Mobile Banking Innovations and Entrepreneurial Adoption Decisions

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ABSTRACT

This paper examines an individual’s entrepreneurial adoption decisions to use mobile banking for both business and social reasons. A conceptual model based on social cognitive theory is developed to explain an individual’s propensity to adopt mobile banking. The theoretical framework examines how advertising, experience, perceived risk, learning inclination, and entrepreneurial proclivity influence a person’s intention to use mobile banking. This paper stresses the role of financial risk in determining a person’s intention to use mobile banking and whether their entrepreneurial nature is influenced by their experience and advertising they are subjected to about the advantages or disadvantages of mobile banking. This paper ties together research on technological innovation with entrepreneurship and learning studies. The author stresses the importance for financial institutions to market the innovativeness of mobile banking whilst addressing security concerns. The impact of a person’s social environment through personal contacts and acquaintances underpins social cognitive theory and helps to understand the motives for a person adopting mobile banking. The paper integrates mobile banking literature with current thinking on the importance of entrepreneurship and learning influences to how a person adopts a technological innovation.

Keywords: Banking, Cognitive Theory, Electronic Commerce, Entrepreneurship, Marketing, Mobile Banking, Mobile Commerce, Mobile Communications, Risk

INTRODUCTION

Mobile banking has increased globally as increasing numbers of people have access to mobile phones and place more emphasis on real time financial transactions (Shen, Huang, Chu, & Hsu, 2010). Financial institutions have increased the products and services available electronically such as transferring money, depositing checks and paying bills (Chung & Kwon, 2009). This increase in mobile banking has been a result of a number of global banking industry trends (Laukkonen, 2007). Firstly, the use of the internet has increased as it has become more accessible and cheaper. Most people have a mobile phone with an increasing number having internet capabilities that enable mobile banking (Ratten, 2009). Secondly, the globalization of the banking industry has enabled more people to use international banks. This has lead to more competition on interest rates and credit card fees. Thirdly, more people are communicating electronically, which has enabled banks to market their products and...
services via mobile phones. It is also cheaper for financial institutions to communicate with their clients via mobile phones than traditional advertising mediums such as television and newspapers. These trends have lead to the increased electronic availability of banking services and more people using mobile banking services (Ratten, 2008). However, there are also a number of financial risks from mobile banking including not being able to access funds and internet fraud.

The change in banking practices to be more electronic has lead to easier access to money transfers and electronic funds (Ratten, 2007). It has also altered the way banking services are marketed to consumers (Wymbys, 2000). Mobile commerce (m-commerce) has changed banks marketing strategies as a result of technological innovations (Holt, Whitmire, & Knight, 1999). M-commerce is defined in this paper as the ability to conduct commerce using a mobile device such as a mobile telephone, personal digital assistant (PDA) or emerging mobile telephone equipment. M-commerce involves the conduct of any transaction involving the transfer of ownership to use goods or service that is completed using a mobile device. The core feature of m-commerce is that is allows a commercial transaction to be completed by using mobile electronic computer access. Technological innovations including wireless internet access has enabled banking services to become more electronic and enable banking to be done at any place or time (Takac, 1997). These technological developments in m-commerce have lead to mobile banking being a low cost development (Holland, 2008).

There are many risks involved with new technology and it takes time for people to become comfortable with the change. For some people new technology will not replace the existing way they do their banking but will be an added service they can use. It may not be possible for all people and businesses to adopt mobile banking despite the fact that technology makes it possible. This is due to some people not having access to mobile phones or mobile communication being too expensive for them to use. Moreover, some people prefer the face-to-face contact they receive from personalized banking services to stores that is not possible in mobile banking.

There are many risks in mobile banking as personal and commercial data is transmitted wirelessly and can be seen in some circumstances by third party intermediaries. The security of financial transactions on mobile banking devices is a prime concern for customers of this service. The risk taking nature of entrepreneurship is also related to the relatively high risk of something going wrong with security in mobile banking systems. Many financial institutions recommend people take caution with mobile banking due to the security risks and regularly check their banking statements. In addition, due to the global financial crisis of the past year there has been an increased sensitivity about financial risk due to countries such as Ireland, Greece and Spain facing banking crises because of large debt levels.

Early adopters of new technology like mobile banking are often risk takers because of their lack of knowledge about the service. These consumers are technologically savvy but also orientated to learning about the potential benefits and risks of mobile banking. This entrepreneurial spirit is part of the person’s lifestyle with mobile banking being a way to gain insight into new technological applications that require a high level of learning. This paper extends the literature on m-commerce to focus on an entrepreneurship and learning capabilities of a person intending to adopt mobile banking. Other environmental factors including advertising, experience and perceived risk in influencing a person’s use of mobile banking is also addressed. Therefore, the research question that this paper seeks to examine is:

Research question: What influences an individual’s intention to adopt mobile banking?

The structure of this paper is as follows. Firstly, the literature on technological innovations and adoption behavior is examined. A comparison of different theories relevant
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