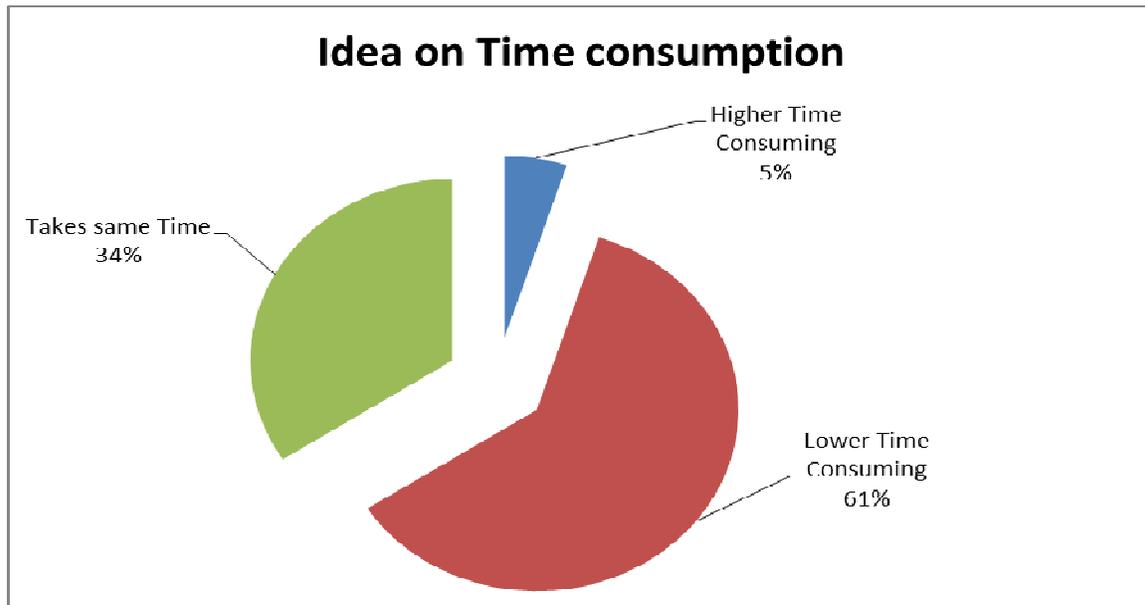
Interest in Mobile Banking

Mobile banking is a new technology in Bangladesh, started from 31st March 2011. Dutch Bangla Bank Limited pioneered in mobile banking services in Bangladesh. Most people informed about it but 52% of them are not eager to use it as they are happy in using traditional e-banking system.

Opinion about time saving

Mobile banking, a real time on-line banking service is available anytime, anywhere throughout the country. So it can save one's time. People have not to wait by standing in a long line so it takes less time than traditional banking. But some people think it higher time consuming and some people think it takes same time as traditional banking.

Figure-1: Time consumption on mobile banking over traditional banking system



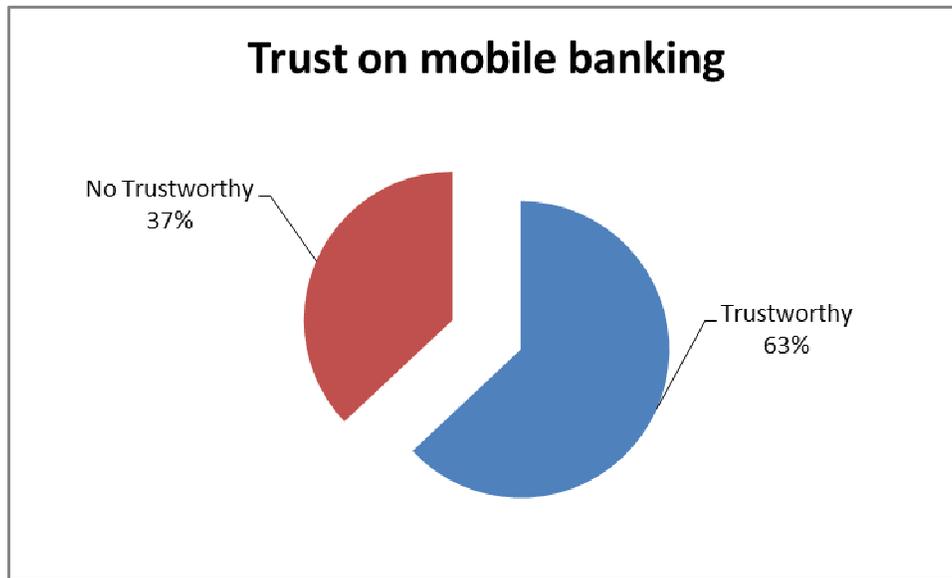
Source: Field Study

Cost

Mobile banking is allowed to access banking facilities at affordable cost. A positive aspect of mobile phones is that mobile networks can reach remote areas at lowest cost. Around 26% respondents say its cost is higher, 20% say same and 54% say it is more affordable than traditional banking.

Trust worthy

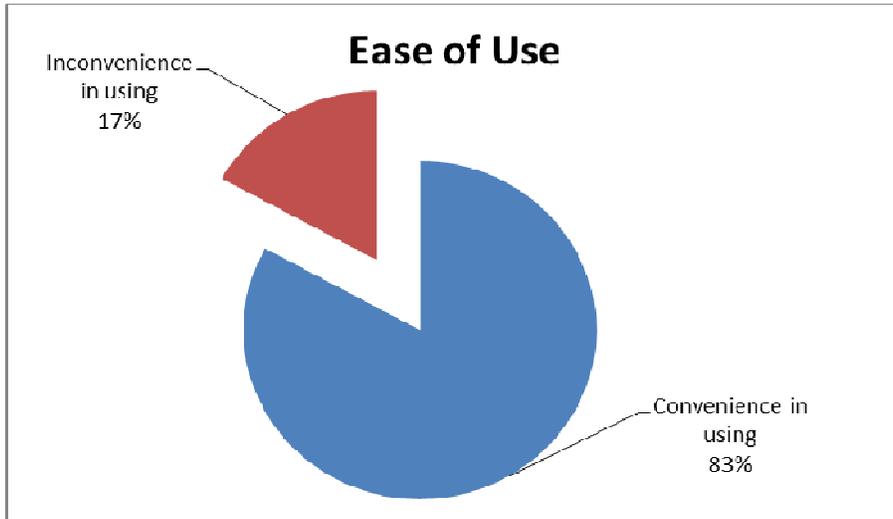
One can trust mobile banking as traditional banking system. It has secured PIN (Personal Identification Number) code which is known by the user, and also has a check digit. But in Bangladesh traditional branch based banking remains the most widely adopted method of conducting banking transaction. The 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.

Figure-2: Trust on mobile banking over traditional banking system

Source: Field Study

Convenience

Mobile banking using system is very easy to use. Poor people are often not considered valuable 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 trustworthy.

Figure-3: Access of mobile banking

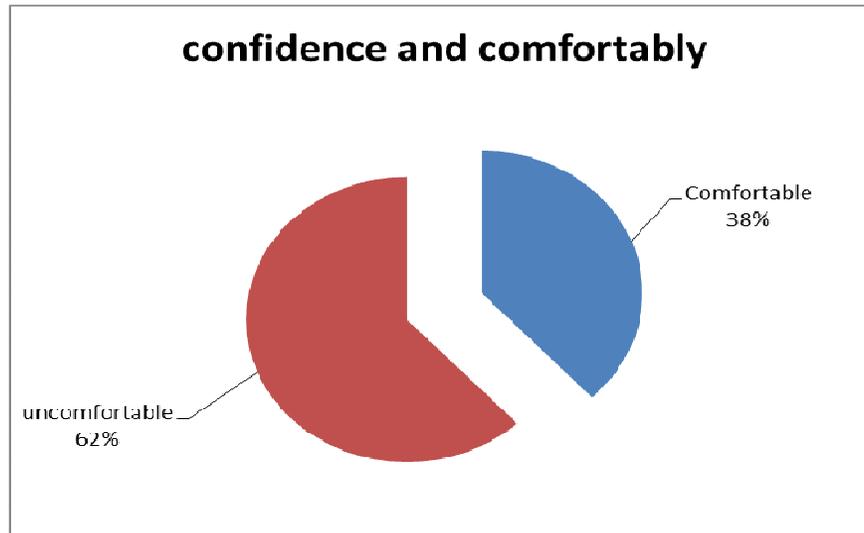
Source: Field Study

Infrastructure support

M-banking is beset with several infrastructural and institutional constraints such as inadequate availability of reliable and secure telecommunication infrastructure, absence of a backbone network, poor ICT penetration in the banking sector, lack of skilled manpower and training facilities.

Security

The growth in m-banking services not only depends on technological advances, but also on consumer confidence in the provided services; therefore, legal certainty must be established. On the other hand as people carry the mobile device with them, it is very easy to hijack and transfer the deposited amount to hijacker mobile account. So, in the current legal environment most of the people do not feel comfort and secure to deposit enough in mobile account.

Figure-4: User's comfortably in deposit and carrying in device

Source: Field Study

Regulatory constraints

Absence of supportive policies, guidelines, rules and regulations relating to e-transactions are barrier to development in m-banking. Recently Dutch Bangla Bank Ltd. (DBBL) and Trust Bank Ltd. (TBL) introduced mobile banking. On the other side Brac Bank Ltd. introduced another mobile banking product named bkaash. But till now no interbank transaction guideline or regulation policy established among those. So, it's not possible to avail the m-banking facilities of bkaash through DBBL or TBL. As no supportive m-transaction policy is available it's very easy to involve in money laundering activities.

Findings

In summary the response rate of the survey was 90%. The objectives of the study were to understand and appreciate the concept and potential of M-banking and analyze its impact.

For objective one, it was found that mobile banking is a variation of branchless banking which is the delivery of financial services outside conventional bank branches using information and communications technologies and non-bank retail agents and also available for 365 days. M-banking has a positive impact on transfers, payments, deposits and withdrawals in financial transactions. It is cost effective, reliable, speedy and simple way of conducting business and reduces the instances of human error that is characteristic during human interaction in traditional banking.

For objective two, it was found that although m-banking has bright prospects, it involves some constraints as well. The major constraints in development of m-banking included operational issues (e.g. security, system design, implementation and maintenance); customer misuse of products and services; legal issues (e.g. without proper legal support, money laundering may be influenced); strategic issues; reputation issues (e.g. if the bank fails to provide secure and trouble free m-banking services, this will cause reputation risk); credit issues and liquidity risks.

Conclusion

It has been elaborated that the adoption and use of mobile phones is product of a social process, embedded in social practice. Nowadays millions of inhabitants of Bangladesh are within a network through mobile network coverage. M-banking technology, the latest generation of electronic banking transactions has become one of the most familiar banking features, opened up new window of opportunity to the existing banks and financial institutions. So in the commercial sectors like banking, m-banking technology will bring banking facilities in hand's grip which will make life easier, robust and flexible. It is an urgent need to set policies and strategies to reverse gaps in terms of regulatory and legal issues.

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