An Empirical Investigation of Mobile Banking Adoption in Developing Countries

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ABSTRACT

Mobile phone has become an integral part of our lives. The penetration rate of mobile phones in the developing countries has increased abruptly and this is a good sign for the banking sector. Mobile banking is the most recently launched innovative feat in the banking sector. The unique ability of mobile banking to perform banking transactions irrespective of place and time has given a competitive edge over traditional banking. Even though, all circumstances are in favour of mobile banking, it has failed to take off in most of the developing countries. Hence, the main objective of the study is to find out the constructs which affect the adoption of mobile banking in India. A model has been proposed with the factors namely perceived usefulness, perceived ease of use, self-efficacy, perceived risk, perceived enjoyment, relative advantage, compatibility, trust, social influence and personal innovativeness. The proposed model has been tested using various statistical analyses and the findings of this study reveal that relative advantage has the strongest relationship with the intention to use mobile banking.

Keywords: Adoption, Attitude, Consumer Behaviour, India, Mobile Banking

1. INTRODUCTION

Banking plays a key role in the growth of Indian economy. With the rise of Information Technology (IT), the transformations in the banking field are highly remarkable. The evolution in banking triggered with card-based payments and Automated Teller Machine (ATM), and Electronic Clearing System (ECS), core banking, Real Time Gross Settlement System (RTGS), and National Electronic Funds Transfer (NEFT) changed the face of banking to a

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higher position. The use of NEFT and Society for Worldwide Inter-bank Financial Telecommunication (SWIFT) could revolutionize the financial institutions globally by supporting e-banking. In today’s e-business world, in many cases, the whole business is IT dependent and data-driven (Bajgoric, 2005).

Mobile phone banking or M-banking is an emerging facet of electronic banking that, unlike traditional phone banking services which offer very limited functions, is a rich platform for automated banking and other financial services (Wessels and Drennan, 2010). The high penetration rate of mobile phones has created wide opportunities for new mobile services in India. A mobile phone is no longer confined to making calls and sending messages and emails. With the rapid spread of mobile phone devices and the convergence of the phone and the personal digital assistant (PDA), there is an increasing demand for a multimodal platform that combines the modalities of various interface devices to reach a greater population of users (Chang, 2007). The consistent performance of mobile communication technologies and the positive responses with m-commerce have made mobile features appropriate for a variety of financial applications. Banking has become an integral part of everyday lives of consumers, and the innovations in the banking products with the introduction of a revolutionary product called mobile banking has placed mobile phones on top. A stiff competition in banking sector is another reason for banks to differentiate their products and services from their competitors. Hence, this paved the way for mobile banking to emerge as a strong channel in the field of banking. With the newer sophisticated technologies dominating the traditional set up, the reach and the number of bank transactions should be more via mobile banking than the other innovative delivery channels of banking.

Mobile banking became a sensation globally; Philippines, Kenya and South Africa are some of the perfect examples of deploying it successfully. After the successful establishment of internet banking, mobile banking has attracted a good number of customers in India. While mobile banking has failed to take-off, internet banking picked up the pace. When a new innovative service such as mobile banking is introduced, customers may feel fearful about using it for banking transactions (Lin, 2010) and it takes time to get diffused. The reason could be the non-availability of smart phones and internet enabled phones at a cheaper price in the Indian market as well the lack of good quality internet facilities from the service providers. Even most of the banks have failed to educate and convince the customers about this convenient banking option. Mobile banking is not only a natural evolution of internet banking, but it is also a better digital alternative to other traditional bank channels such as ATMs, internet banking and physical branches (Püschel et al., 2010). If consumers value the mobility, it is possible that consumers who are presently transacting online via a personal computer may also move to transacting via a mobile device (Riquelme & Rio, 2010). It is the need of the hour for banks and mobile phone operators to reach an understanding to benefit the customers while protecting each other’s mutual interests.

The Indian economy is considered as one of the largest economies in the world in terms of purchasing power. Countries like China and India are fast positioning themselves as key players and threatening the economic order that has existed for decades (McGaughhey & Gunasekaran, 2007). The Indian economy is expected to touch new heights with the entry of mobile banking in coming years. The number of mobile phone users has long exceeded the number of people with bank accounts across the world (Tobbin, 2012). The striking growth in mobile phone use in India led to a new set of services that turn the modest handset into banking equipment. For people in a developing country like India, the onset of mobile banking is potentially revolutionary. It is considered as a provision for financial inclusion of the rural population in remote areas, where as it is a means of faster small-scale transaction in urban areas. Since business environments are now characterized by fierce competition and customers’ constantly changing demands, firms
Ubiquitous Integration Architectural Issues
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