

Mobile payments and Financial Control

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The study explores the influence of locus of control (LoC) and self-efficacy on mobile payment use and how it ultimately relates with spending and saving behavior. Since most mobile wallets are linked to a credit card, the study also examines how mobile payments are associated with the management of outstanding balances. Furnham (1986) developed an economic LoC scale from 40 items which can be grouped into chance/external or internal factors, provider control, powerful others, and the nature of the problem factors. Out of 40 proposed in the paper, the present study proxies four items: “I feel that my finances are determined mostly by powerful people”, “When I make plans I am almost certain to make them work”, “I can pretty much determine what will happen to me financially”, “Getting what I want financially requires pleasing those people above me”.

We use the 2018-tracking file of the National Financial Capability Study (NFCS) to access pooled data. Mobile payment use is measured by “How often do you use your mobile phone to pay for a product or service in person at a store, gas station, or restaurant by waving/tapping your mobile phone over a sensor at checkout, scanning a barcode or QR code using your mobile phone”. This is only available in 2015 and 2018. After cleaning all variables of interest, 45,271 respondents are included of which a weighted 51% come from 2015 and the rest from 2018. A significant negative coefficient for the 2015 dummy inherently captured the evolution of mobile fintech, and its increasing availability and use.

The financial outcome variables hypothesized to be influenced by LoCs, self-efficacy, and mobile payments are “spending more than income” (full sample), “...overdraw checking account?” (banked only), for those with credit cards, “carried over balance and charged interest”, and “occasionally pay minimum balance”. Latent constructs for LoC and self-efficacy were explored in a priori factor analyses for the multivariate models estimated for each financial outcome.

The study found that those most knowledgeable about finances (more powerful than others), those who had determined their retirement needs, and those with higher self-assessed financial knowledge were more likely to use mobile payments. At the same time, mobile payments seemed to increase the probability of spending more than income and having an occasional bank overdraft. AFS use was positively associated with mobile payment use but not having a credit card reduced the probability of using mobile payments. Mobile payment users with credit cards seemed less likely to carry over balances or to make only the minimum payment. We conclude that fintech use is influenced by locus of control beliefs which may themselves be detrimental to spending. Financial planners and therapists should consider determining the Economic LoC of their clients to fully understand clients and help them achieve ideal financial goals. Surveys can be used to determine if clients are internally or externally motivated in order to advise and monitor their plans effectively.

References

Furnham, A. (1986). Economic locus of control. *Human relations*, 39(1), 29-43.

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