

A COMPARATIVE STUDY OF E-BANKING ADOPTION IN NIGERIA AND MALAYSIA

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Abstract

One of the emergences of Information and Communication Technology (ICT) is the E- banking system. E-banking has revolutionized the way banking is conducted. This study aims at examining the practises of E-banking in the banking sectors of Nigeria and Malaysia, looking at their similarities and differences with a view to identifying possible areas for the improvement of either nation's E-banking practises. Specifically, it looks at the various banking services available through internet banking in Nigeria and Malaysia, explains the factors influencing internet banking adoption in both countries, the factors impacting negatively on customers, stating the various perceptions of Internet banking and its operational value. The study is a survey which involves the use of a data collection questionnaire administered to both bank customers and staff in Nigeria and Malaysia. The study provides some recommendations towards improving internet banking in Nigeria such as developing appropriate internet banking marketing and security strategies that maximizes value for customers and satisfaction in the long run.

Keywords: ICT, ATM, E-banking.

1. INTRODUCTION

Internet Technology has changed the design and the process of delivering financial services by the banking industry. The use of technology have created a competitive stage whereby banks that use latest and innovative of communications and information technology in delivering their services have edge over banks that are not. The continuous innovations in the field of communications and information technology lead to the emergence of e-banking (Akram, Jassim and Hassan, 2011).

Internet Banking is an electronic payment system that enables customers of a financial institution to conduct financial transactions via the institution's website (Wikipedia). In other words internet banking, also known as online banking, can be defined as an internet portal through which customers can access banking services such as fund transfer, bill payment, marketing, etc. (Akram, Jassim and Hassan, 2011)

Banking services through the internet makes customers banking activity easier and thus aids the banks in keeping their existing customers and even attract more customers to the bank. Compared to the traditional approach to rendering banking services, online banking is an inexpensive straightforward way to conduct banking business, exchange of personalized information and buying and selling goods and services from any place at any time. Despite the many benefits provided by this service to the bank and its customers, security is a big issue because of the increasing physical distance between the bank and customers which leads to lack of confidence on both the customers and their banks. As a result, the quality of the electronic banking services, most especially security measures, becomes an important area of attention in the banking industry. The quality of the e-banking services has a strong influence on the business performance, costs, customer satisfaction and customer confidence (Akram et al., 2011).

The objective of this study is to examine the practises of E-banking in the banking sectors of Nigeria and Malaysia, looking at their similarities and differences with a view to identifying possible areas for the improvement of either nation's E-banking practises. Specifically, it looks at the various banking services available through internet banking in Nigeria and Malaysia, explains the factors influencing internet banking adoption in both countries, the factors impacting negatively on customers, stating the various perceptions of Internet banking and its operational value.

The other parts of this paper are organised as follows: Section 2 presents related works reported in the literature within the past two decades. Section 3 discusses the method used in this study. The results and discussion are presented in Section 4 and the paper is concluded in Section 5 with some recommendation of the study.

2. RELATED WORKS

In the last two decades several studies have reported a large number of factors affecting customer intention to use internet banking. This section presents some of these studies.

Akram et al., (2011) proved that the perceived usefulness, perceived ease of use and perceived credibility are the main important determinants of internet banking adoption, all these three factors have a great influence on the customers acceptance of the system.

Wai-Ching(2008) identified ten significant factors related to the users' adoption of e-banking services. Security and Privacy were the major sources of dissatisfaction and played an important role in determining the users' acceptance of e-banking services with respect to different segmentation of age group, education level and income level. The other factors such as accessibility, convenience, design and content were sources of satisfaction.

Shilpan,(2003) stated that E-banking is a borderless entity permitting anytime, anywhere and anyhow banking. This facilitates us with all the functions and many advantages as compared to traditional banking services. During this step of the process, controls that could mitigate or eliminate the identified risks, as appropriate to the organization's operations, are provided. The goal of the recommended controls is to reduce the level of risk to the IT system and its data to an acceptable level.

Tittrade, (2002) recommended that banking industries should have a clear and widely disseminated strategy, ensure they have adequate management information, take a strategic and proactive approach to information security and adopt systems with adequate capacity and scalability.

Chen and Barnes (2007) pointed out that “(PU), perceived security, perceived privacy, perceived good reputation, and willingness to customize are the important antecedents to online initial trust.” It is also discovered that both online initial trust and familiarity with online purchasing have a positive impact on purchase intention.

Aderonke and Charles (2010) found that “Banks’ customers who are active users of e-Banking system use it because it is convenient, easy to use, time saving and appropriate for their transaction needs. Also the network security and the security of the system in terms of privacy are the major concerns of the users and constitute hindrance to intending users.”

Sadeghi and Hanzaee (2010) perform a model with the following seven factors: convenience, accessibility, accuracy, security, usefulness, bank image and web site design. And considered them as the main determinants of customer’s quality perception in e-banking services.

Finally Yap, K et al. (2010) who concentrated on the traditional service quality and website features and their influence on building consumers trust in e-banking.

3. METHODOLOGY

The method used in this paper is the survey approach in which a data collection instrument is developed in order to assess the factors influencing the practises of E-banking in the banking sectors of Nigeria and Malaysia. The survey questions borderson the customers’ perceived usefulness; ease of useand credibility or reliability of the Internet Banking system deployed by the customers’ banks.

The survey was conducted during the second quarter of year 2014 where the data collection instrument, questionnaire, was used to collect data from customers (selected randomly) of different banks in each of the banking industries (Nigeria and Malaysia).A total of three hundred and seventy two useful responses were collected. Figure 1 gives the number of respondents from each of the banking industries.

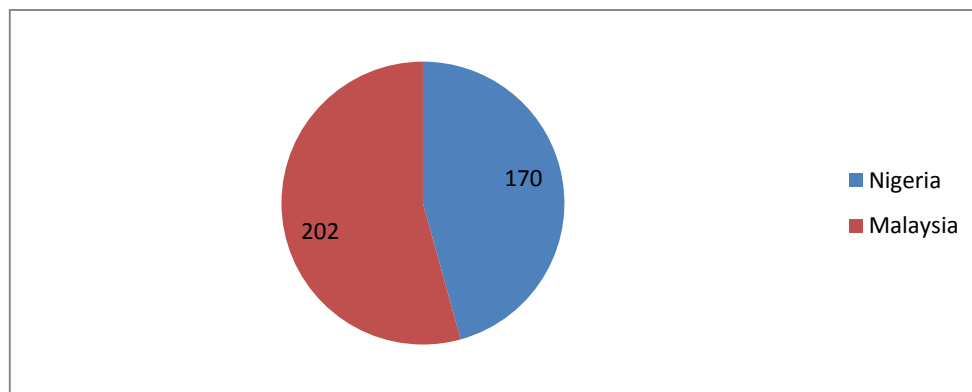


Figure 1: Number of Respondent in Nigeria and Malaysia

4. RESULTS

4.1 Demographic Data

Figure 2 and Figure 3 present the gender distribution and age distribution of the respondents in both banking industries.

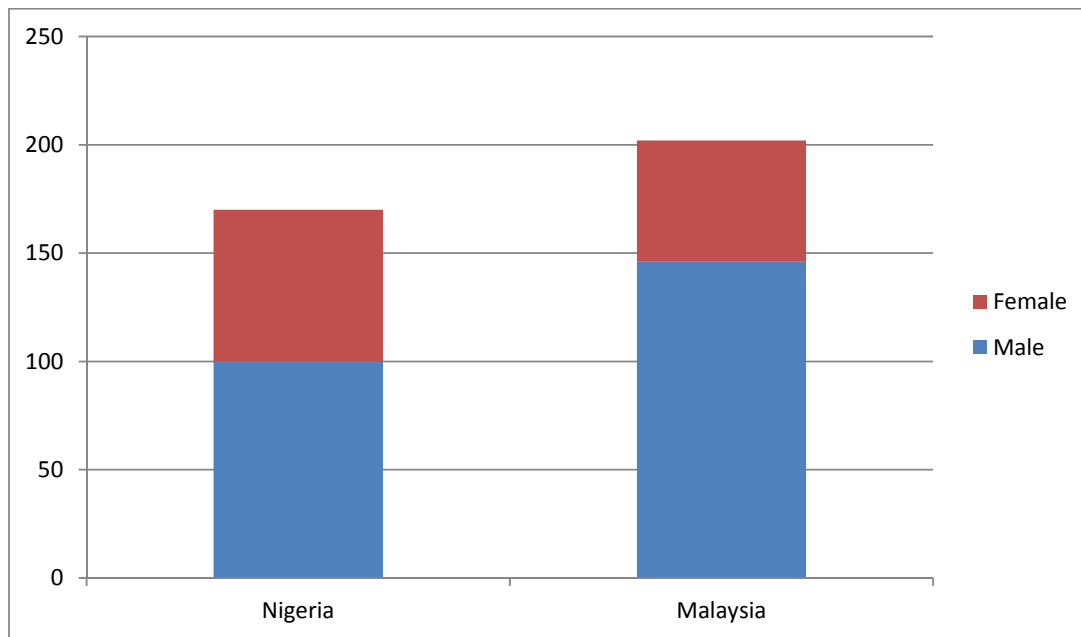


Figure 2: Gender Distribution

The gender distribution shows that in Nigeria, 59% of the total respondents were male while 41% were females; and in Malaysia, 72% of the respondents are male while 28% were female. This clearly shows that there were more male participants than females in both Nigeria and Malaysia. This may be attributed to the simple random technique used in selecting respondents. Comparatively, there are more Nigerian females respondents than the Malaysian female respondent, and there are more Malaysian respondents than the Nigerian respondents.

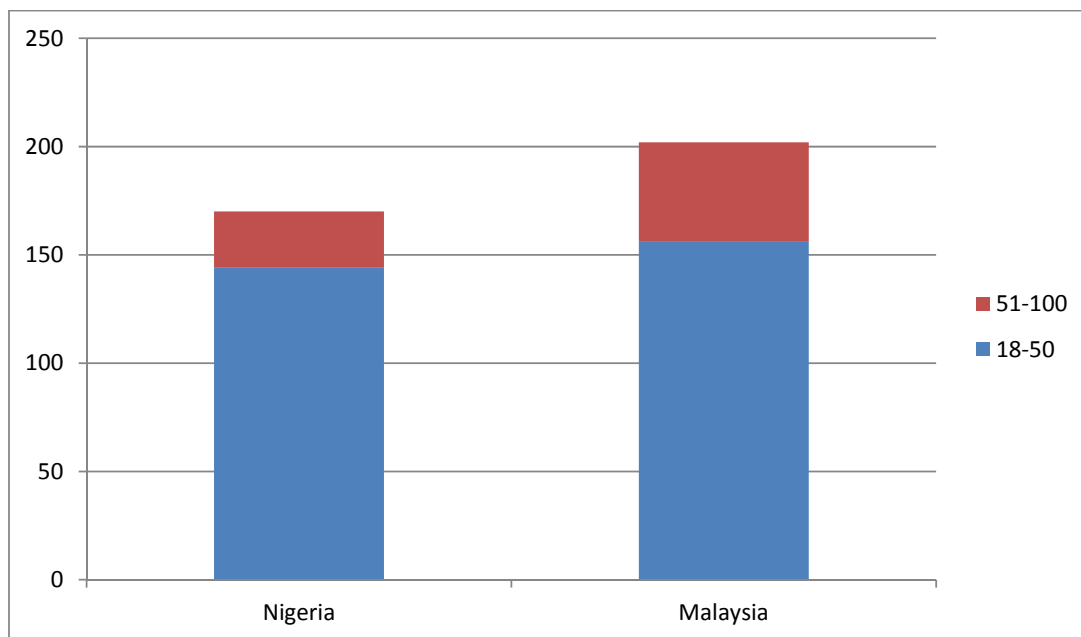


Figure 3: Age distribution

4.2 Internet Banking Services

The products and services that customers of internet banks indicated their banks offered through internet banking were the same as what was found on the banks websites, brochures, and commercials. The responses from customers were especially important because most

services could only be assessed with a customer password and cannot be confirmed by only visiting the websites.

Based on the type of responses to the questions in the questionnaire, there are two categories of responses; Figure 4 and Figure 5 present the data distribution for the “YES/NO” response category for Nigerian and Malaysia Respectively.

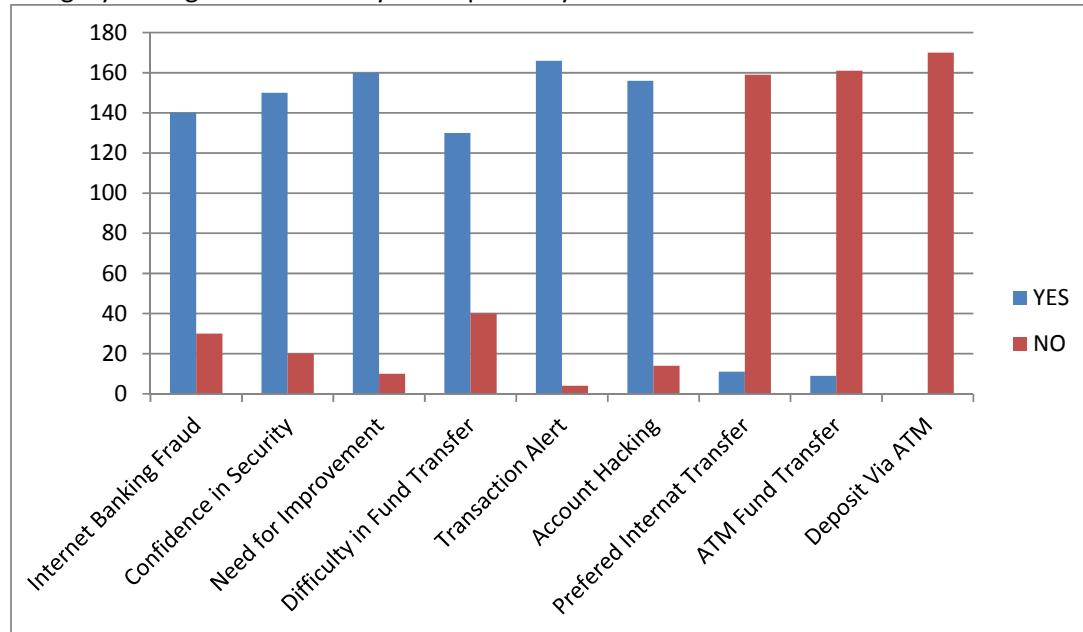


Figure 4: Nigerian Distribution of the YES/NO questions

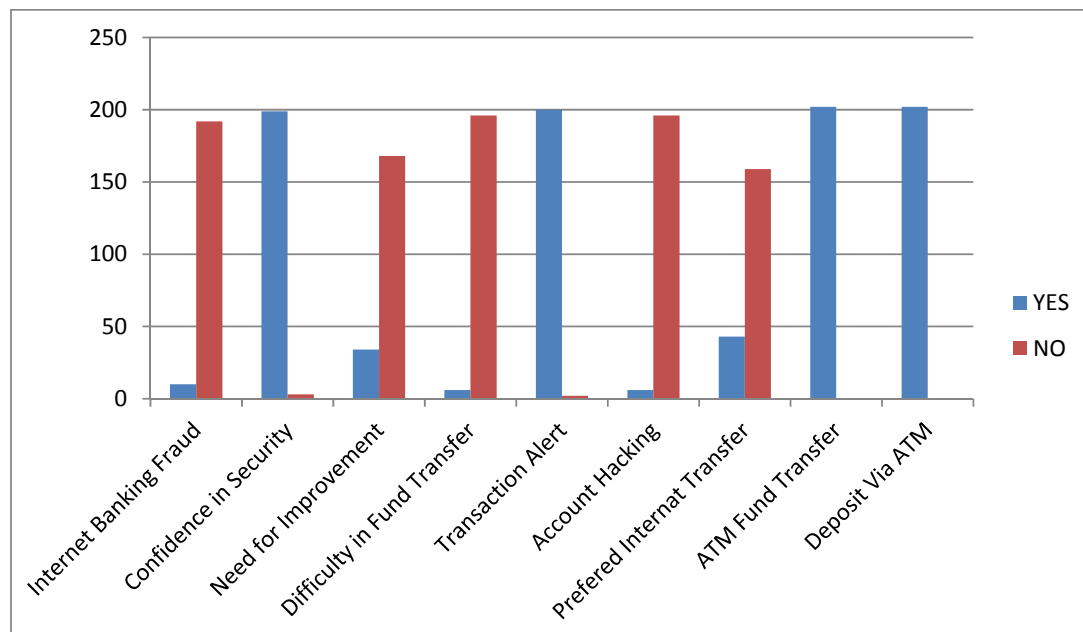


Figure 5: Malaysian Distribution of the YES/NO questions

Figure 6 shows the distribution of the response for the preferred medium for fund transfer in the two banking industries.

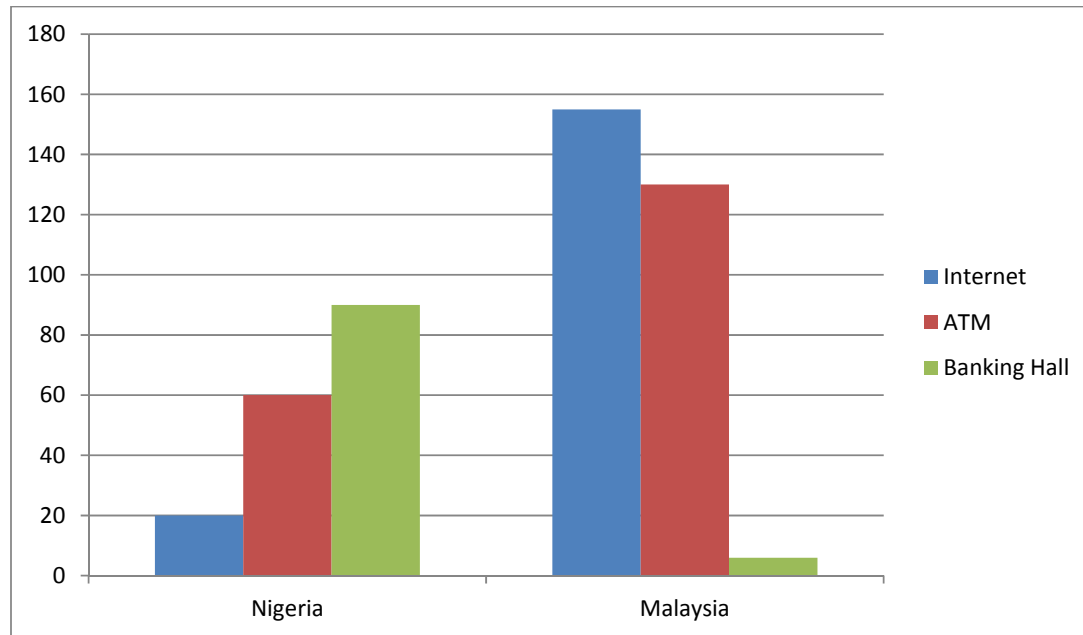


Figure 6: Preferred Medium for Transferring Fund

4.3 Factors Influencing Internet Banking Adoption in Nigeria and Malaysia

Reasons given by bank staff during interviews for introducing internet banking included profit, competition, convenience and customers request. The reasons centred mostly on customer request, competition, and convenience. Factors deduced from respondents during interviews and after distributing the questionnaires for influencing Internet Banking adoption in Nigeria are as follows:

- The ability to adopt global technology to local requirements: An adequate level of infrastructure and human capacity building are required before developing countries can adopt the global technology for their local requirements. For example, the review of the migration plan of Society for Worldwide Interbank Financial Telecommunications (SWIFT) to the internet shows that to date full migration has not occurred in many developing countries due to the lack of adequate infrastructure, working capital, and required technical expertise. Broadly accepted e-payment systems are another such example. Many corporate and consumers in some developing countries either do not trust or do not have access to the necessary infrastructure to be able to carry out e-payment transactions.
- The ability to strengthen public support for e-finance: Historically, most e-finance initiatives in developing countries have been the result of cooperative efforts between the private and public sectors. For example, Singapore's successful Trade Net system was a government-sponsored project. If the public sector does not have the necessary means to implement the projects it is essential that cooperative efforts between public and private sectors, along with the multilateral agencies like the World Bank, be developed to facilitate public support for e-finance related initiatives.
- Confidentiality, integrity and authentication are very important features of the banking sector and were very successfully managed the world over in pre-internet times.

Communication across an open and thus insecure channel such as the internet might not be the best base for bank-client relations as trust might partially be lost(Jayshree,2013).

- E-Banking has created many new challenges for bank management and regulatory and supervisory authorities. They originate not just from increased potential for cross border transactions but also for domestic transactions based on technology applications which raise many security related issues(Jayshree,2013). The Basel Committee on Banking Supervision's Electronic Banking Group (EBG) (2001) has defined risk management principles for electronic banking. They primarily focus on how to extend, adapt, and tailor the existing risk-management framework to the electronic banking setting. It is necessary to know whether the efforts undertaken by the RBI are sufficient to ensure a reasonable level of security (Jayshree,2013).
- Fifth, there are some serious implications of international e-banking. It is a common argument that low transaction costs potentially make it much easier to conduct cross-border banking electronically. For many banks, cross border operations offer an opportunity to reap economies of scale. But cross-border finance also needs a higher degree of cross-border supervision. Such cooperation may need to extend to similar supervisory rules and disclosure requirements (for efficiency and to avoid regulatory arbitrage) and some harmonising of legal, accounting and taxation arrangements.

4.4 Discussion Of Result

From the survey conducted, it can be deduced that internet banking fraud is very high in Nigeria compared to Malaysia and this has created a low customers' confidence in e-banking security in Nigerian. Also, more banking transactions can be carried out on ATM in Malaysia than the ATMs in Nigeria; very insignificant number of customer transfer funds via ATM in Nigeria.

In Nigeria, there is always difficulty in funds transfer, this is usually due to the poor internet services available in the country. Malaysia on the other hand finds it easy to transfer funds .Alert of transactions been done is high in both countries, this means that as soon as transaction is been done, bank customers in Nigeria and Malaysia get alerts almost immediately. There is a high rate of account hacking in Nigeria and very low cases of account hacking in Malaysia.

The results of this study have shown why majority of people in Nigeria still prefer going to the banking hall for business transactions which is really keeping us backwards in terms of technology advancement.

5. Conclusion/Recommendation

The banking industry has been a leader in the e-business world in recent years. One of the benefits that banks experience when using e-bankingis increased customer satisfaction most especially because customers can have access to their accounts and perform transactions whenever they want to and from wherever they are through e-banking by using distributed channels such as ATM, Internet and POS. This paper presented a comparative study on the practise of e-banking in two contemporary developing states: Malaysia and Nigeria, with a view to examine the perception of bank customers in the two states and room for improvement in either state.

The e-banking revolution in Malaysia has fundamentally changed the business of banking by scaling borders and bringing about new opportunities. It has also strongly impacted the strategic business considerations for banks by significantly cutting down costs of delivery and transactions. It must be noted, however, that while e-banking provides many benefits to customers and banks, it also aggravates traditional banking risks. Unlike in Malaysia, Nigeria

faces many impediments that affect the successful implementation of e-banking initiatives. Some of these impediments include lack of a good secured e-banking system, lack of awareness to customers, lack of good internet services in the country and unavailability of sophisticated infrastructures.

Finally, from this study the following recommendations are made:

- 1.) Banks in Nigeria need to offer knowledge to their customers about transactions security and privacy as done in Malaysia in order to increase the customers' trust in using the e-banking systems.
- 2.) Internet banking is gaining more popularity and becoming important in doing financial transactions, so Bank's managers both in Nigeria and Malaysia have to improve their services to attract more customers.
- 3.) The Central Bank of Nigeria can collaborate with its counterpart organisations in countries such as Malaysia in order to understudy their banking security measures with a view to enact customer security policies for banks in Nigeria and also to improve the banking system infrastructures.

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