MUNACINGA SIMATELE
University of Fort Hare, South Africa

MOBILE FINANCE USE IN A LOW INCOME CONTEXT: A CASE OF THE EASTERN CAPE PROVINCE OF SOUTH AFRICA

Abstract:

Financial inclusion is important for inclusive growth and the consequent reduction in poverty. Many researchers and policymakers recognise the critical role mobile financial services play in increasing financial inclusion. Low cost digital platforms can allow low income and small businesses to reduce costs by avoiding transactions costs associated with mainstream financial services. Effective interventions by both governments and providers require an understanding of factors that affect the use of mobile financial services. This paper uses a survey of 387 respondents in the Eastern Cape province of South Africa to understand micro factors affecting mobile finance use in a low income context. A structural equation logit model is used to identify the direct and indirect factors affecting mobile finance use. In particular, the study investigates the role played by risk associated with banks, mobile finance agents, fraud and technology. These factors are found to be key predictors of risk associated with mobile finance use. Device literacy is also important. Its effect is mainly through a moderating effect on risk. Financial literacy is also important. The effect of benefits associated with mobile financial services is also explored. Although factors such as unlimited access, physical security and cost are good predictors of the benefits of mobile financial services, this has no direct effect on the use of mobile financial services. Rather, its effect seems to again be associated with a moderating effect on risk. Income has no significant effect. The negative relationship with age indicates that younger respondents are more likely to use mobile financial services.

Keywords:

mobile finance, risk, literacy

JEL Classification: E44, G21, O16