

**THE ADOPTION OF E-BANKING IN NIGERIA:  
PROBLEMS AND PROSPECTS**

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**ABSTRACT:**

Banking through electronic channels has gained increasing popularity in recent years. This system popularly known as e-banking provides alternatives for faster delivery of banking services to a wide range of customers.

This study aims to collect customers opinions regarding this adoption of various e-banking technologies, it's importance and problems associated with e-banking in Nigeria.

Structured questionnaires addressing the various research questions were used coupled with personal interviews. The result of the research finding is that there is a high adoption level of e-banking technologies in Nigeria with ATM well favoured. The internet banking is gradually gaining an increasing awareness but faced with the problem of high cost of internet connectivity and lack of telecommunication infrastructure. The study equally discovered that there are no enough security measures to protect Internet Banking.

Owing to this, the researcher therefore recommended that e-banking transaction should have desirable properties like authenticity, confidentiality, unforgivable and integrity coupled with provision of adequate telecommunication infrastructure and increased culture of internet usage.

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## **INTRODUCTION**

Competition and the constant changes in technology and lifestyle have changed the face of Banking and Business generally. Nowadays, banks are seeking alternative ways to provide services and differentiate amongst these customers both corporate and retail, are no longer willing to queue in banks or wait on the phones for the most basic services. This has led to the emergence of E-banking and E-commerce.

Banks have put themselves on the World Wide Web (www) to take advantage of the internet's power and cope with the accelerating pace of change of the business environment (*Mia et al – 2007*).

E-banking otherwise known as electronic banking is a segment of electronic business which encompasses all types of business performed through electronic networks. Electronic channels are used for both business to business and business to customer transaction such as ordering goods, delivering software or paying for such transaction. E-banking is a segment of E-business.

The term E-banking means PC Banking, online banking, internet banking, telephone banking or mobile banking. It involves a number of ways in which customers can access their banks without having to be physically present at the bank branch. E-banking may therefore be understood as term that covers all the ways of banking business electronically. (*Leow, Hock Bee 1999*)

E-commerce is the process used to distribute, buy, sell or market goods and services and the transfer of funds online through electronic communication or network. Electronic commerce is commonly referred to as online commerce, web commerce, e-business, e-retailing, econ or EC.

## 2. **PURPOSE OF THE PAPER**

The purpose of this paper is to study the adoption level of various e-banking technologies in Nigeria, types and its importance. The study will equally identify the problem areas of electronic Banking in Nigeria.

3. **HYPOTHESES**

- (I) H<sub>0</sub>: Most Nigeria Banks have not adopted E-Banking technologies.  
H<sub>1</sub>: Most Nigeria Banks have adopted E-Banking technologies
- (II) H<sub>0</sub>: There are no perceived benefits associated with E-Banking in Nigeria  
H<sub>1</sub>: There are a lot of perceived benefits associated with E-Banking in Nigeria
- (iii) H<sub>0</sub>: There exist adequate security measures for E-Banking technologies in Nigeria.  
H<sub>1</sub>: There are no adequate security measures for E-Banking technologies in Nigeria.

4. **RESEARCH QUESTIONS**

The following questions are to be answered in the course of the study

- (i) Is your Bank operating E-Banking services?
- (ii) What are the various types of E-Banking services offered by your bank (e-banking technologies)
- (iii) What are the various benefits associated with E-Banking services?
- (iv) Which of the E-Banking services do you prefer?
- (v) What are the problems associated with E-Banking in Nigeria?

5. **LITERATURE REVIEW**

From a global perspective, e-banking has extensively penetrated the west and fast-developing countries [Harries and Spence, 2002; Daniel 1990; Mols 1998; Garau 2002' Aladwani, 2001; Pohjola 2002] A study by the National Office for the Information Economy (NOIE 2000) in Australia revealed that e-banking was particularly widespread in Australia, Korea and Scandinavia countries Singapore, Spain and Switzerland where more than 75% of all banks offered such services.

According to UCTAD, Scandinavian countries have the largest number of internet users with up to one-third of the bank customers in Finland and Sweden taking advantages of e-banking. In the

USA, internet banking was concentrated in the largest banks while most US customers have accounts with banks that offer internet services. According to "Banking on Internet" report, Australia has a strong platform for e-banking growth with 37.7% of the population willing to engage in home and internet banking. Statistics revealed that the largest increase for the period 1998-2000 was in the use of internet banking bill payment which increased from 0.6% in May 1998 to 8% in May 2000 an increase of 81%. Banks in Australia have responded to customer demand by providing interactive services (NOIE 2000) through account monitoring and management services and other value added services.

In Asia, study revealed that most impressive records have been achieved by the Republic of Korea. Internet banking in that country has increased at a rapid pace the number of online users has risen from 2 million in 2000 to 5.3 million in December 2001. In South East Asia, e-banking is also developing rapidly, in Thailand Malaysia, Singapore and to a lesser extent in Philippines Richard Nyangosi and Sumajeet Singh (2009) did a study on e-banking in Kenya. The conclusion reached is that e-banking has become the trend in the Finance industry of Kenya and that the traditional banking system practised by Banks in this country has been swept away all banks are now focussing on differentiating products and services in order to be eligible for the tough competition.

### **TYPES OF E-BANKING SERVICES**

According to Leow Hock Bee (1999) E-banking can be classified as follows:

i) **Tele Banking:**

This service is provided by phone. To access an account, it is required to dial a particular telephone number and there are several options of services such as:

- Checking account balance
- Funds transfer between current, savings and credit card account
- Bill payments
- Stock exchange transaction
- Receive statement via fax

- Loan payment information

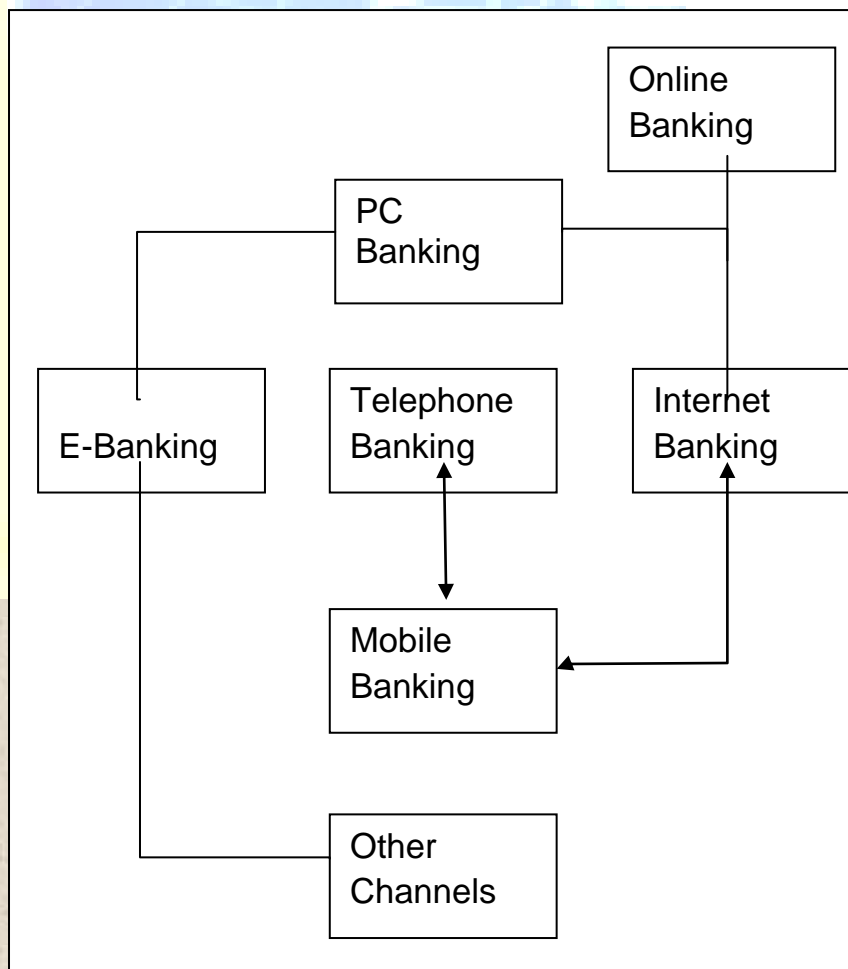
ii) **P.C Banking:**

The increasing awareness of the importance of literacy of computer has resulted in increasing use of personal computers through the entire world. The term PC Banking is used for banking business transacted from a customer's P.C.

iii) **Internet Banking:**

Internet banking would free both bankers and customers of the need for proprietary software to carry on with their online banking transaction. Internet is now considered to be strategic weapon for Banks to satisfy the ever changing customer's demand and innovative needs. Adequate legal framework and maximum security are the two essential factors for Internet Banking.

**TYPES OF E-BANKING**



## **COST BENEFIT ANALYSIS AND RISK ASSESSMENT OF E-BANKING**

Some of the major reasons why financial institutions offer e-banking services are:

- Increased customer demand
- Lower operating costs
- Improved competitive positions
- New revenue sources
- Geographical diversification

Any one conducting the Cost Benefit Analysis should understand the risks associated with e-Banking so that the cost considerations fully incorporate risk mitigation controls.

### 6. **RESEARCH METHOD AND DATA COLLECTION**

Questionnaires were designed to capture the various e-Banking technologies adopted in Nigeria as well as the perceived importance of e-Banking in Nigeria. Equally, the questionnaires were designed to identify the problem areas of E-Banking. Expert opinions on the questionnaire were collected and improvements were made to it. Easily understandable and answerable questions were prepared and sent to the respondents to be filled out by them. In most cases personal interviews were conducted by the researcher to secure the correct necessary information.

The analysis was carefully done using percentage statistical technique. For the purpose of this study, the researcher visited libraries and the internet was highly used.

### 7. **SURVEY AND EMPERICAL FINDINGS**

#### 7.1 **ADOPTIOIN OF E-BANKING TECHNOLOGIES**

The adoption of e-banking is determined by many factors attributable to Banks or personal characteristics such as age, educational level, occupation and types of Bank accounts. These characteristics were considered in this study to find out their impact on the e-banking adoption by bank customers.

Table 1 below shows most young people aged 19-40 years were attracted to e-banking technology in Nigeria. About 69% of the respondents indicated that they have adopted e-

Banking. Of the customers aged between 41-60 years, 20% claimed to be e-Banking users. However, there is a low percentage of 7.5% from elderly people.

On the basis education, a high percentage of E-banking users are highly educated with 76% and 21% from graduate and Diploma holders respectively. Occupation was another personal characteristic that affected e-banking adoption. About 45% came from student while those who are in Business had 30%. The reason for this will not be unconnected with their busy schedules. In respect of the account types a high percentage (78%) operates Savings account while Current Account users had 19.8%

Table 1- Description Statistics of the Sample

Profile	Category	No	%
Age	< 18	10	2.5
	19 – 40	296	50
	41 – 60	80	20
	> 61	34	7.5
Education	Primary	--	--
	Secondary	12	3
	Diploma	84	21
	Graduate	304	76
Occupation	Student	180	45
	Service	36	9
	Business	100	30
	Professional	64	16
Account Type	Savings	312	78
	Current	79	19.8
	Others	9	2.2

7.2 **ADOPTION OF THE VARIOUS E-BANKING TECHNOLOGIES BY AGE**

In Nigeria, the ATM and Internet Banking are the most popular e-banking technologies. Credit and Debit Card technologies have been overtaken by Internet Banking. Below is the distribution of e-banking technologies by age.

Table 2

Age	ATM	Internet Banking
< 18	6	--
19 –40	205	58
41 – 60	62	46
> 61	25	28
	298	132
	(98%)	(33%)

From the above table, about 98% of the respondents indicated that they adopted ATM Banking while 33% claimed to have adopted Internet Banking. The result indicated that many customers have not adopted Internet Banking. The reason is not so farfetched. Internet Banking requires the use of specialised phones which for now are expensive. It equally requires the use of PC and functional internet connectivity, the cost of which is on the high side in Nigeria.

7.3 **ANALYSIS OF PERCEIVED BENEFIT OF E-BANKING TECHNOLOGY**

The following statements relating to the perceived importance of e-banking were incorporated into the questionnaires.

- (i) E-banking services are faster than the traditional Banking LABELLED – FAST
- (ii) E-Banking services are generally cheaper than the traditional Banking LABELLED – CHEAP
- (iii) E-Banking services are more prestigious than queuing at the Bank halls LABELLED – PRESTIG
- (iv) There is high degree of convenience in e-Banking LABELLED – CONVE
- (v) E-Banking has no time limit LABELLED – NO TIME



Table 3 Perceived Benefits of E-Banking Technology

Variables	SA	A	U	D	SD
FAST	201	181	5	10	3
CHEAP	197	200	3	4	--
PRESTIG	285	111	--	1	3
CONVE	172	217	--	5	6
NO TIME	208	192	--	--	--

PERCENTAGE ANALYSIS

	FAST	CHEAP	PRESTIG	CONVE	NO TIME
SA & A	95.5%	98.25	99%	97.25%	100%
SD & D	3.25%	1%	1%	2.75%	--
U	1.2%	0.75%	--	--	--

In the above percentage analysis most of the respondents agreed that E-Banking is fast, cheap, prestigious, convenience and of no time limit. Most of them either strongly or moderately agreed that there are a lot of perceived benefits associated with E-banking as all the variables had above 95%

8. CONCLUSION

This paper has responded to its research questions. The result of the survey indicated a high adoption level of E-Banking in Nigeria. The ATM technology is widely used and the internet Banking is gradually being patronised. Research indicated that there is an increasing awareness of internet Banking. However an important factor that affects its usage is the cost of connecting to the net in Nigeria. This is in line with research finding of (Hung and Le 2008). This study also indicated that e-Banking is fast, cheap, prestigious, convenience and available 24/7. However, the result of the personal interviews indicated that the security measures are not adequate for the successful conduct of e-banking in Nigeria.

## 9. RECOMMENDATION

Owing to the fact that e-Banking is gaining increasing popularity globally, it is therefore important to establish adequate security measures not only in Nigeria but in other countries of the world. Every transaction in E-Banking should have some desirable properties like authenticity, confidentiality, unforgivable and integrity.

The internet Banking usage in Nigeria needs to be improved upon. This highlights the need for adequate telecommunications infrastructure, culture of using e-banking and legal and regulatory framework.

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