

# E-Banking Challenges in Pakistan

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## Abstract

Change itself a small word but it takes too much time and resources to adopt. World is changing too quickly, things which was far away now a single touch. Every sector adopts these changes because if they not change or transform themselves, they stay far behind from others. Banking sector is one of the sectors which are moving toward E-banking services by which customers easily accesses their account through their smart phone and PCs infact they don't have to wait in queue. Without any doubt there are many benefits for adopting E-banking but it also generates some new difficulties for organizations to execute these changes which are continuously changing due to transformation of latest technology. The main purpose of this study is to highlight the serious challenges faced by Pakistan in implementing of E-banking. From the last few years banking sector of Pakistan provide many internet banking facilities to their customers. SBP also play an important role for the implementation of E-banking in Pakistan. But still there are some significant issues due to which many clients still prefer traditional banking rather than e-banking. Some of the major troubles are the less response toward e-banking from customers and the implementation of safety mechanisms. The low internet utilization, the non-familiarity with technologically superior devices and troubles regarding protection and privacy are the principle factors that have a terrible impact at the adaptation of e-banking offerings in Pakistan.

**Keywords:** E-banking, credit card, debit card and ATM

## 1. Introduction

Banking in worldwide is no longer restricted to a branch which has the four walls. Mostly countries are well ahead of the services being offered in Pakistan. The proposal of e-banking was taken a bit delayed in Pakistan and introduced in 1994 where as rest of the world started in era of 70's, but currently lot of efforts are being taken to get closer to the rest of the world .For this purpose in 2016 an event held by Muslim Commercial Bank (MCB) under the slogan of 'Pakistan E-banking Conference'. The aim of this conference was to highlight the risk associated with e-banking and suggest measures to overcome these risks.

People in Pakistan prefer to visit shopping malls and banks rather than to shop online and transaction through their cell phones or computers. It's one of their social activities. They prefer private confronting contact with bankers and sales personnel's which play an essential part of purchasing and occupation enrolment. Similarly level of education plays a key role in adoption of online banking. Those who are highly educated are in favor of internet banking and love to browse as per their need. According to them its time saving, secure and portable at the same time but on the contrary some people perceived it negatively as well. It is also found that as compare to men women make less transaction in e-banking. In fact ratio of using internet banking by women are 34%, similarly age of user have different impact on internet banking aged group of 20-30 facilitate 50 % services provide by the e-banking, 46 and above aged group user use only 10% of internet banking. Lack of confidence on internet banking, is in itself is a big problem though which every country struggling with, developed countries took various measure to overcome with it or develop trust of users in e-banking.

According to the survey conducted on 2004, it was estimated that the worldwide market for electronic exchange would turn to trillions of dollars but unfortunately Pakistan did not catch the opportunity and flourish e-banking as other got it. To effectively take an interest in the worldwide economy, Pakistan must build up its e-trade framework. This involves three fixings: lawful system, security of executing online transactions and security of e-statements of customers notify by the banks.

### 1.1. Objectives

- The key intention of this research is to analyze different challenges and constraints within the development of E-Banking in the Pakistan.
- Purpose of this examination is to find out the way to build a trust and promote E-Banking in Pakistan.
- To provide the measure to minimize the security issues.
- To provide awareness of E-Banking in general public.
- To analyze the cost of implementation in adaptation of E-Banking.

## 1.2. Scope

In this research the main purpose is to focus on the different challenges faced by banking sector such as lack of trust, infrastructure, security, customer satisfaction and the high cost of implementation of software to adopt electronic banking in Pakistan.

## 1.3. Limitation

In every research or study there are lot of factors distracted the objective. This study also faced many hurdles due to which the study is limited. There are few of them

- Limited time to research further or more deeply.
- Limited resources to conduct or gather data from other cities too.
- The Research has a limited sample size of people because all the respondents belong to Karachi city.
- Research is completed within 6 month time duration or less which is not enough to deliver an effective dissertation.
- It was very difficult to get time for interview because being the employees they have their own duties and responsibilities to perform.
- The non-responsive behavior of most of the respondents to whom I need detail information about the topic.

## 1.4. Significance

The topic of this research is “E-Banking challenges in Pakistan” This research will be really beneficial for most of the people, not only students will take advantage from this study but customer of the banks as well as the banks too. Developing countries like Pakistan will make better measures for adopting E-banking. This research is not only beneficial for this sector but other sectors too who going to be convert or shift in to electronic system because the future depend on the simplicity plus ease.

## 2. Literature review

The e-banking can be explained by numeral means. This is a release of utilities through to make use of computers and portable sources. It is a relief of material by which the customer gets the benefits and easy access to the internet by the aid of their smart phones and other electronic devices. In additional it includes the operate of diverse conveniences in provisions of right to use to descriptions online, move of money by means of web origins and exchange several yield (monetary) and resources online.

Sheheryar (2015) conducted a research about efficient operation which is another issue of e-banking. Competition among banks continuously rising, to compete with each another they adopt latest technology but ignore to provide services though which users feel ease in life. Software of e-banking must be providing 24-hours’ services to their customers. But in peak times online transactions get slow and customers face problems. Banks also do not response on their customers complains which results in lack of trust and high security issues among customers.

Edward (2014) prospect that there are too many pros and cons in adaptation of every new technology, it’s up to the people that how they perceive and focus the offers? Internet banking is introduced to provide ease to their users. They can avail all facilities of banking just for one touch of their smart phones. Banking industry also adopt this hi- tech technology to facilitate their customers.

Rabia, Khakan and Bilal (2014) investigated that the E-banking in Pakistan has been experiencing numerous progressions, for example, can exchange sum, and gather money without physically nearness. E-saving money is the less tedious strategy which empower shopper to buy any item by sitting at home within a matter of seconds, affirm ticket for voyaging, boost business by getting these e-smart services.

G.o and Battey (2013) conducted research that at the introduction phase of e-banking most of the people believe that it’s not safe and authorized as compare to traditional banking. People more trust on what they see and feel physically. Culture is another barrier in adopting this kind of banking. Most of the people prefer to visit regular to their banks. They do not trust electronic gadgets yet.

Sarita (2012) analyzed that Lack of awareness is one of the main difficulties for improvement and execution of online banking in Pakistan. It is observed that literacy and maturity have different effect in view of bank. From the common point of view illiterate and aged people have not a positive perception related to internet banking and their maintenance checking. In fact banks experienced employees themselves not in favor to adopt computerized system in banking.

Majid(2012) conducted a research that the charges of maintenance for updating of web and connection also deducted from the customer account. Workers and users of banks are aware of, that huge amount need for the installation of hi-tech software. Banks cover all these hidden cost from their employees and customers. Rules and regulation regarding to this, is not as strong as it must be. In fact developing and under developing countries ignore the laws and regulations issue which is significant matter in internet banking.

### 3. Methodology

This study discuss the various procedure such as qualitative as well as quantitative methods by which it will comes to an end. There are many techniques highlighted in it by which data for research collected and analyzed. There are many varieties of methods but a few of them used in this research for data collection.

#### 3.1. Research Problem

Is implementation of E-Banking faced any challenges in Pakistan?

#### 3.2. Research Philosophy

Positivism approach used for this study which represents that the study is linked and it's based on reality. Deductive approach has been used because this approach is used for theory testing. There are many researchers already worked on banking sector. Cross sectional study has been done.

#### 3.3. Data Collection:

Mixed method is applied to generate the findings of this study. For this purpose questionnaire from general users of e- banking and interview conducted from E-Banking specialist and I.T and software expert. Secondary information has been composed through analysis of news papers, research articles, SBP website and other relevant websites.

#### 3.4. Research Design:

There is huge number of population available in this research for gathering data, Users of urban areas who avail continuously more than one type of e-banking services and some other users who experienced once or left after due to result of unsatisfied e-banking transaction. Convenient and snowball sampling was used for this research because it was not possible to collect data with all in a limited time period.

Sample Size helps to generate the findings of the research, the sample size of this study is 200 general customers and experts. To collect the required information 200 questionnaire were distributed, out of which 170 was received and 80 discarded due to missing values and some other reasons. Table No.1 shows the complete detail of the distributed questionnaires.

**Table No.1: Statistics of Questionnaire**

Distributed	200
Received	170
Discarded (Some Reasons)	(80)
Final Number for Analysis	90

#### 3.5. Variables:

##### 3.5.1. Dependent Variable:

After the detailed study of various articles the problem of this study is "Challenges of E-banking", the dependent variable of this study.

##### 3.5.2. Independent Variables:

Safety, Trust, Lack of awareness, and High cost of implementation are the prime independent variables of this study which create hurdles in implementation of E-banking in Pakistan.

#### 3.6. Hypothesis:

On the basis of literature review following hypothesis has been generated for study.

1. Ho: There is no impact of Security on implementation of E-banking in Pakistan.
2. Ho: There is no impact of Trust on implementation of E-banking in Pakistan.
3. Ho: There is no impact of High Cost on implementation of E-banking in Pakistan.
4. Ho: There is no impact of Lack of Awareness on implementation of E-banking in Pakistan.

### 4. Data Analysis

Regression and correlation analysis has been done through SPSS software is applied to analyze and to find the significant relationship between variables. For checking the reliability of the collected data cronbanch's Alpha is used. The challenge of E-Banking is dependent variable whose relationship is tested with the said independent variables.

#### 4.1. Reliability of Data

Scale: ALL VARIABLES

**Table No.2: Case Processing Summary**

		N	%
Cases	Valid	90	100.0
	Excluded <sup>a</sup>	0	.0
	Total	90	100.0

a. Listwise deletion based on all variables in the procedure.

**Table No.3: Reliability Statistics**

Cronbach's Alpha	N of Items
.691	25

Result generated from the reliability test shows that the questions design of different variables shows 69% reliability which suggested high inters item consistency among variables.

#### 4.2. Regression

**Table No.4 :Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.432 <sup>a</sup>	.186	.148	.54142

a. Predictors: (Constant), COST, TRUST, AWRNESS, SECURITY

Above table shows that independent variables describe 18.6% to the dependent variable which is challenges of E-banking. It means that there are some other variables that have a considerable impact on dependent variable.

##### Analysis of Hypothesis#1

**Ho:** There is no impact of Security on implementation of E-banking in Pakistan.

**Table No.5 :Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.535	.275		5.577	.000
SECURITY	.371	.106	.350	3.507	.001

a. Dependent Variable: CHALLENGES

##### Interpretation:

The above result shows that security has a statistically significant impact on challenges faced in e-banking. The significance value is 0.001 which is less than 0.05, so we reject the null hypothesis.

##### Analysis of Hypothesis#2

**Ho:** There is no impact of Trust on implementation of E-banking in Pakistan.

**Table No.6 :Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.012	.237		8.477	.000
TRUST	.212	.104	.211	2.029	.045

a. Dependent Variable: CHALLENGES

##### Interpretation:

Result generated concludes that trust has a statistically significant impact on challenges faced in e-banking. The significance value is 0.045 which is less than 0.05 so we reject the null hypothesis.

##### Analysis of Hypothesis#3

**Ho:** There is no impact of High cost on implementation of E-banking in Pakistan.

**Table No.7 :Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.917	.229		8.355	.000
COST	.256	.101	.261	2.532	.013

a. Dependent Variable: CHALLENGES

**Interpretation:**

The above result shows that high cost has a statistically significant impact on challenges faced in e-banking. The significance value is 0.013 which is less than 0.05, so we reject the null hypothesis.

**Analysis of Hypothesis#4**

**Ho:** There is no impact of Awareness on implementation of E-banking in Pakistan.

**Table No.8 :Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.905	.273		6.970	.000
Awareness	.239	.111	.223	2.150	.034

a. Dependent Variable: CHALLENGES

**Interpretation:**

Result suggested that awareness has also a statistically significant relationship with challenges faced in E-banking. The significance value is 0.034 which is less than 0.05, so we are fail to accept the null hypothesis.

**4.3. Correlation**

**Table No.9 :Correlations**

		CHALLENGES	SECURITY	AWRNESS	TRUST	COST
CHALLENGES	Pearson Correlation	1	.350**	.223*	.211*	.261*
	Sig. (2-tailed)		.001	.034	.045	.013
	N	90	90	90	90	90
SECURITY	Pearson Correlation	.350**	1	.168	.026	.896**
	Sig. (2-tailed)	.001		.113	.805	.000
	N	90	90	90	90	90
AWRNESS	Pearson Correlation	.223*	.168	1	.491**	.174
	Sig. (2-tailed)	.034	.113		.000	.101
	N	90	90	90	90	90
TRUST	Pearson Correlation	.211*	.026	.491**	1	.037
	Sig. (2-tailed)	.045	.805	.000		.730
	N	90	90	90	90	90
COST	Pearson Correlation	.261*	.896**	.174	.037	1
	Sig. (2-tailed)	.013	.000	.101	.730	
	N	90	90	90	90	90

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

### Interpretation

Table No.9 shows that all four variables have positive linear correlation, which means if one variable is increase so other will move in the same direction.

### Conclusion

The finding of this research suggested that current banking system in our country is require to come out better structure of internet banking, because of the weak technological infrastructure security concerns are high among customers so we highly need to eliminate this issue in order to gain customers confidence . According to researcher the banks have to facilitate further well-organized, efficient and speedy services to their users to improve the banking system. To build a trust banks have to provide banking facilities without any tax which include SMS alert and bank statement send through mail at every transaction. Security measures and awareness program should be implemented in all banks to minimize the challenges of E-Banking in Pakistan.

### Recommendation

Research shows that implementation of e-banking is not as easy as it looks to be. There are many difficulties in implementation of it by banks such as excessive expenditures use for the execution of e-banking system. Pakistan has a potential to promote and provide facilities, but the hurdle behind it is basic infrastructure. In coming decade Pakistan will have a widen door because of successfully implementation of China Pakistan Economic Corridor (CPEC) primary infrastructure will improve. Safety issues will also over come soon due to CPEC which will ultimately build the bond of trust between customers and banks. Pakistan has still a very big un tap market, because the major chunk which is almost 78% is still living in rural areas who do not have e-banking facilities yet. So if these issues overcome then banking sector can capture this remaining non users of e-banking as well.

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