

Possibilities of Mobile Banking in Nigeria

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Over the years, banking has evolved from the traditional model of customers queuing for services in banks to modern day banking where banking services can be reached through internet

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Banking in recent times has been undergoing radical transformation. Some obvious changes like new products and service channels emerge daily. This transformation is taking place across all aspects of the banking industry. Information technology (IT) is one of the major issues banks have to deal with as it is more evident that only the banks that have and use their technical resources effectively will be able to have a real competitive advantage in this fast changing industry. IT in banks is used mainly for improving business processes and reducing turnaround time.

Mobile Banking as the term connotes is banking “on the move” with the aid of a mobile telecommunication device. It is also known as M-Banking or in some instances Short Message Service (SMS) Banking, the term used when balance checks are performed and transactions are made via a mobile device. The process begins when a message is transmitted through a mobile device and it ends up on the bank’s IT infrastructure which then processes the transaction and gives feedback to the originator through the same mobile device. Mobile devices remain the most convenient means to provide mass market as against branch banking in Nigeria. A survey reveals that the internet has only a penetration rate of 6 % in a population of 140 million but mobile technology is close to 50 percent penetration with prospects for growth. Mobile devices are the most promising way to reach the masses

and to attain customer loyalty among current customers, due to their ability to provide services anytime, anywhere, high rate of penetration and potential to grow. With the deployment of 3G, banks now offer more robust banking technologies. The following are some of the services that can be offered through mobile banking;

Account information:

- Mini- statement and checking of account history
- Alerts on account activity or passing of set thresholds
- Monitoring of term deposits
- Access to loan statements
- Access to card statements
- Mutual funds/equity statement
- Insurance policy management
- Pension plan management
- Status on cheque, stop payment on cheque.

Payment and transfers:

- Domestic and international fund transfers
- Micro-payment handling
- Mobile recharging
- Commercial payment processing
- Bill payment processing
- Peer to peer payment

Investment:

- Portfolio management service

- Real-time stock quotes
- Personalized alerts and notification on security prices

The new functionalities of mobile banking will make it distinct from other forms of banking.

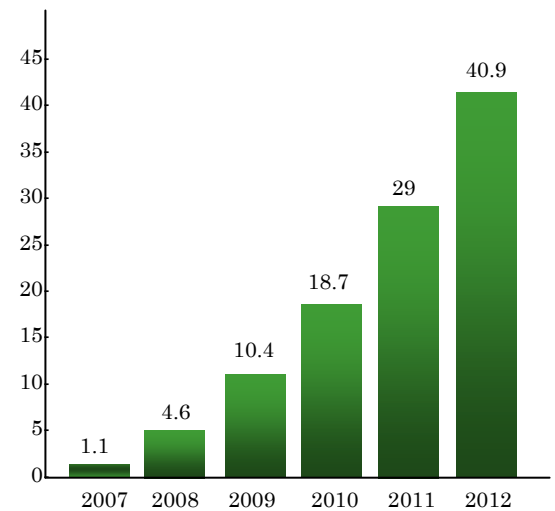
In South Africa banking customers now turn to their mobile phones rather than their personal computers for banking services.

According to the consumer phase of World Wide Worx's Mobility 2009 report, backed by First National Bank and BlackBerry-maker Research In Motion (RIM), a quarter of SA bank customers turn to their cell phones for informational and financial transaction. The mobile phone is however turned into an electronic wallet, where transactions can be made through SMS, and according to experts, usage volume is steadily increasing with a good number of customers with electronic money accounts.

Banks are actively making use of these available platforms in providing financial

attributes this growth to substantial improvements across wireless networks, handsets and applications, as well as the

90– Days Active Users (In Millions)



Source: Tower Group Estimates.

significant marketing and technology investments being made by top banks to increase consumer awareness and trial.

"Beyond technology, broad participation in mobile banking will be most encouraged by

Nigeria is one of the fastest growing telecoms market. According to pyramid research the market had over 72.6 million subscribers base as at YE 2009, and a projection of 128 million by 2014.

services, including microfinance services. This is seen as a revolutionary solution for low value payments and has dramatically lowered transaction costs for both the bank and the client, increased the productivity of account officers, decreased cash-on-hand risk and increased accessibility to the financial services.

In 2007, TowerGroup estimated that by year end of the same year, mobile banking customers would top one million, and that more than 40 million U.S. consumers will

maximizing and improving the customer experience," said Charul Vyas, an analyst in the Emerging Technologies research service and co-author of the research. "Banks must invest substantial marketing dollars to increase consumer awareness about mobile banking, as well as remain vigilant regarding privacy and data security in this area."

With a population of over 140 million, Nigeria as the most populous country is expected to be at the fore-front of this

progress, maximizing the potential of digital technology. The penetration of mobile phones into communities in the country has increased the demand for mobile banking. Nigeria is one of the fastest growing telecoms market. According to pyramid research the market had over 72.6 million subscribers base as at YE 2009, and a projection of 128 million by 2014.

service delivery via mobile technology. The issue of financial fraud has also slowed the deployment of such technology. However, Mobile banking had great potential in Nigeria given that industry altering regulations and fraud are reduced to the barest minimum.

In order to gain from the benefits that mobile banking offers, the Nigerian financial sector must begin to take necessary steps to align with related global trends.

The African continent is currently flowing with the tide of mobile banking; the 'unbanked' populace would therefore in no distant time be part of the financial process. In order to gain from the benefits that mobile banking offers, the Nigerian banking sector must begin to take necessary step to align with global trends as it is now accepted as being a reality that mobile devices will be a part of the future of how banking will be delivered to consumers. As was the case with ATM's, it is highly likely that consumer's behaviour related to their interaction with banks will change, as mobile banking usage picks up. It is as if the ease with which mobile banking allows consumers to do transactions, stimulates them to do more. Mobile banking will change the competitor profile regarding banks and also non-banks starting to offer financial services. This will mean that customers will start buying their banking products somewhere else (than traditional banks) and even expect it to be bundled with other products.

Banks in Nigeria are currently pre-occupied with trying to be in line with Central Bank of Nigeria (CBN)'s regulations as well preempt

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