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Review Article

Mobile Banking and Financial Inclusion

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MOBILE BANKING AS A TOOL OF FINANCIAL INCLUSION

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In recent years, financial inclusion has been one of the most discussed issues in India as well as in other developing countries. Growing awareness and reachability of IT facilities has resulted in easy accessibility to banking services. Now the brick office has been replaced by click office and the use of m-banking (mobile banking) and in particular, payments by mean of smartphones or mobile phones, has tremendously increased across the world and specifically in a number of developing countries. Mobile Payment technology is becoming significant, as it is being used in commerce, health care, agriculture, and other sectors. Portable Payment encourages monetary incorporation and offers potential for money related combination. The most notable framework, M-PESA, began by Vodafone has accomplished in dealing with the M-PESA Mobile Money, and has carried budgetary incorporation to a great many clients. The quick improvement in portable banking, specifically, has prompted expanded access for the less preferred and impeded populace to reasonable money related administrations.

Keywords: Mobile Banking, Smart Phones, M-PESA, Mobile payments, Financial Inclusion, Budget

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Introduction

In today's world, mobile phones or smartphones are one of the most important media for communication and also a medium or channel for financial inclusion as they are easily penetrated in the population and are feasible of interconnecting data economically and safely. Thus, it can be said that when smartphones or mobile devices are linked to the banks, it helps in developing new business models and provide financial services or banking services to the people who traditionally would have been excluded from the formal financial system.

As per the Alliance for Financial Inclusion (AFI) report 2010, there are near about 100 million of people in the world who are using mobile banking services or financial services, and most of the people hail from Africa and Asia and this group is growing at a rapid pace. Though the pace of penetration of the implementation of mobile financial services is slow in most of the countries, there can be seen accelerated incorporation of mobile financial services in some of the regions. Financial Institutions, governments and donors around the world recognized that mobile banking services can play a vital and important part in alleviating poverty and also help in removing the amenability of the poor's. Though financial inclusion was never a part of MDGs (Millennium Development Goals) which was set in the year 2000 but even though financial inclusion has moved up the plan of emerging and developing countries through AFI (Alliance for Financial Inclusion) and also including itself at the G20 summit which was held in the year 2011.

The low incomes of poor people have made them difficult to bank with formal financial institutions. In the same way, both national and international banks are also struggling and facing a difficult way to reach the world's poorest people along with the expectations of the shareholders and profit margins. As a result of which it can be seen that these poor people have decreased informal financial institution and vice– versa. Instead, these poor people rely more on exploitative moneylenders. The boom in the microfinance sector in the year 1990 Had engaged these people in the semi-formal financial sector, but some profit-oriented institutions have made it difficult and made the sector into question. There can also be seen a change as, poor people have now recognized and need a variety of financial services apart from credit facilities provided to them as their incomes are low, irregular and unpredictable. However, it can be said that financial exclusion has led to the resourceful growth of the indigenous community and saving groups. Saving small amounts like 10% to 40% a week, these groups slowly started learning the benefits of saving and eventually started accessing loans from their capital. As a result of which there can be seen a saving based transformation taking place around the world with 7 million saving group members.

Instead of debts, saving can smoothen the irregular income patterns of people and can also meet the basic necessities and household needs of the people. Once the culture of saving is developed among the people, they will start on and will be able to establish a small business of their own and can even do more if they get proper business training skills. The security and safety of the money is a challenge as group saving get accumulated over time and also the demand for the safety of financial institution becomes stronger. Thus, saving offers a constant springboard that makes a way to financial inclusion. Apart from the benefit of saving which an individual receive, there is also a question that whether the savings of these poor people will help in the economic growth or development of that particular country. There is an argument between economic growth or development and domestic savings that whether the domestic savings will lead to economic growth or economic growth will lead to domestic savings, and which is something economists have been debating since 1950.

A recent study on India showed that there is a constant need to increase the domestic savings to finance capital requirement and stimulate higher growth and income. The study also highlighted that most of the savings in India comes from the household sector (surplus) and corporate

Public and private sector (deficit). The study clearly shows that the definite use of savings, including the savings of poor people's, will help and support in economic growth and development of a country. The main obstacle is that governments, regulators and financial institutions are yet to recognize that poor saver too has the potential to offer. In reply to this obstacle in the last 3 years, Plan, CARE and Barclays have established a creative way to provide financial services to the poor as the majority of saving group members are still living on less than 2 dollars a day. By supporting these savings group members and analyzing how to link these members with the formal banks, the main reason is to prove that international financial institution along with formal financial services can reach the poor people. Still, there remains a barrier and the Banking on Change partnership is still learning continuously from the mission it is on. The report shows how this partnership has helped financial inclusion in solving some of the problems and barriers it has met with. It challenges the private sectors, NGOs, donors, and governments to work together to break the barriers so that door can be opened for formal and informal financial services that poor people need and deserve.

Main Recommendations are:

01. **Invest and expand financial literacy: -** It means that states should be including financial literacy in their national educational program and must also be providing financial information to the people.
02. **Group banking should be recognized as a mean to financial inclusion: -** Regulators and formal financial institutions should recognize saving group members and cater them with banking services like opening group accounts as these are the mean to financial inclusion.
03. **Building the gap between formal and informal financial sectors: -** To reach those people who don't have bank accounts it is necessary for the banks to invest in customer segment so that bridge can be built between formal and informal financial sectors.

01. **Financial inclusion should be a part of the new UN Development structure: -** The UN High-level Panel and the member states should be considering that financial inclusion can be a measure of progress for equality and economic growth.
02. **Checks and balances should be well- built so that poor people can be protected: -** Governments and donors should draft and implement programs and policies which should protect consumers and protect poor people's money.

Definition of Mobile Money

To comprehend the expression "Mobile Money," it is important to comprehend the terms related to it and that may have bearing on the meaning of Mobile Money. The terms m-banking, e-banking can be defined as "financial services delivered through mobile networks and performed on mobile phones or smartphones. These administrations might be or may not be characterized as banking administrations by the controllers, contingent upon the enactment of that nation being referred to, just as on which administrations are advertised." The expression "Mobile Money" or "m-cash or m-money" is a kind of electronic cash that implies money related administrations given to buyers using PDAs or cell phones. Mobile Money or m-money helps any smartphone users or subscriber, whether they have an account or not in a bank to deposit money in their mobile account, send and receive money through a mobile device and allow the receiver to turn that money back to cash easily. This is a simple way where mobile money can be used for transferring and receiving money. Thus mobile money transfers are included in this definition for the purpose of this Article.

The Main Participants and their Roles and Capabilities in Mobile Money

MNOs:

- Its principal job is to manufacture client bases through advertising to low salary gatherings' items like paying more

- only as costs arise cell phones administrations.
- Provide mobile network infrastructure.
- To generate more and more revenue through sending and receiving money, mobile payments, commission on Business to Business transactions, interest earned and opening new accounts for partner banks etc.

Banks:

- Compliance with financial regulatory Practices.
- Banking licenses and infrastructure.
- Clearing of funds and foreign exchange facilities.
- Provide Multi-National Organizations (MNOs) with funds and partner with them as well to recruit new customers.
- Access to National Banks assets and checking.

MFIs (Microfinance Institutions):

- There is an immediate effect on private venture improvement business enterprise.
- Easy in accessing various types of microcredit's for the low-income group even though there is a high-interest rate.

Governments Policy Makers and Regulators

- Ability to force guidelines and give observing.
- Ability to have strategies that straightforwardly affect different members.

End Users:

- Reduces the danger of going without conveying money.
- Financial needs can be met easily where there are no banking products available.
- Easy in sending and receiving money through mobile money and also easiness in handling other financial transactions.
- Convenience in making instalment for products and ventures.

The Case of M-PESA

The mobile payment administration

M-PESA was established in the year March 2007 by Safaricom and its parent company Vodafone in the nation Kenya. The term M-PESA is gotten from, "Pesa", which means money and "M" means mobile, along these lines the term M-PESA means Mobile Pesa. As per Jenkins in 2008, M-PESA increased close to about 2.38 million endorsers in a year. In year 2008, a study was directed on family units in Kenya, and it was discovered that 44% were clients of M-PESA and when this overview was rehashed in the year 2009 then it was discovered that almost 70% of families were the clients of M-PESA. In year July 2012, Safaricom's M-PESA had close to around 185 billion KSH (Kenya Shillings) and had control of 68% of Kenya's mobile money market. In the year 2010, Safaricom raised its M-PESA customers to 12 million and operators to 16,000. The Vodafone official, Nick Hughes who is said to beginning M-PESA, reports it started as an undertaking in the year 2003. The main procedure for M-PESA was to have senior-level management putting more spotlight on M-PESA with the goal that it develops and become a worldwide model of mobile payment.

The product concept of M-PESA that makes it successful is that customers of M-PESA find it easy and safe and they use mobile phones as a tool to transfer or receive money easily, quickly and in a safe way across distance to other mobile devices. The model M-PESA is an innovative way as there is no need for consumers to have their bank account before transferring or receiving money. Customers can easily change their value in e-money (electronic money) at Vodafone or Safaricom agents prior to which they are given some easy instructions on their handsets to make payment through M-PESA accounts. It is a safe and easy way of transferring money over mobile phones with PIN number security and 24 hours of service help by the Vodafone Group and Safaricom. Vodafone and Safaricom are Multi-National Organizations(MNO) and are not banks therefore they should make the Central Bank of Kenya assure about their non-bank identity so that they may get exemptions from regulatory practices that all banks face. M-PESA is dangerous to newcomers like Mobikash and Tangaza (operating in Kenya), As it is a very large sector in mobile payment and has overshadowed nearly 69% of the market share. This dominance by M-PESA could have played a vital role in the World Bank call for Interoperability among Multi-National Organizations(MNO). If such calls are executed, smaller Multi-National Organizations will get a chance to increase and extend sales and consumer base as M-PESA is dominating mobile payment services.

Mobile Banking: A Tool of Financial Inclusion in India

One of the main reasons for the monetary consideration approach of India is to bring all individuals under one head of the formal budgetary system. Mobile Banking is another method of making an open door past the bank office and ATM organizes for those individuals who are living in remote zones with the goal that they could without much of a stretch and rapidly access formal monetary administrations. Mobile Banking is only a simple approach to bring out financial exchanges using mobile gadgets like mobile handset, smart telephones or individual advanced assistant(PDA). It offers banking administrations which incorporate office of checking balance, moving or getting of assets/money, and furthermore getting to different administrations likewise getting to other financial administrations from anyplace around the globe. Mobile banking compared to conventional banking empowers its record holder to direct their exchange without visiting any bank office, and consequently, it makes an individual more productive and spare their time just to exterminate different problems.

Telecom operators in India are offering mobile money transaction services and it may also soon make bank possible to provide a phone-based credit system. This will help in credit card redundant and will help in eliminating credit card fraud. Thus it can be said that use of mobile phone technology is a win-win situation for bank customers and a bank. Mobile Financial Services (MFS) is away, which offer banking and budgetary administrations using mobile gadgets to execute banking exchanges by its Clients. Consequently, it means that any mobile record holder can without much of a stretch send/get, pull back and store money through their mobile record. In any case, the national bank has indicated that the administrations ought to be approved by the bank specialists that will permit mobile record-holders to execute.

Growing Mobile Money: Challenges and Success Stories

Mobile Money has proved itself successful but despite its successes, it comes across a number of problems and obstacles. In developing countries, the mobile money sector targets those customers who are poor, remote and vulnerable. Mobile Money degree into two distinct enterprises with two diverse business designs, where telecommunications payments are value-based, in which expenses are gathered on exchange though banking is coast based, in which money is earned through stores. Along these lines spanning societies and guidelines may demonstrate troublesome while creating cross-sectoral organization.

In addition to it, there is a two-sided market of mobile money services and deployment should convince customers (demand) and agents (supply) as well. Building and motivating the network agent is not easy work while managing sufficient liquid cash at the stores or outlet is also one of the major challenges. Winning the trust and loyalty of customers and retaining it, as well as including all those customers who are poor and new to technology is a central key to success. Despite all these challenges, mobile money has shown tremendous growth in a diversity of markets. International Finance Corporation(IFC) has recognized near about 50 factors which influence the development of mobile money, of which regulation is identified as one of the most important factors.

Regulation

As mobile money straddles telecommunications and finances both, it faces regulations originating in both sectors. To develop and grow mobile money, Regulations must be such that it encourages inclusiveness and minimizes risk and fraud. The regulations must be proportional and incremental if industries are innovative as there is a lot of uncertainty associated with it. Initially, the success of mobile money in Kenya was due to the absence of formal regulation which was in favour of government-industry involvement as per the World Bank 2010.

Mobile Money services manage the restricted capital of the poor people, hence more care is necessary. Regulation is said to be successful if there is collective exchange among government, industry and civil society. For example, regulations should be such that it allows agents outside the bank to handle financial transactions of their customers. To offer and offer complex types of assistance, continuous guideline support will be essential, for example, the majority of the portable cash is managed as "instalments", "denying e-cash accounts the advantage of premium instalments and store protection". Remind that the primary point is to discover an approach to help needy individuals with formal money related administrations, and for that very reason portable is extraordinary compared to another way.

Conclusions

The highlights that make mobile money so testing and promising is its fluctuated utilizes, the oddity of its job, and its scale and impact are the reasons why accomplishing these expectations are troublesome. In any case, not many triumphs in mobile money deployments, ought not to protect the way that that example remains the special case and not the standard. Remembering this government, benefactors and ventures have an awesome motivation to help mobile money benefits with the goal that world's destitute individuals could be remembered for monetary markets and they might manage their own money.

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