Survey shows risk concerns slow adoption of cell phones for mobile payments

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Cell phones may be everywhere, but adoption of the devices as mobile payments delivery channels by financial institutions and consumers faces an array of obstacles. These include concerns about security risk, consumer demand, and revenue according to a 2008 survey of New England depository financial institutions on mobile banking by the Federal Reserve Bank of Boston (FRBB) and the New England Automated Clearing House Association (NEACH). The results are published in a joint paper titled "Mobile Banking in New England: The Current State of the Market." The paper describes the enabling technologies, barriers, and associated risks with mobile banking services from the perspectives of the more than 300 banks and credit unions in the New England region that participated in the survey.

The state of mobile banking in the United States
Financial institutions have different value propositions for mobile banking services. Most financial institutions are absorbing the expenses associated with mobile offerings to remain competitive and retain depositors while some view it as an extension of their online banking services, including routine call center inquiries with self-service bank inquiries. Mobile banking may also appeal to unbanked consumers, particularly for remittance services.

The report noted that consumer adoption might be improved with efforts to provide better education on the benefits and risks of mobile banking and payment services. Concerns with security may be addressed by implementing multifactor authentication controls on handsets, using antivirus software, as well as imposing transaction limits, to name a few.

Perhaps the most notable conclusion presented in the report is that better collaboration between mobile participants is necessary. The entry of mobile network operators (MNOs) into the payments arena may create competition for financial institutions providing mobile payment services. Numerous conflicts exist between MNOs and financial institutions because of their starkly different business models and disagreement over customer ownership. Wide-scale adoption of mobile banking and payments going forward may depend upon the future cooperation of the telecom and banking industries to establish a sound and effective mobile banking environment.

Security risk a key barrier for mobile banking
While 43 percent of the respondents indicated that they plan to offer mobile banking services in the next three years, almost half reported no plans to offer mobile banking. The reasons for not offering mobile banking included the lack of customer demand, inadequate resources, and concerns about security.
In fact, when ranking the top three barriers to adopting mobile banking services, the survey respondents ranked security as their top concern.

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**Most planned services bill-pay related**
For financial institutions that currently offer mobile payment services (in addition to mobile banking services) or plan to do so, the most popular response, at 87 percent, was bill payment through online banking systems. Other popular choices included sending bill payment alerts, payments at the point of sale, and online purchases through the Internet.

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**A fledgling market in transition**
The survey concluded that much work needs to be done to encourage adoption because of the current state of customer demand, safety, and value proposition for financial institutions, especially for the smaller FIs and Credit Unions. It reports that despite media excitement about the future of mobile banking and payments, the market needs time to engage the numerous parties at the proverbial table, including the MNOs, the handset makers, and financial institutions themselves, to alleviate real and perceived barriers to adoption.

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