In India, the situation of the banks is quite different from the banks overseas particularly in developed markets. Indian banks are not facing huge write downs or losses and are still quite well capitalized. In India, however, this could be an opportune moment for banks to focus on the internal processes and consolidate their IT platforms across functionalities to use technology as an effective strategic tool. The use of technology in India has undergone rapid transformation. The last two decades have witnessed a sea change in the nature of services offered by not only banks but also the financial sector and even the Government - all of which have had a positive impact on the customers of these organizations and the general public at large.

Financial Services are generally complex and need a lot of trust for the consumer to use technology. Banks have changed from paper-based banking solutions provider to the latest of the technologies like online-banking, mobile-banking, etc. It is surprising to know as to why most of the Indian customers have not welcomed this up gradation. Customers across the world, even technologically optimists, have refrained from using technology aided solutions. There are many reasons why technology has not been able to ride the acceptance wave and cross the hurdle and become an acceptable feature in banking. As today’s banking has redefined itself as customer centric, it becomes more important that the customer is happy with the services being provided. Unfortunately, the acceptance and adoption rates are very low even in the case of educated customers. The paper looks at various factors which explain why consumers are not using mobile banking and other technologies in
banking. It would also try to suggest why people are not currently using mobile banking and try to suggest how to overcome this problem and increase the acceptance levels.

Data has been collected from various sources; there is a combination of both primary and secondary data that has been used in this research.

**Economic Challenges:** The rural population in India is spread across 600,000 villages, each with a low transaction value. Profitability can only be achieved by large volumes, requiring significant initiative from financial institutions. Unlike the very successful M-PESA of South Africa, whose model has been very successful due to the lack of alternative payments in South Africa, India does possess some infrastructure in the forms of postal payments, reasonable transport and local governments. Therefore, any mobile banking must be inexpensive enough to be attractive for the end-customer over existing methods.

**Regulatory Challenges:** Although the RBI is supportive of mobile banking in India, there are many regulations that are being put into place:

1) **Restricted to Financial Institutions:** The guidelines state that only existing financial institutions and banks are allowed to offer mobile banking. Although the guidelines cover Microfinance Institutions (MFIs), significant economies of scale cannot be achieved by these due to existing large fixed costs. For a very inexpensive solution, it would have been more effective to allow non-profit organizations or evangelical organizations to build their own MFI without being encumbered by large existing infrastructure.¹

**ii) Rupee Transactions:** All transactions must be done only in India’s national currency, the rupee. While this may not be a threat in the beginning, this may pose a constraint for interoperability between Indian mobile payments and the world. Also, it excludes providers from the lucrative remittance market in India and limits areas from which mobile operators can be profitable.²

**iii) Existing Account Holders:** The guidelines also state that only those having a valid bank account would be allowed mobile banking. This limits the full potential of mobile banking to extend micro-credit and bring banking to the large number of unbanked customers in India.

**Demographic Challenges:** India has 18 official languages which are spoken across the country. The state governments also are dictated to correspond in their regional language for official purposes. Additionally, two-thirds of the population in India is illiterate, creating difficulties in deployment of mobile banking solutions. For a pan-Indian mobile banking solution, this will be cumbersome to overcome.

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² Impact of Mobility on Economic growth in Developing Countries- Telecom Circle via McKinsey Global Institute