Chapter 6.6
Predicting the Attitude toward Mobile Financial Services in Developing Countries

Prateek Shrivastava
Monitise Group plc, UK

ABSTRACT

Globally, only about a sixth of the 3 billion poor people of working age currently have access to formal financial services. This translates to 17% coverage of the market, leaving 83% under-served or "unbanked". Addressing the needs of these people is the "self-sustaining approach" to microfinance. Mobile banking is one of the newest approaches to the provision of financial services made possible by the widespread adoption of mobile phones in low income countries. However, reports show that potential users may not be using these systems despite already being available. This study was conducted in 2008. It extends the Luarn & Lin mobile banking adoption model by adding two additional constructs: "Enhancement of image" and the "enhancement of quality of life by having access to financial service" to test the attitude toward mobile banking. In order to test these constructs, 11 hypotheses are proposed. The chapter successfully applies Luarn & Lin's model in a new geographic and economic context. Consistent with their study, perceived usefulness, perceived credibility, perceived ease of use and perceived self-efficacy were found to be significant antecedents. Perceived financial costs, however, was found to have a positive relationship with attitude. This finding is diametrically opposite to Luarn & Lin's study. Perceived enhancement to quality of life showed a strong relationship and Perceived enhanced image showed a weak relationship with the attitude toward mobile banking. The control group analysis showed the previously unbanked group (Mzansi) had the highest expectation of mobile banking and also found the idea most attractive. This study therefore concludes that mobile banking can indeed be a channel to reach out to low income groups.

DOI: 10.4018/978-1-4666-0882-5.ch6.6

INTRODUCTION

Financial institutions help mobilise savings and provide payments services that facilitate the exchange of goods and services. Without inclusive financial systems, poor individuals and small enterprises need to rely on their personal wealth, internal resources or debilitating lines of credit to invest in their education, become entrepreneurs, or take advantage of promising growth opportunities. The bulk of the evidence, globally, suggests that improving access to finance is likely not only to accelerate economic growth, but also to reduce income inequality and poverty (Aghion et al, 2005).

According to research conducted in 2007 by Demirguc-Kunt, Beck, & Honohan of the World Bank, the majority of the population in the developing world does not have access to savings accounts, do not receive credit, and do not have any type of insurance and seldom make or receive payments through formal financial institutions. Globally, only about 25% of the world's population has an account with a financial institution.

Their research showed that China, India, Brazil and South Africa's population is less than 60% banked. Collectively, these four countries alone account for over 42% of the world's population. Across Sub-Saharan Africa, about 10% of the population has access to formal bank services. Another 15% have access to alternative financial services like microfinance. The remainder are "unbanked".

One of the approaches to providing financial products to the unbanked is financial institutions "down-scaling" their operations i.e. introducing new approaches to provide services to a poorer clientele. The business requirement for downscaling exists but the feasibility of doing so is suspect due to the large scale of human resource needed to support it (Ivatury & Pickens, 2006).

A possible solution is to use technology to reduce the cost per transaction of providing financial services. Possible technology solutions include ATMs, smart cards and mobile phone based banking (Whelan, 2003).

The growth of mobile telephony has been rapid, and has extended access well beyond already connected customers in developing countries (Gray, 2007). In 2006, the mobile phone became the first communications technology to have more users in developing countries than in developed ones. More than 800 million mobile phones were sold in developing countries between 2005 and 2008. In the last two quarters of 2008, India added an average of 9 million new users per month and China added an average of 8.5 million users per month.

This rapid growth of mobile phone users especially in developing countries offers a new low-cost alternative for firstly the financial institutions to still make a profit while dealing with small money transfers and payments (BAI, 2004; Booz Allen, 2003) and secondly consumers themselves to use since they no longer need to use scarce time and financial resources to travel to distant bank branches.

Many financial service providers in USA, UK, India and South Africa are successfully using mobile phones to inform customers about their balances, transaction histories, SMS based alerts when specific events occur (withdrawals, balance drops below a set threshold, etc.). In addition, in places such as East Africa and The Philippines, mobile phones have proven themselves as a great tool to transfer money remotely as either payments or remittances.

The development and successful deployment of financial services via mobile phones has shown willingness from financial service providers to develop and provide such products. However, there seems to be major perceived / real obstacles in the willingness of the consumer to adopt these products (Ivatury & Pickens, 2006). Therefore, the need to understand customer's reasons behind adopting these services becomes obvious.

The author will propose a model that provides a framework to empirically test the attitudes of customers (current and potential) towards mobile