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IMPACT OF MOBILE BANKING ADOPTION ON FINANCIAL INCLUSION IN DEVELOPING ECONOMIES

Muhammad Farhan Amjad[*1], Muhammad Rehan Amjad[2]

[*1]*Performance Manager at a power plant, Multan*
[2]*Director at Roomi Engineering Services, Multan*

[*1]farhan.sheikh@ymail.com, [2]mfa.6309902@gmail.com

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Corresponding Author: *
Muhammad Farhan Amjad

Abstract

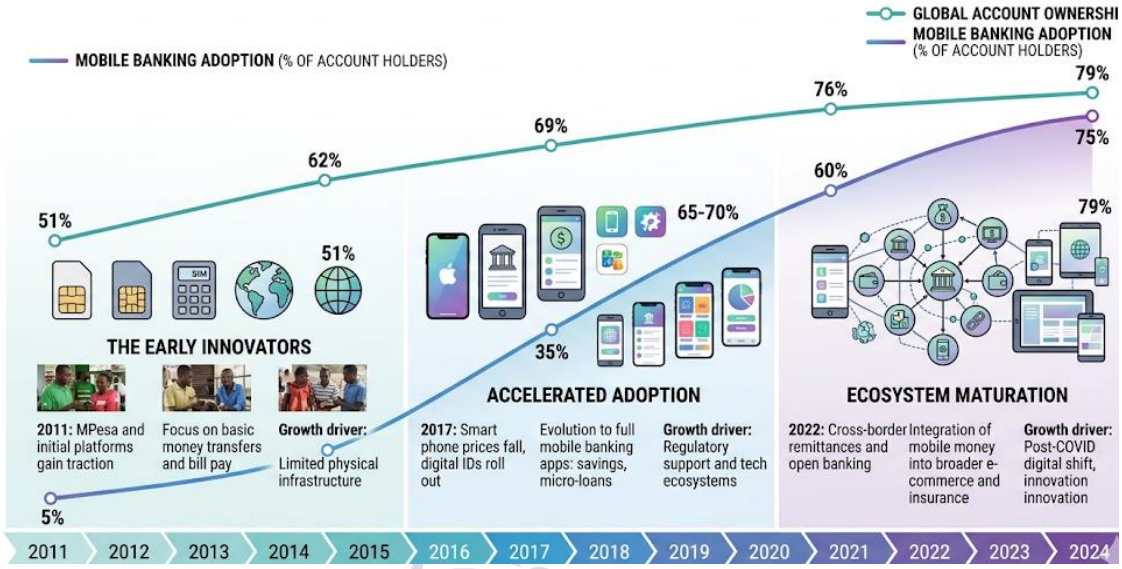
This study examines the impact of mobile banking adoption on financial inclusion in developing economies, highlighting its transformative role in expanding access to financial services. Drawing on global data trends and regional case studies from Sub-Saharan Africa, South Asia, and Latin America, the research demonstrates how mobile banking has reduced geographical and infrastructural barriers, enabling millions of previously unbanked individuals to participate in the formal financial system. The study integrates key theoretical frameworks such as the Technology Acceptance Model (TAM) and the Unified Theory of Acceptance and Use of Technology (UTAUT) to explain adoption behavior, emphasizing factors like perceived usefulness, ease of use, and social influence. Findings indicate that while account ownership has significantly increased, challenges persist in terms of active usage, financial literacy, and trust in digital systems. Innovations such as mobile money platforms, interoperable payment systems, and AI-driven credit scoring have further enhanced financial inclusion, yet disparities remain, particularly among women and the elderly. Behavioral barriers, regulatory complexities, and the access-usage gap continue to limit the full potential of digital finance. The study concludes that mobile banking is a powerful catalyst for financial inclusion, but its long-term success depends on inclusive policies, user-centric design, and sustained efforts to improve digital literacy and trust.

1. INTRODUCTION

The global financial architecture has undergone a radical transformation over the last two decades, driven by the rapid convergence of mobile telecommunications and retail banking (Demirgüç-Kunt et al., 2022). In developing economies, where traditional brick-and-mortar banking infrastructure was historically centered in urban hubs, the arrival of mobile banking has acted as a primary engine for financial inclusion (Ozili, 2018). As of 2024, the Global Findex Database highlights that account ownership among adults in low- and middle-income economies has increased significantly, with global account ownership reaching 79%, a substantial rise from 51% in 2011 (World Bank, 2024). This expansion represents a structural shift in how billions manage risk and participate in the modern economy (Jack & Suri, 2014). Mobile banking has effectively decoupled financial services from physical geography, allowing rural populations to bypass high transaction costs (Munyegera & Matsumoto, 2016).

The conceptualization of financial inclusion has evolved from basic access to a more nuanced understanding of meaningful usage and financial health. While the first decade focused on "getting people their first accounts," the current phase prioritizes usage, security, and resilience (Ardic et al., 2022). Despite high account ownership, many individuals in developing nations remain "underbanked," possessing an account but lacking the confidence to use it beyond simple cash transactions (Okičić & Kokorović Jukan, 2023). The rapid expansion of financial inclusion over the past decade is illustrated in Figure 1. The figure highlights the strong correlation between mobile banking adoption and increased account ownership globally.

Figure 1: Evolution of Financial Inclusion through Mobile Banking



2. Theoretical Frameworks Governing Adoption and Integration

Researchers rely on established theoretical models to explain the determinants of technology acceptance. The Technology Acceptance Model (TAM) identifies perceived usefulness and perceived ease of use as primary drivers of adoption (Davis, 1989).

The Unified Theory of Acceptance and Use of Technology (UTAUT) incorporate social influence and price value as critical predictors. In emerging markets, adoption is heavily influenced by "social influence," where community endorsement acts as a surrogate for institutional trust (Pazarbasioglu et al., 2020).

Table 1: Theoretical Frameworks for Mobile Finance Adoption

Theoretical Model	Core Determinants of Adoption	Application in Mobile Banking Research
Technology Acceptance Model (TAM)	Perceived Usefulness, Ease of Use	Explaining initial adoption in rural areas (S_R23, S_R123)
UTAUT / UTAUT2	Performance Expectancy, Social Influence	Analyzing community norms and cost sensitivity
Innovation Diffusion Theory (IDT)	Relative Advantage, Compatibility	Mapping the spread of services across social strata (S_R34, S_R81)
Financial Inclusion Theory	Access, Usage, Quality, Affordability	Assessing welfare impact and depth of engagement (S_R12, S_R23)

3. Global Trends in Digital Connectivity and Account Ownership

The 2025 Global Findex Database reveals that 75% of people in low- and middle-income economies (LMICs) now have access to a formal account. In Sub-Saharan Africa, mobile money is the primary gateway, with approximately 40% of adults possessing an account (Nichelatti, 2025).

Table 2: Evolution of Account Ownership by Economy Group (2011–2024)

Economy Group	Account Ownership (2011)	Account Ownership (2021)	Account Ownership (2024)
World	51%	74%	79%
Low Income	<25% (est.)	<40% (est.)	<50%
Lower Middle Income	30% (est.)	60% (est.)	68%
LMIC (Overall)	N/A	66%	73%
Sources:			

Digital connectivity serves as the bedrock for this progress. By 2024, 84% of adults in LMICs owned a mobile phone. This access allowed 61% of adults in LMICs to make or receive digital payments in 2024, a 27-percentage point increase since 2014 (Awan, 2026).

4. Regional Analysis: Sub-Saharan Africa and the Mobile Money Revolution

Sub-Saharan Africa remains the global epicenter of mobile money, pioneered by M-Pesa in Kenya in 2007. Mobile money accounts allow users to store value digitally and transfer funds safely, often serving as the sole formal financial instrument for rural populations (Wachira, 2023).

4.1. The M-Pesa Phenomenon and Its Legacy

By 2023, an estimated 59% of Kenya's GDP was facilitated through M-Pesa, with over 90% of adults using the service. Studies suggest M-Pesa has increased the financial resilience of low-income households, allowing them to smooth consumption during negative shocks. Rural families receiving remittances via M-Pesa have reported higher dietary diversity (Yao et al., 2023).

4.2. Tanzania and West Africa: Scaling and Challenges

In Tanzania, mobile money accounts increased from 32 million in 2020 to over 63 million in 2024, raising the financial inclusion index from 0.45 to 0.81. There is a strong positive correlation ($r = 0.930$) between account adoption and the overall financial inclusion index. Conversely, mobile money taxes in Cameroon and Mali have led to sharp usage declines, particularly among unbanked users (Osabutey & Jackson, 2024).

Table 3: Mobile Money Performance in Sub-Saharan Africa (2025 Estimates)

Metric	Sub-Saharan Africa Performance	Global Average Comparison
Transaction Volume Growth (YoY)	20%	Global Average
Transaction Value Growth (YoY)	16%	Global Average
30-Day Activity Rate	Regionally Leading	25.7% (Global)
Annual Transaction Value	Over $1.68 Trillion (Global)	High Concentration in SSA
Sources:		

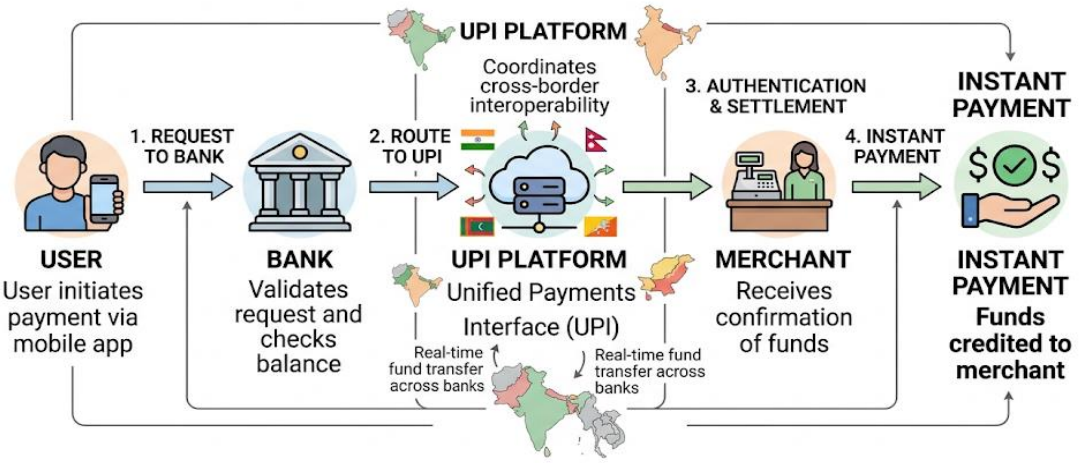
5. South Asia and the Power of Interoperability

South Asia focuses on bank-led models and government payment rails, exemplified by India's Unified Payments Interface (UPI) and Bangladesh's bKash (Azeema et al., 2025).

5.1. India's UPI: A Paradigm Shift in Retail Payments

Launched in 2016, UPI has revolutionized transactions. By 2024, UPI processed over 15 billion transactions monthly, representing 81.8% of India's digital payment volume. Its success is attributed to open architecture and a zero-transaction-fee policy (Vidani, 2024). Figure 2 demonstrates the operational architecture of interoperable payment systems such as UPI. This model enables seamless, real-time transactions across multiple financial institutions.

Figure 2: Interoperable Payment Systems in South Asia (UPI Model)



5.2. Bangladesh: bKash and the Velocity of Money

In Bangladesh, bKash reached over 11 million users within 30 months of launch. Transitioning to a "digital-loop" ecosystem where money stays digital from earning to consumption has increased the speed at which money "turns over" in the economy (Arshad & Hussain, 2025).

6. The Latin American Model: Brazil's Pix and Open Finance

Launched in 2020, Brazil's Pix platform is an instant payment system mandatory for all major financial institutions. By 2024, 96% of adults used Pix, processing transactions totaling 226% of Brazil's GDP (Vicente, 2020).

6.1. From Payments to Open Finance

Pix usage is nearly universal among small business owners, accounting for 90% of non-cash revenues. This digital history paves the way for Open Finance, allowing users to share data across institutions to demonstrate creditworthiness (Khaing, 2024).

Table 4: Brazil's Digital Transformation: Pre- and Post-Pix Metrics

Metric	2019 (Pre-Pix)	2024 (Post-Pix)
Cash Share of Transactions	77%	22%
Account Ownership	70% (est.)	90%+
Pix Transaction Value as % of GDP	0%	226%
Adult Usage Rate	0%	96%
Sources:		

7. Artificial Intelligence and the Future of Mobile Credit

The integration of Artificial Intelligence (AI) and Machine Learning (ML) into mobile apps represents the next frontier. AI processes "alternative data" like mobile top-up patterns to generate credit scores for those without traditional credit files (Adewuyi et al., 2023).

7.1. Alternative Data and Predictive Accuracy

Fintech platforms like Egypt's MNT-Halan use "superapp" data to automate over 50% of loan approvals. Research shows ML models like Random Forest deliver superior predictive power (Dawn, 2020).

Table 5: Predictive Accuracy of Machine Learning Models in Credit Scoring

Credit Scoring Model	Metric	Performance Level
Random Forest	R^2 (Predictive Accuracy)	0.87
Random Forest	Mean Squared Error (MSE)	12.4
Gradient Boosting	F1 Score (Classification)	0.91
Gradient Boosting	Precision / Recall	0.89 / 0.93

8. Persistent Gaps: The Gender Divide and the Elderly

While macro-level data is positive, persistent disparities remain in regional and demographic segments.

8.1. The Widening Mobile Money Gender Gap

While the global account ownership gender gap is 4 percentage points, the gap in *mobile money account ownership* has widened in some regions. In 2024, women in LMICs were 36% less likely than men to own a mobile money account.

8.2. Digital Exclusion of the Elderly

Older adults struggle with limited technical knowledge and lack of familiarity with mobile interfaces. Digital barriers remain a significant factor behind the exclusion of the elderly, impacting their ability to access social welfare.

9. Behavioral Barriers and the Access-Usage Gap

The "access-usage gap" remains a significant challenge. Globally, account ownership reached 79% in 2024, yet overall financial health has not improved commensurately (Beyer, 2025).

9.1. The Psychology of Scarcity and Trust

Low-income individuals often face "cognitive bandwidth" constraints and "present bias," preferring immediate cash over digital balances. In Nigeria, 60% of underbanked individuals cite concerns about ATM reliability and emergency cash access as barriers to deeper usage (Keya Otinga et al., 2025).

9.2. Designing for Retention and Health

Consistent usage is the most significant driver of financial health. Active users are 82% more likely to adopt advanced products like insurance. Providers are shifting toward "bite-sized" in-app education to bridge knowledge gaps (Klapper et al., 2025).

Table 6: Psychological and Behavioral Barriers to Digital Engagement

Behavioral Barrier	Underlying Mechanism	Impact on Usage
Present Bias	Preferring immediate cash over digital	Low formal savings
Trust Deficit	Fear of system failure or scams	Minimal use of advanced services
Mental Models	Viewing accounts as "pass-throughs"	Low engagement after G2P payments
Scarcity Mindset	Cognitive load from managing resources	Avoiding complex digital tools

10. Regulatory Dynamics and the Challenge of Arbitrage

The rise of mobile money operators (MMOs) has created a "dual regulatory regime," where MMOs face lighter oversight than banks. This regulatory asymmetry leads to "arbitrage," where firms avoid compliance costs (Mastercard, 2026).

10.1. Comparative Policy Approaches

- **Kenya:** Moved from "light-touch" regulation to more integrated frameworks as the market matured.
- **India:** Utilizes "Differentiated Licensing" through Payments Banks, which are prohibited from lending to disaggregate risks.
- **Ghana:** Mandates a "Bank-Led Partnership Model" where telecom operators must partner with licensed banks (Mavhunga, 2026).

10.2. The Role of Taxation and Oversight

Sector-specific taxes are highly regressive, disproportionately impacting rural and low-income users. Effective oversight requires monitoring transaction quality and consumer protection mechanisms (Venkatesh et al., 2003).

11. Conclusions

Mobile banking has emerged as a critical driver of financial inclusion in developing economies, fundamentally reshaping how individuals' access and use financial services. The evidence shows that mobile-based financial solutions have significantly increased account ownership and enabled greater participation in the digital economy, particularly in regions with limited traditional banking infrastructure. Successful models such as mobile money in Sub-Saharan Africa and interoperable payment systems in South Asia demonstrate the scalability and adaptability of digital finance. However, the transition from access to meaningful usage remains incomplete. Persistent challenges including behavioral biases, trust deficits, gender disparities, and digital illiteracy continue to hinder deeper financial engagement. Additionally, regulatory inconsistencies and taxation policies may inadvertently restrict adoption among vulnerable populations. To fully realize the benefits of mobile banking, policymakers and financial institutions must prioritize user education, strengthen consumer protection, and design inclusive financial ecosystems that address the needs of marginalized groups. Future advancements, particularly in artificial intelligence and data-driven credit systems, hold significant promise but must be implemented responsibly. Ultimately, sustainable financial inclusion will depend not only on technological innovation but also on building trust, improving usability, and ensuring equitable access for all segments of society.

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