Bankers Perceptions of Electronic banking in Nigeria: A Review of Post Consolidation Experience

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Abstract

Electronic banking has gained increasing popularity and thus attracted the attention of both academics and practitioners. This paper aims to collect bank employees' perceptions of the potential benefits and risks associated with electronic banking in Nigeria most especially the post consolidation era. Primary sources were used to collect the data and were analyzed via mean score analysis. The results suggest that bankers in Nigeria perceive electronic banking as tool for minimizing inconvenience, reducing transaction costs, altering customers queuing pattern and saving customers banking time. The consolidation era witnessed upsurge in Electronic banking. Similarly, bankers believed that electronic banking increases the chances of government access to public data, increases the chances of fraud and that there is a lack of information security.

Keywords: Electronic banking, Electronic payment, bankers' perception, post consolidation era, Nigerian banks, Cashless economy**.**

1. Introduction

Evidence from the literature revealed that the level of user's acceptance of Electronic banking will be greatly determined by their perceptions of its effectiveness and use in term of costs and benefits (Pavlou 2003;Gefen & Straud, 2004; Apiah & Agyemang, 2007; Abu-Musa 2005; Joseph, Sekhon, Stone, & Tinson 2005; Chandio, 2008; 2009;Olatokun & Igbinedion 2009). The rapid advancement in electronic distribution channels has produced tremendous changes in the financial industry in recent years, with an increasing rate of change in technology, competition among players and consumer needs as argued Hughes, (2001). According to Kaleem & Ahmad (2008), increasing competition among banks and from non-bank financial institutions also raises concerns as to why some people adopt one distributional channel and others do not, and that identifying the factors that may influence this decision is vital for service providers. However Patricio, (2003) argued that new services are difficult to evaluate where the quality of trustworthiness dominates. It is also important to study the impact of technology based transactions on bankers' perceptions and behaviour as evidenced from Lymperopoulos, and Chaniotakis, (2004). Whereas Barnes and Howlett, (1998) pointed out that IT-based distribution channels reduce personal contact between the service providers and the customers, which inevitably leads to a complete transformation of traditional bank-customers relationships

Studies have shown significant and positive correlation between Information (Technology (IT) and performance (Mahmood & Mann 2000; Lipton 2002; Hadidi 2003) and as such the application of IT concept, techniques, policies and implementation strategies of banking services has become a subject of fundamental importance and concerns to all banks and indeed a pre-requisite for local and global competitiveness (Agboola 2006; Ayo 2006; Salawu & Salawu 2007; Oladejo & Dada 2008; Oladejo and Adereti 2010).

How bankers perceive the benefits and threat associated with electronic banking has implications on bank service delivery and as such worthy of investigation by adding to literature and collecting empirical evidences in the Nigeria context. Also, it is desirable to examine the attitude of the post consolidated banks to electronic banking in Nigeria.

2. Statement of the problem

Nigeria is largely a cash-based economy with large percentage of funds residing outside the banking sector as against the developed world where the money in circulation is for example 4 percent in US and 9 percent in U.K. Whereas the cash-based economy is characterized by the psychology to physically hold and touch cash a culture informed by ignorance, illiteracy, and lack of security consciousness and appreciation of the merit of digital payment (Ovia 2002). Loss of inter personal contact between bankers and customers is one of the features of electronic banking which has its effect on banking services.The advent of the Internet commerce has prompted the invention of several payment tools to help facilitate the completion of business transactions over the Internet. Most of these tools still fail to gain sufficient supports from online merchants (Hsieh 2001). Few studies in this regards exist in Nigeria thus creating gaps for the current study.

This paper reviews the existing literature on electronic banking and then examines bankers' perceptions towards electronic banking in Nigeria and is expected to provide answers to the following questions:

- What is the attitude of post consolidated banks towards E-banking in Nigeria?
- How do the Nigerian bankers perceive Electronic banking?
- How are bankers' perceptions of the risk associated to electronic banking in Nigeria?

Apart from section one which is the introductory part, the paper is divided into three sections. Section two discussed the literature review and conceptual underpinnings, section three explained the methodology adopted for the study, section four provides the framework of the study while chapter five concluded the study with necessary recommendations.

3. Literature review and conceptual clarifications

For many years, accountants, bankers, technology specialists, entrepreneurs, and other practitioners have advocated for the replacement of physical cash and the introduction of more flexible, efficient and cost effective retail payment solutions in line with the global trend (Ovia; Fansan 2007). Countless conferences and seminars have been held to discuss the concepts of cashless and "chequeless" society as observed by Bank for International Settlement, (2005). Automation is gaining grounds on daily basis in the world business circle. According to Ovidiu-Constantin (2009), accounting is heavily involved in the processes of regionalization and globalization, through adjustment and transformation of systems of national accounts into a single system and that the current turbulence that occurs on the capital market requires rapid decisions based on transparent accounting information available in real time.

Bankers' perceptions of the benefits of electronic banking have attracted the attention of many researchers, especially in recent years. Banks normally assign their managers responsibility for the promotion of the use of electronic channels to customers (Lymperopoulos, and Chaniotakis, 2004). This is in line with the view of Moutinho, (1997) that the managers input as delivery staff is important and that it is the manager's responsibility to ensure that branch staff is professional, well-trained and knowledgeable about the range of services provided by the bank. Furthermore, Moutinho and Phillips (2002) found that Scottish bank managers considered efficiency and enhancement of customer service to be two perceived advantages of Internet banking. Similarly, Aladwani (2001) highlighted faster, easier, and more reliable service for customers, and improvement of the bank's competitive position to be the most important drivers of online banking among bank and IT managers in Kuwait.

3.1 Development of electronic banking in Nigeria

Kaleem & Ahmad (2008) observed that Electronic banking is the latest in the series of technological wonders of the recent past and that ATMs, Tele-banking, Internet Banking, Credit Cards and Debit Cards have emerged as effective delivery channels for traditional banking products. The Government of Nigeria further promoted electronic banking with the CBN release on August 2003. This recognizes that electronic banking and payments services are still at the early stages of development in Nigeria. Arising from the three major roles of the CBN in the areas of monetary policy, financial system stability and payments system oversight, the CBN Technical Committee on E-Banking has produced a report, which anticipates the likely impact of the movement towards electronic banking and payments on the achievement of CBN's core objectives. Following from the findings and recommendations of the Committee, four categories of guidelines have been developed as follows:

• Information and Communications Technology (ICT) standards, to address issues relating to technology solutions deployed, and ensure that they meet the needs of consumers, the economy and international best practice in the areas of communication, hardware, software and security.

• Monetary Policy, to address issues relating to how increased usage of Internet banking and electronic payments delivery channels would affect the achievement of CBN's monetary policy objectives.

• Legal guidelines to address issues on banking regulations and consumer rights protection.

• Regulatory and Supervisory, to address issues that, though peculiar to payments system in general, may be amplified by the use of electronic media.

The Guidelines are expected to inform the future conduct of financial institutions in electronic banking and electronic payments delivery. This landmark step provided legal recognition of digital signatures and documents, thus reducing the risks associated with the use of electronic banking in Nigeria.

At present almost all the commercial banks in Nigeria have set up their own ATM Networks, issue debit and credit cards and have joined ATM switch Network (Ovia 2002; Ayo, Ekong, Fatudimu, and Adebiyi 2007). According to Somoye (2008), between 1952-1978, the banking sector recorded fourty-five (45) banks with varying minimum paid-up capital for merchant and commercial banks. The number of banks increased to fifty-four (54) from 1979-1987. The number of banks rose to one hundred and twelve (112) from 1988 to 1996 with substantial varying increase in the minimum capital. The number of banks dropped to one hundred and ten (110) with another increase in minimum paid-up capital and finally dropped from 89 as at end of 2003 to twenty-five in 2006 with a big increase in minimum paid-up from two billion naira in January 2004 to twenty five billions in July 2004. As at the end of 2010 the number of banks licensed to practise in Nigeria stood at 24 (www.cbn.ng 2011).

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3.2 Benefits of Electronic Banking

The perceived benefits of electronic banking have been documented in recent studies, especially Thornton and White (2001) that compared several electronic distribution channels available for banks in United States and concluded that customer orientations towards convenience, service, technology, change, knowledge about computing and the Internet affected the usage of different channels. Howcroft, Hamilton, & Hewer (2002), found that the most important factors encouraging consumers to use online banking are lower fees followed by reducing paper work and human error, which subsequently minimize disputes as observed Kiang, Raghu, & Hueu-Min Shang (2000). Byers and Lederer, (2001) concluded that it was changing consumer attitudes rather than bank cost structures that determines the changes in distribution channels; they added that virtual banks can only be profitable when the segment that prefers electronic media is approximately twice the size of the segment preferring street banks. Convenience of conducting banking outside the branch official opening hours has been found significant in cases of adoption. Banks provide customers convenient, inexpensive access to the bank 24 hours a day and seven days a week. Moutinho et al., (1997) pointed out that each ATM could carry out the same, essentially routine, transactions as do human tellers in branch offices, but at half the cost and with a four-to-one advantage in productivity.

Agboola (2006) observed that some payments are now being automated and absolute volume of cash transactions have declined under the impact of electronic transaction brought about by the adoption of ICT to the payment system especially in the developed countries. Emmanuel and Sife (2008) observed that positive effects of ICT have continually been noted in business, production, education, politics, governance, culture and other aspect of human life. This view is corroborated by Agboola (2004) and Ayo (2006) that the growing rate of ICT particularly the internet has influenced at an exponential rate, on line interaction and communication among the generality of the populace.

Highlighting the impact of ICT in recent years, Rao, Metts and Mong (2003) observed that the 1990s witness the proliferation and hyper growth of internet and internet technologies, which together are creating a global and cost-effective platform for business to communicate and conduct commerce. Oladejo and Dada (2008) investigated the impact of IT on the performance of Insurance companies in Nigeria.

Ayo, Ekong, Fatudimu, and Adebiyi (2007) conducted an investigation on the level of adoption of ICT in the Nigerian banking sector using SWOT analysis. It was found that all banks in Nigeria offer e-banking services and about 52% of them offer some forms of other on line banking services. They agreed with fact that Nigeria was the fastest growing telecoms nation in Africa and the third of the world. The country had experienced a phenomenal growth from a teledencity of 0.49 in 2000 to 25.22 in 2007. This trend had brought about a monumental development in the major sector of the economy, such as banking, telecoms and commerce in general. They concluded that all the 25 banks in Nigeria engaged the use of ICT as a platform for effective and efficient delivery of banking services such as electronic payment cards with internet banking and mobile banking services gradually being introduced. Literatures indicate the movement away from cash transactions (0via 2001, Patric Kaleem & Ahmad 2008) and in words of Agboola, (2006) the use of non-cash payment has continued to rise with increasing value. Tellers are today equipped to issue receipts (deposit slips) for cash deposits the service of ordering bank draft of certified cheques made payable to third parties has also been increasingly automated (Ovia 1998;Irechukwu 2000). Oladejo & Dada (2008) investigated the impact of information technology on insurance firm services in Nigeria. Using non-parametric statistics (Chi-square) in testing the hypothesis formulated, the study concludes that the recent observed upsurge effectiveness and efficiency in the insurance industry in Nigeria is attributable to their high investment in information technology.

Gerrard and Cunningham (2003) found a positive correlation between convenience and online banking and remarked that a primary benefit for the bank is cost saving and for the consumers a primary benefits is convenience. Multi-functionality of an IT based services may be another feature that satisfies customer needs (Gerson, 1998).

A reduction in the percentage of customers visiting banks with an increase in alternative channels of distribution will also minimize the queues in the branches as averred Thornton and White, (2001). Increased availability and accessibility of more self-service distribution channels helps bank administration in reducing the expensive branch network and its associate staff overheads. Bank employees and office space that are released in this way may be used for some other profitable ventures (Birch and Young, 1997).

Yakhlef (2001) pointed out that banks are responding to the Internet differently, and that those which see the Internet as a complement and substitute to traditional channels achieved better communication and interactivity with customers. Robinson (2000) argued that the online banking extends the relationship with the customers through providing financial services right into the home or office of customers. The banks may also enjoy the benefits in terms of increased customers loyalty and satisfaction (Oumlil and Williams, 2000). However, Nancy, Lockett, Winklhofer, and Christine (2001), viewed the same situation differently and argued that customers like to interact with humans rather than machines. They found more possibilities for asking questions and believe that bank clerks are less prone to errors. It is thus essential that any face-to-face transactions are carried out efficiently and courteously. This increases the possibility of selling the customer another service that they need and also promotes a good image and enhances customer loyalty (Moutinho et al., (1997).

Kaleem and Ahmad (2008) investigated bank employees’ perceptions of the potential benefits and risks associated with electronic banking in Pakistan. Primary sources were used to collect the data and were analyzed via frequency analysis and mean score analysis. The results suggest that bankers in Pakistan perceive electronic banking as tool for minimizing inconvenience, reducing transaction costs and saving time. Polatoglu and Ekin (2001) found that low levels of email usage and a preference for doing over-the-counter transactions at bank branches are the main reasons for not using e-banking in Turkey. The opportunity to conduct a trial may help to convince reluctant customers as suggested Black, Lockett, Winklhofer, & Ennew, (2001) and as such Boon and Ming (2003) concluded that banks in Malaysia should concentrate on enhancing their operation and product management through a mixture of branch banking and e-channels, like ATMs, phone banking and PC banking.

3.3 Risks Associated with Electronic Banking

Although, electronic banking provides many opportunities for the banks, it is also the case that the current banking services provided through Internet are limited due to security concerns, complexity and technological problems (Sathye, 1999: Mols, 1999)

Hewer and Howcroft (1999) used the term trust to describe a measure of risk. Suganthi et al., (2001) viewed risk in the context of security concerns and risk in the context of trust in one's bank. Finally, a number of studies found trust and perceived risks have a significant positive influence on commitment (Bhattacherjee, 2002; Mukherjee and Nath, 2003) and ultimately leads towards overall satisfaction (Rexha et al., 2003). Reputation of a service provider is another important factor affecting trust. Doney and Cannon (1997) defined reputation as the extent to which customers believe a supplier or service provider is honest and concerned about its customers. Tyler and Stanley (1999) argued that banks can build close and long lasting relationships with customers only if trust, commitment, honesty and cooperation is developed between them.

Nancy et al.'s (2001) study found that customers' complain about computer logon times which are usually longer than making a telephone call. In addition, respondents felt that they have to check and recheck the forms filled in online, as they are worried about making mistakes. Frequent slow response time and delay of service delivery causes customers to be unsure that the transaction has been completed (Jun and Cai, 2001). Min and Galle (1999) found the disruption of information access to be a common factor related to unwillingness to use Internet channels for commerce.

Liao and Cheung (2002) found that individual expectations regarding accuracy, security, transaction speed, user friendliness, user involvement and convenience are the most important attributes in the perceived usefulness of Internet-based e-retail banking.

Confidentiality of consumer data is another important concern in the adoption of online banking (Gerrard and Cunningham, 2003). Customers fear that someone will have unlimited access to their personal financial information. Also, White and Nteli (2004) conducted a study that focused on why the increase in Internet users in the UK had not been paralleled by increases in Internet usage for banking purposes. Their results showed that customers still have concerns with the security and the safety aspects of the Internet.

Lack of specific laws to govern Internet banking is another important concern for both the bankers and the customers. This relates to issues such as unfair and deceptive trade practice by the supplier and unauthorized access by hackers. Larpsiri et al., (2002) argued that it is not clear whether electronic documents and records are acceptable as sufficient evidence of transactions. They also pointed out that the jurisdiction of the courts and dispute resolution procedures in the case of using the Internet for commercial purposes are important concerns. Disputes can arise from many sources. For instance, websites are not a branch of the bank. It is difficult for the court to define the location of the branch and decide whether they have jurisdiction (Rotchanakitumnuai and Speece, 2003).

Other risks associated to electronic banking are job losses, lack of opportunities to socialize and the development of a lazy society (Black at al., 2001).

4. Methodology

The present study used a survey that was designed and conducted in Lagos, Nigeria where almost all the consolidated banks have their branches located. This position is justified by the Central banks of Nigeria recently selecting Lagos state as the Cashless policy centre (www.channelnews.org 2011). Six major commercial banks (UBA, ZENITH, GTB, FIRST, SKYE, and OCEANIC banks plc) were selected. The selection criterion was that each bank must have a minimum of five branches in Lagos. The survey selected every tenth branch at random and addresses of the branches were downloaded from the official websites of the respective banks.

A specifically designed questionnaire was used as a tool, and banks employees were requested to complete this during office hours. Trained students assisted in the distribution and collection of the questionnaires. In each branch at least three branch employees were requested to fill in the questionnaire, at least one at each of the levels of officer, manager and executive. Overall 224 out of the 240 questionnaires were selected for the purpose of analysis. A five point Likert scale was used to measure all the statements (1 = strongly disagree to 5 = strongly agree). Before the field work, a pilot study with ten branch employees was conducted in order to refine the questions. Finally, data was analyzed via frequency analysis and mean score analysis.

Table I

Bankers' Perceptions of the Benefits/Advantages of Electronic Banking

Statements	**Mean**	**Rank**
1. Electronic banking minimizes the cost of transactions	4.42	2
2. Electronic banking saves time	4.41	3
3. Electronic banking minimizes inconvenience	4.44	1
4. Electronic banking provides up-to-date information	4.33	6
5. Electronic banking increases operational efficiency	4.34	5
6. Electronic banking reduces HR requirements	4.19	9
7. Electronic banking facilitates quick response	4.34	4
8. Electronic banking improves service quality	4.23	8
9. Electronic banking minimizes the risk of carrying cash	4.26	7
10.Electronic banking alters customer queuing pattern in the bank	4.18	10

Table I shows the mean scores of bankers' perceptions of the benefits of electronic banking. Table I shows that the statements, "Electronic banking minimizes inconvenience", "Electronic banking minimizes the cost of transactions" and "Electronic banking saves time" appear with the highest mean scores of 4.44, 4.42 and 4.41. The outcomes are similar to those of earlier studies made by Moutinho et al., (1997), Thornton and White (2001), Howcroft et al., (2002) and Gerrard and Cunnigham (2003). The bankers give average importance to the statements, "Electronic banking facilitates quick responses" (4.34), "Electronic banking increases operational efficiency" (4.34) and "Electronic banking provides up-to-date information" (4.33). These outcomes are contrary to the findings of Moutinho and Phillips (2002) in case of UK and Aladwani (2001) in case of Kuwait, where the managers gave the highest priority to faster, easier and reliable IT services for customers.

The statements "Electronic banking alters customers queuing pattern in banking hall" (4.18), "Electronic banking reduces HR requirements" (4.19) and "Electronic banking improves service quality" (4.23) had the lowest mean scores. These findings are the opposite of those found by Birch and Young (1997) who found reductions in branches and associated staff with the introduction of Internet banking.

Table II

Bankers' Perceptions of the Risks Associated with Electronic Banking

Statements	**Mean**	**Rank**
1. Electronic banking has the chance of data loss	1.94	7
2. Electronic banking has the chance of fraud	2.48	2
3. Electronic banking has the chance of government access	3.83	1
4. Electronic banking lacks information security	2.17	3
5. Electronic banking charge a high cost for services	1.79	9
6. Electronic banking has many legal and security issues	1.93	8
7. Electronic banking needs expertise and training	1.98	4
8. Electronic banking has inadequate information on the website	1.95	5

9. Electronic banking has less operational reliability	1.95	6

Table II shows the bankers' perceptions of the risks associated with electronic banking. The results show that bankers agreed with the statement "Electronic banking has the chance of government access" which appears with the highest mean score of 3.83, followed by the statements "Electronic banking has the chance of fraud" (2.48) and "Electronic banking lacks information security" (2.17).

These findings are similar to those of Gerrard and Cunningham (2003) who, in case of Singapore, emphasized that the confidentiality of consumer data is an important concern in the adoption of the online banking. Customers fear that someone will have unlimited access to their personal financial information. Further, steps should be taken to develop trust among banks employees, first towards the issues of information security and the chances of fraud. Table II shows that bankers do not agree with the statements that "Electronic banking charges a high cost for services" (1.79) and "Electronic banking has many legal and security issues" (1.93). The statement "Electronic banking charges a high cost for services" needs further investigation.

5. Conclusion and Recommendation

This study was based upon potential attributes identified in the literature review and covering the benefits and risks associated with electronic banking. Using these attributes, the study investigated banks employees' perceptions of electronic banking.

In the first process of analysis, mean scores of benefits and risks associated with electronic banking were computed and ranked. Bankers consider 'minimizes inconvenience', 'minimizes cost of transactions' and 'time saving' to be important benefits and 'chances of government access', 'chances of fraud' and 'lack of information security' to be vital risks associated with electronic banking. The bankers do not consider 'reduction in HR requirements' and 'improves service quality' to be important benefits and 'legal and security issues' and 'charging high costs for services' to be important risks associated with electronic banking.

The findings conclude that 'minimizes inconvenience' and 'government access to data' appear as most important benefit and risk respectively, while 'reduces HR requirements' and 'charges high costs for services' are the least important benefits and risk associated with electronic banking.

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