

Understanding Mobile Banking from a Theoretical Lens: Case Studies of Selected Kenyan m-Banking Products

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ABSTRACT

Characteristic of every developing nation, Kenya has found itself at crossroads; defining the banking industry with the urge to provide banking services to majority of the unbanked populations. Mobile banking is a banking model that has been adopted by Kenyan Banks to reach out to unbanked populations. This paper is based on a case study conducted in Kenya on selected mobile banking products in 2012. The Actor Network theory methodology was used to identify and follow actors. Using in-depth interviews with key informants, survey of users and agents as well as focus group discussions and observation, it was established that agent phones and Point of service (POS) devices were used to deliver traditional banking services to users whose access mode was their mobile phone or debit cards. There existed partnerships between banks and mobile network operators whose operations were regulated by the Central Bank of Kenya and the Communications Authority of Kenya. This paper seeks to explore fundamental requirements for the interplay of actors in the execution of mobile banking services. It critically analyses data collected, with reference to the Network Society theory by Manuel Castells and Actor Network theory by Michael Callon and Bruno Latour, to inform on cross-sectoral partnerships and user attributes necessary in mobile banking uptake and use.

KEYWORDS

Actor Network Theory, Cross-Sectoral Partnerships, Mobile Banking Network Formation, Network Society

1. INTRODUCTION

The banking industry in Kenya has seen a tremendous transformation following the release of regulations (Agency Banking Act, 2010) allowing banks to offer services through third party agents. Kenya Commercial Bank (KCB), Co-operative Bank and Equity Bank, all financial institutions with a large retail distribution chain among others, have rolled out agent banking networks to provide an

extension of services to segments that may have been difficult to harness through the traditional bank branch model. By tapping into these markets through the wireless communication technology, mobile banking is emerging as a preferred channel for banking and financial services because of the ubiquitous nature of mobile devices and services, and the ability of mobile banking services to reduce overall operational costs, streamline operations, and expand customer base through flexibility. These services could be both transformational and additive (Porteous (2007).

With glaring possibilities exhibited by models like M-pesa (Martina, Ndati 2013), telecom providers now view financial content as a viable business and also appealing because a combined banking mobile communications product is a way for wireless telecoms to move beyond commodity voice services and differentiate their products to improve customer retention. Another attraction is that financial information is already stored and transmitted in precisely the form that allows it to be delivered by wireless means. In fact, it is the raw material of the existing telecom franchise. Besides, wireless communication delivers the interactivity to perform transactions on the spot.

Recent statistics (CCK operator returns 2014) in Kenya indicate that 89.1% of Kenyans have access to mobile phones compared to ownership of 79.2% meaning that people share phones in a household or in the community. Most people are therefore comfortable paying for various commodities using the phone and adding banking to these services, can hardly be a stretch. A natural transition is strategic in the diffusion of products targeting BOP populations (Fredrik, B. and Martin, P. (2009). In addition, successful innovations in retail finance allow people to manage their lives on their own terms (Wouter et al., 2010) and the mobile phone is in that mold. Today, people usually don't leave home without their mobile phones, so using the phone as a cashless way to make payments is certainly as convenient as using other traditional methods they are accustomed to. Consequently benefits of wireless finance can be extended to customers with scant or poor credit histories with less risk to the institution than that incurred by credit card companies making it a suitable fit for financial inclusion.

2. PROBLEM STATEMENT

Even though the telecommunications and financial service industries share important traits, they have some fundamental differences that partnerships can help overcome. Telecoms need certain capabilities in order to provide wireless finance services. Those they do not already possess, they can acquire relatively cheaply by allying themselves with banks, and the combination can create competitive advantage with the right regulations (Wouter et al, 2010). Despite these mergers between financial players and telecommunication companies promising to address financial exclusion particularly those associated with access and business volume; positive effects especially of the transformational nature are yet to be realized because partnerships in Kenya have been rocky (M-kesho (CBK, 2012) M-shwari, KCB-M-pesa among others¹). Consequently take up of mobile banking products targeting poor and marginalized populations has been low as less than 1% of total digital transactions among low income households are digital (CGAP, 2015). Furthermore there is a tendency by actors to channel lots of effort on innovations that are additive as opposed to those that address financial inclusion². So what ails the relationships in mobile banking and what needs to be done to stabilize these networks for sustained service delivery? Who are the actors in mobile banking? What are their roles in the emergent mobile banking networks? These are the questions that guided the research reported in this paper.

The specific objectives of the paper were to ascertain the usefulness of the Actor Network as a framework for informing trends in mobile banking and to determine the role of actors in the design, roll out and use of mobile banking products for financial inclusion.

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