



Title: Leveraging the power of mobile technology as a banking strategy – a case for Ghanaian banking institutions

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Abstract

In spite of the pervasiveness of mobile phone usage in a number of developing countries, including Ghana, banks are yet to harness the power of mobile technology in promoting their products and services, and reach a greater portion of the unbanked population. Mobile banking technology, from all indications, has the potential to effectively transform banking activities, get a larger number of people to patronize banking services, increase banks' market share in terms of reaching the unbanked population, and by extension enhance their competitive advantage. While success in mobile banking technology will require the concerted efforts of a number of entities in addition to the banking institutions, banks as traditional money institutions are well positioned to offer holistic products and services if they make a conscious effort to take maximum advantage of the mobile technology revolution. This paper examined some existing literature on mobile banking in Ghana and proposed some strategies by which banks can take advantage of opportunities that mobile banking offers. Interviews conducted also gave insights into how banks can strategically align their activities with active players in the mobile banking revolution such as the telecommunication companies.

Introduction

Ghana, with a total estimated population of 26 million and nearly a hundred percent of the adult population using mobile phones has only sixteen percent of those over fifteen years old saving money at a financial institution [1]. While excellent provision of mobile banking technology by banks to consumers will require other stakeholders in addition to the banking institutions themselves, some evidence point to the fact that in some instances some of these stakeholders such as Mobile Network Operators (MNOs) have introduced their own models which are entirely non-bank-based. The activities of these MNOs, while commendable could prove disruptive to banks if they (the banks) do not strategically position themselves to take advantage of the immense opportunities mobile banking technology offers.

The pervasiveness of mobile phone usage in most developing countries offers countless opportunities, mobile banking being one. Convenience and accessibility to banking services are the main opportunities that mobile banking offers, and especially for developing countries with large rural populations this becomes even more relevant. Mobile banking has not caught up very well with some customers, due to issues such as perceived credibility and financial cost to customers [2] but that is not to suggest that conscious efforts could be made to create and increase awareness for customers. Since the decision to patronize mobile banking services

is usually made on a personal level, it is very crucial to understand what informs individuals' perspectives and preferences in order to provide them with the most relevant services.

This paper relied on a review of relevant literature pertaining to mobile banking activities in Ghana, with examples drawn from other developing countries.

Furthermore, interviews were conducted with ten people to glean insights into some of the dynamics of the mobile banking revolution in Ghana.

Literature review

It is estimated globally that over 2.5 billion adults, most of whom are in developing countries do not have formal bank accounts [3]. While mobile phone usage in most developing countries is actually higher than expected, its application in areas other than the "traditional" purposes of making and receiving calls (and/or text messages) is highly limited. One such area where mobile phone technology has seen little application is in the banking sector. A number of reasons may be attributed to this phenomenon, including those relating to demography, social and cultural reasons [4]. The World Bank Global Findex, 2012 [3] suggests that reasons for a greater percentage of the world's poor being unbanked include may include costs, travel distance, and the amount of paper work involved. Mobile banking offers users the ability to patronize various banking services such as

deposits and withdrawals, account transfers, bill payments and other services using their mobile phones. Apart from the convenience this offers, it also creates the opportunity for a number of the unbanked population to become a part of the formal financial sector [4].

Typically, mobile banking technology adopts models that may be bank-centric, MNO-centric or a partnership approach, depending on factors such as population, culture, or the existing regulatory regime [3][4]. While MNOs are mostly the preferred medium for provision of mobile banking services in developing countries due to the absence of proper infrastructure and regulatory frameworks, the ability of banking institutions to provide new services via mobile technology in addition to existing services makes pursuing a bank-centric approach more ideal.

Adoption is crucial if customers are expected to patronize a product or service.

While a lot of the research on mobile banking has focused on the developed countries, very few have been conducted on developing countries such as Ghana.

In Nigeria for example, factors that have been found to influence adoption of mobile banking include but are not limited to perceived usefulness and ease of use, compatibility, social influence and self-efficacy [5]. Awareness creation on the part of the banks therefore seems to be increasingly the most crucial endeavor that banks have to undertake in order to increase adoption of mobile banking technology. While financial innovation continues to make waves in a number of

places in terms of new technologies, products and services, a number of them are yet to gain popularity in developing countries. In a study to ascertain the influence of adoption of financial innovation in Ghana's banking industry, Domeher et al. [6] suggested that both perceived usefulness and ease of use with regards to e-banking products have the potential to attract existing as well as potential customers to patronize banking services. The authors further identified that customers were more likely to adopt or continue to use innovative products from banks when they obtained more information on the products and services from these banks. Growing evidence from the literature therefore highlight the importance of banks in promoting and creating awareness of innovative products and services, mobile banking included.

As is expected in developing countries, the successful implementation of mobile banking is not without its own challenges. Although recent advancements have significantly addressed some of these challenges, to suggest that they have been surmounted entirely would be far from the truth. Gaffar [7] investigated the prospects and challenges of mobile banking in Ghana and indicated that factors that were found to mainly hinder mobile banking implementation included technical and security standards, regulatory and supervisory issues as well as business and legal issues. On the other hand, the study concluded that having, and establishing robust platforms in terms of connectivity, secure communication and

encrypted messaging systems would go a long way to enhance mobile banking implementation in Ghana.

A study in the East African country of Tanzania on the obstacles of mobile banking adoption revealed that adoption is negatively affected by factors ranging from high mobile transaction fees, irregular regulatory standards for mobile money payments, poor network coverage, theft of mobile handsets and a distrust of mobile money agents [8]. While the Tanzanian example suggests many challenges that may be more pronounced and peculiar to Tanzania, the author made an important observation that an attempt to tackle almost, or all of these challenges at the same time may not give mobile banking technology the needed impetus required to take off and be a huge success. However, a systemic approach that deals with and addresses all of these challenges within a broader conceptual framework may prove useful in promoting and encouraging the use of mobile banking services.

Mobile phones provide the avenue for customers to patronize banking services, and evidence indicates that mobile cellular subscriptions continue to be on the ascendency in Africa [9]. This rise in mobile telephone subscription suggests that a corresponding effort on the part of banks to tap into the complementary advantages such as their use in banking may prove useful. This is not without challenge or competition though given that a number of telecommunication companies have already taken the lead in providing customers with mobile technology based

financial services. For example, the major mobile telephone company in Ghana, MTN, continues to find ways to offer customers with new services through participation in mobile banking [10]. The activities of some of these MNOs therefore provides stiff competition for the traditional banks. It is therefore important that these banks align strategically with the MNOs and other players such as Mobile Banking Technology Vendors (MBTVs) in order to ensure excellent delivery and provision of mobile banking services. In addition, with a larger percentage of the unbanked residing in rural Ghana or mostly environments of high illiteracy rate [11], a concerted effort on the part of stakeholders such as the MNOs and MBTVs together with the banks will go a long way to promote mobile banking technology.

From the literature review, it is evidently clear that issues that relate to mobile adoption need to be addressed by banks in an attempt to promote mobile banking. For instance, as suggested by Dzogbenuku [12], for starters, financial institutions can promote mobile banking through focus on essential cohorts such as students and the technologically savvy in a bid to promote business growth. This is essential given that even in urban areas where a larger section of the banked population reside, a greater number of them still do not patronize mobile banking services. This will help to eventually diffuse mobile banking technology across a larger section. In addition, for the larger unbanked population in the rural areas of Ghana,

it will be most useful for banks to partner with the MNOs which have a larger reach in terms of coverage.

Interviews

Part of gathering information on the mobile banking revolution in Ghana involved interviews with a total of ten people, five resident in Ghana and the other five Ghanaians resident in the United States (author included). The interviews did not adopt any measuring instruments, but rather took the approach of informal discussions with the respondents about their experiences with banking and specifically with mobile banking if applicable. Below is a descriptive analysis of the interview findings:

Respondents (Ghana): These respondents reiterated the need for banks to engage in a conscious effort at promoting mobile banking offerings. Respondents were generally of the view that their oblivion to the advantages of mobile banking services was responsible for their disinterest in patronizing them, even in cases where their banks were purportedly offering these services. While they indicated a preparedness to at least try some of these services, they mentioned that they did not find any need to ask inquire on their own or request that banks offer them those services. Two of the respondents who were resident in rural Ghana indicated that while they were distrusting of banking or financial institutions, any service that

could enable them to employ the use of their mobile phones to patronize banking services will be welcomed.

Respondents (United States): All five respondents resident in the United States were supportive of mobile banking, obviously given their experiences with such offerings in the United States. While they admitted that getting banks to physically set up structures in rural areas might not be the best of approaches, they were unanimous in their thoughts that leveraging the facilities and brand images of existing telecommunication companies will give them a presence that at best will take them long to establish. Two respondents were emphatic in their opinion that it was even too late for the banks to make any meaningful inroads in the mobile banking sector in Ghana, indicating that it was already a lost battle with the telecommunication companies. Another dimension worthy of note was that of foreign remittances to Ghana. Currently, that does not appear to be done by any of the telecommunication companies, and therefore appear to be a sole preserve of the banks and other financial institutions. Nevertheless, it has associated costs in that the physical presence of receivers in Ghana are always required to collect these remittances. Respondents therefore suggested that it will be interesting to know how the banks could liaise with these telecommunication companies in order to offer recipients (especially rural dwellers) convenience in patronizing this particular service. Respondents suggested that this might be a sure way to build the

strategic alliances and partnerships that might be so crucial for the stakeholders in the mobile banking revolution.

Recommendations and conclusion

To participate fully in the mobile banking revolution, banks obviously cannot proceed on their own strengths and advantages, given that a number of stakeholders are crucial for success. Strategically however, they can partner with some of these players in a number of ways such as employing the channels and infrastructure such as data and voice services of MNOs in order to extend mobile services to customers. In addition, banks can increase their customers, especially in rural areas where there are a lot of unbanked people in an attempt to extend services to new customers. Finally, banks can also conversely make their infrastructure and financial capabilities available to the MNOs in order for them to take advantage of their services in a bid to provide mobile banking services for customers.

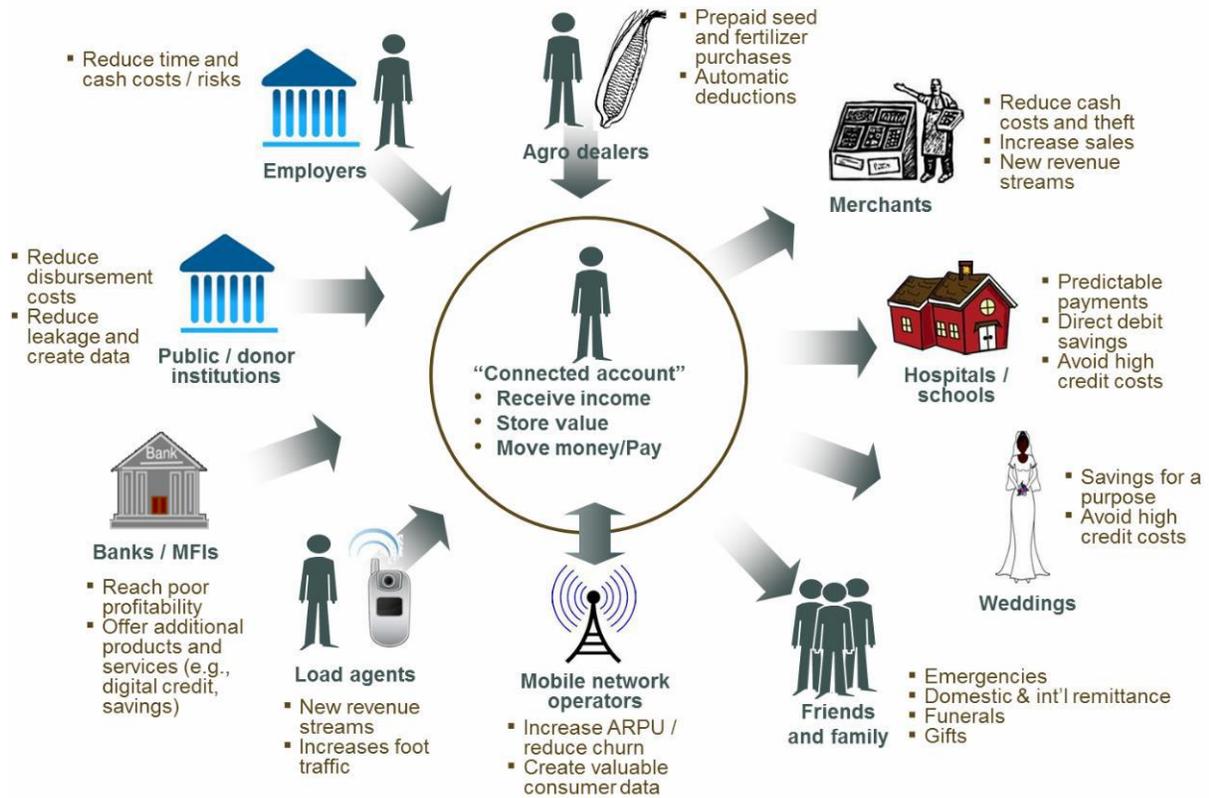
From the interviews, it is apparently clear that when the needs and requirements of customers such as perceived usefulness and ease of use, confidentiality, and cost of services among others are addressed, a lot more customers both new and existing may be convinced to patronize mobile banking services. It is therefore incumbent on banks to actively engage all stakeholders in the mobile banking

revolution while also carrying out programs to raise and create awareness of the importance and advantages that mobile banking offers. In the absence of this, each of the stakeholders may at best chip away at just a portion of the larger cake rather than enjoy a greater chunk of it. Nevertheless, the banks most likely will be at a disadvantage given that other stakeholders, especially the mobile network operators have demonstrated that on their own they can take maximum advantage of the mobile banking revolution, especially as pertains to the larger unbanked population of rural Ghana.

The interviews, especially those with Ghanaian residents in the United States revealed dimensions that might be interesting to further investigate. For instance questions were raised as to how banks can employ mobile banking strategies to make international money transfers more convenient for both senders and receivers given that most current options require receivers, and senders in some instances to physically go to one financial institution or the other to carry out these transactions. This admittedly comes with challenges such as associated costs that mobile banking strategies may be able to address appropriately.

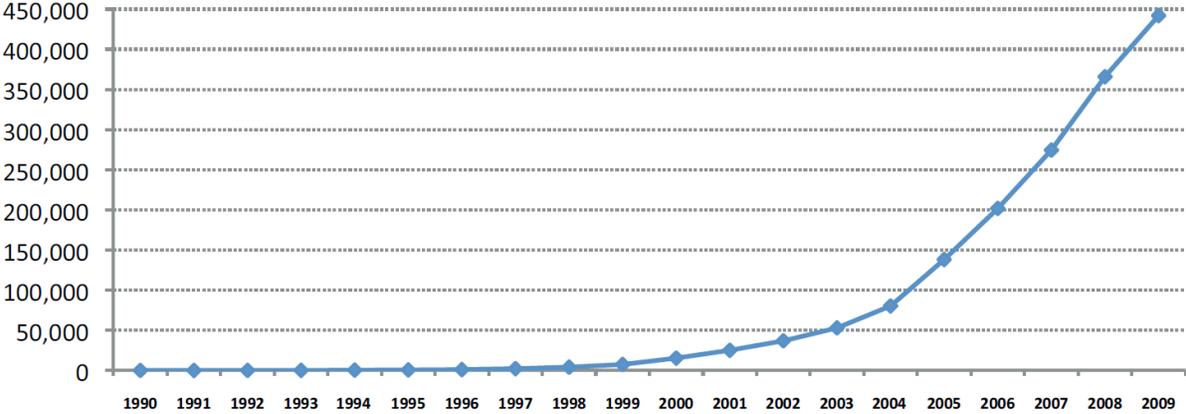
Appendices

A-1: Win-win situations of mobile money for stakeholders



Source: Bill and Melinda Gates Foundation/Jake Kendall [6]

A-2: Africa – Mobile cellular telephone subscriptions (thousands)



Source: International Telecommunication Union, World Telecommunication/ICT Indicators Database 2010, 14th Ed.

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