How Relevant Are Risk Perceptions, Effort, and Performance Expectancy in Mobile Banking Adoption?

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ABSTRACT

This article provides a comprehensive overview of the adoption process using evidence from m-banking adoption in Pakistan. A survey design was used and 189 responses were received from across Pakistan and analyzed using Smart PLS application. Findings suggest that research on the effect of risk in the adoption process remains inconclusive. Contrarily, consumers have overcome many fears due to the usefulness, indispensability, high security features, and effort expended in the use of financial services delivered through m-banking. Perceived risk’s (PR) direct influence was found to be generally weak. However, PR plays a major role in the pre-adoption process because it’s weak and direct inhibiting influence become an “enhancer” in the association between effort expectancy (EE) and the three key TAM/UTAUT constructs [performance expectancy (PE), attitude (ATT), and adoption intention (INT)]. Most importantly, the role of EE as a strong driver of PE, ATT, INT, and its significant interaction with PR highlights the unique role that both risk and EE play in the adoption process.

KEYWORDS

Attitude, Developing Country, Intention, Mobile Banking Adoption, Perceived Risk

INTRODUCTION

Mobile banking (m-banking) is defined as an innovative banking service offered to consumers by financial services firms, such as banks, credit unions, and microfinance institutions, for conducting various transactions via a portable device, such as a mobile phone, smartphone, or tablet anytime anywhere (Shaikh & Karjaluoto, 2015). Despite the noted benefits of using mobile devices for banking purposes and conducting transactions remotely, the security of consumers’ personal as well as banking information is paramount, and breaches of either create consumer skepticism, which lowers the adoption rate of m-banking services.

In addition, increasing security concerns and scares among consumers living in developing countries, which have fragile infrastructures, are becoming vexing challenges for banking institutions. Similarly, risks are generally considered to be higher when conducting transactions online and remotely.
using portable devices, which are prone to hacking, loss, and misuse. Therefore, customers who use these devices for banking are commonly reluctant to make payments and transfer funds on them because the risk may be high when compared to traditional (branch-oriented) banking. Considering this paradox, prior research (e.g., Alalwan et al., 2017; Masrek et al., 2014; Shaikh & Karjaluoto, 2016a; Shen & Chiou, 2010) has addressed the antecedent “Trust” and “perceived risk” (PR) as crucial factors in consumer behavior and purchase decisions, especially in the context of electronic commerce in general and digital banking in particular.

Against this backdrop, this study contributes to the ongoing debate on m-banking adoption antecedents and examines the effects of perceived risk, effort expectancy and performance expectancy on consumer behavior when accepting m-banking services in Pakistan. The research questions on which the objectives were evaluated were as follows: First, how does perceived risk affect consumers’ intentions and attitudes when choosing to accept m-banking services? Second, how does perceived risk moderate the association between effort expectancy – performance expectancy, effort expectancy – attitude, and effort expectancy – adoption intention link? Third, what are the roles of effort expectancy and performance expectancy in the pre-adoption stage of m-banking services?

The findings of this study are encouraging for banking companies and non-banking institutions, such as mobile application developers, the telecom sector, and rapidly emerging FinTech start-ups. Moreover, this study offers valuable policy implications for government regulatory institutions, providing better insight into mobile-based banking services as well as the factors leading to acceptance. The article concludes with a series of recommendations for the development of m-banking as a tool to expand the access to financial services to a demographically disbursed population.

In the remaining sections, we will present the literature review followed by research model and hypotheses. Then we present the research methodology, and the results. A discussion of the study’s findings, theoretical contributions, practical implications, limitations, and recommendations for future research will conclude this paper.

LITERATURE REVIEW

Mobile Banking – Conceptualization and Definition

Against the backdrop of growing digitization of banking delivery channels, especially during the 1990s, banks and other financial institutions started developing and providing multi-channel service delivery options so customers could better access banking information and conduct transactions. A multi-channel service delivery system integrates physical and virtual channels (Martin et al., 2014). The prominent physical banking channels include bank branches, ATMs, and POS terminals, while virtual banking channels include the Internet and mobile devices.

The extensive usage of portable devices such as cell phones for banking and payments has popularized the usage of m-banking services in several countries, expanded access to formal banking transactions in emerging and developing countries (Shaikh & Karjaluoto, 2016b), transformed the financial services distribution models, reduced transactional costs, and improved the quality of life of the consumers. With regard to emerging and developing markets, m-banking has expanded the distribution and delivery channels for financial services (Oliveira et al., 2014) among underbanked and unbanked consumers.

Several definitions have been proposed for m-banking. For example, considering m-banking as an important e-business tool and e-commerce application, Mehrad & Mohammadi (2016) defined m-banking as a mobile commerce application that enables customers to bank at virtually any time and place. Boor et al. (2014) considered m-banking as a natural evolution of electronic banking that empowers consumers to complete financial transactions via mobile or handheld devices. Figure 1 illustrates the retail digital banking options available to consumers.
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