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The Future of Mobile Banking

[By Shaileja Mammen]

Recent mobile banking initiatives reflect the second attempt in this decade to introduce the practice. The first initiative was not successful. However, this time the technology seems to have come of age.

Mobile banking offers a vital role to each of its major players: the mobile handset provider, the telephone service provider, the bank, and the software application vendor providing user-friendly software. The extent of each player's role will depend on how the mobile banking industry unfolds and how the medium is used. Banks and their customers will ultimately decide whether text messaging, web browsing, and downloadable applications become successful.

Let's look at the pros and cons of each of the three options.

Text messaging is widely used, particularly among savvy young consumers. However, text messages have limited functionality, and their security is questionable. Text messaging is a tedious task, and the charges for text messages are likely to be high.

Mobile web browsing is more flexible and has greater functionality. If adopted, a mobile web browsing approach would require banks to build separate wireless or WAP interfaces to allow customers to access account information online by typing in their web addresses. This cheap solution would allow banks to circumvent telephone service

providers and their associated charges. WAP can be slow, and customers may be required to pay for web access. With the possibility of phishing and identity theft, security can also be a problem. However, network security solutions are available.

Downloadable client applications use the services of mobile telephone service providers and various devices to create user-friendly interfaces. The applications are downloaded onto phones. If banks decide to go with this option, compatibility between the handset and service provider will have to be considered. Such applications may prove complicated for banks as well as customers.

There have been numerous speculations regarding the ultimate outcome. Some opine that all three options will be prevalent with some sort of integration between them.

The question now is "What will mobile banking look like in the future?" Will banks charge for mobile banking? Will it save costs on calls made to customer care centers? Will the telephone service provider and application vendor benefit? A look at present developments can shed some light on these issues.

Bank of America Corporation, Wachovia Corporation, and BancorpSouth, Inc., are three of the banks that have already introduced mobile banking to their customers. All three banks route mobile banking services to customers through telephone service providers.

This indicates that the success of mobile banking depends on cooperation between banks, mobile handset providers, telephone service providers, and application vendors. The possibility of other banks using browsers to offer mobile banking services cannot be ruled out, as this has been successful in other industries.

How will mobile banking affect customers?

Customers will be able to easily and efficiently check accounts, transfer funds, and pay bills via mobile phone.

Since banks are interested in newer technologies, customers can look forward to using their mobile phones to pay for groceries, buy tickets for movies, or pay for access to other events, just as debit cards are used today.

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On the Net

Mobile Banking's Second Act
www.us-banker.com/article.html?id=20070525VUTI1IWA

Mobile Banking Still Slow to Catch on in U.S.
www.computerworld.com/action/article.do?command=viewArticleBasic&articleId=9022480

Banking Goes Mobile
www.time.com/time/business/article/0,8599,1605781,00.html

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