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Mobile banking and economic development: linking adoption, impact, and use

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Abstract

Around the globe, various initiatives use the mobile phone to provide financial services to those without access to traditional banks. Relatively little scholarly research explores the use of these m-banking/m-payments systems. This paper calls attention to this gap in the research literature, emphasizing the need for research focusing on the context(s) of m-banking/m-payments use. Presenting illustrative data from exploratory work with small enterprises in urban India, it argues that contextual research is a critical input to effective 'adoption' or 'impact' research. Further, it suggests that the challenges of linking studies of use to those of adoption and impact reflect established dynamics within the Information and Communication Technologies and Development (ICTD) research community. The paper identifies three cross-cutting themes from the broader literature (amplification vs. change, simultaneous causality, and a multi-dimensional

definition of trust), each of which can offer increased theoretical clarity to future research on m-banking/m-payments systems.

Keywords:

mobile banking ICT4D ICTD mobile telephony domestication structuration trust cell phone
m-banking diffusion adoption

Notes

1. Even in places without commercial m-banking/m-payments systems, many mobile networks allow users to transfer airtime between accounts. Traders in Nigeria have been seen using airtime as part of a barter process (Ray, [2007](#)). Chipchase and Tulusan ([2007](#)) describe the 'Sente' system of airtime exchange in Uganda, where would-be senders can top-up the airtime accounts of middlemen (prepaid airtime resellers), who will take rather sizable commissions to provide cash-out services to other would-be receivers. However, the extent to which these informal systems have spread is a matter of some debate (Porteous, [2006](#)). In Egypt, Goodman and Walia ([2007](#)) argue that minutes are not a barter currency and are exchanged primarily between friends and family.
2. One can argue that cash-in and cash-out functions are an adaptation of a technology developed for a different purpose. In the Philippines, Smart Telecom had created a 'smart load' system, which removed the need for vendors to sell physical prepay cards; instead, Smart's infrastructure allowed merchants to take cash and directly convert it into airtime on the account. With thousands of participating merchants, it was relatively easy for Smart to facilitate a second stored-value system denominated in pesos (infoDEV, 2006).
3. Remittance flows from the world's diasporas back to developing countries are second only to Foreign Direct Investment as a source of economic transfer between the rich and poor worlds. The GSM association argues they currently total US\$320 billion, involving 200 million diaspora workers (GSM Association, [2007](#)).

4. Nor is it easy to draw a bright line between mobile-enabled transfers and non-mobile enabled transfers. Tall ([2004](#)) describes how many handsets in Senegalese villages were gifted by the people living abroad and now are used to help coordinate the transfer of remittances. Similarly, in focus groups we recently convened in the Philippines (Donner, [2007b](#)), respondents described putting money into the hands of bus drivers, who could be trusted to drive the funds out to the villages on their normal routes. Family members in the villages knew when to wait for the proper bus, thanks to a text message.

5. Thanks to Sharanya Venkatesh, the research assistant for the project.

6. The smallest enterprises in the sample fit the definition of a micro-enterprise (Mead & Leidholm, [1998](#)), however, since some of the enterprises had more than five employees, and/or showed some indications of 'formality' (keeping books, paying taxes, etc.), we use a broader term 'small enterprise' throughout this case study.

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