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### Contribution of Banking Services in Current Service Market

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#### Introduction

In the world, various initiatives use the mobile phone to provide financial services to those without access to traditional banks. Yet 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 spread of mobile phones and fast facilities available in the mobile phone, across the developing world is one of the most remarkable technology stories of the past decade. Buoyed by prepaid cards and inexpensive handsets, hundreds of millions of first-time telephone owners have made voice calls and text messages part of their daily lives. However, many of these same new mobile users live in informal and/or cash economies, without access to financial services that others take for granted. Indeed, across the developing world, there are probably more people with mobile handsets than with bank accounts. Various initiatives use mobile phones to provide financial services to 'the unbanked.'

#### M-Banking and M-Payments Systems in the Developing World

While using the mobile phone for money point of view, the terms m-banking, m-payments, mtransfers, m-payments, and m-finance refer collectively to a set of applications that enable people to use their mobile telephones to manipulate their bank accounts, store value in an account linked to their handsets, transfer funds, or even access credit or insurance products. The first targets for these applications were consumers in the developed world. By complementing services offered by the banking system, such as checkbooks, ATMs, voicemail/landline interfaces, smart cards, point-of-sale networks, and internet resources, the mobile platform offers a convenient additional method for managing money without handling cash. Mobile phone operators have identified m-banking, m-payments systems as a potential service to offer customers, increasing loyalty while generating fees and messaging charges. Financial institutions, which have had difficulty providing profitable services through traditional channels to poor clients, see m-banking, m-payments as a form of 'branchless banking,' which lowers the costs of serving low-income customers. Government regulators see a similar appeal but are working out the legal implications of the technologies, particularly concerning security and taxation. There is no universal form of m-banking; rather, purposes and structures vary from country to country.

Regulatory factors, which vary dramatically from country to country, play a strong role in determining which services can be delivered and which institutional arrangements.

The m-banking, m-payments systems in the developing world enable users to do three things:

- (a) Store value (currency) in an account accessible via the handset. If the user already has a bank account, this is generally a question of linking to a bank account. If the user does not have an account, then the process creates a bank account for her or creates a pseudo bank account, held by a third party or the user's mobile operator.
- (b) Convert cash in and out of the stored value account. If the account is linked to a bank account, then users can visit banks to cash-in and cash-out. In many cases, users can also visit the GSM providers, retail stores. In the most flexible services, a user can visit a corner kiosk or grocery store, perhaps the same one where he or she purchases airtime, and transact with an independent retailer working as an agent for the transaction system.
- (c) Transfer stored value between accounts. Users can generally transfer funds between accounts linked to two mobile phones, by using a set of SMS messages (or menu commands) and PIN numbers.



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### Current Research

The practitioner community may frame the discussion as being about 'Transformational' Mpayments: the popular press describes a 'leap from the world of cash to cellular banking', and researchers speak about the potential of m-commerce to 'close the digital divide'. There are a variety of perspectives from which to view the technology, and as Maurer, illustrates the assumptions associated with an embrace of an 'empowerment' or 'market share story', for example, will impact the claims and research programs of those interested in the technology.

The current research literature can be classified into three types of studies.

- Those that explain the adoption of m-banking, m-payments systems;
- Those that assess the systems' impact on people and on economies; and
- A relative few that try to understand the use of such systems in social, economic, and cultural contexts.

Variants of this trichotomy, which distinguishes adoption studies from impact studies and from 'use' studies, have been documented before and are a reflection of the disciplines that take an interest in communication technologies. Donner applied the trichotomy in a review of the research literature on mobile telephony in the developing world.

### Conceptualizing Electronic Money

Even the simplest handsets have features buried deep in menu structures. If navigating an m-banking, m-payments interface is difficult for experienced mobile users with bank accounts, even greater is the difficulty for first-time users in the developing world, many of whom will have only been using a mobile for a year or two. However, the challenges may run deeper than interface design. People coming to banking for the first time via the mobile handset require a command of abstract concepts about invisible or virtual money.

### Existing Payment Mechanisms

The role of existing mediated transfers and other financial services also deserves scrutiny. A large proportion of the volume of m-transactions may reflect existing transactional relationships, shifted over to the new channels. This is not to say that a shift is not itself valuable there are significant benefits of cost, reliability, safety, flexibility, and immediacy associated with m-banking/m-payments systems. However, it is important for industry, researchers, and policymakers to understand the transactional networks and behaviors that already exist. An antecedent to this argument comes from the microfinance sector. Arguing that 'it is no longer acceptable for prospective providers not to inform themselves of what their future clients are already doing and what services they appear to need,' identified a broad array of 'money mosaics' operating in a Delhi slum.

### Studies on Use (would be useful)

Additional adoption and impact studies are sure to follow, but the research community should also pursue studies of the context and use of m-banking/m-payments systems in the developing world. This section presents three important examples of non-technical (social and economic) contextual factors: comfort with electronic money, the availability of alternatives, and the social context of transactions. Each influences the dynamics of m-banking, m-payments, adoption and impact, currently unfolding around the world.

### Conceptualizing Electronic Money

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However, the challenges may run deeper than interface design. People coming to banking for the first time via the mobile handset require a command of abstract concepts about invisible/virtual money. Consider the lack of ways to wrap or 'gift' a digital money transfer. Beliefs, misunderstandings, habits, and concerns must be addressed if people who are used to storing money in cash are asked to store it 'in' a handset; the analogy remains strained the mobile is not yet a wallet.

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### Cross-Cutting Themes in Studies of M-Banking, M-Payments Use

The use questions described above means skills and mental models, alternatives, and social norms, each represent fruitful paths for future research. When such studies of m-banking, m transactions use in the developing world appear, it is likely that they will touch, implicitly or explicitly, on crosscutting themes shared by studies of other mediated communication technologies. There is little need for a new "theory of m-banking." Rather, our existing toolkit of theories of technology use and particularly technology use in the service of economic and social development (ICTD) is sufficiently robust to handle the introduction of this new technology.

### Mediating Informal Credit Mechanisms in Urban India

While using the three crosscutting themes identified above, we will now present and analyze the results of an exploratory study we conducted in urban India. This case study focuses on the importance of informal credit mechanisms amongst small enterprises in developing countries and explores some issues associated with using m-banking/m-payments systems to mediate those mechanisms. Despite India's growing role as an international hub for IT services and innovation, the majority of enterprises in India are not participants in the IT boom.

### Linking Adoption, Impact, and Use

There is also an additional rationale; the final section of this article will argue that closer examinations of use can inform and strengthen future studies of m-banking/m-payments adoption or impact, making them more likely to inform policy or to lead to the development of better products and services. Studies from the adoption perspective are sometimes criticized for requiring theoretical models that reduce use/nonuse to a binary condition. Nevertheless, complementary research on use can help refine both the independent and dependent variables in such models. A better understanding of the daily practice, norms, and use patterns of m-banking or m-payments will allow the construction of a better, more valid, dependent variable: Is use simply registering for the system? Engaging with it once every two weeks? Every day? More advanced models could distinguish between people who simply utilize an m-banking/m-payments system for occasional transfers and those people who begin to actually treat their mobile as a wallet, storing value for everyday needs, or as a method for long-term savings.

### Conclusion

The emergence of m-banking m-payments systems has implications for the more general set of discussions about mobile telephony in the developing world. Each transaction is influenced by the structural position of people in broader informational networks. The latest case of m-banking, m-payments systems is a reminder that an understanding of the role of the mobile in developing societies must include its role in mediating both social and economic transactions, sometimes simultaneously.

The existing theory about the significance of mobile communications in the developing world has focused on voice and text messaging. This focus is appropriate, but the emergence of mobile banking also underscores how, occasionally, innovations emerge from unexpected places and have the capability of reconfiguring the significance of a technology to its users. Mobile theory must keep pace, accounting for m-banking, m-payments systems along with other capabilities enabled by this increasingly flexible technology.

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## Current Research

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