Chapter 3

Mobile Financial Services in Developing Countries: The Impact on Consumer Financial Behaviour

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ABSTRACT

This chapter describes how mobile technologies have recently emerged as the new wave in Information Technology revolution and are constantly gaining importance and popularity in nearly every avenue of our working and social lives. One area of mobile technology that has become a focus in recent times is the use of mobile devices particularly the mobile phones for an array of financial services. Mobile financial services and their massive adoption and rapid spread in the developing world, has deepened investments in mobile infrastructure and has further contributed to financial inclusion and economic development. Their adoption, in particular, has had a significant impact on consumer financial behaviour. This chapter builds on a rich body of literature available to highlight the impact of mobile financial services on consumer financial behaviour and the implications for financial institutions.

INTRODUCTION

Mobile technologies have recently emerged as the new wave in Information Technology (IT) revolution and are constantly gaining importance and popularity in nearly every avenue of our working and social lives. There is vast global interest in the role that mobile technologies can play in social and economic development.

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Mobile phones, in particular, are now the technology of everyday life and their uses are certainly indispensable. As a convergence technology, mobile phones constitute multi-media devices that can perform multiple communicative functions. People around the world are using their mobile phones for a variety of purposes, such as making calls, sending short text messages, sending and retrieving e-mails, web browsing and retrieving documents.

The adoption and widespread use of mobile phones globally has been experienced as the most significant growth of consumer level technology (Merritt, 2010; Hinson, 2011). By the end of 2015, the total number of mobile phones in use stood at 7.6 billion, representing an estimated 4.6 billion mobile subscribers worldwide (Groupe Speciale Mobile Association [GSMA], 2015). Of the 4.6 billion mobile subscribers, 3.7 billion subscribers were located in low and middle-income economies. In the developing world the number of mobile-broadband subscriptions is increasingly growing: more than 90% of the incremental 1 billion new mobile subscribers forecast by 2020 will come from developing markets (GSMA, 2016).

The ubiquity of mobile phones and other mobile devices in our societies and the continued growth of mobile phone penetration in particular have had a significant social and economic impact. One area of mobile technologies that has become a focus in recent times is the use of mobile devices particularly the mobile phones for an array of financial services including mobile banking and other micropayment solutions. Accordingly, traditional payment providers are now moving aggressively into mobile payment space and also consumers’ access to financial services is evolving.

Mobile financial services have established a clear and emerging new channel in the space of banking and payments (Pegueros, 2012). Mobile devices provide a new channel for banking, payments and transfers with greater reach than traditional bricks and mortar locations. Many people are using mobile devices for a range of financial transactions, such as receiving and sending money transfers. The increasing use of mobile technologies to access financial services has the potential to affect consumer finances and consumer behaviour.

This chapter builds on a rich body of literature available to highlight the impact of mobile financial services on consumer financial behaviour and the implications for financial institutions. Specifically, the chapter compares consumers’ financial behaviours before and after the advent of mobile financial services.

**BACKGROUND**

Mobile phones have increasingly become tools that consumers use to interact with their financial institutions, make payments and manage their personal finance. Consumers are using mobile financial services more and more to access accounts,
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