

INSIGHT

# Ease of Use Affects Uptake of Mobile Financial Services



Mobile apps for financial services scored higher with consumers who use Android phones than with iPhone users, who are the minority in the Republic of Korea. Photo credit: ADB.

*In the Republic of Korea, financial firms need to enhance the convenience of mobile services and ensure universal accessibility.*

## Introduction

The share of internet transactions is growing in the Republic of Korea as financial services become increasingly digitized. However, consumers' satisfaction level with mobile services remains low. Financial firms need to enhance service convenience and ensure universal accessibility, especially since consumers care about user interface and user experience. iPhone users' satisfaction level with mobile banking is particularly low.

The current service model also needs to be overhauled. One of the tasks in this direction is to discard the mandatory use of an authenticated certificate.

# Analysis

According to the Bank of Korea, the number of customers registered for mobile banking services at 18 domestic banks and the post office was 99.77 million as of June 2018, up 5.3% from March and representing 70.6% of all customers registered for online banking services. In the second quarter of 2018, an average of 116.64 million online transactions?e.g. account view, fund transfer, loan application?were made daily, up 7.5% from the preceding quarter. However, the daily average transaction value fell by 1.2% to 53 trillion won (more than \$46 billion).

The share of mobile banking in internet banking stood at 63.0% in terms of the number of transactions and 9.6% in terms of transaction value. The average number of daily mobile transactions was 73.48 million, up 9.0% from a quarter ago, but the average daily transaction value declined by 5.3% to 5.0911 trillion won.

As for securities trading, the number of internet transactions was 26.5 billion, of which mobile trading was 13.0 billion or about 49%, and its trading value was 1.501 trillion won or 19.8% of the internet trading volume. (Note: Data on internet trading was retrieved from 27 firms and data on mobile trading, from 36 firms.)

For insurance services, the number of customers who registered for internet marketing was about 31.21 million at end-2017. The number of internet transactions was 237.5 million in 2017. (Note: Data is from 24 life insurers and 16 non-life insurers; no data on mobile insurance transactions.)

**Table 1: Internet Transactions in the Financial Sector in the Republic of Korea**

	<b>Service</b>	<b>No. of registered customers (1,000 persons)</b>	<b>No. of transactions (1,000)</b>	<b>Amount (in billion won)</b>
<b>Banks</b>	Internet banking <sup>1</sup>	140,671 <sup>2</sup>	116,643 <sup>3</sup>	53,002.8 <sup>3</sup>
	Mobile banking	99,770 <sup>2</sup>	73,480 <sup>3</sup>	5,091.1 <sup>3</sup>
<b>Securities firms<sup>4</sup></b>	Internet trading <sup>1</sup>	n. a.	26,523,717	7,570,395
	Mobile trading	n. a.	13,044,638	1,501,099
<b>Insurers<sup>4</sup></b>	Internet marketing	31,207	237,503	n. a.

n. a. = not applicable

<sup>1</sup>Internet banking and internet securities trading include records of mobile banking and mobile trading.

<sup>2</sup>As of Q2 2018.

<sup>3</sup>

Based on daily average in Q2 2018.

<sup>4</sup>End-2017 or 2017 data for securities firms and insurers.

Source: Bank of Korea. 2018. Current Status of Internet Banking Service Use in Q2 2018. 28 August.

According to the Korea Institute of Finance (KIF), customers' satisfaction level with mobile applications (apps) for financial services was quite low, except for recently launched internet-based banks and foreign banks.

**Table 2: Consumer Evaluation on Mobile Apps for Financial Services in the Republic of Korea**

	Operating system	No. of companies by score				Score summary		
		2 or lower	2~3	3~4	4 or higher	Lowest	Highest	Average
<b>Banks<sup>1</sup></b>	iOS (iPhone)	6	8	3	1	1.3	4.8	2.4
	Android	0	4	13	1	2.5	4.5	3.3
<b>Securities firms<sup>2</sup></b>	iOS (iPhone)	9	9	1	0	1.5	3.6	2.1
	Android	0	2	17	1	2.6	4.4	3.5
<b>Insurance firms<sup>3</sup></b>	iOS (iPhone)	14	11	2	1	1.0	4.1	2.0
	Android	1	6	20	2	1.8	4.4	3.2

<sup>1</sup>12 commercial banks, 2 Internet-based banks, 4 special banks (NH Bank, Suhyup Bank, Industrial Bank of Korea, and Korea Development Bank).

<sup>2</sup>Top-20 firms by asset volume; one firm excluded from iPhone user evaluation due to a small number of users.

<sup>3</sup>18 life insurers and 11 non-life insurers that provide mobile apps; one firm excluded from iPhone user evaluation due to the absence of mobile app.

Source: KIF

# Implications

Overall, consumers' satisfaction level was higher for users of Android phones, presumably because financial firms pay relatively less attention to the small number of iPhone users in the Republic of Korea. Average score for users of iPhones was below 3, while that for Android phones was around 3. This suggests that financial firms need to make greater efforts to ensure universal accessibility for all consumers. For comparison, consumers' satisfaction level for leading global banks, such as JP Morgan, Bank of America, Wells Fargo, Llyods, and so on, was close to 5, and the score was higher for users of iPhones than for Android phones.

Considering that competitiveness of mobile apps could be crucial for banks' competitiveness as financial services become increasingly more digitized, financial firms need to enhance convenience of mobile services in terms of user interface and user experience, and note consumers' frequent complaint on the use of authenticated certificate even though its mandatory use has been abolished.

# Resources

Korea Institute of Finance website



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His research areas are economics theory, auction theory, industrial organization, and consumer credit. He obtained his bachelor's and master's degrees in Economics at Seoul National University, and his Ph. D. in Economics from the University of Illinois at Urbana-Champaign. He has worked as research assistant at US-based National Bureau of Economic Research.

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