Chapter 13
Mobile Financial Services:
Design and Development – An Unexplored Pathway to Financial Inclusion

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ABSTRACT

The chapter explores financial exclusion, its causes, and consequences in society. The chapter found that the existing discrepancy in financial inclusion between the developed and developing world is driven by financial exclusion that makes it difficult for financial service providers to expand outreach to the poor at affordable prices. The chapter aims to investigate the role of mobile financial service design and development in dealing with financial exclusion. It was found that mobile financial services are promoting financial inclusion in various markets. However, few studies have been undertaken on the benefits of mobile financial services in dealing with the high rates of financial exclusion. The chapter recommended that to achieve financial inclusion, there is need for mobile financial services providers to take into account customer experience through the ease of using the phone interface. The chapter concluded that there is need for scholars in the fields of finance and economics to conduct research in the areas of mobile financial services and their role in society.

INTRODUCTION

Financial exclusion has become a major challenge around the globe more especially in the developing countries. The term has drastically attracted the interest of the world. For example, the World Bank Group effectively introduced several programs with the enthusiastic efforts to tackle the key barriers of financial exclusion by 2020. The literature has shown that, the barriers of financial exclusion are numerous, such as poverty, financial literacy, poor services, not trust, distance and safety (Dauda and Mamman 2018).

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Kunt and Klapper argue that the theoretical debate focus on a reason bear financial exclusion, which is not a recent phenomenon rather than a situation whereby people are having difficulties in accessing the mainstream of financial services over the last few decades (Demirguc-Kunt and Klapper 2012). According to Kempson and Whyley (1999), financial exclusion appears to be first to have been utilised as more broad sense to elude individuals who have compelled access to the financial institution. Since from then, various authors have respectfully contributed on how financial exclusion should be pursued (Anderloni and Carluccio 2006; Carbo, Gardener and Mol yneux 2007:21-27).

Financial exclusion is widespread in developing countries, as is evident from a recent report by the World Bank indicating that while bank account ownership is almost universal in high-income OECD countries, only 54 percent of adults in developing countries have a bank account (Demirguc-Kunt, Klapper, Singer and Oudheusden, 2015). This vital discrepancy in financial inclusion between the developed and developing world is driven financial exclusion that makes it difficult for financial service providers to expand outreach to the poor at an affordable price due to the high cost of establishing and running "brick and mortar" branches (Demirguc-Kunt et al. 2015). However, the growing use of mobile technology is altering access to financial services. It is changing and transforming the way people send/receive money, save, borrow and manage risk associated with the money. This means that the advent of mobile technology in financial services is a pathway that if used properly has the potential to bridge the gaps that have led to financial exclusion hence, lead to financial inclusion in our society. The global nature of mobile phones and the lower cost of data use have made mobile phones ideal in expanding financial services to large number of financially excluded population in developing countries where the growth in mobile phone subscription is phenomenal (Fanta, Mutsonziwa, Goosen, Emanueland Kettles 2016).

Literature depicts that Sub-Saharan Africa have seen rapid growth in mobile phone subscription since the onset of the millennium. World Bank report indicates that mobile phone subscriptions grew at an average annual rate of 954 percent in South Asia and 208 percent in sub-Saharan Africa (World Bank and InfoDev 2012). Fanta et al. further say that mobile subscription is extremely high compared to the annual growth of 46 percent in East Asia and Pacific, 23 percent in Central Europe and 15 percent in Europe and Central Asia and 12 percent in North America (Fanta et al. 2016). One can argue that the fact rapid growth of mobile phone subscriptions in Africa and in other developing countries makes the third world countries a "more mobile place" than the developed countries. The World Bank report says that in developing world, more people have access to a mobile phone than to clean water, a bank account or even electricity (World Bank, 2016). James (2014) highlights that the developing countries have experienced a high growth rate in mobile phones subscriptions. The developing world followed the "mobile first" development approach while mobile communications have added value to legacy communication systems and have supplemented and expanded existing information flows in the developed countries (World Bank and InfoDev 2012). Innovations in the mobile phone sector such as multi-SIM card phones, low value recharges and mobile payments have originated in developing countries (World Bank and InfoDev 2012).

It is important to note that before the arrival of mobile technologies, financial institutions depended on fixed lines or satellites to connect branches, ATMs, point of sale machines and other devices for providing services and products. However today, mobile data channels provide reliable and cheaper forms of data connectivity. This means that the probability of mobile financial services are promoting financial inclusion in our society. Andrianaivo and Kpodar say that one area through which mobile phone penetration affects economic growth is through its effect on financial inclusion by expanding mobile financial services to the financially excluded (Andrianaivo and Kpodar 2012). Furthermore,

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