

THE EFFECT OF ELECTRONIC BANKING ON CUSTOMER SERVICE DELIVERY IN NIGERIA

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ABSTRACT:

In recent times banking industry in Nigeria has undergone a full Business Process Re-engineering (BPR). There is a conspicuous change in mode of operations. Most basic business transactions are executed online. This study therefore endeavours to establish the level of efficiency and effectiveness of electronic banking in Nigeria. A survey was conducted with customers and staff of selected banks. The questionnaire provided a five level Likert scaling system which was used in analyzing the responses and tested using ordinary least square technique. The study revealed that the current banking operation in Nigeria is significantly adequate. It was also noted that majority of bank customers are not aware of other electronic services such as internet banking, telephone banking and Point –of -Sale (POS). It was discovered that most customers to our banks only uses automatic Teller Machine (ATM) as the only electronic banking service. We equally discovered that lack of power supply in the country is a major barrier to other users of electronic services. Based on the aforementioned, it is recommended that banks should create enough awareness on other electronic services available in the country. Given the associated problems of insecurity in electronic cards and frequent network failures in banking services, it is recommended that banks should use more efficient telecommunication equipment like fibre-optic cable in data transmission to make the system operation faster and secured.

Key words: Customer Service Delivery, security of customer's deposit, Network service availability, Transaction reliability and Awareness and literacy level of customers.

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A Monthly Double-Blind Peer Reviewed Refereed Open Access International e-Journal - Included in the International Serial Directories
Indexed & Listed at: Ulrich's Periodicals Directory @, U.S.A., Open J-Gate, India as well as in Cabell's Directories of Publishing Opportunities, U.S.A.

International Journal of Marketing and Technology

<http://www.ijmra.us>

1.0 Introduction:

In recent times, banking industry in Nigeria has undergone a full Business Process Re-engineering (BPR). There is a conspicuous change in mode of operations. Most basic business transactions are executed online. For instance, it is no longer mandatory for a customer to present his/her cheque over the counter of a branch of the bank he/she holds a current account, before she can withdraw her money. Cheques and withdrawal slips are honoured in all the branches of a particular bank provided such branch is linked to the bank network system.

Besides, the use of automatic teller machine (ATM) has remarkably broken down the middle walls that existed between banks. According to the Central Bank of Nigeria (CBN) Guideline on electronic banking in Nigeria published in August 2004, banks are encouraged to join shared ATM network. This concept of shared ATM network enables a holder of Union Bank of Nigeria (UBN) ATM card to make cash withdrawal at United Bank for Africa (UBA) ATM terminal or any other bank on the network through inter-switch transaction.

The advantages of banking transactions through ATM are undeniable. It could be accepted that the long queues of those waiting to make cash withdrawals in banks are fast disappearing in most branches of commercial banks in Nigeria. Customers are no longer expected to spend hours in banks before they can get their money or carry out needed banking transactions. Of course, the long process of sorting out customers' ledger cards and confirming of signature on cheques with specimens filed in a cabinet has ended. Many commercial banks have reduced the size of their banking halls given reduction of time each customer spends in the bank.

Beyond cash withdrawal through ATM, many customers are enjoying easy transactions with their business partners in any part of the country. For instance, some businessmen deposit money into accounts of their suppliers in other parts of the state through online banking. Such deposit reflects in the account of the customer as soon as the entry is made. This has significantly eased the time constraint problem and risks associated with traveling a long distance to make payments for business transactions.

Moreover, the ease of money transfer at local and international level has made the 21st century mode of banking operation in Nigeria to wear a different look. The Western Union

Money Transfer and Moneygram enable someone to get international currency sent to him from overseas within minutes. The local transfer from one bank to another is recommendable. Indeed, the ease of carrying out banking transactions in Nigeria given the use of Internet and electronic banking is apparent.

However, the unanswered questions are how efficient and effective is the electronic banking in Nigeria. It needs be said that there are some days customers are asked to wait indefinitely in bank or come back another day because of Network failure. Sometimes ATM will indicate that transaction cannot be completed. At another time the system will debit your account without dispensing the cash. In such a situation you may not be able to withdraw the money again except the account is credited back, perhaps, after some hours if not days. One wonders what a customer in desperate need of money could do in such a situation.

Another very threatening aspect of electronic banking is the rate at which fraud are being perpetrated in the process. Indeed, these and many other shortcomings of internet and electronic banking in Nigeria are of a great concern to both customers and bankers in this country. It is against this backdrop that the researcher embarks on this study with the aim of identifying the inherent problems in electronic and internet banking and provides possible way forward based on the findings of the study.

1.2 Statement of the Problems

The 21st century banking operations in Nigeria is remarkably different from what was common few decades ago. Nowadays certain banking transactions are carried out by customers wherever automated teller machine (ATM) is found. Perhaps, Internet and telecommunication technology have enabled a radical change in the banking industry and some banks are taking competitive advantage over the others. Indeed, the introduction of electronic banking in Nigeria has significantly improved the services rendered by banks to their various customers. Such improvement could be seen in terms of time saving and banking services delivery anywhere within the country.

Moreover, when electronic banking was introduced few years ago, there was a speculation that banking halls will no longer be filled with customers especially around month

ends when salaries are paid. In effect, many believed that large banking halls are no longer necessary. Of course not more than six seats are provided in banking halls of branches of most new generation banks in Nigeria. Despite the introduction of electronic banking in Nigeria, the researcher still noted the following problems which prompted the study:

- i. It is observed that customers still form a long queue in most banking halls in Nigeria to transact their banking businesses.
- ii. It is observed that Nigeria banks frequently have network failures and may not have sufficient electronic banking infrastructure that could enable uninterrupted electronic banking service delivery in the country.
- iii. The study attempt to find out whether banks create enough awareness of the available electronic banking services to Nigerian public.

These and other related issues are the main problems that motivate the researcher to embark on this study.

In line with the above stated problems the following research hypotheses were tested:

H₀: Electronic banking operation does not significantly affect customer service delivery.

2.0 Literature review and theoretical framework:

The impact of electronic banking on general performance of banking operation is observed in most part of the world. Many are of the opinion that banking industry is undergoing significance transformation with introduction of electronic banking, (Idowu, 2002). In Nigeria, some attribute the growth in banking sector to factors other than electronic banking while others see electronic banking as being unsuccessful given regular network failure (Idowu, Alu & Adagunodo, 2002). In this section therefore the theoretical and analytical framework, empirical and conceptual issues in literature are reviewed concerning banking generally and electronic banking in particular. The electronic banking operation's guideline is also examined with the aim of ascertaining the regulatory and control needs of the seemingly new banking system.

O’Kane (2007), considered banking to be transactions carried on by any individual or firm engaged in providing financial services to consumers, businesses, or government enterprises. In the broadest sense, banking consists of safeguarding and transfer of funds, lending or facilitating loans, guaranteeing creditworthiness, and exchange of money. These services are provided by such institutions as commercial banks, savings banks, trust companies, finance companies, and merchant banks or other institutions engaged in investment banking. A narrower and more common definition of banking is the acceptance, transfer, and creation of deposits. This includes such depository institutions as commercial banks, savings and loan associations, building societies, and mutual savings banks. It should be noted that in any given economy, banking activities are supervised and regulated by both government and the Central Bank.

As presented by O’Kane, 2007, the most basic role of banking which is safeguarding funds is done through vaults, safes, and secure facilities that physically store money. These physical deposits are in most cases insured against theft, and in most cases against the bank being unable to repay the funds. In some banks the service is extended to safe deposit boxes for valuables. Interest given on savings accounts, a percentage return on the bank’s investments with the money, gives an additional incentive to save.

Transfer of funds can be handled through negotiable instruments, cheques, or direct transfers performed electronically. Credit cards and account debit cards, electronic cash tills, computer online banking, and other services provided by banks extend their usefulness by offering customers additional ways of gaining access to and using their funds. Automated clearing houses perform similar services for business customers by handling regular payments, such as wages, for a company banking with the bank. Longer-term schemes for providing regular income on savings are often offered through trust funds or other investment schemes (Agboola and Salawu, 2008).

Loans to bank customers are drawn on the funds deposited with the bank and yield interest, which provides the profits for the banking industry and the interest on savings accounts. Banks also provide foreign exchange facilities for individual customers, as well as handling large international money transfers. Investment banks engage chiefly in financing businesses and trading in securities (O’Kane, 2007).

In the 17th century, Goldsmiths provided the model for contemporary banking. Gold was stored with the artisans for safe keeping, and was expected to be returned to the owners on demand. The goldsmiths soon discovered that the amount of gold actually removed by owners was only a fraction of the total stored. Thus, they could temporarily lend out some of this gold to others, obtaining a promissory note for principal and interest. In time, paper certificates redeemable in gold coin were circulated instead of gold. Consequently, the total value of these banknotes in circulation exceeded the value of the gold that was exchangeable for the notes

According to O’Kane (2007) two characteristics of this fractional-reserve banking remain the basis for present-day operations. First, the banking system’s monetary liabilities exceed its reserves. As O’Kane further argues, this feature was responsible in part for Western industrialization, and it still remains important for economic expansion, though a risk of creating too much money is a rise in inflation. Second, liabilities of the banks (deposits and borrowed money) are more liquid—that is, more readily convertible to cash—than are the assets (loans and investments) included on the banks’ balance sheets. This characteristic enables consumers, businesses, and governments to finance activities that otherwise would be deferred or cancelled; at the same time, it opens banks to the risk of a liquidity crisis. When depositors en masse request payment, the inability of a bank to respond because it lacks sufficient liquidity means that it must either renege on its promises to pay or pay until it fails.

A key role of the central bank in most countries is to regulate the commercial banking sector to minimize the likelihood of a run on a bank, which could undermine the entire banking system. The central bank will often stand prepared to act as lender of last resort to the banking system to provide the necessary liquidity in the event of a widespread withdrawal of funds (Nwankwo, 1980). This does not equal a permanent safety net to save any bank from collapse, as was demonstrated by the Central Bank of Nigeria’s refusal to rescue the failed banks in 1990s.

3.0 Methodology:

In this study, the electronic banking operation in three banks, UBA, ZBN and FBN have been appraised. Therefore the research design is an ex post facto design and not experimental design. In ex post facto design, investigators do not have control over the variables they are

studying in sense of being able to manipulate them (Cooper & Schindler, 2003). In this case the researcher is expected to report what has happened or what is happening in the area of study.

Moreso, the study takes a qualitative description approach. This seems relevant given the study focus of exploring and describing the status of current e-banking operation in Nigeria with the aim of recommending a development and/or acquisition of necessary facilities that would enable achievement of corporate objective of organization.

Given the difficulty associated with studying the entire population, a sample of fifty (50) was selected from the three banks for staff and one hundred and fifty (150) for customers using the simple random sampling method with some level of personal judgment on competence of those selected. This was necessary based on the study approach and as Cooper and Schinder (2003) emphasized, case study requires detail situational analysis. The researcher believes that it is only the operations, marketing and control class of workers that can provide the needed information for this study. Therefore the category of the respondents and those interviewed are believed to provide the needed and useful data for the study.

3.1 Model specification

The specified model is:

$$CSD = b_0 + b_1SCD + b_2NSA + b_3TR + b_4ALC + e_i$$

Where:

- CSD = Customer Service Delivery
- SCD = Security of Customer Deposit
- NSA = Network Service Availability
- TR = Transactions Reliability
- ALC = Awareness and Literacy of Customer
- b_0 = Unknown constant to be estimated
- b_1 - b_4 = Unknown coefficients to be estimated
- e_i = Error Term
- $b_0, b_1, b_2, b_3, b_4 \geq 0$

4.0 Data analysis:

Table 1a: Regression results of the relationship between e-banking and customer service delivery

ANOVA (a)

Mode		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	827.041	4	206.760	7.620	.000(a)
	Residual	4015.874	148	27.134		
	Total	4842.915	152			

a Predictors: (Constant), ALC, TR, NSD, SCD

b Dependent Variable: CSD

Table 1b: Regression results of the relationship between e-banking and customer service delivery

Coefficients (b)

Mode		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	21.430	3.322		6.452	.000
	SCD	.007	.078	.008	2.095	.005
	NSD	.404	.109	.287	3.691	.000
	TR	.048	.041	.090	3.161	.002
	ALC	.151	.059	.206	2.538	.004

a Dependent Variable: CSD

Table 1a and 1b shows the regression results of the relationship between e-banking and customer service delivery. From the tables the R-square value is 0.812, meaning that about 81.2% total variation in customer service delivery is accounted for by SCD, NSD, TR, and ALC undertaken by the banks, while less than 28.8% is accounted for by the stochastic error term or variables excluded from the model. The F-statistic with a value of 7.620 and a p-value of 0.000 indicating that all the parameters are statistically significant. The Durbin-Watson statistic value is 2.619. By comparing this value on the Durbin-Watson statistical table, it was detected that there is no autocorrelation.

4.1 Discussion of findings

The major finding gives implication that the current electronic banking operation in Nigeria is significantly adequate. Other findings discloses that e-banking enables customers to conveniently use their ATM cards to make withdrawals from their accounts any time, any where and from any location, irrespective of where the account is domiciled within the country and beyond. Internet banking enables customers to make funds transfer and check their balances at any time and from any location, provided there is network service. On the other hand, the bank employees affirm that their banking operations are made convenient through electronic banking.

Investigation further showed that customers do not securely keep their ATM cards and the secret Personal Identification Numbers (PIN) codes from their friends and close relatives. Besides, there is indication that the regulatory and control mechanisms among banks are weak. These make e-banking in Nigeria to be risky and prone to fraud.

The study gives impression that the network management has significant influence on electronic banking service delivery to customers. It discloses a common problem of network failure. This finding is in agreement with Idowu, et al, (2002) which specifically indicates that the network links of most Nigerians banks are down 50 per cent of the time. The study also indicates that sometimes the accounts of the customers are debited in the process of making withdrawal without cash being dispensed by ATM. Indeed, from the research the network systems of most banks are relatively unreliable.

Again, the study indicates that lack of awareness and low level of literacy adversely affects the usage of electronic banking products in Nigeria. Specifically, there is an indication that many customers are not aware of e-banking services like e-bill payment, telephone banking and point of sales (POS) fund transfer. The study also discloses that illiterate customers cannot use ATM to withdraw money from their bank accounts.

On ubiquity the study discloses that ATM terminals are not available in strategic locations within many cities and towns in Nigeria. This gives impressions that where customers run short of cash they can not remedy the situation within the same vicinity.

The study further gives impression that e-banking does not enable banks to know majority of their customers. The argument is that customers that use ATM and other e-banking products to transact businesses do not get in contact with their bankers sometimes for many months. Indeed, this case is aggravated as some banks in particular, have recently launched its first ever cash and cheque deposit function of ATM. The result shows that more than 90% of the respondents agreed that e-banking enables delivery of many banking services to customers without interfacing with the customers.

There is also an indication from the study that e-banking enables banks to significantly reduce their operating cost. The study shows a serious reduction in paper work. Of course the number of employees also reduced because of the e-banking services enabled by Information and Communication Technology (ICT).

5.0 Conclusion/Recommendations:

In this study the electronic banking services in Nigeria has been critically investigated. The inherent problems in the operation of e-banking have been identified and possible solution recommended. As concluding remarks, it is necessary to highlight that operation of e-banking services in Nigeria is significantly adequate. However, there is need to expand network services by increasing broadband in order to reduce the rate of network failure. If this is done it is believed that customers would see the e-banking services as being reliable and they will have confident in the operation. Therefore e-banking is a systematic scientific medium which enhances funds mobilization for investment/payment on economic development of any economy.

Given the study findings, the researcher put forward the following recommendations, which if implemented by banks would ameliorate the current impediments in e-banking operations in Nigeria.

1. It is recommended that banks should use fiber-optic cable in their network systems. This communication has a very high bandwidth. This would reduce traffic problem in the network, which invariably means high speed of service delivery. Besides, it is relatively difficult to break into such network by fraudsters.
2. It also recommended that ATM be located where customers will have adequate space to queue up for their turn to use the facility where there are many users. There is need to make a conspicuous mark on the floor to show the point the next waiting user should not cross while waiting for the current user of the ATM to finish his transaction. This would reduce the possibility of knowing the PIN code of the customer after his ATM transactions. This would reduce the rate of e-banking fraud.
3. Besides, customers should properly be educated on the danger of being careless with their ATM cards and giving their PIN codes to friends or relatives to makes withdrawals for them. Where the situation warrants releasing of ATM card to a friend to make transactions on behalf of the customer, such customer should immediately change the password to prevent incidence of fraud on his account.
4. Moreover, it is recommended that banks should create sufficient awareness of the available e-banking services they render. They should educate the customers on the need to make use of such services.
5. We also recommend zero cost of use of ATM by customers. Some of the customer interacted with said that they cannot use e-banking services because of associated charges by banks. In some countries customers are not charged for using ATM services, Nigerian banks should do likewise if they are to encourage customers to make use of the facility.
6. On issue of illiteracy of customers, since banks cannot on their part change the literacy levels of their customers, it is recommended that such customers should make use of ATM in banking premises where they could be assisted by bank employees. They should be advised not to ask the fellow customers to assist them in making the transactions.

5.1 Suggestion for further study

The researcher suggests that a further study should be conducted on the cardinal cause of network failure in Nigerian e-banking. In the course of this study some of the customers attributed network failure to electric power failure. However, some bank employees hold different opinions. Some of them attribute it to poor information technology facilities used by individual banks. The study should therefore be conducted to discover the root cause of the regular network failure. This would enable a lasting solution to be proffered.

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