

The Electronic Banking System and Efficient Service Delivery in the Banking Sector

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Abstract

The study examined the E-banking system effective service delivery in the banking system. The basic issue is the poor service delivery, despite the introduction of the e-banking technology meant to enhance efficiency. There is also the issue of incessant complaints by the customers on issues of quality and pro-activeness of banking service notwithstanding the E-banking technology. The study made use of survey research design, using structured questionnaire to gather data on issues and subjects of e-banking and service delivery. The binomial test was used. The study revealed that although the E-banking technology is an effective and reliable system but the state of the technology applied in Nigeria and the poor remuneration of staff with poor technological knowledge of customers have combined in reducing the efficiency of service delivery by the banking sector despite the E-banking technology. It was, however, recommended that a good remuneration, technology education and flexibility but innovative technology utilization will combine to lift the performance of the E-banking technology.

Keywords: e-banking, technology, cashless society,

INTRODUCTION

The Nigerian banking system has over the years operated on the manual system. Banks just like other businesses are tuning to information technology to improve business efficiency, service quality and attract new customers (Nath et al, 2001). Today e-banking has experienced phenomenal growth and has become one of the main avenues for banks to deliver their products and services (Amato-McCoy, 2005). Electronic banking, however began in Nigeria in the late 1980s, Balogun(2012) averred that in the year 1986, Societe Generale Bank of Nigeria (SGBN) introduced online, real-time banking within its 5 branches in Lagos metropolis and also the ATM was first introduced in Nigeria according to Agoola(2003) by Societe Generale bank in 1990 under the trade name "Cash Point" and First bank plc also introduced the same in 1991 under the name of "First Cash". He also noted that Nigeria was the fourth to introduce card based electronic payment in the world.

Most banks especially the 3rd generation banks began the application of computer technology. Remote computers were installed at each branch. The main frame computers were used and each desk in the banks has a terminal connected to the main frame. Reports were normally taking to the head office in both hard copy and soft copy using diskette, disk and latter U.S.B flash. This was the beginning of the E-banking in Nigeria. Since then, the technology has continued to improve, the second stage of growth of the technology is when the whole bank is interconnected within various wide area network of various format (Balogun, 2012). There are currently estimated over 80 million adults who conduct banking service online in 2007 (eMarketer, 2007). Today with the improved telecommunication system the E-banking system in Nigeria has come of age comparable to other nations of the world especially the Asia nations. The E-banking has it as its goals the improvement of performance of the banks, effective and equitable service delivery is another of the goal of the E-banking system. The need to globalise the banking industry and the whole financial system is also a necessitating factor for the E-banking system. The E-banking also intend to ensure quality financial service delivery by the banks, the need to foster an efficient financial market and broad based cashless society is of value in the introduction of the E-banking, transparency and quick service rendition is equally intend by the E-banking. With the e-banking, the banks will be able to handle large volume of transactions.

Thus, this study will evaluate the effectiveness and efficient service delivery goal of the E-banking technology.

Literature Review

Osabuohien(2008) stated that technology can be referred to as the application of knowledge for the execution of a given task. It entails skills and processes necessary for carrying out activities (works) in a given context, While ICT encompasses computer systems, telecommunication, networks, and multimedia applications to work (Frenzel, 1996). It came into use in the late 1980's replacing earlier terms like Electronic Data Processing (EDP), Management Information System (MIS), although the latter terms are still in use as noted by Frenzel (1996).

Information and Communication Technology (ICT) strategic application in concepts, techniques and policies to banking services has become a subject of fundamental importance and concerns to all banks and indeed a prerequisite for local and global competitiveness in the banking industry Connel and Saleh observed in Adudu and Kingoo(2012) . According to Ozuru et al. (2010) "The importance of electronic payment system in any country can never be over emphasized, due to the dramatic transformation in technological advancements that is being experienced by the global financial industry". The advancement in Technology has played an important role in improving standards of activities in the Banking industry. In its simplest form, the Automated Teller Machines (ATMs) and deposit machines now allow consumers to carry out banking transactions beyond banking hours either at the banking arena or remotely at any other place.

Akpan(2012) study the effectiveness of the electronic banking (e-banking) system and the customer service and noted that the current banking operation in Nigeria is significantly adequate. For competitive sake, banks must develop services to satisfy customers as well as delight them at the same time. It was also noted that majority of bank customers are not aware of other electronic services than the existence of automatic Teller Machine (ATM) other electronic services like internet banking, telephone banking and Point-of-Sale (POS) are not known. The study recommended that banks should create enough awareness on other electronic services available in the country. It was also recommended that banks should use more efficient telecommunication equipment like fibre-optic cable in data transmission to make the system operation faster and secured given the associated problems of insecurity in electronic cards and frequent network failures in banking services.

Adudu and Kingoo(2012) in a related study of the relationship between electronic banking and financial performance among commercial banks in Kenya opined that the banking industry has been in a process of significant transformation. He noted that the force behind this transformation of the banking industry is Innovation in Information Technologies. Information and communication technology is at the centre of this global change curve of electronic banking system in Kenya today. He noted that in general e-banking has strong and significance effects on returns on asset in the Kenyan banking industry and hence there exists positive relationship between e-banking and bank performance. Adudu and Kingoo(2012) like Akpan(2012) in general concluded that electronic banking has made banking transaction to be easier by bringing banking services closer and improving banking industry performance.

Ovia(2001) argue that Electronic banking is a product of e-commerce in the field of banking and financial services. In what can be describe as Business-to-consumer (B2C) domain for balance enquiry, request for cheque books, recording stop payment instruction, balance transfer instruction, account opening and other forms of traditional banking services. Banks are also offering payment services on behalf of their customer who shop in different e-shops (Adudu and Kingoo, 2012). The introduction of electronic banking has improved banking efficiency in rendering services to customer. Information and Communication Technology (ICT) is at the centre of electronic banking system in Kenya today (Steven, 2002).

It was Adudu and kingoo(2012) who noted that the Banking industry in Kenya cannot ignore information systems because it play a critical role in the current banking system growth, they pointed out that the entire cash flow of most banks are linked to information system. Therefore, the quality of electronic banking services become an important area of attention among the researchers and banks managers due to its strong influence on the business performance, lower costs, customer satisfaction, customer loyalty, and profitability (Seth et al., 2004).

Agboola(2003) also study the impact of banking on customer services and noted that electronic products have been increasing in variety and popularity in Lagos state in the current time. The study stated that 98% of customers agreed that computer facilitates accurate records of banking activity. It was equally noted that the quality of service delivery has greatly improved since the introduction of electronic services in term of time of service, convenience, prompt and fair attention, faster service and possibility of home and office services. In fact, the basic Electronic Service Quality standard is developed with four dimensions: efficiency, fulfilment, system availability and privacy (Parasuraman et al., 2005; Ibrahim et al., 2006).

The existence of the Automated Teller Machines (ATM), Cards, Telephone Banking, Personal Computer Banking and Internet Banking were reported by CBN(2003) to be in Nigeria now and this obviously is going to bring improvement to banking services and increase competition in the sector. Thus, Nigerian banks today are seriously into new electronic delivery channels for banking products and services with a view to delivering better services and satisfying customers the more, notwithstanding the poor security problem of the internet banking system.

According to Sergeant (2000), the benefits of E-banking are many and include the benefit to the banks, customers and even the regulators. According to him, for banks, E-banking brings different and arguably lower barriers to entry; opportunities for significant cost reduction; the capacity to rapidly re-engineer business processes and greater opportunities to sell cross border. For customers, the potential benefits are: more choice; greater competition and better value for money; more information; better tools to manage and compare information; and faster service.

In the past few years, Nigerian banks and generally the financial services industry embraced electronic banking, which has been made possible by the advancements in Information Technology (IT).

According to Sanusi (2002), the introduction of such e-payment products in Nigeria commenced in 1996 when the CBN granted All States Trust Bank approval to introduce a closed system electronic purse called ESCA. This was followed in February 1997, with the introduction of a similar product called "Paycard", by Diamond Bank. The card based e-money products assumed an open platform with the authorization in February 1998, of Smartcard Nigeria Plc, a company floated by a consortium of 19 banks to produce and manage cards called "Valuecard" and issued by the member banks.

Many banks therefore launched their websites between 1998 and 2000 with a view to starting Internet banking. A consortium of more than 20 banks under the auspices of Gemcard Nigeria Limited obtained CBN approval in November 1999 to introduce the "Smartpay" scheme. The CBN has additionally granted approval to a number of banks to introduce international money transfer products, telephone banking and on-line banking via the Internet, though on a limited scale (Abdulhakeem, 2002).

Many more sophisticated electronic banking products were thereafter introduced to improve service delivery and customer satisfaction. In this vain the CBN (2003) reports that Automated Teller Machines (ATM), Cards, Telephone Banking, Personal Computer Banking and Internet Banking are now available in the banking system. Thus, Nigerian banks today are seriously into new electronic delivery channels for banking products and services with a view to delivering better services and satisfying customers the more. Banks that cannot offer these services are increasingly losing their customers. Berentsen (1998) considers the impact that the substitution of Smartcards for currency will have on monetary policy, arguing that although electronic substitutes for currency will become widespread. Monetary policy will continue to work as before because this currency substitution will leave the demand for central Bank reserves largely intact.

Dogarawa(2010) was of the view that one of the benefits banks derive from electronic banking products and services delivery is improved efficiency and effectiveness of their operations so that more transactions can be processed faster and most conveniently, which will undoubtedly impact significantly on the overall performance of the banks. He also noted that the customers on the other hand, stand to enjoy the benefit of quick service delivery, reduced frequency of going to banks physically and reduced cash handling, which will give rise to higher volume of turnover. However, he summed that in Nigeria, these seem not to have been achieved in the banking sector. Queues are still seen in the banking halls, bank customers still handle too much cash, and hardly people talk about the electronic banking products that are available in Nigeria.

This problem was studied by him and the study find out that many banks' customers in Nigeria are fully aware of the positive developments in Information Technology and telecommunications which led to the introduction of new delivery channels for Nigerian commercial banks' products and services. Most customers however, still patronize the bank branches and find interaction with human tellers as very important. It also finds that customers enjoying electronic banking services are still not satisfied with the quality and efficiency of the services. He noted also that the problem responsible for this lies on poor quality of service and efficiency. Therefore, this study stemming from the findings of Dogarawa(2010) will want to establish the causes of the poor service delivery and that of inefficiency confronting the banking sector application of technology (e-banking) and how it could be resolved.

RESEACH PROBLEMS

The banking system have operated on the manual system over the years, the application of computer technology to the complex internet banking technology known as the E-banking was expected to bring about efficient service delivery and improved performance of the banks, however, it is unprecedented to note that only little have been achieved by the banks despite the application of the E-banking, most banks still witness crowd and long queue on daily bases at the banking hall, the suppose cashless society has almost remain a mirage in many part of the nation since people still carry around volumes and large cash value. The poor security of the internet banking is another issue in point.

RESEARCH OBJECTIVE

The objective of this study is to evaluate the ability of the E-banking system to bring about efficiency in service delivery in the money market. Also an evaluation of the reasons for the continuous existence of crowed in the various banking halls despite the E-banking system.

Furthermore, an examination of the effect E-banking on the performance of the Nigerian banks is equally sought by the study. The study will also seek why the basic cashless society intended to be achieved by the E-banking system is still eluding Nigeria. Most parts of Nigeria and where it is practiced people still move around with large cash volume.

HYPOTHESES

1. The introduction of E-banking has not brought about reliable service delivery in the banking industry.
2. The continuous existence of crowed in most banking halls do not cast doubt on the efficiency of the electronic banking system.
3. Poor infrastructural facility is not the bane of the E-banking in Nigeria.

BINOMIAL TEST

| | Test Prob | Sig. |
|---|-----------|------|
| The introduction of e-banking system has brought about efficiency in the banking industry | 0.50 | X |
| The continuous existence of crowed in most banking hall cast doubt on the efficiency of the electronic banking system. | 0.50 | X |
| The lack of expert in the application of e-banking technology is responsible for the poor quality of service in the banking sector | 0.50 | - |
| Poor infrastructural amenities is the bane of the e-banking in Nigeria | 0.50 | - |
| Poor remuneration of staff in the banking industry is the cause of the inefficiency in the Nigerian banking application of technology | 0.50 | X |

Note: "X" connote significant at 5%.

"XX" connote significant at 10%

Note significant at either 5% or 10%

The basic issue of discuss in this study is the ability of the E-banking system to ensure efficient service delivery in the banking sector. Five hypotheses where tested using the Binomial test at 95% and 90% confidences level. The result of the hypotheses tested revealed the following: the 1st, 2nd and 5th hypotheses were significant at 5% significant level, while the 3rd and 4th hypotheses were neither significant at 95% nor 90% confidence level.

SUMMARY FINDINGS

The followings are findings from the study:

1. The introduction of the E-banking services has made the banking services become elastic and reliable. This means that the banks have become more dependable, consistent and trust worthy. Their services are more proactive and widely spread.
2. The continuous existence of crowd in the banking hall and large queue in the banking hall seriously cast doubt on the efficacy of the Electronic banking system practice in Nigeria.
3. The study also revealed the inability of the banking industry to handle customers perennial problems, is not due to unavailability of expert in the application of the E-banking technology but slow respond rate of the system and state of technology. It is of note that many customers still have problem with the E-banking system, such problem as ATM card and ATM machine malfunctioning, poor service alert system, and poor security of the internet banking service. This buttresses the assertion of Agboola(2003) that security issue is the bane of the internet banking service in most places where it is being practiced.
4. The poor infrastructural facilities in the banking industry and people's knowledge are responsible for the

poor performance of the E-banking technology and the slow spread of the cashless society in all part of Nigeria.

5. The poor customers' relation and staff remuneration is the bane of the poor application of the E-banking technology in Nigeria.
6. The intended cashless society is still eluding the nation despite the E-banking.

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

The subject of Electronic banking has become of a great value to all banking customers, to the staff of the banks, the government and the parties having interest in the financial sector. The study also revealed that while the E-banking system is of values and generally will improve the service to customers in the banking industry, there are issues of knowledge, security etc that cast doubt on the application of E-banking technology in Nigeria. Thus the E-banking system effect is a laudable technology, however its application in the Nigeria context still left much to be desired. The continuous existence of crowd in the banking hall despite the E-banking scheme is due to lack of confidence in the system and due to many issues that the E-banking system could not resolve. Several people still prefer to visit the bank physically rather than using some of the packages of the E-banking technology. The poor remunerations and hard posture of several officials of the banks in resolving the problem of the customers rather than lack of expertise is responsible for the poor performance of the E-banking system. Lastly, the poor state of technology in use in Nigeria is another mitigating factor. Most E-banking technology in Nigeria is out-model and out-dated when compared with the developed countries state of technology. This accounts for why the intended cashless society still remains a mirage in most part of Nigeria.

RECOMMENDATIONS

1. The state of technology in use should be upgraded to allow for efficiency of the system so as to ensure a functional cashless society.
2. There should be training and re-training of staff in the application of the e-banking technology.
3. The customers should also be educated through various positive means to improved confidence on the system.
4. There should be uniformity in the technology application and improvement in customers' relation so as to ensure efficiency of the system.

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