

# KEY FACTORS INFLUENCING ADOPTION OF MOBILE BANKING

DENAGAMA VITHARANAGE DUMITH LAKSHAN

1536



FCM1536  
Project Report  
Library - EUSL

DEPARTMENT OF MANAGEMENT  
FACULTY OF COMMERCE AND MANAGEMENT  
EASTERN UNIVERSITY, SRI LANKA

## ABSTRACT

Mobile phones have created a new channel to expand commercial transactions in a very easy manner and have created a wide array of business opportunities through the expansion of wireless communication. These developments facilitate an easy way of providing banking services and it could minimize the operational cost of the banks. Mobile banking contributed to the development of the nation through promotion of better financial services. However, determining the characteristics of mobile banking services and how banks could achieve a proper relationship with customers through mobile banking is vital for development of mobile banking. Therefore, this research focuses primarily on identifying the factors that influencing Adoption of mobile banking services.

The main variables considered in this study consist of Trust, Convenience, Relative Advantages and Perceived Risk. The research methodology mainly focused on gathering primary data using a questionnaire from mobile banking customers in Trincomalee district. Hypothesis developed based on the variables that affect the consumer adoption of mobile banking service. The conclusions of the study revealed that Adoption of mobile banking service is significantly influenced by Trust, convenience, Relative Advantage and perceived Risk. Therefore these findings will help the banks to increase adoption rate of mobile banking service.

**Key Words: Mobile Banking, Technology Adoption, Adoption of Mobile Banking**

# TABLE OF CONTENTS

Contents	Page No
Acknowledgement.....	I
Abstract.....	II
Table of Contents.....	III
List of Tables.....	VIII
List of Figures.....	X
List of Abbreviation.....	XI
<b>1. Chapter One – Introduction.....</b>	<b>01-06</b>
1.1. Background of the Study.....	01
1.2. Importance of mobile banking.....	03
1.3. Problem Statement.....	04
1.4. Research Questions.....	05
1.5. Objectives of the Study.....	05
1.6. Significance of the study.....	06
1.7. Scope of The Study.....	06
1.8. Summary.....	06
<b>2. Chapter Two – Literature Review.....</b>	<b>07-24</b>
2.1. Introduction.....	07
2.2. Development of mobile banking.....	07
2.2.1. Mobile Commerce.....	07
2.2.2. Mobile Banking.....	08
2.3. Models of Mobile Banking.....	10
2.3.1. Bank-led model.....	10
2.3.2. Bank-focused model.....	11
2.3.3. Non bank-led model.....	11
2.4. Technologies used in mobile banking services.....	11
2.5. Development of mobile devices and Mobile banking Adoption.....	12
2.6. Adoption of Mobile Banking.....	13
2.7. Models of customer Adoption.....	15
2.7.1. Theory of Reasoned Action.....	15
2.7.2. Technology Acceptance Model.....	16
2.7.3. Innovation Diffusion Theory.....	16

2.8	Demographic Variables Influence adoption of mobile banking service.....	17
2.8.1.	Gender .....	18
2.8.2.	Age .....	18
2.8.3.	Level of Education .....	19
2.8.4.	Occupation.....	20
2.8.5.	Monthly Income.....	20
2.9.	Factors influencing adoption of mobile banking.....	20
2.9.1.	Trust.....	20
2.9.2.	Perceived Ease.....	21
2.9.3.	Perceived Usefulness.....	22
2.9.4.	Relative Advantages.....	23
2.9.5.	Perceived Risk.....	23
2.10.	Summary.....	24
<b>3.</b>	<b>Chapter Three – Conceptualization and Operationalization.....</b>	<b>25-31</b>
3.1.	Introduction .....	25
3.2.	Conceptual Framework .....	25
3.3.	Definition of key concepts and variables .....	26
3.3.1.	Adoption.....	26
3.3.2.	Trust.....	26
3.3.2.1.	Ability.....	26
3.3.2.2.	Integrity .....	26
3.3.2.3.	Benevolence.....	27
3.3.3	Convenience .....	27
3.3.3.1.	Perceived usefulness.....	27
3.3.3.2.	Perceived ease of use.....	27
3.3.4.	Relative Advantage.....	28
3.3.4.1.	Perceived cost saving.....	28
3.3.4.2.	Perceived time saving.....	28
3.3.5.	Perceived Risk.....	29
3.3.5.1.	Performance Risk.....	29
3.3.5.2.	Security Risk.....	29
3.3.5.3.	Time Risk.....	29
3.3.5.4.	Social Risk.....	30

3.4. Operationalization .....	30
3.5. Summary .....	31
<b>4. Chapter Four – Methodology .....</b>	<b>32-38</b>
4.1. Introduction .....	32
4.2. Study setting and design.....	32
4.3. Sampling.....	33
4.3.1. Study population.....	33
4.3.2. Sample Size .....	33
4.4. Method of Data Collection.....	33
4.4.1. Questionnaire.....	34
4.5. Data Presentation and Analysis.....	35
4.5.1. Data Presentation.....	35
4.5.2. Data Analysis .....	35
4.6. Method of Data Evaluation .....	36
4.6.1. Univariate Analysis .....	36
4.6.2. Bivariate Analysis .....	36
4.6.2.1. The Correlation Analysis .....	37
4.6.2.2. Simple regression Analysis .....	37
4.6.2.3. Hypothesis Testing .....	38
4.7. Summary.....	38
<b>5. Chapter Five – Data presentation and Analysis .....</b>	<b>39-67</b>
5.1. Introduction .....	39
5.2. Personal Information .....	39
5.2.1. Gender .....	39
5.2.2. Age category.....	40
5.2.3. Education Level.....	41
5.2.4. Occupation.....	42
5.2.5. Monthly income level.....	43
5.2.6. Banking usage .....	44
5.2.7. Bank of the Respondent .....	45
5.3. Data Reliability.....	46
5.4. Research Information .....	47
5.4.1. Univariate Analysis .....	47

5.4.1.2. Convenience .....	49
5.4.1.3. Relative Advantage.....	51
5.4.1.4. Perceived Risk .....	53
5.4.1.5. Adoption .....	55
5.3.2. Bivariate analysis.....	57
5.4.2.1. Correlation Analysis.....	57
5.4.2.1.1. Correlation between Trust and Adoption .....	57
5.4.2.1.2. Correlation between Convenience and Adoption.....	58
5.4.2.1.3. Correlation between Relative Advantage and Adoption .....	58
5.4.2.1.4. Correlation between Perceived Risk and Adoption...59	
5.4.2.2. Hypothesis Testing .....	59
5.4.2.2.1. Hypothesis testing for Trust and Adoption .....	60
5.4.2.2.2. Hypothesis testing for Convenience and Adoption....61	
5.4.2.2.3. Hypothesis testing for Relative Advantage and Adoption.....	62
5.4.2.2.4. Hypothesis testing for Perceived Risk and Adoption.64	
5.4.2.3. Multiple Regression.....	65
5.5. Summary .....	67
<b>6. Chapter Six – Discussion.....</b>	<b>68-73</b>
6.1. Introduction .....	68
6.2. Discussion on Personal Information.....	68
6.3. Discussion on Research Variables.....	69
6.3.1. Impact of Trust on Adoption of M- banking.....	69
6.3.2. Impact of Convenience on Adoption of M- banking .....	70
6.3.3. Impact of Relative Advantage on Adoption of M-banking.....	71
6.3.4. Impact of Perceived Risk on Adoption Of M-banking .....	72
6.4. Summary .....	73
<b>7. Chapter Seven – Conclusion and Recommendation .....</b>	<b>74-78</b>
7.1. Introduction .....	74
7.2. Conclusion.....	74
7.3. Recommendations .....	75
7.4. Limitations.....	77

7.6. Implications .....78

7.7. Summary .....78

**References..... 79-85**

**Appendix - 1: The Questionnaires used for the study..... 86-88**