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An Overview of Mobile Banking, Mobile Commerce and Private Banks

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ABSTRACT

The rapid advancement of information and communication technologies has fundamentally transformed the global banking and financial services sector. Among the most significant developments is the emergence of mobile banking and mobile commerce, which have redefined the way financial transactions are conducted. The widespread use of smartphones, improved internet connectivity and digital payment infrastructures have enabled banks to extend their services beyond traditional branch-based operations, offering customers greater convenience, speed, and accessibility. In this digital era, mobile platforms have become an integral component of modern banking systems, particularly in emerging economies like India. Mobile banking refers to the delivery of banking services through mobile devices, allowing customers to perform a wide range of financial activities such as balance inquiries, fund transfers, bill payments, loan applications, and investment transactions anytime and anywhere. It represents a shift from conventional banking to technology-driven service models that emphasize efficiency, real-time processing, and customer-centric innovation. Closely associated with mobile banking is mobile commerce, which encompasses commercial transactions conducted through mobile devices, including digital payments, online shopping, ticket booking, and peer-to-peer transfers. Together, mobile banking and mobile commerce have contributed to the growth of a cash-light economy and have strengthened the digital financial ecosystem. Private sector banks have played a pioneering role in adopting and promoting mobile banking and mobile commerce solutions. Their proactive adoption of fintech innovations has not only intensified competition within the banking sector but has also accelerated financial inclusion and digital literacy. In this article, an overview of mobile banking, mobile commerce and private banks has been discussed.

Keywords: *Mobile Banking, Mobile Commerce, Private Banks.*

INTRODUCTION

Mobile commerce services are advancing swiftly as mobile service providers, banks, and payment service providers collaborate to deliver a broader range of products and ensure secure transactions via mobile networks. Whereas e-commerce is restricted to PC users, mobile commerce is accessible to nearly all individuals possessing a mobile phone and a mobile connection. Mobile commerce is anticipated to expand due to mobile usage and ownership penetration being four to five times greater than that of personal computers, with a rapid growth trajectory. As mobile commerce options proliferate, consumers enjoy the convenience of using their mobile devices to pay for taxi fares and recharge prepaid phone cards. M-Commerce and M-Banking services are operated by numerous mobile banking application service providers in collaboration with banks and telecommunications service providers. Various technology and application types are accessible on the mobile platform, each presenting a spectrum of advantages and downsides, particularly when addressing the demands of marginalized populations. Examples of M-Commerce platforms/services include mChek and ngpay. Platforms such as m-check and ngpay necessitate Java-enabled devices and GPRS capabilities for M-Commerce operations, whereas PayMate does not have these requirements. The majority of M-Banking transactions occur between consumers' bank accounts. Platforms such as 'Green Money Transfer' facilitate person-to-person transactions via bank accounts. Bharat Sanchar Nigam Limited (BSNL) intends to introduce a mobile banking infrastructure in collaboration with the Department of Post, enabling mobile subscribers to issue electronic money orders by SMS, which can be cashed at all post offices nationwide. Commerce involves the exchange of valuable goods or services between two parties. Such entities may exchange commodities, services, information, currency, or any other items deemed valuable by both parties. In previous times, trading mostly involved the barter system for commodities and services. Subsequently, currency was implemented as standardized money to enable broader trade of goods and services. The current period is characterized by an information revolution. A significant consequence of the information revolution is its impact on the creation and extraction of economic value. Currently, knowledge is more readily accessible, assimilated, organized, and valued in many manners (Thomaskutty, M. O. & Singh, D., 2022). M-Commerce refers to the transaction of products and services via wireless handheld devices, including mobile phones and personal digital assistants (PDAs). M-Commerce is a platform that enables mobile customers to access various banking and related commercial services via their mobile phones. M-commerce does not refer to the transaction itself. It offers services and information that may initiate a subsequent transaction. The scope of M-Commerce extends beyond the original singular business transaction. The primary domains of M-Commerce utilization include text messaging (SMS), mobile payments, financial and banking services, logistics, the buying and selling of goods and services, information services, and wireless customer relationship management. M-Commerce infrastructure amalgamates front-end applications, such as Wireless Point of Sale Terminals, Micro Finance, vCash, e-purse, Bill Payment, Prepaid Top-up Vouchers, Vending Machine operations, and e-Governance, provided by various entities, with backend applications supplied by different organizations, necessary to implement the operational framework. E Cube India, as a manufacturer, provides various hardware to accommodate the client's application requirements. Clients of private banking generally obtain discounts or special rates on financial items. Nonetheless, the assortment of products and investment acumen provided by a private bank may be constrained in comparison to alternative providers. Private banking encompasses standard financial services such as checking and savings accounts, but with a more tailored approach through a relationship manager or private banker is designated to each client to oversee all affairs. The private banker manages a range of responsibilities, from complex duties such as securing a jumbo mortgage to routine activities like bill payment. Private banking provides clients with an array of benefits, advantages, and tailored services, which have grown increasingly valuable in an automated, digital banking environment. Nonetheless, both private bank clients and the banks benefit from certain advantages (Bansal, P., Kadian, P. & Garg, M., 2018).

MOBILE BANKING

Mobile banking refers to doing balance inquiries, account transactions, and payments through a mobile device, such as a smartphone. Mobile banking enables customers to execute banking transactions using their cell phones or other mobile devices. This banking approach is highly popular and aligns seamlessly with a fast-paced, technology-driven lifestyle. It may alternatively be termed M-Banking or SMS banking. The extent of mobile banking services available to you is contingent upon the financial institution you utilize. Certain banks provide just text alerts, which are messages dispatched to your mobile device notifying you of account activities, including deposits, withdrawals, and ATM or credit card transactions. The integration of the two most recent technological advancements—the internet and mobile phones—has facilitated the emergence of mobile data services, leading to the inaugural wireless internet commercial transaction executed by the banking sector. M-Banking is anticipated to offer an additional route for banking services, particularly in distant places lacking internet access. The strategic implications and customer perception of M-Banking services are examined, emphasizing consumer value creation and a deeper comprehension of the customer-perceived value of M-Banking services. (Wasiq, M., Johri, A. & Singh, P., 2022) Markets are transitioning from regional to global expansion. Knowledge is supplanting land, labor, and capital as the primary value driver. Intelligent networks and virtual environments are diminishing the necessity for terrestrial and aerial transport. The advancement of technology, particularly in computers and the Internet, has given rise to electronic commerce (e-commerce), which has streamlined business processes, enhancing efficiency, speed, and accuracy, thereby improving productivity and increasing customer satisfaction. Furthermore, enhanced processes led to a decrease in production and transaction costs, thereby amplifying firm profitability significantly. The advent of wireless and mobile networks has introduced a new facet of mobility and expanded e-commerce into a distinct area of study and application known as mobile commerce, or M-commerce. Banks are authorized to offer fund transfer services that enable customers to remit cash via mobile phones, allowing for the transfer of monies from their accounts to receivers in cash. Funds can be disbursed to service recipients via ATMs or through agents designated by the bank as business correspondents. This model associates the bank account or debit card with the customer's mobile phone number. (Narayanan, M., 2023) Upon executing an m-payment transaction with a merchant, the customer's bank account is debited, and the corresponding amount is credited to the merchant's account. In the credit card-based paradigm, the credit card number is associated with the customer's mobile phone number. Upon the customer's execution of an m-payment transaction with a merchant, the credit card is debited, and the corresponding amount is credited to the merchant's account. Credit card-based solutions are constrained by the extent of credit card penetration inside the country. Mobile commerce is a developing sector of e-commerce wherein users engage with service providers via mobile and wireless networks, utilizing mobile devices for information acquisition and transaction execution. M-Commerce services and apps can be implemented over various wireless and mobile networks, utilizing several mobile devices. Nonetheless, the limitations of mobile networks and devices affect their operational efficacy; thus, it is imperative to account for these constraints during the design and development stages of M-Commerce services and applications. A crucial aspect of developing M-Commerce services and applications is the understanding of mobile users' needs. Additionally, M-Commerce services and applications must be categorized according to the functionalities they offer to mobile customers. This classification yields two primary categories: directory services and transaction-oriented applications. This article proposes the adoption, analysis, and impact of M-Commerce services and applications in India. This methodology depends on the demands and expectations of mobile users, the categorization of M-Commerce services and applications, and the existing technology for mobile and wireless computing along with their limitations. Mobile commerce pertains to the transaction of goods and services using mobile devices, such as smartphones and laptops, involving a financial institution (Komulainen, H. & Saraniemi, S., 2019).

MOBILE COMMERCE

Mobile commerce (m-commerce) refers to the online purchasing and selling of products and services via mobile devices, including smartphones and tablets, and encompasses transactions such as mobile shopping, banking, and payment systems like mobile wallets. This rapidly expanding segment of e-commerce provides consumers with convenience and offers businesses innovative methods to interact with customers via location-based services, push alerts, and tailored recommendations, thereby enhancing sales and fostering customer loyalty. Customers can shop, bank, and conduct transactions at any time and from any location, as mobile businesses and services are perpetually available (Safeena, R., Hundewale, N. & Kamani, A., 2011). The extensive utilization of smartphones renders m-commerce very accessible, thereby expanding the market for enterprises. Location-based services and customized recommendations empower organizations to cultivate unique client experiences, enhancing engagement and loyalty. Mobile applications offer a direct medium for brands to engage with customers via push notifications and additional functionalities, promoting customer retention. (Mishra, A., 2020) Mobile commerce encompasses mobile shopping, which involves purchasing products directly through a mobile browser or retailer's application; mobile banking, which entails conducting financial transactions and managing accounts via a mobile device; mobile payments, which utilize mobile wallets such as Google Pay or digital payment services for transactions; in-app purchases, which refer to acquiring digital goods or services within a mobile application; mobile ticketing, which involves purchasing tickets for transportation, events, or other services through a mobile device; and social commerce, which allows for purchases directly from social media platforms using integrated buy buttons. Companies may engage customers in their most dynamic environments, resulting in increased conversion rates and revenue. M-commerce provides efficient purchasing and payment mechanisms, hence improving total client happiness.

Customized interactions and direct communication via applications foster enhanced client connections and promote repeat purchases. M-commerce platforms furnish insights into consumer behavior, enabling enterprises to devise tailored offers and promotions (Jones, W., 2014).

PRIVATE BANKS

Private banks denote two concepts: a banking institution controlled by private individuals or entities instead of the government and a financial entity offering tailored services to high-net-worth individuals. A private sector bank in India is owned by shareholders and includes organizations such as HDFC Bank, ICICI Bank, and Kotak Mahindra Bank. These organizations provide services including wealth management, bespoke banking, and investment banking to high-net-worth clientele. Private sector banks are financial institutions predominantly owned by private individuals or shareholders, in contrast to government-owned public sector banks. Private banking services are provided by select financial institutions to affluent clients. These organizations function as private banks, offering a tailored range of financial services. Services such as portfolio management, financial planning, and international asset allocation. Customized solutions and specialized services, encompassing concierge banking and loan options. Investment banking facilitates equity underwriting, mergers & acquisitions, and capital raising. Privacy and confidentiality prioritize the safeguarding of client information. Notable private sector banks in India comprise HDFC Bank, ICICI Bank, Axis Bank, Kotak Mahindra Bank, and IndusInd Bank. Private banking is customized financial services and products provided to high-net-worth individual clients by retail banks or other financial institutions. It encompasses a comprehensive array of wealth management services; all offered under a single entity. Services encompass investment and portfolio management, tax services, insurance, and trust and estate planning. Private banking targets a select clientele, although consumer banks and brokerages of various sizes provide similar services. This service is typically provided by specialized departments known as private banking or wealth management divisions. Private banking is a specialized service tailored for high-net-worth individual clients of a financial institution. Private banking is customized financial and investment services and products provided by a professional personal banker. The foremost advantage of private banking is privacy. Customer interactions and services rendered generally maintain anonymity (Ahmed, W. et al., 2021). Private banks frequently provide high-net-worth individuals customized proprietary solutions, which are maintained in confidentiality to deter competitors from enticing a notable client with a comparable offering. Clients of private banking generally obtain discounted or preferential rates on products and services. For instance, they may obtain preferential terms or prime interest rates on mortgages, specialized loans, or lines of credit (LOC). Their savings or money market accounts may provide elevated interest rates and be exempt from fees and overdraft penalties. Additionally, consumers engaged in import-export enterprises or international companies may obtain more advantageous foreign exchange rates for their transactions. When managing a client's investments, private banks frequently offer extensive resources and opportunities that are not accessible to the typical retail investor. An HNWI may gain access to an exclusive hedge fund, a private equity partnership, or another alternative investment. Alongside the tailored goods, there exists the advantage of integrated services—everything within a single financial entity. Private banking clients benefit from superior services provided by their private banker, who serves as a conduit to all other bank divisions, ensuring optimal product options and service delivery. The bank or brokerage business gains from the inclusion of clients' funds in their total assets under management (AUM). Despite discounted rates, the management costs for portfolio management and interest on underwritten loans at the private bank might be considerable. Consequently, fee income has emerged as a vital financial metric for banks to diversify their revenue streams. Banks have progressed in diversifying beyond conventional banking products, such as loans and deposits, to more service-oriented and fee-based offerings, including private banking. Despite the numerous benefits of private banking, there are inherent disadvantages associated with its exclusivity. Employee attrition rates in banks are often elevated, especially within prestigious private banking divisions. Concerns may arise regarding conflicts of interest and loyalty: the private banker is remunerated by the financial institution rather than the client, unlike an independent money manager. A client may be restricted to the bank's exclusive investment offerings. While the bank's legal, tax, and investment services are undoubtedly proficient, they may lack the creativity and expertise found in professionals specializing in many investment types. For instance, smaller regional banks may offer exceptional service that surpasses that of larger organizations. Nonetheless, the investment options at a smaller, regional bank may be significantly inferior to those offered by a major institution. While private banking can be profitable, it also presents obstacles for the institution. Since the global financial crisis of 2008, private banks have navigated a constrictive regulatory landscape. The Dodd-Frank Wall Street Reform and Consumer Protection Act, together with other legislation enacted in the U.S. and elsewhere, has led to increased transparency and accountability. Private banking experts face more rigorous licensing standards to ensure customers receive proper financial advice. (Prabhu, A.S., 2019).

CONCLUSION

The rapid expansion of mobile banking and mobile commerce has fundamentally transformed the functioning of private sector banks, redefining the way financial services are delivered and consumed. Mobile banking has moved beyond a supplementary service to become a core channel for banking operations, enabling customers to access accounts, transfer funds, pay bills, invest, and manage finances anytime and anywhere. This shift has enhanced operational efficiency for private banks while significantly improving customer convenience, speed, and accessibility. Mobile commerce has further strengthened this transformation by integrating banking services with digital payments, e-wallets, UPI platforms, and e-commerce ecosystems. Private banks, with their technology-driven orientation, have played a leading role in adopting innovative mobile solutions such as AI-based chatbots, biometric authentication, contactless payments, and personalized financial services. These developments have not only expanded the customer base but also supported financial inclusion by reaching unbanked and underbanked populations through mobile platforms. However, the growing dependence on mobile banking and mobile commerce also presents challenges related to cybersecurity, data privacy, digital literacy, and regulatory compliance. Private banks must continuously invest in robust security infrastructure, customer awareness programs, and regulatory adherence to sustain trust in digital banking systems. Despite these challenges, the overall impact of mobile banking and mobile commerce on private banks remains overwhelmingly positive. In conclusion, mobile banking and mobile commerce have emerged as key pillars of modern private banking, driving innovation, competitiveness, and customer-centric service delivery. As digital technologies continue to evolve, private banks are likely to further leverage mobile platforms to enhance efficiency, expand outreach, and contribute to a more inclusive, resilient, and digitally empowered banking ecosystem.

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